



Questions and Answers

1. Why is the CAA reviewing its fees, charges and levies again when a review was completed only last year?

A review is carried out every three years so that fees, charges and levies are kept at an appropriate level, and so that the CAA is funded to carry out its regulatory responsibilities adequately. The current review of fees and charges will not be implemented until 2016. This will give adequate time to ensure that the aviation sector is appropriately consulted and provide an opportunity to make changes based on this feedback.

2. Why are fees, charges and levies reviewed every three years?

It is Government policy that reviews of fees, charges and levies are carried out regularly. In the CAA's case this is every three years.

3. Why are you doing this review in two stages?

The Minister of Transport agreed that the Triennial Funding Review of fees, charges and levies should be carried out in two stages to ensure fees, levies and charges are set fairly and appropriately:

§ **Stage One** comprised a review of the basis upon which fees, charges and levies are struck. This stage examines the various CAA regulatory activities to determine whether they are public, organisation specific or private good, or a mix of these. It then determined who the beneficiaries of those activities are, and established a methodology for setting the various fees, charges and levies that the CAA applies.

This stage did not include consideration of the levels of those fees, levies and charges.

§ **Stage Two (this stage)** has applied the methodology developed in Stage One to propose adjustments to the rates of the levies, fees and charges to be applied by the CAA between 2016 and 2019. It also proposes the introduction of new operations and operational safety levies to be applied to other commercial operations.

Feedback from stakeholders is important at both stages of the funding review to ensure that levies and fees are set in a way that promotes the right outcomes for the civil aviation industry.

4. Can the 13 week timeframe be extended?

No. This stage focuses on the actual values of the fees charges and levies, 13 weeks is sufficient, even with the inclusion of the Christmas break in the consultation period. We also need to be able to analyse the results of the consultation to advise the Minister of our recommendations in a timely manner.

5. What are the main changes outlined?

The outcome we seek is an improvement in the CAA's financial and business model, so that costs fall where they should fairly and reasonably lie, and that levies, fees and charges are appropriate and balanced.

The funding options currently being consulted on by the CAA are summarised in the table below.

Funding Options	Preferred Proposals
Retaining the status quo (from the 2012 review)	<ul style="list-style-type: none">Fixed fees and charges remain unchanged, except for the Medical Certification fee;Retention of the status quo subject to the modifications below.
Changing who pays	<ul style="list-style-type: none">Establish new operator and operations safety levies for commercial activities undertaken under Rule Parts 115 — Sport and Recreation, 121 and 125 – Passenger Operations, 135 — helicopters and small aircraft operations, and 137 — Agricultural Aircraft OperationsEstablish a freight only per flight levy for freight operations departing within or from New Zealand.Recover cost of external expert technical capability, where that capability is not available within the CA
Changing how they pay	<ul style="list-style-type: none">Changes to passenger levy rates, equalising domestic and international PAX levies, and setting ANZA levy at 98% of the prevailing domestic PAX levy.Funding routine surveillance and audit activity through participation, operator , operations and passenger levies, with follow-up surveillance actions attracting a direct chargeRetain charges for certification and licensing of participants, organisations and aircraft, but with some change to the way in which these charges are applied (aimed at simplification of the charges regime)Adjust the fees charged for medical certification
Other	<ul style="list-style-type: none">Various changes to regulations regarding audit of returns, charging for non-CAA professional and/or technical expertise, penalties, etc.

6. When are the changes expected to take effect and how will they be implemented?

We are working to have the new fees charges and levies to take effect subsequent to 1 July 2016.

Implementation will be by way of a change to the Civil Aviation Charges Regulations (No 2) 1991, and the Civil Aviation (Safety) Levies Order 2002. Participants will be notified of the changes that will affect them.

7. How do potential changes in fees, charges and levies pressure the regulator to be more efficient?

Charging for the surveillance activity introduces the potential for that activity to increase to meet any revenue shortfall, because the CAA may be incented either to under-do surveillance activity to save the participant money, or over-do surveillance activity to generate revenue to meet a budget shortfall.

Funding surveillance activity from levy based revenue would require the CAA to:

- § carry out its surveillance role irrespective of the revenue stream they might generate if fee based; and
- § to apply risk assessment and management, and good business practice to ensure effective and efficient regulatory service delivery within fixed revenue.

8. Is it likely there will be changes to fees, charges and levies; and if so by how much?

The Board of the CAA has focused, and continues to focus, on ways to reduce the regulatory compliance costs on participants, and the Review Team are well aware of the Board's, and indeed the Government's, expectations in this regard.

However, the introduction of new aircraft types, advances in technology, and changes in passenger numbers mean New Zealand's aviation sector is undergoing constant change. It is important that fees, charges and levies are set at levels that appropriately reflect the regulatory oversight needs of the aviation system (including changing demands, public expectation, technology change, etc.). This may mean increases in some cases and reductions in others.

9. How does the CAA ensure that the use of hourly charges does not result in simply charging for more hours to balance budgets?

We have included a proposal to transfer the funding of surveillance (audit and inspection) activity from a fee based to a levy based charge. This essentially ensures that surveillance will be funded from a finite income rather than being hourly-charge based. Follow up actions required to ensure compliance by a participant would continue to be hourly-charge based.

Other activities that are currently funded by hourly based charges include various certification and approvals activities. Because these activities are heterogeneous, it is not possible to determine a simple, single, charge per unit. (e.g. certificating a Boeing B787 Dreamliner vs a Robinson R22 helicopter). No change in the hourly rates set in 2012 for these activities is proposed.

10. What about Medical Certification Fees?

There has been significant comment from the aviation sector about the level of fees for medical certification.

This review provided the opportunity to reassess the basis for the fees charged and the actual level of the fees has been addressed as part of Stage Two.

11. Why have you changed your approach to medical application fees again?

Currently, a pilot or air traffic controller pays the full costs of the CAA completing medical certification. The premise for this position (as set out in the 2012 funding review) is that the pilot, for example, accrues the only benefits from being deemed medically fit, and thus should pay the full costs of the CAA's regulatory activity (i.e., the regulatory activity results in a private good).

The work completed on Stage One suggests that the "private good" assessment needs to be adjusted, as part of the benefit derived from the medical certification process is assurance that a person is medically fit to fly. In other words, there is either a club or a public good benefit associated with the regulatory activity and this should be reflected in the cost recovery framework for medical certification.

12. What about the small private recreational flier?

While many of the fees and charges do not apply to small private recreational fliers, those that do have been considered as part of the funding review.

This review provided the opportunity to reassess the basis for the medical certification fees charged and the actual level of the fees will be addressed as part of Stage Two.

13. What is the relationship between this review and the new Border Control Levy (BCL)?

There is no relationship, other than them both being levies upon departing passengers.

The new BCL is being imposed by Customs and the Ministry of Primary Industries.

14. Will there be any changes to Civil Aviation Rules, or other procedures?

It is unlikely that any Civil Aviation Rules will be affected by the proposals of the review.

However there will be changes to the Civil Aviation (Safety) Levies Order 2002, and the Civil Aviation Charges Regulations (No 2) 1991.

CAA procedures are under regular review and changes may occur from time to time. Participants will be notified of the changes that will affect them.

15. On what basis have the new rates been calculated?

The new levy rates are based upon the financial requirements of the CAA over the term of the fees, and distributed across the various sectors of the aviation system, based upon the oversight demand from those sectors. This review has resulted in an interim situation as the revenue sourced from the Other Commercial sector is still insufficient to fund the oversight of that sector. The new Operations Safety Levies would be phased in over three years. It is expected that this will change over time.

16. Has the review considered 'cross-subsidisation'?

We are seeking an improvement to the CAA's financial and business model, with costs being assigned where they should reasonably lie, so there is an appropriate balance of fees, charges and levies. This is why we have sought feedback on **who** should fund certain activities and **how** they should fund them. This will enable us to rebalance the fees, charges and levies so that they more appropriately reflect the risks and benefits within the aviation system.

This review has resulted in an interim situation as the revenue sourced from the Other Commercial sector is still insufficient to fund the oversight of that sector. It is expected that this will change over time.

17. What happens after this consultation?

After consultation, the feedback received will be analysed, and recommendations will be put to the CAA Board. The recommendations from the Board to the Minister will involve the CAA setting out why it proposes what it does, the options considered, and the views of those consulted in both stages of the funding review, and the proposed new fees charges and levies.

18. If changes to fees, charges and levies result in a surplus will the CAA return this to the industry?

The Civil Aviation Act does not currently provide this flexibility. However, one of the options for discussion provides a mechanism to make changes for fees, charges and levies to be adjusted if under-recovery, or over-recovery, occurs.

19. Why can't the Government provide the CAA with more funding?

The Government already makes a significant financial contribution to the CAA, and funds civil aviation activities that relate to Government policy. It also funds some regulatory oversight of the sector (for example, Health and Safety in Employment oversight in aviation).

20. Why can't the Government simply fund all the CAA's expenses?

This would be inconsistent with the Civil Aviation Act 1990, and current Government policy. Change to the provisions of the Act in this regard is outside the parameters of this consultation.

21. Why should the aviation sector meet some of these costs?

The CAA's funding principles and the charging guidelines set by Treasury and the Office of the Auditor-General mean it is appropriate that the aviation sector should meet the costs of regulatory oversight of the sector.

22. How can I find out more about proposed changes?

You can access a copy of the detailed Consultation document from <http://www.caa.govt.nz/funding/index.html>

23. How can I provide feedback??

Feedback should be provided to the Civil Aviation Authority by close of business on Friday, 19 February 2016 to:

Project Manager –Funding Framework for Regulatory Services Review
 Civil Aviation Authority
 P O Box 2165
 Wellington

Email: consultation@caa.govt.nz

24. What is the CAA doing to help people learn more?

The CAA will be hosting seminars around the country to provide an opportunity for those affected to learn more about how the changes may affect them. Please see www.caa.govt.nz for further information. At the seminars, we will explain the options and seek participants' views on them.

Consultation seminars will be held at the following venues:

City	Date	Time	Location
Wellington	Thursday 26 November	1800 - 2100	Civil Aviation Authority, 15.05 Level 15, Asteron Building, 55 Featherston Street, Wellington
	Friday 27 November	0930 - 1230	
Queenstown	Monday, 30 November	1800 - 2100	Copthorne Hotel and Resort Lakefront, Cnr Frankton Rd & Adelaide St, Queenstown 9300
	Tuesday 1 December	0930 - 1230	
Christchurch	Tuesday 1 December	1800 - 2100	Air Force Museum, 45 Harvard Ave, Wigram, Christchurch 8140
	Wednesday 2 December	0930 - 1230	
Nelson	Wednesday 2 December	1800 - 2100	Grand Mercure Nelson Monaco, 6 Point Road, Monaco, Nelson 7011
	Thursday 3 December	0930 - 1230	
Auckland	Thursday 3 December	1830 - 2100	Holiday Inn Airport, 2 Ascot Rd, Mangere, Auckland 2022
	Friday 4 December	0930 - 1230	
Hamilton	Monday 7 December	1800 - 2100	Hamilton Airport Hotel, Airport Road, Rd 2, Hamilton 3283
	Tuesday, 8 December	0930 - 1230	
Palmerston North	Tuesday, 8 December	1800 - 2100	Convention Centre, 354 Main St, Palmerston North, 4410
	Wednesday 9 December	0930 - 1230	