

Cost recovery impact statement

Maritime NZ Review of
Levies funding for
2024/25 – 2029/30



Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by Maritime New Zealand as part of its Review of Levies Funding for 2024-2030. It is based on Treasury's Stage 2 Cost Recovery Impact Statement template which is designed specifically for proposals seeking agreement on changes to cost recovery levels. The changes sought are to the amount of Maritime Levies and Oil Pollution Levies recoverable from levies payers from 1 July 2024 until 30 June 2030. If the changes are agreed Maritime NZ will be able to operate on a full cost recovery basis over that period.

The CRIS provides an analysis of proposals for additional levies funding that have been developed by Maritime NZ as the least cost means to:

- attend to identified regulatory risks arising from Maritime NZ's current capacity;
- continue to meet maritime related commitments made by Government since Maritime Levies rates were last set in 2018/19;
- ensure the methodology for allocating sector risk share and liability for Oil Pollution Levies is fit for purpose given significant changes in the maritime operating environment;
- ensure Oil Pollution Levies revenue is sufficient to deliver New Zealand's Marine Oil Spill Readiness and Response Strategy; and
- factor in cost pressures forecast across the full range of services and activities funded by Maritime Levies into the Maritime Levies related proposals.

Key gaps

There are no gaps noted in the analysis undertaken on the formation of the proposals, their impact on levies payers, and the consequences if they are not given effect.

Assumptions

The level of additional Maritime and Oil Pollution Levies revenue achievable through revised levies rates is modelled on the assumption of a full return to pre-COVID-19 maritime activity levels by 1 July 2024.

Under the status quo, none of the proposals (with the exception of the OPL methodology proposal) can be effected. The implications of the status quo option are set out in Table 1.

In developing and costing the proposals Maritime NZ looked closely at whether a scaled down option for each would be feasible to consult on alongside the 'full' proposals. We applied a set of principles to identifying which proposals could *potentially* be effected with less funding or could be delayed. Of the eight proposals there were three where a scaled down option would not create existing investment waste or exacerbate the risk of regulatory failure (although they would prolong addressing potential regulatory failure).

Dependencies

There are no dependencies on the analysis set out in the CRIS.

Constraints, caveats or uncertainties concerning the analysis

The analysis is not constrained, there are no caveats to it and no uncertainties impacting the reliability of it.

Time and Expectation constraints

Since 2021 the Crown has provided liquidity funding to Maritime NZ to meet levies revenue gaps arising from a delayed funding review, changes to the oil operating environment, COVID-19 related reductions in maritime activity, and the cost of implementing two Government commitments made after Maritime NZ's last funding review in 2018/19. The funding was provided on the expectation that Maritime NZ will move to full cost recovery from 1 July 2024. This can only be achieved if the proposals set out in this CRIS are agreed. Neither of these constraints have impacted the reliability of the analysis or influenced the rationale for cost recovery through levies.

Further work required before any decisions could be implemented

If the recommendation to adopt the proposals is agreed, the process for regulatory amendment will need to be followed. This includes the drafting of amendments to the Maritime Levies Regulations 2016 and the Maritime Transport (Oil Pollution Levies) Order 2016.

An initial version CRIS was originally published on 17 July 2023 as part of the public consultation on the proposals. It was updated following public consultation and finalised after feedback from the Te Manatu Waka Regulatory Impact Assessment Panel.

Prepared by: Louise Dooley, Policy Lead Maritime NZ Levies Funding Review


Signature

31 October 2023
Date

CONTENTS

Agency Disclosure Statement	2
Glossary and Abbreviations	4
Executive Summary	7
Status quo.....	8
Cost Recovery Principles and Objectives	16
Policy rationale - proposals align to current policy	17
The level of the proposed fee and its cost components (cost recovery model).....	20
Forecast revenue	20
Costing the activity.....	20
Impact analysis	23
Impact of the proposed levies increases	23
Impacts/risks on the regulator	23
Expected effects on demand for services	23
Reasonableness of levies rates arising from the proposals	24
Consultation.....	25
Scaled options	27
Conclusions and recommendations	29
Implementation plan.....	29
Monitoring and evaluation	30
Review	32
Appendices	33
Appendix 1: Current versus proposed Maritime Levies factors	33
Appendix 2: Examples of current versus proposed Maritime Levies for indicative foreign vessels	33
Appendix 3: Examples of current versus proposed Maritime Levies for indicative domestic vessels.....	33
Appendix 4: Current versus proposed Oil Pollution risk allocation	34
Appendix 5: Current versus proposed Oil Pollution Levies rates	34
Appendix 6: Examples of Foreign vessels paying both Maritime and Oil Pollution levies	35
Appendix 7: Examples of Domestic vessels paying both Maritime and Oil Pollution levies	35
Appendix 8: Summary and analysis of submissions	36
List of tables	
Table 1: The status quo and problem being addressed	9
Table 2: Evidence to support the problem, proposed intervention and expected outcomes and benefits.....	11
Table 3: Statutory authority and alignment to cost recovery guidelines and principles	19
Table 4: Proposed Maritime Levies revenue (\$m)	20
Table 5: Proposed Oil Pollution Levies revenue (\$m)	20
Table 6: Cost components of proposals.....	20
Table 7: Supporting evidence to costs	21
Table 8: Submitter quotes in support of proposals	26
Table 9: Submitter quotes: do not support or partial support	27
Table 10: Scaled options	28
Table 11: Proposed measures	31

Glossary and Abbreviations

COVID-19	Coronavirus disease of 2019
Cape Town Agreement	<p>Cape Town Agreement</p> <ul style="list-style-type: none"> - This is an IMO convention dealing with the design, construction, equipment and training standards for large commercial fishing vessels that operate on the high seas. It is an internationally binding instrument that includes compulsory requirements for stability and associated seaworthiness, machinery and electrical installations, life-saving appliances, communication equipment and fire safety, as well as fishing vessel construction.
Enforceable Undertaking	<p>An enforceable undertaking</p> <ul style="list-style-type: none"> - An agreement between Maritime NZ and a duty holder. It is entered into voluntarily by the duty holder following a breach (including an alleged breach) of the Health and Safety at Work Act 2015 and, once in place, is legally binding. It is generally used as an alternative to prosecution. - The agreement details the actions the duty holder will undertake to respond to the contravention. These actions are expected to: <ul style="list-style-type: none"> o support progressively higher standards of work health and safety for the benefit of the workers and/or work and/or workplace, the wider industry or sector, and community o remedy the harm caused to any victim(s).
Equipment stockpiles	<p>Equipment stockpiles</p> <ul style="list-style-type: none"> - The equipment used to respond to an oil spill is stored and maintained at Maritime NZ's Marine Pollution Response Service warehouse in Te Atatu, Auckland. Over 20 equipment stockpiles are also located around the country. The amount and type of equipment available in each location is based on the anticipated risk and size of a spill. For example, regions with major oil terminals have larger stockpiles and specialist equipment.
FTE	Full Time Equivalent staff
HSWA	<p>Health and Safety at Work Act 2015</p> <ul style="list-style-type: none"> - The Health and Safety at Work Act 2015 is New Zealand's workplace health and safety law. - Maritime New Zealand is a designated health and safety regulator under the Health and Safety at Work Act 2015 for work on board ships and ships as places of work, and from 1 July 2024 for work conducted at commercial ports. - All Maritime NZ activity relating to its designated HSWA regular functions is cost recovered through HSWA Levies funding.
IMO	<p>International Maritime Organization</p> <ul style="list-style-type: none"> - The International Maritime Organization is a specialised agency of the United Nations and is responsible for measures to improve the safety and security of international shipping and to prevent pollution from ships. - It is also involved in legal matters, including liability and compensation issues and the facilitation of international maritime traffic. - It currently has 175 member states, including New Zealand.
IMSAS	<p>IMO Member State Audit Scheme</p> <ul style="list-style-type: none"> - The audit scheme, using the IMO Instruments Implementation Code (III Code) as the audit standard, aims to provide an audited Member State with a comprehensive and objective assessment of how effectively it administers and implements those mandatory IMO instruments which are covered by the Scheme. - Audits under the Scheme became mandatory on 1 January 2016. - New Zealand undertook its IMO Member State Audit in September 2022. The auditors considered New Zealand's implementation of its maritime treaty obligations. The audit report was released shortly after, and New Zealand was provided with 90 days to submit a Corrective Plan of Action addressing all of the findings. The plan provides detailed information on action to be taken, including a time frame for the commencement and completion of each action. - New Zealand's audit showed that our maritime systems are fundamentally sound with a number of areas for improvement identified. An audit follow-up will be conducted in three to four years' time to determine the status of implementation of the Corrective Plan of Action. New Zealand will be subject to its second IMSAS audit in seven years, in 2029. All findings and observations will be reviewed at this time to ensure full closure, continuous implementation, and ongoing improvement.

Maritime and marine protection rules	Maritime and marine protection rules <ul style="list-style-type: none"> - Maritime and marine protection rules are statutory instruments (or secondary legislation) made by the Minister of Transport under the Maritime Transport Act 1994. - Maritime rules relate to the safety of ships and people. The rules prescribe requirements for ship design, construction, equipment, crewing, operation and tonnage measurement, and for the carriage of passengers and cargo. Many of the standards are based on international ship safety conventions. - Marine protection rules aim to prevent the disposal of waste and marine pollution from ships. Marine protection rules implement international conventions and standards.
MARPOL	International Convention for the Prevention of Pollution from Ships and MARPOL Annex VI <ul style="list-style-type: none"> - MARPOL is the International Maritime Organization (IMO) convention for the prevention of pollution from ships caused by operational or accidental causes. It was adopted at the International Maritime Organization (IMO) in 1973. - New Zealand is party to the following MARPOL annexes: Annex I Regulations for the Prevention of Pollution by Oil; Annex II Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk; Annex III Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form; Annex V Prevention of Pollution by Garbage from Ships; and Annex VI Prevention of Air Pollution from Ships. New Zealand has not yet acceded to Annex IV, which is focused on sewage pollution from ships. - MARPOL Annex VI is the part of the IMO Marine Pollution Convention that seeks to address the impact of air pollution from shipping activities on human health and environments in and around port communities. It also focuses on the impacts of emissions from shipping activities on climate change and ozone layer depletion. New Zealand acceded to Annex VI on 26 May 2022. - Marine Protection Rules Part 199: Prevention of air pollution from ships entered into force progressively from 26 August 2022. Part 199 gives effect to MARPOL Annex VI.
MOSRA	Marine Oil Spill Risk Assessment <ul style="list-style-type: none"> - MOSRA is a long-established statistical risk assessment methodology that determines sector share of New Zealand's oil spill risk and has been used to inform the setting of OPL rates. - Assessments have taken place at regular intervals since 1992, with each version of the modelling building on the one before. The process takes the history of vessel movements, the risk of coastline damage, the ocean currents (among other things) and assesses a risk weighting for each sector of the maritime industry who are liable for the OPL to determine the share of levy cost that is raised from that sector. The model relies on historical data to generate sector risk shares.
MOSS	Maritime Operator Safety System <ul style="list-style-type: none"> - The Maritime Operator Safety System is a safety management system, implemented to ensure that commercial vessels are maintained and operated safely to prevent maritime accidents and protect the marine environment. - MOSS is given effect through Maritime Rules made under the Maritime Transport Act 1994. - Maritime Rules Part 19 requires that maritime transport operators document and operate to a safety plan. The goal of Part 19 (together with Part 44: Surveyor recognition and ship survey) is to improve the safety of commercial ships operating in New Zealand waters.
MTA	Maritime Transport Act 1994 <ul style="list-style-type: none"> - The Maritime Transport Act 1994 is the primary legislation that describes the role and functions of Maritime New Zealand and its Director. It sets out the legal framework for maritime safety and protection of the marine environment, including: <ul style="list-style-type: none"> o licensing of ships and crew o investigation of maritime accidents o offences, response for oil spills planning and preparedness o other aspects of maritime law such as salvage, liability for pollution damage, limitation of liability, and compensation.
MYA	Multi-Year Appropriation <ul style="list-style-type: none"> - A Multi-year appropriation gives authority to Ministers to incur expenses and capital expenditure for a maximum of 5 financial years (s10(2) and (3) PFA 1989). Like annual appropriations, MYAs are specified in the Appropriation Act. - The Protection of Transport Sector Agency Core Functions appropriation is limited to purchase core services from Maritime New Zealand (and Civil Aviation Authority) that are no longer able to be cost recovered from third parties as a result of COVID-19. - The intent of the appropriation was to address levy shortfalls should maritime and oil pollution levy revenue streams be materially impacted by COVID-19 in order to maintain capability and performance of maritime safety, security and response functions.

PSC	<p>Port State Control</p> <ul style="list-style-type: none"> - Port State Control covers all activities relating to the inspection of foreign ships in New Zealand. - The inspections verify that a ship's condition and equipment comply with international regulations and that its crewing and operation comply with the rules. - The ultimate goal of PSC is to eliminate substandard shipping. By meeting this goal, we would ensure that the vessels visiting our shores are safe, secure, and clean, as well as facilitate the maritime transport of goods to and from New Zealand. - A ship going to a port in one country will normally visit other countries in the region and it can, therefore, be more efficient if inspections can be closely coordinated in order to focus on substandard ships and to avoid multiple inspections. This ensures that as many ships as possible are inspected but at the same time prevents ships being delayed by unnecessary repeat inspections.
SOLAS	<p>International Convention for the Safety of Life at Sea</p> <ul style="list-style-type: none"> - The International Convention for the Safety of Life at Sea is an international maritime treaty that sets minimum safety standards in the construction, equipment and operation of merchant ships. The International Maritime Organization convention requires signatory flag states to ensure that ships flagged by them comply with at least these standards. - A SOLAS ship (as defined in Maritime Rule Part 21) is any ship to which SOLAS convention applies; namely: <ul style="list-style-type: none"> o a passenger ship engaged on an international voyage, or o a non-passenger ship of 500 tons gross tonnage or more engaged on an international voyage - There are some exceptions where certain commercial vessels are required to meet the safety standards of a SOLAS ship. These vessels are required to have an International Safety Management system in place (as per the ISM Code). - These exceptions are: <ul style="list-style-type: none"> o a passenger ship of 45 metres or more in length that proceeds beyond restricted limits o a non-passenger ship of 45 metres or more in length that proceeds beyond restricted limits
STCW	<p>International Convention on Standards of Training, Certification and Watchkeeping for Seafarers</p> <ul style="list-style-type: none"> - The 1978 STCW Convention was the first to establish basic requirements on training, certification and watchkeeping for seafarers on an international level. Previously the standards of training, certification and watchkeeping of officers and ratings were established by individual governments, usually without reference to practices in other countries. As a result standards and procedures varied widely, even though shipping is the most international of all industries. - The Convention prescribes minimum standards relating to training, certification and watchkeeping for seafarers which countries are obliged to meet or exceed.
SWBNZ	<p>Seafarers Welfare Board for New Zealand</p> <ul style="list-style-type: none"> - The Seafarers Welfare Board for New Zealand is an incorporated society and registered New Zealand charity that coordinates the work of the Mission to Seafarers, Apostleship of the Sea, and Sailors Society (New Zealand) in New Zealand. - Established in 1964, it liaises with several other organisations involved in similar work or that are interested in seafarers' welfare. One of its main objectives is to foster ways and means of caring for seafarers.
Tokyo MOU	<p>Asia-Pacific Memorandum of Understanding on Port State Control</p> <ul style="list-style-type: none"> - New Zealand is a signatory and active member of the Asia Pacific Memorandum of Understanding on Port State Control. - The purpose of the Tokyo MOU is to eliminate substandard shipping so as to promote maritime safety, protect the marine environment and safeguard working and living conditions on board ships. Maritime NZ's PSC programme actively contributes to this through inspections of foreign ships coming to New Zealand ports and by monitoring compliance with requirements set down in international conventions and law. - Port State Control around the world is regional. Several countries that share common waters share PSC inspection responsibilities under a Memorandum of Understanding to ensure consistent standards for vessels operating in that region. There are nine PSC MOUs globally, including Abuja, Black Sea, Caribbean, Indian Ocean, Mediterranean, Paris, Riyadh, Tokyo and Vina del Mar.

Executive Summary

- 1 Maritime New Zealand (Maritime NZ) administers a variety of national regulatory and response functions under primary legislation. One of those Acts, the Maritime Transport Act, includes the authority for regulations to be made for the imposition of Maritime Levies and Oil Pollution Levies (OPL).
- 2 The revenue from Maritime Levies funds services relates to the safety of shipping and a range of other services provided, and regulatory services or activities undertaken by Maritime NZ. Oil Pollution Levies fund a range of activities, and equipment required, related to preparing for and responding to marine oil spills. Combined, Maritime and Oil Pollution Levies revenue represents a significant proportion of Maritime NZ's total funding and are critical to the organisation being able to meet its statutory obligations and effectively perform many of its regulatory functions.
- 3 Every six years Maritime NZ undertakes a full funding review, and a mid-point review at year three of the six year cycle. The review of both levies was delayed by the Government following the COVID-19 pandemic leading to a significant downturn in commercial activity (particularly the number of foreign cargo and cruise ships coming into New Zealand ports). The delay of the mid-point funding review scheduled for 2021/22 has led to a revenue hole from rising cost pressures across a range of services and activities that are Maritime Levies funded and that Maritime NZ could not address without reducing critical services.
- 4 Changes in the operating environment also impacted the amount of Oil Pollution Levy revenue that the existing levies rates were modelled to generate.
- 5 Maritime NZ has also been required to give effect to two maritime related commitments made by the Government since our last Funding Review in 2018/19.
- 6 The Crown has provided liquidity funding to meet the revenue gaps across both levies arising from cost pressures due to a delayed funding review, changes to the oil operating environment, and implementation of Government commitments but under an expectation that this funding review would be the mechanism through which Maritime NZ will return to full cost recovery from 1 July 2024.
- 7 Over the last two years Maritime NZ has undertaken a review of itself, in conjunction with the sector. This has resulted in changes to organisational design and improvements to processes, practice and systems to ensure it is positioned for the future and to be as efficient and effective as it can be.
- 8 Four critical regulatory risks were identified in conjunction with the sector which cannot be addressed through internal improvements. These critical risk areas are impacting on safety, but also efficient and effective operation of the maritime sector itself. Four of the proposals in this funding review are about attending to these risks through an uplift in Maritime Levies revenue. These received significant support from submitters, which effectively confirmed that the large majority of the sector recognises these critical risk areas and is comfortable with paying more to Maritime NZ to address them.
- 9 Two of the proposals relating to MARPOL Annex VI and Seafarer Welfare funding, are about shifting from Crown to Maritime Levies the cost of meeting two Government commitments made since the last funding review. These proposals are consistent with the Crown's expectations and commitment that Maritime Levies will fund those commitments from 1 July 2024.
- 10 Two proposals relate to a proposed new allocation methodology for those sectors with OPL liability, and an increase in levies rates to restore OPL revenue to the level needed for previously agreed oil pollution readiness and response capability.
- 11 None of the scaled down options consulted on received more than minimal comment or support from submitters. This feedback, together with the issues and risks the scaled down options would create if chosen over the full proposals, gives reasonable cause to reject a scaled down version of the three relevant proposals.
- 12 For the six proposals requiring an increase in Maritime Levies, these collectively require an on average increase of \$11.7m each year for 2024/25–2026/27, achieved through a 33.1% increase in levies rates. Of that increase, approximately 42% would be to address the regulatory risk issues; 29% would be to cover the cost of commitments made by Government, and the remaining 29% would cover cost pressures.
- 13 The proposal to restore Oil Pollution Levies revenue would require an annual average of \$0.8m levies revenue increase achieved through an average 8.8% increase in levies rates.

Status quo

- 14 A description of the status quo activity and why it is undertaken is set out in Table 1, along with the problem being addressed.
- 15 Table 2 provides evidence to support the problem, the proposed intervention and expected outcomes and benefits.
- 16 Table 3 sets out the statutory authority to charge, and the alignment to cost recovery guidelines and principles.
- 17 All of the cost recovery proposals attend to matters that cannot be addressed within the amount of Maritime and Oil Pollution Levies that can be generated at current levies rates.
- 18 Since the last funding review in 2018/19, Maritime NZ has achieved a number of efficiencies which have enabled us to address or begin to address some urgent regulatory risk matters in the absence of a funding review.
- 19 Under the status quo, none of the proposals (with the exception of the OPL methodology proposal) can be effected.
- 20 The required capability to deliver the Marine Oil Spill Readiness and Response Strategy has been developed under the previous six-year OPL cycle (ending 1 July 2022). The suspension of formal funding reviews has resulted in an interim period where the revenue raised by the OPL has fallen short due to activity changes and the expiry on 1 July 2022 of the Capability Levy element.
- 21 Government has provided additional funding to ensure the continued delivery of the Strategy and the maintenance of capability. The OPL proposal (Proposal 7) seeks to establish a revised OPL risk allocation methodology that takes into account changes in activity levels and types and, if applied, removes the requirement for top-up funding from Government.

Table 1: The status quo and problem being addressed

Status quo	The problem being addressed
<ul style="list-style-type: none"> • Maritime NZ undertakes Port State Control (PSC) and Flag State Control inspections of foreign and domestic ships in accordance with international agreements and as a member of the Tokyo MOU. <ul style="list-style-type: none"> ○ International and domestic ships need to comply with international and domestic approved standards. ○ These inspections aim to ensure the safety of the marine environment and the welfare of seafarers. Inspections are one of the first lines of defence that support prevention of ships getting in trouble in our waters and requiring rescue. They are also key to mitigating the risk that equipment on them does not harm or kill those working with them. ○ Inspections of vessels need to be undertaken by qualified Port and Flag State control inspectors. ○ Poor-quality ships with deficiencies in safety and environmental standards could lead to collision or grounding events which have catastrophic safety, environmental and economic impacts. ○ We are not inspecting priority one, high risk vessels¹ in operation. ○ We have built the foundations of a Maritime Inspections team. ○ We need Maritime Levies funding to ensure the Team has sufficient capacity. ○ We cannot move other resource to this area as inspectors are required to have large ship experience, and it would then create a safety risk in another area. 	<ul style="list-style-type: none"> • An increasing number of poor quality ships are coming to, or operating in NZ waters. <ul style="list-style-type: none"> ○ Evidenced by increases in notifications and ships inspected with high numbers of deficiencies in safety and environmental standards, and requiring detention. There are issues with ships, ship equipment or procedures which could lead to events like: <ul style="list-style-type: none"> - ships colliding or running aground with catastrophic impacts on safety and the environment (e.g. in the last few months we have had three large ship near-collisions and near-groundings, and two ships that lost engine power and were lucky they were not close to the coast and there was emergency towage capability available which enabled them to be towed to port); - more serious injuries and near misses for port-based stevedores or others working on ships, and crew on-board ships. For example, stevedores and marine pilots using ship equipment that malfunctions, causing injuries or potential fatalities (e.g. increases in notifications of defective pilot ladders, identification of defective lifting cranes, people falling through floors, and a stevedore falling overboard after leaning on faulty handrails); - environmental issues with waste, emissions and other discharges bad for people's health and the environment; and - breaches of maritime labour convention requirements around provisions and pay. • The large number of ship deficiencies and more ship detentions are disrupting supply chains. <ul style="list-style-type: none"> - Ship detentions, including ships taking up valuable berth space at ports, can significantly disrupt supply chains, leading to cost impacts on moving imports and exports. This adversely impacts the economy and the cost of living. Countries that have rigorous inspection regimes are less likely to be sent poor quality vessels in the first place and not face this type of disruption. • We do not have enough inspector capacity to meet the challenges posed by poor quality ships. <ul style="list-style-type: none"> ○ We have a small maritime inspections team with people who are experienced in large ships and have been trained in the relevant Conventions. ○ Current numbers of inspectors are insufficient to inspect the highest risk ships in our waters and deter sub-standard ships coming to New Zealand. ○ Poor quality ships are resource intensive as they require significant work following up on resolution of deficiencies, responding to events, and supporting investigations. This takes our small pool of inspectors out of other critical inspections for some time and requires significant input from other parts of Maritime NZ. This impacts the capacity of staff involved to undertake other critical or core work. ○ The number and scale of issues is increasing fatigue risks for the small team of inspectors who are working long hours. • Lack of capacity also means it is harder for inspectors to get the required training. <ul style="list-style-type: none"> ○ Inspectors need to keep up with international Conventions, and more junior inspectors need to get trained in the full range of ships, otherwise limiting the types of ships some inspectors can inspect. ○ There are gaps currently in practice and systems to support inspectors to do their job effectively, which requires not only inspector expertise and availability to develop practice but also regulatory practice support. • We are not fulfilling our international Tokyo MOU ship inspection obligations. <ul style="list-style-type: none"> ○ The Tokyo MOU is based on all parties playing their role in inspecting the highest risk ships to ensure safe operation of the maritime domain.
<ul style="list-style-type: none"> • Maritime NZ stewards the maritime regulatory system, which is formalised under an annual regulatory reform programme developed in consultation with Te Manatū Waka and signed off by the Minister of Transport. <ul style="list-style-type: none"> ○ There are thousands of maritime and marine protection rules. These need to be maintained, reviewed and in many instances, revised to support the achievement of safety and marine protection outcomes. ○ The annual regulatory reform programme attends to priority rules amendments, and the creation of new rules where required. ○ Operating under the existing regulatory reform resources means industry will bear the cost of maritime and marine protection rules that are not fit for purpose, over a longer timeframe. ○ Maritime NZ's existing regulatory reform capacity is funded in part through Crown funding through an annual appropriation received via Te Manatū Waka and in part by Maritime Levies. 	<ul style="list-style-type: none"> • High demand for rule-based changes, slow progress in meeting this demand, and increasing misalignment with required standards. <ul style="list-style-type: none"> ○ Current regulatory policy resource cannot keep up with regulatory demand. ○ Through sequencing and prioritisation we can gradually work through the critical changes to rules needed, but based on our current rules drafting, policy, and technical capacity our progress will be slow; and the level of misalignment with international norms and modern standards will grow. • Lack of capacity to address rule-change priorities. <ul style="list-style-type: none"> ○ We do not have sufficient technical, policy, and rule drafting resources, creating bottle necks; thus the volume and speed of reform activity is constrained. ○ We have found it difficult to address critical safety and environment rule issues and to deliver Government rule priorities in a timely way. For example, rules around marine pilotage require urgent review, but have not been able to be progressed to date due to other more pressing commitments. • Outdated rules creating unnecessary costs for industry. <ul style="list-style-type: none"> ○ Outdated rules including some that are not fit for purpose, drive the need for fee-able rule exemption applications and create other unnecessary compliance costs for industry. For example, unduly complex seafarer certification rules create unnecessary costs and also contribute to workforce issues in the sector. • Lack of funding to address regulatory reform issues. <ul style="list-style-type: none"> ○ Crown funding for rule changes has not increased over time, so the actual value has decreased with inflationary pressures. Te Manatū Waka has signalled that its contribution will not increase in the foreseeable future, so funding to address the issues will not come from the Crown. ○ The additional regulatory reform resources needed cannot be cost recovered from current Maritime Levies revenue as this will create other functional delivery and performance issues.
<ul style="list-style-type: none"> • Regulatory licensing is essential to ensuring the fitness of participants in the maritime system and ensuring the availability of a skilled cohort of third parties to perform regulatory functions. <ul style="list-style-type: none"> ○ Under the MTA and a number of rules, Maritime NZ must be notified by maritime operators of a variety of matters and events. It is essential that Maritime NZ can respond to them as appropriate. Maritime NZ also has an obligation, as a matter of good regulatory practice, to respond promptly and helpfully, to enquiries received. ○ Notification and enquiry management was a key issue identified by stakeholders as part of an organisation review (Te Korowai). ○ In 2022 we created a centralised notifications and response team (NET) and established a workflow and administration team to address the current problems and deliver better outcomes. The teams were established through temporary reprioritisation and using discretionary funding made available, which dealt with immediate cost pressures. 	<ul style="list-style-type: none"> • Increased operators in the system. <ul style="list-style-type: none"> ○ Numbers of seafarer and operator applications have increased over time. This has led to significant delays in the processing of licensing applications and a growing applications back log impacting the seafarer workforce and the effective and efficient operation of the maritime transport sector. • A decentralised and non-systematised approach existed. <ul style="list-style-type: none"> ○ Mixed notification of incidents, inconsistency and inefficiencies in responses, and at times failure to respond in a timely way to safety incidents. ○ This compromises safety outcomes but also can result in incident scenes not being released in a timely way impacting on businesses. ○ A lack of education around notification responsibilities and difficulty in identifying where further education or changes in guidance are needed to help people comply. • Inefficient Regulatory licensing systems impacting on seafarers and operators. <ul style="list-style-type: none"> ○ Delays in processing applications can impact seafarers who rely on having a current licence to have a job and livelihood.

¹ High risk vessels are: priority one high risk vessels that are identified as vessels with real safety and other concerns we have undertaken to inspect as part of international agreements and to play our role in international supply chains; and vessels that may come directly from some other jurisdictions, that do not undertake inspections or that belong to administrations that do not publish results of inspections (e.g. Pacific countries and China) that we have safety or other concerns with.

Status quo	The problem being addressed
	<ul style="list-style-type: none"> ○ Delays in processing operator applications can impact on the operator's business and efficient operation of the sector more broadly. ● Ensuring sufficient capacity and appropriate capability in the licensing team. <ul style="list-style-type: none"> ○ Given the urgency of addressing this issue some of the Multi-Year Appropriation (MYA) has been used to provide capacity and capability which has seen significant timeliness and quality gains. However, if this funding is not maintained via the levy adjustment with the removal of the MYA, these gains will be lost and backlogs will return. ● Lack of longer-term funding to address capacity and capability constraints. <ul style="list-style-type: none"> ○ Some initial baseline resource was found through savings through the re-organisation, however additional funding from Maritime Levies is needed for the NET team to be fully functional and sustainable. ○ Maritime NZ cannot fund this through re-prioritisation of levies expenditure, as it would result in reduced effort in other functional areas with ensuing risks and consequences.
<ul style="list-style-type: none"> ● The maritime sector is highly exposed to third-party regulators and it is essential that they perform their functions to the standard necessary to support the achievement of marine protection and safety outcomes. <ul style="list-style-type: none"> ○ There are hundreds of third-party regulators performing functions in the maritime domain and due to capacity constraints Maritime NZ undertakes performance oversight largely in reaction to identified risks or issues. ○ A more pro-active and systematic approach to third-party oversight is the most efficient and effective way to address concerns raised by industry about consistency and quality in the performance of third-party regulators. ○ A third-party regulator stewardship framework was developed and approved in 2022 to consistently maintain oversight of third parties from point of entry to the system to their exit; monitor their performance while they are in the system; and ensure they have the necessary tools and support to perform their functions. ○ The implementation of the framework can be most effectively and efficiently achieved through a centralised approach involving staff with experience and capability in third-party regulatory oversight 	<ul style="list-style-type: none"> ● Lack of a consistent or systematic approach to third-party oversight. <ul style="list-style-type: none"> ○ The consequences of regulators not appropriately overseeing third parties who have been authorised to perform regulatory functions have been exposed in other domestic regulatory failures. ○ There is engagement with specific groups of third parties, such as surveyors; and efforts have been made to address particular issues with specific third-party regulators when they are brought to our attention. ○ The level of engagement is not the same across all types of third parties or targeted in a proactive and systematic manner across all third parties. ○ This means that we do not have a comprehensive view across their performance and have a diminished ability to intervene before issues arise. ○ Operators regularly report that the service they receive from third parties is not consistent. ● Insufficient capacity to effectively monitor and support the performance of third parties. <ul style="list-style-type: none"> ○ Creates a risk of regulatory failure arising from third parties not undertaking functions effectively. ○ Operators are not receiving a consistent service from third parties, raising compliance, transaction and other related costs for them. ○ Third parties do not receive consistent support and guidance from us (some groups receive significant support, others much less). ○ Ineffective third-party monitoring raises the risk of un-level playing field. ● Lack of funding to establish a third-party regulatory oversight team. <ul style="list-style-type: none"> ○ Maritime NZ cannot recover the cost of a third-party regulatory oversight team from forecast Maritime Levies revenue at existing levies rates. ○ The option of using Maritime Levies funding that is needed for the delivery of other regulatory functions is not desirable or sustainable, and will have knock-on effects and compromise delivery of other levy-funded activities (with associated risks arising).
<ul style="list-style-type: none"> ● In 2019 New Zealand became signatory to MARPOL Annex VI. This is part of an international convention and sets out a regime for the prevention of air pollution from ships. <ul style="list-style-type: none"> ○ This is a significant and complex regulatory regime that is applicable to the operation of hundreds of commercial and recreational craft. ○ Since it was signed by the Minister of Transport in 2021, Maritime NZ has been responsible for administering new Maritime Rules that set out the regulatory system New Zealand committed to. ○ The Crown funded Maritime NZ to implement MARPOL Annex VI and provided a Letter of Support that signalled ongoing implementation costs should be sought as part of a funding review from levy payers. 	<ul style="list-style-type: none"> ● Without on-going funding the MARPOL Annex VI regime regulating air pollution from ships cannot be maintained <ul style="list-style-type: none"> ○ Government funding has been provided on an understanding that through this funding review, cost recovery will shift from Crown funding to Maritime Levies from 1 July 2024. ○ If additional Levies are not raised for this purpose <i>and</i> if the Government discontinues its funding, New Zealand will not be able to implement MARPOL Annex VI requirements on relevant vessels operating in New Zealand waters. ○ The cost of this administration can in small part be recovered through fees (certification activity) but there are other elements that can only be cost recovered through Maritime Levies. ○ Maritime NZ needs to be best positioned to support the maritime sector in understanding and complying with the new requirements, and enforcing them where necessary.
<ul style="list-style-type: none"> ● Since 2017 New Zealand has had Maritime Labour Convention (MLC) obligations which establish minimum working and living standards for seafarers, and set obligations for seafarer welfare services. <ul style="list-style-type: none"> ○ Seafarer welfare in New Zealand was for many years funded from charitable sources, with delivery of welfare services being through local port welfare organisations and more recently coordinated through the Seafarer Welfare Board of New Zealand (SWBNZ). ○ The COVID-19 pandemic affected both the type of services that could be provided to seafarers, and sources of charitable funding. Since 2021 Maritime NZ has received Crown funding to support the commitment made by Government in respect of the provision of seafarer welfare services. ○ In 2021 Parliament amended the Maritime Transport Act (MTA) to include "the facilitation, or support for, seafarer welfare services." This expressly provided for the use of Maritime Levies to fund the provision of seafarer welfare services. 	<ul style="list-style-type: none"> ● Without on-going funding for seafarer welfare service support New Zealand will not meet its obligations under the MLC <ul style="list-style-type: none"> ○ Funding for seafarer welfare supports New Zealand compliance with obligations under the MLC. Without this funding there would be poorer seafarer welfare conditions, impacting safety of shipping conducted in New Zealand waters (and in the waters of other jurisdictions), and a greater risk of accidents and marine pollution incidents. ○ The regulated rates for Maritime Levies are not set at the level needed to generate funding for this purpose.
<ul style="list-style-type: none"> ● Oil Pollution Levies rates have for several decades been calculated using historical data. <ul style="list-style-type: none"> ○ Given the very significant changes that occurred during the COVID-19 pandemic, the methodology using recent historical data will not be reliable going forward. ○ There have been very significant changes in the operating environment that gives rise to the risks of a marine oil spill. ○ Maritime NZ's administration of the proposed new methodology that has been developed in response would not require any change to its existing internal administrative arrangements. 	<ul style="list-style-type: none"> ● Current Oil Pollution Levies methodology is no longer fit for purpose. <ul style="list-style-type: none"> ○ OPL rates are calculated through applying a complex methodology which is costly to apply, time consuming and particularly prone to significant errors. ○ This model is likely to be an unreliable basis to determine levies rates for different sectors in the future. The approach is heavily reliant on using national and international data from the recent past as representative of future activity. This assessment of actual risk is no longer a credible or a viable option. ○ Changes have occurred in the operating environment which drives major changes to the risk profile across the sector. ○ Retaining the existing OPL allocation model will mean inconsistent or unfair application of levy rates across payers, leading to potential negative industry feedback and potential Regulations Review Committee complaints, as previously occurred prior to the last funding review. ○ It would be difficult to retain marine oil pollution readiness and response capabilities that have been built up over a number of years and paid for by the sector.
<ul style="list-style-type: none"> ● Over the last 6 years there has been significant spend by the sector to develop capabilities and assets needed for an initial oil pollution marine response under previous strategies and plans. 	<ul style="list-style-type: none"> ● There is a shortfall in forecast OPL revenue.

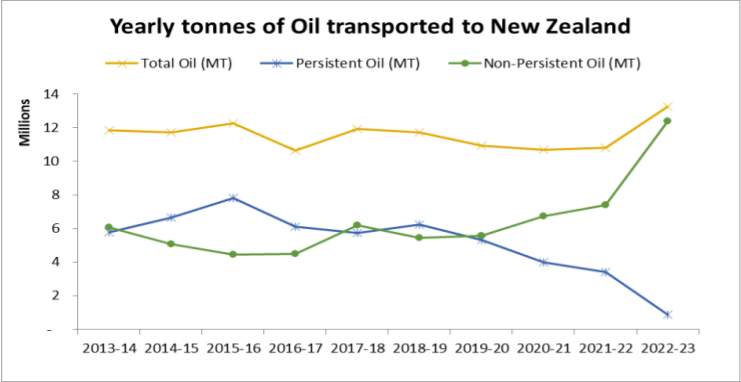
Status quo	The problem being addressed
<ul style="list-style-type: none"> ○ The New Zealand Marine Oil Spill Readiness and Response Strategy reflects the required nature and scale of New Zealand's oil spill response preparedness, coordination, capability, and equipment. ○ The development and five yearly review of the Strategy is a requirement under the Maritime Transport Act, and is developed in consultation with the Oil Pollution Advisory Committee (OPAC). OPAC is a statutorily appointed committee representing levy paying sectors, relevant central government agencies and local government. The implementation plan for the Strategy is also developed in consultation with, and agreed to, by OPAC. ○ Delivering the Strategy (via the implementation plan) means all of the preparedness and response elements are covered and the harms of a significant marine oil spill can be at best removed, or at least minimised. ○ The Crown has funded the gap in revenue to date, but Government has directed that full cost recovery should recommence from 1 July 2024. 	<ul style="list-style-type: none"> ○ Shortfall of funding required to deliver the Marine Oil Spill Readiness and Response Strategy (through the Strategy Implementation Plan). This shortfall arises from the impacts of COVID-19 and the closure of the Marsden Point Refinery (and its transition to a storage facility), which has resulted in changes in vessel activity, volumes of oil, and the type of oil being carried (see above). ● The current OPL rates set out under the Oil Pollution Levies Order 2016 are out-of-date. <ul style="list-style-type: none"> ○ One element, the Capability Levy, was time-bound to the previous six-year OPL period (2016-2022) and expired on 30 June 2023. This needs to be replaced in order to sustain the capability endorsed and developed during that time. ● Oil response capability will be eroded. <ul style="list-style-type: none"> ○ Reduced revenue (estimated between 25% and 40%) will not allow Maritime NZ to continue to maintain the required and endorsed level of capability. ○ There would be very substantial reductions in capability with consequent major increase in impacts from any marine oil spills – environmental damage, economic damage and severe reputational damage. ○ Capability built and delivered and sunk costs in the previous 6 years (2016 – 2022) would be substantially eroded.

Table 2: Evidence to support the problem, proposed intervention and expected outcomes and benefits

Problem	Evidence and data to support the problem	Proposed intervention	Expected outcome/s and benefits
<p>An increasing number of poor-quality ships with deficiencies in safety and environmental standards</p>	<ul style="list-style-type: none"> ● Increased ship failures with the potential to have significant impact. <ul style="list-style-type: none"> ○ Over the last 18 months five ships have had significant engine failures and mechanical issues that could have led to a significant catastrophic event to people and the environment - <i>Achilles Bulker, Maersk Nadi, La Richardais, Shiling and Kaitaki</i>. ○ We have not seen this number of significant ship issues before, with only one over the previous five years (the <i>Funing</i> with serious loss of engine propulsion). ○ Responding to these incidents requires significant support from our maritime inspectors including incident management (issuing of conditions, advice and inspection) and follow up audits and investigation support. ● Increased numbers of detentions. <ul style="list-style-type: none"> ○ Over 2022/23 we detained 11 ships, which is more than the previous three years combined. wo of these vessels in 2022/23 were New Zealand flagged ships. ● Increased number of deficiencies and follow up inspections. <ul style="list-style-type: none"> ○ We are seeing higher numbers of deficiencies and higher follow up inspections required. 25% of inspections done were follow up inspections in the three years prior to 2022/23. In 2022/23 36% required follow-up inspections. ● Increased number of New Zealand flagged ships and International Safety Management Code (ISM) audits required. <ul style="list-style-type: none"> ○ We have had to carry out additional ISM inspections this year because of issues with the maintenance of vessels. One audit had to be suspended due to the condition of the ship. ○ The number of poor quality ships has increased the number of audits and work required from us as a regulator. ● Identified as serious issue by external parties. <ul style="list-style-type: none"> ○ Unions, stevedores, port operators, other government agencies and marine pilots; ○ Port Health and Safety Leadership Group; ○ The IMO Member State Audit Scheme (IMSAS) audit found gaps in practice; and ○ United States Coastguard, which undertakes a more regular programme of port state control inspections is not seeing the same ships of poor quality in its waters. ○ Quote from Tokyo MOU 2022 Report: <p><i>“Concerns have been raised by a number of the Tokyo MOU Authorities that there are increasing ship incidents due to lack of effective maintenance of main engines and power generation systems including poor implementation of planned maintenance. This situation poses serious risks to safety of ships and the marine environment. In response, the Tokyo MOU Authorities have increased focus on planned maintenance during inspections. It is noted that, as the result, there is a significant increase of ISM detentions and RO responsible detentions. Tokyo MOU would like to bring the matter to the attention of the industry to increase awareness and to reinforce the circle of responsibility so as to improve the situation.”</i></p> 	<ul style="list-style-type: none"> ● Increase the number of inspectors and fund some additional practice and training support for these inspectors to: <ul style="list-style-type: none"> ○ inspect ships that our data and intelligence indicates are high risk (we have estimated numbers based on Tokyo MOU Priority one ships; other ships that evidence shows are high risk; and a small number of ships to provide a preventative effect or for training purposes); ○ ensure we have the presence to act as a deterrent to sub-standard ships coming to New Zealand ports and harbours, including undertaking a small specified number or percentage of random inspections each year; ○ meet our Tokyo MOU obligations by inspecting priority one ships; ○ address health and safety and fatigue issues of our workforce and enable on-going necessary training; ○ build better holistic understanding and relationships with our flag State operators to deliver safety outcomes; and ○ address some of the IMSAS audit recommendations and have the effect of improved audit results in future. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> ● More risk of catastrophic harm events with large fatalities, poor environmental outcomes and cost, and the potential for more individual serious injuries and fatalities. ● Will not address the areas requiring action identified by unions, stevedores, Port operators, other government agencies and marine pilots, as well as the Port Health and Safety Leadership Group. ● On-going worker fatigue issues, difficulty to find time for training, IMSAS recommendations unlikely to be addressed and practice changes made, impacting on quality of audits and inspections. ● Ongoing high levels of disruption to supply chains and pressures on Port berths impacting on costs and timeliness of imports and exports. ● Increasing lack of confidence in Maritime NZ and Government for not addressing what the sector sees as a critical safety risk and has supported a cost increase to address. ● Not reflecting industry concerns, with no indication that industry opposes a levies uplift for this purpose, could be seen as an act of bad faith. ● This could materially impact the willingness of industry to engage with Maritime NZ or work with us on harm prevention or other key 'on the ground' initiatives. <p>STAKEHOLDER FEEDBACK</p> <ul style="list-style-type: none"> ● There was strong support for the proposal (30 of 31 respondents fully or partially supported it), and the comments made in supporting submissions reinforce previous sector feedback; indicating this is of critical importance to the maritime sector: <p><i>The ability of MNZ to have sufficient maritime expertise to effectively ensure that ships arriving in NZ waters comply with the minimum international safety and environmental standards ensures the protection of NZ waters, and it's tangata whenua.</i></p> <p><i>Strong inspection and response to sub-standard or high risk ships is important to protect port operations and environmental concerns. As well as reducing the demand for rescue or support services.</i></p> <p><i>The Shipping Federation supports the need to ensure international and domestic ships (both cruise and cargo) comply with international and domestic approved standards.</i></p> <p><i>This is a worthy initiative and one that supports a safe national maritime network.</i></p> 	<p>Maritime NZ identifies and deals effectively with substandard shipping.</p> <p>Maintains New Zealand's commitment to the Tokyo MOU to undertake Port State Control and Flag State Control activities.</p> <p>Maritime New Zealand staff are healthy and safe, well-trained, and supported by the tools needed to carry out their role.</p> <p>BENEFITS</p> <p>Reduces the risk of catastrophic safety and environmental harm and other smaller one off injuries and fatalities resulting from poor quality ship equipment.</p> <p>Reduces disruption to importers, exporters and port operators, and thus the supply chain and the costs of moving goods.</p> <p>Ensures effective and efficient operation of international shipping.</p> <p>Quality of inspections and audits increases and therefore other safe and clean outcomes.</p>
<p>Management of Maritime and Marine Protection Rules</p>	<ul style="list-style-type: none"> ● There are around 700 issues (the number of which is constantly growing) identified with existing Maritime Rules. The majority relate to ship design / equipment, and certification of vessel operations or personnel and seafarer licensing; as a result of which operators require a range of exemptions to operate, at a cost to them as well as Maritime NZ. In the 2021/22 Financial Year there were 379 exemption applications, and up to end of January 2023 there were 140. 	<ul style="list-style-type: none"> ● A four FTE increase in rules policy, policy implementation design, and rules drafting capacity, and a dedicated technical rules resource will speed up rules amendments and support good standards in the development and drafting of technical rules. Dedicated technical capability will be more efficient than the current arrangement, where requests for technical advice and support for rules development compete with other demands on our already at capacity technical resources. Over time, faster progress in regulatory reform will reduce costs and unnecessary compliance burden within the maritime 	<p>Maritime NZ speeds up the delivery of regulatory reform activity as part of stewarding the maritime regulatory system.</p>

Problem	Evidence and data to support the problem	Proposed intervention	Expected outcome/s and benefits
	<ul style="list-style-type: none"> There are currently around 20 FTE supporting the regulatory reform programme across a range of policy, drafting, technical or implementation design roles. These roles are focussed on rules work but also undertake wider legislation or regulatory policy work as needed that may be led by other agencies, but which significantly impacts the Maritime domain (such as emissions policy, immigration settings etc.) This has not been sufficient to deal with increasingly out of date and at times unworkable rules and meeting demand for wider policy work. In this context, the proposal would see a roughly 25% increase in capacity. This would be a significant uplift in capacity, whilst still being a realistic increment targeted on some specific tasks. Specifically, based on experience with the rules programme to date, we have estimated that this number of FTE would be enough to enable us to make progress on larger significant reform priorities that need to be advanced but are currently unaddressed, in particular the rules governing seafarer licensing (SeaCert). SeaCert is causing issues with the sector's efficient operation and impacting on its ability to address workforce pressures. Through work done with the sector, urgent changes to SeaCert were identified as a critical response needed to seafarer shortages and meet the sector's future workforce needs. This resource would be enough to allow us to make progress on these reform priorities without compromising the pace of other important significant reform work such as: <ul style="list-style-type: none"> new rules on the design and construction of ships; our ability to keep up with new matters emerging from IMO that need to be worked into NZ rules; or our ability to continue to make smaller technical fixes as needed on a rolling basis to address urgent issues (through a new 'omnibus' rules amendment approach). 	<p>community, as well as improve safe and clean outcomes. The additional resources will enable the regulatory reform programme to better keep up with the pace of international rule changes and address new issues around workability identified with the operation of domestic rules. It will also enable us to address seafarer licensing issues more quickly.</p> <ul style="list-style-type: none"> As the timeframe for working through all current rules extends beyond the timeframe for this Funding Review period (ending 2029/30), and as we cannot foreshadow what entirely new rules might be required within and beyond that time, the proposed levies uplift will be required on an ongoing basis. The additional resource would also enable Maritime NZ to start work on the policy settings needed for the regulation of new technologies and fuels, some of which are potentially on the verge of commercial feasibility. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> Issues with the rules will grow faster than our ability to address them and New Zealand will fall further behind on consistency with international standards. Industry will bear the cost of maritime and marine protection rules that are not fit for purpose over a longer timeframe, with a significant risk that costs will grow further. We will not be able to address key rule changes to align our SeaCert Rules better with seafarer education provision; remove unnecessary barriers to movement between seafarer professions; and provide fairer recognition of existing skill-sets; thereby preventing mitigation of workforce issues now and into the future. It will be even more difficult for us to respond to the regulatory system demands of new technologies which are seeking entry into the system now. Not increasing rules reform capacity as proposed, and as clearly supported by affected parties, could undermine confidence in Maritime NZ and government. The timeframe for the removal of unnecessary costs created by outdated rules will be extended. Rather than seek exemptions from outdated rules, the maritime sector may be perversely motivated to operate in breach of requirements – having lost confidence that Maritime NZ will ever have the capacity to manage and maintain the rules it administers. <p>STAKEHOLDER FEEDBACK</p> <ul style="list-style-type: none"> Feedback on the proposal as consulted indicated high support for it and an understanding of the criticality of an increased and nimble regulatory reform capacity. Specifically: <p style="text-align: center;"><i>We support Maritime NZ increasing its levies to fund this increased workload</i></p> <p style="text-align: center;"><i>To ensure maritime and protection rules are fit-for-purpose there needs to be a more efficient review and drafting process that enables shorter timeframes for regulatory reform</i></p> <p style="text-align: center;"><i>... As we and others in the wider maritime sector have raised with MNZ, a number of these rules are unnecessary or inconsistent,</i></p> <p style="text-align: center;"><i>The shipping industry globally is governed by rules and related policy and technical advice. New Zealand needs to keep up to date</i></p> 	<p>BENEFITS</p> <p>Reduces cost for the maritime industry of having to apply for exemptions and comply with unnecessary regulatory burden.</p> <p>Ensures delivery of better safety, clean and security outcomes from regulation.</p> <p>Supports Maritime NZ to enable safe innovation in some areas rather than the regulatory regime inhibiting innovation.</p> <p>Enables better alignment between the certification rules and maritime training and effective recognition of skills, mitigating some of the issues with workforce shortages.</p>
Responding to notifications and regulatory licensing	<ul style="list-style-type: none"> Stakeholders raised issues (through Te Korowai reorganisation review phase one): <ul style="list-style-type: none"> people were often unclear about their notification obligations; it was not always easy to notify Maritime NZ; often people did not understand how notifications were triaged and responded to; and it was unclear where investigations were in the process and whether they were completed. it was also considered important that notifications were responded to in a timely way given the need to hold the incident scene and the immediate potential for harm in some circumstances. A very recent survey of external stakeholders' experiences in dealing with Maritime NZ confirmed the critical need for Maritime NZ to improve its performance in this area. Overall the feedback suggested stakeholders experience frustration in trying to notify online, and having notified, nil or inconsistent responses. In respect of enquiries, respondents indicated concern about the time it takes Maritime NZ to respond, more specifically to enquiries about certifications and registrations for seafarers. Specific experiences included: <ul style="list-style-type: none"> delayed responses to commercially time critical enquiries; not receiving a response after making multiple accident and incident notifications; and difficulties navigating Maritime NZ's website and online search engines when looking for information (such as might obviate the need to make an enquiry). Over the last year the workflow and administration team has made a significant and positive impact on regulatory licensing functionality: <ul style="list-style-type: none"> reduced the average application processing timeframes from 38 to 29 days; reduced the gap between certificates received and certificates processed, and there is no backlog being generated; 	<ul style="list-style-type: none"> As part of our re-organisation review we freed up a small resource through disestablishing and re-deploying roles to create a centralised notification and enquiries team, but it requires a couple of FTE to make it fully functional. The funding in the discussion document covers this proposed FTE increase as well as a small amount of funding for systems, processes, and easier notification on our website. This will make notifying easier (less time and effort), support us to triage and respond to scenes effectively; help educate people on notifications requirements; and enable people to see where notifications and investigations are in the process more easily. It will also support more efficient and timely responses to enquiries coming into Maritime NZ and enable us to work out where we may need to develop more guidance and education to support compliance. We propose to maintain the resource invested in the licensing function. This will maintain progress made and also enable us to address future workloads. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> Unless the improvements can be sustained, Maritime NZ will need to decrease staff and risk reverting to pre and early 2022 performance issues. Backlogs would become worse as a result, given large numbers of maritime transport operator certificate renewals that are due. Fee revenue will not fully cover this cost. Notification and enquiry management issues identified by stakeholders will not be addressed. None of the benefits of a centralised team and processes will be fully realisable. Compliance with notification obligations will be further dis-incentivised in light of an opportunity to improve our response functionality not being taken. Maritime Officers will continue to be the conduit for enquiries, taking them away from their core front line functions. The workflow and administration team will need to be disestablished and the gains made by our investment will be gradually lost. Fee revenue from forecast increased regulatory licensing will not fully recover the cost of the workflow and administration team and there would be no legitimate way to bridge the revenue gap. 	<p>Maritime NZ improves the efficiency and effectiveness of notifications and licensing processes.</p> <p>BENEFITS</p> <p>Delivers better safety outcomes as people understand why they need to notify and notification is easy enabling Maritime NZ to respond to critical notifications and support safety outcomes.</p> <p>Maritime NZ is better able to respond to areas where there is not good understanding of why and how to comply through provision of advice, guidance and education.</p> <p>Regulatory services are provided in a more efficient and timely way which reduces costs and disruption to the sector.</p> <p>Those seeking a licence get higher quality advice reducing inconsistency of advice and need for re-work.</p>

Problem	Evidence and data to support the problem	Proposed intervention	Expected outcome/s and benefits
	<ul style="list-style-type: none"> ○ increased the number of seafarer applications processed by 23% (from 2,391 to 2,934). 71% of Seafarer applications are being processed within 20 working days (an improvement from 52% from July 2022); and ○ increased the number of operator applications processed by 6% (from 421 to 446). 65% of Operator applications are being processed within 20 working days (an improvement from 20% from July 2022). 	<ul style="list-style-type: none"> • Submissions on this proposal were predominantly in support of it (19 of 27), with a further four submissions expressing partial support. Both elements of the proposal arose from industry concerns and stakeholders have already experienced benefits from investment made. Not adopting the proposal will undermine industry confidence that Maritime NZ is committed to improving its performance in these areas. 	
Lack of a consistent or systematic approach to third-party oversight	<ul style="list-style-type: none"> • Over almost 30 years, Maritime NZ has authorised over 250 third parties to perform 23 different regulatory functions such as ship surveys, inspections, the servicing of maritime products, approval of safety plans and seafarer examinations. • Events in other regulatory domains have shown how important it is for delegated third parties to perform their functions to the standard expected: the Whakaari/White Island event and Waka Kotahi vehicle testing issue are cases in point. • A critical finding from the 2022 IMSAS audit found that improvements could be made to Maritime NZ oversight of Recognised Organisations and their nominated surveyors. The audit was for the purposes of assessing the extent to which New Zealand complies with its obligations set out in the various IMO instruments to which we are a party. • The Transport Accident Investigation Commission has also made a number of recent recommendations needed for improvement to Maritime NZ's third-party monitoring as part of high profile maritime incidents like <i>Enchanter</i> and <i>I-catcher</i>. • Feedback from the maritime sector has been that they are concerned with the robustness and consistency of third-party monitoring. • Ahead of a third-party oversight team being established, and the detailed analysis required to ascertain the amount and nature of oversight (and more broadly, stewardship) activity required, it is difficult to quantify the uplift in activity that will be enabled through the additional funding. However, if the proposal is implemented, we will report on that activity as part of the next full Funding Review. 	<ul style="list-style-type: none"> • A small team of four FTE to apply and implement the oversight framework to ensure appropriate supervision of third parties and reduce the risk of third-party regulatory failure. • A dedicated third-party oversight capability will mean a deliberate and systematic assurance approach that will serve to maintain high third-party performance standards and reduce the risk of regulatory failure evidenced in other regulatory domains. • The team will be made up of people with technical, audit and operational policy expertise. • The type of activity enabled by a third-party oversight team includes: <ul style="list-style-type: none"> ○ considering what enhanced monitoring of third parties would look like; ○ providing support to recognised surveyors and other third parties; ○ ensuring the entry control processes for third parties are sufficiently rigorous; ○ identifying where more guidance and practice materials are needed in a particular cohort of third parties and supporting the development of the same; ○ addressing the IMSAS recommendations; and ○ undertaking monitoring of regional councils and harbourmasters performing functions under delegation from the Maritime NZ Director. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> • A risk that a significant harm-causing regulatory failure will occur involving the large number of third-party entities who are not currently being robustly monitored, but who have a key role in the Maritime system. • Maritime NZ will be forced to maintain its current approach to third-party oversight, which is ad hoc, largely reactive, and issues focussed. • Those regulated in whole or in part by third parties, and who have raised concerns, will perceive Maritime NZ as not committed to addressing them. • The ad hoc and reactive approach is not cost effective or strategic. Without this investment Maritime NZ will continue to not be able to realise the efficiencies of a planned and coordinated oversight approach. • Criticism from IMSAS that Maritime NZ has failed to attend to a critical finding from the 2022 audit. <p>STAKEHOLDER FEEDBACK</p> <ul style="list-style-type: none"> • The proposal was well supported by those who submitted on it (24 of 27 submissions were in full or partial support), with comments such as: <ul style="list-style-type: none"> <i>It is hard to undertake an oversight role without resources such as staff to do the work.</i> <i>Good governance requires that the regulator monitors the performance of third-party regulators, and has clearly defined pathways for addressing or remedying any deficiencies should they be found.</i> <i>A robust system to ensure the commercial bodies that are offering statutory survey and certification processes are effective is the only way to ensure that all operators are maintaining a high standard.</i> <i>In light of such support and the risks the proposal attends to, it would be difficult to justify not giving effect to it.</i> 	<p>Maritime NZ provides more robust oversight over the parties delegated or approved to carry out key parts of the maritime regulatory system.</p> <p>BENEFITS</p> <p>Improves marine protection and safety outcomes within the maritime sector.</p> <p>Greater reassurance to the sector around the quality of third-party advice and that there is a level playing field.</p> <p>Be in a position to address critical IMSAS findings and avoid future audits identifying the same oversight gaps.</p>
<ul style="list-style-type: none"> • Without on-going funding the regime regulating air pollution from ships cannot be maintained 	<ul style="list-style-type: none"> • To date, the general administrative costs of the regime including audits and inspections, and certification activity have been covered by Crown funding. Associated regulatory activity is cost recovered through fees. Should funding (prospectively and appropriately provided through Maritime Levies) cease, so would Maritime NZ's implementation of the regime. 	<ul style="list-style-type: none"> • In administering the MARPOL Annex VI regime Maritime NZ has provided: <ul style="list-style-type: none"> ○ oversight of the taking and testing of fuel; ○ an additional element within port and flag State control inspections and within audits of some domestic maritime operations; ○ information and guidance to our domestic maritime sector; ○ an adjusted IT platform; ○ additional resources of a dedicated technical advisor and additional legal and investigations capacity; ○ ongoing training for our Maritime Officers and Inspectors; and ○ the opportunity to play an active part in IMO negotiations so any changes sought are acceptable to New Zealand and can play a credible and influencing role in climate-related negotiations. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> • If funding is not received then Maritime NZ will not be able to continue to implement, and meet the obligations of MARPOL Annex VI. New Zealand will be in a position where the sector will need to comply with regulatory obligations the regulator has no way of enforcing. There will be reputational damage to Maritime NZ and New Zealand more broadly. 	<p>Maritime NZ can give effect to the requirements as intended and as obliged under MARPOL.</p> <p>BENEFIT</p> <p>Reduces harmful ship emissions and improve air quality around our ports and harbours.</p>

Problem	Evidence and data to support the problem	Proposed intervention	Expected outcome/s and benefits
		<ul style="list-style-type: none"> In addition, if New Zealand does not properly implement Annex VI now, the New Zealand shipping industry will fall further behind the world in controlling air pollution and greenhouse gas emissions from ships and the future gap will be harder for industry and the regulators to fill. Of the 26 submissions received on this proposal, 20 supported it and a further three partially supported it. Given this level of stakeholder buy in (as well as the very clear expectations of government), it would be difficult to justify not implementing the proposal. Either the Crown would need to continue its funding of this function, or Maritime NZ could not perform it. If the latter, New Zealand would be in breach of MARPOL Annex VI and would lose credibility and reputation as an IMO member. 	
<ul style="list-style-type: none"> Without on-going funding for seafarer welfare service support New Zealand will not meet its obligations under the MLC 	<ul style="list-style-type: none"> This proposal does not go to addressing a problem but to ensuring a continuation of financial support for the provision of seafarer welfare services, which was put in place on an interim basis in 2021 (pending this funding review). The amendment to the Maritime Levies provision in the Maritime Transport Act clearly signalled Government and Parliamentary support for seafarer welfare services to be funded through Maritime Levies. There is an expectation that Maritime Levies funding will be adjusted through this funding review. The absence of Maritime Levies funding for such purpose would create one of two issues: <ul style="list-style-type: none"> A discontinuation of support with the resulting impacts on seafarer welfare and as a potential consequence the safety of shipping; or The need for continued Crown support in order for New Zealand to not risk breaching the MLC. 	<ul style="list-style-type: none"> Maritime NZ proposes that additional maritime levies funding is generated and applied to a set of services that help meet what is required under the MLC. These fall into the following broad categories: <ul style="list-style-type: none"> communications services (such as the provision of Wi-Fi and telecommunications); information services; ship visits; shopping (for those crew not able to leave ship) and money exchange; access and transport to welfare centres; transport services to and from town; and mental health, wellbeing and advocacy services. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> These high demand services may or may not be delivered by volunteers so the removal of the current support would not guarantee a continuation of the services. Supply chain risks arise from the impacts on crew (given New Zealand is geographically isolated). In the absence of continued Crown funding, New Zealand would risk breaching its obligations under the MLC. 	<p>Maritime NZ can support effective delivery of the MLC.</p> <p>Seafarers can access necessary facilities and services in ports so can better deal with the challenges of their jobs at sea.</p> <p>BENEFIT</p> <p>Improves the health, safety and wellbeing of seafarers with further benefits of encouraging longer term safe participation of people in international shipping.</p>
<p>Current Oil Pollution Levies methodology is no longer fit for purpose</p>	<ul style="list-style-type: none"> One change with significant and on-going impacts is the closure of the Marsden Point refinery and its conversion to a refined hydrocarbon products facility. Specific impacts from this change already seen include: <ul style="list-style-type: none"> a 98% reduction in the volume of persistent oil coming into Whangārei since 2019/20; two domestic tankers previously used to ship the majority of refined products from Marsden Point around the New Zealand coast left the country in FY2022; and a large increase in foreign hydrocarbon product tankers coming to New Zealand to deliver refined products. These are smaller tankers (25,000 GT, 40,000 DWT) going directly to multiple ports across New Zealand.  <ul style="list-style-type: none"> A change in the oil coming to New Zealand requires a change in the way the readiness and response activity is funded. The same capabilities are needed regardless of types of oil carried so we need a way to fund the regime. 	<ul style="list-style-type: none"> Maritime NZ proposes a new OPL allocation methodology² which: <ul style="list-style-type: none"> takes less time and effort to generate the relevant data; is less vulnerable to unpredictable changes in shipping and oil carriage volumes; and is less complex than the current methodology. The methodology is based on that used for Maritime Levies which was developed and implemented after the 2018 Funding Review. The new methodology will also ensure that we are able to effectively retain the readiness and response capability required to respond to marine oil pollution response. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> The existing methodology could be applied to a revised risk share allocation but it would artificially re-distribute risk previously allocated to a sector no longer operating (domestic tankers). This would be unfair and inconsistent with the "actual risk" assessment on which the existing methodology is based. The existing methodology is expensive (fresh risk assessments every three years) and that expense reduces funding available for preparedness and response activity. The Oil Pollution Advisory Committee (appointed by the Minister of Transport to provide advice to the MNZ Authority on OPL matters) unanimously supports their adoption of the proposed new methodology; as did the majority of those who made a submission on this proposal. 	<p>Maritime NZ uses a more efficient (cost effective) and effective methodology for allocating relative levies liability by sector.</p> <p>BENEFIT</p> <p>Reduces the cost of operating the OPL and supports adequate readiness and response capability</p>
<p>Shortfall in forecast OPL revenue</p>	<ul style="list-style-type: none"> One change with significant and on-going impacts is the closure of the Marsden Point refinery and its conversion to a refined hydrocarbon products facility. Specific impacts from this change already seen include: <ul style="list-style-type: none"> a major reduction in the import of persistent oil; removal from the New Zealand coast of the domestic tankers previously used to ship the majority of refined products from Marsden Point around the New Zealand coast; and a large increase in foreign hydrocarbon product tankers coming to New Zealand to deliver refined products to multiple ports across New Zealand. 	<ul style="list-style-type: none"> The funding shortfall is bridged so that we can deliver the Strategy and associated implementation plan. <p>COUNTERFACTUAL</p> <ul style="list-style-type: none"> Reduction in Marine Oil Spill Readiness and Response Capability and deterioration of assets over time. First strike capability (to ensure an initial response ahead of contracted or agreed international support) will be compromised. The state of preparedness will be negatively impacted. The full range of equipment for the full range of oil spill scenarios will not be available. 	<p>Maintains New Zealand's oil spill response preparedness, coordination, capability, and equipment to minimise the harms of a significant marine oil spill.</p> <p>BENEFIT</p>

² The methodology considers how much of the total required levies each vessel should be liable for, and is based on specific criteria to determine the "value of what is placed at risk in the maritime system". The principle is the 'risk value'. For Maritime Levies the criteria are people, freight and ships; for the OPL we propose to use "ships" – reflecting oil being used as bunker fuel - and "oil as cargo". The ships criteria will use Gross Tonnage as a proxy for bunker fuel capacity (as in the current OPL methodology), and actual quantity of oil carried as cargo (as we have access to this data, and again this is as used in the current methodology). The proposed methodology moves to "risk value" as opposed to an assessment of actual 'risk', which is generally understood as a combination of likelihood and consequence of harm.

Problem	Evidence and data to support the problem	Proposed intervention	Expected outcome/s and benefits
		<ul style="list-style-type: none"> Our ability to build and maintain the relationships critical to international support will be diminished (IMO attendance and other international travel will need to be reduced). 	<p>Maintains readiness and preparedness to respond to marine oil spills both regionally and nationally.</p>

Cost Recovery Principles and Objectives

- 22 The Treasury Guidelines for Setting Charges in the public service; the Officer of the Auditor General's Good Practice Guide on setting and administering fees and levies for cost recovery; and the Transport Regulatory system funding principles apply to and have guided the proposal to recover identified costs through Maritime and Oil Pollution Levies.
- 23 The cost recovery principles set out under the OAG Guidelines, and on which the Transport regulatory system funding principles are based, are set out below with a brief summary of how the cost recovery proposal aligns to them. Alignment of principles (as relevant) by proposal is elaborated at Table 3. To note; these principles also serve in practice as the objectives for this cost recovery proposal.
- 24 Legal Authority:
- A public entity must have legal authority to charge a fee and must operate within the scope of the empowering provision. Through regulations made under sections 191 and 333 of the Maritime Transport Act, Maritime New Zealand is authorised to charge levies on a specified basis to recover the costs of activities specified under those sections.
- 25 Efficiency:
- The user charge should be no higher than necessary to produce a good or service to the desired level of quality. The design of the charge should incentivise efficiency i.e. keeping costs down and the quality of the service high. The proposed increases in Maritime and Oil Pollution Levies revenue (achieved through changes to regulated levies rates) reflect the least cost option to achieve the outcomes sought through the proposals.
- 26 Equity (also described as fairness):
- The user charge is being paid by the appropriate people. The recovery of costs through Maritime and Oil Pollution Levies reflects consideration of risk exacerbators and beneficiaries.
- 27 Justifiability:
- The costs recovered through fees or levies reasonably relate to the good and services the fees or levies are charged for. The cost recovery proposition is to generate and use levies for the identified activities.
- 28 Transparency:
- A public organisation is accountable to Parliament and the public and needs transparent processes for setting and managing fees or levies. Maritime NZ has followed an open and transparent consultation process in relation to the activities for which cost recovery is sought, the cost of the activities, and the levies rates changes required.
- 29 Under Maritime NZ's current cost recovery policy (which is guided by the principles/objectives set out above), activity such as ship registration, regulatory licensing, certification and audit and inspection activity that occurs in circumstances specified under the Maritime (Charges) Regulations³ is cost recovered through fees charged to the individual service recipient.
- 30 In respect of regulatory licensing and certification (except seafarer licensing), the administrative effort common to all licensing applications is cost recovered through a fixed fee of \$368 (reflecting 1.5 hours effort) with the balance of costs associated with each application recovered through Maritime Levies. This split between fees and levies cost recovery reflects a policy decision made in the last full funding review (2018/19), which was based on a case made out (and supported by industry) that seafarer certification has both private and club good elements. Individual seafarers directly benefit from being licenced but the commercial maritime sector as a whole benefits from having a sufficient cohort of licensed persons to crew vessels involved in commercial maritime operations. There was a further argument that full cost recovery through fees would have the perverse effect of discouraging people from renewing or upgrading their qualifications in an industry that experiences constant skill shortages.

³ Audits and inspections conducted as a follow-up to an initial inspection are charged to the operator at an hourly rate. Marine Protection related Inspections and audits and inspections of vessels located outside New Zealand are also charged directly to the owner or operator at the regulated hourly rate of \$245.

- 31 The last full funding review also resulted in a policy decision to shift the cost recovery of audit and inspection activity (with some specific exceptions) from fees to Maritime Levies. The case was made that the extant cost recovery policy (all maritime audit and inspection costs falling to the recipient operator through fees) did not align with how the same activity is cost recovered by other regulators and reflected a transactional (private good) rather than system view (club good) of audit and inspection activity.
- 32 As well as the cost of audits and inspections and part of seafarer licensing costs, Maritime Levies can be and are used⁴ to fund a range of services provided, and regulatory services undertaken by Maritime NZ in the performance or exercise of functions, powers and duties under the Maritime Transport Act. These services, which are essential to the general maintenance of the maritime regulatory system, have the characteristics of club goods⁵, and the need for which is created by those who own, operate, maintain or work on vessels in New Zealand waters, are as follows:
- The provision and maintenance of aids to navigation
 - Regulatory reform activity – rules development and implementation
 - The provision of maritime safety information
 - Distress and safety radio services
 - Prosecution activity
 - General compliance and regulatory operations activity
 - International engagement
 - The provision and maintenance of Maritime NZ's information and technology systems
 - Technical, advisory, research, intelligence, planning and sector engagement activity
 - The development of education, guidance, and operational policy and practice tools
- 33 With respect to marine oil spill pollution preparedness and response activity, until the COVID-19 pandemic and its associated impacts, this had been entirely cost recovered through Oil Pollution Levies. The authority for the generation of Oil Pollution Levies funding and its use for such purpose is set out under s331 of the Maritime Transport Act.
- 34 The rates for Maritime Levies and Oil Pollution Levies are respectively set out under the Maritime Levies Regulations 2016 and the Oil Pollution Levies Order 2019. Information about levies rates (and the basis on which levies are calculated) is available on the Maritime NZ website.

Policy rationale - proposals align to current policy

- 35 This funding review has established that the policy embedded at the last review has been assessed as meeting the principles and objectives of the review in so far as all existing activities are concerned other than those covered by proposals 3, 5 and 6.
- **Proposal 3: Improving our performance in responding to notifications and regulatory licensing** includes a proposition that some of the cost of an enhanced regulatory licensing functionality should be recovered through Maritime Levies. This is consistent with, and is an extension of, the current cost recovery policy for seafarer licensing activity (i.e. cost recovered through a combination of fees and Maritime Levies). The proposal does not have implications for any particular fees or the hourly rate on which fees are based under the Maritime (Charges) Regulations, the Ship Registration (Fees) Regulations, and the Maritime Security (Charges) Regulations.
 - **Proposal 5: Sustaining funding for MARPOL Annex IV administration** is that the cost of administering the MARPOL Annex VI regime for prevention of air pollution from ships, to which the Government acceded in 2019, should be recovered through Maritime Levies. To date, that cost has been met by the Crown (due to the timing of the funding review) but on the clear understanding that this funding review would be the mechanism through which a shift to Maritime Levies cost recovery would occur. Using Maritime Levies for such a purpose is consistent with the use of levies for the administration of obligations under other maritime-related conventions but use for administration of this particular MARPOL Annex is a new proposition.

⁴ S191 of the Maritime Transport Act 1994 sets out the specific and general purposes for which Maritime Levies may be used.

⁵ A club good is defined as a good where people can be excluded from its benefits at a low cost but its use by one person does not detract from its use by another person. Refer: The Treasury: Guidelines for Setting Charges in the Public Sector.

- **Proposal 6: Seafarer Welfare Services funding** is that Parliament's 2021 decision to amend the Maritime Transport Act's Maritime Levies provisions to enable Maritime Levies to fund the provision of seafarer welfare services, should be applied. Since that decision, the Crown has provided funding (due to the timing of the funding review) but on the understanding that this funding review would be the mechanism through which a shift to Maritime Levies funding would occur. This is a new use for Maritime Levies.

- 36 The balance of the proposals (excluding Proposal 7, which does not have a cost recovery element) reflect a continuation of cost recovery for activities already funded through Maritime or Oil Pollution Levies, but at the higher indicative level necessary to cover the cost of the proposals.
- 37 While noting that the proposals largely continue current and established cost recovery policy, the table below sets out (by proposal) the policy rationale, the statutory authority and how each aligns to Treasury's *'Guidelines for Setting Charges in the Public Sector'*, the Office of the Auditor General (OAG) guidelines, and the Transport Regulatory System Funding Principles.
- 38 As the following is relevant to all of the proposals that it is proposed be cost recovered through additional Maritime Levies revenue, it is set out below rather than repeated for each proposal in the table below.
- 39 The cost recovery principle of equity or fairness goes to a charge (or recovery of cost) being paid by the appropriate people and raises the question of whether the risk exacerbator and/or the beneficiary should pay for the good or service.
- 40 The proposals concern the recovery of costs for a range of services (activities) that are more or less used by, applied to, or relevant to, different payers of Maritime Levies. In one case (Proposal 6: seafarer welfare services) the direct beneficiaries will almost exclusively be the operators and crew of foreign ships. In another, (Proposal 1: maintaining and enhancing regulatory operations capacity) only the operators of foreign vessels and the small group of New Zealand's largest commercial ships (albeit a group with high levies liability relative to other domestic payers) will receive the services for which cost recovery is sought. In another, (Proposal 3: Improving our performance in responding to notifications and processing licensing applications) the element relating to regulatory licensing has less relevance (excluding seafarer certification) to the operators of foreign vessels than to domestic vessel operators.
- 41 Maritime Levies are payable by all foreign and domestic commercial vessels operating in New Zealand waters and entering New Zealand ports. Under the Maritime Levies liability allocation methodology all levies payers pay for all activities funded by levies (it is not a beneficiary or user pays model) as all levy payers bring risk to the system and create the need for a regulator. The 'all pay for all' model, (but where liability is proportionate to risk brought to the system⁶) is more efficient than a model that attempts to differentiate liability according to the extent to which an individual or sector uses or benefits from a particular activity. All levies payers are in some way or another 'users' of the maritime regulatory system and they collectively create the need for it and share in the advantages of it. On that basis, they collectively pay and they individually pay more or pay less according to the risk they create.

⁶ The Maritime Levies allocation methodology uses vessel length, passenger capacity, Gross tonnage and Dead weight tonnage as proxies for risk and the larger a vessel, and the more passengers or cargo it can carry the more risk and the higher the levies liability.

Table 3: Statutory authority and alignment to cost recovery guidelines and principles

Proposal	Alignment to relevant guidelines and/or transport sector funding principles
<p>Section 191(2)(b) of the Maritime Transport Act 191 Maritime Levies (2) Maritime Levies may provide funding for any or all of the following purposes: (b) any services provided, or any regulatory services or activities undertaken, by the Authority, the Director, or the Crown in the performance or exercise of functions, duties, or powers under this Act</p>	
<p>Proposal 1: Building our capacity to identify and deal effectively with substandard shipping</p>	<p>The proposal is to fund sufficient capacity for the Maritime Inspections team, as well as training and practice needed to support the team, which undertakes regulatory monitoring, compliance and enforcement activity in relation to foreign commercial ships and domestic SOLAS vessels. The funding will enable the team to undertake sufficient inspection activity to meet international obligations and to target high-risk activity that may harm people and the environment. Under the Transport Regulatory System Funding Principles 2018 (refer page 8) such 'system oversight and repair' activity (at the agency-specific level) is "more likely to be a club good" and as such is appropriate to be funded through Maritime Levies. Adding further support to the 'club good' nature of these activities is the fact that all such activity is currently Maritime Levies funded.</p>
<p>Proposal 2: Improving management of Maritime and Marine Protection Rules</p>	<p>The proposal is to fund additional resources in Maritime NZ's regulatory design team to speed up the development and drafting of maritime and marine protection rules. Under the regulatory transport system funding principles such activity is a club good with the 'participant group' as the funding source (refer page 8). Maritime Levies are collected from the 'participant group'. Under the Treasury Guidelines for Setting Charges in the Public Sector (2017) it is noted that a common way to charge for the 'use' of a club good is a levy applied to a group of users. Maritime Levies are applied to commercial maritime operators on grounds that they create the need for the regulatory system – of which maritime and marine protection rules are a central part.</p>
<p>Proposal 3: Improving our performance in responding to notifications and regulatory licensing</p>	<p>The proposal is to use additional Maritime Levies to fund the maintenance of a centralised notifications and enquiries response team and to maintain additional capacity and capability (particularly around workflow, and administration) in the regulatory licensing team. These two elements of the proposal are quite different and will be covered separately. With respect of the notifications and enquiries team, they will be receiving and responding to legally required notifications and to enquiries received largely (but not exclusively) from participants in the maritime system. The need for the function is largely created by those participants and there is an efficient mechanism (Maritime Levies) to recover the costs from the participant group. Charging for responding to individual enquiries would be impracticable and inefficient and would act as a disincentive to participants seeking advice or information about regulatory requirements. Notifications about incidents and accidents (the largest notification type) are mandatory and there is no basis on which a person meeting that requirement could or should be charged for it. In fact doing so would disincentivise notifications at first instance. The Transport Regulatory System Funding Principles support the funding of an enquiries and notifications response function by Maritime Levies payers as a participant group. Specifically, that the method of funding should support, and at least not conflict with, the objectives of the regulatory system. Maintaining the regulatory licensing capability and capacity uplift is both a private and club good. Individual licensing applicants will benefit from a shorter turnaround time (noting that the quantum of effort required to process their applications (which remain fee-able) will not change). But industry as a whole also benefits through more time efficient crew certification and operator licensing. Intendent new operators will be able to enter the system more quickly, and operators relying on certified staff will not be faced with operating disruptions caused by delayed seafarer licensing. In the 2018/19 Funding Review, a policy decision was made to split the cost of seafarer licensing between fees and levies in recognition that industry as a whole benefits from having a sufficient and competent seafarer workforce. The regulatory licensing uplift proposal is based on the same rationale.</p>
<p>Proposal 4: Supporting effective oversight of those outside Maritime NZ who undertake critical regulatory functions</p>	<p>The proposal is to use additional Maritime Levies to fund the establishment of a team within Maritime NZ with a specific third-party oversight function. This is 'system oversight and repair': stewardship and monitoring of an important element of the maritime regulatory system. Given a significant number of third parties are acting under a delegation, that is, 'standing in the shoes' of the Director, the standard of their performance has particular relevance and importance. Under the Transport Regulatory System Funding Principles such activity is a club good that is appropriate to fund through participant group funding (Maritime Levies). Under the Treasury guidelines this activity does not have private or public good characteristics and aligns closest to the club good definition. Currently, with the exception of audits that may be undertaken of recognised or approved third-party regulators activity (and which are chargeable as a fee), the oversight activity that is occurring as part of general system oversight and (where required, repair) is cost recovered through Maritime Levies. There is also a good argument that, rather like full cost recovery seafarer-licensing fees; cost recovery here could be counterproductive. The proposal is to consolidate and enhance third-party oversight activity, and in having dedicated staff focussed only on third-party regulators the activity will be carried out more efficiently.</p>
<p>Proposal 5: Supporting the administration of MARPOL Annex VI</p>	<p>The proposal is to use additional Maritime Levies to sustain funding (provided to date by the Crown) for the administration of MARPOL VI regulations for the prevention of pollution by emissions from ships, to which the Government acceded in 2019. This includes additional legal, technical, compliance and investigations staff, staff training, and industry education and information services. Licensing activity associated with the regime requirements will be recovered through fees. Under the Transport Regulatory System Funding Principles, regulatory delivery, education and information, and rules implementation are club goods and should be funded by the participant group. Under the Treasury guidelines these activities and services also meet the characteristics of a club good. The participant group as a whole, rather than individual vessel owners and operators, benefits from this activity and the general public are excluded from the benefits arising from it.</p>
<p>Section 191(2)(c) of the Maritime Transport Act 1994. 191 Maritime Levies (2) Maritime Levies may provide funding for any or all of the following purposes (c) the facilitation of, or support for, seafarer welfare services.</p>	
<p>Proposal 6: Supporting the provision of Seafarer Welfare services</p>	<p>The use of Maritime Levies for the funding of seafarer welfare services was a decision made by Parliament when it voted in support of the s191 amendment. Seafarer welfare services are closest to 'education and information functions' in the functions list set out in the Transport Regulatory System Funding principles, and these are a club good with 'participant group' as the funding source. Foreign vessel owners and operators benefit from the provision of shore-based welfare services that support the welfare of seafarers that serve on their ships, while on the other side of the equation costs incurred for the provision of seafarer welfare services can be the direct result of the conduct of a ship owner or operator. Hence, it follows that this group collectively meets the relevant costs in its capacity as a club of beneficiaries and exacerbators.</p>
<p>The development and (at least) five yearly review of the New Zealand Marine Oil Spill Readiness and Response Strategy is a requirement under s283 of the Maritime Transport Act. The Strategy Implementation Plan 2022 – which sets out the activities (operating and capital including personnel) that will be undertaken - aligns with the purposes for which the New Zealand Oil Pollution Fund (made up of OPL contributions) can be applied. The purposes for which the Oil Pollution Fund can be applied are set out under s331 of the Maritime Transport Act and include: (a) to meet the costs of the Oil Pollution Advisory Committee; (b) to purchase plant, equipment, or any other thing to make preparations for, or to implement, or assist in implementing, any responses to marine oil spills; (c) to meet the reasonable costs of the Authority (including the costs incurred by the Director and the National On-Scene Commander) in controlling, dispersing, and cleaning up any marine oil spill; (ca) to meet the costs of services associated with planning and responses for marine oil spills that are services provided under a contract or arrangement with the Authority or the Director; (d) (ii) taking measures to avoid marine oil spills.</p>	
<p>Proposal 8: Maintaining Marine Oil Spill Readiness and Response Capability</p>	<p>The proposal is to establish revised Oil Pollution Levies to continue to implement the Strategy via the plan. Oil Pollution Levies are an efficient and well-established mechanism for recovering the cost of preparing for and having the training, equipment and arrangements needed to respond to significant marine oil spills in both the oversight and assurance role and in an operational response role should the party causing the marine oil spill fail to meet their response obligations and/or be unable to deliver an appropriate response given the scale of the event. Those who are liable for Oil Pollution Levies operate the largest ships fuelled by oil and/or carrying oil as cargo (24 metres or more and over 100 gross tonnes) or own oil production, storage, and transfer facilities or infrastructure. They are the main marine oil spill risk exacerbators, and under the Transport Regulatory System Funding Principles costs should be allocated primarily according to who creates and exacerbates the risks in the system.</p>

Note: there is no specific statutory authority, nor authority required in respect of setting the methodology applied to calculating levies rates that are prescribed under regulations for Proposal 7: Revising the Oil Pollution Levies allocation methodology. The proposal recommends that the methodology be aligned to that of the Maritime Levies. This would provide consistency and a better understanding with lower implementation costs for payers.

The level of the proposed fee and its cost components (cost recovery model)

Forecast revenue

42 Table 4 and Table 5 below show the proposed revenue from the Maritime and the Oil Pollution Levies, if all levies related proposals are adopted.

Table 4: Proposed Maritime Levies revenue (\$m)

Baseline	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
35.4	45.7	46.7	49.0	51.2	53.6	55.8

Table 5: Proposed Oil Pollution Levies revenue (\$m)

Baseline	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
8.7m ⁷	9.2	9.5	9.8	10.1	10.4	10.8

Costing the activity

43 Table 6 details the cost components of the proposals.

44 If all proposals are adopted this would result in an average uplift of \$11.7m per annum in maritime levy revenue (approximately 33.1%) for the 3 year period 2024/25- 2026/27. Of that increase, approximately 42% would be to address the regulatory risk issues (through proposals one to four); 29% would be to cover the cost of commitments made by Government (through proposals five and six), and the remaining 29% would cover normal inflationary cost pressures in areas of work covered by the levy.

45 For the OPL, the proposal would restore levies revenue to that required to deliver the required capability that is currently being delivered by the current OPL plus government top-up funding – so removing the cost to government and returning to a full-cost recovery model. The proposal would result in an average annual uplift of \$0.8m (from the 2023/24 baseline) in Oil Pollution Levies over the same period; an 8.8% average annual increase over 3 years.

Table 6: Cost components of proposals

Proposal	FTE	Personnel \$m	Operating \$m	Total \$m
Proposals that offer more/higher quality of existing service and maintain the way costs are apportioned				
1	9	1.3	0.6	1.9
2	5	0.7	0.3	1.0
3	5.75	0.9	0.3	1.2
Proposals that offer new service/output and recover costs from beneficiaries through well-established cost recovery method				
4	4	0.6	0.2	0.8
5	4	0.5	1.3	1.8
6	1	0.15	1.35	1.5
Address cost pressures and maintain the way those costs are apportioned				
		1.6	0.5	2.1
	28.75			10.4
Maritime Levies				
Proposal	FTE	Personnel \$m	Operating \$m	Total \$m
Proposals that maintain an existing service and change the way those costs are apportioned				
8	N/A	0.06	0.37	0.4
				10.8
Maritime Levies & Oil Pollution Levies				

⁷ Target revenue – taken from Strategy Implementation Plan 2022-2028 at December 2022 Appendix 1, page 30.

Table 7: Supporting evidence to costs

Proposal	Rationale for cost and what purchasing	Further evidence to support the investment (also refer to Table 1 for evidence to support the problem definition)
Proposals that offer more/higher quality of existing service and maintain the way costs are apportioned		
<p>Proposal 1: Building our capacity to identify and deal effectively with substandard shipping</p>	<ul style="list-style-type: none"> Increased resources to: undertake Port State Control (PSC) activity at the level necessary to inspect all priority high risk ships; undertake sufficient regular inspections to support deterrence of the arrival of sub-standard ships; and manage effectively any poor quality vessels that do arrive. The funding looks to add new maritime inspectors, plus resourcing for training and practice support to address the risks identified. With current resources, and the additional resource from the funding review sought, we would have a manager, one principal inspector, a scheduling and insights advisor, and 10-11 maritime inspectors to enable Maritime NZ to achieve sufficient regulatory outcomes in the large ship area. A team of this size and make up will mean Maritime NZ can inspect Priority 1 vessels (both to comply with our Tokyo MOU agreement obligations and attend to high risk vessels); undertake some minimal sub-standing shipping deterrence activity; inspect other vessels we have assessed as high risk; support inspections to occur when we find a ship with extensive issues which may require more intensive resource; and enable staff to undertake training and provide expertise for practice. The funding will also enable a practice resource. Operating costs include motor vehicles for Port State Officers to do their role. 	<ul style="list-style-type: none"> In FY2022 161 PSC inspections were undertaken on the 1070 foreign vessels visiting New Zealand ports, some ships with identified deficiencies had multiple inspections, so it is not 161 ships that were inspected. This does not enable us to inspect priority 1/high risk vessels; the inspection of other vessels that our intelligence signals are high risk; and a small number of random inspections that are critical as a deterrent to poor quality vessels being sent to New Zealand. 100% of domestic SOLAS vessels were inspected on schedule, however, the domestic fleet is aging and maintenance issues are requiring more inspections and intensive work we are finding hard to manage. The mix of Priority 1 and other high risk vessels identified may change; as too might the mix of vessels (for example more Cruise ships) and this will impact both the need for more inspections and the number of additional inspections that can be undertaken. For example, a Cruise ship can take 5-7 days to inspect and require 4 inspectors; a less complex and smaller scale inspection takes between 2-3 days; and if a vessel is detained or specific compliance action is required an inspector may be fully engaged for several weeks on matters arising from a single inspection. As a case in point, a number of inspectors have been fully engaged for two weeks on just two vessels with issues in our coastal waters. But assuming the Inspections capacity uplift will roughly align to an inspection number uplift, this could see an increase of inspections from 161 to 320 or more with the full team in place, and more time to work intensively with some vessels displaying a number of deficiencies, and to allow our inspectors to undertake the necessary learning and development to keep up with changes to international conventions and to continually improve the practice involved.
<p>Proposal 2: Improving management of Maritime and Marine Protection Rules</p>	<ul style="list-style-type: none"> Increased resources to deliver Maritime NZ's annual regulatory (rules) reform programme and speed up regulatory reform activity. Additional 5 FTE: <ul style="list-style-type: none"> 3 FTE as extra drafting, technical and implementation design resource to significantly reduce bottlenecks in making changes to the most complex and impactful rules reforms we already know we need to address; based on the existing rules programme; known future issues; and historical pace at which new issues emerge from the rules programme and IMO. 2 FTE for regulatory policy capacity to ensure we can keep pace of the stream of issues emerging from the rules programme and IMO: progressing a larger number of medium (at least one) and smaller changes and speeding up processes around large or very large changes. Enables more consistent, timely and accurate incorporation of IMO rules changes. Alongside investment above, would ensure that we address existing issues at least as fast as new issues emerge; so our backlog of issues does not grow faster than our ability to address them; based historical pace at which new issues emerge from the rules programme and IMO. Would enable us to progress critical work on certification/licensing Rules to support addressing workforce shortages in sector over short to medium term and to deal with some of the more urgent new technologies coming in for approval. 	<ul style="list-style-type: none"> The rules programme is agreed with the Minister and Ministry and made up of: identified problems with current rules; political priorities for new rules; and incorporation of new international requirements from IMO. It incorporates policy, drafting and support for planning implementation. New issues and requirements for changes constantly arise. Current resources can progress 2 big or very big rules reform, as well as 2-4 medium issues and a small but variable number (depending on complexity) of smaller issues at once. For example, in the last 12 month period this has included rules work on 40 series as a 'very big' reform; MARPOL VI as a 'big' reform; work on recreational boating rules and rules to implement the Cape Town Agreement to enhance fishing safety as 'medium' reforms; and a wider variety of smaller rules or connected issues, such as pilot ladders, STCW issues or watch-keeping. Current resources are not sufficient to keep pace with pace of issues emerging. There are currently around 700 issues on our (non exhaustive and continuously evolving) register of issues with existing rules. There are a number of significant (very large, large or medium) issues we are not currently able to start work on, including issues relating to Seafarer Certification rules, pilotage rules and MOSS settings; and we have fallen behind on the incorporation of international rule changes, which is also problematic for industry and a source of criticism for NZ from IMO. There are also some immediate new technologies seeking approval we need to consider or we will prevent safe take up of new technologies
<p>Proposal 3: Improving our performance in responding to notifications and regulatory licensing</p>	<ul style="list-style-type: none"> Staff for the centralised notifications and response team (NET) to more efficiently deliver regulatory notification and enquiries functions, and to continue progress made on timeliness and quality of the certification administration team. 5.75 FTE to: <ul style="list-style-type: none"> triage and respond to scenes effectively educate people on notifications requirements enable people to see where notifications and investigations are in the process more easily support more efficient and timely responses to enquiries coming into Maritime NZ enable us to work out where we may need to develop more guidance and education to support compliance 	<ul style="list-style-type: none"> Of the 5.75, 2.75 FTE, will form the NET team. In confirming the required size and make-up of the NET Maritime NZ undertook a detailed analysis of the nature, scale and complexity of incoming enquiries and notifications and the quantum of effort likely to be required in their receipt, triage and response. We also factored in other elements of the NET function; recording and analysis of notification and enquiry trends, and providing insights into where guidance and education is needed. The balance of 3 FTE represents the proportion of the regulatory licensing workflow and administration team that we propose is cost recovered through Maritime Levies. Accounting for the uplift in fees revenue anticipated as a consequence of MOSS certification renewal activity and MARPOL Annex IV certification activity (around \$400k per annum averaged over the six years from 2024/25), the shortfall equates to the cost of 3 FTE positions. The workflow and administration team is already in effect and has been instrumental in removing an administrative backlog, and reducing application processing timeframes from 38 to 29 working days, but this money will not be available when the Multi-Year Appropriation is completed.
Proposals that offer new service/output and recover costs from beneficiaries through well-established cost recovery method		
<p>Proposal 4: Supporting effective oversight of those outside of Maritime NZ who undertake critical regulatory functions</p>	<ul style="list-style-type: none"> New resources to provide oversight of third parties performing regulatory functions to reduce the risk of third-party regulatory failure. This will improve our understanding of the key risks posed by third parties undertaking regulatory functions and take a consistent, risk-based, approach to monitoring the performance of third parties undertaking regulatory functions. A new team of 4 FTE will: <ul style="list-style-type: none"> Establish basic tools to oversee important (and high risk) regulatory functions that have been delegated to Third Parties including a monitoring and oversight of some of the highest risk arrangements. Complete service design work to develop and implement a consistent approach to oversight of third parties under existing and any new regulatory design. The team would report to an existing manager. It would be made up of a principal advisor, senior level technical advisor, an operational policy advisor, and a trained auditor. This mix of competencies ensures there is expertise across all elements of the framework. 	<ul style="list-style-type: none"> There are 250 individuals and entities performing around 23 regulatory functions and exercising regulatory powers under a delegation, recognition or approval granted by Maritime NZ. We have built the size and composition of the proposed team around the skills and nature of effort needed to effectively roll out the third-party regulators stewardship framework. The establishment of a dedicated small team is necessary to ensure the framework's application and delivery. Having such a resource also means subject matter expertise would be built, documented and sustained.

Proposal	Rationale for cost and what purchasing	Further evidence to support the investment (also refer to Table 1 for evidence to support the problem definition)
<p>Proposal 5: Supporting the administration MARPOL Annex VI</p>	<ul style="list-style-type: none"> Maintaining the current 4 FTE to administer MARPOL Annex VI is made up of two and a half FTE frontline staff, one technical specialist and half an FTE senior solicitor. The implementation resourcing for MARPOL Annex VI maintains functions to test fuel from ship bunkers and develop new surveys as well as extensions to existing functions such as ship certification. A small amount of cost will be recovered through direct charges to the maritime sector for certification activities subject to pending changes to the Maritime (Charges) Regulations 2014. Implementation of new legal requirements - some requirements in the marine protection rules must be complied with from the date the rules come into force in 2022, some later in 2022 and some from 1 January 2023. Operating costs for fuel sampling and testing services are approx. \$900k. This detail was submitted to Treasury for Budget 2022 on which liquidity funding was provided for this amount until a funding review could recover the funding from levy payers. 	<ul style="list-style-type: none"> The Government committed to acceding to MARPOL Annex VI by the end of 2021 and the marine protection rules came into force three months later, as is required by the MARPOL convention. This initiative maintains the implementation of regulation of air pollution from ships to Maritime NZ which was put in place as a new function by the Government in 2021.
<p>Proposal 6: Supporting the provision of Seafarer Welfare services</p>	<ul style="list-style-type: none"> Resources to provide seafarer welfare services in New Zealand: <ul style="list-style-type: none"> \$1.2m contract funding resource to support the coordination and provision of counselling and pastoral support in the larger ports across New Zealand including a sum for the provision of facilities and supplies. \$0.3m Maritime NZ expertise to support, provide oversight and monitor the SWBNZ contract Funding to SWBNZ to ensure: <ul style="list-style-type: none"> seafarers have access to shore-based welfare facilities and services; a technically competent person is available at each facility. promotion of the ongoing development of welfare boards to regularly review facilities; and monitoring of service delivery quality. This detail was submitted to Treasury for Budget 2022 under which liquidity funding was provided for this amount until it could be recovered from a funding review. 	<ul style="list-style-type: none"> Funding seafarer welfare service support, through Maritime Levies, ensures a policy decision made by government in 2021 continues to be effected. The legislation was amended as agreed by Parliament in that same year to ensure Maritime Levies could be used to fund seafarer welfare services. While COVID-19 highlighted issues with the then limited provision of seafarer welfare services in NZ, and was the context in which Crown funding commenced, the demand for, and benefits of such services have not diminished in the post-pandemic environment. Continued investment supports compliance with the MLC and reduces the risks that may arise where seafarers, as a critical element of shipping operations, do not have their welfare and well-being needs met. Poor seafarer welfare conditions can impact the safety of shipping conducted in New Zealand waters (and in the waters of other jurisdictions), and generate a greater risk of accidents and marine pollution incidents.
<p>Address cost pressures and maintain the way those costs are apportioned</p>		
<p>Maritime levy related cost pressures</p>	<ul style="list-style-type: none"> Costs (such as existing staff salaries, including as a result of the Public Service Pay Adjustment (PSPA), property rates etc.) have increased for core Maritime Levies funded regulatory functions since the last funding review in 2018/19 to maintain the current level of capability (currently covered by Crown funding). This has currently been met by the provision of Crown Liquidity funding during shortfall of levy funding. 	<ul style="list-style-type: none"> Maritime NZ faces ongoing inflationary cost pressures via rising salary and operating costs. These have been modelled at 3% salaries and wages and 3.3% for other operating costs as guided by Treasury. We note we have already obtained a number of efficiencies as part of our Te Korowai work, our overheads are low for a Government agency, and from 2024/25 our consultants and contractors are only a small percentage of our operating costs and well before pre-COVID-19 levels.
<p>Proposals that maintain an existing service and change the way those costs are apportioned</p>		
<p>Proposal 8: Maintaining Marine Oil Spill Readiness and Response Capability</p>	<ul style="list-style-type: none"> Develop, sustain and evolve capabilities so that New Zealand can respond to, and provide an effective and efficient response to, marine oil spills. Training, exercises, organisation, people and equipment costs as per the Strategy implementation plan 2022-2028. The programme has been highly successful, increasing overall capability and ensuring that assets are fit-for-purpose, of a manageable age and that the overall asset management programme going forward will be sustainable at a reduced level of capital spend (as reflected in the Strategy Implementation Plan - SIP). The consequence of this successful capability uplift is that the costs to sustain capability have risen over time. Together with inflation, contract indexation and other time driven cost increases the total overall per annum OPL revenue requirement going forward does not reduce even though the Plan has been completed. Rather a comparable level of overall funding is required going forward to sustain the capability build over time. 	<ul style="list-style-type: none"> At the last OPL Review (2015/16) Government agreed to a very significant increase in Marine Oil Spill Readiness and Response Capability with a major asset replacement and upgrade programme, additional training capacity and increased operational spending. This programme was described in detail in the Capability Plan (the Plan) and funded by one element of the levy – the Capability Levy. Originally a three year Plan, Government directed its delivery over a six year period and the Capability Levy element of the levies was time-bound to this period.

Impact of the proposed levies increases

- 46 The impact of the proposed levies increases differs markedly between domestic and foreign vessels, and there is wide variation in impact (both upward and downward in dollar terms) across the different domestic sectors with levies liability. However few domestic vessels are liable for both levies; those with dual liability will all see a reduction in OPL liability; and 81% of domestic vessels have a low base (annual levies liability of \$500 or less) to which Maritime Levies increases would add.
- 47 The most material impact of the proposals, in terms of levies liability increases across both levies types would fall to foreign vessels. This is due to three factors:
- foreign vessels operating commercially in New Zealand waters are the largest of ships and already have the highest Maritime Levies liability, so any percentage increase in levies rates reflects a higher actual increase in levies payable;
 - all foreign vessels pay both levies on a per port visit basis (unlike domestic vessels for which levies are payable annually), so any increase in liability is not experienced as a single higher payment each year;
 - the proposed new OPL allocation methodology shifts risk (and therefore liability) more towards foreign vessels resulting in increased OPL rates for foreign vessels and decreased rates for domestic.
- 48 As domestic vessels pay levies annually they pay only once for each rateable risk proxy. For example, under the Maritime Levies the passenger capacity of a vessel would be levied (as proposed) at \$22.38 per 'seat'. That same seat may be filled hundreds of times over the levies year but is levied just once. All domestic vessel operators liable for Oil Pollution Levies will, under the OPL proposals, pay less from 1 July 2024, even with the proposed \$0.8m levies uplift, as their rates drop significantly.
- 49 The single domestic sector for which higher Oil Pollution Levies would be payable (as proposed) is the FPSO sector. There is currently one operating FPSO and under the proposed new allocation methodology its risk share goes from 0.02% to 0.9% of the total risk. This translates (factoring in the proposed \$0.8m OPL revenue uplift) to an \$81,000 OPL liability increase off a current base of \$858. Given the scale of the FPSO operation (handling 45,000 barrels of oil per day), this increase is not considered material nor difficult to accommodate in per unit prices.
- 50 There are currently 3,215 domestic vessels liable for Maritime Levies, and of those 150 are also liable for Oil Pollution Levies. In the 2022/23 financial year 1,181 foreign ships visited one or more New Zealand ports, with the average number of port visits being 5 per vessel.
- 51 Refer to Appendix 1 to compare the proposed Maritime Levies factors to the current.

Impacts/risks on the regulator

- 52 The proposed increases in Maritime Levies and Oil Pollution Levies revenue would not create any risks for Maritime NZ; on the contrary, it would ensure identified regulatory risks could be addressed; the risk of not fulfilling Government commitments avoided; current funding holes from the deferred funding review and redundancies that would occur impacting services avoided, and the inability to deliver on a statutorily required national Oil Spill Response Strategy remedied.
- 53 Impacts on Maritime NZ of increased levies revenue would be actually and prospectively beneficial. In being able to address regulatory risks identified by, and affecting the maritime sector, we can anticipate increased confidence in our organisation among stakeholders and regulated parties, especially given the regulatory risks were identified by stakeholders and the large proportion who have supported increases in their levies to fund them. This will have a positive impact on compliance behaviour, engagement and the openness of the sector to minimise harm.

Expected effects on demand for services

- 54 We expect the effects of increased levies liability to be minimal, if at all, on demand for services provided through foreign or domestic vessel operations. For foreign vessels, levies increases can be built into freight or passenger charges, and given the scale of freight and passengers carried, the per unit increase needed to cover additional levies costs would not be significant. The increase in Maritime Levies liability for domestic vessels can also be factored into passenger fees and charges or freight costs over the financial year for which levies are payable.

Reasonableness of levies rates arising from the proposals

- 55 There are two dimensions to consideration of reasonableness. The first is relative reasonableness, that is, whether the proposed levies increases would result in new rates that are reasonable relative to equivalent levies in other jurisdictions. The second dimension is reasonableness for those who are liable for levies.
- 56 In respect of equivalent levies in other jurisdictions there are no meaningful comparisons. This is because no two comparable⁸ jurisdictions have the same reliance on levies relative to other funding sources, have exactly the same levies frameworks, or have levies that are paid on the same basis or by the same type of liable parties. Further, the number of leviable parties across jurisdictions materially affects levies rates: the more payers, the lower the rate per payer.
- 57 New Zealand, for example, has around 3,215 domestic ships (including fishing vessels) with Maritime Levies liability while Australia has 31,000 leviable commercial vessels but does not levy its fishing vessels. Further, just 38% of the Australian Maritime Safety Authority's cost recovery is through levies (the balance being Crown funded) while Maritime NZ's reliance on Maritime Levies is considerably higher (currently 63% of our total funding).
- 58 Canada's maritime regulator receives 96% of its funding via the Crown, and the very small remaining portion recovered through levies is recovered from both commercial and domestic vessel operators. Singapore's maritime regulator recovers all costs through four different levies applied variously to both commercial and domestic operators.
- 59 On the basis of the above, the reasonableness of levies liability for a vessel operating in New Zealand cannot meaningfully be measured against the liability of an equivalent vessel operating in any comparable jurisdiction.
- 60 Maritime NZ commissioned an independent economic research company to undertake research into levies in other jurisdictions and this supports our analysis in respect of the limitations of comparability. The International and domestic levy comparisons report is on our website: www.maritimenz.govt.nz/funding
- 61 With respect to the reasonableness of potentially new and higher Maritime Levies rates, Maritime NZ has made proposals only as necessary to:
- address identified regulatory risk;
 - attend to concerns raised by industry about the elements of Maritime NZ's performance that have a negative impact on safety and environment outcomes, and also may be disrupting the efficient and effective operation of the maritime sector with impacts on the broader New Zealand economy;
 - cost recover for activities that Maritime NZ needs to undertake or facilitate as a consequence of Government decisions.
- 62 Maritime NZ considers that it has no choice but to advance the proposals, which, if adopted, will result in higher Maritime Levies. We also note that recovering the cost of the proposals through increased Maritime Levies revenue is consistent with Treasury and Transport Sector Funding cost recovery guidelines and principles.
- 63 The Maritime Levies methodology does not factor in ability to pay. However, we have considered the impact of increased Maritime Levies on different parts of the sector and different types of operation. We also note that not making the changes can also impact on the economic operation of the levy payers and sector. Our analysis is covered in the two sections below. Materially, it finds that the very largest domestic operators (who will see proportionately the highest increase in liability) operate at a scale where that increase can be absorbed or covered through a minimal per unit charge increase. For example, a very large passenger ship making an average of four trips a day, and on each voyage carrying an average of 250 people has 365,000 passenger units across which to spread increased levies revenue every year. A much smaller operator, for example a 104 gross tonne aquaculture vessel (mussel barge) operator, would incur an increased levy of \$236 per year, equivalent to 64 cents per day. Further examples are set out in Appendix 2 and Appendix 3.
- 64 For Oil Pollution Levies, we have set out the impact by vessel type – Refer Appendix 4 and Appendix 5. All vessels subject to Oil Pollution Levies (vessels of over 100 gross tons and 24 metres in length) are subject to Maritime Levies. Approximately 150 domestic vessels are liable for both levies (refer to Appendix 6 and Appendix 7 for examples). As the increase in Oil Pollution Levies is relatively less than the increase in Maritime Levies, the volume and scale of activity conducted by these vessels means there is capacity to absorb the extra cost through a small increase per unit (cost per freight or passenger unit).

⁸ Comparable in that these have developed regulatory frameworks that are given effect through legitimate law making processes and there is accountability for the level of charges.

- 65 The reasonableness for those who are liable for levies should also take into account willingness to pay. Given there is large support for the proposals (see Consultation section below), then the sector is indicating a willingness to pay for the benefits it and the system will receive from the levy adjustment.
- 66 The increased levies rates, if effected, will come into force in July 2024. Pending when decisions on this Funding Review are made, and if the levies increases are agreed as proposed, there could be up to six months' notice of the increases to levies payers, or less than one months' notice.

Consultation

- 67 On 19 July 2023 Maritime NZ released a consultation document (CD) on the review of Maritime NZ levies funding for 2024/25 to 2029/30. The public consultation period ran for four weeks.
- 68 The CD was released along with four supporting documents: an initial cost recovery impact analysis; the external economic advice used to prepare a revised (and subsequently proposed) Oil Pollution Levies methodology; an analysis of options for the delivery of seafarer welfare services funding, and an independently produced report setting out international and domestic levy comparisons. This ensured that the information available to those wanting to make a submission on any of the eight proposals was sufficient to support a well-informed position.
- 69 The submissions period closed at 5 pm on 16 August 2023. A total of 40 submissions were received through a mix of a designated funding review email channel (13), through submission of an online response form (26) and by standard mail (1).
- 70 An email enquiry facility was offered to all stakeholders and the public during the consultation period to enable questions and requests for clarification to be addressed directly. We received written enquires from ten interested parties.
- 71 Maritime NZ also held two public webinars during the consultation period. These were open to any interested party and were for the purpose of the Director and the senior leaders of the Funding Review to present on the proposals and respond to any questions arising. Four questions raised during the webinars were answered during the live sessions and expanded on in the Frequently Asked Questions published on our website. Recordings of the webinars were also made available on our website.
- 72 Not part of the funding review consultation process, Maritime NZ also engaged with the Oil Pollution Advisory Committee (OPAC) on what it intended to propose to the Minister post public consultation as per section 334 of the Maritime Transport Act. OPAC supported the Oil Pollution levies methodology and the rates for the Oil pollution levies.

Our submissions analysis

- 73 There was an average support rate of 80% across all of the proposals. Many of the key maritime representative bodies submitted on the review and key representative industry bodies - the New Zealand Shipping Federation, Marine Transport Association and Port Chief Executives supported the proposals.
- 74 No matters were raised in the few opposing submissions that gave grounds for the removal or reduction of any of the proposals. There was limited opposition to the proposed increases in levies and this was significantly outweighed by the support for the activity increased levies revenue would enable and the benefits achievable for the maritime sector.
- 75 All maritime and oil pollution levies payers, including maritime transport operations owned by iwi, were notified of the release of the consultation document. No Treaty of Waitangi issues or issues arising for Maori as business owners or a population group were raised in submissions received.
- 76 There were no themes identified across the submissions as a whole or within submissions made on any particular proposal but two submitters from the cruise industry made the same opposing submission on all of the proposals. They wished to delay any maritime levies or OPL revenue uplift until 2025/26 on grounds that their ticket pricing for the 2024/25 cruise season is already advertised, tickets have been sold, and it is not possible to revise the pricing model to accommodate what for the sector would be a relatively large overall levies liability increase from 1 July 2024.
- 77 This timing issue is not particular to the present funding review, given in previous reviews consultation on proposed levies increases has never occurred over a year ahead of when it was proposed those increases would take effect.

Nor have funding reviews previously proposed levies increases to take effect at such distance from the consultation timeframe.

- 78 It was anticipated that submissions on the proposals would be predominantly favourable given that half of them specifically attend to concerns and issues raised by industry; most domestic levies payers would not see a significant increase in maritime levies rates; all domestic levies payers liable for oil pollution levies will see a reduction in levies rates; and those most impacted by levies rates increases operate at a scale where these can be absorbed into freight or passenger ticket prices.
- 79 A copy of the full submissions analysis is in Appendix 8.
- 80 Relevant quotes have been included in Table 1 in support of the problems identified. For completeness, Table 8 lists all submitter quotes in support of a proposal and Table 9 lists all submitter quotes that either do not support or partially support a proposal and where comments were provided.

Table 8: Submitter quotes in support of proposals

Proposal	Submitter quotes
Support for Proposal 1: Building our capacity to identify and deal effectively with substandard shipping	<ul style="list-style-type: none"> <i>The ability of MNZ to have sufficient maritime expertise to effectively ensure that ships arriving in NZ waters comply with the minimum international safety and environmental standards ensures the protection of NZ waters, and it's tangata whenua [2]</i> <i>NZ continues to experience an increasing number of sub-standard ships plying the international and domestic trades, to improve safety and environmental risks in ports and around the coast an increased regime of inspection and compliance is crucial [8]</i> <i>Strong inspection and response to sub-standard or high risk ships is important to protect port operations and environmental concerns. As well as reducing the demand for rescue or support services [22]</i> <i>Intentions and good policy are only as effective as our ability to monitor and enforce compliance. The consequences of an accident in this sector are significant, and many accidents we have seen both in NZ and around the world are not a result of lack of regulation, but a lack of adherence to those regulations [27]</i> <i>The Shipping Federation supports the need to ensure international and domestic ships (both cruise and cargo) comply with international and domestic approved standards. We note there are clear indicators of increased workload on MNZ inspection teams, that support the need to increase training and capability [33]</i> <i>This is a worthy initiative and one that supports a safe national maritime network [10]</i>
Support for Proposal 2: Improving management of Maritime and Marine Protection Rules	<ul style="list-style-type: none"> <i>We recognise that the regulatory and compliance burden has increased over the last decade and continues to do so. We support Maritime NZ increasing its levies to fund this increased workload required by the policy department [6]</i> <i>To ensure maritime and protection rules are fit-for-purpose there needs to be a more efficient review and drafting process that enables shorter timeframes for regulatory reform [8]</i> <i>...supports the need to progress a review and reform of maritime and marine protection rules. As we and others in the wider maritime sector have raised with MNZ, a number of these rules are unnecessary or inconsistent, and some are applied in such a way as to cause unnecessary compliance and/or cost. A programme of reform should be commenced with urgency [33]</i> <i>The sector is not static. The ability of Maritime NZ to respond to needed changes in policy quickly needs to go hand in hand with the capacity to make that response in an informed way [27]</i> <i>The shipping industry globally is governed by rules and related policy and technical advice. New Zealand needs to keep up to date [28]</i>
Support for Proposal 3: Improving our performance in responding to notifications and regulatory licensing	<ul style="list-style-type: none"> <i>We believe it is crucial that licensing capacity is adequately funded [5]</i> <i>Better event notification and enquiries handling will further assist MNZ to deliver on the improved partnership they are developing across the port sector [7]</i> <i>There is a need to ensure the NET function is not only achieved but is effective so as to ensure a reliable and response service to the sector [8]</i> <i>This has the ability to reduce frustration and delays throughout the industry [22]</i> <i>A logical move, nothing more frustrating than having to wait on slow responses [28]</i> <i>Regulatory functions need to be adequately funded if they are to be effective [36]</i>
Support for Proposal 4: Maintaining oversight of those outside of Maritime NZ	<ul style="list-style-type: none"> <i>A robust system to ensure the commercial bodies that are offering statutory survey and certification processes are effective is the only way to ensure that all operators are maintaining a high standard [2]</i> <i>We often see some very low standards of inspections carried by, for example, MNZ approved medical practitioners. There are numerous examples of this, so greater oversight by MNZ will only be beneficial [6]</i> <i>The need of resources to apply appropriate supervision of third parties [15]</i>

Proposal	Submitter quotes
who undertake critical regulatory functions	<ul style="list-style-type: none"> • <i>It is hard to undertake an oversight role without resources such as staff to do the work [28]</i> • <i>Good governance requires that the regulator monitors the performance of third-party regulators, and has clearly defined pathways for addressing or remedying any deficiencies should they be found [33]</i> • <i>Regulatory functions need to be adequately funded if they are to be effective [36]</i>
Support for Proposal 5: Supporting the administration of MARPOL Annex VI	<ul style="list-style-type: none"> • <i>If we sign into these agreements then we must abide by them [1]</i> • <i>The new requirements will require significant oversight, additional inspections, audits and approvals, and so funding should be sought for this [6]</i> • <i>As New Zealand aspires to a low carbon supply this work by MNZ is critical to achieving that aspiration [7]</i> • <i>MARPOL is an important set of directives to avoid pollution [9]</i> • <i>A sustainable funding base ensures that Maritime NZ can give effect to the requirements as intended and as obliged under the convention [15]</i> • <i>As New Zealand has now signed up to MARPOL Annex VI, the resulting administration requirements should be funded [28]</i>
Support for Proposal 6: Supporting the provision of seafarer welfare services	<ul style="list-style-type: none"> • <i>NZ is dependent on reliable shipping, domestically and internationally and the safety of these vessels, their cargoes and crews is dependent on the crews being safe and able to concentrate on their roles [39]</i> • <i>We fully endorse proposal 6 and believe that a scaled down option would be inconsistent with meeting the requirements set by MLC 2006 [32]</i> • <i>The reason we support what would essentially be a continuation of the current levels of funding nationally is because we have seen what having employed Ships Welfare Officers on ships can achieve for seafarer welfare [36]</i> • <i>Because of the funding received, and the professional approach with which it has been utilised, the welfare of seafarers has directly benefited. As such The Mission to Seafarers Oceania & Pacific Region fully endorses proposal 6 [31]</i>
Support for Proposal 8: Supporting marine oil spill readiness and response	<ul style="list-style-type: none"> • <i>A significant uncontrolled oil spill would be catastrophic to our ecology. A well-resourced response strategy is critical to protecting NZ unique ecology [7]</i> • <i>It is a must that the gap in the current funding is bridged to enable MNZ to deliver the strategy [8]</i> • <i>Costs are rising year by year. We need to keep up with equipment and manpower [9]</i> • <i>Keeping the Oil Spill readiness and response up to date is a no brainer [28]</i> • <i>The current OPL is not raising the revenue required .. additional funding is required...and this shortfall needs to be addressed [33]</i>

Table 9: Submitter quotes: do not support or partial support

Proposal	Submitter quotes
Do not support or partial support for Proposal 7: Revising the Oil Pollution Levies allocation methodology	<ul style="list-style-type: none"> • <i>CLIA does not support the proposed changes to the Oil Pollution Levies allocation methodology. We believe the modified status quo model (option 1 as proposed in the Sapere review) provides continuity and certainty until a full review of the Strategy and MOSRA can be carried out [24]</i> • <i>Carnival Australia believes the modified status quo model provides greater continuity and stability if it is to be introduced in FY2024-25.</i> • <i>It must be noted that this model scored strongly in the Sapere review, with particular focus on the equitable sharing of the additional cost burden.</i> • <i>The proposed changes recommended by MNZ are wholesale in nature and would be better suited to be investigated in the process of a full review of the Strategy and MOSRA [25]</i> • <i>Only if this money is spent at the coal face and not administration office work [11]</i>

Scaled options

- 81 The eight proposals, along with the additional levies revenue we have estimated will be required to achieve them, reflect the minimum viable capacity / revenue uplift that is needed to achieve or maintain the improvements identified.
- 82 For three of the proposals (proposals 5, 6 and 8), the additional revenue proposed aligns with what the Crown has provided due to the levies shortfall arising from COVID-19. Without sustained funding, recent gains made will be lost.

- 83 Recognising that levies payers (in particular domestic payers) are also facing other cost increases, Maritime NZ prepared a scaled down option for three of the proposals. Within the relevant proposals the scaled down option was signalled.
- 84 The scaling down was confined only to some elements of the overall package for these reasons:
- While the proposals reflect those matters that Maritime NZ must attend to, and as soon as possible, the first proposal goes to a matter for which there are current and significant issues. Having the minimum viable funding uplift to address substandard shipping through increased port State and flag State control capacity, and having that uplift as soon as possible (that is, from 1 July 2024) is critical to reducing or removing a manifest risk. For that reason, the proposal cannot be a candidate for scaling down.
 - Because of the additional costs it creates or the investment it can have the effect of wasting, a reduction or deferral of new funding sought is only an option where no previous investment has been made or where investment already made would not be impacted. There are only three proposals where a scaling down would not cause collateral impact.
- 85 The proposals, the scaled option, and the impact of the scaling, are set out in Table 10.

Table 10: Scaled options

Proposal	Scaling	Impact on non-scaled rates over three years from 2024/25
Proposal 2: Improving management of Maritime and Marine Protection Rules	defer until 1 January 2026	-1.4% per year
Proposal 4: Maintaining oversight of those outside of Maritime NZ who undertake critical regulatory functions	defer until 1 January 2026	-1.1% per year
Proposal 6: Supporting the provision of seafarer welfare services	reduce by \$0.5m per annum	-1.4% per year

- 86 Maritime NZ considers that the financial impact of the scaled option (for all but those with the highest levies liability) is significantly outweighed by the nature and potential scale of risks it leaves unattended.
- 87 For Proposal 2, a further delay in addressing the identified issue would simply extend (and potentially exacerbate) Maritime NZ's inability to keep up with the demand for rule reform. It would also result in a delay in removing the costs industry is facing as a consequence of unfit rules. Those costs, for example having to apply for exemptions, well outweigh the reduced levies liability under the delayed option.
- 88 For proposal 4, further delay in being positioned to systematically and deliberately provide oversight of third-party regulators would extend and potentially increase the risks of poorly performing third parties. The potential costs of a regulatory failure to the system and potentially to individual operators or particular sectors, would far out-weigh the reduced levies liability under the delayed option.
- 89 Adopting the scaled down option for Proposal 6 would necessitate a scaling back of welfare services available to seafarers. It would not mean the Government had resiled from its commitment to support such services, but a 33% decrease in current funding would materially affect the number and nature of services identified as core to seafarer welfare.
- 90 There was limited feedback on the scaled options in submissions made on the consultation document. Comment was provided by: three of the 27 who submitted on proposal 2; three of 27 who submitted on proposal 4; and seven of the 40 who expressed a view on proposal 6. In no instance did the submissions on a scaled proposal fully support it.. In respect of proposal 4, four of the seven submitters strongly opposed it and of the other three, who were in partial support, one supported the scaled option only if the full proposal was not adopted.
- 91 The low level of feedback and within that, the limited support, suggests that the scaled options do not appeal to stakeholders. In addition, given the high level of support for the full proposals, we read the submissions in the round to have largely rejected a scaling down of the three relevant proposals.

Conclusions and recommendations

- 92 Maritime NZ recommends that Cabinet:
- a. Agree to the eight proposals.
 - b. Not agree to the scaled down option for proposals two, four and six.
 - c. Agree to amending the Maritime Levies Regulations 2016 to recover an average target revenue of \$47.1m a year for 2024/25–2026/27 and an average target revenue of \$53.5m a year for 2027/28–2029/30.
 - d. Agree to amending the Maritime Transport (Oil Pollution Levies) Order 2016 to recover an average target revenue of \$9.5m a year for 2024/25–2026/27 and an average target revenue of \$10.4m a year for 2027/28–2029/30.

Implementation plan

- 93 All but one of the proposals concern funding for activities that are already in effect or are in the process of being implemented under established plans.
- 94 **Proposal 1: maintaining and expanding Maritime NZ's Maritime Inspections Team.** This team is already operational and its expansion (which would involve the recruitment of new staff) would be managed as part of the organisation's already functioning HR activity.
- 95 **Proposal 2: increasing Maritime NZ's policy, rules drafting and technical advice capability.** A small expansion to an already operational policy team will not require an implementation plan. The recruitment of five new staff and their integration into the existing team would be managed as part of the organisation's business as usual HR activity.
- 96 **Proposal 3: the Notifications and Enquiries Team** for which additional funding is sought is already well into the building stage due to work done over 2022 and 2023 to date on systems, processes, and transition planning. Establishment of the NET and the detail of its functional design is already well advanced and an implementation plan is effectively already in train.
- 97 The additional funding proposed for **Maritime NZ's regulatory licensing team** will go toward supporting and maintaining improvements already made within an already established function. An implementation plan is therefore not necessary.
- 98 **Proposal 5: funding to support the administration of MARPOL Annex VI.** Maritime NZ is already administering the regulatory system required to give effect to MARPOL Annex VI. The system was effected through Crown funding in the absence of the required Maritime Levies revenue and the proposal if agreed, would simply change the funding source for this activity from Crown to Maritime Levies. No new or additional administration activity is planned beyond that already being undertaken.
- 99 **Proposal 6: Maritime NZ currently receives Crown funding to support the provision of seafarer welfare services** and since 2021 has been administering a distribution system for that funding to service providers. The MNZ effort required to administer the funding and the role of MNZ in the provision of seafarer welfare services, will not change so the proposal, if adopted, will not necessitate any implementation planning or effort.
- 100 **Proposal 7: a new methodology for OPL risk allocation.** The new methodology, if adopted, will not require any implementation effort. It will replace the existing methodology but will not require additional or different administration processes or steps. An implementation plan is therefore not required.
- 101 **Proposal 8: additional OPL revenue to support the continued delivery of the NZ Marine Oil Spill Readiness and Response Strategy.** The Strategy Implementation Plan (SIP) is already in effect and if the proposal is adopted it will mean that same plan can continue to be effected. Current planning would have the revised OPL rates coming into effect from 1 July 2024 and funding the Year 3 (and onwards) activities of the SIP.
- 102 The single proposal for which an implementation plan is required is **Proposal 4: establishing a small team to lead the delivery of third-party regulator oversight activity.** In 2022 Maritime NZ developed and agreed to a Third-party Stewardship Strategy and this, along with a Third-party Oversight Decision Matrix will form the 'roadmap' for the proposed new team's planning, and the nature and sequencing of activities it will lead. In terms of recruiting

the members of the small team, this would be managed as a business as usual HR activity. There are no perceived risks arising from this approach to forming and effecting the proposed oversight function.

- 103 None of the proposals create new compliance costs; impact on existing regulations (beyond the need to revise levies rates under regulations); or (in relation to the only proposal relevant to enforcement (Proposal 1)) require the development of a new or revised enforcement strategy.
- 104 If we had certainty of funding earlier than 1 July 2024, we would begin recruitment as early as possible for any new roles. Maritime NZ has a good employer brand and has been able to fill roles quickly over the last couple of years so we believe spend could start occurring early in the financial year.
- 105 None of the proposals create new compliance costs; impact on existing regulations (beyond the need to revise levies rates under regulations); or (in relation to the only proposal relevant to enforcement (Proposal 1)) require the development of a new or revised enforcement strategy. In fact, the proposals are intended in many areas to reduce compliance costs.

Monitoring and evaluation

- 106 Regular monitoring of Maritime NZ's performance is undertaken by Te Manatū Waka as the monitoring agency for transport sector agencies.
- 107 As the delivery of third-party oversight is the only new activity proposed, Maritime NZ intends to develop a measure aligned to the Third-party Regulatory Stewardship framework that show progress in monitoring and verifying the plans of prioritised (and highest risk) entities to prevent harm.
- 108 For the other proposals, we are already measuring performance in these areas in our current Statement of Performance Expectations or we propose a variation of these measures shown in Table 11. Noting that individual proposals are relatively small amounts of funding.

Table 11: Proposed measures

Proposal	Outputs	Measure	Performance standard
Proposal 1: Maintaining and expanding Maritime NZ's Maritime Inspections Team	Inspection and Audit (Output 2.3) Port State and Flag State Control inspections.	Output 2.3.1 The percentage of ships inspected that were assessed as meeting Maritime NZ's Port State Control ship selection criteria. Provided as context: Number of Port State Control inspections completed Number of ship detentions Number of follow-up visits	>=90%
		Output 2.3.2 The percentage of scheduled inspections of active New Zealand Flag State ships completed. Provided as context: Number of follow-up visits.	100%
Proposal 2: Increasing Maritime NZ's policy, rules drafting and technical advice capability	Operational maritime policy advice (Output 1.1)	Output 1.1.2 The percentage of the transport regulatory programmes completed subject to variations agreed with Te Manatū Waka	100%
Proposal 3: Improving our performance in responding to notifications and regulatory licensing	Certification and registration (Output 2.2) Certification and registration administration and management.	Output 2.2.1 The percentage of applications for maritime documents, marine protection documents, statutory certificates and permits processed within 20 working days measured from receipt of a complete application to a decision being made. Provided as context: The number of applications for maritime documents, marine protection documents, statutory certificates and permits received. The number of applications for maritime documents, marine protection documents, statutory certificates and permits processed. The average number of working days for a decision to be made on seafarer certificate application	>=70%
		Provided as context: The number of notifications received.	
Proposal 5: Funding to support the administration of MARPOL Annex VI	Inspection and Audit (Output 2.3) Inspection, monitoring and audit of domestic commercial operators, facilities, products, services, documents and delegations, and requiring compliance with these documents and delegations.	The percentage of active Maritime Operator Safety System operators are audited as scheduled under the Maritime Transport Act 1994. This audit includes an assessment under the Health and Safety at Work Act 2015 and Marine protection rules (particularly Parts 120: Discharge of Oil, 122: Marine Protection Products - Oil, 170: Garbage, and 199: Prevention of Air Pollution from Ships); and Resource Management (Marine Pollution) Regulations.	>=80%
		The Maritime Inspections Team has the ability to undertake fuel testing of foreign vessels as part of a port state control inspection. A testing schedule has been agreed to with MBIE. Fuel testing is undertaken as per Maritime NZ's agreed fuel testing schedule. A variance of x is allowable.	
Proposal 6: Funding to support the provision of seafarer welfare services	Information, education and engagement (Output 5.1)	The percentage of Seafarer welfare funding allocated to services which meet those required by the Maritime Labour Convention.	
Proposal 7: a new methodology for OPL risk allocation	Marine pollution readiness and response (Output 3.2)	Implementation of the new methodology in the revised Oil Pollution Levies rates on 1 July 2024.	N/A
Proposal 8: additional OPL revenue to support the continued delivery of the NZ Marine Oil Spill Readiness and Response Strategy	Marine pollution readiness and response (Output 3.2)	The percentage of regional (19) and national (3) equipment stockpiles where equipment maintenance has been conducted within the past 12 months.	100%
		The number of National Response Team field oil spill response exercises conducted annually. The percentage of regional councils that undertake two oil spill exercises annually. The average annual rating by National Response Team field oil spill response exercise participants of their level of competence in a response from post-exercise survey.	1 >+95% 6 out of 10

- 109 Maritime NZ undertakes a full funding review every six years with a midpoint review at year three of that next six-year period. The last full funding review was in 2018/19, with changes to levies and fees taking effect on 1 July 2019. If agreed as recommended, changes to maritime and oil pollution levies proposed in this mid-point review will take effect on 1 July 2024. COVID-19 impacts and the consequential decision of Government to delay public sector funding reviews means that the timing for the outcomes of this mid-point review are out of sync with the established full and mid-point review cycle.
- 110 Notwithstanding, under the current Transport Sector funding review programme Maritime NZ is scheduled to undertake a full funding review within three years of 1 July 2024.




APPENDICES

Appendix 1: Current versus proposed Maritime Levies factors

Bolded numbers represent proposed factors






Vessel	Gross tonnage	Deadweight tonnage	Passenger capacity	Overall length
Foreign passenger	0.1004 0.1282	0.0082 0.0105	2.0248 2.5839	N/A
Foreign non passenger	0.1178 0.1504	0.0095 0.0121	N/A	N/A
NZ SOLAS	7.7931 9.9449	0.4607 0.5879	46.71 59.6072	N/A
NZ non-SOLAS (24m or more in length)	8.2197 10.4870	N/A	17.5403 22.3834	N/A
NZ non-SOLAS (less than 24m in length)	N/A	N/A	17.5403 22.3834	15.1746 19.5347

Appendix 2: Examples of current versus proposed Maritime Levies for indicative foreign vessels

Vessel type Paid per port visit		FY23 current rates	FY25 proposed rates	Variance from FY23 to FY25
	International Oil Tanker (SOLAS) GT 25,000 PAX 0 DWT 45,000	\$3,373	\$4,305	\$932
	International Container Ship (SOLAS) GT 40,000 PAX 0 DWT 52,000	\$5,206	\$6,645	\$1,439
	International Cruise Vessel (SOLAS) GT 110,000 PAX 2500 DWT 15000	\$16,229	\$20,719	\$4,490

Appendix 3: Examples of current versus proposed Maritime Levies for indicative domestic vessels

Vessel type Paid Annually		FY23 current rates	FY25 proposed rates	Variance from FY23 to FY25
	Domestic Passenger Ferry (SOLAS) GT 22,365 PAX 1,350 DWT 5,794	\$240,020	\$306,294	\$66,274
	Domestic Container Ship (SOLAS) GT 6000 PAX 0 DWT 10,000	\$51,366	\$65,548	\$14,182
	Domestic Coastal Fishing Trawler (non-SOLAS) GT 529 PAX 0 DWT 0	\$4,348	\$5,548	\$1,200
	Domestic fishing Length 5.9 metres	\$90	\$115	\$25
	Domestic non-passenger aquaculture vessel (mussel barge) GT 104	\$855	\$1,091	\$236
	Domestic non-passenger barge GT 150	\$1,233	\$1,573	\$340
	Domestic non-passenger Length 23.9 metres (including tugs)	\$363	\$467	\$104
	Domestic non-passenger Length 8 metre workboat	\$121	\$156	\$35
	Domestic Passenger Ferry (Non SOLAS) GT 280 PAX 300 DWT 0	\$7,564	\$9,651	\$2,087

Vessel type Paid Annually		FY23 current rates	FY25 proposed rates	Variance from FY23 to FY25
	Domestic Charter Passenger Boat (Non SOLAS) Length 18 metres PAX 140 DWT 0	\$2,729	\$3,485	\$756
	Domestic Charter Passenger Boat (Non SOLAS) Length 8 metres PAX 14 DWT 0	\$367	\$470	\$103
	Domestic Commercial Jet Boat Length 8.2 metres PAX 8 DWT 0	\$265	\$339	\$74
	Domestic passenger Commercial dive boat Length 4.5 metres PAX 4	\$138	\$177	\$39
	Domestic passenger 3.7 metre personal watercraft (jet ski/novel craft) PAX 1	\$74	\$95	\$21




Appendix 4: Current versus proposed Oil Pollution risk allocation

	Vessel or oil site type	Oil Type	Current share	Proposed share
Domestic	Passenger, cargo, and tanker bunker fuel	Bunker fuel	16.7%	3.6%
	Oil tankers carrying oil as cargo	Persistent	3.1%	0.1%
		Non Persistent	8.3%	0.0%
	Fishing		1.1%	0.2%
Foreign	Passenger, cargo, and tanker bunker fuel	Bunker fuel	26.8%	67.9%
	Oil tankers carrying oil as cargo	Persistent	34.9%	1.6%
		Non Persistent	9.2%	25.6%
	Offshore oil & gas (FPSO)	Persistent	0.02%	0.9%
			100.0%	100.0%

Appendix 5: Current versus proposed Oil Pollution Levies rates

Vessel or oil site type	Basis of calculation	Oil Type	Current Levy	Proposed Levy	\$ Change	% Change
NZ vessels						
Passenger and cargo ships, harbour tugs and oil tanker bunker fuel	Per gross tonne of the vessel (annual)	Bunker fuel	414.69 cents	173.95 cents	-240.74 cents	-58%
Tankers carrying oil as cargo	Per tonne of oil carried as cargo	Persistent	29.96 cents	12.85 cents	-17.11 cents	-57%
		Non Persistent	26.76 cents	7.56 cents	-19.2 cents	-72%
Fishing vessels	Per gross ton of the vessel (annual)		73.56 cents	30.86 cents	-42.7 cents	-58%
Oil sites						
Offshore oil and gas (FPSO)	Fixed Fee (annual)	Persistent	\$858.66	\$82,055.19	\$81,196.53	9456%
Foreign vessels						
Passenger and cargo ships, harbour tugs and oil tanker bunker fuel	Per gross ton of the vessel (per port visit)	Bunker fuel	0.54 cents	2.63 cents	2.09 cents	387%
Tankers carrying oil as cargo	Per tonne of oil carried as cargo	Persistent	36.14 cents	35.46 cents	-.68 cents	-2%
		Non Persistent	7.6 cents	20.86 cents	13.26 cents	174%

Appendix 6: Examples of Foreign vessels paying both Maritime and Oil Pollution levies

Vessel type Paid per port visit		FY25 Proposed Maritime Levy	FY25 Proposed Oil Pollution Levy	Proposed total Levies Increase
	International Oil Tanker (SOLAS) GT 25,000 PAX 0 DWT 45,000	\$4,305	\$658	\$1,455
	International Container Ship (SOLAS) GT 40,000 PAX 0 DWT 52,000	\$6,645	\$1,052	\$2,275
	International Cruise Vessel (SOLAS) GT 110,000 PAX 2500 DWT 15000	\$20,719	\$2,893	\$6,789

Appendix 7: Examples of Domestic vessels paying both Maritime and Oil Pollution levies

Vessel type Paid Annually		FY25 Proposed Maritime Levy	FY25 Proposed Oil Pollution Levy	Proposed total Levies Increase
	Domestic Passenger Ferry (SOLAS) GT 22,365 PAX 1,350 DWT 5,794	\$306,294	\$38,904	\$12,432
	Domestic Container Ship (SOLAS) GT 6000 PAX 0 DWT 10,000	\$65,548	\$10,437	-\$262
	Domestic Coastal Fishing Trawler (non-SOLAS) GT 529 PAX 0 DWT 0	\$5,548	\$163	\$974
	Domestic fishing Length 5.9 metres	\$115	NA	\$26
	Domestic non-passenger aquaculture vessel (mussel barge) GT 104	\$1,091	NA	\$236
	Domestic non-passenger barge GT 150	\$1,573	NA	\$340
	Domestic non-passenger Length 23.9 metres (including tugs)	\$467	NA	\$104
	Domestic non-passenger Length 8 metre workboat	\$156	NA	\$35
	Domestic Passenger Ferry (Non SOLAS) GT 280 PAX 300 DWT 0	\$9,651	\$487	\$1,414
	Domestic Charter Passenger Boat (Non SOLAS) Length 18 metres PAX 140 DWT 0	\$3,485	NA	\$757
	Domestic Charter Passenger Boat (Non SOLAS) Length 8 metres PAX 14 DWT 0	\$470	NA	\$103
	Domestic Commercial Jet Boat Length 8.2 metres PAX 8 DWT 0	\$339	NA	\$74
	Domestic passenger Commercial dive boat Length 4.5 metres PAX 4	\$177	NA	\$39
	Domestic passenger 3.7 metre personal watercraft (jet ski/novel craft) PAX 1	\$95	NA	\$21

Appendix 8: Summary and analysis of submissions