

REVIEW SIGNALS RADICAL CHANGES

BY BY MICHAEL FITCHETT

When this edition of *Professional Skipper* went to print, your regular columnist, Alan Moore, was on a business trip to South Korea. In his absence, Alan has given me the opportunity to report about an important process that will affect everyone in the maritime community from the middle of next year. It is in essence a fundamental change, and it is already underway inside Maritime New Zealand.

Let me introduce myself. I am Michael Fitchett and Maritime New Zealand invited me to represent the domestic commercial vessel sector on the sector reference group panel. This group has started its involvement in what is going to be an in-depth and far-reaching review of Maritime NZ's funding practices and procedures.

There are 10 members in the group, each representing various industry and recreational sectors in the maritime community. My interest in this particular area of Maritime NZ's affairs came about in late 2007, when the organisation sought to establish new funding methodologies with the release of its cost recovery options discussion document.

Basically, the document sought to introduce a basis for increasing its funding take by way of huge increases in the marine safety charge levies.

On the strength of these threatened massive cost increases I responded with a submission on behalf of Fullers in Auckland,

an operator I have worked for for over 20 years. At the same time, Alan and I collaborated on a joint submission on behalf of the Marine Transport Association.

The industry, through that consultation process, revealed major flaws in Maritime NZ's fee-charging and levy systems, to the extent that it was recognised as being out of kilter with other government departments and the funding practices recommended by Treasury and the Audit Department.

It was so out of kilter the New Zealand Shipping Federation lodged a complaint with the Regulations Review Committee, which recommended, among a number of things, that Maritime NZ fundamentally change its methods of charging fees and making levies on the various sector groups.

As a result of this, Maritime NZ, to its credit, commissioned a review of its practices by an independent firm, Ernst and Young, titled *Building a Sustainable Organisation – Value For Money* review at Maritime New Zealand, released in early December.

It's a very good document – not an easy read, by any means – but it is interesting. It is complex and has proved to be a probing investigation into the whole of Maritime NZ's activities in a "warts and all" format. It is available through the Maritime NZ website.

That document recommended setting up the funding review process, which is what your representatives on the sector reference group are now heavily involved in. The government wanted no delay to starting the review process, requiring it to be completed by the end of this year. As we are in an election year, the emphasis is on the speed with which various milestones must be met.

The first session in Wellington in March was a briefing to outline the process ahead, followed by a session where the sector reference group and the Maritime NZ task force agreed on the basic principles by which we would proceed through to December.

The funding review process collects three other Maritime NZ projects that have already started, namely the MOSS project, the QOL's project and the rules review project.

In other words, the funding or cost recovery parts of these three projects must ultimately conform with the rules that come out of the funding review project.

The independent report on Maritime NZ also referred to these three projects, noting that they also have their own significant challenges to overcome, quite apart from their funding problems, which have now become incorporated into this review project. I'm sure more about those challenges written in future issues of this magazine in the months ahead.

Looking ahead, we can expect the Minister of Transport to sign off on progress so far by the end of March on the basic funding principles that are to guide and be applied to funding issues, and secondly an international study to provide a model for Maritime NZ to be benchmarked against.

From April to July, the substantive piece of work for the sector reference group will be developing options for funding for Maritime New Zealand and the analysis of them. This section of work will conclude with the development of financial models, again with the involvement of the sector reference group. This work is due to go to the minister at the end of September, the start of the consultation phase on the whole process so far that goes through to November.

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The final involvement by the sector reference group is in December, when we get the opportunity to be involved in analysing the submissions received. A myriad of regulatory processes then follow the consultation and it will take till June next year, when the new rules/funding regime will be implemented. We will all be affected from that point on.

My overall comment on the progress made so far would be that Maritime NZ is to be commended for its "opening the books" approach. It intends to follow the recommendations on the value for money document to the letter.

Transparency, equity and consultation with the maritime community are features of the review process. The funding principles which have now been basically agreed upon seem to be sound, although I did make the point that the principles must be applied in a balanced way. Slavish adherence to one principle at the expense of others will create huge problems, and this risk is recognised by all. I think the industry group will be watching this aspect with keen interest.

The issue of "public benefit" and how that should be funded or, more directly, who should fund it, was one of the main topics of conversation at the sessions. Be assured, no matter which sector you fall into, your representatives will be lobbying hard for public benefit outputs to be funded out of the government's share.

Match that against one of the stated objectives of the government, which is that it may wish to reduce its funding commitment to Maritime NZ, and you have the makings of some lively sessions ahead as we try to better define precisely what "public benefit" really means.

The Maritime Transport Act has perhaps one of the most arguable public benefit controversies where it exempts all recreational craft from marine safety charges.


Given the lack of clarity around just what benefits an operator paying his marine safety charges is supposed to get for his money, it's little wonder some sectors have a strong case they are being heavily penalised compared to other sectors – and that's not to mention the recreational boating sector's non-contribution.

The number of dollars involved in this contentious issue is huge, and they rightly see this funding review as an urgent priority for Maritime NZ to settle, get gazetted and implemented to bring back equity into the process of industry funding for MNZ.

As far as operators in the domestic commercial sector are concerned, it is a little early to engage in the process at this point, because it is very much a building process right now as opposed to a "that's it" situation. All operators are encouraged to have direct involvement from August to November, after the options and financial models have been worked up and agreed.

This wider industry involvement precedes the decision-making phase, which will happen from November to March next year. If you have any issues or questions about progress so far, please email me, michael.fitchett@fullers.co.nz.

If you have a point you think needs airing and wider opinions expressed in public, write a letter to the editor of *Professional Skipper* on the matter.

The next issue of the magazine should have something more interesting to tell you as we move into discussing the options available for funding Maritime NZ's activities. 

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