

CAA Funding Review

'The just completed CAA funding review, which sees substantial cost increases for many General Aviation operators,' is a major disappointment said Aviation NZ Chief Executive John Nicholson.

The review took 32 months to complete, caused considerable angst and frustration in industry, contains nothing about improving CAA efficiency, and results in \$2m less revenue for the regulator over three years. 'Where is the business sense in that' asked Nicholson.

While shifting more costs onto the General Aviation sector, CAA has made small changes to passenger safety levies (domestic levy down by 11 cents per passenger, ANZA levy up 2 cents and international levy up 30 cents) and reduced the medical certification fee paid by individual pilots.

There is some irony in the medical fee falling from \$272.17 (GST excl) to \$105 (GST excl). When the medical fee was introduced CAA said that it covered all medical certification processing and system management fees (its own costs). Now CAA seems to be saying that some of these costs should be paid by companies instead.

CAA suggests that by shifting cost onto the General Aviation sector that all participants in the aviation system will pay a fairer share of safety oversight, the approach provides a real financial incentive to meet safety standards, but accepts that some operators could pay significantly more.

In reality this means that CAA will guarantee future income streams for itself through a safety levy and continue to charge companies at its \$246 (plus GST) hourly rate for certification, exposition and exemption work.

The new levies mean that companies could pay CAA up to \$60,000 more a year with no undertakings on the calibre of service to be provided. CAA currently recognises the safety performance of the companies that will bear the brunt of the increases through the costs they pay for inspections and audits, identifies them in its risk profiles as lower risk and has approved many of them as training organisations. Agricultural companies for example are now paying reduced ACC rates because of their exemplary safety performance. Why should these companies pay CAA so much more?

In the freight area, CAA has determined that some companies won't have to pay freight levies but others will.

CAA also comments that General Aviation operators with low levels of activity will pay less than they currently do. This is the group that CAA has previously recognised as posing the greatest threat to aviation safety. In future, CAA's oversight of these companies will be subsidised by the larger companies.

'There are surprising omissions in the outcome of the CAA funding review too' said Nicholson. CAA gives no indication of how it will improve efficiency, and no insights as to how the funding review process will be improved for 2019 onwards. We have some ideas on both counts and will be talking to CAA about them.

'While some aviation companies are in contractual relationships with customers, we are advising them to pass on these extra CAA charges from 1 July and call them a compulsory CAA safety tax', said Nicholson.

However, given CAA's financial position (\$22.2m reserves at 30 June 2016 cf \$21.2m the previous year), our preference is that the medical fee be reduced but that other charges/levy rates be left as they are and that CAA works with a small group of industry experts to develop an open and transparent funding/efficiency model for implementation on 1 July 2019.

For more info

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General Aviation (GA)

GA is the backbone of the New Zealand aviation industry. It covers commercial and private operators involved in agricultural operations, tourism, charter operations, search and rescue, fire fighting and industrial (power line surveillance and repairs, heavy lifts, offshore supply) and training. It excludes the commercial airlines. There are about 2700 aircraft in the GA fleet made up of over 1950 fixed wing aircraft and 849 helicopters.

Key facts about Aviation New Zealand

Aviation New Zealand exists to lead, inspire and grow the New Zealand aviation industry.

It was established in 1950 to encourage the safe growth of the aviation industry in New Zealand. In more recent years, it has also become involved in helping the international development of its members.

- o Aviation New Zealand has over 260 members and over 1500 on its database
- o Members include agricultural companies, air operators (fixed wing and rotary), aircraft designers and manufacturers, the UAV industry, airports, aviation trainers, emergency and medical services companies, helicopter companies, and parts manufacturers.

Key facts about aviation in New Zealand

An 'early adopter' in aviation terms – first international customer for Boeing; first pilot training school 1916; first airmail 1919; and quick appreciation of the suitability of aviation for agriculture, tourism and forestry.

Over 4500 aircraft in New Zealand, one per thousand people, give New Zealand one of the highest aircraft per capita ratios in the world.

The industry

- exports to over 100 countries on all continents including Antarctica - we have proven success
- companies are highly regarded internationally for their quality, responsiveness and practicality – this makes us different to many of our competitors
- decades of policy innovation in New Zealand support competition, safety and growth -our local business environment is much better than that in many countries we do business with
- 30m km² of safely managed airspace - our systems and processes are scalable

Aircraft fit-outs, new aircraft (including UAVs), GPS track and tracing systems, high precision processes (for example bait and fire fighting), composites, titanium powders, and aviation industry business and operational systems are just some of the exciting technologies and practices developing in New Zealand which set the scene for growth in the next 100 years.