

Proposed Changes to ACC Levies 2017/18 and 2018/19 for Levy Risk Groups 491: Air Transport Support Services and 493: Air Operations

Summary

We seek more fair treatment for Levy Risk Group 491 (Part 121, 125 and 129 operators) and Levy Risk Group 493 (Part 135) operators that have committed to improving safety and taken a number of safety initiatives to achieve safe performance. In a sector based approach, many companies are being penalised by the failure of competitors to take a similarly responsible approach. This is particularly noticeable with Part 135 operators. If levies are to increase for Part 135 operators, and some logic is questionable, a more transparent and visible Experience Rating (discount) process is required to recognise the responsible operators.

Introduction

Aviation NZ, the aviation industry association was established in 1950 to encourage the safe development of the New Zealand aviation industry. This imperative remains but we also aim to lead inspire and grow the aviation industry.

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. In simple terms, we cover the breadth of the aviation industry.

The Aviation Industry and safety

Safety is critically important.

We have a constructive relationship with the Civil Aviation Authority, work closely with them in areas including incident and accident reporting, the development of activity and safety updates for specific aviation sectors, the introduction of new programmes to improve safety (Down to the wire, Safety Management Systems and New Southern Skies are three current examples), and education in areas that improve safety (for example fatigue management, human error, and risk identification/management).

The industry is well aware of the new HSE requirements. The CAA website, a key data source for us contains 9 CAA Fact Sheets, 2 Worksafe Forms, 10 Worksafe Guides, a Health and Safety Guide, 17 other Fact Sheets as well as several videos and other resource materials. CAA and Worksafe staff talked at our last industry conference, as they have talked at earlier conferences on workplace safety.

The AIRCARE™ Accreditation Programme has been developed by members of the aviation industry for the benefit of the aviation industry and its General Aviation participants. It brings flight safety, environmental safety and other safety related functions together in one safety assurance programme. In doing so it rationalises many of the aviation compliance requirements. AIRCARE™ is externally audited. Bottom line, it enhances safety.

Our members are certificated under many different CAA Rules. We understand and recognise that, over time, aviation safety is generally improving.

The ACC Levy Review

We welcome the ACC intention to reduce the levy rates in several aviation risk groups reflecting the improved safety performance in those sectors. That improved performance does not surprise us!

We are concerned to see the intention to increase the levy rate on CU Number 64010 (Part 121, 125 and 129 operations) from \$0.44 to \$0.47, a 6.8% increase; and particularly concerned by the intention to increase the levy rate for CU Number 64040 (Part 133 and Part 135 operations), from \$1.78 per \$100 to \$2.10 per \$100, a 17.98% increase. We do not understand the logic behind the projections that make such increases necessary.

A number of the operators affected by the proposed changes have:

- exemplary safety records
- invested heavily in safety
- obtained AIRCARE™ accreditation and/or accreditation from other organisations including Qualmark

These companies however, in a sector based 'no blame' approach to levies, are being penalised because other companies have not taken a similar approach, and have comparatively poor safety records. This is not fair.

Aviation companies will also be affected by the outcome of the CAA Funding Review which may now be implemented on 1 July 2017. The consultation document suggests the Part 135 operators for example, will be required to pay a new safety levy which will increase from \$1.30 per hour + GST in Year 1 to \$6.50 per hour + GST in year 3. Medium to larger operators predict this will add between \$10,000 to \$60,000 in costs. Part 121 and 125 operators face a slightly lower increase.

On one hand Government is publicly committed to boosting economic productivity and supporting business growth. On the other, Government agencies in monopolistic positions are increasing fees. Business, in a very competitive environment, is generally unable to pass on these cost increases to consumers of its services.

The other consideration is growth in the tourist industry. Growth is currently strong. But the aviation industry which provides value added tourist experiences in New Zealand, many of whom are Part 135 operators, are facing increased charges from ACC and CAA.

Experience Rating

We understand that the experience rating is intended to provide a discount for better safety performers. In theory, this may address some concerns with the proposed levy rate increases. However, the discounts suggested are much smaller than the proposed levy increase in Classification Number 64040 and do not, in our view, reflect the achievements many aviation companies have made in the safety area.

Basically, if the levy does not recognise good safety performance of some operators, the approach proposed in the Experience Rating area will not either. The relationship between the two, coupled with the importance of recognising exemplary safety performance needs further attention.

Conclusion

We welcome the recognition of improved safety performance in sectors. However, the sector based approach, even allowing for the Experience Rating discount as proposed, does not properly recognise either the attention to safety or the results of safety achieved by a number of companies. This must happen.

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