

## ORAL PRESENTATION TO THE REGULATION REVIEW COMMITTEE - DRAFT

WELLINGTON

27 NOVEMBER 2014

Thank you for the opportunity to appear in front of you today.

We are here because of Maritime New Zealand's failure to regulate, rather than the failure of Safe Ship Management. It has nothing to do with safety.

My submission is not about drawing revenue from other sources for Maritime New Zealand's benefit in place of fees, instead it asks why Maritime New Zealand won't live within its means and why they won't price risk appropriately.

Implications of the levy reduction are also raised, and as such, the outputs Mr Mathews appears to concern himself with in submissions are not mutually exclusive from the wider issue of funding other than from fees.

At the heart of the matter, as Mr Mathews states a number of times in his response, is that Maritime New Zealand labours under a cost recovery gap and the regulations in question are necessary to set the pathway to 'full cost recovery'.

With this in focus, what my submission explores is not Maritime New Zealand's **words** about closing the cost recovery gap, endorsed by Mr Mathews, but rather, what their **actions** were. It is the difference between what is said in theory and what is done in fact that offend the Standing Orders and principles of good regulatory stewardship. It also happened in plain sight, on the record and is for all to see.

My submission documents rising cost and those trends have continued unabated. In 2013 there were 150 full time employees and from the 2014 SOI, we learn that Maritime New Zealand has 'approximately 190 staff' verbatim. Mr Mathew's affirms in his response that the cost model, quote '*made an assumption of **no** growth in personnel numbers*'

Therefore the cost model forecast simply ignores not only the largest driver of costs and their clear historical trends, and also the knowledge of the burden that taking on a greater role in MOSS would place on them.

It is not an error and demonstrates the difference between words and actions. The cost model comes with no intent to deliver its forecasts and its purpose is to create an illusion. It is a blatant pretence, it is deceptive and the very definition of a charade.

If it is not, I submit to you, then our regulations are being consulted on in an environment much like a poetry competition where only words, and not actions define the equal measure of efficiency, equity and accountability.

There must be a burden of commitment to deliver on undertakings rather than, as Maritime New Zealand has done, disregarded them almost the moment they are signed by the Minister.

This is why the 2014 and 15 forecasts Mr. Mathews chooses not to discuss are vital and the dismissal of them in his response is curious. They give insight to Maritime New Zealand's true intentions and beg the question would the Minister be able to repeat to Cabinet that the "global effect of Maritime New Zealand's funding will be to stay the same - if he had those forecasts instead.

I don't think so as he would see forecasts which promoted costs and increased the cost recovery gap without which there would be an over-recovery, which, as defined by Treasury and enshrined in the standing orders, are taxes and beyond the reach and entitlement of the Ministry.

For example, Mr Mathews cites the Value for Money review in paragraph 91, quote "a significant under recovery of directly chargeable services as a major anomaly" unquote while omitting to identify the amount deemed recoverable from the report. That figure, on page 6 is \$400,000 to \$500,000. That compared to the amount Maritime New Zealand expects to collect in fees this year, which is \$1.9 million rising to \$4.7 million in 2018 and Mr Mathew's agrees in paragraph 86 of his response, that any over recovery of cost would be considered a tax.

Mr Mathews also invites the committee to consider a comparison to the CAA's even higher fees to which I respond then perhaps they also should be looked at in a new light as well.

With consideration to risk, I stand by my submission and noticed that during Mr Mathew's defence of the levy reductions, the Rena barges into his argument in paragraph 146, spills oil all over our beaches, but is noteworthy to Mr. Mathews only in the sense that it delayed and inconvenienced the Funding Review.

So what might the future be for our domestic operators under the regulations in question?

Like Maritime NZ, people respond to incentives and I'd like to use the words of an operator who has asked to remain anonymous out of concern to MNZ's new and aggressive attitude.

Quote

*Good luck with your complaint. A bunch of boats being taken out of the industry by owners who just don't want to deal with MNZ any longer and can't afford the wonderful new charging regime anyway. I bet MNZ's income model didn't allow for mass exodus of the system due to poor implementation management*

Unquote.

When I sought evidence supporting the above statement, I read with interest the latest briefing to the incoming Minister, page 11 which I quote here -

*Maritime NZ's initial experience in managing the new MOSS and SeaCert programmes has highlighted that revenue is quite different to original expectations. Actions are in hand to deal with this issue and we will seek to discuss these with you early in your term.*

If Maritime New Zealand had listened to consultations, they might have changed their expectations. But in any case, it is clear from submissions that the Ministry of Transport has not, and will not impose discipline on this poor state of affairs as we might have expected them to.

That leaves the future and wellbeing of the domestic maritime industry in your hands and I urge you to recommend to the House that these regulations are disallowed.

Thank you once again for your attention.