

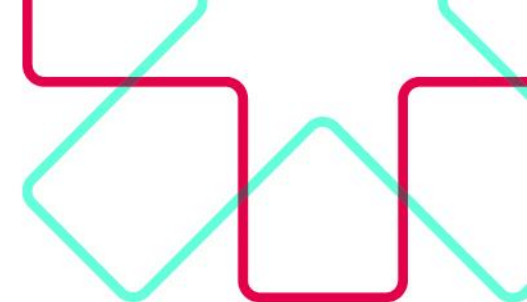
THE EPA'S COST RECOVERY ARRANGEMENTS

Final Report

Prepared for the Ministry for the
Environment

October 2020





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PREFACE

This report has been prepared for Ministry for the Environment by Nick Carlaw, Tim Borren and Nick Davis from MartinJenkins (Martin, Jenkins & Associates Limited).

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EXECUTIVE SUMMARY

Purpose and scope of the review

Purpose

This report has been written for the Ministry for the Environment (MfE) to inform advice from MfE and the Environmental Protection Authority (EPA) to the Minister for the Environment about what, if any, changes should be made to the EPA's third-party funding arrangements.

Scope

The scope of the project is as follows.

- **Exclusive economic zone: EEZ regulatory activities**
 - Assess whether the existing variable fee design is appropriate and, if necessary, update the hourly rates to reflect the actual cost of carrying out EEZ activities.
 - Assess the EPA's proposal to introduce new fees to recover the cost of EEZ monitoring activities and advise whether the proposal should be introduced and/ or amended.

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Approach

Our approach to the review was fully consistent with the cost recovery guidelines issued by the Treasury and the Office of the Auditor General.¹ The report has been prepared with input from both MfE and the EPA.

Funding context

The EPA's expenditure for 2019/20 was \$33.370 million, funded from third-party revenue (\$2.454 million); other revenue (\$0.179 million); Crown revenue (\$27.367 million); and reserves (\$3.370 million).² The EPA was in deficit from 2017/18 to 2019/20 due to the decision to use accumulated reserves to improve core business systems and fund key programmes, including reassessing approvals to use hazardous substances.

The EPA received additional funding from the Crown in Budget 2020.³ Funding was provided for the following functions and activities:

¹ The Treasury: Guidelines for Setting Charges in the Public Sector; 2017, and Controller and Auditor-General: Charging fees for public sector goods and services; 2008.

² [REDACTED]
³ <https://budget.govt.nz/budget/2020/wellbeing/annex/initiatives-envir.htm>. Accessed July 2020.



- **EEZ** – continuing to carry out core environmental management functions under the EEZ Act. Funding is \$3.9 million in financial years 2020/21 and 2021/22, and \$3.4 million in financial years 2022/23 and 2023/24. The reduction in Crown funding in the out-years is in anticipation of an increase of third-party revenue (which is the subject of this review).
- **Emissions Trading Register** – upgrading the New Zealand Emissions Trading Register (\$1.9 million of capital funding)
- **HSNO** – expanding the Chemical Reassessment Programme by responding to emerging issues and/or carrying out additional reassessments. Additional funding is \$1 million per year.

Exclusive economic zone: EEZ regulatory activities

Background

The total cost of all EEZ activity in 2018/19 was \$5.828 million, of which \$1.786 million (31%) was recovered.⁴ However, only 16% of costs were recovered in 2017/18.

In 2018/19, EEZ decision-making costs were \$3.184 million, of which \$1.668 million (52%) was recovered. EEZ monitoring costs were \$2.644 million, of which \$118,000 (4%) was recovered. Investigations and enforcement costs are not recoverable.

The current fee design is a variable charge based on an hourly rate and the time incurred

The hourly rate charge is used to recover the cost of decision making and monitoring activity. The EPA also recovers the actual and reasonable costs for expenses such as travel, accommodation, and external technical expertise.

There are pros and cons with the current cost recovery arrangements

The total charges for an EEZ application can be high, and vary by application. Charging on a variable basis is the best way for the EPA to fully recover its costs in this situation.

While the industry is accustomed to this approach, funders have uncertainty about the total cost of an application, especially at the outset of the application process. To counter this, EPA has a clear cost recovery policy, which seeks to provide transparency about the likely fees.

The current hourly rate charges are not set to recover all relevant cost. The hourly rates have not been updated since 2013 and do not reflect the full cost of decision-making and monitoring activities.

For several reasons, the EPA is recovering less monitoring cost than it should. It is difficult to allocate some tasks to a specific operator, and there are challenges for staff to record time accurately, and therefore invoice regulated parties for all time spent on monitoring activities.

⁴ EPA cost data.



We recommend that the EPA continue to cost-recover using an hourly rate charge, updated to recover actual costs.

The hourly rate is a function of salary cost, other direct cost, allocation of overheads, and the number of annual hours the cost is divided by.

Salary and other direct cost

We updated the hourly rates with new salary costs and added 5% of salary costs for KiwiSaver, ACC and training. To make sure the hourly rate recovers the actual cost over the next three years (the recommended period between cost recovery reviews), we used salaries in 2021/22 currency.

Allocation of overhead cost

The allocation of overhead cost was based on the average indirect cost for EEZ activities for the 2017/18 and 2018/19 financial years (60.8% of the EPA's total costs). In consultation with the EPA, we used a slightly lower percentage of 60% of total costs to account for a forecast reduction in overhead costs. This approach is consistent with how the EPA calculated hourly rates for the COVID-19 fast-track consenting charge.

Number of annual hours the cost is divided by

We recommend using 1,282 hours to calculate the hourly rate charge, as shown in the table below. This is equivalent to a utilisation rate of 72.5% of the total hours worked.

We considered how this utilisation rate compared to other organisations, noting that it does vary. Some public sector agencies have a much lower utilisation rate (eg around 65% for some staff), whereas professional services firms may have a higher rate (around 80% for some staff).

	Annual hours
Total annual hours (260 days x 8 hrs)	2,080
Less 4 weeks annual leave	(160)
Less 3 days EPA Board leave	(24)
Less statutory holidays (11 days)	(88)
Less allowance for sick and domestic leave	(40)
Total annual work hours	1,768
Less average time spent on support activities based on a time survey of the Applications and Compliance teams	
Staff development and training	(177)
Meetings and general administration	(309)
Total hours used in hourly rate calculations	1,282

Recommended new hourly rate charges

The recommended new hourly rates for Applications and Compliance staff are presented in the table below. The hourly rates of the Compliance Team are calculated as 80% of the full hourly rates. This gives effect to Cabinet's decision that the public benefit associated with EEZ compliance monitoring activity is equivalent to 20% of the cost.

Role	Current hourly rate		Recommended new hourly rate	
	Applications	Compliance	Applications	Compliance
Principal Advisor	N/a	N/a	286.80	229.44
Project leader	140.80	112.64	239.27	191.42
Senior advisor	116.12	92.90	201.19	160.95
Advisor	103.75	83.00	160.49	128.39
Administrator	97.43	77.94	125.66	100.53



How the rate of increase compares to the Labour Cost Index

For context, the Labour Cost Index (LCI) has increased 13.6% between 2013 (when the current hourly rates were set) and 2020. Extrapolating forward to 2021 (as our calculation uses 2021 costs), the LCI would have increased by about 15.7% from 2013. On average, the recommended new hourly rates are 57% higher than current rates.

There are three main reasons why the hourly rate increase could be greater than the LCI:

- 1 Salaries, particularly for advisors and senior advisors, have increased more than general wages. This reflects a recent reset of EPA salaries to catch up with market rates.
- 2 Development and training costs, meetings and general administration (equivalent to 486 hours of time) are taken into account in the new hourly rates, but were not factored in to the current rates.
- 3 The amount of overhead cost incorporated in the new hourly rates could be different to what was included in the current rates (although we do not have any data to verify this).

Potential impact on funding

Increased cost recovery levels

We analysed how much extra cost could be recovered by the EPA if the EPA:

- invoiced operators for more monitoring activity but held hourly rates at current levels (*this is shown under the column header called "Current hourly rates"*); and,
- increased its hourly rates and invoiced for more monitoring activity (*this is shown in the column header called "New hourly rates"*).

The term 'operator liaison' refers to time spent liaising with operators, educating operators, and doing associated administration activity. EPA advise they could recover about 50% of this cost in the future.

Scenario for staff time charged	Total cost \$m	% staff time charged	Revenue	
			Current hourly rates	New hourly rates
2018/19 actual	\$1.63	11.8%	\$118,000	N/a
Future:				
Same as 2018/19	\$2.31	11.8%	\$175,000	\$300,000
Direct monitoring activity only	\$2.31	16%	\$237,000	\$407,000
Direct monitoring + 25% operator liaison time	\$2.31	21%	\$311,000	\$535,000
Direct monitoring + 50% operator liaison time	\$2.31	26%	\$386,000	\$662,000
Direct monitoring + 75% operator liaison time	\$2.31	31%	\$460,000	\$789,000
Direct monitoring + 100% operator liaison time	\$2.31	36%	\$534,000	\$917,000

Impact on funding

The following table compares the current cost and funding for 2018/19 with a scenario based on the recommended new hourly rates.

\$ million	2018/19 Actual		Possible revenue, out-years	Possible revenue increase
	Cost	Revenue	New hourly rates	
EEZ Decision-making:				
Staff time	2.08	0.59	0.99	0.40
Expenses	1.11	1.11	1.11	0.00
Total	3.18	1.70	2.10	0.40
EEZ Monitoring and Enforcement	2.64	0.12	0.66	0.54
Total cost recovered revenue		1.82	2.76	0.95
Crown allocation	N/a	4.00	3.40	(0.60)
Total	5.83	5.82	6.16	0.35



The possible increase in revenue is based on the following assumptions.

- The same volume of applications as the 2018/19 year.
- The Applications Team charge 42% of their time. This was the approximate proportion of time charged by this team in 2018/19.
- The Compliance Team charge 26% of their time (Direct monitoring plus 50% of operator liaison time), meaning they would recover 29% of their total cost. By comparison, in 2018/19 the team recovered 4% of its total cost.

Alternative cost recovery design options for EEZ monitoring activities

We explored whether there was a better alternative to the hourly rate charge to recover the cost of monitoring activity

Accurate time recording is one of the main constraints to recovering more monitoring activity cost. This can be a difficult challenge to overcome. It requires management to win the support of staff and new behaviours to be embedded in teams. The EPA are willing to try this to recover their cost more accurately.

However, if the EPA is unable to achieve this, we think it is feasible to look more closely at an alternative cost recovery design. We note, though, that some improvement to time recording practices would still be needed. The EPA would still have to account for how it spends its time and justify its fees to industry.

We concluded that a hybrid fee design – consisting of a fixed fee component and a variable component – is the best alternative cost recovery design option

The fixed fee component of the hybrid fee would recover the following monitoring costs:

- Receiving, assessing and managing records and reports of operations covered by a marine consent or other permission (excluding marine science research)
- 50% of time spent liaising with operators
- A portion of the supporting activities that staff do to enable the monitoring function, namely:
 - development and training
 - meetings and general administration.

The variable charge component would recover monitoring costs associated with inspections and certification of plans. The variable charge would be calculated using the recommended new hourly rate charge.

The fee schedule for the hybrid monitoring fee

The schedule of fixed fees and variable charges is shown in the two tables below. We have calculated the dollar value of the hybrid fees to recover the same amount of cost as for the hourly rate option, assuming that all monitoring time and 50% of operator liaison time is invoiced (approximately \$654,000 per annum).

Fixed fee component

Type of consent holder	Fixed fee	Volume	Fee revenue
Petroleum extraction marine consent	\$72,499	3	\$217,496
Disposal consent	\$101,672	1	\$101,672
Disposal consent, intermittent use of area	\$28,956	2	\$57,912
Minerals extraction marine consent	\$72,499	0	\$0
Petroleum extraction transitional consent	\$58,129	1	\$58,129
Exploration marine consent	\$21,771	1	\$21,771
Permitted activity	\$21,771	1	\$21,771
Total			\$478,752

Volumes sourced from EEZ Cost Recovery Review prepared by the EPA, 20 August 2019.



Variable charge component

Activity	Cost	Volume	Revenue
Petroleum and minerals inspections	\$5,465	7	\$38,258
Disposal inspection (and planning)	\$8,589	2	\$17,177
Review and certification of plans			
Routine	\$6,246	5	\$31,231
Medium	\$12,492	5	\$62,462
Complex	\$23,423	1	\$23,423
Burial at sea	\$1,288	2	\$2,575
Total variable revenue			\$175,127

Volumes sourced from EEZ Cost Recovery Review prepared by the EPA, 20 August 2019.

Indicative fee volumes and amount of cost recovered

The following table indicates what each operator would pay per year based on the hybrid fee design, and the amount of cost that would be recovered.

The fixed fee component ranges from about \$22,000 for an operator undertaking a permitted activity or a marine exploration consent holder, to \$100,000 for a disposal consent holder.

Operator type	Annual fixed fee	Variable charges			Indicative total charges
		Inspection	Review / cert of plan	Total variable charge	
Petroleum extraction marine consent holder	\$72,499	\$5,465	\$12,492	\$17,958	\$90,456
Disposal consent holder	\$101,672	\$8,589	\$12,492	\$21,081	\$122,753
Disposal consent, intermittent use of area	\$28,956	\$8,589	\$6,246	\$14,835	\$43,791
Minerals extraction marine consent	\$72,499	\$5,465	\$12,492	\$17,958	\$90,456
Petroleum extraction transitional consent	\$58,129	\$5,465	\$12,492	\$17,958	\$76,087
Exploration marine consent	\$21,771	\$5,465	\$12,492	\$17,958	\$39,729
Permitted activity	\$21,771	\$5,465	\$12,492	\$17,958	\$39,729

The EPA (under either cost recovery option) would recover more cost from regulated parties than it currently does and the MfE will need to consult industry about this change

It is critical that the MfE consults with industry on any proposed changes to increase the level of cost recovery (as required under the Act), to make sure that the changes do not introduce any unintended behaviours or consequences, and to make sure the changes support – or at least do not hinder – the EPA's ability to achieve its regulatory objectives.



Pages 8 to 11 removed as out of scope in relation to the *Proposed changes to the Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013* discussion document.

INTRODUCTION

Purpose and scope of the review

Purpose

This report has been written for the Ministry for the Environment (MfE) and will ultimately inform advice from MfE and the Environmental Protection Authority (EPA) to the Minister for the Environment about what, if any, changes should be made to the EPA's third-party funding arrangements.

MfE and the EPA will also use the advice to consult with stakeholders about any proposals for change.

Scope

The project terms of reference were originally set so as to allow the review to consider any aspect of the EPA's third-party funding arrangements. After an initial phase of work, the project scope was narrowed to focus on:

- decision-making and monitoring activities associated with managing the environmental effects of activities in the exclusive economic zone and continental shelf



Out of scope

The following were out of scope for this review:

- a detailed assessment of the impact of proposed changes on funders and other participants in the regulatory system (including impacts on their economic viability and level of compliance)
- preparing the public consultation document and reviewing feedback
- drafting cost recovery regulations
- reviewing and re-designing the mechanisms for administering and collecting the fees.
- a detailed assessment about whether the benefits of the third-party funding proposals outweigh the associated change and administrative cost.

We have also not been required to consider cost recovery design in relation to other agencies that share responsibility with the EPA for administering legislation and recovering their costs using fees or charges.

Context of the review

The EPA was established under the Environmental Protection Authority Act 2011. Its statutory objective is to carry out its functions in a way that:

- contributes to the efficient, effective and transparent management of New Zealand's environment and natural resources, and
- enables New Zealand to meet its international obligations.



The EPA must also act in a way that furthers the objectives and purposes stated in the environmental Acts that the EPA administers, such as the Climate Change Response Act 2002.⁸

The table below shows the main regulatory regimes the EPA is accountable for, and its decision-making and compliance monitoring roles for each regime.

ACTIVITY	REGULATORY REGIME				
	Hazardous substances	New organisms	Nationally significant proposals	Exclusive economic zone	Emissions trading scheme
Decision making	✓	✓	✓	✓	✗
Compliance and monitoring	✓	✗ Ministry for Primary Industries does monitoring	✗ Participants exit the system after their application is decided	✓	✓

As at July 2020, the EPA employed 192 staff (181 FTE), and an additional 15 contractors and consultants. The total headcount was 207.

The EPA is funded by a mix of government and third-party funding. Its third-party funding consists of the recovery of costs associated with applications and compliance-related activity across a number of the regulatory regimes.

The EPA's expenditure for 2019/20 was \$33.370 million, funded from third-party revenue (\$2.454 million); other revenue (\$0.179 million); Crown revenue (\$27.367 million); and reserves (\$3.370 million).⁹

The EPA was in deficit from 2017/18 to 2019/20 due to the decision to use accumulated reserves to improve core business systems and fund key

programmes, including reassessing approvals to import or manufacture hazardous substances.

The EPA's current cost recovery arrangements

The legislation that governs the EPA allows for a broad range of costs to be recovered from third parties. Each of the Acts that are relevant to the EPA's work approaches cost recovery in quite a different way.

In some areas, the EPA has authority to set fees and charges, subject to consultation requirements; for example, hazardous substances and new organisms. In other areas, fees and charges are set in regulations; for example, the exclusive economic zone (EEZ).

The table on the next page lists the fees and charges that the EPA collects.

Funding from Budget 2020

The EPA received additional funding from the Crown in Budget 2020.¹⁰ Funding was provided for the following functions and activities.

- **EEZ** – continuing to carry out core environmental management functions that are not cost-recoverable under the EEZ Act. Funding is \$3.9 million in financial years 2020/21 and 2021/22, and \$3.4 million in financial years 2022/23 and 2023/24. The reduction in Crown funding in the out-years is in anticipation of an increase of third-party revenue (which is the subject of this review).
- **Emissions Trading Register** – upgrading the New Zealand Emissions Trading Register (\$1.9 million of capital funding)
- **HSNO** – expanding the Chemical Reassessment Programme by responding to emerging issues and/or carrying out additional reassessments. Additional funding is \$1 million per year.

⁸ Environmental Protection Authority Act 2011, section 12.

⁹ [REDACTED]

¹⁰ <https://budget.govt.nz/budget/2020/wellbeing/annex/initiatives-envir.htm>. Accessed July 2020.



Fees and charges collected by EPA

Regulatory regime	Number of fees	Volumes (2018/19)
Hazardous substances (including hazardous wastes and ozone depleting substances)	10 application fees and charges 9 other fees and charges (for example, application to reassess and provision of information) 19 fees and charges in total	159 HS applications Decided 622 applications for import certificates. Issued 99 permits related to import, export or transshipment of hazardous waste. Issued 38 import or export permits for ozone-depleting substances under the Ozone Layer Protection Regulations.
New organisms	9 application fees and charges 10 other fees and charges (for example, reassessment of an approval, request for technical amendment to approval). 19 fees and charges in total	Decided 32 applications and statutory determinations for new organisms.
Nationally significant proposals	Actual and reasonable cost	No new proposals lodged
Exclusive economic zone	Actual and reasonable cost.	10 applications for marine consents. Monitored 11 current marine consents. 8 offshore inspections. 24 permitted activities monitored
Emissions trading scheme	No cost recovery	n/a

Notes: Based on information on the EPA website and the EPA Annual report 2018/19

Our approach to developing and assessing options

Our approach to the review was fully consistent with the cost recovery guidelines issued by the Treasury and the Office of the Auditor General.¹¹ We used analysis developed by the EPA, and advice that we prepared for the EPA in 2016 about its third-party funding arrangements.¹²

What we did

Our review involved the following activities:

- considering the scope of the EPA's cost recovery powers granted by legislation or Cabinet
- identifying the types of funding mechanisms (such as Crown levies, fees or charges) that are best suited to the EPA's activities, including assessing who creates the need for the activity, and who benefits from, or uses, the activity
- developing design options for cost recovery, and assessing proposals for change against cost recovery principles
- building a cost recovery model to estimate the dollar value of fees and charges.

The framework we used to develop options

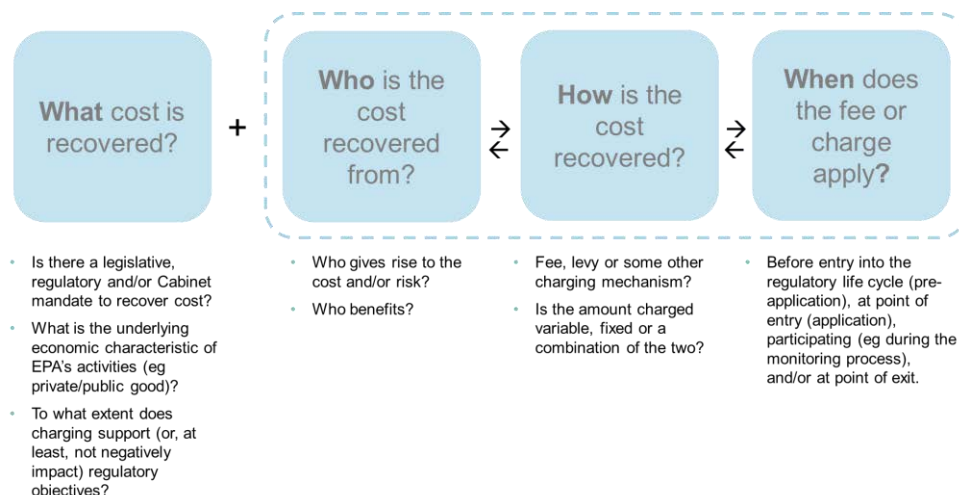
Cost recovery design is a function of responses to the four key questions shown in the figure below. In practice, the process of designing options is iterative – particularly for identifying who the cost is recovered from, and how and when it is recovered.

¹¹ The Treasury: Guidelines for Setting Charges in the Public Sector; 2002, and Controller and Auditor-General: Charging fees for public sector goods and services; 2008.

¹² MartinJenkins: Third-party funding review; 24 May 2016.



Options will initially be identified at a high level, but the subsequent process of calculating the dollar value of the fee or levy will often give reason to go back and refine the design of the proposed fee or levy (for example, if the fee levels risk driving unintended behaviours).



Assessing the options against cost recovery principles

The cost recovery principles we used in the review are set out in Appendix 1. The principles draw on guidance from the Treasury,¹³ and the Office of the Auditor-General. The principles are consistent with what is often written into legislation (for example, NSP and EEZ legislation).

¹³ <https://www.treasury.govt.nz/publications/guidance-and-instructions/strategic-intentions-and-statements-intent/planning> (accessed September 2020) and Controller and Auditor-General: Charging fees for public sector goods and services; 2008.



We did not consult with industry on how the cost recovery proposals would affect regulated parties

Good cost recovery design will positively influence the behaviour of regulated parties and support the EPA to achieve its regulatory objectives. We have not talked directly to regulated parties about what the proposals in the report might mean for them.

Until consultation is done (which is part of the regulations making process), any assessment about how the proposals may affect affordability and behaviour should be treated as indicative only.

Structure of this report

After this introduction, the report has a separate section on cost recovery design for each regime. Each section describes what we were asked to do, our approach to the analysis and conclusions.

Terminology

For ease of understanding, we use the following terms in the report.

- **Support activities** –Includes development and training, staff meetings, and general administration.
- **Chargeable time** –Time spent by staff on applications- or monitoring-related activity that EPA can invoice to regulated parties.

EXCLUSIVE ECONOMIC ZONE: EEZ REGULATORY ACTIVITIES

What we were asked to do

We were asked to:

- Assess whether the existing variable fee design is appropriate and, if necessary, calculate hourly rates so that they reflect the actual cost of carrying out EEZ activities.
- Assess the EPA's proposal to introduce new fees to recover the cost of EEZ monitoring activities (including regulating burials at sea); and provide advice about whether the proposal should be introduced and/ or amended.
- Assessed current arrangements for recovering the cost of monitoring EEZ consents and the current level of cost recovery
- Calculated new hourly rates for EEZ staff roles based on 2020/21 salary band data and average indirect cost
- Assessed alternative arrangements for recovering the cost of EEZ monitoring activities, including the EPA's proposal to charge consent holders an annual fee
- Developed a model to calculate fees and charges for different cost recovery options for EEZ monitoring. This included a first-principles assessment of the appropriate funding type (or mix of funding) for key activities.

How we went about the work

Our approach

For this EEZ part of the project we did the following:

- Reviewed background documents and spoke with staff from the EPA and MfE
- Analysed EEZ costs for decision-making and monitoring for 2017/18 and 2018/19,¹⁴ and analysed the EPA's overhead cost allocation model
- EEZ Cost Recovery Review prepared by the EPA, 20 August 2019.
- Review of EPA's "Oracle allocation worksheet v21".
- "2017–18 EEZ Costs Breakdown" spreadsheet – a breakdown of direct and indirect costs for EEZ decision-making cost centre and the EEZ monitoring and enforcement cost centre.
- EPA organisational chart, as at 30 April 2020.

¹⁴ Only the last two financial years were available as EPA had recently adopted a new finance system.



- s 9(2)(h)
- Data provided by the EPA on EEZ consent holders and the types of consent held.
- The EPA's cost recovery policy for the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 and related regulations.
- The EPA website, accessed July 2020.
- EPA's annual reports for the 2018/19 and 2019/20 financial years.

Who we spoke to

- Meetings via Zoom with Tim Ramsden (Principal Finance Advisor, EPA) to get an understanding of EEZ costs and EPA's overhead (indirect costs) allocation approach.
- A workshop via Zoom with Susan Smith (Head, Compliance Monitoring and Enforcement), Evelyn Cole (Principal Advisor Strategy) and Tim Ramsden about EEZ monitoring activity, and the proposal for an annual fee for compliance monitoring.
- A follow-up discussion with Susan about time recording challenges and what would be needed to record time more accurately.
- A workshop via Zoom with Michelle Ward (GM Climate, Land and Oceans), Teresa Calmeyer (Team Leader, Land and Oceans Applications Team) and Tim Ramsden about EEZ applications activity and cost recovery arrangements.

What we found

Assessment of current cost recovery design

This section reviews the current cost recovery arrangements and identifies what works well and what does not.

The legislation, although relatively detailed, provides flexibility for cost recovery design

There is clear statutory and Cabinet authorisation for full recovery of the cost of deciding an application for a marine consent, and for recovering 80% of monitoring marine consents and permitted activities, as described in the table below.

Requirements

Primary legislation

The basis for cost recovery is contained in various sections of the **Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012**.

Sections 30 and 32 allow regulations to be made for the purpose of prescribing charges for cost recovery and the process of consulting on changes to charges.

Section 143 does the following:

- Sets out the EPA's obligation to take all reasonable steps to recover costs for functions and services not appropriated by Parliament
- Lists activities for which costs should be recovered, including:
 - assisting a person to prepare an application for a marine consent, whether or not the application is made
 - receiving, processing, and deciding applications for marine consents
 - receiving impact assessments
 - administering, monitoring, and supervising marine consents
 - certifying that an activity complies with regulations
 - advising a person who is proposing to carry out a permitted activity, and
 - reviewing the conditions or duration of a marine consent.
- Provides for charges to be set so that they involve an averaging of costs or potential costs, and/or take into account costs that do not directly benefit the person who pays the charge but that are an indirect cost arising from the EPA performing the function or service.



Section 144 sets out a number of different charging mechanisms that can be used individually or in combination. This includes:

- fixed charges
- charges based on a scale or formula or at a rate determined on an hourly or other unit basis
- charges for actual and reasonable costs
- estimated charges paid before the function or service is performed, with a wash-up payment at the end, and
- refundable or non-refundable deposits paid before the function is performed.

Section 145 requires charges to relate to a financial year, and provides for the EPA to recover any shortfall in cost recovery for any of the previous four financial years.

Section 146 allows for charges to differ based on whether a special or urgent service is performed, or based on different ways of delivering the service, different places, different amounts of time taken, or different types of applicants.

Regulations

The **Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013**. These regulations prescribe the hourly charge-out rates for five EPA staff positions and provide for recovery of actual and reasonable costs for other expenses. The regulations require that hourly charge-out rates for EPA staff carrying out monitoring activity are charged at 80% of standard rates and set out who is liable for charges depending on different types of applications.

Cabinet

EGI (12) 29/14 requires the EPA to recover:

- the **full cost** of all: marine consent functions; permitted activity functions; EPA rulings and other transitional arrangements required under the Act. Hourly rates are prescribed for five EPA personnel positions.
- **80%** of monitoring marine consents and permitted activities (the Crown provides the balance of funding). These activities are seen as benefiting both the applicant and the public.

The remaining activities are seen as having mainly public benefits and so are Crown-funded – these activities include:

- domestic marine scientific research funded by the Crown
- marine scientific research funded by an international government
- submarine cabling
- enforcement costs associated with investigations and prosecutions
- education and raising public awareness, internal government and international reporting, monitoring for cumulative effects, and business systems development.

We did a high-level assessment of the economic characteristics of the main activities in the EEZ regulatory regime

Assessing the economic characteristics helps to determine the appropriate funding type for an activity or function. Based on a first-principles approach, if an activity has a mainly private benefit, the cost should be recovered from the party that benefits from or creates the need for the activity.

Conversely, if an activity has mainly public benefits, it should be Crown-funded. Activities can be partly Crown-funded where there is a mix of public and private benefits.





The table on the next page identifies key activities for the EEZ regulatory regime and indicates where there appear to be inconsistencies in current funding arrangements and the potential to increase the level of cost recovery.





























As the table shows, cost recovery levels could be increased for monitoring of permitted activities and marine consents. In particular, for activity attributed to liaising with operators, educating operators, and associated administration costs. We refer to this activity as 'general operator liaison' activity.

The amount of cost recovery for monitoring of permitted activities and marine consents should only be increased to 80% of the total cost of the activities. This is because Cabinet agreed the remaining 20% of the cost would be funded by the Crown (EGI (12) 29/14 refers).



Key:

-  Recover cost of activity
-  Recover majority of cost of activity
-  Recover some cost of activity
-  Activity is Crown funded

	Activity	Now	Future
Decision making	Pre-application advice to potential applicants		
	Processing applications (marine consent, dumping/ discharge, rulings, changes/ removal of conditions, and assessing decommissioning plans)		
	Support for EEZ decision-making committees		
	EEZ Committee cost		
	Appeals		
Compliance monitoring and enforcement	Monitoring of permitted activities		
	Monitoring of permitted activity by government, international or seismic survey		
	Monitoring of marine consents		
	Investigations related to marine consents		
	Any prosecution activities		
Maintaining the regulatory system	Reporting		
	Public awareness		
	International activities		
	Operational policy improvements		

The current fee design is a variable charge based on an hourly rate and the time incurred

The hourly rate charge is used to recover the cost of decision making and monitoring activity, as described in the table below. The EPA also recovers the actual and reasonable costs for expenses such as travel, accommodation, and external technical expertise. The EPA's cost recovery policy is documented on its website.¹⁵

What cost is recovered?

All EPA's cost associated with processing applications for marine consent applications, permitted activity functions, and 80% of monitoring marine consents.

Who is cost recovered from?

EEZ applicants and consent holders.

How is the cost recovered?

Combination of hourly personnel rates charged on a time incurred basis, and recovery of actual and reasonable charges for expenses.

When does the fee or charge apply?

Applicants invoiced in arrears on a monthly basis.

The participants in the EEZ regulatory regime predominantly comprise a small number of large commercial entities. The regime also covers burials at sea which are sought by individual citizens.

There are currently 11 marine consent holders and EPA processed 10 applications for marine consents in 2018/19. The consents mostly involve offshore minerals and petroleum exploration. Approval is required for activities that are inherently expensive and require significant up-front

¹⁵ <https://www.epa.govt.nz/assets/Uploads/Documents/Marine-Activities-EEZ/Policies/d48531f715/EEZ-cost-recovery-policy.pdf>. Accessed July 2020.



investment. Many participants operate internationally and have experience seeking approval for similar activities in other countries.

Regulated parties also pay costs charged by other enforcement agencies

The EPA shares administration of the regulatory regime with other agencies, including Maritime NZ and WorkSafe. This has implications for how and when participants are charged by agencies as they interact with the regulatory system.

The level of cost recovery for EEZ monitoring activities is low

The total cost of all EEZ activity in 2018/19 was \$5.828 million, of which \$1.786 million (31%) was recovered.¹⁶ However, only 16% of costs were recovered in 2017/18.

In 2018/19, EEZ decision-making costs were \$3.184 million, of which \$1.668 million (52%) was recovered. EEZ monitoring costs were \$2.644 million, of which only \$118,000 (4%) was recovered. Investigations and enforcement costs are not recoverable.

The direct costs of the Land and Oceans Compliance Team in 2018/19 were \$651,393. Including indirect costs, the total cost of the Compliance Team was approximately \$1.628 million.

The EPA estimates the Compliance Team spent 30% of their time on cost-recoverable activities (including 5% spent supporting work on EEZ applications). Based on this, and taking into account that only 80% of monitoring activity is cost-recoverable, the recoverable cost for the Compliance Team in 2018/19 was potentially \$390,836.¹⁷ Therefore, the

cost recovered in that year (\$118,000) was about 30% of staff time that should have been recovered.

What works well under the current arrangements

Although charges are open-ended, the EPA has a clear cost recovery policy, which provides transparency to fee payers

The EPA provides applicants with an estimate of charges before they apply and at key points in the application process.¹⁸

Charging on a variable basis works well for consent applications and is the best way for the EPA to fully recover its costs

Charging a variable fee on an hourly basis for actual and reasonable costs works well for marine consent applications. Applications are complex, unique and low in volume, and this makes a fully variable fee preferable, which allows for full cost recovery. By comparison, a fixed fee would probably result in over- or under-recovery and in cross-subsidisation between fee payers. Importantly, the industry is accustomed to the EPA using a variable charging mechanism.

Problems with the current arrangements

The nature of EEZ applications create cost recovery issues

The total charges for an EEZ application can be high (most notified applications are over \$1 million). The number of applications can vary from year to year and are difficult to forecast.

From a funder's perspective, this creates uncertainty about the total cost of an application, especially at the outset of the application process. This can be a significant issue for applicants given the likely size of the charges –

¹⁶ EPA cost data.

¹⁷ $\$651,393 \times 2.5 \text{ (overhead factor)} \times 0.3 \times 0.8 = \$390,836$.

¹⁸ <https://www.epa.govt.nz/assets/Uploads/Documents/Marine-Activities-EEZ/Policies/d48531f715/EEZ-cost-recovery-policy.pdf>. Accessed July 2020.



although in many cases application costs are only a fraction of the total cost of the project.

Fee levels are not set to recover all relevant cost

The hourly rates have not been updated since 2013 and do not reflect the full cost of decision-making and monitoring activities. Also, the hourly rates may not include all the indirect costs (for example overhead and non-personnel costs) that should be allocated to the cost of staff directly involved in the decision-making and monitoring.¹⁹

The EPA is recovering less monitoring cost than it should

As mentioned on page 19, the Compliance Team recovered only about 30% (\$118,000) in the 2018/19 financial year, compared to what it potentially could have recovered (\$390,840).

The EPA notes in its EEZ Cost Recovery Review paper that: *“costs not currently recovered include general operator liaison, development and training, systems and process developments, and general administration associated with monitoring work, and operator education. Many of these costs directly relate to the activities of consent holders, but are general costs that cannot be easily allocated or charged to a consent holder.”*

There are a number of reasons for the under-recovery of EEZ monitoring activity:

- **Difficulty allocating some tasks to a specific operator** – The EPA notes that:
“The low cost recovery in part relates to the EPA not being able to assign charges for general administration costs related to inspections and monitoring, some operator liaison, and operator education costs to specific operators, as required with the current hourly charge out approach.”

With the current charging regime, it is difficult to recover any of the supporting cost of development and training, general administration, or staff meetings, which are activities the costs of which could be partially recovered from the regulated parties.

- **Challenges for recording time** – The EPA does not accurately record the staff time spent on monitoring activities, partly because it does not have a time recording system that enables this to be done easily and quickly. There is a tendency to not charge time to an operator for incidental work, such as a 10-minute phone call or responding to an email.

The EPA says:

“There is also a cost associated with time recording and raising invoices for work. If particular tasks are below a de minimis, for example, less than 15 minutes work, such as emails and telephone calls, it is also not cost efficient to raise an invoice. However, overall a large amount of operator liaison work falls into this category.”

- **Not all roles are recoverable under the EPA’s existing cost recovery policy** – Managers do not charge their time for work done on, for example, assessing marine consents for dumping. While the legislation allows this time to be charged, it is not in the EPA’s cost recovery policy and no hourly rate for managers exists in the regulations.

There is also not an hourly rate for Principal Advisors, meaning work done by someone in this role would be under-recovered. However, there is a rate prescribed in the current regulations for a “Principal Technical Advisor”, but this role is no longer resourced. EPA purchases the technical expertise when required.

¹⁹ We have not been able to verify which indirect costs are included in the 2013 hourly rates.



Updating the hourly rate to reflect actual cost

This section recommends that the EPA continue to cost-recover using an hourly rate charge for decision-making activities, updated to recover actual costs.

In the section beginning on page 30, we examine whether the cost of monitoring activities should be recovered using the hourly rate charge or an alternative cost recovery design.

The hourly rate is a function of salary cost, other direct cost, allocation of overheads, and the number of annual hours the cost is divided by, which is discussed further below. Appendix 2 contains the assumptions we used to calculate the hourly rates.

Costs

Salaries

We updated the hourly rates with new salary costs, as shown in the table below. It is good practice to review cost recovery arrangements every three years. During this time, salary levels may increase. To make sure the hourly rate recovers the actual cost over the next three years, we used salaries in 2021/22 currency.

Role	Salary midpoint (2021/22 \$)
Principal Advisor	\$140,045
Project Leader	\$116,840
Senior Advisor	\$98,240
Advisor	\$78,370
Administrator	\$61,360

Source: Calculations based on EPA 2020/21 salary data

Other direct costs

We assume other direct costs such as KiwiSaver, ACC and training are 5% of salary costs.

Allocation of overhead cost

The hourly rate includes a portion of the EPA's overhead cost. This includes the cost of the General Manager and managers of teams.

The allocation of overhead cost was based on the average indirect cost for EEZ activities for the 2017/18 and 2018/19 financial years. Over this period, the overhead costs made up 60.8% of the EPA's total costs.

In consultation with the EPA, the updated hourly rate calculation used a slightly lower percentage of 60% of total costs – reflecting an expected reduction in overhead costs over time. This approach is consistent with how the EPA calculated hourly rates for the COVID-19 fast-track consenting charge.

Number of hours used in hourly rate calculation

Background

The current hourly rates were set under regulations in 2013, based on the total cost of a role divided by the total hours worked in a year. This approach did not recover all of the indirect activities that staff did in order to support the service being delivered – even though the support activities contribute to the performance of the team's work on applications.

The EEZ Act (section 143) allows for charges to be set using an average of costs or potential costs, and/ or take into account costs that do not directly benefit the person who pays the charge but that are an indirect cost arising from performing the service.

Our view is that the cost of time spent on indirect activities – staff development, training, meetings and general administration should be taken into account in the hourly rate charge. This is achieved by incorporating this time into the calculation of the annual hours that the total cost is divided by.



The EPA's current standard practice is to use **1,680 hours**: this was the number used to calculate the hourly rate charges for the COVID-19 fast-track consenting process.

The figure of 1,680 hours is based on an eight-hour workday and is net of annual leave, EPA Board days, statutory holidays, sick leave, and an allowance for some staff development and training.

Appendix 2 has more detail about how the alternative options are calculated to arrive at the total number of hours.

Recommended approach

We recommend using 1,282 hours to calculate the hourly rate charge. The rationale for this is set out below.

Time spent on support activities

In 2018/19, the Applications and Compliance teams carried out a time survey over a 2-week period. The results of the survey are shown in the tables below. The data provides a snapshot of time spent across each of the teams' key activities. The tables also show which activities are chargeable, Crown-funded or indirectly support the performance of the team.

The Applications Team and the Compliance Team spent approximately 23% and 32% of their time on support activities (staff development, training, meetings and general administration) respectively.

Time spent by Applications Team on key activities

Activity	% staff time	Activity type
Cost recoverable applications work	50%	Chargeable
Planning and background work associated with applications, not cost-recoverable (and certain decision making)	10%	Chargeable* (in future)
Operator education, and public awareness	5%	Crown-funded
Business systems and process development	5%	Crown-funded
Government and international liaison, policy and legislation development	7%	Crown-funded
Development and training	5%	Activities that indirectly contribute to the performance of Applications Team
Meetings and general administration	18%	
Total	100%	

*We assume this will be charged for in the future.



Time spent by Compliance Team on key activities

Activity	% staff time	Activity type
Monitoring marine consent conditions and non-scientific research permitted activities	16%	Chargeable
Operator liaison	20%	Chargeable* (in future)
Assisting applications processing	5%	Chargeable
Operator education, and public awareness	2%	Crown-funded
Monitoring scientific research and other non-cost recoverable permitted activities	2%	Crown-funded
Compliance investigations and enforcement	8%	Crown-funded
Business system and process development	12%	Crown-funded
Government and international liaison, policy and legislation development	3%	Crown-funded
Development and training	15%	Activities that indirectly contribute to the performance of the Compliance Team
Meetings and general administration	17%	
Total	100%	

*We assume 50% of this time will be charged for in the future.

The Applications Team has 7 FTE (including the Manager), and the Compliance Team has 9 FTE (including the Team Leader).²⁰

Because the teams are similar in size, we have taken the average of the time spent by each team on development, training, meetings and general administration, as shown in the table below.

On average, the teams spend 10% of time on development and training, corresponding to about 177 hours, and 17.5% of time on meetings and general administration, corresponding to 309 hours. In aggregate, this works out to an annual average of 486 hours of support activities.

Average time spent on support activities

Activity	Average % staff time	Average annual hours*
Development and training	10%	177
Meetings and general administration	17.5%	309
Total	27.5%	486

*Calculated based on 1,768 total hours worked in a year.

Total hours used in the new hourly rates calculation

Accounting for the average amount of time spent by the teams on meetings, general administration, staff development and training, this leaves 1,282 hours per year, as shown in the table below. This is equivalent to a utilisation rate of 72.5% of the total hours worked.

²⁰ Based on EPA organisational chart dated 30 April 2020.



	Annual hours
Total annual hours (260 days x 8 hrs)	2,080
Less 4 weeks annual leave	(160)
Less 3 days EPA Board leave	(24)
Less statutory holidays (11 days)	(88)
Less allowance for sick and domestic leave	(40)
Total annual work hours	1,768
Less average time spent on support activities:	
Staff development and training	(177)
Meetings and general administration	(309)
Total hours used in hourly rate calculations	1,282

Hourly rates for the Compliance Team are 80% of the full rates

The hourly rates of the Compliance Team are calculated as 80% of the full hourly rates. This gives effect to Cabinet's decision to account for the portion of public benefit associated with EEZ compliance monitoring activity.

We have not recommended a new hourly rate for the Manager role in the fee schedule

EPA have proposed an hourly rate for the Manager role be added to the fee schedule. However, the cost of a Manager's time is included in the EPA's overhead allocation, so is recovered via staff time charged to regulated parties.

While some of the General Manager cost is included in the overhead allocation, a portion of cost is counted in the direct costs of the Applications and Compliance Teams.

In the rare instances where a significant amount of Manager time is spent on a specific application or specific monitoring assignment, we recommend this time should be charged at the Principal Advisor rate. In general, Manager time should not be directly charged for, as this would risk double-charging an applicant or operator.

At the end of this section we discuss the recently established hourly rate for assessing and determining acceptance of a decommissioning plan.

New hourly rates recommendation

The recommended new hourly rates for Applications and Compliance staff are in the table below.

These rates have been calculated using 2020/21 salary midpoints, other direct personnel costs (assumed to be 5% of salary), overhead allocation multiple of 2.5²¹, and 1,282 annual hours (72.5% of total work hours).

Role	Current hourly rate		Recommended new hourly rate	
	Applications	Compliance	Applications	Compliance
Principal Advisor	N/a	N/a	286.80	229.44
Project leader	140.80	112.64	239.27	191.42
Senior advisor	116.12	92.90	201.19	160.95
Advisor	103.75	83.00	160.49	128.39
Administrator	97.43	77.94	125.66	100.53

²¹ ie. Direct costs x 2.5 = Total cost.



How the rate of increase compares to the Labour Cost Index

For context, the Labour Cost Index (LCI) has increased 13.6% between 2013 (when the current hourly rates were set) and 2020. Extrapolating forward to 2021 (as our calculation uses 2021 costs), the LCI would have increased by about 15.7% from 2013. On average, the recommended new hourly rates are 57% higher than current rates.

There are three main reasons why the hourly rate increase could be greater than the LCI:

- 1 Salaries, particularly for advisors and senior advisors, have increased more than general wages. This reflects a recent reset of EPA salaries to catch up with market rates.
- 2 Development and training costs, meetings and general administration (equivalent to 486 hours of time) are taken into account in the new hourly rates, but were not factored into the current rates.
- 3 The amount of overhead cost incorporated in the new hourly rates may be different to what was included in the current rates (although we do not have any data to verify this).

How the recommended hourly rate compares with other regulators and regional councils

The tables below compare the EPA's recommended hourly rates with other regulators and regional councils. The EPA's new hourly rates are somewhat higher than the regional council comparators.

We caution that comparing the EPA's hourly rates with other entities should not provide the sole basis for judging whether the EPA's rates are set at the right level. There are several possible reasons for why a difference may exist.

- Regulators and regional councils need different types of capability – that is, the type and cost of the roles are not the same.

- Some of the other organisations use a blended rate that was based on a number of different roles.
- The hourly rates were set in different years and different salary levels were used.
- The hourly rates were set using different levels of cost recovery.

Role	Current rates (full)	Recommended new rates	
		Applications	Compliance
EPA			
Principal Advisor	N/a	\$287	\$229
Project leader	\$140.80	\$239	\$191
Senior advisor	\$116.12	\$201	\$161
Advisor	\$103.75	\$160	\$128
Administrator	\$97.43	\$126	\$101
Other regulators	\$/hr	Year set	
Financial Markets Authority:			
Board member	\$200	2014	
Staff	\$155		
Civil Aviation Author	\$284	2017	
Maritime NZ	\$213	2019	



Regional councils	Hourly rate excl. GST	Year set
Greater Wellington		*
Technical or science expert services	\$145	
Consent processing services	\$130	
Administration services	\$110	
Otago		*
Management	\$165	
Team Leader / Principal	\$148	
Senior Technical	\$117	
Technical	\$100	
Field staff	\$100	
Administration	\$74	
Auckland		*
Technical level 3 (Manager, Project lead, legal)	\$179	
Technical level 2 (Senior, Intermediate, Principal, Team leader)	\$172	
Technical level 1 (Planning, compliance, monitoring etc)	\$148	
Administration	\$97	
Environment Canterbury		2009/10
Consent monitoring:		
Senior scientist	\$109	
Resource management officer	\$104	
Science technician	\$91	
Processing applications:		
Consents senior planning officer/science officer	\$135	
Consent planning officer	\$117	
Customer services advisory officer	\$91	
Building consents and monitoring		
Building consent authority coordinator	\$104	
Administration officer	\$70	

* Unknown what year hourly rates were set.

Other points

New hourly rate to recover cost of decommissioning-related activity

At the time of writing the report, new decommissioning policy had been agreed by Cabinet and regulations were being drafted. Regulation 4(1)(a) of the cost recovery regulations will introduce an hourly rate of \$257.04 for a delegated decision-maker to recover the cost of assessing and determining whether to accept a decommissioning plan. The new hourly rate was calculated using a different methodology to the recommended approach set out in the report.²² Targeted consultation took place in June 2020.

The EPA cost recovery policy would need to be updated

Depending on what changes are made to the cost recovery arrangements, the EPA cost recovery policy document would need to be updated to include the new hourly rates for decision-making and monitoring, and provide clear guidance about when a manager's time should be charged.

The new hourly rate charges could be used for other EPA cost recovery

The EPA recovers the actual and reasonable cost of applications under the RMA and the COVID-19 Recovery (Fast-track Consenting) Act. The recommended hourly rates charges for EEZ could be used for these regimes too.

Regulated parties pay other costs charged by other enforcement agencies

As noted above, the EPA shares administration of the regulatory regime with other agencies. Ideally, agencies set fees and charges consistently and the different parts of the overall cost recovery regime work together harmoniously to support regulatory objectives.

²² The hourly rate for decommissioning-related activity was based on the average of the mid-point of the EPA's Manager and General Manager salary bands (\$177,000 per year), 1,720 hours per year, and an allocation of overhead cost based on a multiple of 2.5 of direct cost.



Potential impact on funding

Increased cost recovery levels

We analysed how much extra cost could be recovered by the EPA if the EPA:

- invoiced operators for more monitoring activity but held hourly rates at current levels (*this is shown in the tables that follow under the column header called “Current hourly rates”*); and,
- increased its hourly rates and invoiced for more monitoring activity (*this is shown in the column header called “New hourly rates”*).

According to the EPA’s staff time survey, the Compliance Team spent 16% of their time on direct monitoring activity and 20% on operator liaison activity (this is set out in the report on page 24).

The analysis compares the current situation where only some direct monitoring activity is charged for with alternative scenarios that charge for all direct monitoring activity and varying amounts of time spent on operator liaison activity.

EPA advised they could recover about 50% of the cost of the operator liaison activity in the future. This is because some of the operator liaison activity cannot be easily charged to an individual party (eg meetings, newsletters and emails with industry on compliance matters).

We have only done this analysis for the Compliance Team because the Applications Team charged their time in line with expectations.

We present the analysis using two tables in order to clearly isolate the potential impact of increasing the amount of staff time that is charged for and making a like-for-like comparison.

The first table was calculated using the assumption that the Compliance Team is the same size as it was in 2018/19 (6.55 FTEs and total cost of \$1.63 million). The second table was calculated using the current cost of the Compliance Team (which has increased to 9 FTEs and total cost of \$2.31 million).

The first table shows that \$118,000 of cost was recovered in 2018/19, equivalent to 11.8% of staff time being charged for.

Holding hourly rates at current levels, if chargeable time increased to 16% (equivalent to charging for all direct monitoring activity), revenue would increase to \$160,000. If direct monitoring activity and 50% of operator liaison time were charged for, revenue would increase to \$260,000. Even more cost would be recovered if the hourly rates are updated based on current cost.

Scenario for staff time charged	Total cost \$m	% staff time charged	Revenue	
			Current hourly rates	New hourly rates
2018/19 actual	\$1.63	11.8%	\$118,000	N/a
Future:				
Same as 2018/19	\$1.63	11.8%	\$118,000	\$205,000
Direct monitoring activity only	\$1.63	16%	\$160,000	\$278,000
Direct monitoring + 25% operator liaison time	\$1.63	21%	\$210,000	\$365,000
Direct monitoring + 50% operator liaison time	\$1.63	26%	\$260,000	\$452,000
Direct monitoring + 75% operator liaison time	\$1.63	31%	\$310,000	\$539,000
Direct monitoring + 100% operator liaison time	\$1.63	36%	\$360,000	\$626,000

The next table provides the same analysis but is based on the current cost of the Compliance Team. Because the team is larger than in 2018/19, the revenue from cost recovery is greater for a given proportion of staff time charged.

For example, using the same chargeable percentage as in 2018/19, revenue is expected to be \$175,000 compared to \$118,000 in 2018/19.

In a scenario where staff charge 26% of their time (equivalent to all direct monitoring activity and 50% of operator liaison activity) at the new hourly rates, revenue would be \$662,000 per annum.



Scenario for staff time charged	Total cost \$m	% staff time charged	Revenue	
			Current hourly rates	New hourly rates
2018/19 actual	\$1.63	11.8%	\$118,000	N/a

Future:

Same as 2018/19	\$2.31	11.8%	\$175,000	\$300,000
Direct monitoring activity only	\$2.31	16%	\$237,000	\$407,000
Direct monitoring + 25% operator liaison time	\$2.31	21%	\$311,000	\$535,000
Direct monitoring + 50% operator liaison time	\$2.31	26%	\$386,000	\$662,000
Direct monitoring + 75% operator liaison time	\$2.31	31%	\$460,000	\$789,000
Direct monitoring + 100% operator liaison time	\$2.31	36%	\$534,000	\$917,000

Impact on funding

The following table compares the current cost and funding for 2018/19 with a scenario based on the recommended hourly rates.

\$ million	2018/19 Actual		Possible revenue, out-years	Possible revenue increase
	Cost	Revenue	New hourly rates	
EEZ Decision-making:				
Staff time	2.08	0.59	0.99	0.40
Expenses	1.11	1.11	1.11	0.00
Total	3.18	1.70	2.10	0.40
EEZ Monitoring and Enforcement	2.64	0.12	0.66	0.54
Total cost recovered revenue		1.82	2.76	0.95
Crown allocation	N/a	4.00	3.40	(0.60)
Total	5.83	5.82	6.16	0.35

The possible cost recovered is based on the following assumptions.

- Application volumes are the same as the 2018/19 year.
- The Applications Team charge 42% of their time. This was the approximate proportion of time charged by the team in 2018/19.
- The Compliance Team charge 26% of their time (direct monitoring plus 50% of operator liaison time), meaning they would recover 29% of their total cost. By comparison, in 2018/19 the team recovered 4% of its total cost.



Alternative cost recovery design options for EEZ monitoring activities

This section considers whether an alternative cost recovery design option would be better suited to recover the cost of EEZ monitoring activity than the current hourly rate charge.

For the purposes of comparison, this section compares the hourly rate charge with an alternative fixed fee design, based on the type of operator and the nature of the monitoring activity.

For the reasons discussed later in this section, we recommend that EPA continues to use the hourly rate charge, but invests effort into improving its time recording practices so that it can accurately charge for the time spent on monitoring activity.

To begin with, we assessed the hourly rate charge and the alternative fixed fee design against the cost recovery principles

To make sure we were comparing like with like, we assumed that both fee design options were set to recover the full cost (that is, both options would recover a comparable amount of cost, everything else being equal).

The assessment highlighted two areas that we examined further:

- 1 s 9(2)(h)
- 2 to what extent, if at all, the current issues with under-recording time could be resolved so that more cost could be recovered using the variable hourly rate mechanism.

The results of the assessment are summarised in the following table. The rows of the table marked with yellow highlight show where the results were different for the two options. A short discussion of the key differences follows the table.

Key:

- Very strong alignment with cost recovery principles
- ◐ Good alignment with cost recovery principles
- ◑ Some alignment with cost recovery principles
- No alignment with cost recovery principles

Cost recovery principles		Existing variable fee	Proposed fixed fee
1	EPA must have the legal authority to recover costs ("Authority" principle).	●	s 9(2)(h)
2	The fees and charges regime should support compliance with the EPA's regulatory objectives ("Effectiveness" principle).	◐	◐
3	Fees and charges should recover costs from those who create the need for the relevant activities ("Equity" principle).	◐ Discussed further below	◑
4	Public entities are accountable to Parliament and to the public ("Accountability" principle)	●	●
5	The basis for cost recovery should reflect the underlying drivers of cost ("Transparency" principle).	◐	◐
6	Costs should be allocated in a way that ensures maximum benefits are delivered at minimum cost ("Efficiency" principle).	◐	◐
7	The cost recovery regime should be straightforward and understandable to relevant stakeholders ("Simplicity" principle).	◑ Discussed further below	●



Fixed fees work well where there are relatively high volumes and the effort required to perform the function or service is predictable and relatively consistent. A fixed fee provides certainty for the fee payer and the EPA, and can be more cost-effective to administer.

Variable charges have their own drawbacks. They provide less certainty for the fee payer and fee structures are also more complex, which tends to increase the administrative cost. Variable charges based on time can create the perception that the EPA is not operating as efficiently as it could. It is important that the EPA is able to demonstrate that it has robust processes for time-recording and reporting.

Government	Percentage
Current government	85%
Previous government	15%

[illegible]

EPA advised us that administrative support could help to make the time recording process more efficient, and review draft invoices before they are approved by the manager at month-end. The review process is currently done by the manager and takes 2–3 days per month.

5 _____
9 _____

The biggest and most difficult change to make, however, will be the shift in staff behaviour to accurately record time spent on all compliance activity. In our experience, this change can only be achieved if it is given proper management focus over a long period and has the support of staff.

While we consider the decision about what to do is finely balanced, we recommend the EPA continue to recover the cost of monitoring activity using the hourly rate charge

The EPA have indicated they are willing to try to improve their time recording practices. In addition, the hourly rate charge is familiar to the industry and is the best option for closely recovering the cost of the EPA's monitoring activity.

We also consider that, even if new annual fixed fees are introduced, the need for better time recording will not go away. The EPA will still have to be accountable for how it spends its time and justify the amount of the fees to industry. Some level of staff time recording would still need to happen to achieve these objectives.

Further analysis on what alternative cost recovery design options could look like

While we recommend the EPA continues to recover the cost of monitoring activity using the hourly rate charge, we acknowledge the challenge that lies ahead to shift staff behaviour to more accurately record all time spent on compliance activity.

If the EPA tries to improve its time recording practices but still finds it is under recording (and therefore under charging) for its time, we think it is feasible to look more closely at introducing an alternative cost recovery design – noting that some improvement to time recording practices will still be needed, and industry would need to be consulted as part of the change.

This section explores alternative cost recovery design options in more detail and recommends the best alternative option to the current hourly rate design.

There are several possible cost recovery design options

These include the following:

- a fixed fee
- a hybrid fixed and variable fee
- a risk-based charging approach
- a deposit (provided for in section 144 of the EEZ Act).

Fixed fee

A fixed annual fee would give certainty of revenue to the regulator and the amount payable to the fee payer. However, it may result in some cross-subsidisation if more or less regulator effort is required in a given year. It would not provide the flexibility to vary the charge imposed on an operator if certain activities are not required every year (such as reviewing or certifying plans).



Hybrid fee

A hybrid fee structure involving a fixed fee component and a variable charge would be appropriate if there is a base level of effort required to deliver a particular service, but also some variation in individual circumstances.

The hybrid fee structure gives some of the benefits of a fixed fee – for example, certainty of revenue for the regulator. However, it provides less certainty to the fee payer compared to a fully fixed fee.

Risk-based charging

A risk-based approach to cost recovery design can encourage compliance with the regulatory regime – for example, participants are charged proportionately less if they have a proven track record of compliance.

This approach would be better aligned with the Equity principle in that, for example, those that require more intensive monitoring by the EPA pay more. However, for a risk-based charging regime to work, the regulator must also have an established intelligence-led, risk-based approach to compliance.

Deposit

The EEZ Act allows for a refundable or non-refundable deposit to be paid before the function or service is performed. Introducing a deposit that is refundable at the point of exit could incentivise compliance. The amount of the deposit could be scaled according to risk, and good compliance would result in a larger refund at point of exit.

However, we did not assess the deposit approach further because it was not clear what benefit it would provide over a fee-based approach – which can be designed to recover the costs associated with exiting the regulatory regime.

The deposit approach would also risk introducing undesirable levels of complexity into the cost recovery regime and greater administration cost. In addition, a refundable deposit could not be accessed as funding for monitoring activities, and therefore while it may incentivise compliance, it is not useful as a cost recovery mechanism.

We concluded that a hybrid fee design is the best alternative option

If the EPA were to recover its monitoring costs using a cost recovery design other than the hourly rate charge, a hybrid fee design would be the best alternative.

The fixed fee component would recover the cost of annual monitoring activity and a variable charge would be imposed for additional activity such as inspections and certifying plans.

There are options for how to design the fixed fee component of the hybrid fee

Two alternative options could be used to set the fixed component of the hybrid fee:

- **Consents** – The fixed fee could be based on the number of consents an operator has. Appendix 2 includes a table that shows how many consents each operator currently holds.
- **Type of operator** – The fixed fee could be based on the type of operator – for example, a petroleum extraction consent holder, a disposal consent holder, or an exploration consent holder.

The EPA has informed us that, for the reasons below, consents would not be a good basis for setting a monitoring fee:

- The number of consents held by similar operators varies.
- The number of conditions on each consent varies, and in particular the number of monitoring conditions varies.

By contrast, the type of operator is a key driver of the level of monitoring effort required, and the level of monitoring effort is broadly similar for operators of the same type.

The table below shows the monitoring costs recovered in 2018/19 for the four petroleum extraction operators and an operator with a dumping consent. The monitoring cost for petroleum extraction operators varies from \$12,000 to \$25,000 – mainly due to petroleum fields that have transitional



consents (and therefore less conditions and monitoring needs), than those that do not.

s 9(2)(b)(ii)

The hybrid monitoring fee would consist of a fixed fee and a variable charge

Fixed fee component of the hybrid monitoring fee

The fixed fee component of the hybrid fee would recover the following monitoring costs:

- Receiving, assessing and managing records and reports of operations covered by a marine consent or other permission (excluding marine science research)
- 50% of time spent on operator liaison
- A portion of the supporting activities that staff do to enable the monitoring function, namely:
 - development and training
 - meetings and general administration.

The following table shows the cost of the monitoring activities (including both direct costs and costs of supporting activities). These costs were used to calculate the fixed fee component.

Activity included in fixed fee	Time (hrs)	Cost attributable to operators	80% of cost attributable to operators
Receipt, assessment or records and reports:			
Quarterly reports	640		\$124,924
Monitoring oil record books	80		\$15,616
Operator liaison (50%)		230,767	\$184,613
Development and training		89,999	\$71,999
Meetings and general administration		101,999	\$81,599
Total			\$478,752

The approach for estimating the cost (\$478,752) is summarised below (and described in more detail in Appendix 2).

- The total Compliance Team cost was estimated at \$2.31 million (direct cost of \$925,000 and indirect cost of \$1.38 million).
- The total Compliance Team cost was allocated to key activities based on the EPA's assessment of how the team spent their time (shown in the table on page 24), and an assessment of which activities had private benefit characteristics and therefore were suited to funding by third-parties.
- The compliance costs attributable to operators was multiplied by 80%, (to give \$478,752). This figure was used to calculate the fixed component of the compliance fees.

Variable charge component of the hybrid monitoring fee

The variable charge component would recover monitoring costs associated with inspections and certification of plans.

The variable charge is calculated using the new hourly rate charge discussed in the previous section, with one adjustment: the hourly rate did not include the cost of supporting activities because this cost was already included in the fixed fee component.



The fee schedule for the hybrid monitoring fee

The schedule of fixed fees and variable charges is shown in the two tables below. The fees have been calculated using time and resource assumptions detailed in Appendix 2.

Fixed fee component

Type of consent holder	Fixed fee	Volume	Fee revenue
Petroleum extraction marine consent	\$72,499	3	\$217,496
Disposal consent	\$101,672	1	\$101,672
Disposal consent, intermittent use of area	\$28,956	2	\$57,912
Minerals extraction marine consent	\$72,499	0	\$0
Petroleum extraction transitional consent	\$58,129	1	\$58,129
Exploration marine consent	\$21,771	1	\$21,771
Permitted activity	\$21,771	1	\$21,771
Total			\$478,752

Volumes sourced from EEZ Cost Recovery Review prepared by the EPA, 20 August 2019.

Variable charge component

Activity	Cost	Volume	Revenue
Petroleum and minerals inspections	\$5,465	7	\$38,258
Disposal inspection (and planning)	\$8,589	2	\$17,177
Review and certification of plans			
Routine	\$6,246	5	\$31,231
Medium	\$12,492	5	\$62,462
Complex	\$23,423	1	\$23,423
Burial at sea	\$1,288	2	\$2,575
Total variable revenue			\$175,127

Volumes sourced from EEZ Cost Recovery Review prepared by the EPA, 20 August 2019.

Indicative fee volumes and amount of cost recovered

The following table indicates what each operator would pay per year based on the hybrid fee design, and the amount of cost that would be recovered.

Fixed fees range from about \$22,000 for an operator undertaking a permitted activity or a marine exploration consent holder, to \$102,000 for a disposal consent holder. Including the estimated variable charges, indicative total charges range from \$40,000 to \$123,000.

The proposed hybrid fees would recover significantly greater cost from the industry. The total cost recovered in 2018/19 for monitoring activities was \$118,000. By comparison, just four of the proposed new fees would recover more than that amount alone.

Operator type	Annual fixed fee	Variable charges			Indicative total charges
		Inspection	Review / cert of plan	Total variable charge	
Petroleum extraction marine consent holder	\$72,499	\$5,465	\$12,492	\$17,958	\$90,456
Disposal consent holder	\$101,672	\$8,589	\$12,492	\$21,081	\$122,753
Disposal consent, intermittent use of area	\$28,956	\$8,589	\$6,246	\$14,835	\$43,791
Minerals extraction marine consent	\$72,499	\$5,465	\$12,492	\$17,958	\$90,456
Petroleum extraction transitional consent	\$58,129	\$5,465	\$12,492	\$17,958	\$76,087
Exploration marine consent	\$21,771	\$5,465	\$12,492	\$17,958	\$39,729
Permitted activity	\$21,771	\$5,465	\$12,492	\$17,958	\$39,729

In total, fixed and variable fees would recover \$653,879 in revenue for compliance monitoring (28% of total monitoring cost), as shown in the table below.



	Indicative revenue
Fixed fee	478,752
Variable charges	175,127
Total	\$653,879

How this compares to what other regulators charge

Under the Crown Minerals (Petroleum Fees) Regulations 2016, the holders of mining permits are required to pay an annual fee to New Zealand Petroleum and Minerals that covers the costs associated with administration and monitoring. The annual fee is between \$15,000 and \$94,950 per year.

Under the Health and Safety at Work (Petroleum Exploration and Extraction) Regulations 2016, the operator of an offshore petroleum installation is required to pay a fee for approval of a safety case that lasts for five years. Safety case fees range from \$73,000 to \$104,000, and amendments to safety cases attract fees between \$34,000 and \$54,000.

In Australia, the National Offshore Petroleum Safety and Environmental Management Authority charges an annual levy for its environmental management work. The levy for an individual offshore petroleum facility is AUD534,600 per year.

The EPA (under either cost recovery options) would recover more cost from regulated parties than it has before, and industry should be consulted about this change

It is critical that MfE consults with industry on any proposed changes to increase the level of cost recovery (as required under the EEZ Act), to make sure that the changes do not introduce any unintended behaviours or consequences, and to make sure the changes support – or at least do not hinder – the EPA's ability to achieve its regulatory objectives.



Pages 37 to 50 removed as out of scope in relation to the *Proposed changes to the Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013* discussion document.

APPENDIX 1: COST RECOVERY PRINCIPLES

We used the following cost recovery principles in our review. The principles draw on guidance from the Treasury and the Office of the Auditor-General, and are consistent with what is often written into legislation (for example, NSP and EEZ legislation).

Authority

The EPA must have the legal authority to recover costs.

Effectiveness

The fees and charges regime should support the EPA's regulatory objectives, and evasion opportunities should be mitigated to acceptable levels.

Resources should be allocated in a way that contributes to the outcomes being sought by the activity. The level of funding should be fit for purpose.

Efficiency

Costs should be allocated in a way that ensures that maximum benefits are delivered at minimum cost, in relation to both the EPA's administration costs and fee payers' compliance costs. Cost recovery design should enable activity to be delivered to a level of quality appropriate for the circumstances.

Fees and charges should be proportional to the costs and benefits of the regulated activity.

Costs should be recovered only to meet the actual and reasonable level of expenditure (including indirect costs) that the EPA incurred in carrying out a particular function or activity.

Consultation

The entity should engage in meaningful consultation with stakeholders, and there should be an opportunity for stakeholders to contribute to the policy and design of the cost recovery activity.

Transparency

Information about the EPA's activity and its costs should be available in an accessible way to all stakeholders. The cost recovery analysis should be approached in an 'open book' manner. Detailed information about the cost drivers and the components that make up the charges should be made available to stakeholders.

The basis for cost recovery should reflect the following underlying drivers of cost.

- As closely as practicable, costs should be identified and allocated in relation to a function or service for the period in which it is performed.
- The fee payer should be able to understand the basis for the fee or charge, and its underlying cost.

Equity

Fees and charges should recover costs from those who create the need for the relevant activities.

- Cost should be recovered from those who benefit from a service, or who create the need for the EPA to take a particular action (that is, those who increase a risk).
- The immediate and long-term impacts of the cost recovery regime should be identified, including with respect to stakeholders being treated equitably.
- Fees and charges should be applied consistently. Those in like circumstances should be liable to pay the same amount

Simplicity

The cost recovery regime should be straightforward and understandable to relevant stakeholders. The costs of participation should be kept low and evasion opportunities mitigated to acceptable levels. The amount payable should be predictable.

Accountability

Public entities are accountable to Parliament and to the public. In practical terms, this can be demonstrated by consultation with stakeholders about change, through recording any surpluses and deficits generated by cost recovery regimes, through reporting on performance, and through reviews of the use of powers to set fees under regulation.



APPENDIX 2: COST RECOVERY ASSUMPTIONS

EEZ assumptions

EEZ hourly rates calculations

$$\text{Hourly rate} = \frac{(\text{Salary midpoint} + \text{other direct personnel cost}) \times \text{Overhead allocation multiple (2.5)}}{\text{Total hours worked} - \text{Hours spent on support activities (1,768 - 486)}}$$

Example hourly rate calculation (for a Senior Advisor role)	
Senior Advisor salary 2021/22 midpoint	\$98,241
+ other direct personnel costs (5% of salary)	\$4,912
= Total direct cost	\$103,153
Total cost including overhead allocation = Total direct cost x 2.5 (overhead allocation multiple)	\$257,883
Full hourly rate = Total cost ÷ 1,282 hours	
[1,282 hours = Total hours worked (1,768) – hours spent on staff development and training (177) – hours spent on meetings and general administration (309)]	\$201.19
Hourly rate for Compliance monitoring = Full hourly rate x 0.8	\$160.95

Assumption	Value used
Cost assumptions	
EPA's salary band midpoints for 2020/21, inflated to 2021/22, were used in the hourly rate calculations. Salaries were inflated to 2021/22 so that the costs reflect the average of a three-year cost recovery cycle (assuming rates will not be reset for at least 3 years).	Inflated based on the Labour cost index (LCI)
Other direct personnel costs including KiwiSaver, ACC and training (eg cash cost for courses)	5% of salary cost
The overhead allocation used to calculate total cost was based on the average indirect cost proportion for the EEZ cost centre for 2017/18 and 2019/20. Over those two years, indirect costs were 60.8% of total cost on average. To be consistent with other EPA hourly rates, we assume indirect costs are 60% of total cost. ((ie indirect costs are assumed to be 1.5 times larger than direct costs).	Direct cost multiplied by 2.50 to give total cost.
Most of the cost of General Manager time is already included in the overhead allocation, though there is a small portion of General Manager cost counted as direct cost in the EEZ cost centre.	
Hours assumptions	
Total annual hours calculations have been based on the following:	Hours per year = 1,282.
Total hours per year (40 hours / week x 52 weeks) =	2,080
Less:	
• 4 weeks annual leave	160
• 3 EPA Board days leave	24
• 11 statutory holidays	88
• Allowance for 5 days sick and domestic leave.	40
Total hours worked	1,768
Less:	
Development and training (10% of total)	(177)
Meetings and general admin (17.5% of total)	(309)
Total hours (used for hourly rate calculation)	1,282



Assumption	Value used
Compliance monitoring hourly rate assumption	
The hourly rates for Compliance monitoring are 80% of the full hourly rates, as mandated in legislation.	80% of monitoring activity is recoverable

Applications: staff time breakdown

Activity	% staff time	
Cost recoverable applications work	50%	Chargeable
Planning and background work associated with applications, not cost-recoverable (and certain decision making)	10%	Chargeable
Operator education, and public awareness	5%	Crown-funded
Business system and process development	5%	Crown-funded
Government and international liaison, policy and legislation development	7%	Crown-funded
Development and training	5%	Activities that indirectly contribute to the performance of the Applications function
Meetings and general administration	18%	
Total	100%	

Monitoring: staff time breakdown

Activity	% staff time	
Monitoring marine consent conditions and non-scientific research permitted activities	16%	Chargeable
Monitoring scientific research and other non-cost recoverable permitted activities	2%	Crown-funded
Compliance investigations and enforcement	8%	Crown-funded
Operator liaison	20%	Chargeable (in future) We assume 50% of this time

Activity	% staff time	
		will be charged for.
Assisting applications processing	5%	Chargeable
Operator education, and public awareness	2%	Crown-funded
Business system and process development	12%	Crown-funded
Government and international liaison, policy and legislation development	3%	Crown-funded
Development and training	15%	Activities that indirectly contribute to the performance of the monitoring function
Meetings and general administration	17%	
Total	100%	

EEZ Compliance activity fees

Assumption	
Cost assumptions	
Compliance Team FTEs:	
Administrator	1
GIS Analyst	0.1
Advisor	3
Senior Advisor	3
Principal Advisor	1
Team Leader	1
Other direct personnel costs (such as KiwiSaver, ACC, training (eg cash cost for courses) etc)	5% of salary cost
Overhead cost allocation. Overhead cost assumed to be 60% of total cost.	Direct cost multiplied by 2.50 to give total cost.
Compliance Team costs:	
Direct cost	\$923,065
Indirect cost	\$1,384,600
Total cost	\$2,307,665



Assumption	
Annual fixed fee assumptions	
Quarterly reports:	640 total hours
8 operators providing 4 quarterly reports each per year.	
20 hours to assess and write up each report	
Resource assumed: 50% Senior Advisor, 50% Principal Advisor	
Oil record books:	80 hours
80 record books assessed per year	
1 hour per book	
Resource assumed: 50% Senior Advisor, 50% Principal Advisor	
26% of development and training costs are included in fixed fee.	
26% of meetings and general administration costs are included in the fixed fee.	
This is because approximately 26% of the Compliance staff time is spent on chargeable monitoring activity (16%) and operator liaison (20% of staff time x 50% = 10%).	
Variable fee assumptions	
Petroleum and mineral inspections:	\$5,465 per inspection
2 people per inspection, spend 1 day offshore (1 Senior Advisor and 1 Principal Advisor)	
14 hrs work-day offshore	
Total hours = 28. Blended rate = \$195/hr. Total cost = \$5,465	
Disposal inspection and pre-inspection planning:	\$8,590 per inspection
Per inspection:	
3.5 days in total spent on pre-inspection planning	
2 people spend 1 day each on the inspection.	
Total = 5.5 days per inspection. Total cost = \$8,590 (based on Principal Advisor rate).	
Review and certification of plans:	Routine = \$6,250
Routine plan – 4 days	Medium = \$12,490
Medium complexity plan – 8 days	Complex =
Complex plan – 15 days	\$23,420
Costs based on 50% Principal Advisor, 50% Senior Advisor	
Burial at sea: = 1 day, cost based on Senior Advisor time	\$1,290 per burial

2019/20 EEZ application volumes

- One decision to approve a notified marine discharge.
- Two decisions to approve non-notified marine consent for exploration drilling.
- Four decisions to approve non-notified marine discharge.
- One decision to approve non-notified marine dumping consent.
- One approval of new emergency spill response plans.
- Six approvals of updates to emergency spill response plans.
- Two rulings related to oil and gas production.
- One change of conditions to a marine discharge consent.

2019/20 EEZ monitoring volumes

- Monitored 17 marine consents, four rulings, five emergency spill response plans, and 21 permitted activities. The EPA's monitoring and inspections did not identify any significant adverse events in the EEZ.
- Inspected four oil and gas installations over six inspections identifying six non-compliances.
- Conducted 24 non-compliance investigations over the period and completed 22 of those investigations. Issued 17 advisory letters and four warning letters.



Consents

Operator	Number of consents
OMV Taranaki Limited	8
OMV New Zealand Limited	7
Tamarind Taranaki Limited	6
OMV GSB Limited	2
Beach Energy Limited	2
Marina Consultants Ltd	1
Lowndes Law	1
Ports of Auckland Limited	1
Total	28



Current EEZ consents

Operator	Location / field	Consent type	Activity
Beach Energy Limited	Taranaki Basin	Ruling	Petroleum production
	Kupe	ESRP	New ESRP to replace DMP
OMV New Zealand Limited	Taranaki Basin	Notified Marine Consent	Exploration Drilling
		Non-notified Marine Consent	
		Ruling	
	Taranaki Bight	Non-notified Marine Discharge Consent	Petroleum production
	Maari	Non-notified Marine Discharge Consent	Petroleum production
		ESRP	Corrosion maintenance of Maari facilities
		ESRP	Update to EEZ600006
OMV Taranaki Limited	Maui	Notified Marine Consent	Petroleum production
		Marine Discharge Consent	Development drilling
		Notified Marine Consent	Development drilling
		Non-notified Marine Discharge Consent	Hot tapping discharge consent for Maui exploration wells
		Non-notified Marine Discharge Consent	New discharge consent for Maui platforms
		Non-notified Marine Discharge Consent	Side-track development drilling operations in the Maui field
		ESRP	New ESRP to replace DMP
	Taranaki	Non-notified Marine Consent	EAD programme Maui permit
OMV GSB Limited	Great South Basin	Notified Marine Consent	Exploration drilling - notified discharge consent (OPD)
		Non-notified Marine Consent	Exploration Drilling
Tamarind Taranaki Limited	Tui	Notified Marine Consent	Development drilling
		Non-notified Marine Discharge Consent	Petroleum production
		Non-notified Marine Discharge Consent	Petroleum production
		Ruling	Modifications to FPSO Umuroa
		Ruling	Anode skid replacements
Ports of Auckland Limited	Auckland	ESRP	New ESRP for development drilling
		Non-notified Dumping Consent	Port of Auckland consent to dump dredge material
Lowndes Law	Offshore Timaru	Non-notified Dumping Consent	Scuttling of the Dong Won
Marina Consultants Limited	Great Barrier Island	Deemed Marine Consent	Great Barrier disposal site dumping permit 568



Pages 57 to 58 out of scope in relation to the *Proposed changes to the Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013* discussion document