





Consultation on International Visitor Conservation and Tourism Levy

Submission document – **BARNZ response**

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<p>Name: Ian Ferguson Organisation: BARNZ Email address: ian@barnz.org.nz</p> <p>Please indicate below if you do not wish your name/contact details to be posted on MBIE's website or as part of any summary of submissions which MBIE may publish.</p> <p><input type="checkbox"/> Do not publish my name/contact details.</p>

Proposed Introduction of International Visitor Conservation and Tourism Levy

1.1 Are there other costs and benefits derived from international visitors to New Zealand?
<p>We mostly agree with the consultation paper's description of the costs and benefits derived from international tourism.</p> <p>However, we disagree with the statement that "the tourism sector is making a proportionate tax contribution to the functions of government, on a population basis". The analysis in the paper references the balance between the tourist tax contribution (around 3% of the total) and tourists staying 4% of total population nights. We do not agree this is relevant as tourists are excluded from many of the benefits of government services, such as the welfare and education system and parts of the health system. As discussed in our main submission, tourists are clearly paying their way – more than \$3 billion of payments to the government each year relative to \$680 million of costs incurred.</p>

1.2 What are your views on current funding arrangements for tourism infrastructure and conservation i.e. what are the constraints? How could users more effectively contribute to the costs they impose?

We support investment to improve tourist infrastructure in certain areas. As stated, users (tourists) already contribute by way of GST and other payments. The key challenge in our view is how best to allocate these funds from the central government, which receives most of the income, to local authorities who bear a large portion of the costs – this will be the case whether or not the international visitor levy is introduced.

1.3 Are there other costs and benefits of the IVL as a funding tool in relation to the funding issues above?

We agree with the consultation paper that the levy is a blunt tool. More targeted collection mechanisms that focus on those that use tourist infrastructure and/or visit the conservation estate would have been our preference.

1.4 Do you agree with the criteria for a sustainable funding package?

- Yes**
 No

Do you have any further comments?

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1.5 Do you agree that an IVL is a useful component of such a package?

- Yes**
 Yes IN PART
 No

Do you have any further comments?

As noted above, our preference would be for a more targeted funding tool such as a bed tax or national park entry fees, which would go further to avoid charging visitors that will not use the infrastructure. However, as the government has a mandate to levy a broader-based charge, we agree that the international visitor levy, added to the ETA, is a better approach than options such as including the charge on airline tickets, or collecting the tax on departure at airports.

1.6 What are other funding tools which ensure that people who use and enjoy infrastructure make a contribution to the costs?

We consider that tools such as local bed taxes and national park entry fees would be better-targeted funding options.

1.7 Do you have any comments on the potential cumulative impacts of the fee and levies, Electronic Travel Authority and IVL proposals under consultation on visitors or your industry?

It is not just these fees that need to be considered. Currently, an airline ticket includes aviation security, customs and biosecurity charges and we have been advised that both aviation security and biosecurity charges are likely to increase in the foreseeable future – due to new scanning technology and increased interventions. The costs proposed in this consultation material need to be seen alongside the other charges that already exist, and are increasing, rather than in isolation.

We believe there is a risk that these charges could cumulatively reach a level that sees a material dampening of demand from the travelling public. We encourage the government to monitor the situation and be mindful of the value tourists deliver in GST spend and other revenues each year – it would be very disappointing if we applied so many taxes and charges that this tourism revenue declined and made New Zealand worse off overall.

2.1 Do you support the Government's proposed targeting mechanism?

- Yes
 Yes, except for its application to air crew
 No

Do you have any comments?

We agree the option of including the international visitor levy as part of the ETA is reasonably efficient and should have a lesser impact on tourists than including it in an airline ticket or as a charge to pay on departure at the airport.

Placing it on the airline ticket would also be impractical in terms of differentiating the charge between New Zealanders, Australians, Pacific Islanders and other passengers – airlines do not have the necessary information to distinguish between passenger nationalities at the time of booking, so airlines may have needed to take an approach of applying the charge to all passengers and then providing a rebate process. Therefore the approach of applying it through the ETA is more workable.

However, as discussed in our main submission we strongly oppose applying the charge to air crew and are pleased that officials are now considering not doing this. Air crew do not impose any costs on our tourism or conservation infrastructure – they usually stay for one night and then depart the following day. It is inequitable and unreasonable to charge the costs of tourism infrastructure to a group that by definition will impose no costs on that infrastructure. The costs this would impose on airlines could be at a magnitude that would make some routes unviable (due to the need to have multiple crew with approved ETAs so crew can be rostered on to New Zealand flights as needed).

2.2 Are there other costs and benefits of exempting certain groups of travellers we should consider (e.g. Australians and Pacific Island visitors, crew travelling on aircraft and ships)?

Air crew should all be exempted from the international visitor levy. There are equity, cost and competition problems that arise from applying the visitor levy to air crew. See our main submission for more detail.

2.3 Are there other classes of visitor that should be exempted from the IVL?

Air crew, for the reasons described above.

3.1 Are there other things that should be considered when selecting the collection mechanism? How might these support or alter the preferred approach?

The BARNZ view is that the collection mechanism should (a) be well targeted at those who create cost pressures on tourism infrastructure and the conservation estate; (b) not dampen tourism demand and (c) be straightforward to collect. The proposal meets item (c) and partially meets item (a). It meets item (b) better than alternatives such as adding the cost to the airline ticket.

3.2 Are there other costs and benefits for the proposed mechanism, or alternatives?

See response to question 2.2.

3.3 If the Government does not proceed with an ETA, would you support collection of an IVL by another means, or in a different form?

If the government does not proceed with an ETA, BARNZ would support options for raising funds for tourism infrastructure and the conservation estate through options such as a bed tax and entry fee charges for national parks.

4.1 What are the impacts of different rates likely to be?

A higher rate is always likely to be more of a deterrent to travel than a lower rate.

4.2 Do you have a preferred rate?

- \$25
- \$30
- \$35
- No preference

If you have a preferred rate, why?

The BARNZ preferred rate is at the lower end of the scale, to mitigate the risk of the cost of the levy stopping visitors from coming to New Zealand at all, which would have a negative economic impact for the country.

5.1 What should be the funding share between tourism infrastructure and conservation? Why?

BARNZ considers that the funding share should be based on an assessment of the relative needs of international visitors and the costs they create. For example, if international visitors spend double the time using general tourism infrastructure relative to the time they spend in the conservation estate, then it may be justifiable to allocate the costs based on this proportion. We

recommend MBIE develops a model along these lines and then consult on it before making any final decision.

5.2 How would you define tourism infrastructure and conservation for the purposes of spending the IVL? For example, do you support using IVL revenue to:

a) Fund basic infrastructure used by visitors and/or residents?

Yes

No

Do you have any comments on the above?

We see this as the core area where investment is required to improve the tourist experience in New Zealand.

b) Develop visitor attractions?

Yes

No

This depends on the nature of the expenditure

Do you have any comments on the above?

Feedback from some of our members is that New Zealand's tourism offering is somewhat thin; mainly limited to scenery and adventure activities. Investment to broaden our tourism appeal (particularly in attractions that are new and/or would support tourism during off-peak seasons) would be beneficial and supported. However, we would strongly oppose funds being used as a revenue source by private businesses to pay for their own business development costs.

Investments that could stimulate tourist activity would be acceptable if they were well targeted and did not amount to subsidisation – this could include using the fund for loans to get some innovative projects off the ground, or to fund marketing campaigns to attract tourism operators to New Zealand.

Support conservation and biodiversity activity such as predator eradication, breeding programmes, native planting?

Yes

No

Do you have any comments on the above?

We support these to the extent that the activities promote tourism and/or tourism imposes costs on conservation and biodiversity.

c) Protect the values of our wild places/iconic destinations including national parks and world heritage areas?

Yes

No

Do you have any comments on the above?

We support these to the extent that the activities promote tourism and/or tourism imposes costs on conservation and biodiversity.

d) What else could the IVL revenue be spent on?

Nothing. It should be tightly targeted to the items listed above. If the fund tries to cover too much, it will be insufficient to properly fund tourism infrastructure and conservation activities.

Also, the consultation paper discussed using the fund as “support for system change that creates sustainable funding sources for local infrastructure” – we do not know what this would mean in practice so cannot comment on whether it would be a valuable use of the funds.

5.3 How should the tourism sector, local government, and/or other stakeholders inform the decision-making process?

Clear and transparent governance for the fund is essential. Central and local government and tourism sector representatives should all be included in the decision making process. Decisions should be transparent and published. There should also be monitoring and transparency to track outcomes from the investments that are made. The government should regularly check that the funds (a) were spent as expected, and (b) achieved the outcomes that were expected.