

11 June 2024

To: Ministry of Business Innovation and Employment  
15 Stout Street  
Wellington 6140

By email: [IVLconsultation@mbie.govt.nz](mailto:IVLconsultation@mbie.govt.nz)

**Re: Proposed Changes to the International Visitor Conservation and Tourism Levy**

Thank you for the opportunity to consult on changes to the International Visitor Conservation and Tourism Levy (IVL). The Board of Airline Representatives New Zealand (BARNZ) is an industry group representing 26 member airlines as well as suppliers to aviation including ground handlers, food suppliers and waste management services to aviation. Together, we deliver aviation connectivity to, from and within New Zealand. Our businesses support connection of New Zealanders domestically and with the world and facilitate critical import and export trade.

**Tourism is an economic cornerstone for New Zealand**

New Zealand is an isolated island nation. Our remote location globally is both a prize and a challenge. International visitors aspire to visit – many making a single trip in a lifetime. They come to experience New Zealand's natural beauty, our manaakitanga. Airlines serving New Zealand work hard to connect people to place, working alongside Tourism New Zealand and others to make sure people choose destination New Zealand.

The international tourism market is fiercely competitive. Just as airlines compete to offer the best product at the best fare, each country and region represents a choice for international travellers. Airlines know that international visitors considering New Zealand and Australia are also considering Europe. Young Europeans visiting New Zealand's regions are also considering Indonesia. New Zealand itself must compete to be a first choice for visitors.

New Zealand must prioritise tourism because it is a cornerstone of our economic growth. Small businesses across New Zealand deliver tourism experiences – and the income from these supports regional businesses, employment and council revenues.

BARNZ supports the aspiration of Ministers to grow international tourism. However, we do not support substantial increases to the IVL made without basis, and without analysis of impact to New Zealand's economic prosperity and growth. We are concerned that existing risks of tourism downturn will be accelerated by proposed increases to the IVL.

### **Cost assessments for supposed investment are absent**

What is missing from the consultation document is any detailed assessment of the infrastructure supporting tourism that is under pressure, or a measure of required investment in protecting conservation lands. Beyond some extremely high-level assessments in a footnoted 2016 report from McKinsey (which itself provides no supporting data) there is no analysis of costs to make these unspecified improvements, where they are needed, whether there should be any allocation of costs for that improvement or timelines for those improvements to be made. It appears that proposals to increase the IVL to \$50, or \$70, or \$100 per arrival have been made without evidentiary foundation or basis.

Absent the recent budget announcements, this submission would have proposed that we examine in detail the need for improvements in tourism and conservation infrastructure or services, and once we know the size of the unmet need, consider options for funding balanced against New Zealand's desire to grow its tourism industry. However, if the intent of increased funding from the IVL is to reduce Crown expenditure, there will not be any cost to measure. Visitors and New Zealanders alike will not receive any new or specific benefit from the proposed increased IVL.

### **International visitors are already payers for a 'user pays' aviation system**

Visitors arriving to New Zealand by air are already operating within a user pays aviation system. International visitors pay a Border Clearance Levy for Customs and Ministry for Primary Industries Biosecurity service. They pay a Civil Aviation Authority Levy, which funds almost all of the work of the Civil Aviation Authority, including the security screening service. They pay for visas to be issued – and the cost of these is forecast to increase as the costs of that service are more fully passed on. They fund Air Traffic Control as airlines pay the costs levied by Airways New Zealand. Air travellers also pay for airport infrastructure, as the whole costs of terminals and tarmac are passed on to air travellers – as well as the airport company profit margin.

In all these examples, the levies and charges are supported by a pricing methodology, with estimated costs for buildings, equipment and services, almost uniformly on a cost per passenger basis. In consultation about these levies and charges interested parties have been able to debate investment approaches or levels of service provision – the things that are delivered for the charge. This sort of detail and analysis is missing from the IVL consultation material, and absent the recent budget announcements, it was difficult to understand how the increased recovery would be spent.

### **Costs of this system are already slated to rise**

Civil Aviation Authority Levies are to be reviewed later in 2024. This process will include a public consultation process and a pricing methodology which currently delivers charges on a per passenger basis. Given CAA levies have not been reviewed since 2019, the sector anticipates some form of cost increase, as yet undefined. We would encourage Ministers considering increases to the IVL to delay such decisions until CAA and any increases to visa costs are known, and impact to visitor demand assessed.

### **Proposals to transfer Crown costs to visitor levies overburden the user pays system**

New Zealand's Budget 2024 announcements make it clear that decisions to increase the IVL have already been taken. Budget 2024 sets out that increases to the IVL will partially fund the work of Tourism New Zealand, replacing existing Crown funding. So while the IVL consultation documents suggest that visitors to New Zealand are putting increased pressure on tourism infrastructure, and on the conservation estate, this is not what increased levies will be collected to solve for. Rather, they will support funding for Tourism New Zealand.

Directing IVL funding to Tourism New Zealand is a transfer of cost from the Crown to international visitors. This will allow the Crown to practically *reduce* support of the tourism industry further than already anticipated following cuts to the Tourism New Zealand budget announced in 2023.

## New Zealand will not meet its commitments as a contracting member state of ICAO

The International Civil Aviation Organizations' (ICAO's) Policies on Taxation in the Field of International Air Transport<sup>1</sup> state that:

*"Each Contracting State shall reduce to the fullest practicable extent...all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers."*

While some exceptions existing for explicit cost recovery of things like air traffic control (of which Airways New Zealand is an example), increasing the IVL moves New Zealand further away from compliance with ICAO as a contracting member state. This is exacerbated by the proposal to allow funds raised by the IVL to fund items previously Crown funding.

## Reduced tourism demand is a present risk

BARNZ contends that any decisions taken should ensure that increases to the IVL will not impact demand for destination New Zealand. New Zealand has not yet recovered its tourism volumes to pre-pandemic levels. Arrivals at Auckland Airport, the airport which receives the lion's share of international arrivals to New Zealand, reached approximately 94% of pre-pandemic volumes at the height of last summer peak. Other international airports sit well behind that, with Queenstown's increased Tasman connectivity the only exception. We must remember that summer 2023/24 was the first summer where post-pandemic travel began to normalise – though BARNZ is not confident that New Zealand will reach these levels for international arrivals for summer 2024/5.

Tourism New Zealand's Statement of Performance Expectations (SPE) published in June 2023 acknowledged that challenge and uncertainty persist as the tourism sector recovered.

*"In FY23 the full opening of international borders was met with strong consumer demand to visit Aotearoa New Zealand. While the first year of recovery was promising, maintaining that momentum is not a given. Competitive pressures will intensify as other countries look to international tourism to offset slowing domestic demand."*<sup>2</sup>

---

<sup>1</sup> ICAO Document 8632

<sup>2</sup> Tourism New Zealand Statement of Performance Expectation 2023 – 2024, page 7.

<https://www.tourismnewzealand.com/assets/about/publications/performance/Tourism-New-Zealand-Statement-of-Performance-Expectation-2023-2024.pdf>



Less than a year later, it appears TNZ were right to be concerned about maintaining momentum for tourism demand. The Minister of Tourism is also the Minister of Maritime. The Minister will be aware that New Zealand is forecast to receive some 20% fewer cruise ship arrivals over summer 2024/5.<sup>3</sup> Recent announcements regarding P&O Cruises note that bookings beyond March 2025 will not be sailed.<sup>4</sup> Cruise reductions have a flow on effect to aviation demand, as passengers often fly in and out of departure/arrival ports.

Airline networks are still experiencing a range of adjustments post-pandemic, and it remains to be seen exactly what capacity New Zealand will be left with for summer 2024/5. Recent announcements from some airlines mean reduced capacity will be available between New Zealand and the United States. Insolvency proceedings are now affecting a Pacific carrier. Supply chain challenges for engines and airframes continue to be impactful, and global and local economic contraction weighs heavily on demand. Air schedule connectivity to New Zealand for summer 2024/25 is currently beneath forecast. It is a very real possibility that New Zealand will receive fewer international visitors over summer 2024/25 than we welcomed in the prior year.

### **Fewer users mean increased aviation system costs**

If the forecast airline schedule softens or reduces, existing costs will rise. In a reduced demand environment, there are cost review triggers in the pricing methodology for Airways New Zealand, which would increase costs for airlines remaining in the system. As we enter into a necessary review of the Civil Aviation Authority levies, costs are spread across passengers according to forecast, under existing methodologies. If passenger numbers soften or reduce, prices per passenger will be higher. Airport pricing is re-set every five years, and again, fewer arrivals will result in higher landing charges – this is how our current system works. A user pays aviation system means that if there are fewer users, prices for system operation inevitably rise.

New Zealand has not been in this position in recent years. During the pandemic, the Crown generally covered costs so that the system continued to operate with far fewer passengers. Pre-pandemic, New Zealand grew its visitor arrivals, enabling investment in some parts of the aviation system. There are significant consequences for a user pays aviation system and its necessary components should international arrivals reduce.

---

<sup>3</sup> <https://www.nzherald.co.nz/bay-of-plenty-times/news/significant-drop-in-cruise-ship-visits-to-tauranga-expected-next-season/FREOGTBZPNDE5JLGTD3QE74ISI/>

<sup>4</sup> <https://www.nzherald.co.nz/travel/travel-news/po-cruises-australia-shutting-down-as-carnival-cruise-line-grows/ONC6NRPR4ZFF7EN6IJXPOTRAM/>

## Increasing IVL costs will increase demand risks, with known consequences

While the current IVL consultation does not make analysis of the impact of fewer international arrivals, a 2022 Regulatory Impact Statement (RIS) from Ministry of Business, Immigration and Employment (MBIE) makes comment on possible impacts.

When assessing options to increase the IVL in 2022, MBIE assessed that if the IVL was to increase to \$100, visitor numbers would likely decrease by 92,000 – 101,000. Further, MBIE assessed that on the ground expenditure from visitors would consequently reduce by between \$101m - \$597m NZD. This analysis suggested that the reduction in expenditure *would be greater than the revenues gained* via a levy increase.<sup>5</sup>

This work was completed absent current increased cost considerations. The 2022 RIS could not consider increased landing charges at Auckland Airport, which have steeply risen and are forecast to increase to 2032 and beyond. It could not account for the review of Civil Aviation Authority levies expected later in 2024. Given statements made in Budget 2024, BARNZ questions whether a RIS was completed for the current IVL proposals. If this has been completed, it should be shared as part of the current consultation process. Given all data points have changed substantially since the 2022 RIS was completed, BARNZ submits that, at minimum, this work be repeated before any increases are actioned.

In the context of a tourism market which has yet to recover to pre-Covid levels, adding arbitrary cost for visitors only to reduce existing Crown funding commitments is irresponsible. We implore Ministers to reconsider.

Ngā mihi -



Cath O'Brien  
Executive Director  
Board of Airline Representatives New Zealand

---

<sup>5</sup> Stage 2 Cost Recovery Impact Statement : Proposed Changes to the International Visitor Conservation and Tourism Levy, page 14 <https://www.treasury.govt.nz/sites/default/files/2022-12/ria-mbie-pc-ivct-aug22.pdf>

## Responses to specific questions

### *Questions for consultation*

1. **Do you agree that current levels of IVL revenue (approximately \$80 million) are not sufficient to address issues facing tourism and conservation?**
  - a. **Yes – Maybe – No – Not sure**
2. **Do you agree that the IVL should be used to address some of the costs for tourism and conservation currently funded by the Crown?**
  - a. **Yes – Maybe – No – Not sure**
3. **Please explain your views, including any additional information that would be useful.**

1: The consultation material does not provide enough information to be able to answer this question. High level estimates have been provided (circa \$250m) but with no detailed analysis as to what this might be made up of, and how it might need to be spent over time.

2: BARNZ members do not support increasing levies for international tourists. We note that such levies and taxes, in particular where they are not designed as cost recovery mechanisms, are contrary to ICAO policies with respect to taxation for air transport. New Zealand is a contracting member state of ICAO.

3: See comments above. In addition, BARNZ would welcome a more transparent process for reporting on IVL funds collected and spent. We would welcome a review of the IVL allocation methodology for expenditure, to ensure funds are spent to address any tourism pressures. We would explicitly support alignment with needs of local councils.

#### *Questions for consultation*

4. Do you prefer one option over the other? (select one)
  - a. Status quo at \$35
  - b. An increase
5. If the IVL does increase, what amount is your preferred option?
  - a. Increase by \$15 to \$50
  - b. Increase by \$35 to \$70
  - c. Increase by \$65 to \$100
6. Please explain the reasoning for your preferred option.

4: BARNZ supports the **status quo**, along with further work to address any need for increases, the basis for these, and to examine the impact of increased costs. We explicitly support a repeat of the 2022 Regulatory Impact Statement from MBIE.

#### *Questions for consultation*

7. Do you support IVL revenue funding for the following areas: (sliding scale of strongly agree to strongly disagree for each)
  - a. Address visitor pressure on mixed-use tourism infrastructure and wider tourism assets.
  - b. Address visitor pressure on the public conservation estate.
  - c. Support investment into 'club goods', projects or initiatives that the tourism or conservation sector might benefit from, but are hard for individual businesses to develop or commercialise.
  - d. Contribute to the funding mix for international tourism marketing costs (investment into Tourism New Zealand).
  - e. Support ongoing or future Crown investment into tourism and conservation activities.
  - f. Fund, or contribute to the funding of, other initiatives relating to tourism.
8. Do you think there are any other funding priorities that should be considered?

7: The consultation material does not provide sufficient information to answer this question. For completeness, and to assist in further work, BARNZ makes the comments below:

- a) To answer this question, we would need to understand what mixed use infrastructure is affected disproportionately by visitors. This might include infrastructure such as water infrastructure in areas with a small rate paying



base, for example. We would then need to understand the costs of upgrade, and assign an allocation mechanism to identify that cost which should be borne by visitors, and then drawn from what should be a hypothecated fund created by the IVL.

- b) To answer this question, we would need to understand the disproportionate pressure international visitors who are not New Zealanders or Australians are putting on the conservation estate. Once this was known we could assess whether the best charging mechanism would be from a hypothecated fund created by the IVL, or by charging those visitors differently for use of the conservation estate, via a pass or levy on booking for great walks or Department of Conservation hut bookings, for example.
- c) To answer this question, submitters would need more information on what the 'club good' projects might be.
- d) BARNZ does not support the proposal that IVL replace existing crown funding for Tourism New Zealand.
- e) The IVL should not generally replace crown funding.
- f) The IVL should not generally replace crown funding.

8: BARNZ notes that New Zealand is reliant on long haul aviation and maritime connections to support tourism today and into the future. As well as specific and costed improvements to tourism and conservation infrastructure as might be proposed, BARNZ members would welcome support for development of policies to ensure New Zealand has access to supplies of sustainable aviation fuels (SAFs). The Ministry of Transport will be well placed to comment on the work of Sustainable Aviation Aotearoa as might inform such decision-making.