



# **International visitor levy, electronic travel authority and immigration fees and levies**

**Submission by BARNZ to the Ministry of  
Business, Innovation and Employment**

**20 July 2018**

## About BARNZ

BARNZ is the voice of the airline industry in New Zealand. Our 29 member airlines are a direct enabler of our \$14.5 billion tourism industry and deliver \$8 billion of our exports.

Our members connect New Zealand to the world.

Our job is to make sure that airline travel is affordable for all and that New Zealand's connections to the world continue to grow in a fair and sustainable manner.

We are committed to ensuring that the right balance is struck between adequately protecting our borders and a seamless traveller experience.

We work closely with the Government, regulators, businesses, local communities and many other groups to help achieve these goals for our members and New Zealand.

## BARNZ submission

### Introduction

1. BARNZ is pleased to be consulted on the three related consultation papers: *Consultation on International Visitor Conservation and Tourism Levy*, *Consultation on an Electronic Travel Authority* and *Consultation on Immigration Fees and Levies*. We welcome the government's commitment to genuine consultation and engagement in this process to date – we have had useful discussions with officials, who have made themselves available for discussions, and are pleased to see that the points we raise are being heard.
2. This submission is made on behalf of our member airlines, which are listed in **Appendix A**. Some members may also make their own submissions on the proposals.
3. Accompanying this submission are our responses to the questions asked in the submission forms for each consultation paper. This cover submission highlights our key points in response to all three papers.
4. BARNZ's contact person for this submission is:

Ian Ferguson  
Regulatory Manager  
09 358 0696  
[ian@barnz.org.nz](mailto:ian@barnz.org.nz)

### Tourists deliver real and material value to New Zealand and already pay their way

5. As the Minister discusses in his foreword to the visitor levy consultation paper, tourists deliver many and increasing benefits to New Zealand. It is important to see tourists as adding value to our country rather than as a problem to be managed. We want to avoid a situation where tourists are not welcomed and not made to feel welcome, because this would ultimately reduce tourism in New Zealand and have a harmful impact on us all. Having the necessary infrastructure in place is an important part of the picture so, provided the funds are well spent, we support the creation of a central fund of scale that can allow for large scale strategic investment that supports our tourist industry.
6. It is important to remember that tourists already more than pay their way. The government's own report (by Deloitte for MBIE) found that total central government revenue from tourists was around \$3.3 billion per annum, including \$1.5 billion from GST, while central government costs associated with tourists was \$683 million per annum. Meanwhile, the Deloitte analysis (based on three case studies and with significant assumptions) suggested that revenues for local government from international visitors more or less equalled the costs incurred.<sup>1</sup> Visitors to New Zealand also pay direct fees to cover costs such as aviation security, biosecurity and customs. The tourist dollar is very mobile and, given our geographic isolation, tourists already face relatively high costs to travel here. It is critical that we do not load so many costs onto international visitors that New Zealand prices itself out of the market.
7. As context, we think it is telling that overseas jurisdictions that have introduced passenger taxes are now facing calls to abolish or reduce them on the basis that the taxes are doing more harm than good. For example, a study by PwC found that abolishing the German air passenger duty was likely to cost the government EUR 1 billion in 2017 but the government would earn an additional EUR 1.08 billion in indirect taxes. PwC found that "this tax does not raise overall government revenue, but rather costs the

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<sup>1</sup> <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/other-research-and-reports/pdf-and-document-library/final-financial-costs-and-benefits-of-tourism-deloitte-report.pdf/view>

country jobs”.<sup>2</sup> Similarly, a report by PwC into the UK passenger duty found that abolishing it would create almost 60,000 jobs by 2020 and grow the economy by around GBP 16 billion, more than offsetting the direct revenue loss to the exchequer.<sup>3</sup>

### **The Electronic Travel Authority has merit, but it should not apply to crew**

8. We agree that an Electronic Travel Authority (ETA) has the potential to deliver benefits to the operation of the immigration system. However, applying the ETA to crew will create practical challenges that it would be best to avoid. We discuss these below and then suggest alternative options.
9. While most crew have some notice about what routes they are to take, crew that are on standby (by definition) do not get very much notice. A scenario could easily arise where a crew member rostered on to a New Zealand flight falls ill and needs to be replaced by a crew member on standby. The standby crew member would not necessarily have time to apply for an ETA and get that approved in time before boarding the flight (and even if they did have time, the airline would not have a guarantee that the crew member would receive the approval so would need to build in time for other standby crew to also make an application if the first standby crew member’s application is rejected).
10. The likely result of this would be that airlines would need to ensure that many crew have a current ETA (far more than are likely to travel to New Zealand), so that they can ensure staff can be rostered on to New Zealand flights if needed. For example, for flights to the USA, where crew visas are required, we understand that airlines usually require all crew that are trained to fly on the particular types of aircraft that fly to the USA to have the visa – so they can manage rostering efficiently.<sup>4</sup>
11. The application for the ETA would have to be done for those crew every two years (or more frequently if MBIE applies the option of ETAs expiring if they are not used within 3 to 12 months), plus any new crew that are recruited. Many crew would therefore end up paying for the ETA and international visitor levy multiple times without ever entering New Zealand. This is disproportionate and unreasonable. We understand that MBIE’s preference is for visitors to complete the ETA as close to the time of travel as possible, but this will not always be manageable for airlines as they seek to roster staff in an efficient way.
12. As context, some international airlines that fly to New Zealand have more than 5000 crew and fly to over 100 ports globally. The cost of obtaining and maintaining current ETAs for a large proportion of these crew would be very large. The alternative option for airlines to change their rostering so that a smaller number of crew would fly here more regularly, would be even more expensive and impractical. While it may be thought that the same crew will fly here regularly, this is often not the case – when an airline has more than 5000 crew and over 100 ports to visit, it cannot be expected that many crew on a flight to New Zealand would have been here within the previous two years.
13. While the USA, Canada and Australia, for example, have crew visa or crew travel authority requirements, those countries are larger and are at lower risk of airlines choosing not to fly there, for the simple reason that the market is bigger. They also rely less on foreign tourism revenues than New Zealand does. The risks of New Zealand creating this cost for airlines that may fly here are therefore larger than for some overseas jurisdictions. Also, importantly, we note that Canada and Australia do not charge crew for their travel authorities.

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<sup>2</sup> <https://a4e.eu/wp-content/uploads/2017/10/The-economic-impact-of-air-taxes-in-Europe-Germany-004.pdf>

<sup>3</sup> <http://airlinesuk.org/wp-content/uploads/2013/09/APD-study-Abridged.pdf>

<sup>4</sup> There are some airlines that have only a few types of aircraft and fly all of them to New Zealand at different times – these airlines could be expected to have to apply for ETAs for all of their crew.

14. It is also inequitable to exempt cargo vessel crew and private aircraft crew but not commercial aircraft crew from the ETA (and hence the visitor levy), as the consultation material proposes.
15. We would like to work with MBIE to test if there are other mechanisms that can be used to provide the information that is wanted by Immigration NZ. Our understanding is that key parts of the ETA declaration relate to whether travellers have criminal records and the reason for their travel to New Zealand. The reason that air crew travel to New Zealand will be obvious: to work as crew. On the criminal record declaration, airlines generally have a policy whereby persons with criminal records are not recruited as air crew. So, for example, airlines may be able to provide a declaration to Immigration NZ that all of their crew have no criminal records.
16. Alternatively, a separate ETA for crew that does not carry a charge and lasts longer, say 5 years, would be a material improvement on the proposed approach. We understand that other jurisdictions where crew travel authorities are required tend not to charge for those authorities. An option for 'bulk upload' of crew data would also be helpful.
17. We would be happy to partner with MBIE to develop a workable solution.

#### **Australian permanent residents should also be exempt from the Electronic Travel Authority**

18. BARNZ suggests that the exemption offered to Australian citizens from the ETA application is also extended to Australian residents. This distinction is unnecessary and will create complications for check-in and document validation (and also for Australian airlines in terms of identifying which crew need to have a current ETA in place). We are also concerned that this could attract public criticism in Australia.

#### **If there is to be an International Visitor Levy, collection via an ETA is a reasonable solution**

19. BARNZ's preference is that revenue from tourists already collected by the government is diverted to fund tourism infrastructure. It is reasonable to use the payments they already make to government to fund the necessary investment, rather than charging yet another levy.
20. That said, we recognise the government has a clear intent to establish the international visitor conservation and tourism levy (the "international visitor levy") to fund tourism and conservation investments. In our view, charging the levy via the proposed electronic travel authority (ETA) is a reasonable solution and we support it as an acceptable option. An ETA works better than some of the other options considered, in particular:
  - a. It is better than charging the levy at airports to departing passengers, as this would create additional queues and a poor visitor experience and would also be quite an expensive method of collection.
  - b. It is better than adding the levy to the airline ticket, because airlines do not hold the passenger information required to distinguish NZ residents (but not citizens), student visa holders, and New Zealanders who purchased from an overseas website, from international travellers. Airlines therefore cannot differentiate between exempt and non-exempt passengers. Placing the levy on the ticket could mean airlines would have needed to take different, less desirable, approaches such as charging the levy to all passengers and then offering rebates to those that are exempt, which would be administratively burdensome and not welcomed by passengers.

## **The international visitor levy should not be charged to crew**

21. BARNZ and our member airlines strongly oppose the proposal to charge the international visitor levy to crew. We are pleased to hear that this proposal is now being reconsidered, but place on record here the reasons why the levy should not be charged to air crew.
22. Charging the international visitor levy to air crew is inequitable because crew do not impose any costs on our tourism or conservation infrastructure – they usually stay for one night and then depart the following day. Applying the visitor levy to air crew will also create significant cost and competition problems that risk making some routes and services non-viable. These are discussed below.
23. Crew charges are not able to be allocated to a particular passenger, so will need to be recovered across all flights. This will make New Zealand routes less affordable for those airlines with large proportions of crew without exempt passports.
24. The number of crew on aircraft that fly long-haul to New Zealand<sup>5</sup> tend to range from 14 to 27, depending on the aircraft size and distance flown. If we assume the visitor levy is set at \$30 (the mid-point of the range being consulted on) and the ETA cost is \$9, this equates to at least \$546 - \$1053 per flight – and the true cost is likely to be more as airlines will need to ensure that many more crew than actually fly here have an approved ETA, as discussed above. To put into context, \$546-\$1053 would be the equivalent of a 5%-6% increase in landing and terminal charges at Auckland Airport and a 9%-10% increase in landing and terminal charges at Christchurch Airport, so it would be a significant cost increase for airlines.
25. Airlines with a significant presence in New Zealand (ie daily routes to more than one centre) may be able to absorb the costs. Airlines that fly here just a few times per week (and for whom Auckland is a small and not necessarily very profitable port in a much larger network) may not be able to recover the cost of many crew having to obtain ETAs from just a small number of flights. It is these airlines that are most likely to exit if crew are required to pay these levies.
26. Also, airlines with a high proportion of New Zealand, Australian and Pacific Island<sup>6</sup> crew members (ie airlines based in New Zealand, Australia and the Pacific Islands) would be able to largely avoid the costs of the international visitor levy (and the ETA), while all other airlines will incur the costs. This will make all other airlines less competitive on routes where they currently compete with New Zealand, Australian and Pacific Island airlines, as well as routes where they could compete in future. Any government intervention that harms competition in this way can be expected to push up prices overall and may make some routes less viable. To give an indication of scale, there are 11 airlines that currently fly 13 routes that overlap with New Zealand, Australian and/or Pacific airlines, plus there are numerous other routes where there is potential for such competition to develop.
27. The impact of these effects on airline decisions about whether to keep serving New Zealand as a destination should not be underestimated.

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<sup>5</sup> We have focused on long-haul flights in this analysis because flights between New Zealand and Australia or the Pacific Islands are mostly operated by airlines based in New Zealand, Australia and the Pacific Islands, who will have a larger proportion of crew that are exempt from the requirement to pay the international visitor levy or apply for an ETA.

<sup>6</sup> Our understanding from the consultation material is that visitors, including crew, from Pacific Islands Forum members will need to apply for and pay for an ETA but not pay for the international visitor levy.

### **The funds raised from the visitor levy must be well spent**

28. As the costs of visiting New Zealand look likely to increase, it is essential that the funds raised are spent well – so that the quality of the visitor experience improves at least as much (preferably much more than) the cost increases.
29. BARNZ considers that the focus of the fund should be on investments that do the most to improve the visitor experience in New Zealand. This should include tourist infrastructure and the preservation and enhancement of conservation features that attract tourists. It could also be applied to broadening New Zealand's tourist offering (eg promoting new and different attractions, particularly those that can attract visitors outside of peak seasons), but should not go so far as to subsidise private tourism businesses.
30. However, the fund should be tightly targeted and the government should resist attempts to extend it into other areas (eg rural medical services). If the fund tries to cover too much, it will be insufficient to properly fund tourism infrastructure and conservation activities and not deliver the tourism benefits that international visitors should expect to receive for their money.
31. Expenditure from the fund must be transparent and monitored. We make more detailed suggestions in this regard in our response to the questions asked in the consultation paper.

### **Immigration costs should not be added to the border clearance levy**

32. BARNZ and our airline members do not agree that immigration costs should be added to the border clearance levy.
33. Imposing immigration costs on New Zealand citizens is inequitable because they are not the causers of immigration costs. We consider that New Zealand citizens are not causers of immigration costs because:
  - a. The only reason we have an immigration service is because some non-New Zealand citizens travel here
  - b. If no non-New Zealand citizens ever travelled here we would have no need for any immigration system, so to argue all passengers are 'causers' of the cost is plainly false (compared to biosecurity, aviation security or customs where any passenger could create a risk)
  - c. While New Zealand citizens are included in the APP screening system, this appears to be for efficiency purposes (ie it would be difficult to exclude data relating to New Zealand citizens from the APP system) rather than because they strictly need to be included for immigration purposes.
34. It is also unreasonable to charge the immigration levy to passengers that travel on a visa. As the consultation material makes clear, visa travellers already pay for their visas, which should cover the cost of processing these visitors. They should not be required to pay again to subsidise the costs of processing other passengers.
35. Further, recovering 100% of the cost of immigration border activities from travellers is unbalanced as it is clear that these immigration border activities have public good elements. Some of the costs should be paid by taxpayers (rather than trying to pass the cost to those New Zealand citizens who happen to travel in any given year). The consultation paper makes it clear that there are public benefits from the immigration border service:

*“the immigration system is a first gateway to preventing trafficking and protecting migrants from exploitation. It is often the first experience that visitors and migrants have*

*with New Zealand people and New Zealand government services... The immigration system also allows New Zealand to meet its global responsibilities and obligations to accept settlement of refugees, and protect our borders from risk.”<sup>7</sup>*

36. If the government is committed to recovering all of the costs of immigration border services from travellers, a more equitable approach would be to add the levy to the ETA rather than the Border Clearance Levy. This would be more equitable because it would focus the charge on those passengers that currently visit New Zealand on visa waiver passports, who appear to be both (a) the majority of those that will apply for an ETA, and (b) the people that currently create the largest unrecovered cost for immigration.
37. We were surprised that MBIE does not seem to have considered whether the ETA would deliver efficiencies that could reduce the amount to be recovered in any immigration levy. It seems clear that there should be some efficiencies because:
- a. The ETA consultation paper says the ETA should make it easier to process and manage visa waiver travellers, including preventing people from travelling who would otherwise have been stopped at the border.<sup>8</sup>
  - b. Meanwhile the immigration levy consultation paper notes that many of the immigration costs currently funded by central government relate to visa waiver travellers.<sup>9</sup>
38. We would have expected the ETA to drive cost savings and efficiencies in the processing of visa waiver travellers and that these efficiencies should reduce the amount that would be passed through in the immigration levy. The value of the ETA must be questioned if it does not drive savings and efficiencies that are at least similar to its costs.
39. If the government still wants to introduce an immigration levy after considering submissions, BARNZ recommends that any decision is put on hold until data on the cost savings and efficiencies that are achieved by the ETA are available – this would enable an informed debate based on information about what the actual levy cost could be.

#### **Additional issue – requirements for ‘positioning crew’**

40. Since MBIE is reviewing the requirements for crew entry into New Zealand, we feel this is a good opportunity to resolve an outstanding problem in relation to ‘positioning crew’ – ie crew that are brought in to New Zealand as passengers in order to work as crew on an outgoing flight.
41. The current requirements in New Zealand (which treats positioning crew as if they are any other passenger) are unnecessarily onerous, create costs for airlines and are out of step with the process in Australia.
42. The Australian requirements for positioning crew are that the crew member must hold:
- a. A valid passport
  - b. A Crew Travel Authority (CTA)
  - c. A letter from the employer airline certifying that the person is an aircrew member, stating the purpose of the travel and the arrangements for the person to leave Australia.

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<sup>7</sup> Immigration fees consultation paper, page 5.

<sup>8</sup> ETA consultation paper, page 3.

<sup>9</sup> Immigration fees consultation paper, page 27.



43. We request that the government look to develop similar arrangements for positioning crew entering New Zealand. This could fit well with the creation of a crew-specific ETA. We would be happy to work with MBIE further on this improvement.

## Appendix A: List of BARNZ members

### Full membership

Air Calin

Air New Zealand

Air Tahiti Nui

American Airlines

China Airlines

China Southern

Fiji Airways

Hong Kong Airlines

Korean Air

Malaysia Airlines

Qantas Airways

Sichuan Airlines

Tasman Cargo Airlines

Tianjin Airlines

Virgin Australia

Air China

Airwork

Air Vanuatu

Cathay Pacific Airways

China Eastern Airlines

Emirates

Hainan Airlines

Jetstar

LATAM Airlines

Philippine Airlines

Qatar Airlines

Singapore Airlines

Thai Airways International

United Airlines

### Associate membership

Menzies Aviation (NZ) Ltd

OCS Group NZ