

Questions and Answers

Why is government imposing a Border Clearance Levy?

Demand for clearance activities for MPI and Customs is increasing annually as a direct result of the number of passengers arriving and departing New Zealand. More passengers means more risk for New Zealand.

Implementing the Levy will:

- Ensure as far as possible that passengers who generate the costs of border clearance activities (i.e. the risk exacerbators) make a fair contribution to these services
- Allow the resourcing of border clearance activities to flex as passenger numbers go up or down
- Mean we can put in the right resources to keep New Zealand safe from harmful pests, people and dangerous substances
- Support the provision of robust border clearance services on a sustainable basis, with minimal impact on passengers.

Who will have to pay the Levy?

All travellers entering and departing New Zealand by air or sea.

Did anything change during consultation?

MPI and Customs met with over 45 separate companies and industry groups including airlines, airports, cruise lines, commercial shipping agent and lines, the tourism sector and primary industries to get feedback on the proposed design and implementation of the Levy.

Information and data collected during consultation meant the approach was amended in two areas:

- All crew became exempt to the Levy: to be consistent with international charging practices around crew on passenger craft being exempt from paying taxes and levies
- The collection mechanism was changed from: the proposal of using CAA to collect the Levy from airlines to Customs collecting the Levy on behalf of both agencies.
- Also proposed by submitters and agreed upon: exempting travellers on local ships which travel outside of the 12 mile limit (ie service or research ships), people rescued at sea, travellers on Antarctic expeditions covered by treaty/diplomatic agreement, any government humanitarian mission and allowing collection agents to meet obligations within one invoice on arrival.

Who will be exempt from paying the Levy?

Consultation provided data and information on international charging practices which has meant that those exempt from the Levy include:

1. All air and cruise crew.
2. Air passengers and crew in transit.
3. Children under the age of two years.
4. All mercantile crew and passengers.
5. Passengers on craft used for the military, diplomatic or ceremonial purposes of any Government.
6. Antarctic expeditions covered by treaty/diplomatic agreement.

7. Emergency, humanitarian and crisis response work organised or carried out by any government.
8. People rescued at sea or who seek temporary relief from stress of weather.
9. A one-off transitional exemption for people who have purchased and fully paid for travel before 1 January 2016.

Who pays the border clearance costs of those passengers that are exempt?

The costs will be spread among other Levy payers where this is appropriate or absorbed by the Crown where appropriate on cost recovery principles.

When will the Levy come into effect?

The Levy will come into effect on 1 January 2016.

Will GST be applied to the Levy?

The Border Clearance Levy is subject to GST at the standard rate of 15%.

What are the Levy rates?

The rates have been fixed for the first two and half years at:

	Air and other rate	Cruise rate
Biosecurity	\$8.38	\$12.20
Customs		
Arrival	\$7.45	\$7.50
Departure	\$2.93	\$3.10
Sub Total	\$18.76	\$22.80
GST @15%	\$2.81	\$3.42
Total	NZ\$21.57	NZ\$26.22

Once this period ends, Customs and MPI will update rates based on expected demand and planned expenditure.

Why are the costs so much lower on departure?

There is no biosecurity screening on departure and Customs departure clearance costs are less than those for arrivals.

Why is the Levy rate higher for cruise ship passengers?

The costs of clearing cruise ships passengers is higher because of the additional biosecurity risk assessments MPI must complete for cruise ships at each port. This would be even higher if cruise ship passengers were required to meet the costs of crew, given the higher ratios of crew to passengers.

The Government has agreed to a provisional arrangement, where the Levy rate is limited to the maximum amount that was consulted on (\$22.80 excl. GST). This will last two and half years.

How will the Levy be paid?

Passengers will pay the Levy when they purchase their ticket for travel. Those travelling on private aircraft and yachts will pay Customs when they arrive.

How will the money collected from the Levy be used and will it benefit the public?

The money collected will be used to maintain and enhance border services to ensure that New Zealand is well protected in the future. It will help keep New Zealand free from pests, people and diseases, criminal activity and security risks as it enables funding for border services to flex as passenger numbers go up or down.

Does the introduction of the Levy mean the crown funding disappears for MPI and Customs?

Eventually yes. Crown funding will ultimately be fully replaced by funding from the Levy but this will take some time. The Levy will be imposed on all tickets **purchased** from 1 January 2016, and since most tickets are purchased weeks or months in advance, not all the border clearance costs of passengers arriving or departing from 1 January 2016 will be cost recovered.

Why should passengers foot the bill for the Levy?

Passengers not only present risks to New Zealand's safety but also expect fast border processing and high quality experiences.

Keeping border processing at a high standard and to manage risk without affecting queuing time has increased costs. It isn't fair for non-travelling New Zealanders to continue to pay for these services. It is fairer to charge those that create the risk and the need for border clearance services.

Why does the increase in passengers mean extra work and costs?

We have more people and more goods coming from new and different places which means the risk profile of passengers has changed.

As New Zealand expands its travel links with new countries, has free trade agreements, and targets tourism marketing into emerging economies and new markets our economy benefits but the risks multiply. Consequently new and higher risk passengers require higher levels of intervention (e.g. x-ray screening, detector dog screening, physical inspections), which increases clearance costs.

How big is the increase in passengers coming to New Zealand?

Annual passenger and crew volumes (arriving and departing) are expected to increase to about 13.5 million by 2018/19 from around 11.5 million in 2015. This growth is expected to continue at around 3.5-4% per year.

Arriving air passenger volumes have grown 19 percent in the last five years (from 4.4 million in 2009 to 5.2 million in 2014) and 49 percent in the last ten years.

Cruise NZ forecasts that the total number of cruise ship passengers travelling through New Zealand will rise to 267,000 in the 2015/16 season. This is almost double the number of passengers five years ago (136,000 in the 2010/11 season).

Will the Levy change over time?

The Levy will be reviewed on a regular basis. The first review will take place in 2018.

At that time, MPI and Customs will evaluate if the Levy needs to be increased to pay for enhancements to border services, but only if this makes sense from a risk management, service quality, and value for money perspective.

Do other countries charge incoming and departing passengers?

Yes, a number of countries charge passengers including: Australia, United States, United Kingdom, China, Canada and many European countries.

How does our Levy compare with other countries charges?

Our Levy will be at the lower end of the scale. The Levy, when combined with existing charges, will be about NZ \$20 lower than Australia's A \$55 (NZ \$58) passenger charge and about NZ\$102 lower than the United Kingdom's £71 long-haul passenger charge.

How will the Levy impact visitor arrivals and tourism which contribute valuable dollars to our economy?

People will not be put off travelling to New Zealand, as the Levy is less than 1% of an international fare.

MPI commissioned research through Sapere Research to understand the possible effects on international traveller numbers due to a ticket price increase by introducing a levy.

This report did not take into account any other factors which influence traveller's decisions. The report confirms a relatively low level of potential impact, particularly when combined with other factors that may also affect traveller's choices, such as exchange rate changes, and economic conditions in other markets.

It is likely that economic conditions in passengers' home countries and fluctuations in the exchange rate would be more significant than price increases for passengers' decisions on whether to visit New Zealand.

Any impact may be more pronounced for the lower priced, short haul Trans-Tasman market than for long haul travel.

Why don't you just have more dogs?

It is not about the tools, it's how we pay for them. Detector dogs are one of a number of tools used to detect undeclared risk and prohibited items but dogs alone are not enough. To operate efficiently and effectively, and manage increasingly complex and growing risks, we need to use a range of risk assessment processes and tools.

What is MPI and Customs doing to keep pace with the growing traveller numbers?

MPI and Customs have introduced a number of improvements to manage growing traveller numbers:

- Expanding the number of the automated SmartGates
- More detector dogs
- Shared use of facilities and cross-warranting of staff;
- Biosecurity awareness raising activities;
- Enhanced profiling and targeting of risk passengers;
- Working with cruise ship operators to pre-clear passengers.

- Reducing operating costs through major change and continuous improvement projects.