16 December 2019

Cost Recovery Directorate
Ministry for Primary Industries
PO Box 2526
Wellington 6140
By email: costrecovery@mpi.govt.nz

Dear Sir/Madam

Re Proposals to Update Cost Recovery for New Zealand's Biosecurity System

1. Our understanding of the proposals

The proposals cover three areas - the Border Clearance Levy (BCL), the Biosecurity System Entry Levy, and other fees for border biosecurity services. Our feedback relates to the BCL.

It is proposed that:

- the non-cruise cap[1] moves from $8.80 to $12.00 (36%), and the cruise cap decreases from $17.90 to $6.50 (-64%).
- that the non-cruise rate is increased from $8.50 to $10.16 (20%), and the cruise rate from $3.81 to $5.15 (35%).

This review will take effect from July 2020 and be effective for twelve months at which time a further review will take place to align with the 3-year review period for the Customs NZ component of the BCL.

2. Our feedback

Improved management of the Memorandum Account is required

We were surprised to see the accumulation of a significant deficit in the memorandum account. Schedules provided to industry at the time of last year's review (November 2018) forecast a closing deficit balance of -$1.02m for YE2018/19, reducing to -0.07m YE2019/20. Now the forecast closing balance for 2019/20 is -$13.61m, a massive deficit 194-times greater than that forecast only 12 months earlier. The proposals fail to adequately provide any rationale for this blow-out.

The cruise-component for MPI's portion of the BCL, $5.34 per passenger in 2018, was decreased to $3.81 in the November 2018 review. It is now being moved back up to $5.15 in July 2020. While we were pleased about the 2018 decrease, to now have a significant account deficit and large levy increase is frustrating at the least and not reflective of ongoing improvements being made in the bio-security processes for the cruise sector.

[1] The cap is the limit the Director-General can set the levy within

One of the reasons for the proposed increased levy has been lower arrival numbers than forecast. The increase is based on arrival forecasts issued in May 2019 but since then there has been a noticeable slowing in international air travel. The risks of over forecasting arrivals are clearly evident in this review and we encourage officials to relook at visitor forecasts in the light of falling arrival numbers from international visitors.

The proposals are to recover the account deficit over two years. We would strongly encourage officials to spread the deficit recovery over four years rather than two therefore reducing the level of this increase. MPI would still fully recover its costs by the end of the next three-year levy period.

Visitors are facing increasing costs due to government pricing reviews

These proposals come at a time when tourism operators and visitors have been subjected to a multitude of cost increases by Government agencies over the last twelve months. These include:

- Introduction of the International Visitor Levy (2019) - $35 per international visitor[2]
- Introduction of Electronic Travel Authority (2019) - $9-$12 per international visitor
- Increased immigration fees and levies to reduce a $50m deficit in Immigration NZ's Memorandum Account
- Increase in AVSEC fees for international passengers of 51% between 2019/20 and 2021/22
- Minimum wage increases of 7% in 2019 (increasing $1.20 to $17.70/hour).
- Increases in Maritime Levy of more than 200% for many maritime operators
- Large increases in DOC concession fees
- Increases in local government rates on tourism businesses

The 2019 Travel & Tourism Competitiveness Report published by the World Economic Forum measures 'the set of factors and policies that enable the sustainable development of the travel and tourism sector, which contributes to the development and competitiveness of a country'. New Zealand was ranked 18th overall of the 140 countries assessed. However, in the sub-category of price competitiveness New Zealand ranked 121/140.

We have ongoing concerns that government agencies are not considering the wider context of cost pressures on operators when reviewing fee and levy increases.

Costs should be spread more equitably

We agree with comments by BARNZ that if the government intention is to increase biosecurity protections across all pathways due to a change in risk profile, there is a strong case that this should be funded by central government and/or those industries that benefit from biosecurity protection. This is especially because there is no evidence that recent biosecurity incursions have come in through the passenger pathway.

Improved reporting is required

We continue to be frustrated by the late provision of BCL reports from MPI. Reports should be provided with sufficient time to review and provide feedback. This has been an ongoing issue since the BCL was introduced and needs to be addressed.

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[2] Exemptions apply to some international visitors for the IVL and ETA

Closing

A review of the BCL is undertaken as a cost-recovery approach and therefore if costs increase the levy increases. With significant deficits in the memorandum account and levy increases of 20% and greater we strongly encourage MPI to spread the recovery over four years and also consider where cost efficiencies can be gained in this and future reviews.

Ngā mihi

Chris Roberts
Chief Executive
Tourism Industry Aotearoa