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## Media Release

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# Travel tax reduction welcome but more consultation wanted

A planned reduction in the travel tax, known as the Border Clearance Levy, is the right response given the surplus it has raised, the tourism industry says. However, the lack of consultation is concerning.

The levy, introduced on 1 January 2016 to fund the New Zealand Customs Service and the Ministry for Primary Industries passenger border services, is expected to have an accumulated surplus of about \$21.1 million by the end of June. International air passengers have been paying \$21.57 (incl GST), while cruise passengers have been paying \$26.22 (incl GST).

Tourism Industry Aotearoa Chief Executive Chris Roberts says he is pleased that Customs and MPI are now proposing to slightly reduce the levy from 1 July 2018.

"The boom in inward and outbound travel means the levy has raised far more than was anticipated. We raised the issue of the large over-accumulation in our [Brief to the Minister of Tourism](#) and called for the levy to be decreased. We're pleased this is to happen," Mr Roberts says.

The levy is to be set at \$18.73 (incl GST) for air passengers and \$22.82 (incl GST) for cruise passengers and will apply from 1 July 2018 to 30 June 2019.

Even though the levy is being decreased thanks to the surplus, both Customs and MPI are proposing to spend more on passenger-related services in the next financial year. Customs plans to increase its spend from \$70.17m to \$72.78m and MPI from \$58.60m to \$60.83m.

Mr Roberts says the lack of consultation ahead of setting the new levy rate is disappointing.

The Border Clearance Levy was a surprise announcement in the May 2015 Budget and was put together with very limited analysis and no consultation.

"At the time, TIA led a coalition of tourism, travel and aviation organisations, known as the Coalition Against Travel Tax (CATT<sup>1</sup>), to oppose the new levy, and

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<sup>1</sup> CATT members included the New Zealand Airports Association (NZAA), Board of Airline Representatives New Zealand (BARNZ), New Zealand Cruise Association (NZCA), Holiday Parks New Zealand (HPNZ), Top Ten Holiday Parks, Kiwi Holiday Parks, Family Parks Holiday Parks and Campgrounds, Motel Association of New Zealand (MANZ), Bed & Breakfast Association New Zealand, Rental Vehicle Association New Zealand (RVA), Bus and Coach Association New Zealand (BCA), Travel Agents Association of New Zealand (TAANZ) and the Tourism Export Council (TEC).

**TOURISM INDUSTRY AOTEAROA**

Level 4, 79 Boulcott Street, PO Box 1697, Wellington 6140, New Zealand

P +64 4 499 0104 [www.tia.org.nz](http://www.tia.org.nz) E [info@tia.org.nz](mailto:info@tia.org.nz)



call for a Traveller Reference Group to ensure the levy was spent wisely and used to improve travellers' border experience.

TIA acknowledges there have been improvements to the border experience, with the continued rollout by Customs of SmartGate, and MPI accrediting a number of cruise lines, allowing more efficient processing of passengers on-wharf.

"Customs and MPI have also met most of their non-financial performance measures covering risk management, traveller experience and efficiency," Mr Roberts says.

"But we regret no opportunity has been provided to make suggestions for improving border services or to be able to review the planned spending of the two agencies. On behalf of the CATT members, we are seeking an urgent briefing with Customs and MPI, and will be expecting more transparency and consultation in future."

New Zealand Cruise Association Chief Executive Officer Kevin O'Sullivan says the changes will see an overall reduction of a little over \$3 per cruise passenger. He applauds MPI for improvements in handling cruise ship passengers, allowing them to reduce their share of the cruise passenger levy.

However, he notes that Customs' processing costs are increasing markedly for cruise passengers.

"The report on the proposed levy changes says Customs will continue to 'make efficiencies in the cruise traveller clearance process...' which is good to hear, but the use of technology like SmartGate should be introduced more quickly for cruise passengers," Mr O'Sullivan says.

The full report on the performance of the BCL and the proposed new rates is at <https://www.customs.govt.nz/globalassets/documents/border-sector-documents/border-clearance-levy-performance-for-the-year-to-30-june-2017.pdf>

**For further information, please contact:**

Ann-Marie Johnson  
Communications Manager  
Tourism Industry Aotearoa  
DDI: 04 496 5001  
Mobile: 027 600 4565  
Email: [ann-marie.johnson@tia.org.nz](mailto:ann-marie.johnson@tia.org.nz)  
[www.tia.org.nz](http://www.tia.org.nz)  
[www.tourism2025.org.nz](http://www.tourism2025.org.nz)

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## KEY FACTS

- Tourism in New Zealand is a \$99 million per day industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$59 million in economic activity every day.
- Tourism is New Zealand's biggest export earner, contributing \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2017).
- 14.5% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 399,150 people are working in the visitor economy.
- The [Tourism 2025](#) growth framework has a goal of growing total tourism revenue to \$41 billion a year by 2025.

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