



Submission to
Ministry of Business, Innovation & Employment
on the
Consultation on an Electronic Travel Authority

Date: 20 July 2018

TOURISM INDUSTRY AOTEAROA

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Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the consultation on an Electronic Travel Authority.

This submission is filed without prejudice to TIA's future position. Our ability to prepare a comprehensive submission responding to the consultation document relied on the provision by the Ministry of Business, Innovation & Employment of information relevant to the connection between the consultation document and the benefits that would accrue. If any information is provided at a later date, TIA reserves the right to comment further.

EXECUTIVE SUMMARY

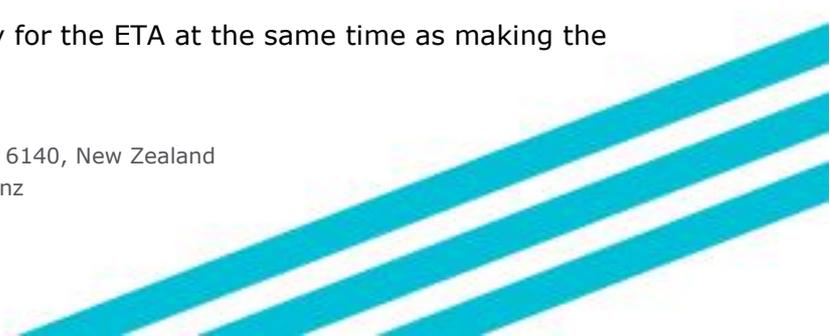
1. TIA supports the introduction of the Electronic Travel Authority but believes its primary purpose is as a collection tool for the International Visitor Levy.
2. There are serious risks to New Zealand's reputation if the introduction of the Electronic Travel Authority is rushed or poorly implemented.
3. Development of the Electronic Travel Authority must carefully consider impacts on the visitor experience.
4. Where possible, the Electronic Travel Authority needs to provide for tourism-related data to be gathered.
5. More effort is required by Government to identify efficiency gains. We are concerned that there is a lack of willingness within Government to review internal processes and systems for efficiencies before putting these additional costs on visitors.
6. We are concerned that government agencies often do not recognise that their individual cost increases are only part of a range of cost pressures on visitors and tourism businesses and that New Zealand runs the risk of becoming too expensive as a destination. The tourism industry needs central and local government to do their part in mitigating price pressures.
7. TIA does not support the requirement for airline and cruise ship crew to pay the Electronic Travel Authority.

RECOMMENDATIONS

8. The International Visitor Levy (IVL) should be introduced at the same time as the full functionality of the Electronic Travel Authority (ETA) occurs in 2020, allowing sufficient time for both systems to be fully developed and international markets to be fully educated on the introduction of the new IVL and ETA charges.
9. That the system provides for near-instantaneous response times to ETA applications.
10. That travellers have the ability to apply for the ETA at the same time as making the travel booking.

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11. That the ETA fee is internationally competitive and is not increased in the medium term.
12. That the ETA website promotes key tourism messages to intending visitors and provides for tourism-related data to be gathered.
13. For government agencies to be cognisant of the total range of cost pressures on visitors and tourism businesses and to play their part in mitigating price pressures.
14. For airline and cruise ship crew to be exempt from paying the ETA.

INTRODUCTION

15. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With around 1600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.
16. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive Chris Roberts.
17. Any enquiries relating to this paper should in the first instance be referred to Nienke van Dijken, TIA Policy Analyst at nienke.vandijken@tia.org.nz or by phone on 04 494 1842.

STAKEHOLDER CONSULTATION

18. In preparing this submission, TIA has engaged with central government and industry stakeholders including industry associations, airports and airlines.

COMMENT

Our understanding of the issue

19. We understand that:
 - a. The Government has identified the need for better advanced information about travellers, so it can keep providing a world class welcome to New Zealand visitors while protecting the country's borders.
 - b. The Government also requires a collection mechanism for the proposed International Visitor Conservation and Tourism Levy (IVL).

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- c. To achieve these two objectives, the Government is proposing to introduce an Electronic Travel Authority for people who travel to New Zealand visa-free by air or on cruise vessels.
- d. The Electronic Travel Authority would not apply to Australian citizens, mirroring the special access which New Zealand citizens have to Australia.

Our Response

ETA as a collection tool for the International Visitor Levy

20. The consultation on the Electronic Travel Authority (ETA) is being undertaken at the same time as Government is consulting on proposals to introduce an International Visitor Levy (IVL)¹. TIA supports the introduction of the ETA as a mechanism for collection of the IVL. It is more palatable than other collection options, such as via airfares or airport booths. In the lead up to the announcements on the IVL, there was significant concern that the aviation sector (airlines and/or airports) would be called on once again to be a tax collector for the Government. Airlines have borne the brunt of the existing Border Clearance Levy, often being unable to pass the full cost of that tax on to passengers due to the competitive nature of airfares. Industry does not want a repeat of that poorly-designed tax.

21. The consultation document notes that the ETA is being considered on the basis that it is the best solution to improve the collection of advanced information about travellers in order to support Government's overall border objectives. There is industry scepticism about this and a view that the introduction of the ETA is primarily to collect the IVL and only secondarily as a tool that would lead to significant improvements in border security.

22. The intention to phase in the ETA, with collection of the IVL as the first priority in 2019/20, followed by the introduction the fuller ETA capability from 2020/21 supports industry scepticism. Our view is that the border security functionality, including the ability to match travellers against watch lists and provide information to travellers, should be introduced simultaneously. Therefore, the IVL introduction should be delayed until 2020, allowing sufficient time for the system to be fully developed and international markets to be educated on the introduction of the IVL and ETA taxes. This frame time also provides a protective buffer to those who have planned and booked visits in 2019. There is a real risk many of these travellers will arrive at the airport without an ETA.

Impact on the visitor experience

23. Around three-quarters of international visitors to New Zealand can currently travel here without any pre-travel requirements.

¹ Refer TIA submission on International Visitor Levy (20 July 2018)

24. As the consultation document notes, *“visa waivers benefit tourism, business travel and international relations, and contribute to New Zealand’s reputation as a welcoming destination”*.
25. The consultation document states that maintaining the status quo would allow New Zealand to maintain the traveller experience “in the short-term” but this experience “would likely deteriorate over time as volumes of travellers continue to grow”. No evidence is provided to support this dubious claim.
26. There are serious risks to New Zealand’s reputation if the introduction of the ETA is rushed or poorly implemented. The consultation document acknowledges this, noting *“It is important that the introduction of an ETA does not impose unnecessary difficulties on genuine travellers to New Zealand, or mean potential travellers perceive New Zealand as less welcoming”*.
27. The consultation document notes that the Government intends to keep the registration process a light-touch process, as opposed to a visa. We support this approach to ensure the application process can be quickly completed and to mitigate risks of negative impacts on the visitor experience.
28. There is a high likelihood, particularly in the early stage of introduction, that passengers will arrive at the port of departure without having an ETA. In addition, media reports indicate that 10%-20% of the people applying for an online visa such as an ETA enter incorrect information e.g. a mistake in their passport number. A lack of an ETA or an incorrect ETA will be identified at check-in and halt the ‘ok to board’ process. Airlines will not proceed with processing passengers who do not have an ETA as they risk significant fines if they do.
29. Passengers arriving at the departure port without an ETA will have a very short period to apply for the authorisation. Therefore, response times when applying need to be virtually instantaneous. Otherwise their travel plans will be severely impacted, as will their view of New Zealand as a destination. Many travel insurance policies exclude government regulations/legislation as justification for a claim.
30. As a minimum travellers must be able to apply for the ETA at the same time airline/travel bookings can be made, which is commonly at least 12 months ahead of travel. It is important that those travelling to New Zealand are able to confirm their authority to enter at the same time as making the travel booking.
31. We note the Governments’ preference for information collected to align with visa waiver eligibility requirements, such as biographic and passport details. The consultation document also notes the ETA offers future benefits, such as improved border processes through the use of a digital arrival card. We welcome the move to digitisation of this arrival information and encourage Government to make this a priority.

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32. Some industry stakeholders have raised the possibility of future alignment between ETA and visa-required travellers, particularly the Chinese market. We are advised that Chinese visitors have a very low security risk-rating. While not proposing that the ETA replaces visa requirements, the industry would welcome a discussion on how the ETA might play a role in reducing/streamlining requirements for some visitors who currently require a visa to enter New Zealand. International transit passengers who require visas when transiting New Zealand are a potential traveller set to consider.
33. There is a lack of information on how the ETA applies to people who have dual nationality. A number of visitors and citizens use both passports when travelling e.g. leave New Zealand on their New Zealand passport and enter Europe on their European passport and vice versa. Will the ETA system be advanced enough to pick up that this European is also a New Zealand citizen and does not need to apply for the ETA?
34. The consultation document notes the proposed fee of \$9.00 will fully cover the development and implementation costs and ongoing costs of decision-making. Similar fees internationally include Australia (AD\$20), USA (USD\$14), Canada (CAD\$7). It is important that the fee is internationally competitive and is not increased in the medium term – a minimum of three years. An important factor for the industry is that levies such as these remain fixed (or decrease if over-collecting) over time.
35. Most visitors will be paying both the \$9 ETA fee and the \$25-\$35 IVL fee. There needs to be a clear explanation of the two charges and what they are for.

Border security efficiencies

36. The consultation documents provide little detail on where efficiencies might be gained between the ETA and existing methods of passenger screening including the Passenger Name Record (PNR) and Advanced Passenger Processing (APP). While there are some shortfalls in the PNR and APP, such as insufficiency and lateness of information, the consultation documents note improvements are underway, with INZ requesting funds for a project to improve the amount and precision of PNR data provided to INZ border profilers.
37. During our analysis of the ETA consultation document and the Review of Immigration Fees and Levies consultation document, it appears there is a lack of willingness to review internal processes and systems for efficiencies before putting these additional costs on visitors. In his paper to Cabinet, the Minister of Immigration says he is not consulting on further cost reductions within INZ, noting cost reductions would require changes to the INZ operating model and further investment in the system.

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38. The consultation document notes that one of the immediate benefits of the ETA would be a reduction in the number of visa-free nationals currently refused entry. Data provided states that in 2017, 3026 people were refused entry. Of these, 1900 visa-waiver travellers were refused entry at check-in, 1126 refused entry on arrival (50% for customs and biosecurity breaches, and 300 (26%) on character grounds). It is difficult to assess the further reduction in numbers the ETA may achieve. The 3026 people represent 0.13% of the 2.3m visa-waiver individuals entering New Zealand in 2016/17.
39. INZ is currently consulting on a series of funding proposals to meet increased costs. The proposals include increased annual funding of over \$33m for border and related compliance activity, including an additional 29 FTE to the INZ Border Operations team, to double increased profiling of air passengers on high risk routes from 30% to 60%. There is no mention of the role that the ETA could play in offsetting this significant increased cost.
40. Are the approximately \$12m annual ETA costs (based on 1.3m visitors @ \$9.00) and introduction of the ETA warranted by the number currently refused entry under existing border security systems or can the existing PNR and APP systems, plus other border controls, be enhanced to provide additional security and reduce ETA overheads and costs?
41. We strongly suspect that without the primary driver of introducing a collection mechanism for the IVL, the ETA would have remained as an uneconomic 'nice to have'.
42. These proposals come at a time when many local and central government agencies are increasing fees and levies on visitors and tourism operators. Territorial Authorities recently consulted on their draft long term plans for 2018-2028. For some commercial operators there were significant rate increases of up to 30% p.a. as a result of new targeted rates and increases in existing rates. Maritime NZ is also signalling increases of their fees and levies. DOC has significantly increased concession fees for many operators.
43. Government agencies are often not cognisant that their individual increases in costs are only part of a range of cost pressures on visitors and tourism businesses. Businesses cannot absorb all costs and need to pass them on to visitors. New Zealand runs the risk of becoming too expensive as a destination. The tourism industry needs central and local government to play their part in mitigating price pressures.

The requirement for crew to pay the ETA

44. Cruise and airline crew are currently required to pay the ETA. However, they are not required to pay the Border Clearance Levy. We consider the ETA requirement on crew to be unfair. Many cruise ship crew do not come ashore. Airline and cruise ship crew should not be required to pay the ETA (or the IVL).

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ETA as a tool for key messaging and insight

45. It is important the ETA website/portal and information be presented in a positive and uniquely New Zealand way, promoting New Zealand as a destination. For example, information on the IVL should highlight that the funds contribute to tourism infrastructure and conservation in New Zealand to enhance both the visitor experience and host communities.
46. Subject to privacy requirements and the requirement for an instantaneous response when applying for and receiving authorisation to travel to New Zealand, it would be useful if the ETA website promoted key tourism messages to impending visitors. These messages might include the "Tiaki Promise" being developed by the tourism industry, Air New Zealand and Tourism New Zealand that will let visitors know the behaviour expected of them in New Zealand; Safe Driving – what is different about driving in New Zealand; and Responsible Camping - restrictions and expectations of freedom camping in New Zealand. Education and providing access to information is a very important part of the response to industry issues and the ETA portal provides an opportunity to get key messages across to visitors at their planning stage.
47. We would value a discussion on what additional information relevant to the tourism industry could be drawn from the ETA. Relevant, accurate and accessible insight, particularly in administrative data, is an ongoing challenge for the industry. While cognisant of privacy and other regulations, it would be very useful if information from the ETA could be made available. Examples of this information might include length of stay and repeat visitation.

Follow up process

48. TIA wishes to participate in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

BACKGROUND

49. Tourism for New Zealand is big business as the country's largest export sector. It is a major contributor to the New Zealand economy that will always be here and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean and pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries.

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50. The tourism industry delivers the following value to New Zealand's economy:

- Tourism is a \$99 million per day and \$36 billion a year 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.
- The tourism industry directly and indirectly supports 14.5% of the total number of people employed in New Zealand. That means 399,150 people are working in the visitor economy.
- Tourism is New Zealand's biggest export industry, earning \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2017).

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