



**Submission to
Civil Aviation Authority
on the
Review of Aviation Fees,
Levies and Charges Discussion Document**

Date: 14 February 2020

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the Civil Aviation Authority's Review of Aviation Fees, Levies and Charges Discussion Document.

This submission is filed without prejudice to TIA's future position. Our ability to prepare a comprehensive submission responding to the Document relied on the provision by Civil Aviation Levy of information relevant to the connection between the discussion document and the benefits that would accrue. If any information is provided at a later date, TIA reserve the right to comment further.

EXECUTIVE SUMMARY

1. TIA does not support the increase in CAA levies.
2. TIA is concerned that CAA see levies as increasing by default, in a way to maintain the status quo of their operations. We would like to see efforts to increase efficiencies before the levy is increased. As a monopolistic regulator it is essential CAA is subject to this discipline.
3. TIA is concerned by the intention to fall back on increasing the levy on operators should passenger numbers soften. Rather, CAA should plan and manage its costs accordingly.
4. TIA is concerned with the lack of transparency shown in the document. We would expect the provision of a range of typical scenarios to become standard practice in any levies review, to best prepare operators for the costs they will be expected to incur.
5. TIA notes one of the justifications for increasing the levy is to implement the new IT platform, when this reason was used for the previous review. While we understand the delays in implementation are related to finding a more fit-for-purpose platform, we do not wish to see any further delays in the IT platform being up and running.

INTRODUCTION

6. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With around 1,600 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.
7. 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.

8. Any enquiries relating to this paper should in the first instance be referred to Sam MacKinnon, TIA's Policy Analyst by email at sam.mackinnon@tia.org.nz or by phone on 021 026 72441.

STAKEHOLDER CONSULTATION

9. In preparing this submission, TIA has engaged with its members in the aviation sector.

COMMENT

Tourism 2025 and Beyond

10. [Tourism 2025 and Beyond: A Sustainable Growth Framework Kaupapa Whakapakari Tāpoi](#) is the New Zealand tourism industry's guiding framework. It has been created by industry, for industry and keeps the tourism industry's focus firmly on growing our value to individuals, communities, the environment, the economy and our visitors. Its development is led by Tourism Industry Aotearoa.
11. Tourism 2025 and Beyond was launched in May 2019 and has a vision of 'Growing a sustainable tourism industry that benefits New Zealanders.' It is closely aligned with the New Zealand-Aotearoa Government Tourism Strategy and takes a balanced scorecard perspective to:
 - Make sure our visitors are having great experiences
 - Make sure our communities are happy with and benefitting from tourism
 - Make sure our environment benefits from tourism, and
 - Bring economic success.
12. Tourism 2025 & Beyond has four key goals – one for each of the main framework elements:
 - Visitor - International and domestic satisfaction of 95%
 - Community - 90% of New Zealanders are happy with the level of tourism and support growth
 - Environment - 90% of tourism businesses have Environmental Plans to measure and manage their carbon, waste and ecological footprint
 - Economic - Annual tourism spend of \$50 billion by 2025.

General Comments

13. Tourism Industry Aotearoa welcomes the opportunity to comment on the Civil Aviation Authority Levy Review 2020-23.

Our understanding of the issue

14. TIA understands that this review is a mid-term review, and not intended to review the strategic priorities of CAA.

Increase of levies

15. TIA does not support the increase of levies by Civil Aviation Authority.
16. While we understand some of the motivations behind the increase, our members are unhappy with a levy increase.
17. TIA feels that CAA approaches levies with an assumption that an increase should occur each time a review is undertaken. We reject this assumption.

18. We note CAA's comments in the review document on page 15:

"If it retained the status-quo pricing for its fees, levies and charges, the Authority would be unable to sustain its statutory functions and regulatory activities for the New Zealand aviation sector. Neither would the Authority be able to comply with the CAA cash reserve limits outlined in its Reserves and Funding Policy."

19. In our submission on CAA's 2016 Levies Review, we asserted that CAA should closely review how it goes about its core work and develop a higher quality of output and efficiencies that do not require the agency to overtly burden operators with such a significant increase in additional costs.
20. We believe this statement stands – CAA should reassess priorities, identify its most important functions, focus on improving efficiency and live within its budget. Businesses have to do that regularly. A monopolistic regulatory responsibility should not exempt CAA from the same disciplines.
21. In our consultation with members, consistent feedback was that members received poor service levels from CAA. From discussions with officials, some of the motivation behind the increase is to improve these service levels. We would expect CAA to place a larger emphasis on these service levels over the period being reviewed, especially given the costs incurred to hire staff and improve service have been raised via the industry.

Understanding the costs of aviation tourism operators

22. TIA is of the view that the tourism sector is being perceived as an easy target for government revenue gathering and that the tourism sector is being unjustifiably targeted to subsidise the fees of other operators and/or sectors. We are very concerned that operators are being called upon to pay for increased regulator costs.
23. We do acknowledge and approve of the decision to differentiate the fees for costs associated with the additional 'discharge of hazardous substances from an aircraft' obligation, reducing the costs of tourism operators that would otherwise be subsidising agricultural operators.

24. Our aviation members face a range of costs in order to run profitable businesses. Government departments and agencies look to extract money from tourism businesses but view their charges and levies in isolation, thus having no overall perspective of the costs incurred for operators.

25. These proposals come at a time when operators and visitors in the wider sector have been subjected to a multitude of cost increases by Government agencies over the last twelve months. These include but are not limited to:

- Introduction of the International Visitor Levy (2019) - \$35 per international visitor
- 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)
- A further minimum wage increase from 1 April 2020 of 6.8% to \$18.90
- 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

26. In a time of increased global pressures and a tourism downturn, this rise in regulatory costs makes New Zealand an increasingly expensive place to visit. Tourism operators often have their pricing set up to two years in advance, leaving little room to change pricing to reflect new charges brought in with little notice.

27. As an example, one of our members operates scenic flights from Queenstown to Milford Sound. Below is an outline of their current fees paid per flight to Milford:

Overflight	Per landing (excl CAA Levies)		
	GA8 Airvan	C208 Caravan	AS350 Heli
ZQN Airport rent / landings	\$159.19	\$295.64	\$42.72
ZQN Airport landing fees	\$29.00	\$58.50	\$32.00
Airways ZQN-MLF	\$31.42	\$68.52	\$38.82
Airways MLF-ZQN	\$8.07	\$11.90	\$8.07
MOT (Milford Airfield) landing	\$38.15	\$73.36	\$25.22
DOC Concession fees	\$90.00	\$175.00	\$90.00
Total fees per landing excl gst	\$355.83	\$682.92	\$236.83
Total fees per landing incl gst	\$409.21	\$785.36	\$272.36

28. With CAA levies, the increases are but one more fee that our members must cover, while trying to run profitable businesses.

CAA funding model

29. CAA's funding model relies heavily on passenger numbers. The document makes the point that international tourist projections are softening, and charges may need to be increased beyond what charges are already described in the discussion document to compensate for the decline in income.
30. We believe that, rather than falling back on increasing the levy on operators should passenger numbers soften, CAA should plan accordingly and manage its costs.

Lack of transparency

31. As with our previous submission on CAA Reviews in 2016, there is a lack of transparency on where revenue is being spent and what the impact will be on operators across a range of typical scenarios.
32. We would expect the provision of a range of typical scenarios to become standard practice in any levies review, to best prepare operators for the costs they will be expected to incur.

The replacement of Aviation Safety Management System

33. We also note that a major justification for the previous levies increase in 2016-2019 was to fund the replacement of the legacy Aviation Safety Management System (ASMS), the core business information technology system that supports CAA regulatory functions, and the Document Management System.
34. The current review process also lists "the establishment of a funding stream to support the replacement of the CAA's obsolete regulatory technology platform" as within the scope of the review, and therefore part of the justification of the levies increase.
35. While CAA emphasises the importance of the Regulatory Craft Project (RCP), an RFP for the IT component was issued on 23 September 2014. The 2016/17 funding discussion document expects industry, through the safety levies, to be making a contribution to this project. This is further emphasised in the latest discussion document where it is stated that contract negotiations are under way.
36. Upon meeting with officials, we understand that the original building of an IT platform was halted when a better technology platform (already in use by other CAA equivalents around the world) was identified. We understand that this platform will be more fit-for-purpose and thus provide a better outcome than the original platform.
37. Our members will be pleased to see that their funds provided will be put into effect for the benefit of the industry.
38. It is important that this platform is implemented as soon as possible, with no further delays.

Follow up process

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

CONCLUSION

40. TIA is not supportive of the levies increase by CAA.

41. TIA believes that CAA should look to improve its efficiencies before seeking to raise levies to the sector.

42. Furthermore, we are concerned with CAA's plans to maintain revenue should visitor numbers soften, and with the lack of transparency shown in the document.

43. TIA notes one of the justifications for increasing the levy is to implement the new IT platform, when this reason was used for the previous review. While we understand the delays in implementation are related to finding a more fit-for-purpose platform, we do not wish to see any further delays in the IT platform being up and running.

BACKGROUND

44. 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 as well.

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

- Tourism in New Zealand is a \$107 million per day and \$39.1 billion a year industry. Tourism delivers around \$44 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$63 million in economic activity every day.
- The tourism industry directly and indirectly supports 13.5% of the total number of people employed in New Zealand. That means 365,316 people are working in the visitor economy.
- Tourism is New Zealand's biggest export industry, earning \$16.2 billion or 20.6% of New Zealand's foreign exchange earnings (year ended March 2018).

End.