



**Submission to the
Aviation Security Service (AVSEC)
on the
Review of Domestic and International Passenger Security
Charges 2009**

30 November 2009

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA), located in Wellington. The Association submitted to the 2007 consultation and welcomes the opportunity to again be able to comment in 2009. If you wish to contact us regarding this submission, please telephone Simon Wallace, TIA Policy Manager on 04 494 1842 or 0272 489 375, or e-mail him at simon.wallace@tianza.org.nz
2. This paper begins by providing some background for the Aviation Security Service (AVSEC) about the tourism industry and TIA. The Association then makes comments on the consultation document as it relates to the tourism sector. TIA also asks AVSEC to take note of the submission it will have received from the Board of Airline Representatives New Zealand Inc (BARNZ).

Background on the Tourism Industry

A bedrock of New Zealand's economy

3. Tourism 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. Thanks to our 100% Pure positioning, New Zealand is recognised as one of the most beautiful, unspoiled and scenic places on earth. 100% Pure signifies pride in our country, pride in our people and culture, and pride in the unique environment and experiences that New Zealand offers.
4. 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, green, 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.
5. If New Zealand Inc. is to continue to prosper, to attract investment and to raise its position in OECD rankings, then it is vital that the tourism industry, and the positive image it projects, remain strong.

Delivering Value

6. Below is a snapshot of the economic value provided by tourism to the New Zealand economy.
 - Tourism contributes just over 9% of gross domestic product (GDP) as well as directly and indirectly employing nearly one in ten New Zealanders.

- Tourism in New Zealand is a \$50 million per day industry. The New Zealand tourism industry delivers \$24 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$26 million in economic activity every day.
- Tourism expenditure reached \$21.7 billion for the year ended March 2009. This represents 16.4% of New Zealand's foreign exchange earnings, with tourism second only to dairy as the country's largest export industry.
- Importantly, and despite more challenging times in the past 12 months, tourism remains one of New Zealand's largest foreign exchange earners and its contribution is felt at national, regional and local levels.

About Us

7. TIA has been the lead association that represents the interests of about 1700 tourism businesses in NZ since the Association was first established in 1955. The businesses TIA represent cover a range of tourism-related activities – hospitality, transport, accommodation, adventure and activities, attractions and retail, as well as related tourism services.
8. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events and membership and business services. The TIA team is based in Wellington and led by Chief Executive, Tim Cossar.

Tourism Forecasts 2009-2015

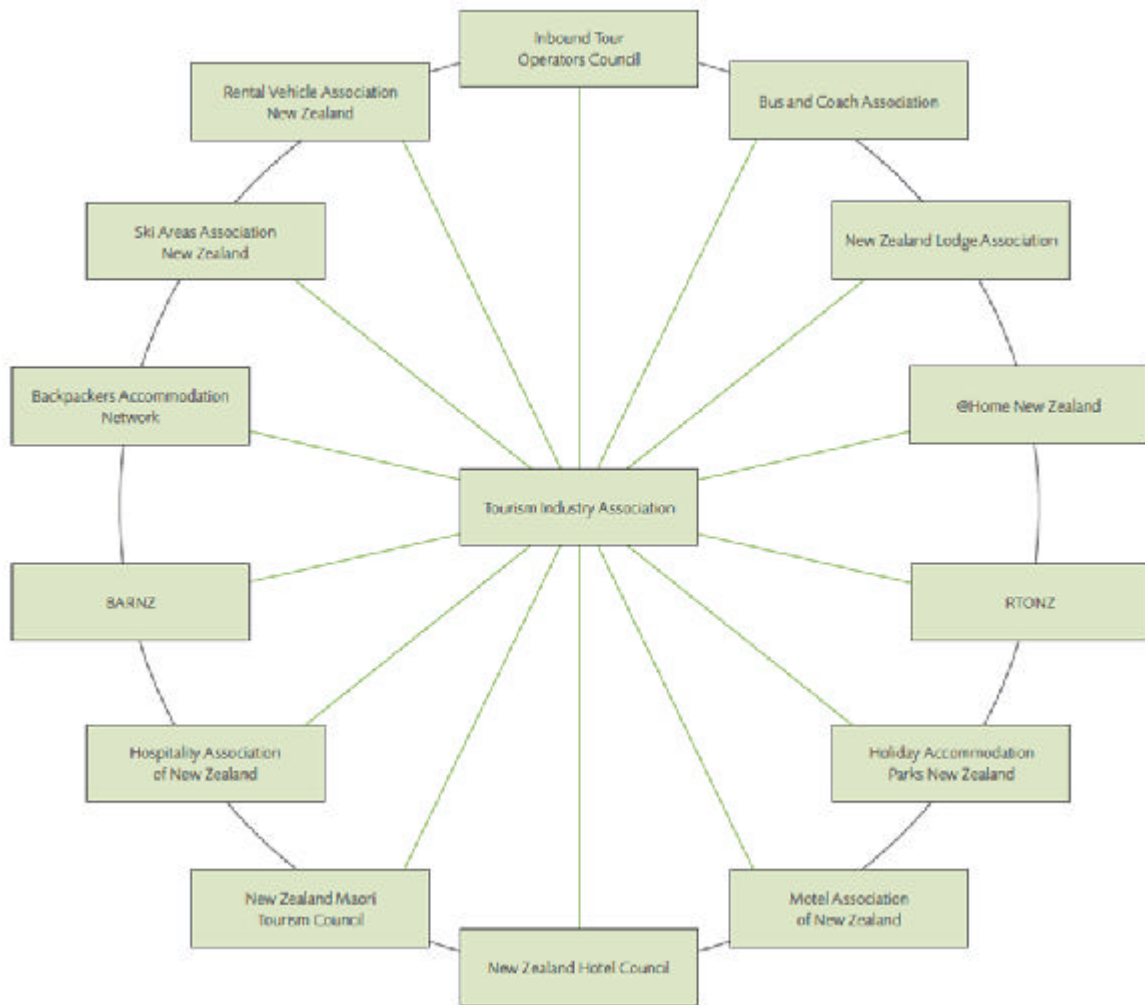
International visitors

9. The tourism forecasts (international visitors) for the period from now until 2015 have been largely influenced by the global economic recession while the outbreak of influenza A (H1N1 or swine flu) has created extra uncertainty for the short-term outlook. The forecast for the next 6-12 months shows falls in most major markets, although this is partially offset by short-haul growth out of the Australia market. The outlook for New Zealand to 2015 includes:
 - A fall in visitor arrivals of 4.2% in 2009 and a slight recovery in 2010 with growth of 2.5%.
 - A strong rebound in 2011 with visitor arrivals up 6.5% driven by global economic recovery and the Rugby World Cup in the latter part of 2011.
 - A gradual return to growth out to 2015 with annual growth of about 3.5%.

Domestic visitors

10. The recession continues to influence the travel patterns of domestic visitors as well. With less New Zealanders travelling overseas, there has been a temporary increase in domestic travel activity in 2009-10 and this has been positive for the tourism industry in the short-term.

Main Industry Associations in the Tourism Industry



Comment

11. As a general comment, TIA believes the services provided by AVSEC are of a good standard and for the most part, the AVSEC staff project a friendly and professional image to both international and domestic travellers who travel to, from and around New Zealand. The visitors' experience at New Zealand's borders must be of a consistently high standard in terms of both processing standards and waiting times. It is essential to have a system that provides a warm welcome and friendly face for international visitors balanced by a system that provides a reassuring level of security for travellers.
12. TIA broadly supports the position adopted by the Board of Airline Representatives New Zealand (BARNZ). In particular, the Association endorses the three key issues identified by BARNZ with respect to AVSEC's charges which are:
 - a. Reducing the base level of charges to more accurately reflect the actual costs of providing passenger security services
 - b. Crediting the surpluses AVSEC has accumulated by a reduction in charges below the base level; and
 - c. Introducing efficiencies at an internal level within AVSEC.
13. Taking each of these issues in turn:

a. Reducing the base level of charges to more accurately reflect the actual costs of providing passenger security services.
14. AVSEC's forecast of future passenger numbers (as detailed on page 21 of the consultation document) appear to be out of step with the *New Zealand Tourism Forecasts 2009-2015* www.tourism.govt.nz released by the Ministry of Tourism in August of this year.
15. The *New Zealand Tourism Forecasts 2009-2015* say international arrivals will increase by 2.5% for the YE2010, 6.5% for YE2011 and 2.5% for YE2012. By comparison, AVSEC is forecasting a decline in international visitor numbers of 3.2% for the YE2010, an increase of 3.1% for YE2011 and an increase of 4.8% for YE2012. To understand the discrepancies in these forecasts, it would be useful to know the rationale for AVSEC reaching its projections. Furthermore, as BARNZ has pointed out in its submission, the most up to date data on international passenger volumes for the FY10 (July to October) show actual numbers holding steady with a 1.46% increase recorded on the same time last year.
16. This data suggests that AVSEC is being overly cautious in projecting international passenger volumes leading to a situation where the organisation is over-recovering costs associated with passenger security charges without passing on

reductions to airlines and the travelling public.

17. Like BARNZ, TIA is also concerned at the projected increase in AVSEC's personnel and employment costs. As detailed on page 8 of the consultation document, it is stated that the collective agreement finalised in 2008 resulted in a 5% increase in salary bands with a further 4% and 3.5% increase factored in for salary increases in 2009 and 2010 respectively. At a time when the private sector and other parts of the private sector are facing wage and salary freezes and some airline staff are even facing pay cuts, AVSEC's increases appear to be insensitive.
18. In short, TIA believes AVSEC's international passenger forecasts are too low and do not match up with other projections, while the increase in personnel costs are inappropriate given current wage and salary restraint and the present economic situation.

b. Crediting the surpluses AVSEC has accumulated

19. TIA made brief comment on this in its 2007 submission saying that \$7.5 million in operating reserves was high. Now that surpluses in AVSEC stand at over \$26 million (page 2 of consultation document) the organisation appears to be "profiting" from travellers and airlines in a period when these parties can least afford it. As BARNZ says, both AVSEC and the Ministry of Transport should have responded to the rapidly increasing surplus in June 2008 when BARNZ first raised its concerns with them.
20. The Association supports BARNZ in saying there is an urgent need to drop international passenger charges more than proposed, while it sees little justification for increasing domestic charges against a backdrop of such large surpluses being run by AVSEC. TIA also backs BARNZ in its request for charges to be paid back over a period of two years and three months.

c. Introduce efficiencies at an internal level within AVSEC

21. TIA shares the concerns held by BARNZ at the ever increasing costs that are occurring within AVSEC when so many other organisations, both in the public and private sector are scaling back costs and driving more efficiency through their operations. The Association does accept the need for AVSEC and its staff to continue to provide friendly and efficient service, but there is no reason why this can't be done within existing budgets.
22. As set out by BARNZ in its submission, the efficiency review should consider including:
 - mapping AVSEC work practices and passenger processing practices by a time and motion specialist to see if physical processing can be improved;

- examination of the physical design of the screening points to see if changes could improve the efficiency of processing;
 - a review of staffing levels to see whether as many staff are required at each screening point and if staff can perform multiple roles at the screening point;
 - a review of current roster systems; and
 - Engagement with airlines and passengers to determine required performance levels and a cost benefit analysis of the level of service versus the cost.
23. Finally as TIA said in 2007, the Association thinks it would be useful if AVSEC undertook a comparative analysis of passenger security charges at other airports, especially Brisbane and Melbourne, which are similar size airports to Auckland. TIA is unsure whether AVSEC did this in 2007, but analysis of this kind would enable the organisation to benchmark its costs against airports with a similar operating environment

Simon Wallace
Policy Manager
Tourism Industry Association
30 November 2009