



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

Submission to the

Aviation Security Service

on the

**Review of Domestic and International Passenger Security
Charges**

20 April 2011

Comment

1. This submission is from the Tourism Industry Association New Zealand (TIA or “the Association”) located in Wellington. The Association has submitted to both the 2007 and 2009 reviews and welcomes the opportunity to do so again. It is recommended this submission be read alongside one that AVSEC (or the Service) will have received from the Board of Airline Representatives (BARNZ), an organisation with whom TIA works closely.
2. As the Association has said in previous submissions, it believes the services provided by AVSEC are of a good standard. The AVSEC staff project a friendly and professional image to both international and domestic travellers who travel to, from and around New Zealand. Visitors’ experiences at New Zealand’s borders must be of a consistently high standard in terms of processing standards and waiting times. It is critical to have a system that provides a warm welcome and friendly face for visitors balanced by a reassuring level of security for travellers.
3. TIA supports the 2011 Review that proposes a lowering in both domestic and international passenger security charges. In its previous submissions, the Association argued that AVSEC had been accumulating surpluses well in excess of required reserves, so it is encouraging to see that the Service has now moved to address this situation. While TIA is pleased the domestic and international passenger charges are being reduced, it believes AVSEC could have moved earlier to address its rapidly increasing surplus by dropping charges as early as 2009.
4. TIA will be encouraging its members to consider passing on a reduction in passenger security charges to the travelling public. The domestic market in particular has been static through the recession and any initiative aimed at stimulating and reinvigorating domestic demand would be welcomed by tourism businesses that rely on strong New Zealand patronage to keep their business sustainable.
5. The Association understands that AVSEC’s future passenger projections in this paper were calculated before the Christchurch and Japan earthquakes and as a result may overstate passenger movements. As discussed at the consultation meeting with industry stakeholders in Wellington on 12 April, TIA believes there will be a short term (perhaps 3-4 months) blip in international arrivals, but in the longer term visitor numbers are expected to recover. This is supported by economic agency Goldman Sachs that predicts recovery will return to the tourism sector relatively quickly with the Rugby World Cup being a catalyst for this turnaround.
6. The addition of new airline routes is also likely to boost international visitor arrivals over coming years. Low cost carrier Air Asia X has just commenced services into Christchurch despite the earthquake. China Southern started a three times weekly service from Guangzhou to Auckland last week and is set to increase this to a daily service in a few months time, while China Airlines is scheduled to recommence services between Taipei and Auckland this year. Continental Airlines has also announced plans to begin direct Houston to Auckland services in 2012. TIA believes AVSEC should account for the increased numbers that are likely to accrue from these new routes in its 2011-2013 projections (refer paragraph 4.4 of consultation paper).

7. TIA believes the advent of the new airlines noted in paragraph 6 above will neutralise the impact of a downturn in visitor arrivals from traditional markets such as the UK and USA. It therefore supports the four year projections of 3.52% growth in international visitor arrivals. This matches the Ministry of Economic Development's (MED) own projections of 2010 that predicted average annual growth of 3.5% out to 2016.
8. The Association believes that in future it would be useful to meet regularly with representatives of the tourism sector to assess actual visitor arrivals (both domestic and international) against forecasts. This could include meeting with the Tourism Strategy Group of MED, Statistics New Zealand, the airlines, the New Zealand Airports Association and TIA, as the peak industry body and representative of the industry.
9. Finally, and as discussed at the Wellington stakeholder meeting, TIA was pleased to hear about the work done by AVSEC in comparing New Zealand's security charges with Australia. From this work, it would appear that New Zealand's regime is extremely competitive and in many cases run as a lower cost model than Australia.

Conclusion

10. TIA welcomes the reduction in domestic and international passenger security charges that are planned to take effect from 1 July 2011. It also welcomes the operational efficiencies that AVSEC has undertaken in the period since 2009. The Association encourages AVSEC to work more closely with the tourism industry on an ongoing basis to discuss visitor flows and the general state of the sector, rather than engagement only at times when charges are being reviewed.

Simon Wallace
Policy and Research Manager
20 April 2011

Background

11. As New Zealand's single largest export industry, tourism provides valuable export dollars with much of this money spent in the country's more rural and remote regions. Below is a snapshot of the economic value provided by tourism to the New Zealand economy:
- Tourism contributes more than 8.7% of gross domestic product (GDP) for New Zealand as well as directly and indirectly employing one in ten New Zealanders.
 - Tourism in New Zealand is a \$61 million per day industry. The New Zealand tourism industry delivers \$26 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$35 million in economic activity every day.
 - Tourism expenditure reached \$22.4 billion for the year ended March 2010. International visitor expenditure accounted for \$9.5 billion or 18.2% of New Zealand's foreign exchange earnings.
 - Importantly, and despite more challenging times in the past three years, tourism is again New Zealand's largest foreign exchange earner with its contribution felt at national, regional and local levels.

About TIA

12. TIA has been the lead association that represents the interests of about 1,700 tourism businesses in New Zealand. The Association was first established in 1955 and 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.
13. 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.