

TOURISM AND TRAVEL COALITION

Passenger Clearance Services-comments on Ministers' Interim Decisions

Purpose

The Tourism and Travel Coalition (the Coalition) represents the major stakeholders associated with the provision of border services to passengers as they enter and leave New Zealand.¹

Central government has been reviewing the way passenger clearance services are funded at the country's borders. The services provided by MAF Quarantine, Customs, Aviation Security and Immigration are included as part of this review. A discussion document was released in May 2004 proposing a set of funding options ranging from full user pays to one hundred percent Crown-funded.

TIANZ has facilitated the Tourism and Travel Coalition which has worked closely with central government officials over most of 2004 to consider the range of funding options and their implications having regard to the issues affecting passenger clearance services. The Coalition has been supportive of the approach central government has taken in consulting with stakeholders and we have found the discussions with officials useful and productive.

On 18 October 2004, the Minister of Finance Dr Michael Cullen sent a letter to stakeholders in the Tourism and Travel Coalition containing interim decisions made by the Ministerial Committee led by Dr Cullen on the future funding of Passenger Security Clearance Services.

The purpose of this document is to provide some initial comments on these proposals. Individual Coalition members will also provide their own detailed comments through submissions on issues that especially concern their organisations, which will be sent directly to officials.

Overview statement

The Coalition views the treatment of international visitors to and within New Zealand as a strategic competence which, if lost or perceived to fall short of what is available elsewhere, jeopardises a portion of over \$6.5 Billion of exports, 10% of jobs, and \$1.8 Billion annual capital investment in the tourism industry alone.²

With total inbound tourism numbers growing at 8.6% per annum³, and approximately \$700 million in GST per annum in receipts being generated by such visitors⁴, the inbound tourism

¹ The Coalition is made up of the following TIANZ members: Auckland International Airport; Air New Zealand; Christchurch International Airport; Wellington International Airport; Local Government NZ; Palmerston North International Airport; Regional Tourism Organisations; Qantas Airways; TAANZ/ITOC; Waikato Regional Airport. This submission represents the position of TIANZ

² TSA 1999 - 2002 Tables. Statistics NZ together with the Tourism Research Council publishes extensive information on the current and future growth of the tourism industry

³ International Visitor Arrivals in September 2004 compared to September 2003-Tourism Research Council NZ

⁴ Tourism Satellite Accounts 2000-2002

industry is earning significant tax revenue that may be reinvested in infrastructure such as passenger clearance services.

Passenger clearance services are a fundamental part of New Zealand's tourism experience and everyone associated with the delivery of these services, both public and private sector alike, must meet or exceed internationally accepted service standards. Such services must also be provided in a way that enhances New Zealand's relative competitiveness as a destination. When it comes to considering new proposals, the Coalition assesses them based on these principles.

The general principles are endorsed

The Coalition in its July 2004 submission to central government entitled "*New Zealand Public Private Partnership model to deliver 'world class' passenger clearance services at the border*" advocated a public private model for the provision of passenger clearance services. A key characteristic of this model was that "the party who enjoys prime benefit from any border service, will assume accountability for funding that service..."

Therefore, the Coalition is supportive in principle of the approach that central government proposes in Dr Cullen's letter of 18 October 2004 which makes Aviation Security funding the responsibility of industry, and the funding of Biosecurity services and Customs the responsibility of central government. In our view, this has the potential to place the funding of these services on a sounder footing than has been the case in the past, and this approach recognises the public/private benefits derived from these services.

The Coalition also acknowledges recognition in the proposals that funding must reflect forecast visitor number growth, and we endorse an approach that preserves the proposed funding arrangements into the future.

We note central government's proposal that any new international airports ("new" being defined as airports in addition to the seven that are currently international airports) should be required to meet the full costs of government services. This is a complex issue and different members of the Coalition hold different views which will be conveyed in their separate submissions. It is not a position that the Coalition is able to present a common position on.

We acknowledge an intention in Dr Cullen's letter of 18 October 2004 to remove gazetted and after-hours provisions, and an intention to enable airports to charge for aviation security processing space. For the sake of equity and transparency we would prefer that airports can also charge for Customs/MAF processing space however this is not a matter the Coalition has strong views on.

Overall, the general thrust of central government's proposals demonstrate that the government has carefully considered the industry's concerns contained in its July 2004 submission, and is prepared to work towards a partnership with the industry.

There are still outstanding issues

At the same time, the interim decisions in their current form contain limited detail which makes the Coalition's support for central government's proposals conditional on successfully working through the implications of proposals. From our perspective, this is still very much

‘work in progress.’

There are a number of issues that we believe are still outstanding:

- The rationale for selecting Christchurch as the benchmark for calculating the per passenger costs to be jointly funded for the smaller regional airports
- firm confirmation that the current arrangements for gazetted hours and industry payments for services outside gazetted hours will be discontinued
- the way changes to service quality will be agreed to and the benchmark that will be used to set funding for service standards. The Coalition upholds the ICAO recommended standards as the benchmark for passenger processing standards and there was much discussion on this issue during the consultation meetings with officials. We also support the Cabinet-approved processing times as an acceptable standard although these processing times may be more appropriate to the larger metropolitan airports than the regional airports. Overall, we seek confirmation of the standards that central government regards as being implicit in any partnership agreement between government and the industry
- we note there are now three Aviation Security funding options proposed in the Appendix to Dr Cullen’s letter of 18 October 2004. There are differing views within the Coalition on this and we see it as a matter for the Government to consider these views and to make a decision on. Individual members will submit separately to officials on this issue
- TIANZ was given a verbal agreement at its meeting with Mr Carpinter and officials from the Treasury and the Ministry of Tourism on 13 October that proposals would include a cap on charges for Queenstown Airport to ensure that regardless of the funding option chosen, that airport would not face the full costs of providing passenger clearance services. We seek central government’s confirmation in writing that this is still proposed
- we support the idea of a CEO Forum. The Coalition supported such a forum in its July 2004 submission and we also proposed a suggested terms of reference for such a forum, which should also be involved in monitoring performance and service costs. It should also play a role in determining the manner in which services are provided. We believe there is now the opportunity to work with officials to ‘flesh out’ the terms of reference for this group using our suggested approach as basis for these discussions
- the current CAA levy of \$1 is not referenced in the brief papers available to stakeholders. Clarification is necessary on this, including confirmation that this would be included with Aviation Security charges as a charge on airlines
- the rationale for not including Immigration Service within the estimated financial outcome figures. Immigration Services are public goods; the costs of these should be fully met by the Crown except with respect to documents which benefit individuals.

Conclusion

Given the limited detail in central government’s proposals, the Coalition can confirm its qualified support for the general approach proposed by the Ministers’ in their interim

decision, however some further discussions between officials and the industry are necessary to clarify some aspects of the principles.

The Coalition shares central government's desire to bring this exercise to a satisfactory close as soon as possible so that appropriate funding is able to be raised by all interested parties given the proposed 1 October 2005 deadline for the introduction of hold baggage screening. Accordingly, we look forward to working closely with officials over the coming weeks to work through the outstanding issues, to ensure proposals are fair, workable and sustainable.

Tourism and Travel Coalition
12 November 2004