

# **TOURISM AND TRAVEL COALITION**

## **New Zealand Public Private Partnership model to deliver “world class” passenger clearance services at the border.**

### **Purpose**

This paper builds on the previous documents prepared by the Tourism and Travel Coalition<sup>1</sup> and provides a strategic framework for a Public/Private Partnership (PPP) for the funding and provision of passenger clearance services in New Zealand.

It includes a discussion on the characteristics of tourism and the role that passenger clearance services have in contributing to the visitor experience. It then proceeds to suggest a model that might be used for the basis of a PPP.

### **Tourism and the New Zealand Economy**

Airlines, Airports and Border Agencies provide ‘services’ because there is both a commercial opportunity and a risk associated with international travel. Valuable export receipts represent the opportunity; societal and environmental damage represent the risks.

The opportunities from tourism are distributed among participating communities throughout New Zealand in the form of visitor expenditure that flows to both the public and private sectors via fees and taxes. The Tourism Satellite Accounts<sup>2</sup> show that international tourism is the single biggest export earner for New Zealand (worth \$7.4 Billion in 2003). Approximately half of all tourism jobs may be attributed directly to international visitors.

The issue confronting Government, Airlines and Airports is the degree to which each is accepting of the burdens associated with delivering the border control services which the government has decided are necessary both now and in the future given escalating obligations and requirements arising from both global and internally driven imperatives. The Coalition approaches this issue from the stand-point that passenger clearance services are required by the government and not by the industry (although undoubtedly the industry would require some form of security services if they were not mandated by the Government). The Government, on behalf of the New Zealand community, is therefore the driver of costs at the border.

TIANZ strongly asserts that New Zealand’s Tourism export is substantially different from most other industries in one crucial respect: the assets associated with the product are unavoidably shared between public and private sectors. Whilst the landscapes, culture and societal attributes of New Zealand, all public assets, cannot be distilled out of our tourism

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<sup>1</sup> The Coalition is made up of the following TIANZ members: Auckland International Airport; Air New Zealand; Christchurch International Airport; Local Government NZ; Palmerston North International Airport; Regional Tourism Organisations NZ; Qantas Airways; TAANZ/ITOC; Waikato Regional Airport. The following non-TIANZ members are also part of the Coalition: Aviation Industry Association; Board of Airline Representatives NZ; and Wellington International Airport. TIANZ serves as the Secretariat for the Coalition

<sup>2</sup> TSA 200-2003

product this is not always the case elsewhere in the world.<sup>3</sup> It is important to recognise that the risks to the border are also shared amongst suppliers, visitors and communities in varying proportions depending on risk-type<sup>4</sup>.

This review also raises a wider issue about the ability or otherwise of the industry to control the costs incurred at the border. The Coalition has been told that airlines have the flexibility to manage their schedules in a way that will provide for greater efficiencies to be achieved by border agencies. This is not the case as it fails to recognise many significant operating constraints facing the airlines. These can be described as:

- Airline international operating rights are first determined by aviation treaties negotiated at the Government level
- A consequence of the Government negotiated treaties, and Government membership of the International Civil Aviation Organisation (ICAO), is that New Zealand must comply with border requirements mandated by other countries and international aviation rules
- Airline operators to New Zealand are required to negotiate their schedules within the total international aviation market. In particular, access to landing slots at major international airports constrains the flexibility that operators to New Zealand have
- The need for airlines to maintain appropriate frequencies to maximise incoming tourism. That is, airlines could reduce their frequency and operate larger aircraft to provide the same available seats. This would be detrimental to tourism as frequency of service is a critical factor in promoting traffic volume on short haul (including Trans-Tasman) routes.

Solutions solely based on self-interest are very easy to identify, but the overarching concept of sustaining tourism as an export core competence prompts consideration of a strategic partnership approach to this issue.

The Tourism and Travel Coalition is committed to partnering with government to fund and deliver services that meet and even exceed internationally accepted standards.

## **Strategic contribution of passenger clearance at the border**

We support the following objectives for passenger clearance in New Zealand:

### ***Ensure superior visitor experience by delivery of seamless service consistent with unique Kiwi style***

- Tourism is an international product offering a memorable experience that is supplied by welcoming visitors into communities and sharing lifestyles, cultures, resources and opportunities with them for mutual benefit
- Successful tourism recognises that the visitor experience commences when travel begins and continues until visitors return 'home'. In New Zealand's case airlines, airports and border agencies are unavoidable contributors to the experience enjoyed

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<sup>3</sup> E.g Private sector investment alone accounts for the bulk of 'fly and flop' tourism in the Caribbean and Mediterranean

<sup>4</sup> Risks include People and asset safety, bio-security, crime, cultural preservation, etc

by our visitors as over 95% of them arrive by air. This paper does not dwell on the 5% of visitors who arrive via surface transport, but its principles remain applicable.

### ***Manage risk in an internationally acceptable and appropriate manner***

- New Zealand should be known globally as a country that uses superior risk management techniques to exclude those that pose a threat to New Zealand's security, and the security of its people.

New Zealand should also:

- Participate and contribute to international forums
- Undertake ongoing improvements to passenger clearance processes and systems to ensure they continue to meet and even exceed internationally accepted standards, and can respond rapidly to changing scenarios
- Ensure that management of risk is integrated, reinforces the concept of seamlessness, and reduces conflict between existing risk management arrangements

### ***Protect and enhance New Zealand's image as "clean green" and "safe" destination***

- There is a link between quality passenger clearance services and the image New Zealand has as a clean and safe tourism destination.

### ***Compliance costs are internationally competitive***

- The current border management system is limited in its ability to effectively and efficiently manage the risks to Government in the face of increasing complexity, volume and costs
- Private sector stakeholders have expressed a willingness to participate in the management of risk at the border. Currently their opportunity to do so is restricted as is their ability to be involved in the formulation of intervention strategies and process redesign
- Benefits also accrue to government from an increased understanding of the interventions required at the border.

## **The Public/Private Partnership Model**

The Coalition notes that the burdens associated with border protection have risen. We have assessed these costs to both the government and the industry and we have prepared a table and explanatory paper outlining these costs. These are attached as **Appendices Two** and **Three** to this document. We expect costs will continue to rise for two key reasons:

- Six percent per annum visitor growth has brought, and will continue to impose volume related burdens on passenger clearance services
- There are increasing security risks at the border.

It is therefore no surprise that each party wishes the other to shoulder these burdens. To

address this, we suggest that the following Partnership Model be implemented between the parties involved wherever there is a need for passenger clearance services at a border.

## Objectives and concepts behind the model

Our objective is to create a system that is least disruptive to the legitimate traveller consistent with our society's need for security.

We base this model on the concept that the border is a component of the visitor experience that cannot be avoided. To visitors it is a mixture of value and obligation.

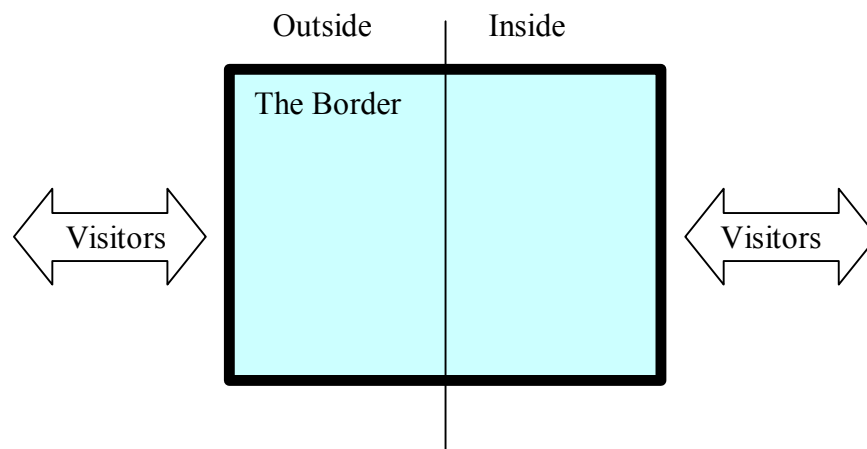
The value they derive from border services comes from:

- perceptions of comfort from processes that make travel safer
- shopping opportunities.

Visitors' obligations at the border come from requirements for:

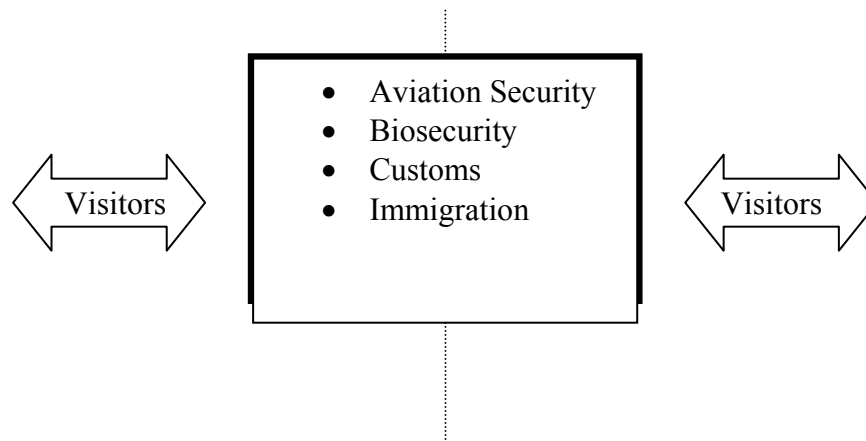
- proof of identity and purpose
- proof of compliance with our laws.

To a visitor the border appears in the following way:



The border serves as a barrier to entering New Zealand and visitors wish to pass this barrier as easily and quickly as possible.

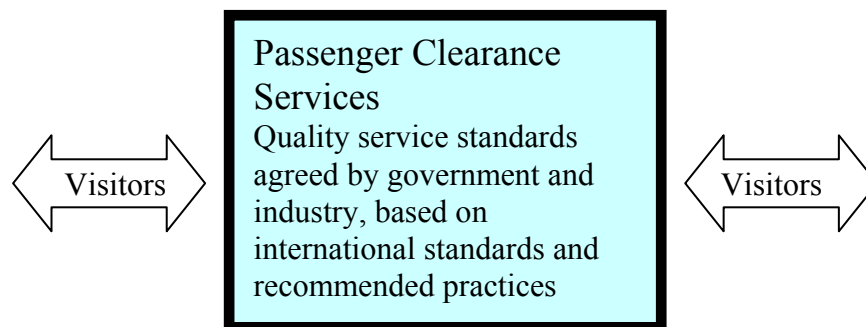
To suppliers of services at the Border it appears quite differently:



Those managing the border view visitors as a security risk and it is part of their job to do so. At the same time, there is recognition that visitors are valuable tourists, or New Zealanders returning home.

### **PPP Model Proposed by the Tourism and Travel Coalition**

From our perspective, the ideal model would be:



This model (**please view Appendix One for further details**) recognises the benefits of border security services to the country while basing the nature and provision of these services on international best practice.

### **Key Principles of the model**

This model is formulated based on the following:

- That border systems, processes, assets and human resources will be efficiently deployed to deliver against mutually agreed service standards that are consistent in maintaining the international competitiveness of destination New Zealand. The costs involved in providing services will be made transparent to customers and stakeholders

- It may be rational to adopt a ‘give and take’ approach to addressing the share of cost between the public and private sector if the overall outcome is broadly equitable between the sectors
- That there is no intrinsic business *value-addition* arising from Aviation Security, Agriculture and Forestry compliance, Immigration compliance or Customs compliance, over and above each party meeting stakeholder and customer expectations<sup>5</sup>. Accordingly, the economic effect on a private sector entity delivering border services should be neutral to the value of that entity.
- The party who enjoys prime benefit from any border service, will assume accountability for funding those services via recourse to the primary stakeholder<sup>6</sup> beneficiary
- The partnership will commit to a good faith review of the partnership periodically and re-confirm or amend it to the mutual advantage of their stakeholders. This review will reconsider the level of primary benefit for funding and service purposes, based on changing security risks.

## **Outcomes expected from this model**

We expect the following outcomes from the application of this model:

- Efficient and effective passenger clearance services to which industry contributes by way of activities and resources
- Services that are funded and delivered based on international recommended practices
- The parties that derive the primary benefit from services will be responsible for funding them, and industry will have input to decisions relating to the delivery of services
- Parties to the partnership convene periodically to review the funding and provision of services to ensure quality service standards are upheld in a changing security environment.

*Tourism and Travel Coalition*  
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<sup>5</sup> Visitors simply do not expect to suffer as a result of travel and would not travel if they did. New Zealand Citizens do not expect to have a bio-crisis and would not tolerate public policy that abetted one.

<sup>6</sup> Citizens of NZ are the principal public sector stakeholders; travellers are the principal private sector stakeholders.

## **Appendix One-Proposed Partnership**

The Government and Industry agree that it is advantageous to have a shared or partnership approach to the delivery and funding of passenger clearance services in order that these important activities can be carried out as efficiently and effectively as possible.

To this end, a Government/Industry partnership is proposed through an instrument such as a Memorandum of Understanding/Heads of Agreement which will:

1. Have regard to the border protection related outcomes that the Government requires.
2. Have regard to the ideal of seamless passenger processing at the border.
3. Establish how the potentially conflicting objectives of increased vigilance and seamless facilitation can best be met.
4. Monitor and regularly review the activities at the border, including costs and revenues.
5. Consider the introduction of new technologies with a view to improving facilitation and the detection of illegal activities.

Note 1: The partnership approach will operate through a structure given effect through an Instrument such as a Memorandum of Understanding/Heads of Agreement. The Partnership will be via a Passenger Services Council where border agency and industry representatives will meet regularly for the purposes outlined above and will be convened by the lead Minister for Border Protection, or their appointee.

In the first place the Council will be informal, however the intention is that the Council will be given formal status through legislation, but continue to operate on the basis set out in Note One.

Note 2: On the basis of the above, the industry has agreed to meet the full costs of the aviation security activity which is directly associated with passenger processing at airports and the Government has agreed to meet the full costs of the Customs, MAF and NZIS services, except for enhancements over and above accepted and agreed standards, the costs of which will be met by the party requesting these enhancements. Similarly, any requested products will be paid for by the primary beneficiary.

Note 3: This industry/government sharing of the costs associated with the activities which the government requires be carried out at the border will see government/industry funding moving to a more equal sharing as evidenced by the associated table and explanation.

