



20 August 2024

Hon Matt Doocey
Minister of Tourism and Hospitality
Parliament Buildings
WELLINGTON

Cc Rt Hon Christopher Luxon, Prime Minister
Hon Nicola Willis, Minister of Finance
Hon Erica Stanford, Minister of Immigration
Hon Todd McClay, Minister of Trade
Hon Tama Potaka, Minister of Conservation

By email:

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Kia ora Minister

Significant Industry Concern at Cost Increases for Crossing the New Zealand Border

As we have discussed, there is universal concern across the tourism industry at the very significant increase of government charges for crossing the New Zealand border. These costs create a substantive barrier to the ability of the industry to play its essential role as a major contributor to the New Zealand economy and society.

At a time when the Government and industry are seeking settings that support the balanced growth of tourism, we are instead seeing impediments being put in place.

Tourism integral to economic plan

International visitor arrivals are at 83% of pre-covid levels (YE June 2024) with holiday arrivals at 75% of pre-covid levels. Tourism's recovery is plateauing. International airline capacity is 10% lower and the recovery has fallen behind other countries. Cruise port visits are in alarming decline which is the opposite of Australia and global trends. Raising the International Visitor Levy and Visa Fees, without considering the total costs to a visitor, places a huge upfront barrier for an industry that contributes so much to the country and is seeking balanced growth.

The Government's goal is to double exports over ten years. Tourism currently represents 14% of exports (it was 20% before COVID-19) and we know there is enormous potential to grow this contribution over the years ahead. Tourism is also important as it establishes essential air and sea connectivity that enables social and business connections, and for carrying much of New Zealand's high value exports.

Tourism is a key industry for advancing the Government's goal because it is scalable in a way that many other industries simply cannot achieve. To get there, we need Government to put in place conducive operating settings for the industry. This includes a well-resourced Tourism New Zealand so it can market our country most effectively to key markets, and that we are not creating barriers to those people who are considering a visit to New Zealand.

Visitors more than pay their way

International visitors are more than paying their way. In the year to March 2023, tourism directly and indirectly generated about \$22.1 billion for the economy (GDP) and international visitors contributed \$1b in GST. Tourism is the only export industry that generates the government a GST take, more than adequately compensating for any costs incurred by visitors to the crown.

Economic and demand sensitivity

The industry views large increases to the overall cost of crossing the border for most of our visitors as a significant barrier. One in five international visitors require a Visa and many of these are from our future growth markets. New Zealand operates in a competitive global travel market, and as a long-haul destination for most of our visitors, we are already an expensive destination.

Table 1 sets out the various border fees and levies as they stand, based on the increased Visa costs and at the four International Visitor Conservation and Tourism Levy (IVL) levels used in the recent consultation process.

This highlights the overall level of border costs for different traveller groups, and the large percentage increases involved. For instance, with a hypothetical \$100 IVL, all our non-Australian visitors will face a greater than 50% increase in the cost of crossing our border. For independent Visitor Visas, the total cost amounts to \$520, a very substantial 57.9% increase. While we appreciate the desire to make border costs self-sustaining, we are strong advocates for the wider context and implications of these increases to be considered.

In TIA's submissions to both the Visa and IVL consultations, we have stressed that it is the cumulative cost that matters most, and yet neither the Visa nor IVL processes appear to have taken the overall cost implications for travellers into account.

The two key areas of industry concern are:

1. **Visa fees and levies.** Changes to Visa costs were announced recently for implementation on 1 October 2024, with fees and levies increasing sharply in percentage terms to establish high fee levels. For instance, the cost of an Independent Visitor Visa is increasing from \$211 to \$341, a 61.6% increase. With Visas being required from key growth markets, including China and India, it is expected that these costs will impact visitation levels to New Zealand. We operate in a competitive international marketplace where travellers have many options to choose from. The sharply increased cost of the Working Holiday Visa is also a concern for industry as it considers the role of the scheme in the wider picture of the tourism workforce.
2. **International Visitor Conservation and Tourism Levy.** While we do not know the outcome of the consultation process on the IVL, any lift will compound the impact of the announced Visa charges. Industry has widely sought a low or no increase to the IVL.

TIA is concerned the policy work behind these changes has not involved robust demand sensitivity analysis across the total cost of crossing the border, despite TIA's clear feedback on what these could be and requests to engage the aviation industry for expert input.

The economic risk – industry analysis

Without this, TIA has run its own calculations based on earlier cost sensitivity work undertaken by MBIE. This analysis indicates that the new IVL levels alone applied to the IVL-eligible markets (all markets other than Australia and some Pacific neighbours) would result in 47,809 fewer arrivals. Based on the average spend of our non-Australian international visitors of \$5,700, this would result in a loss of international visitor expenditure of some \$273 million. The announced Visa increases would clearly magnify these losses.

Making tourism count for kiwis

We care about the contribution tourism makes to New Zealand and we are not alone. 93% of New Zealanders believe international visitors are good for New Zealand. Enabling the industry to continue its positive recovery and achieve balanced growth is what we are asking of Government.

We appreciate that the Government has cost pressures to navigate, and we are very keen to work with Government to find a constructive pathway forward. As set out above, industry and government goals for tourism are very closely aligned, and this requires our respective actions to be sharply focussed on achieving these goals.

We are most happy to engage with you to expand on the points raised in this letter.

Ngā mihi,

Rebecca Ingram, Chief Executive, Tourism Industry Aotearoa
Lynda Keene, Chief Executive, Tourism Export Council of New Zealand
David Perks, Chair, Regional Tourism New Zealand
Emily Byrne, Chief Executive, Holiday Parks New Zealand
Lisa Hopkins, Chief Executive, Business Events Industry Aotearoa
Elaine Linnell, General Manager, New Zealand Events Association
Jacqui Lloyd, Chief Executive, New Zealand Cruise Association
Rebecca Annan, Chief Executive, Backpacker Youth and Adventure Tourism Association
Ben McFadgen, Chief Executive, Rental Vehicle Association
Marisa Bidois, Chief Executive, Restaurant Association of New Zealand

Table 1. Application of Charges to International Visitor Markets^{1 2}

Per-passenger Border Charge	Australia	International visa waiver visitor	Group Visitor Visa (China ADS)	Group Visitor Visa	Independent Visitor Visa
Electronic Travel Authority	-	23.00	23.00	23.00	23.00
International Visitor Levy options	-	35.00	35.00	35.00	35.00
		50.00	50.00	50.00	50.00
		70.00	70.00	70.00	70.00
		100.00	100.00	100.00	100.00
Customs Border Processing Levy – arriving air	16.29	16.29	16.29	16.29	16.29
Customs Border Processing Levy – departing air	3.96	3.96	3.96	3.96	3.96
MPI Border Processing Levies (air)	19.46	19.46	19.46	19.46	19.46
Passenger Security Levy (international)	15.09	15.09	15.09	15.09	15.09
Passenger Safety Levy	1.84	1.84	1.84	1.84	1.84
Group Visitor Visa (China ADS) (fee and levy)	-	-	140.00	-	-
Other Group Visitor Visa (fee and levy)	-	-	-	171.00	-
Independent Visitor Visa (fee and levy)	-	-	-	-	341.00
Total (including for each IVL option \$35, \$50, \$70, \$100)	56.66	114.64	254.64	285.64	455.64
		129.64	268.64	300.64	470.64
		149.64	289.64	320.64	490.64
		179.64	319.64	350.64	520.64
Current	60.67	118.67	208.67	228.67	329.67
% Change from current (at \$100 IVL)	-6.6%	51.4%	53.2%	53.3%	57.9%

¹ Current cost and proposed levels have been gathered from responsible agency published levels and from consultation documents. Some costs may have been missed, while some include GST and others do not depending on how prices have been presented.

² Airways New Zealand charges airlines an Air Navigation Levy. This is based on aircraft weight, and we understand this currently equates to \$21 per passenger.