



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



# Consultation on International Visitor Conservation and Tourism Levy

**Seeking your views on a proposal to implement a levy  
on international visitors travelling to New Zealand to  
fund tourism infrastructure and conservation**

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## Minister's foreword



The tourism sector forms an important part of New Zealand's economy and brings a number of benefits to New Zealanders and their communities, including jobs, international connections, and a wider range of local amenities that both residents and visitors enjoy.

In recent years, the tourism sector has performed strongly with growth in both international visitor numbers and spending.

In 2017, total tourism expenditure was \$36 billion; the sector contributed \$14.7 billion (5.9 per cent) to New Zealand's total GDP, and generated exports of \$14.5 billion (20.7 per cent).

International arrivals for the year ended December 2017 totalled 3.7 million visitors and this is forecast to grow to 5.1 million visitors in 2024.

The tourism sector also contributes to New Zealand's communities in broader ways, for example:

- additional infrastructure development and the availability of a wider range of goods and services as a result of the additional scale visitor flows create
- building deeper international connections, which enable other exporters to tailor and market their services and products to these markets
- social understanding and integration across New Zealand's diverse communities.

While success in the tourism sector has resulted in many benefits, it has also created some capacity challenges, especially in high-demand areas.

The Government wants to relieve pressure on ratepayers and communities that are struggling to cope with the pressures of rapid tourism growth. We need a smarter way to fund the great infrastructure tourists need to make the most of their time here.

The Government is using this opportunity to re-think current funding arrangements to better align those who pay for infrastructure with those who benefit from it. This will enable sustainable growth, which enables New Zealanders to continue to enjoy the benefits generated by the tourism sector.

As part of a wider tourism infrastructure funding work programme, the Ministry of Business, Innovation and Employment has identified a preferred option for the implementation of a levy on international visitors to fund tourism infrastructure and conservation. By introducing a levy on international visitors, the Government is seeking to better align costs and benefits and ensuring those who benefit from infrastructure investment help pay for that infrastructure. I encourage you to read this discussion document and make a submission on areas that interest you.

**Hon Kelvin Davis**

Minister of Tourism

# Table of Contents

How to make a submission .....	2
Summary of proposal.....	3
About the International Visitor Conservation and Tourism Levy .....	6
Considerations in developing the levy .....	10
How should the levy be targeted? .....	10
How should the levy be collected? .....	13
What should the rate of the levy be? .....	15
How will the revenue be spent? .....	16

## How to make a submission

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The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the questions raised in this document by 15 July 2018. We are seeking your views on ways to fund tourism infrastructure and conservation, particularly through the proposed International Visitor Conservation and Tourism Levy.

Your submission may respond to any or all of these questions. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.

Please include your name, or the name of your organisation, and contact details. You can make your submission:

- By attaching your submission as an attachment and emailing it to [tourism@mbie.govt.nz](mailto:tourism@mbie.govt.nz)
- By mailing your submission to:

**MBIE Tourism Policy**  
**PO BOX 1473**  
**Wellington 6140**

If you are also submitting on another topic (either or both of the Immigration Fee and Levy review or the Electronic Travel Authority proposal), you may submit all of your comments in one email. Please title it "Joint submission".

### **Use of information**

The information provided in submissions will be used to inform MBIE's policy development process. We may contact submitters directly if we require clarification of any matters in submissions.

### **Release of information**

Submissions are subject to the Official Information Act 1982. Please state clearly if you have any objection to the release of any information in your submission, and in particular, which part(s) you consider should be withheld and the grounds for doing so.

If your submission contains any confidential information, please indicate this on the front of the submission. Any confidential information should be clearly marked within the text.

### **Private information**

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE in the course of making a submission will only be used for the purpose of assisting in the development of policy advice in relation to the proposals in this document.

# Summary of proposal

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## Current funding arrangements are not coping with visitor growth

In recent years, New Zealand has experienced significant visitor growth, with international visitor numbers increasing from 2.6 million in 2012 to 3.7 million in 2017. This growth is forecast to continue, reaching 5.1 million international visitors by 2024.

This increasing number of international visitors has generated a range of benefits for New Zealand as a whole, but is also placing pressure on infrastructure and public lands and waters in some locations, resulting in undesirable outcomes, such as crowding out of domestic visitors and loss of local support for the tourism industry to operate<sup>1</sup>.

Due to a number of constraints on central and local government, current funding arrangements are not able to respond appropriately to this growth. In order to address this problem, a package of funding tools is required. This package needs to deliver:

- Scale of revenue to enable strategic investment in New Zealand's key attractions, networks, and/or seed funding for other revenue initiatives.
- Certainty of revenue for asset owners/affected communities, to enable long term planning for visitor-related infrastructure and mitigation of externalities.
- Fair distribution of costs, aligning those who benefit from publicly-provided infrastructure with those who are paying as closely as possible (including visitors and businesses).
- Support for regions to realise their tourism potential, and enjoy the social and economic benefits.
- Cost effective revenue collection.

The Government is currently considering a range of options to create a sustainable package which includes conservation, local government, transport, and central funding. We are proposing that a levy on international visitors, to fund tourism infrastructure and conservation, should form part of that package. The proposed International Visitor Conservation and Tourism Levy (IVL) enables all international visitors to contribute to the costs of the infrastructure they use and offers scale for strategic investment.

This document invites your views on the nature and scale of the problem and provides an opportunity to comment on the pros and cons of the proposed IVL.

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<sup>1</sup> As illustrated in recent *Mood of the Nation Surveys*

## **Factors considered in developing an International Visitor Conservation and Tourism Levy**

There are a number of factors that shape the development of the proposals outlined in this document:

### **Targeting**

The Government intends that the proposed IVL is only payable by international visitors to New Zealand. This enables international visitors to make a direct contribution to tourism infrastructure and conservation, and supports social licence for the tourism sector. To ensure only international visitors pay the IVL, policy design needs to consider options that allow for targeting that is as accurate as possible, identification of liability and compliance, and ease of enforcement.

### **Border impacts**

The Government and the private sector both have an ambition to make border processing as streamlined as possible through technology and process improvements, for example through the introduction of smart gates and the proposal to remove departure cards. Design of the IVL should be consistent with this approach and not add additional processes at the border.

### **International interests**

#### *Trans-Tasman relationship*

New Zealand has historically enjoyed unique immigration arrangements with Australia, based on the principle of freedom of access under the Trans-Tasman Travel Arrangement. Any policy that departs significantly from this principle would need to demonstrate strong justification for doing so.

#### *Pacific relationships*

New Zealand enjoys close ties with Pacific Island countries and our foreign policy objectives aim to ensure our Pacific neighbours are protected and prosperous. For example, we have policies in place that enable Pacific Island citizens to work in New Zealand. Any new policy should be consistent with these objectives.

### **Costs**

The collection and administration of the IVL should be as cost-effective as possible, while also imposing as little cost as possible for other non-governmental agencies such as airlines, cruise operators, and airport companies.

Another consideration is the cost of travel for visitors to New Zealand. An increase in the cost of travel may reduce New Zealand's competitiveness as a destination and/or impact on our passenger links with the world.

## Preferred proposal

No single proposal meets all of the above considerations. However, one proposal best aligns. This discussion document seeks your views on the following proposal:

	Proposal
<b>How to ensure a sustainable funding model for tourism infrastructure and conservation</b>	A package of funding tools is required, with the IVL providing the scale needed to support a national approach in the package of funding initiatives.
<b>How the IVL is targeted</b>	<p>The IVL will be payable by visitors who are not NZ citizens or permanent residents.</p> <ul style="list-style-type: none"> <li>• Australian citizens and permanent residents are exempt, as they receive residence on arrival</li> <li>• Nationals of Pacific Islands Forum countries are exempt (further work required to differentiate French Polynesia and New Caledonia residents from other French passport holders)</li> <li>• Business visitor visa, and transit visa holders will be exempt</li> <li>• Other standard Vienna Convention exemptions apply (humanitarian, medical, military and diplomatic)</li> <li>• Children under 2 years old are exempt</li> </ul>
<b>How the IVL is collected</b>	Additional charge on visa and proposed electronic travel authority (ETA) application fees.
<b>What the IVL rate should be</b>	Between \$25 and \$35.
<b>How will IVL revenue be spent</b>	Revenue to support tourism infrastructure and conservation. We are seeking input on what types of projects should be included, and the share between conservation and tourism-specific projects.

Collecting the IVL through the immigration system is the preferred approach because it:

- allows for the accurate targeting of international visitors as it relies on existing, well tested systems
- offers a high degree of flexibility in targeting as exemptions are relatively straightforward to implement and can be adapted over time, if required
- is low cost to administer with estimated set-up costs of \$1 million and minimal ongoing expenses
- requires no additional passenger processing at the border and no additional steps for international visitors.

Specific discussion around the different components of the proposal (e.g. targeting, collection, rate and expenditure) is covered in separate sections below.

The Cabinet paper and briefings to Ministers on the IVL are also available on MBIE's website.

# About the International Visitor Conservation and Tourism Levy

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## Introduction on the tourism system

The tourism sector contributes positively to New Zealand's economy; it creates employment opportunities, improves regional connectivity and supports amenities and services that would not otherwise be available in smaller communities.

Tourism is one of New Zealand's largest sectors. In the year ended March 2017, tourism generated a direct contribution to GDP of \$14.7 billion, or 5.9 per cent of total GDP. International visitor numbers have grown from 2.6 million in 2012 to 3.7 million in 2017, and this growth is forecast to reach 5.1 million by 2024. Tourism also generates significant Crown revenue, with tourists (domestic and international) generating \$3.3 billion in GST revenue for the year ended March 2017.

## Constraints in current funding arrangements to deal with visitor growth

Tourism, as a system, is heavily reliant on the provision of infrastructure and protection of our natural attraction. These are used by locals, domestic visitors, and international visitors. Much of this infrastructure (physical and natural) is provided and maintained by government (central and local) because it is a 'public good'. That is, the infrastructure can be provided and maintained more efficiently by a central body, or it may be difficult to charge for, or there are significant externalities (costs and benefits are not entirely aligned).

While government provision remedies these market failures, there are some constraints on central and local government investment. For example, some territorial authorities have low numbers of ratepayers relative to visitor numbers, which makes investment unaffordable and/or raises questions of fairness.

In addition, both central and local government are dealing with instances where infrastructure has not kept up with domestic growth and/or no longer meets modern standards or expectations. Visitor growth (both domestic and international) further exacerbates this problem, especially where local needs are already causing capacity constraints.

It is difficult to get an exact figure on the demand for tourism infrastructure and the 'gap' in funding. There have been a number of sector reports that suggest total visitor-related infrastructure investment (including transport, three waters, basic amenities, and attractions) could be in the order of \$150 million per annum<sup>2</sup>, funded through a mix of user charges, rates, and central government funding.

Without intervention, the current issues are likely to continue to grow. Overall the costs of tourism could potentially outweigh the benefits we enjoy as a result of a thriving tourism sector, including employment, amenities, economic benefits and connections with our trade partners. The sector could also contract as a result of deterioration in the quality of experience our visitors enjoy, or loss of local support for the sector.

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<sup>2</sup> *Addressing New Zealand's most pressing local tourism infrastructure needs*, released by Tourism Leaders in November 2016; and *National Tourism Infrastructure and Investment Assessment*, commissioned by TIA, produced by Deloitte, April 2017

## **A package of funding tools is required**

No single funding tool will meet all objectives of a sustainable funding model and a package of funding tools is required. Specifically, the package of funding tools should meet the following criteria:

- Scale of revenue to enable strategic investment in New Zealand's key attractions, networks, and/or seed funding for other revenue initiatives.
- Certainty of revenue for asset owners/affected communities to enable long term planning for visitor-related infrastructure and mitigation.
- Fair distribution of costs, aligning those who benefit from publicly-provided infrastructure with those who are paying as closely as possible.
- Support regions to realise their tourism potential, and enjoy the subsequent social and economic benefits.
- Collection of revenue is cost effective.

A number of initiatives have already been put in place to address some of the issues identified above:

- The establishment of the Tourism Infrastructure Fund, providing \$100 million over four years in co-funding to support local communities in providing public visitor-related infrastructure. A total of \$14.2 million in funding was approved in round one 2017.
- Increased funding for the Department of Conservation (DOC) in Budget 2017 and increases in fees for DOC facilities to improve cost-recovery. Further work is underway to consider pricing options for DOC facilities and other revenue generation opportunities within the portfolio.
- The Minister of Local Government is initiating an inquiry into local government costs and revenue. Visitor infrastructure issues would be within scope of the inquiry's investigations.
- The Government Policy Statement on land transport currently under development recognises the importance of transport connections that enable tourists to access destinations throughout New Zealand safely. NZTA is also developing tools that will incorporate a wider range of economic benefits in project appraisals, including tourism.

## **The IVL is an important component of the package of funding tools**

### **Offers scale**

The above initiatives have the potential to form a significant package in support of addressing tourism infrastructure and conservation issues. However, there is a lack of centrally-sourced funding of scale in the package that would allow for large-scale strategic investments.

### **Fair distribution of infrastructure costs**

While a large-scale fund could be sourced from general taxes, the Government is proposing an IVL to generate the required revenue.

*The tourism sector makes a fair contribution through general tax to the functions of government...*

Tourism generates significant Crown revenue. A recent report by Deloitte<sup>3</sup> suggests the Crown collects \$3.2 billion and spends \$640 million directly on international tourists<sup>4</sup>. However, tax is not about recovery of costs, rather it funds the broader functions of Government such as health, welfare, education, and justice (these functions alone make up 76% of Crown expenditure).

While these costs are not generated directly by international visitors, they enjoy the wider benefits of such expenditure, which are funded through the tax system. Analysis of the Deloitte report suggests international visitors contributed 3% of the general tax<sup>5</sup> take in 2017, and stayed 4% of the total population nights<sup>6</sup>. This measure suggests the tourism sector is making a proportionate tax contribution to the functions of Government, on a population basis.

*...the IVL is intended to make a contribution to specific costs generated by the sector*

Sourcing funding directly from international visitors through the IVL is intended to enable those who are benefiting from or using publicly-provided infrastructure to make a direct contribution to the related costs.

The IVL is an opportunity for the tourism sector to contribute to visitor-related infrastructure (a service the sector relies on) and conservation (a key attractor of visitors). The IVL also enables the sector to demonstrate it is contributing to costs in locations where there is a high number of visitors relative to ratepayers (making investment difficult to fund) or locations that are 'photo opportunities' that benefit the sector, but one that local business does not necessarily see a return on.

While targeting all international visitors (who travel for a variety of reasons and duration) with a flat charge is a relatively blunt tool, it is more targeted than funding these investments through general taxation. The proposed IVL is not however expected to fully cost-recover investments in tourism infrastructure and conservation.

Other elements of the funding package described previously will enable contributions from domestic visitors.

### **Revenue certainty**

An IVL would provide revenue certainty for central government to meet tourism infrastructure and conservation needs, enabling the option of longer term commitments of funding.

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<sup>3</sup> MBIE commissioned Deloitte to model revenue and expenditure from international tourists at both central and local government level. These are not official statistics, but are modelled using available data

<sup>4</sup> Expenditure includes a share of transport costs, ACC, immigration and border costs, Tourism NZ, and MBIE tourism functions

<sup>5</sup> Includes GST, income tax, and corporate tax from the tourism sector

<sup>6</sup> Calculated as  $(\text{number of international visitors} \times \text{average length of stay}) \div (\text{NZ population} \times 365 \text{ days})$ .

**Submit your views on:**

- 1.1 Are there other costs and benefits derived from international visitors to New Zealand?
- 1.2 What are your views on current funding arrangements for tourism infrastructure and conservation i.e. what are the constraints? How could users more effectively contribute to the costs they impose?
- 1.3 Are there other costs and benefits of the IVL as a funding tool in relation to the funding issues above?
- 1.4 Do you agree with the criteria for a sustainable funding package?
- 1.5 Do you agree that an IVL is a useful component of such a package?
- 1.6 What are other funding tools which ensure that people who use and enjoy infrastructure make a contribution to the costs?
- 1.7 Do you have any comments on the potential cumulative impacts of the fee and levies, Electronic Travel Authority and IVL proposals under consultation on visitors or your industry?

## Considerations in developing the levy

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The following criteria were used to develop the IVL proposal:

- Able to accurately charge international visitors, and not New Zealanders
- Minimises impacts on border passenger processing and Crown collection costs
- Minimises impacts on travellers and carriers
- Aligns with New Zealand's international interests

We believe the proposed option best meets these criteria.

## How should the levy be targeted?

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### Immigration status

The Government proposes targeting international visitors based on immigration status. This option involves targeting international visitors, who are not New Zealand citizens or permanent residents, to be liable for the IVL. Residents of Realm countries (Niue, Tokelau and the Cook Islands) are New Zealand citizens, and would therefore be exempt under this option.

Australian citizens and permanent residents are also granted residence on arrival, enabling them to visit, or work and live in New Zealand. The Government is therefore also proposing that this group be exempt.

One of the main advantages of targeting based on immigration status is that the required information is already available, making it possible to automate targeted charging and minimise the compliance costs for travellers and carriers.

### Alternative option – tax residency

Officials also considered targeting the IVL based on tax-residency status. This approach aligns with the idea that New Zealand tax residents already contribute to funding tourism infrastructure and conservation.

However, this option was ruled out due to high collection costs, likely data matching errors, and negative impacts on border processing, carriers and/or travellers. In addition, many New Zealand citizens and permanent residents living overseas would be liable for the IVL if they had been overseas for an extended period.

### Exemptions

When considering exemptions, the equity of excluding particular groups should be considered, as visitors from any given destination will generally have similar impact on infrastructure. In addition, any exemptions may also result in higher charges for other groups of visitors.

The Government is proposing the following exemptions:

#### **Australian citizens and permanent residents**

As noted above, Australians are granted residence on arrival, enabling them to visit, work and live in New Zealand. Applying the IVL to Australians (and not New Zealand citizens and residents) could be

seen as a significant departure from the principle of freedom of access under the Trans-Tasman Travel Arrangement.

The Australian market is also one of the more price-sensitive markets. Low cost trans-Tasman travel means that Australian visitors would be disproportionately impacted by a levy (a \$30 levy on a \$100 flight is a 30% increase, compared to \$30 on a \$1500 long-haul flight, which is just 2%).

Changes in demand for trans-Tasman flights could have significant impacts on services, as many of these services operate on low-margin, high volume models. Changes in trans-Tasman service are likely to disproportionately affect regional airports, with most of their international flights consisting of trans-Tasman services. Reducing capacity in regional airports could have wider impacts such as regional connectivity and tourism flows.

However, Australian visitors make up around a third of all visitors to New Zealand, meaning any exemption would significantly impact on revenue levels (or the IVL rate).

### **Pacific Island citizens**

Visitors from the Pacific Islands travel for a number of reasons such as for family, medical, education and employment reasons. The Government considers an IVL may have disproportionate financial impacts on Pacific Island travellers and does not align with the Government's development objectives in the Pacific. Depending on the rate of the levy, the IVL could remove an estimated \$3.6 - \$5 million annually from the Pacific economy (based on levy rate of \$25 - \$35).

The New Zealand Government also has a number of programmes that enable necessary travel from the Pacific (some programmes include costs of travel, which means any levy would subsequently be borne by the Crown).

New Zealand has a range of relationships with different groups of Pacific Island countries. We are proposing that these groups should be exempt.

<b>Pacific Island Countries</b>	<b>Proposed IVL status</b>
<i>Pacific Realm Countries:</i> Cook Islands, Niue, Tokelau	<b>Exempt</b> as these nationals are NZ citizens
<i>Pacific Islands Forum countries:</i> (Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)	<b>Exempt</b> as charging an IVL would run counter to New Zealand's close and inclusive ties with Forum Island members, and economic development settings with member countries.
French Polynesia and New Caledonia	<b>Exempt in principle</b> as Pacific Islands Forum members but officials will investigate further options for distinguishing French residents in these territories from those residents from France.
<i>Other Pacific countries and territories</i> Guam, American Samoa, Pitcairn Island, Rapa Nui (Easter Island) the Northern Marianas Islands, and Wallis and Futuna.	<b>Liable.</b> These are not PIF members, and citizens travel on US, British, Chilean, or French passports.

## Other exemptions

The Government recognises that there are circumstances where it may be justifiable to exempt certain classes of visas and travellers from the IVL. These include the following:

- Humanitarian visas
- Medical treatment visas
- Military visas
- Diplomatic visas
- Transit visas, including the Antarctic Traveller Transit Visa
- Business visitor visas and APEC Business Travel Card holders
- Children under the age of 2

## Who would pay the IVL

The following categories of visitors would be liable for the IVL (except New Zealand, Australian and exempted Pacific Island citizens and permanent residents, and travellers under the age of 2):

- All tourists
- Other travellers entering through the visa waiver programme
- All family visitors
- Students with visas for 12 months or less
- Working Holiday Visa holders
- Work visas for 12 months or less (for example events and media)
- Crew on aircraft and cruise ships, but not cargo ship crew.

### Submit your views on:

- 2.1 Do you support the Government's proposed targeting mechanism?
- 2.2 Are there other costs and benefits of exempting certain groups of travellers we should consider (e.g. Australians and Pacific Island visitors, crew travelling on aircraft and ships)?
- 2.3 Are there other classes of visitor that should be exempted from the IVL?

# How should the levy be collected?

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## **Additional charge on visa and Electronic Travel Authority applications**

### **Adding a levy to visa application fees...**

The Government proposes leveraging existing Immigration NZ mechanisms and adding the IVL onto charges for visa applications. However, adding the IVL to visa applications alone would not capture all visitors, as New Zealand has visa waiver agreements with around 60 countries (e.g. Canada and Germany), representing around a third of visitors.

### **... and to the proposed Electronic Travel Authority**

The Government is currently proposing to introduce Electronic Travel Authority (ETA) requirements for travellers from visa waiver countries.<sup>7</sup> ETAs are a border security and passenger facilitation measure. They will be required for foreign travellers who are otherwise not required to hold a valid visa. A number of countries such as Australia, Canada and the United States already have similar mechanisms in place.

The decision to implement an ETA is primarily based on the benefits for border security, including for maritime travel, and for border automation and passenger facilitation. However, should ETAs be implemented, this would provide a mechanism for the IVL to capture travellers from visa waiver countries.

### **Collection through the immigration system is relatively low cost, with no additional impact on border processing**

This is the Government's preferred option for collecting the IVL as it is relatively low cost<sup>8</sup> and the most accurate vehicle for charging international visitors.

Most visas and all ETAs also enable multiple entries to New Zealand. This means that frequent travellers, such as business people, will only pay periodically, rather than every trip. However, this means it also has implications for either the total revenue collected (less than a per entry charge) or the rate charged.

### **Other options**

Officials also considered other collection methods such as charging at the border or through passenger ticketing (similar to the current Border Clearance Levy)<sup>9</sup>. These options are not recommended as they:

- are costly to establish and run (requiring new systems)
- would significantly impact on border processing (due to the need for payment points at airports, and checks at the border), and/or
- are likely to result in some data matching errors.

Unlike most other border charges (which are universal), the proposal is targeted which limits implementation options, such as through passenger ticketing.

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<sup>7</sup> For more information on this proposal, please visit [www.mbie.govt.nz/border-changes](http://www.mbie.govt.nz/border-changes)

<sup>8</sup> Additional costs are included in the Electronic Travel Authority discussion document.

<sup>9</sup> Further analysis of the alternative options is available in the IVL Cabinet papers and briefings released on MBIE's website

**Submit your views on:**

- 3.1 Are there other things that should be considered when selecting the collection mechanism?  
How might these support or alter the preferred approach?
- 3.2 Are there other costs and benefits for the proposed mechanism, or alternatives?
- 3.3 If the Government does not proceed with an ETA, would you support collection of an IVL by another means, or in a different form?

## What should the rate of the levy be?

The rate of the levy will be influenced by a number of factors, such as targeting and collection mechanisms. The Government is seeking feedback on an IVL rate of between \$25 and \$35. In proposing these rates, the Government gave consideration to:

- How the IVL is targeted and collected
- Expected levels of revenue
- Impact on the tourism sector and wider economic effects
- Rate of similar visitor levies in overseas jurisdictions<sup>10</sup>.

The table below shows the estimated levels of revenue for IVL rates between \$25 and \$35, based on the proposed approach of:

- Targeting based on immigration status, with exemptions for Australian and Pacific Island citizens and permanent residents (including other exemptions discussed above).
- Collection through an additional charge on visitor-related visa and ETA applications.

Number of visitors liable	IVL rate	Estimated revenue levels	
		2020 (\$m)	Outyears
2.3 million	\$25	57	Growing at around 4.6% pa thereafter
	\$30	69	
	\$35	80	

These figures assume that there will be no impact on demand forecasts, as the most price-sensitive parts of the market (Australians and Pacific Island citizens) have been exempted.

As noted above, the IVL will be one component of a wider funding package.

### Submit your views on:

4.1 What are the impacts of different rates likely to be?

4.2 Do you have a preferred rate? Why?

<sup>10</sup> Review of all international charges suggests that departure levies range from \$13 in Singapore to \$350 in the UK (includes long haul carbon charge), and that most fall between \$30 and \$60. Specific examples: Australia's passenger charge of AUD\$60 and Mexico's targeted visitor rate of around NZ\$30.

## How will the revenue be spent?

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The Government proposes that revenue raised from the IVL be spent on tourism infrastructure and conservation, including visitor facilities on conservation land, conservation activity, and other tourism-related infrastructure.

This option is a flexible approach to address tourism priorities (be it pressure points, or new opportunities). It also enables decisions to support other Government objectives and leverage opportunities in other portfolios, for example projects could be developed in tandem with the National Land Transport Fund or the Provincial Growth Fund.

Your input is sought on what proportion of funding should go to conservation and what proportion to tourism infrastructure.

## What should the revenue be spent on?

The Government is seeking your views on what types of projects the IVL should be spent on. This could include:

- local infrastructure/amenities such as toilets, car parks, water supply, playgrounds and walking tracks
- support for system change that creates sustainable funding sources for local infrastructure
- strategic investments to support tourism development in emerging regions
- support for tourism businesses such as business incubators and skills development
- conservation and biodiversity activity such as predator eradication, breeding programmes, native planting
- conservation visitor infrastructure and facilities such as interpretation, parking solutions and track maintenance/development.

### Conservation

New Zealand's natural and historic heritage, landscapes and species are a primary drawcard for international visitors and form the basis of New Zealand's international image and reputation. The Department of Conservation (DOC) is at the centre of protecting and advocating for these places and managing tourism within them.

Key facts:

- 46% of international visitors state that the top factor in considering visiting New Zealand is the spectacular landscapes and natural scenery.
- Visitors spending time in the outdoors spend more, visit 5-6 regions, and have an average spend of \$4,800.
- The benefits of tourism for local communities and regions is tied to the experiences that visitors want to have connecting with New Zealand's natural and historic heritage.

Additional and certain funding from the IVL will support DOC in its strategic planning for visitors and managing public conservation lands and waters so that communities benefit, and that the quality of experiences in, as well as the health of, New Zealand's natural and historic environment can be improved over time.

The IVL means that the natural and historic heritage that DOC manages can directly benefit from the increased numbers of visitors to New Zealand. The IVL will help DOC meet the costs associated with increased numbers, particularly at places where other cost recovery tools are not available.

With this revenue DOC will be able to better harness the opportunities that visitors can bring and manage the associated costs and impacts of increased visitor numbers on the natural and historic heritage that people want to see.

### **Local infrastructure**

Local infrastructure includes basic amenities (public toilets, carparks, water supply), and facilities that enhance the visitor experience (viewing platforms, walks). Local businesses and residents benefit from these facilities as well.

However, in some locations existing infrastructure is not meeting demand, and the capacity for local councils to fund investment (and operating costs) is limited. This is particularly true where there is a high visitor to ratepayer ratio. A report authored by tourism sector leaders in late 2016 estimated that an ongoing investment programme of \$100 - \$150 million was required (shared between private sector, local and central government) to meet demand<sup>11</sup>.

### **Joint investment**

Tourism has also been identified as a significant enabler for economic development through the regional action plans. These types of investment are often a mix of local infrastructure and facilities on conservation land.

## **How should stakeholders help inform decisions?**

The Government is seeking input on how it makes decisions about which projects to fund. Input from the tourism sector, conservation stakeholders and local government (who deliver much of the local infrastructure) will help ensure the best investment decisions are made. For example, the Tourism Infrastructure Fund has an advisory panel that makes recommendations to the Minister of Tourism. The Panel includes tourism sector and local government representatives. The projects considered are those identified by local councils.

### **Submit your views on:**

- 5.1 What should be the funding share between tourism infrastructure and conservation? Why?
- 5.1 How would you define tourism infrastructure and conservation for the purposes of spending the IVL? For example, do you support using IVL revenue to:
  - a. fund basic infrastructure used by visitors and/or residents?
  - b. develop visitor attractions?
  - c. support Conservation and biodiversity activity such as predator eradication, breeding programmes, native planting?
  - d. protect the values of our wild places/iconic destinations including national parks and world heritage areas?
- 5.3 How should the tourism sector, local government, and/or other stakeholders inform the decision-making process?

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<sup>11</sup> <https://tia.org.nz/assets/Uploads/Tourism-Infrastructure-Executive-Summary4.pdf>