

Q&A for IVL Bill

Section 1 has short answers, for easy reference in the House. Full answers are in **section 2**, from page 4.

Section 1 – short answers for quick reference

Urgency	
1. Why is urgency justified?	Commencement dates have been widely communicated as 1 July for the IVL, and 1 October for the ETA. <ul style="list-style-type: none"> • Delays could cause confusion. • The ETA is an important border security measure. The Government has spent significant time consulting during the policy development phase.
2. Why can't urgency be avoided	1 July implementation doesn't allow for a full legislative process.
IVL policy	
	Page 4
3. How much revenue?	\$450m over 5 years.
4. What will the levy be spent on?	Tourism and Conservation. An Investment Plan will be out later this year with more specifics.
5. What is the difference between tourism infrastructure and tourism initiatives?	The IVL will support a range of tourism-related infrastructure build, however, we also want to be able to ensure that funding is available for other projects that can support a more sustainable tourism system, eg. data, planning, workforce
6. How will people pay the levy?	At the same time as their visa or ETA fees.
7. Who will pay?	Most international visitors.
8. How often will people pay?	Each time they apply for a liable visa, or request an ETA. This will enable multiple entries for some.
9. Who is exempt?	New Zealand and Australian citizens and residents. The regulations will specify other exemptions, including: <ul style="list-style-type: none"> • many Pacific Island countries • diplomatic, military, medical, and humanitarian travellers • crew and transiting travellers.
10. Will New Zealanders pay?	No.
11. Why are Australians exempt?	This reflects our longstanding close relationship and in particular the fact that New Zealanders and Australians can freely travel to work or live in, or visit, our respective countries. In addition the levy would be a much bigger proportion of travel costs for a short haul flight of around \$150, compared to a long haul flight of \$1500.
12. Which Pacific Island countries are exempt?	American Samoa, Cook Islands, Fiji, Kiribati, Republic of Marshall Islands, Federated States of Micronesia, Niue, Nauru, Palau, Papua New Guinea, Pitcairn Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.
13. When will the levy come into effect?	1 July (subject to the final decisions on regulations)
14. Why is the levy being collected by INZ, and not at the border or by airlines?	Collecting the levy via INZ is seamless for travellers (they simply pay as part of their application fees) and, with the introduction of the ETA, it will also mean that travellers can't avoid paying it. Airlines advised they could not target charges, and so New Zealanders would have paid, and charging at the airport would create queues.

15. How much will the IVL cost to collect?	Because we are using the INZ system, the administration costs are negligible. There will be credit card charges or online payment charges of around 2-3%.
16. Who decides on how to spend the money?	An investment plan will be approved by the Ministers of Tourism, Finance and Conservation.
Total Impact Page 7	
17. Why is the Government implementing so many changes at the border?	The border has to keep pace with changes in technology, travel patterns, and traveller expectations. This means our systems need to adapt.
18. Your own reports estimate that this levy will generate \$80 m and cost the economy \$70m in tourism spend	The range of possible impacts goes as low as \$24 m. The levy is a way to reduce the burden of tourism on our communities and our environment – tourism must be beneficial to NZers. The Levy will be invested to maintain and improve the visitor experience, that estimate doesn't consider the benefits arising from the investment.
19. Will the levy put off some visitors?	We don't expect so, as the charge is around 1% of average visitor spend, so it seems unlikely that any drop would be significant. The investment will also support the quality of the visitor experience.
20. Is \$35 enough? Should we charge more?	The IVL will generate a fund of \$450 million over 5 years, which will have a significant impact on the tourism system and conservation outcomes. The Government consulted on a range of \$25-\$35, and there was support for the high end of the range or higher; however, the Government is also mindful of the cumulative impacts of charges at the border.
Responses to criticism Page 8	
21. DOC is also charging extra for international visitors on Great Walks, are we at risk of being seen as fleecing tourists?	The Great Walks are internationally renowned, top-end visitor experiences and people expect to pay comparable fees for similar experiences elsewhere in the world.
22. Visitors already pay significant amounts in GST.	Many sectors make net contributions to Government revenue. Visitors make up around 4% of the population, and make a net contribution to the Crown of 3% of revenue.
23. What about a bed tax?	Bed taxes might work well for those areas with lots of overnight visitors, but less so for areas that visitors pass through. Queenstown Lakes District Council is currently asking its community about whether it should pursue a bed tax, and the Government will be interested to see the results.
24. We have the Tourism Infrastructure Fund (TIF) and the Provincial Growth Fund (PGF), so why do we also need a levy?	The IVL will offer an opportunity to substantively change how the tourism system works, by offering scale of investment and a sustainable revenue stream. The TIF is a good solution to immediate and local needs. However, the PGF and the TIF are both time-limited.
25. Will the levy impact our international relations?	The levy has been carefully designed with our international interests in mind. It is one of the reasons that Australians and many Pacific Island countries are exempt. MFAT has also been proactive in talking to other governments about the IVL. Japan has also implemented something similar this year, and Mexico has had one for some time.

ETA		Page 9
Note that the details of the ETA are the subject of regulations, rather than the Bill.		
26. Why is the ETA being enabled in the IVL Bill?	Legislation is not required to enable the ETA. The Bill makes a minor change to INZ's existing authority to use automated decision-making to include the ETA. This is necessary given the 1.5 million pa requests expected each year. The ETA is an important tool for the IVL, as those 1.5 million people would not otherwise be charged.	
27. Why is the Government introducing the ETA?	The ETA is an important border security measure. It will mean that INZ will have information about most people entering New Zealand well before they arrive at the airport.	
28. When will the ETA come into effect?	People will be required to hold an ETA to travel to New Zealand from 1 October. Those planning travel will be able to request their ETA from July.	
29. Who will need to hold an ETA?	People who will be required to request an ETA before travel to New Zealand include: <ul style="list-style-type: none"> • Most visa waiver air travellers (excluding Australian citizens and of course New Zealand citizens and visa holders) • Air crew and cruise ship crew • Most cruise ship passengers (excluding Australians and New Zealanders as per air travel). 	
30. Is the Government going to include Australians if it really wants to improve security?	New Zealand citizens are currently exempt from the Australian ETA and visa requirements. Implementing requirements for Australian citizens could be seen as a significant departure from the principle of freedom of access under the Trans-Tasman Travel Arrangement.	
31. Will genuine visitors be prevented from travelling to New Zealand if they don't have an ETA at check in?	Immigration New Zealand is prepared for people who may arrive at check in without an ETA and is working with airlines and cruise lines to mitigate possible impacts.	
32. Will the ETA impact our international relations?	The ETA design maintains our current visa waiver framework. Similar pre-travel screening mechanisms are in place or planned around the world – for example Australia, the US and Canada have them, and the EU is introducing one in 2021.	

Section 2: Long Answers

Urgency

1. Why is urgency justified?

1 July 2019 has been widely communicated as the commencement date for the IVL, and 1 October for the ETA.

- The ETA is an important step in strengthening New Zealand's border security in line with international best practice.
- Delaying even by one day would cause confusion for travellers and the travel sector; with flow-on effects to traveller experience, levels of compliance, and New Zealand's reputation.
- Delays could also have implications for carriers who are gearing up to support implementation in good faith.

There has also been significant public consultation on the IVL and the ETA (in June and July 2018), so it is unlikely that new issues would arise through a select committee process.

The IVL will also raise revenue for the Crown, so it is appropriate that the Bill be considered on Budget day.

2. Why can't urgency be avoided?

The period between Cabinet approval (September 2018) and implementation in 1 July for the IVL and 1 October for the ETA did not allow sufficient time to complete a full legislative process.

1 July has been widely communicated as the commencement date for the IVL. Delays would cause confusion and potentially have implications for carriers who are gearing up to support roll out. Further, the ETA is an important step in strengthening New Zealand's border security in line with international best practice.

IVL Policy

3. How much revenue will the International Visitor Tourism and Conservation Levy generate?

We expect the levy to generate \$450m over 5 years. The Bill ensures this money will be ring-fenced for tourism and conservation.

4. What will the revenue generated by the levy be spent on?

The IVL will be split 50:50 between conservation and tourism with three areas of focus: conservation, infrastructure and systems.

To help guide investment decisions, an advisory group, with expertise covering conservation, local government, tourism and Māori perspectives will be set up. They will work with MBIE and the Department of Conservation to form an Investment Plan that will support a range of programmes.

5. What is the difference between tourism infrastructure and tourism initiatives?

The IVL will support a range of tourism-related infrastructure build, however, the Government also wants to be able to ensure that funding is available for other projects that can support a more sustainable tourism system. These could include better data to inform destination planning, infrastructure investment and business planning; and skills and workforce initiatives that ensure we have an inclusive and productive tourism sector

6. How will people pay the levy?

Visitors will pay at the same time as they pay visa or ETA fees. The Immigration system will automatically charge those who are liable.

7. Who will pay the levy?

Most international visitors will pay the levy.

8. How often will visitors have to pay the levy?

The levy will be paid on application for a Traveller ETA or liable visa. For some this will enable multiple entries to NZ with the IVL payable once.

9. Who does not have to pay the levy?

- New Zealand citizens and residents (including all resident visas)
- People transiting New Zealand
- Australian citizens and permanent residents
- People from Pacific Island countries we have close ties with:
 - American Samoa
 - Cook Islands
 - Fiji
 - Kiribati
 - Republic of Marshall Islands
 - Federated States of Micronesia
 - Niue
 - Nauru.
 - Palau
 - Papua New Guinea
 - Pitcairn Islands
 - Samoa
 - Solomon Islands
 - Tonga
 - Tuvalu
 - Vanuatu
- Diplomatic, military, medical, and humanitarian visitors
- People travelling to Antarctica under the Antarctic Treaty (including people travelling on the Antarctic Traveller Transit Visa)
- Most work visas, including Recognised Seasonal Employment workers
- Business Visitor Visas (including APEC business travel cards)
- Some student visas
- Ship and airline crew
- Most visas for dependants (partners and children) of work and student visa holders
- Travellers whose visa or ETA requirements have been waived by Immigration New Zealand.

10. Will New Zealanders have to pay the levy?

No, New Zealand citizens and permanent residents will not be liable for the levy. It is designed to target international visitors only.

11. Why will Australian citizens and permanent residents be exempt from paying the levy?

Australians are granted residence on arrival, enabling them to visit, work and live in New Zealand. Applying the levy to Australian citizens and residents could be seen as a significant departure from the principle of freedom of access under the Trans-Tasman Travel Arrangement.

In addition, the Australian visitor market is more price-sensitive, and a levy would be a significant addition to the price of ticket, compared to long-haul flights. A drop in demand from Australian visitors could have impacts on regional air-connectivity with Australia, affecting businesses and out-bound New Zealanders.

12. Which Pacific Island countries will be exempt from paying the levy?

People from the Cook Islands, Niue and Tokelau will be exempt as they are New Zealand citizens.

Citizens from the following Pacific Islands Forum countries will be exempt: Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

And to align with Immigration New Zealand Pacific fee bands (and thereby simplify operations), the Pitcairn Islands, and American Samoa are also exempt.

The Government considers a levy may have disproportionate financial impacts on Pacific Island travellers and does not align with the Government's development objectives in the Pacific.

13. Why is INZ collecting the levy? Why not collect it at the airport, or charge it on tickets?

Collecting the levy via Immigration New Zealand is seamless for travellers (they simply pay as part of their application fees) and, with the introduction of the Electronic Travel Authority, it will also mean that travellers can't avoid paying it.

Charging at the airport would require new infrastructure, and increase queues at Customs.

The Border Clearance Levy is charged via ticketing, however, all passengers over the age of 2 pay that (because everyone uses the border clearance system and it is easy for carriers to differentiate passengers by age). The IVL is targeted – New Zealanders do not pay. This is an important part of the policy, and airlines advised that targeted charging would be difficult to achieve. It would also be hard to monitor whether airlines were charging the IVL accurately, or simply averaging across all passengers.

14. If approved, when would the levy come into effect?

Subject to the final decisions on regulations, the collection of the levy would start on 1 July 2019.

15. How much will the IVL cost to collect?

There is a small cost to amend Immigration New Zealand's systems to enable the levy to be charged on visa applications. The ongoing cost of collection will be negligible, as it will be collected using pre-existing systems, alongside visa and Electronic Travel Authority application fees.

However, all online payments are subject to credit card charges, which are in the order of 2-3%.

16. Who will make decisions on what projects the money will go to?

Cabinet has delegated final decisions on the IVL Investment Plan to the Ministers of Tourism, Finance, and Conservation.

Total impact

17. Why is the Government implementing so many changes at the border?

The border system has to keep pace with the changing environment and expectations (for both New Zealanders and our international partners). Growing numbers of people travelling between countries via increasingly diverse routes are placing pressure on New Zealand's border risk management as well as our ability to facilitate traveller movements smoothly. In particular, cruise ship passengers and crew are not currently screened before travel.

We aim to maintain border security so goods and travellers can cross the border with a minimum of fuss, and offer a better traveller experience over time, including faster border clearance services to the increasing volumes of travellers. The Electronic Travel Authority, for example, will help speed things up at the border.

The cost recovery model means that travellers are paying for border services. It is important that New Zealand can offer a positive experience to genuine travellers, while also accurately identifying and dealing with people who, for example, want to work illegally, smuggle contraband, or commit crime.

18. Your own reports estimate that this levy will generate \$80 m and cost the economy \$70m in tourism spend, so why is the Government introducing the levy?

The range of possible impacts, at a 90% confidence interval, is \$24m - \$120m (so the analysis is sensitive)*. Other factors also impact on prices and decisions to visit New Zealand, including exchange rate movements, airline prices and routes, and other holiday package costs. The IVL is just 1% of average visitor spend, and therefore any price effects of the IVL are likely to be lost amongst the normal variation in these other factors. Australia is the most price-sensitive market, and Australians have been exempted from the IVL.

It's also important to note that tourism revenue also comes with costs. Currently, those are born by tax- and rate-payers, or a deteriorating visitor experience. The levy is a way to reduce the burden of tourism on our communities and our environment – tourism must be beneficial to NZers.

Finally, the Levy will be invested to maintain and improve the visitor experience (by providing infrastructure, and enhancing our natural environment), the estimated impact of the collection of the levy doesn't consider the benefits arising from the investment

**Quick explainer on price sensitivity*

For modelling, we have to assume that price sensitivity is a straightline, but in practice it is really step-wise. That is, there are thresholds that have a price effect. For example, a person may happily buy lunch for \$5. If the price goes up to \$6, this probably won't change their decision to purchase lunch. However, if the price goes up to \$10, this is more likely to make a person decide to make their own at home.

19. Will the increased cost of visiting New Zealand put off some travellers?

We don't expect so, as the charge is around 1 per cent of average visitor spend, so it seems unlikely that any drop would be significant. Other factors will have a more significant impact, such as airfares and exchange rate movement.

The investment will also support the quality of the visitor experience. The Government will be investing \$450 million over 5 years in conservation and tourism infrastructure, which is a significant sum. The levy will support both the visitor experience, and the communities who welcome them.

It is difficult to assess the likely impact of the levy demand, and it isn't the only factor – exchange rates, global economic growth, airfares and other holiday costs all have an effect. However, at \$35, the levy will be around 1 per cent of the average visitor spend.

Overall, charges at the border are a small part of the total costs of visiting, working or studying in New Zealand. New Zealand charges remain competitive compared to other countries such as Australia, the UK and Canada. Based on available evidence, MBIE believes that the increases in immigration costs will have minimal impact on migration volumes and patterns.

20. Is \$35 enough? Should we charge more?

The IVL will generate a fund of \$450 million over 5 years, which will have a significant impact on the tourism system.

The Government consulted on a range of \$25-\$35, and there was support for the high end of the range; however, the Government is also mindful of the cumulative impacts of changes at the Border, including Border Clearance, security, and marine protection. New Zealand charges remain competitive compared to other countries such as Australia, the UK and Canada.

Responses to criticism

21. Given the Department of Conservation is also trialling doubling Great Walks pricing for international visitors, are we at risk of being seen as fleecing tourists?

Questions concerning DOC's pricing should be referred to the Minister of Conservation.

The levy got strong support during public consultation, with 90 out of 107 submissions in support. It is important that visitors are seen to be making contributions to the infrastructure they use, and the natural environment they enjoy while here.

The Great Walks are internationally renowned, top-end visitor experiences and people expect to pay comparable fees for similar experiences elsewhere in the world.

22. Given the amount of GST visitors pay, shouldn't the Government be paying for visitor-related infrastructure?

Many sectors make net contributions to Government revenue. This is how we fund our health, justice, education and welfare systems – around three-quarters of the Government's budget. These systems also make New Zealand a safe and attractive destination for international visitors.

Note that international visitors make up about 4 per cent of the population at any given time, while their net contribution to Government revenue is 3 per cent (MBIE estimates).

23. Wouldn't a bed tax be a better idea, in terms of returning money to those areas receiving the most visitors?

Bed taxes might work well for those areas with high numbers of commercial visitor nights, but less so for areas that visitors pass through – like Tekapo – or where there are large numbers using non-traditional accommodation, such as camping in public places.

Currently councils have the option of using targeted rates to achieve similar results, and likely at a lower administration cost. That said, there is interest in a bed tax, and this is something that the Local Government Funding Inquiry could possibly consider. It's an opportunity for interested councils to have their say on the issue.

Queenstown Lakes District Council is currently asking its community about whether it should pursue a bed tax, and the Government will be interested to see the results.

24. There are already funding avenues available through the Tourism Infrastructure Fund and the Provincial Growth Fund. Why is a levy necessary?

The IVL will offer an opportunity to substantively change how the tourism system works, by offering scale of investment and a sustainable revenue stream. Further, the levy is an opportunity for international visitors to be seen to be contributing to the costs they generate. This is one way for the tourism sector to maintain and grow the support of locals.

The Tourism Infrastructure Fund is only a four year fund, and is limited to core infrastructure.

The Provincial Growth Fund is focussed on significant economic development opportunities in provincial areas. While this focus overlaps with tourism, it does not fund all tourism infrastructure nor will it fund conservation/biodiversity activity. It is also a 3 year fund.

25. Will the levy have a negative effect on our bilateral relationships?

We have exempted Australians and most Pacific Islands countries in part because of our close relationships with those countries.

Otherwise, given the small size of the charge and that it is built into visa and Electronic Travel Authority fees (often permitting multiple entry), it is unlikely that long haul visitors will notice the charge.

The Ministry of Foreign Affairs and Trade has maintained a dialogue with foreign government representatives on both the IVL and the ETA.

ETA

26. Why is the ETA being enabled in the IVL Bill?

Legislation is not required to enable the ETA. Rather, the Bill extends INZ's existing authority to use automated decision-making to explicitly include the ETA. Automation is required in order to process the 1.5 million requests each year, and make the best use of immigration officers' time. Without the ETA, the IVL could not be charged to those 1.5 million visitors.

27. Why is the Government introducing the ETA?

Numbers of visitors to New Zealand are continuing to grow and they are coming from increasingly diverse origins and following more diverse routes. Currently, visa waiver air visitors receive only light-touch screening at check-in. Cruise ship passengers and crew are not screened at all. We need to streamline systems for entry, and perform more detailed checks on people who are coming to visit New Zealand.

The ETA will mean that INZ will have information about most people entering NZ well before they arrive at the airport. It will provide assurance to New Zealand about the purposes and characteristics of intending foreign travellers and will close gaps in border settings relating to the cruise pathway.

It will also provide faster and better facilitation for travellers and meet travellers' and carriers' expectations of a better experience (including not being turned around at check-in or at the border) and to interact with authorities digitally and receive a personalised and modern service.

28. When will the ETA come into effect?

People will be required to hold an ETA to travel to NZ from 1 October. Those planning travel will be able to request their ETA from July.

People who do not hold an ETA from October will not be able to board their plane or cruise ship. However they will be able to request an ETA on the spot.

29. Who will need to hold an ETA before travel to New Zealand?

People who will be required to request an ETA before travel to New Zealand include

- Most currently visa waiver air travellers (excluding Australian citizens and of course New Zealand citizens and visa holders)
- Air crew and cruise ship crew
- Most cruise ship passengers (excluding Australian citizens and of course New Zealand citizens and visa holders.)

30. Is the Government going to include Australians if it really wants to improve security?

New Zealand citizens are currently exempt from Australian ETA and visa requirements. Implementing such requirements for Australian citizens could be seen as a significant departure from the principle of freedom of access under the Trans-Tasman Travel Arrangement.

31. Will genuine visitors be prevented from travelling to New Zealand if they don't have an ETA at check in?

Immigration New Zealand is prepared for people who may arrive at check in without an ETA and is working with airlines and cruise lines to mitigate possible impacts.

Intending travellers will be able to quickly request an ETA and pay the IVL online and Immigration New Zealand will have staff on hand to provide telephone support.

Carriers will be able to check beforehand whether passengers hold an ETA or visa, meaning they can also provide reminders to those passengers if necessary.

32. Will the ETA impact our international relations?

The ETA design maintains our current visa waiver framework. Similar pre-travel screening mechanisms are in place or planned around the world – for example:

- Australia has a universal visa and ETA requirement (except for New Zealand citizens)
- the US has the ESTA (Electronic System for Travel Authorization)
- Canada has the eTA (Electronic Travel Authorization)

The EU is introducing the ETIAS (European Travel Information and Authorization System) in 2021.