In Confidence

Office of the Minister of Tourism

Chair, Cabinet Economic Development Committee

INTERNATIONAL VISITOR CONSERVATION AND TOURISM LEVY

Proposal

1. Following public consultation in July 2018, I am seeking Cabinet agreement to the collection mechanism for the proposed International Visitor Conservation and Tourism Levy (IVL).

2. I am also proposing further targeted consultation with stakeholders on two expenditure proposals, to ensure we have a well-designed system.

3. The IVL is part of a suite of related proposals Cabinet is considering that includes the introduction of an Electronic Travel Authority (ETA), and the Immigration Fees and Levies Review. The Minister of Conservation and I intend to separately bring a draft Tourism strategy for Cabinet's consideration.

Executive Summary

4. Tourism is a significant and growing part of the economy. Visitor growth (both domestic and international) is creating pressures in some places at some times of the year (infrastructure pressure, crowding, environmental, and behavioural concerns), however it can also contribute to the productive, sustainable and inclusive growth signalled in the government's draft economic strategy if managed the right way.

5. Cabinet has previously noted that investment in supporting infrastructure and protection of our natural attractions is not keeping up with visitor growth. As part of addressing this need, Cabinet approved an IVL proposal for consultation [CBC-18-MIN-0054 refers]. Submissions show broad support for the IVL, with many focussing on the details of potential expenditure.

6. I am now seeking final approval from Cabinet for the IVL collection mechanism outlined in the table below, and agreement to targeted consultation on expenditure proposals.

Recommended IVL collection mechanism

7. Following public consultation and further work on the technical detail of implementing the IVL, I am recommending the following amended IVL collection mechanism:

Collection	Additional charge included in application fees for Visas and (proposed) ETA
Targeting	Charge applied to international visitors based on immigration status: • All ETA applications (visa waiver travellers) • All visas for short term entry (12 months or less) Exemptions for: • Diplomatic, military, medical, humanitarian visas • Transit passengers, including the Antarctic Traveller Transit Visa • Australian citizens and permanent residents (who receive residence visas on arrival) • Pacific Island Forum countries, American Samoa, Pitcairn Islands, all RSE workers • Business Visitor Visas (including APEC business travel cards) • Ship and airline crew • Individuals waived visa or ETA requirements under Immigration New Zealand's (INZ's) discretionary powers
Rate	$35, estimated to generate around $80 million in 2020 growing at around 4% pa.

8. The key amendments are:

    8.1. Extension of the Pacific Island countries exemption to include American Samoa and Pitcairn Islands and Recognised Seasonal Employment (RSE) workers

    8.2. No exemption for under two year olds (due to associated risks of non-compliance with other immigration requirements and implementation costs)

    8.3. Exemption for cruise and airline crew

    8.4. Power for INZ to waive the IVL, where INZ is also waiving visa or ETA requirements

9. The IVL will be in place early in the second half of 2019, the exact date is contingent on the passage of the legislation. The IVL will be in place by the time visitors are required to hold an ETA to enter New Zealand (1 October 2019).

IVL expenditure options for targeted consultation

10. Consultation included a broad question on levy expenditure, generating a wide range of responses. Based on submissions, the objectives being developed for the draft Tourism Strategy (which is yet to be considered by Cabinet), and the government's draft economic strategy, I have developed two proposals for expenditure (shown on the next page). These illustrate the potential range of expenditure and are intended to support quality engagement with stakeholders.

11. The key components are:

11.1. An Investment Plan to set out a 3-5 year expenditure programme, developed with sector input (conservation, local government and tourism industry)

11.2. Two options to illustrate the potential scope of expenditure, the key differences between options are that Option 2 includes:

- An additional 'pillar' to invest in system capability (data, business support, workforce development, destination management capability)
- A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)
- Infrastructure planning that includes Public Conservation Lands and Waters (PCL&W)

11.3. Transparent reporting and management of the levy, including hypothecated funding, with annual reporting on actual expenditure and a memorandum account.

Option 1 – Simple split: Conservation and Tourism

Option 2 - System investment approach

Background - Cabinet previously approved an IVL proposal for consultation

12. Tourism is a significant and growing part of the economy. Making up 10% of GDP (both direct and indirect contributions) and 20% of exports, it employs over 230,000 people. While growth is creating pressures in some places at some times of the year (infrastructure pressures, crowding, environmental and behavioural concerns), when managed appropriately it can also contribute to the productive, sustainable, and inclusive growth signalled in the government's draft economic strategy.

13. One of the barriers to successful growth is that current funding models for visitor-related infrastructure are disconnected from volumes, and have failed to keep up with operating and investment requirements.

14. I consider that a package of initiatives is required in order to fully address this problem. As a first step, Cabinet agreed to public consultation on the IVL [CBC-18-MIN-0054 refers].

15. The IVL provides an opportunity for strategic investment in visitor infrastructure and conservation (one of New Zealand's major drawcards) to ensure that tourism growth is sustainable and continues to enrich New Zealand and New Zealanders.

16. Consultation has now been completed, and this paper presents my final proposal for collecting the IVL, and next steps for finalising expenditure of the IVL revenue.

17. The IVL is a first step in moving us towards a more financially sustainable footing for tourism-related infrastructure, and needs to be supported with complementary funding tools. Other work underway includes:

    17.1. A strategic revenue review in the Conservation portfolio

    17.2. The Government Policy Statement on Land Transport now explicitly recognises the importance of transport connections that enable visitors to access destinations throughout New Zealand safely

    17.3. The Local Government Funding Inquiry.

Submissions show broad support for the IVL

18. Consultation on the International Visitor Conservation and Tourism Levy (IVL) closed on 22 July. MBIE received 107 submissions, including 37 from industry, 25 from local government and 45 from private individuals.

19. Over 90 submitters supported the IVL, though some only if certain conditions were met. These conditions include that the government ring-fence / hypothecate the IVL revenue, sector representatives have a voice in decision-making, and the IVL is managed transparently.

20. Many submitters offered complementary, or in some cases, alternative funding mechanisms. These included central government funding from general tax, return of GST to regions, local tourism levies (such as a levy on accommodation providers),

and user charges for specific services. On the other hand, Tourism Industry Aotearoa (TIA)[1] considers that the IVL should be the only levy on the sector.

Levy rate to be set at $35

21. Cabinet agreed to consult on a rate between $25 and $35, on the basis that this level is less than 1% of average visitor spend, and noting that the demand impacts are unclear[2], but likely to be low. Overall, New Zealand's immigration charges remain internationally comparable (including the proposed IVL, increases in the Immigration Fees and Levies review, and introduction of the ETA being considered by Cabinet this month).

22. Over half of submitters supported a rate of $35 or higher, and just three submissions felt the proposed band was too high. Of note, the $35 rate was supported by TIA.

23. Some sector representative groups suggested that, in order to create certainty, the levy should be set for five years (which is consistent with current practices). As the IVL is creating an investment fund, rather than recovering direct service costs, there is unlikely to be significant risks of over or under-recovery.

24. Considering all of this, I am recommending that the IVL be initially set at $35, to be reviewed after five years. After the initial five year period, the levy rate will be set by regulations made on the recommendation of the Minister of Tourism following public consultation.

Collection mechanism and exemptions

25. Early engagement with the sector informed my proposal to collect the levy via immigration systems (an additional charge on visa and ETA applications). This has been reflected in feedback in submissions, with no alternatives suggested.

26. The Minister of Immigration is proposing a 'soft' launch of the ETA from 1 July 2019. At this point, the IVL Bill will still be going through Select Committee on 1 July. It is likely to receive assent in August 2019. As the IVL can only be charged once the enabling legislation and regulations are in place, travellers who apply for an ETA before the IVL is in place will only be charged the relevant ETA fee.

27. It is possible that some travellers may make the effort to apply for their ETA in advance of the implementation of the IVL. However, the incentive to apply in advance of IVL implementation will also exist for visa-required travellers.

28. The net effect of the timing differential may include higher uptake of ETAs in the first two months (July and August), which could have benefits for ETA compliance and a possible reduction in revenue in the first year of the IVL. Delaying introduction of the ETA to align with the IVL would mean the current border security risks would remain in place for longer.

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[1] TIA is the tourism industry's peak body, and its members represent around 80% of tourism industry turnover.

[2] Previous work on price sensitivity of airline tickets (undertaken to inform decisions on the border clearance levy (BCL)) suggests a potential impact on GDP of $24 - $124 million and around $8 million loss in GST (figures assume Australia is exempt). However, there was no observable impact following the introduction of the BCL. In addition, this charge will be added to immigration charges, which appear to have very low price sensitivity.

Proposed changes to exemptions

29. There were a wide range of comments on the proposed exemptions, including differential rates. For example, 30 submitters did not support the exemption of Australians on the basis that they impose similar costs to other travellers, and make up a significant portion of the visitor market. Nineteen submitters did not support the idea of exemptions in general. A further 15 submitters supported the exemption of Australians citing the importance of that visitor market and/or the interests of New Zealanders in Australia.

30. I recommend we retain the exemptions in the original proposal (including exempting Australians), with four amendments.

31. *Extension of the Pacific Island Forum countries exemption*, adding:

    31.1. American Samoa and Pitcairn Islands so that the IVL aligns with INZ Pacific Fee Band (reducing implementation costs), and

    31.2. All Recognised Seasonal Employment (RSE) workers (for the avoidance of doubt), as this group enter New Zealand for work purposes only, and the programme is part of New Zealand's contribution to development goals in the region.

32. *No exemption for under two year olds* as INZ is concerned that an exemption for children under two year olds may create confusion for travellers about whether under two year olds are required to hold a visa or ETA; and thereby create a risk of travellers inadvertently breaching immigration rules.

33. INZ has also estimated the cost of implementing an age-based exemption to be at least $500,000, as there are currently no age-based fee exemptions in the visa system.

34. Only seven submissions touched on the age-based exemption (either in support of the proposal, or expanding the exemption to include older children). Given the costs and potential risk of non-compliance the exemption would entail, I recommend this exemption be removed.

35. *Exemption for ship and airline crew* as this group enters New Zealand for short periods for work purposes only. Further, the IVL would be a significant cost on carriers (particularly cruise, which has a very high crew to passenger ratio). At the point of public consultation, officials were considering whether such an exemption would be technically feasible.

36. During consultation the sector formally requested a crew exemption, and officials have confirmed such an exemption is technically feasible.

37. *Power for INZ to waive the IVL*, where appropriately delegated INZ staff are also waiving visa or ETA requirements, or fees related to the grant of visas or ETAs. Examples where this may occur include people diverted due to severe weather and other unforeseen circumstances, or people granted visas in other special circumstances (domestic abuse situations, for example).

Exemptions to be specified in regulations

38. To enable the exemption settings to be adjusted in line with the Government's priorities I am proposing that regulations prescribe who is required to pay the levy and who is exempt from paying the levy. These regulations will made on the recommendation of the Minister of Tourism following public consultation.

39. Exemptions will be set in order to align the IVL with New Zealand's international interests and obligations, and/or where the Minister is satisfied that the group does not substantially add cost to tourism infrastructure.

Options for spending the IVL revenue

Submissions supported a range of expenditure options and requested representative and transparent governance

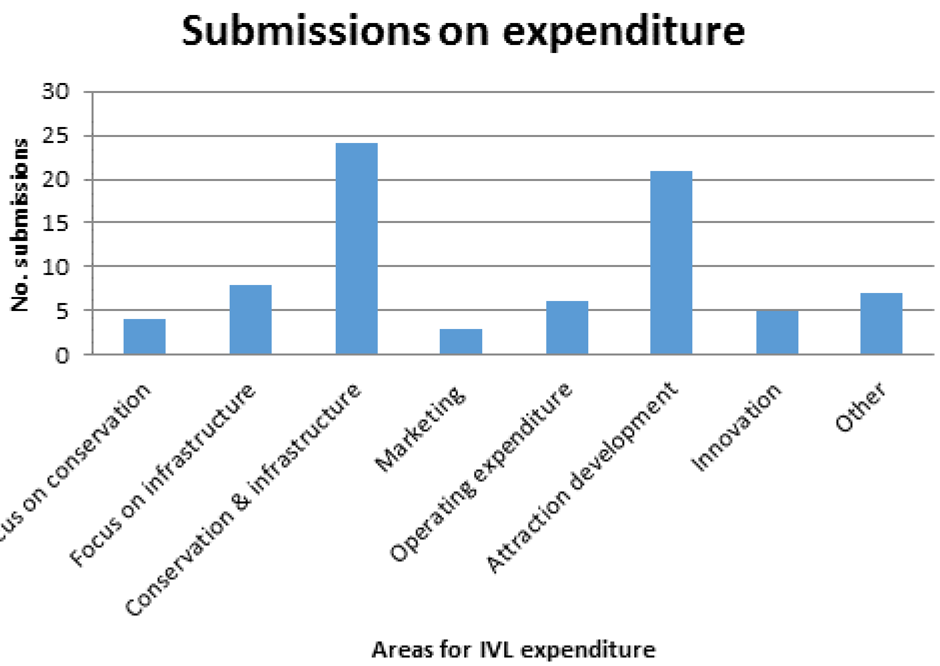
Support for a broad scope of expenditure

40. The discussion document sought views on how best to spend the revenue from the IVL, but no firm proposal was included. I have received a wide range of views from submitters, as illustrated in the graph below. Of note:

    40.1. most submissions supported a mix of expenditure areas

    40.2. there was significant support for attraction development including development and protection of Māori culture and heritage

    40.3. there was some support for innovation (data, research and development, and insight) and business development in the sector.



Many submitters also indicated that they would appreciate further discussion on expenditure, given the discussion document did not indicate any particular proposal.

Ring-fence the IVL to demonstrate its impact.

41. More than 90 submissions recommended some form of ring-fence for the IVL, with 15 stressing the desirability of clear hypothecation (mostly industry groups). There were no submissions suggesting the IVL should be returned to the consolidated fund.

42. Given this is a levy paid by international visitors, rather than general taxation; ring-fencing the revenue so that it is spent in areas that benefit those visitors is appropriate. It makes the IVL more palatable for visitors, as they would know their money is contributing to conservation and the visitor experience.

Shaping the tourism system requires collaboration

43. Nine submissions highlighted the need for transparent decision-making and/or reporting; 20 submitters recommended a breadth of representation in decision-making.

44. In order to shape tourism in New Zealand so that we enjoy the benefits of sustainable growth, we need a more deliberate and planned tourism system across multiple actors. This requires collaborative governance with stakeholders. Representation in decision-making will also give the government access to expertise and help to maintain stakeholder support for the IVL. The Tourism Infrastructure Fund Advisory Panel is one example where government is already benefiting from this type of arrangement to achieve its objectives.

45. The expenditure options below include representative governance.

Using the IVL to deliver on the draft Tourism Strategy and the draft Investment Framework for Tourism

46. I have instructed officials to develop a draft Tourism Strategy, which the Minister of Conservation and I intend to submit for Cabinet's consideration in the coming weeks. The strategy signals a more active, co-ordinated approach to the Government's role in tourism. The Strategy's aim is to enrich New Zealand through sustainable tourism growth. The Government has a variety of levers across multiple agencies and portfolios that it can use to make the tourism system more responsive to the challenges and opportunities of growth.

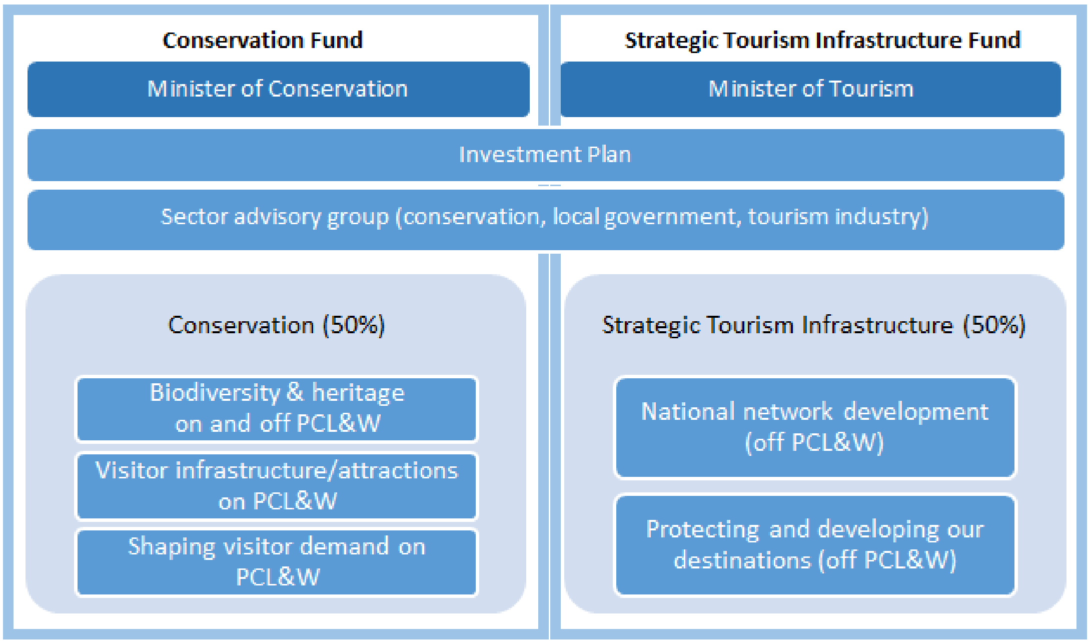
47. The IVL is one such lever. It has a clear role in supporting the Government's draft Investment Framework for Tourism (the Investment Framework). IVL revenue can be applied:

    47.1. Nationally, to help ensure the tourism market can respond to demand, and that the system as a whole delivers good outcomes for visitors and New Zealanders

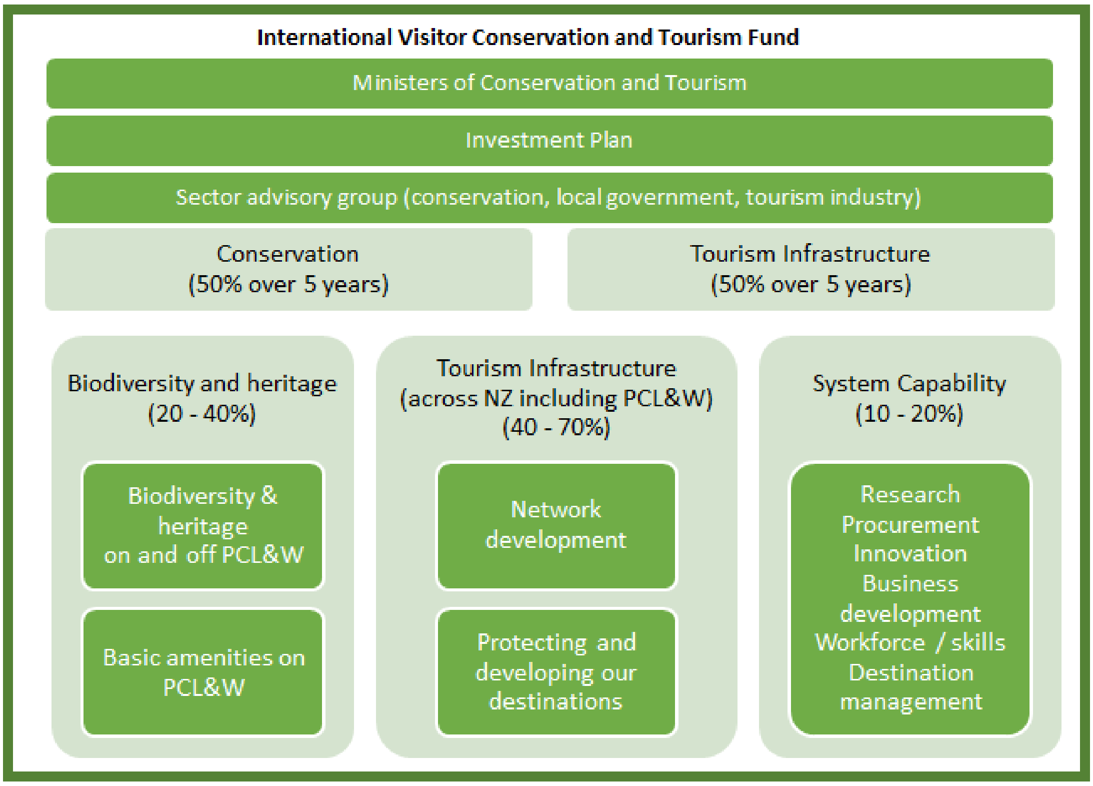
47.2. Regionally, to develop and protect destinations and support Government's role as an actor in the system looking to achieve a more optimal distribution of tourism across regions.

Illustrative expenditure options to support targeted consultation

Option 1 – Simple Split: Tourism and Conservation



Option 2 - System investment approach



Expenditure proposals for targeted consultation

48. As a next step, I propose targeted consultation on how to spend the IVL revenue with conservation, local government, and tourism industry stakeholders (consultation will not affect implementation dates). The draft discussion document is attached at Annex One. Key components are set out below and illustrated on page 9.

Investment Plan to set out a 3-5 year expenditure programme

49. Central to both options is the Investment Plan. This would be co-developed with a sector advisory group (conservation, local government, and tourism industry). This would set out the intended programme of expenditure for 3-5 years, and include biodiversity and visitor-related programmes.

50. The Investment Plan will be particularly important for co-ordinating any place-based investment, for example Milford Sound where there is a need for infrastructure, protection of biodiversity and visitor experiences, and dispersal of visitors to the wider region.

51. The Investment Plan will enable low compliance delivery mechanisms, as programmes can be delivered through, for example, a central Request for Proposal, or granted to entities already involved in priority projects (such as the Milford example above). This differs from the Tourism Infrastructure Fund where local councils apply for each project, generating some compliance costs.

52. The IVL will not replace the Tourism Infrastructure Fund. I consider there is still a need for a responsive, 'bottom-up' fund that can meet locally-identified needs.

Two options for the scope of expenditure

53. I recommend that the Government consult on two options to illustrate the potential scope of expenditure. The first option is a simple split between tourism and conservation; the second has a broader scope, and would enable more co-ordinated, deliberate and smarter investment in the tourism system. These are illustrated page 9 (further detail is included in Annex One). The key differences between options are that Option 2 includes:

    53.1. An additional 'pillar' to invest in system capability (data, business support, workforce development, destination management capability)

    53.2. A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)

    53.3. A single infrastructure pillar for investment on, off, and adjacent to PCL&W

Transparent management of IVL

54. Transparent reporting and management of the levy expenditure is also important (and strongly supported by submissions). I propose the IVL be hypothecated, with annual reporting on actual expenditure and a memorandum account[3].

Ministers of Tourism, Finance and Conservation to make decisions on a final expenditure proposal

55. I recommend that Cabinet authorise the Ministers of Tourism, Finance and Conservation to make final decisions on the form for expenditure following consultation.

Consultation

Public consultation on the IVL

56. Public consultation on the IVL ran for five weeks, in conjunction with consultation on the ETA, and Immigration Fees and Levies. Officials met with stakeholders on request across local government, conservation groups, and the tourism sector. In total, 107 submissions were received. Specific points have been noted in the analysis above.

International engagement

57. The Ministry of Foreign Affairs and Trade (MFAT) has proactively engaged with a number of foreign governments. While queries have been raised, MFAT have been able to satisfy foreign governments on most points.

Section 6(a)

58.

Proposed targeted consultation on expenditure

59. I intend to consult with key stakeholders on the expenditure options outlined above.

60. This targeted consultation is intended to partially overlap with consultation on the Government's draft tourism strategy (if agreed by Cabinet), to ensure alignment. IVL consultation will be undertaken parallel to the drafting process and will not affect implementation timeframes.

Government agencies

61. The following agencies were involved in the development of the IVL proposal: Ministry of Foreign Affairs and Trade, The Treasury, Ministry of Transport, New Zealand Transport Agency, Department of Internal Affairs, Inland Revenue, New Zealand Customs, Department of Conservation, and the Ministry of Primary

[3] A memorandum account reports annually on revenue and expenditure, and carries forward any surplus or deficit. This ensures that, over time, revenue and expenditure are equal but can also allow for flexibility in any given year.

Industries, Ministry of Justice. In addition, within MBIE, Immigration Policy and Immigration New Zealand have contributed. The Department of the Prime Minister and Cabinet and Parliamentary Counsel Office have been informed.

Financial Implications

62. The preferred rate of $35 will create a revenue stream in the order of $80 million in 2020. This is expected to grow at around 4% per annum (more detailed forecasts will be developed to inform Budget 2019).

63. The funds raised by the IVL will be used to improve conservation and tourism outcomes (applied via Votes Conservation; and Business, Science and Innovation). The net fiscal impact of the proposed levy and its expenditure is neutral for the Crown overtime. As noted above, differences between revenue and expenditure (surplus/deficit) in any given year will be carried over into the following year(s) via a memorandum account.

Overhead costs

64. Collection costs for the proposed model are minimal, as the IVL will use existing INZ systems and the proposed ETA system (costs outlined in the paper being considered concurrently by DEV). Systems changes will be required if exemptions for visitors under two years old are retained, and the Pacific Island country exemption is not extended. Costs for these changes would be at least $500,000 each. Changes required for the Visa system are estimated at $1 million and can be funded by INZ.

65. Administration of expenditure will be funded from the IVL revenue.

Goods and Services Tax (GST)

66. The $35 IVL rate includes GST of $0. This is consistent with INZ's existing practices for visa application fees which are subject to 0% GST when the applicant indicates they currently live outside New Zealand.

67. There is risk that the IVL could result in reduced demand (a one-off drop in either growth of visitor numbers, or growth in expenditure). Based on the limited information available, this could result in an $8 million loss in GST. MBIE considers the risk to be low as the IVL is less than 1% of the average visitor-spend and the estimates are based on the price sensitivity of air tickets rather than visas (which have lower price sensitivity, are purchased in advance, and often enable multiple entry). The size of the risk is not considered significant enough to affect GST forecasts, or MBIE's tourism expenditure forecasts.

Legislative Implications and Timeframes

68. The proposals in this paper will require enabling legislation, and supporting regulations. It has been included in the legislative programme as a Priority Five (to be referred to Select Committee within this calendar year).

Progress of the IVL	**Dates**
Drafting	September – December 2018

Progress of the IVL	Dates
Introduction	December 2018 /February 2019
Royal Assent	July/August 2019
ETA available	1 July 2019
IVL regulations come into force (visitors required to pay the IVL)	August/September 2019
ETA required for entry to New Zealand	1 October 2019

69. Parliamentary Counsel Office has been consulted on the legislative bid and informed of this paper.

Impact Analysis

70. A Regulatory Impact Statement has been prepared and is attached to this Cabinet paper. A joint quality assurance team from The Treasury and MBIE has reviewed the Regulatory Impact Statement and considers that it meets the quality assurance criteria, enabling Ministers to fairly compare the available policy options and take informed decisions on the proposals.

Human Rights

71. The proposal could be considered to discriminate based on nationality. However, the proposal does exempt anyone entering New Zealand as a permanent resident. So far as there is any infringement on human rights, I consider it to be justified as visitors are contributing towards costs they impose, and the upkeep of the attractions and amenities that they enjoy.

72. A full assessment of human rights implications will be completed as part of drafting the legislation for LEG to consider.

Publicity

73. I intend to make a press release announcing Cabinet's decisions on the IVL. This will be supported by a communications plan that includes other Governments, and local and international stakeholders.

Proactive Release

74. I also intend to pro-actively release this Cabinet paper (and associated RIS), the summary of submissions, and all 107 submissions shortly after decisions are made on this paper. Release is subject to redactions as appropriate under the Official Information Act 1982, including privacy requests by submitters.

Recommendations

The Minister of Tourism recommends that the Committee:

1. note that consultation on the International Visitor Conservation and Tourism Levy (IVL) has concluded, and over 90 of the 107 submissions received were in support

2. note that the IVL is part of a suite of related proposals Cabinet is considering that includes the introduction of an Electronic Travel Authority, and the Immigration Fees and Levies Review, and the Minister of Conservation and I will be submitting a paper on a draft Tourism Strategy for Cabinet's consideration in the coming weeks

3. agree that the purpose of the IVL is to fund investment in conservation and tourism

Approval for the collection mechanism

4. agree the IVL be collected alongside visa and electronic travel authority application fees by Immigration New Zealand

5. agree the IVL is to be paid by:

    5.1. all people applying for an electronic travel authority (visa waiver travellers)

    5.2. all people applying for visitor visas or short term entry visas (12 months or less)

6. Agree that the following travellers are exempt from IVL charges:

    6.1. diplomatic, military, medical, and humanitarian visas

    6.2. transit passengers, including the Antarctic Traveller Transit Visa

    6.3. Australian citizens and permanent residents (who receive residence visas on arrival)

    6.4. the following Pacific Island countries:
    - American Samoa
    - Cook Islands
    - Fiji
    - Kiribati
    - Republic of Marshall Islands
    - Federated States of Micronesia
    - Niue
    - Palau
    - Papua New Guinea
    - Pitcairn Islands
    - Samoa
    - Solomon Islands
    - Tonga
    - Tuvalu
    - Vanuatu

    6.5. Recognised Seasonal Employment workers

    6.6. Business Visitor Visas (including APEC business travel cards)

    6.7. ship and airline crew

    6.8. travellers whose visa or ETA requirements have been waived by Immigration New Zealand

7. agree the IVL is to be charged at a rate of $35 per person payable on application for a visa or Electronic Travel Authority, with a five year review period

8. agree that, subject to the legislative process, the IVL should come into effect as soon as possible in the 2019/20 fiscal year, and no later than 1 October 2019

9. note that the proposal in recommendation 7 above, is estimated to increase revenue by around $80 million per year, which will be used to fund investment in tourism and conservation

10. agree the authority to collect the IVL and its purpose (as set out in recommendation 3) should be set out in legislation

11. agree that the collection mechanism, exemptions, and the levy rate (as set out in recommendations 4-7) should be prescribed in regulations

12. agree future regulations are to be made on the recommendation of the Minister of Tourism, following public consultation

13. agree exemptions will be set in order to align the IVL with New Zealand's international interests and obligations, and/or where the Minister is satisfied that the group does not substantially add cost to tourism infrastructure

14. invite the Minister of Tourism to issue drafting instructions to Parliamentary Counsel to give effect to the recommendations in this Cabinet paper

15. authorise the Minister of Tourism to approve changes consistent with the policy proposals in this paper, or on any issues that arise during the drafting process

16. note that the Minister of Tourism intends to return to Cabinet Legislation Committee for approval to introduce legislation giving effect to the recommendations in this Cabinet paper in December 2018 to enable introduction in February 2019

Approval to consult on expenditure and governance

17. agree to targeted consultation on expenditure of the IVL using two illustrative options:

    17.1. Option One: a simple 50:50 split creating two funds for conservation and tourism infrastructure

    17.2. Option Two: monies will be spent equally across conservation and tourism over a five year period using a single fund with three pillars:
    - Biodiversity and heritage on and off Public Conservation Lands and Waters (PCL&W), and basic amenities on PCL&W
    - Strategic Tourism Infrastructure covering national networks and destination development and protection (access, amenities, and some attractions) on and off PCL&W
    - System capability including, but not limited to: data, destination management capability, procurement, workforce development, innovation

18. agree that under both options 7.1 and 7.2 governance arrangements will include:

    18.1. a representative advisory group

    18.2. an Investment Plan setting out the expenditure programme for three to five years

18.3. annual reporting on revenue and expenditure (including a memorandum account to track expenditure against IVL revenue)

18.4. clear communications to the sector (conservation, local government, tourism industry) and visitors about the use of the IVL

19. authorise the Ministers of Tourism, Finance and Conservation to make final decision on the expenditure proposal and governance for the IVL following targeted consultation.

Communications

20. invite the Minister of Tourism to announce Cabinet's decisions on the IVL, in alignment with the Minister of Immigration's announcement on the ETA;

21. note that the IVL will be included in the ETA communications and engagement strategy; and

22. note that this paper, alongside the summary of submissions, and the Regulatory Impact Statement will be proactively released following Cabinet decisions on the IVL, subject to any appropriate redactions.

Authorised for lodgement

Hon Kelvin Davis

Minister of Tourism

Annex One – Draft Discussion Document for targeted consultation on IVL Expenditure

Annex Two – Regulatory Impact Statement

Annex one – Draft Discussion Document for targeted consultation

Sector input sought on expenditure of the IVL revenue - summary

Following public consultation on the International Visitor Conservation and Tourism Levy (IVL), the Government has agreed the collection mechanism for the IVL. This will require enabling legislation, and that process is now underway.

The public consultation sought input on how the IVL revenue should be spent, but did not put forward specific proposals. Taking submissions into account, the Government is now seeking input from key stakeholders across conservation, local government, and the tourism industry on expenditure. This paper sets out two illustrative options that show the potential range of expenditure and are intended to support quality engagement with stakeholders.

The key components are:

1. An Investment Plan to set out 3-5 year expenditure programme, developed with sector input (conservation, local government and tourism industry)

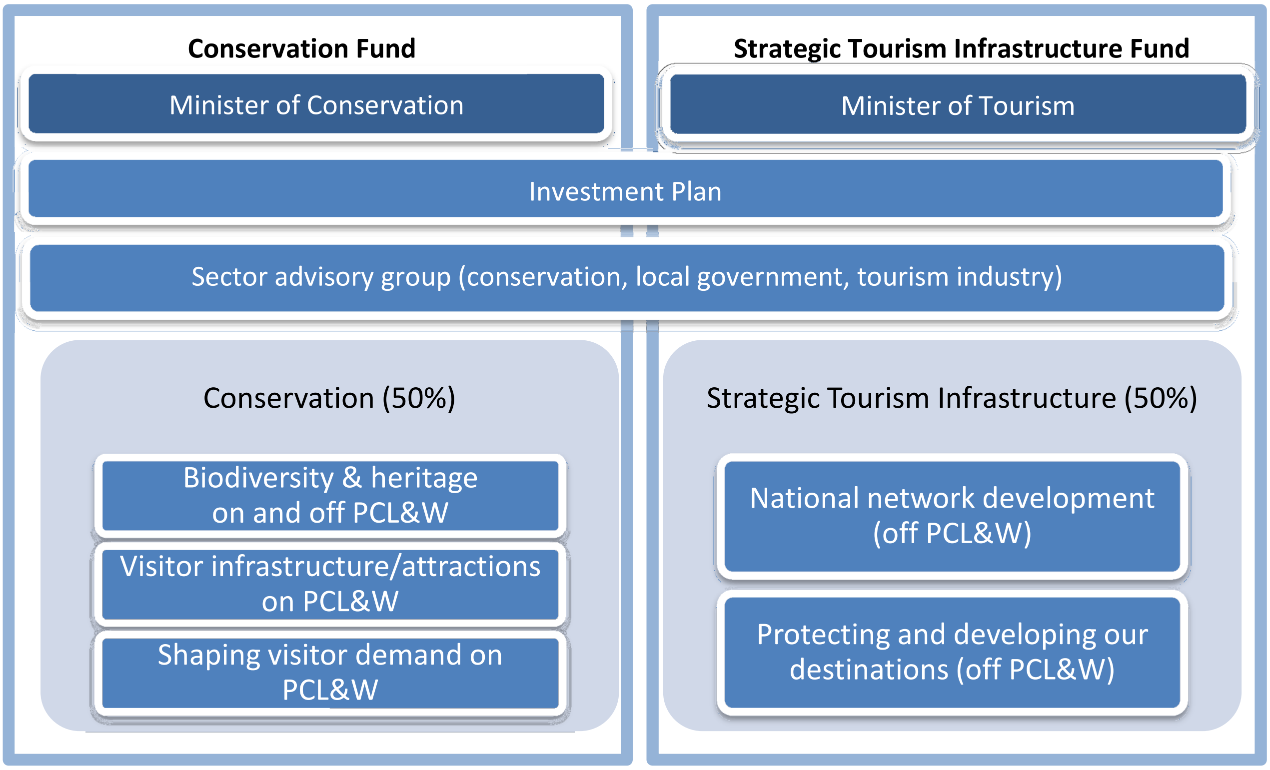
2. Defining what the IVL revenue can be spent on across conservation and tourism. This document includes two options to illustrate the potential scope of expenditure, the key differences between options are that Option 2 includes:
   - An additional 'pillar' to invest in system capability (data, business support, workforce development, destination management capability)
   - A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)
   - Strategic infrastructure planning that includes Public Conservation Lands and Waters (PCL&W) alongside other land owners.

3. Transparent reporting and management of the levy, including ring-fenced funding, with annual reporting on actual expenditure and a memorandum account[1].

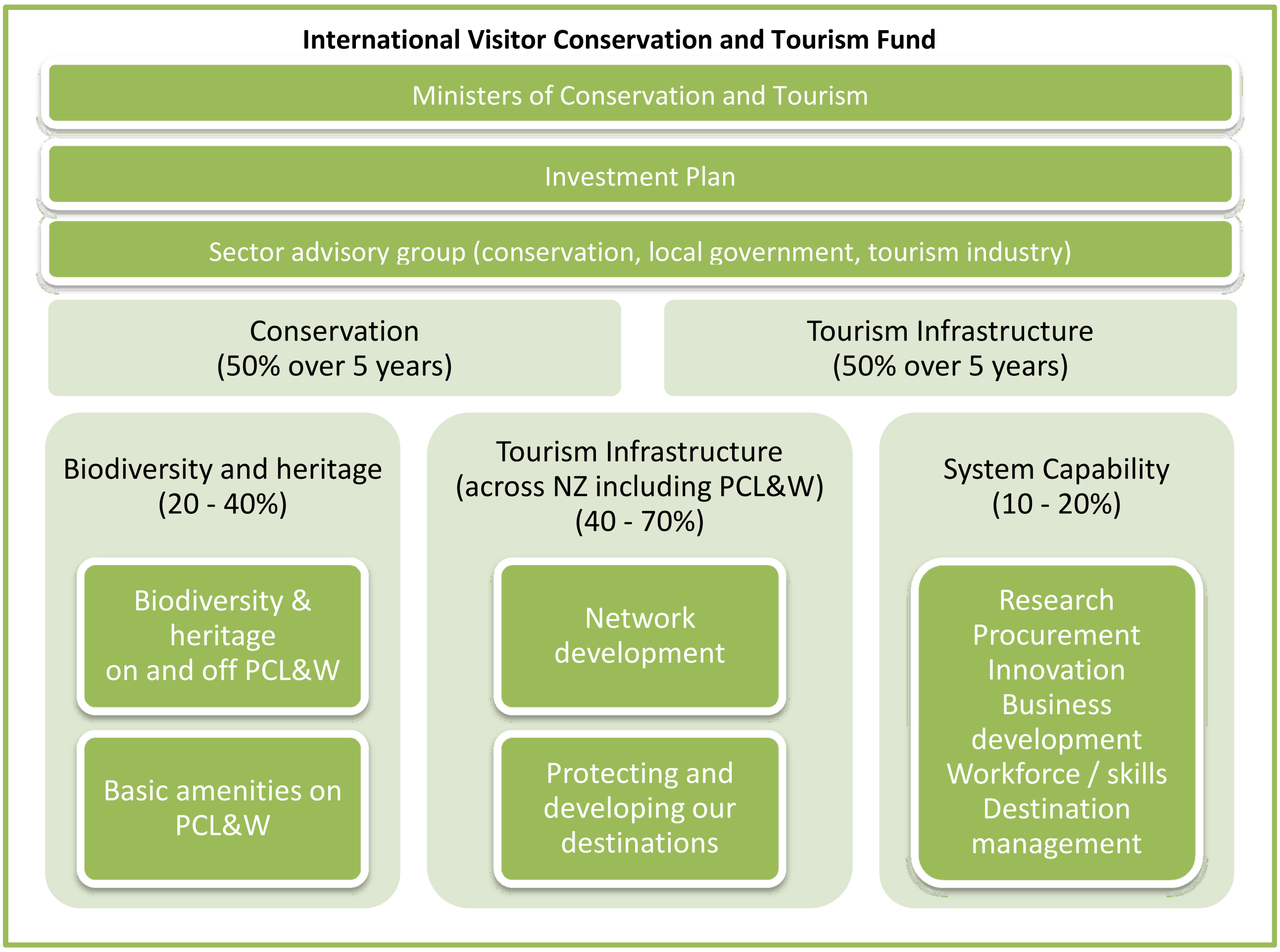
The following diagram sets out how the illustrative options might look. The remainder of this document sets out further detail and some examples of how the IVL might operate for particular projects.

[1] A memorandum account reports annually on revenue and expenditure, and carries forward any surplus or deficit. This ensures that, over time, revenue and expenditure are equal but can also allow for flexibility in any given year.

Option 1 – Simple split: Conservation and Tourism



Option 2 - System investment approach



Proposals for discussion

This section sets out the proposals in more detail, to support discussions between stakeholders and officials on which option (or variation) best ensures that international visitors continue to enrich New Zealand and New Zealanders, and contribute to the costs of maintaining or enhancing the visitor experience.

Programmes to be identified in a 3-5 year Investment Plan

The proposal starts with an Investment Plan. The Investment Plan would:

1. Identify the priorities across conservation and tourism for investment

2. Set out the intended programmes of expenditure for a three to five year period

3. Be developed with input from a sector advisory group (made up of conservation, local government, and tourism industry stakeholders)

4. Broadly identify responsibility for programme delivery

5. Be approved by, and reviewed at the discretion of the Ministers of Tourism and Conservation.

Delivery through a range of mechanisms to minimise compliance costs

Programme delivery mechanisms will be established on a case by case basis, but could involve, for example:

1. Centrally run Request for Proposal, to solve a specific issue, with roll out on an ‘opt in’ basis by land owners; or

2. Grants for entities/groups already running projects identified as priorities, for example, a contribution provided to the Milford Opportunities Project[2] to fund delivery.

This differs from the Tourism Infrastructure Fund where local councils apply for each project, which involves costs on the applicants without providing certainty of outcomes.

The IVL is not intended to replicate the Tourism Infrastructure Fund model, where councils are required to apply for funding for needs they have identified. However, there remains a need for a responsive ‘bottom-up’ investment process, and therefore the IVL will not be replacing the Tourism Infrastructure Fund.

[2] The Milford Opportunities Project aims to ensure the Milford experience is world class into the future, while the values of the place are never lost. The Project also aims to encourage visitors on a journey through the whole of southern New Zealand. The Project involves central government agencies, local government, Ngai Tahu, commercial partners, and community groups.

The scope of expenditure

The following two options illustrate the spectrum of potential approaches (input of variations is welcome).

1. A simple split between tourism infrastructure and conservation

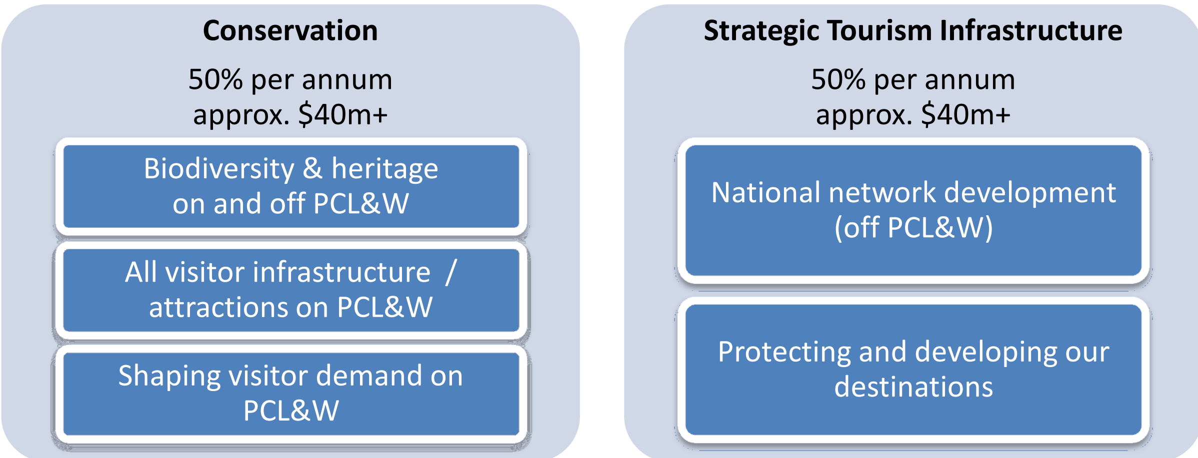
2. A tourism system investment approach

These are set out in detail below.

Option One: A simple split between tourism infrastructure and conservation

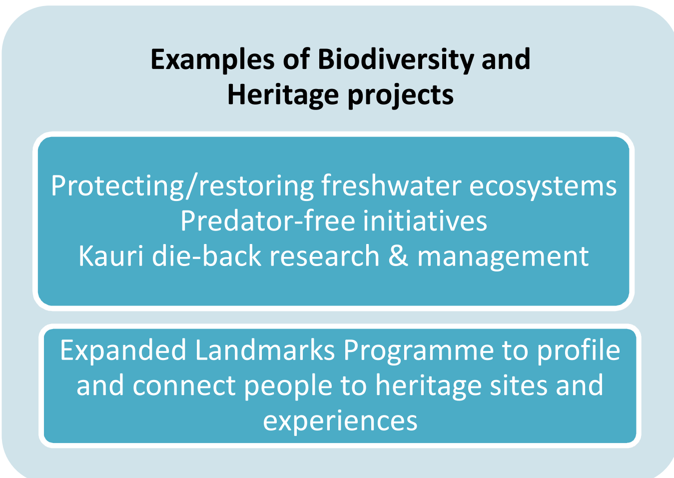
When the Government first considered the IVL, a simple split between conservation and tourism infrastructure was envisaged. Submissions recommended a wide range of splits (including 100% for conservation from some and 100% for tourism infrastructure from others). A large group of submitters were supportive of a split of around 50:50 between tourism and conservation. The following diagram illustrates the proposed scope of these funds.

Option One – Simple Split: Conservation and Tourism



Conservation Fund under Option One

Under Option One, conservation funding would be applied to protect and enhance New Zealand's natural, cultural and historic heritage through DOC's stewardship of public conservation lands and waters (PCL&W), and/or in partnership with other land owners.



In particular the IVL Conservation Fund could contribute to:

1. Protection of native flora and fauna (this could include some biosecurity activity) on or off PCL&W

2. Development of visitor/recreation facilities to both protect the local

environment and/or enhance the visitor experience (on PCL&W)

3. Shape visitor demand across PCL&W through promotion, information, and attraction development (such as tracks and viewing platforms).

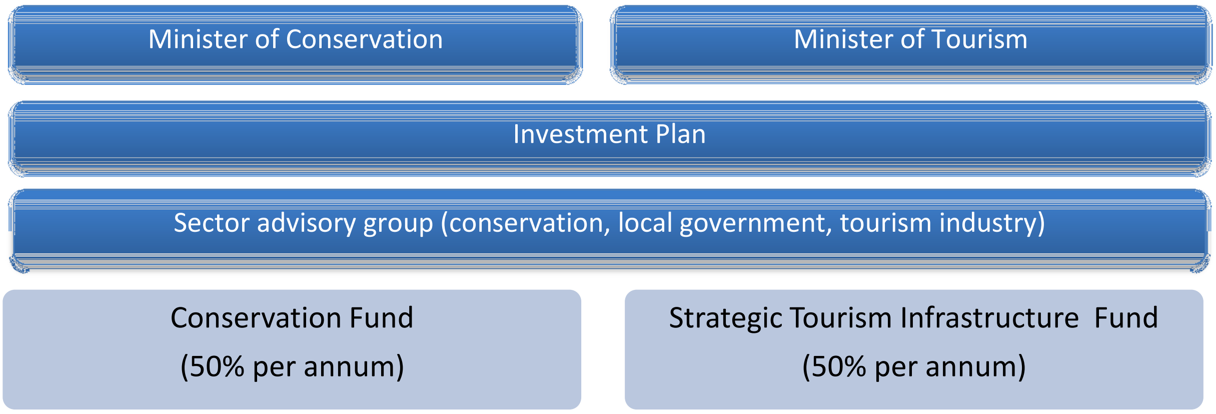
Strategic Tourism Infrastructure Fund under Option One

The IVL Strategic Tourism Infrastructure Fund in Option One would help ensure that the tourism market can respond to demand by investing in:

1. National infrastructure networks that local government and other land owners can opt into (for example, a national responsible camping network), outside of PCL&W.

2. Priority destinations (established, emerging or embryonic) where investment is needed in amenities, access, or publicly funded attractions to achieve a nationally sustainable tourism sector. For example, contributing to the infrastructure requirements in Franz Josef township and surrounds (roading, sewerage etc).

Governance under Option One



Option One creates an administratively simple structure. The Investment Statement would identify the programmes for each Fund, and following Ministers' approval DOC and MBIE would be responsible for managing the Funds separately (while partnering where appropriate). Further input from stakeholders would be programme specific.

Reporting on IVL revenue, project delivery, and expenditure would be required annually. Reporting would be presented jointly but with clear distinctions between the Conservation and Infrastructure Funds.

Option Two: Enabling a tourism system approach and providing for biodiversity

Option Two aims to take a more flexible approach that ensures a co-ordinated effort across portfolios to support the development of a well-functioning tourism system. It has the potential to go further in delivering more productive, sustainable and inclusive tourism sector growth with benefits for conservation, visitors, and New Zealanders.

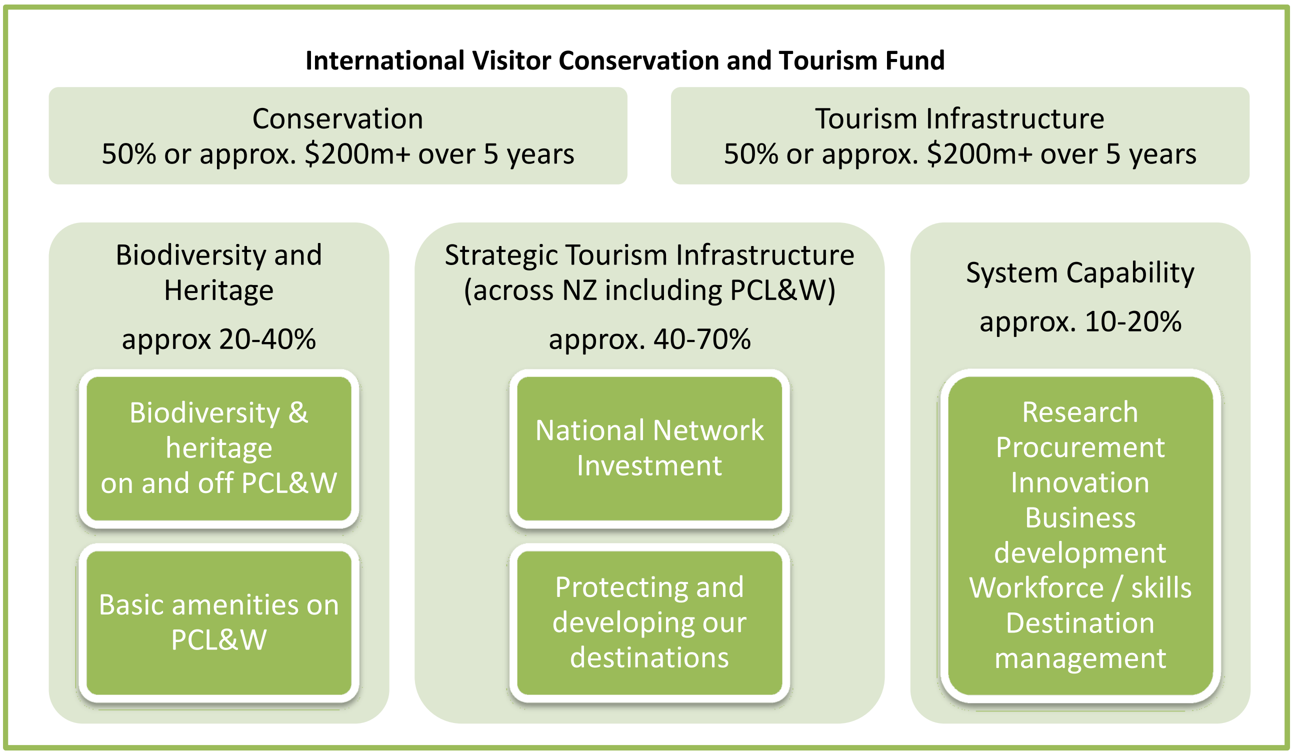
Like Option One, an Investment Plan would set out the programmes for delivery. The Fund would have three broad functions, outlined in the diagram below. The key differences from option one are:

1. An additional ‘pillar’ to invest in system capability (data, business support, workforce development, destination management capability)

2. A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)

3. A single Infrastructure ‘pillar’ that invests on, off, and adjacent to PCL&W.

Option Two - Tourism system investment approach



Biodiversity and Heritage pillar to deliver on DOC’s stewardship role

The first pillar would focus on biodiversity and heritage on and off PCL&W, consistent with DOC’s stewardship role. This would also include basic amenities required to protect the local environment and meet / manage demand on PCL&W (similar to the function the Tourism Infrastructure Fund delivers for local government).

Strategic Tourism Infrastructure pillar to ensure public infrastructure can meet demand

The second pillar would focus on tourism infrastructure delivery. Unlike Option One, this would include delivery on PCL&W. It could also enable better planning for adjacent developments that relieve pressure on PCL&W without building on it. This pillar would ensure that the publically provided parts of the tourism system/market are able to meet demand, now and into the future across portfolios.

The Strategic Tourism Infrastructure Pillar would include/enable:

1. National infrastructure networks that government departments, local government and other land owners can opt into.

2. Co-ordinated approach to place-based investment in priority destinations across access, amenities and some attractions. It could also include some operating costs, where there are high visitor to ratepayer ratios and limited opportunities for other forms of revenue.

Example of national network

Responsible Camping Network

A national responsible camping network including consistent signage and smart payment and/or facility management systems on LINZ, local government, NZTA and DOC land. Investment could include some operating costs, but the intent would be for these investments to largely self-fund operating

Example of place-based investment

Franz Josef

Supporting access, amenity and attraction development in and around the township, including the surrounding PCL&W. Developments could include Park and Ride facilities for the glacier, reducing the impact on the environment around the glacier, enhancing the visitor experience and creating opportunities for local businesses

System Capability pillar to ensure the optimal outcomes for visitors and New Zealanders

The third pillar would involve development of system capability. This would look to support a smarter system delivering optimal outcomes for visitors and New Zealanders. Funding could cover (but not necessarily be limited to):

1. Research to support industry development, needs analysis etc (the tourism data domain plan, developed with the sector, identifies a number of new data sets that would be useful).

2. Central support for procurement (for example seeking smart digital solutions that create revenue streams from all visitors, or reduce costs of running infrastructure, and bulk purchase).

3. Specific capability building initiatives (using an incubator approach, for example), including destination management, tourism business development, and workforce/skills (for example partnering with the education sector to support for tourism as a career).

How a broader approach supports the Government's draft Tourism Strategy

This broader approach will do more to support the Government's draft Tourism Strategy. For example, one of the objectives of the Strategy is a more optimal spread of visitors across the regions. To achieve this requires:

1. Data on current journeys/flows (system capability pillar).

2. Greater destination management capability across New Zealand to develop the visitor offering that communities aspire to (system capability pillar).

3. These can then inform infrastructure investments on, off, and adjacent to PCL&W. Investing adjacent to PCL&W also reduces the impacts on those lands (Strategic Tourism Investment).

4. Marketing to spread visitors across PCL&W, and other key attractions (currently undertaken by DOC, Tourism NZ, and local RTOs/EDAs).

As a package, this enhances the benefits of tourism for New Zealanders, reduces the impacts on local environments, and improves the visitor experience.

Option two: Governance

Governance for Option Two would be joint. As with Option One, a sector advisory group would provide input to an Investment Plan, outlining the programmes to be delivered over the following 3-5 years and intended shares. The Investment Plan would be approved by joint Ministers. Further input from stakeholders would likely be required on specific programmes.

Annual reporting would include revenue, programme delivery and actual expenditure. It would identify the cumulative share (actual and planned) between conservation and tourism, as well as the shares between the pillars.

Questions for consideration

Investment Plan and stakeholder input

- Does the Investment Plan seem like a fit-for-purpose approach to you?
- What inputs do you consider would be required for the 3-5 year Investment Plan, and who would be best placed to provide them?
- How often should the Investment Plan be reviewed?
- Are there any particular skills or representatives that could usefully be included in the advisory group?
- When would you expect to see additional stakeholder involvement in decision-making?

Scope for expenditure

- How broad should the scope of expenditure be?
- Are you in favour of a clear split between conservation in tourism, or a more collaborative approach?
- What criteria should apply (across IVL expenditure or for particular pillars)?
- Is there any types of projects you consider should be excluded?

Operations

- Are there other mechanisms for delivering projects that should be considered?
- Will the mechanisms described provide sufficient certainty for stakeholders?

Coversheet: International Visitor Conservation and Tourism Levy

Advising agencies	Ministry of Business, Innovation and Employment
Decision sought	Implementing a levy on international visitors travelling to New Zealand to fund tourism infrastructure and conservation
Proposing Ministers	Hon Kelvin Davis

Summary: Problem and Proposed Approach

Problem Definition

What problem or opportunity does this proposal seek to address? Why is Government intervention required?

Recent high growth in visitors has put pressure on visitor infrastructure (including on facilities and public conservation lands and waters managed by the Department of Conservation). The underlying problem is that visitors do not generate a revenue stream directly back to infrastructure owners for them to invest in assets and maintenance. The revenue that is generated from visitors through GST or rates on visitor-related businesses for example, is used to fund a range of public services.

Proposed Approach

How will Government intervention work to bring about the desired change? How is this the best option?

A package of funding tools is required to ensure those benefiting also help to fund costs, thereby addressing some of the challenges resulting from visitor growth. The first of these measures is the International Visitor Conservation and Tourism Levy (IVL). The investment will be used where other forms of revenue are difficult, or to support revenue generation.

The IVL alone will not fully address all the issues identified; instead it is a first step in a wider funding package. It will fill the gaps that other funding tools in the package can not address.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?

No specific decisions have been made on where IVL revenue will be spent. As noted above, it is envisaged that $80 million revenue will be used to support conservation and enhance tourism infrastructure. Therefore, the direct beneficiaries are likely to include central government agencies such as the Department of Conservation, and local government agencies responsible for most public tourism infrastructure.

Indirect beneficiaries include local communities in high visitor areas and domestic visitors who are currently 'crowded-out' due to capacity constraints.

Industry will also benefit as the IVL will contribute to a better visitor experience and maintaining the local community support for the sector to operate.

Where do the costs fall?

The cost falls directly on those who are liable for the IVL (i.e. most international visitors). New Zealand citizens and permanent residents are exempt from the IVL.

Administrative and compliance costs are minimal, as the collection of the IVL will be through existing immigration systems.

The IVL, like any other charge, may have impacts on commercial activity. This is likely to be limited to any price sensitivity effects on demand. As the IVL is less than 1 per cent of average visitor spend, price effects are expected to be low. However, there is limited information available.

What are the likely risks and unintended impacts, how significant are they and how will they be minimised or mitigated?

Increasing the costs of travel could impact New Zealand's attractiveness as a destination. Estimates on ticket price sensitivity have a wide range, with a point estimate of 1% one-off drop in growth in visitor volumes. However, the proposal has some significant variations from the scenario modelled:

- The IVL will be charged via immigration fees. These are highly inelastic, and remain comparable with other countries.
- The most price sensitive markets (Australia and Pacific Islands) have been exempted (though the key driver for the exemption is our international interests).
- Competitive dynamics (pricing), exchange rate movements, and global economics all affect demand to a greater degree than the proposed charge (which is less than 1% of average spend). The tourism forecasts considered the IVL charge, but did not make any adjustment for them as $35 was not considered to have sufficient impact.

Identify any significant incompatibility with the Government's 'Expectations for the design of regulatory systems'.

The IVL is consistent with the Government's 'Expectations for the design of regulatory systems'.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?
Evidence of shortfalls in investment Overall, there is sufficient evidence of a large scale shortfall in visitor-related infrastructure investment to support the introduction of the IVL. This is supported by sector reports that suggest that the total visitor-related infrastructure investment required could be in the order of $100-$150 million per annum. However, there are some limitations in the analysis and figures should only be considered as an indicator of scale. *Information on visitor forecasts* MBIE produces forecasts for both international tourism and visa pricing. The former are published annually to inform sector stakeholders, and the latter is used to inform visa fees. Both have a reasonable degree of reliability, though visa forecasts only cover a three year period. Information on price effects of charging the IVL is limited, as noted above. MBIE considers the available figures to be high-end estimates.

To be completed by quality assurers:

Quality Assurance Reviewing Agency:
The Treasury and the Ministry of Business, Innovation and Employment
Quality Assurance Assessment:
A joint quality assurance team from The Treasury and the Ministry of Business, Innovation and Employment has reviewed this Regulatory Impact Statement and considers that it meets the quality assurance criteria, enabling for Ministers to fairly compare the available policy options and take informed decisions on the proposals in this paper.
Reviewer Comments and Recommendations:

Section 1: General information

Purpose
The Ministry of Business, Innovation and Employment (MBIE) is solely responsible for the analysis and advice set out in this Regulatory Impact Statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by Cabinet.
Key Limitations or Constraints on Analysis
While the Government committed to introducing a levy on international visitors as part of its election manifesto, MBIE has considered a range of funding tools, including the IVL, to address the issues around conservation and tourism infrastructure. Alternative funding tools have not been thoroughly assessed for this RIA, but preliminary analysis is included. The RIA focusses on two short-listed implementation options for the IVL. *Evidence of shortfalls in investment* MBIE considers there is sufficient evidence of a large scale shortfall in visitor-related infrastructure investment to support the introduction of the IVL. This is supported by: • Sector reports that suggest that the total visitor-related infrastructure investment required could be in the order of $100-$150 million per annum. Due to some limitations in the analysis, figures should only be considered as an indicator of scale. • Stakeholder feedback, including MBIE Peak Season reviews that identify pressures in some hot-spots. • Engagement with local government on specific projects, for example for Tourism Infrastructure Fund projects. *Information on visitor forecasts* Each year, MBIE produces international tourism forecasts to support planning and investment processes in the tourism industry. For the 2017 forecast, total arrivals were over-forecast by 0.3 per cent, while spend was over-forecast by 1.2 per cent, making it the most accurate forecast over the last seven years. Immigration New Zealand also collects immigration data of all arrivals into New Zealand. It also prepares forecasts of arrivals to support its pricing of visa applications. However, current forecasts are only available out to the year 2020, which is the proposed first year of the IVL. Information on price effects on demand is limited. MBIE's forecast team consider the price effect to be too small to warrant adjusting forecasts.
Responsible Manager (signature and date):
Richard Davies Tourism Policy Labour, Science and Enterprise Ministry of Business, Innovation and Employment

Section 2: Problem definition and objectives

2.1	What is the context within which action is proposed?
2.3	What is the policy problem or opportunity?

Growing tourism sector offers opportunities to enrich NZ and New Zealanders

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's total contribution to GDP was estimated at $36 billion to GDP, or 10 per cent of total GDP.

Estimates of crown benefit from international visitors suggest $3.2 billion in revenue, and $600 million in expenditure. In round terms, this suggests international visitors make a 3% net contribution to Crown revenue (making up 4% of the population on average).

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.

Tourism sector is reliant on publicly provided infrastructure where costs are not always met by users

Tourism, as a system, is heavily reliant on the provision of infrastructure and protection of our natural attractions. These are used by local residents, and domestic and international visitors.

Tourism infrastructure and services (including public conservation lands) have been put under pressure due to recent unexpectedly high visitor growth. Growth is expected to continue.

Many goods and services used by visitors are not provided by the market, because

- they are a public good (non-excludable, non-rival) ie there is no commercial proposition because you can't charge for it and/or
- there are externalities (positive and negative) that make private provision lower than the level that is socially desirable (public toilets wouldn't be provided in small towns, but this is desirable from a public health perspective, and visitor experience) and/or
- public provision may be more efficient (due to information asymmetries, transaction costs, or natural monopoly)

These three factors result in public provision. However, this means that tax- and rate-payers pay for provision, but they are only a portion of the beneficiaries. As a result those who benefit are not the same group as those who pay (free rider problem).

Government (local and central) also face financial constraints:

- scope for revenue may be limited because the goods are public goods, or due to expectations of free provision eg free access to public conservation lands
- historical settings mean that businesses and experiences have been built on a subsidised set of infrastructure (this can be addressed over time, but doesn't fix the

problem now).

- Government and Councils have made trade-offs between priorities within their budget constraints which have resulted in under-investment/under-provision (this isn't to say that funds haven't gone to best use)

While some revenue options do exist within current settings, accessing them may take time. For example:

- a transition period to enable businesses to adjust to targeted rates that cost-recover (avoiding shocks)
- capital investment to enable new (smarter) revenue systems (enabling collection, differential charging etc)
- a social process is required to ensure new policies (eg user pays) are accepted and can endure.

The main areas where these effects manifest are visitor-related or mixed-use local infrastructure and public conservation lands (arguably NZ's major drawcard).

Visitor growth is exacerbating underlying capacity constraints

Both central and local government are also dealing with situations where infrastructure has not kept up with domestic growth and/or no longer meets modern standards and expectations. The growth in visitor numbers has further exacerbated this problem, especially where local demands are already causing capacity constraints.

To maintain the visitor experience and social licence for tourism, we need to address funding for publicly provided tourism related infrastructure and services

Without intervention, the current issues are likely to continue to grow, especially given the forecast of continued growth in the tourism industry. This could lead to a loss of social licence for the tourism sector (as has been seen overseas) and/or negative impacts on the visitor experience. Both would damage New Zealand's reputation as a destination (with potential flow-ons to other spheres), and a reduction in the size of our tourism sector (and therefore the economy).

Evidence/symptoms of the current problem (identified through a range of sources) include:

- Over-crowding at visitor hot-spots, resulting in adverse impacts in the immediate environment and deterioration in the visitor experience.
- Locals and domestic visitors cannot access places in the way they traditionally could when numbers were lower.
- A perception that local taxpayers are bearing the financial burden of visitor-related infrastructure for the benefit of international visitors.
- Loss of local community support for the tourism sector to operate.

If these issues are not addressed, 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 visitor experience, or loss of local community support for the sector

Government intervention is necessary to ensure funding for conservation and tourism infrastructure is placed on a financially sustainable footing. This means that those who benefit from infrastructure and services provided are contributing meaningfully to costs.

2.2 What regulatory systems are already in place?

Local Government

Local government is one of the primary providers of visitor-related infrastructure. Local government's main revenue source is rates, which is provided through the Local Government (Rating) Act 2002. In addition, local government also has a range of user-charge options. Local government's ability to respond to the problem is constrained by a number of factors:

- Local councils are primarily focussed on the needs of their ratepayers and are reluctant to invest in infrastructure where locals are not the major beneficiaries.
- Developing regions are required to invest significant sums well in advance of enjoying the economic benefits.
- There are often constraints around charging for the use of public infrastructure, including inability to exclude those who do not pay and undesirable outcomes if people do not use the facilities.

The Minister of Local Government has initiated an inquiry into local government costs and revenue. Visitor-related infrastructure issues are within the scope of the inquiry.

Department of Conservation

The Department of Conservation (DOC) is responsible for managing public conservation lands and waters (PLC&W) in New Zealand, which features many of the main attractions for international visitors to New Zealand. Under current settings, DOC is unable to charge for access into public conservation lands and waters.

DOC has a number of revenue sources including central government funding, concession fees returned to the department and user charges for facilities on public conservation lands. DOC has recently initiated a differential pricing trail for accommodation on four of the Great Walks, where international visitors are charged double the amount paid by domestic visitors. A strategic review of visitor revenue is also underway.

Recent Budgets have included substantial increases for DOC for biodiversity and visitor-related funding.

DoC currently faces a number of funding constraints:

- Appropriations are not tied to actual use by visitors, limiting ability to cater for additional demand
- Charging and concession structures that do not recognise the full cost of provision and/or the commercial value of the asset involved
- Balancing increasing recreation/tourism and conservation activity (recognising the mutual benefits, as well as the trade-offs)

Tourism Infrastructure Fund

The Government also established the Tourism Infrastructure Fund (TIF) in Budget 2017, providing $100 million over four years. The purpose of the TIF is to support the development of public visitor-related infrastructure where tourism growth is placing pressure on existing infrastructure, and where the local community is unable to respond in a timely way without assistance.

Two funding rounds have now been concluded where a total of $34 million in co-funding was approved to support projects totalling $75 million.

Provincial Growth Fund

The Government established the Provincial Growth Fund (PGF) in Budget 2018, investing $1 billion per annum over three years in regional economic development. The PGF aims to lift productivity potential in the provinces and its priorities are to enhance economic development opportunities, many of which would be tourism-related.

Note: Both the Tourism Infrastructure Fund and Provincial Growth Fund are time limited and do not offer long-term solutions to the problem of meeting costs for publicly-provided visitor-related infrastructure and services.

2.4 Are there any constraints on the scope for decision making? Or links to other work?

Wider funding package in development

The proposed IVL is one of the funding tools in a wider package in development across other central and local government mechanism. The IVL is not expected to address all the challenges resulting from visitor growth.

Commitment to seamless border processing

The government has committed to making border processing as seamless as possible through technology and process improvements, for example the introduction of smart gates and the proposal to remove departure cards. The design of the IVL would need to be consistent with this approach.

New Zealand's international interests and obligations

The IVL needs to be consistent with New Zealand's wider international interests and obligations.

Dependency on ETA decisions

The preferred collection method involves attaching the IVL in the application fees for the proposed ETA (used for border security and facilitating passenger movements). Analysis of the options is dependent on a decision to implement the ETA.

Timely intervention

Ministers indicated that decisions on the IVL are required in time for the 2019/20 fiscal year.

2.5 What do stakeholders think?

Stakeholders

Tourism Infrastructure and Conservation funding stakeholders include:

- Conservation and domestic recreation groups who are interested in preserving the natural environment and may be affected by poor infrastructure and over-crowding
- Tourism sector who has an interest in the quality of the visitor experience, social licence for the sector to operate, and the potential demand and compliance impacts of charging arrangements
- Local communities who are funders of last resort for infrastructure, may be impacted by over-crowding, benefit from additional economic activity and higher levels of local amenities
- Local Government who is responsible for providing much of the visitor-related infrastructure

Consultation

MBIE has engaged on two rounds of consultation. The first was pre-engagement with key stakeholders (including TIA, LGNZ, aviation and cruise representatives) to inform the initial design.

Public consultation was held in July 2018. 107 submissions were received, with 45 just under half of submissions from the general public, and the remainder from tourism industry, local government, and other representative bodies (including the NZ Conservation Authority).

Further targeted consultation is planned to inform IVL expenditure decisions. Legislation will also be subject to select committee process.

Stakeholder feedback

A large majority of submitters support the introduction of an IVL, however, many caveated that support with expectations about the way in which the revenue should be managed (hypothecation, transparency, and representation in decision-making).

A smaller group of submitters felt that international visitors already contribute their share through general taxation (citing $1.5 billion in GST).

Around half of submitters suggested that the IVL should be introduced alongside complementary revenue tools (including local visitor levy, user charges).

In terms of the proposed collection mechanism for the IVL, stakeholders were supportive of the use of immigration systems to collect the IVL (low compliance costs) and noted significant concerns with any at-the-border collection mechanism. Views on exemption of Australians were mixed. There was support for it on the basis of price sensitivity, others pointed out that Australian visitors have similar impacts on demand as any other visitor and that Australians are New Zealand's biggest market.

There was also majority support for the proposed rate of $35 or higher.

Sections 3 & 4:Options identification and impact analysis

This section presents the options identified and assesses there impact against criteria. It is in three parts:

- Subsection A: Options analysis for a sustainable funding package for tourism infrastructure and conservation
- Subsection B: Options analysis for implementing an international visitor levy
- Subsection C: Additional design components of the IVL to achieve objectives

Subsection A: Options analysis for a financially sustainable funding package for tourism infrastructure and conservation

A.1 What options are available to achieve financially sustainable tourism infrastructure and conservation?

A.2 What criteria have been used to assess these?

A package of funding tools is required to create responsive and sustainable funding model for the tourism system

Through initial analysis of a range of funding tools, MBIE identified that no single funding tool will meet all objectives of a sustainable funding model. Instead, a package of funding tools is required to address the many different challenges identified in the section above.

MBIE considers that a package of funding tools will need to support the following objectives:

- Scale of revenue to enable strategic investments
- Certainty of revenue to enable long-term planning
- Fair distribution of costs
- Support for regions to realise their tourism potential, and enjoy the subsequent social and economic benefits
- Cost-effective collection of revenue

The broad range of potential funding options includes:

- International visitor levy
- Local visitor levy (potentially collected by accommodation providers)
- Central government funding (a new fund from general taxation)
- Further development of revenue options on public conservation lands and waters (DOC) (user charges, concessions, commercial partnerships)
- Revenue options available to local government within existing regulatory settings (user charges, differential rating, commercial partnerships)

Options identified and an initial assessment against the criteria are shown in Table A.4

A.3 What other options have been ruled out of scope, or not considered, and why?

A range of options have been identified, however, Ministers have directed officials to develop an international visitor levy, as a first step to establishing a financially sustainable model for tourism infrastructure and conservation.

Other work currently underway includes, a strategic review of Department of Conservation visitor revenue, the Minister for Local Government has initiated a Local Government Funding Inquiry, and the NZTA is implementing changes in its operations to give effect to the 2018 Government Policy Statement on Land Transport.

Further work is required on all options, other than the IVL. The following assessment should be considered preliminary only.

A.4 Impact Analysis - preliminary assessment of funding package options

	No action	**International Visitor Levy**	**Central Government Funding** (A new fund)	**Local Government options** (user charges, partnering, differential rates)	**User charges on public conservation lands and waters**	**Local Accomodation Levy** (local levy based on guest nights)
Scale of revenue to enable strategic investments	**0**	++ IVL generates scale of revenue, that will adjust with growth	+ Scale of revenue would be subject to assessment of relative priority across all budget bids Fund would not automatically adjust with changes in visitor numbers	+ Councils can pursue options that generate revenue levels commensurate with local requirements, but are limited to their own ratepayer base. Difficult for emerging or embryonic destinations to develop sufficient revenue to invest.	+ DOC can pursue options that generate revenue levels commensurate with requirements, but cannot currently charge for access or use of tracks.	+ Councils can pursue options that generate revenue levels commensurate with local requirements, but are limited to their own ratepayer base. Difficult for emerging or embryonic destinations to develop sufficient revenue to invest.
Certainty of revenue to enable long-term planning	**0**	+ High certainty for DoC. Unlikely to deliver certainty to local government beyond specific projects.	+ High certainty for DoC. Unlikely to deliver certainty to local government beyond specific projects.	++ High certainty, in relation to the current/forecast scale of visitors	++ High certainty, in relation to the current/forecast scale of visitors	++ High certainty, in relation to the current/forecast scale of visitors
Fair distribution of costs	**0**	+ Addresses perceptions that international visitors make a fair contribution to tourism infrastructure and conservation. However, it is a relatively blunt targeting tool, with limited link to actual use of services. In addition, only captures liable international visitors	**0** The tourism sector notes $1.5 billion in GST revenue from international visitors. However, taxation is not about cost-recovery, but raising revenue for public services. Of note international visitors make up 4% of the population at any point in time, and make a net revenue contribution to the Crown of 3%	++ User-charge options are linked with actual use. There is also scope to match business benefits (balanced against complexity of the rating system).	++ User-charge options are linked with actual use. There is also scope to match business benefits (balanced against complexity of the concessions system).	++ User-charge options are linked with actual use.

	No action	International Visitor Levy	Central Government Funding (A new fund)	Local Government options (user charges, partnering, differential rates)	User charges on public conservation lands and waters	Local Accomodation Levy (local levy based on guest nights)
Support for regions to realise their tourism potential	0	++ Funds generated could be applied to regional projects.	++ Funds could be applied to regional projects	+ Strong option for established destinations, and some emerging ones. Difficult for some emerging or embryonic destinations to develop sufficient revenue to invest.	+ Funds generated could allow for strategic investments to support regions to realise their tourism potential in relation to nearby public conservation lands and waters. Limited ability to contribute other than through collaboration/ partnership.	+ Strong option for established destinations, and some emerging ones. Difficult for some emerging or embryonic destinations to develop sufficient revenue to invest.
Cost-effective collection of revenue	0	0 Cost of collection will be highly dependent on the collection mechanism. The preferred option is very low cost.	0 Funding from the consolidated fund would be cost-effective	0 Variable, some options can use existing systems; others could be collected cheaply with supporting infrastructure; some current options not cost-effective.	0 Variable, some options can use existing systems; others could be collected cheaply with supporting infrastructure; some current options not cost-effective.	- Requires new systems for both councils and accommodation providers. Monitoring and enforcement more expensive than current local government tools.
Overall assessment	0	++ Improvement on status quo, that will enable investment to support other revenue options). However will not directly address operating costs outside of DOC.	+ Improvement on status quo, that will enable investment to support other revenue options). However, likely to be smaller scale, given fiscal constraints, will not adjust with visitor numbers, and will not directly address operating costs outside of DOC.	++ Improvement on status quo, particularly strong on local revenue certainty and fairness. Requires transition period, and some capital investment	++ Improvement on status quo, particularly strong on certainty for DOC and fairness. Requires some capital investment. Limited in application of funds.	0 Further work required to better understand the revenue collection costs. May be useful for high volume destinations.
		No single option offers scale for investment and certainty of revenue for asset providers (local government, DOC). A package is therefore required.				

Subsection B: Options analysis for implementing an international visitor levy

B.1 What options are available to implement the IVL?

B.2 What criteria have been used to assess these?

B.3 What options were not considered and why?

A long list of 14 variations on collection were identified. Broadly these can be categorised as

- Targeting options: citizen/residency test versus a tax residency test;
- Collection options: through ticketing, an arrivals/departure charge, additional charge on immigration applications, or refunds

Criteria to assess design options for the IVL

Ability to target international visitors

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.

Impacts on border passenger processing and travellers and carriers

The IVL design should be consistent with the Government's commitment to seamless border processing and require no additional passenger processing at the border and no additional steps for international visitors.

Costs

The collection and administration of the IVL should also 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.

Alignment with New Zealand's international agreements and interests

Section 6(a)

In addition, New Zealand also enjoys unique international relations with Australia and other Pacific Island countries. The IVL design should be consistent with these agreements and interests.

Section 6(a)

a short-list of options was identified:

1. A citizen/residency test collected via immigration applications
2. A tax residency (proxy) test collected via a departure charge

These options are assessed against the criteria in the following table (B.4)

B.4: Impact Analysis for IVL collection options

	No action	Citizen/residency test collected via immigration applications	Tax residency (proxy) test collected via a departure charge
Ability to target international visitors only	**0**	**++** This option will capture visitors from both visa-required and visa-waiver countries. Using immigration systems also provides flexibility to target specific groups of visitors.	**-** This option will capture New Zealand citizens and residents that are no longer residing in New Zealand. There is also the risk that New Zealand citizens and resident would be liable if they are unable to prove their tax-residency.
Impact on border processing	**0**	**+** Information required is already available in current government systems, and no additional transactions would be required for travellers and carriers.	**--** Departure charges do not align with the move towards seamless border processing and would create extra 'touch points' for travellers, increasing queue and processing times.
Administrative and compliance costs	**0**	**++** As this option uses existing immigration systems it will involve minimal marginal costs for INZ, carriers and travellers.	**--** This option will involve significant set-up costs for new IT system and additional infrastructure at the border. There would also be cost implications for carriers and travel agents. Further delays are anticipated due to likely last minute compliance activity.
Alignment with New Zealand's international agreements and interests	**0**	Section 6(a)	
Overall assessment		**++** This option will capture visitors from both visa-required and visa-waiver countries. It also provides flexibility to target specific groups of visitors.	**-** This option will capture New Zealand citizens and residents that are no longer residing in New Zealand. There is also significant additional compliance and administrative costs involved. Section 6(a)

Subsection C: Additional design components of the IVL to achieve objectives

C.1 What options are available to mitigate impacts of the IVL on New Zealand's international interests (and other criteria)?

Exemptions to mitigate unintended consequences

Section 6(a)

However, collecting through the immigration system also enables more refined targeting. This has led to / enabled the creation of the following exemptions to align with our international interests.

- Travellers entering New Zealand for diplomatic, military, medical, and humanitarian purposes have been exempted to meet Vienna Convention obligations
- Australian citizens and residents are exempted in order to maintain the principal of free movement between Australia and New Zealand which underpins the Trans-Tasman Travel Arrangement
- People transiting through to Antarctica are exempted to meet our obligations under the Antarctic Treaty, and in support of our interests in Antarctica
- Pacific Island countries and Regional Seasonal Employment workers are exempted as some of these countries hold NZ citizenship, and to support New Zealand's partnership role in working with Pacific Island countries to support their development goals.
- Business Visitor Visa travellers (including APEC business travel cards) are exempted as the majority of this group are APEC card holders, and as part of that arrangement travel cards are issued by the home country. Requiring payment of the IVL would add additional compliance costs to the system.
- Exemptions have also been granted for groups that are entering New Zealand temporarily for specific purposes. These groups are ship and airline crew; and transiting travellers.

In 2020, MBIE forecasts suggest around 3.6 million visitors in total (excluding visitors with New Zealand citizenship). In terms of scale, the largest exemption is Australian citizens and residents, which is estimated at 1.2 million visitors in 2020. The remaining exemptions total around 200,000 visitors.

Levy rate to be set at $35

The levy rate has been set at less than 1% of average visitor expenditure in order to minimise potential impacts on expenditure (noting limitations on the quality of information available about price effects). A majority of stakeholders indicated a preference for the higher end of the range consulted on ($25-$35).

Section 5: Conclusions

5.1 What option, or combination of options, is likely best to address the problem, meet the policy objectives and deliver the highest net benefits?

As noted in previous section, the IVL forms part of a wider funding package and is not intended to address all the issues relating to visitor growth.

Having considered the two design options against the criteria in section 3.2, MBIE's preferred option is to target the IVL based on immigration status (with exemptions for the groups identified in section 3.1) and to collect it through an additional charge on visa and ETA application fees.

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 exemption 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.

Section 6(a)

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MBIE and Ministers consider that a package of funding tools is required to ensure that tourism infrastructure and conservation move to a more financially sustainable footing. The IVL is an important component of that wider package. Swift implementation will also support enabling investment for other revenue options such as 'smart' forms of user-charges. This makes the IVL and important first step.

Most submissions supported the introduction of an IVL, and many of those also concurred that it should be one of a number of instruments. Some highlighted the importance of local funding options, these will be considered in further work.

5.2 Summary table of costs and benefits of the preferred approach

Additional costs of proposed approach, compared to taking no action			
Affected parties	**Comment**:	**Impact**	**Evidence certainty**
Regulated parties International visitors	All international visitors who are not exempt would be liable for the IVL. New Zealand citizens and residents will be exempt. The rate of the IVL is expected to be between $25 and $35, generating $57-$80 million in 2020.	Nil to New Zealand citizens and residents	High
Regulators INZ	The government proposes to collect the IVL through existing immigration system and the proposed ETA. Therefore the marginal cost for implementing the IVL is largely IT set-up.	Initial start-up cost of $1 million (IT changes to visa system), minimal ongoing costs.	Medium-High
Wider government	Risk of loss of GST (point estimate based on limited information on likely impacts)	$8 million	Low
Other parties Passenger Carriers	While the implementation of the ETA could include some administrative costs on airlines, airports and travellers, there are no direct additional costs relating to the IVL for carriers and passengers.	Nil	High
Total Monetised Cost	The IVL is not payable by New Zealand citizens and residents and therefore not included in this calculation.	$1m Additional risk of up to $8 million	High Low
Non-monetised costs	Risk of impact on visitor demand and expenditure. More details in section 5.3	Low	Low

Expected benefits of proposed approach, compared to taking no action			
Affected parties	**Comment**:	**Impact**	**Evidence certainty**
Regulated parties International visitors	Revenue will be used to support conservation and tourism infrastructure, which in turn will improve the visitor experience.	Medium	Medium
Regulators	Nil		
Wider government	$80m revenue per annum for tourism infrastructure and conservation (likely applied across central and local government)	$80 million per annum	High
Other parties Local Government Local communities	Support for tourism infrastructure would reduce the financial burden on local government. New Zealanders will benefit from additional investments in conservation and tourism infrastructure e.g. better amenities along tourism routes, or through the upgrade of existing facilities on public conservation land .	Included in the $80 million above Medium across NZ, high in some locations	High
Total Monetised Benefit	IVL revenue collected will be dependent on the IVL rate.	$80 million per annum	High
Non-monetised benefits	Conservation and amenity benefits	Medium – High	High

5.3 What other impacts is this approach likely to have?

Impact on visitor demand

An increase in the cost of travel may reduce New Zealand's competitiveness as a destination and could impact on our passenger links with the world. A drop in visitor numbers could lead to a drop in visitor expenditure, with flow-on effects such as reduced employment and taxation.

The level of impact of the IVL is unclear. New Zealand Customs Service has previously engaged Sapere to estimate the possible effects of the Border Clearance Levy (BCL) on visitor numbers and expenditure. The Sapere report estimated that an increase in ticket prices by $22 could result in a one-off drop in growth of visitor expenditure of between $37 million and $185 million (90% confidence interval). Adjusting for the exemption of Australians, this would translate to between $24 million and $124 million for the IVL. This information has also informed our estimate of potential GST impact (up to $8 million, should price effects emerge).

However, there is little evidence of the estimated impacts of the BCL having emerged.

Factors that make the total impact of the IVL proposal unclear include:

- The IVL will be charged via immigration fees. These are highly inelastic, and remain comparable with other countries (the Sapere report is therefore not directly applicable).
- Competitive dynamics (pricing), exchange rate movements, and global economics all affect demand to a greater degree than the proposed charge (which is less than 1% of average spend). The tourism forecasts considered the IVL charge, but did not make any adjustment for them as $35 was not considered to have sufficient impact.
- Incomes have adjusted since the Sapere work (and as travel is a luxury good, this is likely to reduce the elasticity)
- The proposed levy rate has been set at $35, higher than the $22 modelled by Sapere.

Section 6(a)

5.4 Is the preferred option compatible with the Government's 'Expectations for the design of regulatory systems'?

The proposed IVL is consistent with the Government's 'Expectations for the design of regulatory systems'. It proposes to collect revenue to support conservation and tourism infrastructure in New Zealand, delivering net benefits for New Zealanders. The preferred approach seeks to achieve its objectives in a cost effective way with minimal impacts on the regulated individuals.

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?

New legislation will be required to empower Immigration New Zealand to collect the IVL, and they will manage its collection alongside application fees. The IVL will be levied as an additional charge on application fees for selected visas and ETAs, and will be paid at the point of making an application.

The IVL will likely be in place in the second half of 2019. A communications plan is in development to ensure smooth implementation of the ETA and IVL.

The Government has yet to make final decisions on the expenditure process for the IVL. However, it is intended to use IVL revenue to support conservation and tourism infrastructure. Total expenditure will be monitored and tracked against revenue via a memorandum account.

6.2 What are the implementation risks?

Dependency on ETA implementation

The proposed IVL is dependent on the implementation of ETAs. Should there be a delay in introducing the ETA platform, Immigration New Zealand would not be able to collect the IVL from visitors from visa-waiver countries.

In order to meet the IVL deadline of the second half of 2019, the ETA platform will be introduced in two phases:

- Phase one to enable basic screening and charging of the IVL and ETA fee from the first quarter of 2019/20
- Phase two to enable additional screening capability (including automated matching against watch lists and the capability to interact with intending travellers) introduced over the following 12 months.

Expenditure

The Government has yet to decide on the final arrangement of the expenditure process. The Government will put forward a high-level proposal, including the decision-making process, which will be subject to further consultation.

MBIE has extensive experience in managing expenditure programs of varying scale, which will help inform the final design for IVL expenditure.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

Expenditure monitoring and reporting

Stakeholders have highlighted a desire for transparency and accountability with regards to expenditure of IVL revenue. The government will use memorandum accounts to manage fluctuations in revenue and expenditure, with inflows and outflows monitored on a quarterly basis.

The government proposes to do regular reporting on the IVL revenue and expenditure. When the expenditure priorities are agreed, key performance indicators will also be included.

Visitor experience and local community support

The impact of IVL investments on the visitor experience will be monitored through the International Visitor Survey (IVS). The IVS measures the expenditure, characteristics and behaviours of international visitors to New Zealand, and visitor satisfaction.

The impact on local community support for tourism will be monitored through the Mood of the Nation Survey. The Survey is conducted twice a year and measure New Zealanders' perceptions of tourism.

Visitor demand

MBIE will monitor any impacts on visitor demand through Stats NZ's International Travel and Migration dataset and also through MBIE annual tourism forecasts. MBIE will also monitor impacts on international visitor expenditure through the IVS.

Additional data may also be available at a regional level, should new initiatives in the Data Domain Plan go ahead. MBIE will utilise any additional information to support evaluation of the IVL.

7.2 When and how will the new arrangements be reviewed?

The government will seek to limit the frequency of changes to the IVL rate, so as to provide certainty for travellers. However, to minimise the risk of amassing substantial surpluses (e.g. high growth in visitor numbers, delays in expenditure programme), the IVL rate will be reviewed every four years. This is to ensure the IVL remains fit-for-purpose and that expenditure is aligned with revenue levels.

Appropriate review and evaluation processes will be established for expenditure programmes, as part of final expenditure decisions.

Purpose

The International Visitor Conservation and Tourism Levy (IVL) discussion document was released on 15 June 2018 with public consultation closing on 22 July 2018. A total of 107 submissions were received during the consultation period.

This document provides a summary of the submissions received on the IVL proposal.

Background on the IVL proposal

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 has resulted in capacity challenges in some high volumes areas, where current funding arrangements are not able to respond in an effective and efficient manner.

To address this problem, the Government acknowledged that a package of funding tools is required to ensure sustainability of the tourism and conservation system. The Government proposed that that the IVL should form part of the funding package.

The discussion document sought submissions on the following proposals:

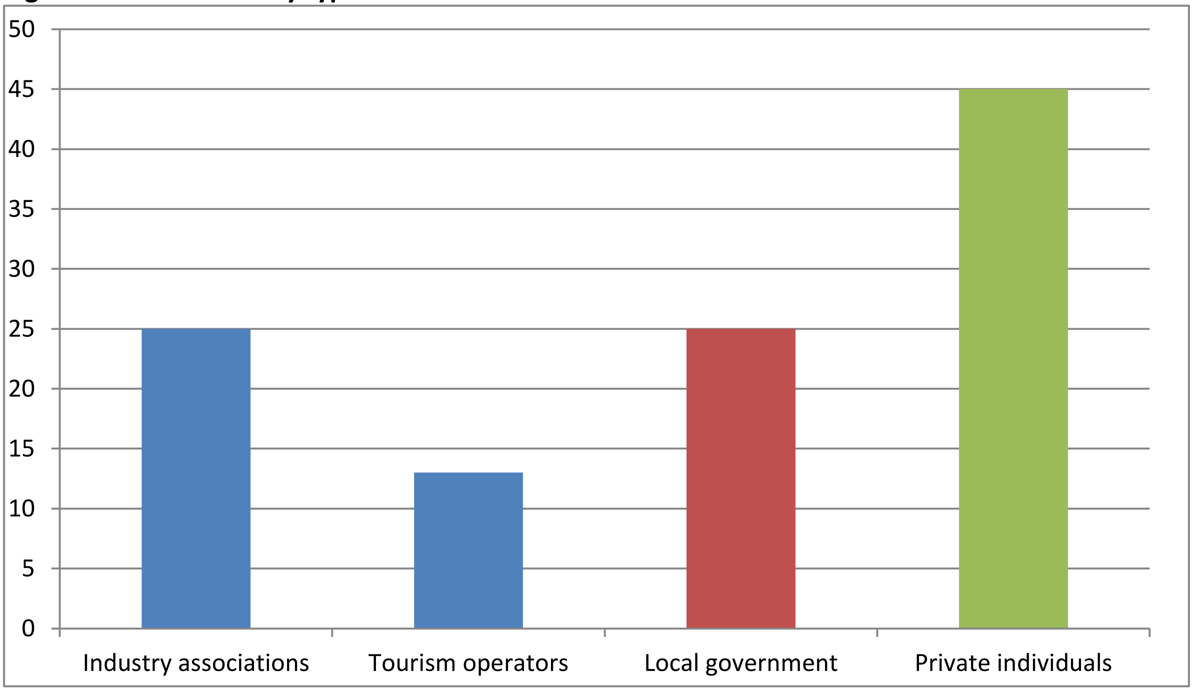
	Proposal
How to ensure a sustainable funding model for tourism infrastructure and conservation	A package of funding tools is required, with the IVL providing the scale needed to support a national approach in the package of funding initiatives.
How the IVL is targeted	The IVL will be payable by visitors who are not NZ citizens or permanent residents. • Australian citizens and permanent residents are exempt, as they receive residence on arrival • Nationals of Pacific Islands Forum countries are exempt (further work required to differentiate French Polynesia and New Caledonia residents from other French passport holders) • Business visitor visa, and transit visa holders will be exempt • Other standard Vienna Convention exemptions apply (humanitarian, medical, military and diplomatic) • Children under 2 years old are exempt
How the IVL is collected	Additional charge on visa and proposed electronic travel authority (ETA) application fees.
What the IVL rate should be	Between $25 and $35.
How will IVL revenue be spent	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.

Submitters

MBIE received 107 unique submissions from industry bodies, local government and private individuals. This comprised:

- 37 submissions from the tourism industry, covering both industry associations and tourism operators (ranging from major airlines and cruise operators to local accommodation providers)[1]
- 25 submissions from the local government sector, comprising territorial authorities (district and regional councils), regional tourism organisations/economic development agencies and chambers of commerce
- 45 submissions from private individuals.

Figure 1 – Submitters by type



Key submission themes

Support for IVL

A large majority of submitters broadly supported the need for the imposition of an IVL to help address underinvestment in the tourism system. That said, a significant proportion of these submitters provided support for the imposition of the IVL on a conditional basis (see 'Revenue tool preferences' below).

A smaller group of submitters felt that international visitors already contributed their share through general taxation and highlighted the $1.5 billion in GST paid by international visitors. In a survey of its membership, Tourism Industry Aotearoa (TIA) found that the majority of respondents favoured

[1] Note, we received submissions from several industry associations representing other sectors, such as health and education. We have included them in the 'tourism industry' category (rather than creating an 'other' category) to ensure data remains disaggregated.

returning a proportion of GST back to the region where spending occurred. The IVL was the third favourite revenue tool (with an LVL second). Ultimately, TIA extended its support for the IVL, on the basis that it be the last tax/levy imposed by Government on the tourism industry.

Targeting of IVL

All international visitors should be liable

18 submitters (seven groups, 11 private individuals) felt that local ratepayers are currently subsidising international tourism through the provision of local public infrastructure. These submitters raised questions of equity, given visitors (domestic, Australian, Pacific Island and business visitors) contributed to the need for mixed-used infrastructure.

A further 18 submitters (seven groups, 11 private individuals) noted that excluding Australian visitors would reduce IVL revenue. Other submitters argued that they should be included due to their impact on the conservation estate and mixed-use infrastructure.

Four submitters (two groups, two private individuals) also argued that Pacific Island Forum (PIF) nationals should be liable, for similar reasons.

One submitter argued that the IVL should be single-use (rather than being valid for two years), so as to maximise revenue.

Lastly, one submitter proposed that the IVL should be calculated based on the amount of time an international visitor spends in New Zealand.

Australian and PIF nationals should be exempt

In contrast, 15 submitters (11 groups, four private individuals) agreed with the IVL discussion document's policy of Australian and PIF nationals being exempted from the levy. Submitters noted New Zealand's reciprocal arrangements with Australia that would be impacted if Australians were targeted, the trend towards seamless Trans-Tasman border movements, the highly price-sensitive nature of the Australian market, and the disproportionate impact the levy would have on PIF countries – which would be in conflict with our international humanitarian obligations in the region.

Australian and Pacific Island nationals should be charged a differential rate

12 submitters (five groups, seven private individuals) proposed the use of differential charging in an effort to balance the difficulty of targeting Australians with the need to generate revenue from New Zealand's largest international visitor market. One submitter argued that PIF nationals should also be targeted.

These submitters supported the arguments summarised above, concluding that a differential rate provided an effective solution to the underinvestment in the tourism system. Two submitters also extended this to include New Zealanders residing overseas.

Crew should be exempt from the IVL

18 mostly industry submitters (12 groups, six private individuals) objected to air and cruise crew being liable for the IVL. These submitters felt that it would be unfair to impose the levy on crew, as they do not usually visit the conservation estate or place significant pressure on tourism infrastructure. Submitters from the cruise industry raised concerns that targeting cruise crew could

have a significant negative impact on the price-sensitive Trans-Tasman cruise market, rendering it financially unsustainable.

Other proposed exemptions

A small number of submitters identified other groups who should be exempt from the IVL. These are:

- Regional Seasonal Employer (RSE) workers
- People on humanitarian, military or medical visas should be exempt from the IVL
- International students
- International visitors in New Zealand for visiting friends and relatives (VFR)
- International visitors who pay for visas.

Several submitters also argued against the IVL targeting international visitors aged two and over, as proposed in the discussion document. These submitters put forward various counter-arguments:

- Children under 12 should be exempt
- Children under 13 should be exempt
- Children under 18 should be exempt.

Three submitters (two groups, one private individual) also expressed concern that the levy would have a significant impact on families with young children. One submitter sought clarity around whether families would need to have individual accounts for children when applying for the ETA.

Revenue tool preferences

IVL would only be effective if introduced alongside other revenue tools for local government

A significant number of submitters provided support for the IVL on the basis that it be introduced alongside other revenue tools to assist local government in the provision of tourism infrastructure. Submitters identified three possible sources of revenue:

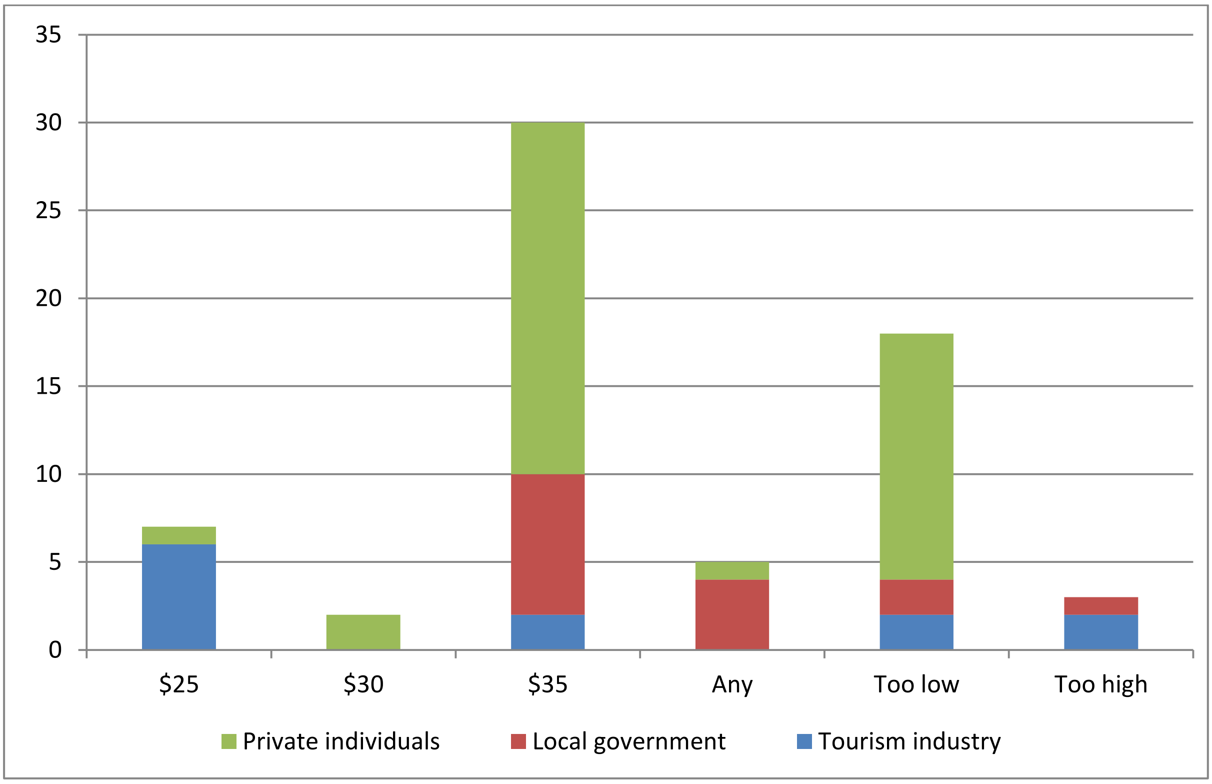
- a Local Visitor Levy (LVL) (17 submitters – 13 groups, four private individuals)
- increased direct cost recovery at tourism and conservation sites (28 submitters – nine groups, 19 private individuals)
- a portion of GST being returned to the region where visitor spending occurred (seven submitters – four groups, three private individuals)
    - revenue from IVL being matched dollar-for-dollar by GST raised from visitors (one group)

One submitter argued that an LVL, combined with increased direct cost recovery at tourism and conservation sites would provide a better-targeted approach to funding.

Responses on proposed IVL rates

Amongst the majority of submitters who supported the IVL, there were differing views on the form of contribution. Some submitters felt that the proposed IVL rates are too low and would not make a meaningful contribution to conservation and tourism infrastructure. Figure two provides a break-down of response by submitter type.

Figure 2 – Response on proposed IVL rates by submitter type



Concerns about revenue generated by the IVL

In addition to the range of views on the proposed IVL rates, there were a small number of submitters who raised concerns about the $57-85 million in revenue government expects to collect from the levy on an annual basis. Submitters argued that:

- revenue generated from the IVL will be insufficient to put tourism infrastructure on a financially sustainable footing (12 submitters – eight groups, four private individuals)
- there is a risk of over-collection due to limitations in forecasting (two groups)
- further analysis on administrative costs was needed to justify the selection of the levy rate (one group)
- revenue may not be as large as predicted due to visitors re-entering New Zealand multiple times in a two-year period (two groups).

Hypothecation of IVL

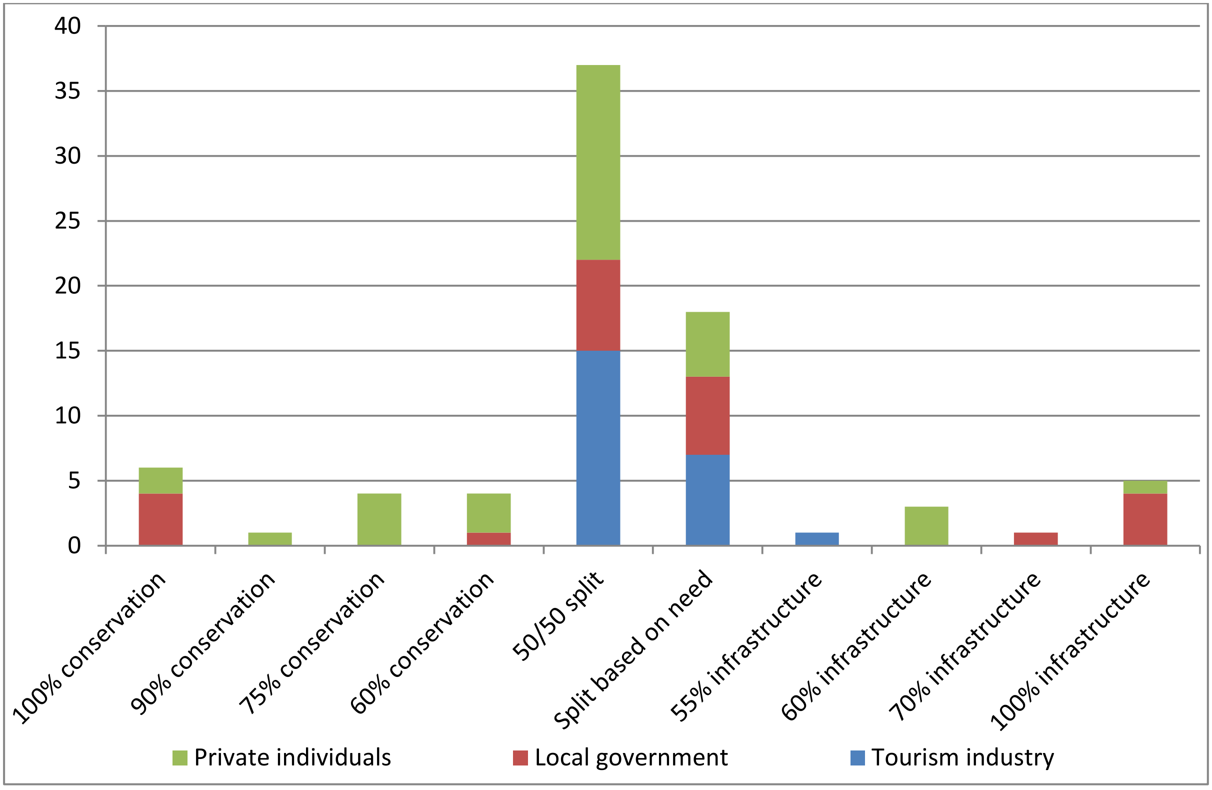
15 submitters (12 groups, three private individuals) argued that IVL revenue should be ring-fenced for transparency and accountability, rather than going into general tax pool. Several industry submitters noted that, in accordance with the Public Finance Act 1989, revenue from the IVL would need to be spent on services that are used by the people who pay the levy, rather than a broader need, for example local government or conservation as a whole.

No submitters specifically requested that IVL revenue not be hypothecated.

Allocation of IVL revenue

Submitters had a wide range of views on how revenue generated by the IVL should be allocated. The discussion document stated that revenue would be split between tourism infrastructure and conservation activities, but left open the question of what this split should be, as well as the types of projects that should be funded. Figure three details the range of views.

Figure 3 – Allocation of IVL revenue between conservation and tourism infrastructure



The largest group of submitters favoured IVL revenue being allocated evenly between the conservation estate and tourism infrastructure. However, submitters had diverging views on what types of activities should be included within these two broad categories. Views included:

- funding for conservation should include biodiversity activities (four groups)
- funding for conservation should exclude biodiversity activities (two groups)
- funding for conservation activities should include local volunteer groups as well as DOC (two groups).

Where IVL revenue should be prioritised

A number of submitters had views on how funding should be prioritised. Three main approaches were identified:

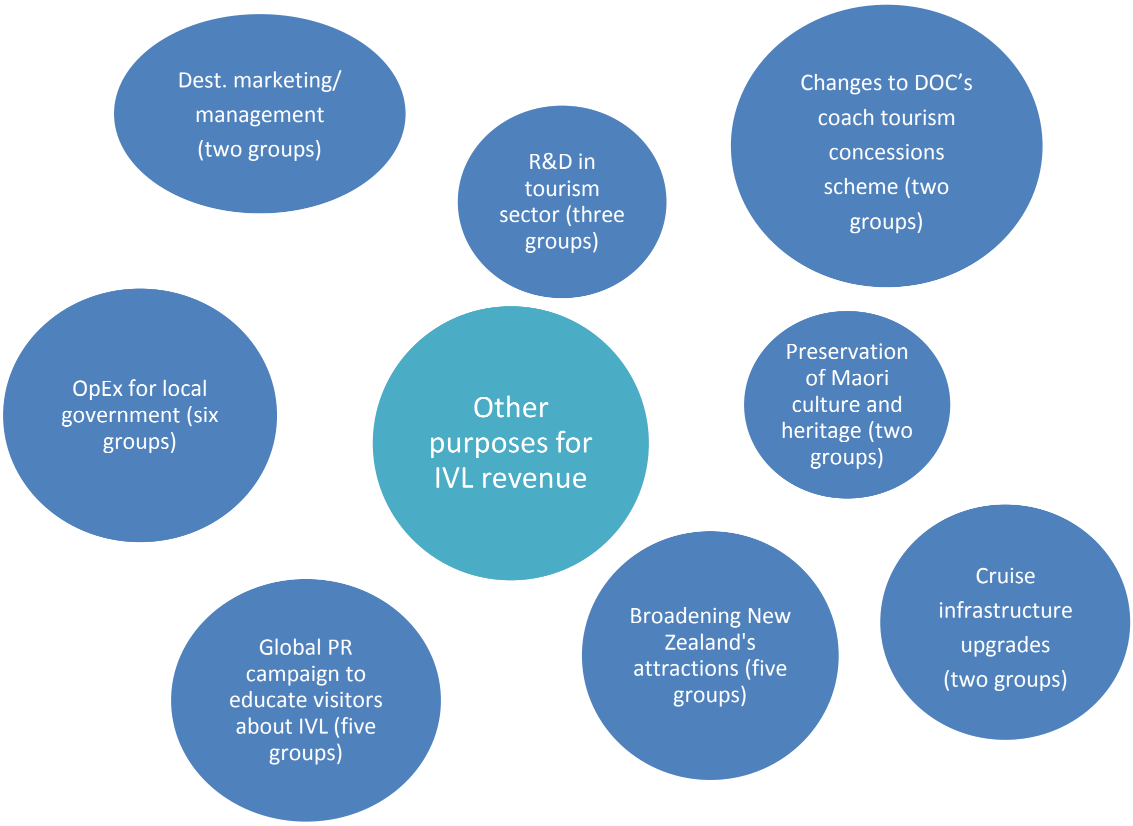
- for regions based on immediate need (16 submitters – 11 groups, five private individuals)
    - based on visitor-to-resident ratios (two groups)
    - based on international visitor spend in a region (one group)
- for regions seeking to unlock visitor growth (five submitters – four groups, one private individual)

- in a strategic manner that aligns with government's broader investment in tourism – for example, the Tourism Infrastructure Fund (TIF) and Provincial Growth Fund (PGF) (four groups).

Other purposes for IVL revenue

Submitters identified a range of other areas where IVL revenue could be utilised. These are captured in figure four below.

Figure 4 – other purposes for IVL revenue



A range of other purposes were identified by individual submitters. These are:

- Improved aviation services
- Tourism education
- Training of local guides
- Biosecurity
- Rural health services
- Business capability support
- Supporting tourism operators to reduce carbon emissions

Mechanism for determining allocation of IVL revenue

A number of submitters, mostly from the tourism industry and local government, provided views on the mechanism government should use when allocating IVL revenue (i.e. once a split between conservation and tourism infrastructure had been determined). A group of submitters, largely from local government advocated for IVL revenue to be:

- constable (seven submitters – six groups, one private individual
- allocated in an efficient and transparent manner (three groups)
  - more streamlined than existing infrastructure funds like the TIF and PGF (two groups)
- administered by sector groups (i.e. the Department of Conservation, Local Government New Zealand and Tourism New Zealand), not by central government (one group).

Governance of the IVL

More than fifteen submitters, including a number of tourism industry bodies, provided views on the governance of the IVL. These views fell into four key areas:

- the IVL rate should be fixed in place for a specific period (e.g. five years) to ensure revenue is predictable and measurable (four groups)
- the IVL should have a tight scope, with revenue capping and review periods established at the outset (eight groups)
- the IVL should have a sunset provision established at the outset (two groups)
- an IVL governance group should be formed and include representatives from all relevant sectors (19 submitters – 13 groups, six private individuals).

Changes to the IVL proposal following consultation

There have been a number of changes between the IVL proposal in the discussion document and the proposal in the IVL Bill. The changes are:

- Exemption for crew working on cruise ships and aircraft
- Considering an increase in the exemption age for children
- Exemption for RSE workers
- Agreement on a stable levy rate for a specific period to ensure revenue is predictable and measurable
- Representation from all relevant sectors on an IVL governance group.

Next steps

Subject to final decisions, it is intended that the IVL come into force in the second half of 2019.

An IVL Bill is schedule to be introduced in early 2019 where there will be further opportunity for public comment.

IVL Consultation – Position Table

Glossary

ANZLF – Australia New Zealand Leaders Forum

BARNZ – Board of Airline Representatives NZ Incorporated

BCA – Bus and Coach Association

CA ANZ – Chartered Accountants Australia & New Zealand

CCA – Carnival Cruise Australia

CIAL – Christchurch International Airport Limited

CLIA – Cruise Lines International Association

HortNZ – Horticulture New Zealand

IATA – International Air Transport Association

LGNZ – Local Government New Zealand

NZRGPN – New Zealand Rural GPs Network

NPVBA – National Park Village Business Association

NRDA – Nelson Regional Development Agency

NZAA – New Zealand Airports Association

NZCA – New Zealand Conservation Authority

NZCT – New Zealand Cycle Trails Incorporated

NZMCA – New Zealand Motor Caravan Association Inc.

NZMT – New Zealand Maori Tourism

QLDC – Queenstown Lakes District Council

RTNZ – Regional Tourism New Zealand

SoF Inc – Shaping Our Future Incorporated

TECNZ – Tourism Export Council New Zealand

TIA – Tourism Industry Aotearoa

Issue	Summary of comments and who	Submitter(s)	MBIE response	Recommended action
1. Targeting	1.1 All international visitors should contribute	LGNZ, TECNZ, Canterbury Mayoral Forum, Clutha Development Inc, Napier CC, BCA, Kaikoura DC, private citizen x11	Disagree. The proposed exemptions are in support of New Zealand's range of international interests and obligations.	No action
	1.2 Australians should be liable for the IVL	NZCA, NRDA, QLDC, Venture Southland, NPVBA, Dest. Great Lake Taupo, Tasman DC, private citizen x11	Disagree. Exemption is consistent with protecting the free movement of people between Australia and New Zealand. In addition, Australians are exempt from ETA requirements (for the same reason), which means there is no available collection mechanism	
	1.3 Pacific Island Forum nationals should be liable for the IVL	NRDA, Venture Southland, private citizen x2	Disagree. Exemption is consistent with New Zealand's wider development goals in the region.	
	1.4 Differential rate for Australians	Whakatane DC, BCA, Timaru DC, Ruapehu DC, Mackenzie DC, private citizen x7	Disagree. The proposed exemptions are in support of New Zealand's range of international interests and obligations. A differential rate would still have an impact on these. In addition, tiered rates would add complexity (and cost) to the system. In respect of NZers living overseas, there is no mechanism for collection, as they are not ETA or visa required, and the IVL is collected through applications for these.	No action
	1.5 Differential rate for Australians and Pacific Island Forum nationals	NZCA		
	1.6 Differential rate for New Zealand residents residing overseas	Mackenzie DC, NZCA		

Issue	Summary of comments and who	Submitter(s)	MBIE response	Recommended action
	1.7a Australian and Pacific Island Forum nationals should be exempt from the IVL	NZ Airports Association, Fed Farmers, CLIA, NZMT, ANZLF, HortNZ, Air NZ, NZ Conventions, Qantas, Otago DC, NZMCA, private citizen x4	Agree. These exemptions support New Zealand's international interests and obligations	Cabinet to agree to exempt Australian and Pacific Island countries from IVL. Detail list of exempted countries in regulations to ensure they are identical for both IVL and ETA.
	1.8 Crew should be exempt from the IVL	IATA, BARNZ, CLIA, CCA, Emirates, Air NZ, Ruapehu DC, NRDA, ANZLF, NZ Cruise Ass., Qantas, HospoNZ, private citizen x6	Agree. As discussed with the sector, MBIE has been able to confirm that exemption of air and cruise crew is technically feasible. MBIE supports the crew exemption from the IVL as their time on-shore is very limited, and the costs to carriers would be disproportionate to the benefits	Cabinet to agree to exempt crew from the IVL
	1.9 RSE workers should be exempt from the IVL	NRDA	Agree. This is the policy intent as the RSE scheme, in part, supports New Zealand's development goals for the region.	Ensure final recommendations clearly exempt RSE workers, and that regulations are clear that RSE workers are exempt
	1.10 People on humanitarian, military or medical visas should be exempt from the IVL	Private citizen x1	Agree. All three are exempted in the proposal; this is required under the Vienna Convention.	No action

Issue	Summary of comments and who	Submitter(s)	MBIE response	Recommended action
	1.11 International students should be exempt from the IVL	South Canterbury Chamber of Commerce	International students coming to NZ for more than 12 months are exempt, as they are considered long term migrants under immigration policy. International students visiting New Zealand for less than 12 months should be liable. Many of these students arrive on visitor visas and so could not be distinguished from other visitors at the border. In addition they often travel as well.	No action
	1.12 International visitors entering New Zealand to visit friends and relatives should be exempt from the IVL	Private citizen x3	Disagree. It is not technically feasible to distinguish between ‘tourists’ and those visiting friends and family at the border. In addition, this group still have an impact on infrastructure and the conservation estate.	No action
	1.13 Visitors who pay for visas to New Zealand should be exempt from the IVL	Private citizen x1	A range of visas are exempt. International visitors who require visas for 12 months or less have an impact on infrastructure and the conservation estate, in the same way as visa waiver visitors. The fees they pay for a visa reflect processing costs, not revenue for other purposes.	No action

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	1.14 IVL should be single-use only (not valid for 2 years)	English NZ	Disagree. The proposal is for the IVL to be valid for the period of the visa or the ETA. In part this is because payment of the IVL is linked to payment of the application fee for a visa/ETA. Payment for a period will also have benefits for repeat visitors, such as visa waiver business travellers, or those visiting relatives.	No action
	1.15 IVL should take into account the amount of time a visitor spends in New Zealand	Venture Southland	Disagree. It is not feasible to assess length of stay in advance. The IVL applies to all visitors entering New Zealand for 12 months or less. Other revenue tools can be used that reflect use or duration of stay. Note that the IVL proposal is similar to the Stewart Island Visitor Levy in this regard.	No action
	1.16 Clarity needed as to whether families would need to have individual accounts for children	English NZ	Agree that making application process seamless for families will be important. The ETA will be built to enable group applications.	MBIE to ensure ETA system build enables group applications
	1.17 Impact on families with young children (2 years and over) significant	QLDC, English NZ, private citizen x1	Exempting children under two years of age from the requirement to pay the IVL would require significant adjustments across four of INZ's ICT systems. This is because there are currently no visa fee exemptions	Potential system costs of minimum age to be worked up and considered by the Minister before age exemption included in
	1.18a Children over 12 should be liable	Qantas		

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	1.18b Children over 13 should be liable	Private citizen x1	based on age. Therefore a series of new business rules would need to be developed based on the date of birth of applicants in order to exempt the IVL from children under two, and INZ's systems adjusted accordingly. The exemption would also add to the complexity of requirements for visitors as those under two would not be exempt from either visa requirements or the requirement to obtain an ETA. This risks confusion for travellers and the risk that immigration requirements will be inadvertently not met.	regulations.
	1.19 Children under 18 should be exempt	Private citizen x2		
2. Revenue tool preferences	2.1 Support implementation of IVL to address pressures in the tourism system	NZCA, HospoNZ, NZRGPN, Dest. Queenstown, private citizen x27	Agree	No action
	2.2 Should be implemented in addition to a Local Visitor Levy/Tax	LGNZ, RTNZ, Clutha Development Inc, Napier CC, Wellington CC, Ruapehu DC, QLDC, Airbnb, Venture Southland, Southland Chamber of Commerce, Kaikoura DC, Qantas, ChristchurchNZ, private citizen x4	The IVL is proposed as the first step in a package of revenue initiatives that aim for a more financially self-sustaining footing for tourism infrastructure. Further work is required on the remainder of the package. We note that Local government funding is currently subject to a Productivity Commission inquiry. IVL revenue will fit within Government's wider investment in tourism, which currently includes the	Monitor the Productivity Commission's inquiry into local government funding. Share the Government Tourism Strategy with tourism stakeholders once finalised.

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			TIF and PGF. The Government's Tourism Strategy will also shape further support for the sector.	
	2.3 Should be implemented in addition to increased direct cost recovery at tourism and conservation sites	Mackenzie DC, Venture Southland, NPVBA, Kaikoura DC, Qantas, HospoNZ, Southland Chamber of Commerce, ChristchurchNZ, TIA, private citizen x19	Agree. The IVL is the first step in a wider package. There are several workstreams across Government to improve cost recovery and user-pay models, including within conservation, and local government (the latter likely to be considered in the local government funding inquiry).	
	2.4a Should be implemented in addition to disbursing GST back to the region where spending occurred	Mackenzie DC, Kaikoura DC, HospoNZ, Canterbury Mayoral Forum, private citizen x3	Disagree. Taxes (including GST) are not a user charge, but a way to raise funds for valuable public services. Earmarking tax revenues prevents the funds from being available for other types of Government spending which may provide greater benefits across New Zealand. Levies are used to raise funds from specific groups to pay for goods and services from which, as a group, they	No action
	2.4b Should not be implemented. Rather, GST paid by international visitors should be disbursed back to the region where spending occurred	TIA		

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	2.4c International visitors already contribute through general taxation (i.e. GST)	Federated Farmers, CCA, English NZ, BARNZ, CAANZ, TrueNZ, IATA, Worldwide School, private citizen x5	benefit. It is also worth noting that international visitors make up 4% of the population at any one time, and make a net contribution of around 3% of government revenue.	No action
	2.5 ACC cover should not apply to international visitors, and this funding should be re-allocated to tourism and infrastructure costs	Private citizen x1	Disagree. International visitors must be covered through ACC to preserve New Zealand's no-fault system for injury coverage. Note ACC costs for international visitors are just $4 million.	No action
	2.6 Local Visitor Levy and direct cost recovery at tourism and conservation sites are better-targeted funding options	BARNZ	Agree. Government is considering these options too. However, the IVL addresses strategic national issues where revenue options are limited, or where initial investment is required to enable such systems.	Further advice required across government on a wider revenue package
	2.7 Should be the last levy/tax imposed on the tourism industry by Government	TIA	The IVL is a first step in a wider package. Several workstreams across Government to improve cost recovery and user-pay models, including within conservation, and local government (the latter likely to be considered in the. local government funding inquiry).	

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	2.8 Proposed IVL rates are appropriate	**$25 –** BCA, ANZLF, Emirates, HospoNZ, Qantas, BARNZ, private citizen x1 **$30 –** private citizen x2 ($30) **$35 –** TIA, LGNZ, South Canterbury Chamber of Commerce, Kaikoura DC, Timaru DC, Ruapehu DC, NRDA, Northland RC, NZMCA, Dest. Great Lakes Taupo, private citizen x20 **Any –** Wellington CC, Southland Chamber of Commerce, Tasman DC, West Coast Tai Poutini, private citizen x1	Agree.	Cabinet to agree to a rate for IVL between $25-35
	2.9 Proposed IVL rates are too low	NZMT, private citizen x4 ($100) NZCA ($45-49) Destination Queenstown, Canterbury Mayoral Forum, private citizen x10	Disagree. Government is cognisant of potential demand impacts, and a higher rate may have an impact. We note that there is only limited information on elasticities of demand for international visitors.	
	2.10 Proposed IVL rates are too high	CCA, CLIA, NPVBA	Disagree. We note that there is only limited information on elasticities of demand for international visitors. Previous work suggests charges on ticketing may have demand impacts, experience in visa fees suggests very little impact. The IVL price sensitivity	

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			will likely fall in between. Visitors will benefit from the levy expenditure.	
	2.11 Further analysis on administrative costs required to justify selection of levy rate	HortNZ	Disagree. It is worth noting that the proposed $9 fee is for the Electronic Travel Authority and the associated border security and passenger facilitation benefits. The collection costs for the IVL are near zero, as the payment will be processed alongside visa and ETA application payments. Administration costs to support expenditure will depend on how the money is spent.	No action
	2.12 Risk of over-collection due to limitations in forecasting visitor numbers	NZAA, CIAL	Disagree. Sector reports suggest the scale of investment required in the tourism system to be approximately $100 million per annum. IVL revenue will be prioritised based on how much is collected. Unlike the BCL, this is not a direct service cost-recovery exercise. There is scope to adjust investment based on revenue received.	No action

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	2.13 Revenue may not be as large as predicted due to visitors re-entering New Zealand multiple times in 2 year period. This may require a broadening of international visitors targeted, or the IVL rate to be raised	RTNZ, NZAA	Forecast includes adjustment for multiple entries. However, there is a high degree of uncertainty in the forecast. Investment will be prioritised based on revenue received.	
	2.14 Revenue generated will be insufficient to address problems in tourism system	NZAA, CIAL, QLDC, SoF Inc, Otago DC, RTNZ, Rangitikei DC, ChristchurchNZ, private citizen x4	Agree. The IVL is a first step in a package of revenue initiatives required to put tourism infrastructure on a financially sustainable footing. IVL funding sits alongside other Government investment in the tourism system, including the TIF and PGF.	Further advice required across government on a wider revenue package
	2.15 Revenue from IVL should be matched dollar for dollar by GST raised from visitors	NZCA	Disagree. See comments in 2.4.	No action
3. Hypothecation	3.1 IVL funding should be ring-fenced for transparency and accountability, rather than going into general tax pool or to a broader need – local government or conservation as a whole	NZAA, FedFarmers, CIAL, CCA, English NZ, NRDA, ANZLF, Air NZ, NZ Conventions, Qantas, BARNZ, TIA, private citizen x3	Agree. The IVL has been developed for a specific purpose.	Cabinet to agree on final details around ring-fencing of funding, memorandum account and reporting
4. Allocation of revenue	4.1 Solely for conservation efforts	RTNZ, Clutha Development Inc, Wellington CC, Destination Queenstown, private citizen x2	Consultation sought input on expenditure. MBIE will use these submissions to inform advice on draft expenditure proposal for	Cabinet to approve a draft proposal for consultation
	4.2 Solely for visitor-related	LGNZ, Otago DC, West Coast Tai		

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	infrastructure	Poutini, South Canterbury Chamber of Commerce, private citizen x1	consultation.	
	4.3 50/50 split	BCA, NZCA, Whakatane DC, CLIA, NRDA, NZMT, NZ Cruise Ass., SoF Inc, NZ Conventions, Kaikoura DC, Qantas, NZRGPN, NZ Marine Association, private citizen x15		
	4.4 50/50 split, with conservation including biodiversity activities	Fed Farmers, HospoNZ, NZMCA, NZ Winegrowers		
	4.5 50/50 split, with conservation excluding biodiversity activities	ANZLF, Air NZ		
	4.6a 50/50 split, with priority for immediate need 4.6b 50/50 split, with flexibility to provide a greater proportion of funding to either conservation or tourism infrastructure, based on immediate needs	Kaikoura DC, LGNZ, NZAA, CIAL, NRDA, NZMT, NPVBA, NZCA, HospoNZ, BARNZ, ChristchurchNZ, private citizen x5 Venture Southland, TIA		
	4.7 Majority conservation (specify what % and for what activities)			

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	90/10	Private citizen x1		
	75/25	Private citizen x4		
	40/30/30 (conservation/tourism marketing/visitor infrastructure)	Timaru DC		
	50/25/25 (conservation/tourism marketing/visitor infrastructure)	Rangitikei DC		
	60/40	Private citizen x2		
	Unclear	NRC, private citizen x1		
	4.8 Majority tourism infrastructure (specify what % and for what activities)			
	70/30	Tasman DC		
	60/40	Private citizen x1		
	55/45	HospoNZ		
	Unclear	Private citizen x2		
	4.9 Revenue should be contestable	LGNZ, Napier CC, Fed Farmers, CIAL, private citizen x1, Timaru DC, NRC		
	4.10 Revenue should be allocated to emerging regions	Whakatane DC, Timaru DC, HospoNZ, NZMCA, private citizen x1		

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	4.11 Revenue should be allocated to local government based on total number of visitors to a region (i.e. based on visitor-to-resident ratios)	NRC, TIA		
	4.12 Revenue should be allocated to local government based on international visitor spend in a region	Tasman DC		
	4.13a Revenue allocation should be efficient and transparent 4.13b Revenue allocation should be more streamlined than other infrastructure funds (i.e. TIF)	Rangitikei DC, Southland Chamber of Commerce, TIA Mackenzie DC, Tasman DC		
	4.14 Revenue allocation should be administered by sector groups (i.e. DOC, LGNZ and TNZ), not centrally	Rangitikei DC		
	4.15 Should make provision for OpEx	LGNZ, Napier CC, NZCA, NZCT, Dest. Great Lake Taupo, Tasman DC		
	4.16 Revenue allocation decisions should be made strategically, and with other relevant funds in mind (i.e. PGF, TIF, PGP, SFF)	NZMT, Air NZ, NRC, TIA		
	4.17 Other objectives: 4.17a Global PR campaign to educate visitors about the IVL and its intent	 TIA, English NZ, NRDA, NZMT, HospoNZ	See comments in 4.1 for all of 4.18's sub-sections. MBIE intends to put significant	

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			resource into a communications campaign for the introduction of the ETA and IVL. The purpose of this campaign is to ensure international visitors know why they have to pay, and what their money is being used for. Ongoing communications about the IVL will include annual reporting on expenditure.	
	4.17b Broadening New Zealand's attractions (without subsidising the private sector)	BARNZ, Air NZ, Mackenzie DC, private citizen x1, Kaikoura DC, NZ Winegrowers	To be considered as part of the draft expenditure consultation.	
	4.17c Improved aviation services	IATA	Disagree. Aviation services are provided on a commercial basis, or cost recovered.	
	4.17d Tourism education	TECNZ	To be considered as part of the draft expenditure consultation.	
	4.17e Preservation/development of Maori culture and heritage	Napier CC, Whakatane DC, private citizen x1		
	4.17f Rationalisation of the DoC coach tourism concessions scheme	BCA, NZMCA	Disagree. Concessions are not a form of cost-recovery, rather they are a commercial return on a Crown resource. In addition, the resource use will not change in response to this levy – in fact, greater resource use may be possible because of it. This will advantage transport concessions	

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			in the long term	
	4.17g Cruise infrastructure upgrades	CLIA, CCA	To be considered as part of the draft expenditure consultation.	
	4.17h Training of local guides	CLIA		
	4.17i Destination marketing/ management	Timaru DC, NRDA	Note the Government already spends over $100 million per annum on marketing activities. This is unlikely to be a priority for the IVL. Destination management is an area to be considered as part of the draft expenditure proposal.	
	4.17j R&D in tourism sector	NZ Cruise Ass., TIA, NZ Winegrowers	To be considered as part of the draft expenditure consultation.	
	4.17k Biosecurity	HortNZ	Reserve judgement. The Border Clearance Levy already covers the costs of biosecurity traveller processing at the border. However, it does not cover other costs within the biosecurity system, including the 'post-border' biosecurity costs that visitors generate - such as the spreading of pests and diseases through travel around the country, and visits to sensitive areas.	
	4.17l Trail managers for Great Rides	NZCT	To be considered as part of the draft expenditure consultation.	

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	4.17m Rural health services	NZRGPN	Disagree. Rural health services are able to charge for costs incurred from international visitors. Wider funding concerns should be referred to Ministry of Health.	
	4.17n Business capability support	HospoNZ	To be considered as part of the draft expenditure consultation.	
	4.17o Supporting tourism operators to reduce their carbon footprint	Private citizen x1		
5. Governance of IVL	5.1 Levy rate should be fixed for a specific period to ensure revenue is predictable and measurable	RTNZ, CIAL, Fed Farmers, Tasman DC, TIA	Agree. A stable rate is useful for both visitors (who are paying) and agencies involved in expenditure.	Cabinet to agree on stable levy rate
	5.2 A regime of tight scope, revenue capping and review be established at the outset	NZ Airports Association, Clutha Development Inc, ANZLF, NZ Cruise Ass., HortNZ, Air NZ, Qantas, BARNZ, TIA	Agree. Will consult with tourism stakeholders on design of governance measures for the IVL.	Cabinet to approve a draft proposal for consultation
	5.3 A sunset provision be established at the outset	ANZLF, TIA	Disagree. Government's intention is to create a new revenue tool that responds to under-funding in the tourism system and is a predictable source of revenue.	No action

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	5.4 Industry/local government/ conservation/Maori representation on IVL governance group	TIA, LGNZ, NZ Airports Association, CIAL, CLIA, Timaru DC, NRDA, NZMT, ANZLF, Air NZ, Dest. Great Lake Taupo, private citizen x6, BARNZ, NZMCA, TIA	Agree. MBIE will develop a list of stakeholder groups/interests that need to be represented on IVL governance group	Cabinet to invite the Ministers of Tourism and Conservation to ensure appropriate representation on IVL governance group
6. Other issues	6.1 Levy should be renamed 'International Conservation and Infrastructure Levy'	HospoNZ	Disagree. Including the words 'Tourism' and 'Visitor' in the title helps to communicate the purpose of the levy to international visitors.	No action