



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

**Domestic and International Aviation Passenger Security
Charges**

14 September 2007

Introduction

1. This submission is from the Tourism Industry Association of New Zealand (TIA), located at level 4, Travel and Tourism House, 79 Boulcott Street, Wellington.
2. The Tourism Industry Association (TIA) is the umbrella body that works for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of the country's tourism-related revenue while the industry itself consists of more than 11,000 small to medium sized enterprises.
3. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, Policy Manager, on 04 494 1842 or e-mail him at simon.wallace@tianza.org.nz
4. The TIA submission comments on the Aviation Security System's (AVSEC) proposed increases to domestic and international aviation passenger security charges at New Zealand's airports.

Comment

5. On behalf of TIA, we are grateful to AVSEC for the opportunity to be involved in consultation regarding the proposed increases to domestic and international aviation passenger security charges. Representatives from TIA attended meetings held on both 10 and 15 August 2007 where the above issues were discussed.
6. Our Association broadly supports the views espoused by the Board of Airline Representatives New Zealand (BARNZ) at the above meetings. Some of the airlines represented by BARNZ are also Members of TIA and we are aware of their concerns about the proposed level of increases. Rather than providing specific feedback on the detailed financial proposals, the Association's comments are of a general nature and reflect the overall interests of tourism businesses in New Zealand.
7. Following the 10 August 2007 meeting which considered the Aviation Security Service's (AVSEC) 26 July 2007 report, TIA acknowledges the efforts made to reduce the initial level of proposed charges that were later presented to the meeting on 15 August 2007. We note that visitor experiences at New Zealand's borders must be of a consistently high standard in terms of both processing standards and waiting times. It is important to have a system that provides a warm welcome and friendly face for international visitors but balanced by a system that provides a reassuring level of security for travellers. Such experiences must be consistent with the objective of a world class visitor experience set out in the Draft New Zealand Tourism Strategy 2015 (enclosed).
8. The Association does have some concerns regarding the proposed increases. Specifically, these concerns relate to:

Capital charges

9. A capital charge should not be applied on net assets, given that domestic and international passenger security is wholly funded by participating airlines and passed on to passengers. A capital charge should only apply to net assets funded through the Crown's capital contributions.

Temporary security passes

10. The supply of temporary security passes should continue to be an activity funded by third party providers and not through a charge on passengers.

AVSEC reserves policy

11. The proposal by AVSEC to increase operating reserves to approximately \$7.5 million is a significant increase on the current situation. While TIA understands the need for a contingency in the form of this operating reserve, it believes the level of reserve is not only too high, but that any increases should be staged and phased in over time.

Passenger forecasts

12. For the purpose of estimating revenue as a result of passenger increases, TIA believes the forecasted growth, even after the amendments made on 15 August 2007, is too low. The revised forecast of 2.75% per annum for international passenger growth is well below the relatively modest 4% per annum growth forecasts set out in the Draft New Zealand Tourism Strategy 2015.
13. Meanwhile, the 1.86% growth in domestic passengers, while consistent with forecasts, may need to be revised given Pacific Blue's introduction on to domestic routes from November this year. If arrivals are higher than forecast, then AVSEC will benefit from the interest on this increased revenue with unnecessary costs being imposed on airlines, airport and travellers.
14. For more information on the New Zealand tourism forecasts, we encourage AVSEC to view the latest tourism forecasts on the Ministry of Tourism website at www.tourism.govt.nz. You can view global forecasts on the United Nations World Tourism Organisation website at www.unwto.org/index.php

Benchmarking and comparative costs

15. Our Association thinks it may be useful for AVSEC to undertake comparative analysis of passenger security charges at international airports of a similar scale, particularly Brisbane and Melbourne, which handle similar passenger numbers to Auckland, as well as working with similar security requirements. Such analysis would enable AVSEC to benchmark its costs against airports with a similar operating environment.

16. We hope the above comments are useful and as indicated at our meeting, we reaffirm our offer to work with AVSEC in whatever manner is practicable to educate travellers on new security requirements, particularly those measures around screening of international passengers for liquids, aerosols and gels.

Background Information on the Tourism Industry Association New Zealand (TIA)

1. The Tourism Industry Association New Zealand (TIA) advocates for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of New Zealand's tourism-related revenue.
2. Tourism is an \$18.6 billion industry (\$8.3b from international and \$10.3 from domestic tourism) with international tourist expenditure accounting for 19.2% of New Zealand's total export earnings.¹ The industry, directly and indirectly, employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises. Not only is tourism important because of its size, representing 8.9% of New Zealand's GDP, it is:
 - Highly employment intensive;
 - Regionally disparate; and
 - Very diverse - ranging from large stock exchange listed companies to small cottage industries.
3. These businesses cover a range of tourism-related activities – hospitality, transport, adventure and activities, attractions and retail and related tourism services. In many cases, regional tourism businesses have developed around regional assets divested by other industries and has revitalized those assets and the communities that depend on them.
4. The tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.
5. New Zealand welcomes more than two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry. TIA estimates that over 75 million visitor nights are spent by New Zealanders every year.

¹ "Key Tourism Statistics – July 2007", Ministry of Tourism website