Stage 2 Cost Recovery Impact Statement

Review of the International Visitor Conservation and Tourism Levy

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Business, Innovation & Employment.

MBIE has undertaken a review of an existing funding mechanism, the International Visitor Conservation and Tourism Levy (IVL), as required by legislation. This CRIS provides an analysis of options to increase the value of the IVL to address some of the challenges of tourism, particularly tourism infrastructure and conservation, and make long-term improvements to New Zealand's tourism system.

There are some limitations and gaps in the analysis presented in this CRIS. These are:

- Many of the levers to impose charges on international visitors sit outside the tourism portfolio (such as within the Conservation, Immigration, or Local Government portfolios) so a coordinated approach is critical. However, other pricing tools are out of scope and this CRIS focuses on one tool – increasing the IVL.
- There is no up-to-date modelling available to assess the elasticity of travel intention post-COVID-19. Estimates contained within the analysis are based on older data and airline prices from 2019. In addition, the modelling does not take account of other price changes which may have occurred since 2019 (for example, increasing airfares or other countries' border charges).
- Estimates of the cost of international visitors on tourism infrastructure are drawn from several studies produced from 2017-2019. These studies are, variously, based on selective surveys of local government, include estimates of historic underspending, and consider the views of tourism sector leaders and stakeholders. In addition, there are definitional challenges and issues of estimating costs when investment occurs over long periods of time. As a result, they are not comprehensive in their scope and the total estimated cost of international visitors should be interpreted as indicative only.
- The total cost of international visitors cannot be fairly attributed to IVL payers alone, with only around 59 per cent of international arrivals paying the IVL. However, the remaining 41 percent of arrivals are primarily Australian and Pacific Island arrivals who are significantly more likely to be visiting friends and relatives (VFR). VFR visitors tend to undertake different activities, stay for shorter periods, and are unlikely to contribute to the typical costs of tourism to the same extent as IVL paying visitors. Therefore, the analysis in this document assumes that IVL payers contribute a greater proportion of the costs (but not the total costs) than non-IVL payers for the purposes of assessing equity considerations.
- Comparisons made with similar charges overseas are difficult to make given that most countries that impose tourism levies do so through per night accommodation levies rather than one-off border levies. This analysis makes comparison by equating these per night levies with the IVL using the latest information regarding the average stay of visitors in New Zealand from the International Visitor Survey (IVS). This should be used for comparative purposes only and is unlikely to provide an accurate portrayal of the direct impact on visitors.

Danielle McKenzie, Manager, Tourism Stewardship and Systems

17 July 2024

Executive summary

As an export, international tourism creates additional demand in New Zealand's economy, helps to strengthen our international connections, trade, and partnerships, and gives an opportunity for us to showcase the best our nation has to offer. However, increased visitor numbers also create costs to our infrastructure, environment, and communities.

Visitors to New Zealand rely on and use a range of public infrastructure and goods (e.g., water, public toilets, walking and cycling tracks) that are funded by New Zealanders through taxes and rates. These goods are usually free at the point of use.

International visitors provide contributions through GST ($1.0 billion for year ending March 2023) and through the International Visitor Conservation and Tourism Levy (IVL) ($45 million in 2022/23)[1].

The IVL was introduced in 2019 to support investment in tourism infrastructure and conservation and provide a mechanism for international visitors to contribute to the cost of visitor infrastructure and conservation. The levy was set at $35 per person.

The IVL is not a direct cost recovery mechanism, in that it is a flat amount and is charged on top of immigration products rather than the services consumed. However, the IVL occupies a niche where it can fund activities of scale, with certainty of revenue[2], and cost-effective collection.

Most international visitors applying for a visa to enter New Zealand are charged the non-refundable IVL[3] alongside their visa or New Zealand Electronic Travel Authority (NZeTA). When introduced, Cabinet agreed for funding raised through the IVL to be split equally between tourism and conservation to ensure beneficiaries of these services were contributing financially.

MBIE is required to review the amount or method of calculation of the IVL at least every five years (section 399B(3) of the Immigration Act 2009). As part of the most recent review, three options were identified for increasing the IVL amount to cover a greater proportion of the costs visitors create/impose in New Zealand:

- Option One: Increase by $15 to $50 per eligible person.
- Option Two: Increase by $35 to $70 per eligible person.
- Option Three: Increase by $65 to $100 per eligible person.

[1] Note this year's revenue was affected by COVID-19 border and travel disruptions. Based on 2019 visitor numbers, the IVL was expected to bring in around $80 million per annum.

[2] Assuming international visitor arrivals remain stable.

[3] Based on 2019 visitor arrival numbers (pre-COVID-19), around 59 percent of international visitors pay the IVL. Some classes of people are exempt, including Australian citizens and permanent residents, diplomats, and people from many Pacific Island countries.

Larger increases were considered but discounted at this time as they would not meet the Government's objective to support the sector's recovery from the impact of COVID-19 with the potential for an impact on demand for travel to New Zealand.

The options have been analysed using the principles for cost recovery; the impacts on revenue, demand, cumulative border costs; and a comparison with similar charges overseas.

MBIE considers that option two best meets the objectives of the review, is consistent with the principles for cost recovery and creates a more reasonable balance between the impact on revenue with the impact on demand and cumulative border costs. Option two also remains moderately consistent with similar charges overseas (primarily the per night tourism levies charged, as opposed to one-off charges at the border).

Status quo

The IVL was introduced through the Immigration (International Visitor Conservation and Tourism Levy) Amendment Bill 2019 to fund investment in conservation and tourism. Section 399A(2) of the Immigration Act 2019 states that the purpose of the levy is to fund, or contribute to the funding of:

- conservation;
- infrastructure used for tourism (including the cost of operating the infrastructure);
- other initiatives related to tourism.

The IVL is collected by Immigration New Zealand, alongside visa and electronic travel authority application fees, and is paid by visa waiver travellers and all people applying for visitor visas or short-term entry visas (12 months or less), with exemptions in place for certain traveller categories and visitor markets. Approximately 59 percent of all international visitor arrivals pay the IVL (based on 2019 arrival figures). The IVL is a one-off charge at an amount of $35 per person.

International visitors to New Zealand bring a wide range of benefits as well as increased pressure and costs on public infrastructure, goods and the environment. The IVL was estimated to increase revenue by around $80 million per annum and act as a visitor contribution to the unfunded costs of tourism. However, the impact of COVID-19 has significantly impacted the collection of IVL revenue in recent years due to the closure of the border and unprecedented reduction in international visitors[4].

The IVL traded-off direct cost recovery for ease of collection and scale. It was set at $35 per eligible visitor to minimise the potential impact to visitor behaviour and at the time, MBIE estimated the amount would lead to a one percent one-off drop in the growth of visitor volumes. At $35, it was also considered that competitive dynamics (pricing), exchange rate movements, and global economic conditions would each affect demand to a greater degree, as $35 was less than one percent of average spend.

MBIE is required to review the amount or method of calculation of the IVL at least every five years (section 399B(3) of the Immigration Act 2009).

[4] IVL revenue collected in recent years: $57.16 million in 2019/2020, $2.69 million in 2020/2021, $3.31 million in 2021/2022 and $44.87 million in 2022/2023.

This analysis forms the latest review of the IVL and is based on public consultation on options for increasing the amount of the IVL. The review did not consider any other changes to the IVL.

The status quo is no longer sufficiently addressing the problem

Despite the impact of COVID-19 on IVL revenue, the IVL has been used to invest $86 million in tourism and conservation projects since its introduction. However, this revenue is not enough to support the required level of ongoing investment needed to support communities to address the impacts of international visitors and maintain sustainable tourism growth, especially those with low resident to visitor ratios, nor can it address the rising costs of goods and services. Without additional funding this could lead to infrastructure degrading, leading to a low-quality visitor experience.

On a broad scale, a 2021 Infrastructure Commission report estimated New Zealand's public infrastructure deficit to be approximately $104 billion (increasing to $210 billion over the ensuing 30 years), driven by a combination of under-investment as well as increasing demand from a growing population. Within this, it is difficult to calculate how much is attributed to mixed-use infrastructure (used by both visitors and the community) funding deficits.

However, estimates in 2019 projected that the unfunded costs of international visitors were around $250 million per year. This comprised around $96 million of the Department of Conservation's expenditure [5] and $100-$150 million each year (shared between the private sector, local and central government) in costs associated with local infrastructure[6].

Since these were calculated, the funding shortfall is likely to be much higher, accounting for inflation over the past five years. For example, Tourism Industry Aotearoa submitted that the cost for tourism alone has now risen to at least $250 million per year. This includes the previous estimate of $100 million - $150 million, and new data provided by Regional Tourism New Zealand which estimated the cost to support delivery of Destination Management Plans (DMPs) at around $130 million.

While these are not exact figures, many stakeholder submissions commented on the challenge of quantifying the full range of costs for the Tourism sector[7]. While crude, these estimates provide an idea of the magnitude of the issue. At the current IVL rate, there is an estimated $80 million per year in IVL funding available to contribute to the roughly $250 million - $350 million costs leaving a potential shortfall in annual revenue to support investment in tourism infrastructure and conservation of $170 million - $270 million[8].

Not all costs of international tourism can be fairly attributed to IVL payers, with around 41 percent of international visitors exempt from paying the IVL (primarily Australian and Pacific Island visitors). However, those visitors exempt from the IVL are also most likely to be visiting friends and relatives (VFR) rather than holidaymakers. VFR travellers generally undertake

5 Gross expenditure related to international visitors was $115.5m; $96m is the net amount taking account of contributions International Visitors make through GST and taxes paid by tourism businesses.

6 https://www.tia.org.nz/assets/Uploads/4d868a4517/Tourism-Infrastructure-Executive-Summary4.pdf

7 Estimates of the cost of international visitors on tourism infrastructure are drawn from several studies produced through 2017-2019. These studies are, variously, based on selective surveys of local government, include estimates of historic underspending, and consider the views of tourism sector leaders and stakeholders. In addition, there are definitional challenges and issues of estimating costs when investment occurs over long periods of time. As a result, they are not comprehensive in their scope and the total estimated cost of international visitors should be interpreted as indicative only.

8 Using the $250 million - $350 million estimation (from both the 2019 estimates and industry's costing of DMP implementation).

different activities in the economy and are less likely to contribute as heavily to the typical costs of tourism.

In addition, international visitors do pay GST on goods and services, which produces a significant amount of Crown revenue[9], but the revenue that is generated from visitors through GST is already used to fund a range of public services for the benefit of New Zealanders and visitors alike.

An alternative funding model

As mentioned above, the IVL was never recommended as the only tool for tourism funding. However, at present the IVL is the government's only tool to support critical investment in the tourism sector. Increasing visitor numbers are likely to increase pressure and costs on local and national infrastructure and the environment and the IVL gives us the ability to intervene to address the investment gap in public goods.

MBIE believes additional revenue sources to fully manage the externalities (financial, environmental and social) associated with tourism, either from new pricing tools or changes to the IVL, are also required to meet these costs.

Cost Recovery Principles and Objectives

The purpose of the IVL is to contribute to the funding of conservation, infrastructure used for tourism (including the cost of operating the infrastructure), and other initiatives related to tourism (section 399A(2) of the Immigration Act 2009). The original introduction of the IVL aimed to:

- Contribute to government stewardship of, and aims for, the tourism and conservation systems,
- Contribute to broader system change across tourism and biodiversity,
- Have flexibility to respond to change over time, and
- Complement existing funding mechanisms, rather than duplicate.

While the IVL is not strictly a cost recovery levy, in accordance with the Office of the Auditor General's (OAG) Good Practice Guide on setting and administering fees and levies for cost recovery, MBIE has been guided by the following four principles when reviewing the IVL:

- Equity: the amount of the IVL is at a level proportionate to the costs imposed by visitors on public infrastructure and the environment, relative to ratepayers and taxpayers.
- Efficiency: the amount of the IVL should find an optimal balance between maximising revenue to spend on the costs of tourism and mitigating distortions to the economy through deadweight costs and loss to the economy.
- Justifiability: the costs for which IVL revenue is used to cover are attributable, at least in portion, to the visitors from whom the IVL is collected.
- Transparency: the method for setting the amount of the IVL is appropriate and transparent.

9 International visitors contributed an estimated $1 billion in GST in year ended March 2023.

In addition, this review of the IVL has the following objectives

- Better contribute to the costs of international visitors
- Remain competitive with similar charges overseas
- Account for the effects of inflation and changes in purchasing power
- Minimise any negative impact on demand including from increasing the cumulative costs for visitors.

The level of the proposed fee and its cost components (cost recovery model)

The level of IVL revenue is no longer a sufficient contribution to the costs imposed by international visitors. Three options have been identified that better respond to the policy problem:

- Option One: Increase the IVL by $15 to $50 per eligible person.
- Option Two: Increase the IVL by $35 to $70 per eligible person.
- Option Three: Increase the IVL by $65 to $100 per eligible person.

The following table demonstrates how these options compare to the status quo of $35 per eligible person:

Table One: Proposed levy increase and associated annual revenue

	Percentage change	Estimated revenue per annum
Status Quo: $35	-	~$80 million
Option One: $50	+43%	~$114 million
Option Two: $70	+100%	~$160 million
Option Three: $100	+186%	~$229 million

As mentioned previously, while there are no up-to-date costings post-COVID-19, the costs to public infrastructure and conversation which the IVL is designed to contribute to are estimated to be around $250 million - $350 million per year.

The current level of estimated revenue of ~$80 million per year covers only around 20 - 30 percent of the costs imposed by international visitors. The remainder of costs are covered by ratepayers and taxpayers through central and local government investment or largely remain unfunded. Retaining the IVL at $35 therefore does not meet our guiding principle of equity with ratepayers and taxpayers contributing a greater share to the costs imposed by international visitors than is reasonable.

Impact analysis

For all options, MBIE has undertaken analysis to:

- estimate the additional revenue from an increase and whether it is sufficient to address unfunded costs arising from tourism,

- estimate the cumulative costs to visitors at the border,
- determine the potential impact on visitor demand,
- compare the rate of similar charges in overseas jurisdictions.

Additional IVL revenue

Table Two: Estimated additional IVL revenue based on international visitor arrivals[10]

IVL Options	Estimated additional annual IVL revenue	Estimated additional annual revenue +/- 10%
Status quo: $35	n/a	~ (-$8 million) to ~ $8 million
Option One: $50	~ $34 million	~ $23 million to ~ $46 million
Option Two: $70	~ $80 million	~ $64 million to ~ $96 million
Option Three: $100	~ $149 million	~ $126 million to ~ $171 million

Impact of cumulative border costs

Visitors to New Zealand face other border charges alongside the IVL, some of which have recently increased or are due for review. When determining the attractiveness of New Zealand as a destination to visitors, consideration must be given to these wider charges and whether they will also be rising. Table Three provides an overview of New Zealand's current border charges, which should be considered alongside the IVL.

Table Three: Overview of current border costs the Government collects in New Zealand[11]

Name of Charge	Australian resident or citizen visitor	Visa-Waiver visitor (60 countries, including UK, US, Japan)	Visitor Visa (e.g., China, India, South Africa)
NZeTA (mobile app)	-	$17.00	-
IVL	-	$35.00	$35.00
Custom Border Processing Levy (arrival) (excluding GST)[12]	$14.17	$14.17	$14.17
Customs Border Processing Levy (departure) (excluding GST)[13]	$3.45	$3.45	$3.45
MPI Biosecurity Services Levy (arrival) (excluding	$16.92	$16.92	$16.92

[10] Calculations are based on 2019 arrival figures (3,874,000) with approximately 59 per cent of those arrivals paying the IVL.

[11] Note some of these charges are paid as part of a visitor's airline ticket.

[12] Customs is consulting on this charge. Currently the levy is $16.59.

[13] Customs is consulting on this charge. Currently the levy is $4.52.

Name of Charge	Australian resident or citizen visitor	Visa-Waiver visitor (60 countries, including UK, US, Japan)	Visitor Visa (e.g., China, India, South Africa)
GST)			
CAA International Passenger Security Levy (excluding GST)	$15.09	$15.09	$15.09
CAA International Passenger Safety Levy (excluding GST)	$1.60	$1.60	$1.60
Immigration Visa Fee[14]	-	-	$300.00
Immigration Levy[15]	-	-	$41.00
Total	**$51.23**	**$103.23**	**$427.23**
Total if $50 IVL	**$51.23**	**$118.23**	**$442.23**
Total if $70 IVL	**$51.23**	**$138.23**	**$462.23**
Total if $100 IVL	**$51.23**	**$168.23**	**$492.23**

Impact on visitor demand and visitor spend

One of the objectives of the review is that an increase to the IVL does not materially impact demand for travel to New Zealand. New Zealand is a premium and often expensive destination for many of our international markets, and any additional cost may impact our competitiveness against similar destinations. There is a risk that increasing the IVL too much could slow growth in travel demand for more price-sensitive markets, or lead to visitors spending less while in New Zealand[16].

An increase in the IVL amount is unlikely to materially impact the volume of visitors to New Zealand, as there are a range of other costs associated with international travel. Some of these are globally set, such as airfares, and fuel costs and some relate to costs in other jurisdictions, such as border charges, transit costs, fees, and levies.

Commercial Information [redacted] However, there remains limited evidence that demand for travel would reduce significantly as a result of an increase. A study from the United Kingdom suggests that the

14 This amount was agreed by Cabinet [ECO-24-MIN-0117 Minute]. It will take effect on 1 October 2024.

15 See note 14 above.

16 We note that the IVL is paid as part of immigration costs which are often paid ahead of time. Therefore, we do not have accurate model to assess how an increase could flow into a decrease in spend in country.

responsiveness of demand to travel is low for moderate increases in visa rates,[17] which may suggest a similar pattern for the IVL as it is paid alongside the immigration system.

There is no up-to-date modelling available to assess the elasticity of travel intention post-COVID-19. MBIE have developed a model using available data from prior to COVID-19. Under all scenarios, Australian visitors, our largest and likely our most price-sensitive market, would not pay the IVL. The model is included in our analysis table below. We recommend caution with this model given it is based on airfares from just after the reopening of New Zealand's international border in 2022 and travel data from 2019.

Comparison with similar charges overseas

New Zealand is one of many countries imposing border charges and fees, with many destinations increasing prices. Tourist taxes and levies are commonly applied overseas in the form of per night charges at the point of accommodation. This makes it difficult to compare with the IVL, which is a single point of entry levy regardless of time spent in New Zealand.

Other one-off tourist levies include:

- Japan: 1,000 yen (around 10 NZD) departure tax for visitors[18]
- Bali: IDR 150,000 (around 15 NZD) per person on arrival[19]
- United Kingdom: £92 (around $191 NZD) per person on a reduced long-haul flight (flights longer than 5500mi)[20]

Examples of similar per night tourist levies include:

- France: €0.20 to €4.20 (around 0.35 NZD to 7.40 NZD) per person per night.
- Germany: €0.50 to €5 (around 0.90 NZD to 8.80 NZD) per person, per night.
- Malaysia: RM10 (around 3.50 NZD) per person per night.

In 2023/24, the average length of stay for visitors to New Zealand was 20.4 days.[21] While a crude analysis, we can use this to calculate an equivalent per night cost for the IVL for the purposes of comparison with similar charges overseas. At the current amount of $35, the IVL amounts to an average of $1.72 per day per visitor. This figure will be larger for those staying fewer than the average number of days, and smaller for those staying more than the average number of days so should not be used as a direct comparison as to the impact on individual visitors.

The analysis is summarised in the table below:

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[17] Home Office (UK), *A review of the evidence relating to the elasticity of demand for visas in the UK* (March 2020). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872608/review-evidence-relating-to-elasticity-horr114.pdf

[18] https://www.nta.go.jp/english/taxes/indirect/tourist_tax.htm

[19] https://lovebali.baliprov.go.id/home

[20] For example, an economy seat on a flight from Auckland to Los Angeles would be considered reduced long haul against UK Air Passenger Duty criteria.

[21] IVS. This figure includes Australian visitors who tend to have shorter trips.

		Status Quo: IVL remains at $35	Option 1: Increase IVL to $50	Option 2: Increase IVL to $70	Option 3: Increase IVL to $100
Principles[22]	**Equity**[23]	**- (23-32% costs covered)** The IVL amount is not sufficient to cover enough of the costs imposed by international visitors. It covers up to 32% of the revenue required with the remainder covered by ratepayers and taxpayers.	**- (33-46% costs covered)** Revenue would cover around 46 percent of the costs of tourism. This option still leaves international visitors covering less than 50% of the costs they impose.	**+ (46-64% costs covered)** The IVL would generate enough revenue to cover up to 64% of the revenue required to meet the costs of tourism.	**++ (65-92% costs covered)** This option best meets the principle of equity. The IVL would generate enough revenue to cover up to 92% of the revenue required to meet the costs of tourism.
	Efficiency	**+** No economic inefficiencies due to low amount of the levy.	**-** Some economic inefficiencies as greater cost borne at the border rather than in the economy (e.g. local levies or user charges). With only a small increase, unlikely to be a risk of deadweight costs in the economy though.	**--** Some economic inefficiencies as greater cost borne at the border rather than in the economy (e.g. local levies or user charges). With only a moderate increase, unlikely to be a risk of deadweight costs in the economy though.	**---** The greatest level of economic inefficiencies as greater cost borne at the border rather than in the economy (e.g. local levies or user charges). Higher risk of deadweight costs if spending in the economy drops more than the revenue and benefits gained.
Impact on revenue		**-** There is insufficient IVL revenue to cover enough of the costs imposed by international visitors.	**+ ~$34 million** Will bring in an estimated additional $34 million in revenue per year bringing total IVL revenue to around $114 million per year.	**+ ~$80 million** Will bring in an estimated additional $80 million in revenue per year bringing total IVL revenue to around $160 million per year.	**+ ~$149 million** Will bring in an estimated additional $149 million in revenue per year bringing total IVL revenue to around $229 million per year.
Impact on cumulative visitor costs		**-** No impact as no change in the IVL.	**+$15 (+43%)** The IVL will increase by $15 per person. This option will have the smallest increase to cumulative border costs for visitors.	**+$35 (+100%)** The IVL will increase by $35 per person. This option will have a larger impact on cumulative border costs for visitors than option one.	**+$65 (+186%)** The IVL will increase by $65 per person. This option will have the largest impact on cumulative border costs for visitors.
Impact on visitor demand[24]		**n/a** No impact as no change in the IVL.	**-0.5%** This option may cause the smallest potential decrease in visitors.	**-1.3%** This option may cause a larger potential decrease in visitors.	**-2.4%** This option may cause the largest potential decrease in visitors.
Proportion of visitor spend[25]		**1%** This option is 1% of average visitor spend.	**1.5%** This option is 1.5% of average visitor spend.	**2.1%** This option is 2.1% of average visitor spend.	**2.9%** This option is 2.9% of average visitor spend.

22 We consider that all options meet the principles of justifiability and transparency. This is because no option proposes more than 100 percent of cost coverage and the method for charging the IVL is unchanged across all options.

23 Noting that IVL payers are not 100 percent of international visitors (based on 2019 figures, they make up around 59 percent of international visitors).

24 Comparison to 2019 (3.87m total visitors). Note this model is based on airfares from just after the reopening of New Zealand's international border and travel and traffic data from 2019.

25 Based on all countries average visitor spend (approximately $3398 per visitor) in the International Visitor Survey for year ended March 2024. Note, Australia does not pay the IVL and is one of our most price sensitive market with an average visitor spend of approximately $2883 per visitor.

	Status Quo: IVL remains at $35	Option 1: Increase IVL to $50	Option 2: Increase IVL to $70	Option 3: Increase IVL to $100
Comparison with similar charges overseas	**Moderate** one-off rate at the border. **Low** per night rate (at around $1.72 per average visitor).	**Moderate** one-off rate at the border. **Low** per night rate (at around $2.45 per average visitor).	**High** one-off rate at the border. **Moderate** per night rate (at around $3.43 per average visitor).	**High** one-off rate at the border. **Moderate** per night rate (at around $4.90 per average visitor).
Overall impact	IVL revenue is not sufficient to cover enough of the costs of tourism.	IVL revenue covers less than 50 percent of the costs of tourism and the amount remains low in comparison with other similar charges overseas.	IVL revenue covers more than 50 percent of the costs of tourism but with a larger impact on cumulative costs at the border.	IVL revenue covers almost all the costs of tourism but will bring the greatest impact on visitors and the IVL amount is moderate-high compared with other similar charges overseas.

Consultation

MBIE and the Department of Conservation (DOC) held a four-week public consultation from 15 May to 11 June 2024 seeking feedback on proposed changes to the IVL, specifically:

- The amount of IVL paid by each eligible traveller.
- How to spend money raised from the IVL across New Zealand.

MBIE received 1,101 submissions in total, including 1,011 via an online survey[26] and 90 written submissions.

There was significant preference from submitters for an increase in the IVL amount, with 88 per cent of responses believing that the IVL was not currently sufficient to address the issues facing tourism and conservation and 93 per cent suggesting an increase was needed.

63% of submitters supported an increase to $100, while 19 per cent of submitters supported an increase to $70. The main rationale for an increase was that it would put New Zealand in line with other countries' charges.

Alternatively, some tourism sector representative groups expressed concern with an increase. The tourism industry was particularly concerned about the cumulative impact of charges at the border and the potential impact it will have on visitor behaviour and demand for New Zealand as a tourism destination.

Many submitters also advocated for complementary, or in some cases, alternative funding mechanisms to an IVL increase to address the costs of tourism. These included using central government funding from general tax, an accommodation levy, and user charges for National Parks.

Conclusions and recommendations

There are opportunities to improve cost recovery to meet the full costs generated by tourism and these could be achieved by any option other than the status quo, although each also has potential implications to the wider economy in terms of forgone spending by visitors or a reduction in visitors.

MBIE recommends option two, which would increase the IVL by $35 to $70. This option is at a price point that provides the most reasonable balance between increasing revenue to cover the costs of tourism and ensuring that border costs are not a deterrent for visitors to travel to New Zealand.

MBIE has continued to advise the Government that a combination of tools is required to address the funding challenges of the tourism system. MBIE recommends ensuring that a variety of tools are available in the tourism, conservation and local government toolboxes. This could include user charges, taxes or levies, and targeted rates.

Option two does carry some economic inefficiencies as a greater cost is borne at the border rather than closer to the point of consumption (e.g. through local levies or user charges). But

[26] Not all respondents answered all questions, which will account for variation in percentages.

this option does not limit the potential to introduce additional tools as much as option three would and it remains moderately consistent with overseas comparisons.

Implementation plan

The Minister for Tourism and Hospitality is responsible for sections 399A and 399B of the Immigration Act 2009 which give effect to the IVL. Therefore, the Minister for Tourism and Hospitality is also responsible for changes made to the amount of the levy established via regulations (section 26AAD of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010).

Any increase to the IVL is a regulatory change and can be implemented through existing Immigration New Zealand (INZ) systems. Should a decision be made to increase the IVL, the government would announce a specific date on which the new IVL amount will take effect.

As the IVL is collected automatically through the visa and NZeTA systems, there will be no compliance risks with the collection of a new amount.

Monitoring and evaluation

An annual report is compiled and published that sets out the revenue generated through the IVL and how it has been spent. This will continue and regular reporting will be made to the Minister for Tourism and Hospitality to inform decision making.

Expenditure monitoring and reporting

To ensure transparency and accountability with regards to IVL revenue, the government will continue to report revenue and expenditure.

The government will continue to undertake regular reporting on the IVL revenue and expenditure. This is currently done through the IVL annual performance reports (1 July-30 June), which are co-owned by MBIE and DOC. These reports record how the revenue generated by the IVL is allocated, and measures the yearly progress made by the projects that are funded.

Addressing visitor pressures

The wide range of possible investments through the IVL means that different evaluation approaches will be required on a case-by-case basis.

Review

Section 399B of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 sets out that at intervals of no more than five years, MBIE must review the amount or method of calculation of the IVL.