

## Tourism & Transport Forum (TTF)

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Ministry for Primary Industries  
PO Box 2526  
Wellington 6140

To Whom It May Concern

### Submission on the Border Clearance Levy

I write to make a submission on the New Zealand Customs Service and Ministry for Primary Industries Border Clearance Levy.

The Tourism & Transport Forum Australia (TTF) is the peak national body for the tourism, transport and aviation sectors across Australia. We are a CEO forum representing some of the leading institutions and corporations in the Australian visitor economy. Our membership spans accommodation and transport providers, airlines and airports, restaurants and retailers, business and major events organisers, property developers, investors and land managers, amusement and cultural attractions, and professional services. TTF utilises its expertise and networks to develop and advocate public policy for the sustainable long-term growth of the visitor economy.

TTF historically has been opposed to any increases in taxes or levies for domestic or international travellers. TTF is aware, through its advocacy, research and member engagement, that tourism is an industry that is highly sensitive to taxes. We are alert to the fact that unnecessary travel taxes have real impacts on demand for travel to a destination and spending by visitors. This continues to be the case in Australia. For this reason, the reduction or removal of the Australian departure tax – the Passenger Movement Charge (PMC) – has been a significant part of TTF's advocacy agenda. TTF has real concerns that the proposed NZ Border Clearance Levy will contribute to the detrimental effect the PMC has had on travel on the trans-Tasman corridor and closer government relations between the two countries.

Trans-Tasman travel has seen approximately 2.5 million visitors travel between Australia and New Zealand every year for the past five years.<sup>1</sup> Recognising the gains to be made in capturing the visitation of close neighbours, overseas countries have taken steps to abolish travel taxes.<sup>2</sup> A failure to adopt a similar approach to trans-Tasman travel is to miss out on significant economic benefits generated by this market.

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<sup>1</sup> Statistics New Zealand Infoshare Database (2015), *Visitor arrivals by country of residence and all travel modes (Annual-Jun)*; ABS (May 2015), *3401.0 Overseas Arrivals and Departures - Table 4: Short-term Movement, Visitor Arrivals - Selected Countries of Residence: Seasonally Adjusted*.

<sup>2</sup> E.g. Ireland abolished its Air Travel Tax in April 2014 after economic modelling showed the losses to the economy of around 482 million Euros.

Even now, the pace of growth in the trans-Tasman route does not meet those of comparable routes overseas. Total visitor traffic on the trans-Tasman route grew by 3.8% from 2013 to 2014. By comparison, traffic on a one way route from the UK to Ireland grew by over 10% from 2013 to 2014.

The reasons for this lack of growth and maturity are wide and varied. We note however that for short-haul travel, the PMC is a higher cost burden than the UK's air passenger duty. A passenger flying from London to Istanbul, some 2500km, would pay under USD\$20 in tax; the same passenger flying 2200km from Sydney to Auckland paying almost USD\$60. Tourism Australia has identified another contributing factor to the lack of growth as being the growing competition Australia faces in the New Zealand market from increasingly accessible and affordable destinations in Asia and the Pacific.<sup>3</sup> Such factors are highly concerning for the future of Australian and New Zealand tourism.

Within such a sensitive environment, both governments should be looking at policies that facilitate inbound and outbound travel, and further enhance the overall visitor experience. An additional tax will achieve just the opposite: it will have a real effect on travellers at the decision-making stage of a journey which will in turn impact the tourism and travel industries.

The \$55 PMC as it stands can account for almost one-fifth of the total ticket price for a return ticket to New Zealand. On a AUD\$440 return air fare, the PMC represents a 12.5 per cent increase over base fare. Taking the maximum proposed levy rates, an additional NZD\$15.90 (for arriving travellers) and NZD\$3.10 levy (for outbound travellers) translates to a tax rate of approximately 16 per cent over base fare for the traveller flying in and out of Australia.

The impact of this cannot be underestimated. For New Zealanders, money is the single biggest factor influencing travel intentions.<sup>4</sup> The additional border clearance levy will be felt not only at the individual traveller's pre-travel decision-making stage, but will flow through to our airlines and airports, on which we rely to service the industry.

Both the Australian PMC and the proposed New Zealand Border Clearance levy will undoubtedly diminish travel demand at a level that will have serious repercussions for the future of the trans-Tasman route. Increased competition overseas and the sensitivity of travellers to travel taxes create a clear impetus for strong policy reform. Governments need to do more to capture the potential economic benefits that stem from trans-Tasman travel. Removing factors that inhibit demand (of which 'cost' is a significant component) to trans-Tasman travel should be a top priority.

Yours sincerely

  
**Margy Osmond**  
Chief Executive Officer

<sup>3</sup> Tourism Australia (April 2013), *New Zealand Market Profile*.

<sup>4</sup> BDA Marketing Planning for Tourism Australia (April 2013), *Understanding the NZ Consumer*.