Submission

to Maritime New Zealand

on the

Proposals to Make Changes to Maritime New Zealand Fees and the Maritime Levy for 2016-2019

Date: 22 January 2016

The Tourism Industry Association wishes to provide comment to Maritime New Zealand (MNZ) on their document 'Proposals to Make Changes to Maritime New Zealand Fees and the Maritime Levy for 2016-2019', dated 20 November 2015.

Executive Summary

1. The Tourism Industry Association New Zealand (TIA) is fundamentally opposed to any increase in fees or levies unless there are demonstrable benefits for tourism operators.

2. TIA opposes any fees or levies imposed on tourism operators that are not invested directly back into the tourism sector.

3. While we acknowledge that Maritime New Zealand (MNZ) has made a determined effort to keep fee and levy increases to a minimum, we believe the basis for the proposed levy increases is fundamentally flawed. It is clear that the tourism sector is being unjustifiably targeted to subsidise the fees of other maritime sectors. Passenger-carrying vessels should be levied at a rate similar or equivalent to non-passenger ships.

4. TIA believes that a shift to user-pays system is required when it comes to paying for additional assisted compliance. While a reasonable level of assisted compliance should be provided within the levy structure, there should be a limit on this to manage costs and also to encourage operators to take ownership for gathering and retaining additional information.

5. The government should make a greater contribution to the increase in levies caused by additional work in the core functions of risk analysis, operational policy and standards development. The Crown contribution to MNZ is currently 20.25%. If the government via MNZ are proposing increased costs, then an increased contribution by government to these costs is required.

Introduction

The Tourism Industry Association New Zealand (TIA) is the peak body for the tourism industry in New Zealand. With around 1,500 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and activities, attractions and retail, airports and airlines, as well as related tourism services.

The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.

Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, TIA Advocacy Manager at steve.hanrahan@tianz.org.nz or by phone on 027 912 2624.

About Tourism

Tourism for New Zealand is big business as the country's largest export sector. It is a major contributor to the New Zealand economy that will always be here and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean and pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.

The tourism industry delivers the following value to New Zealand's economy:

- Tourism in New Zealand is a $81.6 million per day and $29.8 billion a year industry.

- The tourism industry directly and indirectly supports 12.1% of the total number of people employed in New Zealand. That means 295,908 people – one in eight – are working in the visitor economy.

- Tourism is one of New Zealand's biggest export industries, earning $11.8 billion or 17.4% of New Zealand's foreign exchange earnings (year ended March 2015).

Tourism 2025 (www.tourism2025.org.nz), an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching $41 billion in annual tourism revenues by 2025. To achieve that, the industry must grow international tourism at a rate of 6% year on year and domestic tourism at a rate of 4% year on year. The industry's focus is on growing value faster than volume. The Tourism 2025 framework is based around five key themes which are Insight, Connectivity, Productivity, Visitor Experience and Target for Value.

COMMENT

1. Our understanding of the current situation

Maritime New Zealand (MNZ) completed its last funding review in 2012 and the next funding review is scheduled for 2018. This 2015 mid-point review was planned because at the 2012 review, both MOSS and Seacert had not been introduced yet.

It has transpired that the costs of MOSS and SeaCert are not being met through current fees and the Maritime Levy. Therefore this proposal considers how costs can be recovered.

In the 2015/16 year, 65% of funding came from the Maritime Levy and other fees. The Crown contributed 20% and 15% came from Other.

There are eight proposals for change in the review document. Our submission focuses on three of those proposals which hold the most relevance to tourism.

2. The tourism perspective

Proposal 1 – Halting further planned maritime levy reductions for international operators

The 2012 review resulted in a series of planned levy reductions from 2013 and scheduled to occur through to 2018. The proposal is to halt further planned levy reductions for international operators (domestic operators received the full levy reduction amount in 2013).

Cruise NZ have forwarded us a copy of their submission and TIA supports their view in regards to halting of the planned maritime levy reductions, particularly for cruise ship operators. We support the view of Cruise NZ that the application of the Maritime Levy to international cruise ships is fundamentally flawed. While international container ships are levied on a Dead Weight Tonnage, the cruise ships are levied via passenger capacity.

This leads to a situation where, for example, a ship with 2000 passenger capacity visiting 6 ports pays a levy of $35,280. A container ship visiting six ports pays $17,154 – over 50% less than what a cruise ship pays. There is no sound rationale provided by MNZ on why this disparity exists. As Cruise NZ notes in their submission, *cruise ships make up only 1.68% of all foreign ships, yet are estimated to pay 20.13% of the levy in 2015-16*. In our opinion, this is clearly inequitable and unacceptable.

A similar disparity applies to New Zealand passenger ships. Larger passenger ships such as those operated by Blue Bridge and Interislander are being charged on passenger capacity. Unlike international cruise ships, these domestic passenger ships do not always run near full capacity. Often, the actual passenger number is considerably less than full passenger capacity. By charging these domestic passenger ships levies based on passenger capacity, the costs are exacerbated for these ships. We understand that Interislander reduced its capacity on one of their vessels in an effort to mitigate these compliance costs. This is an understandable, though unfortunate response to MNZ compliance structures in that it may impact negatively on the tourism sectors capability to transport visitors at peak times.

A popular view amongst tourism operators is they are soft targets and it is easier and less problematic to levy them as opposed to some other maritime sectors. We therefore urge for a review of the application of the Maritime Levy so that it can be applied in a more equitable manner across all sectors.

Proposal 2 - Funding for MOSS and SeaCert additional assisted compliance

We appreciate that operators often prefer a one-on-one approach when looking for MNZ assistance in the compliance area. However, we believe that the proposed approach to charging for these services is flawed. MNZ argues that the funding increase to assist in compliance queries can justifiably be applied across all operators (Domestic Non-SOLAS) because '*the people who benefit from this additional work are not only MOSS and SeaCert users, but the maritime industry as a whole, because everyone in the industry benefits from water users around them being safe'*.

TIA is of the opinion that any additional funds to assist compliance should be collected on a user-pays or fee basis, as opposed to an increase in an industry levy. The proposal as it stands may lead to an uncontrolled demand for assisted compliance.

The preferred position is that a reasonable base level of assisted compliance is provided and then, as the name of this proposal indicates, any *additional* assisted compliance is based on a user-pays system. By implementing a user-pays system, operators are likely to take more ownership for getting assistance, including looking at what other alternative sources of information there may be e.g. industry association support, websites, peer-to-peer learning.

Enabling operators to take more ownership of their compliance upskilling and learning will in the long-run benefit the industry and not unnecessarily and unfairly penalise those operators who have taken the responsibility to upskill and educate themselves on compliance requirements.

It must be noted that MNZ needs to ensure that any changes to compliance systems are well communicated and explained to reduce a need for additional compliance from operators in order to understand the impact of changes on them.

Proposal 3 – MOSS and SeaCert risk analysis, operational policy and standards development.

This proposal outlines that more work in the area of risk analysis, operational policy, and standards development is being done by MNZ, driven by a deeper understanding of the risks in the sector gained through stronger sector engagement. We note that this additional work is not covered under current funding arrangements and is currently funded by reduced operational spending and use of reserves.

TIA is of the opinion that these additional costs in the area of risk analysis, operational policy and standards development should be met by the government. It is unfathomable that operators should be required to carry an additional $800,000 p.a. (through increased levies and unrealised reductions) for this work. MNZ should closely review how it goes about its core work and develop a higher quality of output and efficiencies that do not require the agency to call on operators to prop up what is a primary role. If this additional funding is required, it should be sought from the Crown who currently provides 20.25% of MNZ funding.

3. Conclusion

It is clear that the tourism sector is being unjustifiably targeted to subsidise the fees of other maritime operators. There does not appear to be any strong rationale for why passenger-carrying vessels cannot be levied at a rate similar or equivalent to non-passenger ships.

We are very concerned that operators are being called upon to pay for increased regulator costs. We acknowledge that effort has been made to meet recent cost increases through reduced spending and use of reserves, neither of which is sustainable. However, targeting tourism operators who are already providing a disproportionate amount of compliance funding is not acceptable. Fee structures need to be fair and equitable and the government has a responsibility to provide core services.

TIA wish to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

END