

The Treasury

Budget 2015 Information Release

Release Document July 2015

www.treasury.govt.nz/publications/informationreleases/budget/2015

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
- [4] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [6] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
- [7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Introducing a biosecurity and customs passenger levy

Responsible Person: Melody Guy 917 6059

First Contact Person: [4]

Purpose

1. This paper seeks Cabinet agreement to recover the costs of Customs and MPI biosecurity border services to passengers.

Comment

2. Treasury supports the proposal to cost recover passenger clearance services for both MPI and Customs.

Rationale

3. This proposal represents a move from a Crown funded model to a 'User pays' model for Customs' and MPI's passenger clearance services, collected via a levy on passengers. The justification for this is that passengers are risk exacerbators (particularly with respect to biosecurity), passengers derive private benefits from services enabling them to travel, and to achieve equity funding for goods clearance, which are cost recovered.

Fiscal Impact

4. The fiscal impact of moving to cost recovery is that revenue Crown will be replaced by revenue Other collected from passengers. MPI and Customs forecast that they will be able to return revenue Crown savings of \$25.9m in 15/16, \$78m in 16/17, and \$104m ongoing from 17/18.
5. Treasury does not support the proposal to reinvest \$2m operating and \$2m capital in 15/16 and [8] operating from 16/17 onwards in the biosecurity system. Normal practice is for all revenue Crown that is no longer needed for its intended purpose be returned to the centre. This enables the Government to make funding decisions taking into account all its priorities.
6. Detailed policy work and consultation will provide more clarity on exactly what activities should be cost recovered, which could include some of the proposed reinvestment activities. This work should be completed before any decisions on future Crown funding.
7. MPI will benefit from the introduction of cost recovery as it will mean that revenue will flex with demand allowing MPI to more easily meet future cost pressures related to passenger clearance services. In addition they have secured agreement to reprioritise savings in other areas including the use of PGP funds (\$38m) and revenue Crown freed up by cost recovery of the Wine Industry [8]

Legislative implications – Budget night legislation required

8. Budget night legislation is required to amend the Customs Act to enable cost recovery to start from 1 January 2016. The paper presents two options for legislative

amendments. Option A would make cost recovery for MPI and Customs passenger clearance services mandatory, with consultation confirming only the level and design of the levy. Option B would enable Customs to cost recover, with consultation on whether or not to cost recover as well as the level and design of the levy. Option B does not include enabling provisions for Biosecurity as they already exist under the Biosecurity Act 1993.

9. Treasury considers that both options signal a change from Crown funded to cost recovered services for passenger clearance, and both options enable Customs and MPI to pursue cost recovery. If Ministers are certain of their intention to cost recover, then Option A may have some benefit in terms of streamlining consultation to focus only on levy design and level. If Ministers want to leave open the possibility of not cost recovering, then they should choose Option B.

Treasury Recommendation

10. We recommend that you **support** the recommendations in this paper.

We recommend supporting 6a as follows:

6. Either:

- (a) **Agree** that all savings to revenue Crown be returned to the centre (Treasury recommended).

The following table goes into the Executive Summary of the paper

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			14/15	15/16	16/17	18/19	Out years	
Introducing a biosecurity and customs passenger levy		Support Support 6a. (Treasury recommended)	<i>Operating- if 6a (Treasury recommended)</i>					This paper seeks agreement to a levy to cost recover biosecurity and customs border services to passengers, a legislative mechanism to provide for cost recovery, and a reinvestment of revenue Crown savings in the biosecurity system.
			-	(25.9)	(78.1)	(104.3)	(104.5)	
			<i>Capital- if 6a (Treasury recommended)</i>					
			-	-	-	-	-	
			[8]					
<i>Capital- if 6b</i>								
-	2.0	-	-	-	-			