

The Treasury

Budget 2015 Information Release

Release Document July 2015

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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
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- [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.



Cabinet Business Committee

Amended Minute:
CBC Min (15) 1/2

Copy No:

Minute of Decision

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Introducing a Biosecurity and Customs Passenger Levy

Portfolio: Primary Industries / Customs

On 13 April 2015, the Cabinet Business Committee:

Background

- 1 **noted** that demand for Ministry for Primary Industries (MPI) and the New Zealand Customs Service (Customs) passenger clearance services is increasing and it is anticipated that passenger volumes will continue to grow at 3.5 percent per annum;
- 2 **noted** that there is a growing gap between increasing demand, risks and service expectations for passenger processing and available resources;

Levy proposal

- 3 **agreed** to introduce, from 1 January 2016, a border clearance levy on arriving and departing international air and sea passengers and crew to fund the costs of border processing incurred by MPI and Customs;
- 4 **agreed** to directly impose the levy in primary legislation enacted under urgency on Budget day, with detailed levy design issues to be consulted on and set out in delegated legislation;
- 5 **noted** that the proposed combined levy is expected to be up to approximately \$16.25 (including GST) per arriving passenger, and up to \$5.90 (including GST) per departing passenger, subject to more detailed modelling and consultation;
- 6 **noted** that the proposed levy will free up to approximately \$103.3 million in annual Crown funding for passenger clearance (\$47.9 million for biosecurity, \$55.4 million for Customs) when fully implemented;
- 7 **agreed** that some of the revenue returned to the Crown be used to reinvest in the biosecurity system and announced as part of Budget 2015, comprising \$2 million in operating funding for implementation plus a one off capital injection of \$2 million in 2015/16, and \$4.6 million per annum in operating funding in 2016/17 and outyears;

Consultation

- 8 **directed** officials to prepare a consultation document for a combined border clearance levy, which would include detailed proposals for design and implementation;
- 9 **noted** that the Minister for Primary Industries and the Minister of Customs intend to seek Cabinet's agreement to release the consultation document in late May 2015, and approval of regulations in October 2015, in order to implement the levy on 1 January 2016;

Financial impacts

- 10 **agreed** to a decrease in revenue Crown and a corresponding increase in third party revenue to provide for cost recovery of MPI's passenger and crew clearance and enforcement activities, with the following impact on the operating balance:

Vote Primary Industries	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	-	(12.000)	(35.900)	(47.900)	(47.900)
No Impact	-	12.000	35.900	47.900	47.900
Total	-	-	-	-	-

- 11 **approved** the following changes to baselines to reflect the revenue changes in paragraph 10 above:

Vote Primary Industries and Food Safety Minister for Primary Industries	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Multi-Category Expenses and Capital Expenditure: Border and Domestic Biosecurity Risk Management MCA Departmental Output Expense: Border Biosecurity Monitoring and Clearance (funded by revenue Crown)	-	(12.000)	(35.900)	(47.900)	(47.900)
Departmental Output Expense: Border Biosecurity Monitoring and Clearance (funded by revenue Other)	-	12.000	35.900	47.900	47.900

- 12 **agreed** to a decrease in revenue Crown and a corresponding increase in third party revenue to provide for cost recovery of Customs passenger and crew clearance and enforcement activities, with the following impact on the operating balance:

Vote Customs	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	-	(13.900)	(42.200)	(56.420)	(56.588)
No Impact	-	13.900	42.200	56.420	56.588
Total	-	-	-	-	-

- 13 **approved** the following changes to baselines to reflect the revenue changes in paragraph 12 above:

Vote Customs Minister of Customs	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Departmental Output Expense: Clearance and Enforcement Services Related to Passengers and Crew (M21) (funded by revenue Crown)		(13.900)	(42.200)	(56.420)	(56.588)
Clearance and Enforcement Services Related to Passengers and Crew (M21) (funded by revenue other)		13.900	42.200	56.420	56.588

- 14 **invited** the Minister for Primary Industries and the Minister of Customs to report back to Cabinet on any necessary adjustments to appropriations to reflect any substantive changes resulting from consultation;
- 15 **noted** that actual costs associated with providing passenger clearance services, and the associated revenue generated by the levy, are expected to grow as volumes increase;
- 16 **agreed** that changes to revenue and appropriations will be made through memorandum account mechanisms during baseline updates;

Reinvestment of Crown Revenue in Biosecurity

- 17 **approved** the following changes to baselines:

Vote Primary Industries and Food Safety Minister for Primary Industries	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Multi-Category Expenses and Capital Expenditure: Border and Domestic Biosecurity Risk Management MCA Departmental Output Expense: Border Biosecurity Monitoring and Clearance (funded by revenue Crown)	-	2.000	4.600	4.600	4.600

- 18 **approved** the following capital injections to MPI to give effect to the policy decision in paragraph 3 above, with a corresponding impact on debt:

	\$m – increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Ministry for Primary Industries: Capital Injection	-	2.000	-	-	-

Legislative implications

- 19 **noted** that neither the Biosecurity Act 1993, the Customs and Excise Act 1996, nor the Immigration Act include a suitable provision to directly impose a levy to fund the costs of passenger clearance by MPI and Customs;
- 20 **agreed** to directly impose the levy in primary legislation;
- 21 **agreed** that the levy will have the following key components:
- 21.1 the purpose of the levy is to recover costs of MPI biosecurity services and border processing functions performed by Customs;
 - 21.2 the levy will be payable by arriving and departing passengers and crew;
 - 21.3 payment is to the Director-General of MPI and the Comptroller of Customs;
 - 21.4 surpluses or deficits can be carried over to the following financial year;
- 22 **agreed** that the legislation will empower regulations to be made to detail other matters necessary for the levy's administration, such as the rate of the levy, a collection agency and reporting and auditing requirements, waivers and penalties for non or late payment;
- 23 **noted** that officials will report to the Attorney-General, and the Minister for Primary Industries and the Minister of Customs by 17 April 2015 with a clear recommendation as to the best legislative vehicle;
- 24 **authorised** the Ministers in paragraph 23 above to issue drafting instructions to the Parliamentary Counsel Office for the necessary legislative change once officials have reported back;
- 25 **agreed** that the amendments be introduced under urgency on Budget day;

[8]

Suzanne Howard
Committee Secretary

Reference: CBC (15) 8

Secretary's note: This minute has been reissued to correct errors in paragraphs 7 and 17.
