



Cabinet

CAB Min (05) 13/3A

Minute of Decision

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Minister of Transport

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Hon Jim Anderton
Minister for Biosecurity
Minister of State Services
Minister of Tourism
Minister of Local Government
Minister of Customs
Minister for Transport Safety
Associate Minister of Transport
(Hon Judith Tizard)
Controller and Auditor-General
Chief Parliamentary Counsel
Secretary, POL

Passenger Clearance Services at International Airports: Allocation of Aviation Security Charge across Airports

On 11 April 2005, following reference from the Cabinet Policy Committee (POL), Cabinet:

Allocation of Avsec charge across airports

- 1 **agreed** that, for the purpose of determining Passenger Clearance Services (PCS) charges, the distinction between 'new airports', 'regional airports' and 'metropolitan airports' be dispensed with and instead the following categories be established:
 - 1.1 'low-volume international airports' being those international airports processing fewer than nine thousand international departing passengers per annum;
 - 1.2 'medium volume international airports' being those international airports processing between nine thousand and two hundred thousand international departing passengers per annum;
 - 1.3 'high volume international airports' being those international airports processing more than two hundred thousand international departing passengers per annum;

- 2 **agreed** that the costs of the Aviation Security Service's international activities:
- 2.1 be charged to air operators operating into New Zealand's medium and high volume international airports on the basis of an average national charge for those airports;
 - 2.2 be charged on a location-specific basis at low volume international airports;

- 3 **noted** the implications of the decision in paragraph 2 for existing airports - set out in the table below:

Charging implication of paragraph 2 on present airports (March 2005 figures):

Airport	Designation	National average
Auckland	High volume	\$8.31
Hamilton	Medium volume	\$8.31
Rotorua (potential new airport)	Low volume	Fully self-fund
Palm. North	Medium volume	\$8.31
Wellington	High volume	\$8.31
Christchurch	High volume	\$8.31
Dunedin	Medium volume	\$8.31
Invercargill (potential new airport)	Low volume	Fully self-fund
Queenstown	Medium volume	\$8.31

- 4 **agreed** that should passenger numbers at a medium volume airport decline to the level of a low volume airport for two consecutive financial years, then that airport will be regarded as a low volume airport for the purposes of PCS funding;
- 5 **noted** that:
- 5.1 the Passenger Clearance Funding Bill on the 2005 Legislation Programme has a priority of 2 – must be passed in 2005;
 - 5.2 the required amendments to the Civil Aviation Act 1990 could be made through this Bill;
- 6 **noted** that although a two-tier Avsec charge would technically require no amendment to the Civil Aviation Act 1990 if it is cast in terms that conform with the differential charging powers in sections.38(2) and 100(2) of that Act, it is desirable to eliminate any litigation risk by amending the Act to explicitly allow for two-tier charging;
- 7 **noted** that in December 2004 the Cabinet Policy Committee agreed that all government charges should be recovered from airlines [POL Min (04) 30/2];
- 8 **invited** the Minister of Transport to issue instructions to the Parliamentary Counsel Office to:
- 8.1 draft amendments (including any consequential amendments required) to the Civil Aviation Act 1990, the Civil Aviation Charges Regulations 1991 (No 2), and the Civil Aviation (Safety) Levies Order 2002 in order to implement the recommended charges and recovery mechanism for Avsec's international security activities, and the one dollar Civil Aviation Authority safety levy currently collected from airports;

- 8.2 draft amendments (including any consequential amendments required) to the Civil Aviation Charges Regulations 1991 (No 2) in order to implement the required charges for Avsec's domestic security activities;
- 9 **noted** that further financial risks to the Crown, of approximately \$1.254 million per month, exist in 2005/2006 and outyears if Avsec international fees are not implemented by 1 October 2005;

Collection mechanism for government charges

- 10 **noted** that, in light of the decision that Customs be fully Crown funded, Avsec has been selected as the agency responsible for the calculation, invoicing, collection and distribution of the charges for Passenger Clearance Services levied on international airlines;

Customs and MAF funding

- 11 **noted** that on 8 December 2004 POL:
- 11.1 agreed that the Crown should partially fund Biosecurity and Customs services at existing regional international airports (Hamilton, Palmerston North, Dunedin and Queenstown);
- 11.2 agreed that Crown funding be set at full funding up to the per passenger rate of the third cheapest airport; and for costs beyond that 50% of per passenger costs above the rate of the third cheapest airport;
- 11.3 agreed that the maximum Customs and Biosecurity charges for regional airports would be capped at the per passenger rate of the second most expensive airport with the Crown meeting the costs above that level [POL Min (04) 30/2];
- 12 **rescinded** the decisions referred to in paragraph 11; and instead
- 13 **agreed** to fully fund the costs of MAF and Customs activities at medium and high volume international airports and charge for these services on a location-specific basis at low volume international airports;
- 14 **approved** the following changes to appropriations to make up for loss of anticipated revenue from partial cost recovery at medium volume international airports:

Vote Customs:	\$m – Increase/(Decrease)					
	2005/06	2006/07	2007/08	2008/09	2009/10 & Outyears	GST
Departmental Output Class: Clearance of International Passengers, Crew and Craft (funded by revenue Crown)	0.198	0.244	0.244	0.244	0.244	Incl.
Departmental Output Class: Clearance of International Passengers, Crew and Craft (funded by revenue other)	(0.198)	(0.244)	(0.244)	(0.244)	(0.244)	Incl.

New airports

- 15 **noted** that on 8 December 2004 the Cabinet Policy Committee agreed that any new airport would meet the full cost of government services [POL Min (04) 30/2];
- 16 **rescinded** the decision referred to in paragraph 15; and instead
- 17 **agreed** that airports commencing international services undergo a PCS self-funding period of one year from the commencement of international regular public transport flights after which they will qualify for ongoing PCS funding at the level appropriate to the passenger volumes they have achieved;
- 18 **noted** that a suitable way to implement this one-year self-funding period is to link it to a passenger volume requirement. This would obviate the need to amend legislation each time airports qualify for PCS funding, and provide a simple, certain and transparent formula for new international airports;

Next steps

- 19 **noted** that an amendment to the Biosecurity Act will be required to effect the decision in paragraph 17, and that a forthcoming paper to POL will address this requirement in detail;
- 20 **directed** officials to report to POL in early 2008 with a review of the first two years of the funding regime;
- 21 **noted** that stakeholders and government agencies are all in agreement that prompt decisions on PCS funding issues will facilitate an ordered transition to the new funding regime;
- 22 **noted** that the Minister of Transport indicates that the paper will be the subject of consultation with the Labour caucus and does not require consultation with other parliamentary parties.

Secretary of the Cabinet

Reference: POL Min (05) 8/12

***Secretary's Note:** Cabinet added paragraph 4 and confirmed the rescinding decisions from POL at paragraphs 12 and 16. This minute accordingly replaces POL Min (05) 8/12.*