



# Cabinet Business Committee

Amended Minute:  
CBC Min (15) 1/2

Copy No: 28

## 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
<b>Total</b>	-	-	-	-	-

- 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
<b>Total</b>	-	-	-	-	-

- 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

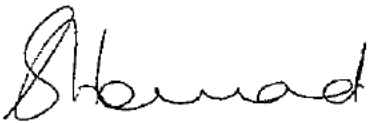
- 18 **approved** the following capital injections to MPI to give effect to the policy decision in paragraph 3 above, with a corresponding impact on debt:

	Sm – 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;

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Suzanne Howard  
Committee Secretary

Reference: CBC (15) 8

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

**Present:**

Rt Hon John Key (Chair)  
Hon Gerry Brownlee  
Hon Steven Joyce  
Hon Paula Bennett  
Hon Dr Jonathan Coleman  
Hon Amy Adams  
Hon Christopher Finlayson QC  
Hon Simon Bridges  
Hon Nathan Guy  
Hon Tim Groser  
Hon Michael Woodhouse  
Hon Todd McClay

**Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet  
Ministry for Primary Industries  
New Zealand Customs Service

**Distribution:**

Cabinet Business Committee  
Office of the Prime Minister  
Chief Executive, DPMC  
Director PAG, DPMC  
PAG Subject Advisor, DPMC  
Secretary to the Treasury  
Attorney-General  
Solicitor-General  
Secretary for Transport  
Minister of Foreign Affairs  
Secretary of Foreign Affairs and Trade  
Minister for Primary Industries  
Director-General, Ministry for Primary Industries  
Minister of Trade  
Minister of Immigration  
Chief Executive, MBIE (Immigration)  
Minister of Customs  
Comptroller of Customs  
Controller and Auditor-General  
Chief Parliamentary Counsel  
Legislation Coordinator