

19. Passengers and Their Effects

19.1 SCOPE OF COMPLIANCE REQUIREMENTS

The overwhelming majority of people arriving into New Zealand come by air. Accordingly, for the purposes of this review, the focus has been on compliance costs associated with air passengers.

Consistent with the overall brief for this review, it is compliance costs falling on industry that are of interest. Passengers may incur some compliance cost, for example in terms of familiarising themselves with MAF requirements and/or in terms of delays that can occur from time to time in having to pass through MAF screening procedures. Such costs have not been included as part of this review.

From an industry perspective, it is airport companies that face, in the first instance, a range of biosecurity requirements in relation to passengers and their effects. In particular, airport companies are required to provide facilities and systems for the clearance of passengers (and crew) and their baggage.

For the purposes of this project, we have focussed on the two main international airports, Auckland and Christchurch, because they account for the overwhelming majority of air passengers arriving into New Zealand. We have pro-rated the compliance costs faced by these two airports by the proportion of international passenger numbers they receive to achieve an estimate of the costs applying to other airport facilities.

19.2 TERMINAL SPACE AT AIRPORTS

Terminal space is required by MAF for processing passengers and screening their baggage. Airports must provide this terminal space free of charge to MAF. The change of policy made some years ago to screening all baggage has increased the space requirements at airports. The space requirements have three main components:

- operational space (i.e. areas where MAF personnel inspect documentation and screen baggage);
- administration space; and
- processing space (i.e. space where incoming passengers assemble following collection of bags and prior to MAF inspection).

Space requirements are determined by MAF and are based on the space required to process a number of passengers per hour (which is set at the level of the 30th busiest hour for passenger processing). The

number of passengers arriving each hour is, of course, a function of airline schedules.

Estimates of the construction costs for terminal space are in the range of \$4,000-\$5,000 per square metre. However, based on current equivalent rentals, this translates into a per annum cost of around \$250 per square metre for large open space (operational and processing) and slightly less \$240 per square metre for administration space.

Based on current space utilisation, the total cost of MAF requirements for terminal space is approximately \$835,000 (equivalent to \$0.10 per international passenger). It is important to note, however, that as a result of continuing growth in passenger numbers and future terminal developments, this cost is expected to increase possibly by in region of 50 percent above current levels.

19.3 SPECIALIST FACILITIES AT AIRPORTS

Various specialist facilities are provided by airport companies to deal with various biosecurity threats. These include:

- a dog room (for MAF inspection dogs);
- lab facilities (including fit-out costs); and
- interview rooms.

Based on information provided by airport companies, we have assumed a rental of \$240 to \$260 per square metre for the dog rooms and interview rooms and \$500 per square metre for the lab facilities. Based on the space provided at the two largest international airports, and pro-rated to take account of passengers arriving at other international airports, we estimate specialist facility costs to be around \$104,000 per annum.

19.4 ADMINISTRATION COSTS AT AIRPORTS

Airport companies noted significant costs associated with liaising with MAF to deal with various matters to do with passenger clearance and terminal development. The costs were not noted with sufficient specificity to enable a detailed breakdown, so they have been incorporated as an administrative overhead in Chapter 20, Other Compliance Costs.

19.5 SUMMARY OF COMPLIANCE COSTS

The table below summarises the estimated annual compliance costs associated with passenger clearance, as defined and limited for the purposes of the analysis.

Table 35 Estimated Compliance Costs for Passengers and their Effects

| Compliance Activity | Cost Estimate \$NZ |
|------------------------|--|
| Terminal space | \$0.84 million |
| Specialist facilities | \$0.10 million |
| Airport administration | Captured elsewhere |
| Total | \$0.94 million (\$0.13 per passenger) |

Source: PwC, using data from Statistics New Zealand, Auckland International Airport and Christchurch International Airport.