

Submission form: Proposal to establish a game trophy export levy for the Game Animal Council

This form is for submissions on the proposed game trophy export levy for funding the Game Animal Council.

Please return your submission by 5pm Monday 13 February 2017.

By email: gacexportlevy@doc.govt.nz

Or by mail: GAC Export Levy Consultation, Department of Conservation, PO Box 10420, Wellington 6143

This submission was completed by:

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On behalf of:	New Zealand Professional Hunting Guides Association (NZPHGA)
Position (if submission lodged for a group)	Executive member; website / membership

Official Information Act considerations

Your submission will be held by the Department of Conservation. Submissions may be subject to a request to the Department of Conservation under the Official Information Act 1982.

Please let us know below if you object to the release of any information in your submission. In particular, let us know which part(s) you consider should be withheld, and any reason(s) for withholding the information, for example, personal details, or commercial information. We will consider all such objections when responding to requests under the Official Information Act.

Please note any objections here:

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Submit your views on the proposed levy

These questions are designed to engage interest and get you thinking about key areas of the proposal. Your submission on the proposed approach is not limited to these questions – you are welcome to provide submissions on other aspects of the proposed levy.

Enter your answers below each question.

1. Do you agree with the amount of the proposed export levy? Why / why not?

With the fact that the NZPHGA firmly believes an export levy as the wrong funding mechanism as context, we are of the view that the levy is excessive and 'gold-plated'. It would present a punitive financial burden on the commercial hunting sector.

Regardless of whether the levy is perceived to be borne by the client or the provider, it adds significant cost to the price of a hunt, making New Zealand a less competitive and attractive hunting destination. This will inevitably result in the shrinkage of our industry, especially at the lower end where the industry's 'bread and butter' clientele are. For example, hunters spending \$10,000 on a three-species hunt will see the cost of their trip rise by approximately 10%, for no discernible benefit to them or the sector, and may choose destinations offering similar game, such as Argentina or Europe, in lieu of New Zealand.

The \$1.6m cost of running the Council, used to justify the \$300 levy, is excessive given the limitations of the Act to public land only. The proposed priorities of the GAC seem light when compared with the proposed revenue. When the costs to run a seven-person executive are borne by the one part of the hunting sector that operates primarily on private land, over which the GAC has no jurisdiction, it becomes blatantly unfair.

The commercial sector represents approximately 24% of the revenue generated by the game animal sector. In proposing this levy, the GAC has not indicated that there would be a reduction in the levy once other income streams come online. Thus, if the other sectors represented by the GAC were to contribute the same amount in proportion to their annual revenue contribution, the GAC would have a budget of some \$6.4 million. This is less gold-plated and more solid gold.

This gross imbalance is further exacerbated by the absence of any defined plan in place to seek funding from the wider hunting sector. If a levy is the only avenue open to the GAC, the NZPHGA is of the view that a levy of around \$50 for deer species (as agreed by the NZPHGA in 2015) and \$150 for alpine species (as currently already paid to DOC but which should be directed instead to the GAC), raising some \$250,000- \$500,000. Those funds should be used to employ a CEO and support staff charged with the primary task of setting up funding mechanisms from the wider hunting sector and demonstrating some benefits to the levy payers in the first instance, before any other project is implemented.

2. Do you agree with there being no exceptions for the export levy?

There already are exceptions to this levy. Goats and rams can be exported as trophies without being subject to the levy. Velvet antler and hard antler can be exported as part of the oriental medicine trade. The GAC can rest assured that this will be one of the first loopholes that may be exploited by disenfranchised commercial sector operators.

Otherwise, the NZPHGA does not agree with the idea of there being no exceptions to the export levy. The vast majority of trophies exported are privately-owned animals taken on privately-owned land over which the GAC has no jurisdiction. As such, they can not offer any meaningful benefit to the

owners of private land and animals. This is taxation without representation or benefit and raises questions of natural justice.

Privately-owned animals taken on private land should be exempt from any levy until such time as the GAC, via a change of the governing GAC and WAC Acts, has jurisdiction over them and then only at a level that is justified by the benefits the GAC can offer. This must be matched by contributions commensurate to benefits from all other parts of the hunting sector.

Furthermore, animals currently taken from public land already attract a trophy fee, payable to the Department of Conservation. Two successive Ministers of Conservation have stated to the NZPHGA Executive that these fees will be directed toward the GAC upon it's establishment. To date, this has not happened. Obvious questions of double-dipping have arisen as a result.

Whether via levy, licence or trophy tag, the commercial sector is of the firm view that there should be a differential between the costs paid by different hunter groups. Foreign unguided, public land hunters should pay the most, with foreign public land hunters employing a local qualified guide paying a lesser fee, followed by foreign hunters hunting on private land with those hunting privately-owned animals on certified game estates paying the least or nothing, at least until such time as the GAC can demonstrate some benefit to that sector.

3. What's your view of the proposed collection mechanism?

The NZPHGA views the proposed collection mechanism as a blunt instrument that serves the sole purpose of simple revenue collection, without considering the management advantages of an alternative mechanism. The GAC has taken the soft option here. Questions must also be asked of the cost of collection, exactly how much of the levy will actually go back to the GAC, how much will be swallowed in collection and by whom. The NZPHGA and wider commercial sector demand absolute transparency on this.

Alternatively, international hunters understand the tag and license system, whereby trophy tags are pre-purchased prior to arrival, along with a license to hunt in that particular state or country. They recognise and understand the management benefits of this approach, assuming the funds raised do actually benefit the industry they are patronising. A side benefit would be the opportunity to 'up-sell' hunters extra tags prior to arrival in the case that an opportunity for a particular species presented itself.

The tag and license method also gives the issuing body the opportunity to disseminate key messages to the visiting hunter prior to arrival (for example, the threat of CWD to New Zealand and what to expect at the border as a result - it does no good warning them of this as they depart). To not consider a method such as this on the grounds of 'being too difficult to administer' is an abdication of the GAC's responsibility to the wider game animal sector that it is supposed to protect.

4. What would the introduction of an export levy mean for you?

The NZPHGA views the export levy as punitive burden on our industry for minimal benefit. This is principally due to the fact that the levy is excessive, does not differentiate between the value of trophy species, does not recognise the privately owned origin of the bulk of exported trophies, the

lack of benefits toward the commercial sector and a collection mechanism that is foreign in it's nature to our clients and does not help us protect our hunting resource from bad practice or biosecurity threats.

In short, the NZPHGA views the levy in it's proposed iteration as a heavy tax on the commercial hunting sector for the sole benefit of the recreational hunting sector. It would have minimal perceived value to members of our organisation. In management terms, it will exacerbate divisions between groups within the wider hunting community. In business terms, it would result in a contraction of our industry and associated tourism multipliers such as flights, accommodation and post-hunt touring.

The timing of the export levy, should it be introduced, would also be a critical element. International hunter booking lead times typically vary from a few months out to three years with the norm estimated at 18 months. For example, many operations will now be quoting clients and taking bookings for the 2018 & 2019 seasons. The introduction of any levy would need to allow for an 18-36 month minimum window for introduction.

5. What changes do you think the introduction of an export levy might lead to? For instance, might it encourage any particular changes in behaviour?

The NZPHGA believe that the introduction of the proposed levy will create resentment, levy avoidance behaviours and civil disobedience amongst commercial hunting sector members. This has been openly stated by several NZPHGA members. Commercial hunting operators will seek loopholes to save their clients the levy costs and gain a competitive advantage over other operators.

In terms of hunters visiting New Zealand, it will provide another reason, along with the tyranny of distance and a reputation for being an expensive destination, for hunters to choose alternative hunting destinations.

In terms of the game animal sector, the introduction of this levy, in it's current iniquitous form, will do more to exacerbate divisions between recreational and commercial hunting sectors than anything before it. This is an irony given the Game Animal Council Establishment Committee's recommendations were to unite all sectors with interests in game animals.

On the other side of the ledger, once an export levy is in place and funding 100% of the GAC's requirements, recreational hunters will see little reason to make a contribution at all, let alone in proportion to the benefits received. This will mean the commercial sector will fund the GAC ad infinitum.

6. What would the introduction of an export levy mean for the volume and types of hunters coming to New Zealand?

The NZPHGA is of the view that introducing this levy will, without doubt, result in a reduction of hunters visiting New Zealand. The effect would be multiple:

1. Simple economics would suggest that the resulting direct increase in the cost of the hunt for no discernible benefit will naturally result in fewer customers purchasing a hunt in New Zealand.

2. The fact that there is no discernible benefit to the overseas hunter will result in resentment of this tax. People will avoid hunting in New Zealand on principle alone to a greater degree than the financial disincentive itself would suggest.

3. The levy is likely to affect the lower-end, higher volume hunts in the free / gift - \$10,000 range, where the financial impact of the levy relative to the hunt cost will be more keenly felt. The one-size-fits-all \$300 per trophy export levy has a far greater impact on low-value hunts than hunts with high-value trophies and this will result in a much higher contraction in the volume of exported trophies.

7. What do you think the challenges will be for managing compliance with the proposed new system?

This will depend on the Act as it is written and what loopholes and avoidance measures will be discovered and utilised as a result. The NZPHGA believes that given the almost complete lack of benefits to the commercial sector, the appetite for non-compliance with the new system will be strong.

Many commercial sector members see the levy as a direct impost on their business. If the levy is passed onto the client, this will result in fewer bookings and lower revenue. Equally, another operator may choose to absorb the export levy in the interests of client satisfaction. Such unjust taxation for minimal benefit will be fought on principle. Many in the commercial sector have decided that the levy is an inevitability despite the invitation to submit on it. They will instead respond with civil disobedience.

8. Do you agree this is an accurate view of the export volumes of game trophies (as defined in the Act)? Why / why not?

The NZPHGA is not necessarily in a position to advise on this figure as we are not privy to the collection of export data across the wider hunting sector. The more pertinent question is what these volumes will look like with a \$300 tax on top. We predict a significant reduction in actual trophy volumes exported via standard channels of between 20-30%.

It is estimated that around 28,000 hunters visit New Zealand annually. Trophy exports number around 5,300 animals from a maximum of 4,000 hunters, the vast majority of which are taken on private land and not under the GAC's purview. These 4,000 hunters are in effect subsidising the other 24,000 hunters who are exploiting our game resource at the expense of New Zealand hunters, most of whom do not have a channel to contribute even if they wanted to. By any measure, this is a perverse outcome.

In other words, to tax the comparative few who export their trophies is akin to adding a departure tax to our highest-spending 20% of tourists so that we can subsidise freedom campers. This makes no economic sense whatsoever.

9. What might the introduction of an export levy mean for the volume and mix of game trophy exports?

The NZPHGA believes that the overall volume of exports is likely to reduce significantly for the following reasons:

1. There will be fewer hunters visiting New Zealand and therefore fewer individuals in a position to export a trophy.
2. Of those hunters that do visit New Zealand to hunt, there will be fewer add-ons / extra trophies in the form of secondary trophies. The financial disincentive of the export levy is likely to dissuade them from adding, for example, a tahr or fallow buck to a red stag. They may instead choose to take a bigger stag (only one leviable trophy) or avoid spending the extra money entirely.
3. Outfitters are less likely to offer complimentary add-ons as a deal sweetener or upgrade incentive as they will need to either bear the levy cost themselves, or pass it onto the client. This is a key business tool of which the effectiveness will be immediately reduced upon introduction of the levy.
4. Low cost hunts will rise in price dramatically if these hunters wish to export their trophies. Hunters that do not employ a guide on their New Zealand hunt to keep the cost down may not choose to export at all. For example, a self-guided Australian hunter who visits New Zealand for two weeks and might have taken 12 trophies home may now only take one or two, while still indiscriminately shooting multiple animals across a range of species and making no contribution to the GAC.

10. Do you have any other points you wish to make?

To put this entire submission in perspective, it is important to note that even prior to the notion of an export levy, the Game Animal Council is severely compromised as far as the commercial sector is concerned. This is something MartinJenkins has entirely failed to grasp in their export levy proposal.

The GAC was conceived with the notion of uniting the divisions within the game animal sector. However, due to the final form of the GAC Act, the Council can not achieve this aim without considerable changes to the Act. The point is, the commercial sector, of which the NZPHGA represents a critical part, is currently disenfranchised to the point of opposition to the GAC. The export levy proposal is exacerbating this discontent, possibly beyond repair should it go ahead.

To date, the GAC's remit and actions have been overwhelmingly about managing recreational hunting on public land. This clearly defines where the funding base should lie. Can the councillors seek to implement a tax on game animals originating primarily from private land with a clear conscience? Or should the council be funded by those who benefit from it's actions?

This submission document is a missed opportunity. It should not be about ascertaining opinion on the export levy, but rather canvassing the wider sector about what needs to be done to make the GAC a viable proposition.

The majority of the commercial hunting sector remains supportive of the formation of a Game Animal Council that is capable of representing the total game animal industry, backed by legislation that supports all sectors within it, as was the original intent. They are prepared to contribute their share of

the funding on a fair and equitable basis alongside the other sectors. The New Zealand hunting sector is estimated to contribute \$187 million to the national economy annually of which the commercial sector (hunting guides and game estates) contribute \$45 million. Based on this, the commercial sector should be contributing approximately 24% of the running costs of a GAC that can demonstrate benefits to all contributing parties.

To expect a single sector to fund 100% of the GAC's requirements, at any point, for minimal benefit raises serious questions of natural justice.

The commercial sector considers that the pending review of the GAC Act by the Minister is of critical importance and in particular, how the review will seek to redress the inequities in the current funding proposal to align with the GAC Establishment Committee's recommendations.

These include:

1. Amending the GAC Act to cover all aspects of the game animal sector and be the guiding legislation concerning game animals.
2. Amending the WAC Act to address inconsistent and outdated legislation concerning Game Animals and the GAC Act.
3. Establishing the appropriate human resources and operating budget to deliver on the GAC's core objectives.
4. Implementing funding mechanisms that see each sector contributing funds proportional to their makeup of the game animal sector and receiving benefits commensurate to that contribution.
5. Establishing realistic and fair timelines to bring these funding initiatives online.
6. Ensuring adequate representation and expert knowledge of all contributing sectors on the GAC.

Should this review fail to redress these issues and the export levy go ahead as proposed, we consider that the legislative limitations placed on the GAC under the current inequitous proposed funding initiative will result in the GAC ultimately failing in its core objectives.

We therefore strenuously urge the Minister to re-consider the proposed budget of the Game Animal Council, to reduce the proposed export levy to a more equitable amount, to ensure the pending review recommends the introduction of additional revenue mechanisms and that the GAC and WAC Acts are amended to reflect and benefit all those with interests in game animals.

On December 8 2016 the NZPHGA and NZAGE sent a combined letter to Minister Dunne expressing our opposition to the proposed levy on exported trophies. To date, we have not received a response to this letter nor any invitation to discuss the issues raised in the letter.

However, we would like the letter to be considered as part of a combined submission, alongside this one, from both organisations representing the key stakeholders of the commercial hunting sector where exported trophies are concerned.

Again, we would welcome the opportunity to discuss with you the issues raised in this submission and the letter that preceded it.