

5 September 2022

By email only: **Jim Palmer**
John Ombler
Antoine Coffin
Gael Surgenor
Penny Hulse
futureforlg@dia.govt.nz

Dear Panel Members,

Review into Local Government: funding pressures and sector-specific taxes

Hotel Council Aotearoa (**HCA**) is New Zealand's dedicated industry body for hotels and hoteliers. We refer to the Review into the Future for Local Government (the **Review**).

We wrote to the Review almost a year ago seeking the opportunity to meet and discuss tourism-specific funding mechanisms at local authority level (copy **attached**). We never received a response to this request, other than confirmation of receipt of our letter.

It is very surprising to read in Penny Hulse and Jim Palmer's speech to LGNZ (21 July 2022) the following statement:

"We consider Local Government also needs the ability and flexibility to create new revenue generating tools, like bed taxes or congestion charging."

To be clear, HCA *does not* believe that regional bed taxes in New Zealand are justified or necessary. On the contrary, we consider regionalised bed taxes could be highly damaging to New Zealand's overall tourism industry and directly impact on efforts to attract more "value over volume" tourists.

Has the Review done any work into understanding the overall level of consumer taxes on accommodation in overseas jurisdictions that also have bed taxes? If so, you will be aware that US and European jurisdictions with bed taxes typically have much lower levels of sales tax, GST or VAT than New Zealand's 15% GST. In many jurisdictions, bed taxes are only imposed to the extent that sales tax or VAT is *decreased* by a matching amount.

Bed tax jurisdictions typically have *no* CBD improvement targeted rates or other similar capital value-based rates, either. Will the draft report issued by the Review make clear recommendations about the taxes and rates (both national and regional) that *should be removed* if localised bed taxes are introduced?

The [HVS 2021 Lodging Tax Report](#) would be a useful starting point for the Review's research on this topic. A distinct minority of US destinations have total tax on accommodation exceeding 15% (being NZ's existing GST level).

In the year prior to COVID-19, central government in New Zealand collected almost \$3.9 billion in GST from tourist spending, but failed to share much of this windfall with local authorities. Minor reinvestment by central government such as the Tourism Infrastructure Investment Fund (c \$15-20

million annually) is clearly inadequate to deal with infrastructure pressures at a local level. HCA is yet to see anyone demonstrate how tourists in New Zealand are generating “negative externalities”, “local infrastructure pressure”, “costs” or other “damage” in excess of \$3.9 billion annually. What is the Review’s opinion on this, or do the needs of local government to generate more revenue effectively trump the fairness to tourists and tourism businesses?

New Zealand’s tourism industry operates in an internationally competitive market. In our submission, the Panel should not decide that local authorities “need” the ability to raise the consumer-borne cost of tourism product without first analysing competitor destinations and their tourism taxation levels. The Panel should only recommend new bed taxes if it can provide local authorities with guidance on international best practice, including in relation to the quality of spending from the monies raised.

HCA is the dedicated industry representative body for New Zealand’s large hotels. As such, we have considerable experience of, and expertise in, hotel bed taxes and their pros and cons. If the Review is heading towards recommending local bed taxes throughout New Zealand in its draft report – and it certainly appears that way – then such recommendations would benefit from greater prior engagement with the sector that will be charged with collecting those taxes.

We remain available to meet with the Panel to discuss these issues in greater depth.

Yours Sincerely
Hotel Council Aotearoa

A handwritten signature in blue ink that reads "James Doolan". The signature is fluid and cursive, with the first name being more prominent.

James Doolan, Strategic Director
james@hotelcouncilaotearoa.com