Submission on proposed changes to the IVL

10 June 2024

HOTEL COUNCIL AOTEAROA

Contents

Purpose and scope

1. Hotel Council Aotearoa (**HCA**) is responding to MBIE's *Proposed changes to the International Visitor Conservation and Tourism Levy* consultation document dated May 2024 (the **Consultation Document**).

2. HCA is the national industry body for New Zealand's hotel sector. Our Board and members have vast experience in hotel development and operations, including considerable cumulative expertise managing hotels and tourist attractions in many overseas markets. We represent 145 hotels comprising almost 19,000 guest rooms.

3. Prior to COVID, 55 percent of overnight accommodation sector revenues were from overseas tourists. International tourists, particularly those coming from further away than Australia, tend to gravitate towards high-end hotels over other types of accommodation. Australians are currently exempt from paying international visitor conservation and tourism levy (**IVL**). Alongside airlines, it could be argued that hotels have the closest commercial relationship with international tourists who are currently required to pay the IVL.

4. HCA and its members are *not* recipients of IVL funding. We represent no councils, council-controlled organisations or state-owned enterprises. HCA has made no applications for IVL funding (although we reserve the right to do so in future, particularly if the scope of the IVL continues to expand beyond its original intent).

Summary

5. The Consultation Document is confirmation of a very significant departure from the original intent of the IVL. HCA does not support this mission creep.

6. Past IVL-funded projects are of variable quality. The Consultation Document itself could be much better. Imposing/increasing tax on tourism is a big deal and should be informed by the highest-quality data and analysis.

7. However, being pragmatic, we might as well go to $50 or even $70 as foreshadowed in Budget 2024. There is need across the tourism ecosystem and alternative funding mechanisms will take time to design properly.

8. If the IVL is going to partially fund Tourism New Zealand and/or other Crown expenditure previously made from consolidated funds, then Government should maintain Tourism New Zealand funding next year and also give serious consideration to supporting event attraction and destination marketing in key regions, especially Auckland as arrival port for 70% of international visitors.

9. Too much is out of scope in this consultation, including who pays the IVL and overall fund governance.

10. Central and local government should not continue to ignore industry's repeated requests for wholesale reform of tourism funding in New Zealand. Unfortunately, the IVL is proof that repeatedly latching onto convenient/expedient part-solutions is not serving New Zealand well in the long run. It really is beyond time to do this properly, on reasonable timelines and fully informed by analysis of international best-practice.

Background

11. The IVL became law in June 2019 (prior to the global COVID pandemic) after being debated under urgency on 30 and 31 May.[1]

12. The IVL does not have its own governing legislation. It is established under an amendment to the *Immigration Act 2009* and in subordinate regulations called the *Immigration (Visa, Entry Permission, and Related Matters) Amendment Regulations 2019* (the **Regulations**).[2]

13. The Regulations also enable electronic travel authorities, or ETAs. The ETA process is also the collection mechanism for the IVL. New Zealanders and Australians are not required to obtain an ETA, alongside some other categories of traveller. Urgency for the creation of ETAs was the principal justification for urgency around the IVL. It is unusual for a completely new tax or levy to be created under urgency and without full scrutiny through the typical, non-urgent legislative process.

14. It is clear from *Hansard,* and from other documents prepared at the time, that the IVL was intended to have an infrastructure focus. It is also clear that the IVL was never intended to be a comprehensive solution to tourism funding problems – either in quantum or in scope.

15. In the Regulatory Impact Statement for the IVL,[3] MBIE noted:

> *"Problem Definition – Recent high growth in visitors has put pressure on visitor infrastructure (including on facilities and public conservation lands and waters managed by the Department of Conservation). The underlying problem is that visitors do not generate a revenue stream directly back to infrastructure owners for them to invest in assets and maintenance. The revenue that is generated from visitors through GST or rates on visitor-related businesses for example, is used to fund a range of public services." [emphasis added]*
>
> *"The IVL alone will not fully address all the issues identified; instead it is a first step in a wider funding package. It will fill the gaps that other funding tools in the package can not address."*
>
> *"The IVL forms part of a wider funding package and is not intended to address all the issues relating to visitor growth."*
>
> *"A large majority of submitters support the introduction of an IVL, however, many caveated that support with expectations about the way in which the revenue should be managed (hypothecation, transparency, and representation in decision-making)."*

[1] https://bills.parliament.nz/v/6/d6760b26-674f-474f-a624-8c68bd05a602?Tab=hansard

[2] https://www.legislation.govt.nz/regulation/public/2019/0132/latest/whole.html?search=sw_096be8ed818963c3_levy_25_se&p=1#LMS210061

[3] https://www.mbie.govt.nz/assets/f8f36d475e/annex-2-regulatory-impact-statement-for-ivl.pdf

16. When the IVL came into law, the then Minister of Tourism (Kelvin Davis) said:

> *"The IVL is an investment in New Zealand. It is expected to raise over $450 million over 5 years, funding projects to ensure our country and our people get the best from tourism growth. Our international visitors will be contributing directly to the infrastructure they use and helping to protect the natural places they enjoy," [emphasis added]*

17. The then-government's press release announcing creation of the IVL[4] also stated:

> *"The revenue generated through IVL will be split between conservation and tourism, with three areas of focus: conservation, infrastructure and systems. The IVL won't replicate other funds. It will look at projects that will make long-term contributions to tourism and conservation, whereas, for example the Tourism Infrastructure Fund provides a responsive tool for dealing with local pressures on infrastructure.*
>
> *The Ministers of Tourism, Finance, and Conservation will approve an Investment Plan – due out in October. To help guide investment decisions, an advisory group, with expertise covering conservation, local government, tourism and Māori perspectives will be set up." [emphasis added]*

18. Opposition parties voted against introduction of the IVL and argued vigorously against it in the debates. Criticism of the bill during debates included:

> *"It just says that the levy will be charged to contribute to the funding of costs associated with conservation or tourism. So there's nothing terribly certain or fixed or defined about that in the bill." (Scott Simpson, National, Coromandel)*
>
> *"I rise to speak in opposition to this, frankly, atrocious and outrageous tourist tax. I will start by just speaking to Ms Sage's point that tourists don't pay their fair share. Tourists in this country pay $1.7 billion in tax each year—each year." (Erica Stanford, National, East Coast Bays)*
>
> *"It is purely at the discretion of whoever is making the decision. There is no compulsion. There's no transparency. There's no accountability." (Harete Hapango, National, Whanganui)*
>
> *"There is no doubt that the case has been made for more infrastructure around tourism and that the burden upon many ratepaying bases is now too large. …. The Minister will say the $40 million that he's putting into tourism because of this new tax will fix the problems—it just won't." (Todd McClay, National, Tourism Spokesperson)*
>
> *"What's a far fairer way of funding? It's actually GST. …. We know that with GST, GST costs less than 0.1 percent to collect. It's a very efficient tax. Does this new tax pass the efficiency test? It's expected that it's going to cost 15 percent—15 percent of the cost is going to be in bureaucracy, in the collection of it." (Nick Smith, National, Nelson)*

19. In 2022, the then-Minister of Tourism (Stuart Nash) took to Cabinet a proposal to increase the IVL to $100, $150 or $200, with the Minister's preference being $200. MBIE's preferred option was $100 "in combination with the development and implementation of other pricing tools". MBIE also noted

[4] https://www.beehive.govt.nz/release/legislation-passed-visitor-levy-and-smart-border-systems

that "the most efficient and effective spend through the IVL is on tourism infrastructure and tourism system improvements, as well as spending on conservation costs of tourism that go beyond the Department of Conservation's baseline spend."[5]

20. Cabinet rejected this idea of any IVL increase while borders remained closed due to COVID and instead recommended that the Minister should work in collaboration with industry on tourism funding issues. This did not happen.

21. Industry has repeatedly called for a comprehensive review of how tourism is structured and funded in New Zealand. For example, in its interim report released in December 2020 – well after introduction of the IVL – the Tourism Futures Taskforce called for central government "to undertake an independent study about how to develop a sustainable and equitable funding mechanism based on a robust understanding of the costs and benefits of visitors".[6]

22. For the past four years, HCA has consistently called for industry, central government and local government to agree principles for a fair, reasonable and nationally-endorsed funding model for the tourism economy that draws upon international best-practice and robust research. Solving this long-standing problem through genuine consultation and collaboration on reasonable timeframes could be the most important and enduring legacy of the tourism industry's recovery after COVID.

23. The Government's Budget 2024 was released on 30 May 2024. It contains an assumption that the IVL will increase to the midpoint of proposed options in the Consultation Document, which implies an increase to $70. The Budget also contained a number of IVL spending decisions, such as partial funding of Tourism New Zealand and funding of routine/ongoing maintenance of the NZ Cycle Trail. The Budget documents seem to imply that transferring expenditure to the IVL is effectively being counted as departmental savings by MBIE.

Before we start, can we stop saying that international tourists don't pay their way?

Once again, MBIE has issued a consultation document saying that certain "costs of international visitors" are "unfunded". At least this time, the Consultation Document includes a footnote to the effect that tourism generates GST which is "invested across New Zealand".

HCA *does not* agree that central government has ANY funding shortfall in relation to tourism or tourists (in the sense that central government tourism receipts might be claimed to be less than tourism-related expenditure). MBIE has never fronted with supportable calculations of the alleged shortfall. Instead, MBIE simply repeats claims that international tourists create a funding shortfall when they travel here. MBIE takes past estimates of underinvestment back into tourism and uses those estimates as evidence of under-taxation of, or underpayment by, international tourists.

To be clear, HCA has sympathy with the position of local councils in relation to tourism funding. Local councils rely on property rates for their operating income. They do not share in ongoing tourism GST revenues, which makes it difficult for councils to fund construction and maintenance of local infrastructure to support the visitor economy, particularly during high season. Local councils arguably have a tourism funding shortfall. This funding shortfall is because central government gets the revenue-linked upside,

---

[5] https://www.tourismticker.com/wp-content/uploads/2022/10/release-of-discussion-document-proposed-changes-to-the-international-visitor-conservation-and-tourism-levy.pdf
[6] https://www.mbie.govt.nz/assets/the-tourism-futures-taskforce-interim-report-december-2020.pdf

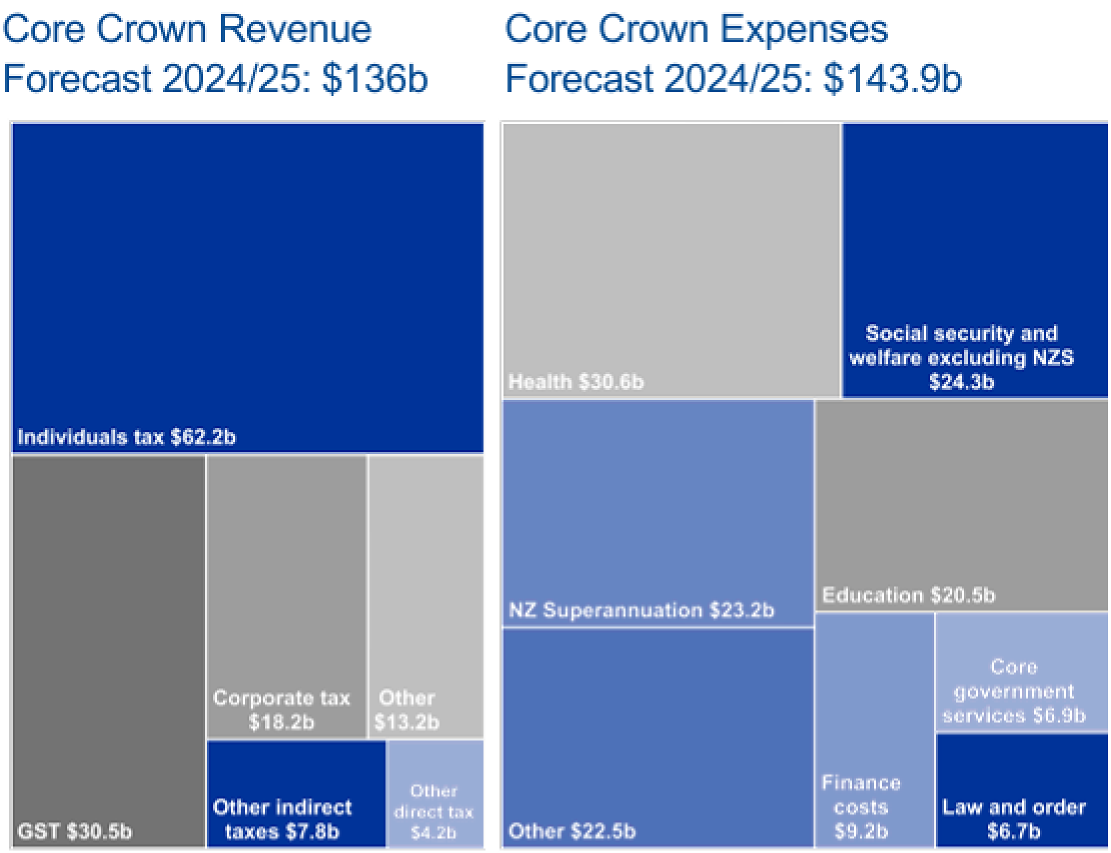
while local government has the infrastructure-linked operating costs and greater liability for helping deliver a superb tourism experience.

Central government, however, does not have a "funding shortfall". Central government *immediately* benefits from a volume strategy – both through GST and at the border via the IVL, but local council funding mechanisms are less responsive to those increasing volumes.

It's time for tourism industry policymakers to fully acknowledge and accept that tourism GST receipts are spent outside of the tourism industry for the benefit of resident New Zealanders. A begrudging footnote that tourism GST gets "invested around New Zealand" is not enough.

Industry associations such as HCA keep banging on about GST because *tourism is the only export sector where GST is collected*. It is intellectually dishonest for MBIE and others to ignore GST when giving an opinion about the net benefits (or alleged net cost) of international tourism.

International tourism *does not* create a burden on New Zealand taxpayers – quite the opposite. International tourism effectively cross-subsidises other parts of New Zealand's economy and helps pay for services that are used exclusively by Kiwis and not by tourists at all.



Note that the components of the revenue chart do not sum to the total revenue forecast due to rounding.

The above table is taken from the *Budget at a Glance* summary for Budget 2024.[7]

International tourists have only limited access to public health services and are expected to carry health insurance.[8] International tourists *cannot* access social security, NZ Superannuation or education at all. In

[7] https://budget.govt.nz/budget/pdfs/at-a-glance/b24-at-a-glance.pdf
[8] https://www.immigration.govt.nz/new-zealand-visas/preparing-a-visa-application/medical-info/getting-public-health-care-in-new-zealand#:~:text=If%20you%20must%20pay%20for,offered%20free%20or%20subsidised%20care.

other words, the four largest categories of central government expenditure – together amounting to 69% of total spend – are for services that *are not provided to international tourists*.

Based on the revenue forecast of $30.5 billion in GST for the upcoming period, it seems likely that tourists (domestic and international) will pay at least 12% of all GST collected in 2024/25. That is an extraordinarily good deal for Treasury!

In the period prior to COVID, international tourists were responsible for 43% of total tourism spending. If that proportion holds true, then we can reasonably predict that international tourism will account for 5.2% of all GST collected in New Zealand in the 2024/25 period.

Tourists, and especially international tourists, *massively outspend New Zealanders on a per capita basis*. For obvious reasons, that outspend is even more pronounced in F&B and services.

Tourists are a vital component of New Zealand's overall economy. Many businesses and town-centres would look very different indeed if we did not have high-spending international tourists supporting them. We got a glimpse of that during COVID and it was not pretty. Our major CBDs are still recovering from the loss of tourism trade.

None of this stuff is controversial or novel – it's all economic orthodoxy. The benefits of inbound tourism are fully understood around the world, which is why countries, cities and regions compete vigorously to attract more tourism and also increased private investment in tourism-enabling assets.

Questions for consultation – HCA responses

1. Do you agree that current levels of IVL revenue (approximately $80 million) are not sufficient to address issues facing tourism and conservation?

a. Yes ~~– Maybe – No – Not sure~~

The question is very leading, even ignoring the "do you agree" framing. The IVL was never designed to be "sufficient" to address issues facing tourism and conservation. Unsurprisingly, revenues raised via the IVL fall short of the total amount needed to address "all" issues facing tourism, let alone conservation as well. This is especially true because the IVL has failed to generate anywhere near the predicted levels of revenue, due to New Zealand's extended period of closed borders during the COVID pandemic. MBIE knows this already and is on record as saying so in a number of official documents relating to the IVL-enabling legislation when first passed and the attempt by then-Minister of Tourism Stuart Nash to raise the IVL to $200 in 2022.

"Issues facing tourism and conservation" is an incredibly broad term. It seems obvious to HCA that New Zealanders and Australians contribute substantially to such issues, yet the IVL is not collected from them.

At peak, in the year ending June 2019 (prior to the start of the global COVID pandemic in late 2019), New Zealand received just under 3,889,798 international visitor arrivals, of which 1,514,599 (39 percent) were Australians.[9] In the year to March 2019, total tourism expenditure in New Zealand was $40.866 billion, of

To the extent that international tourists qualify for ACC, note that hotels and other tourism business contribute fully to funding ACC through existing employer levies and tourists effectively pay for motor vehicle-related levies either through the cost of rental or directly when they buy fuel.

[9] https://www.stats.govt.nz/assets/Uploads/International-travel/International-travel-June-2023/Download-data/international-visitor-arrivals-to-new-zealand-june-2023.xlsx

which $17.164 billion was by international tourists, and the remaining $23.702 billion was by New Zealanders.

If we estimate non-Australian international tourist spend as comprising 61% of all international tourist expenditure[10], then non-Australian international tourists are estimated to have spent $10.470 billion in the year to March 2019, or just 26% of total tourism expenditure in that year.

It is completely unsurprising to HCA that a border levy imposed on travellers responsible for just 26% of total tourist spending is insufficient to address all issues facing conservation and tourism.

2. Do you agree that the IVL should be used to address some of the costs for tourism and conservation currently funded by the Crown?

a. ~~Yes –~~ Maybe ~~– No – Not sure~~

3. Please explain your views, including any additional information that would be useful.

Budget 2024 released on 30 May contains an assumption that the IVL will increase to $70 and that some of the money raised will be used to fund expenditure previously covered by the Crown out of the consolidated fund. This appears to be a decision driven by pragmatism, given that Government is choosing to prioritise other issues over tourism.

Government departments, including MBIE, were asked to identify cost savings of between 6.5 and 7.5 percent leading up to the Budget. Where expenditure previously funded by the Crown has been moved to the IVL, it appears that money is being treated as "cost savings".

This creates a terrible precedent. In future, when *any* government wishes to identify cost savings, it can do so by transferring what was formally Crown expenditure to the IVL. The IVL was not created with sufficient specificity around quantum or purpose to become the sole mechanism for funding tourism and conservation.

HCA understands the pragmatism of transferring existing Crown expenditure to the IVL, and cautiously "agrees" with it subject to the following critical provisos: (1) Significant work needs to be done urgently to improve the quality of IVL expenditure and oversight/governance; and (2) real work must start on comprehensive reform of tourism funding as a whole, so that stop-gap measures such as tapping into the IVL are no longer needed.

4. Do you prefer one option over the other? (select one)

~~a. Status quo at $35~~

b. An increase

5. If the IVL does increase, what amount is your preferred option?

a. Increase by $15 to $50

b. Increase by $35 to $70

~~c. Increase by $65 to $100~~

6. Please explain the reasoning for your preferred option.

[10] This estimate is likely to slightly understate non-Australian tourist spend as a proportion of total spend because Australian and domestic travellers typically spend less on a per capita basis that tourists coming from further away.

HCA is largely indifferent between option a and option b. In both cases, we are driven by pure pragmatism. New Zealand might as well not leave money on the table *if* we can genuinely move the needle on pressing issues currently facing tourism. The word "if" in the preceding sentence is doing a lot of heavy lifting.

We would have preferred to see much better analysis in the Consultation Document around price elasticities of the proposed options, along with a reasonable attempt to support MBIE's claims that the "unfunded costs of international visitors were around $250 million per year" and that DOC had expenditure of $115.5 million gross ($96 million net) that was "related to international visitors".

Raising tourism taxes when New Zealand has still not recovered to pre-COVID levels of international visitation is a big deal. DOC should be providing much more information about how its calculations were made, including explaining to what extent expenditure "relating to international visitors" was able to be delayed or deferred when international visitor arrivals fell from 3.9 million annually to just 186,385 in 2021 and 309,950 in 2022. For example, what share of DOC's claimed visitor-related expenditure "relates to" Australians (who do not pay the IVL)?

According to the Reserve Bank inflation calculator, there has been 22.8% increase in CPI between Q2 2019 and Q1 2024. On 1 June 2019, the NZD/USD exchange rate was 1.53, and on 1 June 2024 it was 1.63.

Increasing the IVL to account for weakening of the NZ dollar and CPI inflation would result in the levy reaching approximately $46 (noting, of course, that not all international tourists operate in USD).

Without seeing any detailed elasticity analysis, it "feels" to us as though a doubling of the IVL to $70 is unlikely to have a material impact on visitation at the current stage in the cycle, particularly given the significant increases being seen worldwide in hotel room rates and airfares. International travel to an isolated location such as New Zealand has always been an expensive/luxury experience.

But of course, decisions such as this should be made with much more robust analysis than simply how it "feels" to industry stakeholders. Unfortunately, the information provided in the Consultation Document and the relatively tight timeline for responses means robust analysis is almost impossible.

7. Do you support IVL revenue funding for the following areas: (sliding scale of strongly agree to strongly disagree for each)

a. Address visitor pressure on mixed-use tourism infrastructure and wider tourism assets. [Strongly Agree]

The IVL was originally conceived to address infrastructure-related issues, which in turn were contributing to loss of social licence. The IVL should go back to its roots and start addressing these issues, rather than becoming a general tourism/conservation funding pot without any unifying purpose or vision.

Serious thought needs to be given to distribution mechanisms. Rather than central government "picking winners" for funding, perhaps regions should receive a formulaic distribution of IVL funds to enable them to make infrastructure investment decisions that are consistent with community needs and local destination management plans. Again, HCA is firmly of the view that a comprehensive review of tourism funding is needed. However, if the IVL is going to be expanded to raise significantly larger sums than originally anticipated, it is right to start considering whether the existing distribution mechanisms are fit for purpose.

The IVL, as currently administered, is not successfully meeting its original core purpose. Local councils continue to increase business rates and investigate other forms of revenue-raising from tourism-connected businesses, including APTR-style targeted rates and voluntary funding schemes. This implies that local councils are not seeing much of merit in the IVL. Very few of the IVL-funded projects to date appear to have been initiated by or on behalf of local councils, or to address the sorts of concerns raised in destination management plans. Why is that?

b. Address visitor pressure on the public conservation estate. [Strongly Agree]

See above. Expenditure of this type would be consistent with the original spirit and intent of the IVL, provided that there is a real connection between the expenditure and the parts of the conservation estate that are used by international travellers (especially non-Australian international travellers). Frankly, HCA considers general spending on "biodiversity" to be a bit of a stretch, as well as spending on DOC websites or IT upgrades. Surely the IVL is ideally-suited to funding hard infrastructure on the conservation estate that is used by both international tourists and New Zealanders. Timely repair of the Cathedral Cove walkway strikes us as an excellent and important project that could be funded through the IVL.

c. Support investment into 'club goods', projects or initiatives that the tourism or conservation sector might benefit from, but are hard for individual businesses to develop or commercialise. [Strongly Disagree]

There are certainly issues to be resolved with how tourism industry participants fund industry associations and "club goods". The IVL is not a fair or equitable mechanism for raising funds for these purposes. There is limited nexus between non-Australian international tourists and this category of tourism and conservation spending.

d. Contribute to the funding mix for international tourism marketing costs (investment into Tourism New Zealand). [Strongly Disagree – but note pragmatic response below]

Industry was promised that the IVL would not replace existing sources of funding. It would be additive/incremental, rather than simply a new way of meeting existing liabilities.

Central government collects more than enough money through GST to fully fund Tourism New Zealand. Tourism New Zealand and the "100% Pure" brand that is its principal asset arguably serve a broader role than simply marketing New Zealand to international tourists. The tactics and imagery used by Tourism New Zealand appear to be intended to also support our primary produce export sectors.

HCA considers that much better governance (including industry oversight) is required for IVL expenditure. However, it is hard to see how that might work if IVL money was then channelled to Tourism New Zealand, which has its own board appointed by central Government.

We note that Australians are not required to pay the IVL, but it is well-known that a considerable proportion of Tourism New Zealand's time and resources are spent in that market, including a recent winter campaign specifically targeting Australians.[11] The Consultation Document should have included much more information about how and where Tourism New Zealand operates.

Once again, there is no doubt a discussion to be had around Tourism New Zealand and its certainty of future funding, but the IVL is clearly not a mechanism designed for that purpose, and that will be true irrespective of the outcome of this consultation exercise.

Having said all that, the pragmatic response is that funding Tourism New Zealand *temporarily* from the IVL is a better outcome than cutting funding entirely. Note "temporarily" – this interim support should be subject to a complete review of how tourism is funded, as has been repeatedly requested by industry even after the IVL was introduced. If we are going to be pragmatic and tap into the IVL to fill a gap, then why

[11] https://www.tourismnewzealand.com/news-and-activity/aussies-invited-to-enjoy-the-best-of-new-zealands-winter/

bother cutting $5.6 million of Tourism New Zealand funding next year (with IVL funding only kicking in for the 2027 and 2028 financial years according to Budget 2024)?

To reiterate what MBIE should already know based on reams of data and numerous submissions from industry, international visitation has still not recovered to pre-COVID levels and tourism businesses (including hotels) are a very long way away from making pre-COVID level profits and/or recovering significant foregone earnings during the extended period of border closures. Central government has repeatedly signalled a desire to double exports over the next 10 years. Tourism is this country's second-largest export sector and our hotels (an excellent proxy for the overall tourism ecosystem) currently have significant excess capacity, particularly in urban locations and during off-peak periods. Now is the time to be dialling up investment in Tourism New Zealand, not cutting funding in real terms in the face of stiff overseas competition and constantly increasing operating costs.

e. Support ongoing or future Crown investment into tourism and conservation activities. [Strongly Disagree]

This is just a catch-all for saying "anything that the Crown no longer wants to fund out of consolidated funds and/or the tourism GST take". In HCA's submission, the IVL should *not* become a generalised tourism/conservation funding pot with almost no legislative checks and balances on how it is raised or spent.

Overall, HCA is deeply disappointed with the quality of tourism and conservation-related projects listed on pp 20 and 21 of the Consultation Document. Projects should have a reasonable connection to the activities undertaken by non-Australian international tourists. Projects should be readily explainable to such tourists without needing to resort to bureaucratic-speak such as "increase capability and capacity to enable…" Some of the projects listed appear to be reasonably in line with the IVL's original intent, whereas many appear to be completely unremarkable examples of MBIE or DOC spending that should be funded by the Crown from consolidated funds.

HCA does not propose to carry out our own deep-dive on the IVL spending to date, but that is an exercise MBIE should be doing.

We would also expect that MBIE should disclose, in detail, its fund management and related costs incurred in connection with the IVL, including giving evidence of whether these costs are in line with other similar funds of similar size.

f. Fund, or contribute to the funding of, other initiatives relating to tourism. [Strongly Disagree]

As above, but see below in relation to solving the wider tourism funding problem and driving increased visitation as tourism continues to recover after COVID.

8. Do you think there are any other funding priorities that should be considered?

Yes, if the IVL is going to fund Tourism New Zealand, there certainly are higher priorities than many of the past projects listed out in the Consultation Document.

Temporarily fund event attraction and destination marketing in key regions, especially Auckland

If we are going to be pragmatic and tap into the IVL for Tourism New Zealand funding, then we might as well also look to fund key regions/destination and major events as well.

HCA has made a number of submissions to MBIE and relevant Ministers of the previous government explaining how New Zealand is in an extraordinary situation. Our key gateway city and arrival port for 70% of international visitors – Auckland – has effectively ended funding of event attraction and destination marketing. The previous mayor, Phil Goff, introduced an accommodation provider targeted rate (**APTR**) that was so poorly-designed, industry was left with no choice but to take Auckland Council to court. Auckland Council was itself forced to suspend the APTR during COVID to avoid the likely outcome of bankrupting a number of commercial accommodation providers.

Auckland Council's decision not to fund event attraction and destination marketing out of ordinary business and residential rates may or may not be political. It is certainly affecting New Zealand's overall tourism recovery, including in drive markets outside of Auckland such as Rotorua and the Far North. Central government should consider providing funding to Tataki Auckland Unlimited, or else partnering with industry directly to help attract major events to Auckland. Auckland's new International Convention Centre is due to open in late 2025, which makes it even more important that central Government considers all available funding tools (and the IVL is one of them) to find an interim solution.

Fund proper work on comprehensive reform of Tourism structure and funding in New Zealand

The IVL was originally conceived as a tool for driving transformation of the tourism industry in New Zealand, principally through investment in infrastructure that international tourists use, but also through investing in "projects" that create meaningful change.

Industry and other stakeholders have consistently called on central government and local councils to come together and work on principles for a fair, reasonable and nationally-endorsed funding model for the tourism economy that draws upon international best-practice and robust research. It is time for Government – and indeed for opposition parties who sponsored the IVL originally – to commit to the mahi on this, including guaranteeing sufficient funding to make sure MBIE accurately identifies best practice amongst our competitor destinations and collates robust data to help drive system design. The IVL should provide that funding as a much higher priority than any other past or future project identified in the Consultation Document or elsewhere.

Tourism is a critically important sector of New Zealand's economy. Tourism deserves much better than a short-form funding mechanism smashed into the Immigration Act 2008 under urgency, with minimal checks and balances. The IVL is not the long-term solution and should not be blown up larger and larger like a cheap kids' birthday balloon.

We should be considering payment by New Zealanders and Australians

24. The Consultation Document specifically notes the consultation is not considering any changes to who pays the IVL. It should be. If the scope of expenditure is going to expand in the way it has, then we need to be talking about whether it is sensible to exclude New Zealanders, Australians and nationals from many Pacific Islands from its remit.

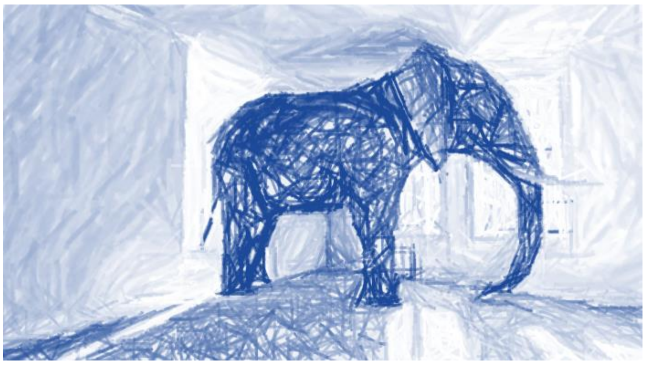
25. We know that there are challenges with changing who pays the IVL, since New Zealanders and Australians are not required to obtain an ETA. However, as should be clear from the rest of this submission, HCA is of the view that New Zealand needs to stop prioritising "expedience" and instead aim for "ideal" when designing tourism taxes and other tourism funding mechanisms.

Governance is the elephant in the room

26. When the IVL was originally created, it came with promises of robust governance/oversight including a meaningful investment plan and an advisory group. It seems to HCA that these promises were never fulfilled or have been watered down over time.

27. Once again, the challenge is that the IVL empowering legislation and regulations are so light-handed that even if the current Government introduces better governance and oversight for the IVL, there is no guarantee that it would be retained in future. Such uncertainty is sub-optimal for a fund that was originally intended to drive lasting change through thoughtful infrastructure investment and significant projects.

28. There are many improvements that could be made to how IVL funds are invested and governance of the fund generally. If MBIE is empowered to take this further, then HCA would be happy to make additional submissions on this topic.



About Hotel Council Aotearoa

Hotel Council Aotearoa (**HCA**) is an advocacy-focused organisation with a mission to educate and influence key decision-makers on matters of importance to the New Zealand hotel industry. HCA's target membership encompasses hotel owners, general managers, operators/brand companies, consultants, academics, advisors and other organisations and individuals having a close professional connection with the hotel industry. HCA currently represents 145 New Zealand hotels, comprising almost 19,000 guest rooms or 6.9 million available room-nights per annum.

To learn more about HCA or to become a member, please visit www.hotelcouncilaotearoa.com or email admin@hotelcouncilaotearoa.com.

HCA
HOTEL COUNCIL AOTEAROA

James Doolan
Strategic Director
james@hotelcouncilaotearoa.com
021 0851 0685