



Hospitality New Zealand

TO MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT

SUBMISSION ON

**PROPOSED CHANGES TO THE INTERNATIONAL VISITOR CONSERVATION
AND TOURISM LEVY**

11 JUNE 2024

CONTACT DETAILS: **Hospitality New Zealand**
Contact: Sam MacKinnon
Phone: 0800 500 503
Email: sam@hospitality.org.nz
www.hospitality.org.nz

About Hospitality New Zealand:

1. Hospitality New Zealand (“Hospitality NZ”) is a not-for-profit organisation representing approximately 2,500 businesses, including cafés, restaurants, bars, nightclubs, commercial accommodation, country hotels and off-licences. We champion hospitality, serving our members and communities, and seek to see hospitality recognised and celebrated for its contribution to Aotearoa, attracting fresh talent and generating sustainable returns for businesses and communities. We have a 122-year history of advocating on behalf of the hospitality and tourism sector.
2. This submission relates to the Proposed changes to the International Visitor Conservation and Tourism Levy (the “International Visitor Levy” or “IVL”).
3. Enquiries relating to this submission should be referred to Sam MacKinnon, Senior Policy Advisor, at sam@hospitality.org.nz or 021 026 72441.

General Comments:

4. Hospitality NZ welcomes the opportunity to comment on the proposed changes to the IVL.
5. Hospitality NZ has a number of general concerns about the consultation document. We consider the consultation document does not apply rigorous enough context or analysis on proposals to increase the IVL.
6. Given the significance of the proposed changes, we would expect the consultation document to set out:
 - A rigorous analysis on the impact of current IVL spend;
 - Clarity on the process of how decision making on the IVL is currently made;
 - Measurement of return on investment for current IVL spend; and
 - Analysis on pricing elasticity and the impact various levels of increase could have.
7. Furthermore, we support the comments of other industry associations regarding “ensuring international visitors contribute their fair share to the costs they impose and the benefits they receive from the infrastructure they use while here in New Zealand.”
8. We argue that considering the significant GST contribution of international tourism to Aotearoa New Zealand, some Crown reinvestment into tourism-related infrastructure and activities is appropriate. The majority of GST revenue generated from international tourism is invested for the general benefit of New Zealanders. Ongoing reference to the ‘costs’ incurred by tourism does not provide sufficient analysis or consideration of the benefit tourism brings.
9. We recommend further work is done to reconsider how the IVL can be used strategically. Proposing an increase may be premature; a clearer vision for how the raised funds will be spent is needed. Otherwise, the IVL will appear to be merely another revenue-raising tool.

Specific Comments:

Increasing the IVL fee

10. Our member feedback indicated an increase to between \$50 and \$70 (Options A and B respectively) was appropriate. However, any increase is predicated on the funds being invested well for the benefit of the industry.
11. While there is some acknowledgment of the other fees and charges visitors face at the border, some of the charges indicated will be undergoing their own reviews seeking increases. Without a truly holistic approach to the cost to the visitor, New Zealand risks impacting its attractiveness as a destination. In the absence of pricing elasticity analysis in the consultation document, it is difficult to determine at which price point potential visitors will decide to stop travelling to New Zealand.

Where funds are spent

12. At present, there isn't satisfactory transparency on the decision-making process to determine where funds are invested, a governance structure in place, or sufficient reporting on where IVL money has been spent and what the return on investment has been. As such, it is challenging to indicate whether any new areas of funding should be considered when distributing collected funds.
13. That said, we support IVL investment in 'Addressing Visitor Pressure on Tourism Infrastructure and Wider Tourism Assets', given its alignment with the initial intent of the IVL.
14. We are somewhat supportive of using IVL funds to 'Address Visitor Pressure on the Public Conservation Estate'. However, we recommend that the Department of Conservation considers other ways it could support its budgetary requirements. More emphasis on user-pays models to support the DOC estate could be more appropriate than an increase to the IVL.
15. We do support the use of the IVL to 'Support Investment into 'Club Goods' for Tourism and Conservation', in that there are a range of areas in which entities have sought to build skills and capability for the future of the tourism industry but have struggled to fund in a commercial way - particularly in the area of attracting and nurturing talent and workforce. However, we would seek to see a strong bidding and selection process implemented in order to determine which 'club goods' should be funded by the IVL.
16. With regards to 'Contribute to International Tourism Marketing Costs (Investment into Tourism NZ)' and 'Support Ongoing or Future Crown Investment into Tourism and Conservation Funding', justifications for both sections rely heavily on the burden on the taxpayer from tourists but fail to acknowledge the contribution tourism makes to the

economy through GST. It is wholly appropriate some of the funds raised from tourism are 'reinvested' into assets or activities that support the industry.

Conclusion:

17. We thank the Ministry of Business, Innovation and Employment for the opportunity to provide input into the consultation.
18. We would be happy to discuss any parts of this submission in more detail, and to provide any assistance that may be required.