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Media release

Productivity Commission needs to rethink its approach

The Productivity Commission has correctly identified the challenges some local councils face in responding to visitor growth but needs to rethink its proposed solutions, Tourism Industry Aotearoa says.

The Productivity Commission is conducting an inquiry into local government funding and financing. How councils can most effectively support the visitor economy is one of the areas it is looking at. In its draft report, the Commission suggested using bed taxes, supported by funding from the new International Visitor Levy and greater user-pays.

In its submission to the draft report, TIA argues that bed taxes are not the answer.

"We are disappointed that the Productivity Commission's draft report has taken the path of least resistance in recommending bed taxes, rather than a thoughtful and detailed analysis of the issues and complexities of local government funding," TIA Chief Executive Chris Roberts says.

"The solution suggested by the Commission fails to meet its principles of efficiency, equity and fairness, and sustainability."

Expert analysis by Horwath HTL calculates there are 140 million international and domestic visitor nights a year in New Zealand. However, only 35% of these nights are spent in commercial or peer-to-peer accommodation. The majority of travellers stay with family and friends, in student accommodation (international students), free camping and other non-paid accommodation.

"So a bed tax would miss the majority of travellers and add costs to a small set of operators who are already struggling with increases to wages and compliance costs, at a time when tourism is slowing," Mr Roberts says.

TIA's proposal is that Central Government makes an annual calculation equivalent to 20% of the GST already collected from international visitors and distributes these funds via a Trust to local government to address local tourism-related needs. The allocation would be determined by the measured level of visitor impact on each local authority.

Based on 2018 data, this would raise $335 million a year, enough to make a real difference to regional development, Mr Roberts says.

"New Zealand doesn't need new taxes. What we need is to find ways to better share the taxes and charges we already collect," he says.

To read TIA's submission to the Productivity Commission on local government funding and financing, go to https://tia.org.nz/advocacy/recent-submissions/local-government/ The submission includes a calculation of how much each council could receive from the proposed GST fund.

TOURISM INDUSTRY AOTEAROA
Inspire House, 125 Featherston St, Wellington 6011, New Zealand
P +64 4 499 0104 www.tia.org.nz E info@tia.org.nz

For more information, please contact:
Ann-Marie Johnson
Communications Manager
027 600 4565
ann-marie.johnson@tia.org.nz

KEY FACTS

- Tourism in New Zealand is a $107 million per day industry. Tourism delivers around $44 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another $63 million in economic activity every day.
- Tourism is New Zealand's biggest export earner, contributing $16.2 billion or 20.6% of New Zealand's foreign exchange earnings (year ended March 2018).
- 13.5% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 365,316 people are working in the visitor economy.
- The Tourism 2025 & Beyond sustainable growth framework/Kaupapa Whakapakari Tāpoi has a vision of growing a sustainable tourism industry that benefits New Zealanders.

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