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Media release

Tourism industry disappointed at bed tax proposal

Tourism Industry Aotearoa agrees that local authorities need a helping hand to support the growth of tourism, but is disappointed that the Productivity Commission has defaulted to a bed tax.

The Commission's draft report on local government funding and financing makes it clear that councils can improve their use of existing funding mechanisms and increase use of user-pays.

But it also recommends a new tax to be paid by New Zealanders and international visitors in the form of an accommodation levy.

"While this might seem like an easy solution, it will not achieve the Commission's stated aim of making visitors to a region pay their fair share," TIA Chief Executive Chris Roberts says.

"Last night, for every 100 of our domestic and international visitors, 30 spent the night in commercial accommodation, 7 in an Airbnb or holiday house, and almost all the rest enjoyed free accommodation, mainly with friends or relatives. So the Productivity Commission's solution will fail to reach two-thirds of our visitors, even though they are using the same council facilities as those staying in commercial accommodation. There is nothing fair about that."

The proposal would also see New Zealanders paying the most bed taxes, as Kiwi travellers account for 60% of all commercial bed nights, 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."

Mr Roberts says the Commission should take another look at the national solution proposed by TIA. This would return the equivalent of 20% of the GST already collected from international visitors and distribute these funds via a Trust to Local Government to address local tourism-related needs, with the allocation determined by the measured level of visitor impact on each territorial local authority.

"Visitors are already more than paying their way, with international travellers paying $1.7 billion a year in GST, along with other taxes. But this money is not getting back to the regions where the impact of increased visitors are being felt. A number of councils around the country support TIA's proposal and have put forward a remit to next week's Local Government Conference."

TIA acknowledges that some councils have struggled to respond to the growth in tourism over the past five years. Combined with population growth, it has highlighted decades of under-investment in much council infrastructure. TIA lobbied Government to get the Tourism Infrastructure Fund, which provides $100m for facilities like public toilets, parking areas and waste disposal – exactly the sort of investments the Commission sees being funded by a bed tax.

It is also ironic that the Productivity Commission proposal comes at a time when annual visitor arrival growth has fallen to well under 2%, and average returns for accommodation providers are falling.

TIA is preparing a response to the Commission's draft report and will also discuss the issues raised with Government Ministers.

Read TIA's submission to the Productivity Commission here. Our subsequent letter with more detail on the GST proposal is here.

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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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