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Proposed Changes to the International Visitor Conservation and Tourism Levy – TIA Submission

Tourism Industry Aotearoa (TIA) welcomes the opportunity to submit on MBIE's discussion document on proposed changes to the International Visitor Conservation and Tourism Levy (IVL).

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With over 1,300 member businesses, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

This submission is in three parts.

1. The strategic context of the tourism industry for Government, the industry's 2050 goals and the wider tourism industry funding environment.
2. TIA's view on the level of the IVL and the potential impacts of an increased IVL in the context of the overall Government costs to a visitor entering New Zealand.
3. TIA's view on the governance and distribution approaches that should be established to ensure the IVL is effective, well applied, and transparent in enabling the industry to reach its potential.

Tourism generates around \$3.8 billion in GST and \$3.5b in other Crown revenue streams, totalling \$7.3b in Government revenue from tourism.¹ The full cost of tourism was estimated at \$2.3b in 2020, leaving a net tax revenue benefit for Government of \$5.0b. These revenues are used by Government for health, education, and all the other functions of Government. Note also that tourism is the only export industry that pays GST, with international tourism generating \$1.6b in GST in the year-ended March 2020, or 6.6% of GST collected in New Zealand that year.

On this basis alone, TIA submits that international visitors are already making a significant contribution to our country. At the same time the tourism industry has significant, unmet funding requirements which need a range of solutions. TIA values the role of the IVL within the wider industry funding system but does not see it as providing the full solution, particularly to meet local government funding requirements.

There are a wide range of views across TIA's membership for what the rate of the IVL should be. However, using the IVL as a panacea for all tourism funding requirements and to raise it to a very high level, on top of existing Government charges for international arrivals, will impact visitor demand and the wellbeing of the industry.

¹ Analysis undertaken by Fresh Info in 2020 found that total Crown income from tourism was \$7.3 billion in YE June 2019 (\$3.8b from GST and \$3.5b from other revenue sources). It found that Crown costs that were attributed to tourism were \$2.3b, establishing a \$5.0b net Crown income from tourism. The analysis also established that direct Crown income per international visitor was \$849.

As outlined by Hotel Council Aotearoa's submission, TIA also considers the usage of the IVL has veered away from its original purpose which is to deliver investment into tourism and conservation places and facilities that benefits the visitors that pay the fee.

Given these factors, TIA recommends the following key actions for Government to undertake with industry:

1. Instigate policy work with the tourism industry to develop a wider tourism funding solution for the industry and local government, including how it is established, operated and distributed.
2. Review the total cost to international visitors crossing the New Zealand border with consideration of all Government charges and future increases. This should include updated analysis on the overall demand sensitivity and establishment of a process for overseeing all border charges.
3. Directly integrate industry in the operation of the IVL, including its governance, preparation of its Investment Plan, the distribution of funds and auditing of outcomes.
4. Reset the IVL Investment Plan to sharpen its focus on projects that will deliver benefits for industry, conservation and visitors.

TIA's responses to the consultation questions are set out in Attachment 1, with these to be read in conjunction with the body of this submission. We also take the opportunity to raise some bigger questions around the IVL and how it is operated.

1. Strategic Context - Government and Industry Strategy

Tourism is a major component of the economy and society in Aotearoa New Zealand and both industry and Government have growth aspirations for tourism.

- **Government.** The growth aspiration for tourism is contained within the Government's goal to double exports as expressed in the National Party commitment to '*set an ambitious target to double the value of exports including from agriculture and forestry, services, international education, technology and tourism within ten years.*'

This aspiration was reinforced in Coalition Agreements between the National, ACT and NZ First parties in which '*All Parties wish to work towards New Zealand again becoming an export powerhouse.*'

- **Industry.** As the peak association with a broad membership across all sectors of the wider tourism industry, TIA is sharply focused on ensuring the sustainable future of the industry. This is set out in the industry's strategic framework, *Tourism 2050 – A Blueprint for Impact, He Pae Tukutuku*.² In Tourism 2050, a central idea is around 'balanced growth.'

Tourism 2050 has the Vision of 'Enriching Aotearoa New Zealand through a flourishing tourism ecosystem'. This Vision is centred on the positive role of tourism for the broad betterment of New Zealand and its people across a balanced framework – Economic, Community, Visitor and Environment.

Tourism 2050 has ten Actions that are the most important strategic workstreams to advance to enable the industry to achieve its Vision. Three Actions directly relate to the IVL consultation process. These being:

- Design Tourism Industry Settings for 2050.
- Address Industry Funding.
- Transform Tourism and Conservation.

² <https://www.tia.org.nz/tourism-2050/>

Together, these Actions speak to the need to enhance the system design of tourism. The analysis and consultation undertaken in the developing Tourism 2050 highlighted that these areas were acting as impediments to industry progress. It is important to recognise that advancing these Actions is key to enabling progress of other Actions, including Champion Predator Free and Biodiversity, Build Sustainability Capability, Embed Tiaki, Power up Data and Research, and others.

It is therefore a priority for TIA to advance these three interrelated Actions as fundamental drivers of the tourism system and its ability to achieve balanced growth.

Another critical matter is the state of the industry recovery from COVID-19 and the gradual pace of this recovery. At the end of March 2024, international visitor arrivals are sitting at 82% of the YE March 2019 level,³ with inflation-adjusted international visitor expenditure at 80%.⁴ In addition, a number of tourism businesses have signalled a softer trading environment ahead, including listed companies.

This is relevant when considering the factors that can impact visitor demand, such as increasing the price of travel. Tourism New Zealand's March 2024 research with Active Considerers shows that lack of ability to afford travel is among the top barriers to visitation.⁵ In the World Economic Forum's Travel and Tourism Competitiveness Report 2019, New Zealand scored well overall (18th of 140 countries assessed) but was 121 for Price Competitiveness which reinforces that New Zealand is already seen as an expensive destination globally.⁶

Tourism Funding System

Within this strategic context, the IVL is a key component of the industry's funding system alongside:

- Central government funding for marketing New Zealand, policy, data, events and destination management. Currently sourced from Budget baselines, user pays and dedicated collections such as the IVL.
- Industry funding for various industry-good activities. Sourced from membership fee and occasional voluntary contributions.
- Local government funding for destination management and marketing, events and tourism-related infrastructure and facilities. Sourced from general rates and some targeted rates.

TIA in conjunction with tourism sector associations and other stakeholders has worked on and reviewed the overall funding environment for tourism. This includes consideration of the various funding components, options and the role that they need to play.

This work has established an overall funding gap for tourism of at least \$250 million per year. This unmet funding need is over and above the current levels of tourism industry funding (including the IVL) which is why the group is looking for a broadly-based solution that fairly and sustainably addresses the funding deficit. The group sees that funding is needed to cover a wider set of requirements than we can at present, including local government destination management implementation and a range of industry activities. There needs to be other funding mechanisms to bridge this deficit, with the IVL being one component alongside the other mechanisms that are needed. Increasing the IVL on its own will not close this gap.

The IVL was established to provide 'additionality' to the existing funding system to support tourism initiatives and also to ensure visitor derived funds to support conservation in Aotearoa New Zealand in recognition that our natural environment is the 'jewel in the crown' of the tourism industry.

³ Stats NZ. International Travel: March 2024.

⁴ MBIE, International Visitor Survey, March 2024

⁵ TNZ, Active Considerer Research, 2024

⁶ World Economic Forum, Travel and Tourism Competitiveness Report 2019.

The gaps are most acute for the industry and local government, given the Government receives the tax revenues from tourism and can cost recover for the various functions it delivers, and it can raise additional income from levies such as the IVL.

By contrast, the industry faces market failure issues that severely limits its ability to undertake work at scale and depth, and local government is constrained by reliance on rating as its main income stream and the lack of other funding mechanisms.

This work is seeking a sustainable funding solution for tourism, within which the IVL has a very important role to play. This submission is premised on the role of the IVL within this wider tourism funding system.

Key points:

- Government and industry are closely aligned with their strategic objectives for tourism.
- Industry has identified the lack of funding as a significant strategic impediment for the industry, with an annual tourism funding deficit of at least \$250m over current investments (including the IVL).
- This funding deficit is most acute for industry and local government components of the overall tourism funding system.
- The IVL is a vital component of the tourism funding system, but it cannot provide the whole solution.
- The IVL needs to be configured so it can play its unique role alongside other broader-based funding mechanisms, including potential new solutions.

Recommendation

1. Government to instigate policy work with the tourism industry to develop the wider tourism funding solution for tourism and local government, including how it will be established, operated and distributed.

2. Setting the IVL Level

TIA has surveyed its members on the level of IVL increase and how it should be invested, and there are a range of views from retaining \$35 and moving to \$100, with a skew towards the lower end of this spectrum. Attachment 2 sets out member feedback on how the IVL should be governed and invested.

Given this spread of views on the level of the IVL, it is most important to consider where the IVL fits as part of a suite of other Government charges that visitors are subject to in passing through New Zealand's border. Table 1 sets out these charges for four visitor categories.

| Table 1: Government Border Charges by International Visitor Type (incl. GST) | | | | |
|--|---------------------------------------|--|--|--|
| Government Fee or Levy | Australia and Pacific Island visitors | Visa-waiver visitors (60 countries, incl. US, UK, Europe, Japan) | Group visitor visa (e.g. China ⁷ , India, South Africa) | Independent visitor visa (e.g. China, India, South Africa) |
| New Zealand Electronic Travel Authority - NZeTA | - | \$23.00 ⁸ | - | - |
| International Visitor Levy – IVL | - | \$35.00 | \$35.00 | \$35.00 |
| Customs Border Processing Levy (arrivals) | \$19.08 | \$19.08 | \$19.08 | \$19.08 |

⁷ The Group Visitor visa for China ADS visitors has a \$35 Immigration Visa Fee compared to \$55 for other Group Visitor Visa categories.

⁸ NZeTA fee is NZ\$23 if paid online and NZ\$17 if paid via the App.

| | | | | |
|--|----------------|-----------------|-----------------|-----------------|
| Customs Border Processing Levy (departure) | \$5.20 | \$5.20 | \$5.20 | \$5.20 |
| MPI Biosecurity Levy (arrivals) | \$19.46 | \$19.46 | \$19.46 | \$19.46 |
| CAA international passenger security levy | \$15.09 | \$15.09 | \$15.09 | \$15.09 |
| CAA safety levy | \$1.84 | \$1.84 | \$1.84 | \$1.84 |
| Immigration Visa Fee | | | \$55.00 | \$190.00 |
| Immigration Levy | | | \$55.00 | \$21.00 |
| Total | \$60.67 | \$118.67 | \$205.67 | \$306.67 |
| Total cost at \$50 IVL | - | \$133.67 | \$220.67 | \$321.67 |
| Total cost at \$70 IVL | - | \$153.67 | \$240.67 | \$341.67 |
| Total cost at \$100 IVL | - | \$183.67 | \$270.67 | \$371.67 |

The conclusions drawn from this table include:

- International visitors are already paying significant government charges to enter New Zealand.
- Any IVL increases will result in significant increases in the costs to cross the New Zealand border. For instance, for a Visa-waiver Visitor, a \$50 IVL would increase the overall price by 33.9%, and at \$100 by 55.1%.
- Notably, the IVL is one of several border charges that are likely to increase over the forthcoming period. For instance:

- **Border Services.** The Customs and Biosecurity levies operate on a cost recovery basis and are regularly reviewed and reset.
- **Civil Aviation.** The CAA levy has not been reviewed for a while so a movement will be expected when next reviewed which we understand is to be pending.
- **Immigration.** Immigration New Zealand's visa levy and fees are expected to increase by large amounts. Immigration New Zealand has undertaken limited consultation on this matter and Budget 2024 sets out that visa services will be largely undertaken through cost recovery.

This signals the possibility of large price increases. For example, a 50% increase in Visitor Visa fees alone would mean a visitor would go from paying \$306 to \$412 in total Government charges. Once an increase to the IVL is also added on, these visitors could be paying close to \$500 per person to enter New Zealand, and the increases could be larger than this hypothetical example.

If changes of this magnitude are in the pipeline, these must be considered alongside any IVL increases to assess the cumulative impact of all price increases at the border.

Other considerations may include increasing the IVL on an incremental basis with a small initial step to allow assessment of impacts. Also, the IVL could be set at peak/off-peak levels to support Tourism New Zealand's objectives to reduce seasonality.

Within this wider system, the cruise sector has its own requirements and the IVL needs to be set in a way to factor in the distinct nature of the footprint of cruise visitors and the other charges they are subject to within New Zealand.

Demand Impacts of Border Levy Increases

TIA is very concerned that the cumulative impact of the proposed levy increases (IVL and others) will have a significant impact on demand that runs counter to the strategic objective of both Government and industry.

TIA is not in a position to undertake thorough price elasticity analysis, so we refer to earlier work undertaken by MBIE in its 2022 investigation of the impacts IVL increases from the current \$35 to \$100, \$150 and \$200.

These increases were found to have 'potential to be significant' impacts on demand. Table 2 below shows that lifting the IVL from \$35 to \$100 would result in a decrease in total visitor numbers by 2.37 to 2.61%, or 92,000 to 101,000 visitors.

Table 2: Estimated IVL revenue and impact on additional funding from the IVL based on visitor numbers⁹ (based on 2019 data at 3.9m international visitors).

| | Estimated IVL revenue (million) | Estimated decrease in visitor numbers | Percentage decrease in visitor numbers |
|-------------------------------------|------------------------------------|--|--|
| Option 1 (\$35 to \$100) | \$159-\$192 | (92,000 – 101,000) | 2.37 – 2.61% |
| Option 2 (\$35 to \$150) | \$215.4-\$278.6 | (164,000 – 179,000) | 4.23 – 4.62% |
| Option 3 (\$35 to \$200) | \$336-\$444 | (234,000 – 257,000) | 6.04 – 6.63% |

In this analysis, at the \$100 IVL Option, the loss of the mid-point (96,500) international visitors would amount to international visitor spending dropping by \$446.4 million based on the latest IVS average spend per visitor of \$4,626.¹⁰ For Crown revenues, this would result in a loss of \$81.9 million based on the Fresh Info analysis cited earlier (refer Footnote 1).

TIA would expect these losses to be lower for the IVL \$50 and \$70 levels that are being consulted on. However, the IVL changes cannot be looked at in isolation from the overall border charges. For instance, if the proposed immigration levy and fees are implemented, the impacts will potentially be of the significance of Option 3 in the table above, if not more. If this were to be the case, a further loss of international visitor spending would result, and we could be losing more than we would be gaining. Clearly, caution is needed around these potential cumulative impacts.

There are these other impacts:

- **Connectivity.** As a long-haul destination for most of our markets, our aviation connectivity is critical. Tourism demand drives air capacity and then this connects us for trade, political engagement, social connections, freight and much more. Actions that limit tourism demand will therefore have a range of downstream implications for freight and trade.
- **Reputation.** The positive reputation of a destination is a foundational asset that needs to be vigorously protected. TIA is concerned that if New Zealand is seen as setting excessive fees and charges, then our reputation will quickly suffer, which again will run counter to our strategic objectives. Aotearoa New Zealand is already an expensive long-haul destination, so we feel the pricing concern already exists.

⁹ MBIE. Analysis to support increasing the IVL, 2022.

¹⁰ MBIE, International Visitor Survey, YE March 2024.

International Comparisons

TIA considers the international reference points in the consultation paper to be lightly covered and not comparing apples with apples. For instance, the Australian Border Levy is used for Government border services, not a levy for conservation and tourism investment.

Due to the short consultation period, TIA has not had the time to undertake an international review of comparable government charges, so we request that this is done on a more comprehensive basis by MBIE. TIA is concerned that New Zealand does not get itself further into the position of being an outlier in the international community in terms of the costs in getting across our border.

Key points:

- There are several charges at the New Zealand border including the IVL, and others are also looking to at prices increases, with Immigration New Zealand proposing large visa charge increases.
- The cumulative impact of these charges is the primary concern for TIA given the evidence on the likely extent of impact on international visitor demand.
- Any loss of international visitor demand will have significant visitor expenditure and Crown revenue implications.
- Impacts on New Zealand's global connectivity and reputation must be factored into consideration.

TIA Recommendation

- Government to review the total cost of crossing the New Zealand border with consideration of future planned but not yet public increases. This should include updated analysis on the overall demand sensitivity and establishment of a process for overseeing all border charges.

3. Governance and Distribution

Governance

TIA is concerned that the IVL has increasingly become a fund to support government initiatives which has moved away from the purpose that TIA supported when the IVL was established. This support of the IVL was based on a fee paid by international visitors to support the tourism and conservation places and facilities that they can enjoy as visitors to our country. Using the IVL to replace the Government's own spending as a cost saving measure is not aligned with this purpose.

Consistent with the idea that the IVL is a levy paid by our customers, it is important that industry is involved in the governance and management of the funds generated. We consider this be important for extracting the maximum benefits from the fund.

Tourism is a private sector industry, and it is imperative that it closely involved in the enabling programmes, such as the IVL, to ensure best outcomes. We see this as a government and industry partnership.

Industry expects that it will be directly involved in the operation of the IVL, including its governance, preparation of its Investment Plan across both the tourism and conservation components, the distribution of funds and auditing of outcomes. Within this, TIA advocates for a partnership-based governance arrangement for the IVL to set it up well to make best use of the funds vested with it. The vehicle for this can be the achieved by reinstating the Governance/Advisory Group originally conceived for the IVL, with majority industry representation. The role of this group will include approving the Investment Plan.

Distribution

There is a widely held view in the tourism industry that the IVL investments made to date have not all delivered strong returns for the industry or the visitors that pay the levy.

TIA supports the 50/50 distribution across tourism and conservation, but in both areas the projects have not necessarily been the ones that would have the best tourism outcomes. This is why industry involvement is called for in the future distribution of these funds across both the tourism and conservation components.

TIA strongly contends that the IVL should not be used to replace baseline Government funding as we have seen recently with Tourism New Zealand and New Zealand Cycle Trails.

Also, TIA is mindful of the loss of time-limited baseline-funded programme such as MBIE's tourism infrastructure and facilities programmes. With the loss of these programmes, we anticipate that the IVL will be seen as funding source for these requirements, again making the IVL a replacement for baseline funding.

Refer to Attachment 1 for TIA's detailed feedback on the investment areas set out in the discussion document.

TIA welcomes the inclusion of 'Club Goods' for tourism, including recognition that IVL funds could be used to support initiatives that are aligned to industry strategy and vision. As an industry association that is funded on a voluntary membership basis, TIA fully understands the difficulty in getting industry-good programmes, such as business capability building, workforce development and Tourism Sustainability Commitment, underway at the scale and depth needed.

The Investment Plan is the key document, and this should include guidelines and levels for funding across the priority categories.

Key points:

- TIA considers that the IVL has drifted from its original purpose and needs to be reoriented back to supporting the places and facilities that visitors use and enjoy.
- Industry expects a shift in the operational arrangements for the IVL that includes formal industry input in its governance and decision-making processes.
- TIA supports the option for the IVL to support 'Club Goods' activities and submits that this be expressed as a clear objective of the IVL.
- The Investment Plan is the key operational document of the IVL and, as set out elsewhere, this needs to be reset and aligned to industry and visitor priorities, with direct industry involvement in decision making.

TIA Recommendation

- Directly integrate industry in the operation of the IVL, including its governance, preparation of its Investment Plan, the distribution of funds and auditing of outcomes.
- Reset the IVL Investment Plan to sharpen its focus on projects that will deliver benefits for industry, conservation and visitors.

Industry expects that it will be directly involved in the operation of the IVL, including its governance, preparation of its Investment Plan, the distribution of funds and auditing of outcomes. Within this, TIA advocates for a partnership-based governance arrangement for the IVL to set it up well to make best use of the funds vested with it.

Conclusion

Thank you for your consideration of this submission.

We would be most happy to expand on any points raised in this submission. Please let me know if have any questions or would like clarification of any points made in this submission.

Ngā mihi,

A handwritten signature in black ink, appearing to read 'R Ingram', followed by a period.

Rebecca Ingram
Chief Executive

Attachment 1: Consultation Questions.

| | Consultation Question | TIA Response |
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| 1 | Do you agree that the current levels of IVL revenue (approximately \$80m) are not sufficient to address issues facing tourism and conservation. | <p>Yes.</p> <p>There is insufficient funding within the tourism system to allow the necessary functions to be undertaken to a high standard. This falls across central government, local government and industry domains.</p> <p>TIA estimates the deficit is a minimum of \$250m per annum, in addition the funding that is already in place (including from the IVL and baselines). This means that the IVL is seen as part of an industry solution, but certainly not all of it.</p> <p>For this reason, TIA firmly advocates for policy work to be undertaken by government and industry on the wider and broader-based tourism funding system. The IVL is an important component, but it cannot provide a solution across the whole sector.</p> |
| 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. | <p>No.</p> <p>In the strongest terms, TIA rejects the premise that sit behind this question which is that tourism does not pay its way as an industry in New Zealand.</p> |
| 3 | Please explain your views including any additional information that would be useful. | <p>The underlying premise of this question is incorrect.</p> <p>The question is one of market-failure and not one of industry subsidy.</p> <p>Tourism is a major export industry for New Zealand. Pre-COVID it was 20% of export earnings and this has recovered to 11.4% (YE March 2023) and continues to increase.</p> <p>From a government balance-sheet perspective, tourism is a large net contributor. Analysis by Fresh Info found that Government received \$7.3 billion in revenue from tourism, while the full cost of tourism being \$2.3 billion, leaving a net tax revenue benefit for Government of \$5.0 billion. These revenues are used by Government for health, education, and all the other functions of Government.</p> <p>Where Government has direct costs from tourism, this is investment to enable the benefits above to be optimised. This is why we have the marketing of New Zealand, tourism policy and data and some investment into facilities and infrastructure.</p> <p>This work ensures we have a well-functioning tourism system where visitors have great experiences, businesses can flourish, there are great jobs and tourism contributes to both our nature and our communities.</p> <p>On this basis TIA reject the idea that tourism is subsidised by the Government, in fact it makes a huge contribution to the New Zealand economy.</p> <p>Rather, the underlying issue is a market-failure in tourism which means the funds generated are at a national level, but the costs are borne at a local level. There are weak mechanisms for destination management and development. The Government has a legitimate role to play to ensure the wider benefits of tourism are gained for the overall benefit of Aotearoa New Zealand.</p> <p>While central government does well from tourism, local government and industry itself are poorly positioned to deliver the functions that they should be doing at scale and depth.</p> |

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| 4 | <p>Do you prefer one option over the others? a) Status quo at \$35. b) An increase</p> | <p>It has been a number of years since the IVL has been in place and so a CPI movement is warranted.</p> <p>However, in terms of a larger shift, TIA questions whether the right analysis has been undertaken to support an increase, particularly across the wider tourism system where there are other more appropriate levers that can be deployed. Again, TIA is of the view that the IVL is an important funding lever of the tourism system, but it is not the whole pie and cannot be expected to provide the full solution.</p> <p>TIA is concerned that to increase the IVL significantly will negatively impact visitor demand, particularly if other border charges are also increased, for instance, if signals of substantial increases to Immigration New Zealand's visa charges are activated.</p> <p>The elasticity of demand for international visitors has not been assessed for this IVL consultation. TIA requests that this work is undertaken and that it includes the likely or proposed price increases for all border charges, including visa, border services and civil aviation.</p> <p>Air New Zealand provided demand impacts to MBIE in its 2022 investigation of the impacts IVL increases from the current \$35 to \$100, \$150 and \$200.</p> <p>These increases were found to have 'potential to be significant' impacts on demand. Lifting the IVL from \$35 to \$100 would result in a decrease in total visitor numbers by 2.37 to 2.61%, or 92,000 to 101,000 visitors. At a \$200 IVL, the estimated loss of visitors is between 6.04 and 6.33%.</p> <p>TIA is aware from Budget 2024 that the Immigration New Zealand is moving to a near full cost recovery basis. This change will require substantial increases in the fees for Visas across a range of visa types.</p> <p>If advanced, these Visa increases (and other increases) will need to be considered in assessing the overall government cost for visitors to New Zealand.</p> <p>TIA is alarmed at the potential overall fee and levy increases that will be imposed on our international visitors. This will likely have demand implications, but equally on the reputation of New Zealand as a visitor destination. New Zealand is already expensive to visit and a long way to travel, if upfront charges increase significantly, this will be damaging.</p> |
| 5 | <p>If the IVL does increase what amount is your preferred option? a) \$50 b) \$70 c) \$100?</p> | <p>Given the points made above, TIA favours a cautious approach until wider analysis has been undertaken.</p> <p>That said, there are a wide range of views across TIA's membership. On balance, TIA favours a \$50 level. This delivers a CPI increase, plus a little more to allow more IVL-relevant work to be undertaken.</p> <p>At this level, TIA's concerns around price sensitivity and reputational damage are allayed to some extent.</p> |
| 6 | <p>Please explain the reasoning for your preferred options.</p> | <p>Any decision to change the level of the IVL would ideally be taken in conjunction with other border funding components, and with consideration with the wider tourism system needs.</p> <p>As mentioned, using the IVL as a panacea for all tourism funding requirements and to raise it to a very high level, on top of existing Government charges for international arrivals, will impact visitor demand and the wellbeing of the industry.</p> <p>The IVL should be one part of the funding mix and its role in relation to the other components needs to be factored into the wider consideration.</p> |

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| | | Price and reputational sensitivity are also factors that should be well understood before decisions are taken. |
| 7 | <p>Do you support IVL revenue funding for the following areas:</p> <p>a) Address visitor pressure on mixed-use tourism infrastructure and wider tourism assets.</p> <p>b) Address visitor pressure on the public conservation estate.</p> <p>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 commercialise.</p> <p>d) Contribute to the funding mix for international tourism marketing costs (investment into Tourism New Zealand).</p> <p>e) Support ongoing or future Crown investment into tourism and conservation activities.</p> <p>f) Fund or contribute to the funding or other initiatives relating to tourism</p> | <p>TIA does not believe the IVL can or should meet all the needs of the industry. For instance, industry and local government funding needs are greater than will be able to be funded by the IVL. This perspective guides our response to the areas included within this question set.</p> <p>TIA considers the IVL needs to be brought back to its original purpose as outlined in Hotel Council Aotearoa's submission and that the governance changed to ensure both Government and industry decision makers in the fund allocation processes.</p> <p>The IVL is a levy on our visitors, so it is essential that these visitors are the beneficiaries of the fund in terms of the places that they visit and enjoy. It is good that the IVL is hypothecated to tourism, but it is still being used as a government grant rather than as a joint funding source for government and industry to operate.</p> <p>The IVL Investment Plan needs to be reset jointly by Government and industry. This Plan will focus effort and provide a counter to the current trend to replace baseline funds with IVL funding.</p> <p>a) Partially support. There is a large need for funding for mixed use infrastructure, and much of the responsibility for this area falls with local government and in the past with time-limited Government programmes such as the former infrastructure and facilities funds. At best, the IVL is a partial solution for this area.</p> <p>b) Support. TIA considers the use of the IVL to support costs on the tourism/conservation interface is appropriate. TIA does seek a direct use of the funds in this area where international visitors actually use the estate, as opposed to the IVL funding DOC general biodiversity work. The benefit of the IVL going to the people who pay it is important. TIA considers that the IVL would be a good source for supporting rapid action to remediate important tourism destinations (such as Cathedral Cove) and to support the maintenance and development of DOC's visitor networks and assets.</p> <p>c) Strongly Support. Use of the IVL to support 'club-goods' activities is appropriate given the market failure that exists in a number of areas in tourism. For instance, getting a well-scaled business capability and sustainability programme underway and workforce development, including Go with Tourism, has been beyond the resources of TIA alone. In addition to baseline Government data requirements, there are further industry data and research needs. Another area vital to educating visitors is TIAKI and how visitors can be supported to care for themselves, the country and New Zealanders while travelling in our country. In such areas, the IVL has a very important role to play.</p> <p>d) Strongly do not support. Marketing New Zealand is a core role of government. It is an investment that provides a direct return to Government. As such, full Government funding is essential and should not come out of the IVL or be viewed as savings.</p> <p>e) Partially support. Refer to point b) above in recognition of TIA's position that tourism contributes to conservation in New Zealand. Having a positive relationship between tourism and conservation is a TIA priority (refer Tourism 2050). However, this area as stated may imply that IVL funding replaces Crown funding, and TIA contends that must not be the way the IVL is used.</p> <p>f) Partially Support. TIA agrees that there should be some discretion on how and when IVL funding is used, within agreed parameters.</p> |

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| | | <p>On the other hand, spreading it too thinly will dissipate its effectiveness.</p> <p>When the categories are established, the Investment Plan would allocate the proportion the available IVL funds for investment in these areas. This will provide surety for those seeking funding from the IVL and boundaries for its governance.</p> |
| 8 | Do you think there are any other funding priorities that should be considered? | <p>This question set does not cover the critical issues for TIA in this area. These being:</p> <ul style="list-style-type: none"> • What is needed from the overall funding model for tourism, one component of which is the IVL. • What is the most appropriate model to the governance and allocation of IVL funds. <p>From TIA's perspective, the extremely valuable IVL funds are increasingly being used to replace baseline government appropriations, as evidenced by decisions to fund Tourism NZ, cycle trails and data projects from the IVL.</p> <p>The purpose for the IVL as understood by industry at the time of its establishment was that the IVL would be additional to existing funding. Unfortunately, the opposite is happening.</p> <p>TIA sees considerable risk that this trend will continue as more funds are generated. This will always be a structural risk when the government is the sole decisionmaker on how the funds are governed and distributed.</p> <p>This means that there is a strategic question to be addressed around the IVL governance and distribution that needs to be addressed, ideally as part of a wider industry funding consideration.</p> <p>That said, TIA views the following areas as funding categories or priorities:</p> <ul style="list-style-type: none"> • Destination management planning implementation. • Workforce development and careers promotion. • Building the business and sustainability capability of tourism businesses. • Leveraging positive tourism and conservation outcomes • Tourism data • Tourism research • Events promotion and support • Climate mitigation and adaptation • Short Term Rental Accommodation registration and regulation. • TIAKI – educating visitors on caring for New Zealand. • Tourism infrastructure. |

Attachment 2: TIA Member Survey – Key Findings

Over the early June 2024 period, TIA surveyed its member on their views on the IVL consultation. Key findings are set out below.

Overall, members advocate for a strategic and transparent approach to the running and distributing the IVL funds, with focus on infrastructure, conservation, regional development, education, and sustainable tourism practices.

From this survey, the following allocations have been suggested:

Governance and Allocation Transparency

Members stress the importance of transparent and targeted allocation of IVL funds, ensuring they are not diverted to general government spending. Key points include:

- Maintaining a clear separation between IVL funds and baseline funding for entities like Tourism New Zealand.
- Ensuring funds are used for new initiatives rather than substituting existing funding.
- Implementing a strong governance structure to oversee the allocation and impact of IVL spending.

Infrastructure and Visitor Experience

The majority of members emphasize the importance of using IVL funds to enhance infrastructure that directly improves the visitor experience and supports tourism. This includes building and maintaining toilets, parking areas, visitor centres, and event venues. Specific suggestions include:

- Allocating funds to projects like public transport to key tourist destinations.
- Implementing visible markers indicating projects funded by IVL, such as coloured logos to denote the percentage of funding.
- Improving infrastructure at high-demand locations like Hooker Valley in Mt Cook and Cathedral Cove.

Education and Training

Members advocate for investing in education and training programs to benefit the tourism sector, including:

- Scholarships for Māori and Pasifika students.
- Workforce development and training programs for tourism staff and business owners to improve skills and productivity.
- Supporting regional tourism organizations (RTOs) with expertise to implement destination management plans.

Regional Tourism Development

Improving tourism offerings in regional areas is a recurrent theme. Suggestions include:

- Investing in infrastructure to encourage visitors to explore off-the-beaten-path destinations and extend their stays.
- Supporting local initiatives that focus on sustainable tourism and community regeneration.
- Addressing the impact of seasonal tourism in areas like Central North Island ski fields by developing attractions for the off-season.

Data, Research, and Innovation

There is a call for funding to support tourism data collection, research, and innovative business models. Key suggestions include:

- Enhancing tourism data projects, including data on cruise ship visitors.
- Funding new tourism business models and innovative strategies.
- Supporting the development of sustainable tourism practices.

Marketing and Promotion

Some members support using IVL funds for major events development and regional support:

- Promoting sustainable tourism operators.
- Attracting major events to drive the economy during weaker periods.
- Funding RTO marketing efforts to drive year-round visitation.

Conservation

In relation to Conservation expenditure of the IVL, there is strong support this, but would like to see more funds directed towards efforts and maintaining New Zealand's natural environment in relation to tourism. This includes:

- Enhancing DOC facilities
- Supporting critical conservation work, such as pest control and biodiversity initiatives
- Repairs and maintenance of key tourism assets
- Funding ecological projects
- Training for sustainable tourism practices.