



**Submission to Queenstown Lakes District Council
on the Draft Long-Term Plan 2021-2031**

Date: 19 April 2021

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the draft Long-Term Plan 2021-2031 for Queenstown Lakes District Council (QLDC). This submission comprises two parts. Part One provides a general perspective on tourism at a regional level. Part Two provides specific feedback on the draft Long-Term Plan.

INTRODUCTION

1. TIA is the peak body for the tourism industry in New Zealand. With over 1,300 members, TIA represents a range of tourism-related activities including accommodation, adventure & other activities, attractions, hospitality, retail, airports & airlines, transport, as well as related tourism services.
2. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, industry strategy, communication, events, membership, and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.
3. Any enquiries relating to this paper should in the first instance be referred to Matt Ammunson-Fyall, TIA Advocacy Co-ordinator at Matt.Ammunson-Fyall@tia.org.nz or by phone on 04 499 0104.

PART ONE - TOURISM AND LOCAL GOVERNMENT

4. Tourism takes place in local communities and offers jobs, regional economic opportunities, and vibrancy. We want tourism to provide real benefits to the communities where it operates, and local government has a key role to play in managing and enhancing local tourism experiences.
5. Tourism was the first industry to be hit by the COVID-19 pandemic and will be one of the last to recover. While the immediate outlook is uncertain, the industry's longer-term ambitions remain unchanged. TIA's Tourism 2025 & Beyond, A Sustainable Growth Framework – Kaupapa Whakapakari Tāpoi, sets a vision of 'Growing a sustainable tourism industry that benefits New Zealanders'.
6. Our view is that central and local government must deploy their resources and work alongside the private sector to revive and then revitalise the tourism industry for the benefit of local communities and Aotearoa. This is a shared opportunity to make bold changes to fix longstanding systemic issues that have compromised our desire to build a truly sustainable tourism future.
7. In August 2020 TIA wrote to all councils in New Zealand outlining three priority areas for consideration as they developed their draft Long-Term Plans (LTP). A summary of what we asked for follows:

Support for Destination Management Plans

8. For your region to get maximum benefit from tourism, your tourism proposition must be community driven, align with national sustainable tourism goals, and present a high-quality offering that appeals to both international and domestic visitors. Destinations are a collection of interests (including local government, iwi, communities, and business), meaning that coordination and destination planning is needed to deliver the best outcomes both for host communities and visitors.
9. This is the most important thing councils can do - look after and invest in the quality of their region as a destination. Councils must reflect the desires of their community, and this includes the voice of tourism operators, which must be strongly represented in these Plans.

Keep costs down

10. Businesses are key to the economic health and vibrancy of a city, town, and region. Tourism businesses typically bring significant cashflow and investment to a region through attracting both international and domestic visitors. Many of these businesses are now struggling to keep their lights on and trading conditions will be tough for the foreseeable future.
11. We acknowledge that councils themselves are facing reduced income because of COVID-19. This comes at a time when ongoing investment to maintain and enhance local mixed-use infrastructure (used by residents and visitors) including roads, amenities, and attractions is required. However, businesses cannot be expected to pick up the shortfall. The next three years is a time for councils to be willing to consider funding streams other than rates to maintain and develop infrastructure, such as increased debt and central government funding.

Environmental management

12. New Zealand's environment is our unique selling point. It underpins our 100% Pure New Zealand tourism proposition and supports many of our iconic adventure and outdoor activities. The top factor influencing international visitors to choose New Zealand is our natural landscape and scenery and getting outdoors is a key driver of domestic tourism. However, New Zealand's natural environmental assets are under constant threat, including many of our native species, our freshwater rivers and lakes, and our unique landscapes.
13. We ask that Council, through the Long-Term Plan, recognise that the environmental assets of your region are critical to tourism success and to make a commitment to maintaining, enhancing, and restoring these assets.

PART TWO - SPECIFIC FEEDBACK ON YOUR LTP

14. In the following section, we provide feedback on the tourism components within your Consultation Document for the draft Long-Term Plan 2021-2031. Our comments focus on the proposal to introduce a Visitor Levy from 2024/25.
15. We acknowledge the thought and planning that has gone into the draft LTP. The Plan recognises the need to manage the tumultuous impacts of COVID-19 but also take a view of what the recovery will look like over the next ten years.
16. The re-opening of the trans-Tasman border has brought a sense of cautious optimism back to the industry. However there remains significant uncertainty and a reopening of the border and the reliable return of international markets out of Asia, America, and Europe is required for confidence to return. A reopening to only Australia may have limited medium-term impact on New Zealand due to a significant segment of VFR - Visiting Friends and Relatives. It is becoming quite clear that reopening to destinations beyond Australia will not occur for some time yet. And it will be a gradual return as airlines build capacity and reschedule flights to New Zealand. A recovery for tourism in New Zealand could take five years or longer.

Visitor Levy

17. We do not support the proposal to introduce a Visitor Levy from 2024/25. The Levy would be established via a local member bill to Parliament. As there is no detail on the proposed bill we are unable to comment specifically on matters such as which accommodation sectors the tax would apply to and how it would be collected.
18. However bed taxes by their nature are unfair and target only one sector of the tourism industry. The Queenstown accommodation sector received 13.3% of the visitor spend (YE October 2020¹) which as a percentage is consistent with pre-COVID data and the wider accommodation sector across NZ which commonly receives about 9%-14% of the visitor spend. Under the proposal operators are being asked to pay 100% of the Visitor Levy adding an average \$23.3m per annum to the costs of accommodation, based on the accumulated levy figure of \$162.8m over a seven year period.
19. We can also draw on the challenges that Auckland Council have experienced since 2017 when they implemented the Accommodation Provider Targeted Rate (APTR). The attempts by Auckland Council to get the so-called non-commercial accommodation sector to contribute to the APTR have largely failed, with only a small minority of operators using platforms like Airbnb contributing. 3800 Airbnb properties were believed to be liable for the APTR but at July 2019 only 1164 (30%) were paying the tax, indicating 2636 (70%) remained undetected.

¹ MBIE Monthly Regional Tourism Estimates (MRTEs)

20. There is a common misconception that bed taxes support the tax principle of being equitable as it captures many visitors. However there is not the case and there is considerable slippage caused by day visitors and those staying with family and friends.
21. Profitability is being severely impacted across all the tourism industry. The occupancy rate in February 2021 for the Queenstown accommodation sector was 36%² when in the previous year hotels³ within that sector had an 88% occupancy rate during February 2020. Profitability within the accommodation sector has been hammered. The Average Daily Rate (ADR) for which a hotel room sells in Queenstown was \$167.00 in February 2021 compared to \$280.00 in February 2020 – a decline of 68%.
22. The Productivity Commission undertook an inquiry in 2018/19 called Local Government Funding and Financing, which included tourism as one of the focus areas. Within their November 2019 Final Report was an extensive chapter titled Responding to Tourism Pressures. The key points within that are relevant to this debate and provided below:
- Tourists' use of local infrastructure and services imposes costs on councils, though the impacts are not evenly distributed. Sometimes these costs are modest because of scale economies. But they can also be significant if additional capacity is needed to accommodate visitor use at peak times. Councils can fund infrastructure and services they provide to tourists in several ways, including through rates, user charging and with funding from central government.
 - Tourists already pay for most of the costs they create. They pay indirectly for their use of some local infrastructure and services through the price of the goods and services they purchase from businesses (who in turn pay business rates for the council services they use to meet tourists' needs). Tourists who stay with family or friends use services provided to these homes, which are funded from residential rates. However, there is a small shortfall because tourists do not pay for the local public-good type amenities and services they consume directly, but which are paid for through rates. These include public toilets, car parks, walkways, gardens, CBD street cleaning and rubbish collection from public bins.
 - This shortfall likely amounts to less than 2% of total council revenue in most districts.
 - International tourists pay a large amount to central government in the form of GST, making it different to other export industries that are zero-rated for GST. This is far more than what is needed to cover the costs international tourists do not already pay for. While central government receives the GST, councils bear the costs. Central government does provide significant funding to councils for local services and infrastructure to support tourism. However, these funds are distributed in an ad-hoc way through multiple funds that do not provide certainty or enable councils to plan and manage tourism growth effectively.
 - The Commission analysed several options for new tools for funding tourism shortfalls, which would require legislative change. An accommodation levy on sales to guests in both formal and informal accommodation scored relatively well. Yet, given the modest funding shortfall, and the significant implementation and administration costs, introducing new tools may not produce a net benefit.

² Accommodation Data Programme – All accommodation types (n=170 establishments)

³ Only hotel data available for a YoY comparison.

- To cover the modest funding shortfall from tourism, local governments should make better use of existing funding and financing tools, including more user charging, greater use of debt, raising more in rates (including efficient targeted rates), and better use of strategies and tools to manage peak demand.
- Significant scope also exists to improve central government funding flows to councils for tourism-related amenities and services. Funding should be distributed in a more systematic, ongoing, predictable and fair way by using a transparent allocation formula. This would also help preserve local government autonomy and avoid disadvantaging well-run councils.

23. We concur with many parts of the Commission's Final Report and the analysis resonates within the context of the Council's proposal for a Visitor Levy. Should the Visitor Levy not proceed ratepayers would be required to pay a further 2.3% per annum, consistent with the Commission's view that funding shortfalls are commonly around 2%.

24. We also agree with their comment that 'significant scope exists to improve central government funding flows to councils for tourism-related amenities and services. Funding should be distributed in a more systematic, ongoing, predictable and fair way by using a transparent allocation formula'.

25. Rather than advocate for a bed tax we ask you to join with TIA in seeking from central government the introduction of a Regional Tourism Fund.

26. The challenges faced by local councils in funding decisions is nationwide. To support investment in local tourism TIA is proposing a Regional Tourism Fund of \$300m p.a. These funds would be distributed to local government to address local tourism-related needs.

27. Local authorities' investment in tourism infrastructure would be informed by regional spatial plans (where they exist), local authority Long-Term Plans, and RTO/EDA Destination Management Plans. If these Plans are doing their job well, they should clearly articulate the aspirations of tourism in the region and funding required. While infrastructure would be included as an area for investment of funds, we support a wider scope for fund allocation as determined by regional destination management priorities.

28. The allocation model is determined by the measured level of visitor impact on each territorial authority. The premise behind this calculation is to create a transparent and sustainable model for annual funding rather than councils having to apply and hope. For example, it may be based on guest nights in a region. The Queenstown Lakes District Council received 6.7% of total guest nights⁴ in NZ in February 2021. If this were attained on an annual basis it would provide an additional \$20.1m p.a. to the Council for tourism investment based on our model. This would provide \$140.7m (86%) of the \$162.8m you are seeking from the Visitor Levy.

⁴ Accommodation Data Programme (ADP), February 2021

29. The proposal aligns with Infrastructure NZ's proposal for a Regional Development Fund, expanding the former \$1 billion p.a. Provincial Growth Fund into a \$2 billion Regional Development Fund (RDF) covering all New Zealand. Our proposal of \$300m is 15% of that \$2b fund.
30. We would work with Queenstown Lakes District Council and other local authorities to seek the introduction of this fund as soon as possible.

CLOSING

31. Most proposals within a draft LTP provide options to consider. It's disappointing to see that this hasn't been done for the Visitor Levy outside of an alternative plan to increase rates by a further 2.3% per annum over the last seven years of the LTP. We believe there are a number of alternative proposals to consider such as more user charging, greater use of debt, spreading the tax burden across more of those who benefit from tourism, and better use of strategies and tools to manage peak demand.
32. In particular there is our recommendation of a Regional Tourism Fund. If there is one fortunate part to the levy proposal it's that it isn't urgent and would not take effect until 2024/25 after the Long-Term Plan is next reviewed in three years. Therefore rather than commit to a local bill to introduce a bed tax we recommend council spends the next three years identifying suitable alternatives that do not target just one sector of a town where many others benefit from the visitor.
33. Lastly, we want to acknowledge the efforts being made by Council to improve infrastructure and increase amenities for the benefit of residents and visitors. Local government has a critical role to play in managing and enhancing local tourism experiences and QLDC appears committed to a principle of strong strategy development and good community consultation. We see this in both the draft LTP and the Queenstown Lakes Spatial Plan, which TIA is responding to in a separate submission.