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SUBMISSION TO THE MINISTRY OF BUSINESS INNOVATION AND EMPLOYMENT (MBIE) ON THE INTERNATIONAL VISITOR CONSERVATION AND TOURISM LEVY REVIEW 2024

Thank you for the opportunity to present this submission on the review of the international visitor conservation and tourism levy (**IVL**).

To respond to the challenges facing the region, Queenstown Lakes District Council (QLDC), Lake Wānaka Tourism and Destination Queenstown partnered to develop the Regenerative Tourism Plan for the region, that also included Kāi Tahu and the Department of Conservation. The strong working relationship between these groups is founded on the shared fundamental objective to be a leader in regenerative tourism and destination management. The Regenerative Tourism Plan is an output of the Queenstown Lakes District (QLD) Grow Well Whaiora Spatial Plan, in partnership with the Crown, Kāi Tahu and Otago Regional Council.

Accordingly, QLDC has significant institutional knowledge and on the ground experience relating to the complexities of achieving regenerative tourism. QLDC has a number of concerns with the IVL and highlights the following key messages that are expanded on in the body of the submission:

- The IVL cannot be depicted as a replacement for a local visitor levy for the QLD. The IVL lacks both the rigour, the scale, and the targeting to actively address the real impacts of tourism, and therefore misses the opportunity to ensure that international visitors make a meaningful contribution to support local communities.
- Whilst QLDC agrees that the current levels of IVL revenue are not sufficient to address issues facing tourism and conservation, the IVL cannot be considered a sole solution to tourism funding in Aotearoa New Zealand, and must be considered one tool of several to address the shift towards destination management.
- Prior to any increase to the IVL quantum, it is strongly recommended that the accountability and transparency of IVL investment is increased.
- It is recommended that the IVL tourism investment is apportioned by between the 30 areas that have destination management plans, and apportioned by total visitor numbers to each area.

QLDC would like to be heard at any hearings that result from this consultation process. It should be noted that due to the timeline of the process, this submission will be ratified by full Council retrospectively at the next Council meeting.

Thank you again for the opportunity to comment.

Yours sincerely,

Michelle Morss
Acting Chief Executive QLDC

Glyn Lewers
Mayor QLDC

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SUBMISSION TO MBIE ON THE REVIEW OF THE INTERNATIONAL VISITOR CONSERVATION AND TOURISM LEVY

1.0 Queenstown Lakes District visitor context

1.1 Prior to COVID-19, the QLD saw a tourism boom. Visitor expenditure grew rapidly from $1.3B in the year ending October 2009 to $3.1B in 2019. For the year ending March 2024, there were 4.5M guest nights spent in the QLD, which is approaching the peak of 4.7M of year ending December 2018[1].

1.2 At the same time, the QLD is also one of the fastest growing populations in New Zealand Aotearoa, growing 5.92% per annum over the past ten years. In 2023 alone, it experienced 8% growth[2]. The district has an average daily population of 70,205 (visitors and residents) and a peak daily population of 99,220 of which 48,211 were visitors and 51,009 were residents. By 2053 the peak day population is expected to exceed 217,000[3].

1.3 Tourism is a foundation of the local economy, accounting for 39% of GDP and 52% of all employment in 2020[4]. It is also disproportionately important to the national tourism economy. Pre-COVID-19 visitors who came to New Zealand because of Queenstown spent a total of $1.44 to $1.74 billion per annum nationally. This spending contributes $1.3 to $1.6 billion to Aotearoa New Zealand's overall GDP and 13,700–17,000 jobs nationally. If an international tourist visits Queenstown, their spending in the rest of the South Island is more than three times higher than if that tourist had not visited Queenstown. As a district, we contributed over 8.4% of the total tourism GDP in the year ending March 2023[5].

1.4 For the year ending March 2024, Queenstown accounted for 19% of all international guest nights in commercial accommodation with only 1% of Aotearoa New Zealand's resident population[6]. For the year end April 2024, the ratio of residents to international visitor nights was 1 to 47.4 for the QLD. In contrast, this was 1 resident to 1.7 visitors for Auckland and 1 resident to 2.8 visitors for Christchurch. Projections show that visitor numbers will continue to increase at a growth rate similar to prior to COVID-19. Tourism will continue to remain an important part of the local and national landscape as tourists are encouraged back to New Zealand.

2.0 Visitor-related infrastructure and community support for tourism needs

2.1 Like other councils, QLDC is responsible for road transport, toilet facilities, parking, wastewater, water supply, waste minimisation and management. What sets QLDC apart is the significant proportion of

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[1] https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/accommodation-data-programme
https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/accommodation-data-programme/accommodation-survey-july-1996-september-2019
https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/monthly-regional-tourism-estimates

[2] https://nzdotstat.stats.govt.nz/

[3] https://www.qldc.govt.nz/community/population-and-demand

[4] https://www.infometrics.co.nz

[5] Ibid.

[6] https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/accommodation-data-programme
https://nzdotstat.stats.govt.nz/

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these facilities and services that are used by visitors in relation to the small number of ratepayers, combined with the importance of Queenstown to the overall visitor experience to New Zealand Aotearoa. Currently there is a risk that the visitor experience to Queenstown is degraded due to overcrowded and limited facilities and traffic congestion. In a report by Martin Jenkins in 2018, it was modelled that $296M over five years of additional expenditure was required in order for QLDC to ensure a sustainable future for tourism.

2.2 A reduced social license for tourism in the community is also a risk. Overall acceptance of tourism by residents in the Queenstown Lakes region has deteriorated consistently since 2021/22, with three of four locals agreeing that international tourism is putting too much pressure on the region and 80% of residents believing a destination management plan is needed[7]. This highlights that solely providing services and infrastructure that tourists use is insufficient. Addressing the key role that community wellbeing plays is a prerequisite for successful destination management.

2.3 Throughout its long term and annual plans processes, Council has leveraged all available funding and debt avenues in order to deliver a fiscally prudent plan under Local Government Financing Agency legislation. The Council has also maximised debt provisions and maintained a Fitch credit rating of AA-.

2.4 The QLD is a premium visitor destination, but the average income is still $66k per annum compared to the national average of $75k[8]. QLDC increased rates by 14% on average in 2023/24, and continued aggressive rate rises to fund tourism infrastructure will simply increase the pressure on struggling families further and exacerbate wellbeing issues.

2.5 The quantum of the challenge far outweighs the ability of the existing rating model to respond. The sheer magnitude of visitor numbers and their forecasted growth makes it impossible for QLDC to fund safe, future-proofed visitor infrastructure through the existing ratings model. Modest aspirations to deliver the basic provisions of water that meets drinking water standards, wastewater schemes that protect pristine environments, critical infrastructure for rapidly growing town centres and a roading network that is fit for purpose, have become enormous and costly undertakings that have forced the Council to push significant projects beyond recommended timeframes.

3.0 The IVL in any form is not a substitute for a local visitor levy for the QLD

3.1 For the QLD, a local visitor levy is an appropriate funding tool that has widespread support. A strong mandate for this work already exists. Following a local referendum demonstrating overwhelming support for a local visitor levy (over 80%), Cabinet agreed in March 2019 to support the local visitor levy through a local Bill. As part of this agreement, QLDC, through the Grow Well Whaiora Partnership has developed and adopted a district wide Spatial Plan which highlights the visitor levy as a priority initiative.

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[7] Views on Tourism - Queenstown Lakes' resident sentiment research.

[8] Infometrics, March 2023

In addition, the destination management plan[9] relies on investment from a visitor levy to step our district towards regenerative tourism.

3.2 The IVL has not had a meaningful impact on communities affected by tourism and without wholesale changes, it is unlikely to in the future. A key example is that the QLD community to date has not received any support from the IVL, despite its contribution to the national GDP and its status as a premier visitor destination. This lack of investment from the IVL is despite numerous requests for funding to support the critical destination management initiative of measuring optimal visitation, that has the potential to be shared across the country.

3.3 In the consultation document, the largest proposed increase in the IVL could yield approximately $230M per annum. Dividing IVL funding equally between tourism and conservation as per the current practice would equate to $115M for tourism related initiatives. It is submitted that even if this amount was solely used to fund visitor-related aspects of infrastructure across the motu, it would still fall well short of meeting this aspect of funding needs. IVL tourism investment has the potential to be more influential if it is directed towards destination management activities, as opposed to hard infrastructure.

3.4 The proposed change to the IVL offers no effective support for those communities severely impacted by visitor-related demand. This can only be effectively addressed locally, on well understood investment needs. The IVL lacks both the rigour, the scale, and the targeting to actively address the real impacts of tourism, and therefore misses the opportunity to ensure that international visitors make a meaningful contribution to support local communities.

4.0 QLD supports continuation of the IVL only in concert with other funding solutions

4.1 Given the above, it is QLDs position that the continuation of the IVL, and any contemplation of an increase in the quantum, cannot be considered solely in relation to other border fees and levies, or seen as a replacement for the need for a range of solutions to meet the visitor related funding needs of New Zealand Aotearoa. This position is consistent with the IVL investment statement that uses wording to describe the aims of the IVL such as “contribute to broader systems change” and “complement existing funding mechanisms”[10]. It is paramount that the IVL and any increases are considered in light of other funding mechanisms related to visitors, both currently in existence and planned.

4.2 In addition to the local visitor levy for the QLD, to meet the challenges facing Piopiotahi, the Milford Opportunities Project is exploring an access fee for international visitors. Central government has also signaled forthcoming legislative change to enable increased road tolling, that will impact on visitors. Empowering communities to provide their own funding solutions necessitates a joined up approach between central government and regions that is a step change from what is occurring at the moment.

4.3 The overriding risk is that whether intended or not, the IVL will become the default and only sanctioned form of direct visitor contribution to the Aotearoa New Zealand tourism ecosystem, and that there will be consequent resistance to any attempts to meaningfully support levies and user charges that actually

[9] https://www.queenstownnz.co.nz/regenerative-tourism-2030/
[10] International Visitor Conservation and Tourism Levy — Investment Plan 2023 (mbie.govt.nz) at page 4.

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support communities responding to tourism pressure. Accordingly, whilst QLDC agrees that the current level of IVL revenue (approximately $80 million) is not sufficient to address issues facing tourism and conservation, it is strongly recommended that the IVL is not, and should not be depicted as the sole solution to address visitor related funding needs, that includes the community wellbeing necessary to provide a warm welcome to visitors.

4.4 There is merit in supporting the conservation estate where it is generally difficult to recover from individual users and for specific destination management plans, but the IVL should not be allowed to become a generic substitute or be seen as a panacea for all tourism related impacts on local communities across the motu.

4.5 Nationally imposed visitor levies have a greater depressive effect on the price sensitivity of visitors. Any national levy that is imposed through ticket pricing will invariably challenge the competitiveness of Aoteaora New Zealand as a destination, in what is an increasingly contested market. The government needs to be wary of loading the levy in such a way as to impact on demand with no ability to nuance the impact of that cost by destination or by visitor origin. Relying on such a tool is risky and clumsy. In contrast, local visitor levies enable visitors that are experiencing local communities at source to make a direct contribution. This form of cost is unlikely to have a material impact on visitor intentions as demonstrated by the numerous successful local visitor levies and user charging regimes internationally. In addition, local visitor levies can price themselves against both demand and the robustness of their local markets, something that the IVL is incapable of doing. In contrast, the IVL is a poor substitute for carefully crafted and justified local user charge regime.

5.0 A review of the accountability and transparency of IVL investments is warranted

5.1 The review of the quantum and allocation of IVL funding presents the opportunity to increase the accountability and transparency of the IVL overall, and therefore improve its credibility and ability to deliver on stated goals. QLDC views that these aspects are integral to the success of the IVL in general and should form an integral part of the review.

5.2 Both the tourism and conservation investment statements are supported in principle, but the projects that have been funded represent an ad hoc and piecemeal approach, rather than the strategic perspective that is needed. Further, there is a lack of clarity delivered to address the priorities in the investment statements. Deliverables constitute only one page of 16 in the 2023 investment plan, and the 2023 progress against milestones in the financial report provides very little information on timing and what has actually been delivered.[11]

5.3 An untargeted or poorly justified investment plan undermines the effectiveness of any levy and creates the risk of income being poorly allocated. Review of these matters is therefore considered a mandatory precursor to any proposal to increase the IVL quantum. The current $80M well allocated is preferable to $230M that is poorly invested.

[11] International Visitor Conservation and Tourism Levy (IVL) – Annual Performance Report 2022/23 (mbie.govt.nz) at page 10.

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6.0 QLDC recommends that IVL any future funding is divided by DMP regions and apportioned by total visitation

6.1 The existing equal split of IVL funds between tourism and conservation initiatives is supported. This ensures that reducing pressure on conservation land and activities to preserve and enhance biodiversity remains a priority. Further to this, QLDC recommends that the fifty percent portion towards tourism be divided between the 30 locations that have a destination management plan (DMP) across the motu, to be spent on DMP initiatives, and apportioned by visitation numbers to each locality.

6.2 The Queenstown Lakes region welcomes the second highest number of visitors annually, after Auckland, at 4.5M guest nights[12]. Funding the implementation of destination management initiatives on an apportioned basis would ensure that regions carrying the most visitors receive funding to support visitor management.

6.3 There are several benefits to this approach. DMPs have been developed in detail with local communities, capturing key local insights, priorities and initiatives. Empowering these plans is a vote of confidence for owning local solutions. DMPs contain concrete outputs, timeframes for deliverables and reporting requirements, all closely aligned with visitor, place and community need. DMPs are therefore primed to be applied towards providing better metrics on what IVL tourism funding is both going towards and achieving. This will improve the accountability and transparency issues outlined above, without the need for new monitoring and accountability structure.

6.4 It is proposed allocation in this manner is done on a year on year basis until the next review of the IVL. This would provide much needed continuity of funding for RTOs, that is directly linked to visitation. Longitudinal certainty of funding streams is an acute issue for delivering DMP objectives.

6.5 Distribution of IVL funding in this manner increases a devolved approach to decision making and local solutions supported by central government, and ensures that the destination management priorities for all regions are addressed.

6.6 An alternative to the allocation method proposed above would also be preferrable to the status quo. This would reflect the importance of conservation initiatives, by dividing IVL investment fifty percent to conservation and the remaining fifty percent to **regional** conservation through the Department of Conservation (DoC) and conservation groups. This would also be apportioned by total visitation levels on a yearly basis until the IVL is next reviewed. QLDC considers that there is currently insufficient information available regarding this option, and would be happy to work with MBIE and DoC to progress either option.

7.0 QLDC does not support IVL funding allocated towards Tourism New Zealand

7.1 The consultation document requests feedback on whether IVL funding should be allocated towards Tourism New Zealand (TNZ) marketing initiatives. QLDC does not support allocation from the IVL to TNZ. There is a disconnect between the destination management principles promulgated in DMPs

[12] Accommodation Data Programme YE April 2024.

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across Aotearoa New Zealand and the current approach to marketing by Tourism NZ. Until such time as there is a change to the Tourism New Zealand mandate and approach, funding to Tourism NZ is not supported.

7.2 In addition, the inclusion of IVL allocation to TNZ of $30M over the next two years in the 2024 budget renders the current consultation process on allocation of the IVL disingenuous.

Recommendations

R.1 – It is QLDCs position that the IVL cannot be depicted as a replacement for a local visitor levy for the QLD.

R.2 – Whilst QLDC agrees that the current levels of IVL revenue are not sufficient to address issues facing tourism and conservation, the IVL cannot be considered a sole solution to tourism funding in Aotearoa New Zealand, and must be considered one tool of several to address the funding needs towards supporting the visitor contribution to the economy and the shift towards destination management.

R.3 – Prior to contemplating any increase to the IVL quantum, it is strongly recommended the IVL is measured as against the efficacy of local visitor levies and the accountability and transparency of IVL investment is increased, in order to ensure that the best value for money is achieved for IVL investments.

R.4 – To address the lack of accountability and transparency of IVL investment, it is recommended that the IVL tourism investment is apportioned by between the 30 areas that have destination management plans, and apportioned by total visitor numbers to each area. This is more equitable than the current approach, provides a clear link between DMP outputs and more continuity of funding for RTOs.

R.5 –QLDC does not support an increase to the IVL quantum until such time as the investment plan is targeted in line with R.4 and that the IVL is not considered a sole solution to fund tourism and conservation needs..

R.5 – Future reviews of the IVL should include variations in the IVL quantum to account for the carbon footprint of visitors, as well as encouraging people to come to Aotearoa New Zealand outside the peak summer period (and for QLD, the winter snowsports season). This will support a transition to a regenerative, resilient tourism model and reduce tourism's environmental impact.

Rec. #	Proposed area of IVL investment in the consultation document	Recommendation
R.6	Address visitor pressure on mixed-use tourism infrastructure and wider tourism assets	**Disagree**. Other funding tools are required to meet the magnitude of mixed use tourism infrastructure required.
R.7	Address visitor pressure on the public conservation estate.	**Agree**. Protection and increasing biodiversity must remain a priority.

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R.8	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 or commercialise.	**Agree**. Insofar as many DMP outputs fit into this category, QLDC views that there are benefits investing tourism IVL funding into this category.
R.9	Contribute to the funding mix for international tourism marketing costs (investment into TNZ).	**Strongly disagree**. Until such time as there is a change to the TNZ mandate and approach, funding to TNZ is not supported.
R.10	Support ongoing or future Crown investment into tourism and conservation related functions such as the provision of recreation opportunities on the conservation estate and tourism data and insights.	**Agree**. There is a clear mandate to increase visitor data competency and capabilities following a decrease in investment in this arena.