

Submission on the International Visitor Conservation and Tourism Levy (IVL)



To the Ministry of Business Innovation & Employment (MBIE)

10 June 2024

BYATA welcomes the opportunity to support and provide feedback to the Honorable Minister Matthew Doocey, the Minister for Tourism and Hospitality via MBIE's discussion document on proposed changes to the International Visitor Conservation and Tourism Levy (IVL).

Who is BYATA:

The Backpacker Youth Adventure Travel Association is a collective (120+) of tourism businesses, which rely heavily on 18-35 year old youth travelers visiting New Zealand. Our group *pou's* are to Advocate, Collaborate, and Communicate on behalf of members to ensure a healthy youth tourism sector. Our members include those from the accommodation, activity, tour, rental vehicle/camping industry.

Our *timu* is to lead the next generation of traveler and our *tirohanga* is to be the independent voice for the youth travel industry. We are on a mission to define and advocate the true value of the sector, demonstrating that our customers for life are the poster child of the four capitals model.

About half of our members are adventure-based activity businesses who either are registered as a current certificate holder via the WorkSafe scheme or potentially could be required to be part of the WorkSafe register in the future, so the significance of this piece to them is dramatic.

Please contact Haydn Marriner, BYATA Chair for further information with regards this submission on 0272 454 861 or info@byata.org.nz

Summary of BYATA's Submission:

IVL Levy Amount:

1. BYATA agrees that the current levels of IVL revenue are insufficient to address issues facing tourism and conservation.
2. BYATA supports adopting a dynamic pricing approach to the levy. This would see the levy peak in cost during our busy summer months and lower during the less visited off-peak periods. This incentive to visit during off peak periods would appeal to the budget conscious and attract higher numbers of International Youth arrivals whilst enabling Tourism New Zealand to focus on seasonal promotions targeting youth.
3. BYATA therefore advocates for an increase to the level of IVL during the Summer months of November – April from \$35 to \$70. The off peak rate, May – October should be raised in response to inflation since the levy was introduced in 2019. Therefore, the levy should be raised relative to the consumer price index from the time it was first set and not exceed \$42.

How to spend revenue from the IVL:

1. BYATA supports the government instigating policy work with the tourism industry to develop a wider tourism sustainable funding solution for tourism and local government, including how it will be established, operated and distributed.
2. BYATA advocates for the IVL revenue to be used to provide funding for the above activity.
3. BYATA advocates for a wider tourism sustainable funding model to be identified which includes increasing the operating budget of Tourism New Zealand.
4. BYATA advocates for a funding solution from the IVL revenue which would enable Tourism New Zealand (TNZ) to promote the Working Holiday Visa (WHV) and attract international youth arrivals, who stay the longest and travel furthest off the beaten track.

SUPPLEMENTARY AND SUPPORTING INFORMATION:

The International Visitor Conservation and Tourism Levy (IVL) is providing a vital source of funding, wider industry's view is that the current IVL funding is being underleveraged for tourism industry usage. The retention of this central government investment in tourism-related public good activities is essential.

However, changes to the IVL should not be made in isolation.

BYATA and other industry associations such as Tourism Industry Aotearoa, Hotel Council Aotearoa and Regional Tourism NZ, continue to advocate for a full investigation and review of the New Zealand Tourism system and the ways in which it is funded.

RTNZ has set out in its whitepaper *Tōnui*, published in May 2023, why this is important. Failure in the New Zealand tourism system has, and continues to, deliver sub optimal outcomes meaning that communities and regions do not build their vibrancy or prosperity from tourism in ways that are consistent with the shared goal of sustainably growing tourism in New Zealand. Whilst the IVL is an integral component of a future system, the review of the IVL should be part of a whole system review so that optimal conditions are set by government that enable the growth of tourism as contributor to the New Zealand economy.

Strategic documents, such as RTNZ's Project Tonui and Tourism Industry Aotearoa's Tourism 2050 – A blueprint for Impact consistently identifies the importance of additional funding required in two key areas:

1. Local Government:

Regions have diverse needs, and each will have their own tourism related priorities. Regions need the ability to invest in tourism related infrastructure, destination management, events, amenities, and systems to support and enable tourism to develop and flourish. Councils incur costs from tourism but gain limited direct revenue from it. Traditional council rating-bases are increasingly inadequate to cover all the functions needed. Given these pressures, Councils around the country have or are considering funding options, including various types of targeted rates.

2. Positive industry-led activities for functions of scale and depth:

This includes vital aspects of Tourism's economic reach which incorporates business capability, workforce development, tourism sector and performance data and research, innovation, industry strategy, and destination management. Funding will put tourism on an equal footing with other key export sectors that are enabled by a levy (e.g. dairy, meat, forestry, wine, horticulture, and others) and enable New Zealand's #2 export earning industry to take care of itself.

Sustainable growth of tourism in New Zealand will not be sustained without new investment.

The IVL revenue and other potential funding mechanisms should deliver new investment to the tourism system in ways that mean the aspirations of tourism held by New Zealanders, the industry and government can be met.

At the same time investment into a visitors experience of New Zealand will reap both the direct rewards of expenditure during their visit and loyalty to all things New Zealand after their visit.

The ambitious growth targets of regions individually, collectively, and together with those of central government will not be met without new investment being made to address destination and experience development, data requirements for growth enabling decision making, event infrastructure and content development, improved accessibility to tourism products and experiences, proper provision of amenities, services and infrastructure, destination marketing, preparation and capacity for risk and crisis management, and sector leadership and coordination in destinations across New Zealand.

The impost expense of tourism on local government is not sustainable.

Decisions regarding the IVL, and the level at which it is set, impact on the decision making of other public sector parties who invest in the New Zealand tourism experience and its capacity to grow. Whilst the consultation documents do note the costs incurred by local government being high, they do not recognize that good investment by communities in Destination Management Plan delivery can significantly add to the prosperity, vibrancy, and quality of life that tourism can bring – with investment, to such communities. Recognizing that there is only certain pricing elasticity within which travel to New Zealand remains attractive, any decision to raise the IVL may preclude the opportunity to investigate and implement at place charges which would enable regions to invest in growing tourism across New Zealand for the benefit of both communities and visitors.

The role of the visitor is important to every community in New Zealand – visitors deliver vibrancy and prosperity to the places where New Zealanders live.

Tourism is a sector of the New Zealand economy that provides opportunity to all communities. By its very nature, tourism happens 'at place'. Growing a sustainable tourism economy creates jobs, viable businesses, and more interesting places for all of us. The funding of the activities that can make this happen should be determined location by location and should be funding that is available to all destinations, not through an ad hoc, contestable process that changes on a regular basis or has indiscriminate boundaries.

Attracting higher number of Working Holiday Visa scheme holders back to our shores through targeted marketing activity via Tourism New Zealand.

Short, medium and long-term funding solutions for the delivery and implementation of activities which directly attract higher levels of International Youth, backpackers and Working Holiday Visa holders to our shores will succeed in elevating the communities described above through economic, environmental, cultural and social outcomes.

Addressing seasonality visitation is a key driver for TNZ's activity in the next four years and providing additional operational budget through IVL revenues or via a wider tourism framework review to allow for targeted marketing to attract the most frequent adopter of regional travel is a no brainer.

BYATA has demonstrated via its lifetime value model study the high numbers of international 18-35 year olds who visit our regions,

- 23% visit 7+ regions
- 50% visit 4+ regions.

It is this *manuhiri*, who are the poster child for getting off the beaten track and travelling during off peak periods which has been traditionally a time when NZ experiences very modest levels of visitation.

And the hero of the piece is those International Youth who travel the slowest, stay in NZ the longest, spend the most and have the widest of regional spread - the Working Holiday Visa holders. Pre Covid NZ would expect to host up to 60K WHV's holders per annum. But right now, we are in a slump with WHV arrivals at their lowest levels in decades at around half of pre Covid 19 pandemic levels.

To reinvigorate this scheme BYATA advocates for a widespread targeted promotion by Tourism New Zealand of the Working Holiday Visa which can only be achieved with additional funding resource allocation and direction through either IVL revenues or a wider tourism framework.

Increasing international youth arrivals safeguards the future. Lock in youth and you lock in long term economic growth.



Haydn Marriner
BYATA Chair



Chris Sperring
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