



## **Submission to Queenstown Lakes District Council**

### **Draft 10 Year Plan 2021 – 2033 Introduction of Visitor Levy**

**16 April 2021**

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## Summary

Bed & Breakfast Association is firmly against the introduction of any form of visitor levy or accommodation provider targeted rate due to its innate unfairness in targeting one sector making up the QLDC visitor economy.

## Introduction

Bed & Breakfast Association NEW ZEALAND Incorporated is a national association working exclusively to support small owner operated bed and breakfast operators. It is a non-profit organisation incorporated under the Incorporated Societies Act 1908. The Association works to enable members to provide a world class service to their guests by the provision of best practice guidelines, business support and training. The Association works for its members and with other accommodation associations and tourism bodies to ensure the voice of bed and breakfast owners is heard in the tourism industry.

Bed and breakfast properties hold a niche position in the accommodation sector of the New Zealand tourism industry and have requirements and issues that are specific to this style of operation such as their size of operation, owner operated businesses and their location.

Bed and breakfast properties are small home based businesses that open their homes to guests who wish to stay with local people in local areas to experience the real New Zealand. These visitors are treated to an experience and level of hospitality not available in other types of accommodation.

This submission opposes the Queenstown Lakes District Council proposal to introduce a visitor level from 2024 due to its innate unfairness in targeting one sector making up the QLDC visitor economy.

## Issues with Introducing a Visitor Levy

### 1. International v. Domestic Guests

Past surveys of our members show that guests who stay in bed and breakfast operations are predominantly international visitors. For the period 1 April 2019 to 31 March 2020 83% of guests staying in our member properties were international visitors.

The closure of the international borders has had a negative impact on bed and breakfast properties throughout the entire country – and has been particularly hard for our members in the QLDC area.

Whilst the Australian border is due to open there is no indication from the Government about the reopening of extended international borders, or how the opening of

international borders will be handled. Bed and breakfast owners already face an uncertain future without additional costs being added to their businesses.

In fact, New Zealand's Tourism Minister Stuart Nash has issued a grave warning to tourism operators, saying it could be another "three to four years at least" before visitor numbers return to pre-coronavirus levels – NZ Herald, 4 April 2020.

## **2. Size of Operation**

Bed & Breakfast operators are small owner operated businesses. They do not have large corporate entities to help support their income and ongoing running costs. These operators are already struggling to stay open and there are many who have placed their businesses in hibernation until the borders reopen or who have permanently closed their operations. There will be no option for our members but to pass on this cost directly to guests.

Should the QLDC go ahead with the proposed visitor level this will have the strong negative impact on the lower priced operators and those with the smallest profit margins thus creating significant distortions in the market and between accommodation types.

Added to the levy businesses would have to introduce new administrative systems to report on, capture and return the revenue stream to local government thus further increasing their operating costs which would be passed on to guests.

The addition of a visitor levy to the discretionary spending of guests to the region will put at risk a number of accommodation businesses and drive down profitability in many more.

## **3. Lost Revenue**

Accommodation bed nights are not like stock products that can be held in storage until they can be sold. There is no 'shelf life'. Once a bed night passes accommodation for that night cannot be sold, hence there is no opportunity for accommodation providers to be able to sell stored product to make up lost revenue.

This inability to make up lost revenue contributes to the already negative impact of covid-19 on the economy and means that some properties are unable to take advantage of programmes offered by the Government such as interest deferment on mortgages and interest free loans as they are unable to stockpile product to sell to generate revenue to pay the increased debt when it falls due. And when the international border reopens, they will not be able to recoup the income and profit lost from being closed.

Any additional levy at this time will negatively impact the local economy and this will flow through to accommodation businesses at a time when they are trying to recover from the impact of COVID-19

## **4. A visitor levy is inequitable**

Total visitor spend in accommodation ranges from 8-10% of the total tourism spend. Targeting accommodation income, a low proportion of the total spend, misses the wider

tourism income. Targeting the wider tourism income will help negate the increased costs of collecting a targeted levy.

## 5. **Disincentivise Visitors to stay**

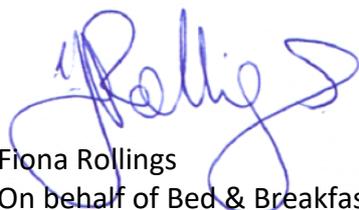
Adding new taxes only to accommodation businesses in the District will raise room rates and act as a disincentive to visitors to stay in the area and encourage visitors to seek out informal accommodation options such as freedom camping.

## **Conclusion**

Bed & Breakfast Association calls on Queenstown Lakes District Council to cancel completely its plans to introduce a visitor levy on accommodation providers.

The region's accommodation providers require time to recover from the economic losses of this current COVID economic climate; to allow the central Government to plan for the international border reopening and the criteria for doing so; and to assess and plan for the long term impact of the COVID-19 pandemic on the international tourism market.

For many of our members adding additional cost to accommodation providers, combined with the current economic climate, will force the closure of their business.



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On behalf of Bed & Breakfast Association NEW ZEALAND incorporated

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