

## **Submission on New Zealand Productivity Commission's draft report on local government funding and financing**

Thank you for the opportunity to provide our feedback on the Productivity Commission's Draft Report on local government funding and financing. As a leading online marketplace for short-term rental accommodation (STRA) and a major supporter of the tourism industry across New Zealand, Bookabach is committed to working closely with the Productivity Commission and New Zealand Government to share our ideas, experience and knowledge. This submission focuses on the issue of funding and financing tourism infrastructure.

Tourism is vital to the New Zealand economy, particularly many regional economies, and infrastructure is essential to making the most of predicted growth in the sector. Quality tourism infrastructure and facilities also help to ensure New Zealanders can continue to enjoy their own homes, local areas and other parts of the country. We recognise that the costs of tourism, particularly for infrastructure, aren't always incurred by the same groups that benefit from it. As the Productivity Commission's Draft Report highlights, the growth in tourism and under-investment in the infrastructure required to support both visitors and host communities has put pressure on some local governments.

It is critical to get the balance right, to ensure that the costs of tourism are borne across the groups that benefit from it. Bookabach believes that Central Government is best placed to work with the tourism industry and local governments to develop efficient and effective ways to collect and allocate funding for tourism infrastructure. We believe the best policy solution will be one that is fairly and widely applied to the groups that benefit, and designed to balance community need, account for local government capability and maintain tourism growth. This will ultimately benefit regional economies and the national economy through more sustainable tourism supported by host communities.

We believe that any additional fees or levies imposed should be considered in the context of existing funding measures. The allocation and use of current funds, such as the International Visitor Conservation and Tourist Levy (IVL), should first be optimised on a needs basis before new funding mechanisms are introduced. In the case of the IVL, only half of the predicted \$80 million amount collected will go to the tourism industry with the nature of spending still under development. Separately, the Tourism Infrastructure Fund has been criticised by local authorities because funding is given on an application basis and not guaranteed. These issues would benefit from further investigation, and consideration being given to how they might be rectified. There is no single policy solution to the issue of funding tourism infrastructure. It is better to have a suite of complementary measures in place, rather than allowing a fragmented network of overlapping fees and regulations to develop in an uncoordinated way which impose different levies and obligations on tourists and tourism businesses.

In designing policy solutions, it's important to retain sight of the huge economic benefits of tourism to New Zealand. Tourism is New Zealand's largest export industry and a major

source of employment, supporting almost one in seven jobs.<sup>1</sup> International visitors who come to visit a specific location, for example Queenstown, will spend up to \$254 million per annum in the rest of the South Island. This additional spending contributes up to \$1.1 billion to the South Island's GDP and supports up to 11,600 jobs.<sup>2</sup>

Regional dispersal is an identified strategic goal of the Central Government with respect to tourism. This requires an adequate supply of accommodation in regional areas, to suit a variety of visitor price points and tastes. STRA platforms such as Bookabach support this goal by making local homes available to rent to tourists, where traditional accommodation options like hotels and motels are often limited. STRA supplements accommodation choice and availability in tourism hotspots and also acts as the catalyst for the development of tourism in new areas – utilising existing infrastructure for accommodation purposes and leading to new opportunities for local businesses that thrive on new visitors. This explains why STRA is increasingly popular among homeowners and visitors, both domestic and international, and has become a significant segment of the tourism accommodation sector. Recent Stats NZ reports estimated that over 8.8 million guest nights of accommodation were supported by STRA across the country in 2018<sup>3</sup> (representing 18 per cent of total guest nights across the whole accommodation industry in New Zealand) which generated \$556 million in revenue for hosts in 2018.<sup>4</sup>

This regional dispersal goal and the demand for a wide variety of accommodation types means that any policy solution for funding tourism infrastructure should take account of the way that different types of accommodation are provided and operate and the trends in tourism accommodation. For example, non-traditional accommodation types, such as those provided through Bookabach, are often run by families, make use of a property that might otherwise be left vacant during a busy holiday period and are often in areas where traditional accommodation is limited or not available. Assessing and allocating resources for tourism infrastructure in regional and remote areas presents a very different scenario to the process for investing in infrastructure in known tourist hotspots.

Ultimately, the Productivity Commission's Draft Report recommends enabling councils to establish accommodation levies and notes the implementation of a targeted rate in Auckland and a proposed measure in Queenstown. While we recognise the potential mismatch between available funds and tourism infrastructure needs, we believe a better outcome would be delivered through the overall alignment of additional levies or fees with other tourism revenue raising mechanisms. This would ensure coordination and fair and equitable allocation of funds according to demand, trends and benefits.

Any new fee or levy should also be easy to understand and apply, so that it doesn't act as a disincentive to tourists or create confusion or significant administrative costs for providers. Importantly for Bookabach, any accommodation levies must be set and collected with full

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<sup>1</sup> Tourism Industry Aotearoa, Quick Facts & Figures, Available at: <https://tia.org.nz/about-the-industry/quick-factsand-figures/>

<sup>2</sup> Martin Jenkins, 2018, Sustaining tourism growth in Queenstown, Available at: <https://www.qldc.govt.nz/assets/Uploads/1803-Sustaining-Tourism-Growth-in-Queenstown-Final-Report.pdf>

<sup>3</sup> Stats NZ, 10 June 2019, Accommodation and the sharing economy in New Zealand, Available at: <https://www.stats.govt.nz/experimental/accommodation-and-the-sharing-economy-in-new-zealand#experimental>

<sup>4</sup> Stats NZ, 2019

knowledge and understanding of the operating environment for homeowners using STRA (given the sub-scale nature of STRA as a standalone business, i.e. low yield, low occupancy, low return on capital). It must be easily administered so that homeowners, for whom STRA is a part-time and marginal activity, are not caught up in a cycle where it becomes too onerous or costly to participate in the sector. Unfortunately, the Accommodation Provider Target Rate (APTR) in Auckland does not meet these criteria. Bookabach does not support the APTR as it is a blunt measure which has not been implemented according to a user/beneficiary pays approach and it does not recognise the operating environment for STRA homeowners, as described above.

We would be pleased to work with the Productivity Commission to develop a more nuanced examination of the different sectors that support and benefit from tourism before its final policy recommendations are made. We accept that STRA is a commercial activity – distinct from providing permanent rental housing – and are committed to proper and appropriate regulation of the STRA industry. We are in favour of our sector paying its fair share. However, STRA does differ significantly from traditional commercial accommodation providers, and this should be recognised in policy design. Approaches like the Auckland APTR are unfair, ineffective and unsustainable and we will work to ensure that this approach does not continue to be replicated around New Zealand. The policy should be further scrutinised by the Productivity Commission.

We welcome the opportunity to assist the Productivity Commission in any other ways requested.

Kind Regards,



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