TOURISM INDUSTRY AOTEAROA

Auckland Council Targeted Rate Proposal - The Key Facts

1. This is NOT a bed tax or visitor levy

This proposal was announced as a Visitor Levy. It is not; it is a rate based on capital value to be paid by the building owner, irrespective of the number of guests accommodated in the building.
(*Reference page 10 of TIA submission*).

2. The rate CANNOT simply be passed on to the guest

The rate applies to the building owner; typically, this is not the operator of the hotel or motel using that building. There are contracts and lease arrangements in place that prevent or delay the passing on of additional costs like a new rate.

In addition, much accommodation business is contracted well in advance. For example, a group of 24 TIA member hotels have over 1 million rooms already pre-contracted out to 2020.
(*Reference page 11 of TIA submission*).

3. It is NOT a 4% or $6-10 per night surcharge on the guest's bill

The targeted rate will not appear on the guest's bill. If it is able to be passed on by the building owner to the accommodation provider, like any expense, it will have to be absorbed into the cost of running the business. The Commerce Commission has prosecuted firms for adding surcharges to cover operating costs. No matter how much the Council insists that it is a 4% charge, or $6 to $10 a night per room, this is **not true**.
(*Reference page 11 of TIA submission*).

4. Paying 100% of the cost for just 9% of the benefit

Visitors to Auckland spend $7.5 billion a year with that spend reaching into every Auckland community. The commercial accommodation sector receives only 9% of that spend but is expected to pay 100% of the targeted rate. This is not a 'fair share'.
(*Reference page 6 of TIA submission*).

5. Missing the target: only ¼ of visitors stay in commercial accommodation

Auckland Council has incorrectly presumed that the overwhelming majority of visitors to Auckland stay in commercial accommodation. In fact, only a quarter of visitor nights (26%) are spent with these providers. 20% of visitor nights are in other paid accommodation (including Airbnb and holiday houses) with a majority of 54% staying in unpaid accommodation (mostly with friends and family). If the Council wants visitors to Auckland to pay the rate, it is missing three-quarters of the target.
(*Reference page 13 of TIA submission*).

6. The sector does NOT get 99% of its revenue from non-Aucklanders

The Council has made this claim. It is wrong. 13% of all commercial accommodation guest nights in Auckland are taken by Aucklanders, and Aucklanders are also significant users of other facilities provided by commercial accommodation operators, such as bars, restaurants, cafes, day spas, meeting and function venues.
(*Reference page 9 of TIA submission*).

7. Accommodation providers are NOT creaming it

Average room rates in Auckland are only now starting to return to the level of the late 1990s after more than a decade of decline. Adjusted for inflation, the average daily room rate in 2016 was 22% lower than in 1997. The prices for a relatively small number of rooms sold at peak demand times, like an Adele concert, are no indication of overall returns for the sector.
(*Reference page 19 of TIA submission*).

8. The sector is already paying more than a fair share

The large differential between commercial and residential rates in Auckland has long been acknowledged by the Council as being unfair, and in the last few years it has been gradually reduced. This new targeted rate would escalate that differential for commercial accommodation providers from 2.7 to 1, to over 6 to 1.
(*Reference page 9 of TIA submission*).

9. The impact on individual businesses will be severe

The average rate increase will be 150%, with some property owners calculating that their increase will be as much as 300-400%. The rate will significantly lower the valuations of all commercial accommodation businesses in Auckland and force some smaller operators to close.
(*Reference page 18 of TIA submission*).

10. Aucklanders will take a hit to the value of their investments

Strata title arrangements mean that there are actually over 3000 owners across the 330 targeted properties. Many of these are mum and dad Auckland investors who are facing huge new costs that they cannot recover from the hotel operator, driving down the value of their investment.
(*Reference page 11 of TIA submission*).

11. Not all visitors to Auckland are tourists

Corporate and government visitors make up a significant percentage of the total number of guests staying in commercial accommodation in Auckland. For TIA member hotels it was 38% (for 2016) and some motels provide almost solely for this market. ATEED's activities have almost no impact on these visitors; they would be travelling to Auckland anyway.
(*Reference page 17 of TIA submission*).

12. Aucklanders are the biggest beneficiaries of ATEED's spend

Only $6.9 million of the $27.8m that would be raised by this rate is to be spent on international and domestic marketing campaigns. Over half ($14.4m) is for event support, including events primarily for the enjoyment of Aucklanders e.g. Diwali, the Lantern Festival, the Waka Festival, Pasifika, Santa Parade, Pride Parade. These events contribute to the social fabric of the city but result in very little increase in demand for commercial accommodation.
(*Reference page 16 of TIA submission*).

13. Auckland's economy will be damaged

Hotel owners and developers are reviewing their commitment to Auckland. More than $500 million in capital investment could be immediately lost from Auckland if this rate proceeds.
(*Reference page 24 of TIA submission*).