

What will the Budget bring for tourism?

By TIA Chief Executive Tim Cossar

All eyes will be focussed on tomorrow's Budget announcements, with the strong likelihood of a GST increase and personal tax cuts.

Tourism has already had great news from the Budget divvy up: an extra \$30 million for international marketing. Add the \$5 million private sector contribution to the \$5 million of that sum earmarked for joint venture initiatives, and that's a tidy addition to our war chest.

Admittedly, \$35 million won't stretch far across our major international markets. But with innovative and clever use of new media, along with traditional marketing methods, I'm confident we can continue to punch above our weight on the international stage.

More than anything else, this investment is a real vote of confidence in the industry from our Tourism Minister. In these tough economic times, when government funding for many agencies and projects is being cut, the onus will be on the whole industry to make sure we show that we are giving value for money.

At this stage, the additional funding is for one year, so we must prove that we are providing direct returns and building the economic contribution tourism makes to New Zealand, if we want to see it continue.

TIA has persistently advocated for increased Government investment in international marketing and we're delighted to see the Prime Minister continuing the commitment he showed to the industry when he decided to take on the tourism portfolio.

With \$30 million already in our collective pockets, it may be a little churlish to expect more for the industry from this Budget.

If I asked for anything more, it would be assistance for New Zealand tourism businesses to innovate and create new thinking. Fundamental to this would be fast tracking broadband capability and mobile. If we don't get this sorted and competitive with the developed world we will be left behind.

It would also be fantastic to see significant reductions in red tape, particularly for the many small enterprises that make up a large sector of our industry. TIA members regularly tell us that compliance is among their biggest headaches, so any help from the Government on this front would always be welcomed.

It would also be great to see cuts to business tax, to assist owners and shareholders in a tight ROI environment and help encourage reinvestment. But that seems unlikely at this time.

What we can almost certainly expect to hear from Finance Minister Bill English tomorrow is that GST will be increasing to 15% from 1 October.

This raises a number of issues for tourism businesses around forward bookings and contracts with suppliers.

TIA has raised the potential impacts of a GST increase on tourism operators with the Prime Minister. We requested that any increase was timed to allow operators time to adjust.

We have also been seeking advice from IRD and taxation experts. Until the size and timing of the increase is confirmed tomorrow, they have been reluctant to provide detailed analysis of the potential impacts, but we look forward to being able to share information from them with members as soon as possible.

In summary, while the Budget may not greatly assist individual tourism businesses, the collective industry will be in a position to benefit from the increased government investment in international marketing. Now it's up to us to ensure that funding is granted again next year.