5 August 2025

By email only: New Zealand Infrastructure Commission/Te Waihanga
info@tewaihanga.govt.nz

Hotel sector feedback on Draft National Infrastructure Plan

Hotel Council Aotearoa (HCA) represents 240 of New Zealand's largest hotels, together accounting for approximately 27,000 rooms. The entire hotel sector comprises 350 hotels with 33,500 guest rooms, having an estimated $13.5 billion replacement value. We write to provide feedback on the Draft National Infrastructure Plan prepared by the New Zealand Infrastructure Commission/Te Waihanga (the **Plan**).

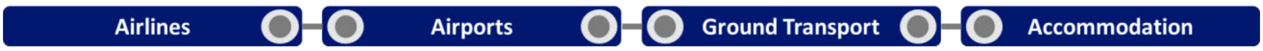
Our principal recommendations

HCA recommends:

1. Tourism should be added as the eighth separate sector in the Plan.
2. The Infrastructure Commission should meet with a roundtable of key tourism industry stakeholders as part of this feedback process on the draft Plan.
3. A specialist tourism development agency, modelled on Failte Ireland, should be established for New Zealand or, failing that, specialist tourism expertise should be incorporated within existing and proposed new infrastructure institutions (including the Infrastructure Commission itself).

Hotels are infrastructure

Hotels are critical tourism-enabling infrastructure in New Zealand, alongside airlines, airports and ground transport infrastructure (roads, rail and ferries). Tourism spending takes place in local communities and small businesses only after this infrastructure-enabled guest journey is complete.



Some might argue that hotels and other privately-owned tourism businesses are not "infrastructure". We would respectfully disagree. The Plan states at p.15 that: "[Infrastructure] can also include economic development infrastructure, like convention centres or business incubators, that is intended to jump-start new economic activity." In our submission, new hotel development clearly falls within this definition – hotel accommodation increases carrying capacity of a destination and facilitates economic activity at nearby businesses. It is settled economics that tourists spend more heavily than locals on per capita basis. For that reason, tourist spending drives CBD and town-centre vibrancy and viability, particularly in an era of increasing rates of remote work and consequently, decreasing office occupancies.

New Zealand once developed and operated hotels through the Tourist Hotel Corporation (THC). The state still owns 51% of the national airline (Air New Zealand) and many of our regional airports are council-owned. Central and local government have been instrumental in the development of new convention centres, stadia and event spaces. All of this tourism-enabling infrastructure requires significant up-front capital and takes years, sometimes decades, to plan, build and open.

It is only *after* completing their "guest journey" via capital-intensive network comprising airline, airport, ground transport and accommodation that free-spending international tourists become customers of smaller businesses in Queenstown, Tekapo, Te Anau, Rotorua or Paihia. Tourism-enabling infrastructure owners and investors need to be fully included in the Infrastructure Commission's planning for New Zealand's future.

Tourism-enabling infrastructure is critical for one of NZ's largest export sectors

New Zealand undoubtedly has extraordinary landscapes, but *unimproved* landscapes are not tourism destinations. Since tourism is a collection of adjacent, sometimes competing businesses, no one investor has the capability or willingness to build *everything*. It is only through co-ordinated infrastructure investment that coherent "tourism clusters" start to emerge. As a result, Tourism is a sector *heavily reliant* on infrastructure-related policy settings and investment attraction levers.

The market does not spontaneously deliver coherent tourist experiences. This has repeatedly been demonstrated in the way that tourist destinations have developed around the world and here in Aotearoa. New Zealand's early-stage direct government investment in hotels, convention centres, airlines, airports and tourist attractions is absolutely typical of how things typically progress internationally, as well. Governments initially invest directly, then step back as scale starts to build.

New Zealand has rightly privatised much of the tourism infrastructure previously owned by the state or local councils. For example: THC was privatised in 1990; Air New Zealand was privatised, nationalised again, then partially sold-down; Auckland Council has recently liquidated its long-held investment in Auckland International Airport.

However, after reducing "hands-on" investment in tourism-enabling infrastructure, central and local government have failed to keep up with international best-practice around investment attraction. This is contributing to significant tourism-related infrastructure pressure.

Major tourism infrastructure challenges are looming

Hotels are an excellent way to illustrate the problem of looming tourism infrastructure challenges.

Minister of Tourism Louise Upston has announced a goal of doubling the 2023 value of tourism exports by 2034. In order to accommodate extra visitors, we will need more accommodation. High value international travellers tend to stay in hotels.

The Plan repeatedly calls for forward guidance on New Zealand's infrastructure needs. Annex 1 sets out projected rooms supply growth to double tourism exports by 2034. The two tables calculate incremental hotel rooms supply, assuming:

- 3.5% (Table 1) or 5% (Table 2) compound annual growth rate in hotel rooms supply;
- a conservative "all in" development cost of $500,000 per guest room (inclusive of land, public spaces and amenities);

- debt financing of 50% (typical for new-build hotel developments).

New Zealand would need to attract a cumulative $3.85 to $5.95 Billion in additional hotel development equity over the next decade in order to deliver between 46-71% growth in hotel rooms supply (or 15,000 to 24,000 new hotel rooms across the period). Since New Zealand's average hotel key count is 100 rooms per property, the task is to attract private investors to deliver between 150-240 typical 100-room hotels.

Again, this is the hotel accommodation component only. There would also need to be comparable levels of growth in aviation routes and facilities, cruise facilities, rental vehicles, public transport, EV-charging infrastructure, attractions & amenities, F&B, etc.

Of course, the problem is even more complex than that. Hotel projected returns are not consistent across the country. The highest-earning accommodation market – Queenstown – is also New Zealand's most crowded tourist destination with a relatively small ratepayer population to fund base infrastructure including pipes and roads. Whereas central and local government policymakers might *want* to encourage tourists to visit less-popular destinations, it is harder to make new projects stack up in untested or low-rated markets. Investing in a new Queenstown hotel is much less risky than building the exact same physical asset somewhere else.

Sectorial view is missing from the Plan

There is much to praise in the Plan insofar as it relates to *general* settings and policy changes to help support New Zealand's infrastructure needs.

However, the Plan falls short. In particular, the Plan fails to acknowledge the infrastructure shortfalls in tourism-enabling infrastructure that require specialist knowledge to unpick. In our submission, Tourism should be added as the eighth sector in the Plan. In addition, there is merit in a tourism-specific dashboard or investment outlook, similar to those provided for transport, water, and energy.

Hotels and other tourism-enabling infrastructure, as engines of economic development, should be considered within the scope of Recommendation 6 (Funding Pathways), which advocates for commercial self-funding models. Recommendation 6 calls for matching funding tools to asset types, including commercial self-funding for economic development infrastructure. Hotels clearly fall within this category.

For example, it is absolutely common practice in the world's most sophisticated tourism destinations for central and local governments to offer targeted inducements around tourism-enabling infrastructure – these targeted inducements are much cheaper in the long run than full public ownership of the same assets. HCA is happy to provide further information about typical investment attraction policies and levers that are commonly deployed overseas. It would not be difficult for New Zealand to replicate overseas best practice.

New Zealand has yet to fully embrace the sort of symbiotic relationship that *should* exist between government (at both central and local level) and private investors in tourism-enabling infrastructure. Unless we better understand international best practice, New Zealand will simply bounce between periods of tourism infrastructure "boom and bust", as we have done since 1987.

New Zealand has an excellent national tourism marketing agency in Tourism New Zealand, but TNZ does not claim to have tourism development expertise. There is also no specialist Ministry of Tourism.

In order to ensure tourism infrastructure challenges are addressed appropriately, Ireland established Failte Ireland – the National Tourism Development Authority. Failte Ireland is tasked with solving the exact same problem that arises in the New Zealand context – attracting tourism investment *when and where needed* to help create and grow coherent, sustainable and attractive tourist destinations.

The draft Plan acknowledges (p.128) that "We focus on seven relatively broad sectors... Further work is needed to add information on other sectors that are not yet captured here, such as the Ports and Airports sectors and other types of social infrastructure, such as parks and open spaces."

Tourism employs 240,900 New Zealanders (146,800 direct and 94,100 indirect) according to the latest published Tourism Satellite Account. This is comparable with other sectors prioritised in the Plan such as health and education. Tourism should not be an afterthought when so many New Zealanders are reliant on it, nor should it be broken up into sub-sectors such as Airports or Ports on their own.

There needs to be acknowledgement of a planning and policy expertise void when it comes to tourism-enabling infrastructure. New Zealand must urgently tackle this knowledge shortfall, either through our own version of "Failte Ireland" or through tourism-specific expertise permanently embedded within existing institutions, including the Infrastructure Commission itself.

In HCA's submission, the final Plan should not perpetuate New Zealand's tourism-related infrastructure problems by simply ignoring them and/or pretending they are simply a subset of wider issues.

Call to action and offer of further engagement

We agree that "some infrastructure challenges require specialist knowledge to unpick" (p.6). HCA is one of the topic experts when it comes to tourism infrastructure.

HCA recommends that, prior to finalisation of the Plan, the Infrastructure Commission should, at the very least, engage in a roundtable discussion with key Tourism industry stakeholders to better understand Tourism's unique infrastructure-related challenges. This roundtable might include representatives from the accommodation sector, airlines, ports and airports at a minimum. HCA would be happy to make introductions and help facilitate such a meeting.

It is especially important that the Infrastructure Commission engages with Tourism stakeholders because, in recent years, it has become convenient and expedient for civic leaders to blame infrastructure shortfalls on international tourists. Non-voting foreign tourists are seen as easy targets for new "user pays" mechanisms to fund infrastructure investment, but there is little in the way of careful analysis of whether tourists are already adequately and fairly taxed in New Zealand when compared with our competitor tourist destinations.

With each new user pays charge imposed on international tourists, the economics of investing in new tourism-enabling infrastructure such as hotels becomes even more challenging. It is a complicated and nuanced problem, but one that New Zealand must eventually tackle.

https://www.failteireland.ie/

Thank you for your work to advance New Zealand’s planning around infrastructure. We very much support and welcome the Plan. HCA stands ready to assist in any way we can. If you have any questions, do not hesitate to contact me.

Yours sincerely
Hotel Council Aotearoa

[redacted]

[redacted]

Annex 1 – Hotel Room Supply Growth Projection to "Double Tourism Export Earnings" by 2034

Table 1: 3.5% CAGR

Year	Total Rooms	Incremental Rooms	Development Cost (NZD)	Equity (NZD)
2023	33,500	0	0	0.0
2024	34,672	1,172	586,000,000	293,000,000
2025	35,885	1,213	606,500,000	303,250,000
2026	37,140	1,255	627,500,000	313,750,000
2027	38,439	1,299	649,500,000	324,750,000
2028	39,784	1,345	672,500,000	336,250,000
2029	41,176	1,392	696,000,000	348,000,000
2030	42,617	1,441	720,500,000	360,250,000
2031	44,108	1,491	745,500,000	372,750,000
2032	45,651	1,543	771,500,000	385,750,000
2033	47,248	1,597	798,500,000	399,250,000
2034	48,901	1,653	826,500,000	413,250,000
Total		**15,401**	**7,700,500,000**	**3,850,250,000**

Table 2: 5% CAGR

Year	Total Rooms	Incremental Rooms	Development Cost (NZD)	Equity (NZD)
2023	33,500	0	0	0.0
2024	35,175	1,675	837,500,000	418,750,000
2025	36,933	1,758	879,000,000	439,500,000
2026	38,779	1,846	923,000,000	461,500,000
2027	40,717	1,938	969,000,000	484,500,000
2028	42,752	2,035	1,017,500,000	508,750,000
2029	44,889	2,137	1,068,500,000	534,250,000
2030	47,133	2,244	1,122,000,000	561,000,000
2031	49,489	2,356	1,178,000,000	589,000,000
2032	51,963	2,474	1,237,000,000	618,500,000
2033	54,561	2,598	1,299,000,000	649,500,000
2034	57,289	2,728	1,364,000,000	682,000,000
Total		**23,789**	**11,894,500,000**	**5,947,250,000**