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From $65 to $200 to $100: Price Elasticity and Length of Stay in Bhutan’s Sustainable Development Fee Experiment

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Abstract. Most destinations only ever raise visitor charges. By tripling its nightly fee in September 2022 and cutting it in half eleven months later, Bhutan generated a rare two-directional test of border-levy elasticity. Empirical highlights: $200 → $100 (Nightly Sustainable Development Fee set in Sept. 2022, halved from Sept. 1, 2023 through Aug. 2027); NZ$100 (New Zealand’s one-time International Visitor Levy from Oct. 1, 2024 (up from NZ$35)); $200 (Galápagos Islands one-time adult foreign park tribute from Aug. 1, 2024 (up from $100)).

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$200 → $100 Nightly Sustainable Development Fee set in Sept. 2022, halved from Sept. 1, 2023 through Aug. 2027	**NZ$100** New Zealand’s one-time International Visitor Levy from Oct. 1, 2024 (up from NZ$35)	**$200** Galápagos Islands one-time adult foreign park tribute from Aug. 1, 2024 (up from $100)

1. Why per-night border charges behave nothing like one-time entry fees

Tourism ministries frequently cite Bhutan, Palau ($100), Galápagos ($200), New Zealand (NZ$100), and Bali (IDR 150,000) in the same breath as proof that sovereign destinations can charge foreign visitors at the border. Table 1 shows why grouping them obscures the crucial design variable: whether the levy scales with nights spent in the country.

A one-time border levy such as New Zealand’s NZ$100 (~$60 USD) International Visitor Conservation and Tourism Levy represents less than 2 percent of a long-haul vacation from North America or Europe, and its daily cost falls the longer a traveler stays.[1] Bhutan’s Sustainable Development Fee (SDF), by contrast, accrues every night. When Bhutan reopened after COVID-19 in September 2022, it decoupled the SDF from its legacy $250/day all-inclusive package—under which $65 was the sovereign royalty and $185 covered hotel, guide, meals, and transport—and set the standalone tax at $200 per person per night on top of commercial hotel and guide bills.[2]

Table 1. Per-stay vs. per-night border levies: fee share of a representative 8-night international trip

Jurisdiction	Statutory fee structure	Fee for 1 adult (8 nights)	Est. 8-night air + land trip cost	Statutory fee as % of trip cost
Bhutan (Sept. 2022–Aug. 2023)	$200 per person per night	$1,600	~$4,800	33.3%
Bhutan (Sept. 2023–Aug. 2027)	$100 per person per night	$800	~$4,000	20.0%
Galápagos Islands (from Aug. 2024)	$200 one-time entry + $20 card	$220	~$4,600	4.8%
New Zealand (from Oct. 2024)	NZ$100 (~$60 USD) one-time entry	~$60	~$3,900	1.5%
Bali, Indonesia (from Feb. 2024)	IDR 150,000 (~$9.50 USD) per entry	~$9.50	~$1,850	0.5%

2. What happened at $200 a night—and why Thimphu cut the rate in 2023

At $200 per person per night, an eight-night trek for two adults carried $3,200 in pure sovereign tax before booking flights into Paro or paying a single hotel invoice. While ultra-luxury lodge occupancy in Paro and Punakha recovered quickly in late 2022 and spring 2023, three- and four-star Bhutanese hotels, trekking outfitters, and handicraft vendors in central and eastern valleys saw sluggish bookings and compressed stay durations: travelers who previously booked 9-to-12-night cultural circuits shortened itineraries to 4 or 5 nights in western Bhutan to cap tax exposure.

In June 2023 the government briefly tested stay-length incentives ('4+4' and '7+7' night SDF waivers) before opting for a cleaner price cut: effective September 1, 2023 through August 31, 2027, Bhutan halved the SDF to $100 per adult per night ($50 for ages 6–12; INR 1,200 per night for Indian nationals).[2] Arrivals rose substantially across the 2024 and 2025 autumn festival seasons, lifting occupancy among domestic mid-market hotels while maintaining higher treasury receipts per visitor than the pre-2020 $65 royalty.

3. Design lessons for conservation levies

Bhutan’s policy reversal highlights a margin that destination models routinely overlook. Flat per-night border fees penalize length of stay, concentrating visitors into gateway valleys near the airport and hurting outer-province guesthouses that depend on multi-week circuits. Where a government wants to cap peak congestion while encouraging geographic dispersion—as in New Zealand, Iceland, or Peru—either a one-time entry fee, a capped-night lodging levy (like Edinburgh’s five-night cap or Lisbon’s seven-night cap), or a step-down rate after night five avoids taxing slow travel.

References

[1] Ministry of Business, Innovation and Employment (New Zealand), International Visitor Conservation and Tourism Levy Review 2024 (raising the IVL from NZ$35 to NZ$100 effective October 1, 2024); Governing Council of Galápagos, Resolution 003-CGREG-2024 (raising foreign adult entry from $100 to $200 effective August 1, 2024).

[2] Tourism Levy Act of Bhutan 2022; Department of Tourism, Royal Government of Bhutan, Notification on 50% SDF Incentive ($100 per night from September 1, 2023 to August 31, 2027); Reuters, “Bhutan cuts daily tourist fee by half to lure more visitors,” August 26, 2023.

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