



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

**Submission to the
Buller District Council
on the
Long Term Council Community Plan**

18 May 2009

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA), located in Wellington. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, TIA Policy Manager on 04 494 1842 or 0272 489 375 or e-mail him at simon.wallace@tianza.org.nz
2. The paper comments on the Buller District Council's (BDC) Long Term Council Community Plan 2009-2019. TIA has been approached to provide a supporting submission on behalf of one of its members, @home NEW ZEALAND. @home NEW ZEALAND is a national association for bed and breakfast establishments and has a number of members in the Buller district.
3. The submission begins with some background on the value of tourism to New Zealand as a whole, the role of TIA, a brief description of the relationship between local government and the tourism industry, and then specific comment on the targeted tourism rating proposals for the Buller district.
4. TIA would like to be given the opportunity of appearing at an oral hearing if and when these take place.

Background on the Tourism Industry

A bedrock of New Zealand's economy

5. Tourism is a major contributor to the New Zealand economy that will always be here – and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. Thanks to our 100% pure positioning, New Zealand is recognised as one of the most beautiful, unspoiled and scenic places on earth. 100% Pure signifies pride in our country, pride in our people and culture, and pride in the unique environment and experiences that New Zealand offers.
6. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
7. If New Zealand Inc. is to continue to prosper, to attract investment and to raise its position in OECD rankings, then it is vital the tourism industry, and the positive image it projects, remain strong.

Delivering Value

8. Below is a snapshot of the economic value provided by tourism to the New Zealand economy:

- Tourism contributes close to 10% of gross domestic product (GDP) as well as directly and indirectly employing nearly one in ten New Zealanders.
- Tourism in New Zealand is a \$50 million per day industry. The New Zealand tourism industry delivers \$24 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$26 million in economic activity every day.
- Tourism expenditure reached \$20.1 billion for the year ended March 2007. This represents 18.3% of New Zealand's foreign exchange earnings.
- Importantly, and despite more challenging times in the past 12 months, tourism remains one of New Zealand's largest foreign exchange earners and its contribution is felt at national, regional and local levels.
- Tourism brings with it significant economic development, jobs and investment in local communities.

About TIA

9. TIA has been the lead association that represents the interests of about 1700 tourism businesses in New Zealand. The Association was first established in 1955 and the businesses TIA represent cover a range of tourism-related activities – hospitality, transport, accommodation, adventure and activities, attractions and retail as well as related tourism services.
10. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events and membership and business services. The TIA team is based in Wellington and led by Chief Executive, Tim Cossar.

Local government and tourism

11. Local authorities play a critical role in the tourism industry. They do this through:
 - their investment in core utilities and infrastructure.
 - their management of the country's natural resources.
 - providing the basic public amenities which communities and visitors alike utilise, namely water, sewerage, toilets, roads, lighting and in some areas, public transport.
 - some authorities also operate attractions such as museums, art galleries, gardens, events and sports stadia, although increasingly commercial interests are now involved in public/private sector partnerships or sponsorship arrangements with councils in the funding of such activities.

12. Local authorities also contribute varying amounts of funding to specific tourism-related activities, for example, to fund Regional Tourism Organisations (RTO) and i-SITES. The RTOs are the destination marketers who promote their areas and some are also involved in destination management and development working very closely with their local authorities. For the most part, RTOs are funded by their councils, while a number are supported through a mix of public and private investment. RTOs also produce a range of marketing collateral sometimes in conjunction with tourism operators, to enhance the regional marketing effort.
13. There are over 85 i-SITE and private visitor information centres located throughout the country. The i-SITES are New Zealand's official network of visitor centres dedicated to providing free and objective information on tourism experiences and product. In some instances, they are self-funded, especially those located in the major cities and visitor areas, but they mostly depend on local government investment to remain operationally viable.
14. Major events are now also receiving local government funding as some Councils recognise the economic benefits that events bring to a region. Examples include Warbirds over Wanaka, the Wellington International Sevens, the Whitianga Scallop Festival and New Plymouth's World of Music and Dance (WOMAD) Festival.
15. In short, local government exerts considerable influence on the tourism industry by virtue of its funding powers and investment, its support of RTOs and events, and its role in district planning, resource management and infrastructure development.

Comment

16. The comments we make relate primarily to a targeted rate for district marketing being proposed by the Buller District Council. While TIA has been approached by bed and breakfast operators that belong to @home New Zealand for their support, we make some more general comments about the targeted rate proposal.
17. TIA wishes to congratulate the BDC on the progress it has made so far in implementing the Buller District Visitor Strategy 2006 to 2011, along with its support for tourism. When developed in 2006, the Buller District Visitor Strategy was a sound and well researched strategy that mapped out the future for tourism in the area. At a time when businesses are facing tough economic conditions it is particularly important that promotion and marketing activities continue.

Targeted Rate for Buller

18. Our Association supports the use of targeted rates as currently available under Schedule Three of the Local Government Act 2002. The principles of targeted rates are sound provided there is good consultation with the local community and businesses are involved in the development of an appropriate model. Rates of this nature have worked well in a number of other places in New Zealand where the businesses concerned are involved in the decision-making process on how revenue

raised for destination marketing and promotion is spent. Tauranga, Taupo and Hurunui are good examples of this.

19. TIA attaches the following criteria to the use of targeted rates.

- They should only be used where a clearly identified community is provided with an obviously different or superior level of service to that experienced by other ratepayers.
- They tend to work better when they are introduced with the agreement of the relevant business group for a specific activity.
- They are used on the strict proviso that in instances when only tourism businesses are rated, then the revenue collected is “ring-fenced” and re-invested only into the tourism destination marketing of the region.
- Or, in instances when a wider range of businesses within the commercial sector are rated (i.e. supermarkets and petrol stations), these business are also included in the governance and consultation process, and that the revenue collected then be available for investment in wider economic development as well as destination marketing for the region.¹

20. Key concerns TIA has with the proposal in Buller is that there does not appear to be:

- a governance body set up for administering the \$270,000 fund that will be created from the targeted rate; and
- a formal process to include tourism operators (or other rated businesses) in the decision-making around how and where this money is spent. This will be critical in gaining support from the tourism community.
- It is our understanding that the targeted rating model will be funded by a charge on the capital value of properties where tourism activities occur. The difficulty with this model is that not every tourism business operates from capital value premises. Even those that do, like bed and breakfast establishments, utilise only part of the building for tourism related activities.

21. We would encourage the BDC to explore the idea of a tiered rating model to more accurately reflect the size and revenue of businesses. There are a number of examples of this around the country and one that has work reasonably successfully in recent times is the tiered model in the Mt Cook-Mackenzie district. The

¹ In some instances a wider rating model may be applicable. Tourism benefits the entire region, not just tourism businesses. Visitors spend their money in a diverse range of businesses from eating at the local cafe, to filling up on petrol, to shopping at the local supermarket for example. In other words, all types of businesses benefit from visitors and for this reason TIA believes the targeted rate could also apply across all commercial activity, should a council prefer such a wider rating model.

neighbouring Tasman District Council is also currently considering a tiered model that BDC might wish to investigate.

22. TIA acknowledges from the commentary made in the LTCCP that the Buller Visitor Strategy is not intended to be an alternative to providing funding to the regional tourism organisation, Tourism West Coast. However, TIA is concerned that duplication could occur, with money and resource going to two organisations with similar aims. It would be helpful if there were some very clear lines of responsibility and accountability to avoid duplication of activities by the BDC and Tourism West Coast.
23. If there was collaboration between the three local authorities on the West Coast and agreement on a targeting rating model across the three districts, a better financed and greatly more effective regional tourism organisation could be created. If this occurred, Tourism West Coast would be in a stronger position to promote the West Coast in international and domestic markets.

Bed and Breakfast

24. As expressed to us by our members in the bed and breakfast sector, we are concerned about how the proposed targeted rate will impact on smaller and more seasonal accommodation providers. The bed and breakfast sector plays a valuable role in the tourism industry by providing an alternative form of accommodation to a motel or hotel. B&Bs provide a unique Kiwi experience for many overseas visitors who relish the opportunity to meet New Zealanders in their own homes. In this way, the sector does much to enhance the reputation of our country through the personal contact with hosts. B&Bs are also growing in popularity with New Zealanders as they seek new and different holiday experiences.
25. As noted in paragraph 21, the targeted model based on capital valuation unfairly impacts on bed and breakfast establishments. The B&B sector is not opposed to paying commercial rates but TIA thinks the amount paid by a business of this size creates problems of fairness and equity when compared with other tourism operators who might lease buildings, have limited buildings or no buildings at all, or even operate from uninhabited land.
26. A number of residential businesses will also be missed by this targeted rate. Examples include consultants, sales people, child minders, web designers, hairdressers, beauticians, osteopaths and others, many of whom fall below the radar of a local authority's targeting process.
27. A final point the Association wishes to make relates to the current economic situation and the challenging trading environment that exists for tourism businesses. Imposition of additional local authority charges will simply add to the pressures and stresses tourism businesses are already experiencing. For some, like those in the bed and breakfast sector, the extra rates bill could be the difference between staying in business or not.

So what is TIA saying?

28. In sum, the position of TIA is as follows:

- We support the proposal for a targeted rate as this will allow the BDC to continue its implementation of the Visitor Strategy and invest further in district tourism and promotion.
- That BDC give thought to how the Buller Visitor Strategy can be better coordinated with the promotional activities of Tourism West Coast.
- That BDC consider a governance model that includes tourism businesses in the decision-making on how and where promotional money is spent.
- That BDC investigate a tiered rating model instead of the current capital value model to more accurately reflect the size and revenue of businesses being targeted.
- That BDC also consider how it will rate other commercial businesses that benefit from visitor spend and consider how it could rate other residential businesses that slip below the radar of the Council's capital value targeted rating process.

29. TIA thanks the BDC for the invitation to comment on the Long term Council Community Plan, 2009-2019.

Simon Wallace
Tourism Industry Association New Zealand
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