



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

**Submission to the
Auckland Governance Legislation Select Committee
on the
Local Government (Auckland Law Reform) Bill**

12 February 2010

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA), located in Wellington. If you wish to contact the Association regarding this submission, 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. TIA would like the opportunity of appearing before the Select Committee when oral submissions are heard.
2. The main emphasis of this paper is on the structure of Council-Controlled Organisations (CCOs) that will exist under the new and expanded Auckland Council, and in particular the role, function and funding of Tourism Auckland. The governance structure is referred to in *Part 8, Miscellaneous (p.54)* of the Local Government (Auckland Law Reform) Bill, titled "*Substantive council-controlled organisations*".
3. By way of introduction, this submission provides some background for the Auckland Governance Select Committee about TIA and the tourism industry more generally.

Background on the Tourism Industry

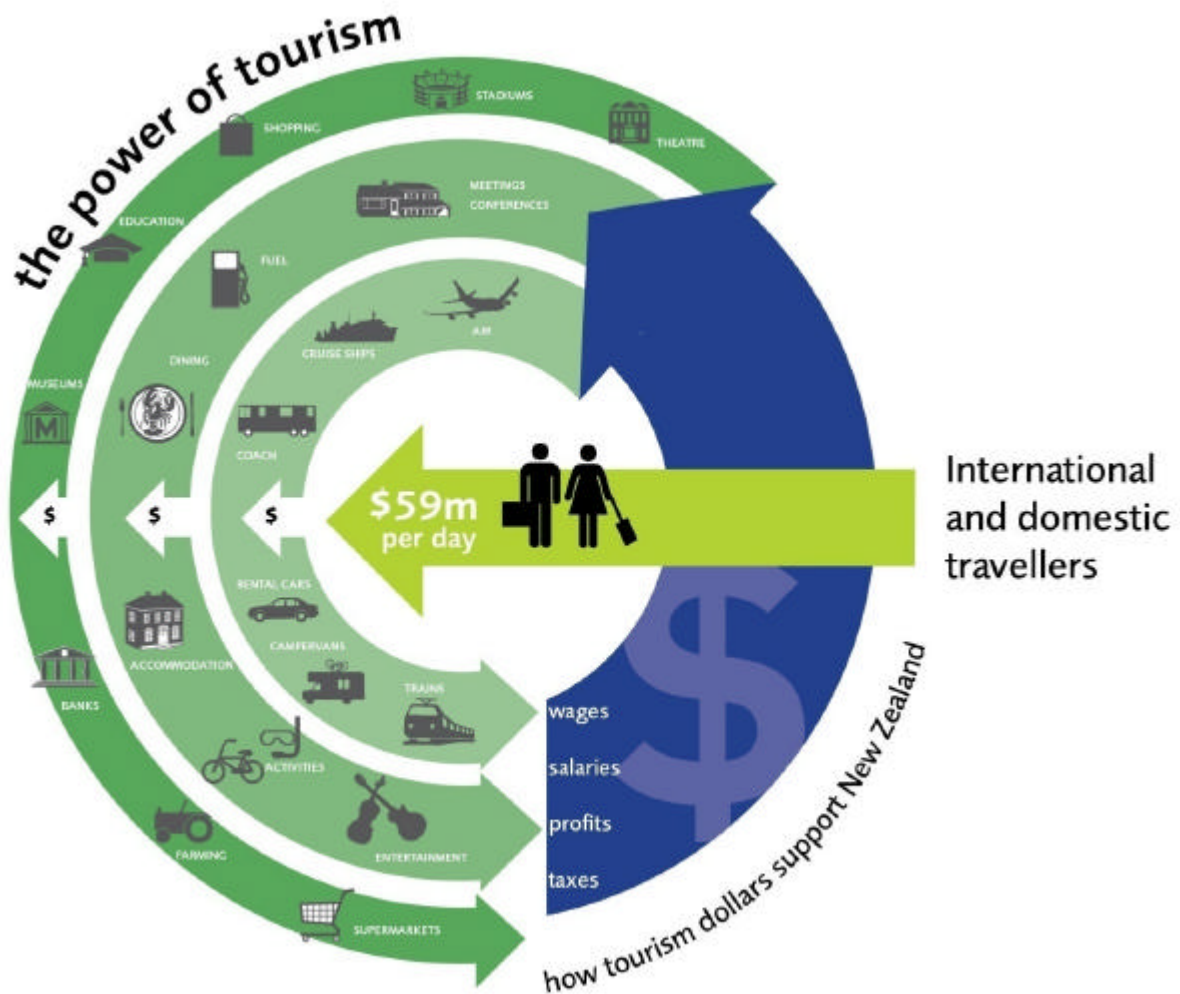
A bed-rock of New Zealand's economy

4. 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.
5. 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.
6. 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

7. Below is a snapshot of the economic value provided by tourism to the New Zealand economy.
 - Tourism contributes more than 9% of gross domestic product (GDP) for New Zealand.

- Tourism directly and indirectly employs nearly one in ten New Zealanders (184,800 total) in full-time equivalent (FTE) jobs.
- Tourism in New Zealand is a \$59 million per day industry. The New Zealand tourism industry delivers \$25 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$34 million in economic activity every day.
- Tourism expenditure reached \$21.7 billion for the year ended March 2009. International visitor expenditure accounted for \$9.3 billion or 16.4% of New Zealand's foreign exchange earnings, with tourism second only to agriculture as the country's largest export industry.
- The tourism industry's contribution is felt at national, regional and local levels.



About Us

8. TIA has been the lead association that represents the interests of about 1700 tourism businesses in NZ. The Association was established in 1955. 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.
9. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business services. The TIA team is based in Wellington and is led by Chief Executive, Tim Cossar.

Tourism Forecasts 2009-2015

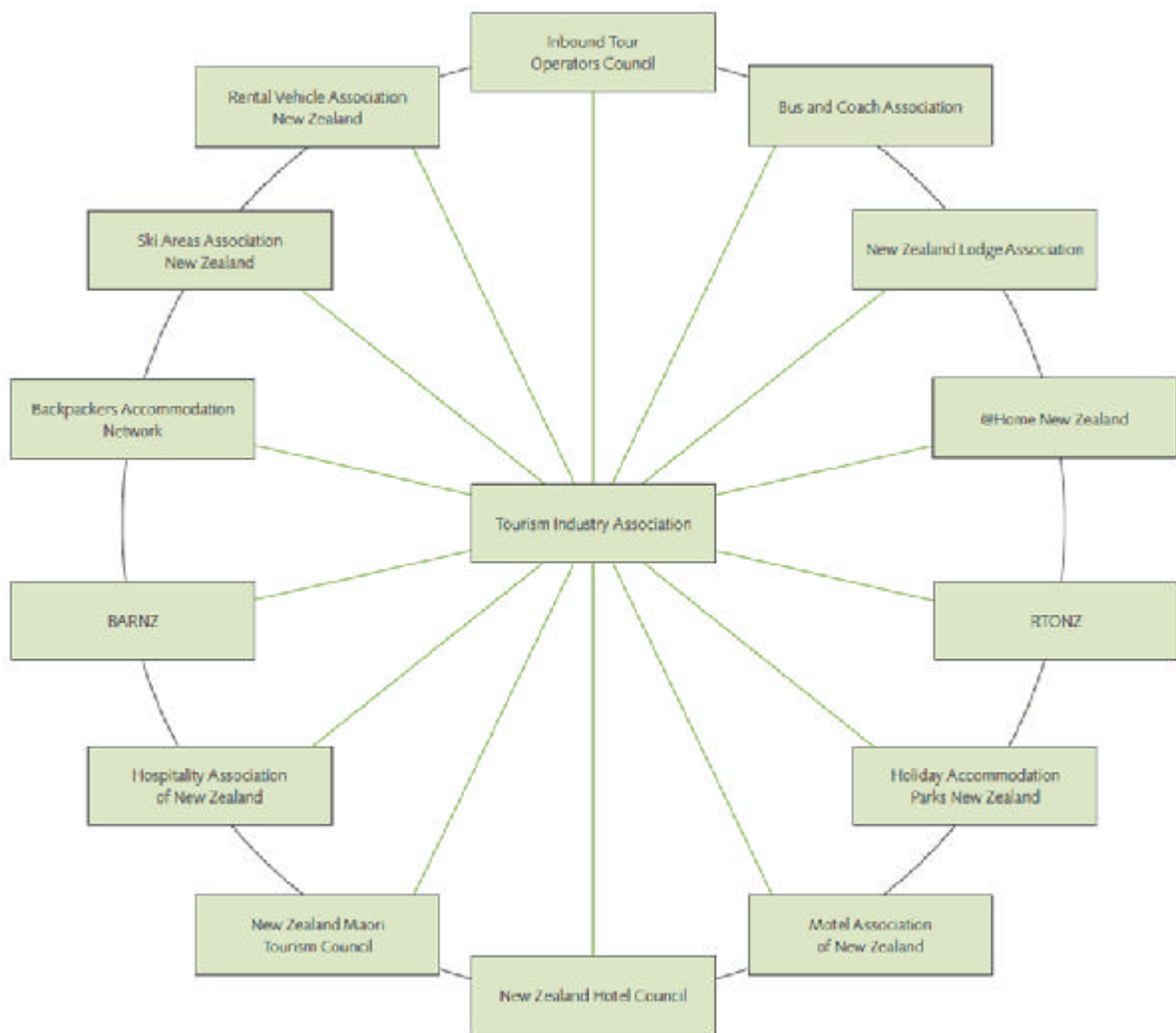
International visitors

10. The tourism forecasts (international visitors) for the period from now until 2015 have been largely influenced by the global economic recession. The outlook for New Zealand to 2015 includes:
 - A fall in visitor arrivals of 4.2% in 2009 (although numbers to November 2009 indicate the fall will be less than this) and a slight recovery in 2010 with growth of 2.5%.
 - A strong rebound in 2011 with visitor arrivals up 6.5% driven by global economic recovery and the Rugby World Cup in the latter part of 2011.
 - A gradual return to growth out to 2015 with annual growth averaging 3.5%.

Domestic visitors

11. The recession continues to influence the travel patterns of domestic visitors as well. With less New Zealanders travelling overseas, there has been a temporary increase in domestic travel activity in 2009-10 and this has been positive for the tourism industry in the short-term.

Main Industry Associations in the Tourism Industry



Comment

12. Auckland is the country's main international visitor gateway, a major tourism destination in its own right and critically important to New Zealand's overall economic health and well-being. The tourism industry has a shared interest in what happens in Auckland given this is where more than 70% of the country's international visitors (approximately 1.7 million people) arrive or depart.

Value of tourism to Auckland

13. The following is a snapshot of the economic value that visitors bring or will bring to Auckland in the future:
- In 2008 there were 12.5 million visitors (10 million domestic and 2.5 million international);
 - By 2015, visitors to Auckland are expected to increase from 12.5 million to 13.6 million, an increase of 9.3% or 1.1 million people;
 - By 2015, international visits are expected to increase from 2.5 million to 2.95 million and domestic visits from 10 million to 10.71 million.
 - In 2008 the total visitor spend in Auckland was \$4.1 billion (\$1.3 billion domestic and \$2.8 billion international). This figure represents nearly one quarter of total tourism expenditure in New Zealand.

Challenging time ahead for new Council

14. The task for the newly formed Council of an expanded Auckland will be daunting. It will merge the functions of seven city councils and one regional council into a single enterprise charged with transforming Auckland into a metropolitan centre capable of competing with its Australian and Asian counterparts. A newly elected Council will also need to move quickly to tackle the city's transport woes with innovative solutions needed to reduce congestion and improve public transport options.
15. The formation of an Auckland Super City may also see a number of major tourism related infrastructure projects come to fruition. These projects include a national convention centre, a light rail service between the airport and downtown, and upgraded port facilities to cater for cruise ship passengers who are currently the tourism industry's fastest growing niche market.
16. The job of transforming Auckland assumes even more urgency with New Zealand hosting the Rugby World Cup just 18 months from now. A report out last week (published in The Dominion Post, 2 Feb 2010) from the Auckland Regional Transport Authority (ARTA) has warned of complacency. The report says Auckland is not ready for the surge of visitors who will begin arriving in September 2011. This is concerning not only for the tourism industry, but also for related sectors that stand to benefit from an influx of visitors.
17. The issues raised in the ARTA report will need to be addressed quickly, so Auckland is ready for the economic growth and opportunities that the Super City will create. Opportunities will emerge to attract events, visitors,

investment, talent and migrants to the city, but in order to capitalise on these opportunities, a governance structure that allows an autonomous visitor agency to get on and do its job free from bureaucratic processes will be critical in growing tourism for the region.

Governance arrangements

18. Tourism Auckland is the peak regional tourism organisation (RTO) for the area. It currently receives funding from just three Councils, the Auckland City Council, the Manukau City Council and the Auckland Regional Council. The merger of the region's eight councils into a one unitary authority provides an opportunity for Tourism Auckland to be the guardian of a single Auckland brand with a more effective regional tourism strategy and a solid funding base.
19. While Auckland tourism businesses and Tourism Auckland will be pleased the cost, duplication and complication of dealing with numerous councils and regulations will be a thing of the past, the real challenge will be to make sure tourism in the region is not overshadowed or consumed by wider economic development priorities. This is the risk posed by the proposed new structure outlined in the Bill (and noted in paragraph 1 of this paper).
20. In support of the structure, a Cabinet paper prepared by the Minister of Local Government last year has indicated that Tourism Auckland will make up a component part of the Economic Development, Tourism and Events Agency Council Controlled Organisation (CCO). The CCO is planned to include:
 - Tourism Auckland;
 - Auckland Plus;
 - the Waitakere Enterprise Trust;
 - the Enterprise Franklin Development Trust;
 - the Enterprise North Shore Trust;
 - Enterprising Manukau; and
 - Visitor Centres.
21. As Tourism Auckland noted in its December 2009 submission to the Auckland Transition Agency (ATA), the tourism industry shares the concerns that the RTO has about its location inside the Economic Development, Tourism and Events Agency CCO. The specific concerns centre on Tourism Auckland as a standalone agency with a secure line of funding and a need to be continually engaged with industry stakeholders.

Tourism Auckland as a standalone agency

22. To assist the development of a unified regional economic strategy for Auckland, the grouping together of the region's economic development units makes sense, however, in terms of developing a single and recognisable tourism brand for Auckland, the tourism industry believes a standalone regional tourism organisation (RTO) is the preferred option. Evidence from the tourism industry has shown that when an RTO is merged with or under the control of an economic development agency (EDA), it is generally less

effective than a standalone entity. Current examples of EDAs that control the RTO function include Venture Taranaki, Venture Hawkes Bay and Venture Southland.

23. The aims and objectives of an EDA are regarded as more long term in nature compared to tourism promotional strategies which as a rule, tend to have a short term focus (the 100% pure is a long term marketing strategy but it is supported by a range of ongoing but short-term initiatives). RTOs find themselves having to respond and adapt to volatile market conditions which can mean curtailing a campaign in one market and starting one in another at relative speed.
24. By nature, the visitor industry is also heavily skewed to a consumer market, in other words “people” in much the same way as the retail sector is. This contrasts to economic development which is not involved directly with consumers. Furthermore, the location of a tourism unit or visitor agency within a larger economic development unit is possibly better suited in a region where tourism is not a major economic driver. This is not the case in Auckland.
25. It has also become apparent in recent times that resource outside of Tourism Auckland is being used by alternative organisations to promote the city and region. While such campaigns have had varying levels of success, they risk compromising a single Auckland brand. A standalone RTO for Auckland is likely to be much better positioned for the role of visitor agency, main street marketing and events.
26. Leadership and personnel can also be influential in determining an EDA’s level of engagement and commitment to tourism activity. Experience has shown that EDAs led or represented at a senior level by people with tourism knowledge or background have a much clearer tourism focus. So, the proposal to locate Tourism Auckland within a larger EDA risks tourism objectives being marginalised.
27. TIA believes Tourism Auckland should continue to operate as a standalone unit and single RTO for the region. Tourism Auckland is already well positioned and resourced to grow and develop Auckland’s brand. Blending it within a larger CCO (or economic development unit) could hinder the city’s single brand objectives.

A sound investment model

28. Compared to the number of visitors, location of tourism assets and infrastructure and other New Zealand RTOs, Tourism Auckland is an organisation that has been underfunded. The inadequacy of Tourism Auckland’s funding base has also put the RTO at a distinct disadvantage compared to similar entities in Australia and given the competitive nature of cities like Sydney, Melbourne and Brisbane, Auckland’s funding base has seen it struggle to compete.

29. Tourism Auckland's funding lines could be vulnerable if it becomes a constituent part of the proposed CCO. Wider economic development priorities could direct funding away from the RTO into other areas and compromise tourism objectives. Equally, private investors and partners, who currently contribute \$1.4 million to Tourism Auckland's budget may review or even cease their contributions seeing the new and larger CCO as a secure funder for the RTO.
30. The position of TIA is one that is not opposed to a targeted tourism rate, provided the revenue collected is "ring-fenced" and re-invested into tourism promotion and management. While a targeted tourism rate would on its own not raise enough revenue to fund Tourism Auckland activities, the model is a means by which industry is seen to be contributing and paying its way while also having a say in how and where money is spent. Similar models exist around the country with varying levels of success.

Events, conferences and conventions

31. Events, conferences and conventions are an integral part of the tourism sector. A close working relationship is needed between event and conference organisers and an RTO in order to gain as much leverage as possible from this activity. It would make sense, therefore, for events, conference and convention units to sit alongside and within the operation of the RTO. This will be particularly important in the lead up to the Rugby World Cup in late 2011.

Conclusion

32. TIA believes that governance arrangements for the Auckland Super City will be critical for the future of tourism to the region. TIA supports Tourism Auckland as a standalone agency, separate and distinct from the current proposal which has it as an entity inside a proposed Economic Development, Tourism and Events CCO.
33. Tourism Auckland is already skilled in destination marketing and management activity and it would make little sense to dismantle an entity that is well positioned to grow visitation to the region. Visitor agencies also need to be dynamic, nimble and responsive to industry needs. An entity that is entrepreneurial in nature and not encumbered by an extra level of permission seeking, is one that will serve the best interests of Auckland.

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