



**Submission to the  
Emissions Trading Scheme Review Committee  
on the  
Review of the Emissions Trading Scheme and related  
matters**

**27 February 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](mailto:simon.wallace@tianza.org.nz)
2. In accordance with the conditions of lodging a submission to a parliamentary select committee, TIA has no objection to the contents of the submission being made a matter of public record. We also wish to have the opportunity of appearing in person before the Committee if and when oral hearings are held.
3. In February 2008, TIA lodged a submission to the Finance and Expenditure Select Committee on the Climate Change (Emissions Trading and Renewable Preference) Bill (attached as Appendix 1). In that submission, the tourism industry provided a detailed and technical analysis as to the likely impacts of the Emissions Trading Scheme (ETS) on the more than 10,000 businesses across the sector.
4. With respect to the terms of reference of this review, TIA's submission focuses
  - mainly on the impact on the New Zealand economy, in particular the need to safeguard New Zealand's international competitiveness; and
  - the position of trade-exposed industries like tourism, and the timing of introduction of New Zealand measures, particularly in regard to implementation by the Australian government.

## About Us

5. TIA has been the lead association that represents the interests of more than 2000 tourism businesses in NZ since the Association was first 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.
6. Tourism in New Zealand by the numbers:
  - a \$50 million per day industry, delivering \$24 million in foreign exchange to the economy each day of the year and \$26 million in domestic tourism activity every day
  - in the year ended March 2007, total tourism expenditure reached \$20.1 billion.
  - tourism contributes close to 10% of GDP
  - tourism employs 1 in 10 New Zealanders (this includes 108,100 FTE directly and 73,100 indirectly).

7. The primary role of TIA is to be the voice of the tourism industry, but its other main aims include:
  - adding value for members and the industry
  - advocating for members on the issues facing them
  - assisting members' businesses to be profitable
8. TIA is based in Wellington and led by Chief Executive Tim Cossar. The TIA team's primary role is to advocate for its members with areas of work including advocacy, policy, communications, events, membership and business services.

## Background

9. The position of the industry on ETS is no different to the one it adopted in February 2008 when TIA made a submission to the Finance and Expenditure Select Committee. That position was reaffirmed to the new government in the TIA *Brief to the Incoming Ministers or BIM* in 2008.
10. In the BIM, the industry said that it supported the important environmental outcomes of ETS in principle, but the planned timeframe for the implementation of the Scheme was too rushed. There had also been inadequate public consultation or identification of the long terms impacts of emissions trading from industries generally. Scoping and policy work at that stage had also lacked sound cost-benefit analyses.
11. One of TIA's key recommendations when it made a presentation to the Select Committee in May 2008 was to call for the alignment of New Zealand's ETS with Australia. This would have allowed time to consider the benefits of having compatible schemes for both countries. It was also felt that the early adoption of an ETS would put tourism businesses at a competitive disadvantage to other countries not implementing similar schemes which New Zealand competes with for visitors and valuable export dollars. Many of these countries also have no obligations under the Kyoto Protocol.
12. The Association also emphasised the impact the implementation of the ETS would have on operating costs for tourism businesses. Research commissioned by TIA in late 2007 found that yield in accommodation businesses could drop by between 3% and 14%<sup>1</sup> in a sector already operating on low margins. Analysis by the Sustainability Council and NZIER also supported the view that the introduction of an ETS could threaten the viability of many small businesses.
13. The final key point made by TIA in its 2008 submissions concerned the need to support businesses to make the transition to the new scheme easier. The

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<sup>1</sup> Please refer to Appendix 1 for 2008 submission

Association said there could have been some form of transitional assistance from government to help businesses. At the time, the Labour-led government said there would be help for industries and households, but when the ETS was passed last year, apart from some assistance directed towards households, no support had been made available for the tourism industry.

## Comment

### So what's changed in 2009?

14. Without question, the current state of the global economy is the biggest single issue facing tourism operators. This has compounded the impacts of the ETS for the tourism industry. The trading environment for operators has changed dramatically in the last 12 months with a wide range of operators, including inbound wholesalers, hotels, coach tour companies and activity operators, reporting drops in forward bookings of anywhere between 5% and 20% compared to the previous year.
15. The economic situation is having major impacts on many of New Zealand's traditional visitor markets. Visitor numbers from the lucrative USA and UK markets are down slightly while the key Asian markets of China, South Korea and Japan are down significantly. Combined with the competition from a number of new and emerging destinations and the fluctuation in oil prices and exchange rates, the tourism industry has probably entered one of the most challenging periods it has ever faced.

### So what are the solutions?

#### Align Scheme with Australia

16. As noted, the tourism industry believes New Zealand's ETS should be aligned with Australia, our largest trading partner and biggest source of international visitors. While displaying New Zealand's strong environmental credentials, New Zealand's planned "first-mover" status to introduce ETS last year has risked placing many New Zealand industries, including tourism, at a competitive advantage.
17. The other factor at play is that the Australian government has said it will do nothing that will impact negatively on its export sector. The Australian ETS has been modelled on the European Union (EU) scheme which has given 100% protection to its export sectors. Both Australia and the EU have limited their schemes to stationary energy and industrial processes in order to minimise the harm to their economies.

#### Support businesses on an emissions reduction pathway

18. The tourism industry endorses the original intention of the ETS scheme that aimed to support the SME and transport sectors on an efficiency and "emissions reduction pathway". This was also one of the key recommendations made by

Business NZ in its November 2008 briefing to the new government on emissions trading and energy. This recommendation now needs to be followed up and acted upon.

*Tourism Energy Efficiency Programme*

19. The partnership TIA has with the Energy Efficiency and Conservation Authority (EECA) is an example of how overall CO2 emissions can be reduced.

***Tourism Energy Efficiency Programme***

*Launched in mid 2008, the Tourism Energy Efficiency Programme (TEEP) is a partnership project between TIA and EECA to provide practical assistance for tourism businesses in the accommodation and transport sectors to reduce their electricity consumption, fuel usage and carbon emissions. The programme gives TIA members the opportunity to receive a detailed energy audit at half the normal price. The audit identifies potential dollar and energy savings for each participating business with those businesses also receiving mentoring and assistance to implement energy savings opportunities.*

*More than 420 tourism businesses also took part in the programme's research and educational campaign last year. Learnings from the audits and other activities are being turned into practical action advice and guides, which will be used to help all TIA members identify and achieve savings.*

*The first six months of TEEP were very successful with twelve businesses from the accommodation and transport sectors participating and significant CO2 savings identified. The programme is being expanded in the first half of 2009 with at least fourteen energy audits and a stock-take of the tourist flight sector to be done. In short, TEEP has generated a keen interest from tourism operators with many putting their hand up to be involved. The continuation of the project in 2009 is set to provide the foundations for a longer term programme that will result in significant CO2 reductions in the tourism industry.*

*Central government investment in 2008: \$160,000*

*Tourism industry investment in 2008: \$84,000*

*Potential CO2 savings identified \$ 2.6 gigawatt hours (9,698 gigajoules),*

*Average of potential energy savings per business 20%*

***Case Study: SeaLink Travel Group***

*SeaLink Travel Group Ltd is one of the first marine tourism operators to receive an energy audit of this type within New Zealand. SeaLink is now developing an action plan to implement energy efficiency changes and could achieve cost*

*savings of up to \$150,000 per year in the future. If all actions outlined in SeaLink's audit were implemented, the company could reduce their annual CO<sub>2</sub> emissions by about 365 tonnes a year. That's the equivalent in CO<sub>2</sub> reduction of taking more than 100 cars off the road in New Zealand each year.*

### **Other Initiatives**

20. In its 2008 submission, TIA made the following suggestions that would, if implemented, reduce tourism businesses' exposure to the ETS. They were to:
- provide cash grants, subsidies or tax breaks to encourage tourism businesses to take up new energy efficient technologies or discounted energy audits (e.g. EECA) – the tourism industry is concerned at the cost of new technologies and the timeframe needed to get a return. For instance, it is known that new vehicles, solar power, heat pumps and wind power installations require between five to ten years for a return on investment. The offer of a tax break to businesses prepared to make long term investments in new technology could be the right incentive.
  - recognise businesses committed to reducing carbon emissions through an accelerated depreciation scheme, such as writing off depreciation charges on older more energy intensive plant and equipment.
21. The tourism industry recommends a significant investment be made available in the form of cash grants, subsidies, tax breaks, depreciation write-offs, and for the implementation of discounted energy audits more widely across the tourism sector. This would provide a real incentive for tourism firms to invest in modern plant and equipment that is less energy intensive and reduce the sector's energy emissions.
22. Finally, TIA as a member of the Business NZ Affiliated Industries Group, supports the general principles set out in its submission.

### **Conclusion**

23. Now more than ever, climate change policies must recognise the economic realities facing tourism businesses. As the work by the tourism industry has shown, the ETS directly threatens the viability of many SMEs and this threat has been compounded by an economic situation that has deteriorated rapidly in the past twelve months. Increased energy prices that result from the downstream impact on tourism businesses (85% of whom are SMEs) may well be seen as a trade off for environmental sustainability. However, combined with a difficult trading environment, this would create undue pressure on tourism businesses and could even lead to some tourism operators going out of business. Aligning the New Zealand ETS with Australia and a model to protect export industries would soften the impact on New Zealand's tourism industry as would government investment to encourage energy efficiency and put businesses on an emissions reduction pathway.