



**Submission to the
Grey District Council
on the
Draft Long Term Community Outcomes Plan 2009-2019
29 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 Jimmy Young, on 04 494 1842 or 021 873060 or e-mail him at jimmy.young@tianza.org.nz
2. The paper comments on the Grey District Council's (GDC) 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 Grey 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 proposed District Promotion rate expansion to all overnight accommodation in the Grey district including those outside the commercial/industrial zones.
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 1,700 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 the changes to the targeted rate for district promotion being proposed by the Grey District Council (GDC) to also include overnight accommodation outside the commercial/industrial zoned areas. 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 GDC for its ongoing commitment to tourism development and promotion in the region. Maintaining part funding for Tourism West Coast, the Greymouth iSITE, Greymouth Business and Promotion Association

and the partial cost of an Events and Marketing Officer are particularly important at a time when businesses are facing tough economic conditions.

Targeted District Promotion rate for Grey District

18. The Tourism Industry 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 such as the GDC's District promotion rate.**
- 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

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.

20. **Key concerns TIA has with the proposal to extend the GDC District Promotion rate to also include overnight accommodation outside the commercial/industrial zoned areas in Grey District are:**

- **Capital value model:** It is our understanding that the targeted rating model will be charged on the capital value of all properties where overnight accommodation for commercial gain occurs. A targeted model based on capital valuation unfairly impacts on bed and breakfast establishments. 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 and operators only on a lower revenue part-time or casual basis. 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.

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.

- **Adequate notice for submissions:** There does not appear to have been adequate notice for overnight accommodation outside the commercial/industrial zoned areas to respond to GDC's letter informing them of the new plan to begin charging them rates for the District Promotion rate. This letter was sent to approximately 60 businesses on 22 May 2009 and was not received by some ratepayers until 25 May 2009. This has made it difficult for some businesses to respond in time for the submission deadline of 29 May 2009. Although GDC's November 2008 notice did suggest the potential for the targeted district promotion rate to extend beyond the commercially zoned properties, it also stated GDC's preference to retain the current system. As a result it is likely that the overnight accommodation businesses outside the commercial/industrial zone areas would have felt the need to submit on this issue at that time when the council indicated it was going to be unlikely to change.
- **Sufficient time:** TIA does not believe that sufficient time has been allowed for newly targeted businesses to plan financially for the proposed District Promotion

rate increase if the plan is maintained to implement this new charge from 1 July 2009. Many overnight stay businesses are being heavily impacted by the current economic downturn and may find this extra, unbudgeted cost a significant burden during the slower winter tourism period. An estimated \$500pa is the average increase for the 60 properties that will be affected by this new classification and these businesses are being expected to take on this new cost in addition to their standard rates with only one month's prior warning.

- **Other residential style businesses:** A number of other 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 may fall below the radar of the local authority's targeting process.
- **Economic downturn:** A final point TIA 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.

21. Key recommendations

In sum, the position of TIA is as follows:

We support the proposal for a targeted rate as this will allow the GDC to continue supporting tourism initiatives and promotion in the District. However, we believe that special consideration should be given to B&B's to make the level of rating more fair and equitable. We recommend that:

- The GDC investigate a tiered rating model instead of the current capital value model to more accurately reflect the size and revenue of businesses being targeted. 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 neighbouring Tasman District Council is also currently considering a tiered model that GDC might wish to investigate.
- That GDC consider a phased approach to implementation of the targeted rate that would allow accommodation businesses who have not been previously rated adequate lead time to budget for the proposed rates increase. One month is too short a timeframe for rate increases of 30%+.
- That GDC consider a governance model that includes all targeted businesses in the decision-making on how and where promotional money is spent. This will be

critical in gaining support from the business community.

- That GDC also consider how it could rate other businesses operating from a residential address that slip below the radar of the Council's capital value targeted rating process.
- 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.

22. TIA thanks the GDC for the opportunity to comment on the Long term Council Community Plan, 2009-2019.

Tim Cossar
Chief Executive
Tourism Industry Association New Zealand
29 May 2009