



**Submission to the
Rotorua District Council
on the
Review of Rotorua's Visitor Industry Representation
Arrangements**

16 July 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, in the first instance, please telephone Simon Wallace, TIA Policy and Research Manager on 04 494 1842 or 0272 489 375 or e-mail him at simon.wallace@tiaz.org.nz
2. TIA welcomes the opportunity to be able to comment on the review of Rotorua's visitor industry representation arrangements. The Association would be glad to answer any questions arising from this submission and would also welcome the opportunity of appearing before the Council if and when representations are heard.

Comment

3. The city and surrounding region of Rotorua plays a critical role in New Zealand's tourism industry. Its unique attractions and activities draw visitors from around the world as well as enticing New Zealanders to come from other parts of the country.
4. To maximise the opportunities for Rotorua by continuing to grow visitor numbers and enhance yield for tourism businesses, the city and region needs to have effective and well functioning visitor industry representation. The industry needs to know that its voice can be heard and that it can contribute, participate and influence the way that tourism is marketed and promoted in Rotorua.
5. The report titled "Review of Rotorua Visitor Industry Representation Arrangements" prepared for the Rotorua District Council and the Rotorua Tourism Board by Destination Planning Ltd has considered a number of key issues including potential industry collaboration and advisory structures. The report goes on to make some key recommendations on structural options to improve visitor industry representation in the city.
6. In short, two suggestions have been made in the report regarding the best tourism governance arrangements for Rotorua. These are either:
 - a. Retaining the regional tourism organisation (RTO) inside Rotorua District Council (RDC) overseen by a standing committee with an independent chair and business sector representation; or
 - b. The establishment of a new arm's length RTO that forms part of a Council Controlled Organisation (CCO).
7. TIA supports option a being adopted for the following reasons:
 - The Committee will ensure a strong tourism voice is heard within the Council.

- The linkages with the tourism industry will be stronger and allow tourism businesses to have a say on decisions relating to tourism development such as marketing and visitor infrastructure.
- Investment in the RTO will be more secure with tourism objectives better understood inside Council (location of the RTO within a Rotorua CCO could risk tourism objectives being morphed by wider economic development aims).
- Establishment of a Rotorua Visitor Strategy Group (RVSG) to provide advice and input to the standing committee will further ensure the industry has a say as the RSVG will include wide tourism sector representation.

8. To ensure good governance arrangements, TIA also believes that:

- The Standing Committee should have an independent chair, e.g. he or she should work outside the tourism industry but have solid business and governance experience.
- The Standing Committee, in addition to specific Maori representation via Maori in Tourism Rotorua (MITR), should also consider a community representative, independent of tourism interests.
- The CEO and staff employment relationships should remain between the Council and the RTO.
- The employment relationship should empower (and not impede) the Standing Committee's ability to govern performance effectively (as per the agreed Terms of Reference) mandated to it by the Council under this arrangement.

9. To summarise, TIA is in support of a Standing Committee with the RTO staying firmly within the Council. This provides the best opportunity to advance tourism in the Rotorua region as well as ensuring the strategic decisions made are supported and endorsed by the local industry.

Background Notes

The relationship between local government and the tourism industry

10. Local authorities in New Zealand play a critical role in the tourism industry, principally through their investment in core utilities and infrastructure, through their management of the country's natural resources and through their financial support to regional tourism organisations (RTOs) and economic development agencies for destination promotion (estimated to be in excess of \$27 million¹).
11. The local authorities provide the basic public amenities which communities and visitors use like water, sewerage, toilets, roads, lighting and in some areas, public transport. Some authorities also operate visitor attractions such as museums, art galleries, gardens, events and sports stadiums. Increasingly, commercial interests are now involved in public/private sector partnerships or sponsorship arrangements with local government in the funding of such activities. In short, local authorities in various guises are a major investor in the tourism industry.

Market Failure

12. Susceptibility to market failure is one of the key reasons for local government investment in the visitor industry. Furthermore, RTO funding sourced entirely from the general rating base is unlikely to result in increased tourism funding given the current pressures on local authority expenditure.
13. A report by the New Zealand Institute of Economic Research (NZIER) said that strong market failure was more likely in the tourism industry compared to other sectors. Meanwhile, a National Bank report found that "*Government funding of destination marketing should be seen as an investment, not consumption*".
14. The very diverse and fragmented nature of the tourism industry in New Zealand is a further contributor to market failure. Without a critical mass, it makes it difficult for an industry-wide levy to be applied and collected. In comparison, the primary-based industries, such as meat, wool and pip-fruit, are able to fund marketing and destination activity through a statutory industry levy under the Commodity Levies Act.
15. The National Bank and NZIER reports underpin the rationale for local authorities to maintain its investment in the visitor industry. With expenditure in the tourism industry so spread out and without any one group the primary beneficiary, the threat of market failure will always persist unless local authority investment continues. In emerging tourism regions, market failure is even more of a risk, because the rating base in these areas is usually low and there is already pressure on local government to meet the ongoing costs of infrastructure and core services.

¹ Funding Models for Regional Tourism Organisations, prepared by Destination Planning Limited, April 2010, p.8.

Return on investment for local government

16. There is a return on the investment made in tourism by local government which filters down to many regions of New Zealand. Expenditure by visitors, both domestic and international, brings in millions of dollars to the provinces. In recent decades, a number of regional tourism economies have experienced rapid economic growth on the back of the tourism sector, Northland, Otago and the West Coast being good examples.
17. In regional New Zealand, tourism provides employment and business activity that enhances the rating base of local communities, while an estimated \$6 billion in added value spend is made in industries that support tourism.
 - The industry supports local services, such as shops, supermarkets, cafes, bars, restaurants and service stations.
 - The industry sustains cultural and sporting events.
 - The industry provides extra or secondary incomes for part-time workers.
 - The industry is a catalyst for new capital investments and infrastructure.
18. The economic value of tourism to regions is much wider than the tariff paid to the accommodation provider or the fare paid to the transport operator. Tourism has an impact at every level of every community in New Zealand.

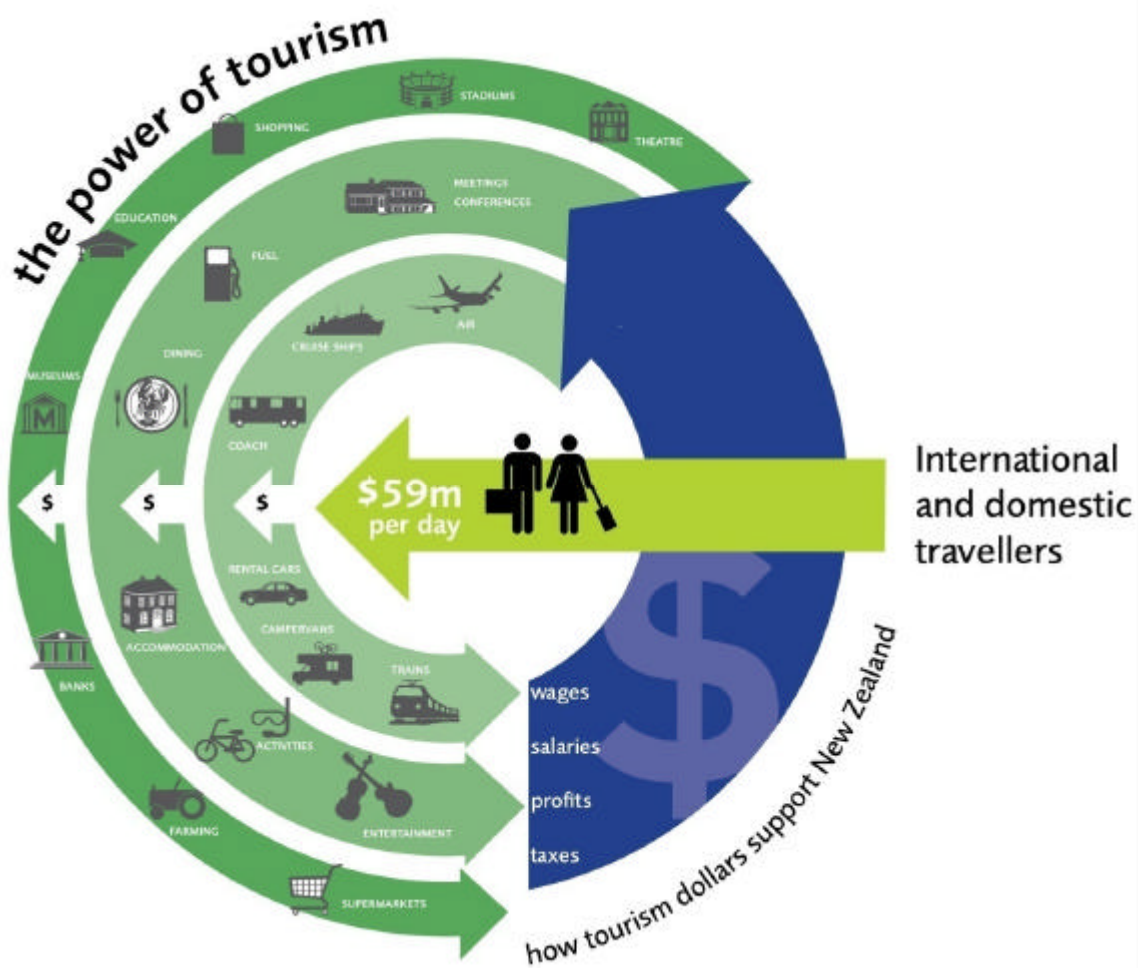
About the Tourism Industry

A bed-rock of New Zealand's economy

19. 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.
20. 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.
21. If New Zealand Inc. is to continue to prosper, to attract investment and to raise its position in OECD rankings, then it is vital that the tourism industry, and the positive image it projects, remain strong.

Delivering Value

22. Below is a snapshot of the economic value provided by tourism to the New Zealand economy.
 - Tourism contributes more than 9.1% of gross domestic product (GDP) for New Zealand as well as directly and indirectly employing one in ten New Zealanders.
 - 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.
 - Importantly, and despite more challenging times in the past two years, tourism remains one of New Zealand's largest foreign exchange earners and its contribution is felt at national, regional and local levels.



About TIA

23. 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.

24. 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.

25. TIA has been the lead association that represents the interests of about 1700 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.
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July 2010