



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

**Submission to the
Rotorua District Council
on the
Draft Ten Year Plan, 2009-2019**

1 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 Rotorua District Council's (RDC) Draft Ten Year 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 represents about 100 bed and breakfast establishments in the Rotorua 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 rating of bed and breakfast establishments in Rotorua.
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

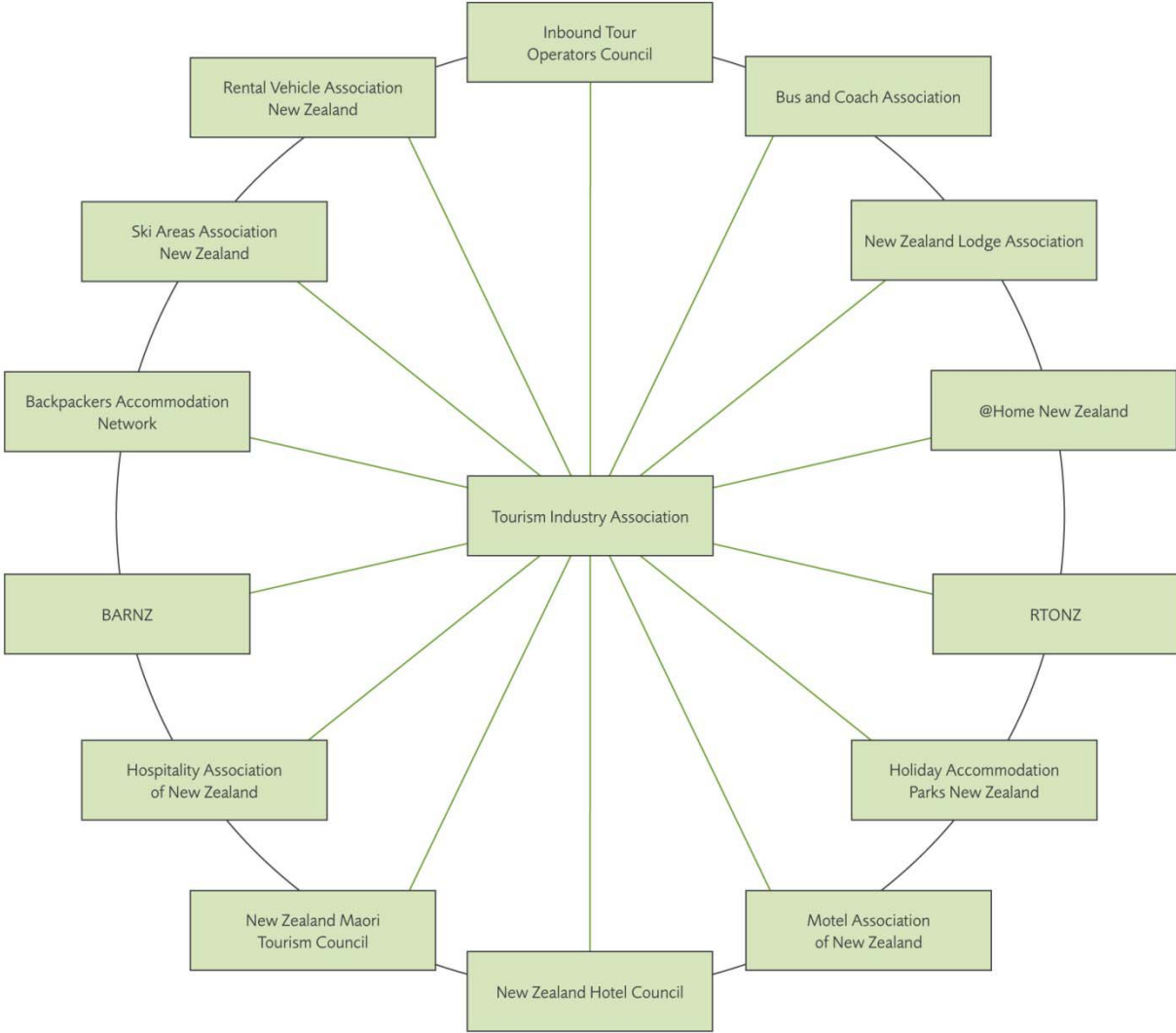
8. Below is a snapshot of the economic value provided by tourism to the New Zealand economy:

- Tourism contributes close to 10% of gross domestic product (GDP) as well as directly and indirectly employing nearly one in ten New Zealanders (in Rotorua the tourism industry employs one in five working people).
- 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 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.
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.

Main Industry Associations in the Tourism Sector



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

@home New Zealand Bed and Breakfast

16. The comments we make relate specifically to a targeted rate being proposed on the tourism sector in Rotorua, and in particular the impact this will have on bed and breakfast establishments in the district. As noted in paragraph 2, TIA has been asked by members of @home NEW ZEALAND for support in their representations to the RDC on the targeted rates proposal.
17. The bed and breakfast sector plays a valuable role in the tourism industry, by providing an alternative form of accommodation to the average hotel or motel. The 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.
18. Critically, the people who stay in bed and breakfast establishments spend their money in and around the region which helps the local economy. In other words, the economic contribution these visitors make to the region is wider than just the tariff they pay to their bed and breakfast host. The economic spin-off of the bed and breakfast and home hosted accommodation sector should therefore not be underestimated in view of the valuable contribution it makes.
19. The @home NEW ZEALAND Association in Rotorua has told TIA that up to 10% of its members may close their businesses this year, with a number citing the difficult economic situation, but some also pointing to long running rating disputes with the RDC as a big factor in their decision. The fact that most B&Bs will fall into the middle tier (the 16% to 50% differential rating model), is another factor influencing businesses to close. The loss of such providers would be disappointing given their appeal to discerning overseas visitors. The tourism industry is especially concerned at the potential loss of these businesses in the lead up to Rugby World Cup 2011. Rotorua is hosting three important games and high quality accommodation where guests interact with Kiwi hosts could be hard to come by during the tournament.

Targeted Rates

20. 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 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 around how revenue raised for destination marketing and promotion is spent. Tauranga and

Taupo are good examples of this.

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

- they should be used only where a clearly identified community (like the tourism sector) 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 business community for a specific activity.
- they are used on the strict proviso that the revenue collected is “ring-fenced” and re-invested into the destination marketing and management of the region.

The Rotorua proposal

22. We understand the RDC is proposing a three-tier approach as follows:

- An annual \$200 levy across all residential businesses.
- For residential businesses where commercial use is between 16% and 50% of the property area, such properties will be charged a differential rate based on the capital value of the property.
- For residential businesses where commercial use is more than 50% of the property area, such properties will also be charged a differential rate based on the capital value of the property. In these cases, the differential rate will be higher as the majority of the residential area is for business use.

23. The B&B sector is not opposed to paying a commercial rate, but the concern we have for the model in its current form, is its failure to acknowledge the smaller and more seasonal type of accommodation providers, like the many bed and breakfast establishments in the Rotorua district. TIA believes the proposed rates to be paid by a business the size of a B&B creates problems of fairness and equity when compared to larger accommodation businesses.

24. TIA is also concerned at the apparent inequity that exists in the rating proposal with other residential businesses. The proposed new rate for mixed use properties states “where the business attracts clients to that property or where the business activity is conducted primarily on that property”, then the targeted rate will apply. While this may include consultants, sales people, child minders, web designers, hairdressers, beauticians, osteopaths and others, it appears that the model will exclude plumbers, electricians, builders and architects for example. This is a flawed methodology considering that this latter group use their home addresses as a base for their business. Doubt also exists as to whether occupations (paragraph 23 above) that

attract clients to their properties will all be picked up by the RDC's plan.

25. The farming sector appears to benefit disproportionately under the current proposal with a differentiated rate for farmers that is more favourable than the one proposed for the tourism sector. Given that farmers and rural businesses in the Rotorua district have generally profited from visitors, TIA sees no reason why farmers and rural businesses should receive preferential treatment. Similarly, there should be no reason to exclude from the targeted rate RDC visitor facilities that are owned by Council, but also receive other sources of funding. Such facilities include the Convention Centre, the Energy Events Centre, the International Stadium, the Civic Theatre and the Rotorua Museum.
26. A final point the Association wishes to make relates to the current economic situation and the challenging trading environment that exists for all tourism operators. 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 could be the difference between staying in business or closing down.

Recommendations

27. While we support a targeted rate, TIA encourages the RDC to revisit the current proposal and examine better ways to rate the smaller and more seasonal accommodation providers to take account of size and revenue. For example, we believe a fairer system might be to change the minimum threshold on the middle tier of the targeted rate from 15% to at least 25%. Doing this would better acknowledge the seasonal nature of bed and breakfast operators, as well as the fact that most properties are family homes where commercial use is just a small part of the owners' lifestyle.
28. In supporting the targeting rating of the tourism sector, we believe the revenue collected from tourism businesses should be reinvested in destination promotion, marketing, management and event activities. There also needs to be more involvement and consultation with the tourism sector about how and where tourism promotion money is spent.
29. We believe the current proposal is both narrow and inequitable by including only those residential businesses that attract clients to their home, while many others will continue to operate without the knowledge of the Council. The RDC needs to better define what a residential business is for the purposes of a targeted rate.

Simon Wallace
Tourism Industry Association
1 May 2009