



**Submission to the  
Dunedin City Council  
on the  
Draft Annual Plan 2010-2011  
12 April 2010**

## **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 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. The paper comments on the Dunedin City Council's Annual Plan process for 2010-2011 and in particular its proposal to introduce a targeted rate on bed and breakfast establishments. TIA has been approached to provide a supporting submission on behalf of a number of members in the Dunedin area, including bed and breakfast, home-stay and attraction providers. For your information, the Association has made similar supporting submissions to the Westland, Grey, Buller and Tasman District Councils in the past year.
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 commercial rates plan for bed and breakfast establishments in Dunedin.
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**

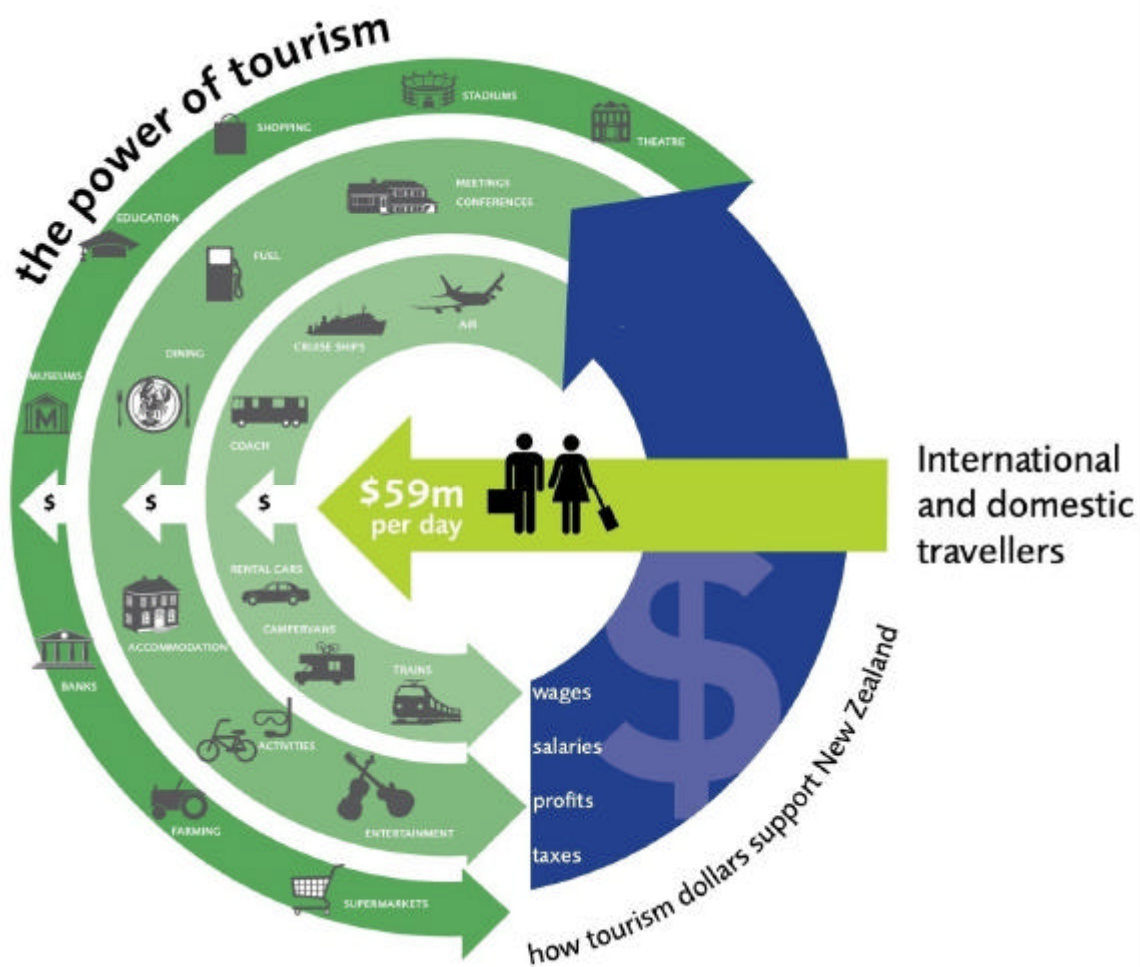
### **A bed-rock of New Zealand's economy**

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:

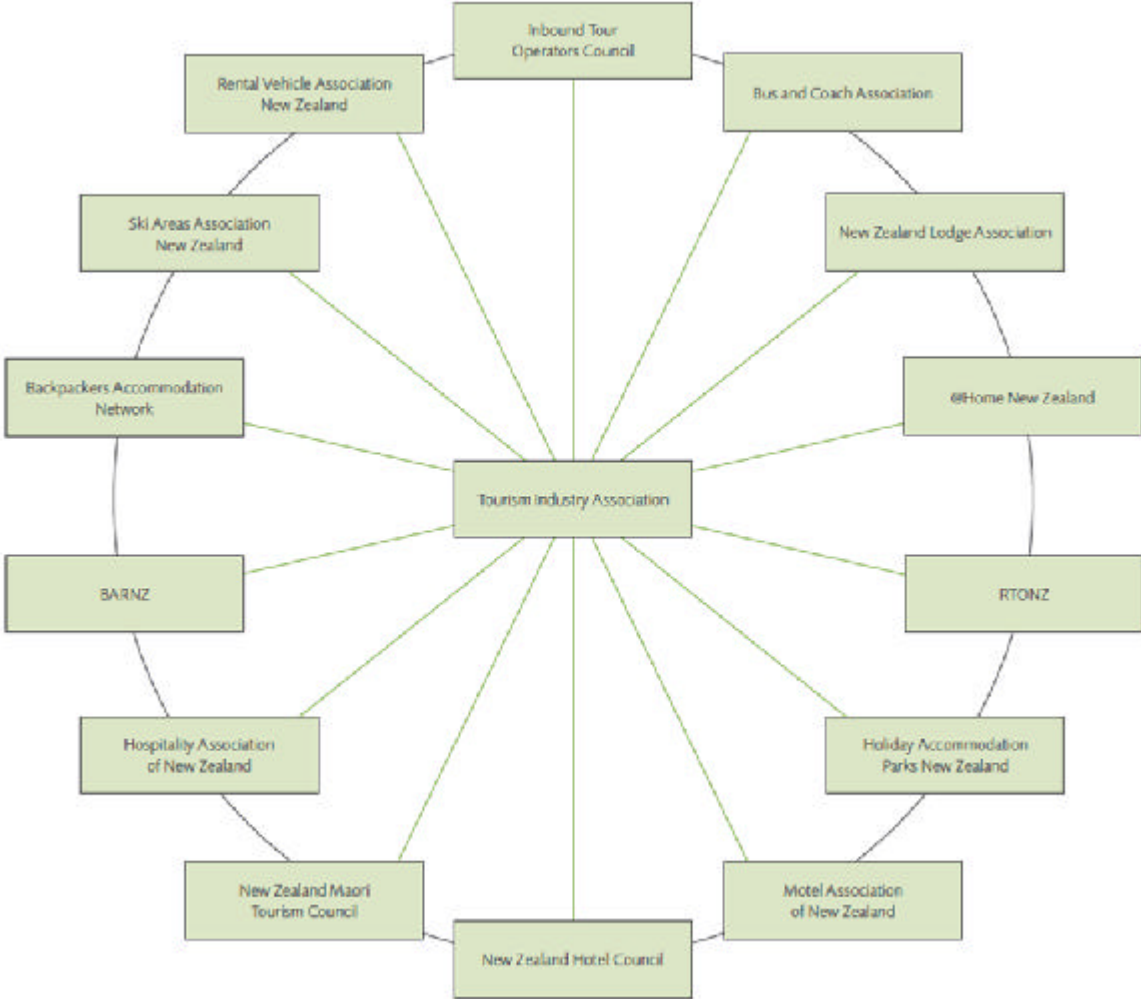
- Tourism contributes more than 9% of gross domestic product (GDP) for New Zealand.
- Tourism directly and indirectly employs nearly one in ten New Zealanders (184,800 total) in full-time equivalent (FTE) jobs.
- Tourism in New Zealand is a \$59 million per day industry. The New Zealand tourism industry 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.
- 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.

# Main Industry Associations in the Tourism Industry



## 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 (RTOs), Economic Development Agencies (EDA) and i-SITES. The RTOs and EDAs 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 and EDAs are funded by their councils, while a number are supported through a mix of public and private investment. RTOs and EDAs 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. 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, Taranaki's World of Music and Dance (WOMAD) Festival and Hokitika's Wild-foods 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, EDAs and events, and its role in district planning, resource management and infrastructure development.

## Comment

16. The comments we make relate primarily to the residential economic development/tourism targeted rate on bed and breakfast establishments that is being proposed by Dunedin City Council in its 2010/2011 Draft Annual Plan. While this submission is made on behalf of members who have approached TIA for support, the Association has also used this opportunity to make some general comments about the targeted rate proposal.
17. To begin with, TIA wishes to commend the Dunedin City Council for its ongoing commitment to tourism development and promotion in the city. Maintaining funding for the regional tourism organisation (RTO), Tourism Dunedin, and other economic development activities is particularly important at a time when tourism businesses are emerging from a tough economic and trading period.

## Targeted Tourism Rates

18. The Tourism Industry Association is not opposed to the use of targeted rates as currently available under Schedule Three of the Local Government Act (LGA) 2002. The principle of a targeted rate is 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 Wellington are some good examples of this.

Council	Rate Type	How it works	Strengths	Weaknesses	TIA Assessment
Wellington	Downtown levy on all CBD businesses.	Businesses pay a levy which goes to the RTO and event development.  The levy is re-invested solely for the purpose of destination marketing.	Easy to administer.  RTO does not have to fundraise.  Not derived from general rates so less opposition.  Stakeholders find it easier to ascertain benefits.	Businesses outside the CBD free-ride unless they pay a voluntary levy into the RTO's partnership programme.  Some stakeholders pay twice like hotels that make voluntary contributions to specific campaigns.	✓ Businesses know how funding is deployed and participate in decision-making and investment process.
Tauranga	Targeted rate on all CBD businesses.	Money is re-invested into western BOP	Targeted rate works well with	Businesses in outlying areas of Waihi	✓ Model is successful as Council works with businesses that

		economic development fund that includes financing the RTO.	buy-in of participating businesses for economic development of whole region.	Beach, Paengaroa and Te Puke benefit from promotion without paying targeted rate.	participate in decisions on economic development strategy.
Taupo	Targeted rate on commercial properties (called a marketing development rate).	Targeted rate meets 65% of RTO and i-SITE funding. The remaining 35% is from general rates.	Rate is well received as businesses know the value of tourism promotion in a visitor town.  Money promotes other economic development activities.	Businesses, such as apartments, rented out to visitors, are "free-riders".  Only land based businesses can be levied, so tourism operators on Lake Taupo don't pay.	✓ Funding ring-fenced for tourism promotion, so businesses know where money is going.

**19. TIA attaches the following criteria to the use of targeted rates such as the Dunedin City Council's proposal on commercially rating bed and breakfast establishments:**

- 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 city e.g. the money goes to Tourism Dunedin.
- 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 city.<sup>1</sup>

**20. Key concerns TIA has with the Dunedin City Council proposal to commercially rate bed and breakfast establishments are:**

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<sup>1</sup> 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.

- **Affected properties:** The Dunedin City Council is proposing a targeted rate of \$500 on bed and breakfast establishments in the city. While TIA is not wholly opposed to a rate of this nature, and in fact sees it as an opportunity to shore up the funding base for Tourism Dunedin, the Association believes there is an inequity in targeting bed and breakfast establishments, but not other accommodation properties such as holiday homes and serviced apartments. A possible consideration might be a tiered rating model to more accurately reflect the size and revenue of businesses being targeted. Examples of this now exist in the Tasman and Mt Cook-Mackenzie districts.

Beyond the tourism and accommodation sector, the current proposal will also exclude many other home based businesses that arguably have bigger income streams than bed and breakfast or home-stay providers. Examples of businesses that could be missed by the Council's approach include consultants, sales people, web designers, hairdressers, beauticians, osteopaths, jade manufacturers, electricians and rental properties run as a business.

Meanwhile, the benefits of visitor spending are felt more widely than just tourism businesses such as bed and breakfast establishments. Local supermarkets, dairies, petrol stations, cafes and restaurants all benefit economically from visitors. In some cases, particularly a supermarket, for instance, it could be argued that they benefit more than a local bed and breakfast provider.

If the Dunedin City Council is to introduce a targeted rating system for bed and breakfast and home-stay providers, then in order to be fair and equitable, TIA believes the Council should do more work to identify a realistic list of residential businesses in the district. It should also extend its net beyond those businesses that have been identified on the basis that "they advertise". This exercise should be followed by the establishment of a clear and transparent set of criteria for rating these businesses. A phased implementation would also give businesses more time to adjust to any new increase in rates.

- **Capital value:** TIA is encouraged that Dunedin City Council is not basing its targeted rate on capital value as such a mechanism unfairly impacts on bed and breakfast establishments. The difficulty 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 operate 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 members in the bed and breakfast sector in Dunedin, TIA is concerned about how the proposed 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 offer 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. The bed and breakfasts are also likely to be a popular form of accommodation for UK and Ireland based visitors during Rugby World Cup 2011 with the England, Scotland and Ireland teams all playing in Dunedin.

- **Adequate notice for submissions:** Giving businesses more time to respond to the Dunedin City Council proposal is always advantageous. A period of just three weeks (19 March to 12 April) for a fulsome response to Council when businesses may want to gather information and understand how much increase this will mean to their rates is a “hard ask” for many small operators.
- **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 may be the difference between staying in business or not.

## 21. Key recommendations

In sum, the position of TIA is as follows:

While in principle, TIA supports targeted rates since they allow local government to continue supporting tourism initiatives and promotion in Dunedin, the Association believes that consideration should be given to B&B's to make the level of rating more fair and equitable. We recommend that:

- The Dunedin City Council investigate a tiered rating model to more accurately reflect the size and revenue of businesses being targeted. As an example, a tiered rate might charge a one bedroom B&B at \$200 per annum and a two bedroom B&B at \$350 per annum.
- The Dunedin City Council consider a phased approach to implementation of a targeted rate that would allow accommodation businesses who have not been previously rated adequate lead time to budget for the proposed rates increase.
- The Dunedin City Council 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.

- The Dunedin City Council consider rating other commercial businesses, like supermarkets, dairies, petrol stations, cafes and restaurants, all of whom benefit from visitor spending.

22. TIA thanks the Dunedin City Council for the opportunity to comment on the Draft Annual Plan process for 2010-2011.

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12 April 2010