



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

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

27 April 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 Tasman District Council's (TDC) Draft Ten Year Plan, 2009-2019. Over the past few weeks, TIA has been approached by a number of its members to provide a supporting submission. Those members include:
 - Nelson Tasman Tourism, the local Regional Tourism Organisation.
 - @home New Zealand on behalf of 30 bed and breakfast establishments in the region.
 - other tourism operators.
3. Our submission is made on behalf of these groups, some of whom have made their own submissions to the TDC. The paper begins with some background on the value of tourism to New Zealand to 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 targeted rating proposal in the Tasman district.
4. TIA would welcome 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 that 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 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.

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 specifically to a targeted rate being proposed in the Tasman District. As noted in paragraph 3, TIA has been approached by the local RTO, Nelson Tasman Tourism, the @home NEW ZEALAND bed and breakfast association and by some tourism operators for support.
17. TIA wishes to congratulate the TDC for its ongoing support of tourism development and promotion in the region which until now has been wholly funded out of the general rates base. Future plans to develop a water sport facility on Rabbit Island as well as regional cycling trails will be welcomed not only by visitors to the region, but also by local communities in the Tasman District.

Targeted Rate

18. TIA strongly supports local authority 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. Such rates have worked well in a number of places where the businesses concerned are included in the decision-making process particularly around how money raised for destination marketing is spent. Tauranga and Taupo are good examples of this.

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

- 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 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.

20. It is our understanding that the following two-tier system is proposed for the Tasman District.

- i). Tier 1 - a \$322.00 per annum charge to businesses who sell products and services primarily to visitors.
- ii). Tier 2 - a \$79.87 per annum charge to businesses for whom visitors are part of its customer base.

As we understand, it is proposed that approximately 900 businesses in the Tasman district will pay the new targeted rate. This will result in \$181,000 being collected to fund 37% of TDC’s investment in Nelson Tasman Tourism. The remaining 63% or \$309,000 will still be funded by general rates.

Nelson Tasman Tourism

21. In an environment where local authorities are under increasing pressure to cap rates increases and concentrate on funding core activities, the ongoing funding of Nelson Tasman Tourism is by no means guaranteed. Furthermore, Nelson Tasman Tourism funding sourced entirely from the general rating base, (as has been in the case in Tasman), is unlikely to result in increased tourism funding given the pressures on local authority expenditure.

22. The proposal for a targeted rate in Tasman will raise additional revenue for Nelson Tasman Tourism as well as providing more certainty for the ongoing viability of the RTO. It will also give Nelson Tasman Tourism the opportunity to increase promotional and marketing activities.

23. TIA understands that the extra funding flowing from the targeted rate will also allow Nelson Tasman Tourism to provide free website listings to tourism operators who currently market themselves through Nelson Tasman Tourism's website. At present this service is charged at \$305 plus GST annually, so for Tier 1 businesses the new TDC rating regime will be cost neutral.

@home NEW ZEALAND Bed and Breakfast

24. While we support this targeted rating proposal, we have one main concern, particularly as it relates to smaller and more seasonal type of accommodation providers, like the many bed and breakfast establishments in the Tasman District.

25. The bed and breakfast sector plays a valuable role in the tourism industry, by providing an alternative form of accommodation to the average motel or hotel. It is a popular choice for overseas visitors, but increasingly there are also more New Zealanders staying in this type of accommodation. Like other visitors, these people 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.

26. Under the current proposal, bed and breakfast establishments will be grouped under Tier 1 and so will be required to pay \$320.00 annually. The B&B sector is not opposed to paying a commercial rate, but TIA thinks the fee paid by a business of this size creates problems of fairness and equity when compared with larger accommodation providers and many of the businesses grouped into Tier 2 like supermarkets and service stations, who arguably benefit more from visitors than a small B&B. It could also be argued that B&Bs place minimal demands on core Council services like water and sewerage compared to larger businesses.

27. A further point to consider is an inequity that exists with other businesses that operate from home. Examples include consultants, sales people, child minders, web designers, hairdressers, beauticians, osteopaths, and others, many of whom fall below the radar of a local authority's targeting process.

So what is TIA saying?

28. In sum, the position of TIA is as follows:

- We strongly support the proposal for a targeted rate as this will establish a model that gives more financial certainty for the future of Nelson Tasman Tourism.
- We believe a well funded and viable Nelson Tasman Tourism will deliver stronger marketing and promotional activities to attract visitors to the region.
- In terms of the model for targeted rating, while we support the current model, we would encourage the Tasman District Council to revisit this and consider adding more tiers to the rating levels for accommodation providers that would more

accurately take account of size, revenue and capital value.

- We also encourage the Tasman District Council to investigate mechanisms to make sure commercial rating includes all residential businesses (as mentioned in paragraph 27) in the region.

29. TIA thanks the Tasman District Council for the invitation to comment on the Draft Ten Year Plan, 2009-2019.

Simon Wallace
Tourism Industry Association New Zealand
27 April 2009

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