



**Submission to the  
Westland District Council  
on the  
Draft Annual Plan 2010-2011  
18 March 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 Westland District Council's Annual Plan process for 2010-2011. TIA has been approached to provide a supporting submission on behalf of its members in @home New Zealand. @home New Zealand is a national association for bed and breakfast establishments and has a number of members in the Westland area. For your information, the Association made similar supporting submissions to both the Buller and Grey District Councils in 2009.
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 home based business in Westland.
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**

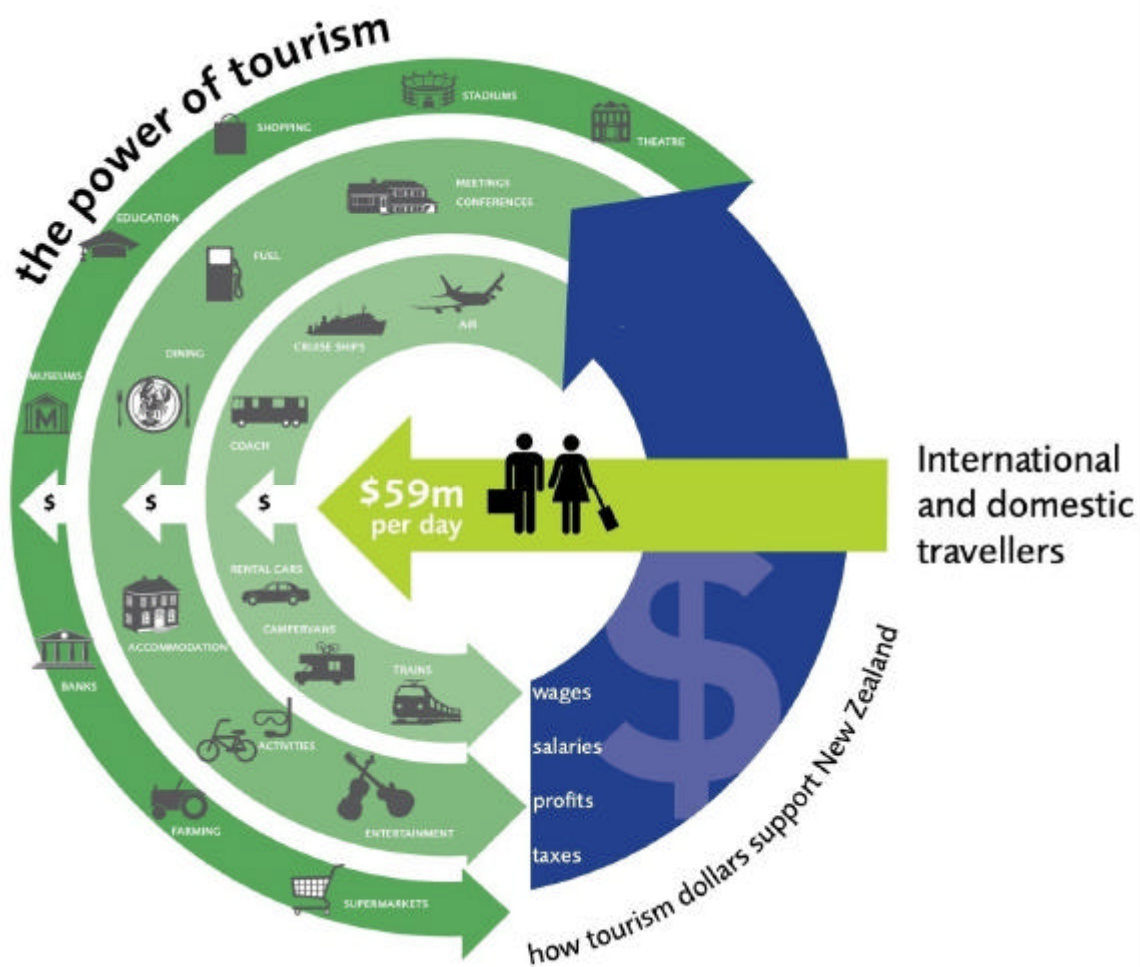
### **A bed-rock of New Zealand's economy**

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:

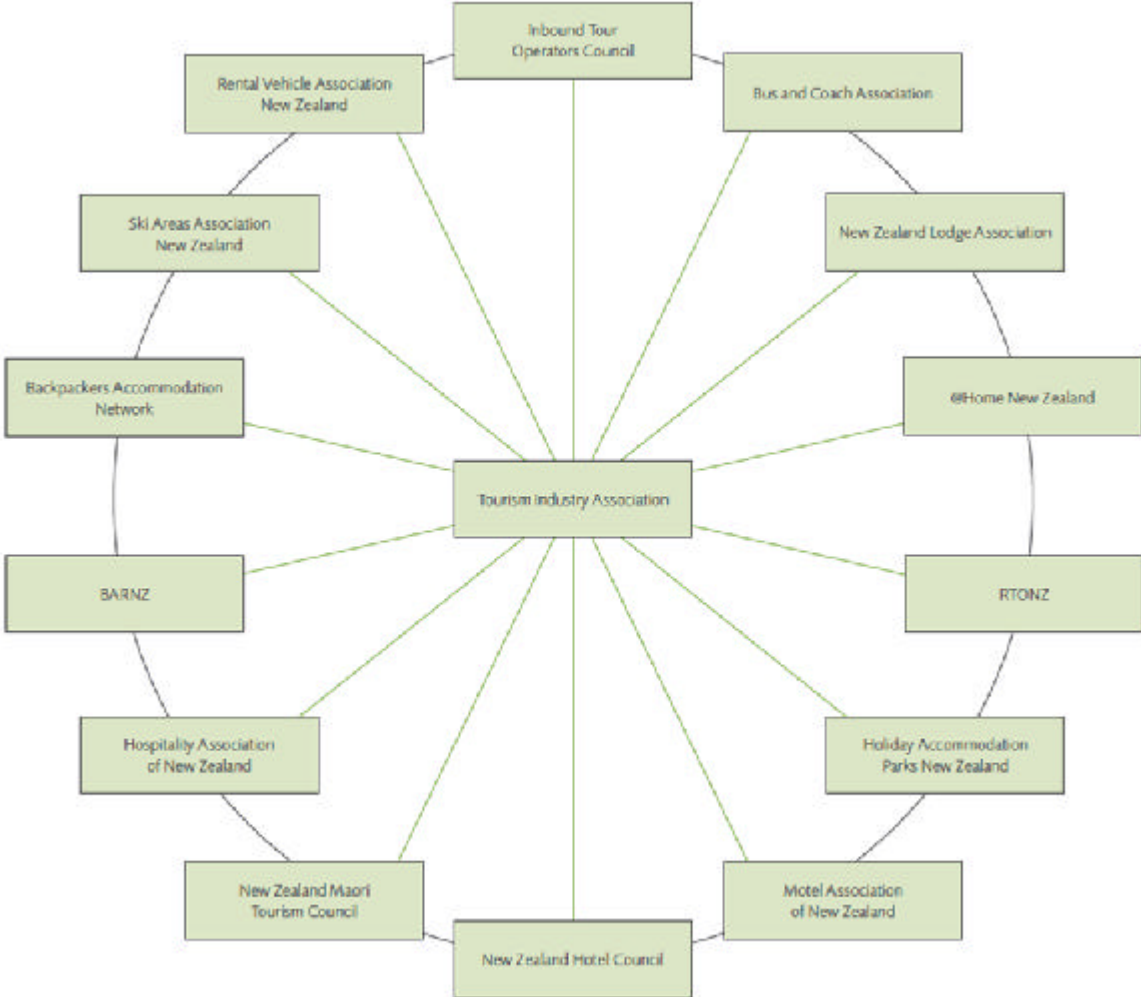
- Tourism contributes more than 9% of gross domestic product (GDP) for New Zealand.
- Tourism directly and indirectly employs nearly one in ten New Zealanders (184,800 total) in full-time equivalent (FTE) jobs.
- Tourism in New Zealand is a \$59 million per day industry. The New Zealand tourism industry 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 (RTO), 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 very own 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 changes to the 2010/2011 Draft Annual Plan process as proposed by the Westland District Council and specifically the proposal to charge commercial rates on home based businesses. While TIA has been approached by bed and breakfast operators that belong to @home New Zealand for their support, the Association has also used this opportunity to make general comments about the targeted rate proposal.
17. From the outset, TIA wishes to commend the Westland District Council for its ongoing commitment to tourism development and promotion in the region. Maintaining part funding for Tourism West Coast, the Hokitika i-SITE 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 good examples of this.
19. **TIA attaches the following criteria to the use of targeted rates such as the Westland District Council's commercial rates on home based businesses:**
  - 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 businesses 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.<sup>1</sup>

20. **Key concerns TIA has with the Westland District Council's proposal to commercially rate home based businesses are:**

- **Affected properties:** The Westland District Council has listed 90 properties in the territorial local area which are undertaking commercial activities and whom it believes should be paying commercial rates. At first glance, this list of 90 properties appears to be a simple attempt to target residential business that should pay the commercial rate. Examples of businesses that could be missed by this approach include consultants, sales people, child minders, web designers, hairdressers, beauticians, osteopaths, jade manufacturers, electricians, rental properties run as a business and indeed other accommodation properties, many of whom fall below the radar of the local authority's targeting process.

If the Westland District Council is to introduce a fair and equitable rating system for residential based businesses then it should do a lot more work to identify a realistic list of residential businesses in the district. This exercise should be followed by the establishment of a clear and transparent set of criteria for rating these businesses.

- **Capital value:** It is our understanding that the targeted rating model could 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 in Westland, 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

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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.

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:** Giving businesses more time to respond to the Westland District Council's proposal would be advantageous especially as this development comes at a time when bed and breakfast operators are at their busiest. A period of less than three weeks 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".
- **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:

While in principle, TIA supports targeted rates since they allow local government to continue supporting tourism initiatives and promotion in the District, 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 Westland District Council 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 and the new tiered model now in place in Tasman.
- The Westland District Council 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.
- The Westland District Council 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.

- The Westland District 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.
- As TIA said in its submissions to the Buller and Grey District Councils in 2009, 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 Westland District Council to comment on the Draft Annual Plan process for 2010-2011.

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18 March 2010