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Media Release

Auckland Council needs to accept facts and drop targeted rate proposal

Auckland Council's proposed \$28 million targeted rate on commercial accommodation would have massive unintended consequences for the city and must be dropped, Tourism Industry Aotearoa says.

TIA has today made a comprehensive submission to the Council, saying the proposed rate unfairly targets just one sector that makes up less than 10% of Auckland's visitor economy.

"The facts are very clear and these have been presented to the Council," says TIA Chief Executive Chris Roberts. "This targeted rate would be a disaster for Auckland and must be withdrawn."

Visitors to Auckland spend \$7.5 billion a year across a diverse range of services, including retail, hospitality, transport and activities. The commercial accommodation sector receives only 9% of that spend but is being asked to pay 100% of the targeted rate.

"The commercial accommodation sector is willing to pay its fair share. We want to work with the Council to find an equitable and sustainable way for the sector to make an appropriate contribution to visitor promotion activities provided through the Council's economic development agency, ATEED," Mr Roberts says.

All Aucklanders benefit directly or indirectly from the economic value visitors bring to the city. They also get a social return. Many of the events supported by ATEED are mainly enjoyed by locals. These include the Lantern Festival, Pasifika, Diwali, the Waka Festival, Santa Parade and Pride Parade, which contribute to the social fabric of the city but result in very little increase in demand for commercial accommodation.

The new rate is **not** a bed tax or visitor levy. It is a massive rate increase based on capital value to be paid by the building owner, irrespective of the number of guests in each property.

"The Council continues to insist that the rate can easily be recovered by accommodation providers adding \$6 to \$10 to the daily bill. This is quite simply wrong."

The complexity of the ownership arrangements in the commercial accommodation sector has been ignored. These include property developers, building owners, hotel management contracts and franchise arrangements. Often the party paying the rates bill is one or two stages removed from the provider of the guest services.

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"The building owners include hundreds of 'mum and dad' investors, who have invested in strata title properties. Contractual arrangements mean they must pay any rate increase and cannot pass it on to the accommodation operator," Mr Roberts says.

Additionally, only a quarter of Auckland's visitors stay in commercial accommodation, with the majority of visitors staying with family and friends, or in other paid accommodation like Airbnb.

"The Council wants all visitors to Auckland to pay up, but three-quarters of them are being missed entirely in this proposal," Mr Roberts says.

The proposed rate risks seriously damaging Auckland's economy, with a number of hotel owners and developers reviewing their commitments to the city.

"Both the Auckland Council and the Government have identified the need for new hotel developments in Auckland to keep pace with population and tourism growth. Half a dozen hotels are planned, but this is nowhere near enough. An estimated 4300 more rooms are needed by 2025. The targeted rate would immediately wipe \$400-\$450m off the value of existing accommodation assets and threaten the feasibility of new projects.

"Hotel developers can make their investments anywhere in the world. Many cities are incentivising new investment; Auckland is doing the opposite with this proposed rate. Information provided to TIA in the past few weeks by hotel owners and developers suggests that at least \$500m in capital investment planned for Auckland will be moved elsewhere if this targeted rate proceeds."

In heaping \$27.8m a year in additional charges on commercial accommodation providers, the Council is also failing to recognise the wider contribution this sector makes to Auckland through employment, sponsorship, community support and marketing.

TIA will continue working closely with Hospitality New Zealand, commercial accommodation providers and other sector stakeholders to oppose the targeted rate.

"There are other opportunities to meet the Council's budget objectives, without unfairly targeting just one sector with a poorly designed measure based on incorrect information.

"We urge the Council and all Councillors to carefully consider the facts provided to them. If they do that, then the targeted rate has to be rejected."

[Click here](#) to read the Key Facts Sheet on Targeted Rates Proposal
[Click here](#) to read TIA's full submission and supporting documents.

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KEY TOURISM FACTS

- Tourism in New Zealand is a \$95 million per day industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$55 million in economic activity every day.
- Tourism is New Zealand's biggest export earner, contributing \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2016).
- 13.2% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 332,322 people are working in the visitor economy.
- The [Tourism 2025](#) growth framework has a goal of growing total tourism revenue to \$41 billion a year by 2025.

Visit www.tia.org.nz for more information

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