



**Submission to  
Auckland Council  
on the  
Draft Long Term Plan 2018-2028**

**Date: 28 March 2018**

**TOURISM INDUSTRY AOTEAROA**

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Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the Long Term Plan 2018-2028 of Auckland Council.

This submission comprises two main parts. Part One provides a general perspective on tourism at a regional level. Part Two provides specific feedback on the draft Long Term Plan.

This submission is filed without prejudice to TIA's future position. Our ability to prepare a comprehensive submission responding to the consultation document relied on the provision by the Council of information relevant to the connection between the consultation document and the benefits that would accrue. If any information is provided at a later date, TIA reserve the right to comment further.

## **INTRODUCTION**

1. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With over 1,500 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, as well as related tourism services.
2. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.
3. Tourism 2025 ([www.tourism2025.org.nz](http://www.tourism2025.org.nz)), an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching \$41 billion in annual tourism revenues by 2025. Spend growth has been rapid since 2014 and we are well on target to reach that goal.
4. This year, TIA is working on a Tourism 2025 reset that will include incorporating sustainability principles, articulating a longer-term view of tourism in coordination with Central Government; and identifying new priority actions to be addressed over the next 1-3 years.
5. Any enquiries relating to this paper should in the first instance be referred to Nienke van Dijken, TIA Policy Analyst at [nienke.vandijken@tia.org.nz](mailto:nienke.vandijken@tia.org.nz) or by phone on 04 494 1842.

## **STAKEHOLDER CONSULTATION**

6. In preparing this submission, TIA has engaged with its members in the Auckland accommodation sector.

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## **TOURISM'S IMPACT AT A REGIONAL LEVEL**

7. The visitor spend from both international and domestic visitors for the Auckland Council was \$8,286m for the YE January 2018.
8. The tourism industry makes a significant contribution to regional economic development through the jobs and income it creates. Only a fraction of visitor spending actually occurs in places commonly considered visitor specific e.g. accommodation, attractions. The rest takes place in shops, cafes, petrol stations and other local businesses. Local farmers and market gardeners benefit from selling their goods directly or indirectly to visitors.
9. On any day of the year, your community is hosting the visitors, domestic and international, who are helping support local jobs and businesses.
10. One of the keys to a strong regional visitor economy is the quality of the visitor experience. Councils play an important part in that experience with the investment they make in infrastructure e.g. roads, water/waste disposal, broadband, attractions and events in addition to their support for promotional bodies. Councils play a vital role in helping visitors, as well as ratepayers, make the most of their time in the community.
11. Councils' planning need to consider the needs of visitors and residents in their council planning, so the community can reap the benefits of the visitor economy.
12. As noted, one of the keys to a strong regional visitor economy is the quality of the visitor experience. Councils play an important part in that experience with the investment they make in infrastructure e.g. roads, water/waste disposal, broadband, attractions and events in addition to their support for promotional bodies. Councils play a vital role in helping visitors, as well as ratepayers, make the most of their time in the community.
13. In 2016, TIA developed a Local Government Manifesto, outlining eight priority actions for councils to reap greater economic and social rewards from tourism. A copy of this manifesto was sent to all local councils, ahead of the Local Council Election. For more details, please refer to Appendix 1.

## **Challenges and opportunities of tourism growth**

14. Tourism growth presents both challenges and opportunities. The visitor economy is a major driver of regional prosperity but the costs and benefits of increased tourism do not always fall evenly. However, talk of new visitor taxes and levies must be debated robustly, with all the issues and options considered. Any form of national or local tourism tax or levy must be fair, efficient and ring-fenced for tourism-related investments.
15. We understand that the growth in tourism in your region will bring with it specific issues. The following section explores some of those likely issues, how the industry is responding and what you, as a Council, could do.

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## 16. Infrastructure

Recent tourism growth has placed pressure on some infrastructure used by visitors. In order to better understand and size this issue, TIA undertook a National Tourism Infrastructure Assessment in 2016/17. The resulting report identified the main infrastructure deficits in both the private and public sectors.

The priority infrastructure types identified were:

- Visitor accommodation
- Telecommunications
- Airport facilities
- Road transport
- Car parking
- Public toilets
- Water and sewerage systems

Much of the infrastructure identified as a priority for investment is local and mixed use (used by both residents and visitors) and has often seen long-term under-investment. To optimise the benefits of tourism for host communities, coordination between Central and Local Government agencies and industry partners is needed for needed projects to proceed.

*What the Industry is doing:*

- TIA successfully advocated for the Tourism Infrastructure Fund resulting in a \$100m fund for local and mixed-use infrastructure.
- Tourism sectors able to scale-up quickly are doing so, e.g. the road transport sector has been able to respond quickly with increased fleet size.
- Operators making significant private investment into infrastructure, e.g. Skyline Queenstown's \$100m redevelopment.
- TIA is undertaking work to identify and address the key barriers to infrastructure investment.

*What you as a Local Council could do in regards to infrastructure:*

- Apply to the Tourism Infrastructure Fund for projects like new carparks, toilets and visitor facilities.
- Coordinate with Central Government and industry partners on infrastructure projects submitted to the Regional Growth Fund.
- Ensure the Long-term Plan accurately reflects the infrastructure needs of tourism.

## 17. Social Licence to Operate

The fast growth of visitor economy has caused unease in some host communities, with locals worried about the number of visitors and the impact. This places pressure on the social licence the industry has to operate within these communities.

*What the Industry is doing:*

- TIA in conjunction with Tourism New Zealand undertakes six-monthly 'Mood of the Nation' research to assess New Zealanders' views of tourism.
- TIA in conjunction with Tourism New Zealand is developing a 'Tourism Narrative' project, which includes helping local businesses tell their stories.
- TIA is a key partner in NZTA's Visiting Drivers project to reduce the number of accidents by visiting drivers.

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- TIA leads the Responsible Camping Forum, a group of 40 organisations representing rental operators, industry associations, Local and Central Government working together to manage freedom camping.
- A number of infrastructure initiatives will contribute to addressing social licence issues such as over-crowding.

*What you as a Local Council could do in regards to social licence concerns:*

- Ensure freedom camping is effectively managed in your region
- Promote the benefits of tourism in your region to the local community

## 18. Sustainable tourism

With the rapid growth achieved in the past few years, the tourism industry is facing the challenges of managing and sustaining growth, rather than generating growth. There needs to be purposeful effort to actively manage the industry for its long term sustainable success.

*What the Industry is doing:*

- TIA has worked with industry and with Government agencies' support to develop a Tourism [Sustainability Commitment](#) (TSC). The Commitment establishes a set of aspirational goals at both an industry and business level across the areas of economic, environmental, host communities and visitor sustainability. Tourism operators are signing up to the TSC and working towards implementing the sustainability commitments within their businesses.

*What you as a Local Council could do to support tourism sustainability:*

- Support the tourism sustainability goal through positive policy and regulatory settings, and funding.
- Sign up the Council or your appropriate agency to the TSC and actively promote the TSC to your local tourism operators.



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## **19. Protecting and restoring the environment**

Tourism is a highly competitive global industry. New Zealand's environment is our unique selling point, it underpins our 100% Pure New Zealand tourism position and supports many of our iconic adventure and outdoor activities. Data from the International Visitor Survey conducted for the Ministry of Business Innovation and Employment (MBIE) shows that the top factor for influencing visitors to choose New Zealand is our natural landscape and scenery.

New Zealand's natural environmental assets are under threat, including many of our native species, our freshwater rivers and lakes, and our unique landscapes.

*What the Industry is doing:*

- The environment is one of the four pillars of the Tourism Sustainability Commitment. The TSC asks that Tourism businesses actively support and champion ecological restoration initiatives, and that they are measuring, managing and minimising their environmental footprint.
- TIA is a member of the Land and Water Forum and advocates with central government to protect our natural environment.

*What you as a Local Council could do to support our valuable environment:*

- Recognise the economic value of your environmental assets to tourism
- Ensure the Long-term Plan accurately reflects the environmental needs of tourism
- Action the requirements of the National Policy Statement for Freshwater Management as quickly as possible

## **20. Regional Economic Development**

TIA is pleased to see the increased focus on regional development by Central Government.

Regional dispersal is one of the big challenges for the tourism industry, as currently 65% of current visitor spend occurs in the four gateways of Auckland, Wellington, Christchurch and Queenstown. By improving the spread of tourism around the country, we can ensure that many more regions benefit from tourism activity, while relieving pressure on those places with the highest visitor loads. We are strongly supportive of regional development initiatives that encourage and incentivise tourism.

An effective regional tourism partnership relies heavily on a strong and healthy relationship with Local Government and local communities. The regions where tourism is well managed are characterised by strong local leadership and support, and Regional Tourism Organisations (RTOs) and Economic Development Agencies (EDAs) play an important part in this.

TIA is keen to work with you either in partnership with RTOs/EDAs on areas such as regional visitor strategies, or directly on issues such as freedom camping and proposed regional visitor levies.

### **Funding**

21. Tourism funding in this context relates to financial contributions provided through Central and Local government. There are two components to tourism funding – the source of funds and distribution of funds.

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## **22.Sources of tourism funding**

International visitors pay taxes and are more than paying their way. TIA believes these taxes, including the border clearance levy and \$1.5 billion a year in GST, need to be taken into account when additional charges on visitors are contemplated.

Tourism businesses support regional tourism activity through general and targeted rates, regional marketing alliances and their own marketing efforts.

There are infrastructure funding issues at a Local government level, especially in regions with small ratepayer bases. Central government assistance is desirable in some cases and there are opportunities for greater user pays and better use of council balance sheets.

Any new funding models contemplated need to be fair and applied nationally. A strength of the New Zealand tax system is its simplicity. Ad hoc taxes on visitors or tourism businesses at a local level are undesirable.

## **23.Distribution of tourism funding**

Central government funding support for local mixed-use infrastructure provided by Local government requires a robust governance and allocation process.

Any form of tourism tax, such as the existing border clearance levy, must be ring-fenced for tourism-related investments, not siphoned off for other purposes.

Regional expenditure on tourism marketing and destination management by local authorities should be consistent with the tourism aspirations of the community and cognisant of the impact that visitor spend has on the wider community including employees and suppliers.

24. New visitor taxes and levies must be debated robustly, with all the issues and options considered. Any form of national or local tourism tax or levy must be fair, efficient and ring-fenced for tourism-related investments. TIA will vigorously resist any poorly designed tax or levy proposals that could tarnish New Zealand's reputation as a country that welcomes visitors.

## **Part Two - Specific feedback on your LTP**

25. In the following section, we provide feedback on the tourism priorities within your draft LTP.

26. Our view is that the Auckland Council's priorities most impacting the tourism sector is the rating of the online accommodation sector.

### **Rating of the online accommodation sector**

27. TIA strongly opposed the introduction of the Accommodation Provider Targeted Rate (APTR) when introduced in 2017, primarily because of the inequitable distribution of the rate. Traditional providers wore the full brunt of the tax while receiving approximately 9% of the benefit (visitor spend). Our view has not changed and we reiterate our position that the APTR should either be withdrawn and for those services to be funded from the general rate, or that it is spread equitably across all operators that benefit from the visitor economy.

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28. Notwithstanding the points made above, below are our views on the proposal to rate the online accommodation sector.
29. TIA's policy position in regards to the online sector, or as we refer to it the Peer to Peer (p2p) economy, is to advocate for Government to closely monitor and investigate international management of the p2p sector and to set requirements that provide for fairness, quality and provision of a safe and compelling visitor experience.
30. The [Tourism Sustainability Commitment](#) aims for New Zealand to deliver world leading experiences for visitors and it is important the p2p sector is recognised within this. TIA recognises that p2p or shared accommodation offers additional choice to consumers and that it fills an important need, especially over peak periods.
31. While TIA acknowledges the difficulties in applying a commercial rating model across residential accommodation, this should not dissuade councils from doing so. A number of councils are taking on the challenge. As noted in the draft LTP, Rotorua Council has a model in place allowing a total of 100 nights before becoming liable for a business rate. TIA submitted on Queenstown Lakes District Council's (QLDC) recent proposal to manage this sector, calling on QLDC to withdraw their proposal due to our concerns that the ability for owners to exercise existing user rights would defeat the intent of the council's proposal.
32. The Auckland Council proposal is:  
*'That properties rented via web-based accommodation services, where the entire residence is let (not just a room), and depending on the number of days booked, will be rated as follows:*
- *up to 28 nights – continue to be rated as residential and the APTR does not apply*
  - *between 29 and 135 nights*
    - *rated as 75% residential and 25% business, and*
    - *if the property is located within the APTR zone then 25% of the APTR will also apply*
  - *more than 135 nights*
    - *rated as business, and*
    - *if the property is located within the APTR zone then the full APTR will also apply.*
33. Notwithstanding the difficulties in identifying residences providing online accommodation, the management model including rating should represent fairness, quality and provision of a safe and compelling visitor experience. We consider the proposal as it currently stands falls short of achieving fairness and therefore **we do not support the proposal as it currently stands.**
34. We question why room-only should be exempt. Auckland Council's report 'Airbnb & Housing in Auckland' (March 2018) notes that of the 12,357 properties available on Airbnb, there was a fairly even split between entire place (49%) and private rooms (49%) with a very small proportion of shared rooms (2%). Exempting the room-only providers would exclude a significant proportion of the market. It can be reasonably presumed that some of these room-only providers are generating significant annual

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revenue. Our view is that to achieve fairness and spread the rate burden, room-only providers should also be included.

35. We do not accept that residences providing less than 28 nights accommodation p.a. should be exempted. The draft LTP notes that there would be up to a 55% decrease in the APTR for traditional accommodation providers should the APTR be applied to all online providers. Traditional accommodation providers are paying the full APTR regardless of occupancy rate. While we accept that those residences providing less than 28 nights accommodation remain on a residential rate, for fairness we advocate they should pay 100% of the applicable APTR.

36. For those businesses providing between 29 and 135 nights, a shift to the business rate makes sense. However, applying a 75% residential / 25% business split does not make sense. 135 nights per annum equates to 37% of the year. We would argue that a 65% residential / 35% business split is more acceptable. Residences operating at this higher level of activity are showing characteristics of a tourism business and need to be thinking and acting like tourism operators, and provide a safe, enjoyable and quality experience. Being charged at 35% business rate supports that focus. As noted prior, we would advocate that the APTR sits at 100%, not the proposed 25% for this group.

37. We agree that those providing more than 135 nights should be rated fully at the business rate and the full APTR applies.

38. In summary, our proposed model looks like:

|                         | <b>&lt;28 nights p.a.</b> | <b>29-135 nights p.a.</b> | <b>&gt;135nights p.a.</b> |
|-------------------------|---------------------------|---------------------------|---------------------------|
| <b>Residential Rate</b> | 100%                      | 65%                       | 0%                        |
| <b>Business Rate</b>    | 0%                        | 35%                       | 100%                      |
| <b>APTR</b>             | 100%                      | 100%                      | 100%                      |

39. The use of the term 'online accommodation sector' to describe this sector is confusing. It is a very general term and many accommodation providers including traditional providers operate online. We would support a change to a term such as short-term visitor accommodation or short-term rental accommodation.

40. As the model is developed for rating the peer to peer accommodation sector we suggest that consideration is also given to gathering information that can be applied to the Commercial Accommodation Monitor (CAM). This would assist in providing an ongoing picture of the size and activity of this sector.

41. The draft LTP says that in early 2018 officers will consider a range of approaches to identify the online providers, progressing from web searches and information from neighbours/competitors, to introduction of bylaws, Unitary Plan amendments and legislative change. We would welcome the opportunity to discuss the implementation of the rating model in more detail with Auckland Council as we believe we may be able to assist with finding the right solutions. We believe that Airbnb and Bookabach should also be included in these discussions and encourage Auckland Council to bring them to the table along with other interested parties including TIA.

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### Follow up process

42. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

### **BACKGROUND**

43. Tourism for New Zealand is big business as the country's largest export sector. It 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. 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 and 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.

44. The tourism industry delivers the following value to New Zealand's economy:

- Tourism in New Zealand is a \$99 million per day and \$36 billion a year industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$59 million in economic activity every day.
- The tourism industry directly and indirectly supports 14.5% of the total number of people employed in New Zealand. That means 399,150 people are working in the visitor economy.
- Tourism is New Zealand's biggest export industry, earning \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2017).

End.

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## **Appendix 1: TIA Local Government Manifesto 2016**

The following Tourism 2025 actions are the priorities for a stronger local government/tourism partnership. The industry's eight priorities we would like to see from Local Government are:

### **Destination Management**

This is the most important thing councils can do – look after and invest in the quality of your region as a destination.

- Facilitate and enable communities to meet the needs of growing numbers of visitors, as well as residents.
- Identify your unique selling points as a destination and promote them.
- Work with neighbouring communities to attract visitors to the wider region.

### **Infrastructure Facilitation**

With the rapid growth in visitor numbers, we have to invest in essential infrastructure and enable the private sector to develop its infrastructure by delivering efficient planning and approval services.

- Define and plan for the priority infrastructure that meets the needs of visitors as well as residents.
- Examine the regulatory environment applied to tourism operators and other businesses serving visitors, and assess where the compliance burden can be reduced to support increased productivity

### **Events programming**

Events are one of the best tools for encouraging people to visit your community. Use them to your advantage.

- Schedule events (meetings, conferences, sports events and festivals) outside of the peak season to foster off-peak travel activity.
- Attract high value business visitors through the availability of quality facilities, such as convention centres where appropriate.

### **Measuring Visitor Satisfaction**

It is important to understand what your visitors think of your community. If they are happy, businesses can grow. If you know there are areas of low satisfaction, you can address the problems. Without this insight, you can't increase value.

- Track the satisfaction of international and domestic visitors, whether by direct customer feedback or social media, and use this information to address areas of dissatisfaction and deliver ever higher satisfaction levels.

### **Off-peak Marketing**

Help your community to prosper by attracting people to visit throughout the year. This will develop a sustainable tourism industry with more permanent jobs.

- Council-owned or supported marketing agencies (e.g. RTOs, EDAs) build a stronger focus on promoting off-peak travel activity to high value visitors.

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### **Regional Development and Tourism**

Every region wants to grow and tourism can and does support this goal. Tourism complements your community's other industries like wine, horticulture and farming.

- Encourage and incentivise tourism as part of your regional development strategies.

### **Enabling Airport and Port Facility Development**

Great air and cruise links are vital to growing tourism. If your airport or port is council-owned, make sure long-term plans are aligned with industry forecasts. There are long lead times, so you have to think ahead.

- Councils work with local airports to establish and implement long-term and sustainable development strategies.
- Councils work with their port company to ensure cruise tourism is enabled.

### **Sustainable Tourism Positioning**

Every region needs to demonstrate its commitment to look after its economic future and the resources it uses to operate.

- Identify the regional priorities required to develop a sustainable tourism industry across economic, social, cultural and environmental considerations.

By actively pursuing these opportunities, your Council can enable real economic and social gains for their communities.

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