



**Submission to
Kaikoura District Council
on the
Draft 3 Year Plan 2018-2021**

Date: 05 June 2018

TOURISM INDUSTRY AOTEAROA

Level 4, 79 Boulcott Street, PO Box 1697, Wellington 6140, New Zealand
P +64 4 499 0104 www.tia.org.nz E info@tia.org.nz

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the Long Term Plan 2018-2028 of Kaikoura District 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 3 Year 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), 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 or by phone on 04 494 1842.

TOURISM'S IMPACT AT A REGIONAL LEVEL

6. The visitor spend from both international and domestic visitors for Kaikoura District Council was \$81m (YE Feb 2018).
7. 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.

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8. On any day of the year, your community is hosting the visitors, domestic and international, who are helping support local jobs and businesses.
9. 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.
10. Councils' planning need to consider the needs of visitors and residents so that the community can reap the benefits of the visitor economy.
11. 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

12. 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.
13. We understand that the growth in tourism in your region may 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.

14. 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 projects to proceed.

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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 are 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.

15. Social Licence to Operate

The fast growth of the 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.
- 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

16. 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.

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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.

17. 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

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- Action the requirements of the National Policy Statement for Freshwater Management as quickly as possible

18. 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

19. 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.

20. 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.

21. 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.

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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.

22. 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 3 Year Plan

23. We would like to applaud Kaikoura District Council and its community on the resilience it showed after the 2016 Kaikoura Earthquake and in its head-on approach to dealing with the impact of the earthquake. Moving Kaikoura District forward as a great place to live, with a strong, well-connected community, ecologically exemplary and economically prosperous is a relevant and ambitious vision for the District.
24. In the following section, we provide feedback on the tourism components within your 3 Year Plan. In preparing this feedback, TIA has engaged with its members in the Kaikoura District.
25. It has been clearly established that tourism is one of, if not the key, economic driver in the Kaikoura District. This became very apparent post-quake with the road access being closed and/or severely compromised. When the road re-opened, visitors returned on mass and effectively re-ignited the business viability for many local operators. Although it is pleasing to see that 'quake tourism' is helping visitor numbers bounce back, and the number of guest nights appear to be recovering towards that of previous (down 10% in September 2017 from September 2016), guest arrivals including day-trips are still significantly lower than before the earthquakes (down 40% over the same period).
26. The 3-year Plan recognises the value of tourism and proposes to invest in economic development, appointing a full time economic development staff member who will cover six key areas including tourism, and investing in community facilities including the harbours, cycle/walkways and parks).
27. However overall the Plan is fairly silent on tourism. We are of the opinion that the Plan lacks in ambition from a tourism perspective and a stronger support for tourism is needed for your wish to turn Kaikoura from a seasonal destination to an all year round destination. We would welcome to discuss this in more detail with the Council.

Rates rise

28. Kaikoura historically has had lower rates than the national average (\$11.62 per week lower than the national average). We understand that the Council will focus on earthquake repair and catching-up after years of under-investment in infrastructure. Rate rises are unavoidable, but the Council is looking to keep costs down, seeking funding from Central Government and others and looking at how to raise new revenue or passing costs on more directly to those who use the services in this 3 year plan.

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29. We understand that the Council preferred option is to spread the rate rise over 2 years and use cash-flow loans to fund the difference. This would give ratepayers two years to adjust to the higher rates.
30. We acknowledge that the Council seeks to understand how difficult business has been for operators in the Kaikoura District and any rate rise would be a struggle. However, we are supportive of the Council's preferred Option Two. It is estimated that for a commercial 30-room motel with a valuation of \$4.2m this would mean a weekly increase in rates of \$14.94 (or an annual \$776 rate increase), for a commercial property with a rating valuation of \$510,000 this would mean a weekly increase in rates of \$5.31 (or an annual \$227) rate increase.
31. Option One (a large increase in one year) could be a difficult burden for operators, while option three (spread the rise over 4 years, and use cashflows loans to fund the difference) would lead to substantial costs in loan interest for the Council.

Community facilities

32. Although we would prefer for the Council to promptly repair all earthquake damaged facilities and bring all facilities up to relevant codes and standards and community expectations, we understand that this would lead to a more substantial rate increase.
33. We are supportive of the Council's preferred option of doing what's needed and repairing and improving key community facilities and airport buildings, closing other to minimise risk and unnecessary costs, improving levels of service for toilets, cycle/walkways and parks and assessing reserves and selling any that are surplus to community needs.
34. The cruise sector is a strong contributor to regional growth. For Kaikoura to be able to attract larger cruise liners by improving the harbour would be a very valuable investment. It is unclear to us whether the Council preferred option would include the harbour improvements but we strongly suggest it does.

Kaikoura's economic development

35. As noted, tourism is the key enabler for the Kaikoura District. It is pleasing to see that the Council aims to turn Kaikoura from a seasonal destination into an all-year round destination. It is important that the Council continues its investment and support for tourism and funding economic development should complement rather than be at the expense of current tourism funding. The Council should have a strong focus on being an enabler: supporting businesses to be successful within the district.
36. A renewed focus on economic development by the Council would be positive. However, before deciding on what opportunities there are for Kaikoura, the Council should invest in a new economic study to identify and prioritise the range of opportunities available.
37. We understand that the Council proposes to employ a fulltime person focussing on economic development. This person will work with an external governance board to cover the six areas of people, investment, diversification, business community, environment and tourism. We understand that this role will also work with investors to facilitate further development, and to enable business networking events and business

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capability development. This role is being funded by the same amount as that which has been committed to funding tourism (\$180k). There is little further detail around what this role is expected to achieve.

38. Although we are supportive of a renewed focus on economic development, until more details are available on what this role would look like and what the community can expect to receive for this investment we cannot be fully supportive of this proposal.

39. The role should be scaled to fit the size and affordability of the Council's current financial situation and should not be introduced at the expense of lesser investment in tourism.

How the Council is planning for the District's development and natural hazards

Environmental planning

40. As noted, TIA has worked with industry and with Government agencies' support to develop a Tourism Sustainability Commitment (TSC). As Kaikoura District Council aims to be a great place to live, with a strong, well-connected community, ecologically exemplary and economically prosperous, we strongly suggest for the Council to support the tourism sustainability goal through positive policy and regulatory settings, and funding, and sign up the Council to the TSC and actively promote the TSC to your local tourism operators.

Freedom camping

41. We are supportive for the Council's plan to deal with freedom camping in its District in a sensible and well-planned approach, and involving the community as these plans develop.

42. We are supportive for the Council to spend \$10,000 per year to deal with dumped rubbish, human waste or other litter from freedom campers or other sources.

How the Council is looking after the District's commercial future

Tourism and marketing

43. The Council is planning to spend \$180k of funding for Destination Kaikoura for regional, national and international marketing activities and famils. We are advised this may be a reduction in the previous funding allocation for these services which include salaries, and marketing partnerships to grow international and domestic visitor, increase length of stay and guest nights, build conference and event business to assist with year round visitation, and grow new product areas.

44. It would be of concern if there was a reduction in Destination Kaikoura's funding. The RTO has a strong track record of performing and delivering and any cutbacks may be short-sighted and poorly conceived.

45. We are advised that the Council will reduce its funding for the i-Site from \$20k to \$10k. With tourism being the key economic enabler to the District, should this be the case, we would not support this decision. On the one hand the Council aims to turn Kaikoura

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from a seasonal destination into an all year round destination; on the other hand it is planning to cut back its tourism funding.

FOLLOW UP PROCESS


46. TIA wishes to have the opportunity to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.
47. Thank you for the opportunity to submit on the draft LTP. 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 or by phone on 04 494 1842.

BACKGROUND

48. 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.
49. 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).

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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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