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Auckland Council
Private Bag 92300
AUCKLAND 1142

By email: akhaveyoursay@aucklandcouncil.govt.nz

Kia ora

Auckland Council Long-term Plan 2024-2034: TIA Submission

Tourism industry Aotearoa welcomes the opportunity to make this submission on the Auckland Council's ***Long-term Plan 2024-2034 Consultation Document***.

Key Feedback

We view tourism as being an enormously beneficial contributor to people and place. The tourism and hospitality industry is integral to our national identity; when it thrives, so does New Zealand. It brings economic diversity, resilience, generates jobs and fosters regional prosperity while showcasing our cultural richness and timeless experiences, fostering pride and social connectivity both locally and globally.

Across New Zealand, local government is under immense pressure. TIA recognises this pressure and the difficult decisions Councils are tasked with making. We submit, that in this context, funding for core tourism activity is an investment in the economic health and future prosperity of Auckland, an investment that will generate a healthy return on investment (ROI).

Our interpretation is that the draft Long-term Plan is signalling that the Council's tourism and events functions will be significantly reduced in all but the 'Pay More/Get More' option. Given what the international evidence base tells us, it is important to treat Council spend in these tourism functions as an investment, and not a cost. This spend will generate a dividend to Auckland in the form of increased economic activity, more and better jobs, and increased vibrancy across the city.

The themes of our feedback are as follows:

1. There is international evidence that cities benefit from sustained investment in tourism. We are strong supporters of sufficient base funding for the visitor attraction and events functions across the three options set out in the draft Long-term Plan. We see this as the 'Pay More/Get More' option being applied across the other two options.
2. **TIA is an advocate for a national funding mechanism** that will provide the most equitable, efficient and sustainable solution for councils and the industry to fund tourism needs. The industry is keen to partner with local government and central government to establish a funding mechanism that will meet the needs of all the key stakeholders.
3. Clarify the intention of the Long-term Plan around its port facilities and any implications for the Cruise sector, given the importance of quality downtown berthage for the sector.

Tourism Industry Aotearoa

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,300 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

TIA is sharply focused on ensuring the sustainable future of the industry, and this is clearly articulated in our key guiding documents and programmes. These include the tourism industry's strategic framework, *Tourism 2050 – A Blueprint for Impact, He Pae Tukutuku*, and the industry's sustainability platform *New Zealand Tourism Sustainability Commitment - He kupu taurangi kia toitū ai te tāpoitanga*.

The tourism industry

Tourism is the movement of people to places where they don't normally live to 'do, see, visit or experience'.

In the year to March 2023 (the latest data point we have) tourism expenditure was \$37.7 billion, and with tourism making up 11.4% of exports and supporting 11.3% of New Zealand's employment.¹ Since then, further recovery has taken place as tourism works to restore its position alongside Dairy as New Zealand's largest export earning sectors.

Auckland has a substantial tourism economy, with 19% of total guest nights in New Zealand, 32.6% of hotel guest nights² and 26.7% of total tourism spend.³ These figures demonstrate the position of tourism as part of the fabric of Auckland as a major city and visitor destination, and as a vital part of the wider tourism industry.

Tourism Key Points

The draft Long-term Plan effectively sets out the challenges faced by Auckland Council and the choices to be made across many areas.

From a tourism perspective, we have three key areas of interest:

1. Destination marketing and events promotion is an investment.

Council spending on tourism activities such as destination marketing and events promotion is widely considered to be an investment, not a cost.

As an investment, resources spent in these areas generate a return over and above the direct cost, and that is why countries and cities around the world invest in these functions. Generally, for every \$1 invested in the local visitor economy there is a direct return for the funding party, such as the local government entity, and with a larger benefit for businesses and people working in the local economy. This is the globally accepted rationale for destination marketing and events attraction activities.⁴

In cases where such funding has been withdrawn, the consistent outcome is a discernible decline in activity and, over time, reinstatement of the funding, followed by a gradual period of catch up. The case study evidence shows that when tourism related investment is cut, visitor spending starts reducing immediately and continues to decline. Fortunately, there are not too many of these case studies because funding reductions are quite rare which indicates that the boost generated from this type of investment is recognised and valued.

The Colorado example is widely held as the classic case study. When Colorado's \$12m tourism marketing budget was cut to zero in 1993, visitor spending reduced by \$1.4b initially and then to \$2b annually. With re-instatement of funding to \$17m in 2006, the advertising spending of \$10.7m generated an additional \$2.1b of visitor spend and

¹ Tourism Satellite Account, YE March 2023, Stats NZ, February 2024.

² Accommodation Data Programme, YE January 2024, MBIE, February 2024.

³ Monthly Regional Tourism Estimates, YE October 2023, MBIE, December 2023.

⁴ There is extensive literature on the Return on Investment from destination marketing. However, there is a vast number of ways ROI can be calculated depending on the methods used. What is common is that the ROI is invariably positive, and usually strongly positive. In analysis by Oxford Economics for the World Travel and Tourism Council (WTTC) the following ROIs were cited: Visit Denmark: ROI 16:1, Visit Scotland: ROI 20:1; Australia's 'A Different Light campaign': ROI 64:1; Canada Tourism Commission: ROI 38:1; Visit California: ROI of between 25:1 and 200:1 depending on target market.

additional tax revenue of \$139m. For the State funder, for every dollar it spent, it received and additional \$12.96 of tax revenue. A 13:1 return.

Similarly, in 2013 the San Diego Tourism Authority had its budget reduced by 85%. Over the following year, this rapidly impacted the performance of the San Diego hotel industry, with room demand, occupancy and price levels all trailing other regional and national destinations that had maintained funding. As funding was returned, the market position was restored reasonably quickly.

Events play a very important role in creating demand of high value visitors, and as a lever for tackling hard-to-address issues such as seasonality or time-of-week fluctuations. This elevates the benefits from investing in programmes that attract events and particularly those that can provide a boost to fill what would be an otherwise quiet period. Through having an ability to attract events, regions can create a more even and predictable demand pattern that can sustain businesses and the jobs that they create.

TIA submits that, in line with international evidence, Auckland Council ensure there is sufficient base funding for the visitor attraction and events functions across the three options set out in the draft Long-term Plan. We see this as the 'Pay More/Get More' option being applied across the other two options.

2. **Development of a future tourism funding mechanism is a shared goal.**

A key Action of the Tourism 2050 industry strategy was to 'Address Industry Funding'. The Action was established in recognition of the persistent and systemic lack of funding in the tourism sector both at industry-good and local government levels.

The draft long-term plan also sets out the need to find alternative funding, signalling that Council will '*Work with Central Government on new funding tools such as a bed night visitor levy to enable more investment into visitor attraction and economic development activities.*' It also cites sponsorship and partnering with the private sector as other means to raise funds.

TIA recognises the structural deficit that exists with tourism around the limited funding mechanisms available. We see this as a systemic issue to be addressed with the highest priority.

TIA is an advocate for a national mechanism that will provide the most equitable, efficient and sustainable solution. The industry is keen to partner with local government and central government to establish a funding mechanism that will meet the needs of all the key stakeholders.

The industry does not support targeted rates, but we are open to the establishment of consistently applied levies on tourism activities so long as they are well set up with appropriate governance and allocation processes in place.

3. **Facilities for Cruise Sector.**

The plan sets out options for the port lands and changes to the Captain Cook and Marsden wharves, and over a longer term the Bledisloe Terminal. The draft plan makes reference to '*the implications for any new cruise ship terminal would also need to be considered*'. From this, it is not easy to discern the plan's intentions for the cruise sector and its continued access to berthing and terminal facilities at the key downtown wharves.

The Cruise sector is an important part of the wider tourism industry and it has unique requirements, including access to berthage and disembarkation facilities. Auckland has a particular role as the main hub for the Cruise sector in New Zealand as passengers join and depart their cruise trips. This requires facilities of size and quality to ensure an enjoyable process for visitors. As such, the Long-term Plan should set out the

provision that will be made for port facilities for the cruise sector over the next ten years.

TIA submits that Auckland Council clarify the intention of the Long-term Plan around its port facilities and any implications for the Cruise sector, given the importance of quality downtown berthage for the sector.

Thank you for the opportunity to submit on the Auckland Council's *Long-term Plan 2024-2034 Consultation Document*. We would be most happy to expand on any points raised in this submission.

Please do not hesitate to get in contact if you have any queries. Bruce Bassett can be contacted on 021 609 674 or bruce.bassett@tia.org.nz.

Ngā mihi,

A handwritten signature in blue ink, appearing to read 'R Ingram', followed by a period.

Rebecca Ingram
Chief Executive