



tourism  
INDUSTRY

ASSOCIATION NEW ZEALAND

**Mackenzie District Council Draft Annual Plan 2007-2008 –  
Submission**

11 June 2007

## **Introduction**

1. This submission is from the Tourism Industry Association of New Zealand (TIA), located at level 4, Travel and Tourism House, 79 Boulcott Street, Wellington.
2. The Tourism Industry Association (TIA) is the umbrella body that works for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of the country's tourism-related revenue while the industry itself consists of more than 11,000 small to medium sized enterprises.
3. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, Policy Manager on 04 494 1842 or e-mail him at [simon.wallace@tianza.org.nz](mailto:simon.wallace@tianza.org.nz)
4. The TIA submission comments on the Mackenzie District Council (MDC) Draft Annual Plan 2007-2008.

## **Local Government and Tourism**

5. TIA recognises the critical role played by local government in the economic development of local and regional areas. Councils provide the basic infrastructure for the tourism industry to function. The core services of roads, water, sewage and public transport are provided by councils, while much other infrastructure that attracts locals and visitors alike, such as museums, art galleries, parks, gardens and visitor centres is also provided by local government.
6. Local government is therefore a significant public good investor in tourism, but the return on that investment is rewarded. Tourism provides employment and business activity that enhances the rating base of local communities. The industry supports local services, such as shops, cafes, restaurants, service stations, hairdressers, banks and laundrettes. It provides extra or secondary incomes for part time workers. It sustains sporting events and cultural extravaganzas and it often encourages new capital investment.
7. Local authorities themselves can add value to the tourism industry by engaging in fair and equitable rating practices, undertaking activities that lead to strong public good outcomes, recognising the importance of consultation with the business community and collaborating with the tourism sector to promote and market local destinations effectively. Local government is very much the catalyst in the growth of tourism activity. Fortunately the wants and needs of visitors are much the same as those of local residents.

## **Comment**

8. From the outset, TIA wishes to commend the work of the Mackenzie Tourism and Development Board (MTDB) in overseeing the promotion of tourism and development within the region. Along with the support provided to the local Regional Tourism Organisation, Destination Mt Cook Mackenzie (DMCM), there has been a steady flow of visitors to the region.

9. Since 2003 annual visits to the Mackenzie area have increased from 635,000 to 749,000 with annual expenditure in the area going from \$84 million to \$96 million. By 2012, annual visitor numbers are expected to increase to 890,600 with annual visitor expenditure in the Mackenzie area going up to \$133 million<sup>1</sup>.
10. We understand from the DAP for 2007-8 that the MDC is proposing changes to the way tourism promotion is funded in the region. In particular, our Association is concerned at the proposed amendment to the Long-term Council Community Plan (LTCCP). We understand it recommends a targeted tourism rate based on the valuation of accommodation properties in order to fund the activities of the MTDB.
11. While our Association believes tourism promotion should continue to be funded from general rates, TIA is not opposed to a targeted tourism rate for the activities of the MTDB, but we support it only in certain situations and make the following comments:
  - the revenue collected through this mechanism must be “ring-fenced” and re-invested into the destination marketing and management of the region. It is not clear from the proposed amendment in the LTCCP whether this is the case. We would be concerned if a targeted rate on tourism funded economic development activity beyond the tourism sector without any contribution from other businesses;
  - narrow and ill-defined taxes that target a specific industry or sector when the benefits of that industry or sector’s efforts are spread across wider businesses are both unfair and inequitable. We understand, however, that MDC is proposing that only accommodation providers be liable for the targeted rate. In the Mackenzie District, we are aware of many other tourism and tourism-related businesses - for example, trekking, kayaking, fishing, scenic air flights, hunting, skiing, shops, restaurants and cafes - all of whom benefit directly from tourism promotion.
  - targeted rates tend to work better when they are introduced with the agreement of the business community for a specific activity. There are, for example, some local authorities that have implemented a fairly targeted rate on the whole business sector (not just tourism or accommodation operators) to fund destination marketing activities, as is the case in Taupo; and
  - targeted rates should only be used where a clearly identified community is provided with a noticeably different or superior level of service to that experienced by other ratepayers.
12. The current proposal appears to be highly discriminatory in targeting only one sector of the tourism industry - accommodation providers based on the valuation

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<sup>1</sup> New Zealand Regional Tourism Forecasts 2006-2012 – Mackenzie RTO, September 2006, p.3.

of their properties. It does not recognise the economic spin offs that businesses beyond the core tourism sector receive from visitors.

13. Of further concern to our Association is the risk this proposal might have for the viability of bed and breakfast, home-stay and farm-stay businesses in the Mackenzie region. This sector is now an integral part of the tourism industry in New Zealand, providing a unique “Kiwi” experience for overseas visitors as well as becoming more popular with the domestic market. Critically, visitors who stay in bed and breakfast accommodation go on to spend their money in and around the regional and rural areas where they are staying. Anecdotal evidence suggests the majority of these businesses barely make profits and at best, they cover costs and break even. A targeted rate of the nature proposed by MDC could force some to close their doors and put at risk an aspect of the visitor experience the Mackenzie region can ill-afford to lose.

### **Conclusion**

14. In sum, if a targeted rate is to be applied, then its application must be fair and equitable across all businesses, not just those that are accommodation or tourism related. This proposal does not acknowledge that the economic benefits of visitors to the Mackenzie area are widespread and that value is added to many businesses beyond the core tourism sector.

### **Recommendation**

15. TIA recommends that:

- the proposed targeted rate on accommodation providers to fund the activities of the MTDB be reconsidered;
- MDC collaborate with businesses beyond the tourism sector on how to implement a fair and equitable targeted rate; and
- MDC examine successful targeted models that exist in other regions such as Tauranga, Taupo and Hurunui as these could possibly be replicated in the Mackenzie District.

## About the Tourism Industry Association (TIA)

1. TIA advocates for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of New Zealand's tourism-related revenue.
2. Tourism is a \$17.5 billion industry (\$8.1b from international and \$9.4b from domestic tourism) with international tourist expenditure accounting for 18.7% of New Zealand's total export earnings.<sup>2</sup> The industry, directly and indirectly, employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises (SME). Not only is tourism important because of its size, representing 9% of New Zealand's GDP, it is:
  - Highly employment intensive;
  - Regionally disparate; and
  - Very diverse - ranging from large stock exchange listed companies to small cottage industries.
3. These businesses cover a range of tourism-related activities – transport, adventure and activities, attractions and retail and related tourism services. In many cases, regional tourism businesses have developed around regional assets divested by other industries and have revitalised those assets and the communities that depend on them.
4. The tourism industry in New Zealand consists of more than 11,000 small and medium sized businesses. Of these businesses, most employ less than five people.
5. New Zealand welcomes more than two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry, as evidenced by the more than \$9 billion that comes from domestic visitors each year.

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<sup>2</sup> “Key Tourism Statistics – April 2007”, Ministry of Tourism website