



REGIONAL TOURISM NEW ZEALAND

Level 3 i-Payroll House
93 Boulcott Street
PO Box 9336
WELLINGTON 6140
P: (027) 230 2293
E: charlie@rtnz.org.nz
W: www.rtnz.org.nz

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Submission by Regional Tourism New Zealand on the Productivity Commission's Local Government funding & financing Issues Paper

Introduction

1. This submission is from Regional Tourism New Zealand (RTNZ), located in Wellington. If you have any queries regarding this submission please contact Charlie Ives, Executive Officer on 027 230 2293 or charlie@rtnz.org.nz
2. In accordance with the conditions of lodging this submission, RTNZ has no objection to the contents of the submission being made a matter of public record.
3. RTNZ has consulted with its constituent members to seek their views on this submission.

Issues Paper

4. Regional Tourism New Zealand (RTNZ) congratulates the Productivity Commission on the scope and quality of the Issues Paper, and the clarity with which it deals with the many funding and financing issues facing local government.
5. As the peak body for the 30 regional tourism organisations in New Zealand the focus of RTNZ is to encourage better coordination amongst RTOs, as well as ensuring collective RTOs are engaged and consulted with on issues critical to the development of the regional tourism sector in New Zealand. Therefore, our response to the Issues Paper is primarily in the context of how local government funding and financing impacts tourism at a regional level.
6. Regional Tourism Organisations are primarily funded by territorial authorities, through various structures (Economic Development Agencies, Council Controlled Organisations or Business Units). They therefore have a vital interest not only in sustainable funding to support their strategic initiatives, but also local government support for the sector through local infrastructure investment, policy and planning, and destination development and management, which support the visitor experience.

Issues Paper and Regional Tourism

Tourism as an economic enabler

7. Tourism is an intrinsic part of regional economic development and is New Zealand's largest export industry, and is a significant contributor to the New Zealand economy, contributing 21% of foreign exchange. It is a \$109 million per day industry, and expenditure has increased by \$11.9 billion or 44% in the past five years.
8. Currently 216,000 people are directly, and, another 149,000 indirectly employed in tourism – almost 1 in 7 jobs.
9. Tourism brings new money to regional and local economies. Visitor spend contributes towards generating economic growth which binds and maintains community vibrancy and well-being. The visitor market underpins the business case for many recreational, sports and cultural facilities and events that require a mix of community and visitor use to be viable.
10. The economic value and benefit of tourism is felt much wider than direct tourism businesses. Visitors support the wider economy with 44% of visitor expenditure in retail, hospitality and other services, 21% in accommodation, activities and attractions and the balance on air and land transport and GST.

Current and future tourism demand on local authorities

11. The combined annual operating expenditure (opex) of the seventy eight councils across New Zealand into local mixed-use infrastructure and support services makes the local government sector the largest contributor to the Tourism Sector in New Zealand (source: LGNZ Operating expenditure by activity 2017). Total opex for the year, ended 30 June 2017, was \$9.9 billion.

Importantly local councils invested an additional \$372 million on cultural infrastructure, which includes museums, galleries and libraries. These locally funded amenities are a significant and important part of New Zealand's tourism product offering.

12. Looking to the future, the outlook for the tourism sector is continued growth. The forecast for the 2018 - 2024 period show visitor arrivals to New Zealand to grow 4.6 per cent a year, reaching 5.1 million visitors in 2024. (MBIE forecast 2018). Total spend by international visitors to reach \$14.8 billion in 2024, up 40 per cent from 2017. This forecasted growth is to come from holidaymakers and those visiting friends and relatives.
13. The New Zealand Tourism Strategy has as an economic goal, productive, sustainable and inclusive growth to underpin its framework. This, in many cases, means spreading the benefits of tourism more widely across regional New Zealand, by encouraging the dispersal of visitors to emerging, less developed destinations.
14. To attain this goal local government will be required, in the main, to be the principal enabler and funder of tourism growth at a regional and community level.

Current tourism funding mechanisms

15. Central government funding schemes for tourism have been initiated and implemented over different periods of time. Currently the Tourism Infrastructure Fund, and the Provincial Growth Fund support the industry at a regional level, with the International Visitor Conservation and Tourism Levy to be introduced later in 2019.
16. While these schemes are welcome, and much needed fillips, they are relatively small, short-term and interventionist solutions. If the tourism market is to achieve its potential, more sustainable forms of funding that allow local communities to share in the financial benefits need to be established.
17. New Zealand ratepayers have been supporting the tourism sector through the provision of infrastructure and support services, mostly through property taxes, targeted rates or other rating mechanisms, during a period of strong growth. This growth has produced significant tax revenues for central government. In contrast the tax benefits for councils from this growth have been more diffuse and indirect.
18. The assumption that communities, through local government, will continue to supply the necessary infrastructure and services to support visitors at their destinations is open to question, as the willingness of ratepayers to continue to pay for the tourism industry is now quite fragile.
19. Tourism growth exacerbates the pressures, and the impacts are felt differently across our membership. High tourism impact areas are often regions with smaller ratepayer bases, so the ability of communities to meet the financial demands placed on them by tourism activity and growth is limited.
20. Implementing targeted, or other special rates for tourism has been challenging for some regions, with ratepayer resistance and pressure group advocacy, in some cases, leading to councils backing away from introducing new rating imposts to support tourism.
21. It is therefore the view of RTNZ, and its members, that the current local government funding mechanisms are inadequate to meet the future needs of the sector and must be supplemented by additional tools to sustain current growth, and meet future demand.

Supplemental funding mechanisms

22. As is identified in the Issues Paper, a fundamental tenant of the looking at new funding and financial models for local government is that they be assessed by efficiency, equity, effectiveness and affordability, a view we share.
23. To supplement ratepayer contributions, we consider the most equitable method of harnessing additional resourcing is a user pay system, and strongly advocate for the development of a sustainable regional visitor levy regime

24. The framework of any regional visitor levy needs careful consideration, so that the enabling legislation actually suits the needs of our diverse communities, such that tourism can grow across New Zealand. A one-size fits all approach will only ever suit a minority, and this should be built into the thinking from the beginning.
25. The goal should be to support local government in promoting, preserving, protecting, enhancing and developing our natural and built assets, supporting visitor experiences that are equally important to our local residents, and underpinning the reasons visitors spend and money time in regions.

Summary

26. RTNZ commends the authors of the Issues Paper. It is comprehensive and identifies all the touch-points between local government and tourism, in regard to funding and financing. The Paper clearly identifies and establishes the challenges, opportunities and potential remedial actions facing the tourism industry regionally
27. RTNZ supports the Issues Paper direction, and will be willing participants in helping shape its final development and implementation, as required, with the following recommendation:

That local government be empowered to develop supplemental, sustainable regional tourism funding streams sourced from regional visitor levies.

About Regional Tourism New Zealand

Regional Tourism of New Zealand (RTNZ) is the name for the incorporated trust of 30 existing Regional Tourism Organisations (RTOs).

RTNZ was established as a Charitable Trust in 2005 to represent the interests of the collective RTO sector in New Zealand.

As the peak body for RTOs, RTNZ aims to encourage better coordination amongst RTOs as well as ensuring collective RTOs are engaged and consulted with on issues critical to the development of the regional tourism sector in New Zealand.

The activities RTNZ engages in include:

- Developing submissions on issues and draft plans that impact the collective
- Providing advice and assistance to members
- Developing and maintaining ongoing relationships with stakeholder agencies
- Negotiating and executing project-based funding contracts
- Managing and implementation of projects on behalf of RTNZ
- Coordination of media enquiries
- Advocacy of the RTO sector and the important role it plays in the New Zealand tourism landscape