

Productivity Commission Local Government Funding and Financing Report – Submission from Puketoi Mountain Club Incorporated, Whakapapa Village , Whakapapa, Mt. Ruapehu – or PO Box 617, Masterton. Prepared by Club President – Warren Tait

This submission is in support of the Productivity Commission Local Government Funding and Financing Report. As our facilities come under the purview of the Department of Conservation, we would like to see DoC included in the context of Local Government in this instance.

We refer to section R6.8 on page 178 of the report:

'Section R6.8 The Government should provide funding from the international visitor levy for councils responsible for small tourist hot-spots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.'

The plight that we have at Whakapapa and Iwikau Villages; where infrastructure upgrade costs are currently borne by a very small levy (rating) base while the benefits (water/wastewater, public toilets, waste etc) serve many day visitors. Of importance too, is that the Whakapapa and Iwikau Village infrastructure such as the wastewater system, public toilets etc are provided by DoC, acting like a local (un-elected) council.

Back in 2003, a sewage system upgrade scheme was launched with funding from both the Department of Conservation capital funding, and the mountain lodges and operators at Whakapapa. See link below:

<http://www.scoop.co.nz/stories/PA0306/S00236.htm>

At the time, the reason given for the sewage problem on Mt Ruapehu in Tongariro National Park was the result of the establishment of ski lodges in the Whakapapa Ski Field in the 1930's, and the growth of ski facilities over the preceding twenty years. Our individual lodge cost/contribution for the upgrade scheme was \$65,000. While we had fortuitously planned for such future costs over the years, many clubs were not so lucky. Some had to be sold because they couldn't meet the contribution, others are still paying their share off today by way of long-term debt funding, and several have closed down or subsequently been taken over by the operator.

The current problems requiring funding are different. In today's economic environment, Tourism is playing an increasingly important role in just about every country's GDP. Annual visitor arrivals to NZ were up more than 1.2 million in five years with a record 3.82 million visitors in the March 2018 year. Total annual tourism expenditure is \$39.1 billion - \$107 million per day. Annual international tourism expenditure is \$16.2 billion – \$44 million per day.

At a local level, Ruapehu Alpine Lifts - the ski-field operator, have for some years been encouraging non-skiers to the mountain to bolster both in season and out of ski season tourist and visitor revenues. And the increase in tourist numbers has been very evident to those of us who have utilised the mountain over the years. To add to that, this year they have installed a high-speed gondola to carry more people from bottom to top (and back again) at a faster rate, and extended the seating at the Knoll Ridge Chalet (cafe) by an additional 50% (from current 560 seats to approx 800). 2018 lift design carrying capacity

was 4,270 skiers and 490 visitors per day. The plan targets facilities changes for up to 5,500 skiers and up to 1,500 visitors and snowplowers per day. An increase of 28% and 300% respectively.

Excerpt from RAL Development Plan:

https://assets.ctfassets.net/zc9e1qnj1tno/6r7Tdn6fC0k8YAk2ii4sYc/0eb18c5f7e339d2cbe96130dd0567ed6/Facility_Management_Plan_Whakapapa_March_2018_Final.pdf

'Key Strategies:

(i) Operate over 12 months of each year.

Ski areas are commercial operations that require investment in large capital assets which predominantly only operate for 4 -5 months of each year and then sit idle for the balance of a year. Over recent years the cost of developing and operating these assets has increased significantly. This requirement for relatively higher investment in asset replacement has been combined with increasing customer expectations on quality of service and a changing regulatory environment which have both increased annual operating costs.

To remain commercially viable RAL will pursue strategies that will offer recreational experiences throughout longer periods of each year and therefore increase the utilisation of those assets. An example of implementing this strategy is the proposed Gondola which is a key upgrade investment that will offer, to domestic and international visitors, the opportunity to enjoy the alpine terrain of Mt Ruapehu through 12 months of each year and provide consequential viable full year utilisation of many other on mountain assets eg access road, car parks, Top O Bruce base area building and Knoll Ridge Chalet. This will also provide economic benefit to surrounding communities where there are many other businesses and assets which are currently only utilised for the winter months of each year.'

In summary, we wholeheartedly support the finding of the Productivity Commission Local Government Funding and Financing report - specifically section R 6.8 for the Government to provide funding to local councils from the International Visitor Levy - in our case for a sewage system and other required infrastructure projects - to enable our area to cope with the massive increase in tourism numbers. You can see from the above content that our typical ski season usage is only anywhere from 3-5 months of the year. The consequences of not providing funding assistance and asking the lodges carry the burden will be that more lodges will either go broke, have be sold, or have to borrow more money and carry a heavier debt.