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Review into the Future for Local Government – Draft Report

Submitted via Consultation Website  
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Kia ora

### **TIA submission on the Review into the Future for Local Government: Draft Report**

Tourism Industry Aotearoa welcomes the opportunity to comment on the Review into the Future for Local Government: Draft Report – October 2022 ('the Draft Report').

#### **Tourism Industry Aotearoa**

TIA is the peak body for the tourism industry in New Zealand. With over 1200 members, TIA represents a broad group of key tourism businesses across hospitality, accommodation, adventure and other activities, attractions, retail, aviation, land, and sea transport, as well as tourism-related services.

TIA established the tourism industry's strategic document, *Tourism 2025 & Beyond – A Sustainable Growth Framework, Kaupapa Whakapakari Tāpoi*. This has the Vision of 'Growing a sustainable tourism industry that benefits New Zealanders'. TIA gives effect to this through the New Zealand Tourism Sustainability Commitment - He kupu taurangi kia toitū ai te tāpoitanga that was launched in 2017 to drive to a sustainable tourism future. It has the Vision of '*Leading the world in sustainable tourism*'.

TIA recognizes the importance of the process to review and reform local government in Aotearoa New Zealand. Local government has a vital role to play in our society, and from a tourism perspective the role it plays is very important.

The Draft Report is extensive in nature, making it difficult for organisations like TIA to provide feedback on each recommendation. Therefore, we offer a general overview along with some specific comments where it is important to highlight the unique perspective of the tourism industry. Given that tourism plays a significant role in New Zealand's economy, society, and environment, it is crucial that the new local government system effectively serves this vital industry.

Our area of primary comment and input relates to the funding arrangement for local government as set out in Chapter 8, and also how this relates to wellbeing as set out in Chapter 5. The two context sections that follow are designed to provide the Review Panel with some specific tourism industry perspectives that it may otherwise not have access to.

### **Local Government and Tourism**

TIA wants to ensure that local government contributes to processes that enable the effective operation of the tourism system for the wellbeing of the industry and communities.

Local government has extremely important roles to play, including long term planning, provision of infrastructure and amenities, maintaining the quality of existing infrastructure and amenities, operating resource management processes, operating water and waste systems, supporting sustainable practices, playing a role in attracting investment and product development, managing aspects of the tourism system such as freedom camping facilities and enforcement, operating conference and meeting facilities, organising and operating events, providing visitor information and marketing and promotion of the region itself.

At the broadest level, TIA seeks the Review of Local Government to be establishing a framework whereby these functions can be delivered effectively.

### **Context: TIA View of Sustainable Tourism Funding**

As tourism considers its regenerative future, TIA views the lack of Sustainable Industry Funding as the number one strategic issue facing the industry. There are three key parts to this:

1. How central government invests in the industry given that it receives large quantum of tax revenue from it and reinvests only a small portion for industry purposes (marketing, some data, some infrastructure and facilities).
2. How industry can (or can't) undertake a wide range of industry-good activities at scale and depth (such as research, sustainability, capability building, and others) without appropriate funding streams.
3. How local government undertakes its tourism-related activities (such as destination management, marketing, capability building, and others) without appropriate funding streams.

Together, TIA is determined to work towards structural solutions and has advocated for progress to be made in this area with Government. TIA is pleased that the Minister of Tourism has committed to working in partnership review Sustainable Industry Funding, with this work to start later this year.

The Review into the Future for Local Government provides a rare opportunity to consider the third of the points above, namely how local government should be configured so it can play its vital roles in enabling a regenerative tourism industry for the benefit of all.

**TIA submits that:** [The Final Report needs to explore the important and unique place of tourism within the wider local government framework, and specifically address the need for appropriate funding mechanisms in this area.](#)

### **Context: Tourism Funding as it Relates to Local Government**

Tourism is a human activity that involves people at place. In this, 'place' is of utmost importance. It is the quality of a place, its features and communities that make it somewhere where people will visit, enjoy and gain value for which they are prepared to pay.

Properly managed, tourism can and does improve the wellbeing of both visitors and local residents, while also benefiting the natural environment. The relationship between the Draft Report's Chapter 5, which discusses how local governments can promote wellbeing, and Chapter 8, which focuses on creating a fair and sustainable funding system, needs to be more clearly articulated and linked.

The other key feature of a 'place' is that it invariably has a host community that in one way or another has a relationship with the visitor. For instance: to work in visitor facing jobs; enjoy social interactions with visitors; start up a business; benefit from a vibrant local economy and community, enjoy amenities provided for residents and visitor alike, and many more.

This means that local government has a critical role to play in facilitating, managing and optimising tourism activity at their 'place' with this for the benefit of both visitors (who support jobs and businesses and pay taxes, etc.) and the host communities (the jobs, the business opportunities, vibrancy, and amenities, etc.). For host communities, the benefits very much fall into the 'wellbeing' sphere.

Within the current arrangements at the tourism and local government nexus, there are all sorts of difficulties, including:

- Central government receives tax revenues (GST, PAYE, business taxes, excise) but local government is expected to perform all its various tasks largely through the rating base.
- Central government has funded the preparation of Destination Management Plans by regions throughout New Zealand and by so doing is raising expectations but without supporting funding.
- Central government has not provided mechanisms for local government to address their funding shortfalls, either their base activities or those related to implementing the DMPs. As a result, there are many regions that are looking at options to raise funding through such things as bed tax or to reduce what they are doing. Auckland is doing both at the moment and other regions, including Queenstown Lakes, are carefully looking at new funding streams.

As a result, local government funding for tourism is a critical issue for the tourism industry overall as it means it is much more difficult to be taking this important New Zealand industry along the pathway to its long-term regenerative future. Local government has to be a player in this future.

**TIA submits that:** As currently configured, the Review does not sufficiently take the needs of tourism and its ability to generate wellbeing benefits for communities into account, and it needs to do so.

### **Feedback on Chapter Eight**

TIA agrees with the statement that the 'current funding system is not sufficient for the future', and supports the five opportunities identified as:

- Co-investment with central government in public-goods.
- End passing of unfunded mandates to local government.
- New funding mechanism should be established.

- Rating should be retained and simplified.
- Need for intergenerational fund to tackle climate change.

Each of these will have tourism-related implications, but clearly the most directly applicable is around the new funding mechanisms. In this, we find the Draft Review to be light on detail and we submit that the Review Panel should be more direct on this in the Final Report and recommending solutions rather just identifying the opportunity.

As part of the potential revenue streams (page 199), the Draft Review 'considers that legislative and policy changes should be made to make additional funding tools broadly available to local government.' Of the five areas identified, the tourism industry is most interested in:

'Bed taxes and visitor levies that are charged to visitors to fund infrastructure which has to be built to specifications beyond the needs of in order to accommodate peak demand (driven by tourism numbers).'

From TIA's perspective, this statement is excessively narrow and does not reflect the spectrum of funding needs at the tourism and local government needs. For instance, the statement is limited to infrastructure where volumes are high. In TIA's view any bed taxes and visitor levies must be put in place for higher-level and more holistic reasons, for instance, to ensure community wellbeing from tourism activity, to invest in sustainable and regenerative tourism, to implement Destination Management Plans, and others. The key point being the tourism industry itself is not seeking volumes of visitors, but rather we are looking to higher value and regenerative visitors, and we will have to invest in various ways to achieve this: central government, industry and local government all have very important roles to play.

**TIA submits that:** [The Review Panel to explore the breadth of funding requirements at the tourism and local government interface and ensure that this is set out in the Final Report, along with a recommendation that reflects this.](#)

A particular risk that is concerning TIA is around the current push by a number of regions to find ways that they can establish their own bed-tax or levy arrangements. TIA's strong sense is that if one region finds a way to do this, then others will jump in very quickly. If this does happen, this will likely lead to the highly undesirable position of regions establishing fragmented and inefficient approaches.

In this, we see the five principles for the local government funding system as being important (these being workable, fair, sustainable, incentivised, and nationally consistency), with the latter particularly important to avoid a range of piecemeal and likely very messy approaches being implemented.

**TIA submits that:** [The Review Panel recognises the importance of nationally consistent solutions for funding mechanisms that relate to tourism, as opposed to a number of fragmented approaches.](#)

### **Business New Zealand Submission**

TIA supports the submission of Business New Zealand, including its views on the absence of recognition that local government funding should be based primarily on the

'beneficiary principle', the potential new charges related to value-capture that should only be implemented with close involvement of affected ratepayers, and the need to provide a clearer explanation of new revenue streams as set out in this submission above.

### **Regional Tourism New Zealand Submission**

TIA supports the submission of Regional Tourism New Zealand that provides insights into the structures that directly contribute to the development of tourism within local government, including Regional Tourism Organisations and Economic Development units. RTNZ also focusses on the wellbeing and funding aspects set out in this submission.

### **Conclusion**

Local government has important roles in tourism and doing these roles well have a positive impact on the economic, social, and environmental aspects of a community, which contributes to the overall wellbeing of its residents.

TIA supports the overall direction of the Draft Report and welcomes the intent to strengthen the key role of local government within the wider Aotearoa New Zealand system. Within this reform process, there is opportunity to address longstanding issues that have impeded local government and tourism operating together as well as they should, with funding arrangements being central to this. As such, TIA strongly requests that the Review Panel works to ensure that the interface between tourism and local government is thoroughly covered in the Final Report.

Please do not hesitate to contact us if you have any queries about our feedback and we would like to continue to be involved in this process. Please contact Bruce Bassett at [bruce.bassett@tia.org.nz](mailto:bruce.bassett@tia.org.nz), or 021 609 674.

Ngā mihi,

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

Rebecca Ingram  
Chief Executive

## Attachment One

### TIA Comments on Select Recommendations and Questions

Chapter	Number/ Question	Item	TIA Comment
2	2	That local government, supported by central government, review the legislative provisions relating to engagement, consultation and decision-making to ensure they provide a comprehensive, meaningful, and flexible platform for revitalising community participation and engagement.	TIA supports this recommendation, as tourism is a human activity that involves people, including both visitors and local residents. Thus, the involvement and engagement of local communities are essential for the success and sustainability of tourism. In addition, tourism benefits can only be realized if the local communities are involved and engaged in the decision-making process, particularly those that directly affect their livelihoods, cultures, and natural resources.
4	13	That local and central government, in a Tiriti-consistent manner, review the future allocations of roles and functions.	<p>The chapter discusses the need for clarification about the role of local government on complex issues such as climate change.</p> <p>From a tourism perspective, the lack of clarity in the responsibilities of local government in handling significant challenges like climate change may be significant. This could be particularly problematic because the tourism industry is particularly vulnerable to the impacts of climate change, and local governments play a critical role in managing and adapting to these impacts.</p> <p>Local governments often have a better understanding of the specific impacts of climate change in their region and can therefore take more targeted action to address these impacts. However, climate change is a complex and multifaceted issue that requires a coordinated and integrated approach across all levels of government.</p> <p>The roles and responsibilities of local government in addressing climate change may not always be clear, and there may be overlapping areas of responsibility between local and central governments. Clarification of the roles and responsibilities of local government is an important outcome of this Review process.</p>
5	14	That local government, in partnership with central government, explores funding	TIA supports this recommendation as tourism is a dynamic industry that requires continuous innovation and adaptation to changing circumstances. Innovation can

		<p>and resources that enable and encourage councils to:</p> <p>a. Lead, facilitate and support innovation and experimentation in achieving greater social, economic, and environmental wellbeing outcomes.</p>	<p>lead to the development of new and improved tourism products and services that can attract and retain visitors. Moreover, innovation can also lead to the development of more sustainable tourism practices that protect and enhance the natural and cultural assets that underpin tourism ultimately achieving greater social, economic, and environmental wellbeing outcomes for local communities.</p> <p>At present, the innovation uptake processes are not well developed with little institutional, or programme support provided. TIA believes that more should be done in this area, including by establishing stronger pathways for accessing the support from the Government’s overall Research, Science and Innovation system, which is the main route for other sectors in New Zealand to receive support for their science, innovation and technology needs.</p>
6	Question 3	a. The elements that are needed to build and support a new system?	From TIA’s perspective, several elements are needed to create a collaborative relationship between central and local government that builds on current strengths and resources. These elements may include clear communication, shared vision, resource sharing, trust and respect, and flexibility and adaptability. This should also include consultation and engagement including with tourism stakeholders including industry representatives, local communities, and visitors, to ensure that their needs and perspectives are taken into account in decision-making.
7	16	a. That central government undertakes a review of the legislation to provide for a 4-year local electoral term.	TIA supports a longer elections cycle as it could lead to more long-term planning. Chapter 8 on sustainable funding, for instance, highlights the benefits of long-term planning for local government.
8	22	That central and local government agree on arrangements and mechanisms for them to co-invest to meet community wellbeing priorities, and that central government makes funding provisions accordingly.	TIA specifically endorse this recommendation because tourism is an activity that is deeply intertwined with the local community. When central and local governments work together to co-invest in meeting community priorities, they can create a more attractive destination that benefits both visitors and the local community. This could include investing in infrastructure, services, and programs that enhance the local environment, cultural experiences, and overall wellbeing of

			<p>residents. Additionally, collaboration between central and local governments can help to ensure that tourism development is sustainable and that the impacts of tourism are spread equitably throughout the community. By working together to meet community priorities, central and local governments can create a more holistic and integrated approach to tourism that benefits all stakeholders.</p>
8	23	<p>That central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making input.</p>	<p>TIA supports this recommendation because the tourism industry relies heavily on the natural environment and its resources. Climate change can have significant negative impacts on the environment, such as natural disasters, and changes in weather patterns, which can in turn affect the tourism industry. This is evident from the extreme weather conditions that occurred in the North Island of New Zealand recently. By creating an intergenerational fund for climate change, the government can ensure that there are adequate resources available to mitigate and adapt to the impacts of climate change on the tourism industry and the communities that rely on it.</p>
8	24	<p>a. That central government reviews relevant legislation to: ...enable councils to introduce new funding mechanisms.</p>	<p>Please refer to the overall comments in this submission as we have elaborated on our views on new funding mechanisms as they relate to tourism. The macro-point is this aspect of the Review Report needs to be much better developed with clear guidance on what the new funding mechanisms might be and how and when they can be applied.</p>