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Department of Internal Affairs
WELLINGTON

By email: simplifyinglocalgovernment@dia.govt.nz

Kia ora

Simplifying Local Government – TIA Submission

Tourism Industry Aotearoa welcomes the opportunity to submit on the Department of Internal Affairs' paper *Simplifying Local Government, a Draft Proposal*.

Key Points

This submission considers both the particulars of this consultation and the wider context of how local government interfaces with the tourism industry; particularly how we see this interface should be working, for national, regional, community, and industry benefit.

In short:

- TIA is deeply concerned that the Simplifying Local Government process will have many implications for the tourism industry, and yet tourism is not mentioned in the discussion document. TIA views this as a serious omission, particularly as this will flow into the work of the Combined Territories Boards (CTBs) to prepare their regional reorganisation plans.
- Tourism makes a significant contribution to local economies and local government has a fundamental role in enabling this. Benefits for communities include jobs, economic activity and growth, increased private sector investment, increased business rates, viable council-owned assets and vibrant communities. Tourism isn't a separate activity for councils; it is central to what they do for the economic health of their communities.
- TIA is an ardent proponent of the ability of local government to play its essential role in this industry. This position must be reflected in the suite of Government reforms to local government, in order to mitigate the serious risk to the ability of councils to undertake their essential tourism functions.

TIA recommends that:

With respect to the local government reforms overall:

1. Establish stronger linkages with the Government's wider programme of local government reform so the overall position of tourism is explicitly set out at all steps, with confirmation that tourism is a core function of local government.

With respect to the Simplifying Local Government consultation:

2. Ensure the criteria for assessing regional reorganisation plans specifically include tourism as a core function of local government to be included in future local government arrangements.
3. Assess the tourism functions of local government in relation to the Government's Tourism Growth Roadmap, with this to be appropriately incorporated into the subsequent Simplifying Local Government workstream.

Tourism Industry Aotearoa

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,200 member businesses, 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 balanced growth of tourism, and this is clearly articulated in our key guiding documents and programmes. This includes the tourism industry's strategic framework, *Tourism 2050 – A Blueprint for Impact, He Pae Tukutuku*.¹

This has the Vision of 'Enriching Aotearoa New Zealand through a flourishing tourism ecosystem'. This Vision is centred on the positive role of tourism for the broad betterment of New Zealand and its people across a balanced framework – Economic, Community, Visitor and Environment.

TIA works to advance the progress of tourism in the interests of the industry and the wider society given the many positive attributes that tourism generates for New Zealand, such as employment, business opportunity, regional spread, and the ability to generate value from our rich natural resources and built environments.

Tourism as economic driver

Tourism is a major part of the New Zealand economy as set out in Stats NZ's annual Tourism Satellite Account.²

Indicator for YE March 2024	Value	% of NZ Total
Total expenditure	\$44.4b	
International expenditure	\$16.9b	
Domestic expenditure	\$27.5b	
Total GDP (direct and indirect)	\$28.7b	7.5%
Tourism exports	\$16.9b	17.2%
Total Employment (direct and indirect)	303,420	10.7%

Already at one-fifth of New Zealand's export economy, the contribution of tourism will only increase given the Government's goal to double tourism exports by 2034.³

Compared to other sectors, Tourism exports of \$16.9b (YE March 2024) are only behind Dairy (\$21.1b), and well ahead of Meat Products (\$8.7b), Wood (\$5.8b), Fruit (\$3.7b) and Seafood (\$1.9b).

These datapoints serve to highlight the responsibility we have to ensure that tourism is carefully factored into all considerations of how we run our country, whether nationally, regionally or by all the businesses and New Zealanders that make tourism happen.

How tourism works

Having established the size and contribution of tourism, it is important to consider how it works as a complex system involving central and local government, and the tourism industry itself.

For instance, the private sector provides the goods and services that visitors use (airlines, accommodation, activities, rental vehicles hospitality, etc.) with this activity occurring at geographic locations, that is 'at place'. In New Zealand, these places are within the jurisdiction of local government, including local roads, airports (some), public transport, holiday parks (some), the urban and cityscapes that visitors enjoy, the events, stadia,

¹ <https://www.tia.org.nz/tourism-2050/>

² <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2024/>

³ <https://www.mbie.govt.nz/immigration-and-tourism/tourism/tourism-growth-roadmap>

parks, museums and galleries, cultural precincts, and other facilities that create visitor interest.

These activities of councils, while typically provided for the local community, serve to enable and stimulate visitation that contributes to the local economy through paying for services used, creating demand that supports employment and business opportunity.

In essence, local government is the keeper of the 'destination' with this function generally undertaken by the 31 Regional Tourism Organisations (RTOs) we have around the country, all of which are owned and funded by various mixes of Territorial Local Authorities (TLAs) and on occasion by Regional Councils.

In considering the tourism and local government interface, there are some key questions to understand:

- ***Why tourism is an essential role of local government***

There are several key considerations:

- Councils have many tourism-related core assets that require visitation and increased utilisation, including airports, convention centres, ports, sport venues, holiday parks, galleries, theatres, parks.
- Places that are good to visit are good places to live. This ties council investment in tourism-related activities directly to gains for residents.
- Tourism creates jobs, supports businesses, enables investment; which leads to increased household and business rates that boost council revenues and the regional economy.
- Local government delivers essential functions that cannot be undertaken privately for a range of market failure and industry fragmentation reasons. These include:
 - Overall destination management and marketing.
 - Establishing and maintaining public infrastructure used by both residents and visitors (e.g. roads, water, waste).
 - Providing anchor facilities and public amenities that enable and attract visitation (e.g. sports and conference facilities, galleries, museums, cityscapes, boardwalks, cycles trails, etc.).

- ***What is the net position for councils from supporting tourism?***

Studies over an extended period highlight that the spending on tourism activities is largely cost neutral for councils (Attachment 2):

- Research by Lincoln University, Deloitte and Fresh Info establish that in relation to their tourism activities, the financial position of councils is a mix of surplus and deficit, with the overall picture being close to balanced for most councils.
- In addition, there are a wide range of community benefits that result from council spending in tourism, including jobs, business opportunities, private investment, connectivity, community vibrance, and better infrastructure and amenities.

This supports the idea that council spending on tourism is an investment that generates many wider benefits for communities.

Some councils are under funding pressure from tourism, particularly in some hotspots. TIA recognised the essential role of the International Conservation and Tourism Levy (IVL) - and potentially other mechanisms over time - in supporting councils where such pressures exist and where additional support is warranted.

- ***What happens if local government stops doing tourism?***

Internationally, the evidence is compelling:

- **Colorado.** After the state eliminated its \$12m promotion budget, its share of US domestic travel fell 30% over two years, lost \$1.4b in annual tourism revenue and businesses suffered significantly, leading to reduced tax revenue. Seven years of decline and, once funding was restored, seven years to recover.

- **Washington State.** After the state closed its state tourism office (\$10m), it grew at a much slower rate than its neighbours (Montana grew 70% faster) and lost \$200m in tax revenue. A decade later, the office was reestablished.
- **Connecticut.** After the state reduced its tourism budget from \$15m to \$1. It lost \$3 in tax revenue for every \$1 that was cut. Funding was later restored to \$12m with 30:1 ROI.

In making funding cuts, the evidence is that local government experiences negative outcomes for both financial and community indicators.

From a national perspective, councils have a role to play to enable and support the achievement of Government goals for tourism, including to double tourism exports by 2034. With this growth agenda in place, local government (and the tourism industry) are required to work to ensure we have the supply-side capacity and quality to enable the goal to be achieved.

Current tourism and local government position

It is estimated that local government collectively directly invests \$55 million annually in RTOs and their activities. TIA considers this to be an investment rather than a cost given the objectives to grow the regional economy and outcomes of communities.

RTOs deliver their destination management and marketing functions in conjunction with the tourism industry, and with some important interfaces with central government that also has some tourism-related roles, including conservation lands and waters, state highways and so on. Within the tourism system, both local and central government are integral to it, alongside the private sector.

Over the years, this system has served New Zealand well and there are ongoing processes to ensure the system is set for the future. The latest examination is part of the Government's Tourism Growth Roadmap (part of the Government's Go for Growth agenda) that is looking at the settings the industry needs to enable the goal of doubling tourism exports by 2034. TIA supports the Roadmap's seven workstreams, including those with direct relevance to local government (including Regions and Communities, Mixed-use Tourism Infrastructure and Tourism System Funding).

The key point is that initiatives undertaken respectively by tourism and local government need to be linked to ensure best outcomes.

As a point of reference, the Views on Tourism New Zealand: New Zealand survey found that in the year to September 2025, 95% of New Zealand residents felt the 'Tourism is good for New Zealand' and 82% report 'having experienced having one or more benefits of tourism activity in their regions'.⁴ Clearly, New Zealanders themselves value and support tourism and what it brings to their communities.

Local government reform

Consideration of the Simplifying Local Government proposal must be seen in context of the wider reforms that are underway, including:

- **Local Government (Systems Improvements) Amendment Bill.** An important part of this legislation is that it will narrow the scope of functions and roles provided by councils, including significant risk that the priority roles will not include tourism-related functions. TIA submitted on the Bill arguing that tourism should be included as a Purpose of Local Government. This change was not made in the Bill as reported back by the Committee.

⁴ <https://www.tourismnewzealand.com/assets/insights/industry-insights/Views-on-Tourism-New-Zealand-YE-Sep-25.pdf>

- **Rates Capping.** Targeted consultation on proposal to cap rates at the 2-4% range. TIA was not approached as part of the targeted consultation. With councils required to prioritise functions like infrastructure, water, waste management and emergency management, having capped budgets will very likely result in less freedom to fund tourism functions.
- **Resource Management Reform.** TIA notes the intention that the local government level for managing the resource management system will be at Regional Council and Unitary Authority level (17). This highlights the apparent intent to concentrate local government functions to the Regional Council level which again raises the questions about where tourism will fit. TIA Submitted.

Overall, TIA sees considerable risk that the distinctive needs of tourism are not being factored into the overall local government reform process, despite the very important role that local government plays. TIA views this as a risk to the ability of the tourism system to function effectively, to the detriment of all New Zealanders.

The recommendations set out above are made with the objective of ensuring better consideration of tourism in important public policy processes that will very directly impact tourism, now and for decades to come.

As a key productive export sector in Aotearoa New Zealand, we consider it incumbent on Government to include tourism perspectives in the local government reform processes, and we will welcome this consideration throughout the duration of process ahead.

Conclusion

TIA notes that other tourism stakeholders have submitted on this consultation, including Regional Tourism New Zealand, New Zealand Airports Association, Hotel Council Aotearoa, Backpacker Youth Adventure Tourism Association and Business Events Industry Aotearoa. TIA supports these submissions and the perspectives that they provide to the process.

TIA would be pleased to elaborate on any points raised in this submission. If so, please contact Bruce Bassett, Chief Advisor, at bruce.bassett@tia.org.nz or 021 609 674.

Thank you for your consideration of this submission.

Ngā mihi,



Rebecca Ingram
Chief Executive

Co-signatories

Ben McFadgen	CEO	Rental Vehicle Association NZ Inc.
Katherine MacGregor	General Manager	Regional Tourism New Zealand
Emily Byrne	Chief Executive	Holiday Parks New Zealand
Hadyn Marriner	Chair	Backpacker Youth & Adventure Tourism Assoc.
Jacqui Lloyd	CEO	New Zealand Cruise Association
Lynda Keane	CEO	Tourism Export Council of New Zealand

Attachment 1: TIA Responses to Consultation Questions

Question	TIA Response
<p>Do you agree there is a need to simplify local government?</p>	<p>There is certainly the case that current local government arrangements are sub-optimal for a number of reasons.</p> <p>From a tourism industry perspective, local governments play an essential role in the tourism industry.</p> <p>Firstly, councils are responsible for much that makes up the 'destination' that people visit. This includes transport (roads, public transport, parking), amenities (parks, streetscapes, walking and cycling trails) and facilities (holiday parks, sports and entertainment venues).</p> <p>Currently, all 31 Regional Tourism Organisation regions (made up of the TLAs) have Destination Management Plans that set out the community aspirations for tourism and what needs to happen to achieve this aspiration. As such, it is local government that plays the role of 'keeper' of destination quality and development across New Zealand. Neither central government nor industry plays this role; it is local government.</p> <p>Secondly, local government invests in its RTOs to promote tourism through marketing, running events programmes and working with industry to increase cohesion within the region. The RTOs function to increase the contribution of tourism for the betterment of the region and the communities within it.</p> <p>This system as it operates currently is in place because of a long history of local government investment to boost tourism in their regions. It is not a result of any legislative requirement but because tourism creates jobs and business opportunities, leading to additional rating income and vibrancy and investment that improves the lives of residents (ratepayers).</p> <p>Within the tourism industry, questions are regularly asked about whether the current arrangements provide the best system, and there is a general view that the current approach has some serious issues: fragmented, inefficient, many small regions lacking economies of scale, etc.).</p> <p>The most recent examination of regional tourism structures has been through work as part of the Government's Tourism Growth Roadmap work programme (goal to double international visitor spend by 2034).</p> <p>However, the tourism perspective on what is needed to simplify local government differs from the premise set out in this consultation document. Clear recognition of tourism within local government reforms is needed.</p> <p>TIA recommends that DIA assess the tourism functions of local government in relation to the Government's Tourism Growth Roadmap, with this to be incorporated in the subsequent <u>Simplifying Local Government</u> workstream.</p>
<p>What do you think of the proposed approach overall?</p>	<p>The proposed approach will have many implications for the tourism industry, and yet tourism is not mentioned in the discussion document.</p> <p>Also, this proposal needs to be placed in the context of the other reform initiatives that are in place or proposed by the</p>

	<p>Government. In addition to the Simplifying Local Government process, other initiatives include:</p> <ul style="list-style-type: none"> • Local Government (Systems Improvements) Amendment Bill that will narrow the roles provided by councils, including significant risk the priority roles will <u>not</u> include tourism related functions. TIA submitted. • Rates Capping. Targeted consultation on proposal to cap rate at the 2-4% level. TIA was not approached as part of the targeted consultation. • Resource management reform. TIA notes the intention that the local government level for managing the resource management system will be at Regional Council and Unitary Authority level (17). TIA Submitted. <p>Together, these initiatives set out a much wider reform programme than what is in the ambit of the current consultation.</p> <p>TIA recommends that stronger links are set out relating to the Government’s wider programme of local government reform so the overall impacts on tourism are transparent and mitigated through changes made to the reform.</p>
Do you agree with replacing regional councilors with a Combined Territories Board (CTB)?	TIA has no particular view.
What do you like or dislike about the proposal to replace regional councilors with a CTB?	TIA has no particular view.
What level of Crown participation with regional decision-making do you prefer? <ul style="list-style-type: none"> • None – only mayors on the CTB • Crown Commissioner (non-voting) • Crown Commissioner (veto power) • Crown Commissioner (majority vote) • Crown Commissioner instead of CTB 	TIA has no particular view.
Do you agree that mayors on the CTB should have a proportional vote adjusted for effective representation?	TIA has no particular view.
What do you like or dislike about the voting proposal for the CTB?	TIA has no particular view.
What do you think about the ways that communities crossing regional boundaries could be represented?	TIA has no particular view.
Do you support the proposal to require CTBs to develop regional reorganisation plans?	<p>If the CTB’s work is the main mechanism for investigating and defining new levels of local government, it is essential that the interests of the tourism industry must be specifically identified in the documents that brief the CTBs on the scope of their work.</p> <p>It will be important that the functions provided by local government are specifically included in the brief provided to CTBs in developing their regional reorganisation plans.</p>
What do you think about the criteria proposed for assessing regional reorganisation plans?	<p>The criteria as set out do not include any reference to tourism, and they need to.</p> <p>TIA recommends that the criterion for assessing regional reorganisation plans specifically includes tourism as a functional role of local government to be included in future local government arrangements.</p>
What do you think about how the proposed providers for iwi/Maori interests and Treaty arrangements?	TIA has no particular view.

2. The implications from reduced local government spending on tourism are clear in international examples where the reduced funding has resulted in greater losses for the local authority and the community.¹⁰
- **Colorado.** Classic case study. In 1993, the state eliminated its \$12m promotion budget. Colorado's share of US domestic travel fell 30% over two years; State lost \$1.4b in annual tourism revenue; local businesses suffered significantly, leading to reduced tax revenue. It resulted in seven years of decline and, once funding was restored, seven further years to recover.¹¹
 - **Washington State.** In 2011, Washington closed its state tourism office (previous budget of \$10m). Grew at substantially slower rate than its neighbours (e.g. Montana grew 70% faster). Lost \$200m annually in potential tax revenue. A decade later the office was reestablished.
 - **Connecticut.** In 2010, the state reduced its tourism budget from \$15m to \$1. Analysis showed that for every \$1 cut, the state lost around \$3 in tax revenue from visitor activity. Funding was later restored to \$12m with return on investment proven to be 30:1.

The overall finding from these and other examples is that reduced local government investment results in loss of market share, loss of tax revenue that is greater than the savings achieved, and a decline in social wellbeing, including fewer jobs, less tax to pay for public services and reduced infrastructure maintenance.

Taking these two together, it is clear that for local government, its spending on tourism is largely cost neutral, whilst generating a wide range of community benefits, and that if funding is withdrawn, the cost in terms of lost tax revenue far outweighs the savings achieved, while having negative community outcomes.

TIA submits that any change made to local government in Aotearoa New Zealand must ensure that council activities in tourism are protected and enhanced, both over the immediate period and in the long term.

¹⁰ https://www.ustravel.org/sites/default/files/media_root/document/POTP_Negative_Case_Studies.pdf

¹¹ <https://destinationsinternational.org/case-studies/what-happens-when-you-stop-marketing-rise-and-fall-colorado-tourism>