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**Submission to Auckland Council**

**on the Draft Long-Term Plan 2021-2031**

**Date: 22 March 2021**

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the draft Long-Term Plan 2021-2031 for Auckland Council. This submission comprises two parts. Part One provides a general perspective on tourism at a regional level. Part Two provides specific feedback on the draft Long-term Plan.

**INTRODUCTION**

1. TIA is the peak body for the tourism industry in New Zealand. With over 1,300 members, TIA represents a range of tourism-related activities including accommodation, adventure & other activities, attractions, hospitality, retail, airports & airlines, transport, as well as related tourism services.
2. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.
3. Any enquiries relating to this paper should be referred to Steve Hanrahan, TIA Advocacy and Engagement Manager at steve.hanrahan@tia.org.nz or by phone on 027 9122 624.

**PART ONE - TOURISM AND LOCAL GOVERNMENT**

1. Tourism takes place in local communities and provides jobs, regional economic opportunities and vibrancy. We want tourism to provide real benefits to the communities where it operates, and local government has a key role to play in managing and enhancing local tourism experiences.
2. Tourism was the first industry to be hit by the COVID-19 pandemic and will be one of the last to recover. While the immediate outlook is uncertain, the industry’s longer-term ambitions remain unchanged. TIA’s Tourism 2025 & Beyond, A Sustainable Growth Framework – Kaupapa Whakapakari Tāpoi, sets a vision of ‘Growing a sustainable tourism industry that benefits New Zealanders’.
3. Our view is that central and local government must deploy their resources and work alongside the private sector to revive and then revitalise the tourism industry for the benefit of local communities and Aotearoa. This is a shared opportunity to make bold changes to fix longstanding systemic issues that have compromised our desire to build a truly sustainable tourism future.
4. In August 2020 TIA wrote to all councils in New Zealand outlining three priority areas for consideration as they developed their draft Long-Term Plans (LTP). A summary of what we asked for follows:

*Support for Destination Management Plans*

1. In order for your region to get maximum benefit from tourism, your tourism proposition must be community driven, align with national sustainable tourism goals and present a high quality offering that appeals to both international and domestic visitors. Destinations are a collection of interests (including local government, iwi, communities and business), meaning that coordination and destination planning is needed to deliver the best outcomes both for host communities and visitors.
2. We acknowledge the very good work done by Auckland Unlimited in the development of Destination AKL 2025, setting a new direction for Auckland’s visitor economy. There was a strong collaborative approach in the development of the region’s Destination Management Plan, working closely with tourism stakeholders.
3. This is the most important thing councils can do – look after and invest in the quality of your region as a destination. You must reflect the desires of your community and this includes the voice of tourism operators, which must be strongly represented in these Plans.

*Keep costs down*

1. Businesses are key to the economic health and vibrancy of a city, town and region. Tourism businesses typically bring significant cashflow and investment to a region through attracting both international and domestic visitors. These same businesses are now struggling to keep their lights on and trading conditions will be tough for the foreseeable future.
2. We acknowledge that councils themselves are facing reduced income as a result of COVID at a time when there needs to be ongoing investment to maintain and enhance the local mixed-use infrastructure used by both locals and visitors including roads, amenities and attractions. However, businesses cannot be expected to pick up the shortfall. The next three years is a time for councils to be willing to consider funding streams other than rates to maintain and develop infrastructure, such as increased debt and central government funding.
3. We ask in your LTP to keep any commercial or targeted rate increases to below 1.5% p.a. over 2021/22- 2024/25 and give confidence to local tourism operators by stating there will be no new targeted tourism rates (‘bed taxes’) introduced over the next three years.

*Environmental management*

1. New Zealand’s environment is our unique selling point. It underpins our 100% Pure New Zealand tourism proposition and supports many of our iconic adventure and outdoor activities. The top factor influencing international visitors to choose New Zealand is our natural landscape and scenery and getting outdoors is a key driver of domestic tourism. However, New Zealand’s natural environmental assets are under constant threat, including many of our native species, our freshwater rivers and lakes, and our unique landscapes.
2. We asked your Council in your LTP recognise the environmental assets in your region are critical to tourism success and make a commitment to maintaining, enhancing and restoring these assets, including supporting the requirements of the new National Policy Statement for Freshwater Management (NPS-FM) as quickly as possible.

**Part Two - Specific feedback on your LTP**

1. In the following section, we provide feedback on the tourism components within your Consultation Document for the Long-Term Plan 2021-2031. Our comments focus on rate increases and the proposal for Reinstatement of the Accommodation Provider Targeted Rate (APTR).

*Rate Increases*

1. The proposed increase in rates are higher than the 1.5% cap we sought in our August 2020 letter to Councils to support the ongoing viability of tourism businesses. However we acknowledge the efforts being made by the Council to prevent significant rate increases and the proposed increases of 5.0% in 2021/22, and 3.5% in the subsequent two years are some of the lowest we have seen to date in draft LTPs.
2. We also acknowledge that the Council recognises that business rates are too high compared to residential rates. As a result the average increase in business rates over the next three years will be 3.52%, slightly lower than the 5.34% increase for residential ratepayers.

*Reinstatement of the Accommodation Provider Targeted Rate (APTR)*

1. There are three options provided for the reinstatement of the APTR:

*Option 1* – Resume the APTR as currently planned from 1 April 2021, raising around $14.2m in 2021/22 to help support $29m of spending on visitor attraction, major events and destination marketing activity.

*Option 2* – Reinstate the APTR from 1 January 2022 reducing the APTR revenue to around $7.2m in 2021/22 and lower spending to around $21.8m in 2021/22.

*Option 3* – Reinstate the APTR from 1 July 2022 and lower spending to around $14.5m in 2021/22.

1. TIA led the tourism industry opposition to the introduction of the APTR in 2017, primarily on the basis of fairness – that it was totally unfair to propose this rate solely on commercial accommodation providers. The sector at the time received 9% of the total visitor spend in Auckland but was being asked to fund 100% of Council efforts (through ATEED) to grow this spend. A number of councillors – but not quite a majority - supported TIA’s position. The APTR was passed after being reduced in size and what properties it was applied to but remained, in the industry’s view, manifestly unfair.
2. Forward four years to now. We acknowledge and applaud the Council’s decision in the Emergency Budget of 2020/21 to suspend the APTR until 21 March 2021. However nothing has materially changed from when that decision was made last year and in that context we do not support any of the three options for reinstatement. Now, or any point in the foreseeable future, is not the time to be reintroducing this tax on the accommodation sector in Auckland.
3. Profitability is being severely impacted across all the tourism industry, including the accommodation sector. Year to date (Jan/Feb 2021) the occupancy rate for hotels in the Auckland region is 57%, down 29% points from 86% in February 2020. Revenue per available room (RevPar[[1]](#footnote-2)) is $105, a 78% decline from YTD 2020.
4. These figures are somewhat artificially propped up through the 18 hotels in Auckland allocated to Managed Isolation and Quarantine (MIQ). When Auckland MIQ properties are excluded, occupancy YTD falls further to 46% and the RevPar to $82. When these contracts come off there will be a huge return of capacity into the market, putting increased pressure on occupancy and rate, and negatively impacting on profitability again.
5. It is unclear whether MIQ properties would be required to pay the APTR if their businesses are used for MIQ at the time of any reintroduction. Based on the 2018/19 remission criteria they would be justified in seeking a remission on the APTR, if accommodation is contracted to central government for the purpose of emergency housing.
6. There is huge uncertainty in the industry. We need a reopening of the border and the reliable return of international markets out of Asia, America and Europe to bring confidence back. A re-opening just to Australia may have limited impact on Auckland accommodation as much of that segment is VFR - Visiting Friends and Relatives. It is becoming quite clear that reopening to destinations beyond Australia will not occur in 2021. And it will be a gradual return as airlines build capacity and reschedule flights to NZ. A recovery for tourism in New Zealand – and a recovery for commercial accommodation providers – could take five years or longer.
7. The coming months – the immediate future - are going to be very difficult for tourism across the country, including in Auckland. New Zealanders’ travel habits and behaviours are starting to change in the regular roller-coaster between alert levels. There is a huge wash of bookings as soon as an increase in Alert Level looks imminent. Confidence to travel, particularly in the leisure market, is being knocked and re-bookings are now slower that after earlier lockdowns. This trend will likely continue as the year progresses and if Alert Levels are raised, and it may take longer to restore confidence to travel.
8. One of the important pieces of infrastructure to support the return of confidence will be the completion of the New Zealand Convention Centre. This is currently scheduled to open in 2024, and when available should bring good benefits to the hotel and accommodation sector. Until then, Auckland remains unable to attract the large conferences that would help fill hotel rooms in the city.
9. The attempts by Auckland Council to get the so-called non-commercial accommodation sector to contribute to the APTR have largely failed, with only a small minority of operators using platforms like Airbnb contributing. An inter-agency government group including MBIE Tourism have commenced a review of the sector, called the Short-term Rental Accommodation (STRA) Review. One preferred outcome from this review is a more level playing field across all the accommodation sector when it comes to payment of rates and levies as well as compliance requirements. Unfortunately, this work is currently paused while the Minister of Tourism focuses on other priorities.
10. The closed borders, the lack of profitability in the accommodation sector, the delay for important infrastructure to come online, and the need for effective systems to draw in the wider accommodation sector all drive our view that the APTR should be permanently withdrawn.

**What does this mean for regional tourism funding?**

*The Short-term Response*

1. We understand the impact of not reintroducing the APTR. It puts at risk $14.2m, approximately 50% of Auckland Unlimited’s spending on visitor attraction, major events and destination marketing.
2. We propose a short and medium term response to alleviate the risk of reduced capacity on Auckland Unlimited (AU). In the short-term, we provide three options to consider:
	* Some of the shortfall may be able to be picked up via the Regional Event Fund where Auckland/Northland have been allocated $19m over a 3-4 year period and according to MBIE can be used for event funding for new and existing events that drive inter and intra-regional visitation.
	* There may also be the opportunity for Auckland Unlimited to work more closely with individual tourism operators, or groups of operators, on more targeted investment opportunities and leverage private funding that may be available.
	* Thirdly, opportunity exists in the merger of AU and RFA (Regional Facilities Auckland). RFA had six divisions – [Auckland Art Gallery](https://www.aucklandartgallery.com/), [Auckland Conventions](https://www.aucklandconventions.co.nz/), [Auckland Live](https://www.aucklandlive.co.nz/), [Auckland Stadiums](https://www.aucklandstadiums.co.nz/), [Auckland Zoo](https://www.aucklandzoo.co.nz/) and the [New Zealand Maritime Museum](https://www.maritimemuseum.co.nz/) – many with individual marketing budgets. The merger enables greater efficiencies in destination promotion and marketing.

*The Medium-term Response*

1. The issue of regional tourism funding is not confined to Auckland. In our submission to the government-initiated Tourism Futures Taskforce we provided a paper on sustainable funding models for tourism. In the paper we outlined our proposal for Central Government to create a Regional Tourism Fund of $300m p.a. and distribute these funds to local government to address local tourism-related needs.
2. Local authorities’ investment in tourism infrastructure would be informed by regional spatial plans (where they exist), local authority Long-term Plans, and RTO/EDA Destination Management Plans. If these Plans are doing their job well, they should clearly articulate the aspirations of tourism in the region and funding required. While infrastructure would be included as an area for investment of funds, we support a wider scope for fund allocation as determined by regional destination management priorities.
3. The allocation model is determined by the measured level of visitor impact on each territorial authority. The premise behind this calculation is to create a transparent and sustainable model for annual funding rather than councils having to apply and hope. For example, it may be based on visitor nights in a region. Pre-COVID Auckland hosted up to 20% of total visitor nights in NZ.
4. The proposal aligns with Infrastructure NZ’s proposal for a Regional Development Fund, expanding the former $1 billion p.a. Provincial Growth Fund into a $2 billion Regional Development Fund (RDF) covering all of New Zealand. Our proposal of $300m is 15% of that $2b fund.
5. We would work with Auckland Council and other local authorities to seek the introduction of this fund as soon as possible.

**CLOSING**

1. Tourism is a highly resilient industry. With targeted support, system fixes and a shared vision, the industry will once again make an essential contribution to New Zealand’s success.
2. We acknowledge the efforts being made to keep increases in the General Rate low. However, this should not be at the expense of the accommodation sector. Now or in the foreseeable future is not the time to be reinstating the APTR. Local government has a critical role to play in managing and enhancing local tourism experiences. Now is the time to focus on keeping costs down for all tourism businesses so they can firstly survive and then move into a recovery phase which will take a number of years beyond that of this draft LTP.
3. TIA wishes to have the opportunity to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.
1. Revenue per available room - calculated by dividing total room revenue by the total number of rooms available in the period being measured. [↑](#footnote-ref-2)