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### **Auckland Annual Budget 2023/2024**

Hotel Council Aotearoa (**HCA**) is the national industry body for New Zealand’s hotel sector. Our Board and members have vast experience in hotel development and operations, including considerable cumulative expertise managing hotels and tourist attractions in many overseas markets.

We write to give formal written feedback on Auckland Council’s draft Annual Budget for 2023/2024 (the **Budget**). We have read a draft of the feedback given by Tourism Industry Aotearoa, and we endorse and support that feedback. We gave oral feedback to Auckland Council at a Budget feedback session on 20 March 2023.

In addition, we note the following:

- **APTR remains a dark cloud hanging over Council and the sector:** Auckland Council and industry are currently awaiting the decision of the Supreme Court on whether the Accommodation Provider Targeted Rate (**APTR**) was illegal and unfair. The APTR targeted overnight accommodation providers to fund up to 50% of the cost of Auckland Council’s destination marketing and event attraction work through a targeted rate designed to replicate a “bed tax” of 3-5% of hotel revenues. In terms of design, the APTR was completely without precedent anywhere in the world, as well as signposting a significant change in New Zealand local body funding whereby a regional authority attempted to levy a business revenue tax by proxy. When hotels and motels started accumulating significant losses as a result of COVID and closed borders, Auckland Council was left with little choice but to suspend collection of the APTR or deal with business failures. If the Supreme Court upholds the Court of Appeal’s ruling, then Auckland Council may be required to refund APTR amounts collected up the point of suspension.
- **APTR did not work and is now largely unsupported:** Few people within the Council bureaucracy now express any support for the APTR as a collection mechanism and many privately acknowledge that it does not work. It was accepted during the APTR litigation that accommodation providers are not the principal beneficiary of local government’s tourism marketing and generally receive no more than 10% of tourist spending. The lion’s share of benefit flows to other tourism-connected businesses such as restaurants, retailers, transport providers and attractions, yet the APTR made no attempt to collect contributions from these other businesses. The APTR could not be “passed through” to hotel guests as a percentage add-on to the bill, which meant it distorted the cost structure at hotels and was inequitably distributed between different hotels.
- **HCA has repeatedly called for dialogue and co-operation:** HCA has repeatedly called on Auckland Council to engage in proper dialogue with industry around fair, reasonable and best-practice alternative funding methods to the APTR. HCA anticipated Auckland Council’s funding challenges long before Auckland Council did. In September 2021 [we called on](#)

[central Government to fund Auckland Unlimited for three full years after COVID](#). These requests for support and direct dialogue on better solutions have been made publicly and privately, including in previous budget consultation exercises with Auckland Council, in HCA press releases and in national media:

[Auckland Council to appeal Mayor Phil Goff's controversial bed tax in the Supreme Court - NZ Herald](#)

[Budget 2021: Hotels' plea to Government - NZ Herald](#)

[Road pricing and bed taxes get green light from Govt review panel | Newsroom](#)

- **HCA has supported the work of Tataki Auckland Unlimited:** Notwithstanding HCA's principled and consistent advocacy against the APTR *as a collection mechanism*, HCA has remained supportive of the work carried out by the Tataki Auckland Unlimited team. We have a good working relationship with Tataki Auckland Unlimited's executive leadership.

Our feedback to Auckland Council on the Budget is as follows.



We acknowledge that Auckland Council has a mandate and obligation to cut operational expenditure in the aftermath of COVID and the 2023 weather events. However, we consider the proposed cuts to destination marketing and event attraction are excessive. The cuts will be damaging in the long-run. While expenditure on destination marketing and attractions must be cut *for now*, it seems likely that this work will be dialled up again in future. It will be much harder – and much more expensive in the long run – if the team and connections must be recreated from scratch. The team should be retained and reduced funding allocated for their work – **some level of funding must remain**. It is very difficult for industry to collaborate with Tataki Auckland Unlimited on interim funding and marketing solutions if Auckland Council makes no material investment in continuing this work.

It is a common refrain that Auckland should “be more like Melbourne” when it comes to creating a calendar of international-standard events supported by tourists and locals alike. We note that in the year ending June 2022, [the State Government of Victoria contributed AU\\$130 million in annual funding to Visit Victoria](#) (see p. 47), or equivalent to NZ\$40 million when adjusted for Auckland’s population. Funding for destination marketing and event attraction in Auckland might well fall below the Melbourne-equivalent level of \$40 million, but *it should not be reduced to zero*.



Council once considered event attraction and destination marketing to be so important that it justified creating an entirely new targeted rate (the APTR) and sticking by that targeted rate through expensive and drawn-out litigation. The draft Budget effectively signposts a complete change in direction. We submit a more sensible approach would be to retain the event attraction and destination marketing team, provide reduced but still adequate funding, and direct Tataki Auckland Unlimited to work more closely with industry (including HCA) on **principles for a fair, reasonable and nationally-endorsed funding model for the tourism economy that draws upon international best-practice and robust research**.



Tourism is highly cyclical. It seems obvious to industry experts that now is not the time to be eliminating all destination marketing and event attraction when, internationally, destinations are competing for visitation as borders re-open and international travel movements return to normal/pre-COVID levels. A recovery in tourism and visitation is unquestionably going to be a significant contributor to Auckland's overall economic recovery after the upheaval of the last three years.



No other comparable destinations are cutting back on destination marketing at this point in the cycle. It might have made sense to pause tourist marketing expenditure while borders were closed and COVID was rampant worldwide. It is highly counter-intuitive for Auckland Council to end destination marketing and event attraction work at the very point when most destinations are *increasing* their focus on attracting tourists.



**We have all seen what CBD Auckland looks like without tourists, and it's not pretty.** Tourists create activity and atmosphere in the city-centre. [The surveillance effect helps reduce crime and anti-social behaviour](#). Auckland Council has in recent years invested considerable amounts into physically improving the CBD – such as the increased pedestrianisation of Queen Street and the Quay Street rebuild and beautification. Tourists are now needed to activate those physical spaces and ensure ratepayers receive value-for-money from past investments in infrastructure. Without tourists, empty shops will remain vacant and further redevelopment and renewal will stall.



HCA understands and acknowledges that we have a “tourism funding problem” in New Zealand. Central government collects vast amounts of tax from tourists and tourism businesses, including 15% on top of every \$1 spent by tourists in Auckland. Communities want change in the way tourism is managed and funded in New Zealand. Industry is investigating models that include collection of new money to increase the funds available for reinvestment in tourism. However, it is important that central government and local authorities are prepared to enter into genuine dialogue around the problem. **To be clear, HCA supports a national tourism funding model that would result in Auckland Council receiving considerably more than \$34 million annually, being the amount allocated towards event attraction and destination marketing in the period prior to COVID. Such monies that would not come from ratepayers.** HCA needs engagement from Auckland Council and the Mayor to bring this about.



Hotels are generally located within city centres. The hotel sector supports higher levels of marketing and promotion of New Zealand’s cities. There is no reason why Auckland cannot be marketed as “100% Pure”. The hotel sector is a major player in ensuring the success of Auckland’s new convention centre. Meetings, incentive, convention and events (or “MICE”) travellers are a key contributor to economic growth in cities such as Auckland, being New Zealand’s largest economic centre and dominant international gateway. What’s good for Auckland is good for the entire tourism industry in New Zealand.



It makes little sense for Auckland Council to respond to current budgetary pressures by completely dismantling its event attraction and destination marketing capability. If Auckland Council wants to be at the table in driving for a better – and more financially advantageous – long-term solution to the tourism funding problem, then Tataki Auckland Unlimited needs to “keep the lights on”.

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**Councillors can help solve a systemic problem that hurts Aucklanders**

## **Next step – genuine engagement**

Hotel Council Aotearoa is:

- available to the Mayor and **each and every Councillor who wants to better understand tourism and what is going on in Auckland, New Zealand and globally.** (Tourism is 9% of New Zealand's GDP and our largest export industry – if you do not "get" it, you are doing all ratepayers a disservice.)
- available to the **Tataaki Auckland Unlimited Board, who should be looking to engage directly with HCA** if TAU's future funding depends on industry advocacy and voluntary contributions – and it *does!*
- committed to finding a fair, reasonable and nationally-endorsed solution to New Zealand's tourism funding problem.



**HCA**  
HOTEL COUNCIL AOTEAROA

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In each of the previous two years, Hotel Council Aotearoa has invested considerable time in responding to Auckland Council's request for feedback on its Annual Budget. Not once have we received any material feedback, follow-up or engagement in response to our work. Once again, we extend an invitation for greater dialogue and collaboration on the important issues highlighted in this document.

Yours sincerely  
**Hotel Council Aotearoa**



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