

14 May 2024

By email only: haveyoursay@hbrc.govt.nz

Dear Sir/Madam

Hawke's Bay Regional Council's proposal to phase out funding for Hawke's Bay Tourism

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 Hawke's Bay Regional Council's draft Three-Year Plan for 2024-2034 (the **Plan**), in particular the proposal to phase out funding of Hawke's Bay Tourism.

Of the options presented, HCA supports the status quo, but failing that we support Option B.

Hawke's Bay Tourism carries out destination marketing and event attraction activity on behalf of Hawke's Bay's five councils. It is entirely right and normal for regional authorities (and by extension, ratepayers) to fund this work.

It seems strange to us that Hawke's Bay Regional Council claims to want to focus on its mission of "enhancing our environment together", yet at the same time proposes to stop investing in the visitor economy. The visitor economy generated \$775 million for Hawke's Bay's regional GDP in the 12 months to September 2023 and supports one-tenth of local employment. During COVID, when New Zealand's borders were closed to international tourists, the Hawke's Bay region thrived on the back of the contribution made by domestic tourism to the local economy. Hawke's Bay is well-placed within driving distance of both Auckland and Wellington.

While we acknowledge that all councils in New Zealand are faced with budget pressures, the \$1.52 million invested annually by Hawke's Bay Regional Council in Hawke's Bay Tourism is a very small amount when compared with the overall value of the visitor economy.

To be clear – it will have a *very negative impact on the region's economy* for this funding to be arbitrarily withdrawn and with minimal notice.

Smart investment back into the visitor economy drives a positive return on investment. Publicly-funded event attraction and destination marketing is not a new or unproven thing. The reasons why councils (and countries) should invest in this work include:

- **Permanent residents benefit:** Event attraction and destination marketing has an immediate public benefit. Local residents attend high-quality events without needing to travel. Local residents work in event-connected businesses, such as hotels, restaurants, bars, stadiums and venues. Local residents benefit from permanent improvements to public infrastructure and a wider range of thriving local businesses.

- **Creation of an enduring brand and reputation management:** Through consistent messaging and storytelling, a central agency such as Hawke's Bay Tourism is able to craft a distinct identity that resonates with target markets. Individual businesses will not invest in developing this "big picture" identity for an entire destination. Similarly, a central agency is best-placed to respond to challenges and crises that may arise, minimising negative consequences for the local economy.
- **Attracting investment to the region:** Event attraction and destination marketing activity also supports wider efforts to attract investment and skills, generally. Sources of external capital and new permanent residents are typically first introduced to a destination when visiting as a tourist. The world's most vibrant and thriving destinations are all great places to visit.
- **Export promotion through tourism:** Tourism reinforces and supports other export sectors such as forestry, wineries, textiles and dairy. This is particularly important for Hawke's Bay given its strength in viticulture.
- **Economies of scale and efficient resource allocation:** A central agency is best-placed to drive economies of scale when carrying out event attraction and destination marketing. Centralisation streamlines resource allocation for optimal results – event planners do not want to deal with multiple separate local tourism businesses. A central marketing agency can avoid duplication of effort that sometimes occurs if tourism marketing is left entirely to private businesses.
- **Support for council-owned infrastructure and amenities:** Good tourism marketing is the "software" that supports council-owned "hardware" such as conference centres, stadiums and other tourism attractions. Hawke's Bay's five councils are major investors in visitor economy assets.

It is our submission that the "tough choice" to effectively de-fund Hawke's Bay Tourism is not a tough choice at all, it's potentially a short-sighted choice that could do a great deal of damage to the Hawke's Bay economy.

Yours Sincerely
Hotel Council Aotearoa



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Annexure 1 – Why fund destination marketing and event attraction?



Destination Marketing & Event Attraction

1

Destination Marketing & Event Attraction (DM&EA) typically generates a positive return on investment. The economic orthodoxy is for local authorities to carry out DM&EA.

2

Local authorities carry out DM&EA due to market failure including “free rider” problems. No one business gets all the benefit. A central agency builds up connections and competency.

3

Accommodation receives only 10% of tourist spending. Retail, rental, transport and attractions also benefit. Ratepayers and local businesses will notice if council reduces DM&EA spend.

4

Locations that are attractive to tourists are also attractive to residents. Ratepayers want activation.

5

Reduced DM&EA spend will make it harder for councils to attract private investment in tourism infrastructure in future.

6

DM&EA spending unlocks council investment in amenities, such as parks and venues. DM&EA is the “software” that sits on top of the “hardware” that is council-controlled facilities.

7

Across New Zealand, tourism is yet to recover to pre-COVID levels. Activating the visitor economy through smart DM&EA investment is a path to economic recovery.

For more information, email admin@hotelcouncilaotearoa.com