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Auckland Council
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Submitted By Consultation Website

Kia ora

Auckland Council Annual Budget 2023/2024

Tourism industry Aotearoa welcomes the opportunity to make this submission on the Auckland Council ***Annual Budget 2023/2024 Consultation Document.***

Our submission is regarding the further proposed budget cuts of $44m for the destination marketing and events attraction functions of Tātaki Auckland Unlimited.

TIA strongly considers that a budget cut of this magnitude will be detrimental to the Auckland visitor economy. TIA's key points in this submission are:

1. **Destination Marketing, an Investment not a Cost**. TIA submits that Auckland Council should view its spending on the destination management and event attraction management as an investment that will generate a substantial rate of return, directly for Council and indirectly by businesses and people across the Auckland region.

2. **Retaining Capability**. TIA submits that Auckland Council makes every effort to ensure that the specialist skills and capabilities of the people within Tātaki Auckland Unlimited are retained in the interest of the current and future work to ensure the positive functioning of the Auckland visitor economy over the long term.

3. **Sustainable Industry Funding**. Auckland Council should align its decisions around the funding of the destination management and event attraction functions of Tātaki Auckland Unlimited with a number of wider processes underway relating to tourism industry funding.

4. **COVID Recovery**. TIA submits that Auckland Council deliberately supports the important functions of Tātaki Auckland Unlimited in shaping and enabling recovery of the Auckland visitor economy so that it delivers the strongest benefits for Auckland, recognising there are significant down-side risks of not doing so.

TIA requests that Auckland Council retains the existing funding for Tātaki Auckland Unlimited and, if that is not possible, ensure that the funding reduction is limited to so that the capability of the destination marketing and events attraction functions are retained with sufficient capacity so that can quickly rebuild as funding returns.

Tourism Industry Aotearoa
TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,200 members, TIA represents a range of tourism-related activities including

hospitality, accommodation, adventure and other activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

TIA is sharply focused on ensuring the sustainable future of the industry, and this is clearly articulated in our key guiding documents and programmes. These include the tourism industry's strategic framework, *Tourism 2025 & Beyond – A Sustainable Growth Framework Kaupapa Whakapakari Tāpoi* and the industry's sustainability platform *New Zealand Tourism Sustainability Commitment - He kupu taurangi kia toitū ai te tāpoitanga.*

TIA is currently updating this industry tourism strategy and a key aspect of this work will be around the funding systems for enabling a wide range of actions across the industry to support its sustainable development over the long term. This work, we believe, is closely related to some of the funding issues contained in the draft Budget and particularly as it relates to Tātaki Auckland Unlimited.

In preparing this submission, TIA notes the pending judgment from the Supreme Court on Auckland Council's Accommodation Provider Targeted Rate (APTR). TIA's stated position on the APTR is that it is not a fair or appropriate funding tool for raising funds for regional tourism functions.

The tourism industry

At its most basic level, tourism is the movement of people to places where they don't normally live to do, see, visit or experience. Pre-COVID, this amounted to expenditure of $41.4 billion nationally, or directly 5.6% of GDP and 7.9% of employment.[1]

These figures are important because they illustrate the role of tourism within the wider economy and society. Tourism plays a key and often understated role in enabling and supporting jobs, business opportunities, community vibrancy, better amenities, better social connections, better transportation options for business and trade, and so on. In addition, tourism is always tied to 'place' which means there is an important interface with the communities at these places.

For these reasons, there are tremendous benefits for destinations to invest in ensuring the tourism system operates as effectively as possible in their respective regions. The importance of this has been evidenced by the recent investment from central government for regions to develop their own Destination Management Plans to better allow them to manage their places for community-wide benefit.

Auckland plays a significant role in the New Zealand tourism system: it is the main gateway to our nation and a major destination in its own right. In the year to March 2019, $8.3 billion was spent by international and domestic visitors in Auckland, and there were 7.45 million guest nights in commercial accommodation.[2] These are significant figures and demonstrate the role of tourism as part of the fabric of Auckland as a major city and visitor destination. However, consistent investment over time is required to ensure visitor spending continues to recover and grow and the widespread benefits from tourism and events are delivered to best effect.

Key points for Auckland Council consideration

1. **Destination marketing is an investment, not a cost**. Investing in the tourism activities of Tātaki Auckland Unlimited is an investment, not a cost. As an investment,

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[1] Tourism Satellite Account, YE March 2022, Stats NZ, December 2022.

[2] Auckland Destination Overview, ATEED, March 2019

resources spent in this area generate a return over and above the direct cost, and that is why countries and cities around the world invest in these areas. Generally, for every $1 invested in the local visitor economy there is a direct return for the funding party, such as the local government entity, and a larger benefit for businesses and people working in the local economy. This is the globally accepted rationale for destination marketing and events attraction activities.[3]

In cases where such funding has been withdrawn, the consistent outcome is a discernible decline in activity and, over time, reinstatement of the funding, followed by a period of catch up. The case study evidence shows that when tourism related investment is cut, visitor spending starts reducing immediately and continues to decline. Fortunately, there are not too many of these case studies because funding reductions are actually quite rare meaning regional tourism is highly valued.

The Colorado example is widely held as the classic case study (Attachment 1). When Colorado's $12m tourism marketing budget was cut to zero in 1993, visitor spending reduced by $1.4b initially and then to $2b annually. With re-instatement of funding to $17m in 2006, the advertising spending of $10.7m generated an additional $2.1b of visitors spend and additional tax revenue of $139m. For the State funder, for every dollar it spent, it received and additional $12.96 of tax revenue, a 13:1 return.

Similarly, in 2013 the San Diego Tourism Authority had its budget reduced by 85%. Over the following year, this rapidly impacted the performance of the San Diego hotel industry, with room demand, occupancy and price levels all trailing other regional and national destinations that had maintained funding. As funding was returned, the market position was restored reasonably quickly.

Key Point. International evidence is that even popular destinations that reduce or stop destination marketing suffer a sharp decline across key indicators such as visitation levels, spend and market share. This research indicates that if the proposed cuts are implemented, Auckland as a destination will experience reduced visitor activity and spending, with these losses being at a scale much higher than the proposed savings.

2. **Retaining Capability**. Destination marketing and events attraction functions are specialised activities requiring a set of distinct skills, experience and relationships. TIA considers that it is most important that the capability of Tātaki Auckland Unlimited is not degraded as it will be at the proposed budget levels.

   With respect to the capability that attracts events to Auckland, this is a long-term exercise that gains meetings, conferences, sporting and cultural events that are scheduled often years ahead. This is a specialised function, and one where continuity of the capability to deliver this function is very important, with significant risks if fewer or lower quality events are in the schedule. The importance of events as a stimulus to travel makes it an essential part of the wider destination marketing programme. TIA notes that in the 2022/23 year, the estimated value of business events was $73.7m from a $2.1m investment, a 35:1 return.[4]

[3] There is extensive literature on the Return on Investment from destination marketing. However, there is a vast number of ways ROI can be calculated depending on the methods used. What is common is that the ROI is invariably positive, and usually strongly positive. In analysis by Oxford Economics for the World Travel and Tourism Council (WTTC) the following ROIs were cited: Visit Denmark: ROI 16:1, Visit Scotland: ROI 20:1; Australia's 'A Different Light campaign': ROI 64:1; Canada Tourism Commission: ROI 38:1; Visit California: ROI of between 25:1 and 200:1 depending on target market.

[4] The Value of the Visitor Economy to Tāmaki Makarau Auckland, Tātaki Auckland Unlimited, Miles Partnership, October 2022.

With Auckland being New Zealand's global city, and with the New Zealand International Convention Centre soon to become a large scale internationally competitive venue, it is important that the capability to attract events of all sizes is retained within Tātaki Auckland Unlimited. This is a long-term function given the lead times for attracting and scheduling the large events in particular. This is a typical function for cities and territories, with Australian states all having significant budgets to attract events, for instance, Victoria $5.6m across two programmes and Queensland $7m to attract business events.[5]

Key point: TIA submits that Auckland Council makes every effort to ensure that the specialist destination marketing and events capabilities of the people within Tātaki Auckland Unlimited are retained in the interest of the current and future work required to ensure the positive functioning of the Auckland visitor economy.

3. **Sustainable Industry Funding**. How important tourism-related functions are funded at appropriate levels is a key industry consideration at present. TIA considers that tourism suffers from a systemic and structural deficiency around the way several key functions are funded (or not), such as destination marketing, research and data, sustainability capability, and others. The result of this deficiency has been unstable funding streams and a lack of ability to perform important functions at the scale and depth needed.

   The current situation in Auckland reflects this challenge with Council experiencing difficulties in generating direct revenue while the industry is experiencing difficulties in setting up a contribution mechanism. TIA strongly considers that there should be national solutions to these problems, as opposed to a number of ad hoc solutions.

   TIA requested that Government establish a third phase of the Tourism Industry Transformation Plan, or similar mechanism, to be focussed specifically on Sustainable Tourism Funding, and we are pleased that this will take place. Work is due to start mid-year and TIA will encourage it to find equitable ways to fund a range of industry activities. For instance, finding ways to fund regional tourism functions with a view that consistent, nationally applied, solutions will be much better than multiple solutions around the country.

   Related to this, TIA is currently conducting a major project to reset the Tourism Industry Strategy. This project will spend considerable time and effort on the key enablers of actions to address the systemic issues facing the industry so that the identified impediments can be substantively addressed. Industry funding mechanisms, including at a regional level, will form a major part of this conversation.

   Key Point: There are several important processes underway or pending that will inform the tourism system on how it should be funded to deliver key functions. TIA submits that Auckland Council should see these processes through before it implements the proposed budget reductions, which will have immediate effects on visitation and tourism businesses.

4. **COVID Recovery.** A final point is around the importance of ensuring the capacity exists to support an orderly recovery from the COVID-19 period. In this, Tātaki Auckland Unlimited has a very important role to play and this will very likely be material for how the Auckland tourism system operates for years to come.

[5] The Value of the Visitor Economy to Tāmaki Makarau Auckland, Tātaki Auckland Unlimited, Miles Partnership, October 2022.

TOURISM INDUSTRY AOTEAROA

Key Point: After two or so years of a highly constricted Auckland tourism sector through the COVID-19 period, it is important that the recovery has both support and directional guidance, both of which are important functions delivered by Tātaki Auckland Unlimited. It is important that this function is delivered effectively, with significant down-side risks of not doing so.

Summary

Overall, Auckland Council should view its investment in tourism marketing as an investment with direct and indirect economic benefits to the region, rather than a cost. International evidence highlights the importance of destination marketing and the negative consequences that can result when funding for such marketing is reduced or eliminated. It is crucial that Tātaki Auckland Unlimited retains its key capability to both support an orderly recovery from the COVID-19 period and optimise the industry for the future. TIA urges Auckland Council to consider the key points raised and adopt a long-term approach towards its tourism funding to sustain and increase Auckland's appeal as a visitor destination.

TIA would be most happy to expand on any points raised in this submission.

Please do not hesitate to get in contact if you have any queries. Bruce Bassett can be contacted on 021 609 674 or bruce.bassett@tia.org.nz.

Ngā mihi,

Rebecca Ingram
Chief Executive

Attachment 1: Outcomes from Reducing Destination Marketing

This material sets out published studies on the impact of cuts to destination marketing budgets. As such funding reductions are actually quite rare, there are limited well-studied case studies. The Colorado example below is widely held as the classic example.

What happens when you stop Marketing? The Rise and fall of Colorado Tourism In, Dr Bill Siegel, Longwoods International, 2009.
In 1993, Colorado became the only state to eliminate its tourism marketing function, when it cut its $12 m budget to zero. Within two years reduced visitation translated to the equivalent of over $1.4 billion annually in lost revenue with this increasing to $2 billion from the third year. The impact was largest for high-yield customers. By 2000, limited funding of $5m was reinstated and visitation lifted. Based on this evidence, in 2006 the marketing budget was increased to $17m and a Longwoods evaluation found that the campaign created a halo effect on specific attributes that motivate people to visit the state and that intentions to visit were significantly higher because of the campaign. Key Longwood analysis metrics:

Advertising Spend	$10.7 million
Total Visitors Generated	5,973,000
Total Spending Generated	$2,078 million
Tax generated	$139.3 million
Visitor spend per Ad dollar	$193
Tax return per Ad spend	**$12.96**

Key takeout: Cuts in marketing spend had a deep impact on Colorado visitation and spend. On re-establishment of funding, studies found a strong recovery that amounted to a **13:1** return for the State funding body (its extra tax revenues compared to its spend on advertising).

San Diego Tourism Marketing District Funding Frozen by Litigation, Competitive Analysis of Illinois Tourism Marketing Funding, Tourism Economics, 2016.
In 2013, the San Diego Tourism Authority had its budget reduce to 15% of its normal budget and over the following year was reflected in the performance of the San Diego hotel industry, with room demand, occupancy and price levels all trailing other regional and national destinations that had maintained funding. As funding was returned, the market position was restored reasonably quickly.

Key takeout: Cuts in marketing spend had a rapid impact for San Diego hotels compared to a competitor set as expressed as room demand, occupancy and price.