



# NEWSLETTER

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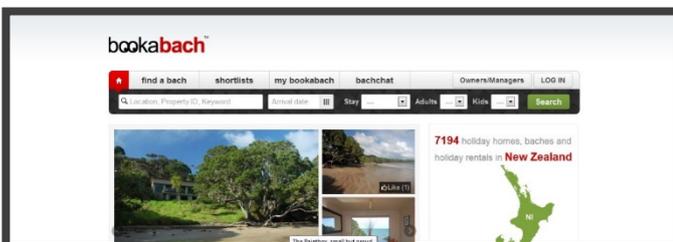
## 2017 Tourism Issues

Inside:

- Rating Short-Term Tourism Rental Accommodation
- Freedom Camping Future Management
- Destination Management of Tourism

### Rating of Airbnb, Online Rentals and Hotel Beds

Can we rate them? Should we rate them?  
Should we just wait for an Airport tax?



Thames Coromandel District Council (TCDC) is one council among several who explored rating tourism rental accommodation. In 2015 TCDC went out to public consultation on the rating of rental baches for a \$200 rate to help offset the cost of Council's economic development, which includes walkways, cycleways and tourism marketing. Rental properties arguably benefit from tourism attractions but don't pay more than the average householder for that commercial benefit.

The TCDC rate over some 1,400 rental homes would have netted some \$280,000 annually. Council went out with the rate on several bases – one of them was equity. At the time Council's position was that "All accommodation providers benefit from our investments but a large part of the sector does not contribute toward this programme."

"For example, the Whangamata Beach Hop is the biggest single event in New Zealand with around 120,000 people in Whangamata for Beach Hop week."

Council says for years many commercial accommodation proprietors have pointed out inequality over who pays commercial economic development rates and pan charges, and who doesn't. Motels and hotels have a raft of costly compliance legislation and struggle to compete with the growing rental accommodation sector who avoid most compliance costs.



Charging a separate tourism rate is not in question here. At least three councils (Marlborough, Queenstown and Rotorua) have a well-established history of this rating.

In Marlborough District the charge was only applied if it could be proven that the property was advertising. Recently in Queenstown, Council staff sent letters to some 800 owners found to be advertising short-term rental accommodation online, but paying only residential rates on their properties. Council's Chief Financial Officer Stewart Burns said that 200 agreed to register their holiday homes as required, 300 said they were no longer renting, and staff would chase up the remainder.

Through public consultation the TCDC rate did not proceed. Arguments raised in consultation against the rate included the contribution that rental visitors to the Coromandel make to the economy, the traditional right of Kiwis to rent their homes and make a few bucks to offset their rates - at an average of \$7,000 income from renting annually they are hardly 'commercial' - and rental home owners not living on the Peninsula don't receive the full benefit of services for their current rates.

The practicality of the process is also limiting. For a return of some \$280,000 there would likely be a cost of around \$90,000 to collect (salary plus overheads including quality checking by other staff), with a dedicated person constantly updating addresses and playing cat 'n' mouse with renters. Councils rely on identifying properties to rate. Properties on the Coromandel do not need to identify the number of their street address on the rental accommodation site. The street is enough. If TCDC introduced the rate, the number of identifiable properties would drastically reduce and the cost to identify properties increasingly rise.

For those councils who began this form of rating many years ago, the public has a long history of acceptance in those areas. In 2017 it is arguably much harder to introduce this new form of rate in New Zealand to a better informed and better organised public.

## Hotel Bed Tax

**Are bed taxes better than an Airport Tax?  
Should we introduce a Bed Tax?**

Auckland Council are finding this out in 2017 as they signal their intent to introduce an accommodation rate to help offset the costs of tourism and economic development to the City. There is a concerted opposition of hospitality industry and Tourism Industry Aotearoa (TIA).

My research in 2016 (*Value for Money? Tourism Spend in New Zealand Local Government 2015/16*) found that Auckland paid only \$15.30 per head of population for Council tourism spending, compared to a national average of \$37.90 per head, which rises in excess of \$100 per head in tourism centres including Thames-Coromandel, Rotorua and Queenstown. Auckland is arguably under-investing already from general rates by this national standard.



The TIA does not like the Bed Tax. In 2005 they wrote, "The case against bed taxes: A tourism industry perspective". Their opposition ranged from the cost of changing businesses computer systems, to managing a new tax, to the unfairness - the broad benefits of tourism dollars extend into the local economy far wider than just accommodation providers, so why target them?

TIA research showed that those tourists who would pay a Bed Tax ranged from 92.7% of visitors in one area which has a lot of hotels, down to 50.9% in another area with a lot of rental houses and campervans - like the Coromandel. So places without a sizable commercial accommodation industry miss out.

The best study on Bed Taxes is probably Tom Knipe's, carried out in 2011. He reviewed Bed Tax research all across the USA. In contrast to the TIA research, Knipe concluded that Bed Taxes work well in almost every measure used. Knipe stated that starting in 1946, Bed Taxes were in all U.S. states except Wyoming by 2011. In addition, a state-wide bed tax for tourism promotion (on top of the local Bed Tax) had been introduced into 21 states.

Some key points from Tom Knipe's work relevant to New Zealand are:

- Bed Taxes are better than Airport taxes because they target higher income earners, people from outside the area, and are easily and cheaply levied;

- The hotel industry opposes Bed Taxes, but opposition fades away if funds are spent directly on the area's tourism promotion; and
- Studies support local control of the Bed Tax as providing better accountability and outcomes in the area they are levied.

## My view on Implementing Bed Taxes:

1. We should have the option for a Bed Tax to improve the principle of user (visitor) pays and capture more dollars from visitors to help pay the costs of sustainability.
2. We should only bring the Bed Tax in if we can capture the online short-term rental market, and it should also be charged at the point of campervan rental;
3. The Bed Tax should be managed locally, like any other rate or user-charges by the local council;
4. There is a case for a small portion of bed taxes to be contributed from local areas to a regional pool of funding. This ensures that places like Mackenzie and Waitaki without high bed numbers can contest for a grant pool for infrastructure costs of tourism;
5. The allocation mechanism should ringfence (a) an infrastructure component, (b) apply funding to destination marketing, (c) a small percentage to a regional pool for contestable project funding, and (d) have a portion available to match private sector funding for local projects;
6. The allocation entity would be both industry and council, and this partnership locked into legislation.



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## Freedom Camping and the Role of Campgrounds

As I continue my work on Freedom Camping Strategic Plans and Bylaws, I have observed a hardening of community attitudes even since last year (2016).

The disappointment for some communities is the sense of entitlement that some international visitors have to treat the environment with disrespect. It is a small percentage, but even a small percentage of 63,000 freedom campers is still a lot of people.



I'm monitoring the role of the private sector in Freedom Camping at the moment, and the role of campgrounds. In the Nelson City Freedom Camping Strategic Plan (2016) I researched the number of vans at peak and how much capacity the campgrounds had. I recommend that Council back their campgrounds; both private sector and council rate-funded campgrounds. In Nelson one campground that needs development has 200 lots of spare capacity at peak.

Why don't non-self-contained vehicles just go to campgrounds? Auckland University research showed that they do – when they get too smelly – every few days. But the point of non-self-contained is to choose your own itinerary and turn up in a location and then decide.

If you have council campgrounds, why are you in that activity? Many look at campgrounds as some sort of investment. But they are not. Councils got into campgrounds to cater for the visiting public. Today that includes campervans. How can council ringfence spaces for non-self-contained vehicles in campgrounds? How can council add incentives over the peak period to get non-self-contained vehicles into the campgrounds and off council reserves or streets?

I worked on behalf of a Council with Jucy Rentals to scope a win-win deal where Jucy would promote that area to stay another night, and Council would drop the cost of spaces for those vans for that period. Jucy was in a principled agreement. It is one example of smart use of campgrounds in a promotion to help the freedom camping problem.

At the moment I'm looking at an initiative called KiwiCamp. KiwiCamp is private-public infrastructure with modular toilet, shower, refuse, internet facilities with carparking for non-self-contained as a pay-for model. The concept is designed to fly under the Campground Regulations by not triggering thresholds, and be entirely pay-for with barrier arm entrance to the sites. It may involve councils front-loading the infrastructure cost in partnership with the Regional Mid-sized Tourism Facilities Grants Fund.

I think it's brilliant! The private sector needs to offer their skills in this space. I would be concerned that in many areas the entrance fee may not cover infrastructure, and that if the entrance fee was ratcheted up, non-self-contained vehicles would avoid it. I came across research suggesting that non-self-contained vehicles would entertain going into campgrounds at prices under \$10.

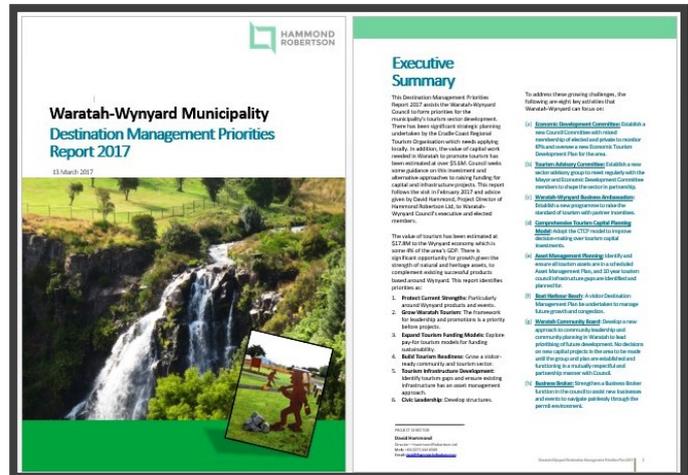
## Doing Tourism Destination Management Well

Recently I did a training webinar for LG Equip on Destination Management inviting in Craig Wilson to assist. It reinforced what I knew about how difficult it is to train in a 45 minute session a topic that is so big it flummoxes most councils.

What is Destination Management? It is the management of tourism opportunities and impacts to maximise opportunities whilst minimising tourism pressures on communities, and environment.

I got into this topic the hard way. I remember introducing great tourism capital projects worth over \$5m which were not supported by much of the community. We were gob-smacked. Council spent a lot of ratepayer money and the project never really got community or local tourism sector buy-in. The benefits have not flowed as a result.

I recently took these learnings to Waratah-Wynyard, Tasmania – a beautiful location in the North West bordering on the Tarkine wilderness where I'm working with Council to improve the ability of the area to maximise tourism benefit. In this project I have used a Site Assessment developed by my company as the first step a council takes in Destination Management.



The Site Assessment measures 9 factors which can be summarised to People, Product and Planning. They cover everything from the readiness of the community for tourism, customer service, iconic nature of the area, how brand is represented in imagery and story etc, council infrastructure, planning for environmental and cultural protection, pay-for models of funding tourism and regulation regime.

My mantra is to move from Tourism Strategic Plans (which usually just focus on marketing) to Destination Management Plans which bring all council tourism functions into the plan, starting with the main tourism sites in the area. Tourism in local government is much more than just marketing. So how is that wider role which captures infrastructure, funding, regulation, industry partnerships, marketing, information and signage, planning, developing and measuring the right KPIs being organised in the council in a coordinated way for success. That is what I'm advising Waratah-Wynyard about and turning my mind to training the local government sector in New Zealand to do well.



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### Community Planning:

Kete Foundation develops fun and engaging community visioning, workshops and Community Plans for councils and communities. In 2017 Kete organised support for community planning processes in Whakatane and Central Otago Districts. As well as the community, Kete will work with your council and community leadership for sustainability of community processes.