



**Submission to  
The Treasury on a  
New Independent Infrastructure Body**

Date: 26 October 2018

**TOURISM INDUSTRY AOTEAROA**

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Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the proposed New Independent Infrastructure Body (I-Body). This submission represents the views of Tourism Industry Aotearoa as a collective whole and may not necessarily represent the views of individual members.

This submission is filed without prejudice to TIA's future position. Our ability to prepare a comprehensive submission responding to the consultation document relied on the provision by The Treasury of information relevant to the connection between the consultation document and the benefits that would accrue. If any information is provided at a later date, TIA reserve the right to comment further.

## EXECUTIVE SUMMARY

1. TIA welcomes the Government's decision to establish a new independent infrastructure body. Ongoing industry concerns about tourism-related infrastructure deficits led TIA in 2016 to commission Deloitte to undertake a National Tourism Infrastructure Assessment. Our view is that barriers to infrastructure are generic across all industries and sectors, and that an independent infrastructure body is an important pre-requisite for improving the infrastructure environment in NZ.
2. There are multiple barriers to tourism infrastructure. These include a high level of regulatory complexity and compliance costs, changing political environments, lack of long-term tourism infrastructure strategy and vision, lack of funding, and lack of partnering options or incentives.
3. It is important the independent body brings about meaningful change. Our enthusiasm for the independent body is tempered with concern that the new body may be unsuccessful in bring about the meaningful change required to improve infrastructure in New Zealand, or that tourism priorities may not form part of its work programme.

## INTRODUCTION

4. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With around 1,600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.
5. 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.
6. Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, TIA Advocacy Manager, at [steve.hanrahan@tia.org.nz](mailto:steve.hanrahan@tia.org.nz) or by phone on 027 9122 624.

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## COMMENT

### Tourism 2025

7. Tourism 2025, an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching \$41 billion in annual tourism revenues by 2025. The industry's focus is on growing value faster than volume.
8. The Tourism 2025 Growth Framework is based around five key themes of Insight, Connectivity, Productivity, Visitor Experience and Target for Value. This growth framework has been reviewed (Tourism 2025 - Two Years On) in 2016. While the five themes of the framework remain unchanged, the emphasis in some focus areas has shifted. This year, TIA is working on a Tourism 2025 reset that includes: integrating sustainable tourism, in particular the Tourism Sustainability Commitment; articulating a longer-term view of tourism in alignment with central government; and identifying new priority actions to be addressed over the next 1-3 years.

### Our understanding of the issue

9. The Government is proposing a new independent infrastructure body (I-Body).
10. The rationale as explained in Treasury's consultation document is that '...infrastructure is struggling to keep up with population growth, increased demand and changing needs, including transitioning to a low emissions economy. New Zealand's regional infrastructure is not always at a standard required by the communities that it serves. Improving the quality of New Zealand's infrastructure presents an opportunity to improve economic performance and social and environmental wellbeing for generations to come'.
11. The decision to create a new independent infrastructure body follows a review of the institutional settings for infrastructure, which was carried out by the Treasury between March and August 2018. A key finding of the Treasury's review was that, while institutional arrangements for managing infrastructure investments have been strengthened in recent years, the system is not consistently delivering good outcomes. In particular, stakeholders have identified the following weaknesses:
  - Investment decisions are not well integrated. For the market, this means there is a lack of visible projects at sufficient scale
  - The focus is on building new assets, rather than focusing on outcomes
  - Infrastructure investment decisions are not always informed by evidence
  - Central and local government procurement capability is at times
  - There are gaps in our information and data

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- Skills shortages are one of the greatest challenges faced by industry.

12. As noted 'the new independent infrastructure body is intended to meet these challenges by strengthening infrastructure strategy, planning, investment and delivery to create clarity, streamline processes and eliminate silos'.

### **TIA welcomes the Government's decision to establish a new independent infrastructure body**

13. Ongoing industry concerns about tourism-related infrastructure deficits led TIA in 2016 to commission Deloitte to undertake a National Tourism Infrastructure Assessment. Surveys, interviews and various data sources were used to assess 20 categories of tourism-related infrastructure across 31 regions. Released on 12 April 2017, the report provided an in-depth analysis into the priority areas for tourism infrastructure.

14. Visitor accommodation was the highest priority, with other infrastructure types identified as having significant deficits including telecommunications, airport facilities, road transport, car parking, toilets, and water and sewerage systems. The full report is located at [TIA's National Tourism Infrastructure Assessment](#).

15. The Assessment found that the tourism industry will need to work closely with central and local government to achieve the required development to close these infrastructure gaps as market forces alone are unlikely to be sufficient. Smart, coordinated and active interventions are needed to ensure tourism growth is sustainable, that the industry keeps growing its contribution to New Zealand's economy and reaches its Tourism 2025 goal of \$41 billion annual revenue.

16. Following the completion of the Assessment, TIA turned its attention to identifying the barriers and mitigations to tourism infrastructure. Firstly, Deloitte completed an assessment of tourism barriers and mitigations. TIA also convened a Tourism Infrastructure Panel, including representatives from Infrastructure NZ, Local Government NZ, Treasury (National Infrastructure Unit) and Wellington Airport.

17. Both initiatives identified a range of barriers to tourism infrastructure and these are summarised below. Encouragingly, they align with the proposed functions of the new independent infrastructure body (refer Appendix One), supporting our views that barriers to infrastructure are generic across all industries and sectors, and that an independent infrastructure body is an important pre-requisite for improving the infrastructure environment in NZ.

#### Barriers to tourism infrastructure

##### *High level of regulatory complexity and compliance costs*

18. There are many local and central government processes and requirements that need to be satisfied to progress infrastructure developments (e.g. RMA, geotechnical and earthquake, health and safety, and various concessions and licences), which increases the coordination burden for infrastructure projects.

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### *Changing Political Environments*

19. Changes in central and local government create barriers in the infrastructure environment. Shifting policy priorities by the new government such as in the land transport area, with a greater focus on alternative transport options to roads e.g. light-rail creates uncertainty in the tourism industry of the ongoing impacts in road investment which is important to operators and visitors alike. Likewise a greater focus on environmental regulation with the current government can impact on infrastructure decisions on DOC land.
20. There is significant political risk associated with infrastructure investment. At a local level, council decisions to invest in infrastructure often come with a need to increase rates and/or debt to pay for infrastructure which may lead to unpopularity and ultimately loss of voter support.

### *Lack of long-term tourism infrastructure strategy and vision*

21. The development, coordination and communication of long-term strategies and vision can play a role in the development of solutions to infrastructure gaps. However, this work is time-consuming and costly. We agree with the consultation document that good infrastructure outcomes should be driven by an agreed vision and strategy. However the complexities in coordinating a national view of regional infrastructure priorities for an industry such as tourism are significant. As a result what we see occurring in practice is that the tourism industry becomes a 'taker' of infrastructure decisions due to a lack of co-ordination of infrastructure plans at a regional and national level. This is evidenced by what we see occurring in local government long-term plans, and also in the investment decisions linked to the \$3b Provincial Growth Fund (PGF). Neither the Long-term Plan process nor the PGF process are informed by a detailed national plan on where the tourism infrastructure priorities are. The lack of such a strategy may make the priorities for development less clear to all stakeholders and lead to poor investment decisions at a regional level.

### *Lack of funding*

22. Funding is a key issue for tourism infrastructure, particularly in the area of Local mixed-use infrastructure (local public infrastructure shared by both residents and visitors) such as parking areas, public toilets, and recreational facilities. One of the big challenges for many councils is that the financial benefits of visitor spend for government (rates and taxes) don't fall evenly where the costs are incurred. This results in the situation where central government are the primary beneficiary of visitor spend via GST, income tax and taxes on business profit. However, local government are expected to carry the cost of managing infrastructure at a local level. There is currently little in the way of incentives for local government to invest in more tourism infrastructure.
23. We acknowledge that more recently governments have reinvested back into tourism infrastructure including via the Tourism Infrastructure Fund (TIF) and Provincial Growth Fund. However, some regions require greater and more urgent investment, such as

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Queenstown. Funding decisions made on political grounds are often sub-optimal and we would hope that the independent body could assess the merits for investment outside that of a political lens.

*Lack of partnering options or incentives*

24. The Tourism Infrastructure Panel affirmed our view there is a lack of partnering options and incentives in relation to developing infrastructure. More partnering options (i.e. relationships between local government, central government and private investors) may help lower the coordination burden in relation to infrastructure development. A recent example of this is public toilets. Many councils have invested in more toilet facilities leveraging funds from the TIF. It would appear to us that some national co-ordination of this would lead to efficiencies in cost and building timeframes. However, each council appears to be operating independently.
25. Linked to this is the ability to attract investment in infrastructure development, particular foreign investment, which is clearly difficult. Capital and compliance costs for delivering infrastructure are perceived as high, with a return on investment considered low, or uncertain, given regulatory or compliance constraints.

**It is important the independent body brings about meaningful change**

26. Our enthusiasm for the independent body is tempered with concern that the new body may be unsuccessful in bring about the meaningful change required to improve infrastructure in New Zealand, or that tourism priorities may not form part of its work programme. On various occasions we have responded to the work of independent bodies, such as that of the Productivity Commission. While we regard the research undertaken as thorough and of high quality, these organisations, who are at arms-length of government interference, appear to have limited ability to action change.
27. There are already many participants and influencers in the infrastructure environment. Not the least are 78 territorial authorities including regional, city and district councils; government agencies (some such as NZTA with huge infrastructure investment capability), political parties, Non-Government Organisations (NGOs) and the private sector. The ability to navigate the various expectations and views of all these participants and deliver on the eight proposed functions will not be an easy task.
28. We support the submission of Infrastructure NZ on the I-body. In particular we agree with their view that 'the Government should be required to respond to the strategy, either by adopting its recommendations or publishing reasons for its different view. This requirement is critical for the Body to have influence and standing'.
29. If the independent body is well-resourced, relatively free from political interference, can take a long term view and is enabled to deliver on the eight functions then we consider that infrastructure in NZ will be better served as a result.

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### Follow up process

30. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

### Background

31. Tourism for New Zealand is big business as the country's largest export sector. It is a major contributor to the New Zealand economy that will always be here and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean and pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.

32. The tourism industry delivers the following value to New Zealand's economy:

- Tourism in New Zealand is a \$99 million per day and \$36 billion a year industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$59 million in economic activity every day.
- The tourism industry directly and indirectly supports 14.5% of the total number of people employed in New Zealand. That means 399,150 people are working in the visitor economy.
- Tourism is New Zealand's biggest export industry, earning \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2017).

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**Appendix One - Proposed Functions of new independent infrastructure body**

