



Hospitality New Zealand

TO MARLBOROUGH DISTRICT COUNCIL

**SUBMISSION ON
LONG TERM PLANS 2021-31**

APRIL 2021

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About Hospitality New Zealand:

1. Hospitality New Zealand (“Hospitality NZ”) is a member-led, not-for-profit organisation representing approximately 3,000 businesses, including cafés, restaurants, bars, nightclubs, commercial accommodation, country hotels and off-licences.
2. Hospitality NZ has a 119-year history of advocating on behalf of the hospitality and tourism sector and is led by Chief Executive Julie White. We have a team of seven Regional Managers located around the country, and a National Office in Wellington to service our members.
3. Hospitality NZ has a Board of Management, made up of elected members from across the sectors of the industry, and an Accommodation Advisory Council, made up of elected members from the accommodation sector.
4. We also have 20 local Branches covering the entire country, representing at a local level all those member businesses which are located within the region. Any current financial member of Hospitality NZ is automatically a member of the local Branch.
5. This submission relates to the Long-Term Plan 2021-31 (“the Plan”).
6. Enquiries relating to this submission should be referred to Kim Odendaal, Regional Manager - Upper South Island, at kim@hospitality.org.nz or 027 5035408.

SPECIFIC COMMENTS:

INVESTING IN THE ECONOMY

7. Hospitality NZ supports the Councils proposal on investing in the economy and regional events.

RATES

8. We do understand the importance of the revenue that rate generate to Council, which enables service delivery, community projects, planned programmes and daily operations. We recommend that instead of increasing rates by such a large percentage and placing burdens on the already struggling rate payers, why does the council not look at other possible revenue sources?
9. The significant growth in short-term rental accommodation (STRA) through providers such as AirBnB or Bookabach, operate in a highly commercial way, yet these properties pay residential rates.
10. Hospitality NZ contends that in the interests of fairness, equity and user pays, that Airbnb hosts, or similar, who are operating in the District should be rated accordingly, and also be subject to regulatory requirements.
11. STRA operators do not require the same building and operational compliance as commercial accommodation providers do, and therefore do not attract the associated costs that commercial accommodation providers do. **By placing the relevant compliance costs and rates upon STRA would generate additional revenue for Marlborough District Council.**

12. STRA operators also have an impact on the communities they operate in, contributing to housing shortages, noise impacts and loss of community.
13. We propose that where premises are operating as a business they should be treated as such
14. Many councils around the country have already identified these issues and are imposing appropriate rates on STRA providers, or at the very minimum, inserting an online registration fees on these businesses.

HOUSING

15. As previously mentioned, the significant growth in short-term rental accommodation (STRA) providers, through platforms such as AirBnB or Bookabach is resulting in a lack of available long-term rental accommodation for workers and families. There are currently 676 active AirBnB listings in the Marlborough District, with 494 of those being entire homes available for STRA.
16. The scenario of a person occasionally sharing a room in their house, has developed into to whole houses and apartments dedicated to the business of STRA. In effect, New Zealanders are locked out of the housing market.
17. Additionally, our members are well aware of the difficulties facing potential and current employees with regard to finding suitable accommodation and many have examples of these challenges. This is particularly prevalent for workers who are pushed out of the long-term rental market by the increasing number of properties being put into the STRA market, because currently they do not have to pay commercial rates or abide by any regulations.
18. There are further concerns that some STRA providers may not be meeting their health and safety obligations. Under the Health and Safety Act 2015, businesses have obligations to ensure risks to health and safety are managed as far as reasonably practicable. This duty extends to staff, customers, and volunteers. Regulation of the STRA industry is appropriate to ensure that the health and safety of guests, and the wider public, is made a priority and operators are taking appropriate steps to mitigate risk. At present, STRA providers are not obligated to have fire escapes and other fire safety measures that are compulsory for commercial operators or under the Residential Tenancies Act. The 2017 fire incident at a Christchurch Airbnb, which saw 6 of 10 Malaysian tourists hospitalised, is a cautionary tale of an unregulated peer-to-peer accommodation sector.
19. We suggest that any residence that operates STRA should at a minimum requirement, have to apply for and hold a current Resource Consent and Building Warrant of Fitness, to ensure that their property, location, and the activity is fit for purpose and will not disrupt the neighbour, or natural resources.
Resource Consent and Building Warrant of Fitness is required by all hospitality providers and traditional commercial accommodation operators, so there should be no reason why this should not apply to online accommodation providers of private rooms, or entire residences. **This too would generate additional revenue for the Council.**

General Comments:

20. Hospitality New Zealand welcomes the opportunity to comment on Marlborough District Council's Long-Term Plan 2021-31. We have a number of general concerns on issues that we believe will rear their head in the next ten years. These include infrastructure funding, local alcohol policies, short-term rental accommodation, and responsible camping.

Infrastructure Funding

21. Local Councils in some parts of the country have recognised infrastructure funding is a significant issue and are working towards change, some Councils are looking at targeted rates while others have openly criticised the funding investment options put forward by the Government.
22. In 2019, Productivity Commission undertook its report into Local Government Funding and Finance. The report recommended that "Better use of existing tools and central government funds should be enough to close the tourism funding shortfall. Given the small scale of the funding gap, introducing new funding tools would incur significant implementation, administration and enforcement costs and is unlikely to result in a net benefit to councils."
23. We endorse those sentiments - rather than introducing new tools that target specific sectors, councils should make better use of existing tools to achieve their goals.
24. Hospitality NZ believes a consistent and fair nationwide approach to the funding of core infrastructure needs to be introduced.
25. Hospitality and accommodation sectors are viewed by local councils as an easy source of funds, via targeted rates on commercial businesses, or implementing bed taxes. Hospitality NZ opposes the introduction of bed tax as it targets only those people staying in commercial accommodation.
26. If a targeted rate or visitor levy is deemed necessary, Hospitality NZ believes these must be broad based taxes, and ensure that they are appropriately designed, are fair and equitable to those contributing, have community support, and are used solely for initiatives that benefit the visitor economy. Alternatively, those funds raised must be ring-fenced and used for the benefit of those contributing to the fund. However, Hospitality NZ's preference would be for any funding of tourism infrastructure to come from a centralised pool.
27. Hospitality NZ recommends further consideration is given to implement the Productivity Commission's report findings.
28. Prior to COVID, tourism was struggling to maintain social license in communities - in part given the infrastructure pressure tourism growth was placing on some regions. We recognise that tourism and hospitality use and benefit from a wide variety of mixed-use infrastructure. We now have a real opportunity to resolve some of these infrastructure issues and prepare for the rebuild of the sector.
29. Targeted rates and 'tourism' or 'bed taxes' concern our members, who assert:
- These unfairly place the burden of funding infrastructure or promotion on just one part of the tourism/hospitality industry;

- As ratepayers, businesses oppose increased rates to fund basic infrastructure they may not receive a direct benefit from i.e., infrastructure for freedom campers;
- We would prefer to see Central Government funding of infrastructure, where local councils are unable to fund it themselves; and
- If new funding schemes are required, there needs to be an emphasis on broad-based levying. They need to be fair and equitable and all businesses who will benefit from further infrastructure development should contribute.

Local Alcohol Policies (LAPs)

30. Hospitality NZ has and continues to be actively involved in developing LAPs, ensuring the sector, local communities and the viability of our members have the best fit settings and rules governing the sale and consumption of alcohol.
31. Hospitality NZ has actively contributed by submitting on all draft LAPs throughout the country. Some Councils have opted not to introduce a LAP and instead used the national default rules set out in the Sale and Supply of Alcohol Act 2012 (SSAA).
32. Since the implementation of SSAA 2012 Act it has become apparent that some Councils often attempt to include rules within an LAP that are beyond their authority. This is a timely and expensive process.
33. The wider hospitality industry would like the process of LAPs to be either repealed or significantly amended.
34. Within the current District Licencing Committees system, there is the ability for each licence to have appropriate restrictions placed on it if deemed necessary by the committee. A shift in the system whereby DLCs administer appropriate restrictions would render the LAP process unnecessary.

Short-term Rental Accommodation (STRA)

35. Traditional accommodation operators are seeking a fairer playing field with regard to commercial vs non-commercial rates and regulation. STRA operators do not require the same building and operational compliance and therefore do not attract the associated costs that commercial accommodation providers do. However, they do benefit from things like tourism promotion which is often funded from the tourism and accommodation sector. STRA operators also have an impact on the communities they operate in, contributing to housing shortages, noise impacts and loss of community.
36. There is a growing inequity in the regulation of short-term and long-term accommodation. Stats NZ estimated that for 2018, STRA gross revenue was between \$550-\$700 million, with guest nights between 6-10 million.
37. The STRA sector operates mainly in residential areas, only pays residential rates, operates with less regulation, and often escapes appropriate taxation. Where councils have tried to regulate STRA operators, barriers for regulation include identification of STRA properties, lack of cooperation in data capture from operators and booking platform providers, and consistent regulation between local councils.
38. As more people look to non-traditional STRA, safety standards, hygiene standards, and contact tracing becomes significant guest care factors and priorities post-COVID-19. We face negative impacts of an unregulated and substandard product offered to both local and international visitors.

39. Hospitality NZ alongside other sector associations submitted a letter to MBIE in July 2020 recommending a compulsory registration/data sharing system that allows for information collection from all operators of STRA and a consistent national regulatory framework.
40. Hospitality NZ would welcome the opportunity to work with you and related parties to:
- Define commercial accommodation in your area in a way that captures people who are benefiting from STRA house letting on a commercial level;
 - Ensure rates are appropriately collected from these businesses;
 - Ensure appropriate health and safety and compliance requirements on peer-to-peer house letting is set at a national level, removing the need for local councils to come up with the rules; and
 - Advocate to Central Government to create a national register of short-term rental accommodation properties, moving towards fair regulation of STRA operators.

Responsible Camping

41. Freedom camping has been a part of New Zealand culture for many years. However, in recent years, freedom camping has attracted more attention as international tourism numbers have grown, and communities have expected higher standards from both domestic and international tourists. The proliferation of non-self-contained freedom campers parking up in non-compliant spots around the country has increased to the detriment of local's perception of visitors, the environment and to other visitors using these facilities.
42. The number of international visitors who did some freedom camping in New Zealand has been rising recently, from 54,000 in the year ended 2013 to around 123,000 in the year ended 2018. This followed a period of moderate growth from around 10,000 visitors at the beginning of the 2000's. Total estimated spending by visitors who did some freedom camping has also increased significantly in this period, from \$210 million in 2013 to \$540 million in 2018. The growth in numbers and spending from this group of visitors followed a similar pattern to that seen for total international visitors. However, even with this increase, only 3.4 per cent of visitors to New Zealand did some freedom camping in 2017 and 2018.
43. The definition of "self-contained" now means freedom campers wanting to stay in restricted areas will need a toilet that can be used inside the vehicle even when the bed is made up.
44. The wider industry feels their local councils need to do more to control this issue and are also concerned about the damage being done to scenic spots due to lack of appropriate facilities. When left unmanaged it effects the amenity of an area negatively through rubbish, waste and congestion in public areas.
45. Direct effects can be seen on smaller accommodation providers where freedom campers have the ability to stay in areas where no clear local rules have been established. Therefore, having the ability to stay centrally in their vehicles as opposed to staying at small to medium sized accommodation.
46. The Tourism Infrastructure Fund put public bathrooms in many popular tourism spots, and unintentionally created places where people could freedom camp - some of which were only a few kilometres from a holiday park. We do not believe this contributes to the type of high value visitor we want.

47. Businesses primarily impacted are holiday parks as these freedom campers would traditionally have stayed in these facilities. Currently issues for holiday parks include freedom campers using facilities without paying.
48. Hospitality New Zealand wants local government to develop and strengthen appropriate regulations for responsible camping, and create infrastructure cost support for the future.
49. Hospitality NZ would welcome the opportunity to work with you and related parties to:
- Take greater leadership in managing the locations where freedom campers can operate;
 - Implement freedom camping bylaws through clear, honest, pragmatic consultation and feedback during its development; and
 - Lobby to ensure Central Government has a strategy to acknowledge the growth in freedom camping - accommodating responsible camping but not to the detriment of other visitor experiences and other accommodation providers (i.e., Motels and Holiday parks).

Conclusion:

50. We thank the Marlborough District Council for the opportunity to provide input into the consultation.
51. We would be happy to discuss any parts of this submission in more detail, and to provide any assistance that may be required.