

27 August 2025

Governance and Administration Committee  
Parliament Buildings  
WELLINGTON

By email: [ga.legislation@parliament.govt.nz](mailto:ga.legislation@parliament.govt.nz)

## **Local Government (System Improvements) Amendment Bill: TIA Submission**

Tourism Industry Aotearoa welcomes the opportunity to submit on the Local Government (System Improvements) Amendment Bill.

### **Key submission points**

1. The Bill and its preceding documents do not include consideration of the essential role of local government within the wider tourism industry (one-fifth of New Zealand's export economy).
2. In visitor destinations globally, tourism is fostered and managed through a combination of central, local and private sector interests. Within this model, the local authority role is focused on destination management, development and promotion for the betterment of the communities they represent.
3. As worded, there is a risk that Clause 6 of the Bill (that amends Section 10) will allow for economic growth and development, but only within the narrow purposes set out in the new Section 10(b).
4. TIA has two concerns with this narrow purpose:
  - a. It runs counter to how the \$44b tourism industry operates in practice, where councils play unique roles that support the objectives of both central government and industry, as well as the communities they serve.
  - b. The wording in new Section 10 does not reflect the intent of the proposing Minister in Appendix B of the paper informing Cabinet's 18 November meeting. This Appendix makes explicit reference to the '**role of local authorities in stimulating their local economies.**' This interpretation is consistent with the Government's wider economic growth agenda, including programmes such as the City and Regional Deals.
5. TIA **recommends** amending the new Section 10 as follows (in red) to integrate 'local economic growth and development' within the Section 10(b) core services:

#### **10 Purpose of local government**

The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of **local economic growth and development** and regulatory functions in a way that is most cost-effective for households and businesses. ~~and~~
- ~~(c) to support local economic growth and development by fulfilling the purpose set out in paragraph (b).~~

## Tourism industry Aotearoa

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,200 member businesses, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

TIA is sharply focused on ensuring the balanced growth of tourism and this is articulated in our key guiding documents and programmes. This includes the tourism industry's strategic framework, *Tourism 2050 – A Blueprint for Impact, He Pae Tukutuku, with the Vision of 'Enriching Aotearoa New Zealand through a flourishing tourism ecosystem'*.<sup>1</sup>

Tourism 2050 has ten Actions covering the most important strategic workstreams, with two focussed on the systems and funding that enable our vision to be achieved. These being:

1. **Design Tourism Industry Settings for 2050.** To define and articulate the structures, roles and responsibilities to specify what all parts of the tourism system need to be doing in a well-functioning future tourism industry.
2. **Address Industry Funding.** To ensure the tourism system can invest in the infrastructure, capability-building, destination management, knowledge and climate change adaptation that the tourism industry needs to secure its future.

Both Actions have strong connections to roles and functions of government across the wider tourism industry, both central and local.

A key action TIA has taken has been to investigate the funding needs of the sector and the steps needed to drive the necessary changes. To undertake this work, TIA convened the Industry Funding Group to identify the structural and funding limitations of tourism.

This identified that local government funding is seriously underfunded to the extent of some \$250m per year and the Group recommended a new levy-based mechanism to be established, with a major portion of this to be directed to local government to supplement the functions that they already perform.

The work also highlighted that local government tourism functions are not defined by any legislation and so are vulnerable to unintended consequences of changes that may be made for other reasons.

## Government Growth Agenda

In February 2025, the Government established its 'Going for Growth' agenda as a comprehensive approach to lifting living standards and stimulating faster economic growth. This is a multi-faceted programme across workforce, business settings, trade and investment, innovation and infrastructure.

TIA supports this agenda and recognises how tourism, as our #2 export industry and with capacity to quickly grow, has a vital role to play in driving growth across the broader economy. In the City and Regional Deals, there is a foundation being established for growth with three regions, each of which has a strong tourism element.

TIA welcomed the launch of the Tourism Growth Roadmap by the Hon. Louise Upston, the Minister of Tourism and Hospitality, to grow the tourism industry with the target to double international visitor expenditure by 2034. In setting this agenda for tourism growth, seven workstreams have been identified, including a number that directly interface with local government, including Mixed use tourism infrastructure, Regions and communities, Tourism system funding and Visitor experience.

TIA supports the Tourism Growth Roadmap as the platform for much-needed policy analysis across key areas and we are closely involved, particularly around industry structure and funding, both issues at the heart of Tourism 2050.

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<sup>1</sup> <https://www.tia.org.nz/tourism-2050/>

## **Tourism Industry**

Tourism is a major part of the New Zealand economy. It makes up 7.5% of GDP, 10.7% of employment and 17.2% of exports. Total visitor expenditure in the year to March 2024 was \$44.4b, comprising \$17b of international tourism and \$27.5b of domestic tourism.<sup>2</sup>

The 303,400 people employed in tourism, or better that one job in ten, is a powerful reason for local authorities to care about tourism and to foster its development. These jobs are spread right around the country and are responsive to growth initiatives.

As a complex industry, tourism has many moving parts that need to work well together, across both public and private sectors. Tourism businesses typically focus on doing their thing really well, whereas the public sector can look more broadly across the longer-term aspirations of their communities. For instance, in investing in conference facilities that stimulate visitor activity for decades ahead, or to develop amenities that benefit both visitors and locals. Investing in sports events can be used to boost visitation in off-season periods. This is typically good for businesses and good for communities, which is why most initiatives involve a high level of collaboration to make things happen.

The roles councils play in tourism are not a 'cost', but rather, an investment. This is where councils directly benefit through increased revenues through more business and residential rates and various fees or charges, while communities reap non-financial benefits such as vibrancy, more cafes, more retail outlets, more events and attractions. In 2019, Fresh Info analysis indicated 59% of food and beverage outlets in Taupo and 23% of retail outlets in Rotorua would not exist without tourism.<sup>3</sup> Communities recognise these benefits, with 94% of respondents to the Views on Tourism: New Zealand survey agreeing that 'Tourism is good for New Zealand' and 89% agree 'Tourism is good for my region'.<sup>4</sup>

As an industry, tourism pays its way. For instance, analysis conducted in 2020 by consultancy Fresh Info found that tourism generated \$7.3b of tax revenue for central government against total spend of \$2.3b, a surplus of \$5.0b. On average, international visitors each paid \$849 in tax while in New Zealand.<sup>5</sup> In terms of growth, it is worth considering that for every 42 international visitors, one new job is created.

## **Role of local government in tourism**

Our interest lies with how the Bill may impact tourism, and particularly the roles that councils undertake in enabling a well-functioning, high quality and globally competitive tourism industry.

The roles that councils play in tourism vary across the country. Core tasks include destination marketing, destination management, travel trade engagement, events, conference bureau, supporting business development, operating i-SITEs, and mixed-use amenities and infrastructure for the benefits and enjoyment of both residents and visitors.

Other roles that some councils play include ownership of airports, particularly for economic development and strategic reasons.

These council functions above are integral parts of the fabric of the tourism industry and they are funded by a variety of mechanisms, including rates, various fees and some functions return a dividend. Regional Tourism New Zealand cites direct RTO-related spend of \$40m across the country, with a similar investment in events, with more again on venues and amenities. MBIE has engaged Martin Jenkins to examine this area, and this will provide greater accuracy on these numbers.

Other financial analysis by Fresh Info found that councils operated to a small annual net deficit of \$52m, relative to total tourism-attributable expenditure of \$800m, with the wider

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<sup>2</sup> <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2024/>

<sup>3</sup> <https://www.tourismnewzealand.com/assets/insights/industry-insights/tnz-te-ohanga-report-2.pdf>

<sup>4</sup> <https://www.tourismnewzealand.com/assets/insights/industry-insights/Views-on-Tourism-New-Zealand-YE-Jun-25.pdf>

<sup>5</sup> <https://www.tourismnewzealand.com/assets/insights/industry-insights/tnz-te-ohanga-report-2.pdf>

benefits described as set out above. At the local government level, these indicators reflect the broad benefits that tourism activity brings to local communities.

As considered by TIA's Industry Funding Group, this level of expenditure is well below what is needed for a well-functioning system that can deliver what is required for the industry to meet the increasing expectations of our visitors and grow its contribution to New Zealand and our people.

As such, any steps that serve to narrow the tourism-related functions of councils will be highly detrimental to the tourism industry at the very time when an aggressive growth agenda is in place.

### **TIA analysis of the Bill**

TIA focussed on the 'purpose' aspect of the Bill as this was identified as having potential to limit the tourism-related functions currently carried out by local government.

We considered the relevant text in the Bill and other input papers.

- **Text of the Explanatory Note of the Bill:**

Clause 6 amends section 10, which sets out the purpose of local government. The amendment broadly reinstates the version of section 10 that was in force immediately before the enactment of the 2019 amendment Act, with 1 adjustment. **The adjustment is to include a new purpose to support local economic growth and development.** The new purpose applies only to the extent that it fulfils the purpose set out in new paragraph (b) of section 10, which is 'to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.'

- **Text of proposed 'purpose' section as expressed in the Bill:**

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- (c) to support local economic growth and development by fulfilling the purpose set out in paragraph (b).

In considering this text, TIA viewed it in relation to key formative documents:

- TIA welcomes the wording in the Explanatory Note on the adjustment to 'include a new purpose to support 'local economic growth and development'. We see this as consistent with the 18 November Cabinet paper in which changes to purposes were set out. The relevant text in Appendix B being (underlined as in the Cabinet paper):

- 3 I propose amending section 10(b) of the Local Government Act 2002 so the new purpose of local government is, "to meet the current and future needs of communities for good-quality local infrastructure, public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses, therefore supporting local economic growth and development."

The underlined explicit reference to the role of local authorities in stimulating local economies is a new addition to the purpose statement that is consistent with expectations of councils in the Regional Deals and Going for Housing Growth programmes.

- We note the text in paragraph 26 of the Cabinet paper that states:

26.2 The statutory description of core service, which was repelled in 2019, is reinstated with amendments along the lines set out in Appendix B (exact wording to be determined in consultation with PCO during drafting).

- TIA considers that the intent set out above has **not** been reflected in the text as drafted. This wording limits the economic growth and development role to the core functions only, rather than enabling wider functions such as City and Regional Deals.
- By contrast the text in Appendix B makes '...explicit reference to the role of local authorities in stimulating their local economies is a new addition to the purpose statement...'
- TIA **recommends** that to better reflect the intent of the 18 November 2024 Cabinet paper, the following change must be made to the new Section 10(b) by inserting 'local economic growth and development' alongside the other core roles (red text below) and deleting the proposed Section 10(c) (strikethrough text below).

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  - ~~(c) to support local economic growth and development by fulfilling the purpose set out in paragraph (b).~~
- This change will permit and advance both the existing tourism-related roles of local government and the Government's 'Going for Growth' agenda, including City and Regional Deals and the Tourism Growth Roadmap.

### Conclusion

We would be very pleased to support this submission with further information, and we request the opportunity to speak to the Committee in the oral presentation phase.

Many thanks for your consideration of this submission.

Ngā mihi,



Rebecca Ingram  
Chief Executive