STAFF REPORT

TO:	Mayor and Councillors
FROM:	Russell Holden
REFERENCE:	RCN10-02-10
SUBJECT:	Tourism Rate (Paper B)

PURPOSE

To review the funding formula for on-paying the Tourism Targeted Rate to Tourism Nelson Tasman Ltd (TNTL).

BACKGROUND

The Tourism Targeted Rate which Council introduced in the 2009-2019 Ten Year Plan was to fund Council's share of the destination marketing component of the operating costs of TNTL. The rate to collect these funds from those activities receiving a benefit from visitors to the region was $122.00 (excl GST), and was to collect $92,700 for the 2009/2010 year.

The total budgeted for this rate for the 2010/2011 year, after allowing for inflation, is $95,583. As there are a number of activities no longer operating in this market, and a higher level to fund for the 2010/2011 year the rate would need to rise to $141.40 (excl GST), to provide the $95,583. TNTL has also signalled its intention to seek an additional $100,000 from Council toward its destination marketing activities, which will be considered at Combined Shareholders.

Council is considering expanding the coverage of activities to be covered by this rate. This is covered in a separate report. Should these recommendations be adopted, the Tourism Targeted Rate will be levied to more ratepayers than currently identified. At this stage it is impossible to accurately quantify the number of these additional ratepayers. A working estimate is that the number of targeted ratepayers could rise from less than 700 to 1,100.

The focus of this report is to consider the option of moving away from quantifying an exact amount the rate will collect for TNTL, and establish a set rate and fund the proceeds to TNTL. While this will provide a degree of uncertainty for TNTL, it is a trading body already operating in a risk market, and Council already guarantees an additional set sum to fund the Public Good, (i-site), component of its activities.

The following table illustrates possible sums which could be received if the rate was to remain as is, based on various uptake percentages of additional ratepayers:

% uptake of additional ratepayers	Ratepayers	Rate	Total Funds	Increase over 2009/2010 year
4.85%	700	122.00	$85,400.00	($ 7,300.00)
25.05%	800	122.00	$97,600.00	$4,900.00
45.25%	900	122.00	$109,800.00	$17,100.00
65.45%	1,000	122.00	$122,000.00	$29,300.00
85.66%	1,100	122.00	$134,200.00	$41,500.00
100.00%	1,171	122.00	$142,862.00	$50,162.00

Note: all amounts are GST excl

DISCUSSION AND OPTIONS

a) In the 2009/2010 year ratepayers targeted paid $122 each, and $92,700 was raised for TNTL.

   If the coverage changes recommended in the separate report are not adopted by Council, the remaining properties will be required to pay $141.40 to provide the $95,583.

b) If the coverage changes are adopted, 1,100 ratepayers could pay $122 and raise $134,200 for TNTL.

   If the coverage changes are adopted, and the $122 increased for inflation, 1,100 ratepayers could pay $125.79 and raise $138,369 for TNTL.

c) In 2009/2010 affected properties paid $2.35 per week for destination marketing. If the rate was increased to $125.79 each property would pay $2.42 per week.

d) In view of the uncertainty of the exact number of properties to be covered, Council could consider underwriting funding to a minimum sum. However, if this approach is to be considered it is suggested that the underwriting be based on a number well below the working estimate of 1,100 properties.

e) The present targeted rate for tourism is now established. Concerns have been raised as to equity with many direct and indirect beneficiaries of tourism not covered by the targeted rate. This in turn leads to suggestions of ‘free loading’. Those issues are addressed in the separate report which recommends extended coverage.

CONCLUSION

The issue now facing the Council is how much each targeted rate property should pay in 2010/2011 by way of a set figure per property. Given the larger coverage the amount per property could be reduced, and TNTL would still get the same as last year, plus inflation, ($95,583). However, in the face of repeated calls for more destination marketing this approach is not favoured.

On balance, an approach based on a set amount equivalent to last year's fee plus inflation, applied to the increased coverage, appears to be the sensible middle road.

In terms of underwriting, it is suggested that TNTL should accept this business risk. If the above suggestions are adopted, Council will have put in place an effective system of revenue generation for TNTL that captures the 'free loaders' while still requiring TNTL to prove that it has industry support. Underwriting would remove the need for TNTL to prove industry support and such an approach is not supported.

RECOMMENDATION

THAT Council adopt a set Tourism Targeted Rate of $125.79 ($122.00 plus inflation) (GST exclusive) for the 2010/2011 year.

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