



Hawke's Bay: Desirable Destination or Forgotten Backwater?

Protecting our visitor economy is a must do, especially now



The situation

- HBRC is about to consult on a new three-year LTP
- Like all our region's councils, HBRC is facing significant cost pressures post-cyclone, and savings need to be found
- The council has signalled a phased reduction to its \$1.52m annual contribution to Hawke's Bay Tourism, leading to a complete cut.

Hawke's Bay Tourism is strongly advocating status quo HBRC funding for the next twelve months; allowing time to partner with local government to develop a sustainable rate-payer funded operating model that ensures Hawke's Bay's visitor economy thrives.

This document summarises

1. What's at risk
2. Why now is a bad time to cut investment in visitor attraction
3. The evidence
4. The investment we are fighting for
5. What it costs ratepayers
6. What we deliver for that investment
7. If not Hawke's Bay Tourism, who will?
8. If not ratepayers, who pays?
9. The only viable funding pathway forward

What's at risk?

7% of regional GDP,
3rd biggest regional earner*

\$1.3b to Hawke's Bay
economy (direct and
indirect)**

\$775m direct to
our regional economy each
year

1 in every 10
local jobs (~10,000)

18,000 visitors on
any day, spending, telling
their friends & family

Frequency of passenger
air services

Vibrant **hospitality
& retail**

\$500k
of MBIE funding (contingent
on current local govt
funding)

Why now is a bad time to cut investment

- Post cyclone, regional investment is all about building back better, safer, smarter
- Why would our visitor economy be the exception?
- Pre-cyclone, \$775m annual revenue to our region
- Post-cyclone, \$50m down in the first six months
- Under current funding (flat since 2017), our buying power is already eroded by 33%
- Visitor attraction investment achieves immediate returns, unlike other post-cyclone investments such as stopbanks, which prevent losses.
- In a domestic cost-of-living crisis, Hawke's Bay needs to be in people's choice set

“Getting tourists back to Hawke’s Bay will be key to the region’s recovery.”

Source: Briefing paper prepared by HBCDEM Management Group, March 2023

What's the evidence for maintaining investment?

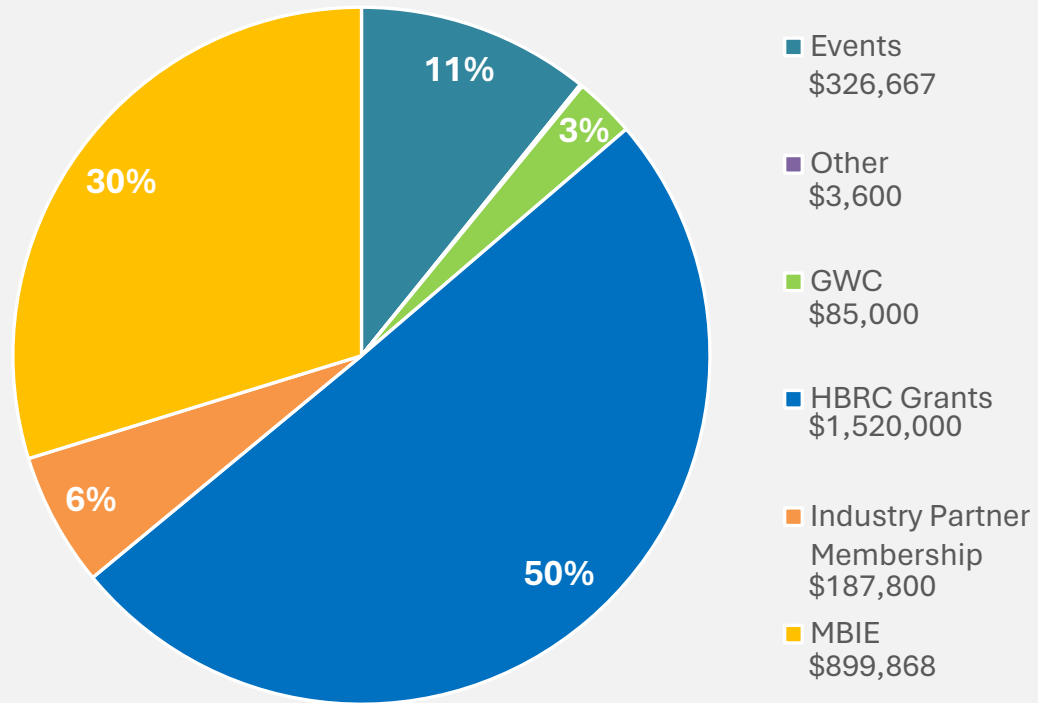
- International experience: those who invest win, those who turn the tap off, need to spend much more to win it back*
- Kiwis are responsive to visitor destination promotion – our 2023 Baycation campaign proves it
- There are 29 other Regional Tourism Organisations hungry for our share of the visitor market
- Hawke's Bay's 'open for business' message remains important post-Covid, post-cyclone



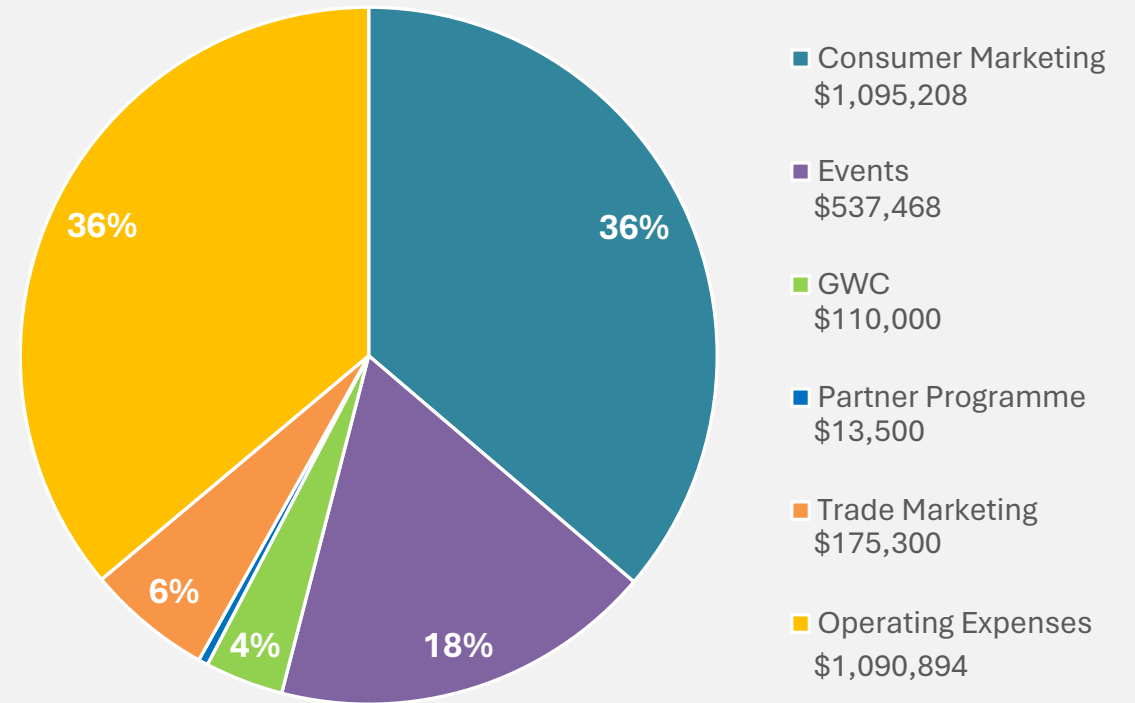
* *Colorado cut visitor attraction funding and lost 30% of its market share in two years, at a cost of \$2.8 billion to the state economy. It took Colorado 20 years to recover lost ground.*

What investment are we fighting for?

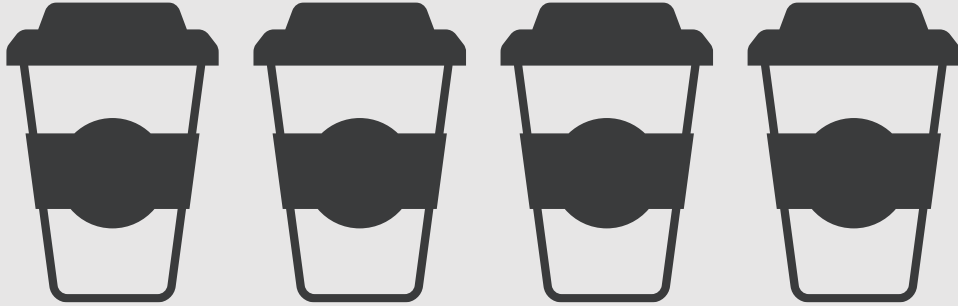
Hawke's Bay Tourism Income Sources 2023/24
Total Income \$3,022,935



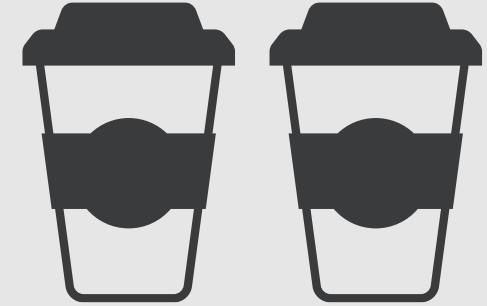
Hawke's Bay Tourism Expenses 2023/24
Total Expenses \$3,022,370



What it costs ratepayers*



A year, per rateable household



A year, per person



What we deliver for that investment: attract visitors to Hawke's Bay and keep them here for longer

CORE FUNCTIONS

- Website hawkesbaynz.com
- Destination branding and marketing
- Promotion to trade
- Public relations
- Destination planning and strategy
- Funding requests for own organisation
- Product development/development activities
- Supporting TNZ activities
- Visitor and resident sentiment/attitudes
- Data, research and analysis
- Industry capability and development
- Business event attraction
- Membership support

SECONDARY FUNCTIONS

- Event development (F.A.W.C!)
- Risk and crisis management
- Quality assurance (Qualmark endorsement)
- Support Māori experience development
- Support amenities and infrastructure investment
- Support access development – air, road, rail, sea
- Advocate environmental stewardship, resource management

ADDITIONAL FUNCTIONS

- Health and safety capability building
- Information provision and reservations – online
- Major event attraction with Councils, etc
- Cruise management in partnership
- Visitor experience quality advocacy






If not Hawke's Bay Tourism, who will?

- We exist to lead visitor attraction on behalf of all of Te Matau-a-Māui, nationally and internationally
- We own and manage a number of unique assets to support visitor attraction
- We are experts in visitor attraction and regional tourism; with mature and trusted networks across Aotearoa and in our key international markets



If not rate payers, who pays?

Any alternative to ratepayer funding would require national implementation, enabled by new legislation. This would not happen quickly, if at all.

Local Government	Visitors via a bed tax and/or regional visitor levy 	<ul style="list-style-type: none"> • Either/both would require legislation • Bed tax needs to include 'peer to peer' (e.g. AirBnB) • Visitor levy fraught with challenges (e.g. who pays, who collects)
Central Government	Tourism Infrastructure Fund 	<ul style="list-style-type: none"> • < \$25m pa for council applications (nationwide) • Infrastructure only (e.g. loos & rubbish bins), not permitted for marketing • No guarantee of Fund continuing long-term
	Increase in International Visitor Levy \$35 pp = \$80m split 50/50 DOC + tourism 	<ul style="list-style-type: none"> • 'Tourism' is currently neither 'regional' nor 'local' • Any increase in the IVL for regional tourism would need to be introduced nationally and require legislation
Hawkes Bay Tourism membership	Increase membership fee 	<ul style="list-style-type: none"> • Any increase in fees would not be matched by increased benefits, because increased fees could not bridge the local govt funding gap, so services will reduce regardless. • Modelling shows a 50% increase in membership fees would conservatively result in a 25% drop in membership, resulting in flat membership revenues.
	Attract new members 	<ul style="list-style-type: none"> • Membership has been slowly dropping since Covid. With reduced benefits, membership will fall further.

The only viable funding pathway forward

FY24/25

**Status quo
ratepayer funding**
\$1.52m pa (HBRC)
x 1 year

- BAU for one year with focus on rebuilding international visitor numbers/spend to pre-Covid levels; and increasing domestic visitor numbers/spend
- Partner with local government to achieve a long-term, sustainable funding model

FY25/26 and beyond

**New model
ratepayer funding**
> \$1.52m pa
(all HB councils)

- Visitor attraction programme maintained
- All benefits of a single-focus operating model with expert capability retained
- Hawke's Bay links and reputation with national and international tourism stakeholders maintained
- Visitor attraction assets retained and maintained

NOT VIABLE

**Reduced ratepayer
funding**
Below \$500k pa

- Close the doors



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