



## **Submission to Auckland Council**

### **10-year Budget 2021-2031 Consultation Accommodation Provider Targeted Rate**

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## Summary

Bed & Breakfast Association believes the APTR should be removed or suspended indefinitely to assist in the economic recovery of the Auckland region, and in particular the recovery of bed and breakfast operators and other accommodation providers in the region.

## Introduction

Bed & Breakfast Association NEW ZEALAND Incorporated is a national association working exclusively to support small owner operated bed and breakfast operators. It is a non-profit organisation incorporated under the Incorporated Societies Act 1908. The Association works to enable members to provide a world class service to their guests by the provision of best practice guidelines, business support and training. The Association works for its members and with other accommodation associations and tourism bodies to ensure the voice of bed and breakfast owners is heard in the tourism industry.

Bed and breakfast properties hold a niche position in the accommodation sector of the New Zealand tourism industry and have requirements and issues that are specific to this style of operation such as their size of operation, owner operated businesses and their location.

Bed and breakfast properties are small home based businesses that open their homes to guests who wish to stay with local people in local areas to experience the real New Zealand. These visitors are treated to an experience and level of hospitality not available in other types of accommodation.

This submission addresses the Auckland Council's proposal to resume the APTR and why the Association feels it should be removed or suspended indefinitely – to negate its negative impact on bed and breakfast operations in the Auckland region following the impact of Covid-19.

## Issues with resuming the APTR

### 1. International v. Domestic Guests

Past surveys of our members show that guests who stay in bed and breakfast operations are predominantly international visitors. For the period 1 April 2019 to 31 March 2020 83% of guests staying in our member properties were international visitors.

The closure of the international borders has had a particularly negative impact on bed and breakfast properties throughout the entire country – not just Auckland alone.

Bed & Breakfast owners are working hard to target the domestic market. However, information provided by Fresh Info (who provide data on behalf of MBIE and StatsNZ) show that occupancy for the Auckland region is down by 57% from February 2020.

With no indication from the Government about the reopening of international borders, or how the opening of international borders will be handled, bed and breakfast owners already face an uncertain future without the prospect of an increase in rates and no foreseeable way to increase their profitability to cover them.

## **2. Size of Operation**

Bed & Breakfast operators are small owner operated businesses. They do not have large corporate entities to help support their income and ongoing running costs. These operators are already struggling to stay open and there are many who have placed their businesses in hibernation until the borders reopen or who have permanently closed their operations.

It would be a mistake to think that because these businesses are home based they have little or no capital investment in their properties. Bed & Breakfast operations still have fixed costs they must meet such as property and operating insurances, fixed utility costs, repair and maintenance costs and interest on borrowings.

A reduction in guest numbers does not equate directly to a reduction in operating costs. It translates to an increase in the actual cost per guest.

Reintroducing the APTR at this stage simply adds additional cost to bed and breakfast properties, who have no opportunity to meet occupancy levels of the pre-covid era due to closed borders, and would force operators to close.

## **3. Lost Revenue**

Accommodation bed nights are not like stock products that can be held in storage until they can be sold. There is no 'shelf life'. Once a bed night passes accommodation for that night cannot be sold, hence there is no opportunity for accommodation providers to be able to sell stored product to make up lost revenue.

This inability to make up lost revenue contributes to the already negative impact of covid-19 on the economy and means that some properties are unable to take advantage of programmes offered by the Government such as interest deferment on mortgages and interest free loans as they are unable to stockpile product to sell to generate revenue to pay the increased debt when it falls due. And when the international border reopens, they will not be able to recoup the income and profit lost from being closed.

## **4. The APTR is unaffordable for accommodation providers**

The APTR is based on a property's CV not on its revenue, therefore, in this current economic climate it is unreasonable for the Auckland Council to impose additional fixed costs on bed and breakfast properties forcing them to require even higher occupancy levels to break even - something they are unlikely to be able to do until borders open.

Accommodation providers are now facing another low season after being unable to generate sufficient income or revenue from the prior peak season to cover their expenses.

## 5. The impact of resuming the APTR on room numbers in Auckland

Those will benefit from the resumption of the APTR are not accommodation providers. What accommodation providers need is a consistent stream of Free Independent Travellers (FIT) rather than one off events which fill their accommodation for few nights of the year. FIT travellers are only going to come to Auckland in sufficient numbers when international borders reopen.

Resuming the APTR now, whilst occupancy rates are so low, will add unnecessary cost to accommodation providers potentially forcing their closure and further reducing the number of accommodation nights available. With less accommodation nights available tourists will stay for shorter periods in Auckland reducing the overall tourism spend impacting on the whole of the region's economy.

## Conclusion

Bed & Breakfast Association calls on the Auckland Council to suspend the APTR for the foreseeable future. Of the three options presented in the Budget for consultation Option 3 is the only option that is tenable to the Association.

The Auckland region's accommodation providers require time to recover from the economic losses of this current covid economic climate; to allow the central Government to plan for the international border reopening and the criteria for doing so; and to assess and plan for the long term impact of the covid-19 pandemic on the international tourism market.

Adding additional cost to accommodation providers to pay for something they receive very little benefit from is farcical and for many of our members this, combined with the current economic climate, will force the closure of their business.



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