

## **Pukekohe Business Association submission to Auckland Council Annual Budget 2017**

### **Background**

Business improvement districts operate across Auckland, there are currently 48 BID programmes in place in Auckland. These BIDS represent over 25,000 businesses with a combined capital value estimated at \$24 billion.

Business associations are responsible for leading the BID programme in their local area. BID programmes have goals to improve their local area and boost the economy. This is achieved through multiple mechanisms including promotions, business support, and advocacy among others.

We represent a major sector with our submission of over 400 Pukekohe Business Association members.

### **Feedback on Issues Raised on the Annual Budget**

#### ***(1) Rates Increases***

**Our feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates.**

At the outset, we would have to say that the *Consultation Document* is not especially clear about what trade-offs are involved between the three options for general rates increases - and also the pause in the business differential.

Businesses are also continuing to contribute this year through the Interim Transport Levy.

Finally on this issue, we recognise that any increase in the UAGC places a greater burden on small businesses.

#### ***(2) Rating Stability***

**Our feedback is that the business rates reduction should continue.**

We do not accept the reasons given by Auckland Council that require businesses to pay significantly more rates, particularly small businesses who make up most businesses in Auckland. Businesses do not make more use of, or place more demands on, council services like transport and stormwater when compared to residents. Being able to claim back the GST on rates, or claim rates as an expense, does not justify the extent of the business differential.

We also do not accept Council's views that the variations in rates increases in recent years or the variations likely from future property revaluations will create instability such that the share of rates paid by businesses should not continue to be reduced. As Auckland Council itself accepts, the present share of rates paid by businesses is too high and must be reduced over time.

Auckland businesses pay 2.73 times more rates than other ratepayers. On a comparison between properties of a similar capital value (\$760,000) continuing the business rate deduction and a rates increase of 2.5%, the residential property would pay an additional \$69 per year whilst the business property would still pay an additional \$107. Current rates on the residential property are \$2538.67

whilst the business rates are \$6497.62. If the policy is paused the residential ratepayer will save \$11 per year whilst the business ratepayer will pay an additional \$60.

***(3) Paying for tourism promotion***

**Our feedback is that the visitor levy should not be introduced.**

Accommodation providers both locally and regionally have advised us that they do not accept that they should fund ATEED’s tourism promotion and event costs from a targeted rate. For some accommodation providers this will result in a rates increase of 250 per cent or more and for many, a doubling of already significant rates. This contradicts the Council’s view that there should be rates stability. Based on Council documentation that the targeted rate would be set at \$0.01394584 (GST Inclusive) per dollar of Capital Value for the accommodation levy a motel with a CV of \$2,300,000 would have a targeted rate applied that is just over \$32,000. This is on top of their annual rates – currently \$17,755.45. This is indicative of what several accommodation providers in Pukekohe are likely to be faced with.

It would be difficult for accommodation providers to justify the increase in room rate when they are essentially rural accommodation. We are also concerned about the *average* increase per night of \$6-10 dollars as this will differ greatly dependent on number of rooms and vacancy rates (as per the following diagram).

|                        |        |        |
|------------------------|--------|--------|
| Rates Increase         | 32000  | 32000  |
| Rooms Available        | 14     | 14     |
| Occupancy              | 85%    | 65%    |
| Bed nights             | 4343.5 | 3321.5 |
| Cost increase per room | 7.37   | 9.63   |

We submit that local and central government need to work together on this issue to create a more workable solution such as a bed tax or levy on visitors arriving through the airport.

Accommodation providers have also advised us that it is unfair to shift the rates burden entirely to their sector when only around 10% of the total visitor spend is on commercial accommodation. Furthermore there is little time to adjust should this levy be applied as motel rooms are sometimes booked well in advance accommodation providers will be unable to recoup the costs from these bookings.

As the money saved from this initiative will be going towards infrastructure we also encourage council to continue discussions on electronic tolling on motorways.

***(4) Paying for housing infrastructure***

**Our feedback is that this proposal is not suitable for an Annual Budget, but should properly be a discussion left for the Long Term Plan.**

We also have concerns that additional costs will increase housing unaffordability. We further submit that the ratepayers who purchase these houses will be paying towards infrastructure in their annual rates and these increases in rates collected should cover the initial expense in time.

***(5) Paying Council staff a living wage***

**Our feedback is that we have concerns with Council's proposal for Living Wage.**

We understand that at the core of the Mayor's concern is that the least remunerated of Council employees should be paid more. We believe this is an issue for central government to address and not Auckland Council.

Even if this were to be a matter for the Council, we believe the level of remuneration and employment conditions of staff falls within the ambit of the CEO, not the elected members of the Council.

Finally, in terms of where we believe your focus should lie, most BIDs would encourage the Mayor and elected members to ensure that Council management is delivering services in the most efficient and cost-effective way.

***(6) BID targeted rates***

**Our feedback is that we support the levels of BID targeted rate set out in the Annual Budget.**

We are in support of the BID targeted rate set in the annual budget. This budget is set independently by our business associations at our AGM and approved by our members who we are directly accountable to. We acknowledge the collection of this rate by Auckland council which is passed on 100% to the business associations running their local BID programme.

**Conclusion**

In conclusion, we urge you to consider that the vast majority of businesses are SMEs and are incapable of sustaining continual increases in rates and levies. Whilst it is often considered that residential ratepayers should not be funding 'business related costs' it is important to note that businesses also support their local communities for instance employment and sponsorship. Successful businesses support healthy communities.