

VOTE *Tourism*

Tourism

Overview

Appropriations for Vote Tourism in 2006/07 total \$87.128 million. They are to be applied as follows:

Departmental Appropriations

- \$6.970 million (8.0% of the Vote) on purchasing tourism related policy advice from the Ministry of Tourism.

Non-Departmental Appropriations

- \$69.001 million (79.2% of the Vote) for marketing New Zealand as a visitor destination by Tourism New Zealand.
- \$1.446 million (1.7% of the Vote) for implementation of the Tourism Strategy.
- \$4.444 million (5.1% of the Vote) for a subsidies programme for water and sewerage infrastructure costs for small local authorities.
- \$5.000 million (5.7% of the Vote) for promotion of New Zealand associated with the America's Cup 2007.
- \$267,000 (0.3% of the Vote) on funding tourism facilities under the Tourism Facilities Development Grant Programme.

Crown Revenue and Receipts

The Crown is forecast to collect \$812,000 from rent and concession fees in 2006/07.

Details of appropriations spending appear in Parts B1 and C of this Vote. Details of Crown Revenue appear in Part F.

Terms and Definitions Used

NZMACI	New Zealand Māori Arts and Crafts Institute
NZTS 2010	New Zealand Tourism Strategy 2010
SPs	Strategic Priorities
TNZ	Tourism New Zealand

Minister Portfolio Table

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Tourism

VOTE MINISTER: Minister of Tourism

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

Additionally Vote Tourism contributes towards all New Zealanders being able to take pride in who and what we are. Services purchased through Vote Tourism contribute to this goal through active input into the Tourism sector to maximise the net benefit to New Zealand of the tourism sector through how we are seen by the world, and to ensure the sustainability of New Zealand tourism over the long-term.

Strategic Issues

The tourism sector continues to make a major contribution to the New Zealand economy, with international tourism now contributing 18.5% of New Zealand export earnings. The size and growth rate of the sector (international expenditure is forecast to increase by 6.2% per year to 2010) has meant that tourism is now New Zealand's largest exporter. Tourism growth has implications for the physical infrastructure, investment intentions and the skills and talent requirements of the workforce. All of these need to be of sufficient quality and quantity to support the sector, particularly in peak periods.

These resource requirements must be considered in the context of the overall strategy for the tourism sector of a quality experience for the visitor and also in the context of Tourism New Zealand and its marketing strategy focussed on attracting an increased share of "interactive travellers" to New Zealand.

The forecast growth in visitor numbers and international visitor spend and the emphasis on New Zealand as a quality destination creates a challenging operating environment for Vote Tourism. To ensure that the benefits from the sector can be maximised, constraints to growth will have to be overcome.

In recent years, government has played a strong catalytic role in the tourism sector. A New Zealand Tourism Strategy 2010 was developed as a guiding document for the tourism sector and this has facilitated on-going industry and government partnership.

The Strategy established an overall direction for the tourism sector:

- **A sustainable yield-driven strategy**, based on growing tourism demand and financial returns while enhancing the quality of the visitor experience and New Zealanders' quality of life.

The tourism strategy defines specific goals in four areas of the sector:

- **Securing and conserving a long-term future for tourism**, including environmental protection, increasing Māori participation, promoting New Zealand's heritage and fostering community good will.
- **Marketing and managing a world-class visitor experience**, including building a compelling brand, establishing New Zealand as the destination of choice in our target markets, optimising the regional and seasonal spread of benefits and providing stronger market leadership.
- **Working smarter**, including improving sector business capability, more coordinated government commitment, and increased sector cooperation.
- **Being financially and economically prosperous**, to achieve greater financial contribution and economic growth for tourism, with flow-on effects for New Zealand as a whole.

A key means of implementing the strategy has been through building partnerships with other government departments, local government and the private sector.

Within this context significant output areas that will be the focus of this portfolio over the next three years include:

- Providing leadership to the New Zealand Tourism Strategy 2010 through the mid term review, and ensuring the objectives of the Strategy are achieved through effective use of the strategy implementation funds and integration of these activities with industry partners.
- Developing a better understanding of the economic performance of the tourism sector and the financial performance of tourism firms.
- Undertaking initiatives with the Department of Conservation to enhance management of the conservation estate and ensure better environmental outcomes while ensuring that visitors continue to enjoy opportunities on the conservation estate.
- Initiatives to support the development of business capability within the tourism sector.
- Developing a comprehensive understanding of the labour market and skills requirement for the tourism sector and implementing a strategy to ensure that constraint issues for the sector are addressed to achieve sustainable growth for the tourism sector.
- Initiatives that increase local authorities' capability to manage local infrastructure requirements to meet increased tourism demands in key tourist destinations.

Appropriations linkages to the Government's Outcomes

The Ministry of Economic Development has identified five strategic priorities (SPs) that are considered to be the most important areas to focus on over the next three to five years. Of these, activities undertaken in Vote Tourism will make a particular contribution to the International Connections SP: Improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; the

Innovation SP: Fostering entrepreneurship and innovation in New Zealand firms and the Infrastructure SP: Improving the quality and reliability of key infrastructure services.

The services to be purchased under Vote Tourism will allow the Ministry and other agencies to deliver outputs that contribute to these goals. Specifically, the Ministry of Tourism will provide advice on opportunities and barriers to tourism business so growth and innovation in New Zealand can be actively facilitated and encouraged and Tourism New Zealand will promote New Zealand as a visitor destination to maximise foreign exchange earnings.

Departmental output expenses

The appropriations in this Vote contribute to a number of Ministry of Economic Development and Ministry of Tourism outcomes that are related to the Government's key goals. The primary outcome that the Vote contributes to is set out below.

Outcomes	Contribution
<p>Promoting Sustainable Tourism</p> <p>Tourism makes a sustainable and increasing contribution to the New Zealand economy.</p>	<p>Advising on tourism policy including on the implementation of the NZTS 2010 and advising on the effectiveness of Government interventions and expenditure including advising on the performance of TNZ.</p> <p>For example, policy advice will be provided to assist in promoting achievement of the Government's Tourism objectives (a number of which are supported by the NZTS 2010 as a sustainable yield-driven strategy based on growing tourism demand and financial returns while enhancing the quality of the visitor experience and New Zealanders' quality of life). This will be done by ensuring that barriers to continued growth are minimised and that the sector has operating conditions, knowledge and expertise to maximise the benefits from the current and expected visitors to New Zealand.</p> <p>Advising on tourism policy including on the implementation of the New Zealand Tourism Strategy 2010 (NZTS 2010), collecting and disseminating tourism statistics and undertaking applied research, and advising on the effectiveness of Government interventions and expenditure.</p> <p>Collecting and disseminating tourism statistics and undertaking applied research.</p> <p>Providing policy advice on the effectiveness of Government interventions and its impact on tourism, and on tourism's impact on local and regional infrastructure.</p> <p>Implementing and administering a subsidy programme for the component of water and sewerage infrastructure costs associated with tourism demand in small communities will be undertaken in 2006/07.</p> <p>Promoting the understanding and use of tourism information by Māori tourism businesses.</p> <p>In partnership with other government agencies, designing and delivering strategies for fostering business development.</p> <p>Enhancing interaction between regional tourism organisations and Māori regional tourism organisations.</p>

Non-departmental output expenses

The appropriation Marketing of New Zealand as a Visitor Destination contributes to the Government's priorities and related outcomes by promoting increased awareness of New Zealand as a desirable travel destination for international visitors in order to contribute to increased foreign exchange earnings.

The appropriation Implementation of the Tourism Strategy contributes to the Government's goals and related outcomes by funding initiatives that implement the recommendations of the NZTS 2010.

For a full description of all appropriations refer to Part C.

Part A2 - Trends in Vote

Introduction

The appropriations for Vote Tourism are detailed in the trends table. A number of changes have occurred in Vote Tourism between 2001/02 and 2006/07.

Trends from 2001/02 to 2006/07

Over this period, the Ministry of Tourism has developed its role around the provision of tourism sector research and statistics.

From 1 July 2002, the Ministry assumed responsibility for the tourism statistics then in place, including those previously undertaken by TNZ, establishing a research budget of \$673,000. At that time a further increase of \$533,000 was provided to enable the continuation of the Domestic Travel Survey, the Tourism Satellite Account and Tourism Forecasts.

In 2003/04 and outyears a baseline increase of \$700,000 was provided to increase the Ministry's data and research capability. From 2004/05 an increase of \$817,000 was provided to address additional costs of obtaining and enhancing the Ministry's core tourism data set, and to enhance policy capability.

Offsetting these increases is a reduction from 2003/04 when responsibilities for the management of Wairakei Tourist Park are transferred to Vote Agriculture and Forestry, with an annual reduction of \$444,000 from the departmental appropriations.

Other expenses have also increased significantly over the period 2001/02 to 2003/04 reflecting funding provided for promotion associated with the America's Cup and the Lord of the Rings by Crown entities across several portfolios and the implementation of the Tourism Strategy 2010. In addition, \$30 million of funding has been provided over the period 2002/03 to 2006/07 to Team New Zealand to assist in mounting a challenge for the 2007 America's Cup.

Additional funding was allocated from 2003/04 to further develop marketing efforts in the key USA market, and to undertake a substantial trade training and certification programme of Chinese travel agents in order to manage potential risks to the New Zealand tourism industry.

For 2005/06 an increase of \$8.889 million was provided to boost the Tourism promotional budget for a targeted media campaign focusing on attracting a greater number of higher yield travellers from the USA, Japan and the United Kingdom. An additional \$178,000 has also been provided to meet costs associated with the Tourism offshore marketing baseline review.

Appropriation Changes from 2006/07

For details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriation" below.

Crown Revenue and receipts

Crown Revenue from the Wairakei Tourist Park commenced in 1995/96 with the transition from operating as a trust account. Crown Revenue was then derived largely from tourism concessions and farm income. Crown Revenue continues to be received from land rentals and tourism concession payments.

New Policy Initiatives by Appropriation

Initiative	Appropriations as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
A transfer within Vote Tourism to deliver research, data and analysis to assist tourism sector decision making	Departmental Output Expense - Policy Advice - Tourism	-	750	750	850	1,000
Increased expenditure on tourism promotion to restore the baseline for promotion of New Zealand as a visitor destination	Non-Departmental Output Expense - Marketing of New Zealand as a Visitor Destination	-	15,902	15,919	15,919	15,919
Total Initiatives		-	16,652	16,669	16,769	16,919

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	54,368	54,253	60,276	66,372	78,025	77,595	6,970	-	70,447	-	77,417	77,379	77,234	77,234
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	3,254	9,078	4,009	11,156	15,311	12,811	-	-	9,711	-	9,711	267	267	267
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	57,622	63,331	64,285	77,528	93,336	90,406	6,970	-	80,158	-	87,128	77,646	77,501	77,501
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	1,568	1,586	567	1,209	776	698	N/A	N/A	N/A	N/A	812	812	812	812
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	1,568	1,586	567	1,209	776	698	N/A	N/A	N/A	N/A	812	812	812	812

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Policy Advice - Tourism (M69)	6,801	-	6,801	-	6,970	-	- Policy advice on tourism policy issues and advice on the purchase and monitoring of non-departmental output expenses, research and ministerial services.
Total Departmental Output Expenses (General)	6,801	-	6,801	-	6,970	-	
Non-Departmental Output Expenses							
Implementation of the Tourism Strategy (M69)	2,223	-	1,793	-	1,446	-	- Various initiatives to be developed by the Minister of Tourism to implement the Tourism Strategy 2010.
Marketing of New Zealand as a Visitor Destination (M69)	69,001	-	69,001	-	69,001	-	- Promotion of New Zealand as a visitor destination in key overseas markets. This includes joint promotions with the private sector.
Total Non-Departmental Output Expenses	71,224	-	70,794	-	70,447	-	
Other Expenses to be Incurred by the Crown							
Local Authority Tourism Infrastructure Grant Scheme (M69)	5,044	-	2,544	-	4,444	-	- A subsidy programme to enable funding of Water and Sewerage Infrastructure costs associated with Tourism demand in small Local Authorities.
Promotion of NZ Associated with the America's Cup 2007 (M69)	10,000	-	10,000	-	5,000	-	- Sponsorship to assist Team New Zealand to mount a challenge for the 2007 America's Cup regatta.
Tourism Facilities Development Grants (M69)	267	-	267	-	267	-	- Government Grants for non-commercial, nationally significant tourism facilities.
Total Other Expenses to be Incurred by the Crown	15,311	-	12,811	-	9,711	-	
Total Appropriations	93,336	-	90,406	-	87,128	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice - Tourism

This appropriation provides policy advice relating to:

- economic, environmental and social policy affecting tourism
- barriers and opportunities for tourism
- management of the tourism data set and applied research, and
- leveraging major events.

The Minister of Tourism will also purchase advice and services relating to:

- the Government's interests as owner of TNZ and New Zealand Māori Arts and Crafts Institute (NZMACI)
- requests for grants for non-commercial tourism facilities
- correspondence, including Official Information Act requests and Ombudsman's enquiries, and to parliamentary questions, and
- the management of tourism and other tenancies or concessions at Wairakei Tourist Park and Rotorua.

Part C2 - Non-Departmental Output Expenses

Marketing of New Zealand as a Visitor Destination

This appropriation covers costs associated with Marketing New Zealand as a Visitor Destination. These services include promoting New Zealand, in international markets, as a visitor destination through advertising campaigns, promotion through media and events, training for international travel sellers and communication strategies. These activities are supported by product marketing, marketing research, tourism development and stakeholder communications and are developed in consultation and partnership with the tourism industry. The overarching strategy for this work, including details on key off-shore markets, target audiences and the types of promotion utilised will be specified in the SOI for 2006 - 2009 and the Output Plan 2006/07 agreed with the Minister.

Quantity, quality and timeliness

Performance Measures	2006/07 Performance Standards
Quantity	
Holiday arrivals	1,209,300
Qualmark licence holders	1,900
Proportion of Interactive Travellers amongst all holiday arrivals	61%
Proportion of Interactive Travellers who are very likely to recommend New Zealand as a holiday destination	90%

Performance Measures	2006/07 Performance Standards
<p>Quality</p> <p>Complete a comprehensive review of performance measures in 2006/07, in consultation with the Ministry, to establish improved performance indicators that align with organisational outcomes, new funding levels and objectives</p> <p>Reported satisfaction levels of international travel sellers trained by TNZ activities by 30 June 2007</p> <p>Maintain existing awareness levels for key markets (Australia, the UK, USA and Japan)</p> <p>Maintain New Zealand's ranking as a preferred holiday destination in Australia</p> <p>Improve New Zealand's ranking as a preferred holiday destination in the UK, USA and Japan</p> <p>Improve the conversion ratio between awareness, preference, intention and arrivals for key markets (Australia, UK, USA and Japan)</p>	<p>31 December 2006</p> <p>Satisfaction above 90% for extremely satisfied and very satisfied</p> <p>As specified in the 2006/07 Output Plan</p>
<p>Timeliness</p> <p>Provide quarterly summary of the evaluations of international travel sellers and product planners engaged with through TNZ trade training seminars and conferences, road shows, online training modules and familiarisation visits</p>	<p>30 days following the end of each quarter</p>

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	69,001	69,001

Provider

New Zealand Tourism Board.

Implementation of the Tourism Strategy

This appropriation covers the cost of purchasing various initiatives that will be developed in consultation with other Ministers as appropriate, to implement the Tourism Strategy 2010.

Quantity, quality and timeliness

Performance measures and standards will be developed for all proposals when purchase agreements are agreed with the organisations that are providing the services.

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	2,223	1,446

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Local Authority Tourism Infrastructure Grant Scheme

This appropriation provides grant funding to assist territorial local authorities establish new water and wastewater infrastructure to meet forecast tourism demand. The funding comprises \$4.444 million in 2006/07 and is targeted at small communities with high tourism visitor numbers.

Promotion of New Zealand Associated with the America's Cup 2007

This appropriation provides support for the Emirates Team New Zealand Challenge for the America's Cup in 2007.

Tourism Facilities Development Grants

This appropriation provides grant funding to assist with the provision of physical facilities that can not be made available on a commercial basis.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
Tourism New Zealand	30 June	3,000	2,500

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Concession Fees	336	336	301	Income from tourism and farming concessions in the Wairakei Tourist Park.
Recovery of Scholarship Funding	27	27	-	Recovery of funding for Research Scholarship Programme in partnership with the Ministry of Tourism.
Rent from Reserve Lands	413	335	511	Rent from NZMACI and Rotorua Golf Club for the leasing of reserves at Rotorua.
Total Non-Tax Revenue	776	698	812	
Total Crown Revenue and Receipts	776	698	812	