

# VOTE *Tourism*

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## Overview

Appropriations for Vote Tourism in 2007/08 total \$80.981 million. They are to be applied as follows:

### Departmental Appropriations

- \$7.070 million (8.73% of the Vote) on purchasing tourism related policy advice from the Ministry of Tourism.

### Non-Departmental Appropriations

- \$72.001 million (88.91% of the Vote) for marketing New Zealand as a visitor destination by Tourism New Zealand.
- \$1.618 million (2.00% of the Vote) for implementation of the Tourism Strategy.
- \$25,000 (0.03% of the Vote) for depreciation expenses on infrastructural fixed assets located at Wairakei.
- \$267,000 (0.33% 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 2007/08.

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	New Zealand Tourism Strategy
SPs	Strategic Priorities
TNZ	Tourism New Zealand

## Minister Portfolio Table

69	Minister of Tourism
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# Tourism

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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 government's national identity goals through assisting all New Zealanders being able to take pride in who and what we are. Services purchased through Vote Tourism contribute to these goals 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 18.7% of New Zealand export earnings. The size and growth rate of the sector (international expenditure is forecast to increase by 6.5% per year to 2012) has meant that tourism is now New Zealand's largest export sector. This growth has implications for New Zealand's 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. They must also be considered 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, growth needs to be focussed in the areas which generate the greatest returns and strategic sustainability issues must be addressed. With this in mind, the overall emphasis for the Vote is on increasing net returns to New Zealand.

In recent years, government has played a strong catalytic role in the tourism sector. The New Zealand Tourism Strategy (NZTS), first developed in 2001, is an industry and government partnership which provides guidance for the tourism sector. The strategy is being updated in 2007.

The focus of the NZTS is on ensuring a high quality visitor experience and increasing the net benefits that New Zealand tourism brings to:

- New Zealand's economy in line with a vision for a higher value more globally competitive economy.
- Businesses and people working in the sector.
- New Zealand communities as a vital contributor to their sustainability and vitality.

Key leadership challenges and opportunities at the heart of the strategy will be improving the returns from tourism to the economy and businesses in the sector and ensuring a sustainable value proposition that responds in a smart way to global and local environmental sustainability issues.

A key means of implementing the NZTS will be 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 along with industry to complete the NZTS and ensuring the objectives of the Strategy are achieved through effective use of the strategy implementation funds, undertake actions with industry partners as well as through advising government on its investment in marketing of New Zealand as an international visitor destination.
- Development of collaborative work with industry and other government agencies to improve returns from tourism to businesses and the economy as a whole to enable investment in the sector and improved labour market competitiveness.
- Undertaking initiatives to address key environmental sustainability challenges given New Zealand's distance from key long haul markets, the tourism sector's dependence on New Zealand's natural environment, and deliver on the 100% PURE brand promise.
- 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.

### *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, in particular, contribute to the International Linkages SP: Improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; the Infrastructure SP: Improving the quality and reliability of key infrastructure services and the Sustainable Business SP: Helping New Zealand firms to use environmental integrity for competitive advantage.

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. Tourism New Zealand will market New Zealand as a visitor destination to maximise foreign exchange earnings with an emphasis on increasing net return.

## 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.

Outcome	Contribution
Enhancing the net value to New Zealand from tourism  Tourism makes a sustainable and increasing contribution to the New Zealand economy	<p>Advising on implementation of the updated New Zealand Tourism Strategy with a particular emphasis on initiatives to improve returns from tourism to the economy and addressing environmental sustainability challenges.</p> <p>Advising on the purchase of services from Tourism New Zealand (TNZ) and the New Zealand Māori Arts and Crafts Institute (MACI). In 2007/08 particular focus will be placed on ensuring that the structure, content and performance measures of the Statement of Intent and the Output Plan allow for efficient and effective monitoring of TNZ's activities and spending with a particular emphasis on return on investment. The focus for MACI will be establishment of a new board and clarification of MACI's ownership through legislative change.</p> <p>Collecting and disseminating tourism research and statistics to meet the research needs of the tourism sector. In particular, the Ministry will ensure that the government's current tourism data set and applied research programme is increasingly accessible to and used by the private and public sectors. Focus will be placed on ensuring value and yield measures are enhanced to enable sector performance targets. Emphasis will also be placed on the establishment of sustainability measures for the sector.</p> <p>Advice and Assistance for the implementation of the major events strategy to retain, grow and attract major events that complement New Zealand's image and existing infrastructure and achieve a greater contribution to economic growth. Targeting major events that will assist in reducing tourism sector seasonality will be a key focus for this area.</p> <p>Management of tourism and other concessions at Wairakei and Rotorua to ensure that risks are appropriately managed, commercial returns are achieved on property holdings, and all legal and contractual obligations are met.</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 with an emphasis on increasing net returns to New Zealand.

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.

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 2002/03 and 2007/08.

### *Trends from 2002/03 to 2006/07*

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 the Wairakei area were 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.

For 2006/07 a baseline increase of \$15.902 million, increasing to \$15.919 million in 2007/08 and outyears, was provided to restore the baseline for promotion of New Zealand as a visitor destination. This followed a baseline review of Tourism New Zealand's offshore campaign activities.

### *Appropriation Changes from 2007/08*

Funding associated with the subsidy programme for funding water and sewerage infrastructure costs associated with tourism demand in local authorities, and sponsorship to assist Team New Zealand to mount a challenge in the America's Cup 2007 regatta, ceases.

This is offset in part by additional funds for strategic tourism initiatives in 2007/08. For details of additional funding to support tourism outcomes refer to the New Policy Initiatives by Appropriation table below.

### **Crown revenue and receipts**

Crown revenue from the Wairakei area 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	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Strategic tourism marketing of New Zealand in China	Non-Departmental Output Expense - Marketing of New Zealand as a Visitor Destination	-	3,000	4,000	-	-
Strengthening tourism policy advice capability	Departmental Output Expense - Policy Advice - Tourism	-	100	150	130	165
Tourism research programme	Departmental Output Expense - Policy Advice - Tourism	-	210	210	205	195
<b>Total Initiatives</b>		-	<b>3,310</b>	<b>4,360</b>	<b>335</b>	<b>360</b>

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used				2008/09	2009/10	2010/11	
	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				
<b>Appropriations</b>														
Output Expenses	54,253	60,276	66,372	77,582	77,695	77,695	7,070	-	73,644	-	80,714	81,619	77,594	77,619
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	9,078	4,009	11,156	12,941	12,081	12,081	-	-	267	-	267	267	267	267
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>63,331</b>	<b>64,285</b>	<b>77,528</b>	<b>90,523</b>	<b>89,776</b>	<b>89,776</b>	<b>7,070</b>	<b>-</b>	<b>73,911</b>	<b>-</b>	<b>80,981</b>	<b>81,886</b>	<b>77,861</b>	<b>77,886</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	1,586	567	1,209	497	898	898	N/A	N/A	N/A	N/A	812	812	812	812
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>1,586</b>	<b>567</b>	<b>1,209</b>	<b>497</b>	<b>898</b>	<b>898</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>812</b>	<b>812</b>	<b>812</b>	<b>812</b>

## Part B1 - Details of Appropriations

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Policy Advice - Tourism (M69)	7,032	-	7,032	-	7,070	-	- Policy advice on tourism policy issues and advice on the purchase and monitoring of non-departmental output expenses, research and ministerial services.
<b>Total Departmental Output Expenses (General)</b>	<b>7,032</b>	<b>-</b>	<b>7,032</b>	<b>-</b>	<b>7,070</b>	<b>-</b>	
<b>Non-Departmental Output Expenses</b>							
Implementation of the Tourism Strategy (M69)	1,637	-	1,637	-	1,618	-	- 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	-	72,001	-	- Promotion of New Zealand as a visitor destination in key overseas markets. This includes joint promotions with the private sector.
Wairakei Infrastructure (M69)	25	-	25	-	25	-	- To provide funding for depreciation expenses on infrastructural assets located within the Wairakei area.
<b>Total Non-Departmental Output Expenses</b>	<b>70,663</b>	<b>-</b>	<b>70,663</b>	<b>-</b>	<b>73,644</b>	<b>-</b>	
<b>Other Expenses to be Incurred by the Crown</b>							
Local Authority Tourism Infrastructure Grant Scheme (M69)	6,814	-	6,814	-	-	-	- 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)	5,000	-	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.
<b>Total Other Expenses to be Incurred by the Crown</b>	<b>12,081</b>	<b>-</b>	<b>12,081</b>	<b>-</b>	<b>267</b>	<b>-</b>	
<b>Total Appropriations</b>	<b>89,776</b>	<b>-</b>	<b>89,776</b>	<b>-</b>	<b>80,981</b>	<b>-</b>	

## 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:

- monitoring of TNZ and 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 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 2007 - 2010 and the Output Agreement 2007/08 agreed with the Minister.

#### **Quantity, quality and timeliness**

Performance Measures	2007/08 Performance Standards
Quantity	
Holiday arrivals	1,278,500
Qualmark licence holders	2,100
Proportion of Interactive Travellers amongst all holiday arrivals	65%
Proportion of Interactive Travellers who are very likely to recommend New Zealand as a holiday destination	80%

Performance Measures	2007/08 Performance Standards
<b>Quality</b>	
Complete, in partnership with the Ministry, the first of the scheduled evaluations, as per agreed evaluation plan (30 June 2008)	30 June 2008
As arising from the Interactive Traveller Strategy Review, develop ongoing expenditure growth targets, in partnership with the Ministry, with an initial target for 2007/08 of total visitor spend exceeding visitor growth by 2.5% as measured by the International Visitor Survey	30 June 2008
Reported satisfaction levels of international travel sellers trained by TNZ activities by 30 June 2007	Satisfaction above 90% for extremely satisfied and very satisfied
Maintain existing awareness levels for key markets (Australia, the UK, USA and Japan)	As specified in the 2007/08 Output Agreement
Maintain New Zealand's ranking as a preferred holiday destination in Australia	As specified in the 2007/08 Output Agreement
Improve New Zealand's ranking as a preferred holiday destination in the UK, USA and Japan	As specified in the 2007/08 Output Agreement
Improve the conversion ratio between awareness, preference, intention and arrivals for key markets (Australia, UK, USA and Japan)	As specified in the 2007/08 Output Agreement
<b>Timeliness</b>	
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	30 days following the end of each quarter

## Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	69,001	72,001

## 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 NZTS. For example funds were provided under this appropriation to the Tourism Industry Association to enable coordination of the update of the NZTS, and the development of a Qualmark New Zealand environmental accreditation scheme for tourism operators.

## 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**

	2006/07 \$000	2007/08 \$000
Total output class expenses	1,637	1,618

*Wairakei Infrastructure*

This appropriation covers depreciation expenses on Crown owned infrastructure fixed assets located at Wairakei.

**Quantity, quality and timeliness**

This appropriation is a technical requirement and as such no performance measures and standards are required.

**Cost**

	2006/07 \$000	2007/08 \$000
Total output class expenses	25	25

## Part D - Explanation of Appropriations for Other Operating Flows

### **Part D3 - Other Expenses**

#### *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

The Minister of Tourism is responsible for the government's ownership interest in certain organisations. The estimated net worth of these entities is listed in the table below.

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
<b>Crown Entities:</b>			
New Zealand Tourism Board	30 June	3,000	2,500
<b>Other Organisations:</b>			
New Zealand Māori Arts and Crafts Institute	30 June	25,000	28,000

## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
<b>Non-Tax Revenue</b>				
Concession Fees	387	387	301	Income from tourism and farming concessions in the Wairakei Tourist Park.
Rent from Reserve Lands	511	511	511	Rent from NZMACI and Rotorua Golf Club for the leasing of reserves at Rotorua.
<b>Total Non-Tax Revenue</b>	<b>898</b>	<b>898</b>	<b>812</b>	
<b>Total Crown Revenue and Receipts</b>	<b>898</b>	<b>898</b>	<b>812</b>	