

VOTE *Tourism*

Tourism

Overview

Appropriations for Vote Tourism in 2003/04 total \$73.665 million. They are to be applied as follows:

- \$5.082 million (6.9% of the Vote) on purchasing tourism policy advice from the Ministry of Tourism.
- \$176,000 (0.2% of the Vote) for the management of tourism and other tenancies or concessions at Wairakei and Rotorua by the Ministry of Tourism.
- \$60.187 million (81.7% of the Vote) for marketing New Zealand as a visitor destination by the New Zealand Tourism Board (NZTB).
- \$3.520 million (4.8% of the Vote) for implementation of the Tourism Strategy.
- \$4.400 (6% of the Vote) on Non-Departmental Expenses for promotion associated with the America's Cup and The Lord of the Rings.
- \$300,000 (0.4% of the Vote) on funding tourism facilities under the Tourism Facilities Development Grant Programme.

The Ministry forecasts \$172,000 of Crown revenue under Vote Tourism in 2003/04.

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
NZTB	New Zealand Tourism Board
NZTS 2010	New Zealand Tourism Strategy 2010

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 Tourism

Key Government Goals and Related Outcomes

The services to be purchased under Vote Tourism will contribute to the Government's goals of:

- growing an inclusive, innovative economy for the benefit of all; and
- strengthening national identity and upholding the principles of the Treaty of Waitangi.

In contributing to these Government goals 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 the NZTB will promote New Zealand as a visitor destination to maximise foreign exchange earnings.

Output Class Contributions to Key Government Goals and Outcomes

Departmental output classes

The output classes in this Vote contribute to a number of the Ministry of Economic Development and Ministry of Tourism outcomes, which are related to the Government's key goals. These outcomes and the Vote's contributions are set out below.

Outcomes	Contribution
Businesses are more capable of innovating and making the most of market opportunities	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.
New Zealand's international connections facilitate increased international trade, foreign investment and knowledge transfer.	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 the NZTB. 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.
Businesses and consumers use information held by the Ministry or required by laws it administers, to help them make well-informed decisions	Collecting and disseminating tourism statistics and undertaking applied research.
Māori realise more of their economic potential	<p>In its work with Māori in the tourism industry, the Ministry of Tourism will continue to develop the recommendations from He Matai Tapoi Māori and the NZTS 2010, which together provides the platform for much of the policy work that will be undertaken during the year.</p> <p>Significant deliverables include:</p> <ul style="list-style-type: none"> • ensuring further development of cultural tourism initiatives • in partnership with other government agencies, developing policies that reduce barriers to continued growth, with emphasis on infrastructure and resource constraints • building regional tourism organisation capability • contributing to enhanced sustainability for the sector.
Businesses and consumers have access to reliable infrastructure services at reasonable cost	Providing policy advice on the effectiveness of Government interventions and its impact on tourism, and on tourism's impact on local and regional infrastructure.

Non-departmental output classes

Output class O1 Marketing of New Zealand as a Visitor Destination contributes to the Government's goals 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.

Output class O2 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 output classes refer Part C.

Part A2 - Trends in Vote Tourism

Introduction

The appropriations for Vote Tourism are detailed in the trends table. A number of changes have occurred in Vote Tourism between 1998/99 and 2003/04.

The Office of Tourism and Sport was established within the Department of Internal Affairs on 1 July 1998. The administration of the Office of Tourism and Sport was transferred to the Ministry of Economic Development from 1 July 2000.

Trends from 1998/99 to 2002/03

Expenditure for classes of outputs reduced between 1999/00 and 2000/01 due to additional funding provided in 1999/00 for tourism research; a one off grant to Team New Zealand for trade and tourism opportunities associated with the defence of the 2003 America's Cup; and funding for some key non-commercial tourism infrastructure developments.

As from 1 July 2002 the Ministry of Tourism assumed responsibility for all tourism statistics, including those previously undertaken by NZTB, increasing the research budget by \$757,000. At that time a further increase of \$600,000 was provided to enable the continuation of the Domestic Travel Survey, the Tourism Satellite Account and Tourism Forecasts.

Other expenses have also increased significantly since 2001/02 reflecting funding provided for promotion associated with the America's Cup and the Lord of the Rings by Crown entities across several portfolios and reflects the implementation of the Tourism Strategy. Due to the timing of when costs would be incurred, some of this funding was shifted from 2001/02 to 2002/03.

In addition, during 2002/03 a further \$5.625 million payment was made to Team New Zealand to assist in mounting a new challenge for the 2006/07 America's Cup.

Appropriation changes from 2003/04

From 2003/04 responsibilities for the management Wairakei Tourist Park is transferred to Vote Agriculture and Forestry, with an annual reduction of \$500,000 from the departmental output baselines.

In 2003/04 and out-years a baseline increase of \$787,000 has been provided to increase the Ministry's data and research capability.

Additional funding has also been allocated 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 the potential risks to the New Zealand tourism industry.

With the completion of the 2003 America's Cup, the other expenses appropriation sought are lower than for 2002/03. However, a further \$4.400 million will be made available to leverage opportunities for promotion around the Lord of the Rings trilogy that will provide a wide range of initiatives, both onshore and offshore, to benefit the New Zealand screen production industry.

For further details of new initiatives agreed as part of the 2003 Budget refer to the "Reconciliation of New Initiatives to Appropriations" below.

Revenue

Crown revenue from the Wairakei Tourist Park commenced in 1995/96 with the transition from operating as a trust account. Revenue was then derived largely from tourism concessions and farm income.

Reconciliation of New Initiatives to Appropriations

Initiative	Appropriations as shown in Part B	\$000 increase/(decrease)				
		2002/03	2003/04	2004/05	2005/06	2006/07
Increased Tourism Data, Research and Dissemination Programme	Departmental Output Class – Policy Advice - Tourism	-	787	787	787	787
Clarifying the management responsibilities for the Wairakei Park and transfers to Vote Agriculture and Forestry	Departmental Output Class - Land and Property Management	-	(500)	(500)	(500)	(500)
Tourism Policy Capability Expansion	Departmental Output Class – Policy Advice - Tourism	-	188	198	329	713
Mainland China – Travel Trade Training and Certification Project	Non-Departmental Output Classes: Marketing of New Zealand as a Visitor Destination	-	525	515	384	-
Maximising leverage opportunities made available by the Lord of the Rings, the world premiere of Return of the King and promoting NZ	Other Expenses to be Incurred by the Crown: Promotion of NZ Associated with the America's Cup 2003 and the Lord of the Rings	-	4,400	-	-	-
Implement a focused marketing campaign promoting New Zealand in the USA	Non-Departmental Output Classes: Marketing of New Zealand as a Visitor Destination	-	5,000	5,000	5,000	-
Total Initiatives		-	10,400	6,000	6,000	1,000

Trends in Vote Tourism - Summary of Appropriations and Crown Revenue

Types of Appropriation	1998/99	1999/2000	2000/01	2001/02	2002/03		2003/04 Appropriations to be Used				2004/05	2005/06	2006/07	
	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				
Operating Flows														
Classes of Outputs to be Supplied	65,597	67,279	58,207	61,164	62,311	62,311	5,258	-	63,707	-	68,965	67,666	67,518	62,416
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	772	1,730	(72)	3,660	10,695	10,695	-	-	4,700	-	4,700	300	300	300
Capital Flows														
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Total Appropriations	66,369	69,009	58,135	64,824	73,006	73,006	5,258	-	68,407	-	73,665	67,966	67,818	62,716
Total Crown Revenue and Receipts	1,021	1,301	1,177	1,568	1,381	1,093	N/A	N/A	N/A	N/A	172	172	172	172

Part B - Statement of Appropriations

Part B1 - Details of Appropriations

	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Policy Advice - Tourism	4,748	-	4,748	-	5,082	-	Provision of policy advice on tourism policy issues and purchase of non-departmental output classes, research and ministerial services.
D2 Land and Property Management	999	-	999	-	176	-	Management of tenancies or concessions at Wairakei and Rotorua.
Total Appropriations for Departmental Output Classes (Mode B Gross)	5,747	-	5,747	-	5,258	-	
Non-Departmental Output Classes							
O1 Marketing of New Zealand as a Visitor Destination	54,702	-	54,702	-	60,187	-	Promotion of New Zealand as a visitor destination in key overseas markets. This includes joint promotions with the private sector.
O2 Implementation of the Tourism Strategy	1,862	-	1,862	-	3,520	-	Various initiatives to be developed by the Minister of Tourism to implement the Tourism Strategy.
Total Appropriations for Non- Departmental Output Classes	56,564	-	56,564	-	63,707	-	

Other Expenses to be Incurred by the Crown							
Promotion of NZ Associated with the America's Cup 2003 and the Lord of the Rings	10,395	-	10,395	-	4,400	-	Various initiatives around the America's Cup and The Lord of the Rings to be undertaken by NZTB, New Zealand Trade and Enterprise and Creative New Zealand to promote New Zealand.
Tourism Facilities Development Grants	300	-	300	-	300	-	Government Grants for non-commercial, nationally significant tourism facilities.
Total Appropriations for Other Expenses to be Incurred by the Crown	10,695	-	10,695	-	4,700	-	
Total Appropriations	73,006	-	73,006	-	73,665	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

For more detailed analysis of departmental output classes, including financial and non-financial performance measures, please refer to the *Ministry of Economic Development's 2003 - 2006 Statement of Intent*.

Output Class D1 - Policy Advice - Tourism

The Minister of Tourism will purchase policy advice relating to: economic, environmental and social policy affecting tourism; barriers and opportunities for tourism; The Minister will also purchase advice on and management of the tourism data set and applied research; and major events.

The Minister will also purchase promotion services from NZTB; and advice on the Government's interests as owner of the NZTB and New Zealand Māori Arts and Crafts Institute (NZMACI), advice on requests for grants for non-commercial tourism facilities and services for drafting replies to correspondence, including Official Information Act requests and Ombudsman's enquiries, and to parliamentary questions.

Output Class D2 - Land and Property Management

The Minister of Tourism will purchase services for the management of tourism and other tenancies or concessions at Wairakei and Rotorua.

Part C2 - Non-Departmental Output Classes

Output Class O1 - Marketing of New Zealand as a Visitor Destination

The Minister of Tourism will purchase the promotion of New Zealand in international markets as a visitor destination. This includes consumer advertising, promotion through media and events, training for international travel sellers and communication. These are supported by product marketing, marketing research, tourism development and stakeholder communications and are developed in consultation and partnership with the tourism industry. Details such as key markets, target audience and type of promotion will be specified in the Minister of Tourism's 2003/04 Purchase Agreement with NZTB.

Quantity, quality and cost

Performance Measures	2003/04 Performance Standards
<p><u>Quantity</u></p> <ul style="list-style-type: none"> • Size of target audience, percentage reach and average frequency of viewing brand advertisements in key markets. • Number of international travel sellers and product planners engaged with through trade training seminars and conferences, roadshows, online training modules and familiarisation visits. 	<p>As specified in the Purchase Agreement</p> <p>As specified in the Purchase Agreement.</p>

<p>Quality</p> <ul style="list-style-type: none"> • A comparison between 2002/03 and 2003/04 of the percentage of long haul travellers indicating that they are likely to travel to New Zealand. • Percentage of surveyed travel sellers and product planners trained by Tourism New Zealand who rate the training as good or better. 	<p>As specified in the Purchase Agreement</p> <p>75%</p>
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Cost

2003/04	Total output class to be provided within (GST inclusive)	\$60,187,000
2002/03	Total output class to be provided within (GST inclusive)	\$54,702,000

Provider

New Zealand Tourism Board.

Output Class O2 - Implementation of the Tourism Strategy

The Minister of Tourism will purchase various initiatives that will be developed in consultation with other Ministers as appropriate, to implement the Tourism Strategy.

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

Cost

2003/04	Total output class to be provided within (GST inclusive)	\$3,520,000
2002/03	Total output class to be provided within (GST inclusive)	\$1,862,000

Part E - Explanation of Appropriations for Capital Flows

Net Worth of Entities Owned

The Minister of Tourism is responsible for the Government's ownership interests in the NZTB. The estimated net worth (total assets less total liabilities) is listed in the table below.

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2003 \$ million	Forecast Net Worth 2004 \$ million
Crown Entities:			
New Zealand Tourism Board	30 June	3.500	2.500

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	2002/03		2003/04	Description of 2003/04 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Non-Tax Revenue				
Rent from Reserve Lands	352	20	2	Rent from NZMACI and Rotorua Golf Club for the leasing of reserves at Rotorua.
Sales of Trees and Concession Fees	1,029	1,073	170	Income from tourism and farming concessions, in the Wairakei Tourist Park.
Total Non-Tax Revenue	1,381	1,093	172	
Total Current Revenue	1,381	1,093	172	
Total Crown Revenue and Receipts	1,381	1,093	172	