

VOTE *Tourism*

Tourism

Overview

Appropriations for Vote Tourism in 2004/05 total \$71.875 million. They are to be applied as follows:

- \$7.188 million (10.0% of the Vote) on purchasing tourism related policy advice from the Ministry of Tourism.
- \$60.237 million (83.8% of the Vote) for marketing New Zealand as a visitor destination by the New Zealand Tourism Board (NZTB).
- \$4.150 million (5.8% of the Vote) for implementation of the Tourism Strategy.
- \$300,000 (0.4% of the Vote) on funding tourism facilities under the Tourism Facilities Development Grant Programme.

The Ministry forecasts \$700,000 of Crown revenue under Vote Tourism in 2004/05.

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
SP	Strategic Priority

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

Related Government 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.

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 SP 2: Improve international connections, particularly with Australia; and SP 5: Improve 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 the New Zealand Tourism Board (NZTB) will promote New Zealand as a visitor destination to maximise foreign exchange earnings.

Output Classes

Departmental output classes

The output classes 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. 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.

Outcomes	Contribution
New Zealand's international connections facilitate increased international trade, foreign investment and knowledge transfer.	<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 the NZTB.</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>
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>Significant deliverables include:</p> <ul style="list-style-type: none"> • enhancing tourism information availability and understanding by tourism businesses • in partnership with other government agencies, developing policies that reduce barriers to continued growth, with emphasis on business skills development • improving regional tourism interaction with Māori tourism businesses, and • contributing to enhanced profitability for the sector.
Businesses and consumers have access to reliable infrastructure services at reasonable cost.	<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>A focus of 2004/05 will be on establishing a subsidy programme for the component of water and sewerage infrastructure costs associated with tourism demand in small communities.</p>

Non-departmental output classes

Output class 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 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 to 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 1999/2000 and 2004/05.

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 1999/2000 to 2003/04

Expenditure for classes of outputs reduced between 1999/2000 and 2000/01 due to additional funding provided in 1999/2000 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 the 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. In 2003/04 and outyears a baseline increase of \$787,000 was provided to increase the Ministry's data and research 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 \$500,000 from the departmental output baselines.

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 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 2007 America's Cup. A further \$4.4 million was made available in 2003/04 to leverage opportunities for promotion around the Lord of the Rings trilogy and undertake a wide range of initiatives, both onshore and offshore, to benefit the New Zealand screen production industry.

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.

Appropriation Changes from 2004/05

From 2004/05 a further increase of \$919,000 has been provided to address additional costs of obtaining the Ministry's core tourism data set, and to enhance policy capability.

An additional \$1 million has also been provided to enable a subsidy programme to be established that will enable funding of the component of water and sewage infrastructure costs associated with tourism demand in small communities.

For further details of new initiatives agreed as part of the 2004 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. Crown revenue continues to be received from land rentals and tourism concession payments.

Reconciliation of New Initiatives to Appropriations

Initiative	Appropriations as shown in Part B	\$'000 increase/(decrease)				
		2003/04	2004/05	2005/06	2006/07	2007/08
Costs associated with the economic impact of Team New Zealand's 2007 America's Cup Challenge	Departmental Output Class - Policy Advice Tourism	501				
	Non-Departmental Output Class - Marketing of New Zealand as a Visitor Destination	(461)	-	-	-	-
	Other Expenses to be Incurred by the Crown - Promotion of NZ Associated with the America's Cup 2003 and the Lord of the Rings	(40)	-	-	-	-
Enhance the policy and research capability for the tourism sector	Departmental Output Class - Policy Advice Tourism	-	919	1,262	1,204	1,119
Funding for promotional activities for the launch of The Last Samurai	Non-Departmental Output Class - Marketing of New Zealand as a Visitor Destination	200	-	-	-	-
Water and Sewerage Infrastructure costs for Small Local Authorities	Departmental Output Class - Policy Advice - Tourism	-	1,000	-	-	-
	Other Expenses to be Incurred by the Crown - Local Authority Tourism Infrastructure Grant Scheme	-	-	5,000	5,000	-
Total Initiatives		200	1,919	6,262	6,204	1,119

Trends in Vote Tourism - Summary of Appropriations and Crown Revenue

	1999/2000	2000/01	2001/02	2002/03	2003/04		2004/05 Appropriations to be Used					2005/06	2006/07	2007/08
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
Types of Appropriation	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Operating Flows														
Classes of Outputs to be Supplied	67,279	58,207	61,164	61,034	68,436	68,436	7,188	-	64,387	-	71,575	68,780	63,620	63,536
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	1,730	(72)	3,660	10,213	4,660	4,660	-	-	300	-	300	5,300	5,300	300
Capital Flows														
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Total Appropriations	69,009	58,135	64,824	71,247	73,096	73,096	7,188	-	64,687	-	71,875	74,080	68,920	63,836
Total Crown Revenue and Receipts	1,301	1,177	1,568	1,586	700	700	N/A	N/A	N/A	N/A	700	700	700	700

Part B - Statement of Appropriations

Part B1 - Details of Appropriations

	2003/04				2004/05		
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Description of 2004/05 Appropriations
Departmental Output Classes (Mode B Gross)							
Policy Advice - Tourism	5,583	-	5,583	-	7,188	-	Provision of policy advice on tourism policy issues and advice on the purchase and monitoring of non-departmental output classes, research and ministerial services.
Land and Property Management	176	-	176	-	-	-	Management of tenancies or concessions at Wairakei and Rotorua. No appropriation is sought for 2004/05.
Total Appropriations for Departmental Output Classes (Mode B Gross)	5,759	-	5,759	-	7,188	-	
Non-Departmental Output Classes							
Marketing of New Zealand as a Visitor Destination	60,387	-	60,387	-	60,237	-	Promotion of New Zealand as a visitor destination in key overseas markets. This includes joint promotions with the private sector.
Implementation of the Tourism Strategy	2,290	-	2,290	-	4,150	-	Various initiatives to be developed by the Minister of Tourism to implement the Tourism Strategy.
Total Appropriations for Non- Departmental Output Classes	62,677	-	62,677	-	64,387	-	

Other Expenses to be Incurred by the Crown							
Promotion of NZ Associated with the America's Cup 2003 and the Lord of the Rings	4,360	-	4,360	-	-	-	Various initiatives around the America's Cup and The Lord of the Rings undertaken by NZTB, New Zealand Trade and Enterprise and Creative New Zealand to promote New Zealand. No appropriation is sought for 2004/05.
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	4,660	-	4,660	-	300	-	
Total Appropriations	73,096	-	73,096	-	71,875	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

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
- management of the tourism data set and applied research, and
- management of major events.

The Minister of Tourism will also purchase:

- promotion services from the NZTB
- 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
- services for drafting replies to correspondence, including Official Information Act requests and Ombudsman's enquiries, and to parliamentary questions, and
- services for the management of tourism and other tenancies or concessions at Wairakei Tourist Park and Rotorua. (Previously included as a separate output class - Land and Property Management).

Part C2 - Non-Departmental Output Classes

Marketing of New Zealand as a Visitor Destination

The Minister of Tourism will purchase services relating to 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 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. Details such as key markets, target audience and type of promotion will be specified in the Minister of Tourism's 2004/05 Purchase Agreement with NZTB.

Quantity, quality and timeliness

Performance Measures	2004/05 Performance Standards
<ul style="list-style-type: none"> Size of target audience, percentage reach and average frequency of viewing brand advertisements in key markets. 	As specified in the Purchase Agreement.
<ul style="list-style-type: none"> Awareness, preference and intent to travel measures in key markets. 	As specified in the Purchase Agreement.
<ul style="list-style-type: none"> Number of international travel sellers and product planners engaged with through trade training seminars and conferences, roadshows, online training modules and familiarisation visits. 	As specified in the Purchase Agreement.
<ul style="list-style-type: none"> Evaluate and report on the effectiveness of the campaign. 	As specified in the Purchase Agreement.
<ul style="list-style-type: none"> Percentage of surveyed industry stakeholders satisfied by Tourism New Zealand coordinated trade activities offshore. 	75%

Cost

2004/05	Total output class to be provided within (GST inclusive)	\$60,237,000
2003/04	Total output class to be provided within (GST inclusive)	\$60,387,000

Provider

New Zealand Tourism Board.

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.

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

2004/05	Total output class to be provided within (GST inclusive)	\$4,150,000
2003/04	Total output class to be provided within (GST inclusive)	\$2,290,000

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 2004 \$ million	Forecast Net Worth 2005 \$ 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

	2003/04		2004/05	Description of 2004/05 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Non-Tax Revenue				
Rent from Reserve Lands	440	440	440	Rent from NZMACI and Rotorua Golf Club for the leasing of reserves at Rotorua.
Concession Fees	260	260	260	Income from tourism and farming concessions in the Wairakei Tourist Park.
Total Non-Tax Revenue	700	700	700	
Total Current Revenue	700	700	700	
Total Crown Revenue and Receipts	700	700	700	

