

Hon Bill English  
Minister of Finance  
Parliament Buildings

Dear Bill

### **Value for Money and Budget 2009: Vote Tourism**

This letter provides you with my advice on improving the value for money within Vote Tourism.

The Ministry of Tourism has now completed its 'line by line' expenditure review of Vote Tourism. This involved considering each appropriation against the criteria provided in the Cabinet paper on the Value for money exercise, and agreement with me was reached on which outputs and activities were inconsistent with Government priorities.

This review included government funding being paid through Vote Tourism, to the Crown entity – Tourism New Zealand Board.

The priorities for the tourism portfolio over 2009 relate largely to ensuring that tourism continues to make a substantial contribution to the New Zealand economy. Given the economic downturn, Tourism as a sector presents an opportunity for immediate stimulus of activity and also there are opportunities to develop infrastructure and market positioning for the longer term.

#### **Overview of the Vote Tourism**

These priorities will shape the portfolio over the coming years and will be used in allocating resources for the Vote. Total appropriation for Vote Tourism within existing baselines as at February 2009 is forecast to fall (from \$86.817M in 2008/09) to \$78.149M in 2010.

This comprises the following components:

- \$7.5M (10% of total Vote) for Departmental output expense:
  - \$2.53M for core Policy advice covering all issues of economic development, regulations and other work related to the priority issues in the portfolio.
  - \$4.7M for all tourism statistics collected as part of the core tourism dataset and the research programme.

- \$0.155M to support major events activity by the Major events development fund and Rugby World Cup office.
- \$0.114M to provide for the land management responsibilities of the Ministry at Wairakei and Rotorua.
- \$70.378M (90% of the total Vote) for Non Departmental output expenses:
  - \$69M for marketing of New Zealand as a Visitor Destination
  - \$1.32M for Implementation of the tourism strategy
  - \$0.025M for depreciation expenses associated with infrastructural assets at Wairakei
- \$0.267M Other Expenses to be incurred by the Crown which consists of:
  - Tourism facilities Grant programme for non commercial nationally significant tourism facilities.

In addition to these appropriations for expenditure, as part of the land management activities, we manage concessions revenue of approximately \$0.5M which goes directly to the consolidated fund.

### **Proposed Savings**

Savings of \$0.375M in 2009/10 can be made in the tourism policy output reflecting a reduction in effort on the New Zealand Tourism Strategy (NZTS) 2015 development in the coming year.

### **Scope for further savings**

Given the opportunities to stimulate the economy through investments in tourism marketing and infrastructure development no further savings opportunities have been identified.

Budget 2006 appropriated Tourism New Zealand (TNZ) \$7M over 2007/08 and 2008/09 to introduce consumer advertising to the Chinese market. This year has seen \$4M in marketing activity in China. With this marketing funding ending any activity in China will need to be funded through reprioritising within the TNZ baseline (\$69M in 09/10).

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

## **Reprioritisation**

One off savings of \$1.6M has been identified in 2008/09 from the non departmental output class: Implementation of the Tourism Strategy. I propose to utilise \$1.1M of these identified savings for additional tourism marketing investment in Australia. A cabinet paper to this effect will be tabled shortly. In addition I am proposing to utilise the remaining \$0.5M for the feasibility study of a convention centre in Auckland as part of an infrastructure investment for tourism.

### *TNZ Reprioritisation*

Reprioritisation of the TNZ budget has occurred this year (08/09). Marketing activity in some markets has been scaled back, and some projects scheduled to be undertaken have not started. The reprioritised funding has been used to scale up marketing activity in Australia.

Further efficiencies gained in 2008/09 include:

- TNZ Osaka office (Japan) has been closed and all activity is now run out of Tokyo.
- TNZ New York office has been closed and all US activity is now run out of Los Angeles.
- TNZ have ceased a contract with a General Sales Agent in Taiwan, this work is now managed out of our Shanghai office.

I look forward to discussing the results of this exercise with you.

Kind regards

Hon John Key  
**Minister for Tourism**