

Vote Tourism
Baseline Alignment Proposal

Version [1]

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Submitted by: Hon John Key

Minister of Tourism

Section 1: Alignment to Government Priorities

The proposed priorities for the tourism portfolio for 2010 and out-years are intended to ensure that tourism continues to make a substantial contribution to the New Zealand economy.

My priorities over 2010/11 and the next two financial years are as follows.

My first priority is to get the Tourism Marketing Strategy right. This will involve developing a three year international marketing strategy including development of new 'fit for purpose' effectiveness measures. It will also include maximising Government's marketing investment through joint venture partnerships. This work will contribute to support for science, innovation and trade which is one of our six main economic policy drivers. The main risks are those associated with new personnel and transition risks in Tourism New Zealand, the different expectations of effectiveness measures across the different agencies involved, the potential for private sector investment drivers to distract from and damage New Zealand's destination brand strength and the risk of substitution for existing marketing spend by local Government and the private sector.

My second priority is to progress key Tourism infrastructure with particular reference to the development and implementation of the National Cycle Trail. This work will contribute to our investment in infrastructure policy driver as well as the support for science, innovation and trade driver. The main risks will be that demand exceeds available funding, construction cost risks and risks associated with the need to maintain partner support and momentum.

My third priority will be to remove barriers and pursue opportunities to increase Tourism's economic contribution. This will include working with Australia on enhanced trans-Tasman travel and long haul issues and maximising and pursuing other aviation opportunities through a more proactive and coordinated government / industry approach. This will similarly contribute to our investment in infrastructure and support for science, innovation and trade policy drivers. The main risks will be the risks of not being able to engage Australia effectively on this subject given their current focus on their long term tourism strategy.

As you are aware, it has recently been agreed that the establishment of a Productivity Commission is a priority for the Government; as a result the Ministry of Economic Development has been asked to contribute financially towards the Commission in 2010/11 and out-years.

Section 2: Reprioritisation

There are no new, different or increased activities being proposing within the Vote currently. There is however, a range of adjustments, plus an additional funding request that is proposed for the Vote. The goal is to ensure cost effective delivery of tourism initiatives that will support the Governments economic growth agenda.

For the 2010/11 financial year Vote Tourism appropriations total just over \$94.6 million for the delivery of policy advice, research, the development of the National Cycleway and the promotion of New Zealand as a visitor destination. Vote resources will be fully committed on

the implementation of the Vote priorities, therefore given the existing work programme there is no scope for new activities in 2010/11 and out-years.

In October 2009 an increase of funding was approved of \$20 million in 2009/10 only, for the New Zealand Tourism Board (NZTB). A report-back is due to me by 31 March 2010 with a three year marketing strategy. Contingent on approval of the strategy, I am intending to seek an increase in baseline funding of \$30 million as part of the 2010/11 budget. This proposal is outlined in Cab Min (09) 30/6A and is also noted in the December 2009 Economic Growth Agenda Paper, reference EGI Min (09) 261.

Vote Tourism has also been asked for a contribution towards the Productivity Commission through two sources; \$140k per annum has been requested from the NZTB and the amount from the Ministry of Tourism's budget for Policy Advice will be as follows;

- 2010/11 \$30,810
- 2011/12 \$60,710
- 2012/13 and outyears \$65,000

The Government tourism sector agencies are shortly to undergo an independent review, looking at the roles and responsibilities of both the Ministry of Tourism and Tourism New Zealand. The outcome of this review will be known in April 2010 and could impact on the Vote.

There are also significant reductions in Crown revenue forecast rents of approximately \$0.500 million per annum from the Maori Arts and Crafts Institute. Beyond 1 July 2010 rent revenue will no longer be received by the Crown due to the transfer of the Whakarewarewa Valley Lands and Roto-A-Tamaheke Reserve to iwi.

Section 3: Summary of Financial Movements

See attached.