



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Tourism
Title of Cabinet paper	Enabling Tourism New Zealand to redirect marketing towards domestic tourism in response to COVID-19	Date to be published	22 February 2021

List of documents that have been proactively released		
Date	Title	Author
16 December 2020	<i>Enabling Tourism New Zealand to Redirect Marketing Towards Domestic Tourism in Response to COVID-19</i>	<i>Office of the Minister of Tourism</i>
16 December 2020	<i>CBC-20-MIN-0132</i>	<i>Cabinet Office</i>

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld to protect the confidentiality of advice tendered by a Minister of the Crown.

In Confidence

Office of the Minister of Tourism

Cabinet Business Committee

Enabling Tourism New Zealand to redirect its marketing towards domestic tourism in response to COVID-19

Proposal

- 1 This paper seeks agreement to create a new financial appropriation that will enable Tourism New Zealand to continue marketing of domestic tourism in response to COVID-19.

Background

Tourism New Zealand attracts visitors to New Zealand-Aotearoa

- 2 Tourism New Zealand (TNZ) is a Crown entity responsible for marketing New Zealand-Aotearoa to the world as a visitor destination. It has focused on key visitor markets, including visitors from Australia, China, Europe and North America (among others), and on high-value visitors. It aligns its marketing to broader government objectives such as regional dispersal and sustainability.
- 3 Regional Tourism Organisations (RTOs), which are often linked to local authorities and local economic development agencies, are responsible for attracting domestic and international visitors to their specific region.

Cabinet agreed for TNZ to redirect some of its marketing in response to COVID-19

- 4 In February 2020, COVID-19 began affecting the tourism sector through a reduction in the Chinese visitor market. Cabinet noted that “the COVID-19 outbreak is impacting the New Zealand economy through a number of channels, including [...] restrictions on the movement of people across borders, particularly harming the tourism and education sectors in New Zealand” [CAB-20-MIN-0054 refers, 24 February 2020].
- 5 Cabinet agreed to extend TNZ’s marketing activities in international markets to diversify the visitor portfolio and stimulate the economy [CAB-20-MIN-0037 refers, 17 February 2020]. Cabinet provided \$10 million to the appropriation that is used to fund TNZ (Tourism: Marketing of New Zealand as a Visitor Destination) in financial year 2019/20 for this purpose. In March 2020, \$0.3 million was transferred from this fund to New Zealand Māori Tourism to support Māori tourism businesses’ response plans, leaving TNZ with \$9.7 million for the purpose of diversifying the international visitor portfolio. An expense transfer of that \$9.7 million to 2020/21 has been sought through the October Baseline Update.
- 6 In May 2020, after international border restrictions were put in place, Cabinet noted that TNZ had commenced a redirection of its activities to apply its customer research and marketing capability to domestic tourism [DEV-20-MIN-0080 refers, 13 May 2020]. TNZ launched the ‘Do Something New, New Zealand’ campaign which aimed to inspire New Zealanders to travel domestically. The campaign will continue throughout 2020. The campaign was funded through baseline funding in the Tourism: Marketing of New Zealand as a Visitor Destination appropriation.

Creating a new appropriation to enable domestic marketing

I propose that the scope and intention of the appropriation that funds TNZ be indefinitely expanded to include domestic marketing

- 7 Since TNZ launched the domestic marketing campaign, it has been identified that the previously-mentioned appropriation that is used to fund TNZ is limited in its scope to “the promotion of New Zealand as a visitor destination in key overseas markets,” and is limited in its intention to “achieve a contribution towards the increase in the value of international visitors to New Zealand.” As a result, the domestic marketing campaign that TNZ has undertaken this year was unintentionally in breach of the scope and intention of the appropriation that was used to fund it.
- 8 While Cabinet noted that TNZ was redirecting its marketing approach, Cabinet has not explicitly agreed to this ongoing change in function throughout 2020/21. I seek Cabinet’s agreement to expand TNZ’s role to include domestic marketing throughout the COVID-19 response. I recommend that Cabinet expand the appropriation’s scope and intention statements to permit marketing towards domestic visitors, so that TNZ may legitimately and effectively use the funding allocated by Cabinet in February 2020, and its other funding available in 2020/21 and the years ahead without being at risk of unappropriated expenditure.
- 9 As the change is being sought mid-financial year, the scope and intention of the existing appropriation cannot be amended. Instead, a new appropriation must be created and the funding transferred.
- 10 I propose establishing a new appropriation, called ‘Tourism: Marketing New Zealand as a Visitor Destination’ to cover the widened scope of TNZ’s marketing activities.
- 11 I propose removing “overseas” from the appropriation’s scope statement: *This appropriation is limited to the promotion of New Zealand as a visitor destination in key **overseas** markets.*
- 12 I also propose removing “international” from the appropriation’s intention statement, and changing the phrasing from “visitors to New Zealand” to “visitors in New Zealand”: *This appropriation is intended to achieve a contribution towards the increase in the value of **international** visitors **to in** New Zealand.*
- 13 I propose that this change not be time-limited. Domestic marketing will continue to be critical to the COVID-19 response. TNZ has a high level of capability and expertise in promoting travel to and around New Zealand. Whereas RTOs take a strictly regional approach as their objective is to attract visitors to their specific region, TNZ has the capability to take a national view and promote domestic travel as a whole in order to stimulate the economy and support tourism operators, as well as driving nationally-beneficial objectives such as regional dispersal.
- 14 Once international border settings enable the entry of international visitors, I will seek advice on whether TNZ’s marketing role should return to being limited to international marketing. As TNZ is a Crown Entity, there are regular opportunities to ensure that its activities align with government objectives, and I can direct TNZ to limit its role to domestic marketing despite a broader scope in the appropriation that it uses.

Validating unappropriated expenditure that has already occurred

- 15 As a result of its domestic marketing campaign, TNZ incurred \$2.043 million of unappropriated expenditure in 2019/20, and \$7.294 million in 2020/21 up to 16 October 2020.
- 16 I have certified this unappropriated expenditure. Confidential advice to Government

Financial, legislative and human rights implications

- 17 The financial implication of this proposal for TNZ is that it will have more agility in its use of funding within the appropriation. The proposal does not change the total amount of funding provided to TNZ and so has no direct financial implications for the Crown.
- 18 There are no legislative or human rights implications to this proposal.

Consultation, Communications and Proactive Release

- 19 MBIE consulted TNZ and the New Zealand Treasury on this proposal.
- 20 MBIE will proactively release this paper following Cabinet consideration.

Recommendations

The Minister of Tourism recommends that Cabinet:

- 1 **Note** that in May 2020 Cabinet noted that TNZ had redirected part of its marketing capability to domestic tourism marketing.
- 2 **Note** that this redirection was unintentionally in breach of the scope of the appropriation used to fund it (*Tourism: Marketing of New Zealand as a Visitor Destination*), which is limited to international marketing.
- 3 Confidential advice to Government
- 4 **Agree** that TNZ's role be expanded to include domestic marketing throughout the COVID-19 response.
- 5 **Note** that once international visitors return, I will reconsider the scope of TNZ's role in the domestic market.
- 6 **Agree** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Business, Science and Innovation	Minister of Tourism	Tourism: Marketing New Zealand as a Visitor Destination	Non-departmental Output Expense	This appropriation is limited to the promotion of New Zealand as a visitor destination in

			key markets
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7 **Approve** the following fiscally neutral adjustment to provide for the recommendation above, with no impact on the operative balance or net core Crown debt:

Vote Business, Science and Innovation Minister of Tourism	\$m – increase/ (decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 and outyears
Non-departmental Output Expense: Tourism: Marketing of New Zealand as a Visitor Destination	(49.046)	(111.950)	(111.950)	(111.950)	(111.950)
Non-departmental Output Expense: Tourism: Marketing New Zealand as a Visitor Destination	49.046	111.950	111.950	111.950	111.950

8 **Agree** that the proposed changes to appropriations above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

9 **Note** that a further fiscally neutral adjustment may be required through the March Baseline Update to ensure that all remaining funding in the 2020/21 year falls within the correct appropriation.

10 **Note** that the intention of the new appropriation will be “This appropriation is intended to achieve a contribution towards the increase in the value of visitors in New Zealand.”

11 **Note** that this new appropriation has slightly different scope and intention statements (removal of the words ‘overseas’ and ‘international’) which mean that the appropriation can be used for domestic tourism marketing.

Authorised for lodgement

Hon Stuart Nash
Minister of Tourism