



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Tourism
Title of Cabinet paper	Direction for Tourism	Date to be published	10 May 2021

List of documents that have been proactively released		
Date	Title	Author
10 March 2021	Direction for Tourism	Office of the Minister of Tourism
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Information redacted **YES**

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In Confidence

Office of the Minister of Tourism

Cabinet Business Committee

Direction for Tourism

Proposal

- 1 This paper sets out my current plan for the tourism portfolio: focussing on building back a system that is more sustainable and delivers on Brand New Zealand. We are already taking steps to achieve that, and this paper seeks agreement to the four principles I am using to guide that work, and some of the key initiatives either underway, or that I would like to progress this term.

Relation to Government priorities

- 2 This paper sets out steps to ensure the post-COVID-19 recovery of the tourism sector, and communities reliant on tourism. It also outlines how I intend to support an accelerated rebuild that delivers a more productive, inclusive and sustainable tourism industry, in line with the Government's New Zealand–Aotearoa Tourism Strategy.

Executive Summary

- 3 Tourism can create inclusive growth by distributing economic opportunities and bringing social benefits across our regions, cities and communities. However, it has also brought challenges, largely because the costs and benefits from tourism do not always fall in the same place.
- 4 Tourism has also been hit harder and longer by COVID-19 than most industries. Some areas, in particular, are highly reliant on international visitors. These regions include Queenstown Lakes, Westland, Mackenzie, Kaikōura, and Te Anau/Milford. Government support to date has been significant, including both broad-based support and a specific Tourism Recovery Package (\$400 million).
- 5 This paper sets out my proposed direction for tourism. I want to take the opportunity to build back tourism better. The four principles guiding my proposed work programme are:
 - 5.1 Elevate Brand New Zealand so that New Zealand is seen as one to the most aspirational global travel destinations.
 - 5.2 We have an opportunity to re-set and rebuild tourism on a sustainable model and the industry should not return to 'business as usual'.

- 5.3 The costs and negative impacts associated with tourism must be mitigated or priced into the visitor experience, and not funded by New Zealand rate and tax payers.
- 5.4 Government partnering with the industry, both businesses and workers, is essential to achieve this transformation.

6 To deliver on these, I propose the following three part work programme:

Business support and readiness for re-opening	Managing through COVID-19 (business support, targeted local economic diversification, kick-start grants, destination management)
	Confidential advice to Government
Re-set of the tourism system	Freedom Camping (strengthening regulations)
	Review of the International Visitor Levy (IVL)
	Confidential advice to Government
	Local revenue tools
	DOC visitor management (led by the Minister of Conservation)
	Confidential advice to Government
Sector leadership	Industry Transformation Plan for tourism
	Collaborative tourism data and information system
	Confidential advice to Government

Background

Benefits of tourism for New Zealand

- 7 Tourism can create inclusive growth by distributing economic opportunities and bringing social benefits across our regions, cities and communities. It can support us to celebrate our unique Māori culture. International visitors buy our products and services, which contributes to the success of other export sectors and grows our reputation internationally. Tourism provides a pathway for many to enter the workforce, gaining important skills, albeit currently at below average wages.
- 8 While offering some benefits, recent visitor growth has highlighted that the challenges need to be more carefully thought through.

How the tourism system operated was unsustainable

- 9 The costs and benefits from tourism do not always fall in the same place, which can lead to under-investment in the infrastructure required to support visitors and our communities. Visitor growth can create infrastructure pressures, overcrowding, increased pressure on our roads and environmental impacts (the Parliamentary Commission for the Environment (PCE) has

recently completed a two year investigation into the challenges and options for solutions).

- 10 There are also challenges in tourism as a career (low wages, job insecurity, etc). We want people working in tourism to transition into high value jobs and improve the productivity of the sector.
- 11 Together, these issues are also affecting New Zealanders, and how some host communities in particular, feel about tourism as an industry and international visitors.
- 12 These issues were acknowledged pre-COVID-19 by the sector, central and local Government, and commentators. Government has responded through initiatives such as the Tourism Infrastructure Fund and the Responsible Camping work programme, but it is fair to say there is still work to be done.

Tourism continues to be impacted by COVID-19

- 13 Tourism was New Zealand's second biggest export earner in 2019/20. It is now one of the most impacted by COVID-19, and will remain so at least until borders re-open.
- 14 Tourism is a cross-cutting sector, and therefore effects are felt by a range of businesses including activity operators, accommodation providers, transport, hospitality and retail.
- 15 Government took steps in 2020 to support tourism businesses through broad-based support such as the wage subsidy and the small business cashflow scheme. The Government also created a specific Tourism Recovery Package which included grants and loans to some tourism businesses, and support to Regional Tourism Organisations through the Strategic Tourism Assets Protection Programme (STAPP).
- 16 We recognise these actions are insufficient for some businesses that are struggling to survive for an extended period with closed borders. Some of those businesses will, by necessity, need to close.
- 17 Some areas have been hit harder than others because they are highly reliant on international visitors. These regions include Queenstown Lakes, Westland, Mackenzie, Kaikōura, and Te Anau/Milford.
- 18 Linked with the tourism sector, the aviation sector has been seriously affected by COVID-19, as almost all international tourists arrive in New Zealand by air. Many international operators have left New Zealand, and some of those remaining are in a perilous financial state. New Zealand is a distant and low-volume destination for international carriers, and particularly if our border opening is slower than other countries, this may mean that the origins and frequency of flights is significantly less than it was prior to COVID-19. Cabinet is considering a paper from the Minister of Transport (also due to be discussed by DEV on 10 March) which proposes the continuation of support for international aviation, which if agreed will go some way to keeping

international airlines operating in New Zealand and better positioning us for tourism recovery.

19 The Government’s response is summarised in the table below.

Wave 1	The NZ government responded early to the crisis with a raft of interventions that benefited many sectors, including tourism	<ul style="list-style-type: none"> • Financial support including the wage subsidy scheme and small business cashflow scheme • Re-skilling and job creation • Supporting firms including Regional Business Partners, and business debt hibernation
Wave 2	Support for domestic tourism and protect strategic tourism assets	<ul style="list-style-type: none"> • Promoting domestic tourism with a domestic Tourism NZ campaign • Protecting key assets, including STAPP up to \$280 million and support to aviation sector \$1.5 billion (AirNZ loan, freight scheme) • Regional Tourism Organisations received \$20.2 million in direct support, and managed an additional \$47.8 million in the Regional Events Fund • Tourism Transitions Programme and digital capability \$27 million
Wave 3	We are now preparing to add Wave Three, which will support building back a better tourism industry	<ul style="list-style-type: none"> • A three part work programme that delivers on four principles – discussed below. • Cabinet is also considering other support, such as continued support for international aviation, which will also benefit the tourism sector

Principles for re-shaping tourism

20 We have an opportunity now, while the borders are closed, to re-shape tourism so that when we re-open, visitors, industry, and host communities are operating on a better model. We want our tourism industry to be productive, sustainable and inclusive. That is to help us improve the wellbeing of New Zealanders and to protect and restore our natural environment. I propose four principles to guide that transformation

Brand New Zealand and our global value proposition

- 21 I would like to elevate Brand New Zealand so that New Zealand is seen as one to the most aspirational global travel destinations.
- 22 There is a risk that our brand is allowed to languish while international travel is minimal. However, there are very few things more difficult than reviving (let alone enhancing) a brand in a crowded market. TNZ understands this risk, and has been running an evolving campaign to mitigate it ever since we closed our border to China in February 2020.
- 23 I would like to do more than protect Brand New Zealand, I would like to enhance it in order to support the move to a higher value visitor. Value in this context has a broad meaning. It is defined by the scope of activities

undertaken, visitors who travel across seasons and regions, visitors who not only seek to minimise their environmental impact but are looking for opportunities to contribute to regenerative efforts and the communities that host them. We also need to attract visitors with a view to the benefits of ongoing links with or benefit to New Zealand. Value is not simply daily spend.

- 24 To protect and enhance our brand and attract these visitor segments, we need to understand and develop our global value proposition, and then communicate it to key demographics in a way that engages and converts to visitation. I would like to establish New Zealand as the #1 destination for unparalleled quality and safety, against which others are measured, and New Zealanders are proud of what our country offers to the world.

This is an opportunity to re-set and rebuild on a sustainable model

- 25 The tourism industry cannot return to 'business as usual' after the COVID-19 pandemic, as the pre-COVID-19 model was unsustainable for the reasons noted above (paragraphs 9-11 refer).
- 26 We have an opportunity to re-set the operating model for the sector on a more sustainable basis, before international visitors return. Many businesses are already having to adapt, and some people will move to other opportunities. Of those who stay, now is the time to signal the environment in which they will operate.
- 27 Work has been underway on changing the model since the adoption of the Government's New Zealand-Aotearoa Tourism Strategy. Destination Management has been a key part of ensuring that community aspirations drive the tourism offering, including residents, iwi, DOC, local government, and industry. Destination management looks across all the dimensions of a tourism offering: infrastructure, environment, cultural, social and business. It aims to develop a regional proposition that delivers exceptional experiences for international and domestic visitors.
- 28 DOC's Heritage and Visitor Strategy, publicly released on 17 February, sets out DOC's approach to its role in the visitor system. DOC has initiated a set of actions to contribute to the strategy's goals of protecting our natural, cultural and historic heritage, enriching visitors through connection, and delivering benefits for tangata whenua, regions and communities.

Costs associated with tourism are priced into the visitor experience

- 29 As noted above, the costs and benefits from tourism do not always fall in the same place. I am strongly of the view that the costs associated with tourism must be priced into the visitor experience, and not funded by New Zealand rate and tax payers.
- 30 There are a range of costs associated with tourism (both domestic and international). Some are direct, such as provision and maintenance of freedom camping facilities, others go to the scale of infrastructure or amenities required to service both residents and visitors. There are negative

environmental impacts as outlined in the PCE report, such as biodiversity loss, solid waste, greenhouse gas emissions, and water quality degradation.

- 31 There are also intangible impacts on communities from seasonal work (which affects community stability and employment), peer-to-peer/short-term rentals (affecting housing supply in some locations, and a sense of community where streets are dominated by short-term rental accommodation), and access to local recreation (congestion, or normal use is affected by behaviour of visitors).
- 32 These costs need to be 'internalised' or priced into the visitor experience. Costs can be priced in through:
- 32.1 regulation ensuring business costs include the costs of infrastructure/amenities, clean up, etc; or by creating rules that manage the visitor directly such as freedom camping bylaws for example; and
- 32.2 direct and in-direct charging (user-pays, concessions on public conservation lands and waters, levies, building facilities with additional spaces/services that can be charged for).
- 33 There are tools available that could be better used to go some way to addressing this problem. Confidential advice to Government

Industry as partners in transformation

- 34 Government partnering with the industry, both businesses and workers, is essential to achieve this transformation.
- 35 The industry needs to co-own and co-invest in its future and the necessary changes required for tourism to enrich New Zealand. This will require industry leadership, which has challenges across such a diverse sector.

Work programme (current and proposed)

- 36 I consider the following work programme is required to make progress against these principles. The following table outlines the workstreams, principles that they will advance, and current status.
- 37 I note that transformation will take time, and that there are some regions highly reliant on international tourism, and facing severe economic and social impacts. I have therefore included a support package in my work programme. This package includes both support and investment in diversification, so that these regions can become more resilient.
- 38 I will return to Cabinet to report on workstreams when they are ready, and have had input from industry, central government agencies, local government, māori, communities, and other stakeholders as appropriate (engagement is already in progress on many of these workstreams).

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			Status	Supporting Principles
Business support and readiness for re-opening	Managing through COVID-19	<p>A package of initiatives to:</p> <ul style="list-style-type: none"> • support five regions most affected by the loss of international tourism, covering business advice, psycho-social support, and local economy diversification • speed re-start/scaling up when the borders open • accelerate local Destination Management initiatives • support Maori tourism business via New Zealand Maori Tourism (NZMT) 	<p>Builds on Tourism Recovery Package</p> <p>In development</p> <p>Implementation to commence as soon as possible</p> <p>(NZMT is Minister for Māori Development)</p>	Brand New Zealand Sustainability
	Confidential advice to Government	Confidential advice to Government	Confidential	Confidential advice
Re-set of the tourism system	Freedom Camping	Strengthen freedom camping regulations, including requirements for toilets, oversight of the certification process, require rental companies to pass on fines, and increasing fines	<p>In development</p> <p>Implementation early 2022</p>	<p>Brand New Zealand Sustainability</p> <p>Pricing costs into the visitor experience</p>
	Review of the International Visitor Levy (IVL)	Confidential advice to Government	<p>In development</p> <p>Confidential advice to Government</p>	<p>Sustainability</p> <p>Pricing costs into the visitor experience</p>
	Confidential	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government
	Local revenue tools	Develop good practice guidance on using existing local government revenue tools to recover costs from visitors, Confidential advice to Government	<p>In development</p> <p>Guide to be published second half 2021</p>	<p>Sustainability</p> <p>Pricing costs into the visitor experience</p>

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	Item	Scope	Status	Supporting Principles
	DOC visitor management	Develop and implement new tools and approaches to manage demand and ensure a fair contribution from visitors and tourism sector.	In development (led by Minister of Conservation) Tongariro Crossing pilot 2021/22	Sustainability Pricing costs into the visitor experience
	Confidential	Confidential advice to Government	Confidential	Confidential advice to
Sector leadership	Industry Transformation Plan (ITP)	Confidential advice to Government	Pending	Brand New Zealand Sustainability Partnership
	Collaborative tourism data and information system	The tourism system holds a rich suite of information (across central and local government, tourism industry, and commentators). However, it is not always accessible, information that pertains to tourism isn't always recognised (for example community and environmental measures) and there are synergies in pooling resources. Establishing a collaborative system aims to address these issues.	Continuation of work commenced with 2018 Tourism Data and Information Hui	Sustainability Partnership
	Confidential advice to	Confidential advice to Government	Confidential	Confidential advice to

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Tourism Futures Taskforce

- 39 As part of the Tourism Recovery Package, Cabinet established the Tourism Futures Taskforce. I have now received the Taskforce's report (Appendix One refers). I consider it is a useful contribution to the debate, with a strong industry focus. I am, however, looking for a wide range of perspectives on the transformation we need.
- 40 I am seeking Cabinet's agreement to release the attached report. The release date will be confirmed following discussion between my Office and the Office of the Prime Minister, but will occur after I have announced the work programme set out in this paper at the Tourism Policy School in Queenstown on 19 March 2021.

Financial and Legislative Implications

- 41 There are no direct financial or legislative implications from this paper. Initiatives noted in this paper that have financial or legislative will be addressed as they progress. Confidential advice to Government

Impact Analysis

- 42 There are no direct regulatory, climate, or population implications from this paper. Specific initiatives will have implications, and Cabinet will be provided with details of those when they are considering specifics.
- 43 I do note however, that some groups have been more affected by the loss of international tourism, in particular:
- 43.1 Māori cultural tourism offerings tend to have significantly more international visitors than domestic. Support has been provided to māori tourism businesses via NZMT as part of the Tourism Recovery Package. Confidential advice to Government
- 43.2 Some smaller, rural communities are also highly reliant on international tourism (Westland, Mackenzie, Kaikōura, Te Anau/Milford, and Queenstown Lakes). These communities will be significantly affected if tourism employees leave, with likely flow-on effects for community services (for example, volunteer services) and general businesses (such as grocery stores, private medical services, etc).

Human Rights

- 44 There are no human rights implications from this paper.

Consultation

- 45 The Department of Conservation, Tourism New Zealand, Te Puni Kōkiri the Ministry for Women, and the Department of Internal Affairs have been consulted on this paper.
- 46 The Department of Prime Minister and Cabinet, The Treasury, and the Ministry of Transport have been informed.
- 47 The Tourism Futures Taskforce co-chairs have been informed

Communications

- 48 I intend to announce the Government's direction for tourism at the Tourism Policy School in Queenstown on 18/19 March 2021.
- 49 The Taskforce co-Chair, Grant Webster, is currently scheduled to speak at the Tourism Policy School in Queenstown on 18 March 2021.
- 50 I propose that the Tourism Futures Taskforce Report be publicly released after 19 March 2021, final details to be confirmed between the Offices of the Prime Minister and Tourism Minister.

Proactive Release

- 51 I intend to pro-actively release this Cabinet paper in full.

Recommendations

The Minister for Tourism recommends that the Committee:

- 1 agree that the current situation is an opportunity to rebuild tourism so that it is more productive, resilient, inclusive, and sustainable, consistent with the Government's New Zealand-Aotearoa Tourism Strategy;
- 2 Note that the re-set in recommendation (1) is important for maintaining social licence for the tourism industry;

Direction for Tourism

- 3 agree the following as the Government's direction for tourism:
 - 3.1 Elevate Brand New Zealand so that New Zealand is seen as one to the most aspirational global travel destinations.
 - 3.2 We have an opportunity to re-set and rebuild tourism on a sustainable model and the industry should not return to 'business as usual'.
 - 3.3 The costs and negative impacts associated with tourism must be mitigated or priced into the visitor experience, and not funded by New Zealand rate and tax payers.

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- 3.4 Government partnering with the industry, both businesses and workers, is essential to achieve this transformation.
- 4 note that I am developing a work programme to deliver on these aims, broadly covering three areas:
 - 4.1 business support and readiness for re-opening
 - 4.2 re-set of the tourism system including mitigating tourism's environmental and social effects
 - 4.3 sector leadership
- 5 note that I will continue to work with my colleagues in shaping these proposals, and will present those I have lead responsibility for to Cabinet as they become ready for decisions;
- 6 note this work builds on from the Tourism Recovery Package, and is linked with wider Government work programmes, such as regional economic development, where appropriate;
- 7 agree that I will announce the above direction for tourism at the upcoming Tourism Policy School in Queenstown on 19 March 2021;

Tourism Futures Taskforce Report

- 8 note that as part of the Tourism Recovery Package, Cabinet agreed to establish and receive recommendations from a Tourism Futures Taskforce on the future of tourism in New Zealand [CAB-20-MIN-0365];
- 9 note that the Tourism Futures Taskforce has now completed its interim report;
- 10 note that the Taskforce Report provides an independent industry view on 'a desired future state' of tourism in New Zealand;
- 11 note that while I consider there are some gaps in the report, it does provide a useful basis for further industry engagement, and that I intend for industry to co-own and co-invest in its own future;
- 12 approve the release of the Tourism Futures Taskforce Report, at a date to be confirmed between the offices of the Prime Minister and Tourism Minister, but no earlier than 20 March;

Authorised for lodgement

Hon Stuart Nash

Minister for Tourism

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Appendices

Appendix One: Tourism Futures Taskforce Report