

Briefing for the incoming Minister for Tourism and Hospitality

23 January 2025



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Welcome to the Tourism and Hospitality portfolio

1. Congratulations on your appointment as the Minister for Tourism and Hospitality. As Minister for Tourism and Hospitality, you will have a crucial role in driving sustainable tourism growth. We look forward to discussing your priorities with you.
2. The Government has a clear priority to unleash economic growth, with an increase in export value a key contributor to this. Tourism is New Zealand's second largest export and will be critical to the Government's economic growth goals, especially in the near term. Tourism brings in nearly \$11 billion in tourism expenditure per year, directly contributing around 3.7 per cent to our GDP and creating nearly 200,000 jobs. In 2019 it was our largest export at \$17.2 billion.¹
3. Tourism growth has the potential to have a positive impact on New Zealand's overall economic growth if demand and supply interventions are managed mutually. Tourism also brings significant non-financial benefits to New Zealand by supporting regional potential, helping to preserve our natural environment and supporting global connectivity through people-to-people and freight linkages.
4. The tourism sector can be complex to define, with overlapping portfolios and interests. It is made up of international visitor expenditure (exports) and domestic visitor expenditure (any spend which takes place more than 40 kilometres from the consumer's home). As a result, it is hard to define a 'tourism' business.
5. Hospitality is primarily made up of several industry sectors: accommodation, food and beverage and some gambling businesses. They have different relationships to tourism. Most demand for accommodation can be attributed to tourism, whereas less than half of demand for food and beverage is attributable to tourism.
6. Governments have generally managed the performance of tourism and hospitality in New Zealand through policy co-ordination and investment tools. There is very little sector-specific regulation in the portfolio. MBIE can help you to work collaboratively across portfolios and with stakeholders, to achieve your immediate portfolio priorities and drive export growth.

Strategic choices in the Tourism and Hospitality portfolio

Tourism has been recovering strongly but has not fully recovered from COVID-19

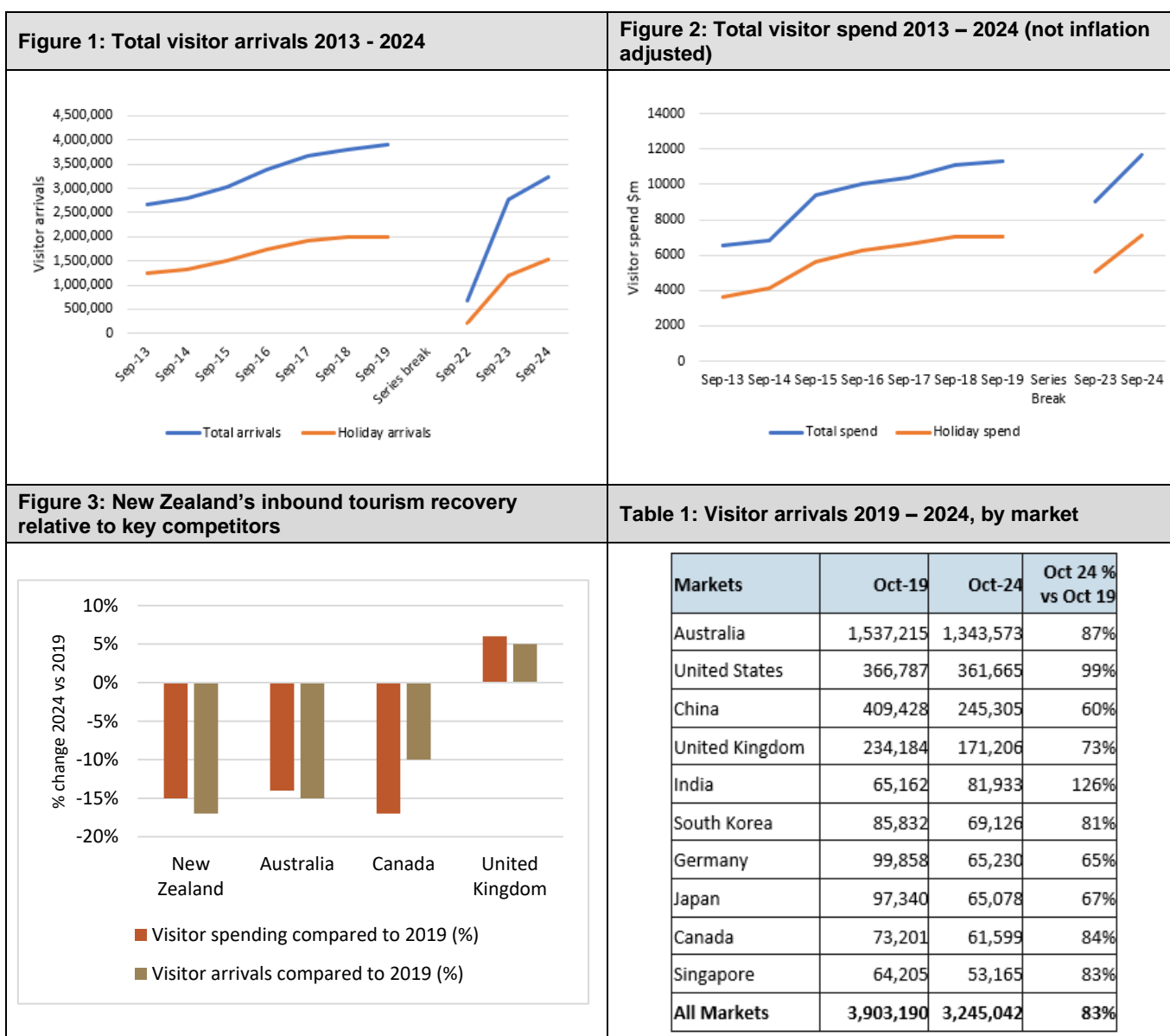
7. International visitor volumes have recovered strongly following the reopening of New Zealand's borders (refer to **Figure 1** below), with new airline routes and increased competition on some routes but are not back to pre-COVID-19 levels. Total international airline seat capacity into New Zealand for 2024 is approximately 90 per cent recovered compared to 2019, although we understand airlines are currently forecasting a downturn in 2025.
8. New Zealand's visitor arrivals are dominated by visitor arrivals from our traditional markets, Australia, China and the United States. **Table 1** (below) demonstrates that international visitor arrivals from these three countries have generally comprised around 60 per cent of total international visitor arrivals. Visitor arrivals to New Zealand were 83 per cent of pre-COVID levels in

¹ Tourism satellite account: Year ended March 2023, available from <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2023/>.

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October 2024, with over 3.24 million annual visitors. Visitors spent \$11.7 billion in the year ended September 2024 which, when inflation-adjusted, is similar to 2019 levels (see **Figure 2** below).²

9. Recovery of visitor arrivals has been only slightly behind our main competitor, Australia, at 83 per cent (see **Figure 3** below) but remains slower than other key competitor markets. The recovery in visitors from China has been significantly affected by a slower opening in their border and a downturn in their domestic economy. This is not unique to New Zealand with Chinese visitors generally being encouraged to travel domestically instead. Visitors from the United States recovered strongly early, influenced by a pent-up demand for travel and new services from US-based airlines direct to New Zealand.
10. Globally, an estimated 1.4 billion tourists travelled internationally in 2024, which was a virtual recovery (99 per cent) to pre-pandemic levels, although this recovery was uneven across the world. The Middle East and Africa were the only regions that grew their arrivals above 2019 levels with the Asia Pacific region 87 per cent of pre-COVID levels.³

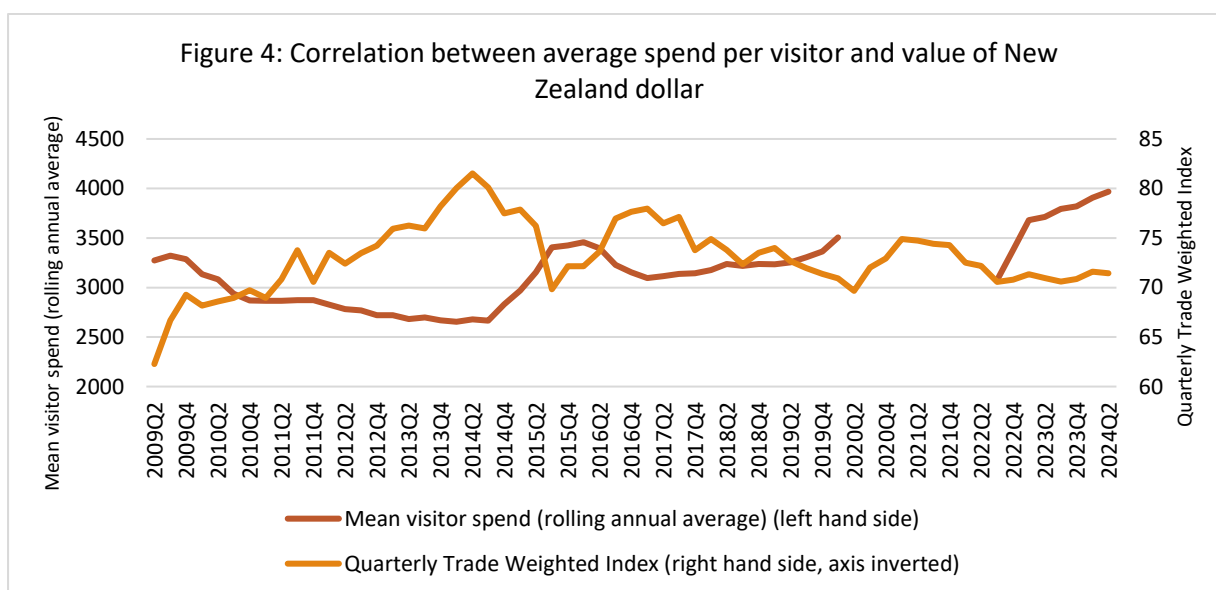


² International Visitor Survey, September 2014, available from: <https://teic.mbie.govt.nz/assets/ivs/2024Q3%20IVS%20Top-Line%20results.pdf>.

³ UN Tourism, International tourism recovers pre-pandemic levels in 2024, 20 January 2024, available at: <https://www.unwto.org/news/international-tourism-recovers-pre-pandemic-levels-in-2024>.

There is an opportunity for tourism and hospitality export growth, but our market share is not guaranteed

11. Substantial growth in global tourism demand is forecast over the next ten years, particularly from countries like India, Indonesia, Thailand and Vietnam. There is an opportunity for New Zealand to attract more international visitors from these high-growth markets, increasing our tourism and hospitality exports. We successfully marketed New Zealand to the high-growth China market between 2009 and 2016, which resulted in a rapid increase in New Zealand tourism's total export value.
12. New Zealand's market share of this growth is not guaranteed, as there is strong global competition to attract visitors. New Zealand will have to work hard to maintain our presence in the global market. New Zealand faces a range of headwinds to achieve additional growth in international visitors, such as airline capacity with a backlog of wide body aircrafts and constraints on short-haul routes, lack of competition on short-haul routes, Tourism New Zealand's international marketing budget (which has reduced by 10 per cent over the past decade), a global reduction in business travel and residual perceptions of visa processing delays.
13. Visitor arrivals and their spend are also highly related to the value of the New Zealand dollar and exchange rates. Visitors spend more when the exchange rate is in their favour. Given the forecast for the trade weighted index over the medium term, it is likely that average tourism spend will increase over the same period (see **Figure 4** below).



Mutual demand and supply interventions will support export growth

14. Continued international visitor growth can deliver benefits for New Zealand's economy. However, visitor arrivals are unlikely to return to pre-COVID-19 levels in the short-term without coordinated and targeted government and industry actions. MBIE has been working with key stakeholders to identify the most effective interventions for driving sustainable tourism growth and ensuring the economic benefits are realised throughout the economy.
15. Together with key leaders in the tourism system, MBIE has identified the below priority demand side interventions to support short-to-medium term tourism export growth:
 - a. temporarily increasing Tourism New Zealand's marketing in core, emerging and mid-sized markets

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- b. short-term financial incentives to attract airlines to add new capacity to New Zealand to overcome competition for global capacity in a globally constrained market
 - c. attracting large Major Events that bring international visitors and major international profile
 - d. additional funding to support bid development and cash subvention for attracting business events
 - e. Immigration New Zealand support for the travel trade when visitor visa applications are held up or encounter problems, particularly in our China and India markets.
16. These demand levers could also be supported by supply side levers which would support tourism growth. We are working with key stakeholders to identify supply side problems and potential levers for Ministerial discussion.
17. The outgoing Minister of Tourism and Hospitality had recently met with key stakeholders and agreed to package these interventions into a 'Tourism Growth Roadmap' with the first phase of the roadmap focused on the above demand levers, and the second phase to focus on supply levers to support growth.
18. We will brief you separately on these possible interventions for driving tourism growth at the earliest opportunity and to seek your views on whether a roadmap aligns with your objectives for the portfolio.
19. The International Visitor Conservation and Tourism Levy (IVL) is a lever you have available to direct revenue towards tourism initiatives to help you achieve your goals in the portfolio. Immediate decisions are required on IVL revenue, which will brief you on separately, and will likely be able to support a programme of work focused on driving growth.

Growth could be constrained by long-term systemic challenges

20. In addition to immediate levers for driving and supporting export growth, there are several long-term challenges for the tourism sector which can constrain growth. Some of these challenges may be addressed through the development of supply side interventions as noted above, while others will require longer-term systemic change:
- a. infrastructure pressures, congestion and degradation of services
 - b. social licence for tourism in our communities
 - c. reliance on temporary migrant labour which reduces incentives to invest in staff, technology and productivity
 - d. infrastructure vulnerability to economic and natural shocks
 - e. increased carbon emissions
 - f. productivity challenges with a highly seasonal and temporary labour force
 - g. regional coordination and funding
 - h. supporting new attractions and amenities.

Portfolio overview and responsibilities

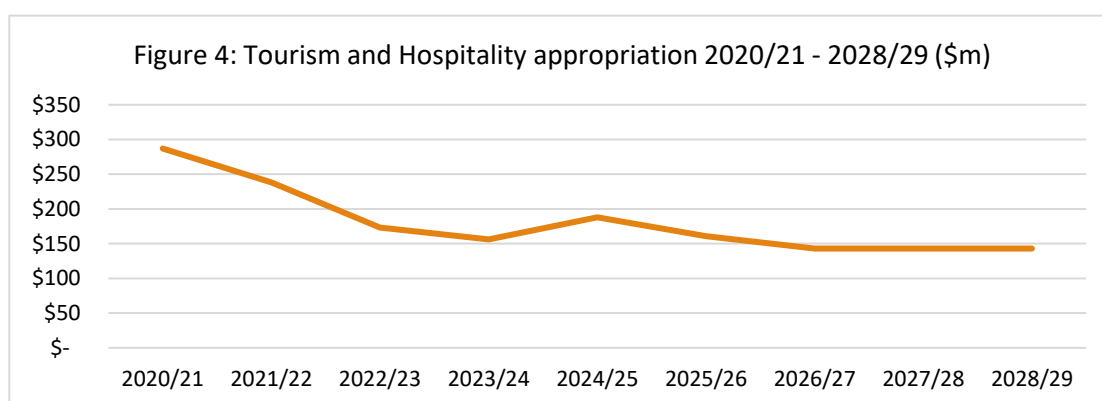
21. The portfolio has few direct legislative levers to direct change, and instead will effect change through funding tools, investment decisions and collaboration with other portfolios.

Departmental arrangements

22. The Labour, Science and Enterprise Group within MBIE primarily services the Tourism and Hospitality portfolio. Over the past year, MBIE has gone through significant organisational change involving 34 change processes that have resulted in an 11 per cent reduction of MBIE's workforce overall. An update of the FTE portfolio attribution data is currently underway following the completion of the 2024 change processes, and we will report this to you separately. There are now approximately 25 FTE servicing the Tourism and Hospitality portfolio, including policy and operational staff administrating investments.
23. Key MBIE officials who will support you in the portfolio are outlined at **Annex One**.
24. Tourism New Zealand is a Crown entity with responsibility for marketing New Zealand as a tourism destination internationally. You have responsibility for overseeing and managing the Crown's interest in, and relationship with, Tourism New Zealand.
25. The main expenditure in the Tourism and Hospitality portfolio is international marketing through Tourism New Zealand, a Crown Entity. Tourism New Zealand have approximately 150 FTE staff.
26. Local and regional planning, delivery and regulation falls within the responsibility of regional tourism organisations, local authorities and local economic development agencies.

Tourism and Hospitality portfolio appropriation

27. The Tourism and Hospitality portfolio sits within Vote Business, Science and Innovation which has a 2024/25 appropriation of \$4.3 billion, of which \$187.6 million is for the Tourism and Hospitality portfolio. As a result of Budget 2024 and much of the non-departmental funding being time-limited, the portfolio appropriation will reduce by 24 per cent to \$142.7 million by 2027/28 (see **Figure 4** below). In particular, the funding for policy advice and related services is set to reduce by almost one half from its 2022/23 appropriation.



28. The portfolio appropriation is split between departmental funding of \$11.8 million, and non-departmental funding of \$175.8 million (as at October Baseline Update). A further breakdown is shown in **Figures 5** and **6** below:

Figure 5: Non-Departmental (\$175.8 million)

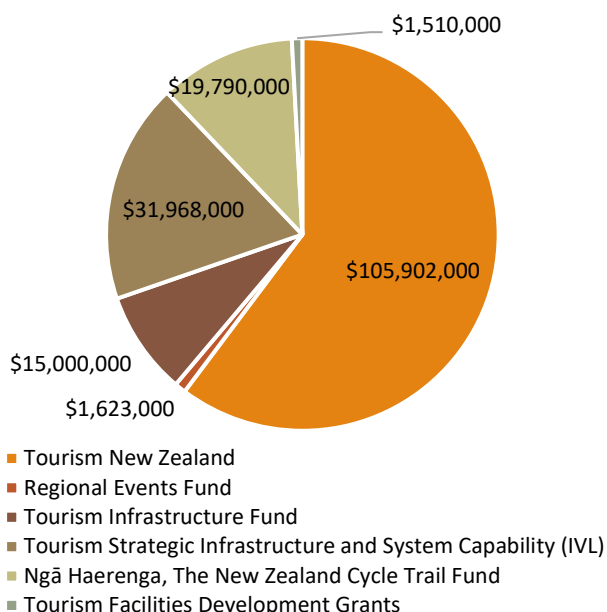
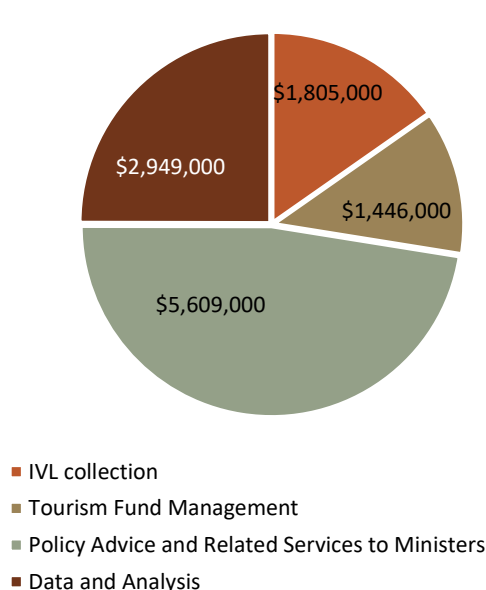


Figure 6: Departmental (\$11.8 million)



29. In some cases, the size of appropriation breakdowns for 2024/25 is not representative of ongoing funding due to the inclusion of carryover funding from previous years (e.g., Ngā Haerenga Cycle Trails is only funded \$8 million in outyears) and legacy funding for previous programmes still paying out (e.g., Tourism Infrastructure Fund, Regional Events Fund and Tourism Facilities Development Grants).
30. We will brief you separately on initiatives related to Budget 2025.

Portfolio responsibilities

31. The main levers you can use as Tourism and Hospitality Minister are:

Tourism New Zealand

32. You are the responsible Minister for Tourism New Zealand, a Crown entity marketing New Zealand as a visitor destination. It aims to shape demand for New Zealand as a destination (encourage off-peak and regional travel) and to influence the type of visitor travelling to New Zealand.
33. You can set the parameters of Tourism New Zealand’s work through a Letter of Expectations and feedback on their strategy (e.g., Statement of Intent, Statement of Performance Expectations). You also choose how much to invest in that activity.
34. MBIE is the monitoring department for Tourism New Zealand and acts on your behalf to protect the Crown’s ownership interest in the entity, assisting you to carry out your role. This includes providing strategic advice on the performance of Tourism New Zealand.
35. Tourism New Zealand’s budget has reduced over the last ten years by 10 per cent to \$106.35 million per annum (from 2025/26).

The International Visitor Conservation and Tourism Levy (IVL)

36. The IVL is a \$100 charge paid by many (around 59 per cent) international visitors when they travel to New Zealand⁴. It is paid alongside a visitor's short-term visa or New Zealand Electronic Travel Advisory (NZeTA).
37. The Government recently increased the IVL rate from \$35 to \$100 per person, and at the new rate it is expected to raise approximately \$190 million per annum based on current visitor arrival numbers. The funding is administered by you as Minister for Tourism and Hospitality, the Minister of Conservation and the Minister of Finance (Joint IVL Ministers).
38. Up until now, revenue has been split evenly between the tourism and conservation portfolios. However, discussions are actively underway between Joint IVL Ministers on the future allocation of revenue at the increased amount. We will brief you separately on this, including seeking your views on the priorities for IVL spending.

Ngā Haerenga New Zealand Cycle Trails' Great Rides of New Zealand

39. The Government has invested around \$115 million to establish the 23 Great Rides across New Zealand, which has been supported by an additional estimated \$60 million of community co-funding. Since their introduction, they have grown into a world-class network of cycle trails. You have choices for how best to manage the role of the Great Rides as part of New Zealand's tourism infrastructure, including how they are funded and how this funding is best used. From 2025/26, this work programme will be fully funded through the IVL, with \$8 million per annum allocated.

Sustainable tourism funding

40. Both the tourism sector and regions are interested in exploring options to fund infrastructure and better manage destinations, for example through an accommodation levy. We consider that providing local authorities, and the Department of Conservation in particular, with additional tools to both charge and manage demand would have significant benefits for sustainable tourism management in New Zealand. MBIE, the Department of Conservation and the Department of Internal Affairs work regularly together to provide advice on local government funding, pricing, infrastructure investment and tourism growth, including the possibility of introducing an accommodation levy.

Hospitality sector

41. Hospitality businesses operate in a complex regulatory environment and are impacted by legislation across a number of different portfolios, including Immigration, Social Development and Employment, Workplace Relations and Safety, Small Business and Justice.
42. To further understand the challenges in the hospitality sector, Hospitality New Zealand, the Restaurant Association and MBIE jointly hosted a Hospitality Summit at Parliament in December 2024. The sector attendees at the summit identified priority areas for future growth of the sector, with areas that are responsibility of sector as well as government.
43. There are few levers within the portfolio for influencing change in the hospitality sector, but MBIE can support you to drive your priorities through brokering relationships with different portfolios.

Tourism data

44. Tourism data is important for sector needs and regional planning. MBIE has a small appropriation to provide key data on behalf of the sector and regions. You are also responsible for a range of

⁴ Australians, most Pacific Islanders and diplomats are exempt. _____

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tourism data products including the International Visitor Survey, Monthly Regional Tourism Estimates and Accommodation Data Programme.

45. The Tourism Data Leadership Group (TDLG) was established in 2022 with \$5 million of tourism funding from the IVL. The TDLG released its two-year Strategic Business Plan in 2023 which provides a blueprint for the immediate future of the tourism data system. We will brief you separately on this.

Other Joint Ministerial responsibilities

46. You are on the joint Ministers groups for the Milford Opportunities Project (see Upcoming actions section) and the Major Events Fund. Both groups provide opportunities for you to influence outcomes to drive sustainable tourism growth, including through incentivising regional and seasonal dispersal of tourism.

Legislation

47. As the Minister for Tourism and Hospitality, you are responsible for the following legislation:

- The *New Zealand Tourism Board Act 1991*, which establishes Tourism New Zealand.
- Sections 399A and 399B of the *Immigration Act 2009*, which is the legislation underpinning the IVL.
- The *Freedom Camping Act 2011* and associated sections of the *Plumbers, Gasfitters and Drainlayers Act 2008* [ss87H, 172(1A), 172A, 172B, and 172C]. These concern your role in relation to the Plumbers, Gasfitters and Drainlayers Board's regulation of the certification of self-contained vehicles, which are used for freedom camping.

How MBIE assists you





48. MBIE assists you in fulfilling your portfolio responsibilities by:

- Providing policy advice, analysis, research and data to support you to achieve your goals for the sector.
- Providing advice on appointments and governance for the Tourism New Zealand Board.
- Administering Crown funding to promote and invest in the tourism sector.
- Monitoring and providing advice on the performance of Tourism New Zealand.
- Managing the operation of the Great Rides and providing advice on the appointment of the Chair of Ngā Haerenga, The New Zealand Incorporated (the independent body responsible for the long-term governance and management of the New Zealand Cycle Trail).

49. Responsibility for providing advice and support in relation to the Tourism and Hospitality portfolio sits mainly within the Labour, Science and Enterprise Group.

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50.

Contact	Role	Contact details
<p>Carolyn Tremain</p> 	<p>Chief Executive, Ministry of Business, Innovation and Employment</p>	<p>Privacy of natural persons</p>
<p>Nic Blakeley</p> 	<p>Deputy Chief Executive, Labour, Science and Enterprise (LSE)</p>	<p>Privacy of natural persons</p>
<p>Heather Kirkham</p> 	<p>General Manager, Economic Development and Tourism Branch, LSE</p>	<p>Privacy of natural persons</p>
<p>Michael Bird</p> 	<p>General Manager, Entity Performance and Investment, LSE</p>	<p>Privacy of natural persons</p>

Upcoming actions and issues to be aware of

51. The following table sets out actions required over the next three months. We will brief you separately on the wider work programme for the portfolio.

Programme	Description	Action/next step and timing
Tourism Growth Roadmap	The outgoing Minister had worked with key stakeholders to package priority tourism growth interventions into a “Tourism Growth Roadmap”. Decisions will be required as soon as possible on your preferences for driving tourism growth in the portfolio.	We will brief you separately on this process and provide options for next steps as soon as possible.
IVL Investment Plan	The Minister of Finance is due to meet with you on Wednesday, 29 January 2024 to discuss her expectations for the allocation of IVL revenue going forward and to seek your views on an investment plan for the tourism portion of revenue.	We will brief you separately on this process and provide options for next steps as soon as possible.

Confidential advice to Government

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Confidential advice to Government		
Tourism Manifesto commitments	<p>Regional Events Promotion Fund: Round One complete in 2024 (132 events funded at a total of \$2.375 million).</p> <p>E-charging the Great Rides network: Round One complete in 2024.</p>	Policy decisions on the second round for both funds due early 2025.
Milford Opportunities Project	<p>You, the Minister of Conservation and the Associate Minister of Transport are responsible for reporting to Cabinet on the Government’s response to the business case from the Milford Opportunities Project Board. This business case was presented to joint Ministers on 27 June 2024.</p> <p style="background-color: #cccccc;">Confidential advice to Government</p> <p>We will brief you separately on this.</p>	Confidential advice to Government
Ngā Haerenga New Zealand Cycle Trail Investment Funding Round	The New Zealand Cycle Trail Fund supports the maintenance, development and promotion of the Great Rides and the New Zealand Cycle Trails Incorporated.	Confidential advice to Government
Confidential advice to Government		
March Baseline Update (MBU)	Seeking your approval on changes to your portfolio appropriations that will primarily affect the 2024/25 year.	A MBU briefing will be provided to you in February. A date for submission to the Minister of Finance will be confirmed.