
REPORT 7
(1215/52/IM)

SUBMISSION ON THE DRAFT NEW ZEALAND TOURISM STRATEGY 2015

1. Purpose of Report

To seek Committee approval for the attached submission on the draft New Zealand Tourism Strategy 2015 to be forwarded to the Ministry of Tourism.

2. Recommendations

It is recommended that the Committee:

- 1. Receive the information.*
- 2. Note that the deadline for submissions to be received by the Ministry of Tourism is midday on 27 June 2007.*
- 3. Note that Positively Wellington Tourism is making a separate detailed submission.*
- 4. Approve the attached submission on the Draft New Zealand Tourism Strategy 2015.*
- 5. Delegate to the Chief Executive Officer and Economic Portfolio leader the authority to include any amendments required before the submission is released.*

3. Background

The Ministry of Tourism has recently released the draft New Zealand Tourism Strategy 2015 (NZTS2015). It updates the former national Tourism Strategy 2010, prepared in 2001, and addresses the challenges that the Ministry believes New Zealand tourism faces over the next eight years as a result of changes in the global and local tourism market place. The Ministry is seeking sector-wide feedback, including submissions from local government, on the draft Strategy before finalising it and formulating a detailed implementation plan. Submissions are due with the Ministry by no later than midday on 27 June 2007.

According to the Ministry, the updated Strategy builds on the following achievements.

3.1 Tourism remains a major driver of the New Zealand economy

Tourism is the country's largest export sector, contributing \$8.1 billion (18.7%) of total exports. Domestic tourism contributed a further \$9.4 billion to the national economy for the year ended March 2005. The combined value represents 9% of New Zealand's GDP and the tourism industry provides one in ten of all jobs.

3.2 New Zealand's global marketing campaign is recognised as one of the world's best

Consumer awareness of the "100% Pure New Zealand" brand has meant New Zealand as a visitor destination has sustained a top three placing over the last eight years in many major international travel polls.

3.3 Private sector reinvestment in assets and investment in new product continues to increase

Hotel and other short term accommodation providers invested \$1.1 billion between 2001 and 2006; a further \$1.3 billion is anticipated to be invested over the next ten years. Forty seven new export companies and 58 new products are being exhibited at the TRENZ 2007 conference.

3.4 More Maori are involved in tourism

There are now an estimated 350 Maori tourism businesses in New Zealand and Maori account for 12% of the tourism workforce (91% as employees, the remainder as employers). Around 20% of international visitors to New Zealand experience Maori cultural activities.

3.5 Local government is more engaged in the tourism sector

Local government remains the primary investor in Regional Tourism Organisations (RTOs), the i-SITE network, essential visitor infrastructure, and a vast range of attractions ranging from museums, parks and gardens, to walkways, galleries and urban environments. Investment in attracting and promoting events and in domestic and international (particularly Australian focussed) campaigns to drive visitation has also grown significantly.

3.6 There is greater Central Government participation in the tourism sector

This has taken the form of the establishment of the Ministry of Tourism, ongoing investment in national marketing, introduction of business assistance programmes, further development of the core tourism data set, and financial support for research, events and major tourism focussed regional initiatives.

3.7 *There is more sector investment in environmental and conservation schemes*

Air New Zealand and some major road transport operators have made large-scale, voluntary investment in more fuel-efficient aircraft and coaches. In excess of 250 businesses have participated in initiatives by the Ministry for the Environment and Ministry of Tourism and by the Tourism Industry Association designed to make their activities more sustainable.

4. New challenges and actions identified in the NZTS2015

Tourism is one of the world's fastest growing industries. The UN World Tourism Organisation's forecasts for 2020 indicate that total world international tourist arrivals are expected to grow at an average annual rate of just over 4%. East Asia/Pacific international arrivals are expected to grow even faster at an average annual rate of 6.5%. New Zealand's international visitor arrivals have doubled since 1993 to 2.42 million in 2006 and are forecast to increase at an annual average rate of 4% over the next seven years.

Against this background, and looking forward, four major new challenges have been identified by the Ministry following consultation with players in the industry. These and some of the proposed actions to address them are briefly outlined below.

4.1 *New Zealand must consistently deliver a world-class visitor experience*

International tourism is a dynamic market, with new visitor locations, products and services coming on stream all the time. New Zealand's offering needs to stay in the world "eye", remain fresh and consistently meet and exceed visitor expectations. At the same time the industry needs to be developing its domestic market to help support its international market ambitions.

In the view of the Ministry, addressing this challenge means:

- improving and further capitalising on the current awareness of New Zealand in offshore markets as a desirable, high quality destination
- strengthening and supporting the quality of the visitor experience by enhancing the systems used to assess the quality of delivery and service standards and to monitor visitor satisfaction, by expanding the coverage of and reinforcing the desirability of obtaining Qualmark accreditation and by investing more in relevant infrastructure (broadband, signage, carparking, etc) to meet growing visitor demand
- identifying and investing in the most productive distribution channels for ensuring that New Zealand's product can be easily booked by both trade and consumers
- expanding the range of Maori products and services by continuing to build capability and by strengthening relationships between Regional Tourism Organisations (RTOs) and their Maori counterparts

- ensuring visitor information is relevant and objective by improving the quality, range and accessibility of the i-SITE network
- enhancing the domestic tourism proposition by promoting the importance of regional campaigns in driving the domestic market, possibly through a national incentive scheme, and creating more opportunities to stimulate domestic travel using events and off-season packages.

4.2 *The tourism industry must remain prosperous and viable to attract ongoing investment*

The Ministry believes the industry's profitability needs to improve. To date there has been too much focus by some operators on keeping prices competitive, which has reduced profit margins and delayed (re)investment. The key focus of attracting more visitors to New Zealand, increasing visitor spending and increasing length of stay has not changed in the strategy. However, it argues that more beneficial yield strategies, perhaps based on delivery of better quality experiences which will support higher prices rather than on increasing volume, are needed in the industry. There is also scope for the industry to increase returns by extending the visitor season and making sure it employs a properly trained, efficient and motivated workforce.

In the view of the Ministry, addressing this challenge means focussing on improving profitability at a faster rate than growing the number of visitors by:

- encouraging tourism businesses to focus on quality rather than quantity, and assisting them to use competitive yield strategies (eg. collaborative relationships) to consistently increase their returns on investment
- attracting visitors who have high expenditure levels and a willingness to pay for premium products and experiences
- encouraging more visitors to visit in the low (shoulder) season using events and targeted packages that provide a strong reason to travel
- positioning tourism as a preferred industry to work in and implementing measures to attract and retain an appropriately skilled workforce
- improving decision making within the industry by delivering more accessible, timely and high quality tourism research.

4.3 *The tourism industry must take a highly visible leading role in protecting and enhancing the environment*

New Zealand's natural environment is the primary motivation for travel by international visitors and also plays a major part in domestic leisure travel. It is the cornerstone of the New Zealand experience and the basis for thousands of tourism businesses. However, carbon emissions, energy and waste management and pressure on iconic locations are among a range of environmental issues that face the tourism sector. The Ministry also believes a major task for the industry is to act now to ensure that international visitors are compelled to travel to New Zealand in part because of the way the industry interacts with the environment in what is likely to become a "carbon constrained" global travel market.

In the view of the Ministry, addressing this challenge means:

- developing a partnership between the industry and Government to promote the principles of *kaitiakitanga* (guardianship) and integrating the concept into New Zealand's marketing campaigns and product offering
- continuing to develop the partnership between tourism operators and the Department of Conservation to ensure that conservation values are enhanced in regard to visitor facilities, services and locations on managed public lands
- ensuring the tourism sector actively works to improve its energy and waste management performance and including an environmental impact assessment as part of the Qualmark accreditation process
- making sure the tourism industry is an early and visible adopter of mechanisms that reduce carbon emissions during international and domestic travel.

4.4 Communities must recognise and value the benefits of tourism

New Zealand communities provide a crucial part of the visitor experience. The Ministry believes it is essential that communities recognise the benefits of tourism and play a significant role in welcoming and supporting visitors through *manaakitanga* (hospitality), and that for its part the tourism sector highly values the role of host communities. It emphasises the important role of local government, as community leaders, in continuing to provide the setting for a high quality visitor experience through the provision of appropriate infrastructure and facilities, support for visitor information and marketing services, and involvement in destination management planning.

In the view of the Ministry, addressing this challenge involves:

- encouraging the tourism sector to more actively participate in the planning and management of the communities it interacts with
- encouraging local government to plan for, invest in and manage tourism through the development of local community tourism strategies and destination management plans that clarify strategic directions, management of growth, infrastructure requirements, product development opportunities and desired community outcomes from tourism
- strengthening the preservation and promotion by communities of their local character through the establishment of new events and products that promote local identity and differentiation
- facilitating research to help determine visitor satisfaction at the local level as a means of identifying local capacity and/or capability issues.

5. Discussion

The strategic direction for tourism that Wellington City Council has previously followed and that the Wellington Regional Strategy has recently reinforced aligns very well with the NZTS2015. The Wellington tourism sector, and

therefore the regional economy, have already benefited and will continue to benefit from the activities of the Council and Positively Wellington Tourism (PWT) in this area.

Some of these activities – the “Have a love affair with Wellington” marketing campaign, attracting and developing events, identifying and investing in new product, lobbying airlines to introduce long-haul flights to Wellington – represent current best practice and mirror much of what the NZTS2015 proposes in regard to increased local government involvement and investment in driving growth in the tourism sector. Locally, the levels of international and domestic visitation have increased by an average of 8% per annum since 2001 when the first New Zealand Tourism Strategy was released. The number of international and domestic visitors is forecast to increase by between two and six per cent over the next 4 years.

However, there is no room for complacency and the Committee should in particular acknowledge the challenges that the tourism sector nationally faces in regard to increasing global competition and to emerging environmental issues, especially the threat posed to New Zealand’s “100% pure” brand by the impact of climate change and the worldwide response to it. In the interim, Wellington City Council needs to remain committed to supporting PWT’s current marketing strategy and its own events and product development and investment initiatives to ensure Wellington’s offering in the world and domestic tourism market place is of the highest quality.

At the same time, and consistent with the direction of the NZTS2015, the Council needs to:

- develop a comprehensive tourism strategy that seeks to secure and enhance as far as possible tourism’s contribution to the city’s economy;
- ensure the quality of the city’s urban form and infrastructure keeps pace with and plays its part in driving tourism growth;
- monitor delivery against the tourism-related components of the WRS as well as deliver on the economic, environment and cultural well-being strategies contained in its own LTCCP; and
- participate in initiatives that help promote New Zealand and Wellington as a country and a city that care about the environment and are responding positively to the need to reduce their respective carbon footprints.

These activities do not represent a major shift of focus for the Council, reinforcing the already strong alignment of its strategic direction with that of the NZTS2015.

6. Proposed submission

Wellington City Council’s proposed submission, attached as Appendix 1, gives feedback on those elements of the NZTS2015 that largely relate to the role of the Council as a territorial local authority and community leader in the Wellington region. The remaining parts of the draft strategy that have a more sector action-

oriented focus are, to the extent that they are relevant in a Wellington context, covered in separate feedback to be provided to the Ministry by Positively Wellington Tourism.

7. Conclusion

The level of the City Council's involvement and investment in the tourism sector, either directly through its own activities or indirectly through its support of Positively Wellington Tourism, already aligns very well with the desired role of local government set out in the draft New Zealand Tourism Strategy 2015. However, there are one or two specific challenges faced by the tourism industry that the City Council should be alert to and that it could assist in addressing.

A proposed submission to the Ministry of Tourism outlining the City Council's broad support for the draft New Zealand Tourism Strategy 2015 and offering comment on its role in helping to implement the strategy is attached for Committee approval.

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WELLINGTON CITY COUNCIL

SUBMISSION ON THE DRAFT NEW ZEALAND TOURISM STRATEGY 2015

Introduction

In 1995, in recognition of a need to put Wellington on the map as a national and international tourist destination, and in the process helping to achieve wider strategic objectives relating to economic development, Wellington City Council (the Council) set up a Regional Tourism Organisation operating as a trust. Positively Wellington Tourism (PWT), as the trust has come to be known, has among its objects:

- the promotion of Wellington and its surrounding region as a prime tourist destination, with the intention of raising industry yield and creating new jobs for the benefit of the community
- increasing consumer spend in the city by undertaking domestic and overseas marketing campaigns to promote the city as a destination for shopping, leisure, entertainment and events
- increasing focus on improving the sustainability of Wellington's commercial sector.

PWT provides a vehicle for the co-ordination, promotion, support and funding of:

- joint venture marketing campaigns involving private sector operators and publicly funded regional tourism organisations
- strategic alliances and partnerships with private businesses operating in the retail, leisure, entertainment and events sectors
- bids for events and conventions that bring a city-wide, rather than just an organisation only, economic benefit
- customer service training programmes aimed at improving the quality of service across the whole Wellington hospitality sector
- centralised visitor information services providing information across the whole Wellington tourism and hospitality sector
- the monitoring of and statistical research into current and forecast visitor numbers for the purpose of providing direction to the Wellington tourism and hospitality sector's business planning.

PWT currently receives just over \$4 million in funding annually from the Council to assist with its activities. Among other things, PWT has used this funding to successfully promote Wellington as a destination, adopting a highly rewarding strategy of high quality marketing ("Have a love affair with Wellington" being a case in point) and event development to drive increased visitation, particularly in the domestic market.

The Council also contributes significant resources in other ways to the development and maintenance of Wellington as a prime visitor destination. It:

- owns, maintains and operates the city's Botanical Gardens, Zoo and Convention and Events Centres, and was responsible for upgrading and now regularly maintains Oriental Bay Beach
- provides on-going financial support to a number of iconic visitor attractions, including Te Papa Tongarewa, Wellington City and Sea Museum, Wellington Cable Car Museum, Wellington Art Gallery, Carter Observatory and Karori Wildlife Sanctuary
- provides logistical and financial support for a range of renowned events including the NZ International Arts Festival, World of Wearable Arts Awards, International Rugby Sevens and X-Air Extreme Games
- operates a development fund to assist in bringing specific events to the city that might otherwise not take place for lack of upfront investment (these have included a number of open air concerts at the Westpac Stadium and shows at the St James Theatre).

The annual value of the Council's ongoing financial support for these activities is in the vicinity of \$22 million.

In addition, the Council has agreed or is proposing to contribute financially to the future development of a major new tourism attraction and new visitor infrastructure as well the proposed future upgrade and expansion of existing visitor attractions. These projects, which are estimated to cost in excess of \$40 million, include:

- construction of a marine education centre on Wellington's south coast that will add a major new product to Wellington's tourism offering
- establishment of a permanent national portrait and photography gallery in a heritage building on Wellington's waterfront
- development of a campervan park to fill a current gap in Wellington's tourism infrastructure provision
- expansion of visitor facilities and upgrade of the visitor experience at Karori Wildlife Sanctuary
- upgrade of the Carter Observatory and surrounding cable car terminal precinct
- extension of Wellington's Maori Heritage Trail.

Also, the Council is lobbying hard alongside others in the Wellington region to secure Wellington Airport's future as a long-haul flight destination. This is seen as a crucial element of the Wellington Regional Strategy, helping to drive not only increased international visitation but also to facilitate the overall economic development of the region.

In summary, like the Ministry of Tourism, the Council believes strongly in the benefit to the Wellington region economy that a strong and vibrant tourism sector brings. It has committed, and continues to commit, significant resources to encouraging increased international and domestic visitation and visitor spend. As a result, the Council fully supports any efforts on the part of the Ministry through its updated strategy to encourage the tourism sector to identify with and address in a systematic way the challenges it faces going forward.

Scope of this submission

This submission gives feedback on those elements of the draft strategy pertaining to the role of the Council as a territorial local authority (TLA) and community leader in the Wellington region. The remaining parts of the draft strategy that have a more sector action-oriented focus are, to the extent that they are relevant in a Wellington context, covered in separate feedback to be provided to the Ministry by PWT. The two submissions should be read together.

General feedback

The Council believes the changes the Ministry has made to update the national tourism strategy accurately reflect the significant challenges ahead for the sector. It largely supports the resulting allocation of responsibility for actioning the responses to these challenges and is encouraged by the Ministry's reference, where relevant, to a partnering approach. It also greatly welcomes more central government involvement in applying resources to the implementation of the strategy.

In particular, the Council supports the proposed industry focus on dealing with environmental issues and the impact of climate change. The perception of New Zealand as a "clean and green" destination is sometimes not matched by reality, as recent visitors have commented in the media. At a time when climate change has raised awareness worldwide of green issues, such comment threatens to undermine the effectiveness of the national marketing campaign message. The Council is ready and willing to participate in the development of any local initiatives that will help reinforce national efforts to ensure that New Zealand's identity in the international market place is not diminished.

The Council also accepts the Ministry's argument that local government must continue to play a major role in encouraging and assisting the tourism sector to grow. As has been demonstrated, the Council's contribution has already extended well beyond just providing quality infrastructure – safe drinking water, an efficient and easily navigable road network, adequate parking and a pleasant urban environment – into facilitating and funding regional marketing campaigns, the attraction and development of events, the identification and investment in new product, and the lobbying of airlines to introduce long-haul flights into Wellington.

The onus has increasingly fallen on local government to take on risk and invest in product development when the private sector is reluctant to do so in order to develop and expand the range and quality of visitor experience. While the Council has long held the view that this type of investment is necessary to help secure the long term economic prosperity of the region and has voluntarily committed significant financial resources to it, it is appropriate that this activity should be given more recognition in the national strategy and that more is done by central government to help get local government tourism growth initiatives off the ground.

Specific feedback

New Zealand must deliver a world-class visitor experience

With limited funds available for marketing PWT has rightly and successfully focussed its efforts on markets offering the greatest potential return, principally Australia. The Council acknowledges though the change in market mix that indicates Asian, particularly Korean and Chinese, markets are becoming increasingly important. Many TLAs maintain active relationships with sister cities in this part of the world – the Council has such a relationship with Beijing. The role that these relationships can play in developing visitor markets in these countries needs to be factored into any planned shift in national marketing strategy.

PWT has been very successful in driving increased domestic visitation to Wellington through its marketing efforts. While the Council welcomes the proposal in the draft strategy to explore the possibility of introducing a national incentive scheme to encourage local government to undertake more of this type of activity, it is concerned to ensure that this is properly targeted and that the outcomes are adequately monitored. Such a scheme risks being ineffective and a waste of resources if it only succeeds in increasing competition between regions for the existing pool of potential visitors. It must clearly be aimed at increasing the total overall number of domestic trips and spend per visitor.

Maori participation in the Wellington tourism sector is low by comparison with that of other regions and the Council welcomes a focus on measures designed to increase the current level of involvement. Although the Council and PWT have been keen for some time to grow “cultural” tourism product, lack of adequate private sector investment funding remains a barrier to progress. It is suggested the Ministry considers what it can do to influence central government to incentivise investment in Maori tourism by the private sector.

New Zealand's tourism sector must remain prosperous

The Council has adopted a policy of attracting and developing events as a means of boosting visitation, particularly during the off-season. The World of Wearable Arts Awards, for example, take place in Wellington in September at an otherwise quiet time in the visitor calendar and are extremely well patronised. While the Council fully supports any and all initiatives prompted by the NZTS2015 that will extend the tourist season, it would be concerned if these risked the national event market becoming saturated to the extent that the impact of competing events dilutes overall industry returns. Some form of national co-ordination and information sharing, administered by the Ministry, would perhaps be useful to avoid this happening.

The tourism industry must take a leading role in protecting and enhancing the environment

The Council recognises the risks to New Zealand tourism's 100% pure marketing campaign posed by local failures to ensure that hard infrastructure and the systems that

go with it adequately protect the environment. The Council believes its record on environmental protection and enhancement both as an infrastructure provider (e.g. through elimination of sewage discharge into the harbour and on the south coast) and in a tourism context (e.g. through support for Karori Wildlife Sanctuary) is excellent, and will continue to do all that it can to keep the local environment as pristine as possible for residents and visitors alike.

A more immediate worry in the Council's view is the threat posed by the impact of climate change and increasing international traveller concern at the carbon emitting cost of travel to and within New Zealand. The Council is currently developing its response, as a community leader, to global warming and will consider what initiatives it can sponsor or support that will assist first in promoting Wellington as a "green capital" and, second, in encouraging business and residents to adopt greenhouse gas friendly practices. At 6%, tourism is not a huge contributor to New Zealand's greenhouse gas emissions, nevertheless the Council stands ready to partner with the Government, the Ministry and with the tourism sector to help ensure New Zealand leads the way in adopting early and visible reduction measures.

Communities must recognise and value the benefits of tourism

The Council believes it already gives due recognition to the value that tourism adds to the Wellington economy. It has undertaken to review the current position though, with a view to developing a new comprehensive tourism strategy later this year. And, from a practical perspective, PWT already actively undertakes destination management planning and makes extensive use of the internet and its visitor centre facility to help visitors plan their trips to Wellington and to other parts of the country.

However, the Council understands the Ministry's desire for a wider cross-section of communities to focus on this challenge. In many instances though, a lack of private sector willingness to engage with TLAs (whether through ignorance or scepticism) combined with a lack of public sector resources for investment in tourism obviate against adopting a synergistic, partnering approach. If TLAs are to be able to take a community leadership role, the Ministry should perhaps lobby central government to make more funding available to encourage and support local or regional tourism projects and initiatives that have been jointly developed by TLAs and the private sector.

It is also the case that many TLAs do not have the resources to support ongoing research to identify local capacity and capability issues. Maybe the role of collecting, collating and disseminating basic information of this nature should be centralised under the Ministry's control. This would facilitate development of a more efficient and effective research mechanism and would provide the basis for a more proactive and focused conversation between the Ministry, individual TLAs and local tourism businesses (but still within the national context) regarding the need for and focus of local initiatives to improve service provision and stimulate tourism growth.

Conclusion

The Council broadly endorses the thrust of the New Zealand Tourism Strategy 2015 and, while making comment in this submission on matters that it believes the Ministry of Tourism should nevertheless take into account and act on, otherwise looks forward to working with central government, the Ministry and the tourism sector to address the challenges it has identified.