



STATE OF THE TOURISM INDUSTRY

2016



Centre for Land
Environment
& People
A Lincoln University Research Centre.
New Zealand's specialist land-based university.



The State of the Industry Reports are an annual series produced by Jude Wilson and David Simmons (Lincoln University) with data input and support from Bernie Hanratty (Statistics New Zealand), Steve Riley and Nienke van Dijken (Tourism Industry Aotearoa) and the Tourism New Zealand Insight team.

Acknowledgments

We are grateful to the eight tourism sector associations for distributing the survey on our behalf, and thank the respondents who took the time to complete the survey.

Series title: State of the tourism industry (previously, State of the tourism sector)

Series URL: <http://hdl.handle.net/10182/4126>

ISSN: 2463-2899

ISBN: 978-0-86476-416-4 (pdf)

An annual publication

This publication is: State of the tourism industry no. 6 (2016)

© Tourism Industry Aotearoa (TIA) and Lincoln University, New Zealand, 2016

Lincoln University contacts: Email: leap@lincoln.ac.nz

Web: <http://www.lincoln.ac.nz/leap>

Disclaimer

While every effort has been made to ensure the accuracy of the information contained in this publication, Tourism Industry Aotearoa (TIA) and Lincoln University accept no liability for errors or omissions.

Contents

| | |
|---|-----------|
| LIST OF FIGURES..... | 5 |
| LIST OF TABLES..... | 5 |
| EXECUTIVE SUMMARY | 6 |
| METHODOLOGY | 9 |
| STATE OF THE TOURISM INDUSTRY (SOI) 2016 | 9 |
| SOI SURVEY 2016..... | 9 |
| TECHNICAL APPENDIX..... | 10 |
| PART 1: STATE OF THE TOURISM INDUSTRY 2016 | 11 |
| TOURISM IN CONTEXT | 11 |
| THE REACH OF TOURISM..... | 11 |
| INTERNAL AND EXTERNAL RISKS..... | 11 |
| <i>International exchange rates</i> | 12 |
| <i>Outbound travel</i> | 12 |
| INTERNATIONAL DEMAND | 14 |
| INTERNATIONAL ARRIVALS | 14 |
| <i>Growth of other markets</i> | 16 |
| AIR CONNECTIVITY | 16 |
| PURPOSE OF VISIT | 17 |
| <i>Purpose by key market</i> | 17 |
| VISITOR EXPERIENCE | 19 |
| LENGTH OF STAY FOR KEY MARKETS | 19 |
| INTERNATIONAL DEMAND – NICHE MARKETS | 21 |
| <i>Education</i> | 21 |
| <i>Cruise</i> | 22 |
| <i>Convention</i> | 23 |
| INTERNATIONAL DEMAND – SEASONALITY | 23 |
| INTERNATIONAL VISITOR SPEND BY KEY MARKET | 24 |
| REGIONAL DISPERSAL AND DOMESTIC TOURISM..... | 26 |
| COMMERCIAL ACCOMMODATION..... | 27 |
| HOTEL SECTOR IN 2016 | 28 |
| TOURISM OUTCOMES | 29 |
| CONTRIBUTION TO EXPORTS..... | 29 |
| DOMESTIC TOURISM EXPENDITURE | 29 |
| CONTRIBUTION TO GDP | 31 |
| TOURISM EMPLOYMENT | 32 |
| PART 2: SOI SURVEY 2016 | 34 |
| SAMPLE DESCRIPTION..... | 34 |
| CHALLENGES | 35 |
| CHANGING VISITOR MARKETS | 37 |
| DOMESTIC TOURISM..... | 38 |
| STAFF AND SKILL SHORTAGES..... | 39 |
| OPPORTUNITIES..... | 40 |
| SUSTAINABILITY | 43 |
| COMPONENTS OF SUSTAINABILITY | 44 |

| | |
|----------------------------------|-----------|
| ADDITIONAL COMMENTS | 45 |
| PART 3: SYNTHESIS | 46 |
| THE MARKET MIX | 46 |
| SEASONALITY | 48 |
| GROWTH IN ARRIVALS | 49 |
| SUSTAINABILITY | 50 |
| TOURISM INSIGHTS | 52 |
| REFERENCES..... | 54 |
| DATA SOURCES..... | 54 |

List of Figures

| | |
|---|----|
| Figure 1 New Zealand exchange rate movement 2007-2016 | 12 |
| Figure 2 New Zealand resident departures and international visitor arrivals (Year ended March 2007-2016) | 13 |
| Figure 3 Australian resident departures and international visitor arrivals (Year ended March 2007-2016) | 13 |
| Figure 4 Visitor arrivals by key market (Year ended March 2016) | 14 |
| Figure 5 Visitor arrivals from Australia (Year ended March 2007-2016) | 14 |
| Figure 6 Visitor arrivals by top six markets, after Australia (Year ended March 2007-2016) | 15 |
| Figure 7 Change in international arrivals (Year ended March 2015-2016) | 15 |
| Figure 8 Visitor arrivals by purpose of visit (Year ended March 2016) | 17 |
| Figure 9 Visitor arrivals by key market and purpose of visit (Year ended March 2016) | 18 |
| Figure 10 Visitor expectations of a holiday in New Zealand (Year ended June 2016) | 19 |
| Figure 11 Median stay days by purpose of visit and key market (Year ended March 2016) | 20 |
| Figure 12 Total stay days by key market (Year ended March 2007-2016) | 20 |
| Figure 13 Student arrivals and expenditure (Year ended March 2007-2016) | 21 |
| Figure 14 Number of cruise voyages and port days (Year ended August 2012-2016) | 22 |
| Figure 15 Number of cruise passengers and crew (Year ended August 2012-2016) | 22 |
| Figure 16 Visitor arrivals by month (Year ended March 2016) | 24 |
| Figure 17 Average length of stay and spend by key market (Year ended March 2016) | 25 |
| Figure 18 Domestic accommodation (%) by RTO region | 26 |
| Figure 19 Guest nights by visitor type – absolute change (March 2012-March 2016) | 27 |
| Figure 20 TIA national hotel performance (Year ended March 2007-2016) | 28 |
| Figure 21 International tourism expenditure compared with main primary exports (Year ended March 2007-2016) | 29 |
| Figure 22 Tourism expenditure by type of visitor (Year ended March 2007-2016) | 30 |
| Figure 23 Share of tourism expenditure by type of visitor and type of product (Year ended March 2016) | 30 |
| Figure 24 Tourism value added (Year ended March 2007-2016) | 31 |
| Figure 25 Tourism contribution to GDP (Year ended March 2007-2016) | 32 |
| Figure 26 Tourism employment (Year ended March 2007-2016) | 32 |
| Figure 27 Challenges for the tourism industry | 35 |
| Figure 28 Changing visitor market challenges | 37 |
| Figure 29 Maximising domestic tourism potential | 38 |
| Figure 30 Staff and skill issues | 39 |
| Figure 31 Importance of sustainability | 43 |
| Figure 32 Sustainability components – mean scores | 44 |
| Figure 33 Percentage allocating quartile scores for each individual component | 45 |

List of Tables

| | |
|--|----|
| Table 1 Primary business focus | 34 |
| Table 2 Regional location | 34 |
| Table 3 Top six and bottom six challenges (measured by mean score) | 36 |

State of the Tourism Industry 2016

This report examines the last ten years of tourism in New Zealand and gives a snapshot of the current state and performance of the tourism industry. It is the sixth publication in an annual series produced by Lincoln University and Tourism Industry Aotearoa (TIA).

The State of the Industry 2016 presents a selection of data drawn principally from Statistics New Zealand (SNZ) with additional data supplied by the Ministry of Business, Innovation and Employment (MBIE), the Reserve Bank of New Zealand (RBNZ), Cruise New Zealand (CNZ), Australian Bureau of Statistics (ABS), Tourism New Zealand (TNZ) and the Fresh Information Company.

The report also presents the results of a New Zealand-wide survey of businesses and organisations associated with tourism, which explored tourism industry challenges, opportunities and sustainability.

Executive summary

In the 12 months to March 2016, international arrivals grew by 10.4% to reach 3.3 million with the strongest growth coming from Asia (19.5%) and the Americas (13.4%). In 2016, the top six markets (Australia, China, USA, UK, Japan and Germany) represented 73.5% of all international arrivals.

Total seat capacity of air routes to and from New Zealand increased 7.5% to reach 8.7 million seats. This growth reflects new services added in the 12 months to March 2016. There was a moderate level of concern associated with 'lack of air capacity' reported in the survey, with only 58% agreeing that this presents a challenge for the industry.

Increases in international arrivals have flowed onto total of visitor stay days over the last decade, but the average and median stay days have either remained constant or increased only slightly. Visitors from China, Germany and the UK have the longest median stay days.

Outside the top six markets, the strongest growth has been from the Philippines (26.9%), Korea (20.7%), Hong Kong (19.1%) India (13.8%) and France (13.8%). Altogether two-fifths of survey respondents disagreed with the statement that 'there is good understanding of new visitor markets'. The survey also found strong levels of agreement with a 'need for skilled and language proficient staff' and that 'more effort should be made to attract niche markets'.

International student arrivals (for fewer than 12 months) increased by 7.0% in the 12 months to March 2016, while expenditure by these students increased by 8.6%. The average spend by international students in 2016 was \$43,954.

The 2016 cruise data shows a 26.3% increase in passenger numbers and a 21.9% increase in crew numbers on the previous year. While there were 11 more voyages in 2016, the number of port days fell slightly. Survey data describing tourism industry opportunities attracted a large number of responses relating to both niche and new markets, with cruise specifically identified as an opportunity by only a handful of respondents.

For international arrivals seasonality remains an issue with strong December and February arrivals peaks evident. For most of our international markets seasonality is becoming more pronounced, although it is impacted in individual years by the timing of holiday periods such as Easter, Chinese New Year and Ramadan. While there is some variation in peak arrival months by purpose of visit, this summer peak is further strengthened by the increasing number of holiday visitors (50.8% of all visitors in 2016). Almost half (49%) of all survey respondents strongly agreed that seasonality issues were a challenge for the tourism industry.

After seasonality, the challenges reported by survey respondents as being the most significant for the industry were 'lack of investment in infrastructure', 'achieving ongoing sustainability', 'environmental concerns', 'satisfying demand for public facilities and amenities' and 'increasing regulatory demands and compliance costs'. Other challenges of note were 'limited regional dispersal' and 'maximising domestic tourism potential' (each attracting strong agreement by a quarter of respondents) and staff and skill shortages.

Direct tourism employment increased by 6636 people (3.7%) while indirect employment increased by 5316 (3.8%). However, three quarters of respondents (74%) agreed that reliance on migrant labour was an issue. The highest levels of agreement with staff and skill issues were with 'poor promotion of tourism as a career' (86% agreed), skill shortages (85% agreed) and staff shortages (84% agreed).

Overall, commercial guest nights increased by 5.7% in the last 12 months. Altogether, 59% of commercial guest nights are domestic although there are marked differences between the North (65.5% domestic) and South Islands (59.6% domestic). Survey data showed a high level of agreement that domestic tourism significantly contributes to regional economies (34% strongly agreed). Commercial accommodation data show that only five RTO regions (Wanaka, West Coast, Queenstown, Mackenzie and Fiordland) have more international than domestic guest nights.

When asked specifically about accommodation sector support, survey respondents reported a much stronger level of agreement that domestic tourism supports informal accommodation (e.g., Airbnb, holiday homes) (21% strongly agreed) compared with support for commercial accommodation (13% strongly agreed).

For the year ended March 2016, international tourism expenditure increased by an estimated 19.6% (\$2.4 billion) to \$14.5 billion and contributed 20.7% to New Zealand's total exports of goods and services. Domestic tourism expenditure

provisionally increased 7.4% to \$20.2 billion. There are differences in expenditure patterns between international and domestic tourists, with the largest proportion of domestic spending on passenger transport (27%) and the largest proportion of domestic spending on retail (38%).

Tourism expenditure is unevenly spread throughout the regions with Auckland attracting the highest percentage of spend (29.7%) and Gisborne attracting the lowest (0.5%). Domestic visitors were responsible for a higher percentage of spend in all but three regions (West Coast, Otago and Auckland).

In addition to measuring the levels of concern with variety of industry challenges, the survey also explored perceived opportunities for the tourism industry. The majority of opportunities reported related to markets and to messaging, followed – to a lesser extent – by those relating to infrastructure/support, the visitor experience, environmental issues, regional dispersal and seasonality.

The survey data showed that sustainability – in addition to seasonality and infrastructure issues – remains a pervasive concern for the tourism industry. 'Achieving ongoing sustainability' attracted the highest level of overall agreement (94.5% agreed) as a challenge while 'environmental concerns' attracted 92.6% agreement and were perceived to be a challenge by a larger percentage of survey respondents than in 2015 (when the same questions was asked).

Methodology

State of the Tourism Industry (SOI) 2016

The State of the Tourism Industry relies heavily on data from the Tourism Satellite Account (TSA). The TSA 2016 report features revisions made to tourism expenditure and tourism employment impacting the official TSA time series back to 1999.

Revisions to the expenditure series reflect:

- Methodological refinements to the Household Tourism Expenditure Estimates (HTEE) data sources including the incorporation of 2015 Annual Enterprise Survey (AES) data
- Changes to source data used to derive international student expenditure from 2004
- Methodological improvements made in 2015 to national accounts and nominal GDP statistics.

The majority of data are presented for the year ended March 2016; the exceptions are the Visitor Experience data (Year end June 2016) and cruise data which is collated to an August year end.

These data are presented in four sections comprising Part 1 of this report:

- Tourism in context: the reach of tourism; external and internal risks
- International demand: arrivals; air connectivity; key markets; visit characteristics (purpose and length of stay); niche markets; seasonality; spend
- Regional dispersal and domestic tourism: accommodation data
- Tourism outcomes: export earnings; domestic tourism expenditure; contribution to GDP; employment

SOI Survey 2016

An online survey was distributed via the membership databases of TIA, New Zealand Airports Association, Backpacker, Youth & Adventure Tourism Association (BYATA), Holiday Parks New Zealand, the New Zealand Maori Tourism Council, Regional Tourism Organisations New Zealand, Tourism Export Council New Zealand and the Youth Hostel Association of New Zealand.

The survey was based on challenge questions asked in 2015 but, in an effort to improve response rates, was much shorter. The 2016 survey collected data on:

- Respondent's primary business focus and regional location
- Challenges facing the tourism industry, with specific questions examining issues associated with changing visitor markets, domestic tourism and staff and skill shortages
- An open-ended question which explored tourism industry opportunities
- Industry sustainability

The survey was distributed via the Qualtrics survey programme and was accessible online to respondents from mid-June until mid-July 2016. Altogether 261 surveys were complete enough to be included in the analysis presented in Part 2 of this report.

Part 3 of the report presents a synthesis of data from Part 1 and Part 2.

Technical Appendix

The SOI 2016 report is accompanied by a Technical Appendix which contains:

- Additional data analysis relating to the SOI 2016
- Additional data analysis relating to the SOI Survey 2016
- A copy of the online survey

Part 1: State of the Tourism Industry 2016

Tourism in context

The reach of tourism

The tourism industry is made up of a wide range of businesses from large stock exchange-listed companies through to small businesses such as bed and breakfast operators. More than 85% of tourism businesses are small-to-medium enterprises (SMEs) and many have fewer than five staff.

Tourism plays a significant role in the New Zealand economy in terms of production of goods and services. It creates employment and directly and indirectly supports 13.2% of the total number of people employed in New Zealand. It generates travel spending by international visitors, resident New Zealanders, and business and government travellers.

Official international tourism expenditure, as measured annually by Statistics New Zealand in the Tourism Satellite Account, includes international airfares paid by visitors to resident airlines and spending by foreign students who study in New Zealand for fewer than 12 months.

Aside from specialised travel and accommodation providers, a number of other sectors also gain benefit from tourism expenditure. The sector provides value to industries within New Zealand that add tourism experiences to their product offering, such as farm stays, factory tours and wineries. Tourism helps drive regional economic growth and supports the revitalisation of towns and communities. This in turn creates employment opportunities and helps build regional pride.

Maori culture adds a unique dimension to tourism in New Zealand and provides Maori with opportunities to showcase their culture to the world.

Internal and external risks

A review of key events impacting New Zealand tourism over the last ten years highlights a range of external and internal risks or vulnerabilities. These include, but are not limited to:

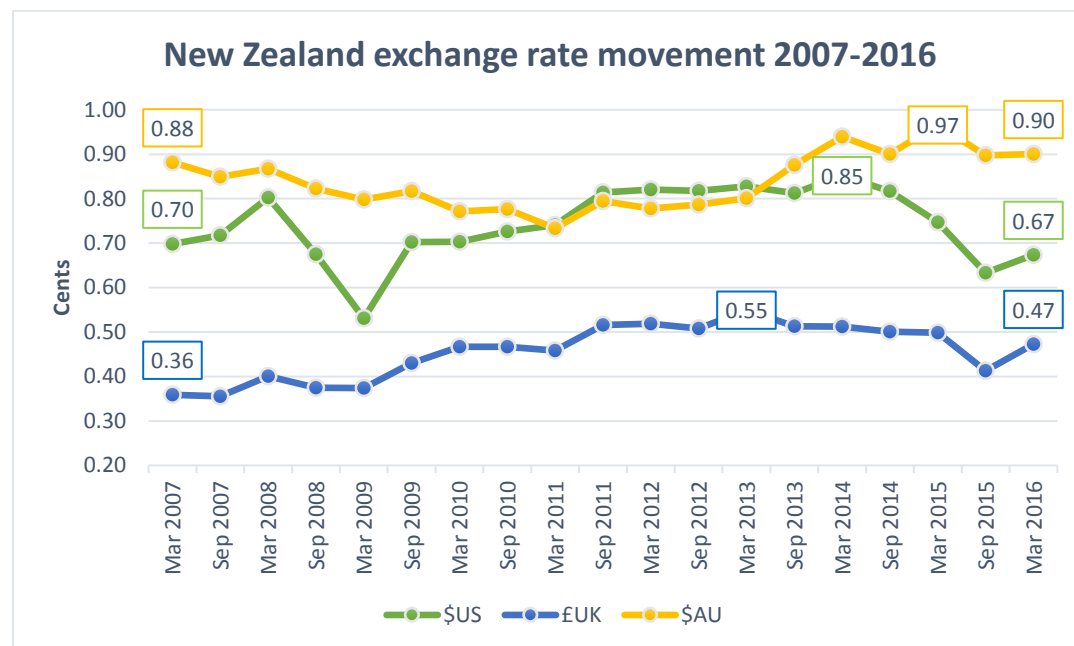
- Geological, e.g. earthquake (Christchurch 2010-2011), tsunami (Japan 2012), volcanic ash (Chile 2008, Iceland 2012, Bali 2015-2016)
- Atmospheric, e.g. flooding (Nelson 2013), tropical cyclones (Cyclone Lusi 2014, Cyclone Pam 2015, Cyclone Winston 2016)
- Biological, e.g. human (Ebola 2014, MERS 2015, Zika 2016)
- Political, e.g. terrorism and political unrest (Syria since 2011, Ukraine 2014, European terror attacks 2016)
- Economic, e.g. Global Financial Crisis (2008), fluctuations in oil prices

Tourism flows are also affected by changes in travel costs including airfares, insurance rates, travel taxes and visa costs and the exchange rates of both origin and destination countries.

International exchange rates

Figure 1 shows the movement of the \$NZ against the \$US, £UK and \$AU over the last ten years. The \$NZ peaked at 0.97 against the \$AU in March 2015 and 0.55 against the £UK in March 2013. The \$US rate has been the most volatile, falling to a low of 0.53 in March 2009 (related to the Global Financial Crisis) and a high of 0.85 in March 2014. These exchange rate movements cause a general (but lagged) effect on visitor demand from these countries. For example, an appreciating \$NZ may lead to a decline in international visitors and an increase in New Zealanders travelling overseas.

Figure 1 New Zealand exchange rate movement 2007-2016



Source: Reserve Bank of New Zealand

Outbound travel

The effect of the above changes in exchange rates is most clearly seen in the growth of outbound travel by New Zealanders. Over the last ten years the number of New Zealand residents departing short term (fewer than 12 months) increased by 549,523 (a 29.2% increase) (Figure 2). Over the same period the \$NZ decreased against the \$US (down 4.3%) and increased against both £UK (up 30.5%) and the \$AU (up 2.3%) (Figure 1). Other factors that contribute to outbound travel by New Zealanders are population growth (i.e., bigger population base provides a bigger potential market) and an ageing population. These, combined with increasing wealth and the strength of the New Zealand economy more generally, mean that New Zealanders are in better financial position to travel. Between 2007 and 2016, international arrivals to New Zealand grew by 33.6%, from 2,435,668 to 3,253,600 (up 817,932) (Figure 2). Figure 2 contains sample arrival data. The actual count of international arrivals for the year ended March 2016 was 3,255,463.

Figure 2 New Zealand resident departures and international visitor arrivals (Year ended March 2007-2016)

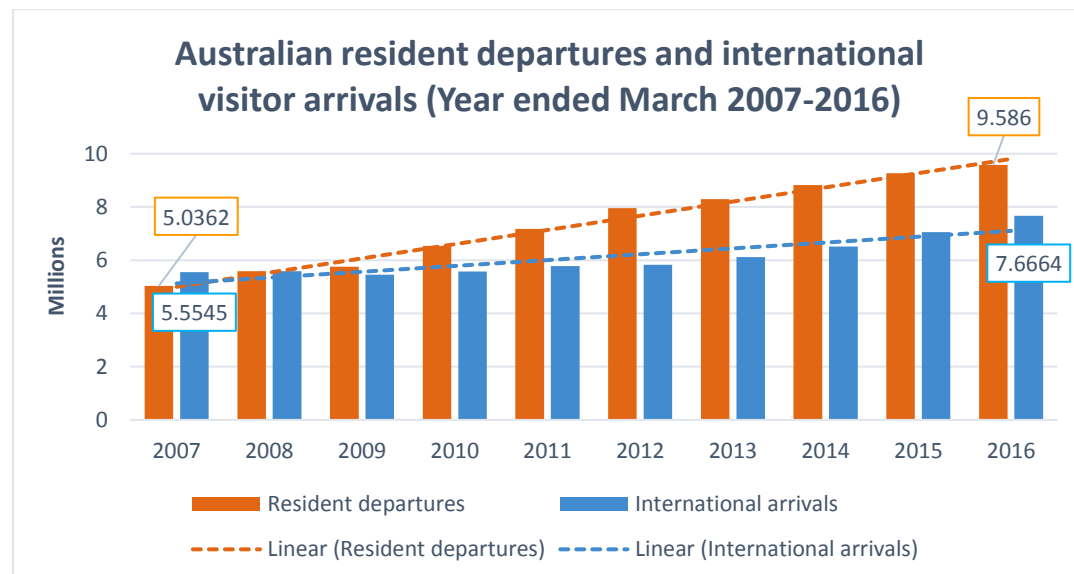


Source: Statistics New Zealand

International arrivals exceed resident (domestic) departures by around 500,000 each year, demonstrating a healthy net inflow of visitor arrivals for the past decade.

As a comparison, in Australia, resident departures have outnumbered international arrivals since 2008 (Figure 3). Between 2007 and 2016 the number of short term (fewer than 12 months) resident departures almost doubled (a 90.3% increase) while international arrivals increased by 38.0%. The strength of the Australian dollar and the growth of budget airlines, primarily to Asia, have driven this increase in Australia resident departures.

Figure 3 Australian resident departures and international visitor arrivals (Year ended March 2007-2016)



Source: Australian Bureau of Statistics

International demand

International arrivals

For the year ended March 2016, the actual count of international arrivals reached 3,255,463, an increase of 307,562 (10.4%) on the previous year. In 2016, the top six markets in order of size were Australia, China, USA, UK, Japan and Germany and, combined, represented 73.5% of all international arrivals (Figure 4). Over the last ten years the market share increased for visitors from Australia (up 4.4%), China (up 6.9%) and Germany (up 0.4%) and decreased for the USA (1.3%), UK (down 5.8%) and Japan (down 2.5%) (see Figure 1 in Technical Appendix).

Figure 4 Visitor arrivals by key market (Year ended March 2016)



Source: Statistics New Zealand

Growth has not been consistent over the last ten years for the top six markets, as shown by Figures 5, 6 and 7. Australian arrivals exceeded one million for the first time in 2010 and have grown 49.3% since 2007 (Figure 5).

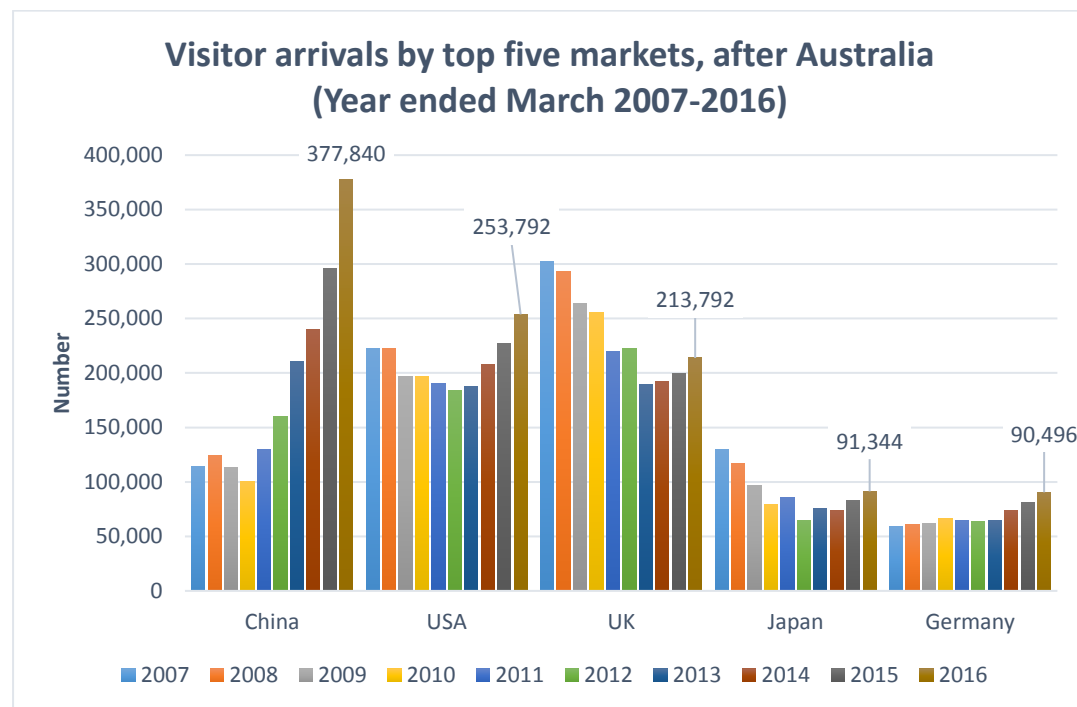
Figure 5 Visitor arrivals from Australia (Year ended March 2007-2016)



Source: Statistics New Zealand

Figure 6 shows the arrival data for the remaining top six markets (after Australia) in 2016. These data show that China overtook the UK as our second largest visitor market for the year ended March 2013, and has consolidated this position in the years since. Chinese visitor arrivals increased 27.8% (up 82,288) in the 12 months to March 2016 (Figure 7) and now represent 11.6% of all international arrivals (Figure 4). In 2007, visitors from China represented only 4.7% of international arrivals.

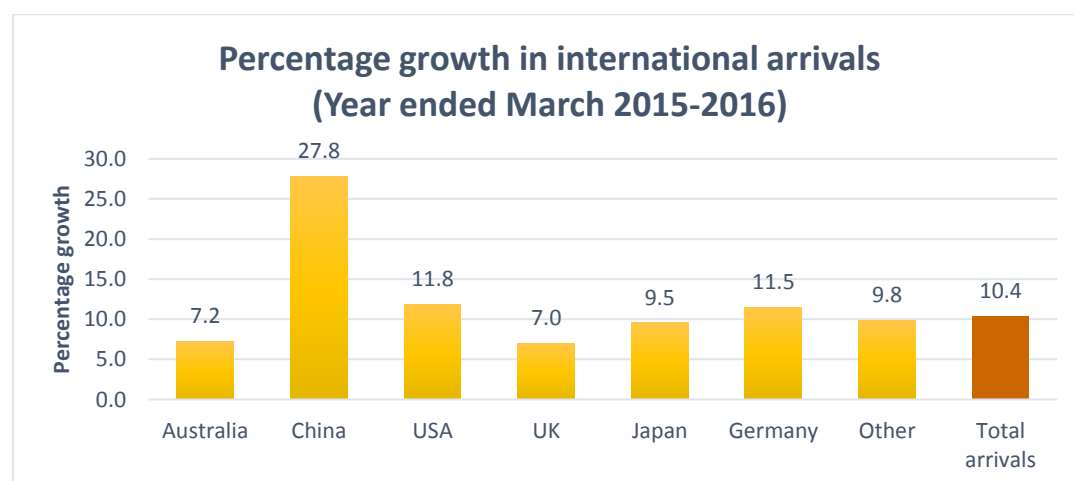
Figure 6 Visitor arrivals by top six markets, after Australia (Year ended March 2007-2016)



Source: Statistics New Zealand

Of the other key markets, the largest percentage increases in the 12 months to March 2016 were from the USA (11.8%, up 91,584) and Germany (11.5%, up 9,344). International arrivals increased by 10.4% overall (Figure 7).

Figure 7 Change in international arrivals (Year ended March 2015-2016)



Source: Statistics New Zealand

The Technical Appendix contains a graph (Figure 2) showing the numerical growth in arrivals in these 12 months.

Growth of other markets

In the 12 months to March 2016, there was an 8.0% increase in visitors from Europe with the strongest growth coming from France (13.8%), Denmark (12.8%), Germany (11.5%), Switzerland (11%) and Spain (9.4%). However, with the exception of Germany, this growth is from much smaller initial base numbers.

The Asian market grew by 19.5% in this 12 month period with China (27.8%), the Philippines (26.9%), Korea (20.7%), Hong Kong (19.1%) and India (13.8%) the best performing countries. Once again, however, this growth is from smaller initial base numbers (with the exception of China).

As Figure 7 shows, there was an increase 11.8% from the USA over this 12 month period (up 26,832 visitors). In the 12 months to March 2016, visitors from the Americas overall have grown by 13.4%. Canada (11.7%) and Brazil (6.2%) were the only other countries from the Americas to feature in the top 30 countries of residence for arrivals. The Technical Appendix contains a graph (Figure 3) showing changes in arrivals for a selection of these markets.

Air connectivity

A key Tourism 2025 indicator to drive and track progress is monitoring inbound passenger capacity (seats) growth. For the year ending March 2016, total capacity (includes through flights) increased 7.5% to reach 8.7 million seats. In the year ended March 2015 total air capacity increased by 4.5%.

In the 12 months ending March 2016, direct air capacity increased by 577,983 seats to reach 7,571,930 seats (an 8.3% increase). Capacity from Australia (which accounts for 62% of all seats) increased by 7% to 4.7 million seats. The Asia region increased 7% to 1.3 million seats and North America increased 7.8% to 583,083 seats. In 2016, Asia and North America accounted for 17.1% and 7.7% of all seat capacity, respectively. The largest increase in seat capacity was from South America (up 92%) and followed a decrease of 32% from that region in the previous year (YE March 2015). The Technical Appendix contains graphs showing these data in more detail.

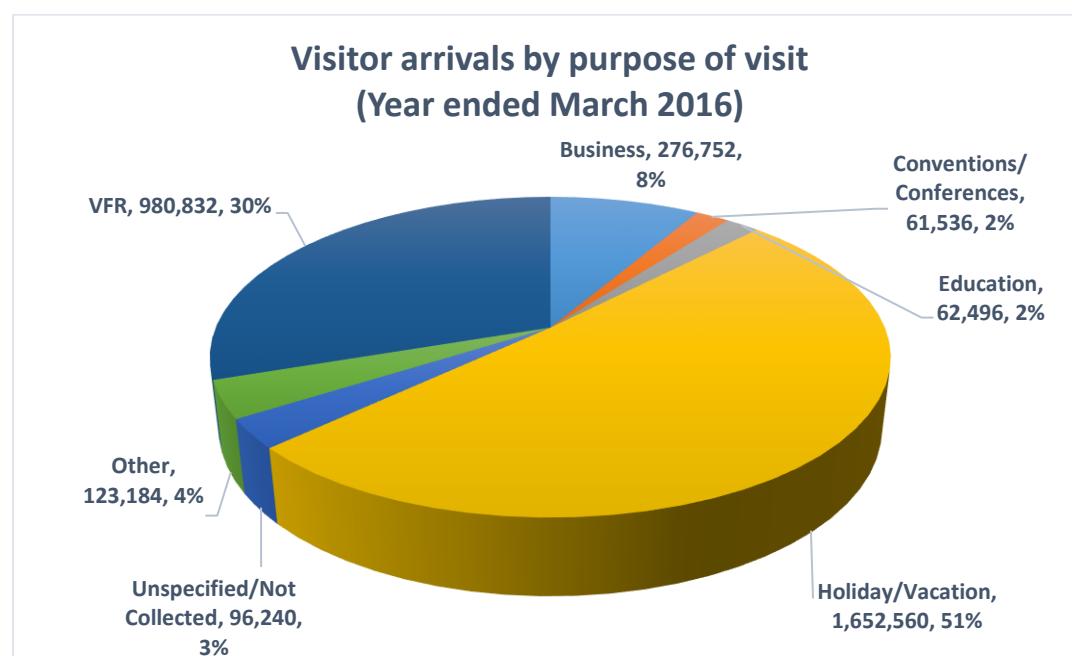
The recovery in seat capacity from South America is directly linked to the introduction of flights from Buenos Aires to Auckland in December 2015. The year ended March 2016 also saw the addition of 8482 seats from the Gulf (with direct Dubai/Auckland flights from January 2016) and arrivals from this region will further increase when Doha/Auckland flights begin in February 2017. Other new services introduced (to year ended March 2016) include flights between Auckland and China, Houston, the Philippines and Malaysia and a Christchurch to China service. New services beginning in 2016 include Auckland services to Kuala Lumpur/Gold Coast (Mar 2016), Los Angeles (June 2016), San Francisco and Ho Chi Min City (both July 2016), Osaka (Nov 2016), Manilla (Dec 2016) and a Wellington service to Canberra and Singapore (Dec 2016). These new services support the continued dominance of

Auckland Airport. In 2016, for example, Auckland airport attracted 74% of all international passenger movements compared with 13% for Christchurch and 4% for Queenstown.

Purpose of visit

Those reporting Holiday/Vacation as their main purpose of visit now make up over half (50.8%) of all international arrivals in New Zealand (49% in 2015 and 47% in 2014). In the year ended March 2016, slightly under a third (30.1%) were Visiting Friends/Relatives (VFR) (31% in 2015 and 32% in 2014) and 8.5% were business visitors (9% in 2015 and 10% in 2014). Education and Conventions/Conference each contributed 1.9% of visitors, while 6.8% of visitors reported an 'other' purpose, or did not specify their purpose of visit (Figure 8).

Figure 8 Visitor arrivals by purpose of visit (Year ended March 2016)



Source: Statistics New Zealand

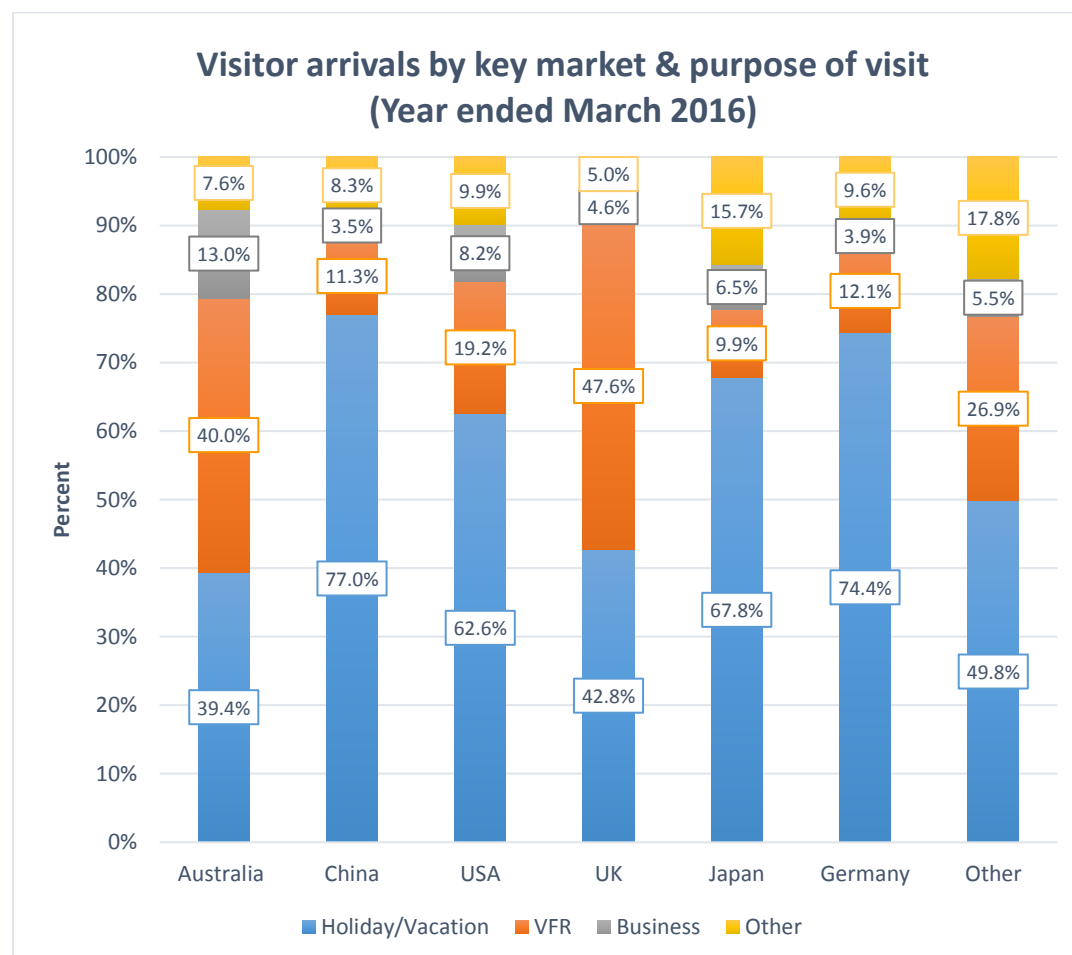
Purpose by key market

Together, Holiday/Vacation and VFR visitors accounted for 80.9% of all international arrivals in 2016 (Figure 8). The China (77.0%), Germany (74.4%), Japan (67.8%) and USA (62.6%) markets had the highest proportion of holiday visitors while the UK (47.6%) and Australian (40.0%) markets had the highest percentage of VFR visitors (Figure 9). Peak months for arrivals vary by purpose of visit, with a December peak (13.3%) for holiday visitors, a December peak (18.3%) for VFR visitors, a November peak (14.4%) for convention/conference visitors and July (15.2%) and January/February peaks (14.4%/14.2%) for education visitors (see Technical Appendix (Figure 15) for more detail).

Overall, 42.8% of UK visitors and 39.4% of Australian visitors reported Holiday/Vacation as their main purpose of visit in the year ended March 2016 (Figure 9). Of the six key markets, Australia had the highest proportion of business visitors

(13.0%, $n=177,216$) followed by USA (8.2%, $n=20,912$) and Japan (6.5%, $n=5936$) although there was considerable variation in the number of business arrivals from each of these markets. The 13,168 business visitors from China represented only 3.5% of Chinese arrivals in 2016.

Figure 9 Visitor arrivals by key market and purpose of visit (Year ended March 2016)

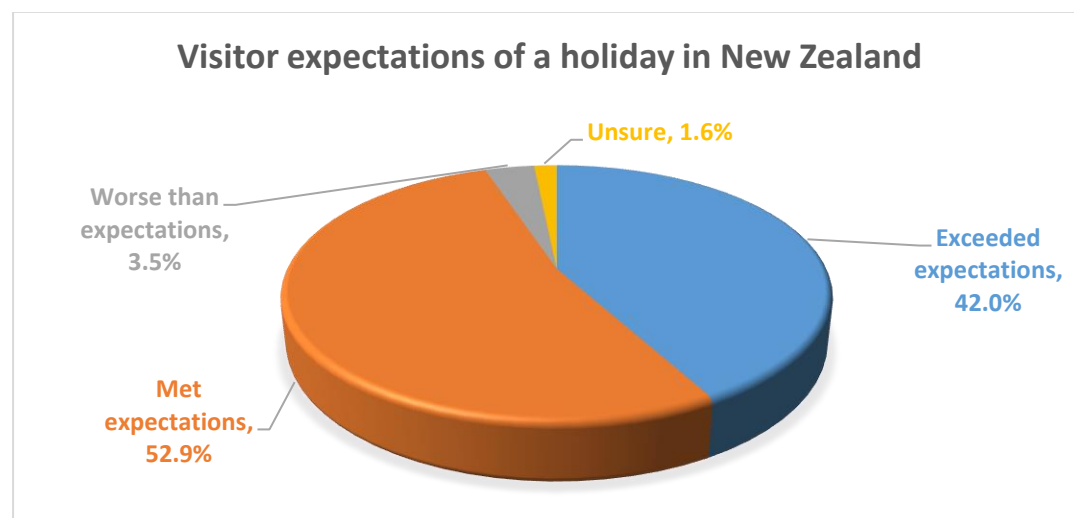


Source: Statistics New Zealand

Visitor experience

Tourism New Zealand's latest Experience Monitor shows that as a destination New Zealand exceeds or meets expectations of 95% of international visitors (Figure 10). Similar percentages were reported in 2014 and 2015 although the percentage reporting that their experience exceeded expectations is increasing (39% in 2014, 41% in 2015, 42% in 2016).

Figure 10 Visitor expectations of a holiday in New Zealand (Year ended June 2016)



Source: Tourism New Zealand

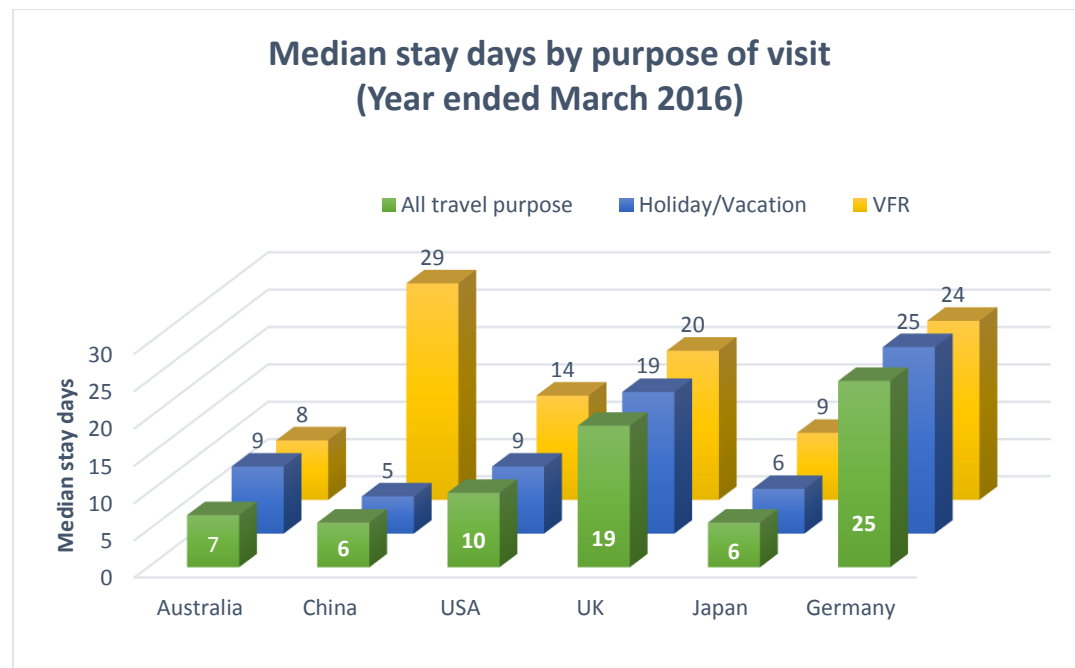
For the year ended June 2016, 91% of visitors reported an overall satisfaction score of 8 or higher (out of 10) (see Technical Appendix, Figure 7). The visit aspects attracting the highest percentage of 'extremely satisfied' scores were 'the sense of safety' (46.5%), 'the natural and built environment' (46.3%) and 'primary accommodation' (32.6%).

Length of stay for key markets

In 2016 the median stay days of visitors from each key market varied considerably. As Figure 11 shows, visitors from Germany, the UK and USA had the longest median stay days (25, 19 and 10 days, respectively). The median stay of UK visitors was one day longer than in both 2014 and 2015. The other markets shown in Figure 11 all had the same median stay days as in 2015.

VFR Chinese visitors had the highest median stay days overall. However, these VFR visitors represented only 11.3% of Chinese visitor arrivals in 2016 (13% in 2015) (Figures 9 and 11). Between 2007 and 2016, the median stay days for Holiday/Vacation visitors from China increased from three days to five days, while the average stay days of these visitors increased from five to eight days. Holiday/Vacation visitors from Australia and Germany had longer median stay days than VFR visitors from those countries.

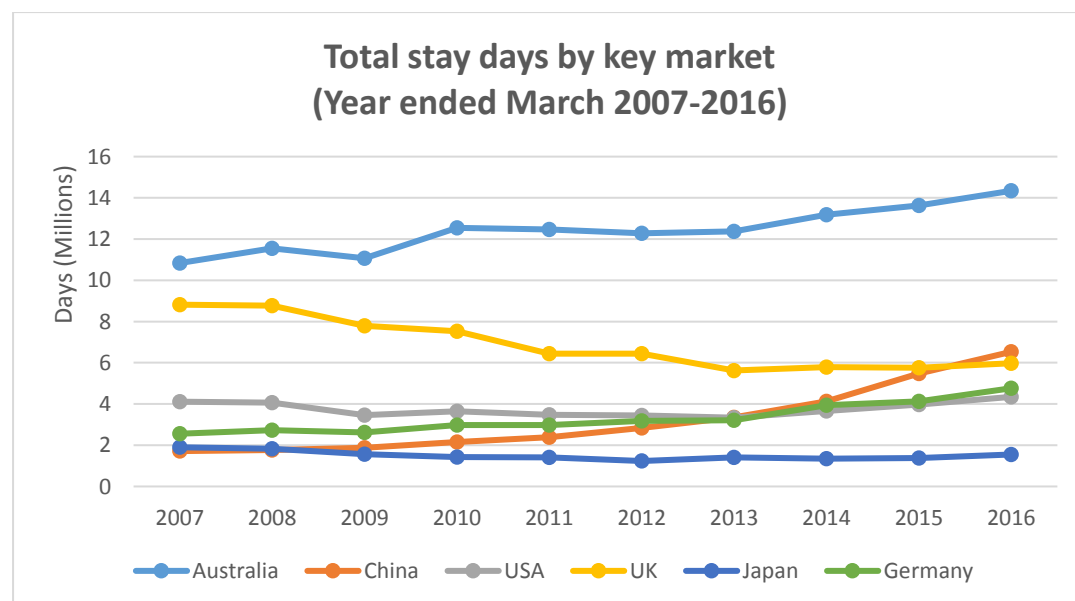
Figure 11 Median stay days by purpose of visit and key market (Year ended March 2016)



Source: Statistics New Zealand

Figure 12 shows the total stay days for the key markets. The steady decline in UK visitor numbers, which began in 2006, has levelled out over the last few years while the increase in Chinese visitor arrivals can be clearly seen. The Technical Appendix contains more detailed analysis of average, median and total stay days for each market. Between 2007 and 2016, the total stay days of all international visitors increased by 13,739,739 (27.7%).

Figure 12 Total stay days by key market (Year ended March 2007-2016)



Source: Statistics New Zealand

International demand – niche markets

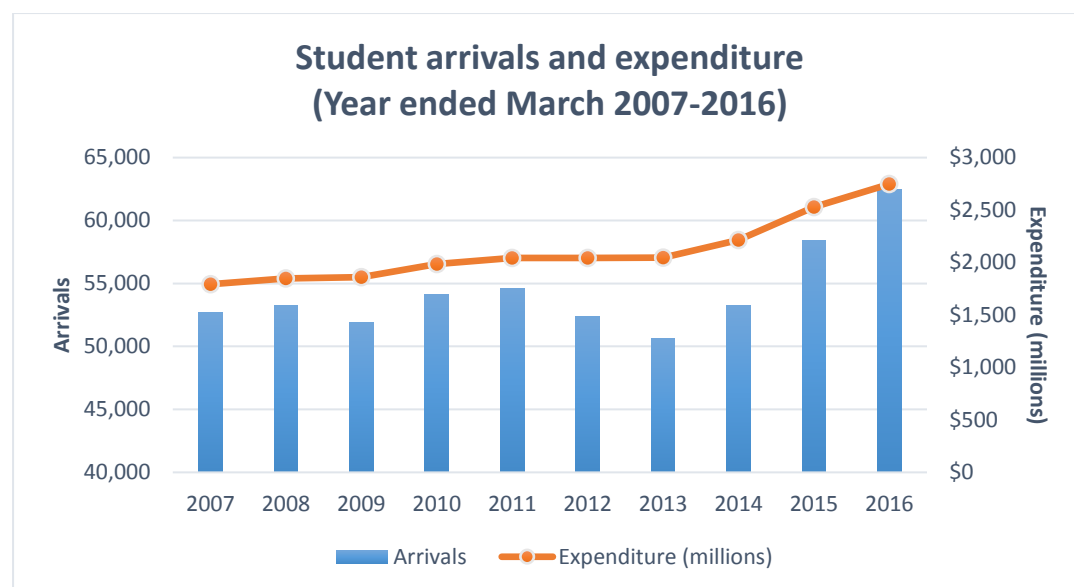
Among the larger visitor flows reported above, three niche markets can be highlighted because of their special characteristics.

Education

Education market data requires care in interpretation as formal tourism definitions do not record students who stay for more than one year. In the 12 months to March 2016 there were 62,496 education visitors (arriving for fewer than 12 months), an increase of 7.7% on the previous year although they continue to represent only 1.9% of total international arrivals (Figure 8). In 2016, the peak months for education visitor arrivals were July (15.2%), January (14.4%) and February (14.2%) (see Technical Appendix, Figure 15).

Education visitor arrivals have been erratic over the last ten years while expenditure on education has maintained a gradual year on year increase (Figure 13). The fall in student arrivals in 2012 and 2013, shown in Figure 13, is largely attributable to the impact of the Christchurch earthquakes.

Figure 13 Student arrivals and expenditure (Year ended March 2007-2016)



Source: Statistics New Zealand

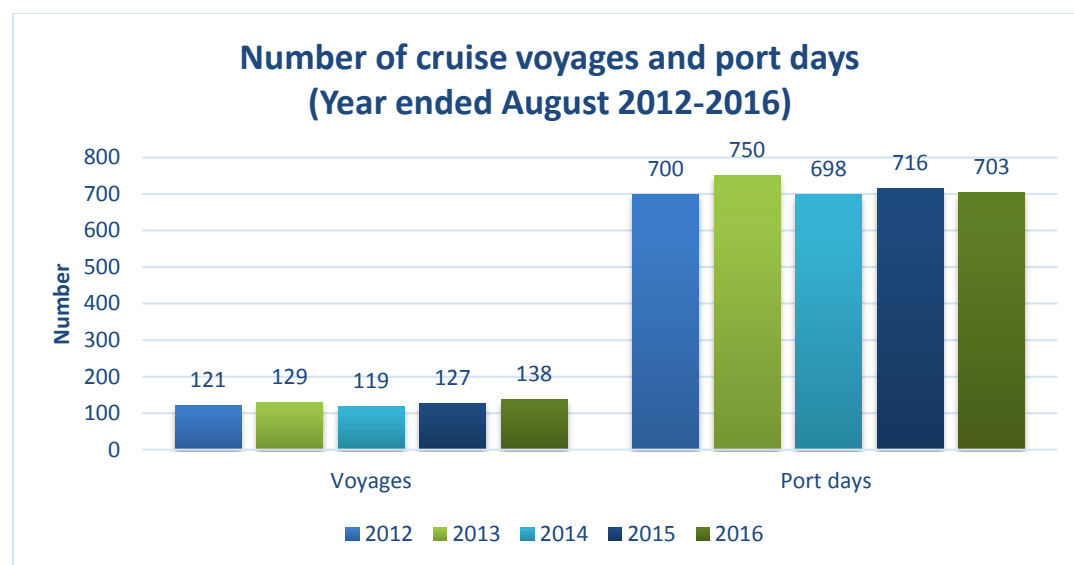
Expenditure by international students studying for fewer than 12 months comprises course fees, accommodation and other living costs and airfares on resident airlines. In the year ended March 2016, expenditure was \$2.75 billion, an increase of 8.6% on the previous year. The average spend per international student for the year ended March 2016 was \$43,954, a slight increase on the 2015 average spend of \$43,310.

Many international students also have family and friends visit during their stay, contributing to the international VFR market.

Cruise

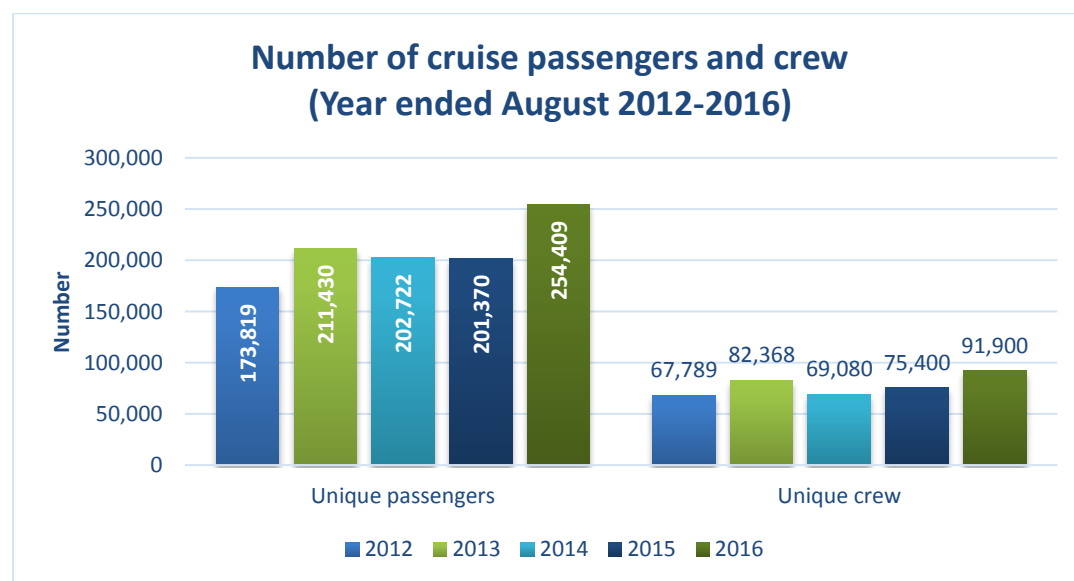
In the 2015-16 season 254,409 passengers and 91,900 crew visited New Zealand ports on 138 separate cruises with 703 port days (Figures 14 and 15). These include both international (215,893) and New Zealand (38,516) passenger cruise arrivals. International arrival data for the Year ended March 2016 show only 29,424 sea cruise arrivals. Cruise passengers are only recorded as arrivals or departures if they begin or end their cruise in New Zealand. Otherwise, they are regarded as being in transit, even if they leave the ship for periods while it is in New Zealand. In terms of total arrivals, the 215,893 international cruise passengers recorded in the 2015-16 season represented the equivalent of our fourth largest visitor market (i.e., cruise passenger numbers exceeded visitor arrivals from the UK in 2016).

Figure 14 Number of cruise voyages and port days (Year ended August 2012-2016)



Source: Cruise New Zealand

Figure 15 Number of cruise passengers and crew (Year ended August 2012-2016)



Source: Cruise New Zealand

The 2016 cruise data show a 26.3% increase in passenger numbers and a 21.9% increase in crew numbers on the previous year (Figure 15). While there were 11 more voyages in 2016, the number of port days fell slightly (Figure 14).

Cruise sector (direct) spending totalled \$645 million in the 2015-16 season, contributing \$484 million in value added to New Zealand's economy and supporting 8748 jobs. The Auckland region attracted the largest share of spend (45.5%) related to cruise as it is the key exchange port (where cruises start and end). Other key regions, in order of cruise spend were Wellington (12%) Canterbury (9.7%), Bay of Plenty (8.1%) and Otago (7.6%). Australians made up more than half of all cruise passengers (52.2%) in the 2015-2016 season, followed by North Americans (15.4%), New Zealanders (15.1%) and British (7.2%) (Cruise New Zealand, 2016).

Convention

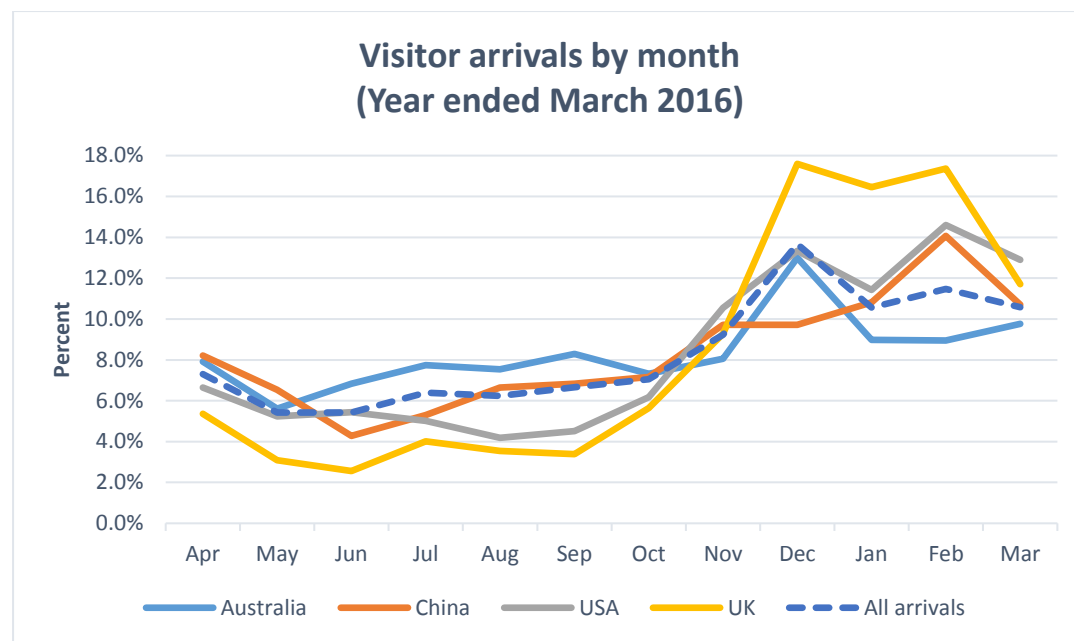
Altogether 61,536 international visitors reported their main purpose of visit as Convention/Conference in the year to March 2016 (a 7.1% increase on the previous 12 months). The 2016 Conference/Convention arrivals were only 529 higher than in 2007 (a 0.9% increase) and have fallen as a percentage of all international arrivals (from 2.5% in 2007 to 1.9% in 2016) (Figure 8). In 2016, the peak months for Convention/Conference arrivals were October (12.6%) and November (14.4%). Graphs showing these data are included in the Technical Appendix (see Figures 14 and 15).

International demand – seasonality

Figure 16 shows the percentage of arrivals by month from the top four markets for the year ended March 2016. Seasonality is pronounced with peaks in December and February. Visitor arrivals from Australia were the most evenly distributed over the year with a peak of 13% in December and a low of 5.6% in May. The December peak was most pronounced for the UK market (17.6%) and more than half (51.5%) of all UK visitors arrived in the three summer months of December-February. The peak arrival month for visitors from China and the USA was February (14.1% and 14.6%, respectively). Chinese visitor arrivals were more evenly spread over the year while USA visitors had more pronounced visitation over the summer months (Figure 16).

The Technical Appendix contains graphs of monthly arrivals over the last ten years for 12 markets (the top six and six selected growing/emerging markets). These data also show a December peak in arrivals from Singapore (24%), Malaysia (17%) India (13%), Philippines (14%) and Brazil (13%). The December peak was less pronounced for Indian visitors, however, with a further 11% arriving in both March and May. There were secondary peaks in March (13%) and May (11%) for visitors from the Philippines. The peak month for Indonesian arrivals was July (25%), related to the timing of Ramadan. Altogether, 43% of arrivals from Brazil were between November and February.

Figure 16 Visitor arrivals by month (Year ended March 2016)



Source: Statistics New Zealand

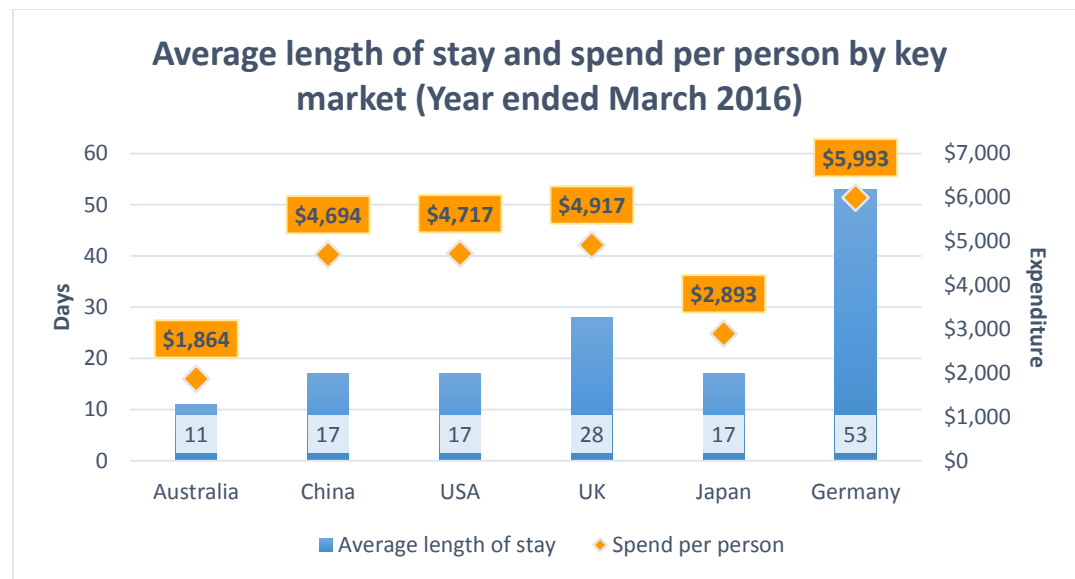
International visitor spend by key market

Spend data sourced from the IVS shows a total spend of \$10.2 billion in the year ended March 2016. The Australia market spent \$2.5 billion (25%) and the China market spent \$1.7 billion (17%) of this total.

With the advent of the Regional Tourism Estimates (RTE), an alternative average spend per visitor by key market can be calculated. This calculation takes the 2016 March year end expenditure values for each key market, applies this against the 2016 March year end visitor arrivals and gives the resulting estimate of average spend per visitor (Figure 17). Figure 17 shows the average length of stay and average spend per person for visitors from each of the key markets. While Australia contributes 42% of international visitors to New Zealand, the average spend is relatively low at \$1,864 per person. As Figure 17 shows, however, visitors from Australia also have the shortest average length of stay. By contrast, visitors from Germany have the longest average length of stay and the highest spend per person (\$5,993).

A useful comparison can be made between visitors from China, the USA and Japan who have the same average length of stay, although the average spend per visitor from the USA is \$23 more than the average spend of visitors from China (\$4,694). In turn, the average spend of visitors from China is \$1,801 more than the average spend of visitors from Japan (Figure 17).

Figure 17 Average length of stay and spend by key market (Year ended March 2016)



Source: Statistics New Zealand and MBIE

There are only three regions in which a greater proportion of tourism spend comes from international (rather than domestic) visitors: West Coast (58.6% international), Otago (56% international) and Auckland (52.3% international). By contrast, the regions with the lowest proportion of international tourism spend are Manawatu-Wanganui and Gisborne (18.5% and 20.3% international, respectively).

Regional dispersal and domestic tourism

Domestic travellers account for more than half of the demand for overnight stays and make a substantial contribution to the industry's overall financial resilience and functioning. Domestic travellers accounted for 59.0% of all commercial guest nights in the year ended March 2016. Domestic travel patterns are less marked in their seasonality and demonstrate greater regional spread.

Figure 18 Domestic accommodation (%) by RTO region

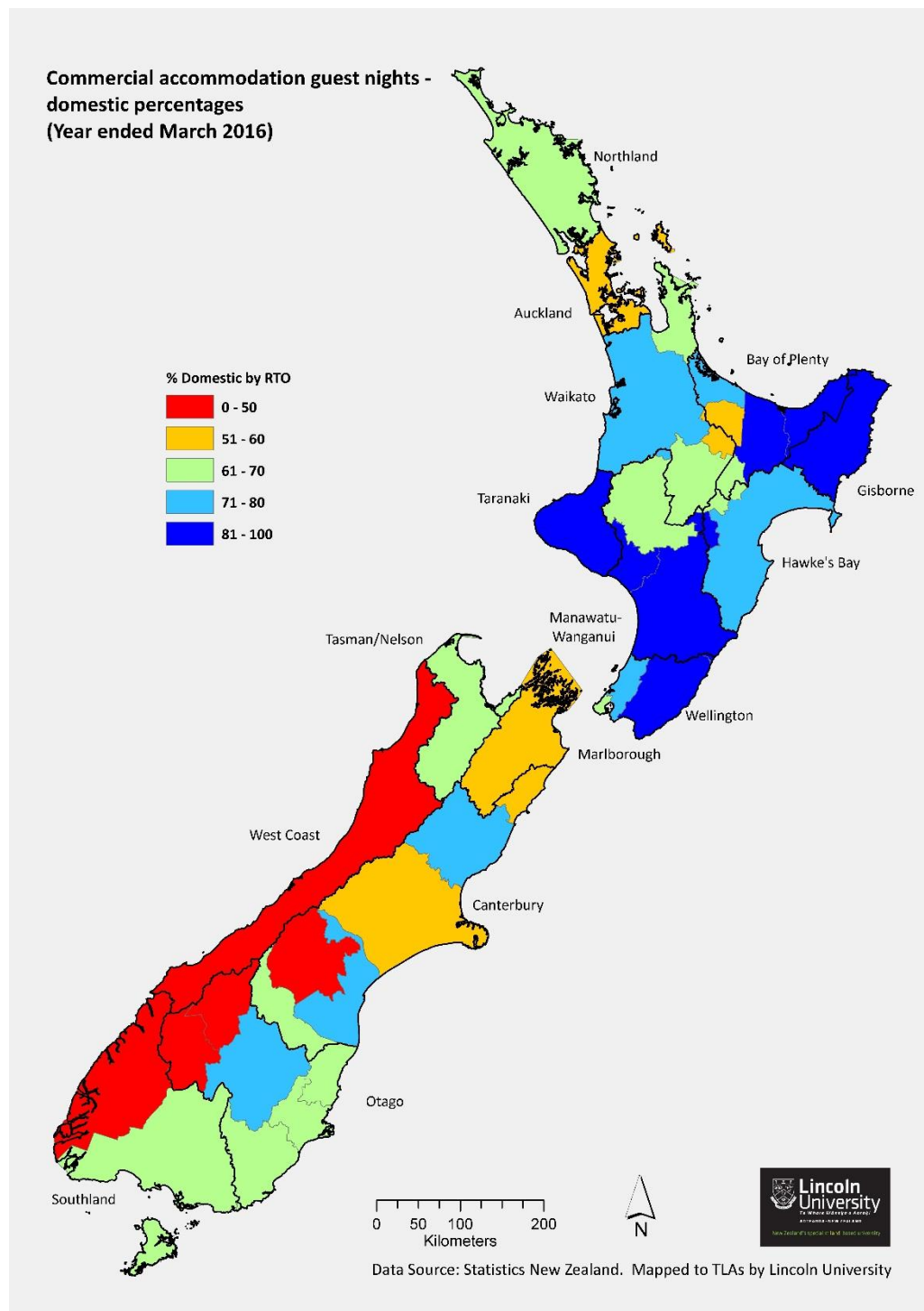


Figure 18 shows the percentage of commercial accommodation used by domestic travellers by RTO region (mapped to TLA boundaries) and shows that the highest percentage of domestic guest nights were recorded in Manawatu (90.3%), Kapiti-Horowhenua (88.0%) and Taranaki (85.9%) and the lowest in Fiordland (30.1%), Mackenzie (30.6%) and Queenstown (32.4%) (see also Figure 21, Technical Appendix).

Overall, domestic visitors accounted for 65.5% of North Island guest nights compared with 49.6% in the South Island in the year ended March 2016.

Commercial accommodation

Altogether, 37.2 million guest nights were spent in short-term commercial accommodation in the year ended March 2016, a 5.7% increase compared with the year ended March 2015. The Statistics New Zealand Accommodation Survey is a census of all short term (i.e., less than one month) commercial accommodation units that are GST registered and have a turnover of at least \$30,000 a year. As such, these figures do not include hosted accommodation (including private hotels, guesthouses, bed and breakfasts and farm stays) or many domestic and international VFR visitor who stay in private accommodation. In the year ended March 2016, 30.1% of international visitors listed their primary purpose of visit as VFR (Figure 8).

Figure 19 shows the volume change (from the same month in the previous year) in guest nights for both international and domestic visitors from March 2012 to March 2016. These data show a steady increase in international guest nights over the last 12 months. While domestic guests nights have also increased each month the rate of increase has slowed considerably from that experienced in the previous year.

Figure 19 Guest nights by visitor type – absolute change (March 2012-March 2016)

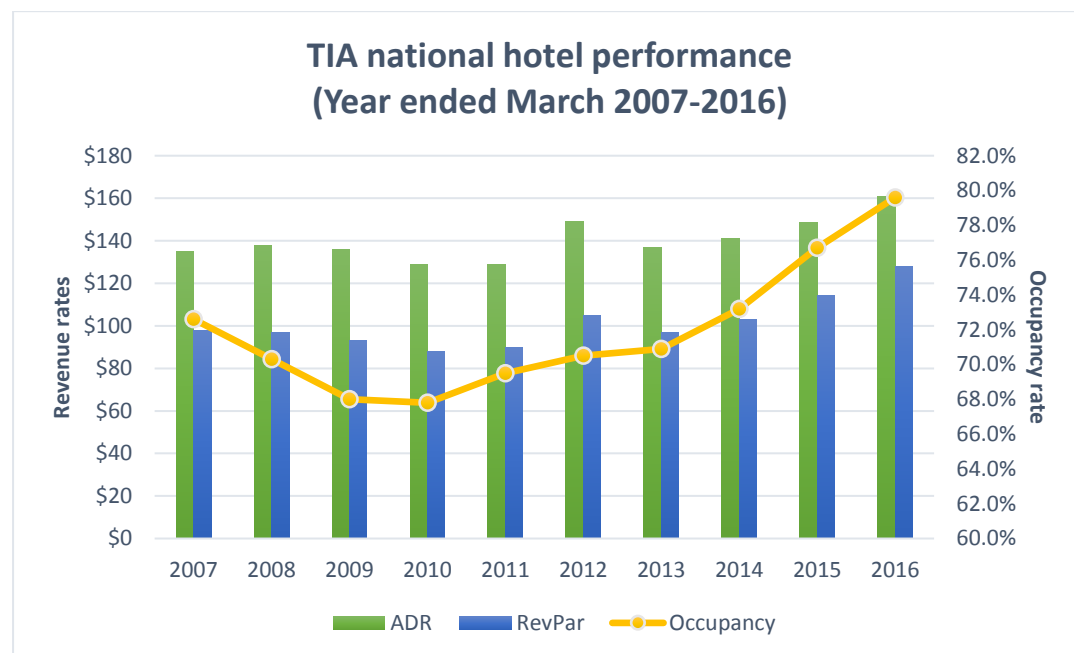


Source: Statistics New Zealand

Hotel sector in 2016

The average daily revenue rate (ADR) for the TIA hotel sector at March 2016 was \$161, representing a 19.3% increase on the 2007 ADR of \$135 (Figure 20). Over the same period occupancy rate has increased from 72.6% (2007) to reach 79.6% in 2016. This increase in occupancy has been influenced by event activity across New Zealand, the marketing efforts of Tourism New Zealand and the industry's ongoing commitment to grow value. The rate growth has been driven through revenue management strategies and constraints in inventory availability in key regions during peak season.

Figure 20 TIA national hotel performance (Year ended March 2007-2016)



Source: Fresh Information Company

Figure 20 also shows the revenue per available room (RevPar). The increases in both ADR and occupancy have improved the RevPar over the ten years by \$30 (not inflation adjusted).

There has been little increase in hotel capacity over the last 12 months and the increases that have occurred have been mainly in the Christchurch market. This stands at approximately 2,000 rooms, compared to pre-earthquake levels of over 3,500 rooms. In both Auckland and Queenstown hotel capacity has declined over the last 12 months due to the closure of some properties for extended periods for refurbishment.

Outside of New Zealanders (who account for 53% of room nights), the key markets for the hotel sector are Australia, China and US with steady growth occurring from UK, Japan, South Korea and Germany.

Tourism outcomes

Contribution to exports

International visitor expenditure brings new money to the economy and has the equivalent effect as other export sectors. For the year ended March 2016, international tourism expenditure increased by an estimated 19.6% (\$2.4 billion) to \$14.5 billion and contributed 20.7% to New Zealand's total exports of goods and services. The past two years have seen considerable growth in tourism expenditure (after five relatively flat years) and in 2016 tourism expenditure surpassed dairy (for the first time since 2010) (Figure 21). While tourism and dairy continue to stand out as the two largest export sectors, dairy's export contribution has been impacted by milk price volatility in the two years to March 2016. Dairy contributed 17.6% to total exports in 2016 while meat and meat products (in third place) contributed 9.4%.

Figure 21 International tourism expenditure compared with main primary exports (Year ended March 2007-2016)



Source: Statistics New Zealand

Domestic tourism expenditure

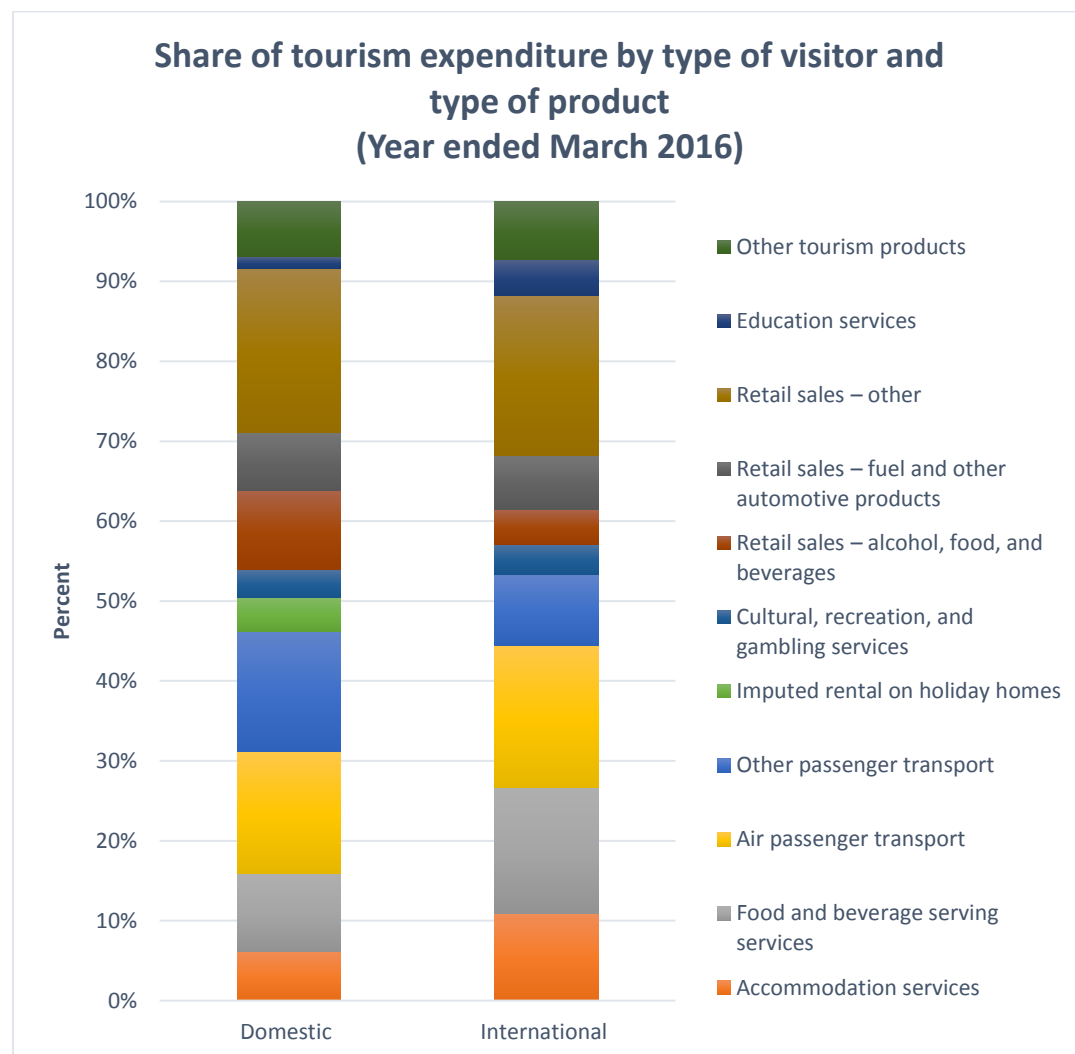
Domestic tourism expenditure does not have the same export effect as international expenditure, but does retain discretionary spending within New Zealand and acts as a buffer to the revenue lost from outbound resident travel. For the year ended March 2016, domestic tourism expenditure provisionally increased 7.4% (\$1.39 billion) to \$20.2 billion (Figure 22).

Figure 22 Tourism expenditure by type of visitor (Year ended March 2007-2016)



Source: Statistics New Zealand

Figure 23 Share of tourism expenditure by type of visitor and type of product (Year ended March 2016)



Source: Statistics New Zealand

Alongside the variations in total spend (Figure 22) and regional patterns of domestic versus international travel (Figure 18) already noted, there are also differences in expenditure patterns (Figure 23).

The biggest share of domestic demand was retail (38%, down from 40% in 2015 and 43% in 2014), while international tourism's demand on retail was only 31% (up from 28% in 2015 and 26% in 2014). International visitors spent the largest portion of their budget on passenger transport (27%), food and beverage services (16%) and accommodation (11%).

Taken together, international and domestic expenditure give rise to flow on (indirect) expenditure to other sectors.

Tourism's flow-on effect within the economy is becoming more evident, but this needs to be seen in the wider context of the composition and growth of the overall New Zealand economy. In the 12 months to March 2016, direct tourism value added increased by 11.9% while indirect tourism value added increased by 12.2% (Figure 24).

Figure 24 Tourism value added (Year ended March 2007-2016)



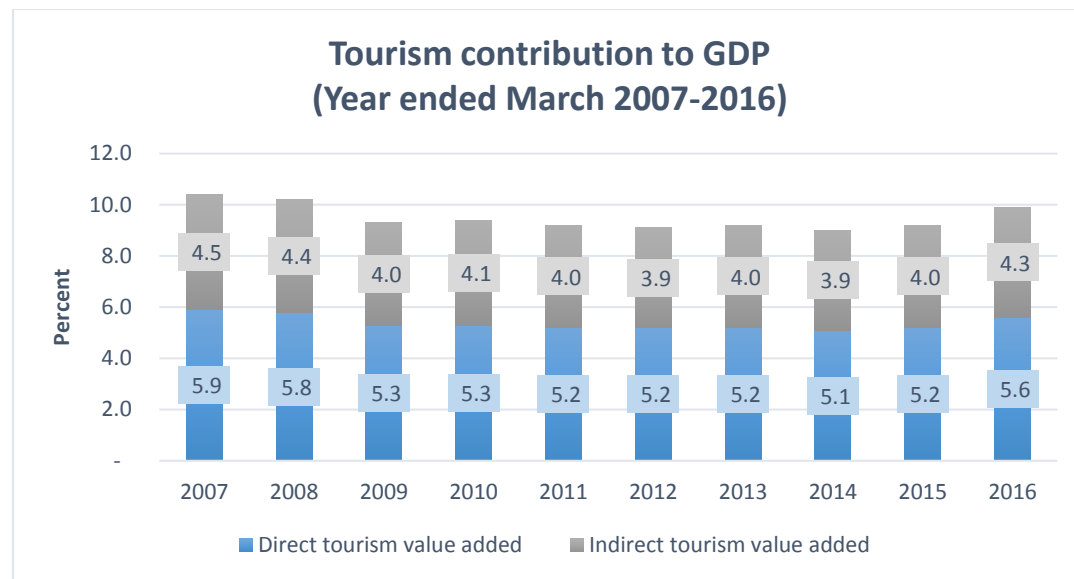
Source: Statistics New Zealand

Contribution to GDP

The most robust measure of any sector's contribution to an economy is its effect on GDP. Here the combined effects of expenditure, supply inputs and employment are recorded.

International tourism represented 20.7% of foreign exchange earnings in 2016 (compared with 20.8% in 2007). As Figure 25 shows, the direct tourism contribution increased to 5.6% and the indirect tourism contribution increased to 4.3% in the 12 months to March 2016, but are still at lower levels than they were in 2007.

Figure 25 Tourism contribution to GDP (Year ended March 2007-2016)



Source: Statistics New Zealand

Tourism employment

Tourism employment is arguably the most important social benefit from tourism sector activities. Figure 26 shows the number of people both directly and indirectly employed in tourism over the last decade. Direct tourism employment increased by 3.7% and indirect tourism employment increased by 3.8% in the year to March 2016.

Figure 26 Tourism employment (Year ended March 2007-2016)



Source: Statistics New Zealand

The 2016 employment figures utilise Linked Employer-Employee Data (LEED) annual statistics, generated from the Inland Revenue taxation system, and Statistics New Zealand's Business Register. Together with tourism expenditure, these data enable an estimate of the actual number of people employed in tourism.

In 2016, the number of people directly and indirectly employed in tourism represented 7.5% and 5.7% of the total number of people employed, respectively. This compares with tourism generating 5.6% direct value and 4.3% indirect value added to GDP, reflecting a higher level of labour intensity in tourism industries.

In 2015/16, 65,220 people were approved under 42 Working Holiday Schemes, an increase of 6.2% from 61,404 in 2014/15. Many of these visitors are employed in tourism during their New Zealand stay and contribute to the taxation base. Also, while based in New Zealand, working holidaymakers potentially attract additional international VFR visitors.

Given the seasonality of the industry that causes a year round fluctuation of employment levels across all sectors of the industry, it is difficult to accurately represent and fully understand the social impact of tourism employment data.

Part 2: SOI Survey 2016

This section of the report presents the key results of the SOI survey. Additional survey results (including a detailed sample description) and a copy of the survey questions can be found in the Technical Appendix. While 261 respondents completed the first questions of the survey there was some drop-off in responses throughout the survey and not all respondents answered the open-ended questions (n =number answering each question).

Sample description

The only respondent data collected in the survey described primary business focus (Table 1) and regional location (Table 2). The distribution of respondents by primary business focus was similar to that attained in the 2015 survey with accommodation providers representing the largest proportion of respondents (Table 1). The sample reflects the membership of TIA and the other organisation databases through which the survey was distributed. More detail of respondents in the 'other' category in Table 1 can be found in the Technical Appendix.

Table 1 Primary business focus

| Primary business focus ($n=261$) | Number | Percent |
|------------------------------------|--------|---------|
| Accommodation | 106 | 40.6 |
| Attractions & activities | 53 | 20.3 |
| Tour operator | 37 | 14.2 |
| Other | 20 | 7.7 |
| Transport | 19 | 7.3 |
| Promotion & marketing | 16 | 6.1 |
| Food & hospitality services | 7 | 2.7 |
| Retail | 3 | 1.1 |

The sample was almost equally split between the North and South Islands with the almost half of the total sample (48.7%, $n=127$) located in either Auckland, Otago or Canterbury (Table 2). One third of North Island respondents (33.3%, $n=43$) were located in Auckland with the combined Waikato/Bay of Plenty regions contributing almost another third (27.1%, $n=35$). Altogether, respondents from Otago (34.1%, $n=45$), Canterbury (29.5%, $n=39$) and Marlborough (21.2%, $n=28$) represented 85 per cent of the South Island sample (Table 2).

Table 2 Regional location

| North Island ($n=129$, 49.4%) | | | South Island ($n=132$, 50.6%) | | |
|---------------------------------|------|------|---------------------------------|------|------|
| | $n=$ | %* | | $n=$ | %* |
| Auckland | 43 | 16.5 | Otago | 45 | 17.3 |
| Waikato | 18 | 6.9 | Canterbury | 39 | 14.9 |
| Bay of Plenty | 17 | 6.5 | Marlborough | 28 | 10.8 |
| Northland | 15 | 5.7 | Nelson/Tasman | 9 | 3.4 |
| Wellington | 15 | 5.7 | West Coast | 6 | 2.3 |
| Taranaki/Manawatu-Wanganui | 13 | 5 | Southland | 5 | 1.9 |
| Gisborne/Hawke's Bay | 8 | 3.1 | | | |

*of total sample

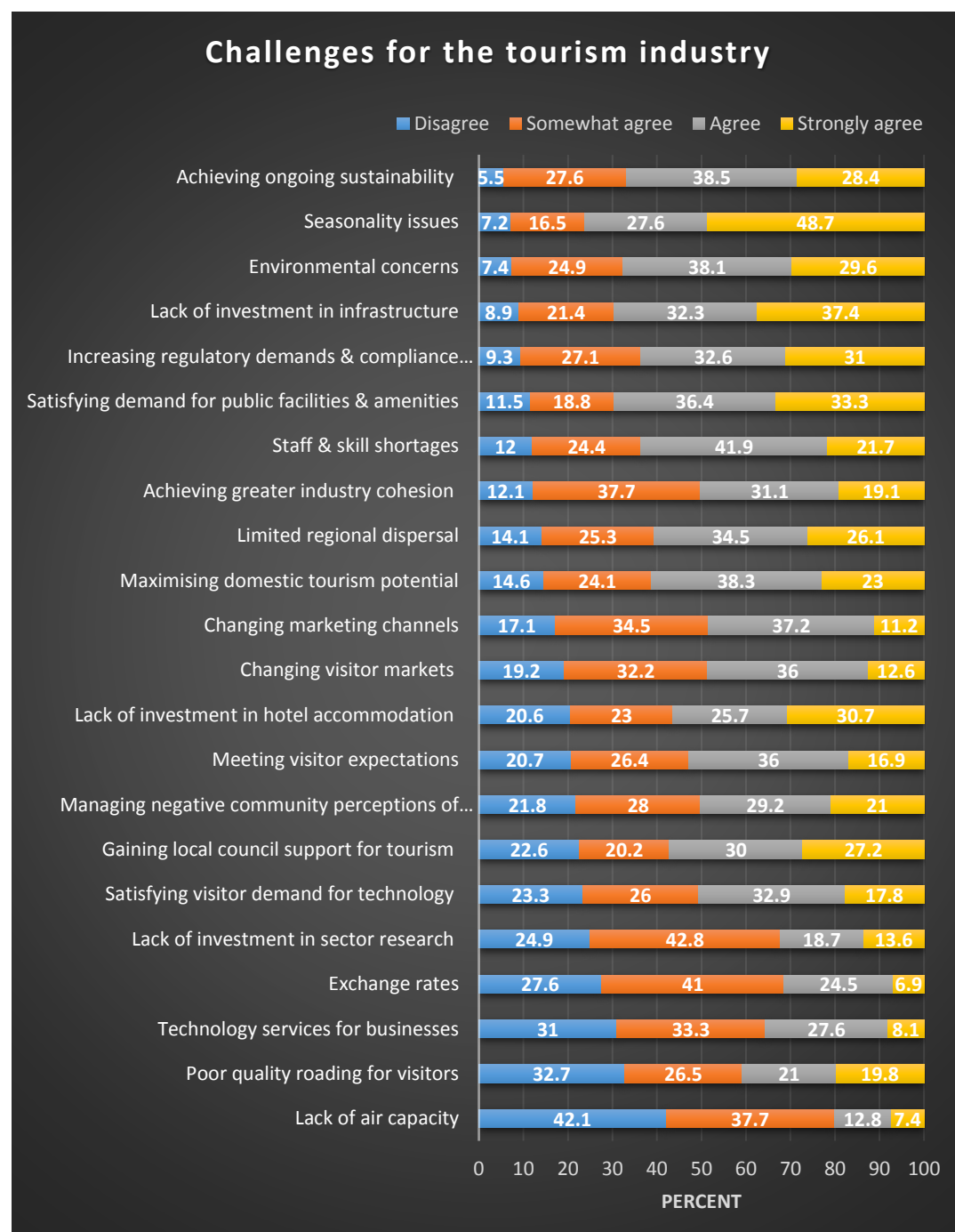
Challenges

Respondents were given a list of 22 tourism industry challenges and asked to indicate the extent to which they agreed or disagreed that each was a challenge facing the tourism industry. For ease of survey formatting the challenges were split into three groups with the number of respondents answering each set varying:

- Seven visitor-related challenges ($n=261$)
- Five business-related challenges ($n=258$)
- Ten operating environment challenges ($n=257$)

The combined results (i.e., all challenges) are presented as percentages in Figure 27.

Figure 27 Challenges for the tourism industry



The data in Figure 27 are ranked according to the level of overall agreement each challenge attracted, with the segments in blue showing the percentage disagreeing with each challenge. As Figure 27 shows, the challenge attracting most agreement (94.5%, $n=243$) was 'achieving ongoing sustainability' although 'seasonality issues', the second most agreed with challenge (92.8%, $n=242$), had a much higher level of strong agreement (48.7%). 'Lack of investment in infrastructure', 'satisfying demand for public facilities and amenities' and 'environmental concerns' also had a higher levels of strong agreement (37.4%, 33.3% and 29.6%, respectively) than did achieving ongoing sustainability (28.4%) (Figure 27). These results are reflected in the mean scores for each of the top six challenges (Table 3).

Table 3 Top six and bottom six challenges (measured by mean score)

| Challenge – top 6 | | Mean score |
|-----------------------------|---|-------------------|
| | Seasonality issues | 5.15 |
| | Lack of investment in infrastructure | 4.96 |
| | Achieving ongoing sustainability | 4.89 |
| | Environmental concerns | 4.88 |
| | Satisfying demand for public facilities and amenities | 4.85 |
| | Increasing regulatory demands and compliance costs | 4.81 |
| Challenge – bottom 6 | | |
| | Changing visitor markets | 4.29 |
| | Poor quality roading for visitors | 4.16 |
| | Lack of investment in sector research | 4.11 |
| | Exchange rates | 3.97 |
| | Technology services for businesses | 3.95 |
| | Lack of air capacity | 3.63 |

When ranked by mean scores, the bottom six challenges (Table 3) are also slightly different to those shown in Figure 27. 'Lack of air capacity' remains the challenge with the highest level of disagreement (and the lowest mean score) while 'changing visitor markets' had the sixth lowest mean score (despite being middle-ranked in respect of overall disagreement in Figure 27).

A comparison of the level of agreement with the 14 challenge items used in both 2015 and 2016 surveys is presented in the Technical Appendix (see Figure 28). The 2016 data indicates more agreement with challenges associated with limited regional dispersal (up 22.3%), maximising domestic tourism potential (up 13.3%), seasonality issues (up 12.4%), lack of investment in infrastructure (up 6.9%), environmental concerns (up 3.4%) and staff and skill shortages (up 3%). The two challenge items recording the largest falls in agreement in 2016 were exchange rates (down 32.9%) and changing visitor markets (down 19.8%).

Three specific challenge questions explored issues associated with changing visitor markets, maximising domestic tourism potential, and staff and skill shortages. The 2016 survey repeated the questions used in 2015 relating to domestic tourism and staff and skill issues (with only minor variations in the question items, described

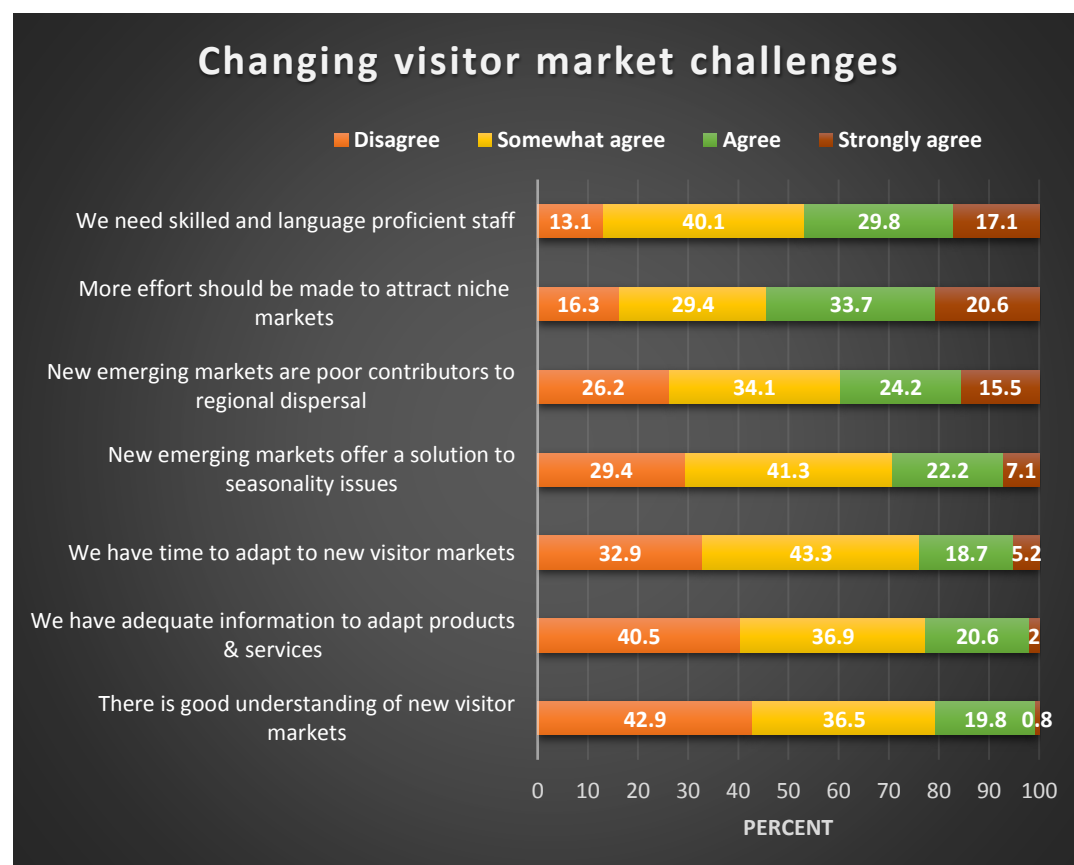
below). Although a series of questions were asked about experiences of changing markets in 2015, the 2015 survey did not include a specific question about these.

Changing visitor markets

Changing visitor markets was selected for more detailed examination on the basis of having attracted the highest percentage of agreement (68.4%) as an industry challenge in the 2015 survey (see Technical Appendix, 2015). Changing visitor markets were reported as a challenge by 211 respondents (80.2%) in 2016, indicating that this remains a significant challenge for the industry despite being only mid-ranked in the list of 22 challenges (Figure 27).

Survey respondents were presented with seven statements relating to changing visitor markets and asked to indicate the extent to which they agreed or disagreed with these. As Figure 28 shows, the items attracting the highest level of agreement were that 'we need skilled and language proficient staff' (86.9% agreed, 17.1% strongly) and that 'more effort should be made to attract niche markets' (83.7% agreed, 20.6% strongly).

Figure 28 Changing visitor market challenges



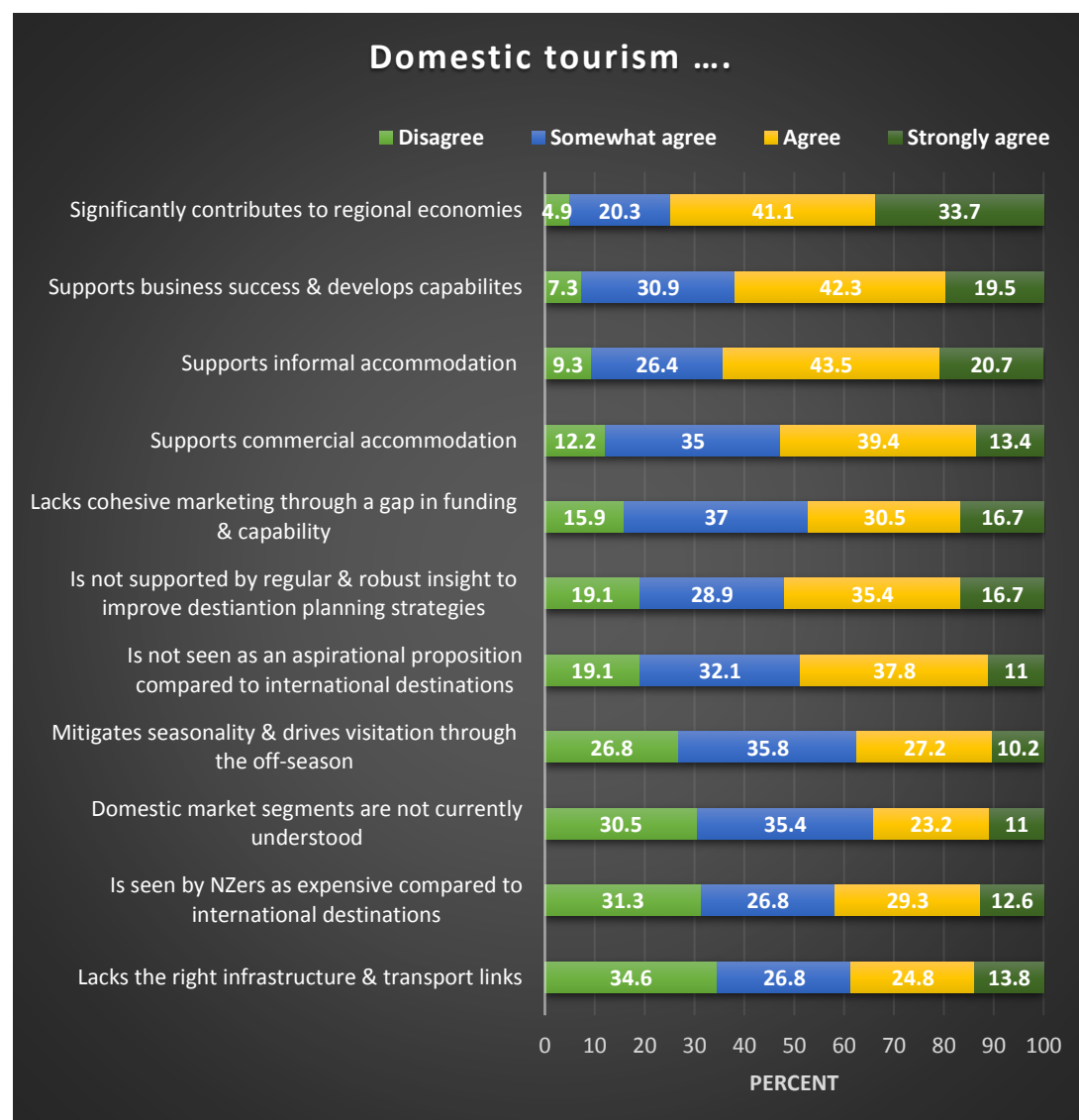
Around two-fifths of respondents expressed disagreement with the statements that 'there is good understanding of new visitor markets' (42.9% disagreed) and that 'we have adequate information to adapt products and services' for new visitor markets

(40.5% disagreed). A third of respondents (32.9%) also disagreed with the statement that 'we have time to adapt to new visitor markets' (Figure 28). For all these items, however, the majority of respondents reported that they only 'somewhat disagreed'.

Domestic tourism

This question followed the same format as the domestic tourism question employed in 2015 with the individual statements differing only slightly in 2016 (from those used in 2015). 'Domestic tourism supports informal accommodation' and 'domestic market segments are not currently understood' were added in 2016, whilst the 2015 item 'provides opportunities to target niche markets' was not included. The data in Figure 29 are ranked according to the level of overall agreement each domestic tourism statement attracted, with the segments in light green showing the percentage disagreeing with each statement.

Figure 29 Maximising domestic tourism potential



In 2016, the domestic tourism statements attracting the highest level of agreement were that it 'significantly contributes to regional economies' (95.1% agreed, 33.7%

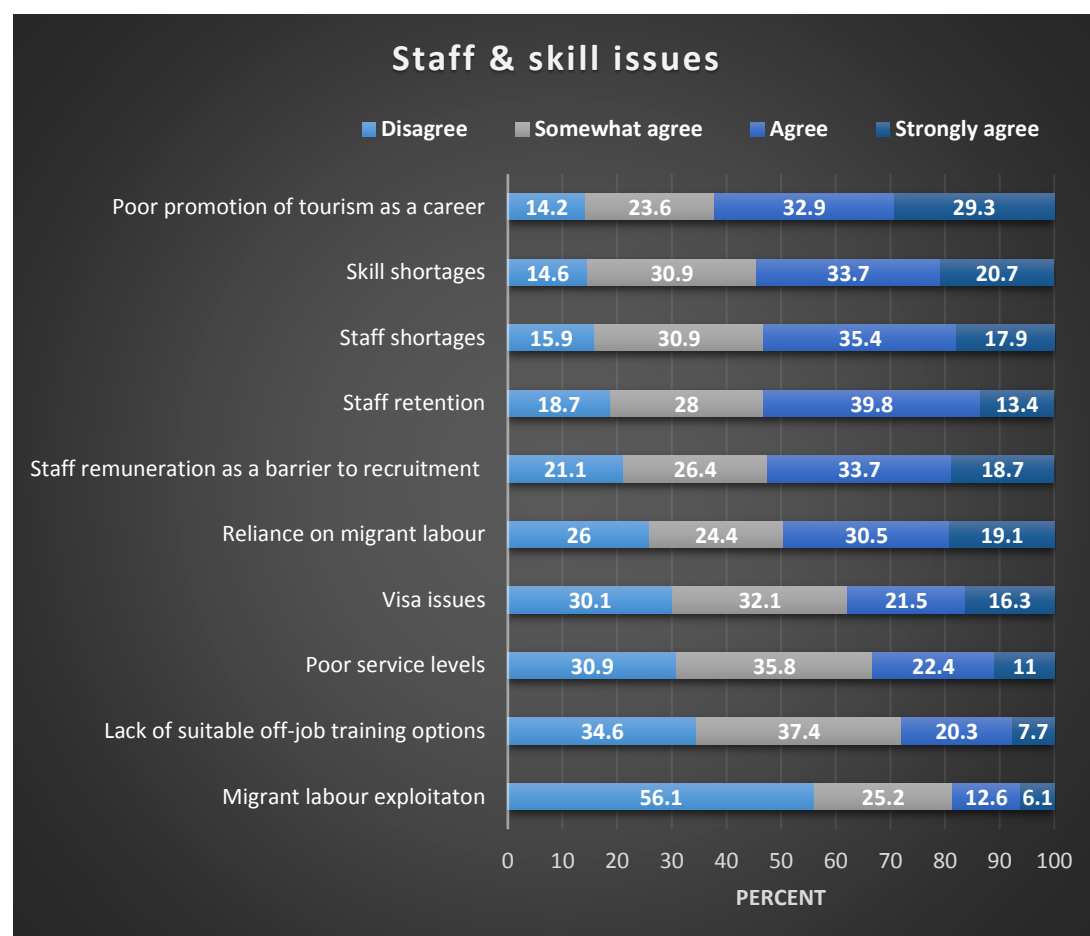
strongly), 'supports business success and develops capability' (92.7% agreed, 19.5% strongly) and 'supports informal accommodation' (90.7% agreed, 20.7% strongly) (Figure 29). The highest level of disagreement was with the statement that 'domestic tourism lacks the right infrastructure and transport links' (34.6% disagreed).

A comparison of results from 2015 and 2016 shows that the biggest increase in agreement was with the statement that domestic tourism is 'not supported by regular and robust insight to improve destination planning strategies' (up 12.3%). The biggest decrease was with agreement that domestic tourism 'mitigates seasonality and drives visitation through the off-season' (down 19.6%). See Technical Appendix (Figure 29) for more detail.

Staff and skill shortages

This question followed the same format as the staff and skill question employed in 2015, with the individual items differing only slightly. The 2015 items 'workforce capacity' and 'workforce flexibility' were not included in 2016, while 'skill shortages' and 'lack of suitable off-job training options' were added.

Figure 30 Staff and skill issues



In 2016, the staff and skill issues attracting the highest level of agreement were 'poor promotion of tourism as a career' (85.8% agreed, 29.3% strongly), 'skill shortages'

(85.4% agreed, 20.7% strongly) and 'staff shortages' (84.1% agreed, 17.9% strongly) (Figure 30). The issues attracting the lowest level of agreement were 'migrant labour exploitation' (56.1% disagreed) and 'lack of suitable off-job training options' (34.6% disagreed).

When compared with 2015 results the biggest increase was that 'reliance on migrant labour' (up 11.3%) was an issue while the only issues attracting a fall in agreement were 'poor service levels' (down 25.7%) and 'staff remuneration as a barrier to recruitment' (down 1.9%). See the Technical Appendix (Figure 30) for more detail.

Opportunities

In 2015 respondents were provided with an 'opportunity' list (similar in format to the challenge question). This opportunity list was developed from interview data collected in previous SOI research (SOI 2011, 2012). In order to update perceived opportunities, the 2016 survey asked respondents to report what they thought to be the biggest opportunities in the current tourism industry via an open-ended question. Altogether, 143 respondents (55%) provided opportunity data.

The opportunities reported can be described within seven broad topic areas although the considerable overlap between these makes quantification difficult. The majority of opportunities reported related to markets and to messaging, followed – to a lesser extent – by those relating to infrastructure/support, the visitor experience, environmental issues, regional dispersal and seasonality. More detail and examples of the opportunities reported in each category are provided below.

There were mixed views about which markets presented the greatest opportunity with respondents reporting opportunities associated with:

- Higher value markets (e.g., *'value added rather than bulk', 'high end market', 'high end North American', 'Latin America luxury market'*)
- Particular niche markets (e.g., *'baby boomers, from developing countries', 'domestic baby boomers', 'cruise ships', 'current small niche markets such as the Baltic States, Eastern Europe and South East Asia'*)
- China and other emerging markets (e.g., *'the FIT Chinese market', 'Asian markets – particularly China and India', 'new emerging markets'*).
- Traditional markets (e.g., *'USA, Europe, Australia', 'protect traditional markets', 'support from bread and butter – Germany, Holland'*).

Some respondents, however, highlighted risks associated with continued reliance on traditional markets (e.g. *'exploring new markets to mitigate risks', 'reduce reliance on European long-haul'*).

There were a number of opportunities associated with the current boom in visitor arrivals (e.g., *'make most of current boom', 'make the most of increased air capacity', 'use current volume to market test for future', 'general growth in both numbers and spend', 'tourist numbers and a buoyant industry'*) and market opportunities for future growth (e.g., *'in growth phase – maximise our yields and reinvest in business', 'increased flight lengths will open new markets'*).

The majority of opportunities relating to a 'messaging' theme referred to the overall promotion of New Zealand as a destination which offers visitors:

- Safety (e.g. *'promote NZ as a safe and exciting place', 'safe destination', 'accurately market as a safe and stable environment'*)
- Natural environments (e.g., *'promote great natural beauty', 'market marine environment', 'focus and promote environmental achievements to global market place'*)
- Distinctiveness (e.g., *'New Zealand marketed as an exclusive country', 'market as a premium destination', 'New Zealand is hot around the world right now'*)

Other messaging opportunities included those specifically associated with some of the key challenges identified elsewhere in the survey:

- Seasonality (e.g., *'creating off-season demand', 'more shoulder season promotion', 'encourage shoulder-season travel', 'present NZ as a 12-month destination'*)
- Regional tourism (e.g., *'give TNZ a mandate to boost regional tourism', 'inform traditional markets of what else there is within an hour of Queenstown', 'priority marketing for regions', 'promote small towns and the real New Zealand', 'encourage people to go beyond the hotspots'*)
- Domestic tourism (e.g., *'domestic – encourage people to travel locally', 'more domestic promotion', 'destination marketing for domestic tourism – especially North to South Island', 'form a domestic tourism alliance to promote/understand domestic tourism without the distraction of international visitors', 'promotion of "don't leave home until you have seen you own country"'*)
- Employment (e.g., *'making the most of tourism's #1 status to change career perceptions', 'promotion and employment of New Zealanders in the industry'*)

A range of additional opportunities associated with infrastructure and tourism industry support were identified with funding/investment both standing alone and featuring as a key theme across each of the other categories described below:

- Funding/investment (e.g., *'sort out stand-off over who pays', 'increase returns', 'current opportunity to invest in people and products while the boom is on', 'proactive investment in public infrastructure', 'introduce a tourist funding fee'*)
- Accommodation (e.g., *'hotel development', 'improve and build new hotels in the regions', 'get Christchurch up and running, particularly hotels', 'build more assets to host visitors'*)
- Air services (e.g., *'air connectivity', 'get all new international flights to Christchurch', 'air capacity to carry bikes and between cycling destinations', 'grow air links'*)
- Staffing (e.g., *'train staff properly – leading to good service', 'employment opportunities of New Zealanders if levels raised', 'promoting job satisfaction and lifting wages'*)

- Attractions and product development (e.g., *'investment in existing attractions', 'investment in new attractions', 'increase genuine cultural tourism product'*)
- Destination management (e.g., *'managing capacity in main season', 'get councils to be more supportive', 'develop infrastructure at regional level', 'more gigatowns'*)

A number of respondents reported opportunities associated with the visitor experience with some describing broader experience characteristics and others specifying niche or specific types of visitor experience:

- Broad experience (e.g., *'challenging, but not scary, activities', 'alternative languages available in museums', 'creating positive memories for the tourist', 'focus on quality of the visitor experience', 'providing exceptional service to international and domestic tourists', 'maintain a consistent standard of experience over the next 20 years', 'get geared up for China'*)
- Specific experiences (e.g., *'nature tourism', 'cycling tourism', 'promote as a biking destination', 'food and wine tours', 'discovering niche products that tourists want', 'need a broader range than adventure tourism', 'tailoring product to high end niche markets'*)

The majority of environment-related opportunities related to improving environmental performance, managing New Zealand's natural resources in an environmentally sustainable way with several specific references to increased DOC funding (e.g., *'funnel some income to DOC', 'charge for DOC resources'*). Associated with this were references to better regulation of freedom camping (e.g., *'get rid of freedom camping in towns', 'freedom camping should be self-contained camping'*) and visitor pays options (e.g., *'visitor pays to stay in a clean environment', 'keep away from cheap markets'*). The importance of the natural environment to the visitor experience was noted by some, with specific references to it being *'safe', 'unique'*, potential for *'eco-tourism'* and opportunities to showcase New Zealand's *'environmental friendliness'*.

While regional dispersal featured as an opportunity in respect of both messaging and infrastructure there were also a number of specific references to regional opportunities. The majority of these were simple generic statements (e.g., *'regional dispersal', 'spread international visitors across regions', 'more regional distribution'*). In others, specific destinations and/or visitor types were identified (e.g., *'the Wairarapa', 'linkages to secondary destinations such as Te Anau from Queenstown', 'reduce reliance on Auckland-Queenstown route', 'convince Asian market about regions'*).

Opportunities relating to addressing seasonality challenges were identified in respect of both international and domestic visitors (e.g., *'spread international visitors across seasons', 'securing the domestic market in the off-season'*) and with specific reference to marketing (e.g., *'harnessing AirBnB and Trip Advisor to spread seasonality and moderate market demand'*) and *'maximising revenue in shoulder and off-seasons'*.

As noted above, the decision to explore ‘opportunities’ via an open-ended question related to concerns around the continuing relevance of opportunity data collected in 2011 and 2012. Some of these previously identified opportunities were incorporated in the 2016 questions (rephrased as challenges). The 2016 data suggests that the realisation of ‘increased visitor arrivals’ (a key previous opportunity) has both served to exacerbate some challenges and introduce new opportunities (in order to mitigate these challenges). Infrastructure opportunities, for example, have extended beyond the construction of convention/conference centres, hotels and new attractions to more mundane public facilities and amenities able to adequately cater to current visitor numbers. The 2016 data shows continuing (unrealised) opportunity with respect to improving seasonality, regional spread and domestic tourism and in respect of attracting niche markets. Of the niche markets noted previously, the best performing (in respect of no longer featuring as opportunities) were cycle tourists and cruise. The adoption of social media and IT technologies was also not mentioned in 2016, suggesting improvement in this area. The environment featured as a key (new) opportunity in 2016 as an important destination draw card, albeit with some concern around New Zealand’s current environmental performance.

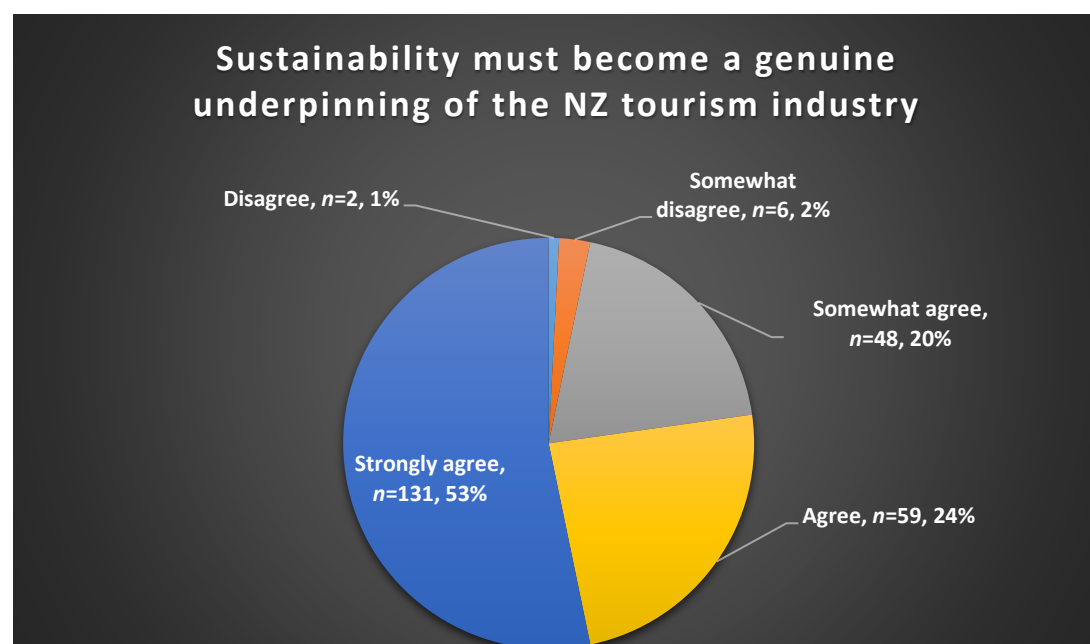
Sustainability

In order to understand the importance of sustainability, respondents were asked to indicate the extent to which they agreed or disagreed with the statement:

“Sustainability, in terms of economic, cultural, social and environmental sustainability, must become a genuine underpinning of the New Zealand tourism industry”.

Almost all respondents (96.7%, $n=238$) agreed with this statement, with more than half (53%, $n=131$) strongly agreeing (Figure 31).

Figure 31 Importance of sustainability



Components of sustainability

In a follow-up question respondents were asked to rate the importance of each of the individual components of sustainability by allocating a percentage value to each component (so that the overall sustainability total added up to 100%).

The following description of the each component (based on definitions used in Tourism 2025) was provided:

- *Economic* – profitable and viable businesses operating long term, with the capacity to act on opportunities that emerge
- *Environmental* – ensuring that the tourism industry both protects and champions the environment on which it is reliant
- *Cultural* – showcasing our unique culture to enhance visitor experience and create opportunities for Maori and non-Maori
- *Social* – making sure that tourism has the support of the New Zealand public

Economic sustainability was rated the highest with a mean score of just under 36 per cent (Figure 32). Together, economic and environmental sustainability attracted almost two-thirds (65.88%) of the possible rating allocation, with the remaining third split almost equally between social (17.26%) and cultural (16.87%) components (Figure 32). The lower score for these components may have been impacted by their presentation as distinct components (i.e., cultural and social sustainability components are often combined).

Figure 32 Sustainability components – mean scores

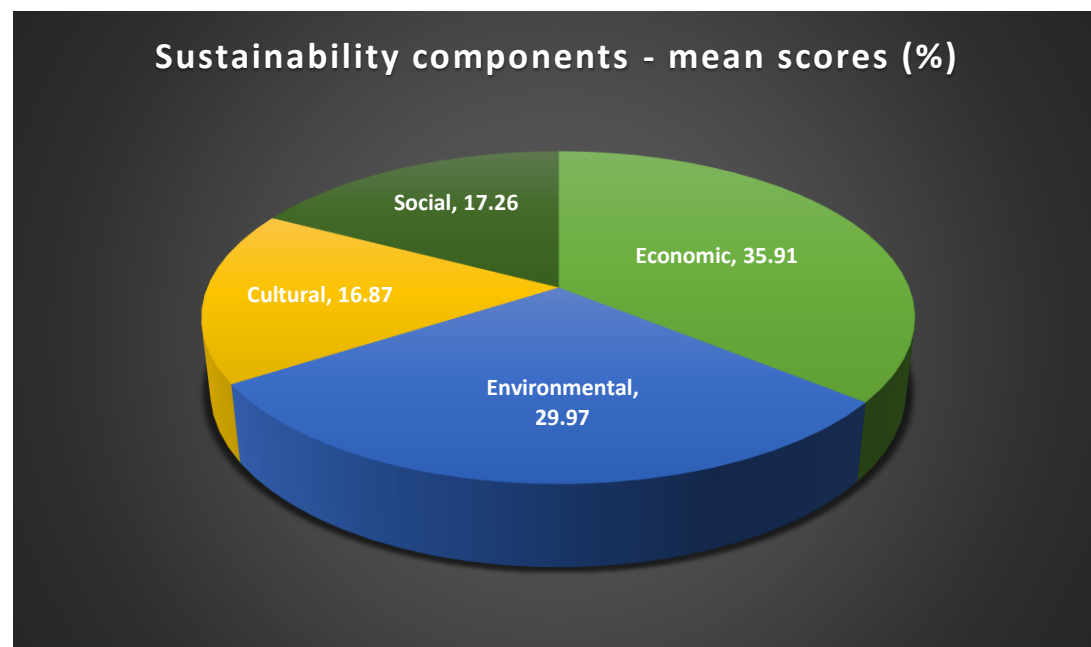
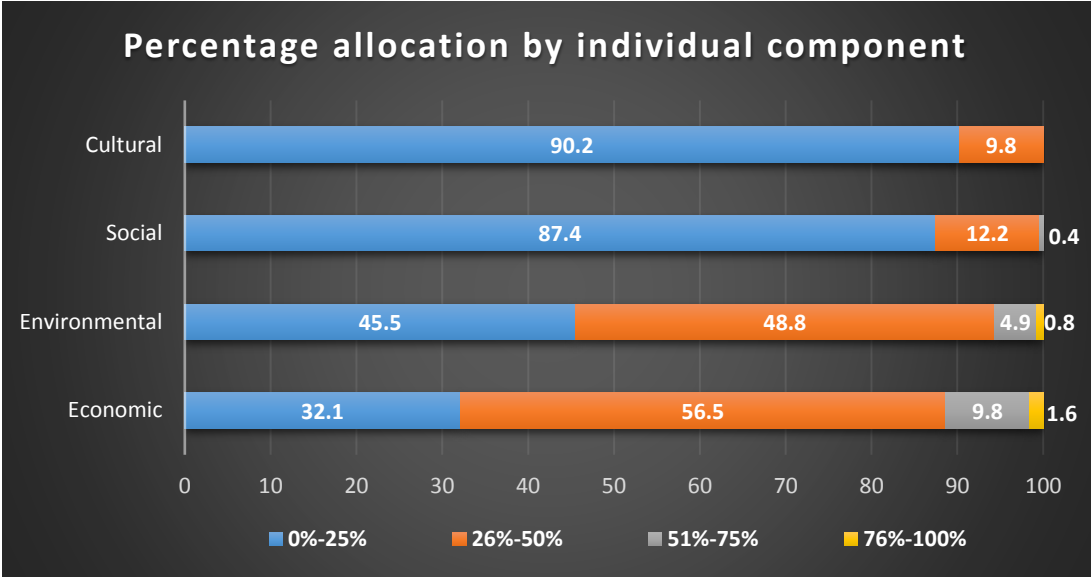


Figure 33 shows the distribution of allocated scores divided into four quartiles and the percentage of respondents reporting each. Within the overall drivers economic objectives are held the most strongly. As Figure 33 shows economic sustainability was given a rating of more than 25 per cent by two thirds of respondents (67.9%)

compared with slightly more half of respondents (54.5%) rating environmental sustainability more than 25 per cent. Social and cultural sustainability components were given rating scores of more than 25 per cent by only 12.6 per cent and 9.8 percent of respondents, respectively.

Figure 33 Percentage allocating quartile scores for each individual component



Additional comments

A final question asked respondents if they had any further comments to make with respect to the *State of the Tourism Industry* in 2016. Altogether, 83 respondents (32%) provided additional feedback. These comments addressed the diversity of business and people involved in, and affected by, tourism activity. Key themes to emerge largely reinforced previous data describing pressures on both infrastructure and the natural environment, visitor numbers straining capacity in tourism hot spots whilst regions miss out, the ongoing challenges associated with defined seasonal demand and overall threats to tourism sustainability. These themes – supported by survey data – are discussed in the synthesis section below.

Part 3: Synthesis

The SOI survey was designed to examine the state of the tourism industry from an on-the-ground perspective of those working in the industry. As such, it sits under the umbrella of the high level, top-down visitor data collected at the national level. In some instances the survey data stands alone as it explored issues not captured in the collection of available visitor data. This 'synthesis' section draws on both data sets and presents a discussion relating to four key areas: the market mix, seasonality, growth in arrivals and sustainability.

The market mix

The national level data present a detailed overview of international visitors to New Zealand providing information on where they come from, their main purpose of visit, and length of stay and spend. These data show that almost three quarters (73.5%) of international visitors to New Zealand originate from six main markets. In 2016, the top three markets – Australia, China and USA – provided 62% of all international arrivals to New Zealand (up from 61% in 2015). As a percentage of all arrivals, however, the Australia market was down, the Chinese market was up and the USA market held steady in 2016.

In the 12 months to March 2016, arrivals from China grew by 27.8% while international arrivals increased overall by 10.5%, with the USA and Germany the only other markets to perform above this average. Over the last decade Chinese arrivals have grown from 4.7% (in 2007) to represent 11.6% of arrivals. China has the highest percentage of holiday/vacation visitors (77%, compared with 51% overall) and the lowest percentage of business visitors (3%, compared with 8% overall). For all travel purposes, the China market has the shortest (equal with Japan) median stay of only six days.

For all international arrivals, the fastest growth has been in Asian markets (19.5%) with the Philippines, Korea, Hong Kong and India performing well. This growth is facilitated and supported by increases in air capacity, the impact of which can be clearly seen in growth of visitors from the Philippines (Figure 19, Technical Appendix). However, for the majority of markets outside the top six, arrival numbers remain small and as reported in 2015, concentration within limited number of markets remains a challenge.

The survey data showed that 80.2% of respondents agreed that changing markets was a challenge although the level of agreement with this was relatively weak (e.g., only 12.6% strongly agreed and this item had the sixth lowest mean score of the 22 challenge items). Survey responses to a specific question about changing markets indicated that the most significant concern was associated with being able to 'supply skilled and language proficient staff'. Given the increase in visitor arrivals from China (which presumably present significant language challenges) it might be better to refine this question (into two separate challenges) in future survey iterations.

The second most significant challenge relating to changing markets was that 'more effort should be made to attract niche markets'. This item attracted the highest

percentage of strong agreement. The only specific niche market data reported in Part 1 of this report relates to the cruise, convention/conference and education markets. Of these, cruise was the only one to have seen a significant increase in arrivals in the past year (up 26%) with spending from cruise visitors concentrated in the Auckland (46%) and other major ports. Survey data (collected in response to the open-ended opportunity question) described a wide range of potential niche markets including high value markets, baby boomers, cruise, eastern European, FIT Chinese, India, and 'bread and butter' traditional markets from Europe. It is notable that a wide variety of criteria are used to define niche markets (e.g., spend characteristics, age, origin, travel style, interests, and so on) and it would be useful in future surveys to examine these more carefully. It would be interesting, for example, to ask what respondents mean by high value markets.

The survey data also suggest that there are some concerns in the industry around level of preparedness for new visitor markets (in respect of having time and adequate information to adapt products and services) although there was slightly less concern in respect of overall understanding of new markets. This may be because of increasing exposure to the Chinese market although responses may also be impacted by what appear to be mixed views as to whether China is still considered as a new and emerging market. The significant growth Chinese arrivals (up 27.8% compared with 22% in the previous year) suggests that it may be time to rethink perceptions of China as a new and emerging market. China has held its position as second largest key market since 2013 and represents an increasing proportion of all international arrivals. There also appear to be some concern that focusing marketing and new development on new markets could negatively impact on the still important traditional markets. More than two thirds of survey respondents also agreed that new emerging markets are poor contributors to the regions.

In contrast, the domestic market is potentially of greater value in the majority of regions. The RTE data reported in SOI 2015 showed that domestic expenditure dominated in all regions except for West Coast and Otago. Figure 18 in this report (and Figure 21 in the Technical Appendix) shows the domestic accommodation percentages (by RTO) and clearly indicates the importance of domestic tourism to the regions. In spite of historical patterns indicating that informal accommodation (e.g., VFR stays, holiday homes) attracts a high percentage domestic travellers, domestic travellers accounted for 59% of all commercial guest nights in 2016. They also represented 15% of cruise passengers. However, the number of New Zealand residents departing for overseas trips have also increased by 29% over the last ten years (Figure 2). The survey explored attitudes to domestic tourism and there was a high level of agreement that domestic tourism significantly contributes to regional economies (34% strongly agreed). With respect to accommodation, there was slightly higher level of agreement that domestic tourism supported informal accommodation (e.g., Airbnb, holiday homes) over commercial accommodation.

However, 85% agreed (23% strongly) that maximising domestic tourism potential was a challenge, with the majority agreeing that there was a need for greater market insight in respect of destination planning strategies (80% agreed) and better

understanding of domestic markets (70% agreed). Altogether, 84% agreed that there was a lack of cohesive marketing for domestic tourism. There was less concern around infrastructure issues associated with the domestic market with only 65% agreeing that there was a lack of the right infrastructure and transport links for domestic tourism. While almost three quarters (73%) of survey respondents agreed that domestic tourism mitigates seasonality, only 10% expressed strong agreement with this.

Seasonality

The data show defined seasonality patterns for international visitor arrivals with 13.7% of all international arrivals in December and 35.7% arriving between December 2015 and February 2016 (inclusive). While this pronounced December-February arrival concentration was the same as the previous year, March arrivals have increased over the last ten years (10.6% in 2016, compared with 9.5% in 2006). The effect of the timing of movable events (such as the Chinese New Year and Ramadan) can be clearly seen in arrival data. The Chinese market, for example, had a significant February peak (14%) in the year ended March 2016 (although in 2015 the February peak was 19%). The 2016 July peak for arrivals from Indonesia (linked to Ramadan) can be seen in the graph in the Technical Appendix. While India provides a useful shoulder season arrival market (May, 11%, linked to the monsoon) the peak month for Indian arrivals is December (13%). These data suggest that the changing visitor mix is doing little to address seasonality issues.

The survey data also show that seasonality issues remain the most significant challenge for the tourism industry with 94.5% agreeing that seasonality was a challenge (and 48.7% indicating that they strongly agreed). As noted above, seasonality was also highlighted as an issue with respect to domestic tourism. Seasonality was identified in survey data as an opportunity (in respect of both domestic and international demand) with a number of respondents suggesting that off-season demand might be created, promoted or encouraged. As three respondents explained:

We need the continued commitment to develop year round viable tourism businesses. We cannot survive on six months of profits and emerging markets. The close destinations of Asia and Australia, domestic and group markets need to be developed and encouraged to travel in the shoulder and off seasons to make viable year round businesses.

We just need to try and spread the tourism visitors out more into the shoulder periods/off season as capacity is being hit, which leads to a bad tourism experience when they can't find places to stay. If they can be encouraged out of the central summer period it will lead to a better experience for them, as well as [being] better for accommodation operators in terms of revenue.

There is plenty of capacity in New Zealand if we can follow the lead of the Chinese and come out of season and come to the regions.

We need the Australian and domestic market to do this now. I work in a large tourism operation in Dunedin and we can carry four times the number of people we carry at present.

There were also several references to a need to moderate market demand or better manage capacity in the high season.

Growth in arrivals

A highlight in both the national level visitor data and the survey data is the growth in international arrivals in the last year (up 10.4% compared with 7.1% the previous year). The survey data identified a number of significant challenges arising from this growth, some related to capacity management (as noted above) particularly in respect of pressure on infrastructure. Two infrastructure items (lack of investment in infrastructure and satisfying demand for public facilities and amenities) attracted high levels of agreement as challenges (with more than a third of all respondents strongly agreeing that these were challenges). However, survey respondents also suggested a wide range of opportunities associated with infrastructure and tourism industry support, with funding (both public and private) and potential for new developments (in accommodation and attraction and new tourism products) prominent.

While improved air connectivity was also noted as an opportunity, lack of air capacity had the lowest mean agreement score as a challenge for the industry and has possibly been partially mitigated by increases in seat capacity (both to date and planned) (see Figure 5, Technical Appendix). However, survey data suggest that regional services and international services to Christchurch remain an issue. There was also underlying concern with the extent of regional spread more generally – as Figure 18, shows only five RTO regions (all in the South Island) reported a higher percentage of international accommodation (than domestic). As one respondent explained:

More effort needs to be given to other regions of New Zealand in promotion, not just the usual Queenstown, Rotorua, Fiordland etc.

Air NZ also needs to lower its domestic rates to then encourage more domestic tourism. It's actually cheaper for New Zealanders to fly to Australia than in their own country.

The issue is to change the mind-set of the people selling tourism products, to engage New Zealand as a country and not a few 'locations'. The lack of foresight creates regional disparity and hence the ability to sustain growth in tourism is related directly to the capacities of a region. Helping local tourism expand in regions such Coromandel, Bay of Islands, Marlborough etc, will provide greater understanding of the NZ landscape. By simply focusing upon a few 'places' the environment becomes stale.

Another pressure point associated with the growth in international arrivals was staff and skill shortages (which 88% of respondents agreed was a challenge). While the

number of people employed in tourism has increased over the past 12 months the staff and skill issue items to attract the most increase in agreement (compared with the same question in 2015) was reliance on migrant labour, suggesting that attracting New Zealanders to the industry remains a concern. As reported in Part 1, 65,220 people were approved under working holiday schemes in 2015/16, many of whom are likely to be employed in the tourism industry during their New Zealand visit. The item attracting the highest percentage of strong agreement (29%) was 'poor promotion of tourism as a career' and this also featured as a messaging opportunity (particularly associated with the #1 status of tourism within the economy). As the export data showed (Figure 21) international tourist expenditure surpassed dairy receipts in 2016. One respondent provided the following additional comment:

We do not have the infrastructure to support the current rate of growth. It is near impossible to secure quality hotel space in many popular regions months in advance of group arrivals ... and at an economic level. (We have been in business for 27 years and for the first time ever that this is causing us major problems.) Likewise, tour coaches (and capable drivers) are in short supply, especially during the Nov - March period. Other resources such as restaurants, attractions are all oversubscribed in these peak months. Food prices are through the roof and restaurant staff often inexperienced and unsophisticated.

Sustainability

The survey data showed that sustainability – in addition to seasonality and infrastructure issues – remains a pervasive concern for the tourism industry. 'Achieving ongoing sustainability' attracted the highest level of overall agreement (94.5% agreed) as a challenge while 'environmental concerns' attracted 92.6% agreement and were perceived to be a challenge by a larger percentage of survey respondents than in 2015. The opportunity to improve New Zealand's environmental performance through better funding options and management was suggested and the importance of the natural environment as an attraction – and potential to increase messaging relating to this – was also noted.

Sustainability was also explored via two specific survey questions. The first of these asked respondents to indicate their agreement with a statement describing the importance of sustainability and more than half of all respondents strongly agreed that '... sustainability must become a genuine underpinning of the New Zealand tourism industry' (Figure 31). Altogether, only 3.3% of respondents disagreed with the statement. The complexity of 'sustainability' was highlighted in both the rating scores given to individual components of sustainability (with more or less equal distribution between economic, environmental and 'people' components) in the second 'sustainability' survey question, and in some of the final survey comments:

The tourism industry is not sustainable at the moment. The ongoing cost to small tourism business with meaningless nonspecific audits, ongoing employee cost and the huge cost of local government and the non-action of non-paying freedom campers is not going to work. Something needs to be done before people get hurt and it tarnishes NZ's reputation.

I think social sustainability is about more than making sure tourism has the support of the NZ public - it is also about ensuring that tourism is win-win for communities and that tourism operators actively contribute to the sustainability of the communities in which they operate. Similarly, cultural sustainability is more than promoting our unique cultural aspects - it is also about the authenticity of those experiences, and ensuring that the cultures being promoted and showcased are actively involved in developing, delivering and benefiting from that tourism.

In part this complexity relates directly to the diversity of economic sectors involved in tourist activity, and the extent to which tourism impacts spread throughout the economy and society. As one survey respondent noted:

Creating a sustainable environment for all is the ultimate goal. Teaching visitors about the importance of this whenua to all of us. Value the land, the people, the environment and all of the exciting adventures that we can have here. New Zealand as a whole should win, the visitors should go away with a fantastic experience of this land and its people. The operators should be able to be profitable, but also play a key part in contributing to the greater success story of NZ. If operators and staff are happy and invested, surely the visitor gets an even better experience.

Tourism insights

This report presents trends that describe high level changes in New Zealand tourism over the last ten years. These ‘top-down’ data are supported by ‘bottom-up’ data, collected via a survey of businesses and organisations involved in tourism. Together, these data sets illustrate both the diversity and spread of tourism in New Zealand. Many of the additional survey comments – quite rightly – challenged using a survey format as a means to collect data which illustrate issues and challenges relevant across all facets of such a diverse industry. As one respondent noted *‘the challenges facing holiday parks or hostels are very different to those facing 5 star hotels or roadside motels’*. Others noted the variations in issues (and impacts) related to location and to the nature of engagement/involvement in the industry, with many of the challenges and opportunity responses reflecting particular respondent’s own experience. As one respondent wrote:

The challenges facing different regions are quite diverse in nature, however, there needs to be cooperation between the various regional bodies promoting their region rather than competition.

The broader positioning of tourism within New Zealand society, including its importance to New Zealanders as tourists themselves, in respect of its contribution to community wellbeing was a strong theme in the survey data. Seasonality issues, including those resulting from high season capacity pressures, are creating problems in respect of infrastructure. The freedom camping issue (which featured throughout the survey data) was raised with respect to funding models, pricing regimes, sustainability challenges and social impacts. Regional inequality – in respect of visitor numbers, infrastructure provision, funding and tourist promotion – appears entrenched. The challenge for the tourism industry, as ever, relates to the allocation of resources, questions of responsibility, and varying capacities and willingness to meet these. The following three quotations summarise these issues:

The regions' infrastructure is under pressure from tourism. Small TAs with small rating bases need central government support to be able to play their role in achieving Tourism 2025 goals.

I fully support the 2025 tourism strategy and would like to point out that the ongoing freedom camping issue does not support the 2025 strategy. My belief is that all freedom camping should occur outside of all urban areas. It is a third world experience and does not fit in our 100% pure vision. It is of national concern and needs to be addressed by national government rather than local government as there are too many different bylaws making the issue totally confusing, especially for our international guests. This should be seen as a very poor visitor experience at a national level and can be so very easily fixed.

A lot of government financial resources appear to be spent on so-called improvements to tourism industry data / research when in fact the quality and range of data available appears to be reducing. 10-20 years ago there was a better range of data and forecasts

available - for international and domestic visitor markets, for all regions in New Zealand, by type of visitor, including overnight and day visits, length of stay, and visitor nights. Almost none of this information is now available.

Overall, the survey findings add a nuanced and human dimension to the numerical data generated via the IVS, the TSA and the Regional Tourism Estimates and go some way towards mitigating the issues associated with the granularity of these tourism datasets. While our synthesis section represented an attempt to integrate these statistical data with an empirical survey dataset it also highlighted a number of areas that would benefit from additional empirical research-generated insight.

References

Cruise New Zealand (2016). Summary report: Economic impact of the 2015-2016 cruise sector in New Zealand and Forecasts to 2018.

Technical Appendix to State of the Industry 2015

<http://tourism2025.org.nz/assets/Uploads/Technical-Appendix-SOI-2015Final.pdf>

Data sources

Australian Bureau of Statistics (2016)

Cruise New Zealand (2016)

MBIE (2016). International Visitor Survey (IVS), Regional Tourism Estimates (RTE)

Statistics New Zealand (2016). International Travel and Migration (ITM), Linked Employer-Employee Data (LEED), Tourism Satellite Account (TSA), Accommodation Survey

Fresh Information Company (2016). TIA hotel data

SABRE-ADI (2016). Air passenger capacity data.

Tourism New Zealand (2016). Experience Monitor