New Zealand Tourism State of the Industry 2017

January 2018

TOURISM INDUSTRY AOTEAROA

WelTec
Te Whare Wānanga o te Awakairangi

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METHODOLOGY

The New Zealand State of the Industry report references data from Stats NZ which include but are not limited to the Tourism Satellite Account (TSA), International Visitor Survey (IVS), Commercial Accommodation Monitor (CAM).The majority of the data that is presented in this report is for the year ending March 2017; with the major exceptions being the Visitor Experience (YE June, 2017), Dispersal of International Spending (YE August, 2017) and Stats NZ cruise data (YE June, 2017).

In addition to these data sets an online survey was distributed to the databases of Tourism Industry Aotearoa, Holiday Parks New Zealand, Backpacker, Youth & Adventure Tourism Association, Youth Hostels Association, New Zealand Airports Association, New Zealand Maori Tourism and Regional Tourism Organisations New Zealand.The survey was structured around 16 questions with respondents given the ability to provide comments on most of the sections.
The survey was distributed through the Survey Monkey platform and respondents were given three weeks to complete the questions. In total there were 420 responses to the survey but only 354 participants fully completed the survey. The analysis in this report only includes data from the 354 fully completed survey responses.

Additionally, data taken from UNWTO, World Economic Forum, MBIE, Stats NZ, TIA, Tourism New Zealand, World Travel & Tourism Council and New Zealand Cruise Association has been used.

Tourism 2025 Scorecard > 2017

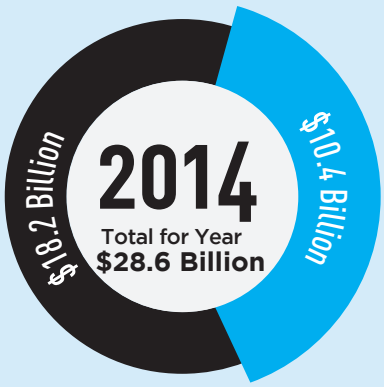
The Aspirational Goal: $41 Billion total tourism revenue in 2025

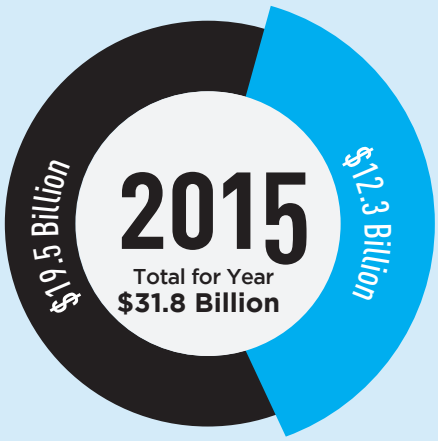
Target for Value

Tourism Expenditure

Source: Tourism Satellite Account
YE March 2017

Domestic | International



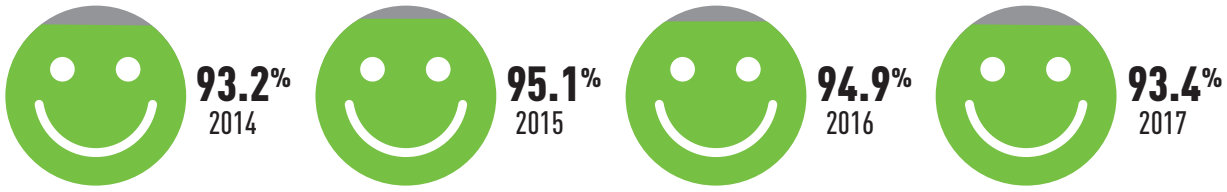


Visitor Experience

Maintained

Met or exceeded expectations

Source: International Visitor Survey
YE August 2017



Connec

International Seats

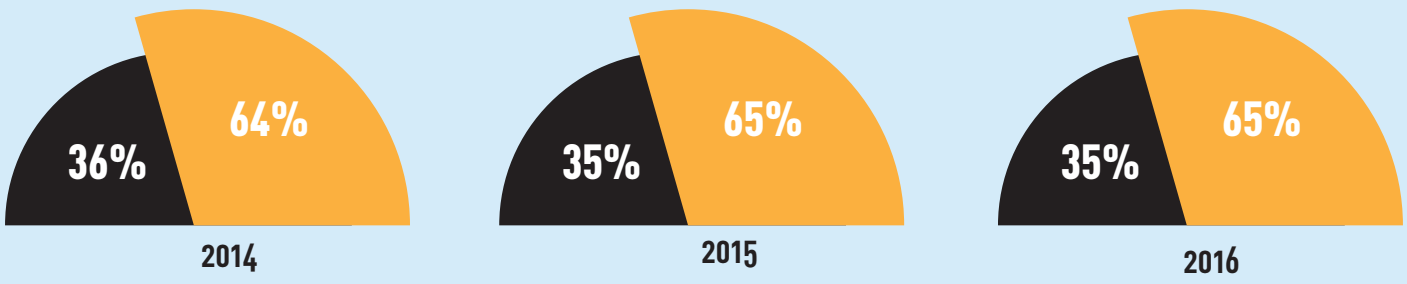
Source:Sabre - Total air cap
YE March 2017

Productivity

No Progress

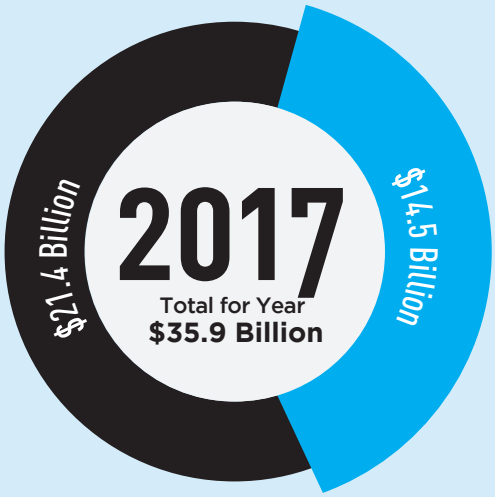
Dispersal of International Tourism spending

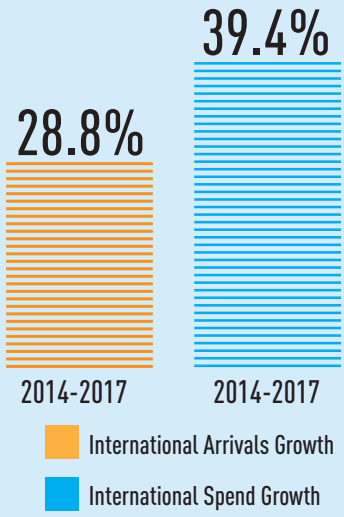
Source: MBIE Monthly Regional Tourism Estimates
YE August 2017



Gateway
Auckland, Wellington, Christchurch, Otago

Regional
All other regions





Progress

tivity

acity (seats)

6.7m

6.9m

8.7m

10m

Domestic Seats

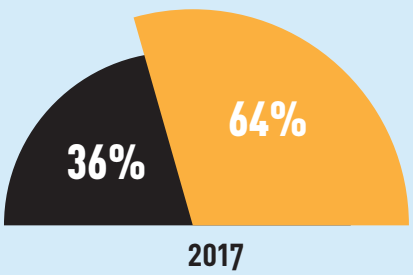
2014 13.5m

2015 13.9m

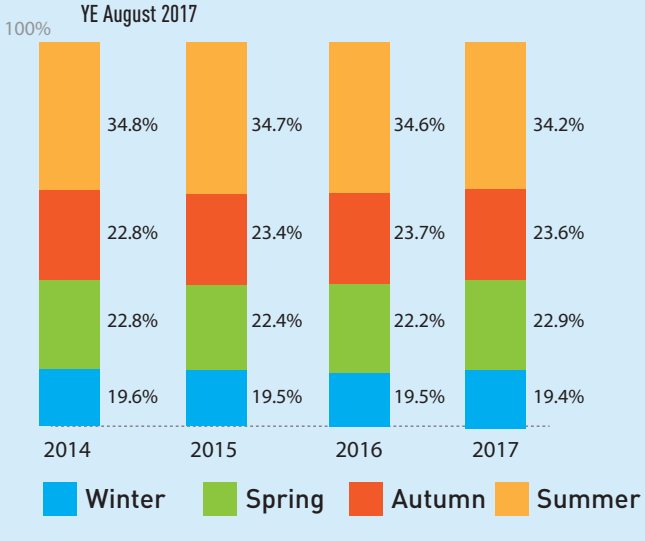
2016 14.8m

2017 16.2m

Strong Progress



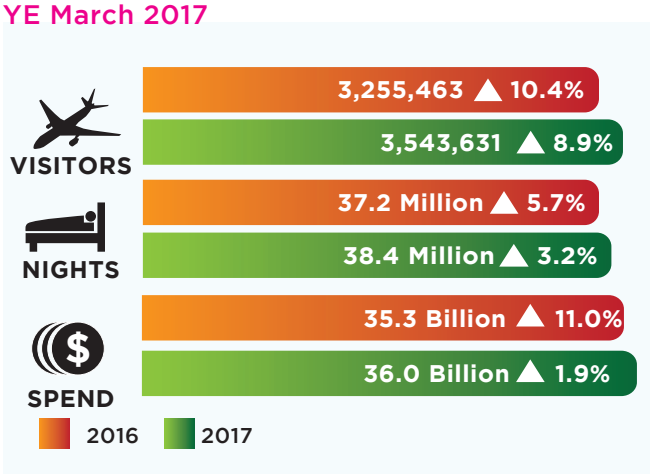
Seasonality - International Arrivals by Season
Source:Stats NZ
YE August 2017



No Progress

NEW ZEALAND'S TOURISM INDUSTRY

HEADLINE NUMBERS
YE March 2017



In the year ending March 2017 international visitor arrivals were up for the fifth consecutive year at 8.9%.

Bed nights have increased by 3.2% in the measured accommodation sector which includes hotels, motels, backpackers and holiday parks. The overall growth in the accommodation sector is likely to be stronger as many accommodation types are currently not measured in official statistics.

Overall visitor spend for the YE March 2017 was $35.9 billion, an increase of 1.9%. Domestic spend was up 4% to $21.4 billion, however international spend weakened by 0.9% to $14.5 billion.

The YE August 2017 has seen a 1% movement in the regional dispersal of international tourism spending. 64% of spend was generated in the regions of Auckland, Wellington, Christchurch and Otago and 36% of spend was generated outside these regions.

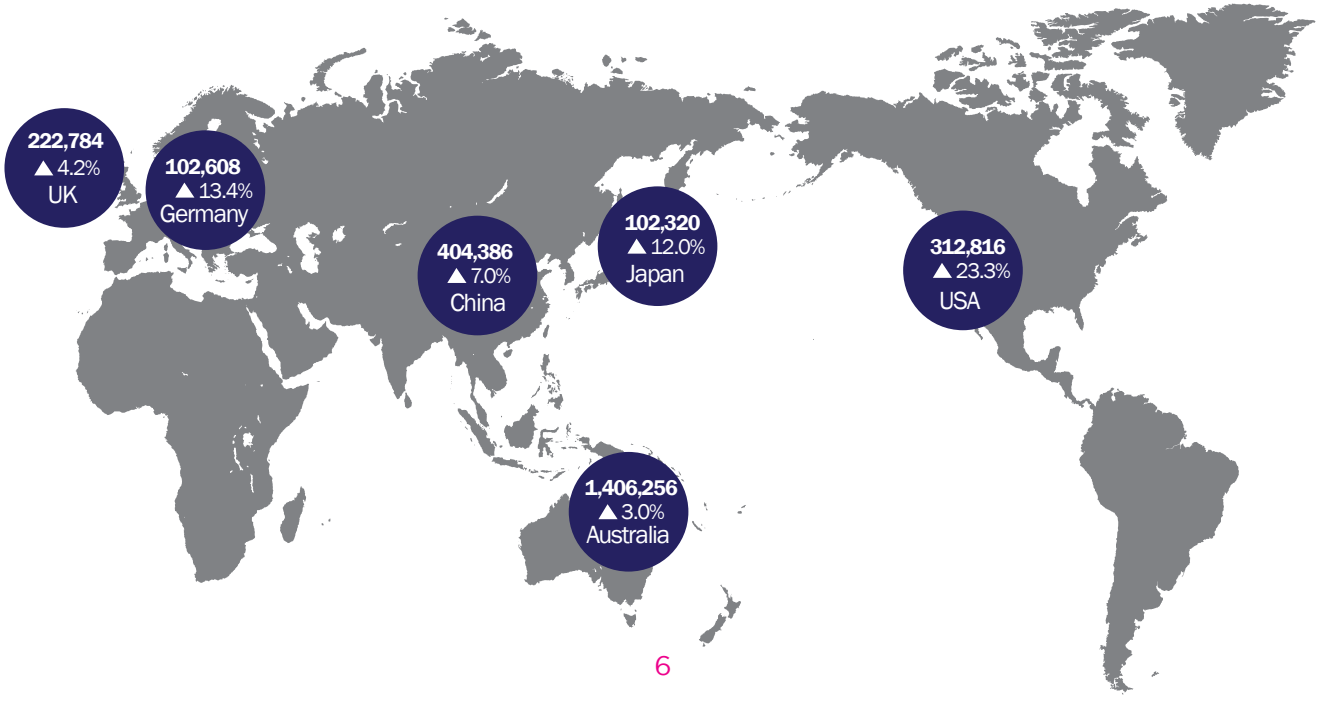
In the YE August 2017 there has been little movement in the seasonality of arrivals. In the past four years, Summer season arrivals (December, January, February) have decreased, and currently account for 34.2% of all arrivals compared to 34.6% in 2016. Winter, Autumn and arrivals were down 0.1% however Spring arrivals were up 0.7%.

Visitor experience data shows that 93.4% of visitors' expectations were met or exceeded. This is slightly weaker than 2015 and 2016 results but remains extremely strong.

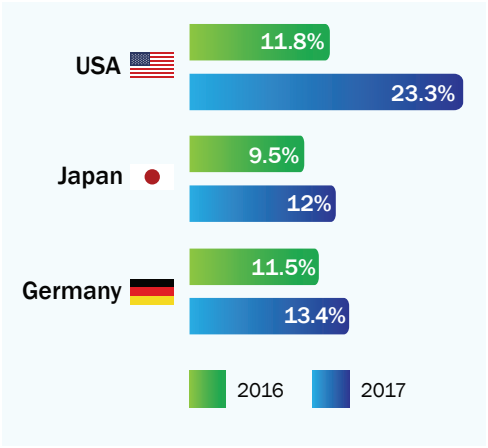
230,793 people were directly employed in tourism accounting for 8.4 percent of the total number of people employed in New Zealand, an increase of 9.3 percent from the previous year.

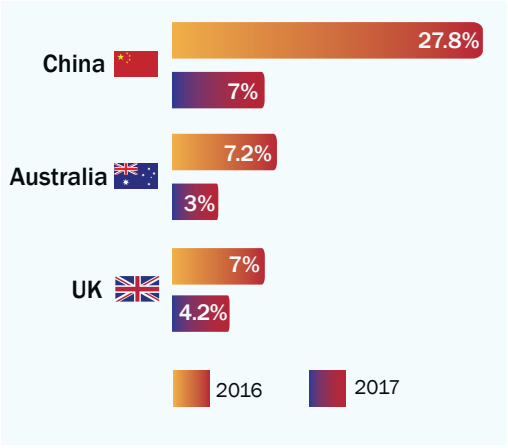
Strong progress has also been made in increasing domestic and international air connectivity. Domestic and international capacity has risen by 1.3 million seats and 1.4 million seats respectively. The positive effects of increased air connectivity can be seen in markets like the US which has seen arrivals grow by 23.3%(YE March 2017). This growth has been driven primarily by the 29% growth in capacity between New Zealand and the US.

INTERNATIONAL VISITOR GROWTH



ANNUAL GROWTH IN INTERNATIONAL VISITORS





New Zealand continues to experience strong year on year growth in international visitor numbers with 8.9% growth for the YE March 2017.

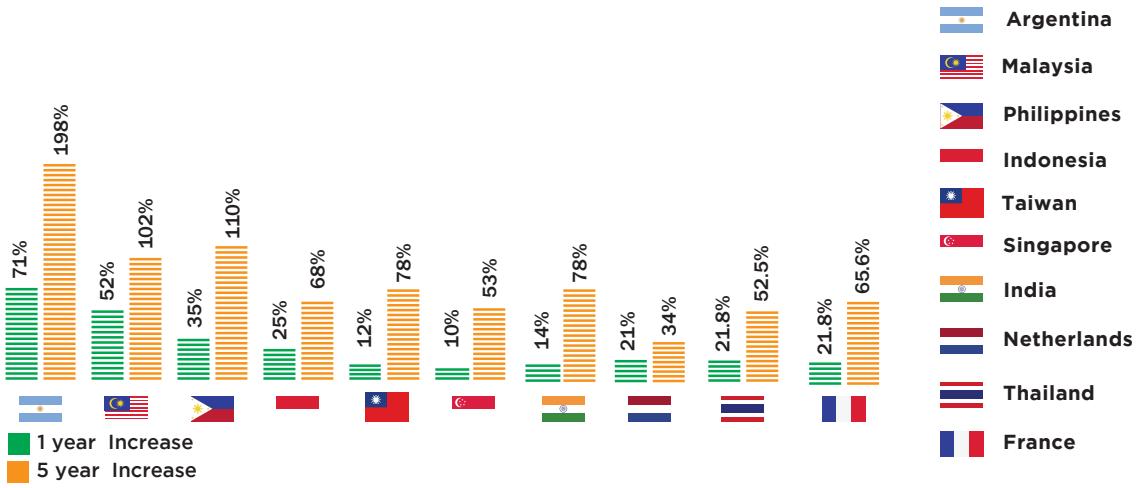
There has been strong growth in visitors from New Zealand's six largest markets over the past five years. This strong growth has continued for the US, Japanese and German markets for the YE March 2017.

There has been a reduction in the growth of arrivals from China, UK and Australia over the same period of time.

New Zealand has also seen strong growth from secondary markets over the past five years. Markets such as Argentina, Malaysia, Phillipines and Indonesia have seen substantial growth for the YE March 2017.

These secondary markets create opportunities for many operators whose focus has been on New Zealand's traditional markets and for those tourism businesses looking to diversify their customer base.

SECONDARY MARKETS



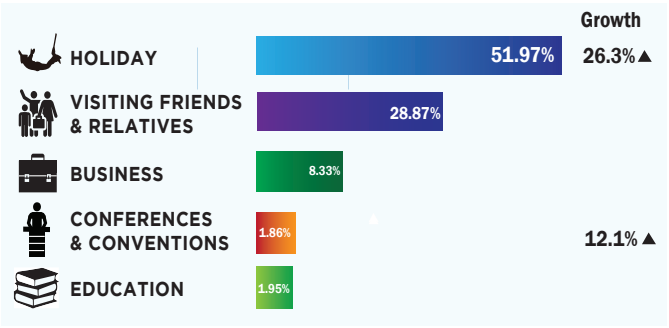
REASONS FOR TRAVEL

In the YE March 2017, the main reason for travel to New Zealand was to holiday, followed by visiting friends and relatives and business. Conferences, conventions and education made up 3.81% of all arrivals to New Zealand.

The 8.9% overall growth of arrivals has been driven primarily by the holiday market segment in which 1,841,728 visited New Zealand for the purpose of holiday, demonstrating 11.4% growth in this segment for the YE March 2017. This growth continues a trend which has seen year on year growth in this market segment for the past five years. Although this growth is strong, there has been a slow down in holiday arrivals from the 26.3% growth seen in YE March 2016.

The other major area of growth was the conferences and conventions segment which grew by 12.1%.

REASON FOR TRAVEL TO NEW ZEALAND

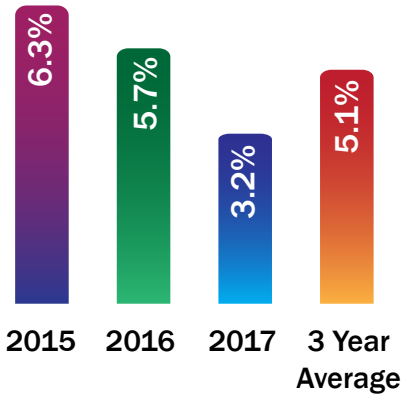


ACCOMMODATION SECTOR

The international market experienced very little change for the YE March 2017. The accommodation sector as a whole experienced growth of 3.2% which was driven primarily by domestic vistors.

The non-measured accommodation sector is likely to have had an impact on the commercial sector and have absorbed much of the growth of arrivals into New Zealand. Due to the lack of data on this sector, we are unable to quantify this impact.

GUEST NIGHT GROWTH



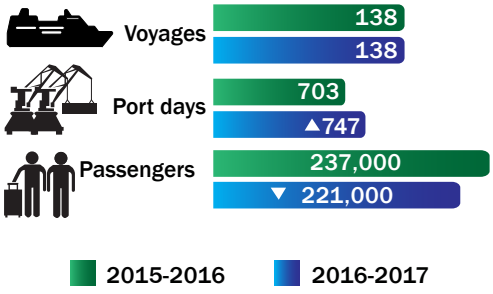
CRUISE SECTOR

In the YE August 2017, 138 cruise voyages visited New Zealand. These vessels spent 747 days in New Zealand ports (Cruise NZ, 2017).

The International cruise sector contributed $306 million of value to the New Zealand economy (Stats NZ, 2017).

Stats NZ data for the YE June shows that 221,536 passengers undertook a cruise in New Zealand. These numbers show a 6.7% decline on YE June 2016 results. These weaker cruise sector results are likely attributable to the impact of smaller cruise ships visiting New Zealand and a decline in passengers from Australia(-15.7%) and New Zealand (-38.7%).

KEY CRUISE DATA



“Tourism in New Zealand is generally improving each year, I think we are getting more savvy about markets we are tapping into as well as being more mindful about how to improve business growth during our shoulder seasons”. **(SOI survey respondent, 2017)**

Photograph: Graeme Murra

INDUSTRY SURVEY FINDINGS

In August 2017 a survey was distributed to assess the state of the tourism industry from an industry perspective. 354 respondents fully completed the survey. As well as quantative data taken from the survey results, a thematic qualitative analysis of survey participants' comments has been undertaken to provide an understanding of how industry perceive the current state of the industry.The following analyses are primarily based on these results.

The source data results from the survey can be found here.

WHAT CAN MAKE A DIFFERENCE TO TOURISM BUSINESSES?

The survey results suggest there is strong consensus that improved visitor experience, improved infrastructure, high-value visitors, increased air connectivity and improved insight have the ability to advance New Zealand tourism businesses.

85% of industry strongly agree or agree that an improved visitor experience has the ability to advance their business.

Visitor satisfaction data produced by MBIE (YE August, 2017) show a slight decrease in the industry's ability to meet or exceed visitor expectations.

Although visitor satisfaction results are still strong with 93.4% of visitors' expectations either being met or exceeded, this is a 1.5% decline on the previous year's results. This decrease is likely attributable to visitors' satisfaction levels in regards to:

- cost and quality of accommodation;
- cost and quality of food and beverage outlets;
- cost and convenience of public transport;
- cost of activities;
- access to free internet

82% of survey participants also strongly agree or agree that improved infrastructure will also have the ability to advance their business.

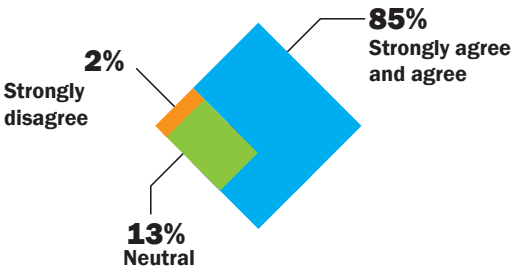
Comments from survey participants highlighted the need for improved roading infrastructure and the negative impact it is having on visitor experience and regional dispersal. Areas such as Northland, Coromandel, Hawkes Bay, Gisborne, Marlborough, Canterbury, Auckland and Central Otago were all regions where respondents commented on the need for improved roading infrastructure and how the current assets do not meet the demands put on them by increased visitation.

Findings in the National Tourism Infrastructure Assessment (2017) suggest improved roading infrastructure is only likely to have a moderate impact on tourism growth and will require a high level of coordination from stakeholders.

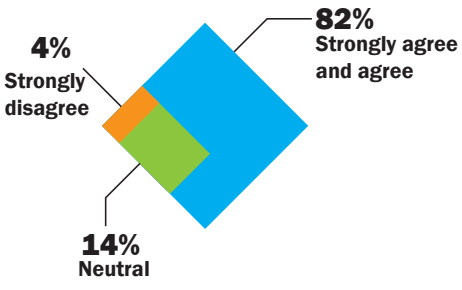
Areas of infrastructure that are likely to underpin tourism growth are international air connectivity, domestic air connectivity, worker and visitor accommodation, airports and related facilities, and telecommunications. This suggests that there is a gap between what the analysis in the National Tourism Infrastructure Assessment (2017) and what industry stakeholders believe will advance their businesses.

The third highest growth factor identified by survey respondents was the high value visitor with only 12 respondents disagreeing that they have the ability to advance tourism businesses A tension between attracting high value visitors and current marketing, product offerings and value experiences was noted by many respondents. A shift away from mass market product offerings to products that focus on an improved visitor experience that meets the needs of high value visitors is seen as an important strategic move that the industry should make to ensure that it can grow in a sustainable way.

WHAT CAN ADVANCE MY BUSINESS



VISITOR EXPERIENCE



IMPROVED INFRASTRUCTURE

IMPORTANCE OF AIR CONNECTIVITY

Air connectivity has been identified by industry and governmental research as being integral to tourism growth in New Zealand.

72% of survey participants strongly agreed or agreed that increased air connectivity has the ability to advance their business.

The National Tourism Infrastructure Assessment (2017) identified addressing international air connectivity as having a high impact on growth. Constraints are likely to be met by market forces due to the high commercial incentives in doing so. In 2016, services from American Airlines and United Airlines were introduced into New Zealand which has contributed to an over 23% increase in US arrivals.

Respondents noted that there is demand from the industry to increase international air connectivity through Wellington, Dunedin and especially Christchurch international airports. Many respondents noted the strain that high international traffic volumes coming through Auckland are putting on Auckland's infrastructure and the negative effect it has on regional dispersal. Increased services out of Wellington and Christchurch are seen by many as an important driver of regional dispersal.

In the YE March 2017 most of New Zealand's major international air gateway arrivals grew, with the only exception being Wellington:

Auckland	2,532,976 arrivals;	+9.9%
Christchurch	497,008 arrivals;	+6.3%
Queenstown	242,160 arrivals;	+13.1%
Wellington	215,344 arrivals;	-2.7%

A theme in the survey comments centered around the impact of international gateways and visitor flows. This view was expressed by a survey particpant who commented "The airports have too much control over visitor flows nationally. There should be a national strategy specifically looking at the best utilisation of airport capacity to maximise land flows".

A theme present in survey respondents' comments suggested that additional international services should opperate from Christchurch, Wellington and Dunedin to incentivise regional visitation.

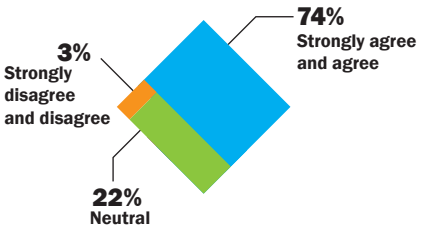
One survey respondent commented "We need to attract more international traffic through the Chch airport... this will then assist the regional distribution of visitors more effectively".

A second survey respondent commented "The extension to the Wellington Airport runway is necessary to develop international air connectivity to the region".

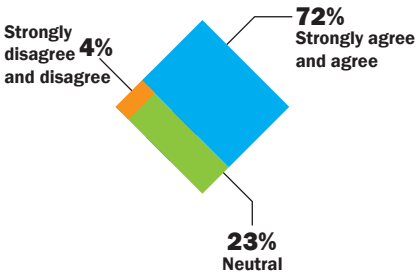
A third survey participant commented "We would like to see services to both Melbourne and Sydney reinstated as we know there is a good outbound market, and a seriously under-serviced inbound market to this wonderful part of the world" (Dunedin-based respondent).

Domestic connectivity is seen as a major challenge for many tourism stakeholders. Regional destinations such as Westport, Hokitika, Gisborne, Bay of Islands, New Plymouth, Taupo, Blenheim, Whakatane and Nelson were all identified as regions where limited domestic air connectivity is having a negative impact on tourism development. The two main constraints in these destinations are frequency of flights and costs. An improvement in air connectivity to these regions is likely to drive visitation.

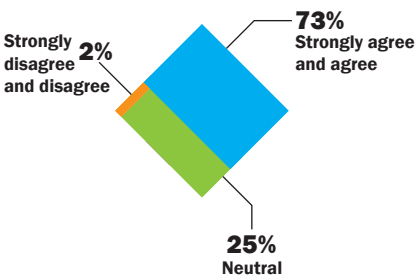
WHAT CAN ADVANCE MY BUSINESS



HIGH VALUE VISITORS



INCREASED AIRCONNECTIVITY



IMPROVED INSIGHT

INFRASTRUCTURE

In the past three years the tourism industry has grown significantly and its proportion of national export earnings now makes it larger than New Zealand's Dairy ($12.9 billion); and Meat, Wool, Fruit and Oil industries combined. Growth of this size does bring significant opportunities for tourism businesses but it also highlights some of the pressures that increased visitation now puts on infrastructure.

It is clear from survey responses that quality infrastructure is necessary for the industry to deliver a quality visitor experience and that having quality infrastructure assets contributes to business success. There is also consensus that future investment in infrastructure is critical to meet the demands of a growing industry.

This future investment is particularly complex due to reasons, including:

1. Visitors utilise a range of infrastructure types, from airports, roads, hotels and public toilets.
2. Primary users of some infrastructure types are not visitors.
3. Infrastructure utilisation is often seasonal.
4. Benefits of tourism span across many sectors and regions.

In an international context New Zealand's infrastructure ranks relatively high. It is ranked 15th for air infrastructure, 50th for ground and port infrastructure and 19th for tourist service infrastructure (World Economic Forum, 2017).

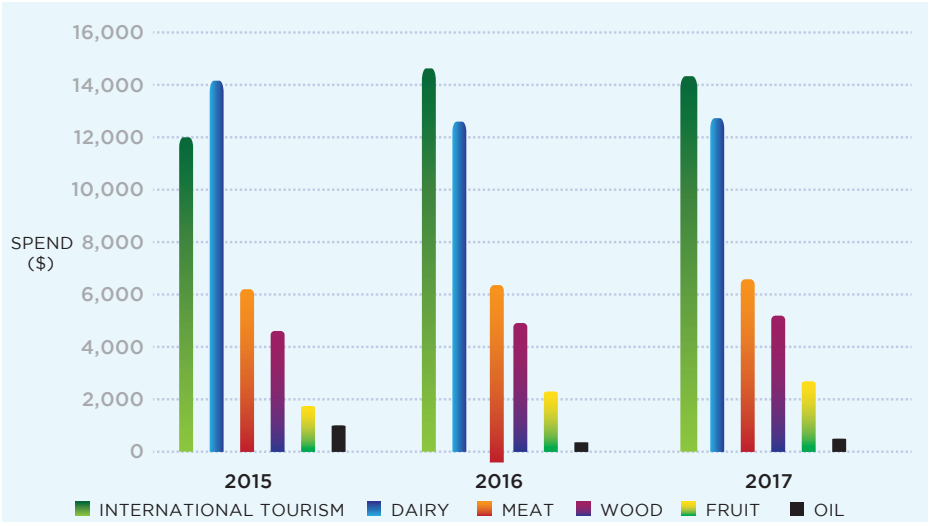
Although most of these rankings are quite high, the exception being ground and port infrastructure, there are concerns from industry and the public that the strain put on infrastructure by increased visitation is having a negative impact on the visitor experience and natural environment.

A theme that was evident in the comments from survey particpants and expressed clearly by one survey participant was "Infrastructure is key to tourism success and the overall success of a nation. Roads, toilet facilities, water, water treatment, tourism sights and attractions have to be of high quality, well maintained, clean and safe. Walkways, cycle ways which encourage a healthy lifestyle (which goes hand in hand with the 'clean-green image') are important."

Many respondents acknowledged that the way infrastructure is funded is challenging in New Zealand. Many believed that projects should be funded wholly by central government agencies. However, there was also a group that believed that industry funding models need to be considered. A theme evident in the comments of respondents suggested that additional central government funding should come from the GST collected from visitors, budget reallocations based on tourism's contribution to the economy and a border tax. The Auckland Council targeted rate on commercial accommodation providers was seen as offering very little value to the industry.

The lack of investment in tourism infrastructure is not unique to New Zealand, it affects the tourism industry globally.

TOURISM VALUE VS OTHER INDUSTRIES' VALUE



Internationally there is a lack of private and public investment in the areas of airport development, accommodation, road and rail, and communications technologies that is constraining international growth (World Economic Forum, 2017). To address this international trend, a localised solution which utilises a combination of market and government supported solutions is required in order for the industry to grow unconstrained.

Survey responses not only suggest that the impact of inadequate infrastructure constrains growth but it also has a negative effect on the visitor experience. International visitors have many destination options and they want to move easily through a destination. If access is difficult, they are likely to choose an alternative destination. Infrastructure is of strategic importance in regards to New Zealand's global competitiveness. Integrated infrastructure projects that meet the needs of the changing demands of visitors are required to ensure growth in the industry.

Priority areas that are likely to add the most value to the industry are:

1. Visitor accommodation
2. International air connectivity
3. Airports and related services
4. Worker accommodation
5. Domestic air connectivity
6. Telecommunications
7. Car parking
8. Public toilets
9. Water and sewerage systems
10. Road transport

(National Tourism Infrastructure Assessment, 2017)

Survey comments suggest that many of the above priority areas are key to tourism growth for many regions.

There is demand for higher quality accommodation options that meet the needs of high-value visitors, improved domestic air connectivity and improved roading infrastructure.

Improved infrastructure is also seen as necessary to manage the perceived threat of freedom campers to the accommodation sector and the natural environment.

The issue of who should fund infrastructure highlights the tension between small regional destinations with small ratepayer bases and also simultaneously experience high visitation. Destinations such as, but not limited to Ruapehu, Coromandel and The Far North were highlighted as destinations with limited capacity to generate revenue for infrastructure projects and whose infrastructure was under stress due to increased visitation.

One survey participant stated "There is a balance to be found between who and how infrastructure is funded. Many of the creaks and groans are being felt in smaller regions that do not have a ratepayer base to support growth or whose operators are too small to make a meaningful contribution."

One way central government is attempting to address this is through the new Tourism Infrastructure Fund which will provide $100 million over four years for tourism related infrastructure projects. Additionally, the Department of Conservation has been allocated an additional $76 million over four years, with $19.8 million being allocated to improving visitor experience in the regions.

"Infrastructure is key to tourism success and the overall success of a nation. Roads, toilet facilities, water, water treatment, tourism sights and attractions have to be of high quality, well maintained, clean and safe. Walkways, cycle ways which encourage a healthy lifestyle (which goes hand in hand with the 'clean-green image') are important." (SOI survey respondent, 2017)

PEOPLE & SKILLS

The area of people and skills is a key area of concern for the industry which has the potential ability to compromise the ability of the industry to deliver quality visitor experiences. Only 38% of respondents strongly agreed or agreed that they can find skilled staff for their business. 30% strongly agreed or agreed that tourism qualifications match the skill requirements of the industry and 50% strongly agreed or agreed that they are engaged with their local education provider.

To add to this, only 37% of respondents felt that tourism is seen as a career path for those in the labour market. Comments from survey participants suggest this is driven by three key factors: low wages, relatively low number of full time positions and lack of career progression within the industry.

In addition to this, tourism businesses are competing for talent in a competitive labour market where unemployment has dropped to 4.9% (March, 2017).

According to Stats NZ(YE March, 2017), 16,200 new jobs were created in the accommodation and food service industries, contributing to a more competitive labour market for employers.

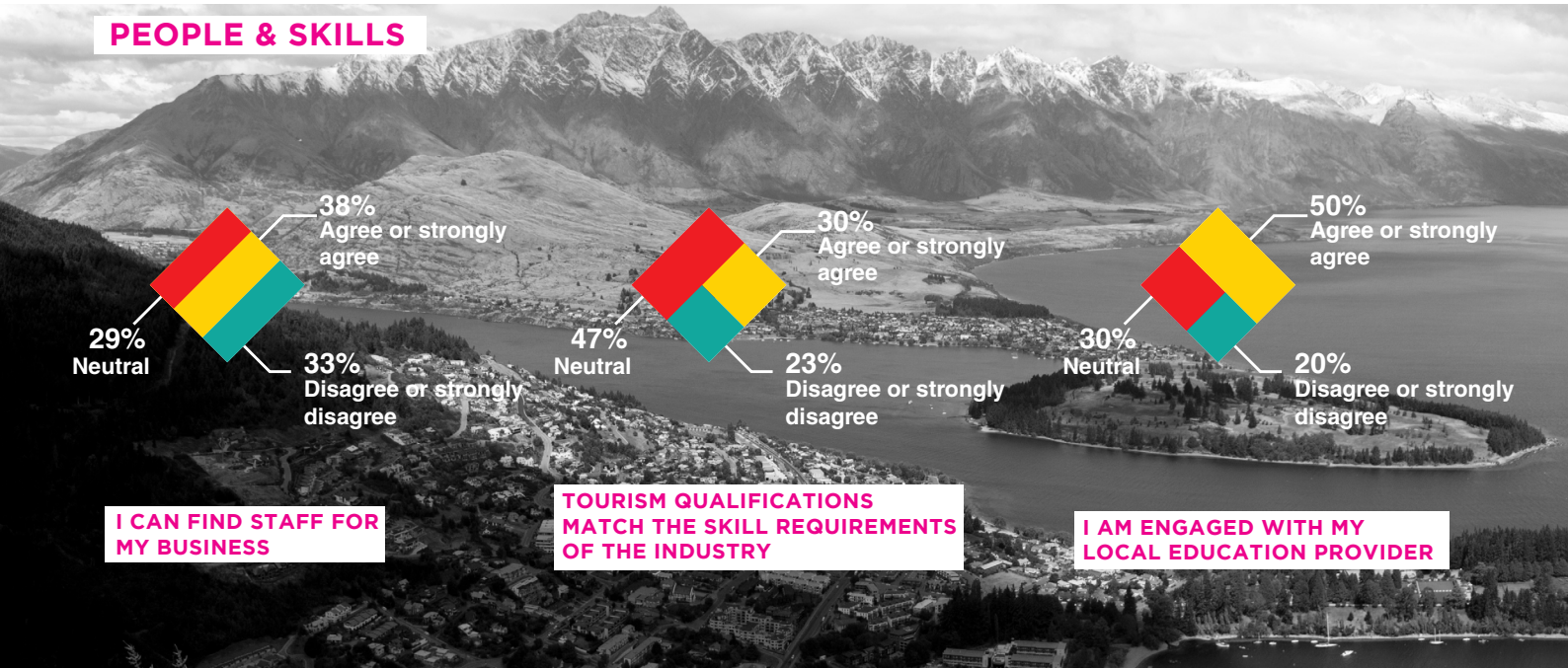
82% of survey respondents strongly agreed or agreed that staffing is becoming a significant issue for the New Zealand tourism industry and finding workers with the right skills and attributes is becoming more difficult for tourism businesses.

One solution that many businesses have used to bridge this labour gap is through the use of migrant labour. This is seen by many organisations as key to their business, and is notable in organisations which require specialist skills such as mountain guiding and other adventure activities where the local labour supply does not have the necessary qualifications.

"There is a tension between the industry wanting passionate and skilled people to work in the industry, and how the industry struggles to create meaningful opportunities for those who have demonstrated their commitment to the industry by choosing to study tourism at college, polytechnic or university."

The local labour market is also struggling to meet roles with specialist language requirements such as Mandarin and Korean.

A concern that was shared by many survey participants was the reliance on migrant labour in the accommodation and food service sectors, the risk posed by uncertain immigration policies, and difficulties in obtaining visa approval for workers. Many survey participants noted that many of the roles in these sectors could be filled by the local labour market, citing low wages as a barrier to recruiting local staff.



Survey participants also noted the lack of domestic labour in front line positions is detracting from a unique New Zealand experience for visitors. One survey participant expressed this theme clearly by stating "I have a real fear that we are taking away a uniquely New Zealand experience for our international guests by employing huge numbers of cheap migrant workers in front end jobs. We need to raise wages and have New Zealand youngsters see tourism as a viable career. My guests often comment that the Kiwi friendliness is just as important as the scenery in their decision to travel to NZ. I am seeing big changes in this area and it should be a real concern for the industry".

The use of migrant labour is pivotal to the delivery of services for many tourism businesses and their contribution to the industry should not be understated. However, to create a more sustainable industry and reduce the risk of uncertain immigration policy settings, the industry should work harder to encourage New Zealanders into the industry.

An area of concern that was highlighted by the survey relates to the matching of tourism qualifications to the skill requirements of the industry, and the engagement of businesses with their local education provider. Only 50% of tourism organisations agreed or strongly agreed that they are engaged with their local education provider which constrains the development of fit-for-purpose qualifications. One survey participant commented "Many local industries are engaged with local schools/tertiary but tourism does not".

If qualifications are to match the needs of industry, then businesses need to be engaged with their local providers to participate in their development. This requires a willingness from training providers to encourage businesses to participate in the development of high quality fit-for-purpose qualifications, and for businesses to see their input as an investment.

It is evident that there is a gap in the labour market demand for quality employment opportunities within the tourism industry. If the industry wants to attract high quality talent, then it needs to make itself more attractive. One survey participant stated "There is a tension between the industry wanting passionate and skilled people to work in the industry, and how the industry struggles to create meaningful opportunities for those who have demonstrated their commitment to the industry by choosing to study tourism at college, polytechnic or university".

National unemployment rates are trending downwards whilst the industry continues to grow. People and skills are likely to become a significant factor in the industry's ability to meet its Tourism 2025 goals. It is unlikely that market forces alone will be able to fill the gap, so coordination between industry, training providers and government agencies will be required.

BUSINESS PERFORMANCE AND CONFIDENCE

Future tourism business confidence levels remain strong and follow on from strong performance results for the previous 12 months. There has been an increase from 26% to 32% of businesses stating that they expect their business situation to remain the same over the next 12 months. 62% of businesses believe that their business will improve over the next 12 months.

These results should be regarded as positive for an industry which has been impacted by events such as the Kaikoura earthquake. This event has had a negative effect on tourism in Canterbury, Kaikoura and Marlborough, with over 50% of businesses stating that their business would deteriorate over the next twelve months being located in these regions.

Positively for the industry, many of those affected by the earthquake are optimistic about their future once access issues are remediated. One survey respondent stated "The deterioration in our business was only as a direct result of the impact of the November 2016 earthquake. Once the highways are fixed and the harbour repaired we are looking forward to rebuilding our business and seeing the support of Kaikoura materialise as we get ourselves back to normal operating".

Nationally the earthquake has had a limited impact on tourism expenditure and the industry is highly confident that their business situation will improve.

Reasons cited by survey respondents for deterioration of performance and confidence levels were increased competition, poor weather and inadequate infrastructure.

"The deterioration in our business was only as a direct result of the impact of the November 2016 earthquake. Once the highways are fixed and the harbour repaired we are looking forward to rebuilding our business and seeing the support of Kaikoura materialise as we get ourselves back to normal operating".

(Lynette Burman, Encounter Kaikoura)

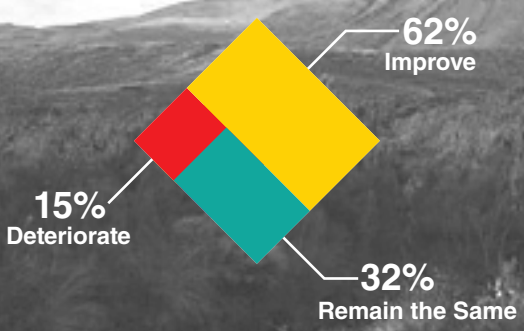
TOURISM BUSINESS PERFORMANCE

Did my business situation improve, remain the same, or deteriorate over the past 12 months?

PAST 12 MONTHS

TOURISM BUSINESS CONFIDENCE

Will my business situation improve, remain the same, or deteriorate over the next 12 months?



NEXT 12 MONTHS

VALUE OVER VOLUME

The public's overall perception of tourism is positive. 96% of New Zealanders agree or strongly agree that international tourism is good for New Zealand, but there is a perceived risk with 35% of New Zealanders believing that international visitors put too much pressure on New Zealand. New Zealanders generally agree that tourism creates positive economic bene ts for New Zealand through business opportunities, employment opportunities and economic development for regions. However, these growth areas are perceived to have a negative effect through pressure on infrastructure, traffic congestion, road safety and environmental damage (Mood of the Nation, 2017).

One way of amplifying these positive effects and reducing the negative is through the value over volume strategy and regional dispersal strategies which have been adopted by the industry over the past few years.

Positively, 71% of survey respondents agree or strongly agree that their business is well prepared for opportunities presented by new markets. But only 54% of respondents believed that the visitor mix that their business is attracting is optimising their business success.

This is coupled with only 48% of businesses seeing the positive effects of work being done to attract high value visitors. This suggests that many business are well positioned for the opportunities that high value and new markets present but are yet to see any benefits from a shift in visitor mix.

Many comments from survey respondents suggest that there is a definite desire to adopt a value over volume strategy and they see the benefits of higher yielding visitors. There were also positive comments from many respondents about the positive effects of off-peak marketing for many businesses. One survey respondent stated "It has been very apparent to our business over the last 4 years how the off peak marketing has really improved our otherwise quiet times. Thank you!" Another survey participant stated "As a result of the changing markets, etc. we have been able to create new tours and products that otherwise there would not have been enough of a volume for us to even consider which is great."

Some survey respondents stated that a value over volume strategy will not work well for all regions, and that high value visitors are more important to destinations where capacity is already limited. One survey participant commented "High value visitors are important for only Auckland, Rotorua, Queenstown and Milford Sound where capacity is limited but the rest of NZ needs very many more tourists and has the capacity to take them."

This suggests that the regional dispersal strategy which has been implemented over the past few years needs further development and there are possibly growth opportunities in some underserviced regions from increased visitor numbers.

SUSTAINABILITY

Inumia, inumia, i nga wai kaukau o o tūpuna. Drink, drink of the bathing waters of your ancestors.

The theme of sustainability featured strongly in the data collected from respondents. 87% of respondents strongly agreed or agreed to the statement 'my business supports sustainability issues'.

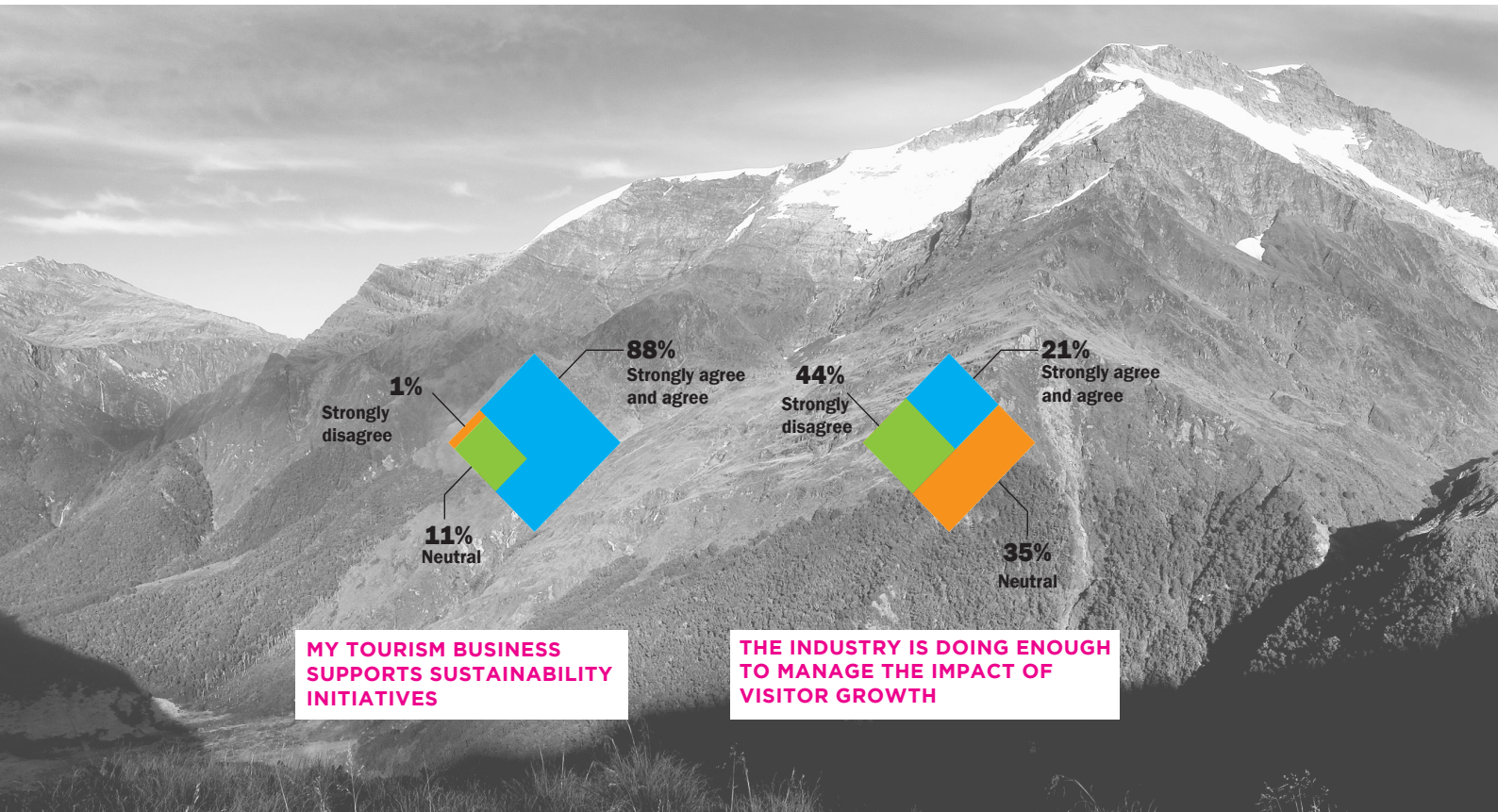
Only 21% of respondents strongly agreed or agreed to the statement 'the industry is doing enough to manage the impact of visitor growth'.

This data suggests that tourism businesses believe in the importance of sustainability but the things that are currently being implemented are inadequate. This theme around the need for industry to do more about sustainability was evident in comments made by many survey participants.

One survey participant stated "As the popularity of NZ as a tourism destination increases, we need to match this growth with equal growth in sustainability initiatives".

The survey data highlighted the need for increased management of visitors to reduce and mitigate any risks they pose to New Zealand's natural assets. One participant commented "Increased visitor numbers must be carefully managed and this is not in place yet. The increase can be sustainable but only if infrastructure, regional dispersal and smoothed seasonality are adequately addressed. The local industry cannot manage this impact without leadership and initiatives from central and local government".

The issue that featured most strongly around sustainability was freedom campers. 81% of respondents strongly agreed or agreed to the statement that 'freedom campers pose a risk to the public perception of the tourism industry'. Additionally, 47 of the 80 comments received on the question of sustainability were in some way negative towards freedom campers.



Overall, sustainability is seen as a key issue for many in the industry. The survey data suggests that growth in visitors can be managed in a sustainable manner, however, if some of New Zealand's busier regions receive too many additional visitors during peak periods, there will be negative environmental consequences.

Survey response data suggests that the key ways in which this increase in visitation can be better managed is through:

- Improved infrastructure
- Increased regional dispersal of visitors
- An increase in off-peak visitation
- An improved regulatory framework and leadership on the freedom camping issue
- Advocacy and action on improving water quality

One survey respondent stated "Our natural environment is our main drawcard and we need to be very careful in its protection and ensure its sustainability". This sentiment is shared by the majority of the industry. There is an understanding that the environment is a key driver of visitation and as an industry there is a need to ensure that growth does not compromise one of New Zealand's most valuable assets.

DOMESTIC TOURISM

The domestic market's potential to add value to the New Zealand tourism industry was regarded very highly by survey respondents.

Domestic tourism expenditure was $21.4 billion and grew by 4% in the YE March 2017.

90% of respondents agreed or strongly agreed that 'domestic tourists are a valuable market segment' and 92% of respondents agreed or strongly agreed that 'domestic tourism significantly contributes to regional economies'.

Contrasting these positive results, many participants felt that little is being done to encourage growth in this market segment. Only 24% of participants agreed or strongly agreed that 'the industry is doing enough to enable growth in domestic tourism'.

Survey participants generally supported the idea that domestic tourism offers part of a solution to tackle regional dispersal. One survey participant stated "Domestic tourism is extremely valuable but can't solve regional dispersal and seasonality issues on its own".

The main barriers cited to improving domestic tourism potential were:

- Low emphasis put on domestic
- market from government agencies
- Competition from international destinations
- Set holiday periods and tendency to only go to specific destinations
- Cost of domestic air travel, particularly to regional destinations
- Cost relative to NZ incomes

The domestic tourism market is seen by the industry as having great potential. But contributing to the lower emphasis put on this market, when compared to the international market are:

- A tendency to travel in peak periods such as Christmas, New Year, Easter and school holidays when operators are already busy
- A lower utilisation of commercial accommodation, instead choosing to stay in holiday homes, with friends and family, etc.
- A higher per person spend from international visitors

As one survey respondent stated "There is a need to get the value for money proposition right. I believe [domestic] tourists are more sensitive to pricing. However, they are becoming more attuned to value for money rather than the cost only".

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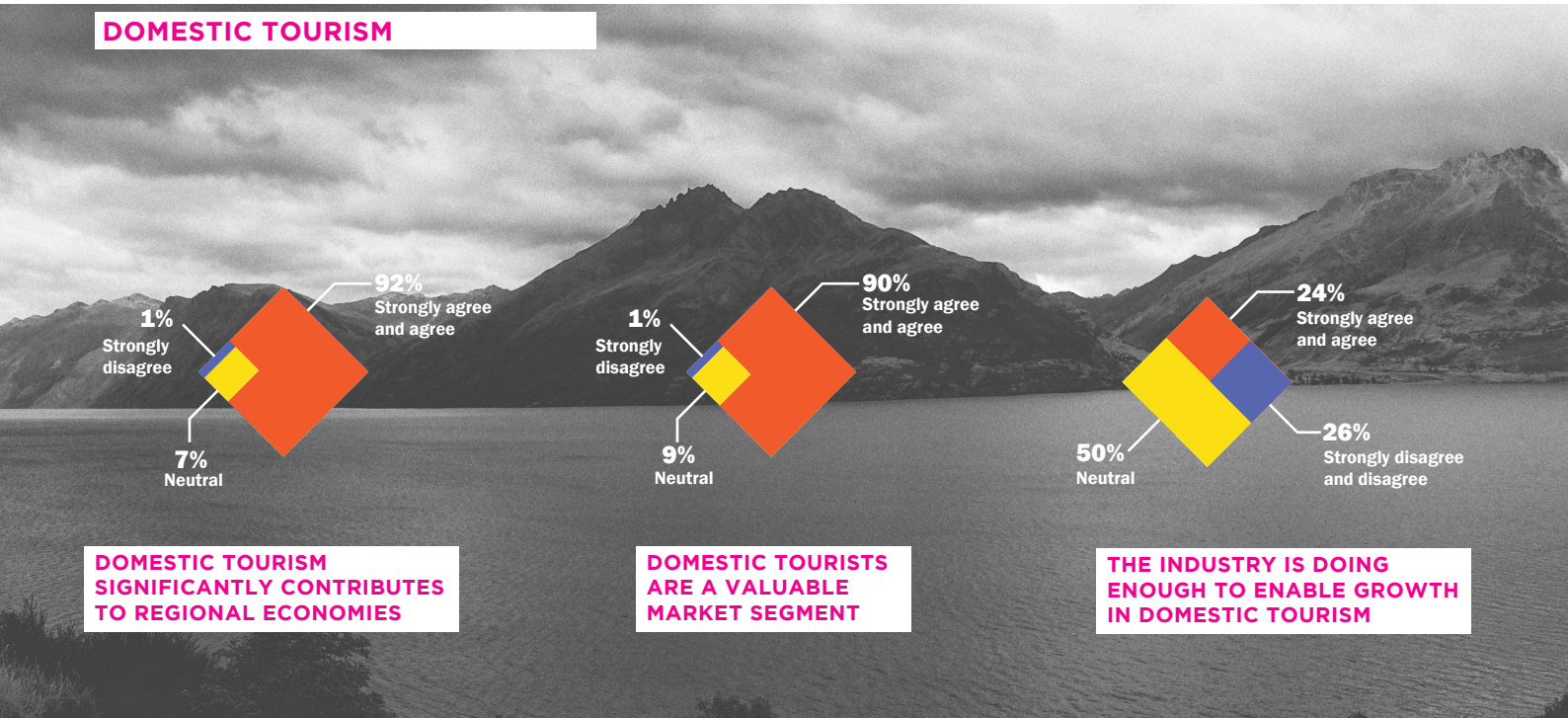
(SOI survey respondent, 2017)



FREEDOM CAMPING

One area of concern that was highlighted by comments in the survey was the tension around the perceived value of freedom campers and the impact they have on the environment, and how they are viewed by other 'high value' visitors.

A negative perception from many in the industry exists around their value. The lack of regulation and enforcement of existing regulations is frustrating for many in the industry which will likely require industry and government coordination to address. One survey comment that expressed the view presented by many survey participants stated "Campers may spend but their value needs to be calculated taking into account the cost to local communities to provide infrastructure, rubbish disposal, security, etc".

The value of visitors who participate in freedom camping seems to be not very well understood. MBIE freedom camping data suggest that they are a valuable market segment. In 2016-2017, 118,436 visitors who participated in some form of freedom camping spent on average $4,839 and stayed on average for 50 days. Visitors who did not particpate in any form of freedom camping, backpacking or camping, spent on average $2,959 and stayed for an average of 19 days.

The survey results highlight a tension caused by growth in freedom camping. This is supported by overall visitor statistics. MBIE data shows the number of visitors participating in freedom camping has risen from 51,832 in 2009 to 118,436 in 2017, a rise of 228%.

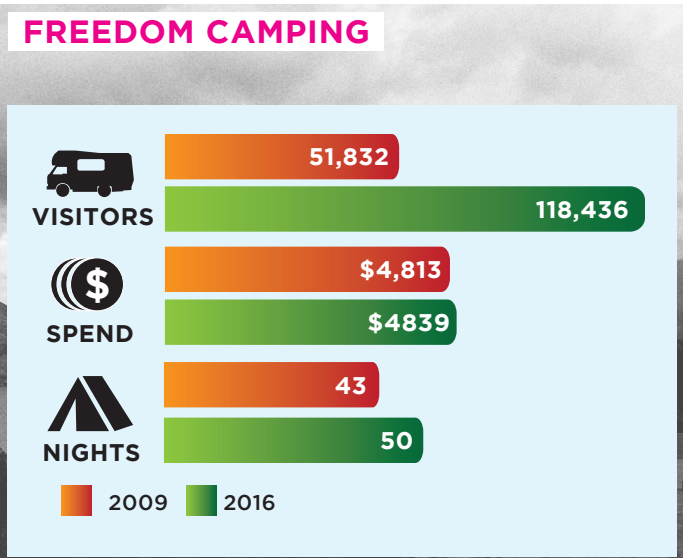
The rise in visitors participating in freedom camping is still relatively small when it is compared to overall visitor growth. New Zealand recieved 1,142,912 additional visitors in 2017 when compared to 2009. This growth in freedom camping visitors only represents 5.83% of the overall growth during this period (Stats NZ).

There is increased demand from visitors for experiences that incorporate some form of freedom camping and the survey data suggests industry believes that freedom camping experiences are likely to be improved through stronger regulation, education and improved infrastructure.

Stronger market regulation in this area is likely to have a positive effect on the public and industry perception of freedom camping and more importantly, improve the overall visitor experience.

Survey results suggest that industry believes that leadership on this issue needs to come from central government, and the fragmented and inconsistent policy settings at the local government level are ineffective. One survey participant stated "The original legislation on this is simplistic and local government has not approached the necessary bylaws to implement it countrywide in a consistent manner".

"Campers may spend but their value needs to be calculated taking into account the cost to local communities to provide infrastructure, rubbish disposal, security etc." (SOI survey respondent, 2017)



NZ GLOBAL RANKING

In 2017, New Zealand was ranked 16th in the global tourism competitiveness index, a ranking it has held since 2015 (World Economic Forum, 2017).

New Zealand currently ranks very highly in the following areas:

1. Attractiveness of natural assets – 1st
2. Openness of Bilateral Air Service Agreements – 1st
3. Best country to start a business –1st
4. Government prioritisation of travel and tourism – 2nd
5. Effectiveness of marketing and branding to attracting visitors – 2nd
6. Air quality – 2nd
7. Sustainability of travel and tourism industry development – 2nd
8. International openness – 5th
9. Country brand strategy rating – 7th
10. Human capital – 10th

The high rankings in the above areas are positive for the industry and the survey data suggests that the industry believes that many of the above areas are key to the value proposition that New Zealand offers to visitors.

Survey data suggests that the industry places a high level of importance on New Zealand's natural asset base and that it is seeing an increase in visitation due to improved international air connectivity and marketing done by Tourism New Zealand.

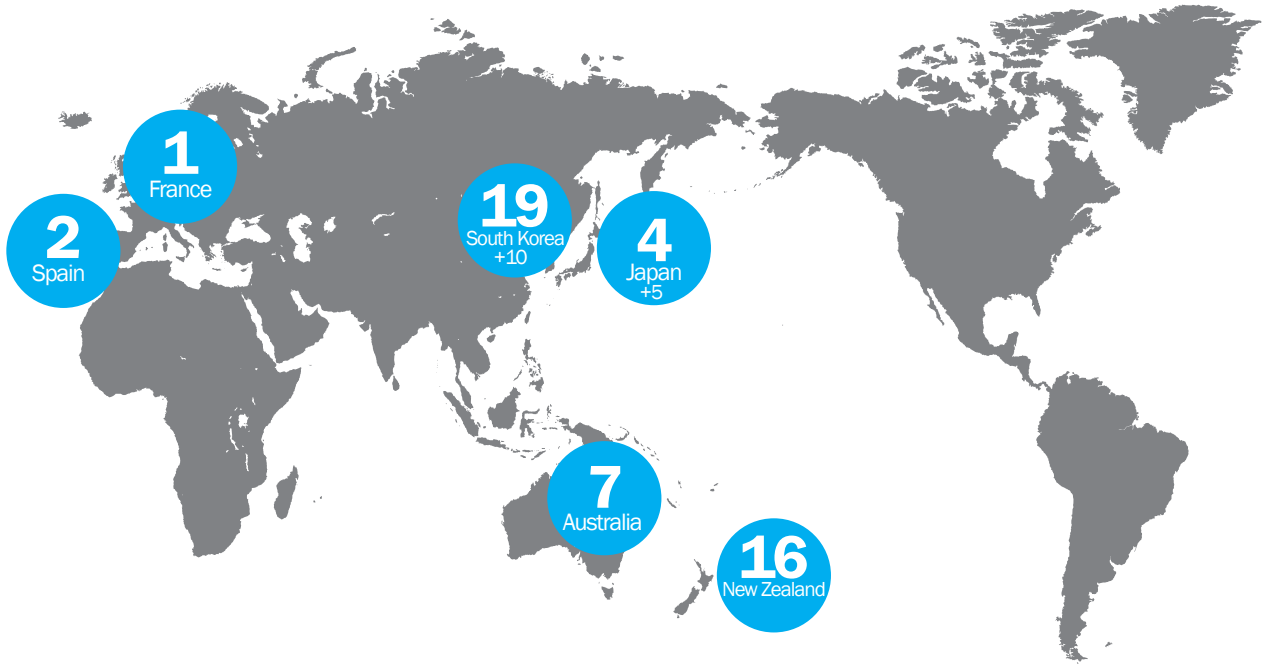
One area of possible concern for the industry could be the relatively high Human Capital ranking that New Zealand was given. This high ranking contrasts with the findings of the industry survey, with only 38% of respondents agreeing or strongly agreeing they are able to find skilled staff for their business.

New Zealand ranked relatively poorly in the following areas:

1. Ground and port infrastructure – 50th
2. Cultural resources and business travel – 44th
3. Price competitiveness – 104th

The low ranking in ground and port infrastructure can be attributed to the quality and efficiency of the road network, quality of railroad infrastructure and the quality of current cruise facilities.

GLOBAL RANKING



New Zealand ranked poorly for cultural resources and business travel mainly due to the limited number of international events held in New Zealand and the lack of registered world heritage sites. The main area of concern for the industry should be New Zealand's poor price competitiveness ranking.

Results from the industry survey and the International Visitor Survey (Stats NZ, 2017) suggest there is a perception from both the industry and visitors that New Zealand is becoming an expensive destination to visit.

One survey participant commented "We as a country have to be careful to not price ourselves out of the market…we need to be careful not to be left behind when compared to many other destinations that provide much better value for money. We are in luxury, targeting high-end visitors but even these visitors are starting to tell us they consider NZ prices to be quite uncompetitive now".

This view is balanced by participants who commented on the need for operators to value the quality of the products they offer. One participant commented "Our attractions are world leading and so are value for money".

The accommodation industry was criticised by some survey participants for not offering a consistently high value product. One participant commented "Our attractions are world leading and so are value for money. The majority of our accommodation is not world leading and needs to be judged differently – I don't think it is value for money".

This view was also acknowledged by many survey respondents from the accommodation sector. They cited rising operating costs as the main cause for the increased costs of rooms, leaving limited cash-flow for capital development and property upgrades.

"We as a country have to be careful to not price ourselves out of the market…we need to be careful not to be left behind when compared to many other destinations that provide much better value for money. We are in luxury, targeting high-end visitors but even these visitors are starting to tell us they consider NZ prices to be quite uncompetitive now".
(SOI survey respondent, 2017)

CURRENT GLOBAL ISSUES

Yesterday's Tourists are not Tomorrow's

Global demographic changes mean that future international growth opportunities will likely shift away from North America and European dominated travel markets to growth coming from Asia, the Middle East and Africa (World Economic Forum, 2017).

The ten fastest growing destinations for leisure travel spending are expected to be India, Thailand, China, Myanmar, Vietnam, Brunei (Asian countries), Angola, Uganda, Oman and Mozambique (African countries).

This presents potential growth and diversification opportunities for New Zealand to receive visitors mainly from Asian and Pacific Rim countries.

It is currently forecast that most global travel growth is expected to come from China and India. It is estimated that only 5% of Chinese nationals have passports (World Economic Forum, 2017).

Travellers are looking for experiences which New Zealand is well positioned to deliver, based on its product offering.

Baby boomers are the highest value market segment (World Economic Forum, 2017) which presents opportunities for New Zealand to leverage.

New Travellers. Old System

International travel is becoming easier. In 2016, 61% of travellers required a visa before travelling compared with 77% of travellers in 2008. Nine of the ten largest inbound markets can travel to New Zealand without having to apply for a visa. The only exception is China.

Geopolitical Insecurity is the New Normal

A higher sense of geopolitical insecurity is becoming normalised globally. Many nations are engaging in programmes that involve the sharing of information for increased security through bilateral agreements.

The Fourth Industrial Revolution

The digital revolution has come and increased digital disruption is likely to have a strong impact on the industry.

Areas of future digital disruption are likely to be:

1. Service delivery is likely to adapt due to new technologies.
2. The way people experience, consume and share information has changed drastically.
3. Customer expectations due to technologies. Businesses will have to adapt their delivery to meet these expectations.
4. The digitisation of service delivery is likely to impact the workforce and labour market and the demands on human capital will shift.
5. A targeted and focused effort on the part of government, industry and the education sectors will be required to mitigate the negative impact of automation and digitisation of many tourism roles.
(World Economic Forum, 2017)

Jobs, Jobs, Jobs but where is the talent?

Globally, travel and tourism accounts for one in ten roles. In New Zealand it is closer to one in twelve roles. As the industry grows, it is likely to lead to a higher proportion of the labour market working directly in the tourism industry. The current talent gap will likely cost the global tourism industry $610 billion from 2014 -2024 (World Travel & Tourism Council, 2017).
To address the challenges of capacity and capability, the labour market requires collaboration from industry, central government and the education sector. A higher level of engagement from the private sector with these actors is required to ensure that education and training programmes are aligned so that they meet the changes in technological and market requirements.

Sustainability

Sustainability is not just a key issue for New Zealand but also a global issue. The United Nations General Assembly declared 2017 as the International Year of Sustainable Tourism.

Increased air travel and connectivity has enabled an increase in visitor numbers, and although it is relatively easy to communicate the economic benefits of tourism, the repercussions on local host communities and the environment are often harder to measure. The net impact of an increase of visitors on the local environment and local communities should consider the following environmental issues:

- Water usage
- Waste generation
- Global warming
- Oil dependency
- Carbon emissions
  (World Economic Forum, 2017)

These issues are starting to emerge in New Zealand but there are additional local issues that will require consideration from all stakeholders.

Infrastructure is becoming a bottleneck

NZ is ranked 15th for air infrastructure, 50th for ground and port infrastructure and 19th for tourist service infrastructure.

Globally 10.2% of global GDP was generated through tourism and increased for the 6th year running.
The lack of infrastructure is constraining this growth. There is a lack of private and public investment in the areas of airport development, accommodation, road and rail, and communications technologies (World Economic Forum, 2017).

Tourists have many destination options and they want to move easily through a destination. If access is difficult they are likely to choose an alternative destination. Infrastructure is of strategic importance for nations in regards to their global competitiveness. Integrated infrastructure projects that meet the needs of the changing demands of visitors are required to ensure continued growth in the industry.

Improved regulatory framework

As the tourism and travel industry becomes more globally integrated, it has seen market deregulation and liberalisation policies open up investment in the industry. One of the key areas of the industry which has not seen the impacts of market liberalisation is the airline industry. New Zealand is ranked 1st for its openness of bilateral air agreements but some of the markets that NZ airlines operate in limit growth.
A regulatory framework that facilitates air connectivity without compromising national security is likely to facilitate increased productivity and growth.