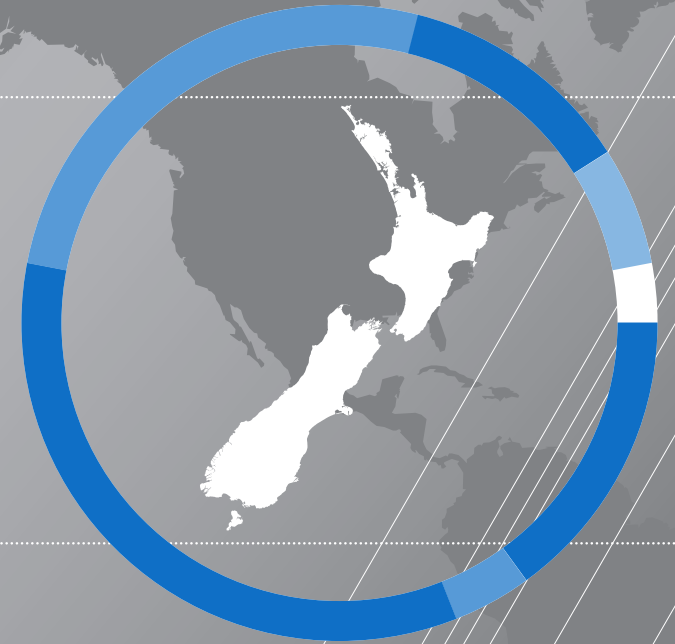


→ **FEATURED SECTOR**

# Tourism





**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MBIE combines the former Ministries of Economic Development, Science + Innovation, and the Departments of Labour and Building and Housing.

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# New Zealand Sectors Report 2013

The New Zealand Sectors Report consists of the Main Report covering all sectors in the economy and six additional, separate, reports providing an in-depth analysis of six individual sectors. The seven reports are:

**1 The New Zealand Sectors Report 2013: Main Report**

**Featured Sector Reports:**

**2 Information and communications technology (ICT)**

**3 High technology manufacturing**

**4 Construction**

**5 Petroleum and minerals**

**6 Tourism (this report)**

**7 Knowledge intensive services**





## Ministers' foreword

### **We are pleased to present this report on a critically important part of New Zealand's economy, the tourism sector.**

Domestic and international tourism combined are a \$23.9 billion industry, \$9.8 billion of which is export earnings.

The second largest export category after dairy, tourism is integral to New Zealand's economy. It directly supports 110,800 jobs as well as many small businesses up and down the country, including in retailing, accommodation, food and beverage services, arts and recreation.

Tourism leverages some of New Zealand's major assets, our scenery and cultural heritage, particularly the cultural heritage of Māori.

Tourism impacts the wider economy in less visible but equally important ways. While the internet has reduced the impact of distance for many activities, face-to-face communication is as important as ever for innovation, knowledge sharing and business relationships. This is particularly true for our emerging high-value sectors such as information technology services and high-technology manufacturing.

Beyond their direct contribution to the New Zealand economy, international visitors to New Zealand play a vital part in bolstering air-freight capacity. More passengers flying in and out of New Zealand provides more opportunities for businesses to get their high-value and perishable products to the world.

As this report shows, tourism is not simply about numbers of visitors, but about the value of each visitor to the New Zealand economy.

The tourism sector has been remarkably resilient in the wake of a number of shocks, including the Global Financial Crisis (which

hastened a shift from traditional markets) and the Canterbury earthquakes. But that's not the whole story. Total international visitor expenditure has been declining (in real terms) since the peak in 2004.

We are on the cusp of a significant opportunity. Tourism is a growth industry globally, and the growth in outbound travel is taking place on our doorstep. But the international tourism market is also becoming more competitive, with many more options for the traveller looking for unique experiences. The products that worked for New Zealand for many years in the traditional western markets are not necessarily the products that will work in a world driven by the digital revolution, ageing populations, and emerging economies.

The challenge the New Zealand tourism industry faces is to achieve greater returns through continual innovation to provide quality, demand-led products. Achieving this will be assisted by the \$8 million the government has allocated to the Tourism Growth Partnership.

This report is not policy. Instead it provides a comprehensive overview of key facts with some commentary from industry leaders. We hope it will generate robust and informed debate about the future development of this important sector.

**Rt Hon John Key**  
PRIME MINISTER  
MINISTER OF TOURISM

**Hon Steven Joyce**  
MINISTER FOR ECONOMIC DEVELOPMENT  
MINISTER OF SCIENCE AND INNOVATION  
MINISTER FOR TERTIARY EDUCATION, SKILLS  
AND EMPLOYMENT  
MINISTER FOR SMALL BUSINESS  
ASSOCIATE MINISTER OF FINANCE

# Key terms and data limitations

## Defining sectors

A sector is an area of economic activity in which businesses or other organisations (e.g. Government or voluntary organisations) share a similar market or produce a similar product or service. Examples are retailing (businesses that sell products directly to consumers) and telecommunications (provision of communications services using wired or wireless infrastructure).

This report uses data grouped into sectors using the Australian and New Zealand Industrial Classification codes (ANZSIC codes). A business or other type of organisation is classified to an ANZSIC code based on its predominant activity. The term 'sector' is often used interchangeably with the term 'industry'.

## Sources

The numbers in this report come from multiple sources. Considerable effort has been made to use the most recent data available. Some of this data is provisional and may change.

The data used covers different time periods for different metrics. For example, goods exports is for the year ended March 2013, while labour productivity is for the year ended March 2010.

## Customised data for tourism

Tourism is a cross-cutting sector combining a diverse range of products across many ANZSIC codes. Customised data has been provided by Statistics New Zealand for this report.

## Export data

Some export data for cross-cutting sectors uses international sources in order to provide a longer time series. These sources may not

agree with Statistics New Zealand data due to differences in the group of exported products being allocated to the relevant sector.

## Use of the term 'firm'

The term 'firm' is used generically. It includes all relevant entities, some of which are not firms at all, such as those in the charities, Government, education and health sectors.

## Example firms

This report provides examples of firms which are believed to belong to the sector. The example firms provide a partial answer to a key question on the composition of a sector: which firms are in it?

Firms are classified by Statistics New Zealand as being part of an industry sector according to their predominant activity. This is explained fully on the Statistics New Zealand website. The classification of each firm to a sector using the Australian and New Zealand Standard Industrial Classification (ANZSIC) system is **confidential** to Statistics New Zealand.

Because of the confidentiality rules, MBIE has used other publicly available sources to determine which firms are likely to belong to a sector. These sources may be inaccurate or incomplete.

## Quotes and interviews

A limited number of interviews with sector leaders were carried out in the preparation of this report. Anonymous quotes from these interviews that illustrate key themes have been included. The opinions expressed are those of the industry participants. Additional quotes from public sources have also been used.

**A full explanation of the data sources and limitations is provided in the Appendix.**

## Report objective

The New Zealand Sectors Report Series is a set of seven publications that provides a factual source of information in an accessible format on the key sectors that make up the New Zealand economy.

New Zealand needs to encourage all industry sectors to operate at their peak potential to meet the goals of our Business Growth Agenda. This report provides information on New Zealand's tourism sector.

The report does not intend to draw policy conclusions. Its aim is to provide a comprehensive report card on the state of New Zealand's tourism sector for business people, tourism operators, policy makers, media commentators, economists, academics, students and anyone with an interest in New Zealand's economic development.

The Ministry of Business, Innovation & Employment (MBIE) welcomes comment and feedback on this report, and on the measures the Government is taking to facilitate the development of a competitive and successful tourism sector. Email [sectors.reports@mbie.govt.nz](mailto:sectors.reports@mbie.govt.nz)



<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Foreword	5
Key terms and data limitations	6
Report objective	7
Executive summary	10
What is tourism?	13
Government's Business Growth Agenda	21
Public funding landscape	24
Snapshot and key themes	25
Business and employment	31
Contribution to Māori economic development	45
Exports: international visitor numbers	49
Exports: value by market	63
Exports: value by purpose of visit	79





<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Barriers to growth	85
Domestic tourism	89
International connectivity	97
Challenges	105
Innovation	113
Skills	127
Appendix: glossary, definitions, sources, methodology and limitations	133
Further reading	145

# Executive summary

## General

- New Zealand's tourism sector is a \$23.9 billion industry. In 2013 expenditure in New Zealand by international visitors totalled \$9.8 billion, and expenditure by domestic visitors totalled \$14.2 billion.
- Tourism is different from many other 'export' industries, in that the customer – the visitor – travels to New Zealand and spends money on goods and services in New Zealand. It is the customer that crosses the border, rather than the product. For this reason tourism is defined by the characteristics of the customer demanding the goods and services. A restaurant meal purchased by an international visitor is counted as international expenditure (a tourism 'export'). The same meal purchased by a New Zealander is not.

## Business and employment

- In 2013 tourism directly contributed 3.7% of GDP down from 4.6% of GDP in 2003. Tourism directly employs 5.7% of the workforce (110,800 full time equivalent employees) and generated 16.1% of export receipts.
- Employment directly attributable to tourism is spread across a wide range of sectors, including food and beverage services, accommodation, retail trade, education, air transport and arts and recreation services.
- 36% of tourism workers are part-time employees, compared to 19% for all workers. Salaries and wages paid vary between air transport industry workers (at an average of \$102,000) to food and beverage services workers (at an average of \$30,700).
- The majority of workers are employed in labour intensive, lower productivity sectors. This is not surprising as a significant

proportion of expenditure by international visitors is on the goods and services provided by these sectors, such as accommodation, restaurant meals and consumer products.

## Exports

- The total value of international tourism (in nominal dollars) has held steady since 2008, despite a number of recent adverse events, including the global financial crisis and the Christchurch earthquakes.
- The longer term trend shows a decline (in real dollars) in total visitor expenditure since 2004. Across all markets and purposes of visit there has been a decline in the average spend per person.
- By contrast there has been steady growth in visitor arrivals – more than 2.6 million people visited New Zealand in the year ending March 2013.
- Arrivals from Australia have almost doubled in the ten years to 2013, to reach 1.2 million.
- Arrivals from China grew by 31% from 2012 to 2013, to reach 210,000, and this growth is expected to continue.

## Growth industry/increased competition

- Tourism is a growth industry internationally, with growth coming from the emerging economies in particular. This is a significant opportunity for New Zealand.
- The New Zealand destination brand enjoys high awareness internationally. But New Zealand faces increased competition from other destinations (e.g. Croatia is doing well in the Japanese market) and from competing products (e.g. innovative

## Executive summary continued

packages designed to cater to different market segments, in terms of age, culture, length of stay and desired experience). It is not clear that the opportunity provided by New Zealand's high brand awareness is being fully converted into arrivals and visitor expenditure into the country.

### Domestic tourism

- Domestic visitor demand accounts for 59% of all visitor demand. Spending in most regions of New Zealand has seen some growth. The industry tells us that domestic tourism is the 'bread and butter' for most tourism firms, providing facilities and infrastructure that can be leveraged for the international market.

### Connectivity

- Air connectivity is critical to the tourism industry and to the New Zealand economy as a whole. New air-routes (such as the direct route provided by China Southern airlines from New Zealand to China in 2011) provide increased capacity and this can strongly influence demand. New Zealand saw a significant increase in inbound flight capacity (number of seats) to 2005, but growth in overall capacity has been limited in recent years.
- International air travel prices have dropped significantly over the last 30 years, but domestic prices have increased. The 2.6 million visitors to New Zealand a year support significantly more capacity than would otherwise be the case. This in turn provides important air-freight capacity for other export sectors, e.g. of perishable goods. When this is considered, along with the wide range of service industries that derive income from tourism, then the tourism industry has an impact on most parts of the economy.

### Challenges

- The tourism industry faces some specific challenges including seasonality – high demand in summer and lower demand in winter. Seasonality is a disincentive to investment in staff training, impacts on the ability of firms to attract and retain skilled staff, and can result in an under-utilisation of assets outside the peak season.
- The Christchurch earthquakes have had an impact on visitor numbers in Christchurch and the South Island, but more generally have caused significant changes in how itineraries across the whole of New Zealand are constructed.
- The key challenge facing New Zealand tourism firms is how to generate higher returns. Industry feedback suggests that this will (in part) involve developing products that are more relevant and attractive for a range of markets, segmented by country and culture, by demographic, by purpose of visit and by visitor expectations of experience.

### Technological change

- The internet is increasingly the channel of choice for research and bookings, and new web-based businesses and mobile applications are rapidly developing to meet this demand. Social media and sites such as TripAdvisor provide firms with almost instant feedback. These are key channels for measuring quality and satisfaction against international competitors.





## WHAT IS TOURISM?



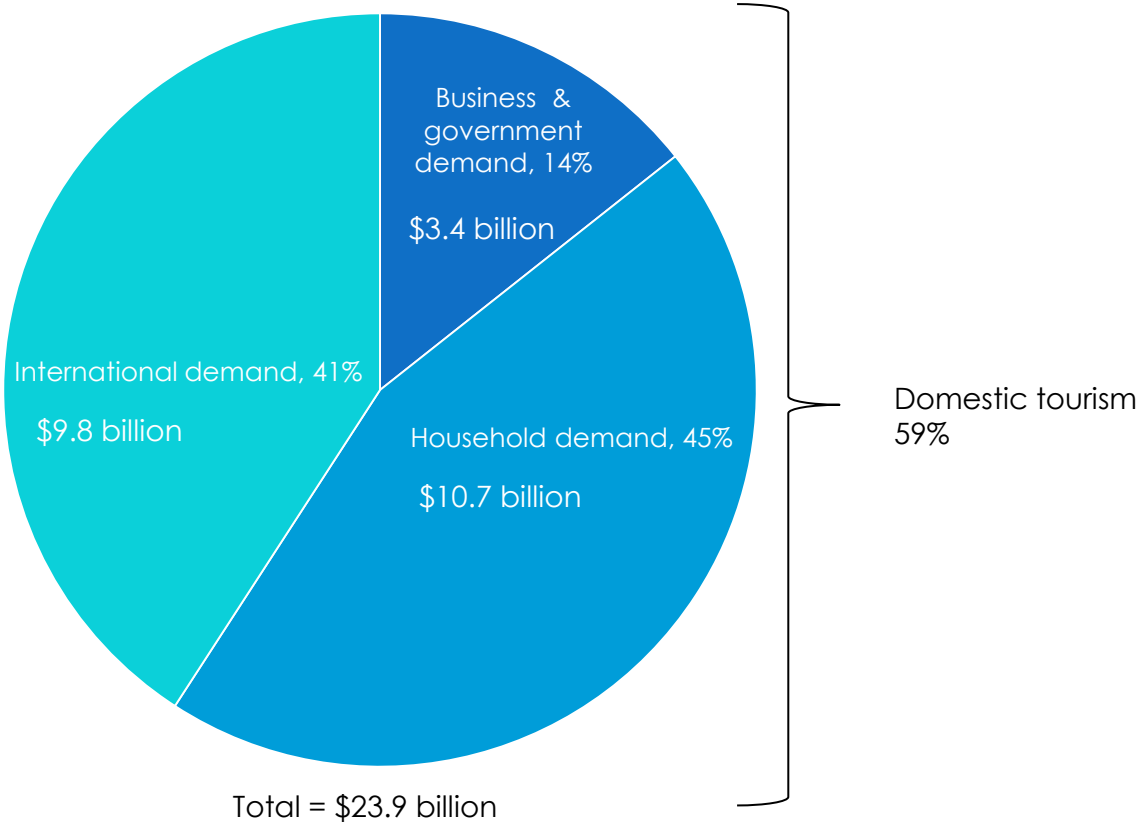
# International definition of tourism

- ***Tourism is defined internationally as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. This definition recognises tourism as comprising a broad range of activities, and goes beyond the common perception of tourism as being limited to holiday activity.***
  - UNWTO technical manual: Collection of Tourism Expenditure Statistics. World Tourism Organization; 1995
- The definition includes domestic visitors (New Zealanders travelling to and staying in other parts of New Zealand) and international visitors (people from other countries, including New Zealand citizens living overseas, travelling to and staying in New Zealand for less than a year).
- Conventional industries such as construction and manufacturing are defined according to the goods and services they produce. By contrast, tourism is defined by the characteristics of the customer demanding the goods and services:
  - A restaurant meal bought by an Australian visiting New Zealand is a tourism export
  - The same meal bought by a New Zealand resident living down the road is not
  - The same meal bought by a New Zealander who resides in another part of the country is domestic tourism expenditure.
- Thus the tourism sector cuts across Australia and New Zealand Standard Industrial Classification (ANZSIC) codes. It requires a different approach to classification and analysis.

# Domestic and international tourism

The New Zealand tourism sector is a \$24 billion industry, made up of domestic tourism (New Zealanders visiting other parts of the country) and international tourism

**Total tourism expenditure by type of visitor**  
NZ\$m; 2013 (year ended March)

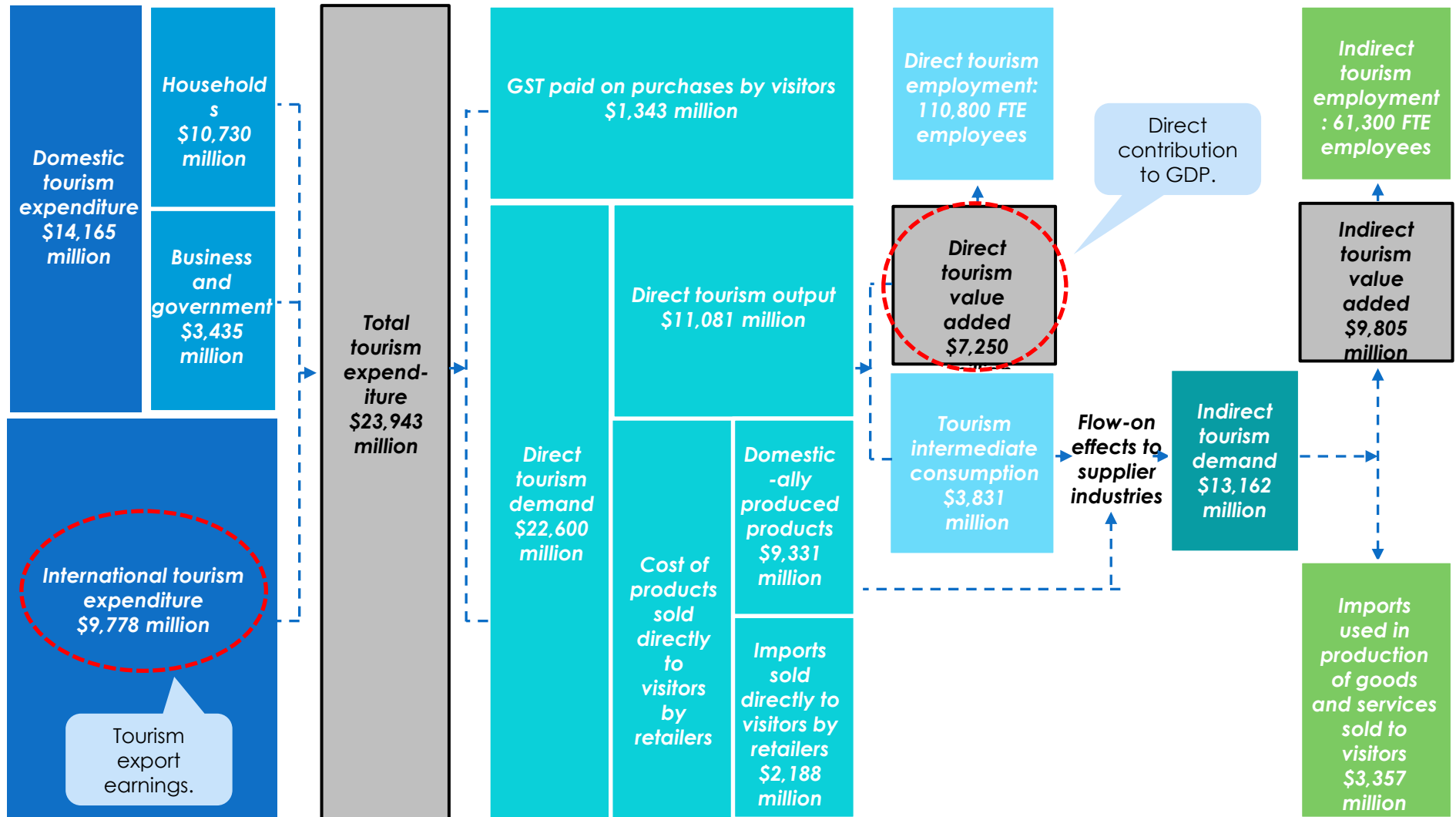


Source: Statistics NZ; Tourism Satellite Account; 2013



# Flows of tourism expenditure through the New Zealand economy\*

The structure of the tourism industry is complex with the value to the NZ economy accruing across a wide range of activities; effectively most of the economy is touched by tourism



Source: Statistics New Zealand, Tourism Satellite Account (2013)

\*Tourism expenditure is measured in purchaser prices. Other monetary aggregates are measured in producer prices.

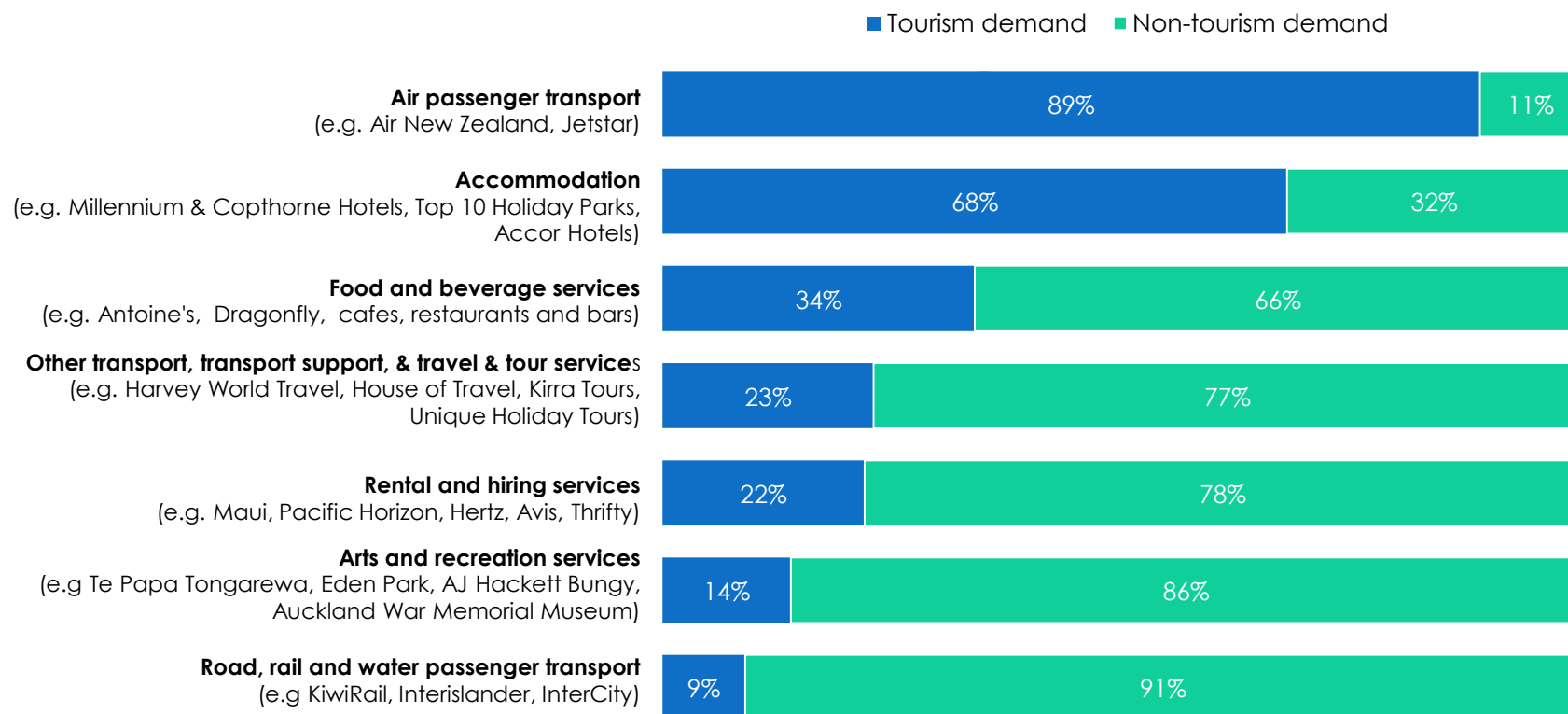
## Who is in the tourism industry?

A number of key service sectors in New Zealand are significantly dependent on tourism demand (domestic and international)

### Percentage of direct tourism demand for tourism-characteristic industries' output

% total demand; 2010<sup>a</sup> (year ended March)

**Definition:** A tourism-characteristic industry is one where (1) at least 25 per cent of the industry's output is purchased by visitors; or (2) industry output includes a tourism-characteristic product. See Appendix.



## The tourism industry: industry comment

### Industry commented on how tourism is everyone's business

- *I think maybe the biggest problem we've got is lack of recognition of who is actually in the industry. If you are a dairy farmer and you've got a bunch of cows in your paddock and a truck turns up a couple of times a day to take away the milk, you know you are in the dairy industry. But if you are a burger bar on the West Coast or a gas station, I'm not sure you know you are in the industry. There's a whole bunch of businesses that probably get a very significant part of their turnover out of tourism but they are not aware of it... somebody touring down the West Coast in a campervan is going to spend money here and there, but people who own those businesses don't realise they are in the industry... it's an awfully fragmented industry.*
  - Senior executive, tourism industry business, large
- *[Tourism] is all of us. It is absolutely all of us.*
  - Leader, Māori tourism industry





## **THE GOVERNMENT'S BUSINESS GROWTH AGENDA**



## The Government's Business Growth Agenda

### Actions to increase value and encourage innovation in tourism

#### Increasing value from tourism

- Install SmartGate to provide a streamlined experience for Australian travellers. SmartGate has been installed in Auckland, Wellington and Christchurch Airports.
- Further streamline passenger facilitation including SmartGate technology functions. SmartGate is now available to UK and US e-passport holders.
- Deepen partnerships with air services industry to strengthen demand and value of routes.
- Develop and implement a new three year marketing strategy for New Zealand's destination marketing. The Government is investing an additional \$158 million in tourism over the next four years as part of the Internationally Focused Growth Package.
- Capture the full potential value from growing Asian visitor markets. New initiatives delivered in China include multi-entry visas, industry/government market research and a new programme with priority tourism trade partners in-market. Increased funding has been provided to significantly lift Tourism New Zealand's marketing in Indonesia and India.
- Invest \$10m annually into the Major Events Development Fund to increase the number and quality of major events.
- Develop international-standard convention centres in Auckland and Christchurch.
- Establish Nga Haerenga - The New Zealand Cycle Trail. Twelve trails have been completed and in operation. Remaining trails, except the Old Ghost Road (West Coast/Buller), will be completed by the March 2014.
- Convert the international attention New Zealand will draw from *The Hobbit* movies, into travel to New Zealand. Large scale activation project underway to leverage premieres of second and third movies (late 2013 and 2014).
- Establish and implement Māori Tourism Action Plan.
- Increase value to New Zealand businesses and New Zealand from public conservation lands and waters.



# The Government's Business Growth Agenda

## Actions related to tourism

### Growing International education

- Develop Education New Zealand to help the education industry double the value of international education by 2025. The Government is investing \$40 million in marketing and promoting international education over the next four years as part of the Internationally Focused Growth Package.
- Deliver education targets in the NZ Inc. strategies for China and India.
- Assist the New Zealand education industry to have the capability to be successful in key international markets.
- Focus marketing and in-country resources on high potential markets.
- Undertake a dedicated \$5 million plan over four years to assist recovery in Christchurch export education market.
- Use newly adopted policy and regulatory tools to oversee the international student market in New Zealand.

### Deliver a compelling New Zealand story

- Develop with key stakeholders a broad, compelling, and flexible New Zealand story that works for a range of exporters and sectors, including tourism and education, and for immigration.
- Incorporate New Zealand's unique Māori cultural dimension to enhance the value of the New Zealand story.
- Develop a toolkit of elements (e.g. branding, photos, guides) that will help tell the New Zealand story.
- Facilitate the use of New Zealand branding by private sector companies.

## Public funding landscape

Central Government provides significant support to the industry both directly (e.g. funding for marketing) and indirectly through the provision of a range of services

Fund	Amount (2013/14 year)	Details
<b>Marketing</b>		
Destination marketing	\$113.3 million	Tourism New Zealand's promotion of New Zealand as a visitor destination in key markets overseas.
China Market Information Programme	\$1.0 million	To support businesses undertaking research on the needs and preferences of the China visitor market. The focus of the Programme is on research that will inform product and service development.
<b>Development</b>		
Tourism Growth Partnership	\$7.2 million	To support partnerships with industry that address strategic issues in the tourism sector.
Major Events Development Fund	\$10.0 million	To invest in major events that generate significant, immediate and long-term economic benefits for New Zealand. Examples include the Audi Quattro Winter Games, NZ Golf Open Queenstown, Icefest Christchurch and the UCI BMX World Championships Auckland.
<b>Provision of services</b>		
Management of recreational opportunities	\$145.7 million	Provision of recreational facilities and services on public conservation land (e.g. toilets, tracks, huts, parks). This is 33% of the budget allocated to the Department of Conservation.
Immigration	\$14.5 million (estimate for international visitors)	Crown funding relates to costs of immigration services for those who do not require a visa (i.e. visa waiver), or do not have to pay for a visa (i.e. fee waiver). Visitors who require visas are covering these costs through the fees charged for visas.
Customs passenger clearance	\$54.0 million	Provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement (includes NZ resident outbound travel).
Biosecurity clearance	\$73.0 million (all trade and travel)	Biosecurity monitoring and clearance programmes that manage the biosecurity risk associated with international trade and travel.
<b>Other</b>		
Tourism data	\$4.8 million	For the collection, processing, analysis and dissemination of data on tourism, and some operational expenses.





## **SNAPSHOT AND KEY THEMES**

Tourism, unlike 'conventional' industries, is defined by the characteristics of the customer demanding tourism products. A 'tourism-characteristic product' is defined as one that would cease to exist in a meaningful quantity, or for which the level of consumption would be significantly reduced, in the absence of visitors. A product is classified as a tourism-characteristic product if at least 25 per cent of its production is purchased by visitors.

Scorecard <sup>a</sup>					
Measure	Total	% of NZ <sup>b</sup>	Growth (1 year)	Growth (5 yr CAGR <sup>c</sup> )	Growth (10 yr CAGR <sup>c</sup> )
GDP contribution 2013 (nominal)	\$7,250m	3.7%	4.3%	0.5%	2.5%
Total exports 2013 <sup>e</sup> (nominal)	\$9,805m	16.1%	2.2%	0.8%	2.4%
Tourism employment (FTE) 2013	110,800	5.7%	1.8%	2.3%	2.0%
GDP/employment (FTE) 2010 (nominal)	\$49,058	67.8%	-6.7%	-1.9%	1.2%
Investment in fixed assets 2010	\$5,904m	16.3%	-1.2%	-1.2%	6.3%
No. of 'tourism-characteristic' firms 2012 <sup>d</sup>	25,833	5.5%	-0.7%	0.2%	2.1%

- Reports latest available tourism data. It does not necessarily align with all sector scorecards, which have been prepared on a common basis to allow comparison across sectors.
- NZ is total employing sectors (excludes owner-occupied dwellings).
- CAGR = compound annual growth rate.
- Indicative data, based on applying tourism industry ratios to Statistics New Zealand Business Demography (2012) firm counts. Treat as directional.
- Visitor spending is direct spending by international visitors in New Zealand. Excludes non-visitor expenditure (plus GST), notably Air New Zealand's overseas earnings and foreign carrier landing fees, refuelling and catering costs.

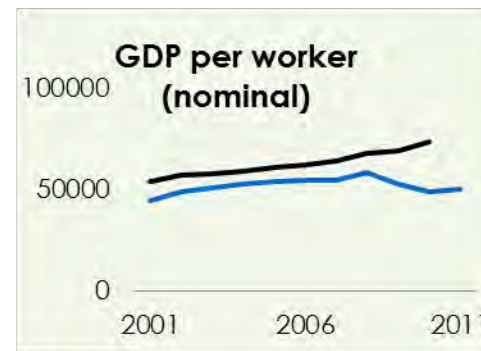
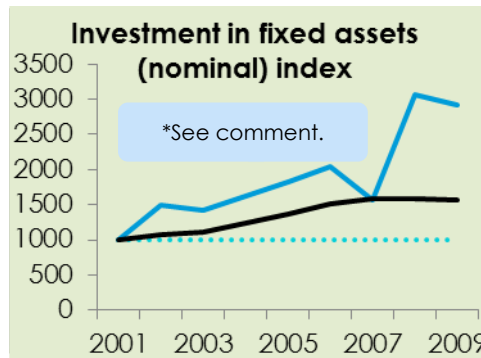
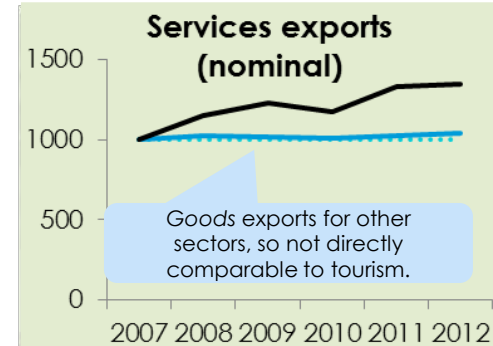
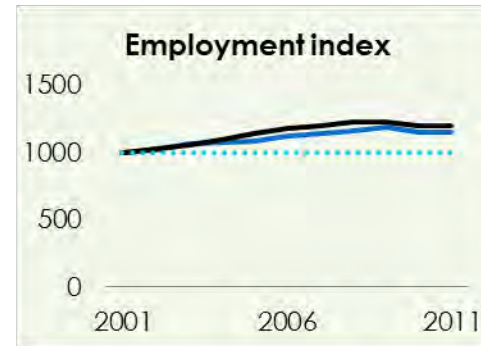
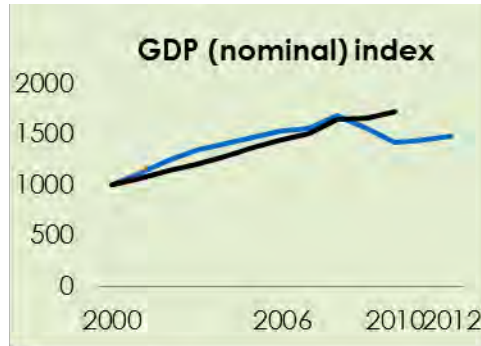
Example firms			
Firm	Turnover (\$m)	Employees	Ownership
Air New Zealand	\$4.5b	10,453	Public – NZX; 75% NZG
SKYCITY Entertainment Group Ltd	\$861m	3,684	Public – NZX and ASX
Tourism Holdings Ltd	\$209m	431	Public – NZX
Small backpacker hostel	\$1m (est.)	5 (est)	Limited liability company
Small jet boat tour operator	\$500,000 (est.)	Zero	Partnership

Key tourism exports by type of export		Visitor spending by country <sup>e</sup>	
Service	Exports (\$m; 2013)	Country	Visitor spend (\$m: 2012)
Air passenger transport	\$2,290	Australia	\$1,660
Food & beverage	\$1,688	China	\$555
Retail (other than fuel)	\$1,480	UK	\$545
Accommodation	\$1,137	US	\$430
Other passenger transport	\$871	Japan	\$285
Other	\$2,312	Other	\$2,018
<b>TOTAL all exports</b>	<b>\$9,778<sup>e</sup></b>	<b>TOTAL all countries</b>	<b>\$5,493<sup>e</sup></b>

Key trends, various timeframes: 10 year index (base =1000) except productivity is \$ values — this sector vs all other sectors

### Comment

- Nominal GDP flat to declining from 2008
- Large employer: 120,700
- Created jobs overall +15,900 (2001–11)
- Lost jobs: -3600 (2009–2011)
- Created jobs: +1,455 (2011)
- Productivity (GDP per hour worked) declining
- Exports flat
- In 2009, the tourism sector was the largest investor in fixed assets due to significant airport infrastructure investment. \*Note: 2008 & 09 investment data not directly comparable to earlier years due to classification changes.
- 1 in 20 firms are tourism characteristic



Results from Survey 2011: R&D & innovation rates		Export barriers: Current exporters	Degree	Export barriers: Future exporters	Degree	Internationalisation	%
R&D rate		Exchange rate level		Limited access to distribution networks		% of tourism related firms reporting overseas income	100%
Innovation rate		Exchange rate volatility		Limited experience in expanding beyond NZ		% of tourism firms with off-shore direct investment	11%
		Low market demand or increased competition		Overseas government regulation or tariffs		% of tourism firms >50% foreign owned	19%

High Medium Low

## Key themes

A number of key themes have emerged in the tourism sector

Theme	Description	Details
<b>Declining spend per person</b>	Spend per international visitor has been in decline.	<ul style="list-style-type: none"> <li>Between 2003 and 2013, the per person visitor spend (nominal) decreased by 30 per cent.</li> </ul>
<b>Resilience</b>	Continued growth in visitor arrivals evidence of resilience	<ul style="list-style-type: none"> <li>Visitor arrivals from 2003 to 2013 have increased at 2.3% per annum to reach 2.6 million.</li> <li>Arrivals from Australia have almost doubled in the ten years to 2013, to reach 1.2 million.</li> <li>Arrivals from China grew by 31% from 2012 to 2013, to reach 210,000, and this growth is expected to continue.</li> </ul>
<b>New Zealand dollar/GFC</b>	The New Zealand dollar has strengthened against many traditional tourism markets following the GFC.	<ul style="list-style-type: none"> <li>Compared to the New Zealand average, a significantly higher percentage of tourism firms report the exchange rate as a barrier to exporting.</li> <li>High exchange rates mean that the same amount of foreign currency will purchase fewer New Zealand dollars (and therefore fewer goods and services).</li> </ul>
<b>Post-quake South Island</b>	Historically Christchurch has acted as a transport hub, and gateway to the South Island (or to the North Island for visitors arriving in the South Island first).	<ul style="list-style-type: none"> <li>Christchurch and Canterbury Tourism (CCT) report that the greatest impediment to recovery of the tourism sector are supply-side constraints in both accommodation and airline capacity. In Christchurch city, accommodation capacity is still around 60% of what it was in September 2010. Trans-Tasman airline capacity is down 25% since 2009. The motel sector has reported that Christchurch provides one third of all domestic visitors to other parts of the South Island, but these people are not travelling as much, or in the same way, as before the earthquakes.</li> </ul>
<b>Aviation linkages</b>	New Zealand is a long-haul destination. More routes connecting New Zealand to other countries and greater frequency of flights is a critical enabler for increasing the value of tourism to the economy.	<ul style="list-style-type: none"> <li>New Zealand saw a significant increase in inbound flight capacity (number of seats) from 2003 to 2005, but growth has been limited in recent years.</li> <li>There is strong competition on the trans-Tasman route but a number of other routes are single carrier operations.</li> <li>New links/services have a material impact on visitor numbers. Recent examples include the introduction of the Guangzhou (China) to Auckland route by China Southern.</li> </ul>
<b>Labour productivity, wages and skills</b>	Relatively lower labour productivity of many firms supplying visitors impacts on the wages offered and the ability of these firms to recruit and retain staff.	<ul style="list-style-type: none"> <li>Retail trade, and accommodation and restaurants generate less than \$30 of Real GDP per hour paid. Average wages for accommodation and food and beverage are well below the New Zealand average. 36% of tourism workers are part-time, compared to 19% across all sectors. The seasonal nature of the industry means that there is less incentive for business to invest in training and less visible career paths for employees.</li> </ul>
<b>Importance of domestic tourism</b>	Domestic tourism accounted for 59% of all visitor expenditure in 2013.	<ul style="list-style-type: none"> <li>The industry tells us that domestic tourism provides the 'bread and butter' for many tourism operators and supports a range of operations and infrastructure which can then be leveraged for the international market.</li> </ul>

## Key themes

A number of key themes have emerged in the tourism sector

Theme	Description	Details
<b>Innovation</b>	The changing dynamics of the tourism market, including increased competition, indicates a need for greater innovation and demand-led product development.	<ul style="list-style-type: none"> <li>Increasing demand for authentic experiences is driving innovation by tourism operators.</li> <li><i>We've been pumping out the same V8 truck [metaphorically] for a number of years and saying 'why is the market getting smaller for us?' Or we've found a new market that might be quite interested in our truck so let's go and sell those trucks there - as opposed to going 'actually we need a hybrid'.</i> – Industry leader.</li> </ul>
<b>Tourism going digital</b>	The Internet is radically changing the way visitors plan and make decisions regarding their travel, as well as changing the way they communicate and interact with firms.	<ul style="list-style-type: none"> <li>The growing 'word of mouth' effect, e.g. via TripAdvisor, Facebook, YouTube, means firms' reality is exposed. Many firms are taking a transparent approach, responding to such feedback. Some are employing social media experts to manage their exposure on the Internet. Visitors now expect firms to have an on-line presence and have tools such as real time bookings. Many tourism firms operate in remote areas of New Zealand, so access to broadband is essential.</li> <li>Potential customers are much more able to compare New Zealand's quality and products with those of competing countries, so that international competitive pressures are more visible to the New Zealand industry.</li> </ul>
<b>Māori culture and investment</b>	Māori culture and values are central to New Zealand's brand and experience, along with the land itself. A number of iwi, Māori trusts and incorporations have significant stakes in the tourism sector.	<ul style="list-style-type: none"> <li>Māori are investing in and acquiring tourism operations, as purely commercial ventures and as a means of leveraging assets and driving economic and social development. Indications are Māori tourism products are evolving from performance-based to experiential, which appears to be what international visitors want.</li> <li>Tourism also provides a vehicle by which tribal stories and history can be kept alive through oral tradition.</li> <li><i>Story telling is effectively a fundamental tenet of Māori culture and for owners of tourism assets that are Māori it provides a vehicle by which to deliver some of that content in an appropriate way.</i> – Industry leader</li> </ul>
<b>Changing markets</b>	The decline of traditional markets of the UK and USA have been partly offset by rapidly emerging opportunities in China. Australia still accounts for half of all international visitors and almost one third of expenditure.	<ul style="list-style-type: none"> <li><i>President Xi, who took office last month, told the Bo'ao Forum that he expected the number of Chinese travelling overseas, at about 82 million in 2012, would rise to 400 million in five years.</i> – stuff.co.nz, 9 April 2013.</li> <li>Visitor arrivals from China grew by 31% from 2012 to 2013, to reach 210,000.</li> <li>Australia is characterised by the growing, but lower-spending visiting friends and relatives segment, including visits home by New Zealanders resident in Australia.</li> </ul>
<b>Post GFC?</b>	Most recent data on visitor arrivals for the eight months to August 2013 shows more positive trends in visitor arrivals.	<ul style="list-style-type: none"> <li>Visitor arrivals in the holiday category have shown growth for eight consecutive months (January – August, 2013) and this is coming from our traditional markets, the United States, Australia, Germany and to some extent the UK. This may indicate that these markets are starting to emerge from the effects of the GFC, albeit the trend is still fragile.</li> </ul>

## Recent key events

Tourism has experienced a number of events in the past few years, both positive and negative

Event	Details
<b>Changes to the structure and rates of the United Kingdom Air Passenger Duty</b>	The UK air passenger duty (APD) was restructured in 2008, with charges based on distance travelled. The rate of the UK APD for economy class passengers travelling to B and D countries (which includes New Zealand) increased from £40 to £55 from 1 November 2009 and to £85 from 1 November 2010.
<b>Global financial crisis</b>	Contributed to a marked decline in global economic activity, including New Zealand's international tourism economy in 2009 and 2010.
<b>Australian visitor arrivals reach 1 million</b>	For the first time in the 2009 year, Australian visitor arrivals exceeded one million.
<b>Swine flu pandemic</b>	The Influenza A (H1N1) pandemic caused instability in the international travel environment in the June 2010 year.
<b>2010 and 2011 Canterbury earthquakes</b>	The damaging September 2010 earthquake, and subsequent devastating February 2011 earthquake has had a profoundly adverse affect on tourism – especially Christchurch and Canterbury, illustrated by a significant drop in international visitor expenditure that is only slowly recovering.
<b>Changes in the aviation environment</b>	Significant changes in the international environment include establishment of new routes (e.g. Guangzhou-Auckland), changes in the level of competition/capacity on existing routes (e.g. Singapore-Auckland; Los Angeles-Auckland; London-Hong Kong-Auckland) and the loss of some routes (e.g. Buenos Aires-Auckland; Beijing-Auckland; Kansai-Auckland). The Middle East emerged as a major hub and new alliances have been established (Air New Zealand-Virgin Australia; Air New Zealand-Cathay Pacific; Qantas-Emirates). Jetstar replaced Qantas in the domestic market in 2009; Pacific Blue exited the domestic market in 2010.
<b>Chilean volcano eruption</b>	The Puyehue-Cordón Caulle eruption disrupted air travel in June 2011.
<b>2011 Rugby World Cup</b>	Direct expenditure and other effects primarily occurred in the June 2012 year; an estimated medium-term increase in real GDP of \$573 million, or a net expansion of the order 0.34%.
<b>Chinese visitor arrivals and spend reach second place</b>	China overtook the UK as New Zealand's second largest expenditure market in the year ending September 2012 and second largest visitor market in the year ending November 2012.
<b>An expanding film sector</b>	More than 50 films and telefeatures were filmed completely, or in part, in New Zealand between the March years of 2010 and 2013. This assists in raising New Zealand's profile.
<b>Cheap trans-Tasman airfares and strong New Zealand dollar</b>	Cheap fares between Australia and New Zealand, and the continuing strength of the New Zealand dollar maintained the strong growth in the number of New Zealanders holidaying in Australia and other overseas destinations.

Source: Statistics New Zealand, *Tourism Satellite Account (2013)*; Ministry of Business, Innovation and Employment, *The Stadium of Four Million, Rugby World Cup 2011: The New Zealand Experience (2012)*; PriceWaterHouseCoopers, *Economic contribution of the New Zealand film and television industry (2009)*



## **BUSINESS AND EMPLOYMENT**



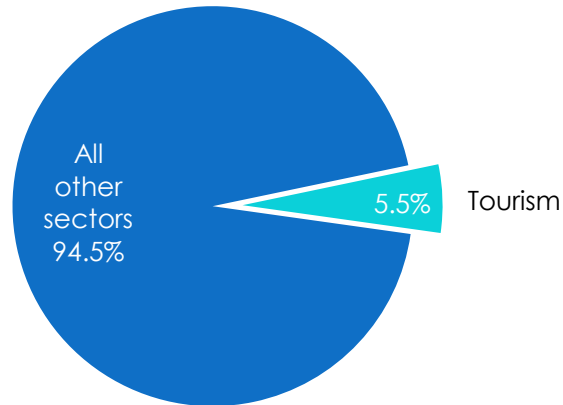


## Share of economy

The tourism sector is a significant service exporter; it directly accounts for 5.7% of employment and 3.7% of GDP

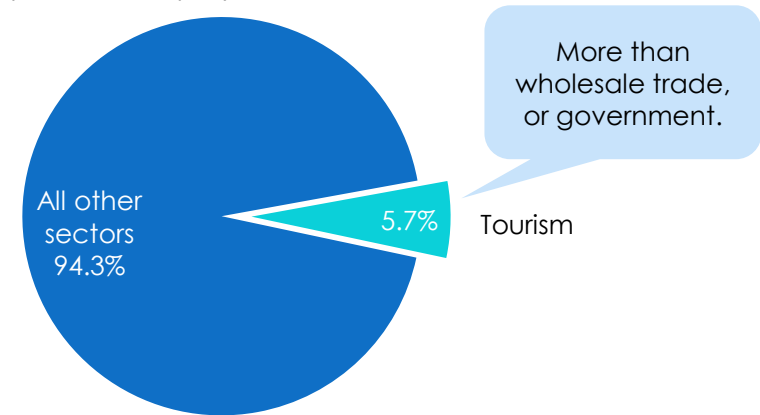
### Per cent of firms in New Zealand

Estimated firms<sup>a</sup>; 2012



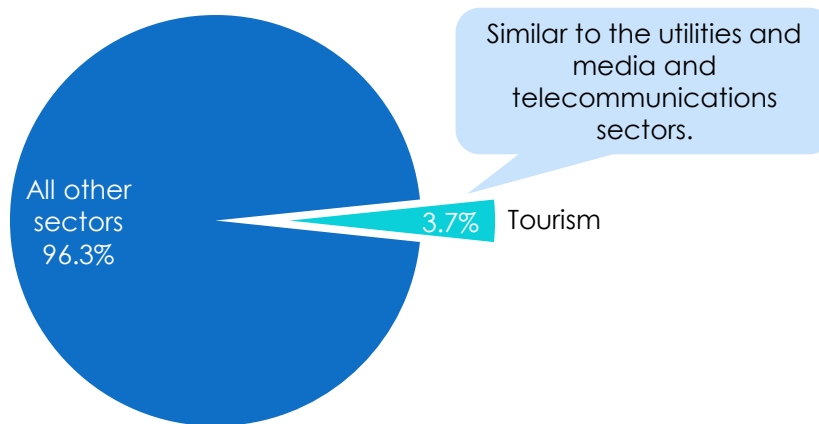
### Per cent of employees in New Zealand

Full-time equivalent employees; 2013



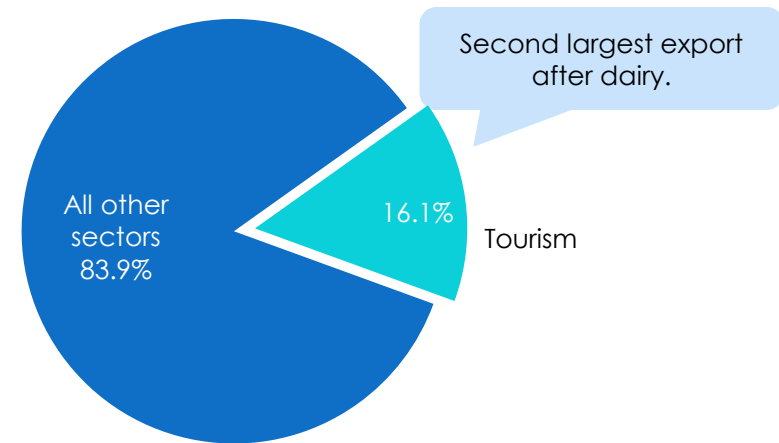
### Per cent contribution to GDP

GDP (expenditure); 2013



### Per cent contribution to total exports

Total exports; 2013



Source: Statistics New Zealand, Tourism Satellite Account (2013), Business Demography Statistics (2012)

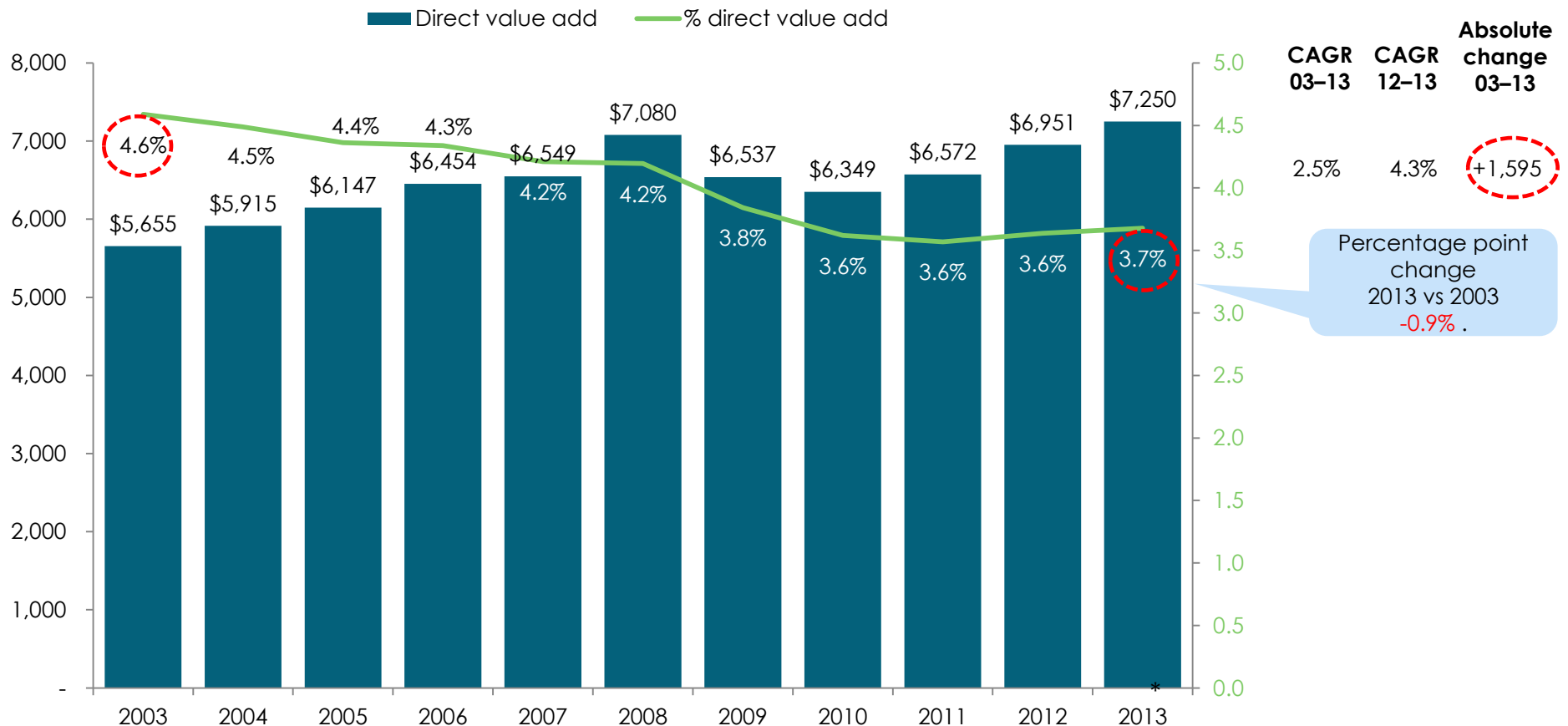
a. Indicative data only, based on applying tourism industry ratios to Statistics New Zealand's Business Demography Statistics (2012) firm counts.

# Contribution to GDP

The contribution of tourism to GDP is lower now than it was in 2003

## Tourism direct value added; total and as a percentage contribution to GDP

Total tourism direct value added (bars, NZ\$m, nominal); % contribution to GDP (line); 2003–2013 (year ended March)

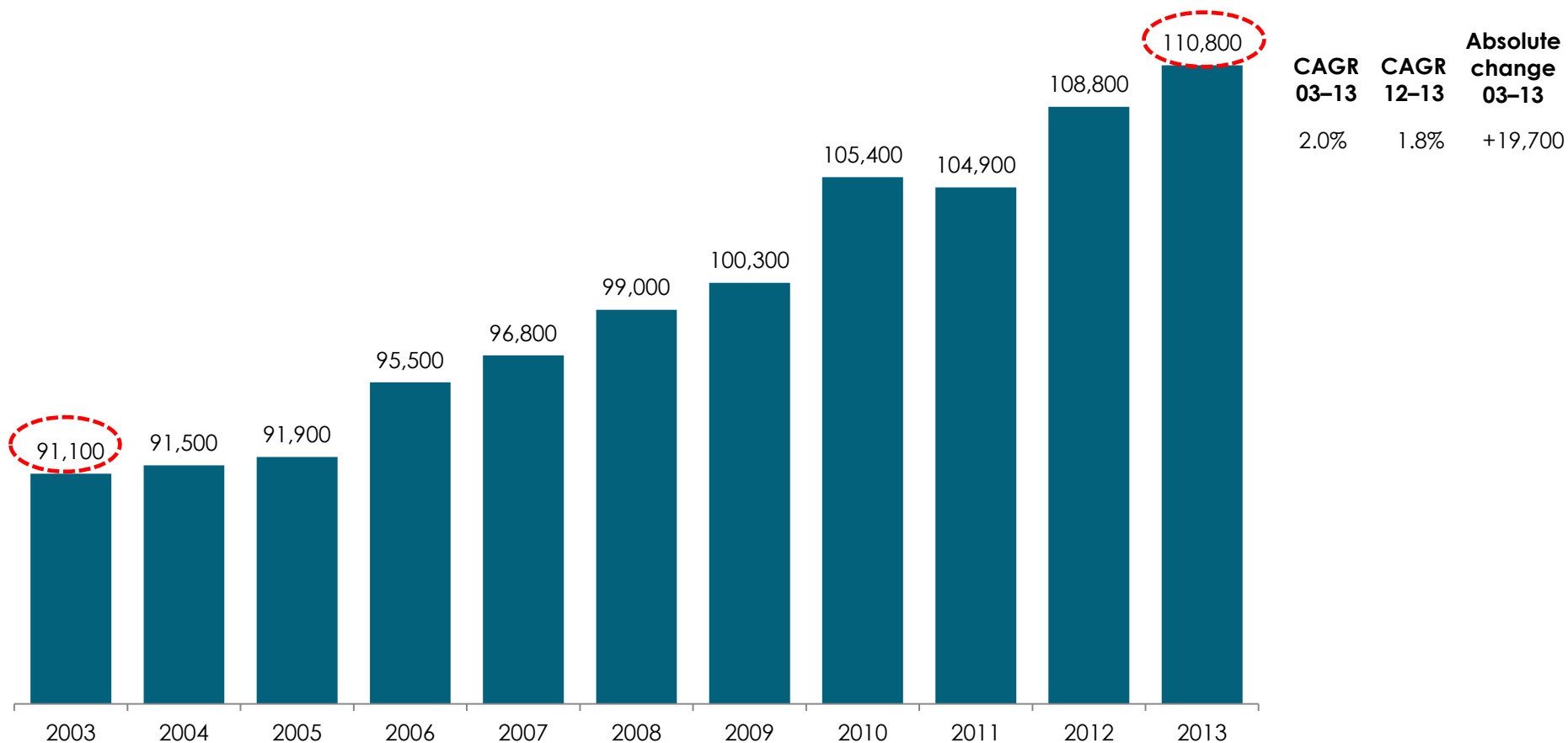


# Employment

The sector is a large employer, adding 19,700 full-time equivalent (FTE) jobs since 2003

## FTE direct employment in tourism

# of employees; 2003–2013 (year ended March)



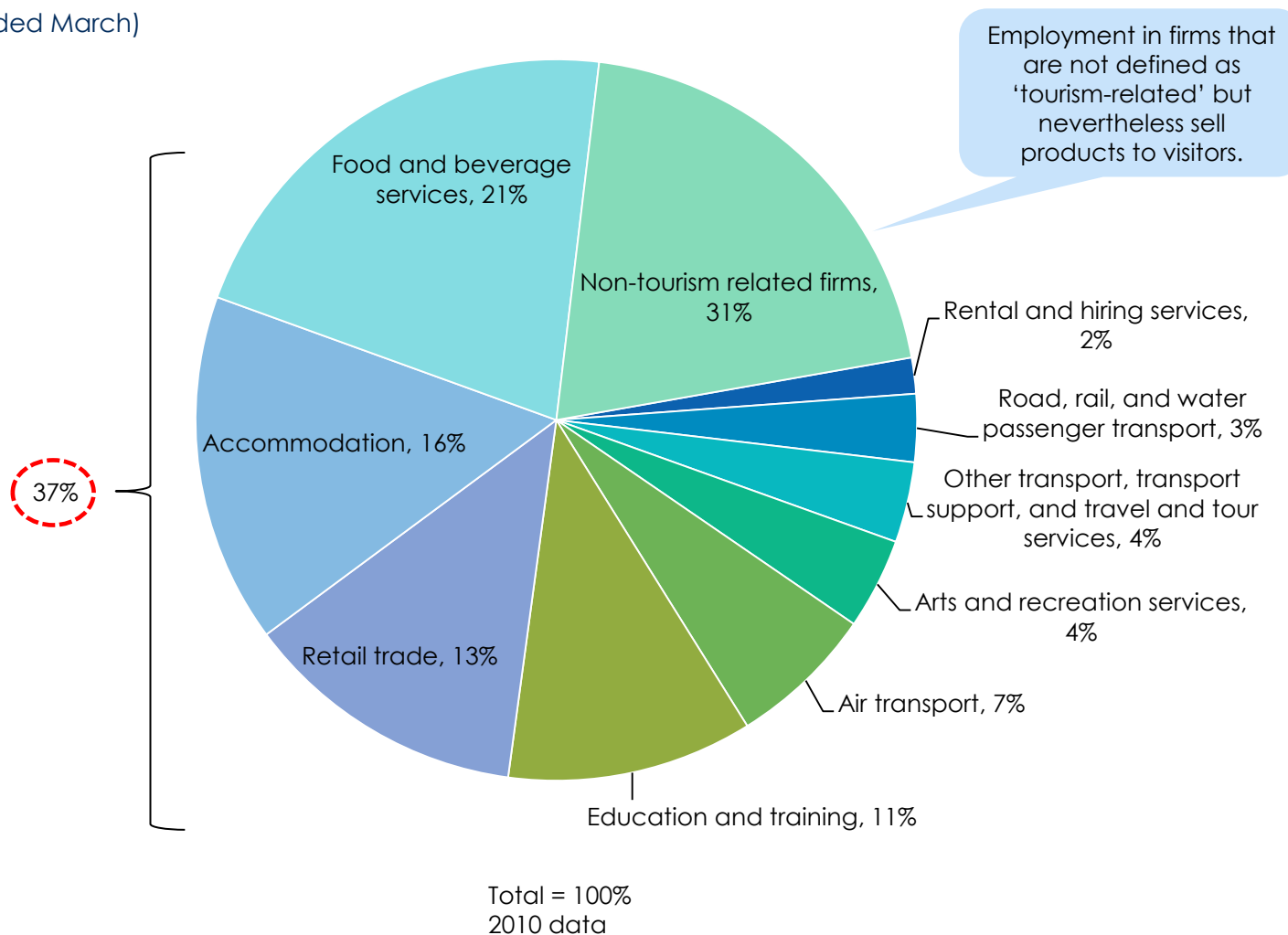
Source: Statistics New Zealand, Tourism Satellite Account (2013)

## Employment by sector

The accommodation and food and beverage sectors account for more than a third (37%) of full-time equivalent (FTE) employment in tourism

### FTE direct employment by sub-sector; 2010<sup>a</sup> (latest available)

% FTEs; 2010 (year ended March)



Source: Statistics New Zealand, Tourism Satellite Account (2013)

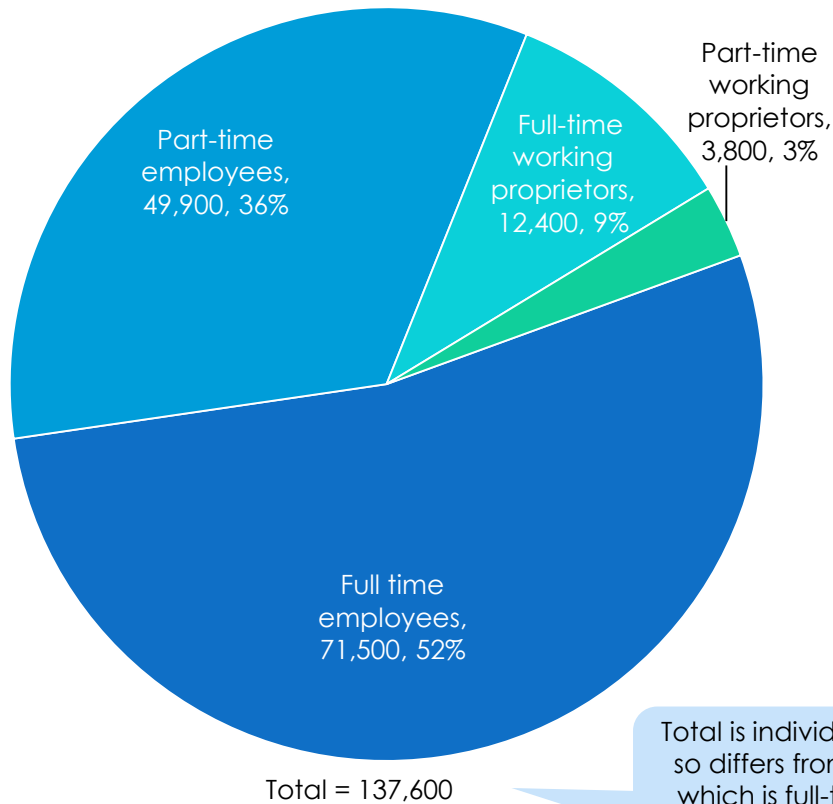
a. Latest available detailed tourism data based on balanced supply and use tables.

## Employment status: tourism versus New Zealand average

More than a third (36%) of people employed in tourism are in part-time work, compared to 19% for all New Zealand workers

### Tourism sector workforce by employment status

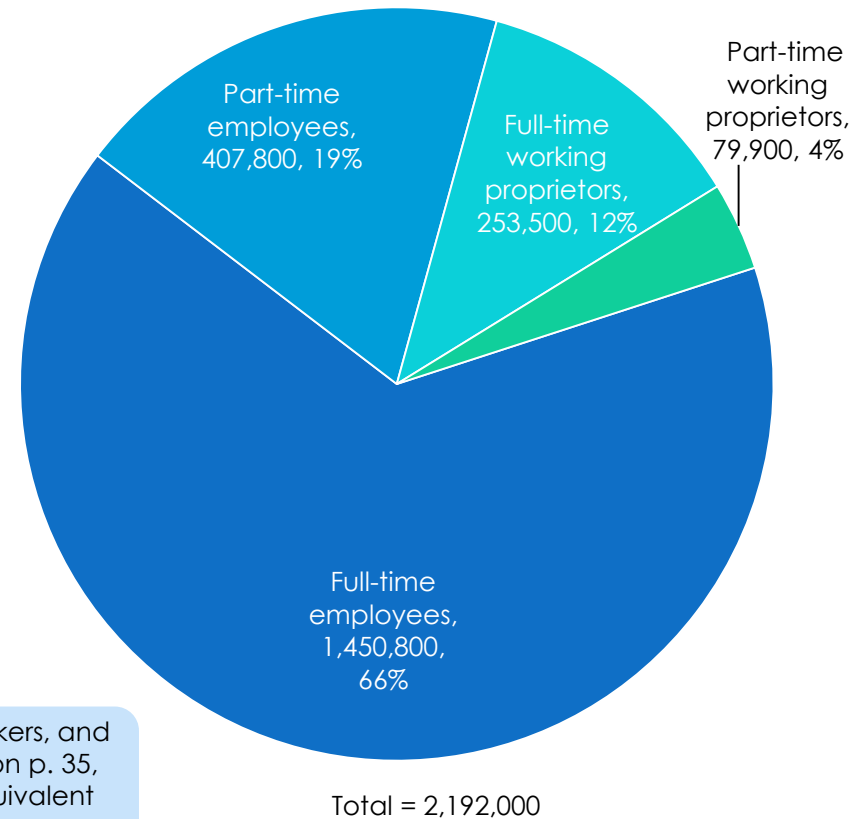
% workers; 2013 (year ended March)



Total is individual workers, and so differs from total on p. 35, which is full-time equivalent employees.

### Total New Zealand workforce by employment status

% workers; 2013 (year ended March)

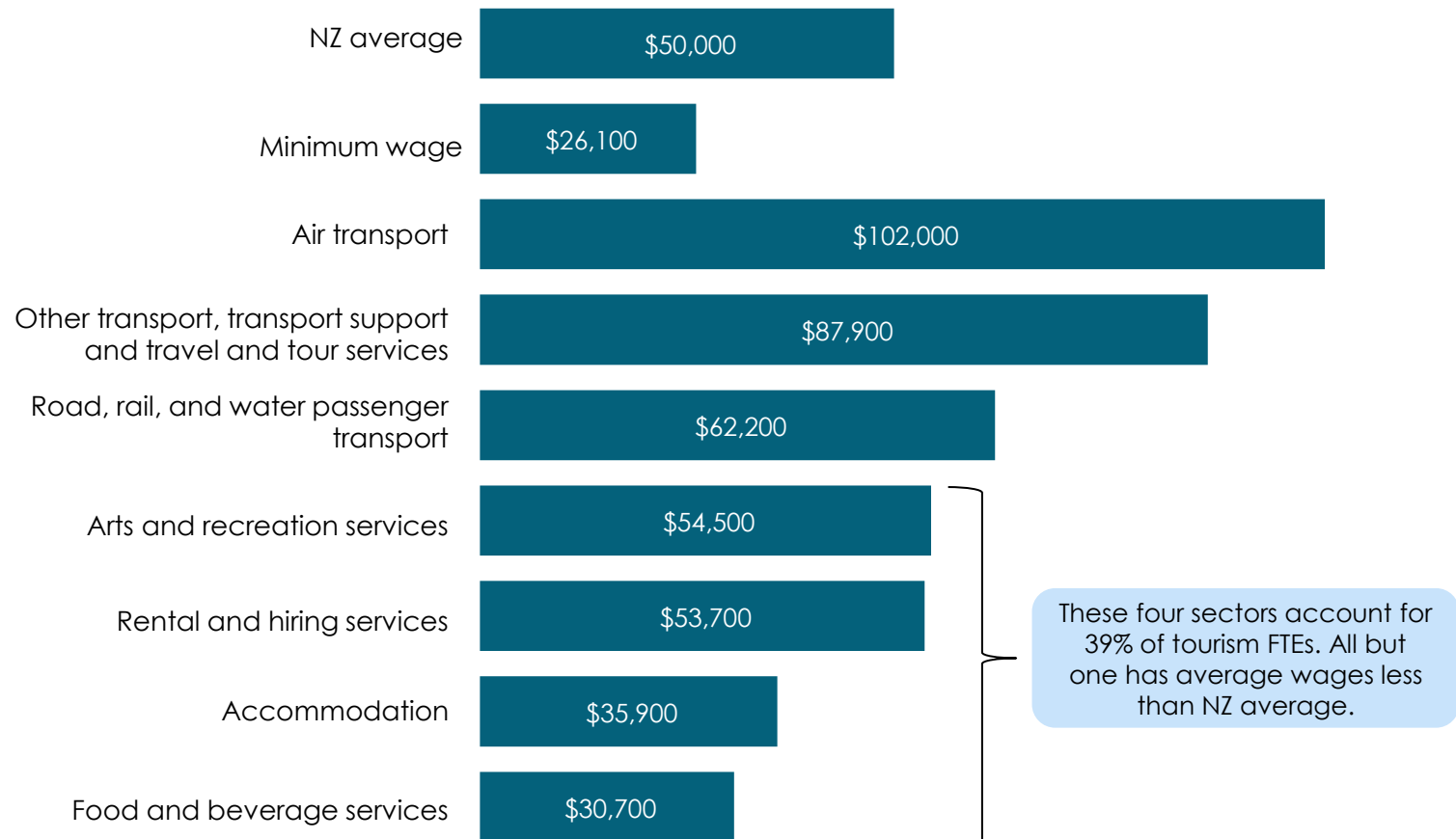


## Average wages paid: tourism characteristic industries

Workers in food and beverage services and accommodation are among the lowest paid in the economy

### Average wages paid

NZ\$; nominal prices; 2010<sup>a</sup> (year ended March)



Source: Statistics New Zealand, Tourism Satellite Account (2013)

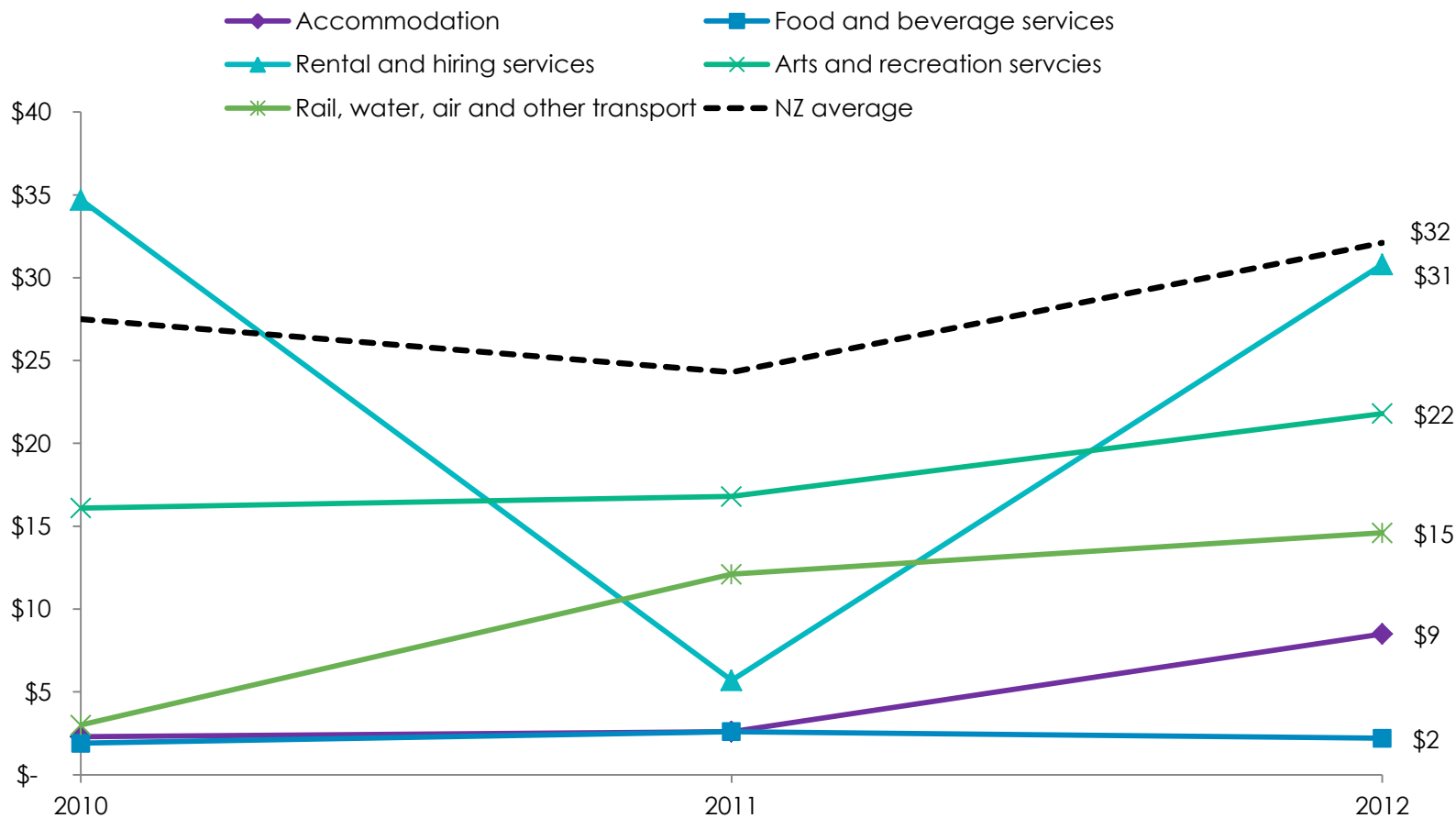
a. Latest year available.

# Financial performance

Firms in lower-paying sectors also have lower profits per worker than the New Zealand average

## Annual surplus per employee

NZ\$000; nominal; 2010–2012

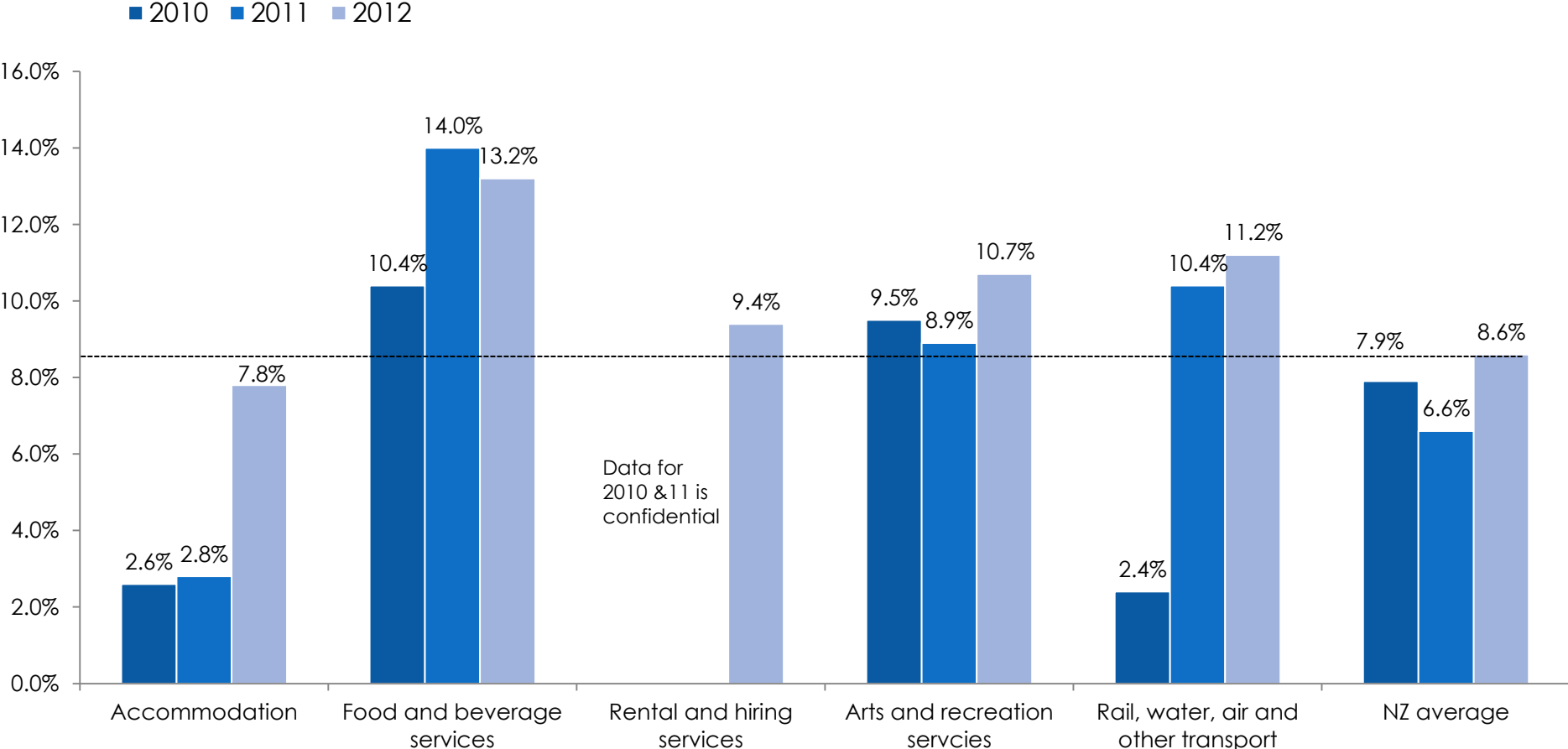


# Return on equity

Apart from accommodation, return on equity is generally above the New Zealand average, with food and beverage services standing-out

## Return on equity

%; 2010–2012



Source: Statistics New Zealand; Annual Enterprise Survey, 2012

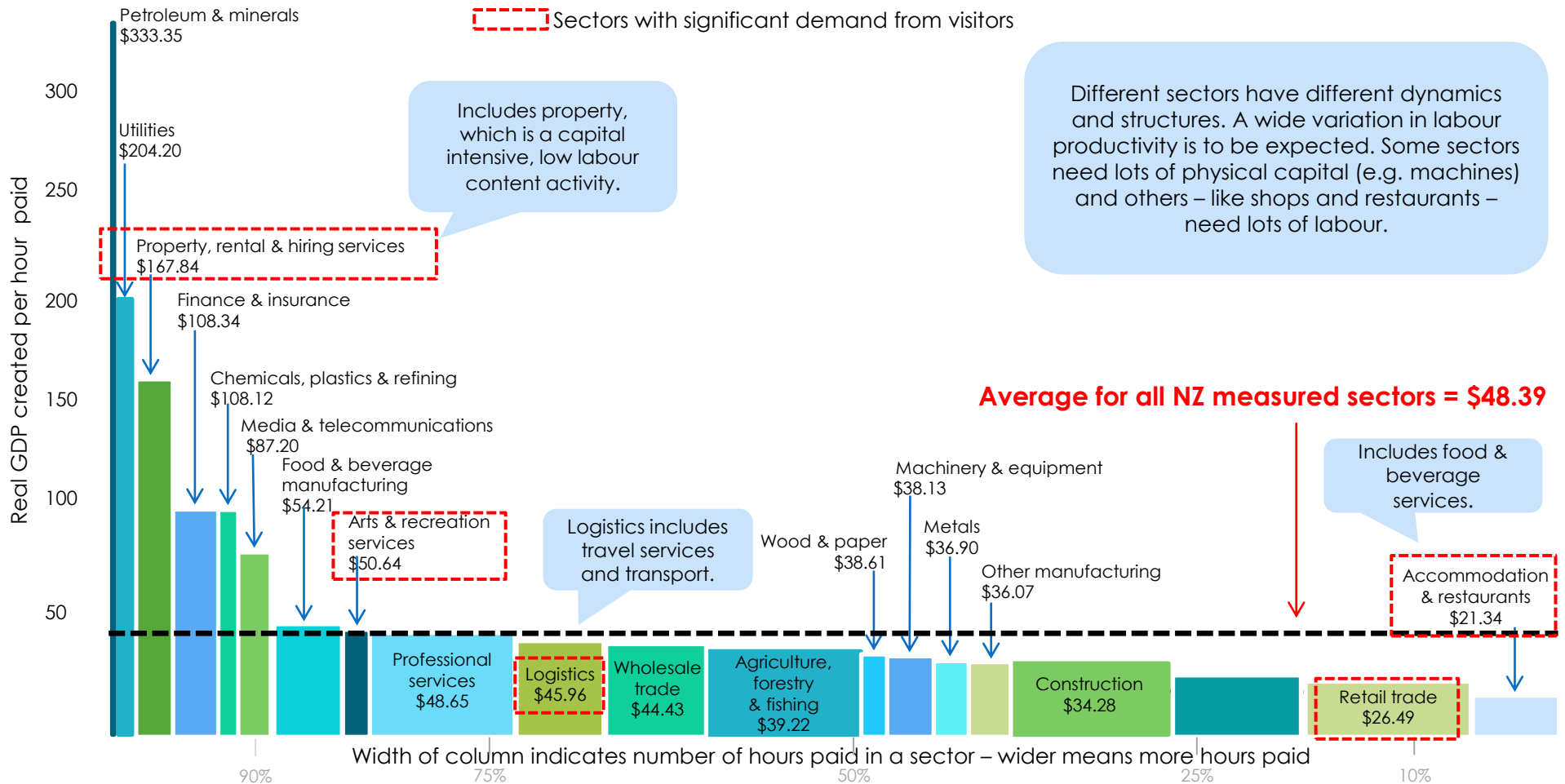


# Labour productivity: tourism characteristic sectors versus others

Much of the demand from visitors is for products or services supplied by labour intensive lower productivity sectors

## Sector employment (total hours paid) vs sector GDP (real) per hour paid

NZ\$; 2010



Note: data for government administration, education, health, ICT, high technology manufacturing and knowledge intensive services is not measured.

Source: Statistics New Zealand, National Accounts – Productivity Input Series year ended March 2012 (2012)

## Productivity and employment: industry comment

### Industry commented on the tourism sector's labour intensity, contribution to employment and profitability

- *The nuance for me is the observation... that while on a per capita basis the level of productivity from tourism is often considered low relative to other sectors, you've still got 120 odd thousand people employed in this sector. The question then becomes – if you didn't see tourism as a place where those people could be employed, what are the alternatives? Where are the 120,000 other jobs that would be available?*
  - Senior executive, tourism industry business, large
- *There's that notion that because it's lower productivity it's low value and not worth anything. Whereas I think within the industry everyone feels like they are being highly productive and generating significant export revenues for New Zealand. It's the labour intensity nature of it that causes a lot of that low productivity discussion. The issue really should not be productivity – it should be profitability. In an industry that is diverse and where there are many lifestyle businesses, profitability may not be all about money – other drivers are at play such as lifestyle, environment, and cultural return on investment.*
  - Senior executive, tourism industry business, large
- *I'm sure there are other sectors that have got some challenges that aren't likely to yield a large number of future jobs at the scale we are talking about here, manufacturing for example. And when you look at some of that trending information about tourism that suggests that the activity levels are likely to increase rather than decrease over the next few years, it's a reasonable assumption to say that that should result in greater employment opportunities in this sector than perhaps in other sectors. I just don't think that's visible to anybody in reading this report.*
  - Senior executive, tourism industry business, large
- *Tourism is a highly competitive international market for operators in New Zealand. 'The competition is not down the road but Singapore, Sydney, Dublin or Bangkok.' Exactly. Airlines are enormously light on their feet. Take Air Asia X. They don't like the way the service was performing, they had only two employees in New Zealand, drop them, and take the airplane to Sydney. That's one of the differences between airlines and the rest of the industry, where others build buildings, and establish infrastructure. Such assets are much harder to readapt.*
  - Senior executive, tourism industry business, large

## Example firms

The tourism industry is made up of a few large firms and many small firms across industry categories

### Brief profile of a selection of firms in the New Zealand tourism sector

2012 or as available

Firm	Revenue	Employees	Ownership	Description
<b>Air New Zealand</b>	\$4.5 billion	10,453	Listed, NZX and ASX 75% owned by NZ Government	Scheduled international air transport; services to air transport; travel agency services.
<b>SKYCITY Entertainment Group Ltd</b>	\$861 million	3,684	Listed, NZX and ASX	Accommodation; gambling and other recreation services.
<b>Auckland International Airport Ltd</b>	\$436 million	310	Listed, NZX and ASX	Services to air transport.
<b>Tourism Holdings Ltd</b>	\$209 million	431	Listed, NZX	Holiday vehicle rental & sales (Maui, Britz, Mighty, KEA); tourism and adventure activities and attractions. (Waitomo Glowworm Caves, Ruakuri Cave, Aranui Cave, The Legendary Black Water Rafting Co).
<b>Accor – New Zealand and Fiji</b>	\$175 million	1,355 in owned, leased and managed hotels	Listed, NYX	Accommodation.
<b>Airways Corporation of New Zealand Ltd</b>	\$164 million	760	State-owned enterprise	Air traffic control, surveillance, communication; flight inspection; mapping and airspace design services
<b>Interislander</b>	\$124 million (excluding rail deck)	600 (approx)	State-owned enterprise New Zealand Railways Corporation (trading as Kiwi Rail Group)	Passenger, vehicle and freight transport between north and south islands. 3 ships. Yearly carriage of 755,000 passengers, 53,000 rail wagons, 73,000 trucks, 212,000 cars.

## Museums and art galleries

Tourism 'enterprises' include many fully or partially publicly funded museums and art galleries

### Brief profile of a selection of New Zealand public museums and art galleries

2012

Museum / Art gallery	Description
<b>Te Papa Tongarewa Musuem of New Zealand (Wellington)</b>	New Zealand's national museum, Te Papa Tongarewa, opened in 1998 on Wellington's waterfront. The museum, a celebration of New Zealand's identity — the people, culture and environment, features hi-tech and traditional displays. As well as significant collections of New Zealand art, the 16,000-plus taonga/treasures looked after by Te Papa are the largest Māori collection in any museum and cover a broad spectrum of Māori art and culture, from revered and significant cultural heirlooms through to humble everyday items dating from early pre-European times to today.
<b>Rotorua Museum of Art and History Te Whare Taonga o Te Arawa</b>	Rotorua Museum occupies a distinctive tudor style building near the shores of Lake Rotorua. The original bathhouse building, that first opened in 1908, houses many significant Māori taonga/treasures that are of national and international historical significance. It also holds a fine arts collection and a photographic collection containing more than 70,000 photographic images depicting Rotorua's past.
<b>Otago Museum Dunedin</b>	Otago Museum contains comprehensive displays of Māori and Pacific heritage, especially Southern Māori culture. There is an excellent New Zealand natural history collection — from penguins to the extinct giant moa, fish, birds and insects.
<b>Auckland Art Gallery Auckland</b>	Auckland Art Gallery houses New Zealand's most significant collection of local and European art. Early New Zealand landscapes, as well as portraits of Māori people by Charles Goldie and Gottfried Lindauer, are of special interest. Opened in 1888, the Auckland Art Gallery was New Zealand's first permanent art gallery. It holds more than 10,000 works in two buildings. The new gallery focuses on contemporary New Zealand art, and includes modernist artist Colin McCahon.
<b>Govett-Brewster Art Gallery New Plymouth</b>	Opened in 1970, the Govett-Brewster Art Gallery was New Zealand's first contemporary art gallery. The Govett-Brewster has a permanent collection that includes an internationally significant collection of works by Len Lye.
<b>Dunedin Public Art Gallery Dunedin</b>	Dunedin Public Art Gallery was founded in 1884 by William Mathew Hodgkins — cultural activist, artist, and father of famous New Zealand painter Frances Hodgkins. It houses an important collection of New Zealand works from 1860 until modern day, including works by Frances Hodgkins. The gallery also has significant holdings of historical European art, Japanese prints, and decorative arts.



## **CONTRIBUTION TO MĀORI ECONOMIC DEVELOPMENT**

## Contribution to Māori Economic Development

A number of iwi, Māori trusts and incorporations have significant stakes in the tourism sector, as these examples show

### Brief profile of a selection of Māori interests in the New Zealand tourism sector

2012 or as available

Enterprise/ entity	Ownership	Description
<b>Ngai Tahu Tourism</b>	Ngai Tahu Holdings Corporation Ltd	Operates Shotover Jet, Dart River Jet Safaris, Hukafalls Jet, Hollyford Track, Rainbow Springs, Lakeland Queen, Franz Josef Glacier Guides, Glacier Hot Pools, Agrodome.
<b>Whale Watch Kaikoura</b>	Tukete Charitable Trust Ngai Tahu Capital Limited	<i>Whale Watch Kaikoura each year takes around 100,000 visitors out on to the Pacific Ocean to view the giant sperm whales that frequent this rich marine environment.</i> www.newzealand.com
<b>Tainui Holdings</b>	Tainui Holdings	Investments in hotels in Hamilton and at Auckland Airport.
<b>Footprints Waipoua</b>	Private	Guided Tours In The Waipoua Forest. <i>I have been on many guided nature tours but "Footprints Waipoua" deserves all the accolades it has received. In harmony with nature, well-informed, spiritual, our Māori guide made this evening a highlight of our three weeks in the North Island of New Zealand which we will always treasure. – comment on TripAdvisor</i>
<b>Tuhoi</b>	Tuhoi	Tuhoi will have an increasing role in the management of Te Urewera over time with the Department of Conservation also maintaining their role.
<b>Waiotapu Geothermal Wonderland</b>	Te Arawa Group Holdings	The tourism attraction has a variety of features including the world famous Champagne Pool, volcanic craters, the Lady Knox Geyser, steaming ground, naturally coloured hot and cold pools, sinter terrace formations, the country's largest bubbling mud pool, natural bush setting, walking tracks, a visitor centre and retail and cafe facilities. Attracts thousand visitors a day in the peak season.
<b>Ngati Ruanui Mountain House</b>	Ngati Ruanui Holdings Operating Company Ltd	Hotel/restaurant/conference facility in Stratford.
<b>Mataatua Experience</b>	Ngati Awa Asset Holdings Ltd	<i>Your journey at Mataatua (The Face of God) will Ignite the Soul within, as you discover the extraordinary story of the house that has travelled through time. Mataatua is a living and breathing being and our authentic experience provides an opportunity for intimate engagement with the people of Ngati Awa.</i> -www.mataatua.com

Source; various websites, annual reports, companies office.

## Contribution to Māori economic development: industry comment

### Industry commented on the economic and social benefits to Māori from investment in the tourism industry

- *The reasons to be involved in tourism are several. From an economic point of view clearly there's a cash-based earning stream that comes out of investing in tourism, that is attractive. [This] is important in terms of having a part of your portfolio producing strong cash flows, particularly when you've got a range of social programmes that you are seeking to deliver.*
  - Senior executive, Māori owned tourism industry business, large
- *There are some important aspirational areas. One is cultural revitalisation. Tourism provides a vehicle by which tribal stories and history can be kept alive through oral tradition. Story telling is effectively a fundamental tenet of Māori culture. For owners of tourism assets that are Māori, it provides a vehicle by which to deliver some of that content in an appropriate way. Coupled with that are opportunities for employment of iwi members to enrich the delivery. In its own right it creates success in terms of gainful employment, job opportunities and growth.*
  - Senior executive, Māori owned tourism industry business, large
- *For our business there is a strong cultural dividend that's paid out as well. We have a responsibility to our people, Māori culture and the environment.*
  - Senior executive, Māori tourism industry business, medium
- **See also industry comments in the Innovation section of this report, p 118.**







## **EXPORTS**

- **INTERNATIONAL VISITOR ARRIVALS**
- VALUE BY MARKET
- VALUE BY PURPOSE-OF-VISIT

## Note on export data used in this report

- Published in 2011, the Tourism Domain Plan set out a strategy for improving the tourism data provided by the Ministry. As part of this, the Ministry redeveloped the International Visitor Survey, with the goal of providing more accurate estimates of international spending. Key changes included a shift to an online survey format and the inclusion of Queenstown International Airport departures in the sample.
- The redeveloped survey was released on 14 November 2013, representing a significant improvement to expenditure estimates. As part of the redevelopment of the survey, historic data was backcast to 1997 to allow for analysis of a consistent time series. Figures and tables in this report are based on the improved data.

## How tourism exports are measured

This report uses a range of measures to provide insight into New Zealand's export tourism industry

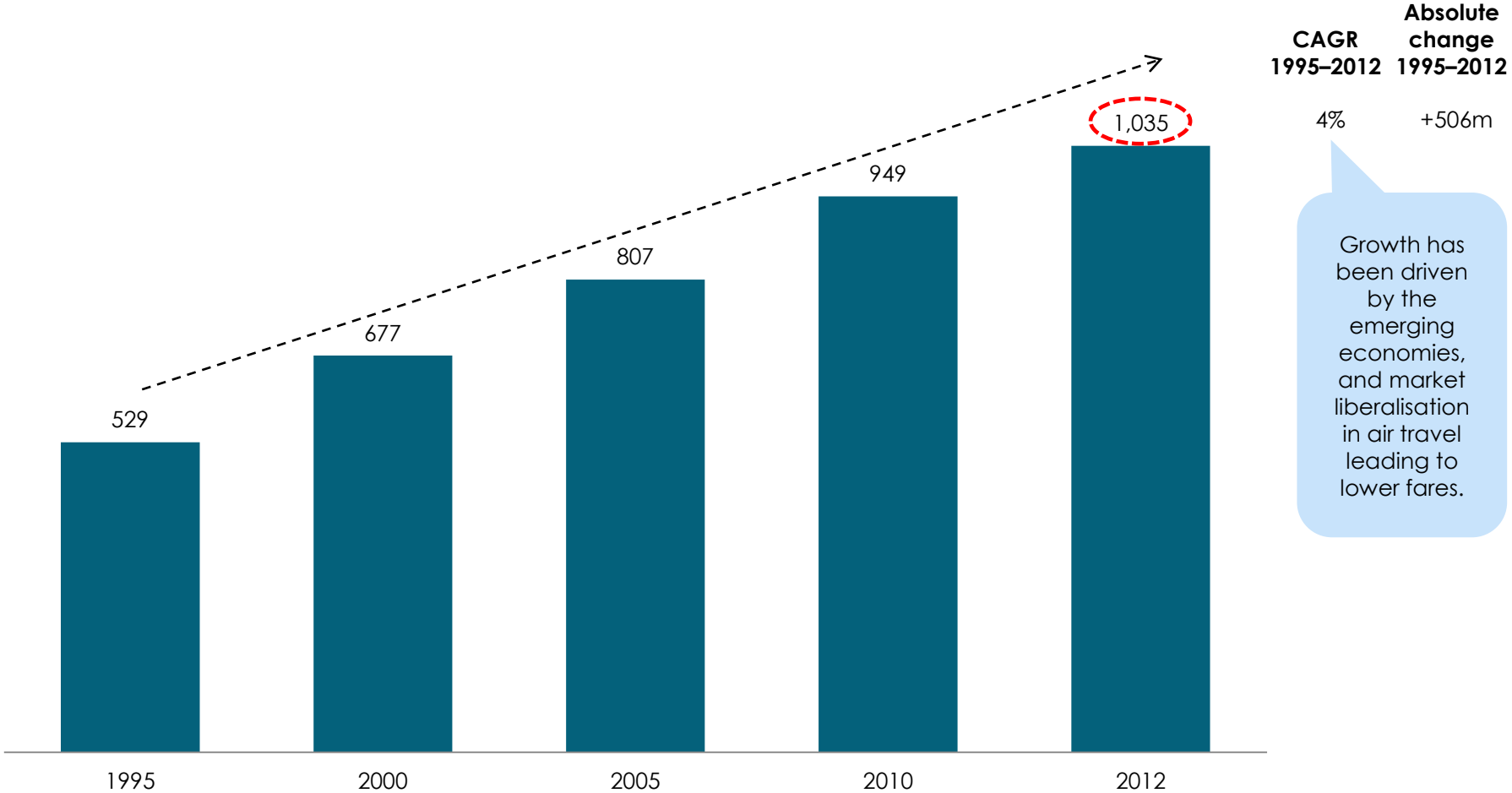
Measure	
<b>Numbers of international visitors</b>	The total number of visitors to New Zealand as processed by Customs. This is a raw measure that says little about the value of tourism as an export. A significant increase in the aggregate number of international visitors may not result in a similar increase in the value of tourism to the New Zealand economy.
<b>Length of stay</b>	The number of nights a visitor stays in New Zealand.
<b>Total expenditure</b>	Estimated total amount spent by visitors. Total visitor expenditure is often classified by market (visitors' country of residence) and/or the reason for visiting New Zealand (purpose of visit). Different markets and purposes of visit contribute differently to overall expenditure. For example, international visitors from Australia make up close to half of all international visitors to New Zealand, but account for only 30% of total visitor expenditure. Likewise, international visitors visiting friends and relatives account for 33% of all visitors, but only 21% of total visitor expenditure.
<b>Expenditure per person (per trip)</b>	<p>The average amount a visitor spends while in New Zealand. Similar to total expenditure, visitors from different markets and travelling for different purposes can have different average spends. For instance, the average visitor from Australia spends around NZ\$1,500, the lowest of any market, while the average visitor from Japan spends around NZ\$4,300. The average spend per person for those visiting friends and relatives is significantly lower than other purposes of visit.</p> <p>The amount of expenditure by a visitor can be influenced by length of stay. A visitor spending little amounts over a long time could add up to the same (or even greater) total spend as another visitor spending a large amount over a short time.</p>

# Global growth in in-bound visitors – all countries

Measured in visitor numbers, the global tourism industry has grown at 4% per annum since 1995, topping 1 billion visitors in 2012

## Growth in total global in-bound visitor arrivals

# of arrivals (millions); 1995–2012 (year ended December)



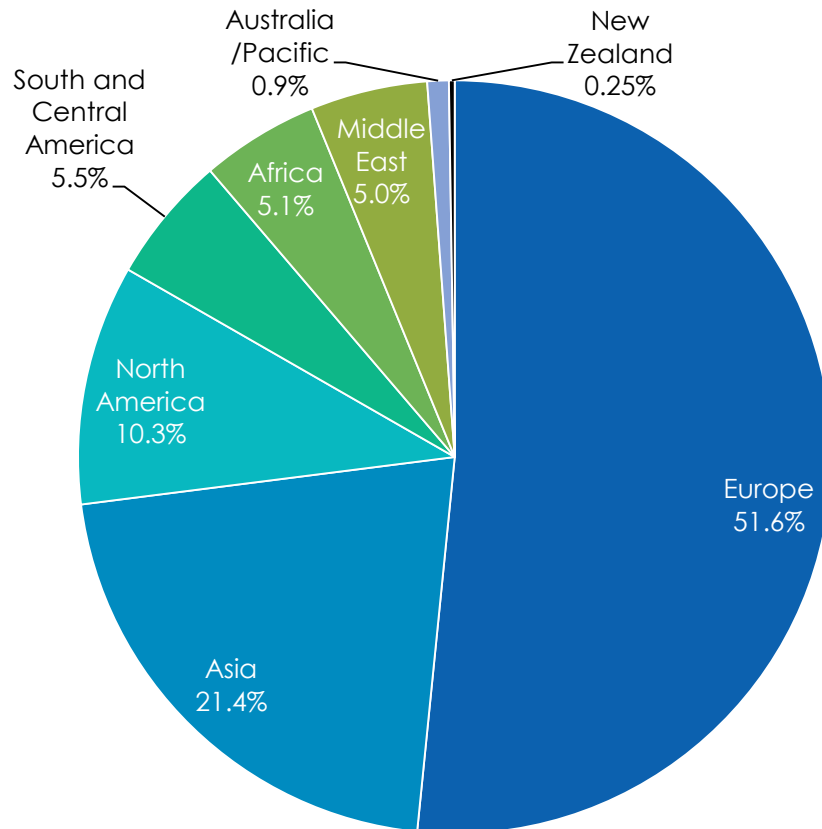
Source: UNWTO database, MBIE analysis

## New Zealand's share of global market

New Zealand is a small player, accounting for 0.25% of total international market arrivals in 2012; New Zealand's share of the global market has declined since the peak in 2005

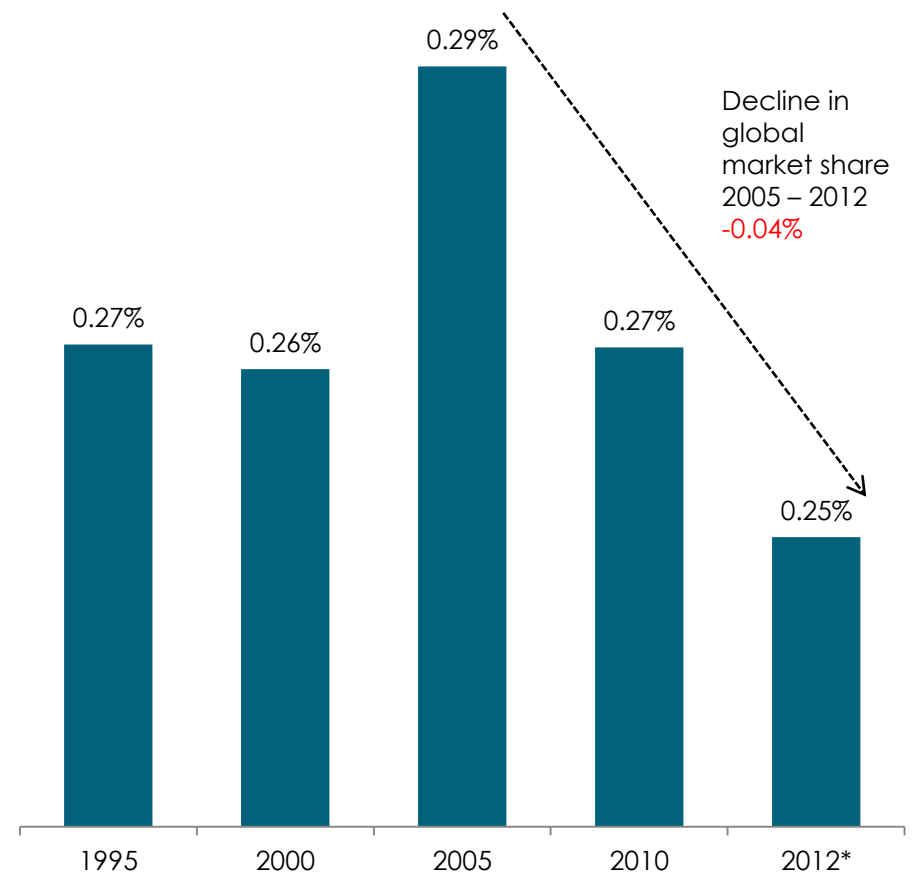
### Share of global international visitor arrivals by region and New Zealand

% of arrivals; 2012 (year ended December)



### New Zealand's share of global international visitor arrivals

% of arrivals; 1995–2012 (year ended December)

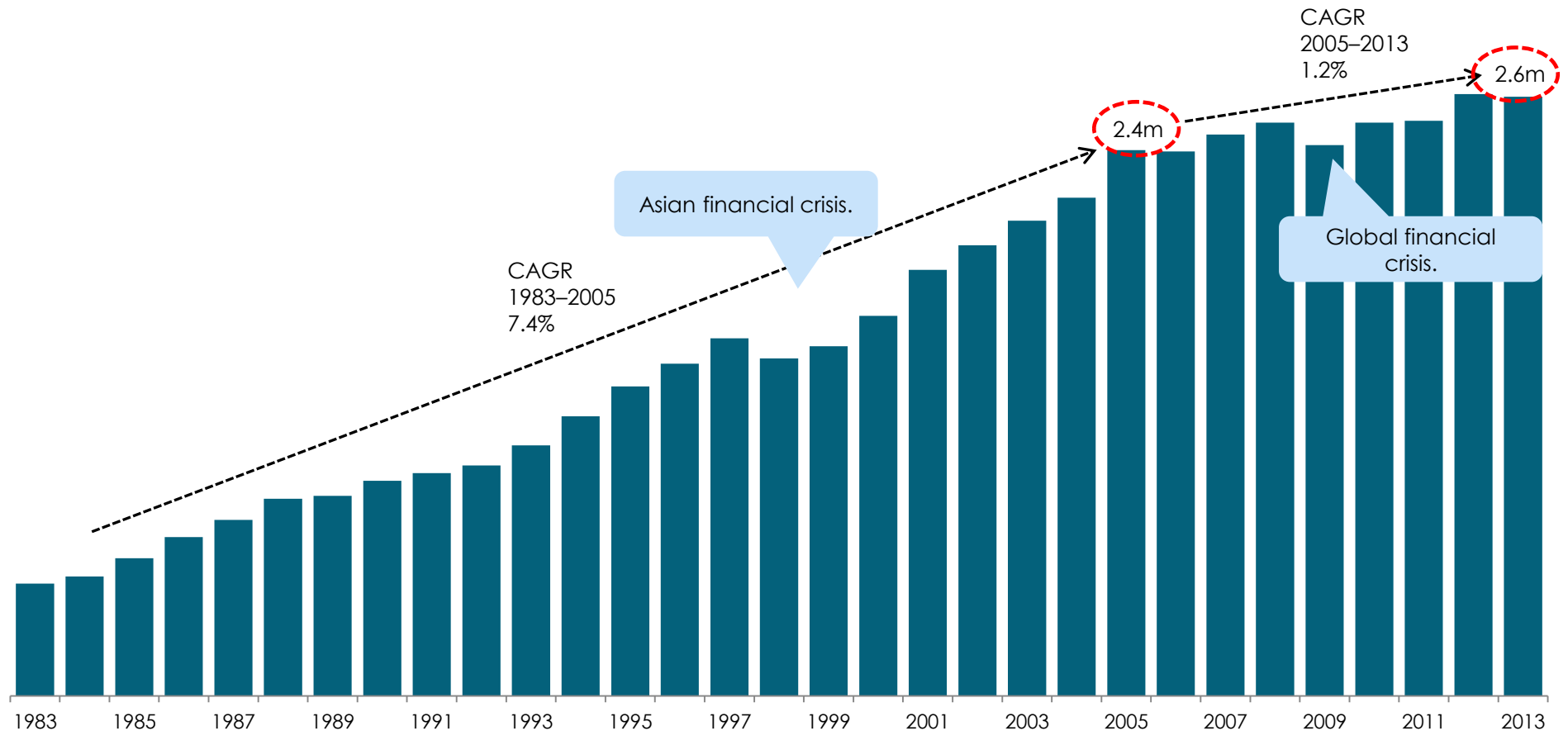


## Growth in international visitor arrivals to New Zealand

Visitor arrivals in New Zealand grew at an annual average of 7.4% for 22 years, topping 2.4 million in 2005; growth since 2005 has slowed to 1.2% per annum

### International visitor arrivals

# of arrivals (1000s); 1983–2013 (year ended March)

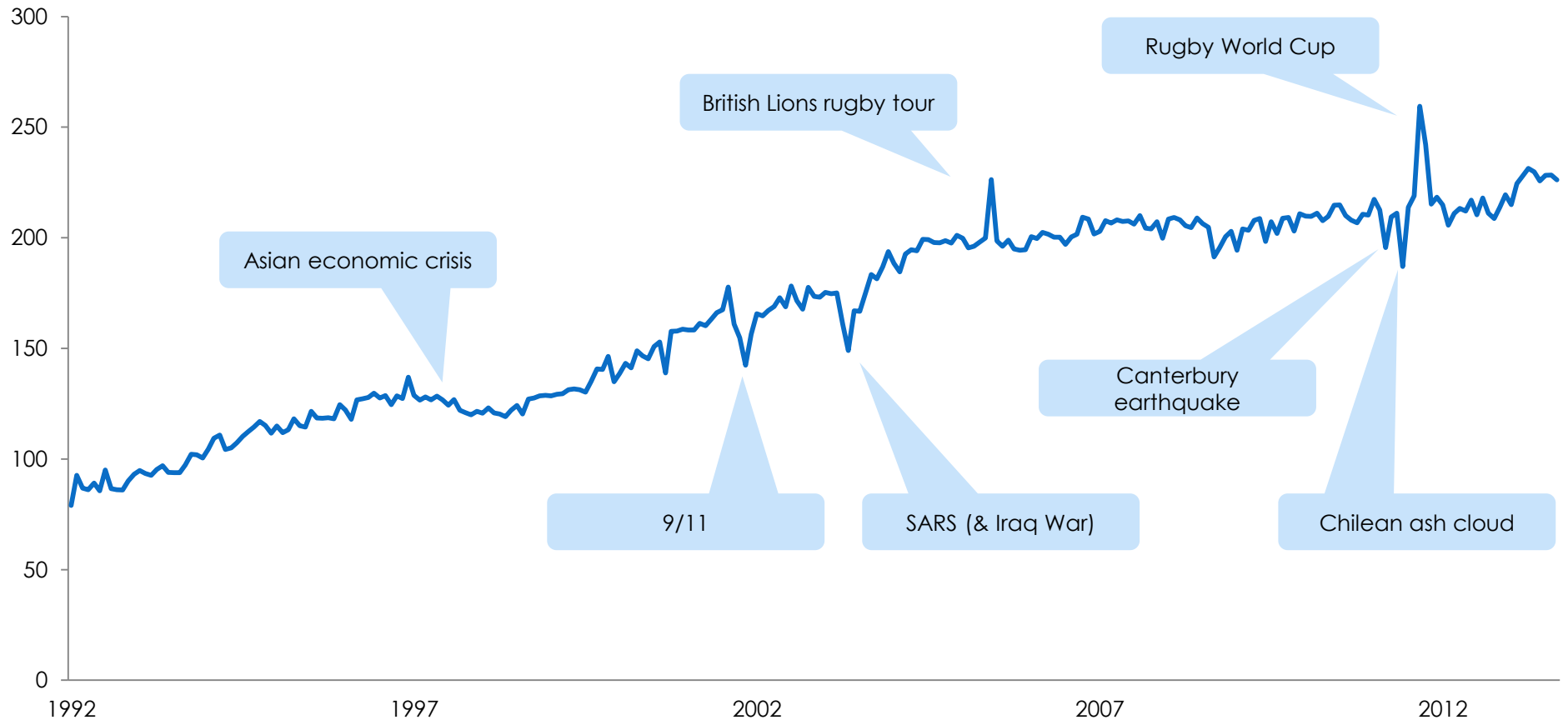


# International visitor arrivals to New Zealand are sensitive to shocks

Visitor arrivals are sensitive to national and international shocks

## International visitor arrivals

# of arrivals per month (1000s), seasonally adjusted; 1982–2013



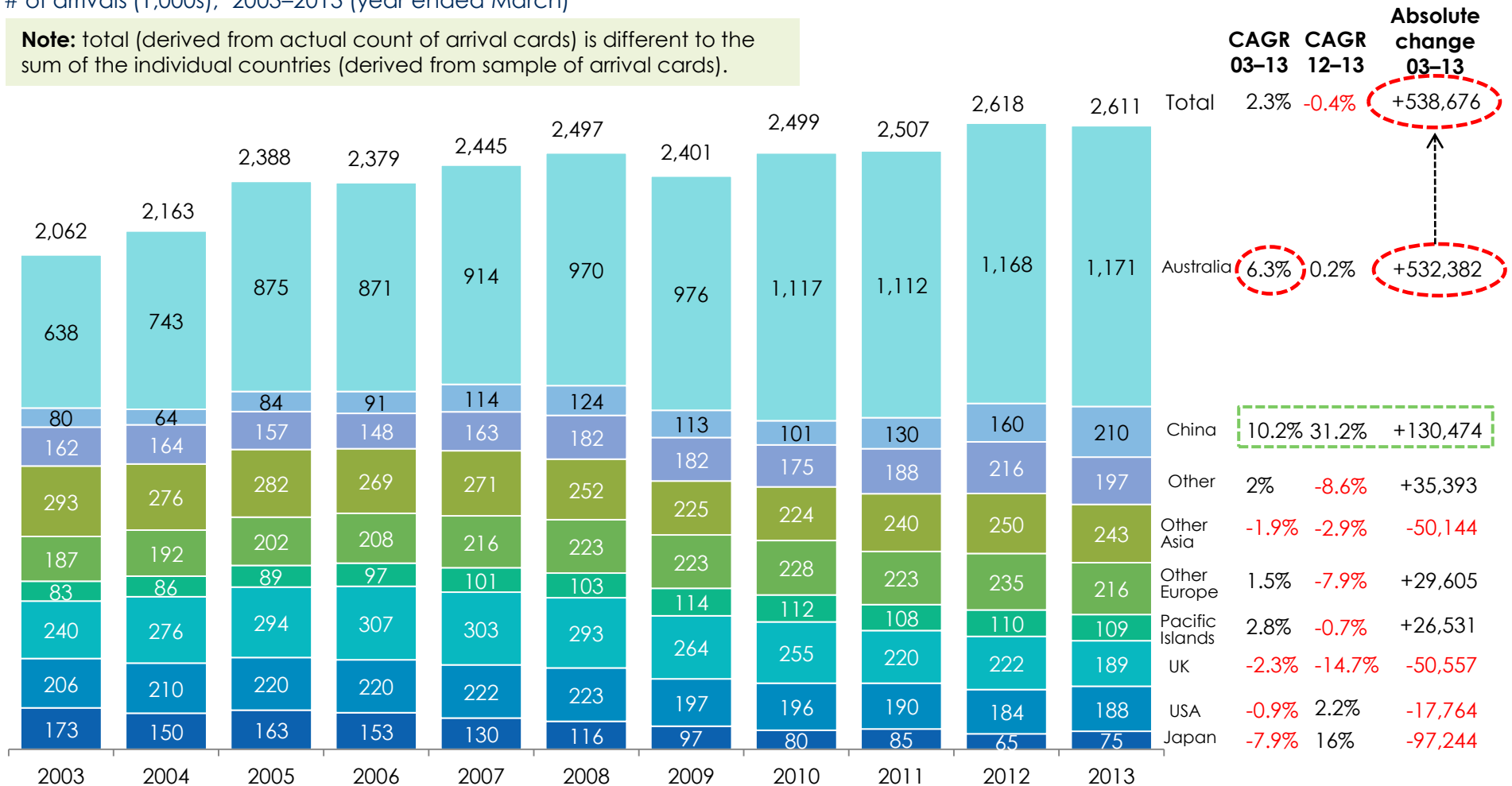
# International visitor arrivals to New Zealand by country

Growth in visitor numbers from Australia and China is compensating for the decline in visitors from most other markets

## International visitor arrivals by country of residence

# of arrivals (1,000s); 2003–2013 (year ended March)

**Note:** total (derived from actual count of arrival cards) is different to the sum of the individual countries (derived from sample of arrival cards).



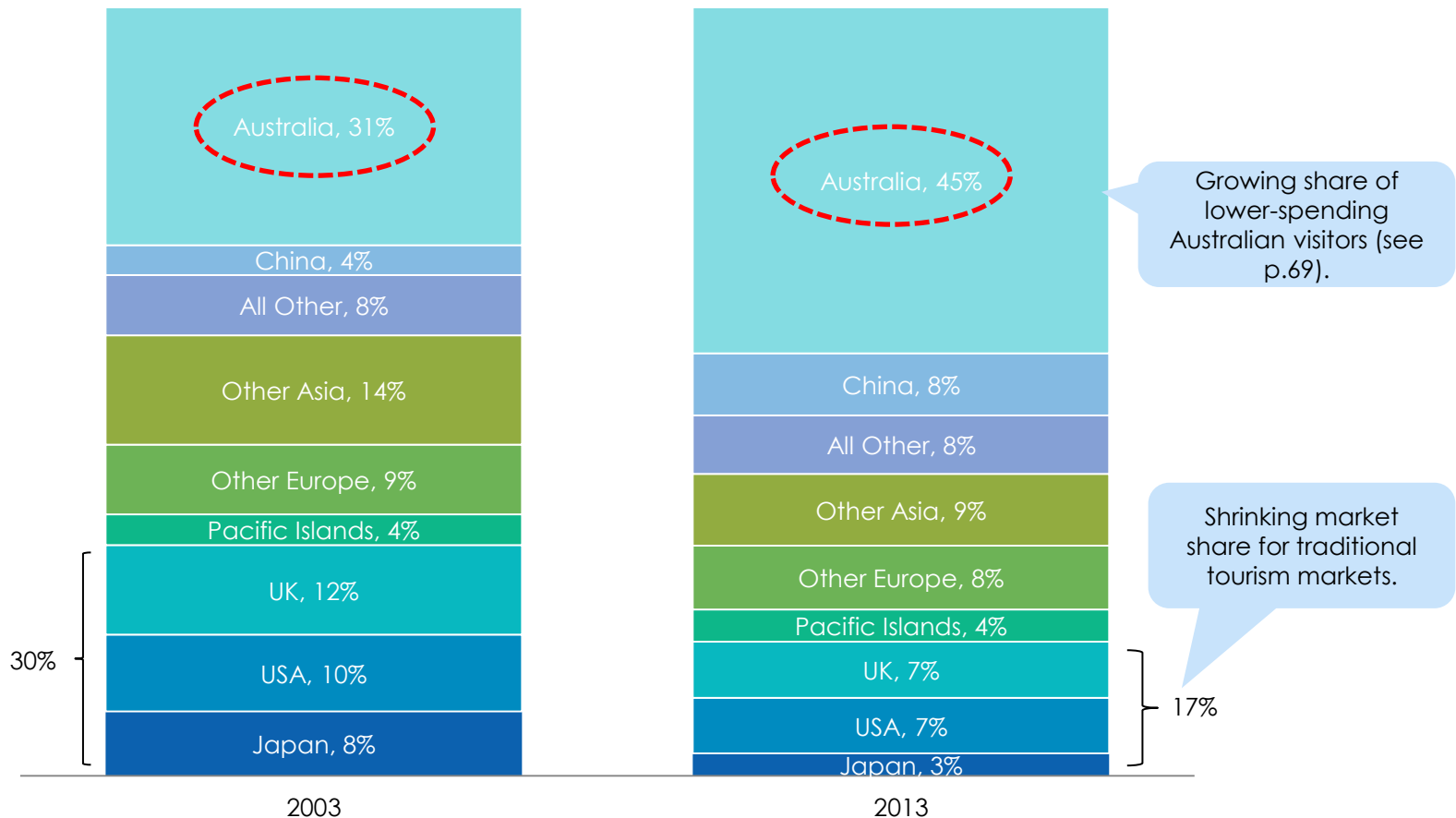


## Percentage of total visitor arrivals by country

Australia now makes up 45% of all visitor arrivals from under a third a decade ago; China has doubled its market share to 8%

### Percentage of visitor arrivals by country of residence

% of total arrivals; 2003 & 2013 (year ended March)



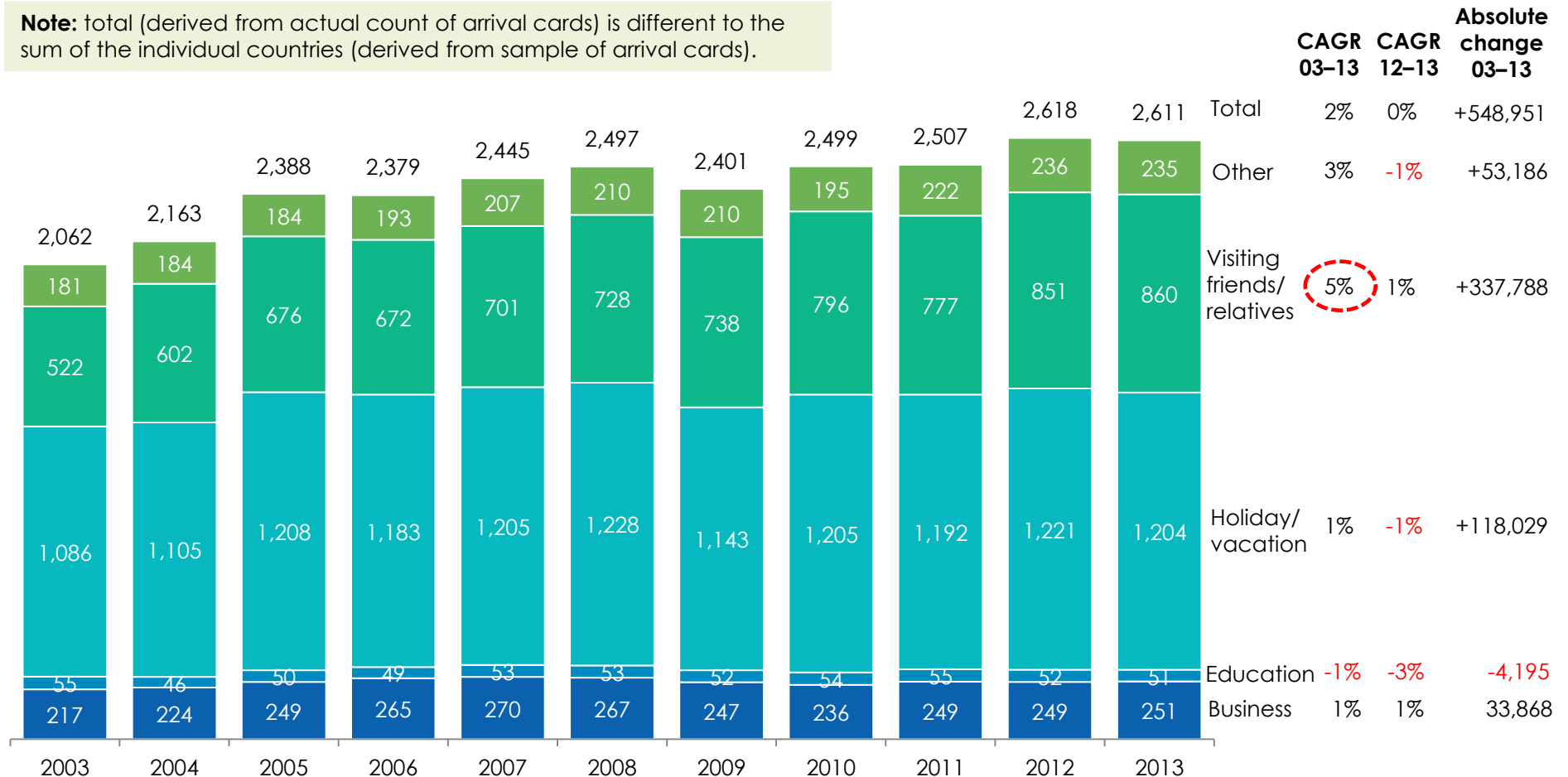
# International visitor arrivals to New Zealand by purpose of visit

The visiting friends and relatives category has grown at 5% per annum in the last ten years; the holiday/vacation category has been flat

## Visitor arrivals by purpose of visit

# of arrivals (1,000s); 2003–2013 (year ended March)

**Note:** total (derived from actual count of arrival cards) is different to the sum of the individual countries (derived from sample of arrival cards).

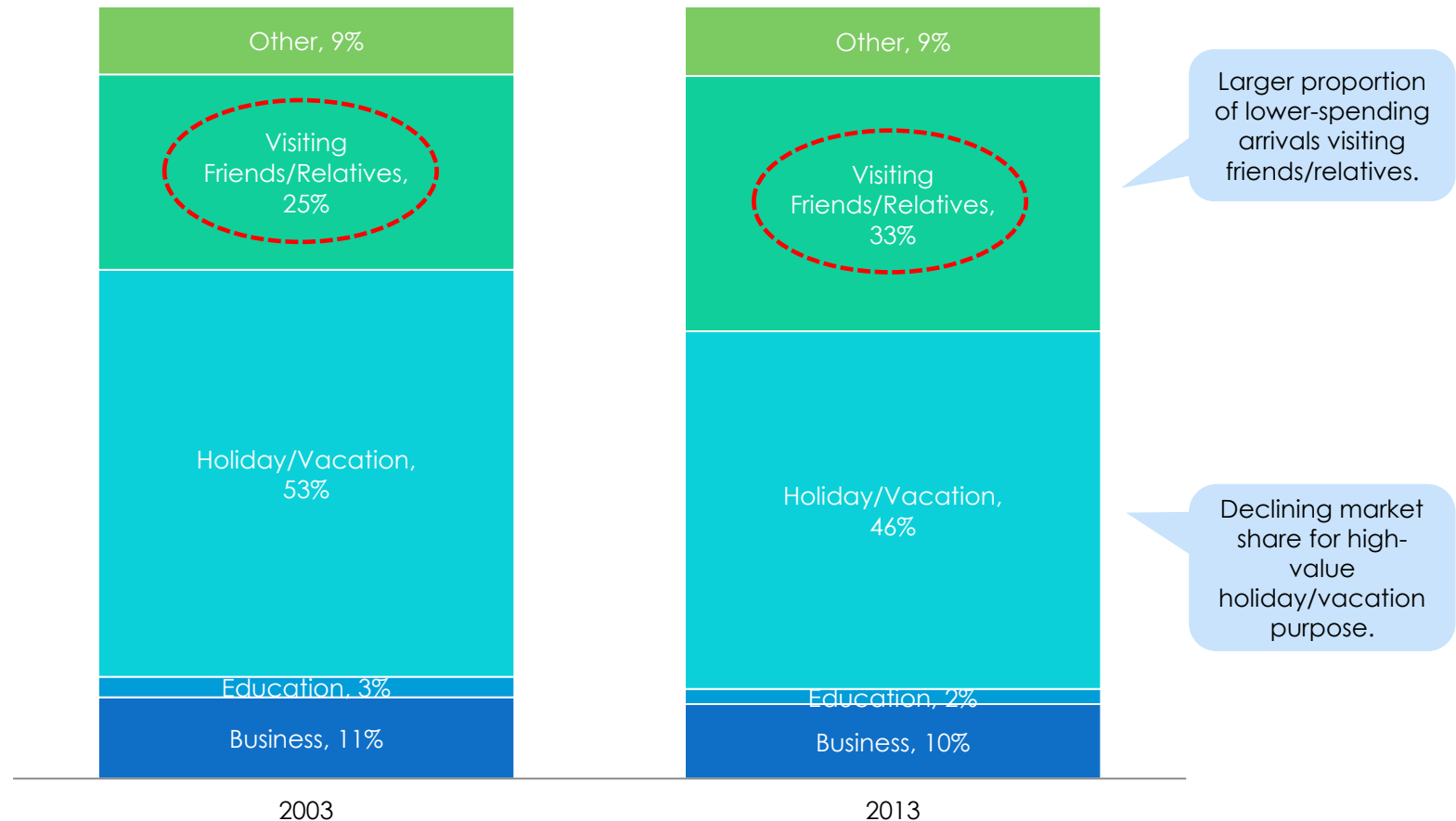


## Share of visitor arrivals by purpose of visit

The visiting friends and relatives category now accounts for a third of all visitor arrivals

### Visitor arrivals by purpose of visit

% of arrivals; 2003–2013 (year ended March)

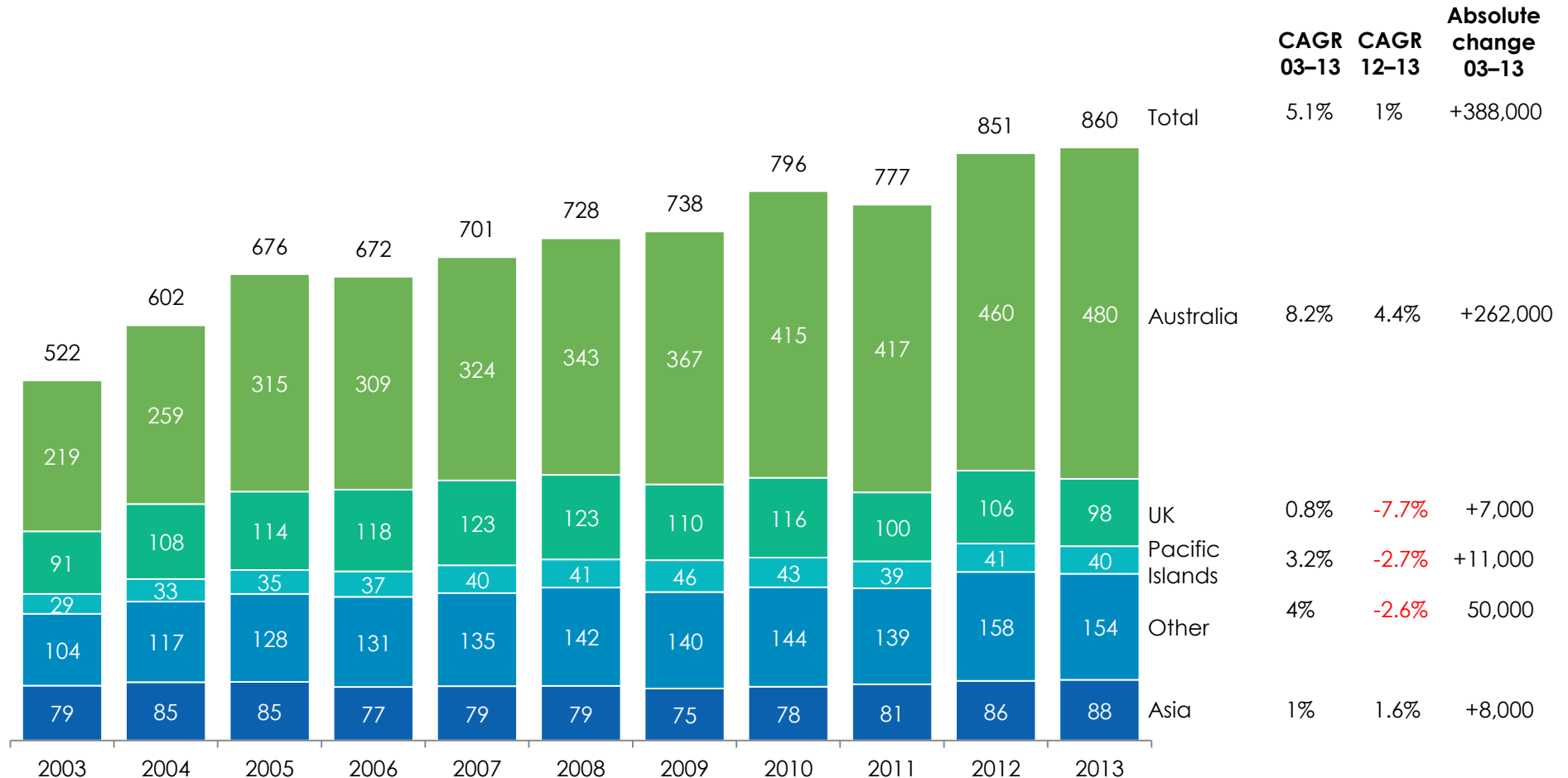


## Friends and relatives category by source country/region

Growth in the friends and relatives category is driven largely by visitors from Australia; many of whom are likely to be New Zealand citizens living in Australia

### Visitor arrivals in friends and relatives category by source country/region

# of friends and relatives arrivals; 1,000s; 2003–2013 (year ended March)



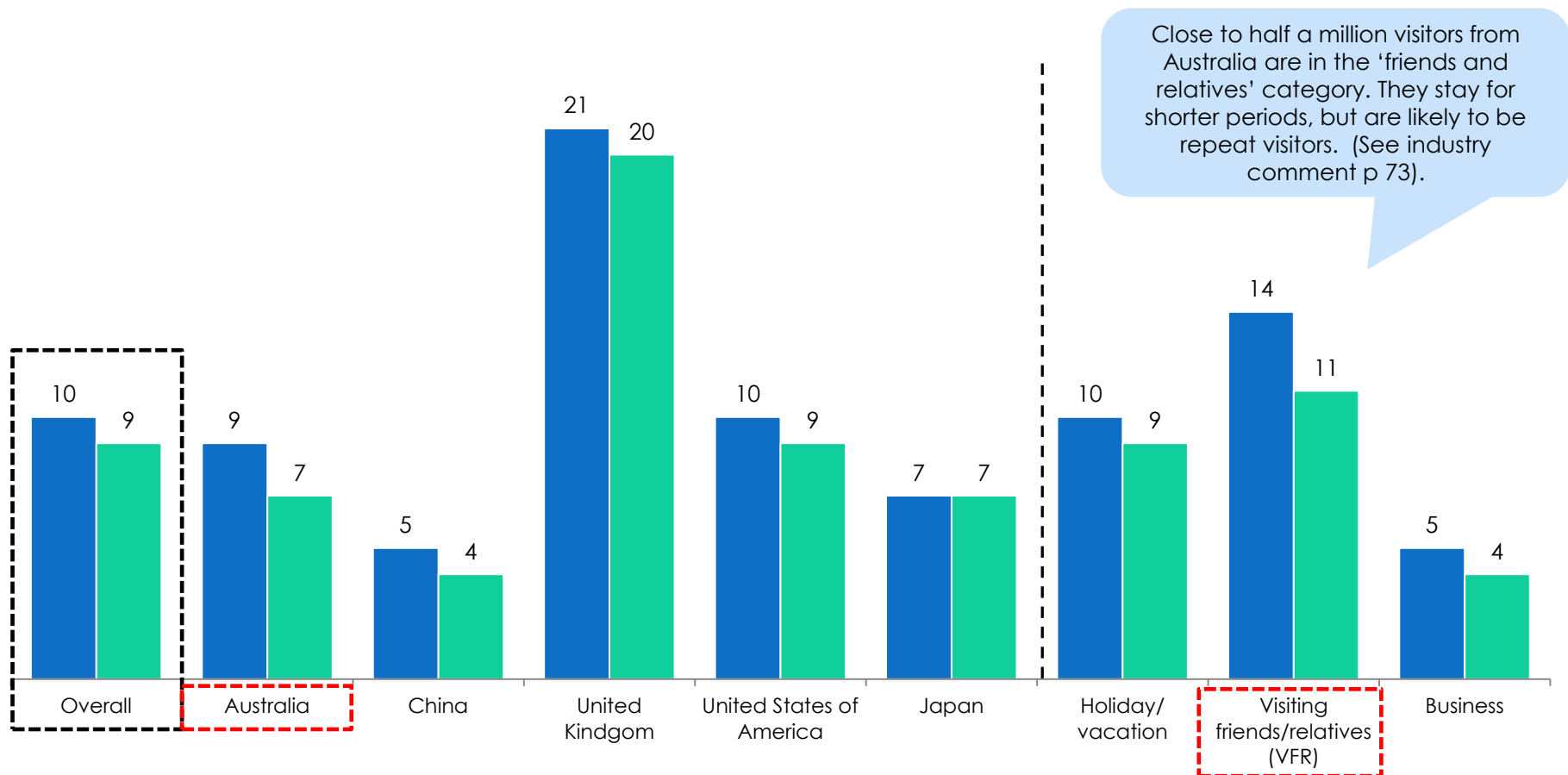
## Median length of stay, 2003 and 2013

Length of stay by major market and purpose of visit has been trending down, led by Australian market and visiting friends and relatives category

### International visitors median length of stay by market and purpose of visit

# of nights 2003 and 2013 (year ended March)

■ 2003 ■ 2013

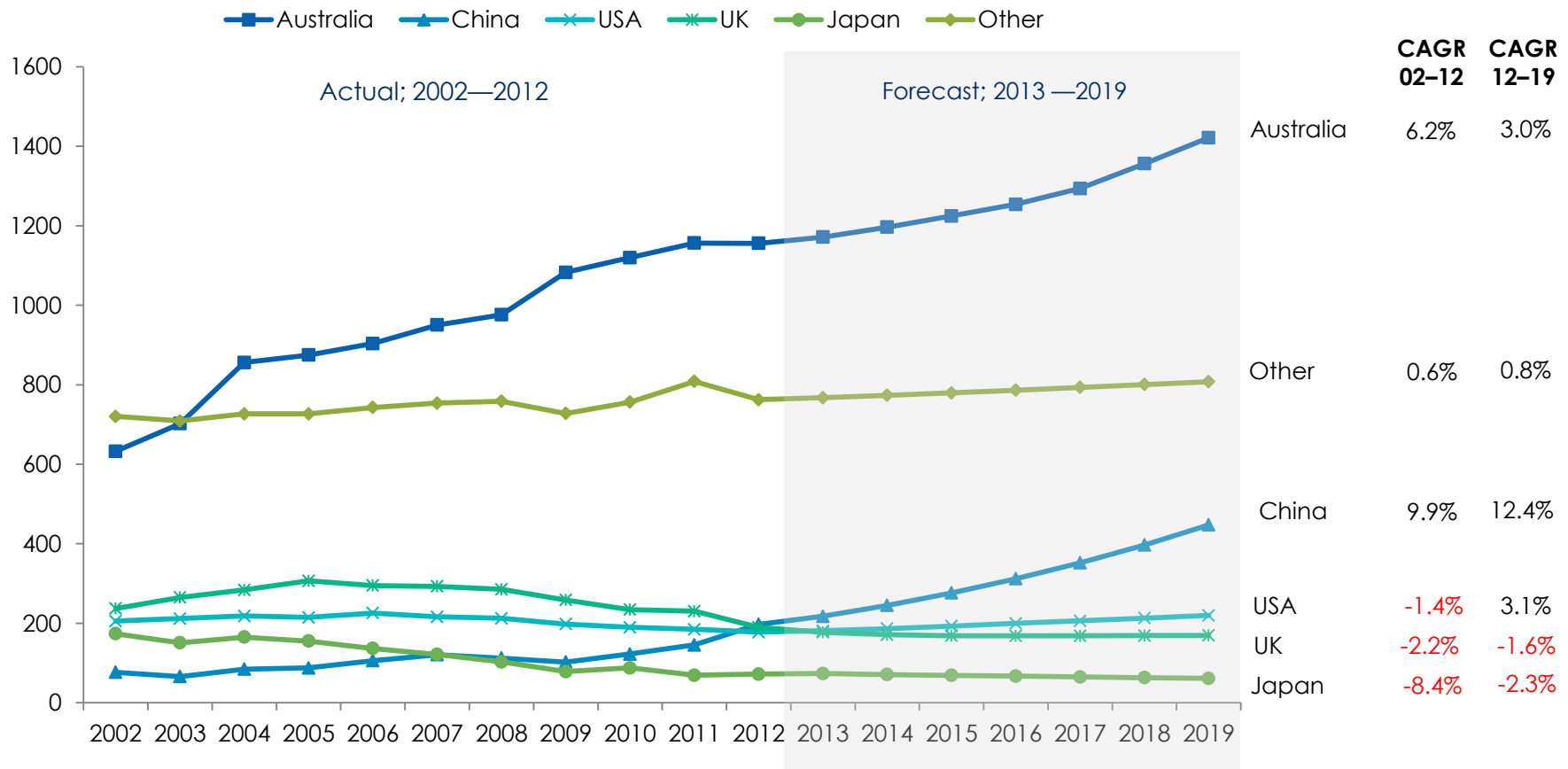


## Forecast international visitor arrivals by market

Growth in arrivals is expected to come from China, Australia, and the USA; UK and Japan are forecast to decline

### Actual and forecast international visitor arrivals by major market

# of visitors; thousands; 2002–2019 (year ended December)





## EXPORTS

- INTERNATIONAL VISITOR NUMBERS
- **VALUE BY MARKET**
- VALUE BY PURPOSE-OF-VISIT



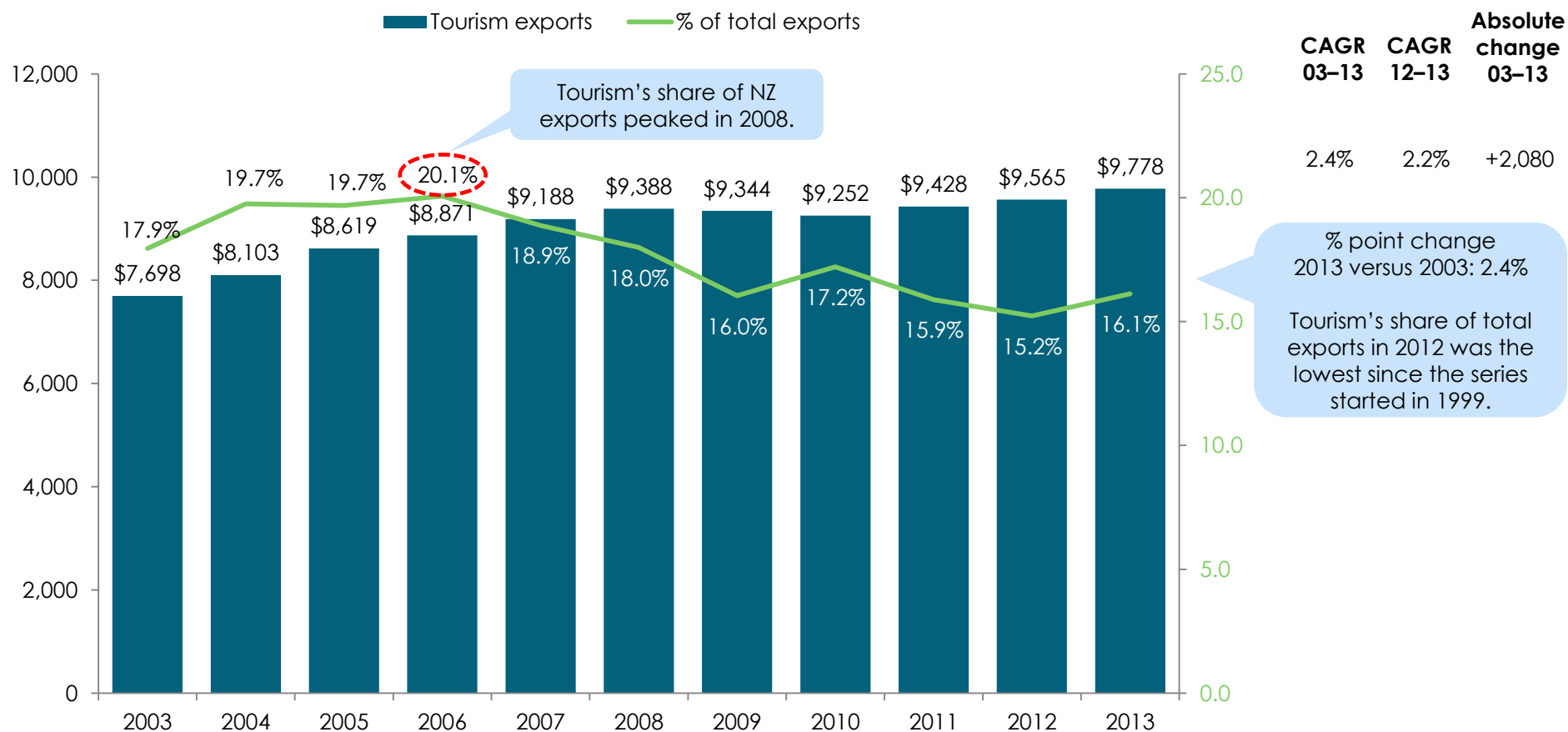


## Exports

In nominal dollars, total tourism export earnings increased to 2008, with slower growth in following years; since peaking in 2006, tourism's share of NZ's total exports has declined

### International tourism expenditure; total and as a percentage of total exports

Total international tourism expenditure (bars, NZ\$m, nominal); % of total NZ exports (line); 2003–2013 (year ended March)

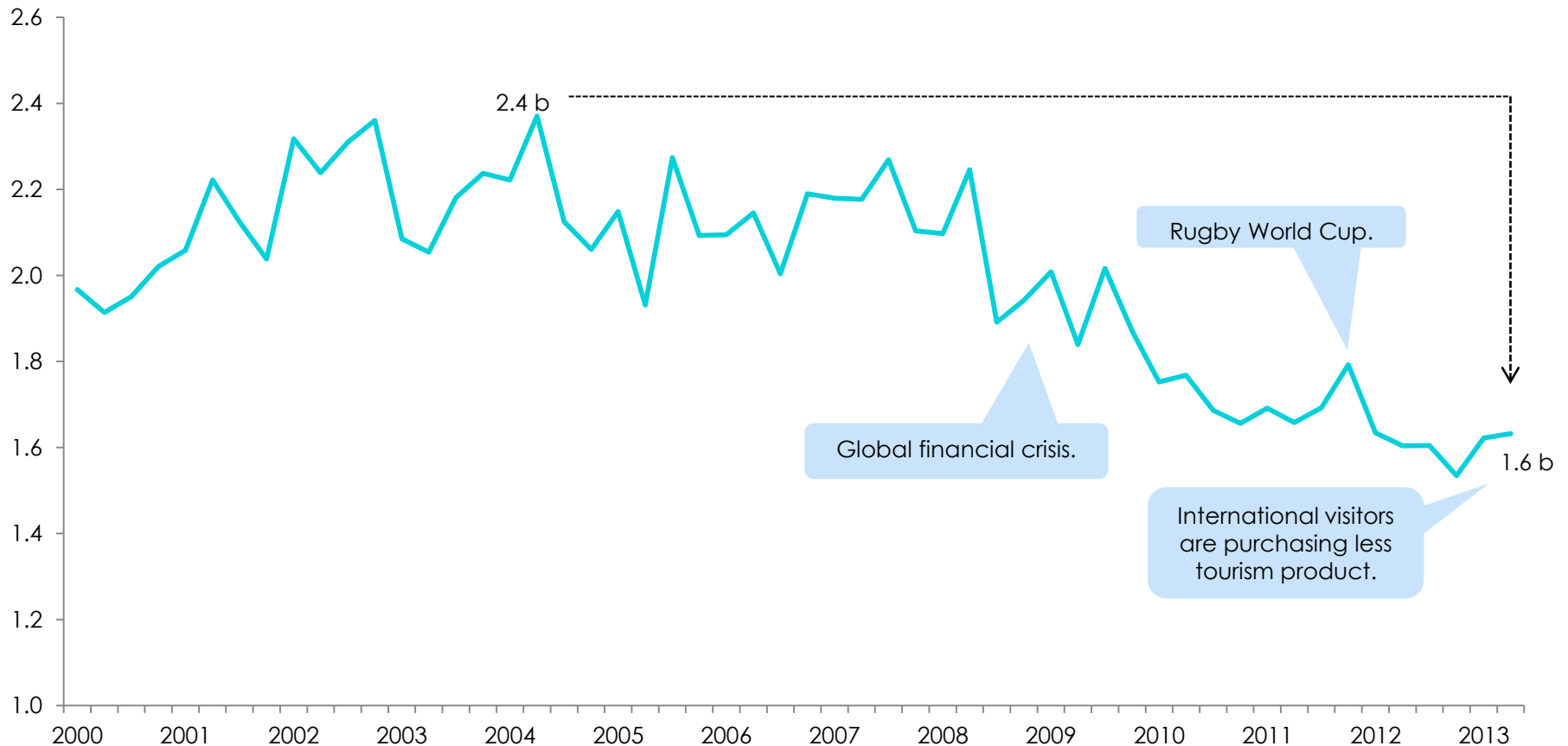


## International visitor spend in real dollars (inflation adjusted)

In real dollars, total international visitor expenditure has been in decline since the peak in 2002

### Total international tourism expenditure per quarter adjusting for seasonality and inflation<sup>1</sup>

NZ\$billions; real; 2000 — 2013



Source: Ministry of Business, Innovation & Employment; International Visitor Survey (2013)

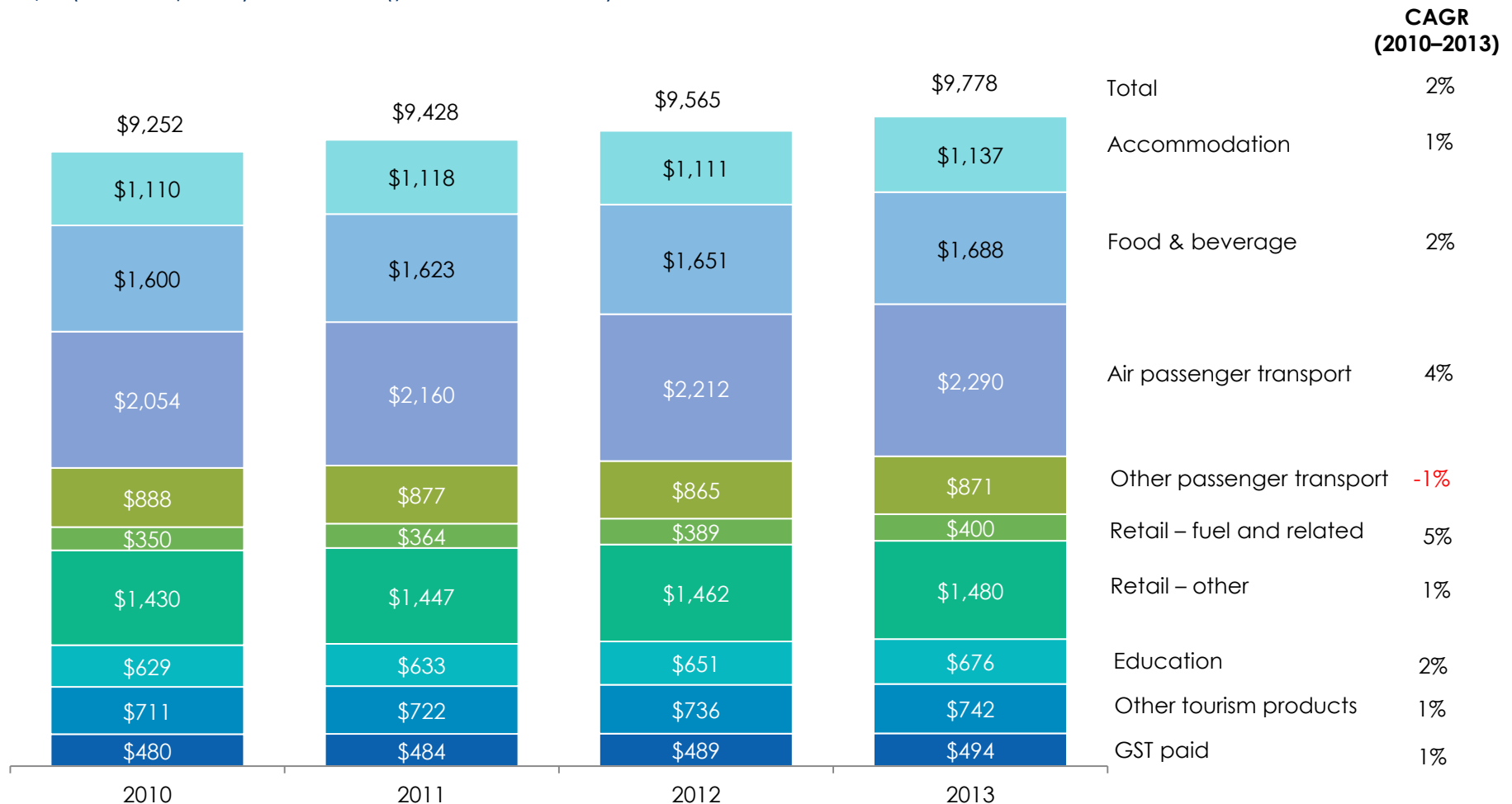
1. Base year is 2012

## Tourism exports by product

In nominal dollars, tourism export product shares have remained consistent since 2010

### International visitor expenditure by product

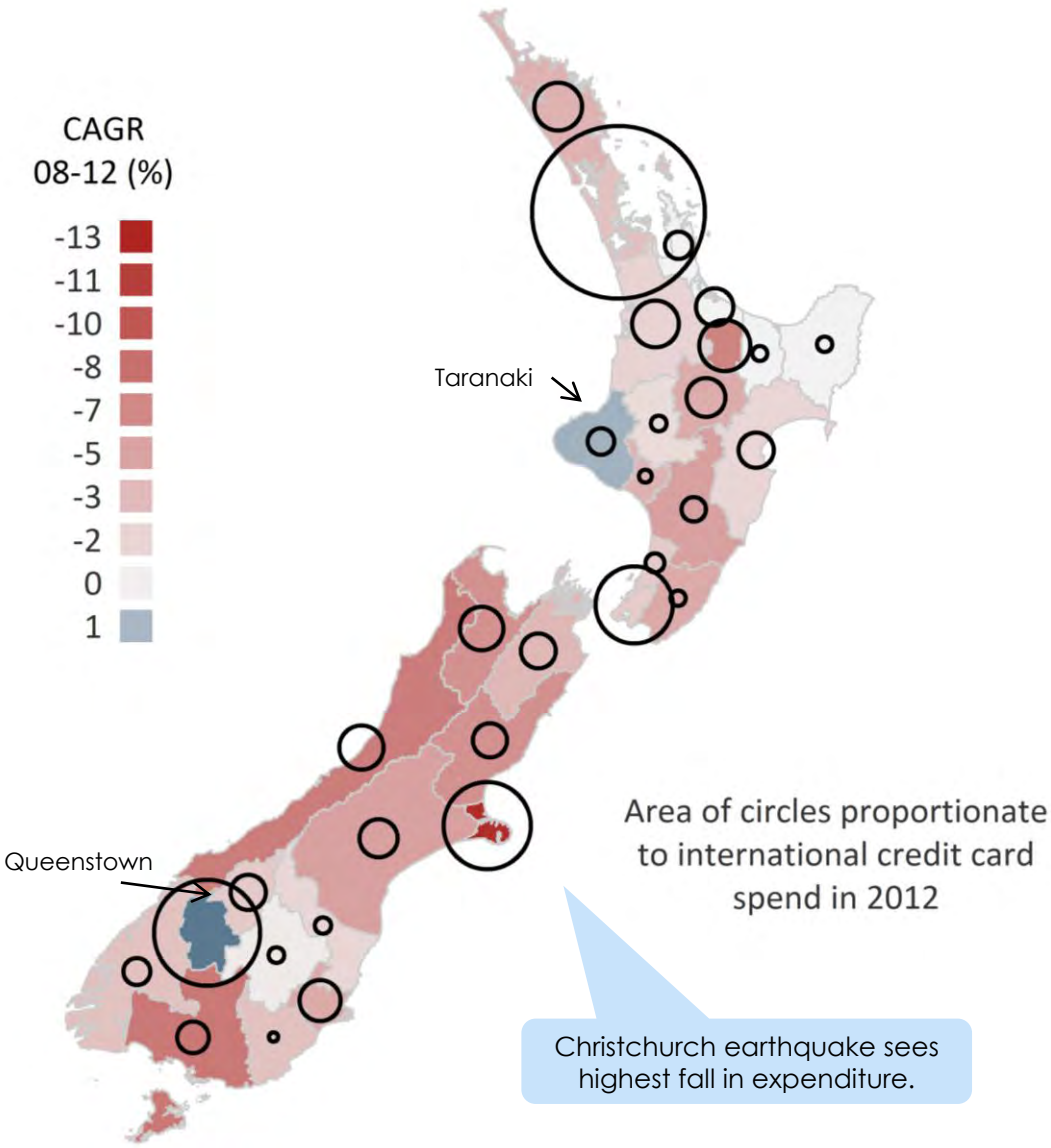
NZ\$m (nominal prices): 2010–2013 (year ended March)



# International visitor expenditure by region

## Growth/decline in international visitor expenditure by Regional Tourism Organisation (RTO), 2008–2012

Credit card spending by international visitors has fallen across most regions except Queenstown and Taranaki



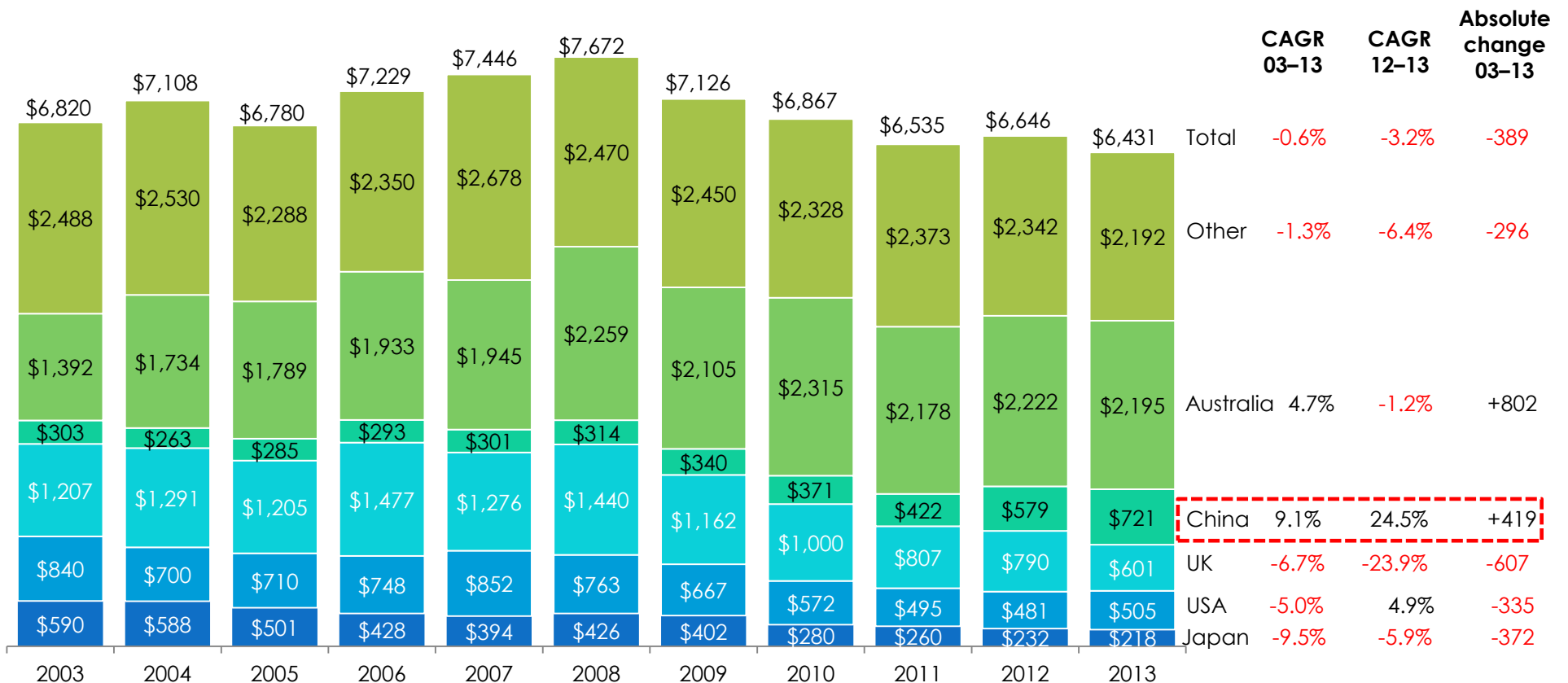
Source: Ministry of Business, Innovation & Employment; Regional Tourism Indicators (2013)

# Total international visitor expenditure by market

Total international expenditure is declining overall; growth in visitor expenditure from Australia and China markets only partially off-setting a decline in other key markets

## International visitor expenditure by market

Expenditure; NZ\$m nominal; 2003—2013 (year ended June)



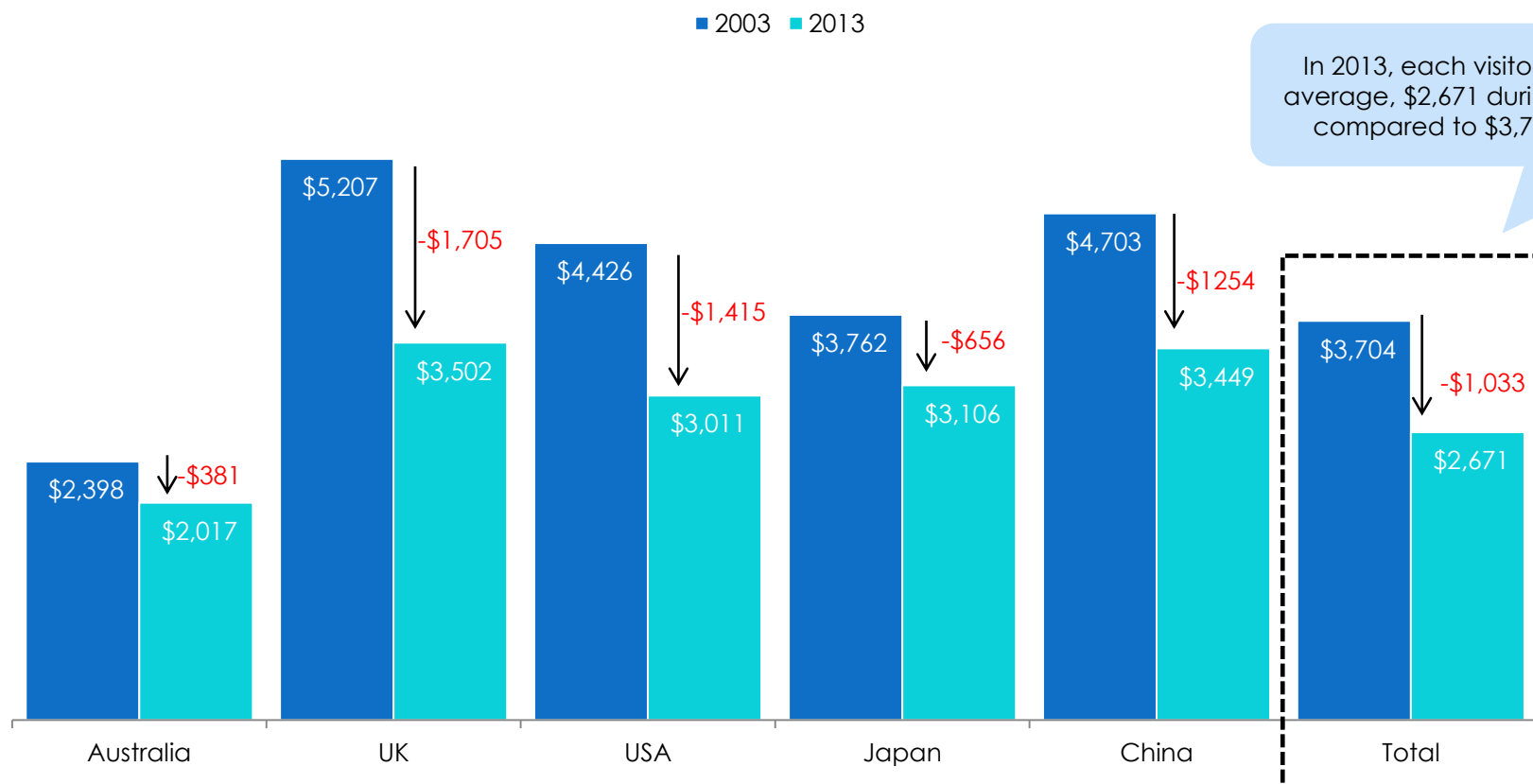
Source; Ministry of Business, Innovation & Employment; International Visitor Survey (2013)

## Individual visitor expenditure by major market, 2003 versus 2013

Tourists from all major markets are spending less in New Zealand per visit; visitors from Australia spend the least

### Average individual expenditure by major market

NZ\$; nominal; 2003 versus 2013 (year ended June)

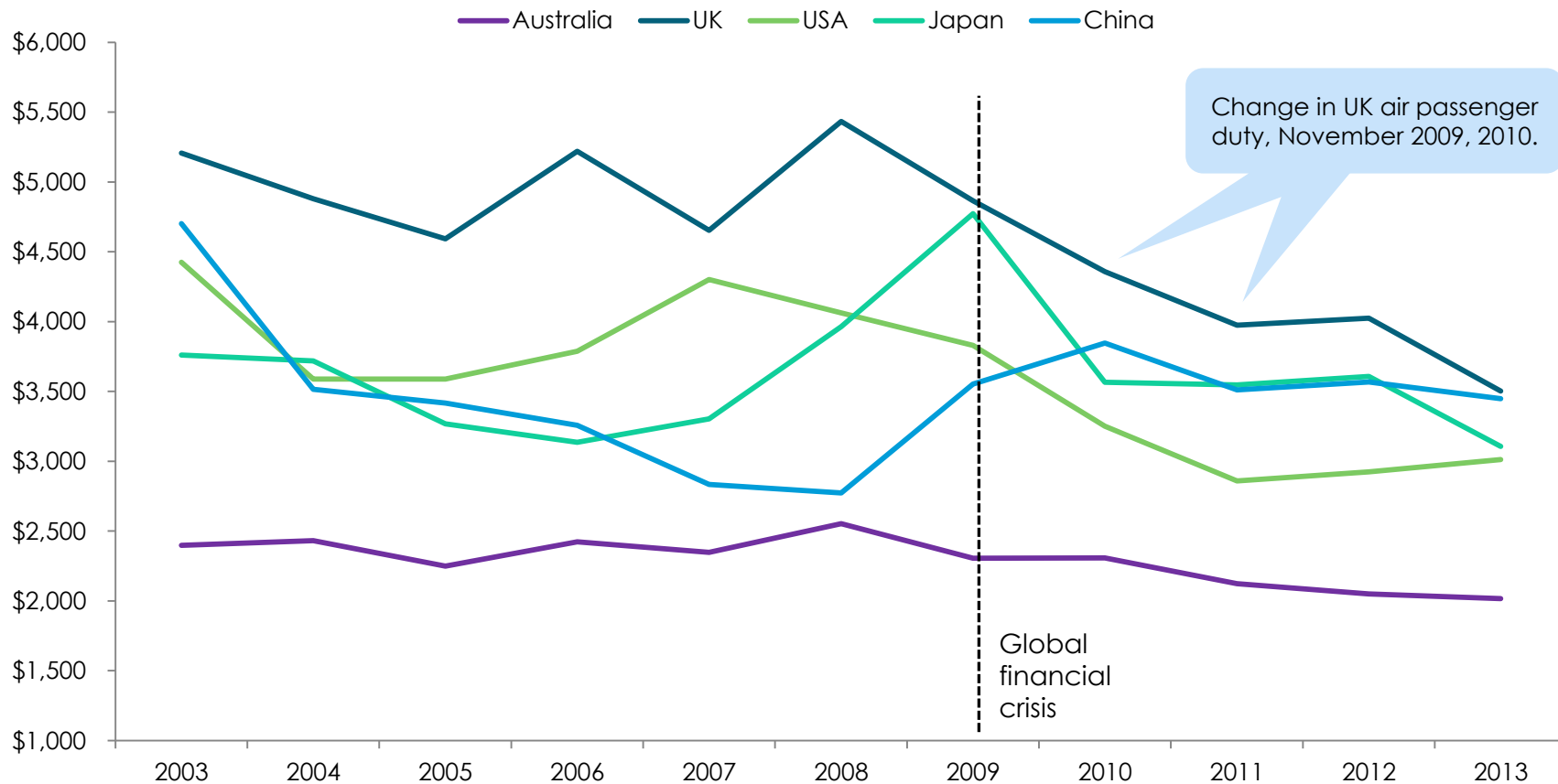


# Individual visitor expenditure by major market 2003 to 2013

Tourists from all major markets are spending less in New Zealand per visit; per person spending from Japanese peaked during the GFC

## Average individual expenditure by major market

NZ\$; nominal; 2003—2013 (year ended June)

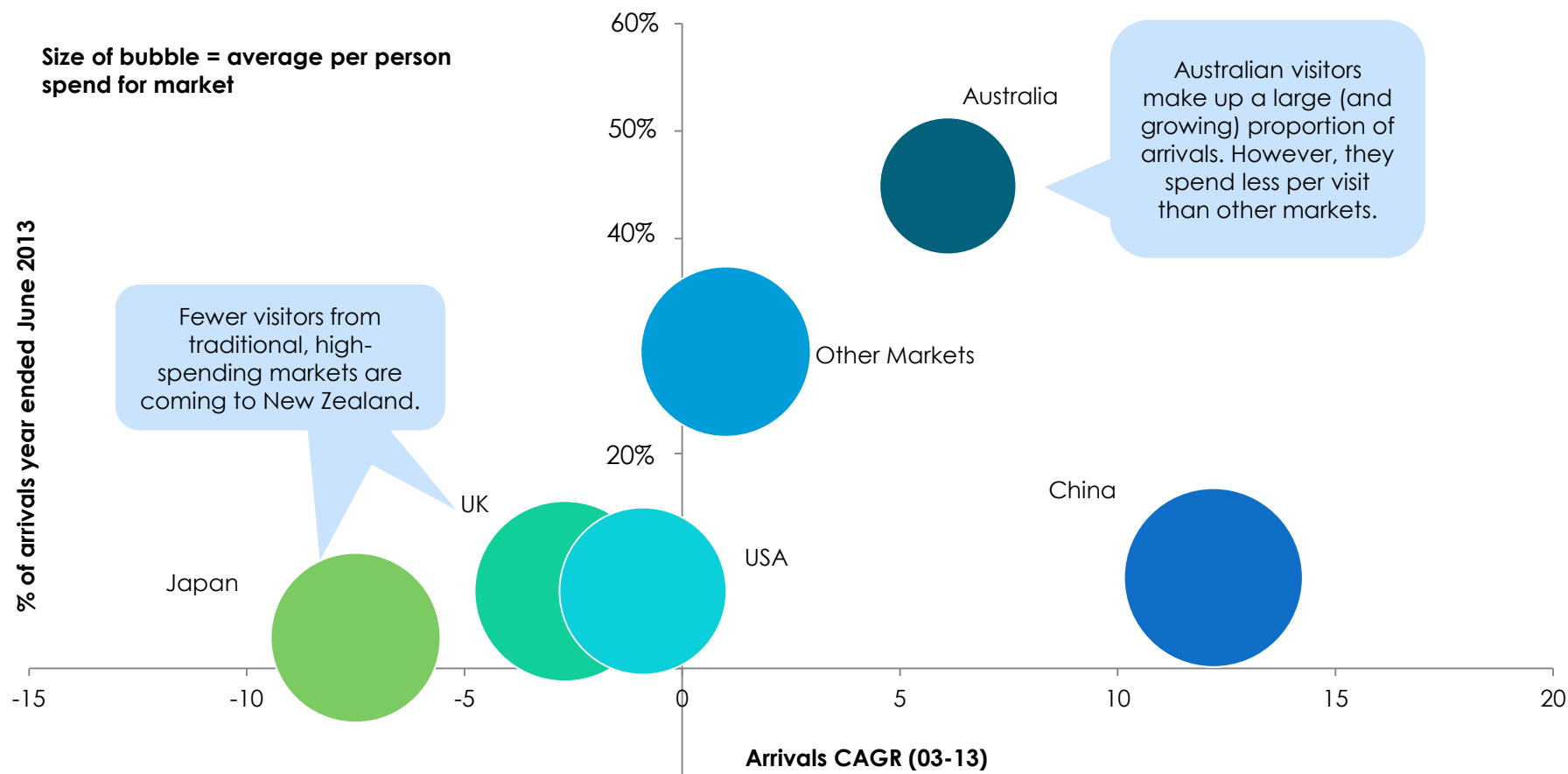


## Value growth by market

Growth in visitor arrivals is driven by low spending Australia and higher spending China; visitor numbers from high spending traditional markets are in decline

**Matrix: 10 year compound annual growth rate (x-axis) vs % of arrivals (y-axis) vs average per person spend**

\$NZ: nominal; 2003–2013 (year ended June)





## Visitor expenditure by market: industry comment

Industry commented on the difference between Australian visitors and long-haul visitors and the need to treat the trans-Tasman market differently

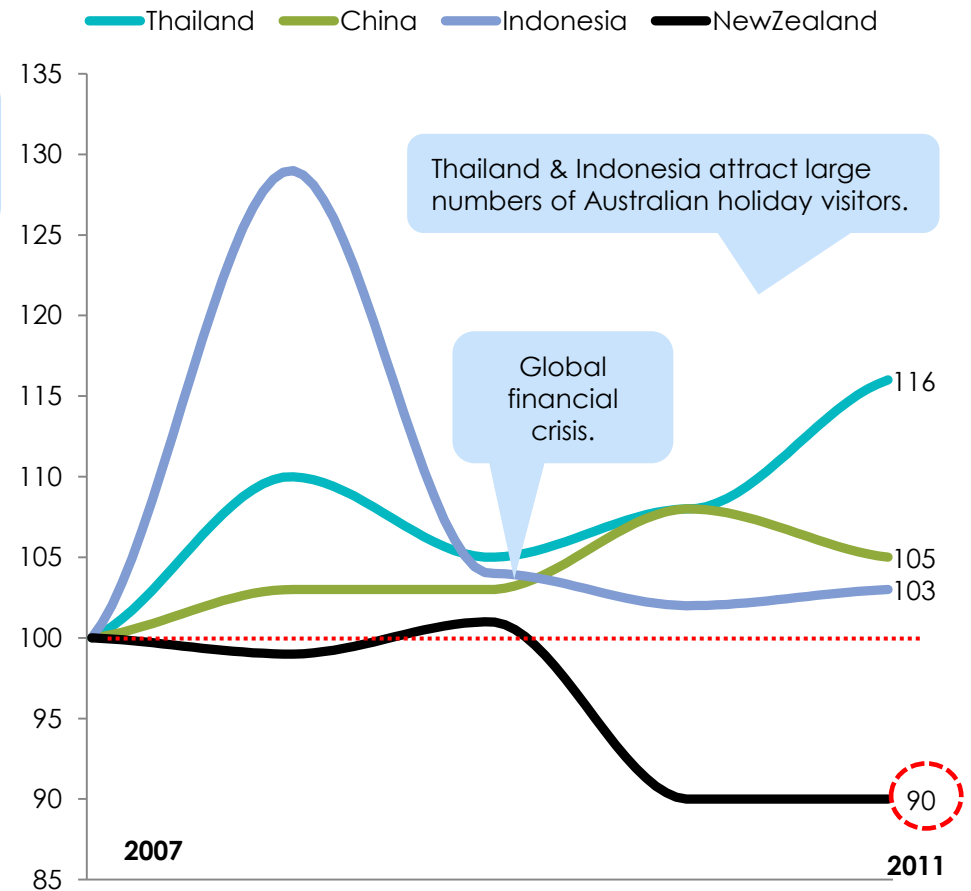
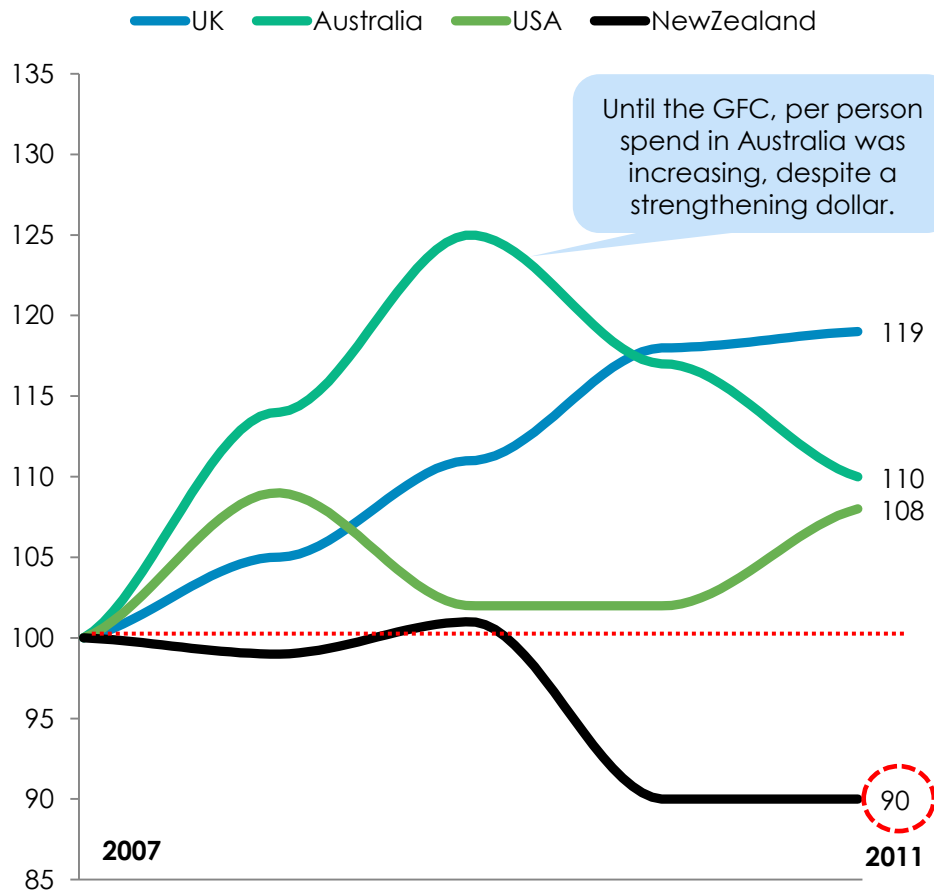
- *When we look at a visitor from a long-haul market, there's a fairly high chance they will come to New Zealand once in their lifetime. So when we measure their spend, that is their spend. It may be their spend from their one trip in a year, but it's also their spend [in New Zealand] from their whole life. Whereas with Australians we should be measuring their spend in New Zealand over a lifetime of multiple visits.*
  - CE, regional tourism organisation
- *If we look at the way we travel as New Zealanders to Australia, we don't actually go on holiday to Australia as a whole. We go to a certain place. We go to Sydney for one reason, we go to the Gold Coast for another reason, we might go to tropical North Queensland for something different, or we might go to an event in Melbourne... If we want Australians to come to New Zealand more frequently then we need to cut our experience up for the Australian market... we want people in Sydney to say, 'I want to go skiing in Queenstown, I'm going to go to a sports game in Auckland, I'm going to go on a family holiday to Rotorua'. See us as not one option but as a number of options, so that we get more Australian visitors.*
  - CE, regional tourism organisation

## Per person international visitor expenditure in selected markets

While per person (nominal) expenditure of overnight visitors has declined in New Zealand, it has grown in competing destinations

### Per person international visitor expenditure, New Zealand versus selected countries

Expenditure per visit; destination currency, smoothed index series, 2007 = 100; 2007—2011

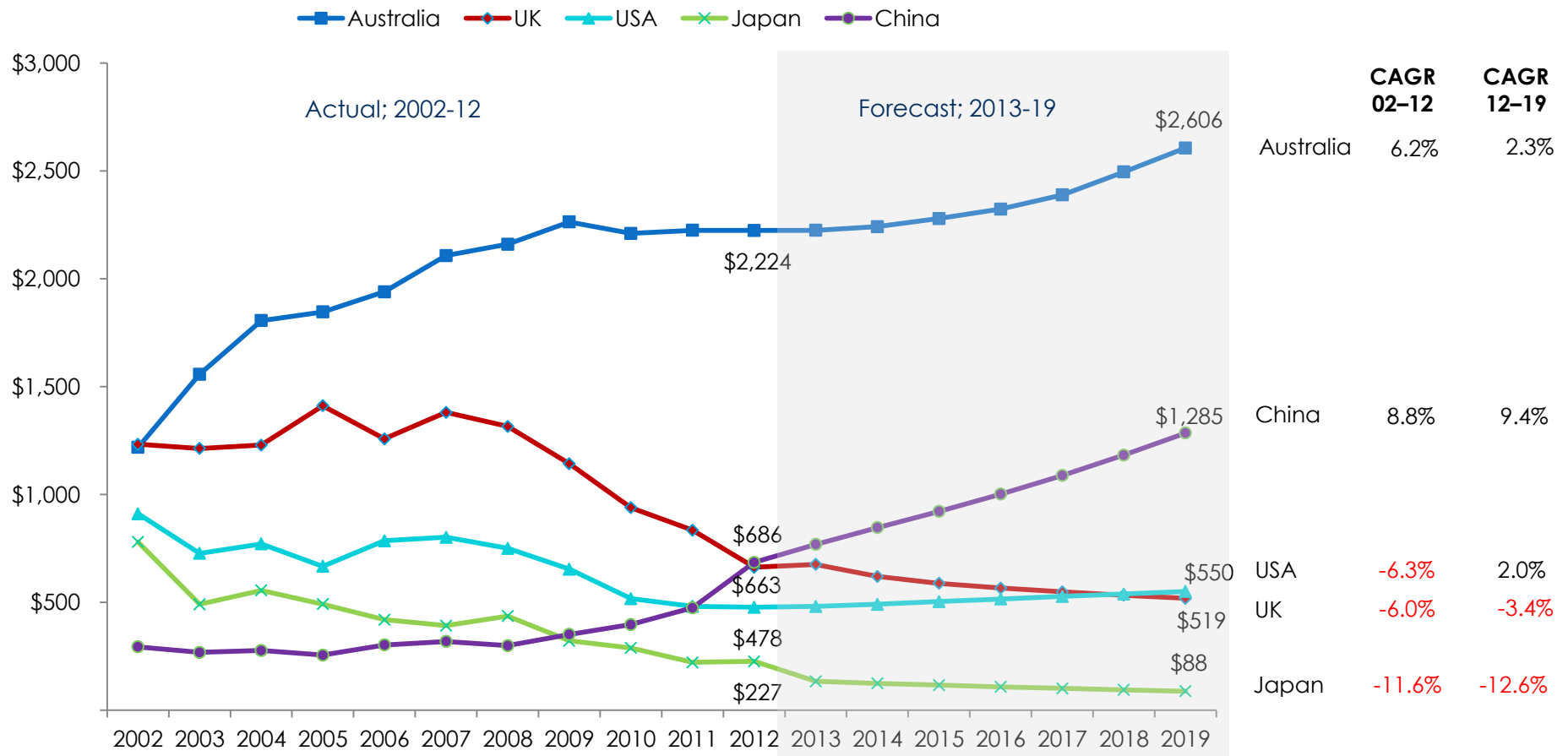


## Forecast international visitor expenditure by market

Growth in visitor expenditure by market is expected to come from China, Australia and USA; UK and Japan forecast to decline

### Actual and forecast international visitor expenditure by major market

NZ\$m; 2002—2019 (year ended December)



## Value by market: industry comment

Industry commented on the high awareness of New Zealand's destination brand versus a weaker awareness of New Zealand tourism products

- *Travel is about filling out your life CV with experiences. So what is the experience I want and where can I get it? When you are about as far away in the world as you can get from the people you are trying to sell to, you've got to work harder than everyone else to get it.*
  - Senior executive, tourism industry firm, large
- *We have a very high country brand but we have a low conversion rate. Part of the reason why this is, is that we are sold largely by niche wholesale operations. If you went into a travel agent in the USA you very rarely find New Zealand. As a country we are sold in a FIT [free independent traveller] market and an online market. But we are not a well understood product or brand in terms of what you can do in New Zealand once you get here, how much it's going to cost you and the ease of purchase.*
  - Senior executive, tourism industry firm, large
- *A visitor thinks 'I have x days available to me, it does feel like a long way away, so I need to know that there are 6, 7, 8 or 10 day options and how do prices and products compare.' We have a strong country brand in terms of what we stand for, and that's well marketed by Tourism NZ. I don't think we have a strong product brand per se. It's a bit like saying Toyota are not actually selling Toyota, but a Camry, a Prius and a Lexus and what the features and benefits are.*
  - Senior executive, tourism industry firm, large
- *We've got an extremely strong destination brand and destination position relative to other markets. We've also got a pretty material injection of funding into Tourism NZ marketing, which will open up some of those emerging markets at a greater rate than has been possible in the past.*
  - Senior executive, tourism industry firm, large

## Value by market: industry comment

### Industry commented on the need to incentivise the selling of New Zealand products

- *Our own industry is probably not creating enough product or incentivisation to sell it. As an example, in my ski days, I went to the Australian market and said: 'why aren't you guys selling more ski passes and promoting New Zealand skiing?' And they said: 'well, at the moment you give us 12% commission, and unless we are getting 15 or 20 there's just not enough in it for the paperwork. So if you would like us to sell it you need to give us a greater incentive to sell it.' And so we did. We started giving them 20% commission and the volume went up. Tourism NZ did their job, but it wasn't necessarily that the promotion or understanding wasn't there. It was that the trade market wasn't incentivised to sell.*
  - Senior executive, tourism industry firm, large





## EXPORTS

- INTERNATIONAL VISITOR NUMBERS
- VALUE BY MARKET
- **VALUE BY PURPOSE-OF-VISIT**



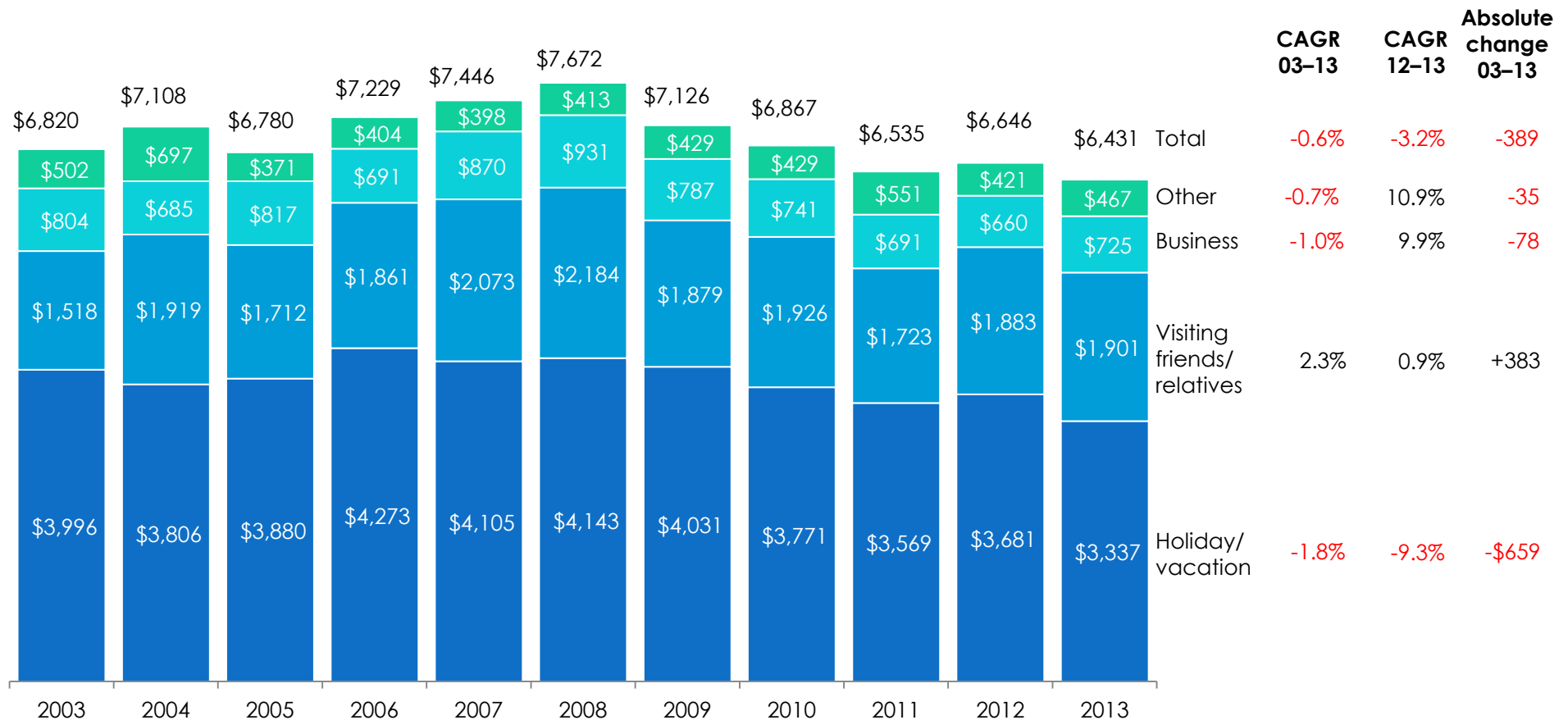


# Total international visitor expenditure by purpose of visit

The decline in international visitor expenditure is driven by the holiday/vacation category

## Total international visitor expenditure by purpose of visit

Expenditure; NZ\$m nominal prices; 2003–2013 (year ended June)

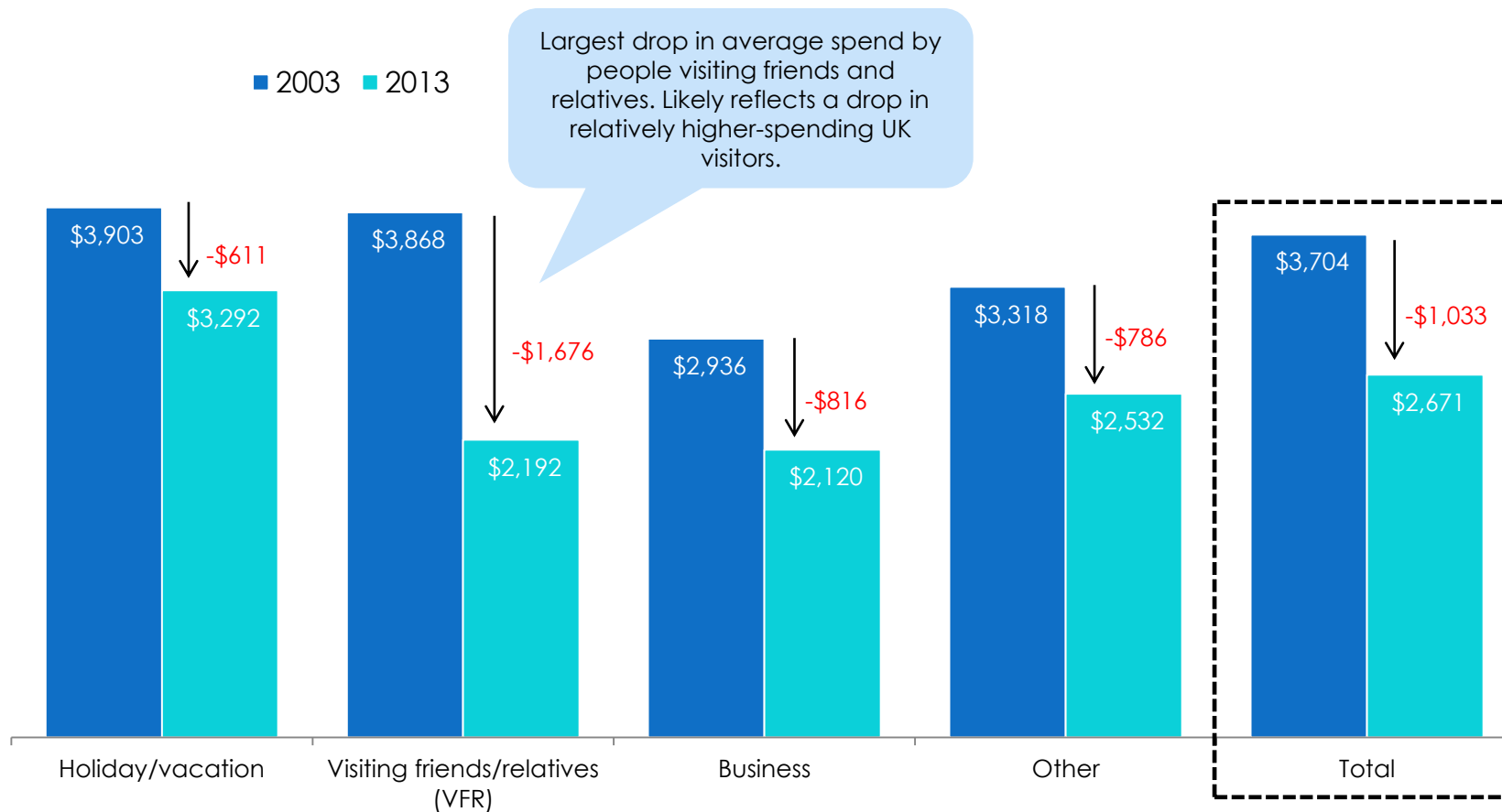


## Individual visitor expenditure by purpose-of-visit: 2003 versus 2013

Individual visitors in all purpose-of-visit categories are spending less in New Zealand per visit

### Average individual expenditure by purpose of visit

NZ\$; nominal; 2003 versus 2013 (year ended June)

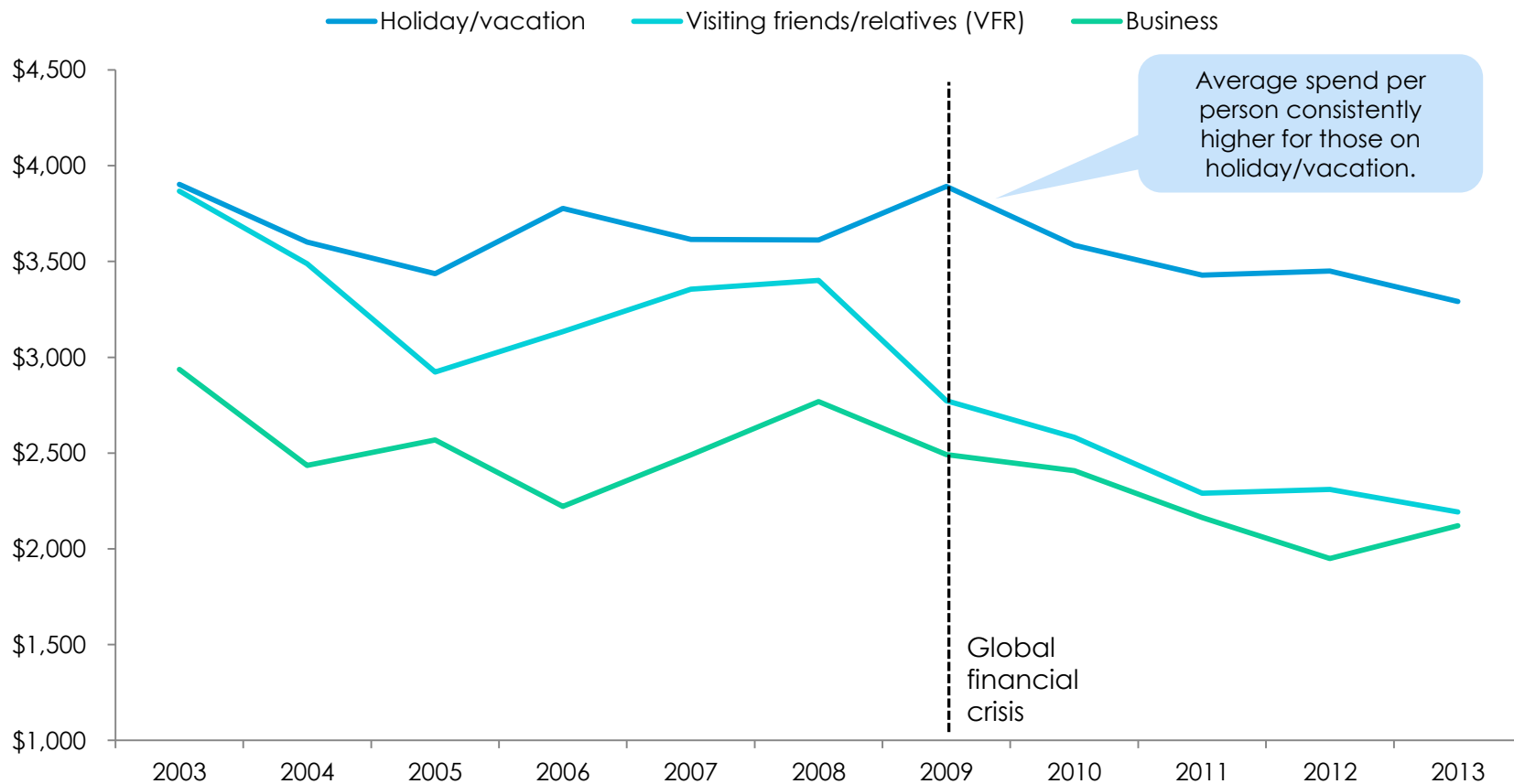


## Individual visitor expenditure by purpose-of-visit 2003 to 2013

Individual visitors in all purpose-of-visit categories are spending less in New Zealand per visit; particularly those travelling for business or to visit friends and relatives

### Average individual expenditure by purpose of visit

NZ\$; nominal; 2003—2013 (year ended June)

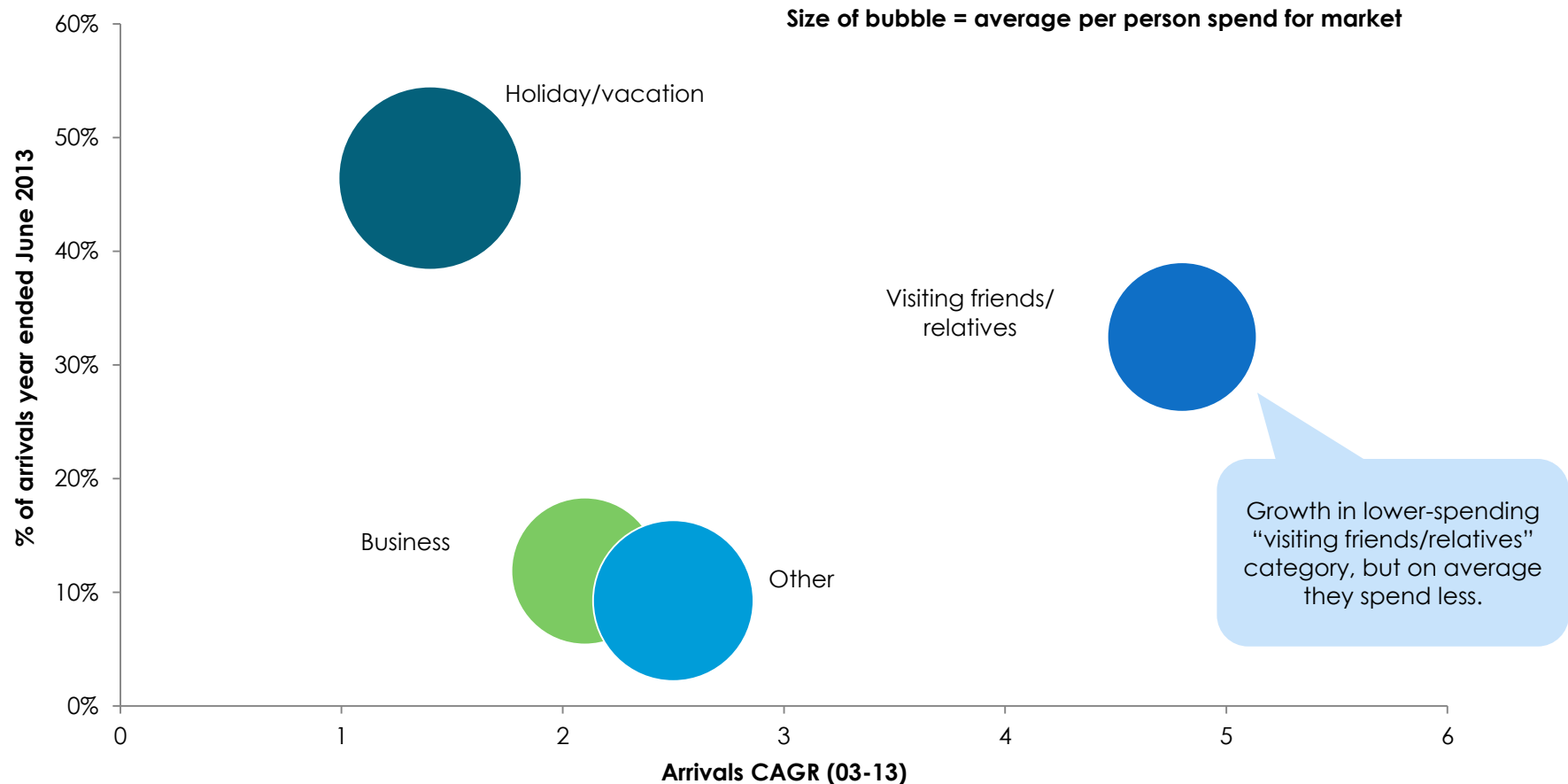


## Value growth by purpose of visit

Visitor numbers in the higher value holiday/vacation category are growing slowly compared to visitor numbers for lower value friends or relatives category

**Matrix: 10 year compound annual growth rate (x-axis) vs % of arrivals (y-axis) vs average per person spend**

\$NZ: nominal; 2003—2013 (year ended June)





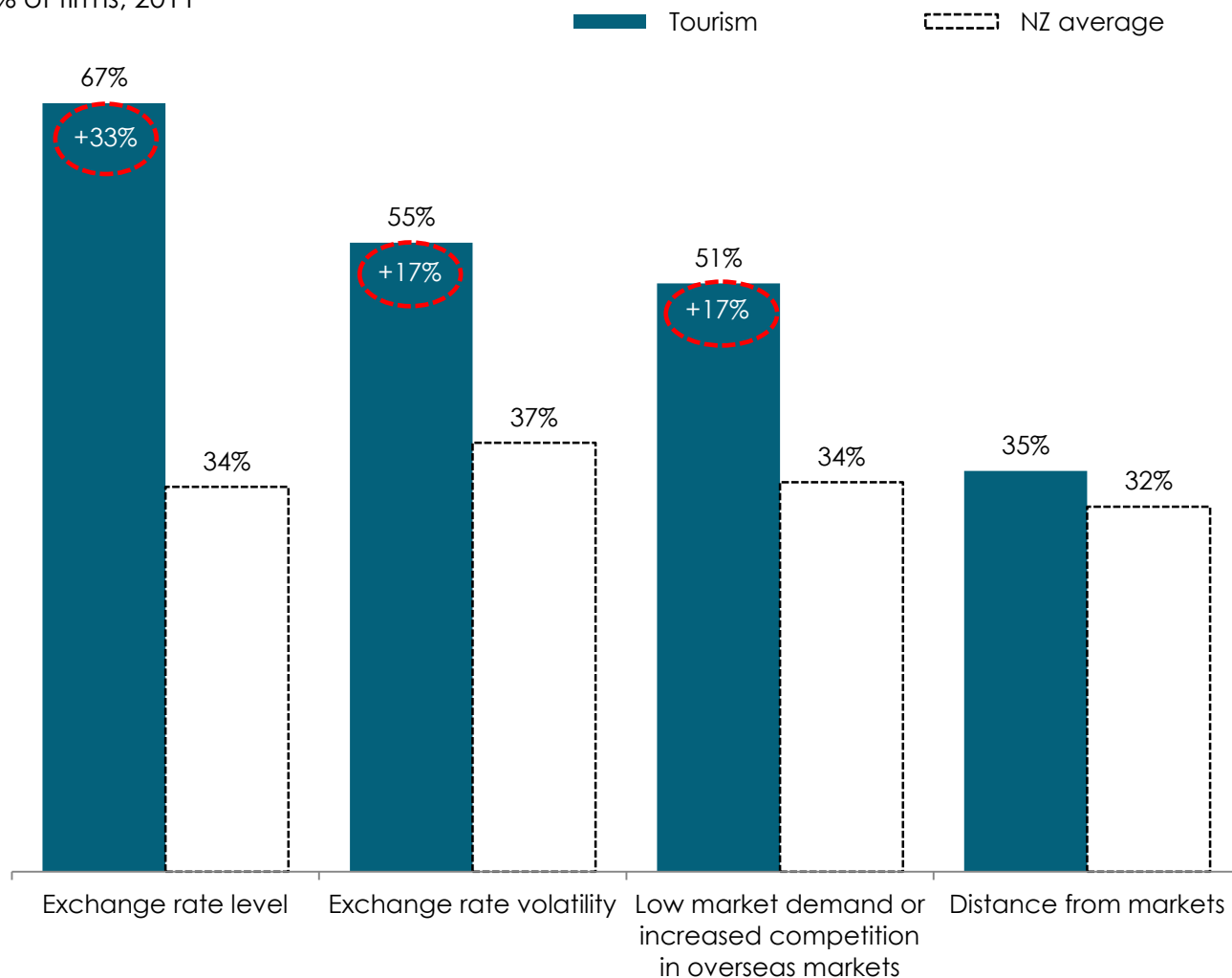
## **BARRIERS TO GROWTH**

## Leading barriers for existing exporters

Compared to other exporting sectors, tourism exporters are significantly more concerned about exchange rates

### Number of existing exporting firms reporting the following factors as barriers to exporting

% of firms; 2011



#### Note on exchange rate

International visitors exchange foreign currency for New Zealand dollars *before* transacting with New Zealand tourism firms.

High exchange rates mean that the same amount of foreign currency will purchase fewer New Zealand dollars (and as a consequence fewer goods and services).

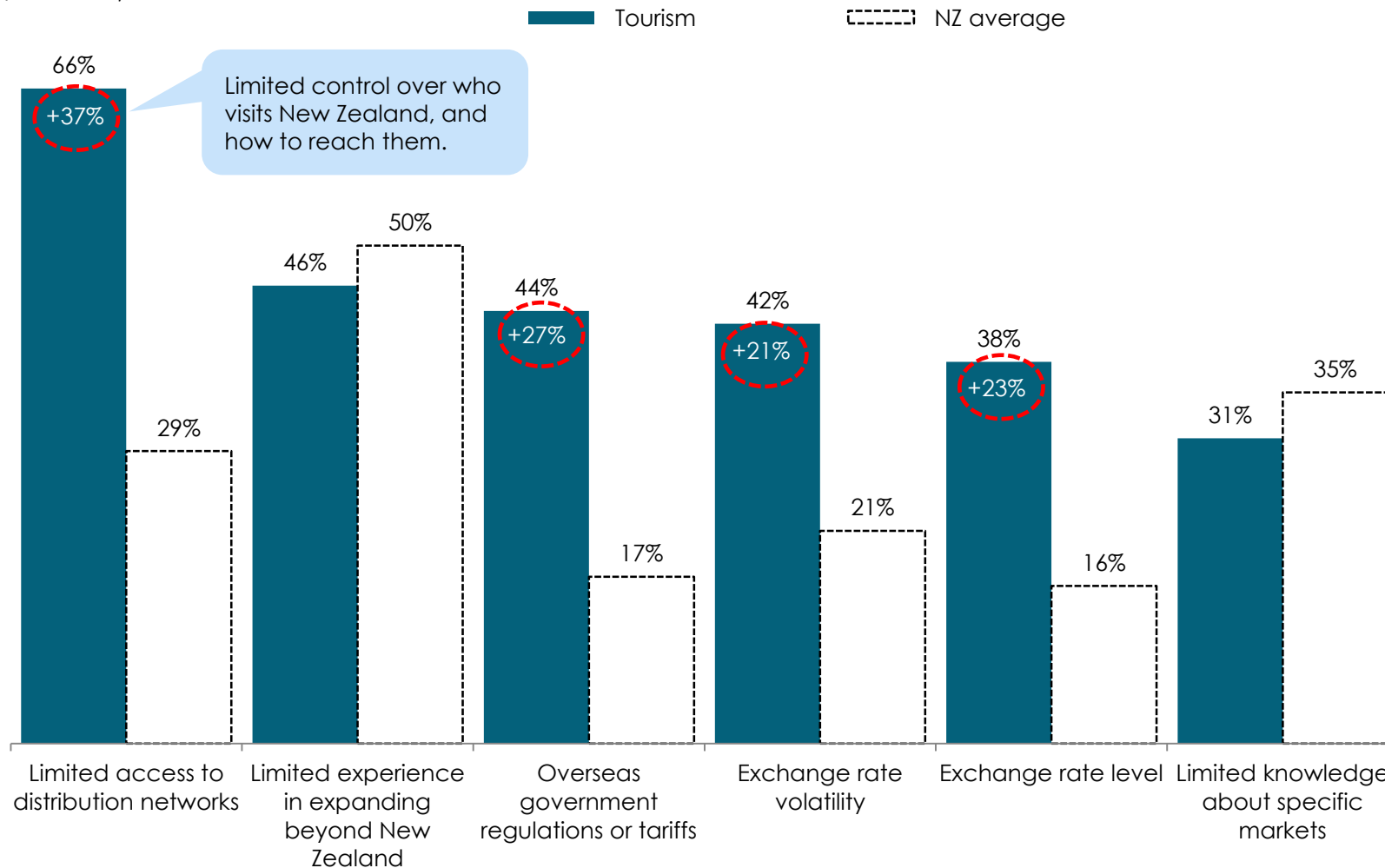
The impact of high exchange rates is exacerbated by inflation. New Zealand firms that interact with international visitors are struggling to pass on the costs of inflation.

## Leading barriers for potential exporters

As well as exchange rate barriers, *potential* tourism exporters cite access to distribution networks and overseas regulations or tariffs as barriers to exporting

### Number of potential exporting firms reporting the following factors as barriers to exporting

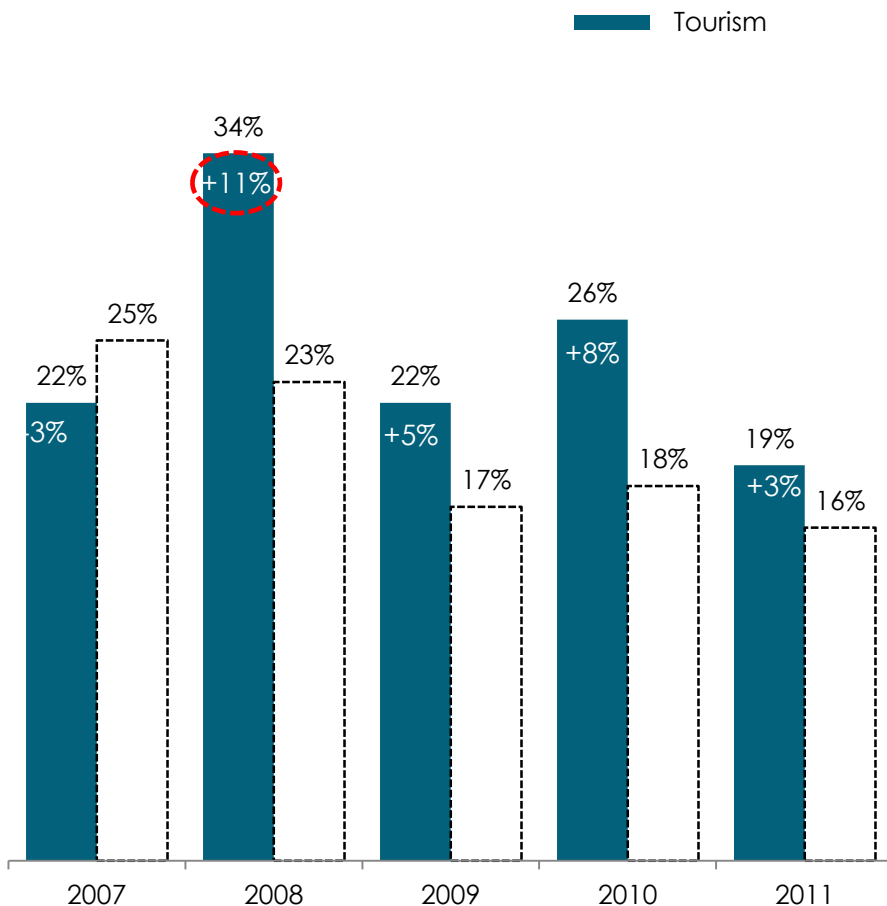
% of firms; 2011



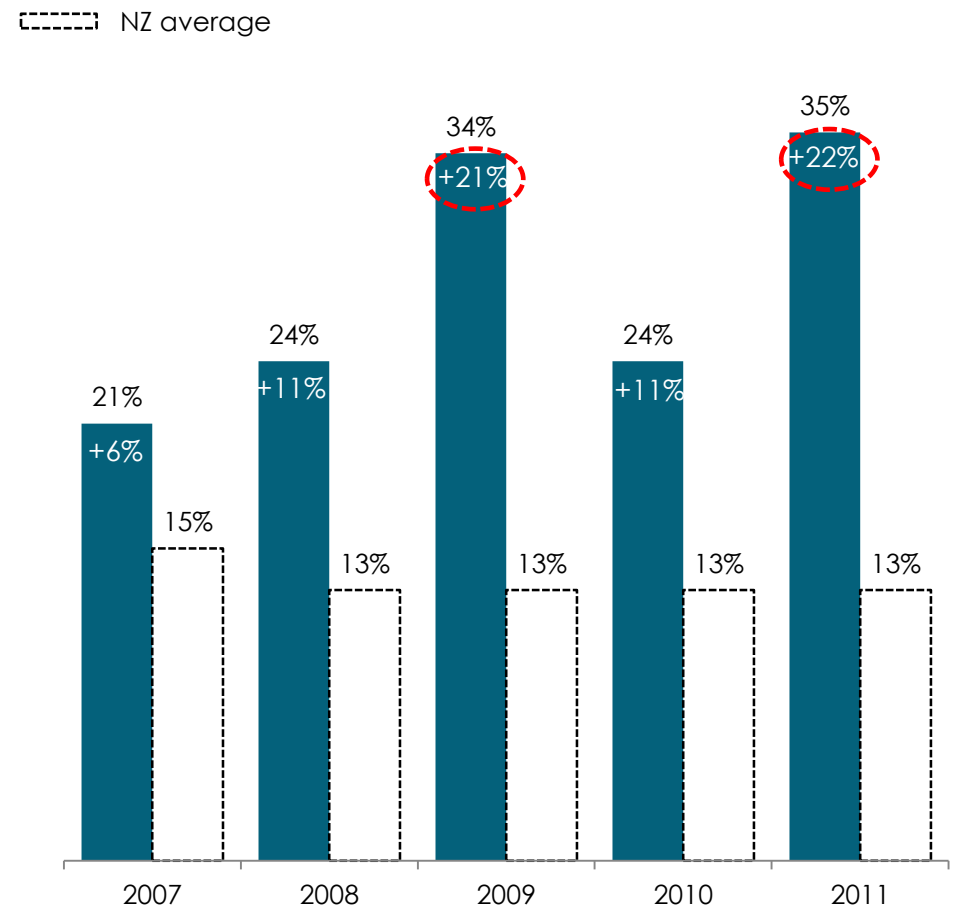
## Transport and ICT infrastructure

Tourism-characteristic firms are more likely than other firms to perceive transport and ICT infrastructure as being of poor quality

Number of firms reporting transport infrastructure as poor quality  
% firms; 2011



Number of firms reporting ICT infrastructure as poor quality  
% firms; 2011







## **DOMESTIC TOURISM**

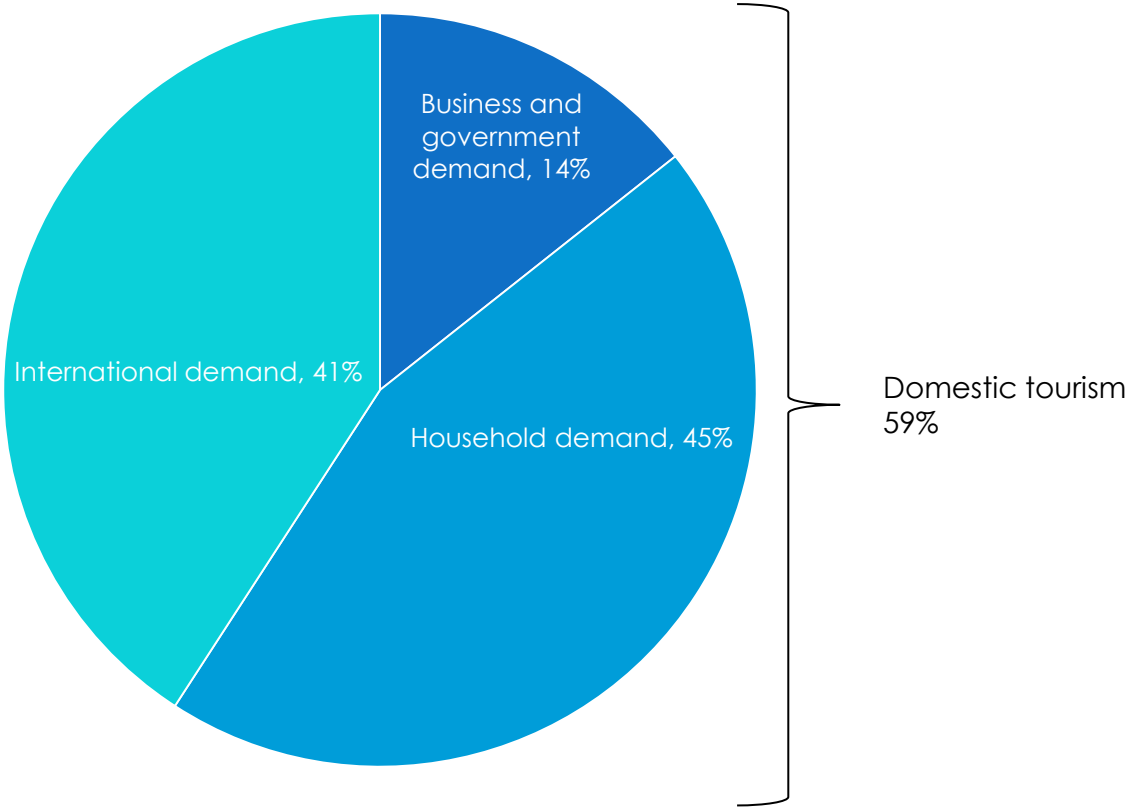


# Domestic tourism

Domestic tourism is 59% of total tourism demand, made up of household demand and business and government demand

## Per cent of total tourism expenditure by type of visitor

% expenditure, 2013 (year ended March)



Source: Statistics New Zealand, Tourism Satellite Account (2013).

## Domestic tourism by product

In nominal dollars, domestic tourism product shares have remained consistent since 2010

### Domestic visitor expenditure by product

NZ\$m (nominal prices): 2010—2013 (year ended March)

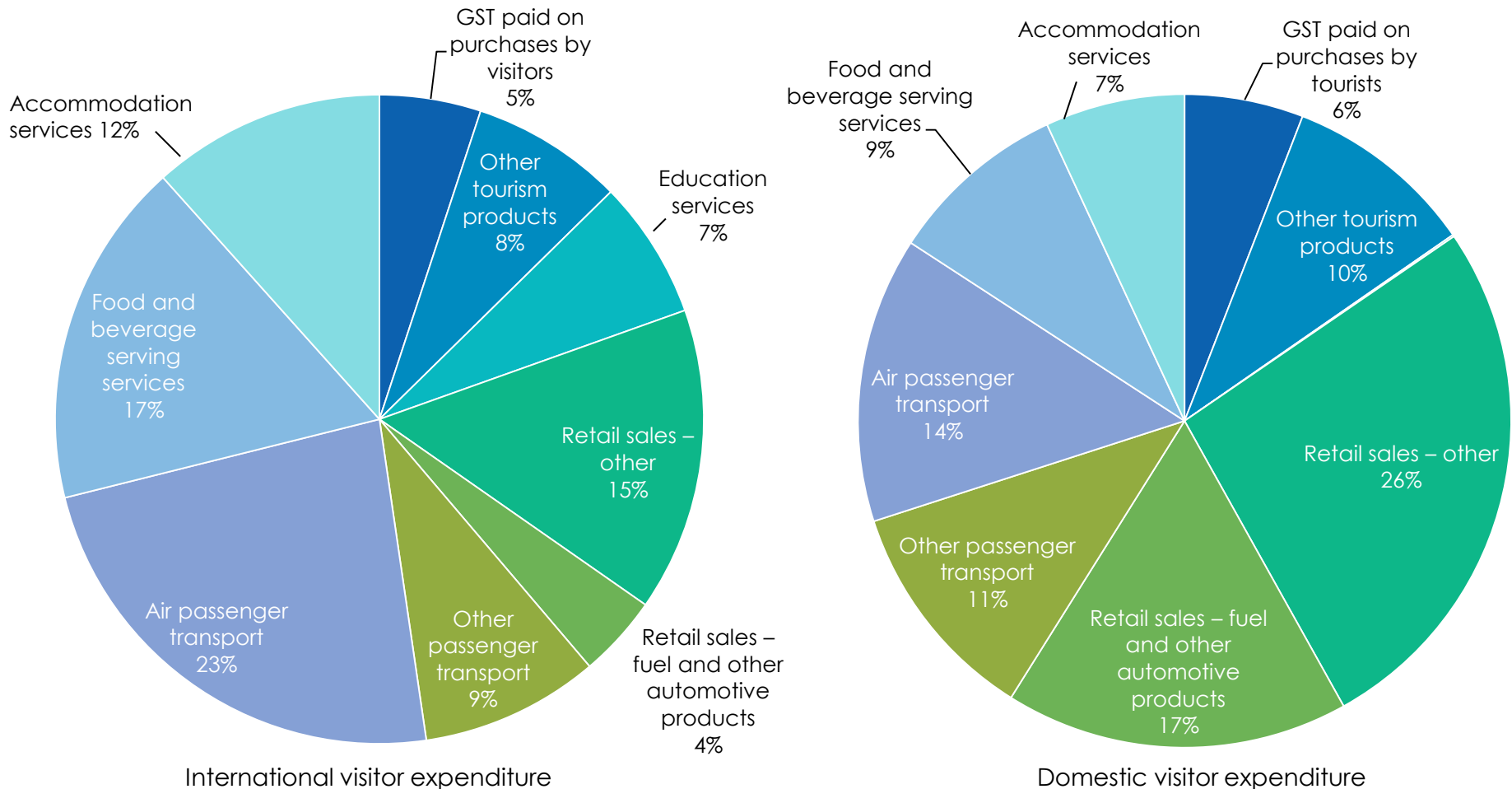


## Comparison of international and domestic consumption of tourism products

A larger percentage of total domestic spend is on fuel and retail sales; by contrast, the largest percentage of international spend is on air transport

Per cent of total expenditure by tourism product for international (left) and domestic (right) visitors

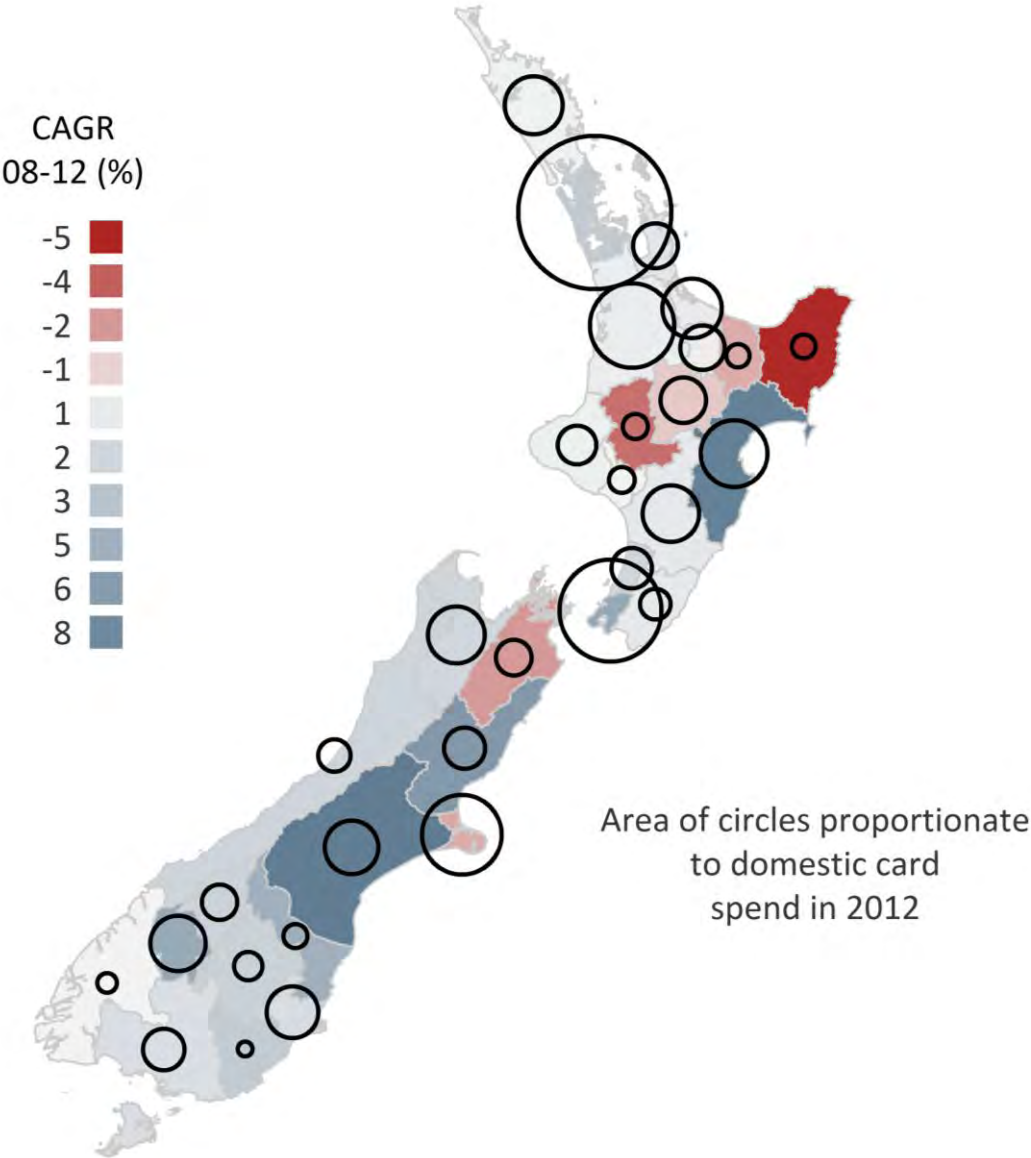
%, 2013 (year ended March)



# Domestic visitor expenditure by region

Growth/decline in domestic visitor expenditure by Regional Tourism Organisation (RTO), 2008—2012.

Many regions in New Zealand have seen some growth in domestic tourism card spending since 2008



## Domestic tourism: industry comment

### Industry commented on the vital importance of domestic tourism to the industry

- *The domestic component of tourism plays a really important role in stabilising the whole economics of the tourism sector. So whilst I know [this report] is an export earnings oriented brief, it's important that's observed. If you have a strong domestic sector it means that there's more viability across other parts of the chain. [Domestic tourism is] the bread and butter that sustains a lot of tourism economies, while the peaks and flows of international arrivals wax and wane over time.*
  - CE, tourism company, large
- *The major value [of domestic tourism] is that it keeps the industry running in the off season quite nicely in the main. Domestic visitors are less subject to seasonality and we'd be absolutely in the cart without it. I think we take it a bit for granted.*
  - Senior executive, tourism industry firm, large
- *The domestic traveller is very, very different in their motivations to the international traveller. New Zealanders when they travel in New Zealand don't consider themselves to be visitors. Typically they don't... travel for a holiday, they travel for a purpose. So they want to go skiing on the mountain, they want to go mountain biking, they want to go and meet friends in a city, they want to go to a particular event, they are not just going on holiday. Whereas international visitors in the leisure space are typically going to do a variety of holiday things in New Zealand. They are not coming for one particular activity.*
  - CE, regional tourism organisation







## **INTERNATIONAL CONNECTIVITY**

## Air service agreements

New Zealand has many more air service agreements (and thus more actual and potential future flight routes) in 2012 than it had in 1985

### Air service agreements with New Zealand; 1985 and 2012

Air service relationships in 1985...



... and 2012



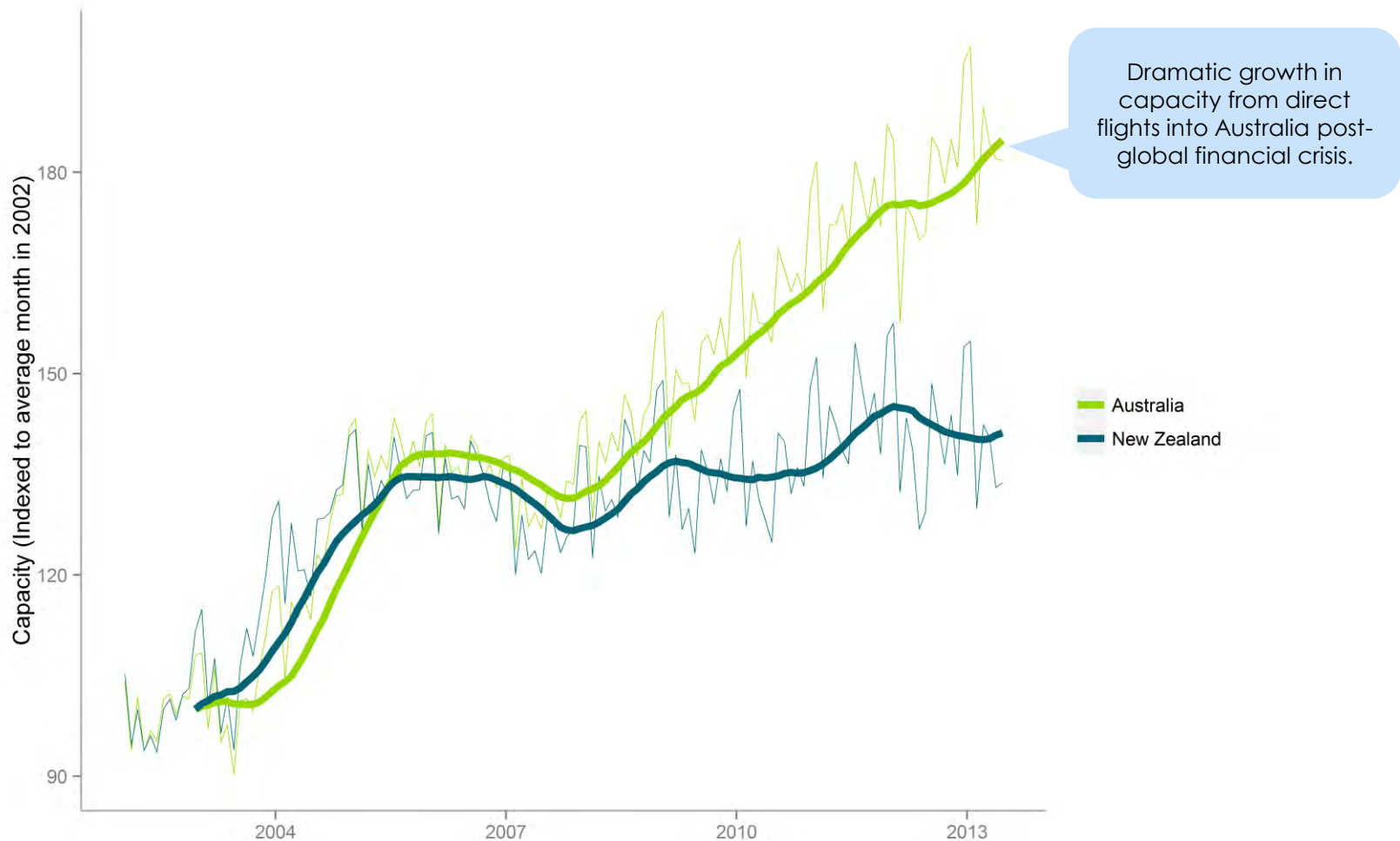
Air service agreements are needed before an international flight can operate between two countries. Growth in service agreements allows for future growth in connections.

## Inbound flight capacity

Growth in in-bound flight capacity to New Zealand kept pace with Australia to 2008, but has shown little growth since

### Indexed in-bound flight capacity (number of seats available) to Australia and New Zealand

Indexed # of seats (100 = average number of seats per month in 2002); 2002—2013

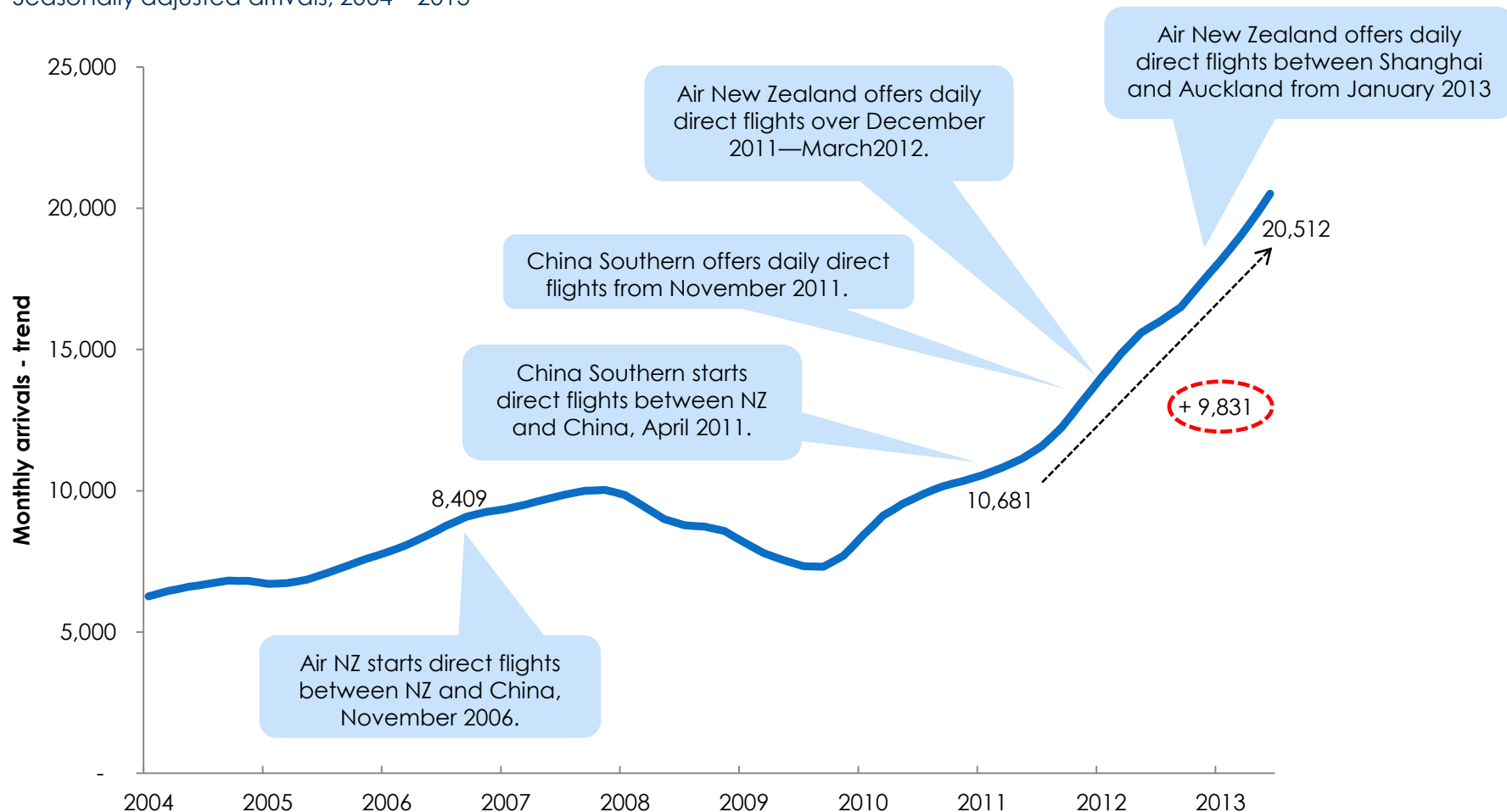


## Impact of additional air connectivity

New air routes generate supply and can strongly influence demand; the introduction of direct flights by China Southern accelerated growth in Chinese visitor arrivals

### Monthly Chinese visitor arrivals trend (seasonally adjusted)

Seasonally adjusted arrivals, 2004—2013

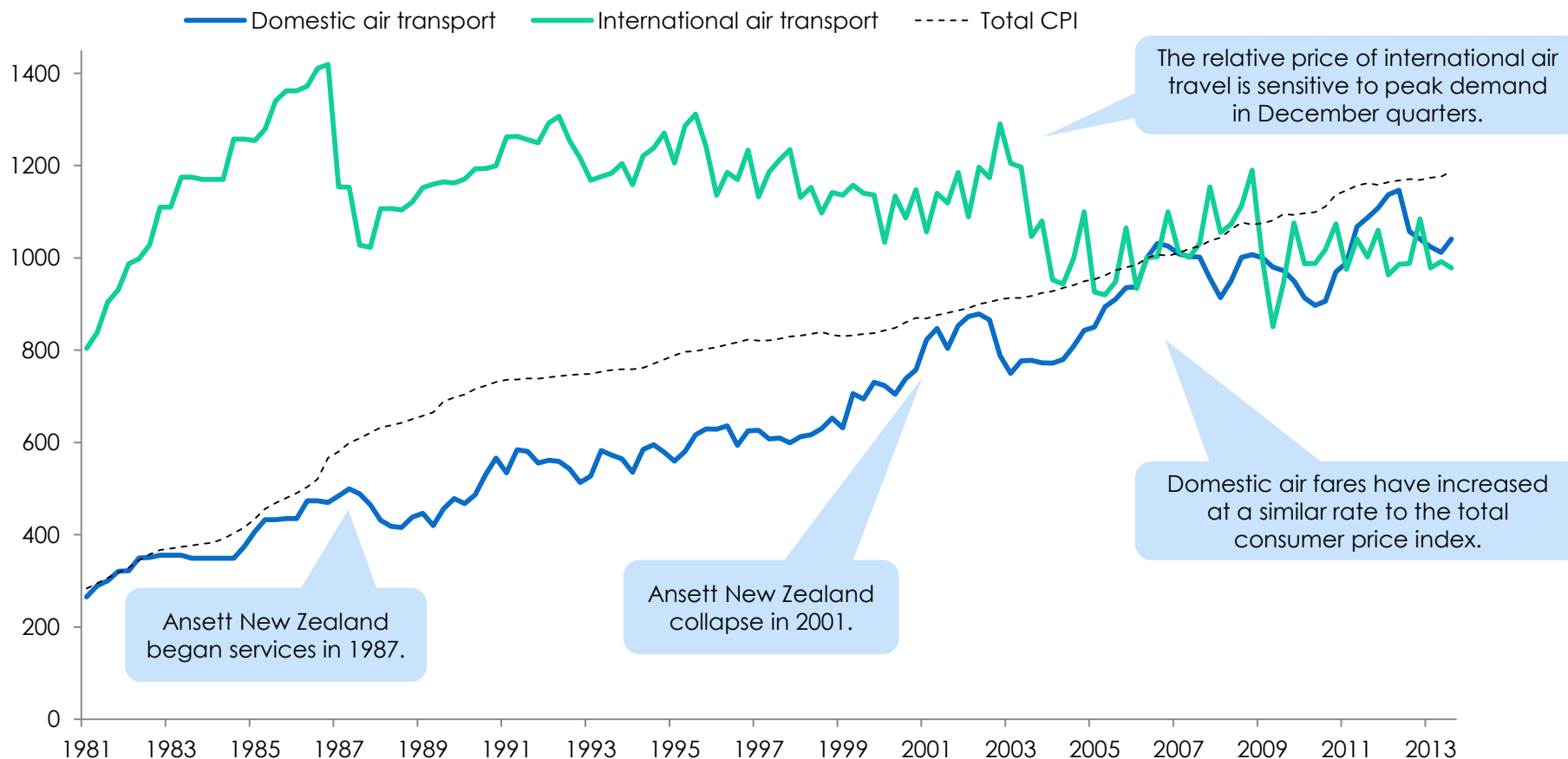


## International and domestic air travel price index

The relative price of international air travel has fallen since 1986, but the relative price of domestic air travel has increased

### Quarterly international and domestic air travel price indexes, national consumer price index (CPI)

Index (June 2006 = 1000), 1981—2013



## Air connectivity: industry comment

### Industry commented on the fundamental importance of air connectivity and the role of foreign investment in establishing air links

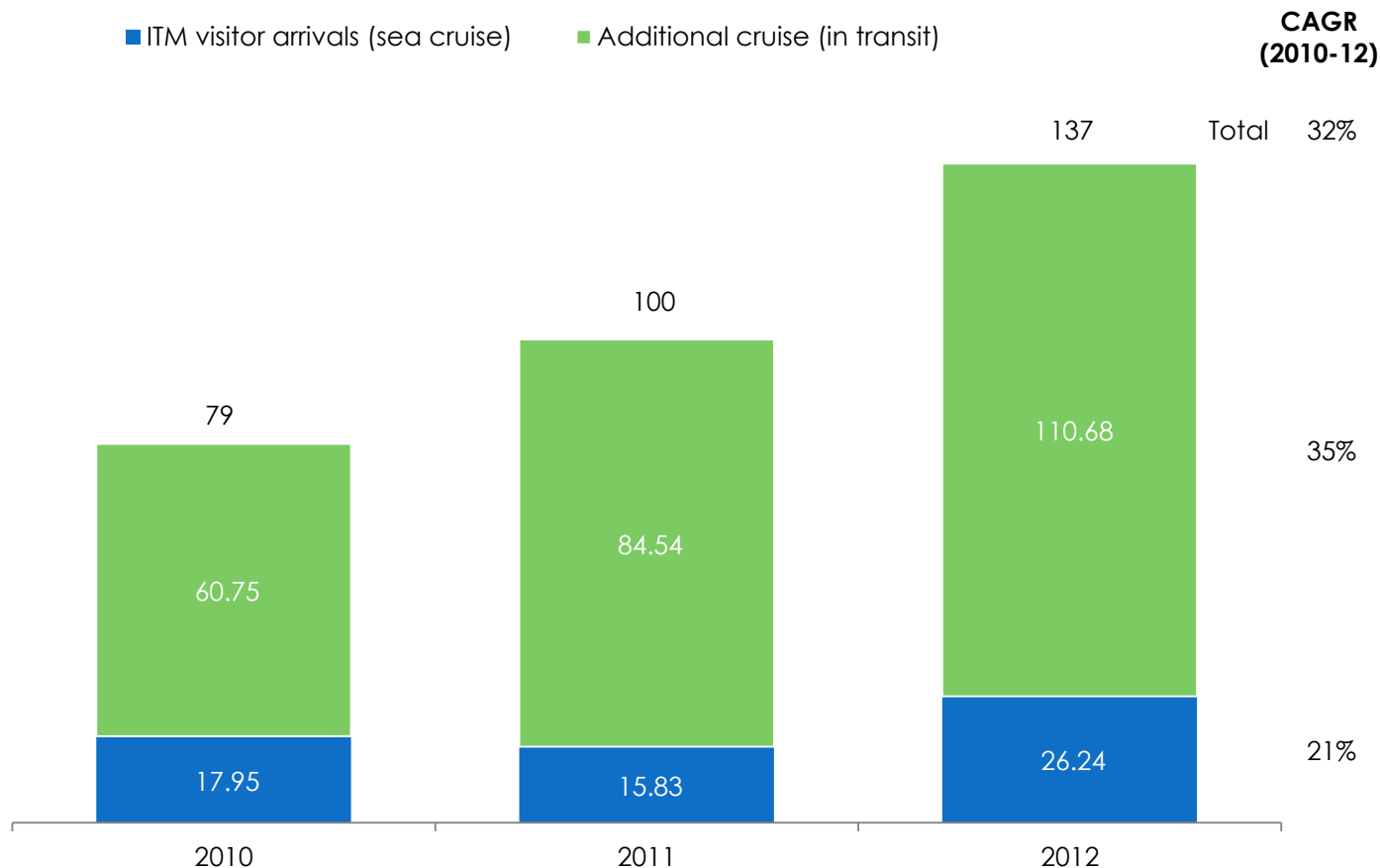
- *The investment from overseas is often lost [in analysis of the tourism industry]. So most of our traffic is actually brought in by a large amount of foreign investment i.e. airlines and their marketing machines that actually bring visitors into the country. So unlike a lot of other enterprises, where we're required to invest our own capital to get things offshore, in tourism we have other countries investing their capital to bring visitors into New Zealand.*
  - *Senior executive, tourism industry firm, medium*
- *Each additional wide-bodied service flying daily into New Zealand, operating at 80% loads and using \$2,500 as the average spend per international visitor, is the equivalent of a new \$100 million per annum business.*
  - *Senior executive, tourism industry firm, medium*
- *About 90% of our air freight goes out on passenger aircraft. If those visitors weren't there then that passenger aircraft wouldn't be there, therefore our airfreight capacity wouldn't be there. So we've also got to consider the fact that tourism helps underwrite significant air freight exports from this country, which are our highest value exports.*
  - *Senior executive, tourism industry firm, medium*
- *Good aviation links and air connectivity capacity is the biggest single bearer on everything.*
  - *Senior executive, tourism industry firm, medium*
- *When talking to my board about what's going to happen in the next 12 months, the first thing we look at is not necessarily economies overseas, it's air capacity (is there likely to be more, less or new capacity), because that tends to lead a lot of the activity in my view.*
  - *Senior executive, tourism industry firm, medium*

## Cruise ship visitor arrivals and in-transit passengers

The number of visitors arriving in New Zealand via cruise ship and cruise ship passengers transiting through New Zealand has shown strong growth

### Cruise ship visitor arrivals and in-transit visitors

# of visitors via cruise ships; 1000s; 2010—2012 (year ended June)



Cruise passengers are only counted in official arrival/departure figures if they begin or end their cruise in New Zealand (dark blue on bar graph). The remainder are considered to be 'in transit' even though they are in New Zealand waters (green on bar graph).

When these in-transit visitors are taken into account, the number of cruise visitors to New Zealand is substantially larger and growing at a steady rate.

One challenge is to understand the contribution of cruise passengers to the New Zealand economy more fully. MBIE will address this issue in 2014 as part of the Tourism Data Improvement programme.

## Cruise ships: industry comment

### Industry commented on how growth in cruise ship visits is driving change in the market and in tourism operations

- *A lot of our Australian customers have reverted from coach touring to cruise in the current market. For a lot of big businesses in a destination like Rotorua, that have had up to 50% of total international business that's been Australian, there's probably more shift gone on in this one traditional market than all others. So traditionally Australians were spread quite well throughout the year. Now the actual bulk of the visitors are very compressed into the cruise season, particularly the later cruise season; that's the late January, February, March period when we are busy anyway.*
  - Senior executive, tourism industry firm, medium
- *The biggest competition you face with cruise visitors is time. You've got a very limited amount of time to extract value out of your customers and that's a mega shift that's gone on almost unnoticed in the hype of the cruise industry. Taken in our context - and I know a lot of other Rotorua operators have said it - is that Australian visitors have had a lot less time than they ever had before. When you are dealing in the attraction industry, the spend is partly a function of time.*
  - Senior executive, tourism industry firm, medium
- *They get off the ship usually around 7.00 in the morning. Once they get coached over - which is an hour and a half either way - you are not left with a lot of time in the day. So most of the operators will try and get two minimum, three usually and sometimes four attraction inclusions in their itinerary.*
  - Senior executive, tourism industry firm, medium
- *I think there's a certain amount that the cruises have effectively stolen from coach touring. But I would suggest that most cruise visitors choose to cruise as the way they go on holiday. If cruising wasn't available as a holiday in New Zealand they would be going cruising somewhere else... Perhaps more typical of the Australian cruises, they buy a cruise because it's cheap, it's very easy to purchase and you almost go the day after you've purchased. You don't need to do any planning, you don't need to think about it, it's a quick purchase. I want a relaxing holiday where everything is going to be organised for me and I can just go and flop. Obviously there is a niche of small high end cruises which are specialist. But the large cruise ships I think are quite a different experience to a coach experience. And whilst I think there will be some crossover, I do think most of what we've gained in the cruise market is business we wouldn't otherwise have.*
  - CE, regional tourism organisation





## **CHALLENGES**

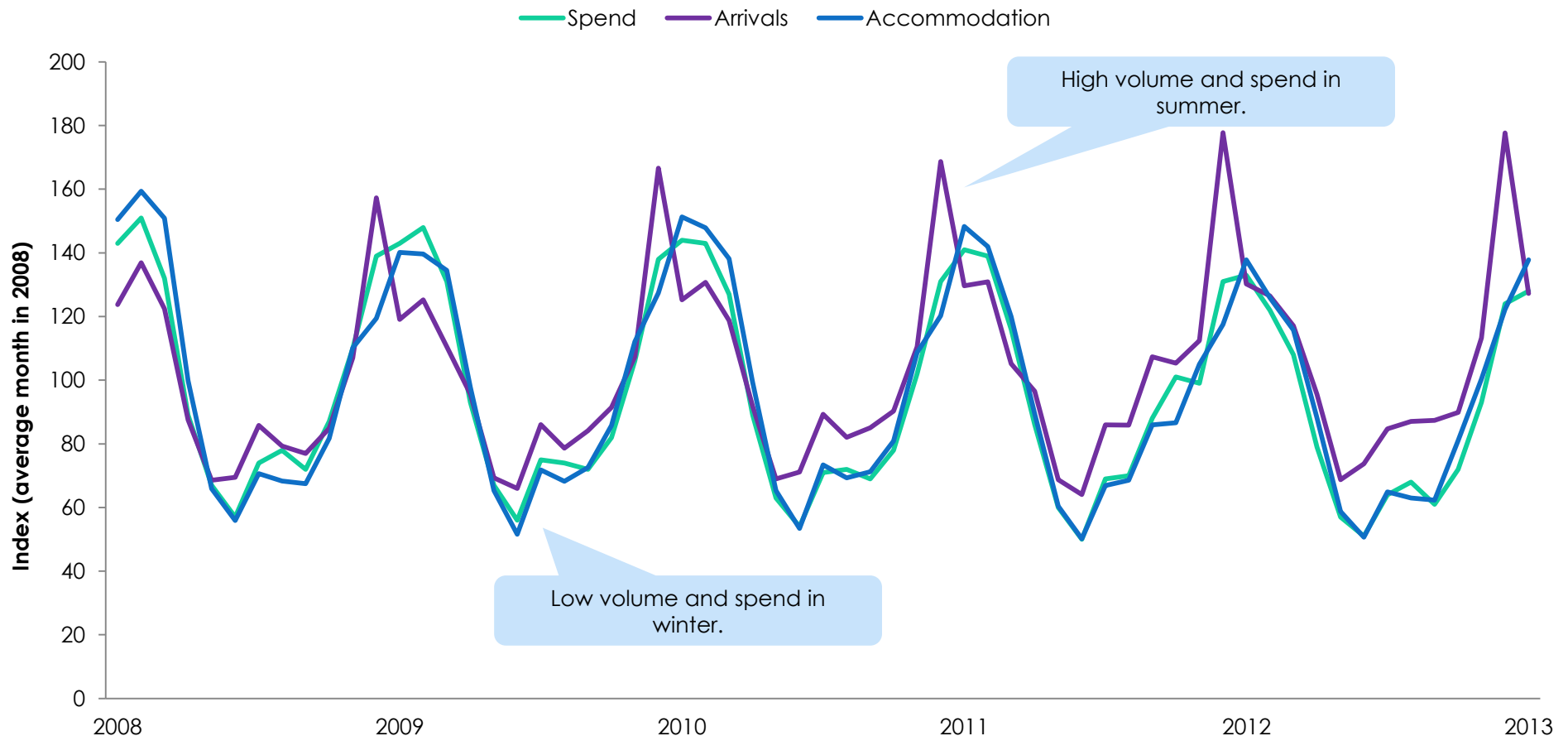


## Seasonality

International visitor spending, arrivals, and use of commercial accommodation all show highly seasonal patterns

### Indexed credit card spending, international visitor arrivals, and international guest nights in commercial accommodation

100 = average spend/arrivals/nights in 2012

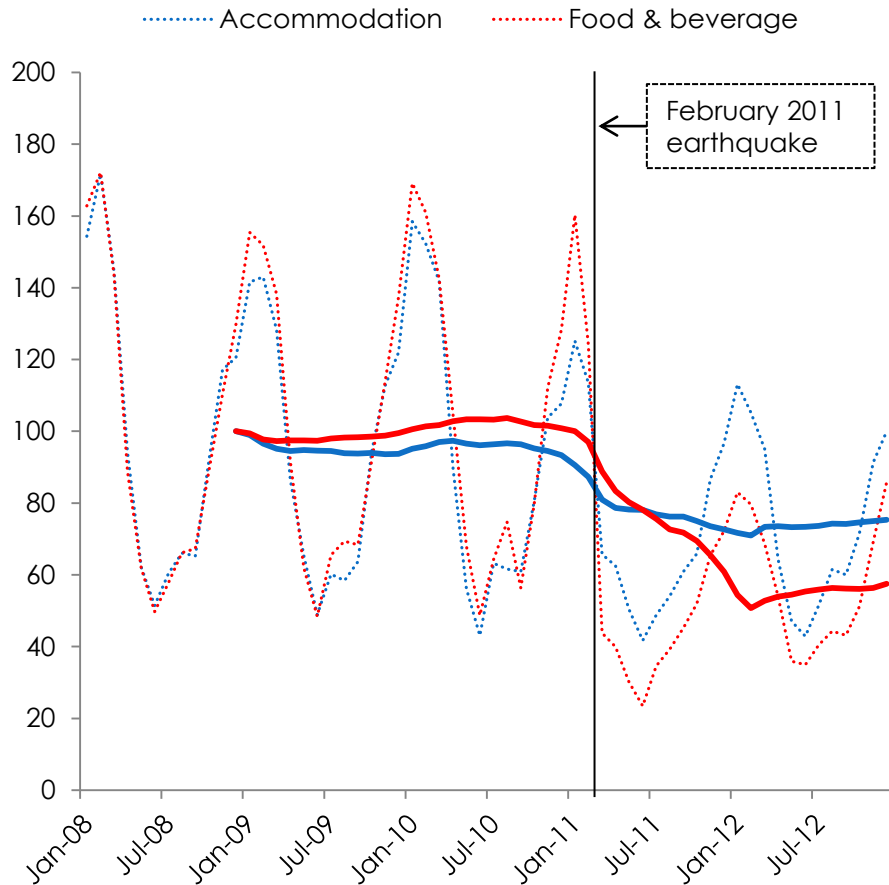


# Christchurch earthquake: impact on visitor expenditure

International card spending declined in both accommodation and food and beverage industries following the earthquake

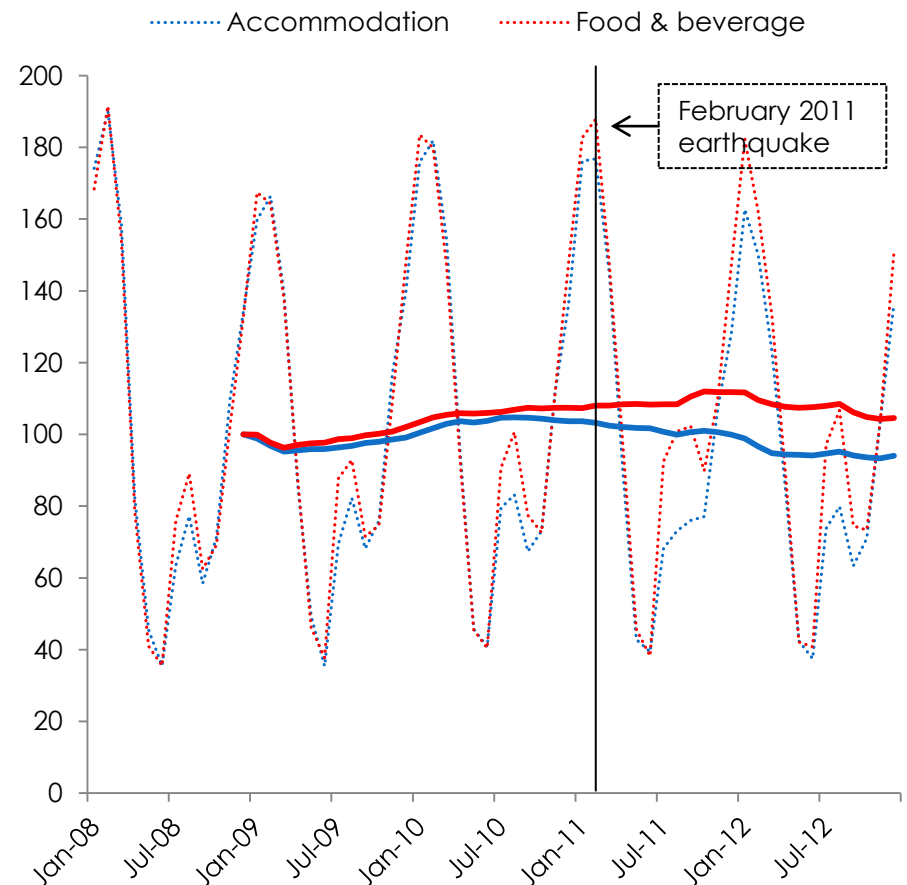
## International spend, Christchurch

Monthly spend index (dashed line, 100 = average month in 2008) and 12-month average index (solid line)



## International spend, rest of south island

Monthly spend index (dashed line, 100 = average month in 2008) and 12-month average index (solid line)

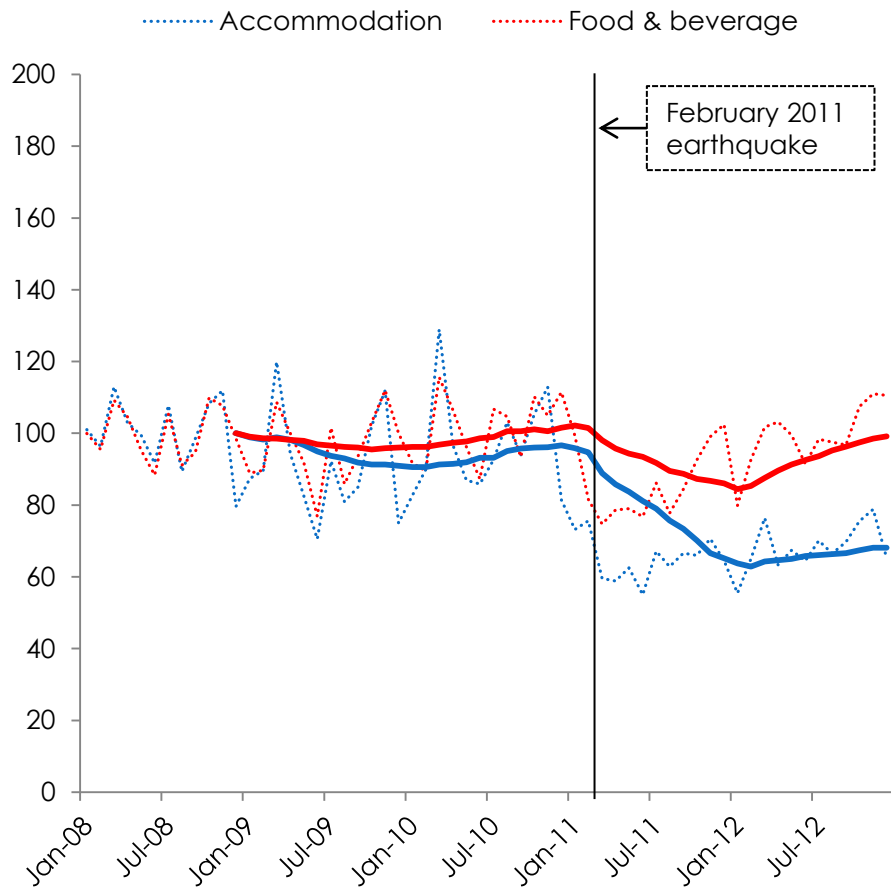


# Christchurch earthquake: impact on visitor expenditure

Domestic card spending declined in accommodation and food and beverage industries following the earthquake, but food and beverage spending has largely recovered

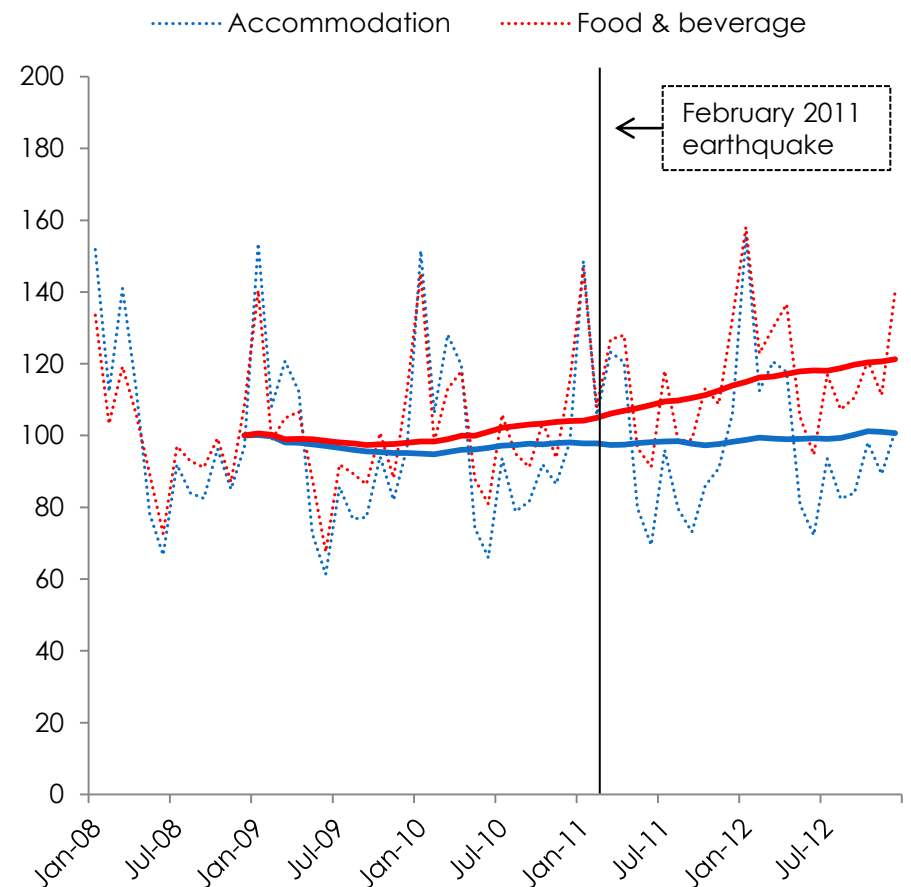
## Domestic spend, Christchurch

Monthly spend index (dashed line, 100 = average month in 2008) and 12-month average index (solid line)



## Domestic spend, rest of south island

Monthly spend index (dashed line, 100 = average month in 2008) and 12-month average index (solid line)

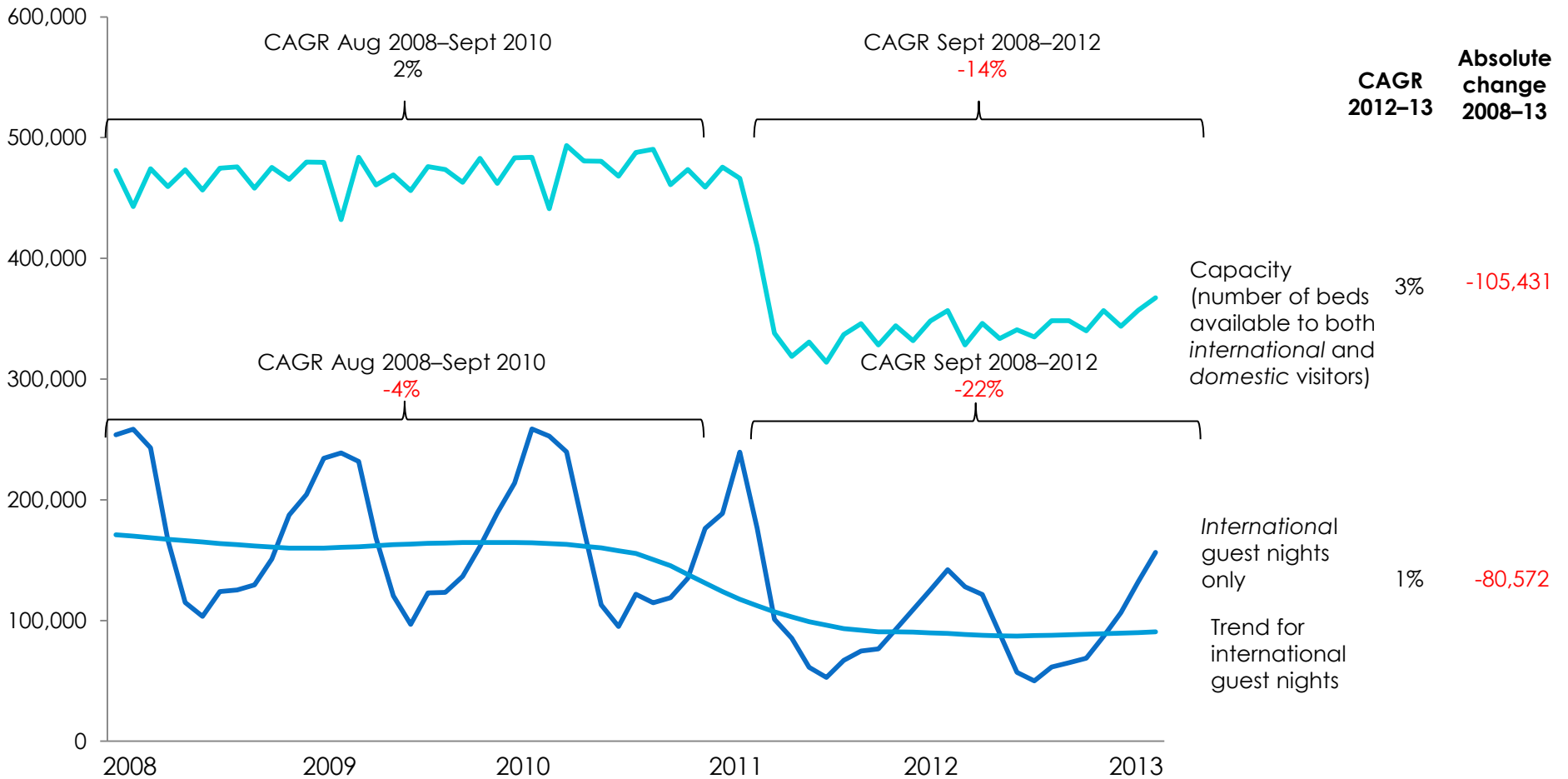


# Christchurch earthquake: accommodation capacity and international visitor guest nights

Christchurch lost significant accommodation capacity as a result of the earthquake, contributing to a drop of 105,000 guest nights

## Commercial accommodation in Christchurch, pre- and post-earthquake

# of beds available per month (top); # of international guest nights per month (actual and trend, bottom); 2008–2012

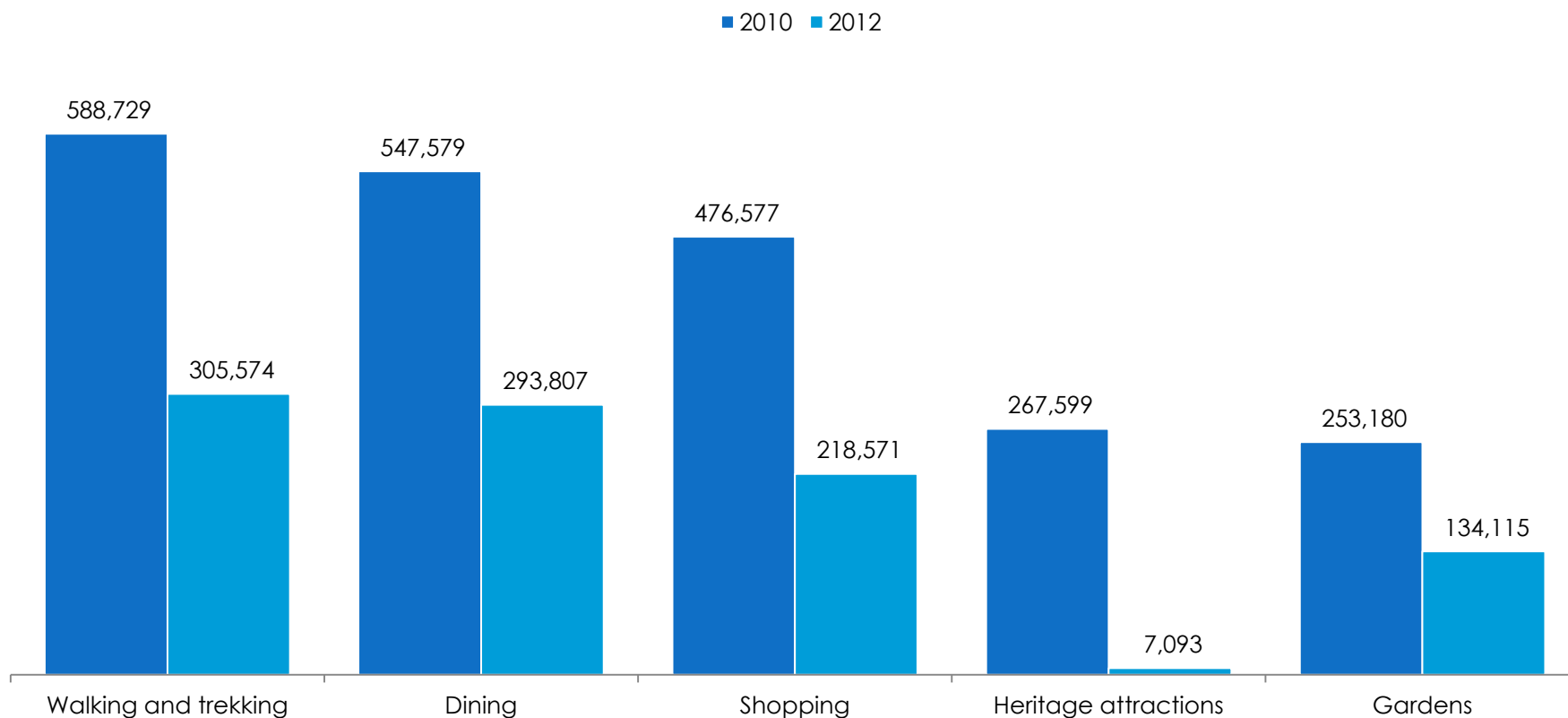


## International visitor participation in Christchurch recreational activities

Many activities popular with international visitors pre-earthquake have shown dramatic declines in participation post-earthquake

### Christchurch visitors participation in selected activities

# of international visitors participating in each activity; year ending September 2010 versus year ending March 2012



## Christchurch earthquake: industry comment

Industry commented that the earthquakes have had an impact on traditional itinerary routes, resulting in a drop in tourism for regions in both the North and South Islands

- *What we did notice [after the earthquake] was a major change in the tourism flows through the South Island and because we have businesses in places like Franz Josef, that shapes the way that people oriented their itineraries. We saw almost a reconfiguration of itineraries to get around that. Itineraries were reconfigured basically to avoid Christchurch. So what you saw in reality was an increase in direct flights into Queenstown which was good if you happened to be in Queenstown. But it meant that a lot of people were bypassing Christchurch and Christchurch is the main feeder for much of the remaining South Island arrivals, for example, either into the West Coast or down through Tekapo.*
  - Senior executive, tourism industry firm, large
- *Post quake South Island—absolutely that affected Rotorua because traditional touring routes have all changed. Often Christchurch products or destinations worked in pairs, and Rotorua was quite strongly paired with Christchurch. In a lot of the itineraries Rotorua and Christchurch would have appeared in the same itinerary. They might not necessarily be replacing Christchurch with Queenstown, what they do is they get rid of the whole itinerary altogether, and then Rotorua is not appearing.*
  - Senior executive, tourism industry firm, medium
- *We are back to 55% of our pre-quake hotel accommodation. We were over supplied with hotel accommodation before the quakes. Yes it's still tight, yes there's some issues at certain times of the year. But accommodation is available. Unless you go into the CBD, to a large extent you wouldn't know there'd been an earthquake here now, so we've got to get over that and put it behind us.*
  - Senior executive, tourism industry firm, large





## **INNOVATION AND TECHNOLOGY**



## Definitions

This report uses the following definition for ‘innovation’

### Innovation

The **innovation rate** is the percentage of firms in a sector that undertook any activity during the last two financial years that resulted in the development or introduction of something new or significantly improved.

**This is a different measure from expenditure on innovation.**

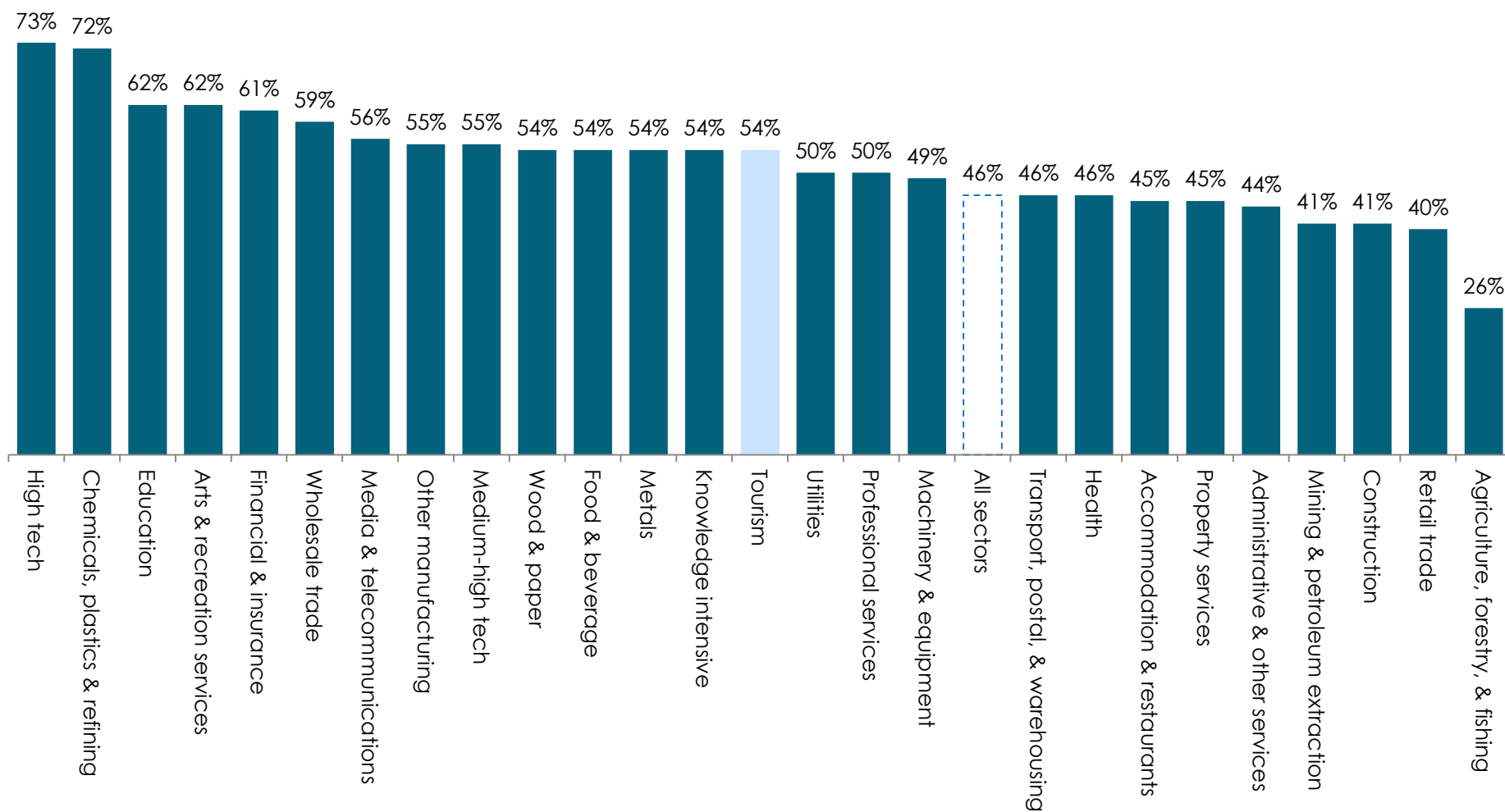
The following are the measured activities.

Activity	Definition	Tourism examples
<b>Goods or services</b>	Significant changes in or introduction of new goods or services – this does not include selling new goods or services wholly produced and developed by other firms.	Development or introduction of adventure tourism products (e.g. zorb balls, luges, bungy jumping). Reconfiguring cultural attractions (e.g. hangi with Chinese food items).
<b>Operational processes</b>	Methods of producing or distributing goods or services.	Developing or making use of online booking channels.
<b>Organisational or managerial</b>	Significant changes in the firm’s strategies, structures or routines.	
<b>Marketing method</b>	Includes sales and marketing methods intended to increase the appeal of goods or services for specific market segments, or to gain entry to new markets.	Use of social media by regional tourism organisations for direct marketing campaigns.

## Innovation rate

The tourism sector's innovation rate of 54% is slightly higher than the 'all sectors' average of 46%<sup>a</sup>

### Sector innovation rates (%); 2011



Source: Statistics New Zealand, Business Operations Survey (2011)

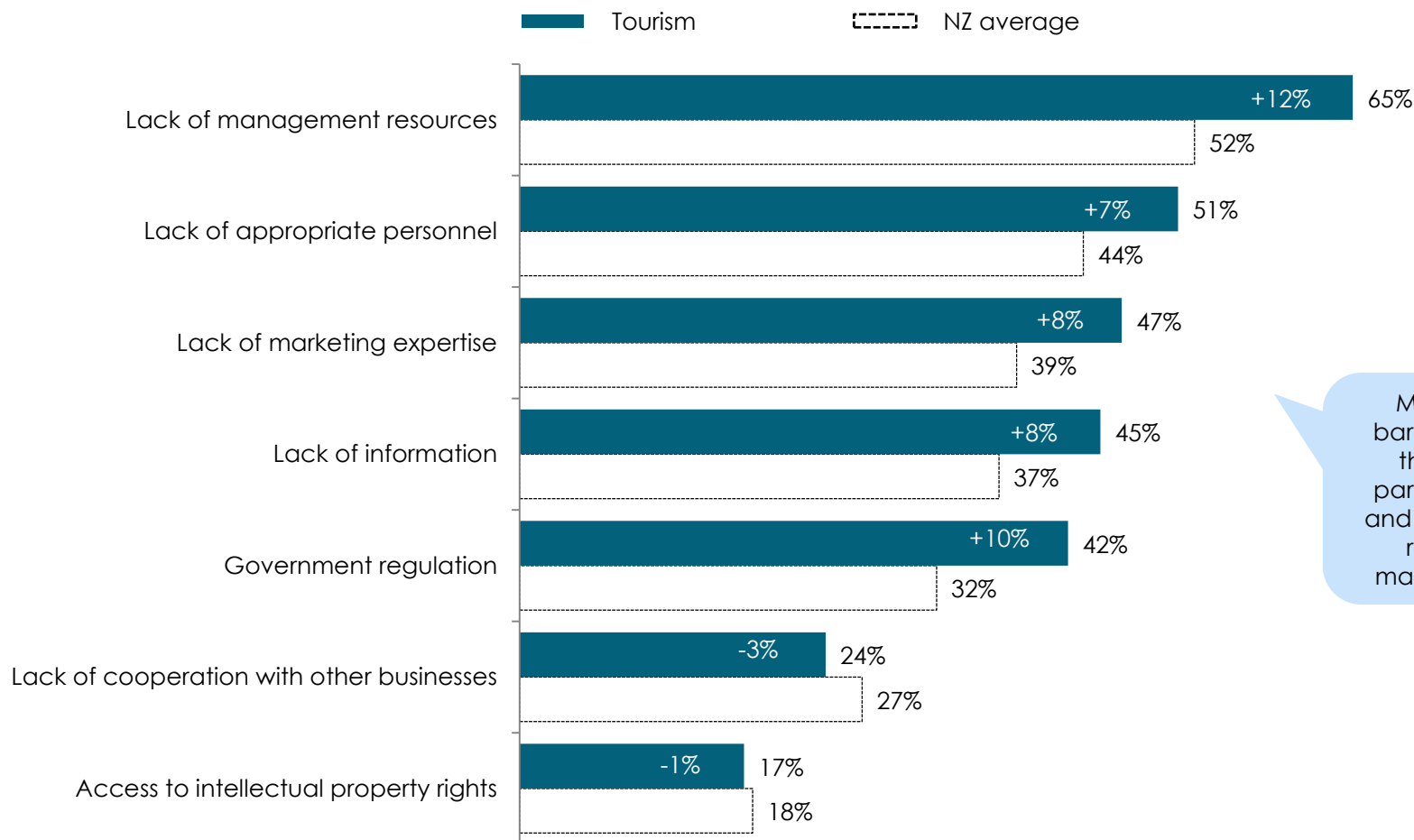
a. Includes cross-cutting sectors: High-tech, medium-high-tech, knowledge intensive and tourism.

## Barriers to innovation

Appropriate labour and skills, and a lack of marketing expertise are more likely to hamper tourism firms compared to other sectors

### Firms reporting a barrier to innovation: simple barrier; 2011

% firms reporting barrier



Many perceived barriers greater than the NZ average, particularly in labour and skills, government regulation and marketing expertise.

## Innovation: industry comment amended

Traditional cultural tourism products are being augmented and developed including into more immersive experiences

### Cultural innovation

- *The stats indicate a decline in demand and satisfaction of traditional Māori products, and operators are adjusting their experiences to meet that demand. Haka, hangi and hongis are inclusive of the broader experience versus the total experience.*
  - Industry leader, Māori tourism industry
- *There will continue to be a demand for the hop-on hop-off cultural experience with some operators doing this very well. However, we are seeing increased demand for experiences that provide a depth and breadth in relation to Māori culture. The Māori Arts and Crafts Institute at Te Puia provides such an experience, a place to watch pou being carved, the tikanga (protocols) related to carving explained, the stories behind the carvings being told. Likewise, Maurice Manawatu in Kaikoura, when he picks you up for his tours, starts with a hongis, not because you paid for it, but because Maurice gives everyone a hongis including friends and whanau (family). Our culture is infused through-out the day, in the way he prepares the kai, the way he cooks it and his story telling. And all without a grass skirt or haka. Maurice will invariably seek to understand the connection with his guests, not uncommon with Māori.*
  - Industry leader, Māori tourism industry
- *Eighteen months ago China was the sixth biggest spender in our shop, now they are the largest by a long, long way. We have developed a couple of new products for the Chinese visitor. One in particular is a food offering. We are doing Chinese food with Māori infusion - dim sims cooked in steam in the valley. So it uses a food type of theirs with Māori ingredients and it's easy to produce.*
  - Senior executive, tourism industry firm, medium
- *Contemporary Māori experiences are commanding a premium, thus more effort is required to promote these experiences here and offshore. Examples are Footprints Waipoua, which rated highly in the Lonely Planet Guide; Kai Waho, listed in the Sydney Herald's Top 100 international 'must do's'; and world renowned Whalewatch Kaikoura. These are the type's of experience's we are talking about. You can drive to Waipoua and walk for five minutes into the forest to see Tane Mahuta. Or you can go with Footprints Waipoua's local guides and hear how the forest is part of the lives of local Māori, the stories around it. It's an absolutely different experience. Likewise, you can have a spiritual, cultural and hunting experience all at the same time at Kai Waho or watch Whales and hear about Paieka's journey at Whalewatch.*
  - Industry leader, Māori tourism industry

## Innovation: industry comment

Industry commented that international visitors are increasingly looking to be part of the experience of a place

### Experiential tourism

- *Experiential is what it's all about...let's stretch it out [the 4 day hop-on, hop-off bus tour] to an experience where we are connecting visitors with our people, our landscape, our environment and our communities, through our stories, our food, our unique Māori culture and our kiwi culture (Kiwitanga).*
  - Industry leader, Māori tourism industry
- *I think for the sector as a whole, I see a marked transition going on from visitors who effectively have a tick list of what they want to do on their trip to New Zealand, which in the past was the icons. Partly as a result of social media and the sharing of experiences, people are much more inclined to want to experience being part of a place. I think that's where places like Wellington have succeeded in terms of sharing the destination as a place where we live with people who want to visit. They want to experience it like we do living here, and I think part of that is the movement away from coach tours.*
  - CE. regional tourism organisation
- *We are seeing an increased demand for farm stays, which again tend to command a premium and visitors stay longer. We know first hand that it is not about the landscape or our culture per se, but more around a lifestyle experience. People do not pay to come to the end of the earth for the same holiday that they can have somewhere else.*
  - Industry leader, Māori tourism industry

## Innovation: industry comment

### Industry commented on the need for a constant refresh of New Zealand tourism products

#### Refreshing the New Zealand product

- *We've been pumping out the same V8 truck [metaphorically] for a number of years and saying 'why is the market getting smaller to us?' Or we've found a new market that might be quite interested in our truck so let's go and sell those trucks there - as opposed to going 'actually we need a hybrid'.*
  - Senior executive, tourism industry firm, large
- *The industry tends to be supply led, so we tend to try and sell what product we have, and then naturally the market matures and then it declines in its demand for that product as opposed to reinventing or innovating around that product to keep altering it to meet the changing consumer demands that are facing those markets.*
  - Senior executive, tourism industry firm, large
- *[Japan is] looking for new and innovative product every quarter. Every seasonal change they want to have something new to talk about in the season. The reality is we haven't substantially moved a lot of product in there for a number of years... you need to be innovating at that pace every quarter. The sort of anecdotal risk that you hear about in the Japanese market is the sheep shearing activity on the farm. I saw photos of my grandfather doing it 20 years ago. We see this also with China.*
  - Senior executive, tourism industry firm, large



## Innovation: industry comment

Industry commented on the need for a range of products targeted at different market segments

### Targeting changing market segments

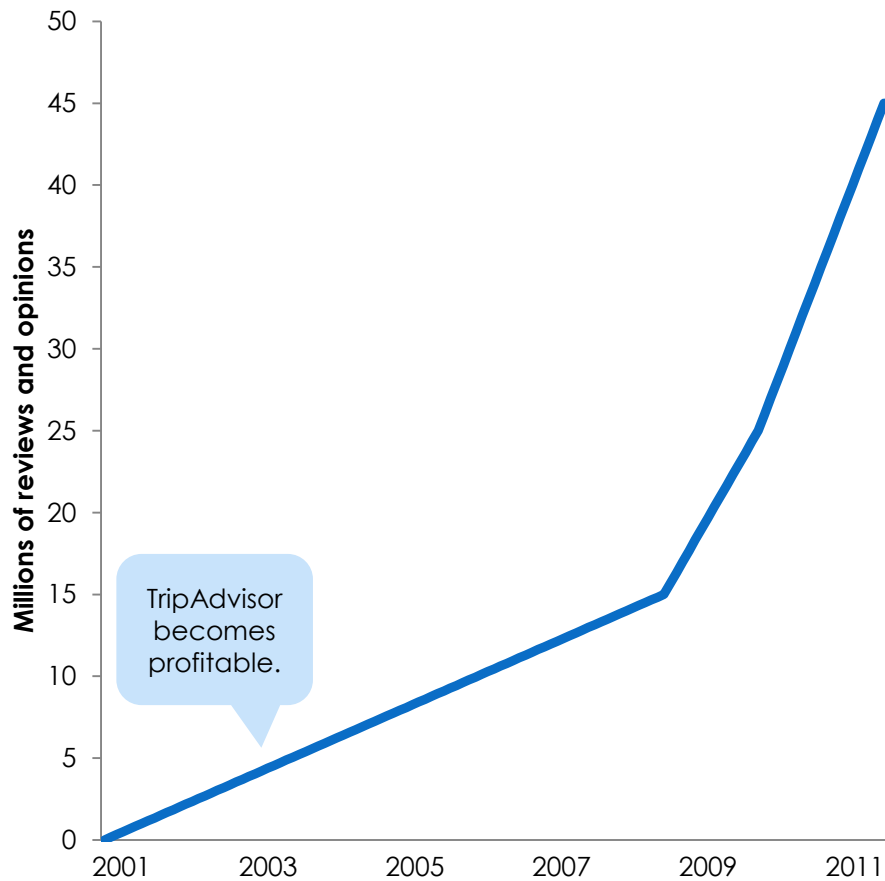
- *The industry talks about the Japanese traveller, the Chinese traveller but it's much more fine grained than that, so the industry has also got to respond with product that is naturally segmented and geared to what the consumer wants to do now, not 20 years ago. The risk around China is there are multiple markets in China and they are migrating at a fast rate.*
  - Senior executive, tourism industry firm, large
- *We like the comparison to FMCG [fast moving consumer goods, as in supermarket products]. You have the right category product at the right price for each different category and then multiple categories that we can sell to. I think we tend to treat markets generically and don't think about the categories within those markets. Each market will have its own category price. You have to match demand and pricing and packaging to what that market actually needs, not just go out with our New Zealand product and hope it works.*
  - Senior executive, tourism industry firm, large
- *Another really important point, that's part of our national psyche, is a tendency to have an immediate knee jerk reactions to things. So at the moment we've got to go after the youth market. We will forget about everything else. Now we are also seeing we've got to go for the high end market and we forget about everything else. You need volume as well to help airline economics be sustainable. What we want to see is the aircraft filled both at the front and at the back and that works for the New Zealand industry because you then get the opportunity to fill the demand curve.*
  - Senior executive, tourism industry firm, large

## Growth in use of online review and information sites

Use of the internet by customers to research and purchase tourism products is growing rapidly

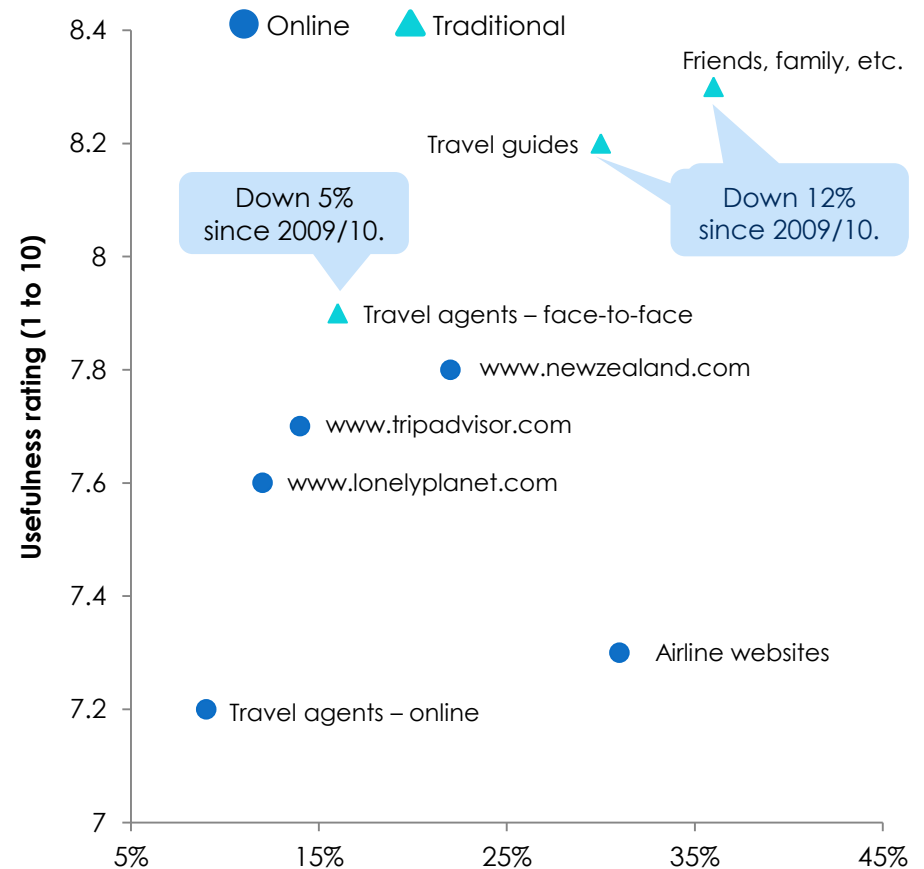
### TripAdvisor, millions of reviews and opinions; 2001—2011

# of reviews and opinions (millions)



### Information and planning sources before visiting New Zealand; 2011/12

Usefulness rating (1=low, 10=high)

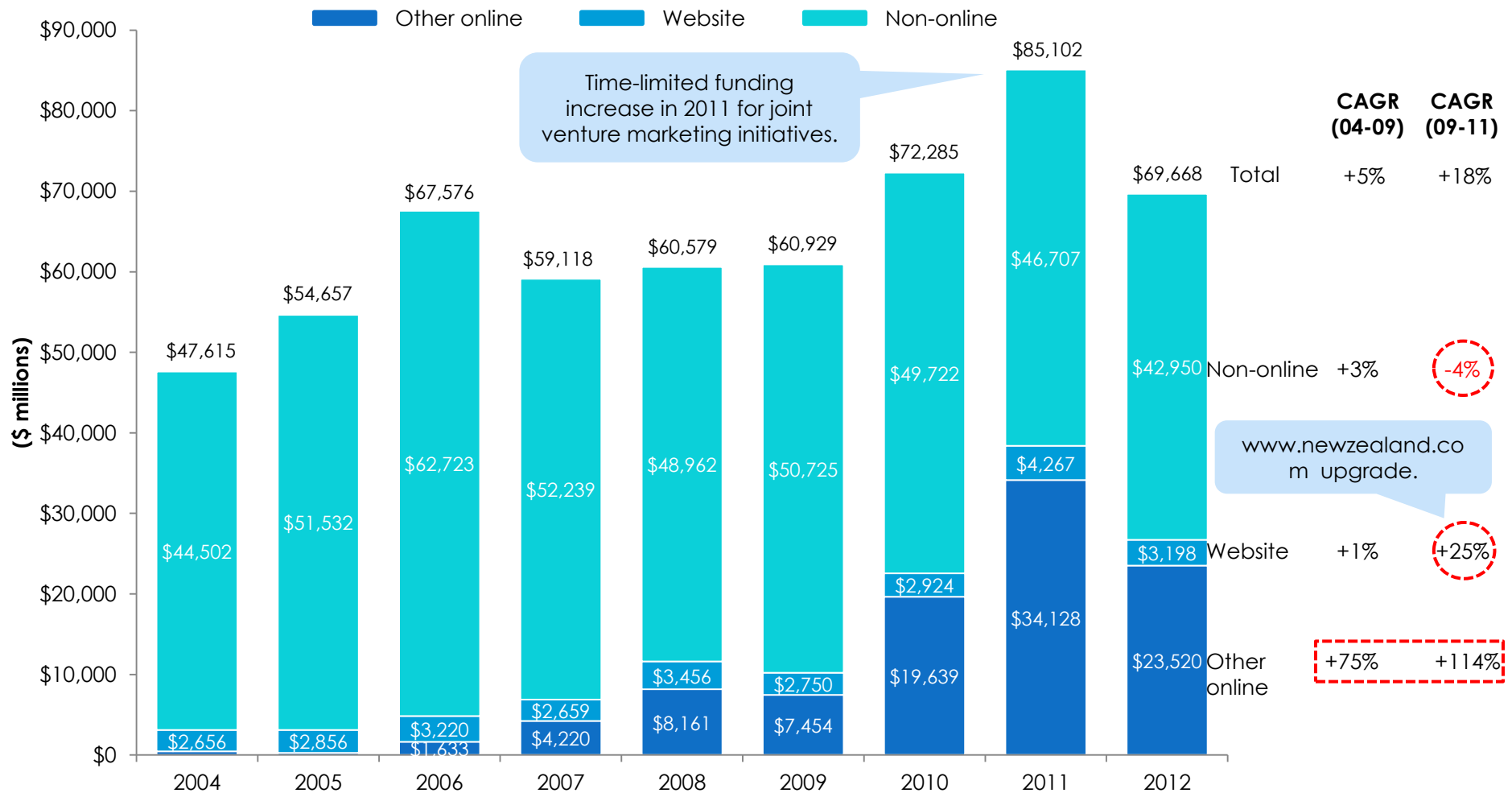


## Destination marketing spend is increasingly online

Although traditional marketing expenditure remains high, Tourism New Zealand is investing heavily in online marketing and communications

### Tourism New Zealand's marketing expenditure by key channel;

NZ\$ (nominal), 2004—2012 (year ended June)



## Online tourism services

A wide range of online booking channels are now available to customers, as these examples show

### Selection of international and domestic firms offering web-based booking services

Firm	Description
<b>Expedia (USA)</b>	<ul style="list-style-type: none"><li>• Publicly traded (Nasdaq).</li><li>• Booking services include flights, accommodation, rental cars, activities, and holiday packages.</li><li>• Wide range of subsidiary websites and services related to tourism (e.g., trivago.com, hotels.com).</li><li>• Dedicated New Zealand site launched in 2007.</li></ul>
<b>Wotif (Australia)</b>	<ul style="list-style-type: none"><li>• Publicly traded (ASX).</li><li>• Online booking services for flights, accommodation (including holiday homes) and holiday packages.</li><li>• Recent innovations include mobile website and iphone application (9% of bookings through mobile services).</li><li>• Includes a range of subsidiary websites providing similar services to targeted audiences (e.g., lastminute.com.au).</li></ul>
<b>Trademe (New Zealand)</b>	<ul style="list-style-type: none"><li>• Publicly traded (NZX and ASX).</li><li>• Three subsidiaries involved in tourism sector; Travelbug (launched 2007), Holiday Houses (acquired 2009), and Bookit (acquired 2010).</li><li>• Travelbug provides international and domestic accommodation booking services. Holiday Houses connects visitors with private accommodation owners (holiday homes, apartments &amp; baches) in New Zealand, Australia and the Pacific.</li></ul>
<b>New Zealand Automobile Association (New Zealand)</b>	<ul style="list-style-type: none"><li>• Incorporated organisation.</li><li>• Travel website includes travel, car rental and accommodation information. Booking services for accommodation.</li><li>• Also owns Book A Bach; which connects visitors directly with private accommodation (holiday home) owners.</li></ul>
<b>Air New Zealand (New Zealand)</b>	<ul style="list-style-type: none"><li>• 53% government owned; 47% publicly traded (NZX and ASX).</li><li>• Online sales launched in 2001. Now selling through multiple domain names (airnewzealand.co.nz, airnewzealand.com).</li><li>• Sells Air New Zealand flights, travel insurance, holiday packages.</li><li>• Booking channel for accommodation and rental cars.</li><li>• Unlike other entries in this table, Air New Zealand has traditional booking channels (e.g., brick-and-mortar travel agencies, phone bookings, etc) in addition to its website.</li></ul>

## Impact of new technologies: industry comment

Industry commented on how the use of the Internet (e.g. social media) by consumers is driving innovation and exposing New Zealand businesses to international competition

- *As a large provider we have to respond on a daily basis to feedback that we are getting on TripAdvisor. Our Facebook pages are now one of our main marketing tools for all of our businesses. It's forced us to look at everything we do through the eyes of the customer. We are doing a lot of work in terms of lifting our productivity and we are doing it through processes like the lean approach, which in the tourism context is simply looking at everything you do through the view of whether it adds value to your customers or not. That's the level of sophistication that didn't exist a few years ago.*
  - Senior executive, tourism industry firm, large
- *Technological advancement, that's just a given... it's just a market reality. Online social media has become a very dominant part of tourism distribution, tourism visitor purchasing and visitor behaviour in general. Most of us five years ago didn't spend any time monitoring feedback online, and now we are all monitoring it and mapping out our attack in that area.*
  - Senior executive, tourism industry firm, medium
- *The internet and related technologies have had a marked impact on how airline customers research, plan and book airfares and flights. Air New Zealand has responded to the surge in demand for online services by developing easy-to-use online booking tools on its website, which has made it simpler and easier for consumers to research and compare flight options. Since the late 1990's the internet has enabled a mass change in consumer behaviour with consumers increasingly choosing online as a means of booking, particularly for simple transactions. Looking to the future, innovation will continue as new services emerge leveraging the unique capabilities of mobile technology and more complex travel needs are potentially met online.*
  - Senior Manager, Air New Zealand (quote supplied)

## Impact of new technologies: industry comment *continued*

Industry commented on the use of digital technologies within their business to improve the visitor experience and connect directly with customers

- *Through its web and social media marketing activity, Positively Wellington Tourism has developed the ability to talk to and with over 240,000 fans of the city at any one time; and those numbers grow daily. The development and nurturing of those networks helped drive almost 2.5 million visits to WellingtonNZ.com in the 2012/13 financial year. While traditional marketing channels such as TV and print still play an important role in its marketing mix, the ability to talk directly and cost effectively to the city's fans online is pivotal to the regional tourism organisation's continued success. It enables the organisation to be nimble, timely and relevant. The value of their 'owned' channels also enables them to support a large range of events and businesses, big and small, through communicating what they've got to offer to a large and engaged audience.*
  - General Manager Marketing, Positively Wellington Tourism (quote supplied)
- *There's also a lot of technological stuff happening within the businesses themselves. I think that's sometimes missed in terms of how we use it to interpret what we are doing and tell our story... We are using QR\* technology rather than putting large signs up in the field in multiple different languages. We are now QR coding so you can connect to our wifi network, QR code into it, and you get the deeper story in the language that you choose. It allows us to target groups of, say, scientists that travel from overseas to come and visit our geothermal valley. We can give them links to really relevant detailed scientific information if we need to.*
  - Senior executive, tourism industry firm, medium

\*A QR Code is a matrix barcode (or two-dimensional code), readable by QR scanners, mobile phones with a camera, and smartphones.



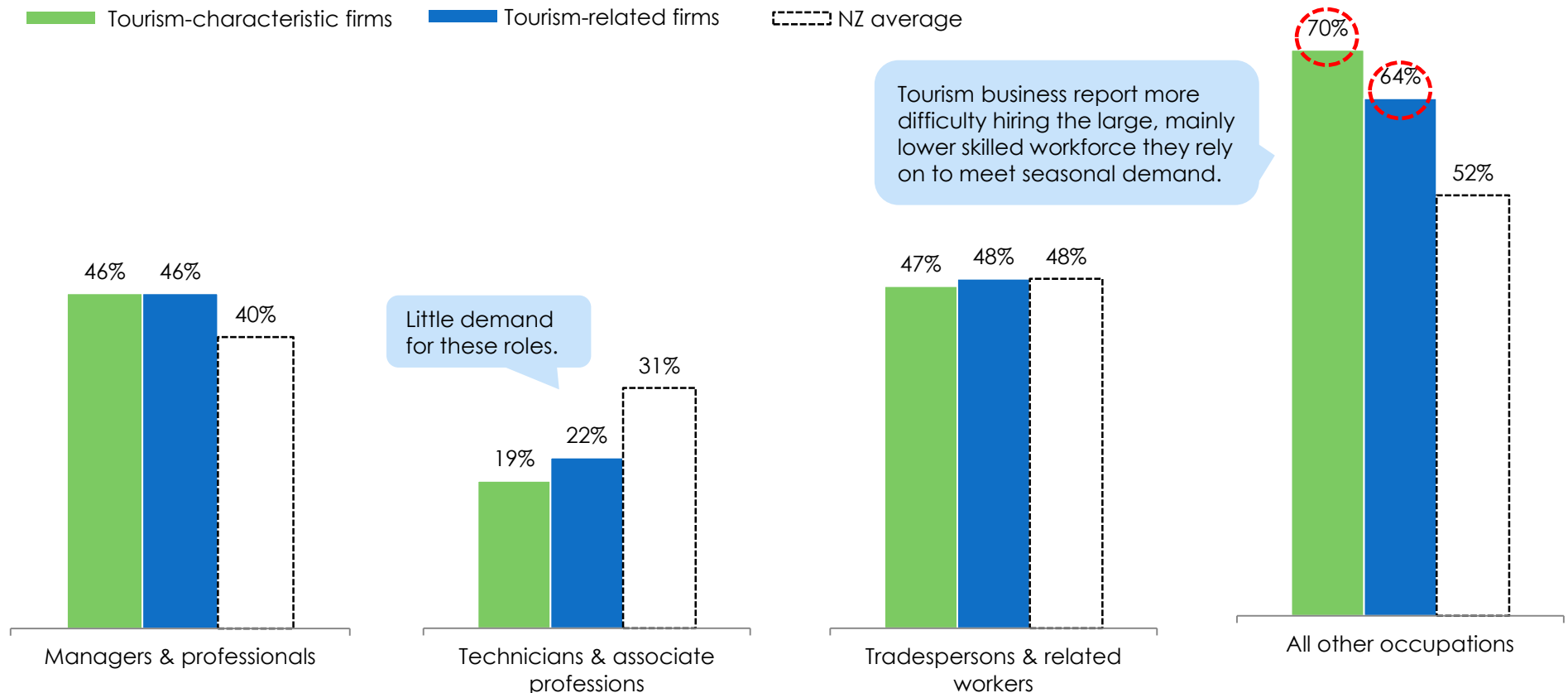
## SKILLS

## Recruitment: occupational types

Tourism firms report difficulty recruiting 'all other occupations'; other occupational types broadly similar to or below New Zealand average

### Firms reporting difficulty recruiting particular occupational groups

% of firms; 2011



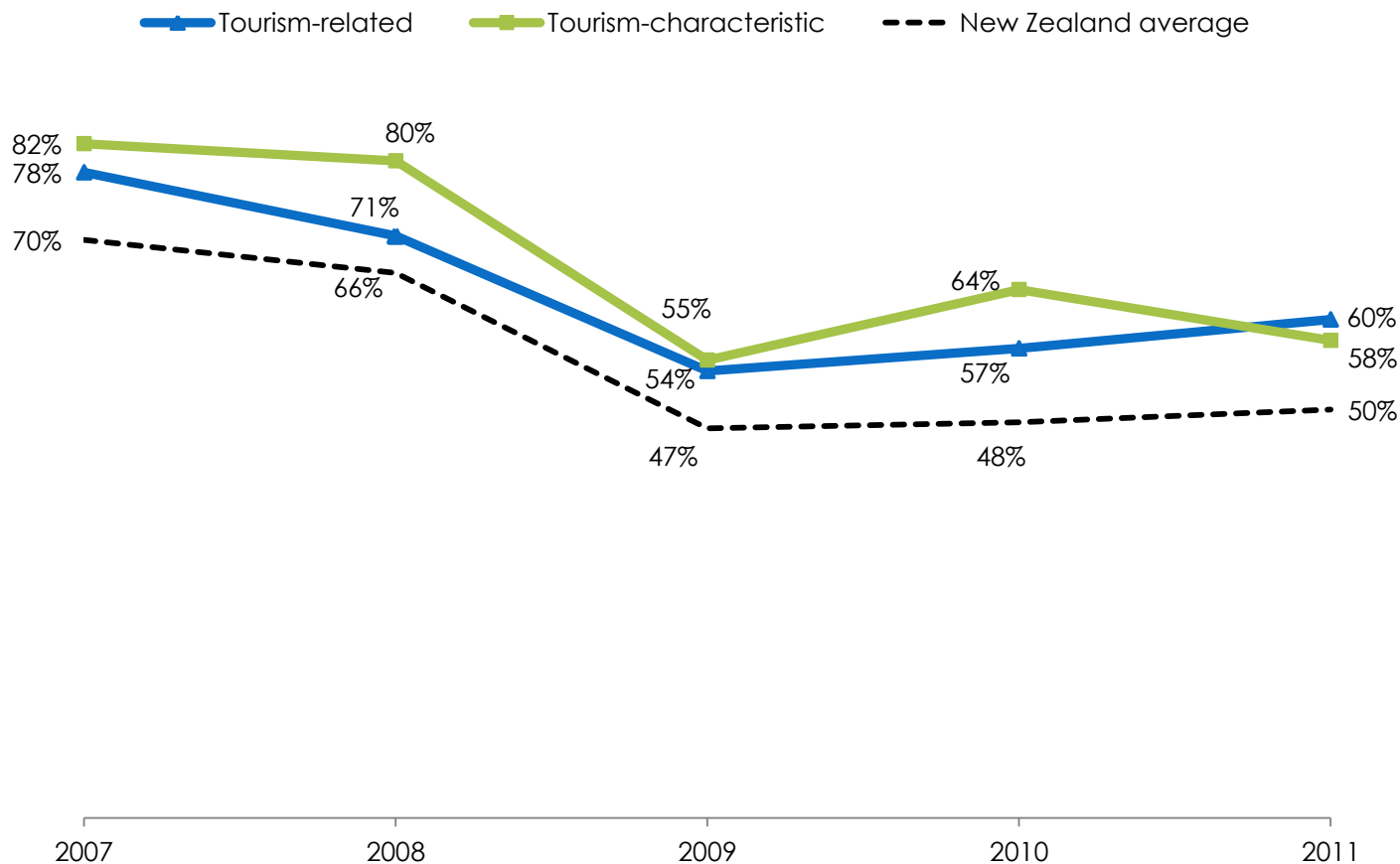


## Recruitment

Tourism firms' reported difficulty in recruitment is typically 10 to 15 per cent above the New Zealand average

### Firms reporting that it was hard to fill vacancies for at least one occupation group

% of firms; 2007—2011



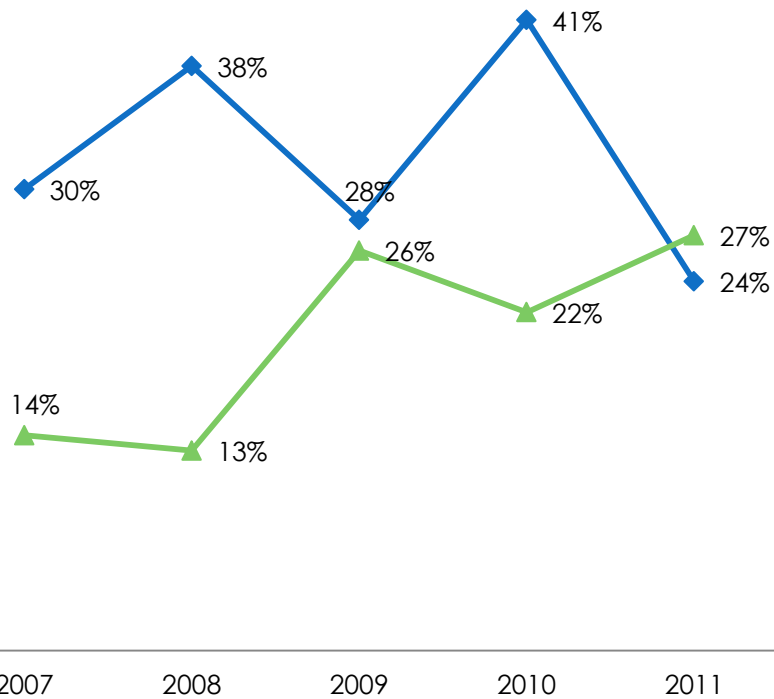
## Perception of labour quality

The tourism sector perceives an improvement in the quality of skilled and unskilled labour

### % of firms reporting perception of skilled labour

Perception of skilled labour quality; 2007—2011

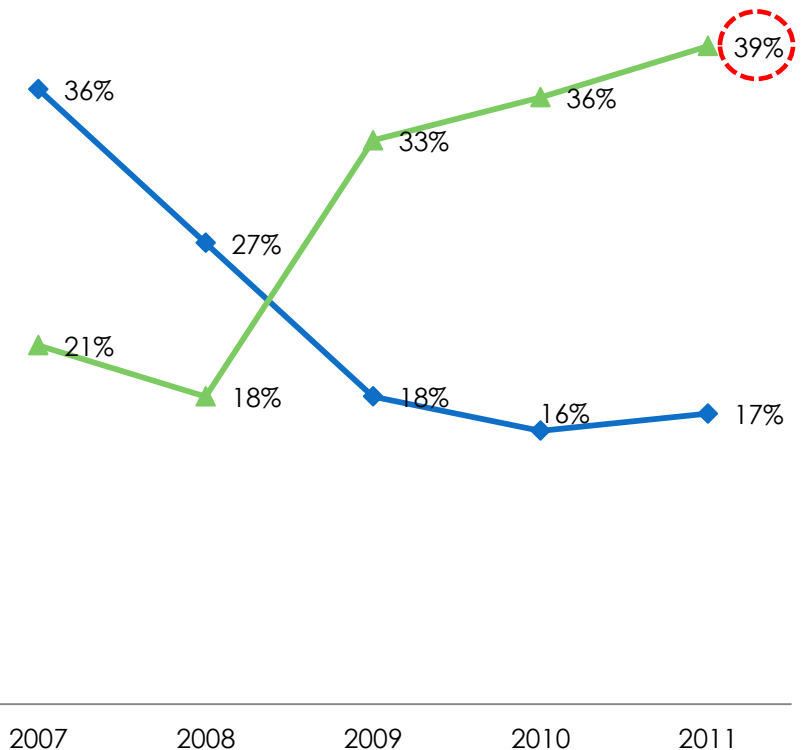
Bad Good



### % of firms reporting perception of unskilled labour

Perception of unskilled labour quality; 2007—2011

Bad Good



## Skills: industry comment

Industry commented on people being at the heart of the industry, and the lack of clear career paths

- *People are right at the heart of our development programme now. Yes we do things to buildings, everyone likes to operate in nice spaces. But the guts of it is, as long as our people are well trained, well organised, have the right support, got the right equipment to do their jobs, and they feel like they are part of something, then we tend to find our productivity levels and visitor experience levels increase.*
  - Senior executive, tourism industry firm, medium
- *The industry has told us that it is difficult to attract quality staff, and there is a lack of vision in terms of career pathways or tourism as a profession. This is not helped by our sector referring to its workforce as low skilled and low paid. Jobs in tourism and hospitality are often 'after school' jobs, the 'second' job or the one before you get a 'real job'. In comparison, countries like France place real value on the 'profession' and this is reflected in the quality service visitors receive.*
  - Industry leader, Māori tourism industry
- *Whilst dining one night in Northland there were nine waiting staff, one of whom was a Kiwi. The others were from the UK, South America and the US. While the service was outstanding all round, the reality is they leave after 12 months.*
  - Industry leader, Māori tourism industry
- *There are secondary issues relating to staff development and retention. Many of our workers in the hospitality industry for example are not New Zealanders, and whilst they are very good at their work, there seems to be limited motivation for employers to invest in their development, because they are here for working holidays. We need to invest in our pool of future managers, business owners and service providers so we can legitimately provide an overall New Zealand experience.*
  - Industry leader, Māori tourism industry





**APPENDIX:  
GLOSSARY, TERMS, DEFINITIONS,  
SOURCES AND LIMITATIONS**

## Glossary of terms

This report uses the following acronyms and abbreviations

A\$/AUD	Australian dollar	NZ	New Zealand
ABS	Absolute	n/a	Not available/not applicable/no data
ANZSIC	Australia and New Zealand Standard Industry Classification	NZ\$/NZD	New Zealand dollar
AR	Annual report	Oceania	NZ, Australia & Pacific Islands
ASEAN	Association of Southeast Asian Nations	RoE	Return on equity
AU	Australia	R&D	Research & Development
Australasia	Australia and New Zealand	S Asia	South Asia (Indian sub-continent)
b	Billion	SE Asia	South East Asia
CAGR	Compound annual growth rate	SOE	State Owned Enterprise
C/S America	Central and South America (Latin America)	T/O	Turnover
CRI	Crown Research Institute	US/USA	United States of America
CY	Calendar years	US\$/USD	United States Dollar
E. Asia	East Asia	UK	United Kingdom
EBITDA	Earnings before interest, tax, depreciation and amortisation	YE	Year ending
FTE	Full-time equivalent	YTD	Year to date
FY	Financial year		
GFC	Global financial crisis		
JV	Joint venture		
m	Million		

## Terms and definitions

The report uses the following economic metrics

Term	Definition	Comment
<b>Nominal GDP (gross domestic product)</b>	The value of goods and services produced in New Zealand, after deducting the cost of goods and services used in the production process. 'Nominal' means not adjusted for inflation.	<b>Cross-cutting sectors (excluding tourism)</b> Value added has been used to provide indicative estimates. These have not been verified through the System of National Accounts.
<b>Real GDP (gross domestic product)</b>	GDP adjusted to remove the effect of price changes/inflation to show the change in the volume of goods and services produced in New Zealand. In this report, it is expressed in constant 2010 prices.	<b>Cross-cutting sectors (excluding tourism)</b> Data not available.
<b>Goods exports</b>	The value of goods of domestic origin (excluding re-exports) exported from New Zealand to another country. Note: sector exports values will exclude items suppressed in accordance with Statistics NZ's confidentiality policy. Exclusions are noted where applicable.	<b>All sectors:</b> Merchandise (goods) exports have been obtained by matching commodities to the ANZSIC06 industry that characteristically produces them (Statistics NZ custom job).
<b>Employment</b>	The number of people who earned money from employment (wages and salary earners) and/or self-employment. For tourism it is full-time equivalent (FTE) employees producing goods and services sold directly to visitors.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Linked Employee Employer Database (LEED), (custom job). <b>Tourism</b> Direct employment in tourism (FTEs) and employment (FTEs) in tourism as a % of total.
<b>Productivity</b>	A measure of how efficiently inputs are used within the economy to produce outputs. Productivity is calculated by dividing the sector's real GDP by the number of hours paid. Real GDP per hour paid is used. For the cross-cutting sectors nominal GDP per employee is substituted.	<b>Cross-cutting sectors (excluding tourism)</b> For cross-cutting sectors real GDP is replaced by nominal GDP, and hours paid is replaced by number of employees; hence calculation is nominal GDP by number of employees.
<b>Investment in fixed assets (gross fixed capital formation)</b>	A measure of the outlays of producers on durable fixed assets (e.g. buildings, vehicles, plant and machinery, hydro-electric construction, roading and improvements to land). 'Gross' indicates that consumption of fixed capital is not deducted from the value of the outlays.	<b>Cross-cutting sectors (excluding tourism)</b> Uses additions less disposals of fixed assets (custom job). Note: this data has not been through the System of National Accounts, so is indicative only.
<b>Number of firms (number of enterprises)</b>	The number of businesses or service entities operating in the sector in New Zealand. It covers all types of business or service entities, including companies, self-employed individuals, voluntary organisations and government departments.	<b>Cross-cutting sectors (excluding tourism)</b> Uses customised Business Demography Statistics, number of enterprises.

## Terms and definitions

The report uses the following financial metrics

Term	Definition	Comment
<b>Total income per firm</b>	Total income of all firms in sector divided by the number of firms in the sector. Income includes sales, interest, dividends, donations, government funding, grants and subsidies, and non-operating income.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job.
<b>Total income per employee</b>	Total income of all firms in sector divided by rolling mean employment. Total income includes sales, interest, dividends, donations, government funding, grants and subsidies, and non-operating income.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job.
<b>Surplus per employee</b>	Surplus before income tax of all firms in sector divided by rolling mean employment.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job.
<b>Return on equity</b>	Surplus before income tax divided by shareholders' funds.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job.
<b>Capital stock per worker</b>	Indicates capital intensity. The capital stock includes fixed assets such as buildings, roads and machinery, and intangible items such as software and exploration expenditure, less accumulated depreciation.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job. <b>Tourism:</b> Capital stock, divided by employment.
<b>Debt ratio</b>	Debt ratio equals total liabilities of all firms in sector divided by total assets of all firms in sector.	<b>Cross-cutting sectors (excluding tourism)</b> Statistics NZ, Annual Enterprise Survey statistics, custom job.



## Tourism 'characteristic' products and industries

Certain products, industries or firms are defined as 'tourism-characteristic' when visitors are a significant percentage of demand, as described below

Characteristic	Details
<b>Tourism-characteristic products</b>	<p>A product that would cease to exist in meaningful quantity, or for which the level of consumption would be significantly reduced, in the absence of visitors.</p> <p>A product is classified as a tourism-characteristic product if at least 25 per cent of production is purchased by visitors. Tourism-characteristic products may be consumed by non-visitors.</p>
<b>Tourism-characteristic industries</b>	<p>A tourism-characteristic industry is one where (1) at least 25 per cent of the industry's output is purchased by visitors; or (2) the industry's output includes a tourism-characteristic product.*</p>
<b>Tourism-characteristic firm</b>	<p>A tourism-characteristic firm is one where the percentage of sales to visitors exceeds 25 per cent. Similar to tourism-characteristic products, a tourism-characteristic firm may also engage in non-tourism activity.**</p>

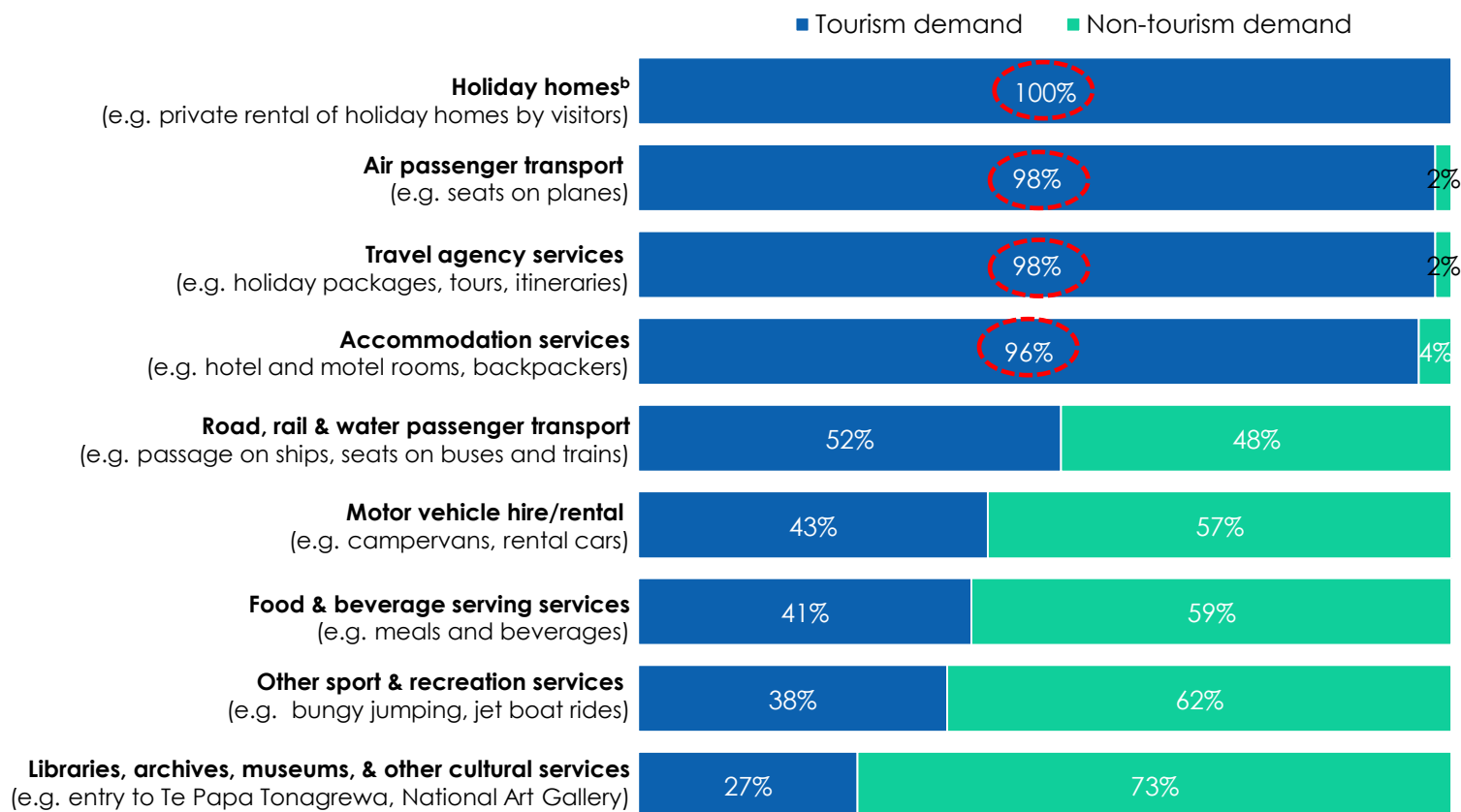
## Who is in the tourism industry? Tourism-characteristic products

A number of products are purchased mainly or exclusively by visitors (domestic and international)

### Percentage of direct tourism demand for tourism-characteristic products

% total demand; 2010<sup>a</sup>

**Definition:** A tourism-characteristic product is one where at least 25 per cent of production is purchased by visitors.



## Who is in the tourism industry? Selected tourism-related products and industries

In addition to tourism-characteristic products and industries, selected data includes tourism-related products and industries

<b>Tourism-related product</b> A product where up to 25 per cent of production is purchased by visitors			
<b>Tourism-related products</b>	<b>Description</b>	<b>Tourism product ratio (2010)<sup>a</sup></b>	<b>Firms that sell these products</b>
<b>Retail sales – clothing and footwear</b>	Clothing and footwear purchased in retail stores.	20%	Hallenstein Glasson Holdings, Hannahs, Smith & Caughey's, Zambesi.
<b>Gambling services</b>	Casinos and other gambling products/outlets.	5%	SKYCITY Entertainment, New Zealand Racing Board (TAB), NZ Lotteries Commission.

<b>Tourism-related industry</b> An industry where between 5 and 25 per cent of the industry's output is purchased by visitors, and a direct physical contact occurs between the industry and the visitor buying its products.			
<b>Tourism-related industries</b>	<b>Activity</b>	<b>Tourism industry ratio (2010)<sup>b</sup></b>	<b>Example firms</b>
<b>Retail trade</b>	Motor vehicle and motor parts retailing, fuel and food retailing, other store-based retailing.	10%	Z Energy; New World, Icebreaker, Untouched World, souvenir shops.
<b>Education and training</b>	Preschool, school and tertiary education, adult and community education.	8%	Language Schools New Zealand, AACE International.

Source: Statistics New Zealand, *Tourism Satellite Account (2013)*.

a. The tourism product ratio is the proportion of the total supply of a product or service that is consumed by visitors. It provides the means of classifying tourism products. b. The tourism industry ratio is the proportion of an industry's output that is consumed by visitors. It provides the means of classifying industries.

## Sources: economic data

The following sources were used for economic data

Metric	Source Standard ANZSIC sectors	Source tourism	Source ICT
<b>Nominal GDP</b>	Statistics New Zealand, Infoshare Database, System of National Accounts 1993, SND, GDP(P), Nominal, Actual, ANZSIC06 industry groups (Annual–Mar).	Statistics NZ, Tourism Satellite Account: 2013, Table 1 Tourism expenditure by component, Direct tourism value added.	Statistics NZ, value added estimates from customised Annual Enterprise Survey tables. Note: this data has not been through the System of National Accounts, so is indicative only.
<b>Real GDP</b>	Statistics New Zealand, Infoshare Database, National Accounts, System of National Accounts 1993, SND, GDP(P), Chain-volume, Actual, ANZSIC06 industry groups (Annual– k Mar). Adjusted so that 2010 real GDP = 2010 Nominal GDP. Does not incorporate revisions published by Statistics NZ in December 2012.	n/a	
<b>Goods exports</b>	Statistics NZ, merchandise exports, obtained by matching commodities to the ANZSIC06 industry that characteristically produces them. Note: sector exports values will exclude items suppressed in accordance with Statistics NZ's confidentiality policy. For more information, see <a href="http://www.stats.govt.nz/about_us/policies-and-protocols/trade-confidentiality.aspx">http://www.stats.govt.nz/about_us/policies-and-protocols/trade-confidentiality.aspx</a>		Statistics NZ, merchandise exports, obtained by matching commodities to the ANZSIC06 industry that characteristically produces them.

## Sources: economic data *continued*

Metric	Source standard ANZSIC sectors	Source tourism	Source ICT
<b>Employment</b>	Statistics New Zealand, Table Builder, Linked Employer-Employee Data (LEED) Tables (annual), Table 1.6: Main Earnings Source by Industry (NZSIOC).	Statistics NZ, Tourism Satellite Account: 2013, Table 4, Direct employment in tourism (FTEs) and Employment (FTEs) in tourism as a percentage of total. See <a href="http://www.stats.govt.nz/browse_for_stats/industry_sectors/Tourism/tourism-satellite-account-2013/tourism-employment.aspx">http://www.stats.govt.nz/browse_for_stats/industry_sectors/Tourism/tourism-satellite-account-2013/tourism-employment.aspx</a> for more information on the tourism FTE measure.	Statistics NZ, LEED custom job.
<b>Productivity</b>	Real GDP divided by hours paid. Hours paid data from Statistics NZ, Infoshare Database, Productivity Input Series – Industry Level (ANZSIC06) (Annual–Mar), Hours, Gross. Manufacturing hours paid for 2010 split into manufacturing sub-sectors using QES hours paid and rated back using productivity indexes from Statistics NZ.	Substituted nominal GDP per employee.	Substituted nominal value added/employment.
<b>Investment in fixed assets</b>	Statistics New Zealand, Infoshare database, System of National Accounts 1993 - SND, Series, GDP(E), Nominal, Actual, Asset type (Annual–Mar), Gross Fixed Capital Formation.	Statistics NZ, Tourism Satellite Account - TSA, Table: Gross Fixed Capital Formation by Asset Type and by Industry (ANZSIC06) (Annual-Mar). NB data only available for certain years up to 2010.	Statistics NZ, Additions less disposals of fixed assets from customised Annual Enterprise Survey tables. Note: this data has not been through the System of National Accounts, so is indicative only. The all sector total excludes some industries – see note on page following.
<b>Number of firms</b>	Statistics NZ Table Builder, Business Demography Statistics, Detailed Industry for Enterprises, number of enterprises.	n/a	Customised Business Demography Statistics, number of enterprises.

## Sources: financial data

The following sources were used for financial data

Metric	Source standard ANZSIC sectors	Source tourism	Source ICT
<b>Surplus per employee</b>	Statistics NZ, Annual Enterprise Survey release, surplus per employee count. The all sector total excludes some industries. See note below.	n/a	Statistics NZ, Customised Annual Enterprise Survey data, surplus per employee count.
<b>Return on equity</b>	Statistics NZ, Annual Enterprise Survey release, return on equity. Total excludes some industries. See note below.	n/a	Statistics NZ, Customised Annual Enterprise Survey data, return on equity.
<b>Debt ratio</b>	Statistics NZ, Annual Enterprise Survey release, total liabilities (current and other) divided by total assets. The all sector total excludes some industries. See note below.	n/a	Statistics NZ, customised Annual Enterprise Survey data, total liabilities (current and other) divided by total assets.
<b>Capital stock per worker</b>	Statistics NZ, National Accounts (Industry Benchmarks): Year ended March 2010, Table 14 Net capital stock by industry, current prices (replacement cost), 1987–2010, divided by employment.	Statistics NZ, Tourism Satellite Account, capital stock, divided by employment. Note: capital stock data is only available for some years up to 2009 and does not incorporate the National Accounts revisions published in November 2012.	Substituted with fixed assets per worker from Statistics NZ, Customised Annual Enterprise Survey data, fixed tangible assets divided by employment. Note: the fixed assets data has not been through the system of National Accounts, so is indicative only. The all sector total excludes some industries. See note below.

**Note: AES data excludes residential property operators, foreign government representation, religious services, private households employing staff and superannuation funds.**

# Business Operations Survey, 'example' firms and other sources

## Business Operations Survey

The Business Operations Survey collects information on the operations of New Zealand businesses. This information is used to quantify business behaviour, capacity, and performance. The survey gives insights into business activities, barriers and motivations behind New Zealand business operations.

Data from the Business Operations Survey was used to calculate:

- barriers to innovation and exporting
- rates of innovation and R&D by sector
- the rate of outward direct investment and foreign direct investment by sector
- percentage of firms in a sector reporting overseas income.

## Size of business operations survey

The survey is run annually and typically information is collected from approximately 36,000 firms operating in New Zealand with six employees or more.

## Customised data for the Sectors Report

Data for the cross-cutting sectors, information and communications technology, high technology manufacturing, tourism, knowledge intensive services and some of the manufacturing sectors was provided by Statistics NZ as a custom job. This data may be below the level the survey is designed for and so should be treated with caution.

Detailed information on the Business Operations Survey is available from the [www.stats.govt.nz](http://www.stats.govt.nz)

## Example firms: sources and limitations

The example firms are sourced from the Kompass database (quoted with permission), Management Magazine's top 200 firms (2012) plus various websites, annual reports and the TIN 100 publication (2012).

Firms allocated to sectors in this report may not match firms included in official statistics. Statistics NZ does not release firm level data. In most cases numbers employed and turnover quoted for example firms are estimates.

## MBIE welcomes corrections to the example firms' data.

## Other sources

Other data sources, such as the Comtrade database, are noted on the page on which they occur.

## Tourism specific sources

Publication	Available from
<b>Tourism Satellite Account (2013).</b> Statistics New Zealand. The data in the 2013 Tourism Satellite Account is provisional and may be revised.	Available online from Infoshare ( <a href="http://www.stats.govt.nz/infoshare">www.stats.govt.nz/infoshare</a> ) and from MBIE ( <a href="http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/tourism-satellite-account">www.med.govt.nz/sectors-industries/tourism/tourism-research-data/tourism-satellite-account</a> ). Published yearly. (multiple years used in this report).
<b>International Travel and Migration (2013).</b> Statistics New Zealand.	Available online from Infoshare ( <a href="http://www.stats.govt.nz/infoshare">www.stats.govt.nz/infoshare</a> ). Range of published data, some updated monthly, quarterly, and yearly.
<b>International Visitor Survey (August, 2013).</b> Ministry of Business, Innovation & Employment	Selected data available online from MBIE ( <a href="http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/international-visitor-survey">www.med.govt.nz/sectors-industries/tourism/tourism-research-data/international-visitor-survey</a> ). Published quarterly.
<b>Regional Tourism Indicators (August, 2013).</b> Ministry of Business, Innovation & Employment	Selected data available online from MBIE ( <a href="http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/regional-tourism-indicators">www.med.govt.nz/sectors-industries/tourism/tourism-research-data/regional-tourism-indicators</a> ). Published monthly.
<b>New Zealand's tourism sector outlook: Forecasts for 2013-2019 (August, 2013).</b> Ministry of Business, Innovation & Employment.	Available online from MBIE ( <a href="http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/forecasts/2013-2019-forecasts">www.med.govt.nz/sectors-industries/tourism/tourism-research-data/forecasts/2013-2019-forecasts</a> ). Published yearly.





## **FURTHER READING**

## Further reading: information on the New Zealand economy

Publication	Available from
<p><b>The Regional Economic Activity Report 2013</b> The Regional Economic Activity Report presents available official economic data on New Zealand's 16 regions. The report, which will be annual, provides regional economic information sourced from a number of government agencies.</p>	<p><a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a></p>
<p><b>Situation and Outlook for Primary Industries (SOPI) 2012</b> Published annually, this report provides up-to-date information about the performance of New Zealand's primary sectors – dairy, meat and wool, forestry, horticulture, arable and, for the first time, seafood – and gives independent forecasts of future prospects.</p>	<p><a href="http://www.mpi.govt.nz">www.mpi.govt.nz</a></p>
<p><b>The Food and Beverage Information Project reports</b> The project pulls together all the available information on the food and beverage industry into one place, in a form which is familiar and useful to business. Over 20 reports are available on every aspect of New Zealand's food industry, including information on export market and investment opportunities. New and updated reports are released annually.</p>	<p><a href="http://www.foodandbeverage.govt.nz">www.foodandbeverage.govt.nz</a></p>
<p><b>Tourism Satellite Account (2013).</b> Published annually, the Tourism Satellite Account provides a picture of the role tourism plays in New Zealand, including the changing levels and impact of tourism activity, and the industry's contribution to the economy.</p>	<p><a href="http://www.stats.govt.nz">www.stats.govt.nz</a></p>



## Further reading: The Government's Business Growth Agenda reports

Publication	Available from:
<b>Building innovation</b> The building innovation work stream of the Business Growth Agenda aims to grow New Zealand's economy by encouraging and enabling investment in research and development, and lifting the value of public investments in science and research.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Export markets</b> The export markets work stream of the Business Growth Agenda aims to increase exports by New Zealand businesses, which is necessary to lift New Zealand's economic growth and living standards.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Building infrastructure</b> The building infrastructure work stream of the Business Growth Agenda aims to provide the physical platform that will support sustained economic growth.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Natural resources</b> The building natural resources work stream of the Business Growth Agenda aims to make better use of New Zealand's abundant natural resources, so we can continue to grow our economy and look after our environment.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Skilled and safe workplaces</b> The skilled and safe workplaces work stream of the Business Growth Agenda aims to improve the safety of the workforce and build sustained economic growth through a skilled and responsive labour market.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Building capital markets</b> The building capital markets work stream of the Business Growth Agenda aims to ensure New Zealand has high performing capital markets that support investment, growth and jobs.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>
<b>Business Growth Agenda Progress Report 2013</b> The Business Growth Agenda Progress Report 2013 shows the significant progress the Government has made across each of the six areas that are critical to business success and growth: Export Markets, Capital Markets, Innovation, Skilled and Safe Workplaces, Natural Resources and Infrastructure.	<a href="http://www.mbie.govt.nz">www.mbie.govt.nz</a>



The Ministry of Business, Innovation & Employment (MBIE) welcomes comment and feedback on this report, and on the measures the Government is taking to facilitate the development of a competitive and successful tourism sector. Email [sectors.reports@mbie.govt.nz](mailto:sectors.reports@mbie.govt.nz)

