



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

**Submission to the
The Treasury
on
Infrastructure: Facts and Issues - Towards the First National
Infrastructure Plan**

5 October 2009

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA), located in Wellington. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, TIA Policy Manager on 04 494 1842 or 0272 489 375 or e-mail him at simon.wallace@tianza.org.nz
2. This paper begins with background about the tourism industry and TIA, followed by comment on the development of a National Infrastructure Plan. The comment focuses on two aspects - the priorities for infrastructure set out in TIA's *Tourism Industry Election Manifesto 2008*, and on other infrastructure issues, including those identified as being important by tourism businesses in the *Regional Leadership Series* that the Association took to ten centres around the country in September.
3. TIA has worked with the New Zealand Hotel Council (NZHC), the New Zealand Maori Tourism Council (NZMTC) and the Motel Association of New Zealand (MANZ) to put together this submission. MANZ has also made a separate submission to the Treasury outlining particular issues for its sector.

Background on the Tourism Industry

A bedrock of New Zealand's economy

4. Tourism is a major contributor to the New Zealand economy that will always be here – and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. Thanks to our 100% Pure positioning, New Zealand is recognised as one of the most beautiful, unspoiled and scenic places on earth. 100% Pure signifies pride in our country, pride in our people and culture, and pride in the unique environment and experiences that New Zealand offers.
5. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
6. If New Zealand Inc. is to continue to prosper, to attract investment and to raise its position in OECD rankings, then it is vital that the tourism industry, and the positive image it projects, remain strong.

Delivering Value

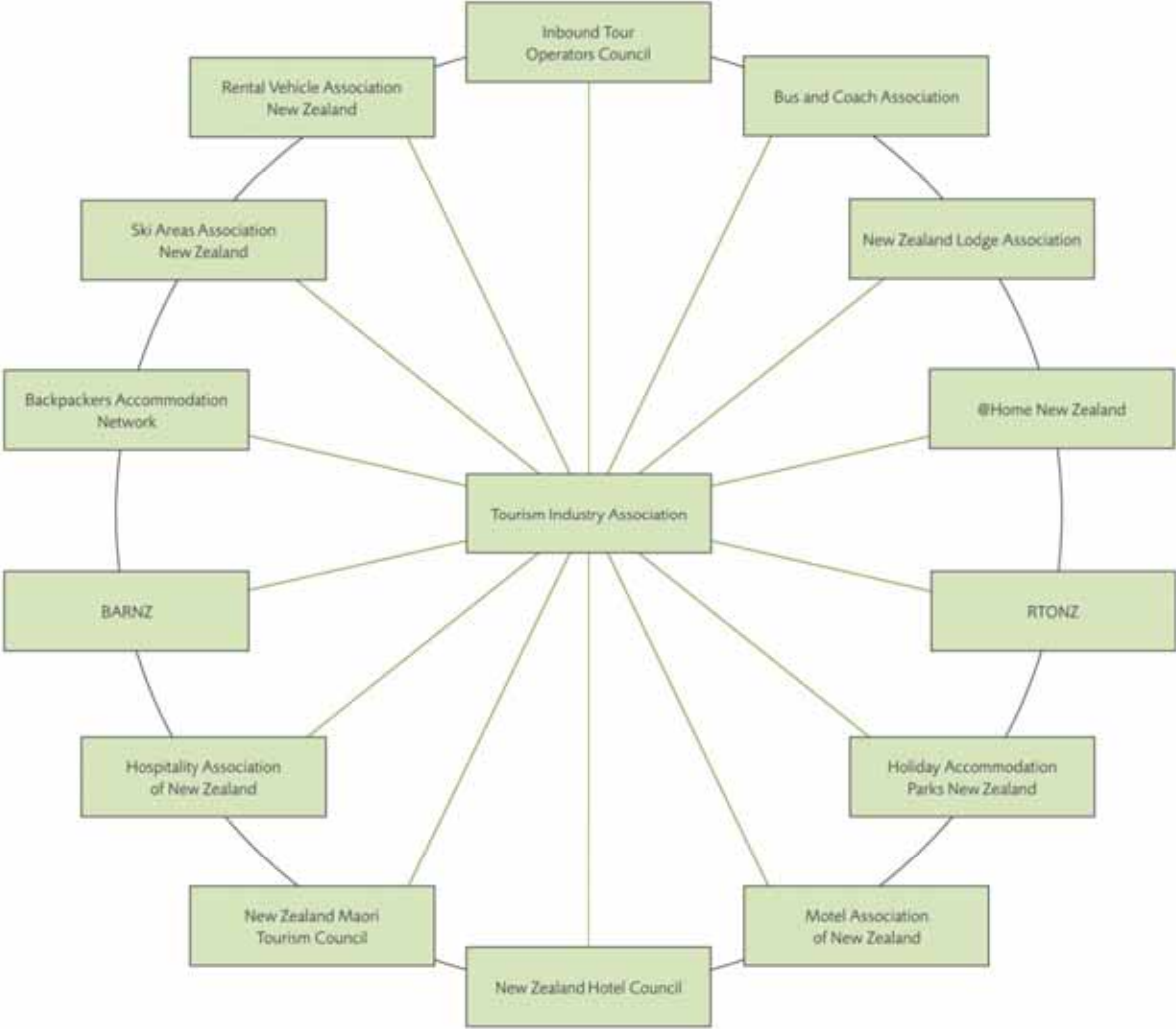
7. Below is a snapshot of the economic value provided by tourism to the New Zealand economy.

- Tourism contributes close to 10% of gross domestic product (GDP) as well as directly and indirectly employing nearly one in ten New Zealanders.
- Tourism in New Zealand is a \$50 million per day industry. The New Zealand tourism industry delivers \$24 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$26 million in economic activity every day.
- Tourism expenditure reached \$20.1 billion for the year ended March 2007. This represents 18.3% of New Zealand's foreign exchange earnings.
- Importantly, and despite more challenging times in the past 12 months, tourism remains one of New Zealand's largest foreign exchange earners and its contribution is felt at national, regional and local levels.

About Us

8. TIA is the lead association that represents the interests of about 1700 tourism businesses in New Zealand. It was established in 1955. The businesses TIA represent cover a range of tourism-related activities – hospitality, transport, accommodation, adventure and activities, attractions and retail as well as related tourism services.
9. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events and membership and business services. The TIA team is based in Wellington and led by Chief Executive, Tim Cossar.

Main Industry Associations in the Tourism Sector



Comment

10. TIA welcomes the work that has been started by the Treasury aimed at developing a National Infrastructure Plan for New Zealand. Investment in infrastructure, either by the public or private sector, is sound and good for those who live and travel within the country as well as for the many overseas visitors that come here. For the tourism industry and wider New Zealand economy, there is a direct economic benefit to be had from investments that enable New Zealand to grow higher spending tourism segments.
11. In the *Tourism Industry Election Manifesto 2008*, the tourism sector identified a number of major projects that it said were needed to harness tourism development. Chief amongst these projects was the construction of a National Convention Centre and the development of better port facilities to welcome visitors from cruise ships.

National Convention Centre

12. Tourism development has been hampered by the failure of New Zealand to successfully market itself as a destination for hosting international business conferences, something that does not reflect well on the country as a whole or on its tourism industry. Investment in the development of a National Convention Centre would enable the industry to target a whole new market that cannot be accommodated with existing facilities. The successful development of a National Convention Centre would be a fillip for the shoulder and off seasons and over time lead to a sound return on investment.
13. A detailed business case has already been developed to support the construction of a National Convention Centre in Auckland with an expected direct contribution to gross domestic product (GDP) of about \$100 million per annum to the economy. As well as this, the facility would make a valuable contribution to New Zealand's economy in the transfer of knowledge, education and innovation.
14. There is a united view in the tourism industry on what is required and agreement between key local authorities that such a facility would be of substantial benefit to New Zealand. This view extends to a commitment by the hotel sector to consider how it could fund the construction of hotels in and around the location of a National Convention Centre.

Cruise Ship Port Facilities

15. New Zealand's cruise market is growing faster than any other part of the tourism industry and is seasonally worth more than \$3 million a day in foreign exchange earnings. The rapid growth of the cruise market has been limited by the poor quality of port facilities which are now unable to cope with passenger vessels that are two and three times larger in size compared to those that came to New Zealand's ports a decade ago.

16. Cruise ship passengers are lucrative visitors and as a whole, spending by cruise passengers in 2007-2008 accounted for \$406 million in direct expenditure. The impact of cruise ship visits on regional economies is significant with the total effect of this injection in the following regions estimated at:
- \$95 million in Auckland
 - \$15 million in the Bay of Plenty and Canterbury
 - \$13 million in Otago; and
 - \$10 million in Wellington.
17. In improving port facilities for cruise ships, it is important that planners work with the cruise industry so that such facilities are not only functional and able to accommodate large vessels and multiple boat turn-around, but also create a sense of New Zealand and its surroundings. Luggage handling facilities, customs and storage for supplies would all need to be considered and included.

Other Infrastructure

18. The past two decades have been marked by an under-investment in regional infrastructure, especially in areas such as roads, sewerage, water and public toilets. Local authorities with small rating bases have struggled to provide consistent services for their own communities, let alone provide services of benefit for visitors. Westland District Council, for example, operates in a huge geographical area but has a population catchment of only 8000 people. This means the provision of infrastructure for the thousands of visitors that travel through the area is limited by the rating base. As a result, public toilets are few and far between.
19. Transport infrastructure is crucial to the future development of the tourism sector, especially in Auckland where congestions problems are acute. Both the road network and the city's passenger transport network require constant improvement. A light rail service between Auckland International Airport and the central city would help Auckland towards establishing itself as a world class city. Aside from Auckland, there is a need to improve the quality of the national road network and not only roads of national significance but other city passenger transport networks around the country.
20. Further priorities that were either identified in the *Tourism Industry Election Manifesto* or raised by tourism operators on a frequent basis during the *Regional Leadership Series* in September included:
- Broadband and mobile telephone coverage (access to just a basic level of broadband was identified as one of the top issues, especially in more remote

tourism areas, while some regions continue to have poor mobile phone coverage).

- Public recycling (provision uneven around the country but expected by visitors because of the 100% Pure brand positioning).
- Conservation land facilities (providing an appropriate level of infrastructure for visitors to the DOC estate and exploring opportunities for public private partnerships with commercial operators to boost services and infrastructure).
- Border services (improved airport facilities to match an efficient, speedy and friendly border control process are critical as this is the first impression overseas visitors of New Zealand upon arrival).
- Signage (better visitor signage that includes direction not only to visitor attractions, but also for freedom camping and the location of public recycling and dump stations).
- Management of water resources and waste water to ensure sustainable use.
- Electricity transmission to ensure national grid is up to scratch and affordable for commercial and residential users.

National Infrastructure Advisory Board

21. While acknowledging the depth and experience of Board members, TIA along with MANZ believes there is a need to ensure the right people are providing decision-makers with advice that reflects the needs of the country. The current make-up of the Board is stacked in favour of engineers, economists and what is clearly absent is representation on behalf of the many thousands of small to medium sized enterprises that are the backbone of the New Zealand economy. In addition, representation from New Zealand's two largest export industries, agriculture and tourism is lacking.
22. As noted in the Treasury paper, the Association is concerned that the list of *Lead Ministers in the Infrastructure Sector (or related) Portfolios* omits the Minister of Tourism. Given the contribution made by the tourism industry to the New Zealand economy this omission is worrying, especially when visitors are major users of infrastructure.

Long Term

23. TIA understands that this paper represents just the first step towards the development of what will be New Zealand's first National Infrastructure Plan. A representative group from the tourism industry would be keen to work with the Treasury on an ongoing basis to develop an infrastructure blueprint around a long term plan for the tourism sector.

Conclusion

24. In sum, New Zealand's demography and low population base relative to its geography means there is a greater dependence on infrastructure to be provided by central government. For the tourism industry, this dependence is even greater with many of New Zealand's visitor activities and attractions located outside in the more rural and remote areas of the country where low rating basis prohibit local Councils from providing the type of infrastructure required for visitors.
25. Larger tourism operators are able to make capital investments in private infrastructure development and services but such investment is always going to fall short of the quality infrastructure needed to secure New Zealand's place as a world class destination. The tourism industry understands the government's desire for industry participation in providing solutions to the challenging infrastructure issues that are faced. The sector is keen to partner with central government and its agencies to find ways for the right level of infrastructure to be developed to benefit not only visitors but the many New Zealanders that may come to use the facilities.

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