
2 Tourism and tourism infrastructure in New Zealand

■ Key messages

- › Tourism expenditure and arrivals have both shown massive growth in the March 2016 year.
- › Forecasts for the sector show impressive growth in tourism spend, dominated by an increase in Chinese tourists. Overall, the number of visitors is expected to increase to over 4,000,000 by 2022, assuming there is appropriate infrastructure to support this growth.
- › The quality of tourism infrastructure is important, especially in relation to visitor experience.
- › While New Zealand performs relatively well in air transport infrastructure, road and rail infrastructure is viewed as relatively poorer on average than in other developed countries.

2.1 New Zealand tourism – state of play and forecasts

Tourism plays a significant role in the New Zealand economy in terms of generating export revenue and creating employment opportunities. Tourism expenditure includes spending by all travellers, whether they are international, resident householders, or business and government travellers. International tourism expenditure includes spending by foreign students studying in New Zealand for less than 12 months.

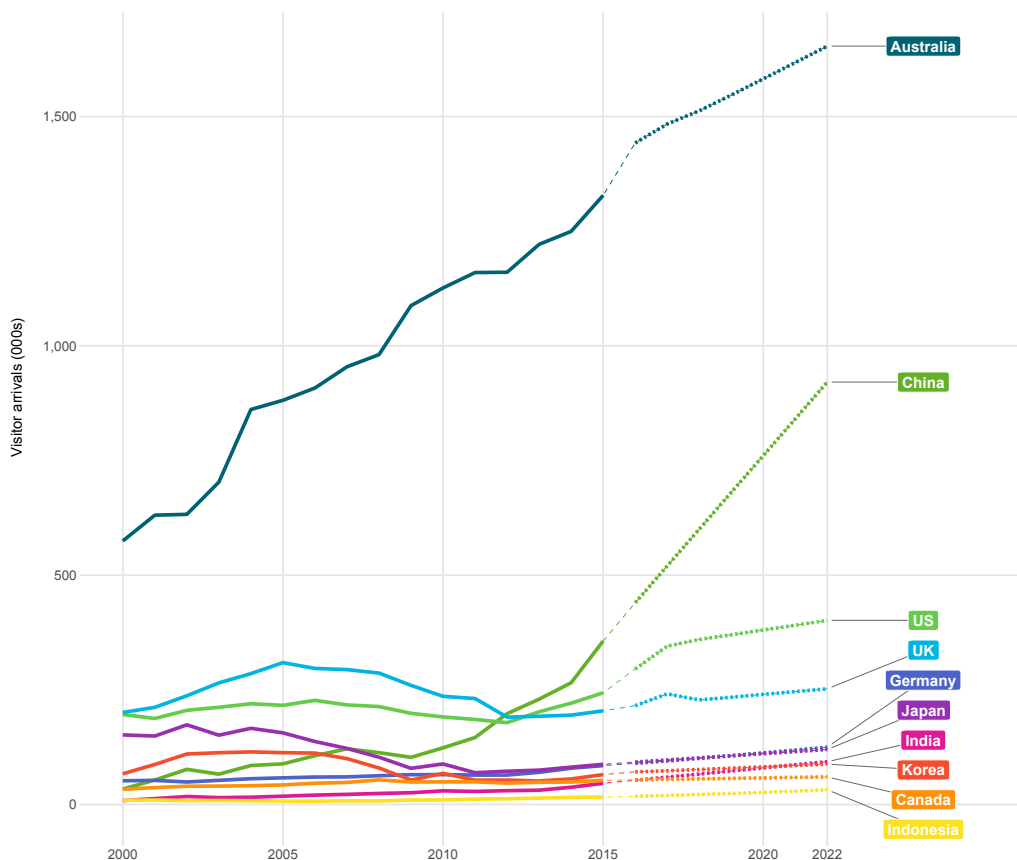
Total tourism expenditure was \$29.8 billion for the year ended March 2015, an increase of 10.3 per cent from the previous year. International tourism expenditure increased 17.1 per cent (\$1.7 billion) to \$11.8 billion, and contributed 17.4 per cent to New Zealand's total exports of goods and services in the March 2015 year. Over the same period, domestic tourism expenditure increased 6.3 per cent (\$1.1 billion) to \$18.1 billion.

Total annual overseas visitor arrivals passed 3 million for the first time in 2015 and have continued to increase, with arrivals reaching 3.3 million in the year ended March 2016.

Higher arrivals from Australia, China and the United States drove total international arrival growth over the last year. Australian arrivals grew at 7 per cent and made up 42 per cent of all arrivals in the year ended March 2016, while Chinese arrivals grew at 28 per cent and made up 12 per cent of all arrivals.

The growth is expected to continue, with arrivals forecast to reach 4.5 million by 2022 (from 3.1 million in 2015). The main contributors to this growth are expected to be China, Australia and the United States.

Figure 1: International visitor arrivals, annual average, 2016–2022 forecasts

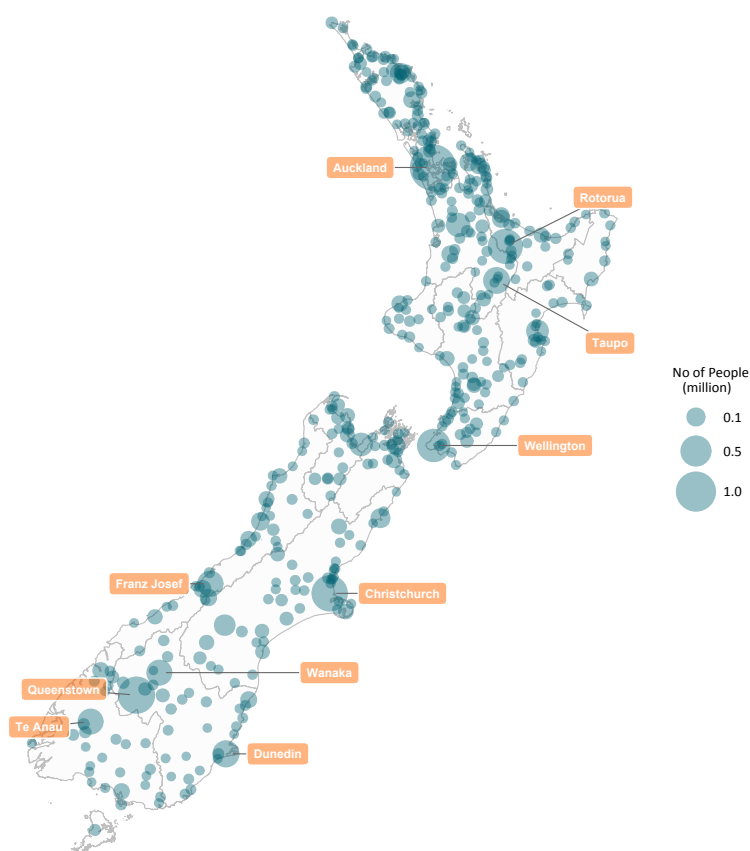


Source: MBIE, Tourism Forecasts

While Australia, China and United States are projected to remain the three largest source markets, all markets are growing, including the United Kingdom, Japan, and newer developing markets in Asia and South America.

These forecasts are purely demand-based. They assume there are no constraints in the supply of tourism infrastructure, such as air capacity, accommodation, or other factors. Therefore, inadequate investment in infrastructure will make a significant impact on realised demand growth.

For 2015, the largest tourist destination for international visitors was Auckland (Figure 2). Approximately 1.5 million tourists visited Auckland during their stay in New Zealand. This is followed by Queenstown (820,000), Christchurch (770,000), Rotorua (690,000) and Wellington (610,000). Other significant international tourism centres include Dunedin, Taupo, Franz Josef Glacier, Wanaka and Te Anau. These numbers are based on overnight visits only.

Figure 2: Locations visited by international tourists in 2015

Source: MBIE, International Visitor Survey

A total of 551,000 delegates attended 5,500 conferences/conventions in the year ended December 2015. This indicates more delegates attended a greater number of events compared to the year ended December 2014, where 500,000 delegates attended 5,200 conferences. The number of delegate days for conferences and conventions was unchanged between the two years, at around 1.1 million days.

Visitors cite many reasons to come to New Zealand.

- › The country is highly geographically diverse and contains a range of different scenery, including subtropical forests, beaches, glaciers, mountains and plains in a relatively small area.
- › New Zealand also has a reputation for outdoor adventures, including surfing, skiing, kayaking, tramping and sailing, among others.
- › The country has several endemic animal and plant species, such as the iconic kiwi, tuatara and ferns.
- › Travelling is seen to be relatively easy, with self-driving popular. The distances between towns and attractions are relatively short.
- › New Zealand is famous for its high quality wines, with Marlborough and the Hawke's Bay being the key grape-growing regions.

- › Māori culture is often a drawcard for tourists, with Māori-centred attractions throughout the country, especially in Auckland, Rotorua and many other tourist centres.
- › The population is relatively sparse. New Zealand has a land area the size of Great Britain but only 4.5 million inhabitants, so New Zealand feels less crowded than other countries.
- › New Zealand has a temperate climate, without extremes of hot or cold.
- › Visitors also view the country as being relatively safe, even for solo travellers.

2.2 Role of infrastructure in tourism destination competitiveness and visitor attraction

There are a variety of factors that determine why a particular location is attractive to tourists. One recent study² listed these as:

- › heritage and culture
- › social competitiveness (labour market factors, and staff training, TV stations, newspapers)
- › education (qualifications achieved)
- › communication facilities (ICT readiness)
- › tourism price competitiveness
- › environmental and sustainability record
- › infrastructure
- › openness (visas, trade).

2.2.1 Significance of infrastructure

The quality of a destination's infrastructure is a key part of its tourism offering – particularly in relation to the visitor experience at the destination. The availability and quality of hotel rooms and other accommodation is likely to be fundamental to a visitor's choice of the timing and the length of a visit to the destination. Road infrastructure enhances accessibility to different parts of the destination country, while sound airport infrastructure ensures that tourists experience a comfortable transition from the plane to destination. Good communication infrastructure allows quick and cheap communication between the origin and destination country and during the traveller's visit to the destination. Providing high-standard, online access to essential information about the destination, and for booking accommodation and tourism services (eg, theatre tickets), before embarking on travel reduces the traveller's feelings of uncertainty, fear and asymmetric information. Knowing that other infrastructure, such as wastewater and energy, is reliable also mitigates traveller concerns and enhances the attractiveness of the visit.

That said, while good infrastructure is an important factor in destination attractiveness, it is likely to be less of a drawcard than other factors, like the uniqueness of local heritage and culture.

In early models of destination attractiveness, infrastructure was described as an important supporting factor for the real drivers of destination competitiveness – namely, core resources and attractors, destination management, destination policy planning and development, and

² Mazanec, J. A., Wöber, K., & Zins, A. H. (2007). Tourism destination competitiveness: From definition to explanation? *Journal of Travel Research*, 46(1), 86–95.

amplifying determinants (eg, locations, security, market awareness).³ In other models, infrastructure has been characterised also as a critical part of the services that add up to the tourist destination experience.⁴

Researchers and planners⁵ studying tourism on the island of Mauritius in the Indian Ocean have undertaken a comprehensive and systematic measurement of the influence of infrastructure on tourism development. Their conclusions include:

The growth in tourism infrastructure (rooms and capital works) on Mauritius has contributed positively to the number of visitor arrivals (along with, but distinguishable from, relative prices, distance, and average incomes in the origin country).⁶

The transport capital stock of Mauritius contributed positively to the number of tourist arrivals between 1971 and 2000. It was perhaps not as important as a contributor to tourism development as the growth in the number of rooms available for tourists to rent, but it was more significant than the amount of capital investment in communications, energy, wastewater and defence during the same period.⁷

2.2.2 New Zealand's tourism infrastructure

Within the World Economic Forum's most recent *Travel and Tourism Competitiveness Report 2015*,⁸ infrastructure components account for 18 of the 90 competitiveness measures used to rank 141 countries on their competitiveness as tourist destinations.

In that report, New Zealand is ranked as the 16th most competitive destination in the world. However, it comes 21st on infrastructure (largely due to its 49th ranking for ground and port infrastructure, which includes measures of road and rail density and quality, on which it scores poorly).

The quality of New Zealand's tourism infrastructure was an issue in *Tourism Industry Aotearoa's Tourism 2025*,⁹ which acknowledges that, while New Zealand's natural environment provides the setting for a range of visitor experiences, quality infrastructure is needed to support the range of activities that visitors enjoy.

Tourism 2025 argues that:

- › Public investment in tourism infrastructure will encourage private sector investment. Government support for convention centres and upgraded port and airport facilities will lead to private sector investment in complementary assets like hotels, restaurants, activities and attractions. Therefore, it recommends:

3 Crouch, G. I. & Ritchie, J. R. B. (1999). Tourism, competitiveness and societal prosperity. *Journal of Business Research*, 44(3), 137–152.

4 Ritchie, J. R. B. & Crouch, G. I.. (2003). *The competitive destination: A sustainable tourism perspective*. Wallingford, UK: CABI.

5 For example, Khadaroo, J. & Boopen, S. (2008). The role of transport infrastructure in international tourism development: A gravity model approach. *Tourism Management*, 29(5), 831–840; Khadaroo, J. & Boopen, S. (2007). Transport infrastructure and tourism development. *Annals of Tourism Research*, 34(4), 1021–1032.

6 Seetanah, B., Juwaheer, T. D., Lamport, M. J., Rojid, S., Sannasse, R. V., & Subadar, A. U. (2011). Does infrastructure matter in tourism development? *University of Mauritius Research Journal*, 17, 105.

7 Boopen, S. (2006). Transport capital as a determinant of tourism development: A time series approach. *Tourismos: An International Multidisciplinary Journal of Tourism*, 1(1), 55–73. Retrieved from <http://mpa.ub.uni-muenchen.de/25402/>

8 World Economic Forum. (2015). *The travel and tourism competitiveness report 2015: Growth through shocks*. Retrieved from http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf

9 Tourism Industry Association of New Zealand. (n.d.). *Tourism 2025*. Retrieved from <http://tourism2025.org.nz/>

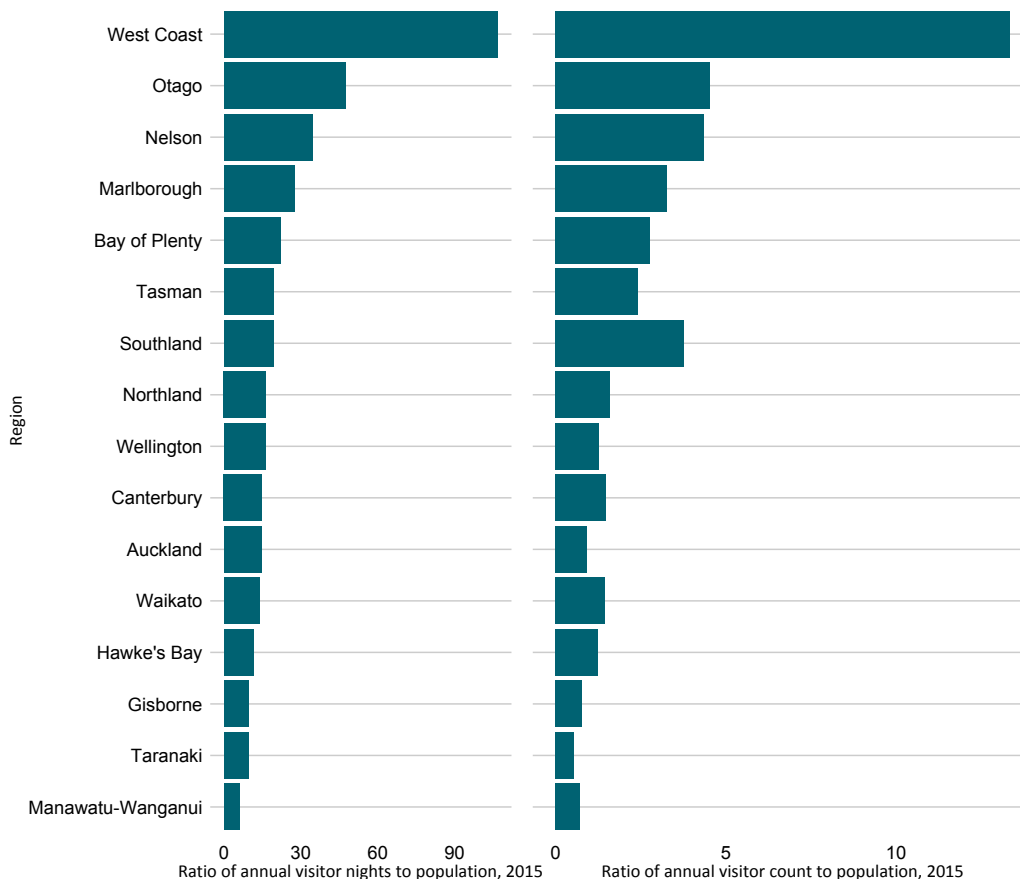
- continued government support for the International Convention Centre in Auckland and encouragement of a regional network of centres to further boost the important convention and incentive market
 - upgrading port infrastructure to handle the requirements of larger cruise ships visiting New Zealand more often
 - securing continued commitment from central and local government agencies for tourism to be prioritised as a critical contributor to Christchurch’s economic recovery.
- › Better Wi-Fi connectivity and broadband services will improve the visitor experience and raise New Zealand business capability, ensuring the tourism industry is internationally competitive. According to analysis by Tourism New Zealand¹⁰ on the International Visitor Survey microdata, the lack of free Wi-Fi is the main reason people rate accommodation poorly. Tourism 2025 recommends that New Zealand extend access to low cost Wi-Fi and broadband.
- › Local infrastructure that supports visitor activities also supports the people who live in the communities they visit. Roads that are safe and enjoyable and offer places to stop along the way enhance the holiday experience. Good signage, public toilets and dump stations, recycling and other local amenities are also integral to creating an outstanding visitor experience. Therefore Tourism 2025 recommends:
- through New Zealand Trade and Enterprise, promoting and encouraging international investment in tourism assets
 - supporting local infrastructure development, especially in popular visitor destinations
 - continuing the focus on improving visitor facilitation, including translation of public agency ‘visitor facing’ information
 - continuing investing in aviation infrastructure and technology, including Airways New Zealand’s navigation technology upgrades.

2.3 Tourism and population

Some regions are more affected by tourism than others. The ratio of visitor nights to population is a useful indicator of how tourism may affect the local infrastructure (Figure 3). A high ratio indicates that the relative number of tourists in relation to local residents is high, which means that the population in the region swells considerably during the high tourist season and there is an increased pressure on local infrastructure over that period. Among regions, the West Coast has the highest ratio, followed by Otago, Nelson, and Marlborough.

¹⁰ Tourism New Zealand. (2015). *Visitor experience*. Retrieved from <http://www.tourismnewzealand.com/markets-stats/research/infographics/visitor-experience/>

Figure 3: Ratio of annual visitor nights to population and visitor count to population, year ended December 2015



Source: MBIE, International Visitor Survey

2.4 State of the Industry Survey 2015

In a survey of 269 tourism industry businesses in 2015 by Tourism Industry Aotearoa, 37 per cent of respondents stated that (lack of) investment in infrastructure was a challenge for their business (3rd most popular response), and 21 per cent stated that it was the most significant challenge for their business (4th most popular response).¹¹ Conversely, 55 per cent of respondents stated that increased air capacity was an opportunity for their business (12 per cent considered it as their most significant opportunity), and 41 per cent stated that infrastructure improvements were an opportunity for their business (5 per cent considered it as their most significant opportunity).

¹¹ Tourism Industry Association New Zealand & Lincoln University. (2015). *State of the tourism industry 2015*. Retrieved from <http://tourism2025.org.nz/assets/Uploads/SOI-2015-Final.pdf>

The most significant challenge for tourism businesses in the survey was seasonality issues, which almost half of respondents stated as their most important challenge. In open survey answers the reason for the response was elaborated on with respondents describing issues such as accommodation capacity, overcrowding at tourist sites, and the result these have on tourist satisfaction.

In summary, the survey highlighted the importance of tourism infrastructure and its impact on businesses within the industry.