

# Terms of Reference

## Tourism New Zealand Domestic Demand Review

Written by the Ministry of Business, Innovation and Employment (MBIE) Tourism branch and Tourism New Zealand (TNZ)

### Purpose

1. This review considers Tourism New Zealand's (TNZ) role in driving domestic<sup>1</sup> tourism demand<sup>2</sup> over the medium to long term.
2. This assessment will include an analysis of the benefits, challenges and trade-offs associated with TNZ taking on a medium-long term role in generating domestic demand, paying particular attention to;
  - a. The benefits and challenges of a national agency leading delivery of New Zealand's domestic tourism demand. For example, whether it can influence or shape longer term government objectives such as seasonality (travel outside the peak season) and regional distribution (visitor spread across the country),
  - b. Understanding how a national body (such as TNZ) intersects with the role of a regional body (such as Regional Tourism Organisations [RTOs]/Economic Development Agencies) in driving and potentially shaping domestic demand, and
  - c. Understanding the trade-offs for Ministers, particularly between lifting overall demand, the distribution of that demand and what market failures or co-ordination failures are preventing this from happening already.

### Principles and responsibilities

3. This review will support the key objectives in both Tourism New Zealand's Letter of Expectation (LOE) from the Minister of Tourism, and the New Zealand-Aotearoa Government Tourism Strategy, most importantly:
  - a. Build on Tourism New Zealand's Enrich Aotearoa goals and the Government's New Zealand-Aotearoa Government Tourism strategy and its tikanga values.

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<sup>1</sup> For the purposes of this review domestic tourism is defined as visitors who reside within a country, travelling to a place within that country which is outside of their usual environment for a period not exceeding 12 months, and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited. For day trips within New Zealand, this is classified as an individual travelling at least 40 kilometres one way from where they reside for the day. (MBIE).

<sup>2</sup> 'Demand' in tourism marketing can be defined as influencing the quality and volume of domestic tourism for the long-term benefit of New Zealand-Aotearoa. (TNZ Statement of Intent, 2021/25). This is in regard to both generating demand (i.e. getting people to take a domestic holiday) and shaping demand while on a domestic holiday (i.e. encouraging greater spend, more/type of engagement in tourism product).

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- b. TNZ (are) to participate in a review lead by the Ministry of Business, Innovation and Employment (MBIE) assessing TNZ's role in stimulating domestic demand in the medium to long-term, including value for money, alignment with broader government goals, and consideration of how a focus on domestic demand may address ongoing challenges in the tourism sector.
- c. MBIE will lead the analysis and take ownership of delivering the final report. TNZ will be closely involved in the analysis and will contribute to, and have oversight of, the report.
- d. TNZ and MBIE will work together with regular communication and strong alignment of respective, and overlapping, work programmes. Each agency is able to have a differing point of view and that may be reflected in the final report.
- e. MBIE, with support from TNZ, will ensure this review involves intentional engagement with tangata whenua, including New Zealand Māori Tourism, Māori tourism operators, RTOs, iwi organisations and other key Māori stakeholders, both as Treaty partners and as key groups that could educate New Zealanders about their culture through domestic tourism.

## Background

### Government's Role in Tourism

4. Steward of the Tourism system – the Government/MBIE has a role in ensuring the long-term productivity and sustainability of the tourism sector in New Zealand. Beyond this, it also ensures maximum benefit (well-being) is delivered to New Zealanders through the success of tourism.

### Tourism New Zealand's Role

5. Tourism New Zealand is a Crown Entity that markets New Zealand as a visitor destination for the long-term benefits to New Zealand. It was established by the New Zealand Tourism Board Act 1991. For 20 years TNZ have promoted New Zealand as an international visitor destination under the brand campaign of 100% Pure New Zealand. TNZ's specific statutory functions include:
  - a. Developing, implementing, and promoting strategies for tourism, and
  - b. Advising the Government and the New Zealand tourism industry on matters relating to the development, implementation, and promotion of those strategies.
6. TNZ's Statement of Intent (SOI) FY18-21 previously outlined its role in exclusively international marketing of New Zealand.
7. TNZ's role has focused on international marketing of New Zealand, rather than domestic marketing because:
  - a. There may be wider benefits to New Zealand from international tourism (e.g., national brand; international connections; 'soft power').
  - b. International visitor expenditure adds to the size of the New Zealand economy, whereas domestic expenditure is simply an allocation within the economy.
  - c. International visitors spend more, meaning a greater Return on Investment.

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8. The Tourism New Zealand Board govern the entity and are responsible for decisions on effective use of funding resources and allocations. The board is appointed by the Minister of Tourism in consultation with the Cabinet Appointment and Honours (APH) Committee and Cabinet.

### **COVID-19 required Tourism New Zealand to pivot their key focus area:**

1. With the impact of COVID-19 and the closing of New Zealand's borders, TNZ's mandate was amended in the SOI (along with the scope of their appropriation) by Cabinet, from marketing to international tourists to instead allow for promotion of domestic tourism.
2. This change was introduced to support confidence in the industry during this period and to minimise any economic or social harm closed borders may cause to New Zealand's Tourism industry.
3. New Zealand's borders fully reopened to international travellers in July 2022. International visitors are returning to New Zealand in greater numbers, though a significant proportion remain as those visiting friends and family. New Zealanders are also choosing to travel overseas again, and there is an expectation that pent up demand will make these numbers disproportionately higher than pre-COVID-19 levels.
4. Given the changing context of tourism and the ongoing impact of COVID-19, it is appropriate to review TNZ's mandate with respect to domestic tourism.

### **Other agencies with a domestic tourism demand function**

5. New Zealand's Regional Tourism Organisations (RTO's) have traditionally been responsible for individual destination promotion and management (often working with local Government) whilst TNZ promotes travel to New Zealand as a whole.
6. The Department of Conservation (DOC) also has a domestic promotion function. However, this is less focused on tourism promotion and is specific to driving conservation awareness and visitation of our natural environment and national parks.
7. The tourism industry itself have a long-standing role in driving domestic demand. This is performed by individual tourism operators marketing themselves to New Zealanders. Events are also an important driver of domestic travel.

### **Scope overview - What will we consider & the intervention logic**

#### **Benefits and challenges of national agency leading delivery of domestic demand**

8. As part of the review, we aim to consider in which areas of Tourism Government should focus its efforts at this time, and as a subset of this, how Tourism New Zealand shaping domestic demand can support or influence these Government objectives. The Government does not market other sectors to consumers, requiring this review to analyse the benefits, costs and justifications of Central Government playing an ongoing role in stimulating

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domestic demand. For example, Government may view its medium-long term goals as a function of one of the following;

- Driving seasonality (out of season tourism, particularly to strengthen the security of employment and revenue for regions)
  - Driving more evenly spread regional dispersal
  - Sector resilience
  - Capability/coordination of industry, particularly representation of Māori tourism product and operators.
  - Diverting outbound travel to increase domestic travel, with the option to take an environmental view in mind to reduce carbon emissions.
9. Understanding the trade-offs of influencing any of the above will be an important aspect to this analysis. This includes how they both generate (getting people to take a domestic holiday) and potentially shape demand (encouraging greater spend, engagement), particularly in terms of whether a market failure is addressed or created.
10. To carry out this analysis, we will draw on international examples of best practice in domestic tourism marketing, with support from data recorded by TNZ and MBIE's Tourism Evidence and Insights Centre (TEIC). We will also undertake desktop research of other sectors in New Zealand to understand the Government's marketing role in operating domestically.

### **Stakeholder views on driving domestic demand**

11. Stakeholder perspectives on the impacts of both having, or not having, this function will be important to the review. This will be done through a combination of online and face-face interviews. These conversations will be guided by a set of questions co-developed by MBIE and TNZ to ensure their outcome remains in line with the review's purpose. These conversations will include consideration of:
- The differing roles of TNZ and Regional Tourism Organisations (RTOs) who presently have a role in individual destination promotion. Accordingly, this review will seek to understand whether they see an impact in having a body responsible for driving broader coordination of the domestic space. It will be important to understand whether this function would complement the work RTOs do, have only a small effect, or create an unnecessary overlap in this space (i.e., address or create a market failure).
  - Both 'small' and 'big' players within the industry will be considered to understand how domestic demand can impact them differently. Specifically, focus will be on the influence on trends such as seasonality and regional dispersal.

### **What is not being considered, or is out of scope?**

12. We are not assessing the impact of Tourism New Zealand's shift to focus on domestic tourism while the international borders were closed due to COVID-19. This is because the initiatives within this period fell within a set of unique circumstances unlikely to recur. This review is future focused with the long-term benefits for sector in mind, in alignment with the objectives of the New Zealand-Aotearoa Government Tourism Strategy.

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13. This review is also not considering whether additional funding be sought to fulfil this function.
14. Lastly, the review will not consider Tourism New Zealand's role in shaping demand from international visitors. This includes both to generate demand coming to New Zealand and shaping that demand of international visitors whilst on holiday in New Zealand. However, it will look at the trade-off of operating domestically, which needs to be considered alongside its ability to conduct other functions, such as international marketing (currently 90% of TNZ's portfolio).

### **Outputs**

15. A stand-alone report authored by MBIE, with input from TNZ, discussing the findings from the review, with a draft expected to be completed November 2022.
16. MBIE will then produce a briefing that includes the outcomes of the review and subsequent recommendations to present to the Minister. In event of the two agencies holding separate views at this stage, MBIE will share these with the Minister along with its advice presented as options for decision-making. MBIE and TNZ will be open and transparent about differing views throughout.

## Annex: Process and Timeline

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Date	Key Milestones
September 2022	<p>Briefing to Minister of Tourism, seeking feedback the suggested approach</p> <p>Develop a communications and engagement plan (internal TNZ and external facing MBIE)</p>
October 2022	<p>Desk research:</p> <ul style="list-style-type: none"> <li>• Data collection and analysis (desk research)</li> <li>• Case study analysis using a supporting framework</li> </ul> <p>Stakeholder interviews and analysis of feedback</p>
November 2022	<p>Produce report based on the findings from the research and analysis</p> <p>Briefing to the Minister of Tourism summarising the findings from the review and providing recommendations for the ongoing role of TNZ in domestic demand</p>