

1. Portfolio overview: Tourism and Hospitality

KEY ISSUES

Tourism is New Zealand’s second highest export earner, bringing in nearly \$11 billion in tourism expenditure per year, directly contributing around 3.7% to our GDP and nearly 200,000 jobs.

The Tourism and Hospitality portfolio expenditure is small at around \$150 million, representing around 2.3% of MBIE’s overall spend, with majority of the spend funding Tourism New Zealand (\$106 million). Of the total spend around 30% is funded by the International Visitor Conservation and Tourism Levy (IVL).

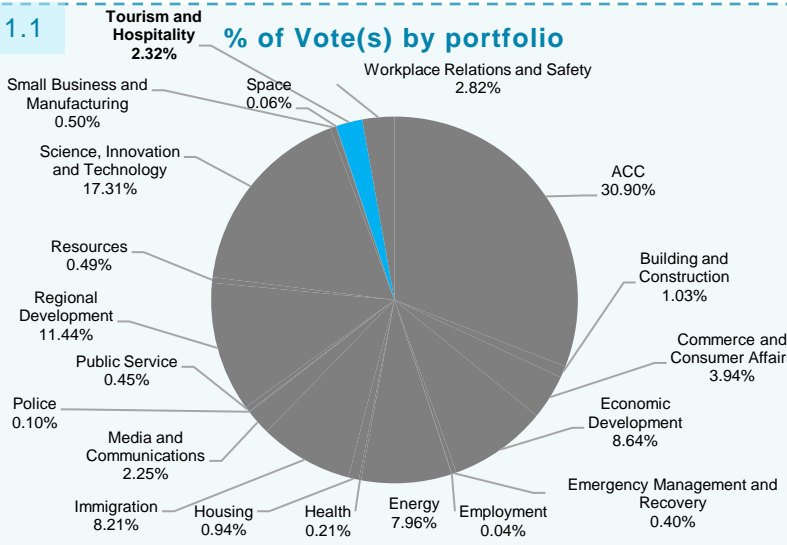
Government is both a direct provider of services for tourism (at the border, international marketing, and through the Department of Conservation) and stewards of the system (policy settings shape the performance, productivity and externalities from tourism).

The primary functions of the portfolio are monitoring and advice related to Tourism New Zealand, as well as policy, regulatory, data and funding support. Several additional functions have been added over time with the portfolio delivering these functions with fewer resources.

There are two key issues in the portfolio:

- 1. Treatment of IVL revenue:** Ministers have recently decided to increase the IVL level but have not decided how to allocate the additional revenue. IVL revenue is hypothecated to tourism and conservation (which are broadly defined). A key Ministerial / Cabinet decision is around how the additional IVL revenue will be spent.
- 2. Departmental appropriation.** The policy advice appropriation declines by 21% from \$5.81m in 2025/26 to \$4.65m in 2028/29. This will lead to some reduction in ability to service the portfolio.

SPEND BY PORTFOLIO



TARGETS AND PRIORITIES

Government targets

Tourism is a key sector to deliver on the Government’s goal to double exports being the second highest export earner in the economy at \$10.8 billion for the year ended March 2023. Prior to COVID-19, it was the largest export earner.

Strategic priorities

The Government has a clear priority to deliver practical support to lift the contribution of tourism and hospitality to the New Zealand economy and export performance.

Growing the value of international tourism also brings non-financial benefits to New Zealand by supporting regional potential, helping to preserve our natural environment and supporting people-to-people linkages across the globe. More airline capacity brings both passengers and freight.

Tourism also brings impacts such as congestion, infrastructure pressure and demands for temporary migrant labour. These impacts can be disproportionately felt by regions with high visitor populations.

Portfolio priorities

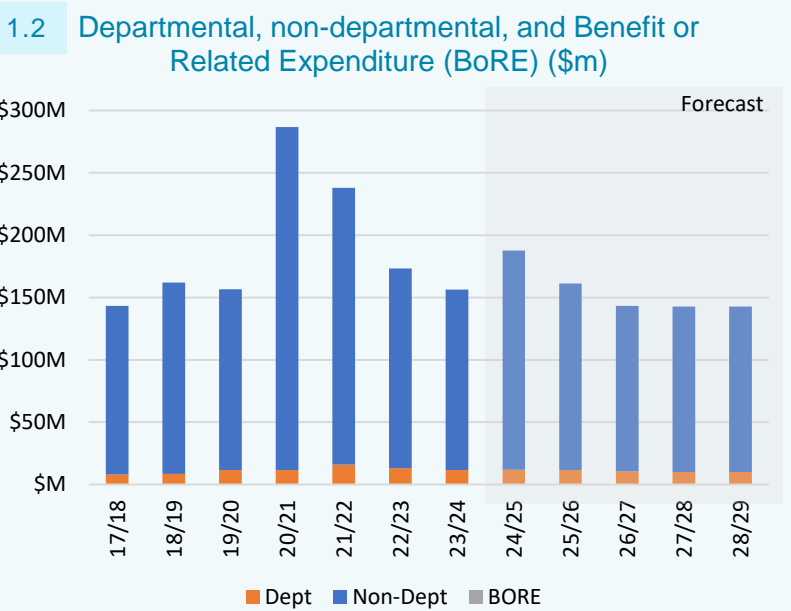
The Minister for Tourism and Hospitality has four priorities for the portfolio:

- Exports:** increase the value of international tourism and hospitality while maintaining social licence.
- Regions:** enable regions to maximise the value of tourism and hospitality.
- Workforce:** support the people in the tourism and hospitality workforce.
- Businesses:** make it easier for tourism and hospitality operators to do business.

These priorities are driving core policy work in the portfolio, such as:

- Tourism New Zealand’s development of an off-peak growth strategy.
- A review of the IVL and an associated investment strategy.
- Connections with key government work programmes, such as Regional Deals, conservation reforms, Milford Opportunities Project, aviation resilience and decarbonisation.
- A regulatory programme to support changes to freedom camping.
- Implementation of key funds, including the Regional Events Promotion Fund and Electrify Great Rides Fund.
- Refreshing the Great Rides Cycle Trails programme.
- Delivering a Hospitality Forum and subsequent roadmap.
- Strengthening datasets for the tourism and hospitality system.

EXPENDITURE BY TYPE



Note Graph 1.2 above includes the tourism and hospitality portion of MBIE’s economic development Multi-Category Appropriation for policy advice and related services to Ministers.

Recent changes in expenditure

Portfolio expenditure is dominated by non-departmental expenditure of which the majority is spent on marketing New Zealand as a visitor destination via Tourism New Zealand (around 70% of total spend).

Non-Departmental expenditure increased significantly in 2020/21 and 2021/22 largely due to the COVID-19 tourism response. The response included packages like the Strategic Tourism Assets Protection Programme which aimed to protect New Zealand’s core tourism assets from the disruption caused by the border closure.

The increase in 2024/25 is mostly attributable to the final year of the Tourism Infrastructure Fund and other time-limited appropriations related to COVID-19 ending.

Expected changes in expenditure

Crown revenue from the IVL will rise following a recent decision to increase the amount of the IVL from \$35 to \$100 per person. This is expected to increase annual revenue from around \$80m to around \$230m per annum. As a result, non-departmental expenditure may increase depending on how Ministers decide to spend additional revenue.

Monitoring and funding of Crown companies or entities

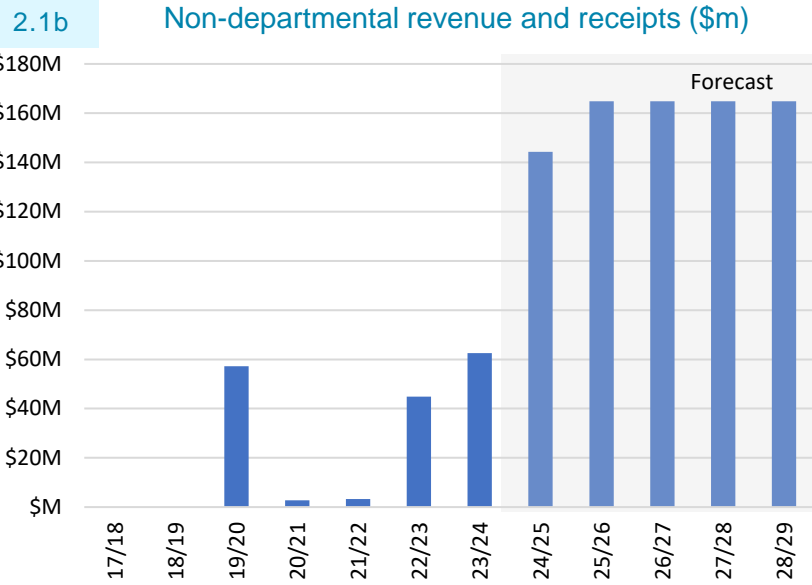
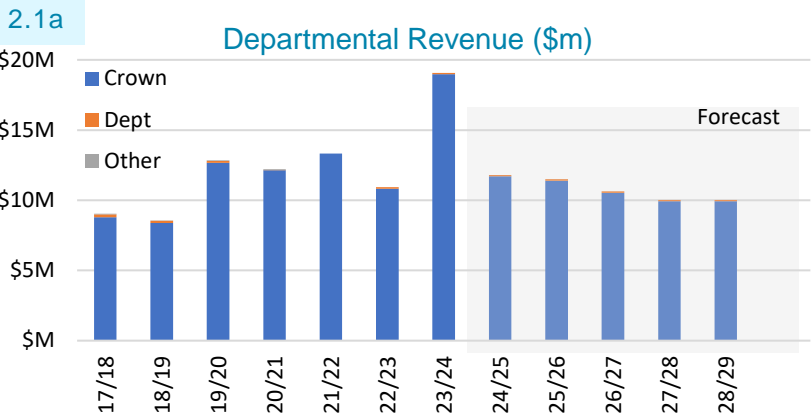
The portfolio includes Tourism New Zealand, which is a relatively small Crown Entity with a global footprint. It is exposed to global media prices and exchange rates and competes with the private sector for marketing professionals. Tourism New Zealand has a fixed baseline that is partially funded from the IVL.

2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

SPECIFIC FISCAL RISKS			WORKFORCE
Title / Description	Amount and Probability	Mitigations	Drivers and implications of change(s) in FTE
Budget 24 assumed an IVL increase to \$70 would contribute \$50m in 24/25 and \$70m in outyears towards existing tourism and conservation baseline spending. A decision has been made to increase the IVL to \$100. No decisions on allocation of that revenue have been made. If all increased IVL revenue is spent on new initiatives, this would give rise to a fiscal shortfall.	Possible	Investment decisions to be determined between Ministers.	<p>Tourism growth drives demand for government coordination to support a productive sector and ensure the benefits of tourism are captured and the negative impacts are minimised, while slow/negative tourism growth can drive pressure to stimulate growth. The regulatory, investment, and policy work drives the FTE requirements.</p> <p>Specifically, MBIE's FTEs are driven by:</p> <ul style="list-style-type: none">• volume of policy work and Ministerial Servicing relative to other portfolios in the Multi-Category Appropriation, and• number and complexity of grant schemes administered, noting there is a long tail of contract management even once programmes have ceased. <p>Tourism New Zealand's FTEs are driven by:</p> <ul style="list-style-type: none">• number of offices, and• mix of work (eg advertising v relationship with Travel Trade). <p>While labour costs are a much smaller share of that appropriation, TNZ is competing against private sector marketing teams for labour. In both cases fewer FTE will mean reduced outputs, a narrower scope of work (eg less co-ordination) Confidential advice to Government</p>
If increased IVL revenue is used entirely to offset existing baseline spending, this is fiscally positive in the near term but creates fiscal risk from visitor fluctuations, and unfunded pressure on high use tourism related infrastructure.	Possible		

DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

Revenue sources



Third-party revenue

Ref	Source
1	International Visitor Conservation and Tourism Levy
2	Self-contained Vehicle Levy

Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
International Visitor Conservation and Tourism Levy (IVL): Unexpected changes in demand for visitor visas and ETAs reduces IVL revenue	Yes	Yes
Changes in IVL rate affects IVL revenue – i.e. reduced demand	Yes	Yes
Demand for self-contained vehicle certifications is less than modelled for viability of Plumbers, Drainlayers and Gasfitters Board to carry out regulatory function.	N/A	Unclear as system still embedding.

Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
Tourism and conservation initiatives funded by the IVL	100%	2024	2029	Over Recovery	Funds both Tourism and Department of Conservation activities.
Certification activity for self-contained vehicles	100%	N/A	2027	N/A	New levy introduced in 2023. The Board is tasked with implementing the regulatory requirements.

Non-departmental revenue uses the Budget 2024 placeholder amount for IVL revenue of \$50m in 2024/25 and \$70m in 2025/26 and outyears based on a \$70 IVL. The actual forecast revenue will be higher as Cabinet subsequently decided on a \$100 IVL which will bring in approximately \$229m per year from FY25. The higher revenue amount will be reflected in the March Baseline Update.

3. Portfolio Managing within baselines: Current and future drivers

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES							FUTURE DRIVERS		
4.1	Operating impact \$m increase, (decrease)								
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29			
Total baseline*	135.39	179.04	152.57	135.26	135.26	135.26			
Operating baseline	135.39	179.04	152.57	135.26	135.26	135.26			
Total volume pressures	-	-	-	-	-	-			
Total price pressures	-	-	-	-	-	-			
Total wage pressures	-	0.14	0.25	0.35	0.46	0.56			
Total other pressures	-	0.03	0.08	0.09	0.10	0.11			
Total cost pressures	-	0.17	0.33	0.44	0.56	0.67			
Total reprioritisation/ savings	-	(0.17)	(0.33)	(0.44)	(0.56)	(0.67)			
Net impact on baseline	-	0.00	0.00	0.00	0.00	0.00			
*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.									
Summary of cost pressures:									
Increasing costs in the portfolio are largely based on wage costs and rising global marketing costs. These cost pressures are exacerbated by a falling policy baseline, which will decline by 21% between 2025/26 and 2028/29.									
We would expect to meet these cost pressures by reducing outputs and finding cheaper ways to deliver similar outputs. However, without further funding against the declining policy baseline, there will be a material reduction in the ability of the portfolio to service outputs and Ministerial priorities.									
Further possible spending shocks would not be able to be met within existing baselines unless Ministerial decisions related to the allocation of the increased IVL revenue is tied to these costs							Confidential advice to Government		
Plan for managing within baselines (Table 4.1)									
• [How are you planning on managing savings and cost pressures in the next four years to live within set baselines (including considering revenue raising options)? *This should include all current savings measures and the trade-offs required, e.g. Budget 2024 savings.]									
Impact									
Area	24/25	25/26	26/27	27/28	28/29	Description			

Volumes of tourism: Depending on whether visitor growth is fast or slow changes the mix of work. High growth requires more co-ordination across agencies, and is a direct cost driver for DOC, local government etc. Slow/negative growth tends to prompt a response to try to stimulate demand, including investment in marketing and grants to firms/sectors.

Larger international footprint: In the past, TNZ has been requested to move into new markets. This generally requires new resourcing.

Other portfolio pressures: In recent years there has been increased demand for tourism policy to address other problems, examples include:

- support for destination management at place
- concerns about visiting drivers causing accidents (MOT/Police issue)
- concerns about Freedom Camping (DOC/Local Government issue)
- concerns about tourism pressure on infrastructure (Local Government issue)
- concerns about regional economic development
- concerns about the regulatory burden on the hospitality sector.

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
Demand for more co-ordination across agencies	Reprioritisation	Will vary based on activity being stopped
Demand for Short-term 'fixes' in the form of grant programmes	Fix systemic issues (eg narrow range of revenue tools for local government)	Policy design/legislative process
Demand for more international marketing (especially greater footprint in new markets)	Would not be able to be met from within portfolio	
Personnel costs	Efficiencies in process, re-prioritisation	Will vary based on activity

4. Portfolio Managing within baselines: Workforce and capability

Strategy for workforce costs, including remuneration

Bargaining is underway therefore we are unable to provide full details of MBIE’s remuneration strategy until the process is complete. The focus of MBIE’s approach is to ensure workforce costs balance affordability alongside ongoing sustainability and enable us to deliver MBIE’s work programme.

Tourism and hospitality policy advice and related services is funded via a Multi-Category Appropriation in MBIE which falls out of the Economic Development portfolio. The tourism and hospitality share is declining (resulting from fixed term funding). The change in baseline is shown compared to 2025/26 which has a policy baseline of \$5.811m.

	2025/26	2026/27	2027/28	2028/29
<i>Change in baseline</i>	-	-0.549	-1.161	-1.161

The current breadth and pace of work in the portfolio cannot be supported with a reducing baseline. The change in baseline represents approximately 6 FTEs fewer by 2027/28 (including overheads and associated expenses), which is approximately a 20% reduction, not accounting for wage increases on top of the declining baseline. This will necessitate some reprioritisation and a reduction on MBIE’s ability to service the portfolio.

Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

MBIE has both a significant enterprise ICT infrastructure and technology platforms that underpin specific economic systems and engagement with businesses and the public – from key application processes (eg visas), registries (eg licenced builders), to contact centre help lines (eg tenancy).

MBIE is investing in modern, cloud-based, scalable, multi-use platforms to reduce system complexity. In the next 12-24 months moving off all on-premise data centres into the public cloud is a key shift.

Simplification and the considered use of AI will contribute to greater efficiency and effectiveness across the business.

Cyber threats are a growing issue. In response we have already delivered a number of modern security tools as part of a zero-trust architecture. We continue to implement these across MBIE.

MBIE collects and manages a wide range of data. We have invested in and are implementing a cloud data platform designed to make data more accessible, but also safe. This work is prioritised within our new Data Strategy which brings together new technology and data capabilities, and a new way of working to deliver the value of analysis and insights that shape policy and operational decisions at speed. MBIE has extensive governance and risk management systems in place, managing both strategic, policy and operational matters.

5. Managing with baselines: Investment and monitoring

MONITORING STATEMENT (IF APPLICABLE)

Tourism New Zealand (TNZ) is a Crown agent, with a legislative mandate under the New Zealand Tourism Board Act 1991. TNZ's statutory objective is to ensure that New Zealand is marketed as a visitor destination to maximise long-term benefits to New Zealand. Its statutory functions are to:

- develop, implement, and promote strategies for tourism, and
- advise the Government and the New Zealand tourism industry on matters relating to the development, implementation, and promotion of those strategies.

MBIE provides quarterly performance updates to the Minister for Tourism and Hospitality and further updates as necessary through officials' weekly report to the Minister.

Confidential advice to Government

MBIE's monitoring activities include:

	Tourism New Zealand
Activity	Standard
Appointments & Governance	As required
Performance advice to relevant Minister/s	Quarterly plus weekly report items.
Engagement with Chair / Board	Six-monthly
Engagement with CE / ELT	Quarterly
Regular attendance at board meetings	✖
Significant additional activities status	Review being organised

We also work with the **Plumbers, Drainlayers and Gasfitters Board** on the Self-Contained motor vehicle part of their role. It is intended that this will be third party levy funded.