

# An undeniable trend – New Zealand is underinvesting in Tourism

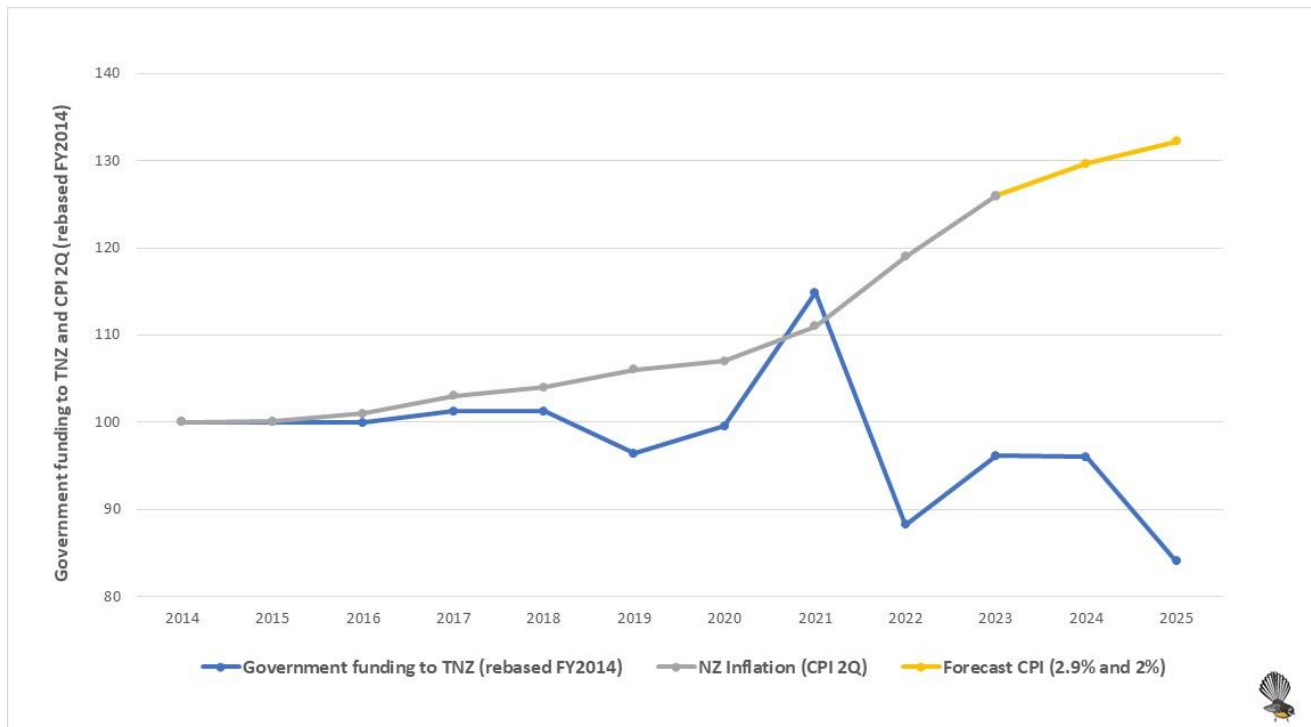
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We have a real problem.

I have long argued that New Zealand undervalues and underinvests in tourism infrastructure, with comically low levels of government investment announced in celebratory tones by politicians and policymakers. Compared with the massive tax revenues generated by the tourism industry, central government simply does not do enough to support supply side tourism investment and facilitate sustainable growth in tourism infrastructure.

The evidence is now clear that New Zealand is also systemically underinvesting on the demand generation side. The following graph should horrify anyone connected with the tourism industry in New Zealand.



The graph illustrates the substantial decline in central government funding provided to Tourism New Zealand (TNZ) over the last decade, and especially since 2018. It plots the Crown's annual contribution to TNZ alongside inflation (CPI), with both numbers re-based to 100 in 2014. The growing gap between the two lines shows how far funding of TNZ has fallen in real terms.

In short, if the government's recent announcement of a \$15 million reduction in TNZ baseline funding for next year is implemented, then it means topline annual investment into TNZ's destination marketing will have decreased by 16.3% over ten years. Meanwhile, cumulative inflation over that same period is on track to reach a whopping 32%. The outcome? Less money for TNZ's activities in a much higher-cost operating environment.

Turning to the underlying numbers, in FY2014 central government funded TNZ to the tune of \$115.9 million. Keeping up with inflation only, that funding should be reaching \$153 million in FY2025. Instead, Minister of Finance Grant Robertson is proposing to fund only \$97 million, which is an annual shortfall of \$56 million or 37% below where it should be. This is evidence of a serious and sustained degradation in funding for TNZ, which is the organisation behind Aotearoa's internationally-acclaimed "100% Pure" campaign. Talk about slowly strangling the goose that lays golden eggs!

What has happened to Tourism Australia funding in the same period? The Aussies clearly value their tourism industry and funding has moved from AU\$130 million (2014) to AU\$184.5 million (2024), which is a 42% increase. International tourism is a competitive activity, and Australia has been making a lot more good moves than New Zealand in the last decade.

New Zealand's visitor economy in 2025 will be much larger than it was in 2014, even after the massive damage caused by COVID and closed borders. The minimum wage has risen 60% across the same period, and population has increased by 15.6%. The period under analysis includes 865 days of COVID-related closed borders, during which time topline annual revenue from international tourism fell by 91.6% (\$17.6 billion to \$1.5 billion). Profitability for tourism businesses is still below pre-COVID levels, which means New Zealand cannot afford to put the brake on its international marketing activity.

It is mind-boggling that New Zealand's leaders would consciously and deliberately choose to de-fund and weaken our international tourism marketing agency at this point in the cycle. Tourism was once New Zealand's largest export industry and is destined to reclaim that spot at some point in the next ten years. Has no-one noticed the trade deficit problem?

On top of these problems at a national level, our largest city and principal international gateway (Auckland) has done the exact same thing, cutting destination marketing and event attraction to the bone after boxing itself into a corner with the ill-fated and poorly-designed Accommodation Provider Targeted Rate (APTR).

It is beyond time to be doubling down and *fully* investing in New Zealand's tourism industry. Tourism is an export industry that creates meaningful employment and drives regional transformation – it can help New Zealand rise up in response to our current economic challenges, including the stubborn trade deficit and stagnant growth.

Who has a vision to truly transform New Zealand? Tourism could be the missing piece of the puzzle if done right.

You want to know who to vote for in the upcoming election on 14 October 2023...? Whoever reflects on this graph and understands the *urgent* need for a credible plan to reform and reimagine New Zealand's entire tourism industry. Policymakers must demonstrate a genuine desire to fix this dramatic fall-off in both demand-side and supply-side funding of tourism, or else the damage could take years to repair. Serious conversations need to be had very quickly between all stakeholders, or else New Zealand's once-stellar tourism industry will continue to lurch from crisis to crisis. In years to come, we cannot pretend we didn't see it coming.

Are you worried yet? Feel free to share and debate this graph with your favourite politician or political candidate, your local mayor, your chamber of commerce, your employees, your employer, your bank and your friends. New Zealand isn't a big place and word can get around, but tourism industry insiders *must* start telling this funding story clearly if we ever want to drive change.



# Sources and further reading

**Recent announcement of \$15 million reduction in Tourism New Zealand baseline funding:**

<https://www.beehive.govt.nz/release/government-tightens-belt-and-clamps-down-spending-consultants-and-contractors> including \$15 million reduction in baseline funding to Tourism New Zealand confirmed by Minister of Tourism Hon Peeni Henare (<https://www.tourismticker.com/2023/08/30/size-of-funding-cuts-to-tourism-nz-innovation-programme-revealed/>).

**Central government's under-investment in tourism infrastructure:** <https://www.mbie.govt.nz/immigration-and-tourism/tourism/tourism-funding/tourism-infrastructure-fund/>.

\$25 million of annual funding to the Tourism Infrastructure Fund is 0.65% of the total GST collected by central government from domestic and international tourists in FY2020 (see Tourism Satellite Account, table 1, linked below). For “celebratory tones”, Google: “Tourism Infrastructure Fund Beehive announcements” and take your pick.

**Massive tax revenues from tourism:** Tourism Satellite Account at <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2022/>, see table 1 for GST paid on purchases by tourists, which reached just under \$3.9 billion in FY2020. In October 2020, [FreshInfo](#) estimated from publicly available Treasury and StatsNZ data that total Crown income from the NZ tourism industry (including GST, profits tax, PAYE and excise tax receipts) reached \$7.3 billion in FY2020.

**Tourism New Zealand annual funding:** <https://www.tourismnewzealand.com/about-us/publications/>. Prior TNZ annual reports held by the author, contact: [james.doolan@fantailadvisory.com](mailto:james.doolan@fantailadvisory.com)

**New Zealand CPI to 2023 (using 2Q figures):** <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/inflation-calculator>

**Inflation forecast for FY2024 and FY2025:** <https://tradingeconomics.com/new-zealand/inflation-cpi?embed/forecast>

**Tourism Australia FY2014 funding:** <https://www.tourism.australia.com/en/about/our-organisation/our-performance-and-reporting.html>

**Tourism Australia FY2024 funding:** <https://www.dfat.gov.au/sites/default/files/arpp-2023-24-tourism-australia.pdf>

**60% increase in New Zealand minimum wage between 2014 and 2023:** <https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/previous-rates/>

**New Zealand population growth 2014-2023:** <https://www.stats.govt.nz/information-releases/national-population-estimates-at-30-june-2023/> showing 4,516,500 as at June 2014 and 5,223,100 as at June 2023.

**91.6% decline in spending by international tourists as a result of COVID border closures:** Tourism Satellite Account at <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2022/>, see table 2 and compare “International Tourism Expenditure” FY2020 with FY2021.



## Disclosure

As well as being principal of [Fantail Advisory](#), James Doolan is Strategic Director of [Hotel Council Aotearoa](#) (HCA). HCA is the industry association for New Zealand's hotel sector. Since its inception in 2020, HCA has repeatedly lobbied central and local government – and other tourism industry stakeholders – to support wholesale reform of New Zealand tourism industry funding as the highest priority response to COVID. HCA has also consistently opposed ad hoc and inconsistent localised funding solutions such as Auckland's APTR and Queenstown's push for a separate regional bed tax, since they are inefficient and a terrible visitor experience. In September 2021, HCA [called for central government to fully fund Tourism New Zealand and RTOs for a period of three years to help the tourism industry fully recover after COVID](#).