



## BRIEFING

### Short term tourism package to address economic impacts of COVID-19

Date:	21 February 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	2417 19-20

Action sought		
	Action sought	Deadline
Hon Kelvin Davis Minister of Tourism	<b>Approve</b> the short term tourism response package for Tourism NZ and affected regions  <b>Forward</b> to the Minister of Finance	24 February 2020
Hon Grant Robertson Minister of Finance	<b>Approve</b> the short term tourism response package for Tourism NZ and affected regions	26 February 2020

MBIE contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Richard Davies	Manager, Tourism Systems and Insights	04 901 2059	Privacy of natural persons	✓
Rebecca Heerdegen	Principal Policy Advisor	04 901 1564	-	

The following departments/agencies have been consulted
Treasury has been consulted on this report. Tourism NZ has been consulted, and provided the detailed information regarding the international marketing campaign to activate alternative markets The domestic campaign has been discussed with Regional Tourism New Zealand, and they support this approach.

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments

## BRIEFING

### Short term tourism package to address economic impacts of COVID-19

<b>Date:</b>	21 February 2020	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2417 19-20

#### Purpose

Cabinet approved an \$11 million contingency for a short term tourism promotion package to soften the impacts of COVID-19 on the tourism sector, and flow-on effects to the wider economy. This report seeks joint Minister approval of the package and the drawdown of that funding, as authorised by Cabinet.

#### Executive summary

Cabinet approved an \$11 million contingency for a short term tourism promotion package to soften the impacts of COVID-19 on the tourism sector, and flow on effects to the wider economy [CAB-20-MIN-0037 refers]. There are two parts to the package.

In order to maximise the impact, there is some urgency in deploying these funds. **Commercial Information**

#### Increased international marketing in alternative source markets (\$10 million)

TNZ has already re-deployed \$3 million in uncommitted funds to boosting alternative markets. Additional funding will significantly enhance the effectiveness of those campaigns by increasing reach to more potential visitors, and increasing the number of times individuals are exposed to the campaign.

TNZ cannot replace or reverse the loss of visitors, however, this work can materially improve the balance and resilience of the market. TNZ has identified the following markets as having significant potential for increased conversion (moving people from considering travel to booking travel):

s6(a)

TNZ will finalise the best deployment of funds in consultation with its Board and based on specific market intelligence and consumer insights.

## Domestic tourism promotion (\$1 million)

Domestic visitors are likely to be most easily motivated for short term travel, particularly through the remainder of summer and on to Easter/school holidays. MBIE recommends a regional cluster approach, broadly sharing out funding evenly. **Confidential advice to Government**

Officials consider that regions are best placed to understand how to promote themselves, and therefore recommend a broad scope for campaign plans, with a requirement that they target increasing, rather than redirecting, domestic visitors.

### Recommended action

---

The Ministry of Business, Innovation and Employment recommends that you:

*Cabinet agreed to a short term response campaign*

- a **Note** that on Monday 20 February 2020 Cabinet agreed to a short term COVID-19 tourism response package that included:

- i. Funding for a domestic tourism campaign in the most affected regions
- ii. Extending TNZ marketing activities in alternative markets to diversify the visitor portfolio and stimulate the economy

*Noted*

*Noted*

- b **Note** that Cabinet set aside a contingency of \$11 million for the above package, and authorised the Ministers of Tourism and Finance to approve the drawdown of the funding and the details of any appropriation changes

*Noted*

*Noted*

- c **Note** that funding for these campaigns is required now, as:

- i. Campaigns require approximately 4 weeks to deploy in market
- ii. Peak booking periods commence from March

*Noted*

*Noted*

*Tourism NZ package will target four markets*

- d **Note** the TNZ package will significantly scale up the current \$3 million being re-deployed from China to other markets, and they anticipate increasing returns from scale

*Noted*

*Noted*

s6(a)

*Noted*

*Noted*

- f **Note** TNZ will monitor the effects of this campaign, and report back to MBIE with results

*Noted*

*Noted*

*A domestic promotion campaign delivered by four regional clusters*

- g **Note** that there is scope to convert domestic visitors for Easter and school holidays, which will soften the impacts of reduced international visitors during this peak season

*Noted*

*Noted*

- h **Note** that officials consider regions are best placed to identify how to increase domestic visitor numbers for their own region

*Noted*

*Noted*

- i **Agree** that campaign plans:

- i. may cover a range of tourism promotion activity
- ii. should identify all partners (regional tourism organisations and/or businesses)
- iii. must seek to generate additional or longer stay visitation
- iv. must not seek to impact visitation in other locations
- v. include report backs to MBIE on impact by September 2020

*Agree / Disagree*

*Agree / Disagree*

- j **Note** that RTNZ will co-ordinate and administer the domestic campaign package, on behalf of MBIE

*Noted*

*Noted*

- k **Confidential advice to Government**

*Noted*

*Noted*

*Financial recommendations to give effect to the tourism package*

- l **Agree** to establish the following new appropriation:

<b>Vote</b>	Business, Science and Innovation
<b>Minister</b>	Minister of Tourism
<b>Title</b>	COVID-19 tourism response
<b>Type</b>	Non-departmental output expense
<b>Scope</b>	This appropriation is limited to domestic visitor marketing, and destination planning and management, and supporting actions in response to the tourism sector impacts of COVID-19

*Agree / Disagree*

*Agree / Disagree*

- m **approve** the following changes to appropriations to give effect to tourism package proposal above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
<b>Vote Business, Science and Innovation Minister of Tourism</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24 &amp; Outyears</b>
<i>Non-departmental output expenses:</i>					
Marketing of New Zealand as a Visitor Destination	10.000	-	-	-	-
COVID-19 tourism response	1.000	-	-	-	-
<b>Total Operating</b>	<b>11.000</b>	-	-	-	-

*Approved / Not Approved*

*Approved / Not Approved*

- n **agree** that the proposed change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply

*Agree / Disagree*

*Agree / Disagree*

- o **agree** that that the expenses incurred under recommendation 3 above be charged against the between-Budget contingency established as part of Budget 2019

*Agree / Disagree*

*Agree / Disagree*



Richard Davies  
**Manager, Tourism Systems and Insights**  
Labour, Science & Enterprise, MBIE

21 / 2 / 2020

Hon Kelvin Davis  
**Minister of Tourism**

..... / ..... / .....

Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....

## Background

---

1. As outlined for Cabinet [CAB-20-MIN-0037 refers], the COVID-19 outbreak is having a significant and immediate effect on the tourism sector in New Zealand.
2. Tourism is one sector of the economy that is already feeling those impacts. Tourism is a significant part of the economy, but it is also spread across many sub- sectors (accommodation, food and beverage, transport, retail etc). The Chinese market is around 5-6% of sector revenue, or \$1.7 billion. We also anticipate wider effects on other source markets, as the COVID-19 situation evolves. This sort of reduction in revenue is likely to affect firm profitability, and for specialist firms it may affect their viability.
3. Tourism is a very diverse sector, and therefore the impacts on individual firms will vary significantly. Some destinations have significant exposure to the Chinese market, and in those locations effects will be felt not only by tourism operators, but also by the wider business community. Individual firms exposure will also vary, depending on how diversified their customer base is. In addition, some firms are also coping with other adverse events, such as flooding in southern New Zealand.
4. Given the reach and spread of the tourism sector across almost all regions and communities in New Zealand, tourism can be a transmission mechanism for those negative impacts, or with the right support can help offset the effects on firms, jobs, and communities.
5. MBIE is already taking action, sharing information and ensuring strong communication links between sector and Government. In addition, Tourism NZ (TNZ) is re-deploying \$3 million of uncommitted funds to alternative markets and partnering with commercial operators.

### **Cabinet approved a short term response package**

6. In order to minimise the impacts of reduction in Chinese visitors (and potentially other markets), Cabinet set aside funding in a contingency for two immediate actions:
  - a. Funding for domestic campaigns to support the most affected regions (\$1 million)
  - b. Extend TNZ marketing activities in other markets to diversify the visitor portfolio and stimulate the economy (\$10 million)
7. Cabinet also authorised the Ministers of Tourism and Finance to approve the drawdown of the funding and the details of any appropriation changes

### **Proposed package for immediate tourism sector response**

---

8. Cabinet approved a two-part immediate response to the impacts of COVID-19 on the tourism sector, with a view to stimulating economic activity, and offsetting wider economic impacts on communities.

*Decisions are required now due to short lead times*

9. **Commercial Information**

**Increased international marketing in alternative source markets**

*TNZ has a track record in delivering return on investment*

10. Cabinet set aside \$10 million to boost **Privacy of natural persons** **Government**
  - a. **Commercial Information**
  - b. TNZ cannot 'replace' all lost Chinese arrivals given the scale of the Chinese market, however, this campaign can materially improve the balance and resilience of the market portfolio.

*Market selection based on likely visitor conversion rates*

**s6(a)**

12. TNZ would finalise the best deployment of funds in consultation with its Board and based on specific market intelligence and consumer insights. The markets for increased investment are those that TNZ judges are less likely to be affected by potential future travel constraints on Asian airline hubs should the COVID-19 have a broader affect on travel.

*Monitoring and reporting*

13. TNZ will report on performance as the campaign is developed, deployed, and realised. TNZ will have lead indicators on performance by May, and line of sight on “dollars and arrivals” from August.

**Domestic tourism promotion**

14. The driver for a domestic campaign is the short lead time for domestic visitors. In particular, it is more likely that visitor numbers could be boosted in domestic markets for the remainder of summer and on to Easter/school holidays. This was the basis for \$1 million contingency agreed by Cabinet.

*Officials recommend four regional cluster domestic campaigns*

15. Confidential advice to Government

16.

17.

18.

*Regional clusters to develop their own campaigns*

19. MBIE considers that Regional Tourism New Zealand (RTNZ) the RTOs in affected regions and industry are best placed to co-ordinate, design and deliver a campaign that activates domestic travel to affected regions.

---

<sup>1</sup> The MRTes provide an estimate of regional monthly expenditure on tourism from both international and domestic consumers. The model draws on eftpos data and the tourism satellite account.



20. Regions are best placed to understand how to promote themselves, and we therefore recommend that the scope of campaign plans should be allowed to be quite broad, but should target increasing, rather than redirecting, domestic visitors.
21. To support co-ordination between the four campaigns, we also recommend that RTNZ oversee the work, including administering the funding. RTNZ has agreed to this role.
22. We will require reporting on the impact of campaigns by September 2020.

## Next steps

---

23. Following joint Ministers approval, both parts of the tourism response package will be deployed.
  - a. Tourism NZ is poised to push go on the components of its market campaign, as outlined in Annex One
  - b. RTNZ and the RTOs will begin developing campaign plans, with a view to implementing within the next two to three weeks.

## Annexes

---

Annex One: **Commercial Information**

Annex Two: **Confidential advice to Government**

Proactively Released

Proactively Released

Proactively Released