

Statement of Performance Expectations (SPE) 2021 – 2022



**100% PURE
NEW ZEALAND**

June 2021



Presented to the House of Representatives pursuant
to section 149 of the Crown Entities Act 2004

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Statement of responsibility


This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Tourism New Zealand (TNZ), pursuant to the Crown Entities Act 2004 (the Act). This SPE sets out the forecast performance of TNZ for the period from 1 July 2021 to 30 June 2022.

TNZ's prospective financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and its audited accounts will comply with the applicable financial reporting standards.

TNZ is responsible for the prospective financial statements contained in this document, including the appropriateness of the underlying assumptions.

The structure and content of this SPE follows the general requirements set out in the Crown Entities Act 2004 and the Public Finance Act 1989. The focus of the SPE is on public accountability and providing a base against which TNZ's performance can be assessed.

On behalf of the New Zealand Tourism Board,



Jamie Tuuta
Chair
Tourism New Zealand



Roger Sharp
Deputy Chair
Tourism New Zealand

Introduction

Guide to this document

This document provides detail on the types of activity that will be delivered by TNZ in the 2021/22 fiscal year (FY21/22), and the expected performance of that activity. Progress against the performance measures and financial forecasts contained within the SPE will be reported on a quarterly basis in a report to the responsible Minister, and at the end of the fiscal year in TNZ's Annual Report.

This document also briefly describes TNZ's strategic intentions and how the activity delivered will contribute to the outcomes sought. For a full description of TNZ's strategic intentions, please refer to TNZ's Statement of Intent (SOI) for 2021 - 2025.

Strategic context

Our Purpose: Enrich Aotearoa

TNZ's purpose is to Enrich Aotearoa through the contribution of visitors to economy, nature, society and culture.

This is defined as a net positive contribution against four capitals:

- Economy – tourism contributes goods and services tax (GST) revenue, creates jobs and increases productivity through regional and seasonal distribution.
- Nature – tourism is sustainable and regenerative and supports the management of New Zealand's natural assets.
- Society – tourism supports regional amenities and creates productive, high-wage, enriching jobs for New Zealanders.
- Culture – tourism respects and champions te ao Māori, brings New Zealanders together and enables us to celebrate who we are on the world stage.

Tourism must enrich New Zealand and the wellbeing of New Zealanders. This means that tourism needs to contribute more to New Zealand than it takes. Tourism must create jobs, restore nature, enhance our heritage, build our national reputation and make us proud. It must inspire and enable us to celebrate who we are, our unique people and place.

TNZ is New Zealand's national destination marketing organisation.

Our objective under the New Zealand Tourism Board Act 1991 is to:

- Market New Zealand as a destination to maximise long term benefit to New Zealand.
- Develop, implement and promote strategies for tourism.
- Advise the Government and the New Zealand tourism industry on matters relating to the development, implementation and promotion of those strategies.

Our focus over the coming years is to build back the New Zealand tourism sector in a way that supports the New Zealand-Aotearoa Government Tourism Strategy. This will be a multi-horizon focus:

- growing domestic tourism value to support the sector while the border is closed;
- restarting a sustainable level of international tourism as the border opens (partially or fully) to international visitors; and
- shaping demand and to enrich New Zealand through the contribution of visitors.

TNZ's role focuses on demand

As a marketing organization, TNZ's role is to generate and shape tourism demand.

Through our work, we seek to influence the quality of international and domestic tourism for the long-term benefit of New Zealand.

The greater the proportion of visitors in New Zealand who have been influenced by TNZ's marketing to dream, plan and book their holidays, the better the economic, social, cultural and environmental outcomes to New Zealand, and New Zealanders.

TNZ does not lead tourism policy, tourism supply interventions, destination management or product development. Tourism policy is led by MBIE. Tourism supply and destination management is the responsibility of other parts of the tourism system.

However, supply and demand must be well connected to achieve good outcomes. In order to shape demand effectively and in line with Government and sector objectives, TNZ partners with industry, the Ministry of Business, Innovation and Employment (MBIE), the Department of Conservation (DOC), Regional Tourism Organisations (RTOs) and other agencies to understand and advise on supply side opportunities, challenges and aspirations.

The 2019 Panel Report reviewing TNZ's performance and role in the tourism system found that TNZ is highly effective in its core role of marketing New Zealand as a visitor destination. TNZ's marketing generates a net benefit to New Zealand.

Operating Environment

Tourism is a core part of New Zealand's economy. Prior to COVID-19, tourism made up 20 percent of New Zealand exports, and one in ten New Zealanders were employed by the tourism sector directly or indirectly. Tourism is a dispersed and diverse sector that supports the economy, employment and social amenity in all New Zealand communities. Tourism creates the opportunity for New Zealand to share our culture, heritage and experiences with both domestic and international visitors, and allows New Zealanders and international visitors to experience our extraordinary environmental assets. A successful tourism industry and strong destination brand keeps New Zealand firmly in the minds of consumers, businesses and decision makers all over the world and increases the profile of New Zealand exports.

COVID-19 shut our borders to international visitors and devastated tourism businesses

While New Zealand's economy has mostly sustained the impact of COVID-19, tourism sector businesses and supporting businesses, including hospitality and retail, have been impacted severely by the loss of international visitors. The shape of the sector and New Zealand's tourism proposition will be defined by how many successfully reorient or hibernate their activity, as well as new businesses that emerge.

During 2021, New Zealanders responded to TNZ's call to 'Do Something New, New Zealand' and lifted domestic tourism spend by an average of 15 percent, to help close the estimated \$12.9 billion gap in value from the loss of international visitors. However, key regions of New Zealand are experiencing gaps that domestic tourism simply cannot address. The sector is confronted with a high level of uncertainty about the timing of our international tourism recovery. New Zealand's border restrictions are likely to be in place until early 2022. Domestic tourism will remain the foundation of New Zealand's tourism sector as we move into a rebuild phase.

Maintaining New Zealand's destination appeal while the border is closed is highly challenging, particularly as competitor destinations open their borders and restart international tourism. As a result, TNZ has had to find new and innovative ways to keep New Zealand in the hearts and minds of international consumers when they cannot experience our manaakitanga in person. TNZ is committed to maintaining New Zealand's edge with key consumer audiences for the benefit of all export sectors, while under these highly challenging circumstances. It is important that we keep the brand strong while the border is closed and boosting it so we are ready for a recovery phase.

When borders do re-open it will take time and will be unpredictable

New Zealand's current international aviation links (the availability of connections to international destinations) reached lows of 11 percent of pre-COVID-19 capacity in 2020, and international travel trade distribution channels have also deteriorated. As a long and ultra-long-haul destination, the shape of tourism will first be defined by which air routes return to service New Zealand, and at what frequency.

Decisions and investments in vaccine distribution and travel requirements - such as vaccine passports - will affect New Zealand's market readiness and ability to scale up arrivals. There is a risk that domestic demand could reduce faster than international demand grows, and it will take time to gauge and measure what the 'right' level of arrivals should look like over the next few years. We will need to adapt and prepare for a range of scenarios.

TNZ's scenario modelling currently points to the recovery of over 80 percent of pre-COVID-19 international tourism value by 2023. Our planning has been developed on this basis, but we will take an agile approach to new modelling scenarios and data as information continues to emerge.

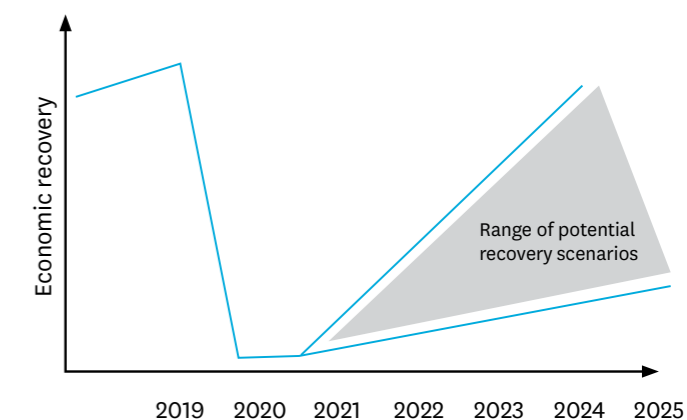


Figure 1: There are a wide range of recovery scenarios for the next four years.

With this challenge also comes an unprecedented opportunity to reshape the tourism sector

New Zealanders (as hosts and visitors) and international consumers expect tourism to be different in the post COVID-19 environment - more sustainable, productive and inclusive. The Government and tourism industry share this view and have used COVID-19 to explore the 'what' and 'how' of this intent in different ways. TNZ is positioned to lead elements of the sector's vision focused on demand generation and industry support.

What communities want from tourism varies across the country, and the contribution of visitors can be captured in a wide variety of ways. These range from high spending luxury travellers to budget travellers who contribute through joining the labour force and regional travel.

New Zealanders tell us their vision of the ideal visitor looks like:

- a visitor who isn't focused on how little they can pay for how long they can stay;
- a visitor who is happy to contribute to the ecological footprint they create to get here and be here;
- a visitor who is interested in our stories;
- a visitor who chooses a mode of travel that allows them to integrate and contribute; and/or
- a visitor who sees the value in our authentic product.

We will continue to ensure New Zealanders' views serve as a foundation for the way TNZ targets and influences visitor audiences.

Strategic Context

In 2020, the Tourism Futures Taskforce brought together industry leaders in a consultative process with the sector to set a vision for tourism covering five desired future states:

1. Industry Thriving
2. Te Taiao Regenerating
3. Empowering Communities
4. Aotearoa Whakapapa
5. Navigating our Future

We have considered this work as part of TNZ’s strategy development.

The opportunity to Enrich Aotearoa through the contribution of visitors is greater than ever before, and even more urgent as part of New Zealand’s overall economic recovery.

Transformation is necessary, but by itself is also not enough to enrich New Zealand. We need to restart tourism in a way that sustainably accelerates recovery and transition, allowing us to maximize longer term contributions. It is an opportunity to shape what the world will look like once COVID-19 is behind or has a lesser impact on our tourism sector.

With increased domestic demand and a gap in the international market, TNZ’s role for promoting Brand New Zealand, targeting the right visitors and influencing their behaviour for the best possible benefit to New Zealand has never been more important.

TNZ’s goal, to maximise the contribution of visitors to the four capitals, will involve different actions as the operating context changes, and we bridge through recovery, transition, and the longer-term to an enrichment approach.

There are several scenarios that could eventuate post-COVID-19. TNZ must be responsive to a range of possibilities that may or may not eventuate, and we are planning for a variety of horizons. As an organisation, we will effectively operate by planning a multi-scenario approach to recovery, ensuring that our focus on long term enhancements is not lost through our shorter-term actions. While we may have to take action to provide an immediate response and support tourism growth once borders open, our ultimate objective of increasing the value of tourism overall will shape our response

TNZ’s work in FY22 will focus on tourism recovery, but we will bridge between different phases from now until 2025.

Strategic Intentions

TNZ’s four-year strategy is set out in its 2021 – 2025 SOI.

The SOI outlines three new strategic intentions:

1. Build extraordinary value in New Zealand’s destination brand and reputation.
2. Accelerate tourism’s recovery and transition to a more sustainable, productive and inclusive future.
3. Shape demand to maximise the contribution of international and domestic visitors to the four capitals.

In FY22, TNZ will leverage our activities to build further domestic tourism value and productivity, and in support of an active, deliberate and coordinated approach to the return of international tourism that contributes to the economy, culture, society and environment.

Activity classes

TNZ delivers its work through the following activity groupings:

- **Activity one:** Develop and deliver brand and demand driving campaigns to the tourism consumer.
- **Activity two:** Build desire, appeal and awareness via New Zealand stories through third party earned content and partnerships.
- **Activity three:** Inspire, educate and partner with the trade and tourism sector, along with other sector experts, to spread key tourism and business events messages and campaign information through their channels.

- **Activity four:** Develop, deliver and analyse engaging content and messages, supporting our activity through TNZ-owned channels, including newzealand.com.
- **Activity five:** Engage, inform and work with the tourism sector, Government and other agencies in New Zealand to support and strengthen the recovery of the sector.

TNZ’s focus areas for FY22

1. Boldly grow brand desire to make New Zealand irresistible to visitors that will enrich Aotearoa.
2. Drive domestic demand and lay the foundation for long-term value.
3. Accelerate the recovery by scaling up high-value conversion across markets and priority audiences as borders re-open.
4. Embed te ao Māori into TNZ’s strategy, work, and ways of working.
5. Support industry to deliver quality visitor experiences that enrich New Zealand for both domestic and international visitors.
6. Actively inform and contribute to all-of-Government programmes for tourism recovery and transition.

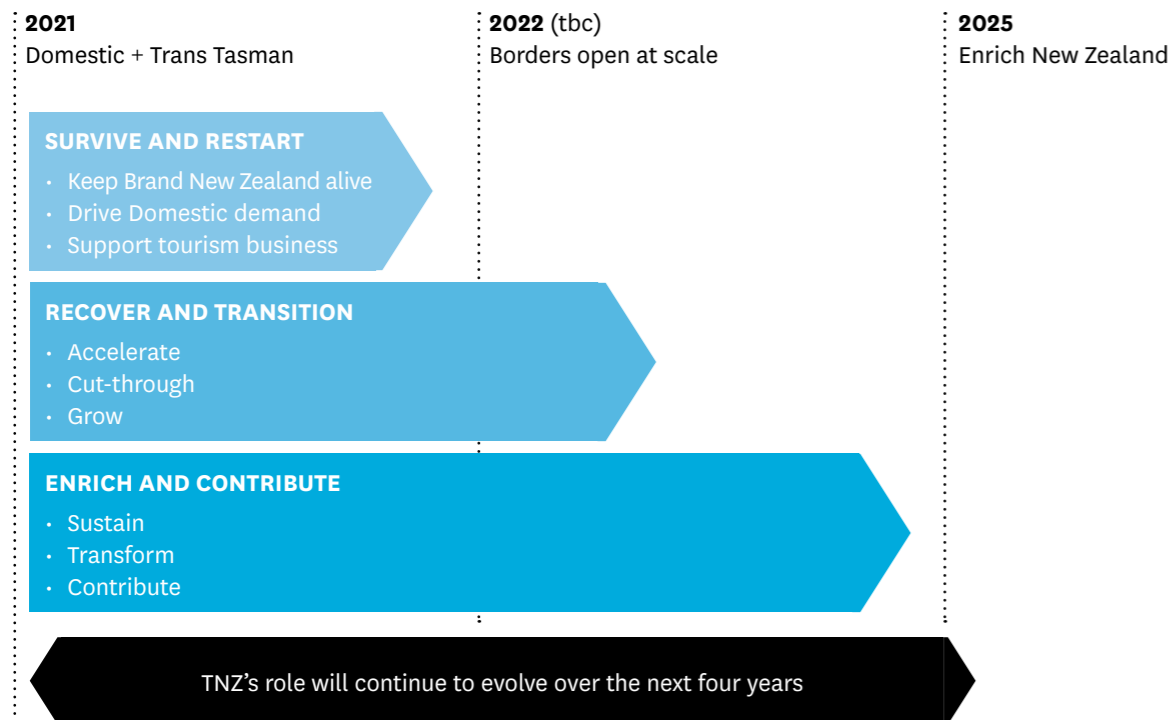


Figure 2: There are three key phases for our operating context to 2025.

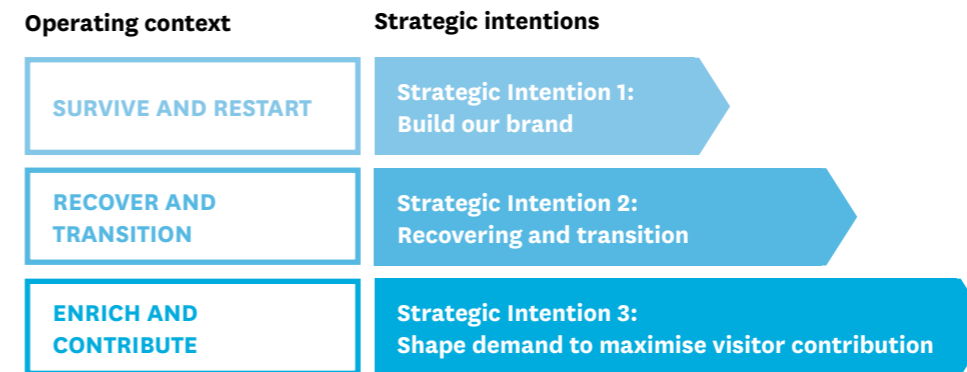


Figure 3: Our Strategic Intentions will phase in step with the operating context.

Focus area one: Brand

Boldly grow brand desire to make New Zealand irresistible to visitors that will Enrich Aotearoa

We will grow brand appeal, supporting New Zealand to remain a number one preference for high-quality visitors. This will ensure our priority audience feels compelled to visit now, or that it's worth prioritising New Zealand for their next holiday.

Boosting our destination brand appeal and increasing our preference as a destination has been a core focus for TNZ for several years. Despite borders being closed throughout 2020 and into 2021, we continued to invest in marketing across our offshore markets to strengthen New Zealand's presence in the hearts and minds of key international audiences. We also entered the domestic market with our campaign 'Do Something New, New Zealand' which has had a positive effect on stimulating more travel within New Zealand, benefiting the tourism industry and New Zealanders alike.

Our goal in FY22 is to take our brand focus to the next level, delivering exceptional results for New Zealand. We want New Zealand to be considered one of the top three places in the world to visit by high quality visitors.

We will continue to build long term strength in our brand, creating desire for New Zealand as a destination both internationally and domestically, targeting audiences who will enrich New Zealand. Our approach will focus on ensuring the long-term sustainability of tourism, so the sector gives back more than it takes.

As borders open, we will focus on getting our audiences to not just dream about a holiday in New Zealand, but to progress booking one, converting desire into action. This will likely be in a progressive manner as we do not know when our borders will open to different markets around the world, meaning we will need to be responsive to circumstances at the time. TNZ will adopt a portfolio approach for our core international markets (Australia, the United States of America and China) and consider short, medium and long-term recovery horizons.

Why it's important:

Building our brand with our target audience delivers sustainable competitive advantage for New Zealand. We believe that our depth of audience understanding (through our psychographic audience mindset approach) delivers a competitive advantage that adds weight to our brand building effort, ensuring we focus on the right audience in the most relevant way, specifically choosing not to target other audiences.

By creating and reinforcing desire for our brand, we create demand for New Zealand as a destination that can then be converted by our market teams and partners. This advantage doesn't just enable conversion - it also impacts pricing power and supports a longer term 'premium' destination positioning for New Zealand.

Over the course of FY22 and beyond, we will face a new set of challenges and competitive intensity. We will need to think and act differently to stand out on the world stage as a most desirable destination. To do this, we will adopt a challenger brand mindset approach to our marketing strategy, enabling us to test conventional thinking and make some bold decisions to make the most of our resources.

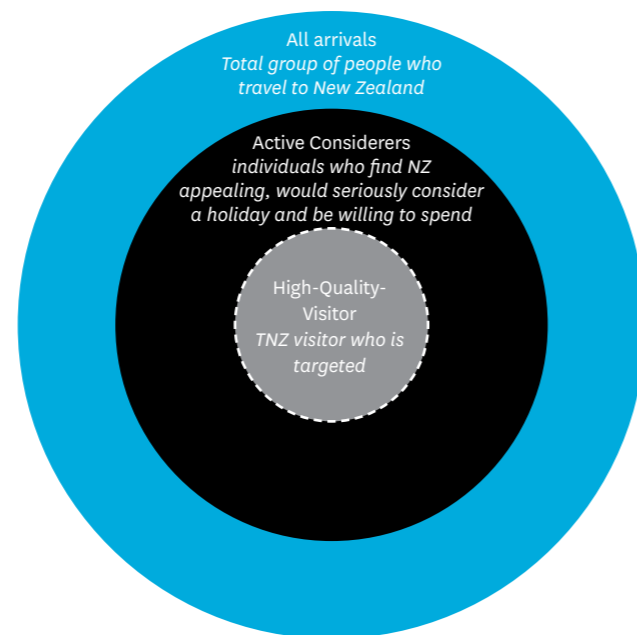


Figure 4: Our marketing strategy will target the audience subset of high-quality-visitors.

How we will achieve it: Marketing Strategy

Audience: High-quality visitors

We are shifting the way we approach our consumer audience. This will see us move from a demographic based understanding to a psychographic based understanding, allowing us to group prospective high-quality visitors with shared similar characteristics.

This approach has identified seven different international mindsets and five different domestic mindsets; within these we have identified four international priority mindsets and three domestic priority mindsets.

Brand: Build boldly

We continue to evolve our creativity by making bold, imaginative and distinctive marketing messaging. Our creative will be values-based, emotive and te ao Māori-infused with a consistent core narrative. We will take a modular approach to content creation and we'll work to integrate our brand story for domestic and international markets.

Channel: Inventiveness

We will evolve the way we leverage our channels to market, by increasing integration across channels and being more inventive and innovative with the channels we use. We'll focus on getting maximising the impact of our marketing work through all of our paid, owned, earned, trade and social channels. We will look at our existing partnerships and identify new ways to get value from those partnerships to engage our audience more deeply. We'll also look to new partnerships that we haven't previously explored, and where there are major opportunities that can enable exponential benefit, we'll invest more time, effort and resource.

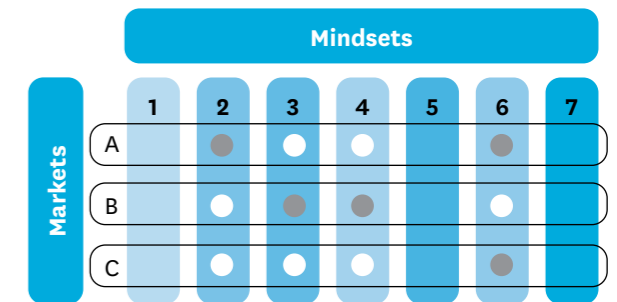


Figure 5: We will use both demographic and psychographic targeting to engage high-quality visitors with shared similar mindsets. In the example above, demographic segmentation is represented by three example markets (A, B and C), while the psychographic segmentation is represented by seven example mindsets (1-7).

The activities associated with this focus area are:

- Activity one: Consumer campaign marketing
- Activity two: Public relations
- Activity three: Trade marketing and business events
- Activity four: Channels and platforms

AUDIENCE: HIGH QUALITY VISITORS	BRAND: BUILD BOLDLY	CHANNEL: INVENTIVENESS
Deep insights at pace to bring the voice of the most valuable target visitor to the centre	Bold, imaginative, distinctive work that puts New Zealand at the top of the list	Audience led integration, innovation and inventiveness for impact
<ul style="list-style-type: none"> • Target selected mindsets as global high-quality audience • Actionable insights enabled through consultation and test/learn • Rapid response, real time tools for agile approach 	<ul style="list-style-type: none"> • Values led, emotive & te ao Māori infused • Core brand narrative + mindset based modular content • Amplifying conversations eg. social + PR • Alignment of Domestic and International 	<ul style="list-style-type: none"> • Focus first on getting consumer attention • Alignment for impact Global to Market + integration across channels to market • Establish new partnerships; leverage major opportunities e.g. Amazon

What is a high-quality visitor?

High-quality visitors are defined by more than the money they spend – we define this audience by the way they contribute to our natural environment, culture, society and economy. The high-quality visitor is determined by the type of visitor, their scope of activities, travel across seasons and regions, environmental consciousness and engagement with our local culture and communities. TNZ's mindsets approach will better find and target high-quality visitors.

Focus area two: Domestic

Drive domestic demand and lay the foundation for long-term value

The domestic market has been a core focus for TNZ since the first lockdown in March 2020, and our border closure to international markets. Domestic tourism demand will continue sustain the sector as the ‘bridge’ until borders re-open and presents an opportunity to inform how the sector will respond when international visitors return.

Throughout 2020, the tourism sector had a strong focus on stimulating domestic demand through national campaigns such as ‘Do Something New, New Zealand’. We learned that, with the borders closed, New Zealanders are receptive to exploring New Zealand, and this is a sentiment we aim to continue throughout FY22 and beyond, particularly while the horizons for restarting travel are unclear.

We want to ensure that momentum for domestic travel is maintained and paves the way for sustainable tourism solutions that international visitors can experience when borders fully reopen. TNZ will shape and stimulate domestic demand in the short term to support the sector while the border is closed and consider how TNZ’s domestic work might transition to support longer term seasonality, regional dispersal and productivity goals in the future.

To achieve our ambition, we need to deliver on three areas in FY22. These three areas must happen in parallel – the importance of each will shift as borders re-open.

1. Drive domestic demand while borders remain closed.
2. As international borders re-open, lay the foundation for long term value through a framework that targets high value domestic visitors to drive seasonal, regional, and cultural outcomes.
3. Grow the value contribution of domestic holidays across all four capitals and guide the evolution of tourism products to be more relevant for domestic audiences in the future.

Support and protect the industry

Maximize the domestic opportunity to ensure the tourism industry survives

Enrich through value

Long term value contribution through regional, seasonal and high value segments

Compete for market share

Grow the domestic tourism market

If we do this well, our domestic work will have impact across the four capitals:

- **Economy:** Domestic will unlock the potential market of \$30 billion that New Zealanders spend on leisure travel and competing categories.
- **Nature:** It will connect our domestic audience closely with nature as New Zealanders engage in our natural environment (e.g. through close partnerships with DOC).
- **Society:** All regions will see the benefit of domestic visitation and, through domestic travel, New Zealanders will connect closer with the tourism ecosystem. This will also help the industry to showcase the value of tourism better to every New Zealander.
- **Culture:** It will build consumer interest for NZ’s cultural heritage as we better understand what New Zealanders are interested in, and we start to showcase cultural product with partners.

An additional benefit will also be the increased resilience of the industry as a strong domestic visitor market will be invaluable through future crises.

The activities associated with this focus area are:

- **Activity one: Consumer campaign marketing**
- **Activity two: Public relations**
- **Activity four: Channels and platforms**



Figure 7: A promotional image from our successful ‘Do Something New, New Zealand’ campaign.

Focus area three: International

Accelerate recovery by scaling up high-value conversion across markets and priority audiences as borders re-open.

As a result of border closures, New Zealand has a revenue gap of \$12.9 billion in FY21. While the increase in domestic tourism has helped close this gap, particularly in key visitor regions around New Zealand, the sector continues to hurt.

Our focus for FY21 was to keep the brand alive in international markets in preparation for border re-opening. This allowed us to defend and build our brand preference and desire for New Zealand as a visitor destination. Brand appeal remains under pressure while borders are closed, and TNZ has reduced spend offshore to support recovery through domestic marketing. We will continue to build brand appeal and preference in FY21 in order to set ourselves up for a strong start to FY22.

FY22 will see borders (at least partially) re-open, and we have a major role to play in maximising the recovery of international tourism. Our focus will be to convert pent up demand and scale up value across the sector for the sustainable, deliberate and coordinated return of international visitors.

In this recovery phase, we acknowledge that tourism sector partners will be less able to enter joint ventures or rebuild relationships through travel and investment, and we will support their processes for reconnection.

For planning purposes, we work to a timeframe of early-2022 for border re-openings to Rest of World markets, using the most recently available forecasts. Our offshore focus will be on a portfolio of markets where we will prioritise Australia, the United States of America and China, which made up 60 percent of international tourism value for New Zealand pre-COVID-19. Our work in other markets will remain flexible as we build insights from border opening and economic recovery, meaning investment will be explored based on opportunity and an assessment of value contribution across our resource base.



Figure 8: We will prime, ignite and scale up our response in each market.

We will achieve this across three key phases:

- **Prime:** Keeping the brand alive and desire for New Zealand high, prior to borders being open. Setting up for conversion.
- **Ignite:** Border openings are announced, and we launch demand conversion, focused largely on the resilient traveller that wants to be ‘first to fly’.
- **Scale-up:** As time goes on, we build value with increased air connectivity and more stakeholders re-engaging.

The activities associated with this focus area are:

- **Activity one: Consumer campaign marketing**
- **Activity two: Public relations**
- **Activity three: Trade marketing and business events**
- **Activity four: Channels and platforms**

Focus area three: International

Portfolio Principles

The table below shows some of the global commonalities across TNZ’s key visitor markets post COVID-19.

TNZ’s portfolio principles based on these commonalities are:

- We will maintain a portfolio approach with the addition of the New Zealand domestic market in FY22.
- Australia, China, the United States of America and Business Events are core. These represent the largest value (past and future) to New Zealand, and where we need on-going focus and investment.

- We are committed to maintaining and investing in a broader portfolio. The Rest of World approach requires agility to capitalise on those opportunities that present the highest value, given the priority of the spend will be with Domestic and Core markets in the foreseeable future. This may mean we invest in markets that we have not traditionally (because they open faster) and take resources from our international hubs to support that activity.

Global Environment	Audience Insights	Issues and Opportunities
<ul style="list-style-type: none"> • Economies are recovering • Saving rates are high • Strong demand for domestic travel where possible • Pent up demand for international travel 	<ul style="list-style-type: none"> • Online behaviour has been amplified • Strong focus on health and wellness • Open spaces are highly desired • A travel preference to tailor made, camping, road trips 	<ul style="list-style-type: none"> • COVID-19 hygiene practices in New Zealand need to meet visitor needs • Product (activities) need to be ready for international arrivals • Product distribution must be ready for international bookings • New Zealand’s ‘welcome-ness’

Focus area four: Te ao Māori

Embed te ao Māori into TNZ’s strategy, work, and ways of working

TNZ’s cultural capability is a core priority for FY22.

As a Crown Agency, TNZ is committed to building its capability to better respond to the principles of Te Tiriti o Waitangi. We believe the Te Tiriti principles of *Partnership, Participation and Protection* apply to our work, particularly in reference to our ongoing sustainability strategy. TNZ will seek to give effect to these principles in the following way:

- **Partnership** - Engage with and partner in projects and programmes of mutual benefit;
- **Participation** - Create formal and genuine opportunities with Māori to participate in projects and programmes of importance; and
- **Protection** - Actively protect Māori knowledge, interests, values, principles and other tāonga throughout the work we do.

Some of New Zealand’s greatest drawcards are the unique cultural experiences it has to offer. To protect and respect te ao Māori and acknowledge the contribution of Māori to the tourism industry, we must embed cultural competencies and understanding into TNZ’s everyday

activities. This also requires embedding our approach into our strategy, Enrich Aotearoa, and our ways of working.

TNZ has established principles using its own Pou Ārahi framework. Pou Ārahi refers to the provision of ‘ārahi’ or guidance and direction. Pou Ārahi has been established by TNZ to ensure that we have established clear objectives that align to the specific interest of Māori and provides a guiding framework for our internal operations to align to.

Our Pou Ārahi objectives for FY22 are listed below and will be interwoven across TNZ’s broader portfolio of TNZ.

1. Our global whānau and organisation are empowered through our overarching te ao Māori strategy.
2. TNZ has built strong and enduring partnerships that enrich New Zealand and supports its work.
3. TNZ is better informed of the deeper insights into the Māori tourism system.
4. Our brand and content reflect a deeper cultural value set (through story telling).

The activities associated with this focus area are:

- **Activity one: Consumer campaign marketing**
- **Activity five: Sector and Government engagement**

Focus area five: Industry

Support industry to deliver quality visitor experiences that enrich New Zealand for both domestic and international visitors

As a marketing organization, TNZ's role is to generate and shape tourism demand. Through our work, we seek to influence the quality of international and domestic tourism for the long-term benefit of New Zealand.

While TNZ does not lead tourism policy, tourism supply interventions, destination management or product development, it plays a strong role in providing insights and partnerships that support industry to deliver. In order to shape demand effectively and in line with Government and sector objectives, TNZ partners with industry, MBIE, DOC, RTOs and other agencies to understand and advise on supply side opportunities, challenges and aspirations for both the recovery and future of tourism.

To ensure the country obtains broader benefits from visitors, TNZ will work with operators and industry bodies to influence the sector to deliver quality experiences that increase spend and contribution. Through our partnership and outreach, we will support the sector to deliver an experience that exceeds visitor expectations, whilst remaining true to the *100% Pure New Zealand and Tiaki – Care for New Zealand* brand promise. As the industry prepares to welcome back international visitors, to successfully attract high quality visitors, it remains vital that high industry standards are achieved to protect New Zealand's reputation as a quality destination.

TNZ will achieve this through taking a leadership role to support a clear vision for the industry, as well as providing data, insights, guidance and practical support to influence the desired outcomes. TNZ subsidiary Qualmark will build its membership to assist more businesses through recovery with practical support and advice and will support more members to reach its Gold level, representing the highest quality and sustainability standards.

Our support of industry will contribute to the tourism economy's recovery and positively impact the transition to a sustainable, low carbon, high-skill and high-wage industry, focused on attracting high-quality visitors. As the sector prepares to rebuild, supporting the industry at this time will help accelerate the transition to a highly productive and desirable industry that enriches New Zealand.

To facilitate this longer-term transition, the Government has set clear intentions for the sector, and we will support the implementation of these. We will also support and contribute to an Industry Transformation Plan that considers the range of views across Government.

The activity associated with this focus area is:

- **Activity five: Sector and Government engagement.**

Focus area six: Government

Actively inform and contribute to all-of-Government programmes for tourism recovery and transition.

TNZ works as a conduit between visitors, the tourism sector and Government. We share the 'voice of the visitor' with the sector, providing them with advice and insights regarding international and domestic visitor trends and supporting them with intelligence from our global markets.

We also play a role as a 'voice of tourism' to support work across Government on a variety of issues impacting tourism. We engage proactively with the sector and with New Zealanders on issues and utilise this knowledge to provide insights to agencies and Ministers on key issues for the sector.

Our work results in informed action which ensures the tourism eco-system can respond to New Zealanders views and expectations, alongside those of prospective visitors.

Priorities

Systemic provision of market and consumer insights

TNZ will provide insight, evaluation and advice to Government, the tourism sector and strategic partners on international and domestic visitor consumer sentiment, and New Zealanders' sentiments towards our tourism industry recovery. These insights will enable evidence-based decisions to be made and support the sector to recover and build back better.

Accelerate New Zealand's tourism recovery

- Partnering with agencies to enable a safe and coordinated reopening of New Zealand's border that recognizes the visitor experience.
- Understanding and communicating the Government's vaccine rollout and strategy, considering the implications of this for TNZ markets and future visitors.
- Understanding and communicating New Zealand's border reopening processes.
- Advocating for initiatives that will improve New Zealand's brand position globally as borders re-open.

Accelerate tourism's transition to a sustainable future

- Partnering across agencies to reactivate and recreate a sustainable and thriving tourism system, including leveraging and delivering recommendations from the Tourism Futures Taskforce.

The activity associated with this focus area is:

- **Activity five: Sector and Government engagement.**

Our people and values

At TNZ we refer to our employees as our global whānau. They are the fabric of TNZ. Our global whānau use three core values to underpin how we approach this. For each of our three core values, we have established a question that we ask ourselves to help understand if we are living our values, and a whakatauki that reminds us what the value is about.

Value	Question	Whakatauki
COURAGE <i>Māia</i>	Is this extraordinary work? <i>Ko te whakamana te whai?</i>	<i>Kia kaha, kia māia, kia manawanui</i> <i>Big hearted, dedicated, courageous.</i>
CARE <i>Manaaki</i>	Will this create a better future? <i>He ao houkura te whai?</i>	<i>Manaaki whenua, manaaki tangata, haere whaka mua</i> <i>Care for land, care for people, go forward.</i>
CONNECTION <i>Hononga</i>	Are you building on the strength of our global whānau? <i>Te whakamānawa i ngā hononga ā-iwi whānui o te ao te whai?</i>	<i>Ehara taku toa i te toa takatahi, engari he toa takitini</i> <i>My strength is not from me alone, but from many.</i>

Figure 9: TNZ's values.

To support delivery of our FY22 focus areas, our People Plan objectives for FY22 are:

- 1. Capability development** – ensure we have the capability to further build agility in order to foster innovation and rapid adaptability, adopt a challenger brand approach and lead through a deeper expression of our values.
- 2. Te ao Māori** – support our global whānau to develop cultural capability and confidence.
- 3. Safety & wellbeing** – continue to embed safety and wellbeing into our mahi and support our employees to thrive.

TNZ continues its commitment to Equal Employment Opportunities and will continue our efforts to be a good employer as measured by the Human Rights Commission seven elements of being a good employer.

SPE Performance Framework

The table below summarises TNZ's appropriation for the 2021/22 year:

Summary of Appropriation	2020/21	2021/22
Vote Tourism: Non-Departmental Output Expenses <i>Marketing of New Zealand as a Visitor Destination</i>	\$111,450	\$111,450

In FY22, TNZ will measure success against our appropriation through a suite of 11 objectives and key results as shown below.

Longer term, we will continue to also develop success measures for the contribution of TNZ and visitors to the four capitals that Enrich Aotearoa: economy, nature, society and culture.

Our traditional international measures are likely to continue to be distorted in FY22 as New Zealand's border remains closed at the time of writing this document. New Zealand's ultimate approach to border reopening is unclear. Borders around the world are also likely to be

opened at different times, which may impact the ability of visitors to travel to New Zealand, regardless of sentiment.

Some of our measures build on longstanding measures; some are adapted due to changes in available data and changes in context. As the tourism sector recovers and transitions, and as our operating context continues to change, we expect to evolve our measures further to move from rebuilding value to shaping demand more specifically.

The diagram below summarises the previous measures we have used, those we will use for FY22 and those measures we are intending to develop or revisit in the future.

Prior measures from FY21 SPE	Current measures FY22 SPE	Future SOI measures in development
<ul style="list-style-type: none"> Brand appeal and preference Domestic visitor spend Domestic traveller sentiment Tourism's social licence Visitor spend on tourism product* Value and reach of earned marketing Value and reach of digital paid and owned marketing Value and reach of shared marketing* Value and reach of trade marketing Value and reach of Business Events Stakeholder impact 	<ul style="list-style-type: none"> Brand appeal and preference Domestic visitor spend International visitor spend** Tourism's social licence Sector sustainability** Regions benefit from tourism** High quality tourism experiences** Te ao Māori Strategy** Value and reach of earned marketing Value and reach of digital paid and owned marketing Value and reach of trade marketing Value and reach of Business Events Stakeholder impact 	<ul style="list-style-type: none"> Brand appeal and preference Domestic visitor spend International visitor spend Domestic traveller sentiment International traveller sentiment*** Tourism's social licence Sector sustainability** Air carbon footprint*** Regions benefit from tourism*** Sector productivity High quality tourism experiences Value and reach of earned marketing Value and reach of digital paid and owned marketing Value and reach of shared marketing*** Value and reach of trade marketing Value and reach of Business Events Stakeholder impact

Note: Blue font indicates measures carried over from prior period
 *will not be a key target for FY22 due to tourism recovery phase
 **new or returning for FY22
 ***future measures that are under development, require the return of the IVS, or will return to prominence in further stages of sector recovery

Performance Framework

Summary of measures

FY2021/22 is a recovery year for tourism.

We will focus our effort in three specific areas:

- continuing to develop and build our brand so more high-quality target visitors consider New Zealand their number one destination,
- recovering our Australian market to 100 percent of pre-COVID-19 value from June 2022 (69 percent annualised); and
- sustaining the gains we have achieved in the domestic market as borders reopen.

The majority of our measures below link to these three broad areas, with some additional measures that support the wider operations of the organisation and understanding its performance.

The table below provides more detail on TNZ’s objectives and key results (OKRs). Objectives relate to the outcome and impact that TNZ sets out to achieve towards its Strategic Intentions and Focus Areas in FY22. Key Results comprise one or more measures for each objective, including an SPE target for FY22.

Outcome Measures				
OKR #	OBJECTIVE OUTCOME	KEY RESULT MEASURE	BASELINE TARGET OR ACTUAL	TARGET FY22 SPE
1	Grow the economic value of international and domestic tourism	Total tourism value – Australia (IVS) <small>Note: Further international market measures will be developed as additional information becomes available about border opening</small>	\$2.8 billion pre-COVID-19	Australia: 69% annualised (approx. 100% from June 2022 or \$2 billion for FY22)
		Total tourism value – domestic (TECT)	Domestic: \$9.4 billion pre-COVID-19 ¹	Domestic: GROW above pre-COVID-19 levels
2	Tourism is more sustainable	Growth in Qualmark members New Zealanders’ awareness of <i>Tiaki</i>	2,350 16%	GROW 21% (+5 pp)
3	Grow brand desire for destination New Zealand	International - Destination appeal (ACM)	56%	59% (+3 pp)
		International - Top Box Preference (ACM)	39%	43% (+4 pp)
		Domestic - Intention of taking a holiday in New Zealand in the next 12 months	69%	Domestic: HOLD
4	Regions benefit from tourism	Regional spend increase	New measure	All regions grow
		New Zealanders agree tourism is good for New Zealand	81%	HOLD
5	High quality tourism experiences	Domestic: New Zealand delivers to expectation as a holiday destination	56%	GROW % who rate at excellent
		Increase in percentage of Qualmark members achieving gold status	26%	30% of members
		New Zealand offers the opportunity to experience local culture (ACM)	65%	GROW % who agree
6	An effective and agile organisation	Development and delivery of te ao Māori strategy	New measure	Strategy measures achieved

¹Restated target following change in measurement to TECT.

Impact Measures				
OKR #	OBJECTIVE OUTCOME	KEY RESULT MEASURE	BASELINE TARGET OR ACTUAL	TARGET FY22 SPE
7	Value and reach of digital marketing	Referrals to industry via newzealand.com and third parties (organic and paid)	1.3 million	2.0 million
		Organic media value	\$13.2 million	\$14 million
8	Value and reach of earned marketing	Equivalent advertising value (EAV) from media and content	\$138 million (forecast)	\$180 million
9	Value and reach of trade marketing	Trade Engagement Score (CRM)	New measure	Benchmark
		Return on Investment (ROI) of trade joint ventures	5:1 (FY20 SPE)	5:1
10	Value and reach of business events	Value of bids supported via Conference Assistance Programme (CAP)	\$70 million (forecast)	\$90 million
11	Stakeholder impact	TNZ’s overall performance, as rated by key stakeholders	68% (FY20 actual)	FY21 result +3pp

Definition of measures

The list below sets out the definitions of TNZ’s SPE measures.

1. Grow the economic value of international and domestic tourism

- **Total tourism value – Australia.** This will be measured through the international visitor survey (IVS). The 69 percent target is an annualised figure, based on starting from zero, and an expected border opening date of April 2021. It is based on a relatively uninterrupted travel period, growing to 100 percent of pre-COVID-19 value levels by June 2022.
- **Total tourism value – domestic.** The value of domestic tourism is currently measured by MBIE’s Tourism Electronic Card Transactions (TECTs), an interim replacement to the Monthly Regional Tourism Estimates (MRTE). The GROW target reflects that TNZ will aim to keep New Zealanders undertaking domestic tourism in New Zealand as borders open and options to travel internationally become available.

2. Tourism is more sustainable

- **Growth in Qualmark members.** Qualmark is forecast to end the year at 2,350 members and it is targeting growth of 17 percent. Qualmark members are tourism businesses engaged in quality and sustainability standards through its accreditations and capability programmes.

3. Grow brand desire for destination New Zealand

- **Destination appeal.** TNZ targets marketing activity to consumers actively considering New Zealand for a holiday. Appeal and Preference are measured by the six-monthly Active Considerer Monitor (ACM) survey in key global markets. To grow brand desire, the challenge is to grow appeal from its current base and grow Top Box Preference to increase New Zealand’s position relative to key competitors. Appeal is the percentage of the online population who find New Zealand as a destination highly appealing. The 59 percent target is set due to a decline in appeal during FY21 to 56 percent.
- **Top Box Preference.** Preference is the proportion of global Active Considerer consumers who rate New Zealand as their first-choice destination. ACM respondents are asked to rank their top five destinations in order of preference. Our previous preference measure was those who ranked New Zealand in either position one or in position two. Top box preference is a higher standard, measuring those who rank New Zealand number one only. The global number is an average across our top six markets – weighted according to the historical market mix of arrivals.
- **Intention of taking a domestic holiday in the next 12 months.** This is measured through our Domestic Travel View research.

Performance Framework

4. Regions benefit from tourism

- **Regional spend increases.** Ensuring all regions benefit from tourism is critical to TNZ's mission. In the sector's recovery phase, where key issues like air connectivity need to be addressed and gateway regions are facing large spend gaps from the lack of international visitation, TNZ will focus on ensuring all regions grow, rather than focusing wholly on dispersing visitors outside gateways. This is measured through the TECTs.
- **New Zealanders agree tourism is good for New Zealand.** Social license is critical to the long-term sustainability of the tourism sector. Survey respondents rate their agreement with the statement "tourism is good for New Zealand". This is measured through Domestic Travel View research.

5. High quality tourism experiences

- **New Zealand delivers to expectation as a holiday destination.** Quality visitor experience is critical to the long-term sustainability of the tourism sector. This is measured through Domestic Travel View research. The survey asks: 'overall, how well does New Zealand deliver to your expectations as a holiday destination?' The measure will be those who rate this as excellent (8-10), as this aligns to delivering great visitor experiences. We will focus on this domestic measurement until the MBIE IVS can recommence.
- **Increase in percentage of Qualmark members achieving gold status.** This is measured through Qualmark individual assessments of tourism businesses.
- **New Zealand offers opportunity to experience local culture.** This is measured through the Active Considerer Monitor.

6. An effective and agile organisation

- **Development and delivery of te ao Māori strategy.** Specific objectives within this strategy are under development and will be detailed in quarterly reporting.

7. Value and reach of digital marketing

- **Referrals to industry via newzealand.com and third parties.** This comprises global unpaid referrals to businesses; paid New Zealand referrals; and paid Australian referrals. Referrals via newzealand.com measure the number of people who, after visiting newzealand.com as a result of organic search or paid marketing activity, are then referred to an operator or partner website where travel or experiences can be purchased. Third party referrals (TPRs) measure the number of people who are referred to an operator or partners' website directly from paid marketing activity.
- **Organic media value.** This is the value of unpaid visits to newzealand.com, if TNZ had to pay for these visits via advertising. This is measured through the Ahrefs third-party tool.

8. Value and reach of earned marketing

- **Equivalent advertising value from media and content.** EAV is an estimate of the value of media coverage that results from public relations activity. EAV is based on the equivalent cost to purchase results and is not always available for all activity, so reported results will underestimate the actual value.

9. Value and reach of trade marketing

- **Trade engagement** – a new measure of Business to Business engagement with partners. This will be measured through TNZ's CRM.
- **ROI of trade joint ventures (JV).** With international trade activity restarting in FY22, TNZ is reverting to its prior measures of joint venture ROI. ROI is calculated by the ratio:

$$[\text{passengers booked}] \times [\text{average visitor spend for market}] \div [\text{campaign spend}]$$

This ratio shows that, for every dollar spent, JV campaigns generated 'x' amount of value. Note: ROI relates to JV marketing campaign spend only and is not intended to represent a ROI for overall TNZ activity. The ROI measure was last present in the FY20 SPE and is being added back in FY22 with borders opening.

10. Value and reach of business events

- **Value of bids supported via CAP.** The estimated value of Business Events bids supported through the CAP fund. TNZ's FY21 target of \$130 million was set in the context of anticipating earlier border openings. The updated FY21 forecast is \$70 million, so we have set the \$90 million target for FY22 to represent 29 percent growth.

11. Stakeholder impact

- **TNZ's overall performance, as rated by key stakeholders.** The specific data source used will be TNZ's annual Stakeholder Survey. Respondents rate their agreement with the question: 'In fulfilling its role as New Zealand's National Tourism Organisation, how do you rate TNZ's overall performance?' The measure counts respondents who rate 'very good' or 'excellent' as a percent of total responses.

Continuity of data sources for TNZ performance measurement

Two data sources are traditionally used to measure visitor spend. The MBIE MRTE survey of domestic and international visitor spend by region; and the Statistics IVS of total international visitor expenditure.

The MRTE series was disrupted by COVID-19, as the methodology for weighting the measured electronic card transaction spend up to the whole of industry spend became unusable. The TECTs have been established by MBIE as an interim replacement for the MRTEs. The TECTs aim to present the measured electronic card transactions (ECT) attributable to tourism, but without any attempt to represent the total spend. This method is considered to be the best way to provide spend data to the industry while travel is severely affected by COVID-19 border restrictions. There are limitations to this approach, as it represents card spending only and cannot be compared to past MRTE results.

The IVS has been unable to be run at international airports since the border closures near the end of March 2020. As well as spend, TNZ has used the IVS for other key measures over time including visitor satisfaction. Until the IVS is re-established and builds a new reliable baseline of information, TNZ's measures will be in a transitional phase and we will continue to find other ways to test our performance.

Forecast financial information

Statement of accounting policies

(a) Reporting entity

TNZ is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. TNZ's primary objective is to improve tourism's contribution to economic growth by increasing the value of international visitors to New Zealand.

TNZ does not operate to make a financial return.

For the purposes of financial reporting, TNZ is classified as a Public Benefit Entity.

The forecast financial statements for TNZ (the parent) and its controlled subsidiaries (collectively the Group) are for the year ended 30 June 2022.

(b) Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand

(NZ GAAP). The financial statements have been prepared in accordance with Public Benefit Entity (PBE) Standards.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

(c) Accounting standards and interpretations issued but not yet effective

There have been no changes in the accounting policies of the Group in the year ended 30 June 2021. All accounting policies and disclosures are consistent with those applied by the Group in the previous financial year.

The External Reporting Board has also issued amendments to the following standards to incorporate requirements and guidance for the not-for-profit sector. These amendments apply to PBEs with reporting periods beginning on or after 1 July 2022. TNZ expects there will be minimal or no change in applying these updated accounting standards.

STANDARD	TITLE	APPLICATION DATE
PBE FRS 48	Service Performance Reporting	1 July 2022

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of New Zealand Tourism Board trading as TNZ and its subsidiaries as at 30 June each year (the Group).

The acquisition of the subsidiaries are accounted for using the acquisition method. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which TNZ has control.

(e) Investment in Joint Venture (JV)

The Group's investment in JV is accounted for under the equity method of accounting in the consolidated financial statements.

The investment in the JV is carried in the consolidated Statement of Financial position at cost plus post-acquisition changes in the Group's share of net assets of the JV, less any impairment in value. The consolidated statement of comprehensive revenue and expense reflects the Group's share of the results of operations of the JV.

Where there has been a change recognised directly in the JV's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(f) Foreign currency

Transactions denominated in foreign currency are recorded in NZ Dollars by applying exchange rates that approximate rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

Exchange gains and losses are recognised in the Statement of comprehensive revenue and expense.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment 5 years
 Motor vehicles 4 – 5 years
 Furniture and fittings 5 – 8 years
 Computer equipment 3 years
 Leasehold improvements Up to term of the lease

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of comprehensive revenue and expense in the period in which the transaction occurs.

Impairment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the Statement of comprehensive revenue and expense.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost approach.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

(h) Intangible assets

Intangible assets are recorded at cost at acquisition. TNZ has no intangible assets with an infinite life.

The useful life of Intangible assets are estimated at between 3 and 8 years.

Research costs are expensed as incurred.

Forecast financial information

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any expected credit losses (ECLs).

For receivables from non-exchange and exchange transactions, the Group applies a simplified approach in calculating ECLs. The Group bases this on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(k) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive revenue and expense net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of comprehensive revenue and expense on a straight-line basis over the lease term.

The Group does not enter into finance leases.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions

Appropriation received from the Crown

Appropriations received from the Crown are recognised as revenue on receipt.

Sales and other revenue

Revenue includes fees received to attend offshore trade events and familiarisations in New Zealand, and fees received to become part of an Approved Destination Status programme. The revenue from such transactions does not approximately equal the value of goods provided by TNZ and are therefore considered as non-exchange transactions.

Revenue is measured at the fair value of consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from Services

The services provided have a return obligation and therefore the revenue from supply of services

is recognised on a straight-line basis over the specified period for the service unless an alternative method better represents the stage of completion of the transaction.

Revenue from exchange transactions

Sales and partnership revenue

Revenue includes contributions from partners and recharges to customers to recover full cost of expenses incurred on their behalf. The revenue from the such supply of goods and services is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the supply of services is recognised on a straight-line basis over the specified period for the service unless an alternative method better represents the stage of completion of the transaction.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective

interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(o) Income tax

TNZ is exempt from income tax under the New Zealand Tourism Board Act 1991. TNZ's subsidiaries are subject to income tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable

future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Forecast financial information

(q) Financial instruments

TNZ uses derivative financial instruments such as foreign currency contracts to manage its exposure to foreign exchange risk arising from its operational activities. TNZ does not hold or issue these financial instruments for trading purposes. Tourism New Zealand has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of comprehensive revenue and expense.

Foreign exchange gains and losses resulting from the settlement of derivative financial instruments and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive revenue and expense.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(r) Employee Benefits

Employee entitlements for salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of comprehensive revenue and expense when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash flows.

Termination benefits are recognised in the Statement of comprehensive revenue and expense only where there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide

such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash flows.

Statement of significant assumptions

Assumptions underlying the financial statements include:

- Crown funding is assured at least at the levels stated for the period of this Statement.
- Baseline funding will be insufficient to deliver future year outcomes if domestic and international activity remain within scope over the longer term.
- Business advisory support through Qualmark is currently only funded for one year through the Tourism Recovery Fund. Continuation of this activity beyond FY21 will require further funding considerations.
- No amount has been included for gains or losses on foreign exchange derivatives as these cannot be estimated because of uncertainty surrounding exchange rates over the three-year period.
- There is a risk that movements in exchange rates can result in volatility in financial performance as fair value movements on derivatives are recognised.
- There is a risk that movements in exchange rates can have a significant effect on the spending power of TNZ. To mitigate this risk as far as possible a Foreign Exchange Reserve is included in the Forecast Statement of Financial Position. The Reserve is designed to preserve the spending power of TNZ during periods of adverse movements in exchange rates.
- The net asset position of subsidiaries will not change significantly over the three years.

Forecast financial statements

Statement of Comprehensive Revenue and Expense

	Group		Parent	
	2020/21 \$000s	2021/22 \$000s	2020/21 \$000s	2021/22 \$000s
Revenue from non-exchange transactions				
Revenue from Crown	126,150	111,450	121,150	111,450
Other revenue	-	-	-	-
Revenue from exchange transactions				
Interest Income	90	20	90	20
Other revenue	0	2,000	186	2,000
Total Revenue	126,240	113,470	121,426	113,470
Expenditure				
Other expenses	135,845	127,449	131,076	127,491
Depreciation & amortisation	1,073	1,021	1,028	979
Share of associate's deficit	-	-	-	-
Total Expenditure	136,918	128,470	132,104	128,470
Net Operating Surplus/(Deficit) before Foreign Exchange and Taxation	(10,678)	15,000	(10,678)	15,000
Foreign Exchange				
Foreign exchange gains/(losses) on derivative financial instruments	-	-	-	-
Other foreign exchange gains/(losses)	-	-	-	-
Total foreign exchange gains/(losses)	-	-	-	-
Income tax expense	-	-	-	-
Underspend carried forward from previous year	10,678	15,000	10,678	15,000
Net Surplus/(Deficit) for the year	0	0	0	0
Other comprehensive revenue/(expense)	-	-	-	-
Total comprehensive revenue/(expense) for the year	-	-	-	-
Net Surplus/(Deficit) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-
Total comprehensive revenue/(expense) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-

Forecast financial information

Statement of Financial Position

	Group		Parent	
	2020/21 \$000s	2021/22 \$000s	2020/21 \$000s	2021/22 \$000s
Current Assets				
Cash	5,255	5,255	5,000	5,000
Receivables from non-exchange transactions	192	160	160	160
Receivables from exchange transactions	2,476	1,198	2,200	1,000
Prepayments and other current assets	1,700	2,000	1,700	2,000
Derivative financial instruments	0	1,160	0	1,160
	9,623	9,773	9,060	9,320
Non-current Assets				
Property, plant and equipment	2,154	1,750	2,153	1,749
Intangible assets	1,417	893	1,289	700
Investment in associate	0	0	0	0
Investment in Qualmark	4,760	8,260	4,760	8,260
Accommodation bonds	477	570	477	570
Derivative financial instruments	0	0	0	0
	8,808	11,473	8,679	11,279
Total Assets	18,431	21,246	17,739	20,599
Current Liabilities				
Creditors and other payables	6,770	6,770	6,600	6,600
Employee entitlements	820	820	800	800
Invoiced in advance	726	700	500	500
Provisions	180	190	190	190
Derivative financial instruments	1,020	0	1,020	0
	9,526	8,480	9,110	8,090
Non-current Liabilities				
Provisions	190	190	190	190
Derivative financial instruments	0	0	0	0
	190	190	190	190
Total Liabilities	9,716	8,670	9,300	8,280
Net Assets	8,715	12,576	8,439	12,319
Equity				
Shareholder's Equity	6,605	10,105	1,805	1,805
Retained earnings	(2,011)	(1,650)	2,513	6,393
Foreign Exchange Reserve	4,121	4,121	4,121	4,121
Parent interests	8,715	12,576	8,439	12,319
Non-controlling interests	-	-	-	-
Total Equity	8,715	12,576	8,439	12,319

Statement of Cash Flows

	Group		Parent	
	2020/21 \$000s	2021/22 \$000s	2020/21 \$000s	2021/22 \$000s
Cash flows from operating activities				
Crown revenue	126,150	111,450	121,150	111,450
Interest received	90	20	90	20
Other revenue from non-exchange transactions	(15)	32	-	0
Other revenue from exchange transactions	90	90	(514)	3,200
Payments to suppliers and employees	(126,095)	(111,222)	(120,426)	(114,370)
Goods and services tax (net)	-	-	-	-
Net cash from operating activities	220	300	300	300
Cash flows from investing activities				
Sale of property, plant and equipment	-	-	-	-
Repayment of accommodation bonds	-	-	-	-
Purchase of property, plant and equipment	(300)	(300)	(300)	(300)
Purchase of intangible assets	(1,000)	(1,000)	(1,000)	(1,000)
Payments for accommodation bonds	-	-	-	-
Net cash from operating activities	(1,300)	(1,300)	(1,300)	(1,300)
Cash flows from investing activities	(1,080)	(1,000)	(1,000)	(1,000)
Effect of exchange rates on foreign currency balances	-	-	-	-
Opening cash brought forward	5,335	5,255	5,000	5,000
Cash at end of year	5,255	5,255	5,000	5,000

Statement of Changes in Equity

	Group		Parent	
	2020/21 \$000s	2021/22 \$000s	2020/21 \$000s	2021/22 \$000s
Balance at 1 July	8,715	12,576	8,439	12,319
Net surplus/(deficit) for the year	-	-	-	-
Transfer from Retained Earnings to Foreign Exchange Reserve	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	-
Balance at 30 June	8,715	12,576	8,439	12,319

Strategy on a page

GOVERNMENT GOAL	STRATEGIC INTENTIONS FY22-25	FOCUS AREAS FOR FY22	SUCCESS LOOKS LIKE...
<p>Tourism growth is</p> <ul style="list-style-type: none"> Productive Sustainable Inclusive <p>And contributes to the intergenerational wellbeing of New Zealanders and their families</p>	<p>1. BUILD OUR BRAND</p> <p>Build extraordinary value in New Zealand’s destination brand and reputation.</p> <p>2. ACCELERATE RECOVERY AND TRANSITION</p> <p>Accelerate tourism’s recovery and transition to a more sustainable, productive, and inclusive future</p>	<p>1. Boldly grow brand desire to make New Zealand irresistible to visitors that will enrich Aotearoa</p> <p>2. Drive domestic demand and lay the foundation for long-term value</p> <p>3. Accelerate the recovery by scaling up high-value conversion across markets and priority audiences as borders re-open</p> <p>4. Embed te ao Māori into TNZ’s strategy, work and ways of working</p> <p>5. Support industry to deliver quality visitor experiences that enrich New Zealand for both domestic and international visitors</p> <p>6. Actively inform and contribute to all-of-Government programmes for tourism recovery and transition</p>	<p>Brand</p> <ul style="list-style-type: none"> Appeal and preference for Brand New Zealand is higher than it’s ever been The outtake of our storytelling is consistent with that of our values and truth Implementing and leveraging audience mindsets for higher quality targeting <p>Domestic</p> <ul style="list-style-type: none"> Value remains higher than pre-COVID-19 New Zealand delivers to expectations as a holiday destination for New Zealanders More New Zealanders are aware of <i>Tiaki</i> <p>International recovery</p> <ul style="list-style-type: none"> Recovery of value from Australian market and other markets ready to follow All regions grow in value Increase the percent of direct bookings for industry Aviation partnership planning to re-start key routes with airlines and airports Trade networks are supported, reconnected and inspired to showcase and sell New Zealand <p>Te ao Māori</p> <ul style="list-style-type: none"> Implementation of overarching Māori strategy Strong and enduring partnerships with Māori that enrich New Zealanders Brand and content reflects a deeper cultural value set <p>Support industry</p> <ul style="list-style-type: none"> Qualmark membership and Gold members grow Industry is heard, part of, informed and engaged with TNZ’s activity <p>Contribute to Government programmes</p> <ul style="list-style-type: none"> TNZ’s reputation is protected and enhanced through our recovery contribution Decision-making about tourism in Government is informed by TNZ’s specialist advice
<p>PURPOSE: ENRICH AOTEAROA</p>	<p>3. MAXIMISE CONTRIBUTION</p> <p>Shape demand to maximise the contribution of visitors to the four captials</p>		

Figure 19: Our Strategy on a Page summarizes our purpose, intentions, focus areas and what success looks like.

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