

1971 – 2011  
40 YEARS MARKETING NEW ZEALAND OVERSEAS



**TOURISM BRIEFING PAPER TO INCOMING MINISTERS**

**HON JOHN KEY, PRIME MINISTER**

**HON DR CHRIS TREMAIN, ASSOCIATE MINISTER OF TOURISM**

**JANUARY 2012**



# INTRODUCTION

The Inbound Tour Operators Council of New Zealand (ITOC) soon to be renamed the Tourism Export Council of New Zealand represents tourism businesses and the private sector who focus on international (inbound) tourism that is planned, booked and managed by New Zealand based tour operators who are part of the global travel and tourism distribution system.

ITOC is one of several major tourism sector organisations that supports our national umbrella organisation, the Tourism Industry Association (TIA).

ITOC provided input into TIA's Tourism Industry Election Manifesto that outlined the industry's top priorities for an incoming government. ITOC fully supports the national priorities listed in the manifesto, however in addition we have our own sector priorities specific to our members.

This document lists ITOC's priorities as: **(1) Launch of new brand and logo (2) Calculating the size of the Inbound industry and Zero rating of GST on inbound tour operator facilitation fees, (3) Marketing for new and emerging markets, and (4) Tourism on Public Lands 'guiding' concessions.**

This briefing document will provide additional background on these priorities as well as profiling our organisation.

The inbound tourism industry is at a critical juncture due to the effect the global financial crisis and New Zealand dollar is having on New Zealand's source markets. Visitor numbers and spend are falling from record highs (down 30-40%) with Inbound Tour Operators being particularly hard hit. Profitability is under threat and job losses have already occurred with more likely.

Our key issues are ones that could prevent our sector from emerging from the current crisis stronger than when we entered it and require careful consideration. We look forward to working with government to resolve these.



*Martin Horgan*  
*ITOC President*



*Lesley Immink*  
*ITOC Chief Executive*

## Our Top Four Priorities

### 1) Name change from ITOC to the "Tourism Export Council of New Zealand"

In March 2012, ITOC will be changing its name to the Tourism Export Council of New Zealand.

The average New Zealander has some knowledge that agriculture and tourism are our two main export industries, but many fail to see the link between Inbound Tour Operators and tourism being an export industry. With agriculture, you grow an apple, send it off-shore and a foreigner eats it. A clear pathway of a New Zealand product, consumed or purchased by someone from overseas.

Tourism is different. By definition, export products and services are made or developed in New Zealand but purchased by a 'non resident'. With tourism as an export industry, the product and service is purchased by a non resident but experienced here in New Zealand. The word 'inbound' adds confusion to the equation and it is for this reason that many New Zealanders and some members of our own industry fail to see the link to Tourism being an export industry.

Ten years ago, our Australian counterparts were called ITOA—The Inbound Tour Operators of Australia with a similar situation. They changed their name to ATEC—Australian Tourism Export Council. The name change had 3 significant impacts.

- A. Tour operators finally realised they were part of the Tourism Export industry and proud to be a part of it
- B. Local, Regional, State and Federal government were able to identify and recognise the contribution of tourism to the economy and started to fund it appropriately
- C. Australians started to appreciate the depth and breathe of the tourism industry and the scope of employment opportunities it presented all over the country

The name change created a *culture shift* and appreciation of tourism within the country, and this is what ITOC is hoping to achieve by similarly changing its name. The Tourism Export Council name has been approved by its membership and expects to start trading as the Tourism Export Council from 01 March 2012.



We will forward a new brochure and fact sheet to you once it has been launched with the industry and mainstream media.

### 2) Calculating the size of the New Zealand inbound industry AND the Zero rating of GST on inbound tour operator facilitation fees

ITOC are currently working with Covec, Auckland who are an economic consultancy (with a proven track record of high value tourism research), to conduct an economic contribution and impact report that the inbound sector provide to the New Zealand economy. While our own members have submitted financial information to Covec, estimating the true size of the

industry is more challenging. We estimate that ITOC inbound operators represent 30% of inbound operators and 50-60% of the volume and turnover. i.e. our members are the key players in the inbound sector. We are in the process in identifying other inbound operators who do inbound business in New Zealand, but may be based off-shore or non members of ITOC. Many online tour wholesalers and companies come direct into New Zealand to work with product suppliers and it is difficult to assess the true size of the inbound industry. ITOC is working with the Regional Tourism Organisations (RTONZ) and product suppliers to establish such a database which will assist Covec with the survey.

### **Zero Rating of GST on inbound tour operators facilitation fees:**

Several years ago the Inland Revenue Department (IRD) concluded that GST did not have to be paid on fees charged to overseas wholesalers for arranging tours, but they did have to be paid on the goods and services consumed in New Zealand by the tourist. This ruling was accepted by the industry in good faith. This interpretation was consistent with other industries that provide consultation services internationally and do not charge GST on these consultative services.

A policy u-turn by the IRD in 2007 left Inbound Tour Operators subject to a potentially massive retrospective tax grab by the government with some companies still having ongoing challenges with IRD. ITOC has been lobbying government and the IRD for the past three years on this issue. An independent adjudication found in favour of the taxpayer and we believe this vindicates our position although we have been advised by the Minister of Revenue that no changes will be done.

Once ITOC and Covec have completed their economic contribution report of the Inbound sector, we will be preparing a submission to Government and IRD that outlines:

1. The potential negative economic impact of continuing with the current GST treatment of services provided to foreign tourists and how inbound operators are disadvantaged significantly compared to off-shore operators who are not subject to this ruling.
2. How the current GST treatment of these services is inconsistent with the established policy principles that apply to New Zealand's tax system for other export sectors. For example, the information technology and finance sectors who provide consultation to off-shore clients do not have to pay GST on these services.
3. The economic size and value of the inbound sector and its financial flow on effect throughout the New Zealand economy and communities.

This is a serious issue for the inbound sector and New Zealand based companies will potentially close or relocate abroad to remain competitive — not a good news story for the industry or country and New Zealand's signature tourism market will be irrevocably harmed.

We would like the opportunity to **re-present our case to government, aided by robust economic data that supports our cause of being disadvantaged compared to off-shore companies delivering the same service, and that the tourism export sector be treated the same as other export industries.**

### 3) Marketing for new and emerging markets

ITOC generally agrees with TIA's number one priority for "keeping the industry at the centre of political and public attention will be important in building on the gains achieved in the past three years and delivering value to the New Zealand economy. It is also supportive of increasing public sector investment for targeted offshore promotions to markets of strategic importance to New Zealand."

In particular, "as well as maintaining its presence in traditional markets such as the UK, Europe, USA and Australia, the industry believes New Zealand's marketing efforts should extend to emerging and developing markets in India, the Middle East, South America and Russia." ITOC Full inbound tour operator members have always been at the forefront of developing new and emerging markets and are committed to investing time and money in ensuring that we keep ahead of the competition.

**ITOC supports public funding being made available for co-operative marketing opportunities with Tourism New Zealand in such markets, and our members are willing to contribute on a fair and equitable basis.**

To further incentivise private sector investment in overseas marketing, **ITOC supports the introduction of an Export Market Development Grants Scheme** similar to the one in Australia where government reimburses up to 50 per cent of expenses incurred on eligible export promotion activities, above a \$10,000 threshold.

### 4) Tourism on Public Lands –Guiding Concessions

The Department of Conservation (DoC) has introduced new guiding concession requirements as per the Conservation Act 1987, for coaches that park on conservation land while their passengers visit view points and take short walks. While initially ITOC was opposed to the concession system, we are now in agreement that some contribution should be forthcoming from inbound operators. Robust negotiations over the past year have seen us reach a collective agreement for our members with DOC, which will come into force **01 April 2012**.

However, the implementation of the system and enforcement for inbound operators who are not ITOC members is a concern. Our members are an easy target and represent 30% of the inbound market. This highlights again the 'financial competitive disadvantage for our members' who not only have the GST on facilitation fees to pay, but now the DOC concession fees to pay in addition. The inbound database previously discussed may assist DOC in recovery of fees from non ITOC members.

Of further concern is the inequity in only requiring coach operators to obtain a concession. Those visitors travelling independently by rental car, campervan, bicycle or on foot, are not required to obtain a concession. The number of independent travellers far outnumber those travelling by coach on an escorted tour.

**ITOC considers that concession requirements for all international visitors to New Zealand should be recovered in some way** — particularly as the FIT (free independent traveller) is increasing each year and a potential source of additional funding for DOC.

# BACKGROUND

I TOC is an Incorporated Society and was founded in 1971. It is made up of over 240 Full and Allied members. Full members are Inbound Tour Operators who package and market tourism product to overseas travel wholesalers and retail travel agents. Allied members are New Zealand product suppliers including accommodation, transport, activities, attractions and visitor services.

The primary role of I TOC is to be the voice of Inbound Tour Operators, but its other main aims include:

- Working with Tourism New Zealand and Regional Tourism Organisations to ensure Inbound Tour Operators are an important catalyst in marketing New Zealand internationally
- Encouraging business to business relationships between Full and Allied members thereby increasing turnover and profitability
- Advocating for Full members on the issues facing them

Not all Inbound Tour Operators are members of I TOC but the majority of the larger operators do belong. Over 90% of I TOC’s funding is derived from membership fees and subscriptions.

## Roles of Key Tourism Agencies in New Zealand

Where do we fit in?

### MARKETING

**TNZ**  
Tourism New Zealand

Promotes New Zealand

Responsible for:

- I-sites
- Qualmark
- ADS China
- Maori Tourism

**RTONZ**  
Regional Tourism Organizations of NZ

Promotes your region (29 in New Zealand)

### ADVOCACY & POLICY

**I TOC**  
Inbound Tour Operators Council

Promotes New Zealand

Business 2 business in NZ

Some advocacy to Government

**Represents:**

- Accommodation
- Transport
- Attractions
- Activities
- Services

KEY FOCUS— Business & growth

**TIANZ**  
Tourism Industry Association

Voice of industry to government

Facilitates industry information

Business tools & Education

**Also represent:**

- Accommodation
- Transport
- Attractions
- Activities
- Services

KEY FOCUS—Advocacy

### Membership Industry Associations:

- BYATA—Backpackers, Youth & Adventure Tourism
- NZHC—NZ Hotel Council
- HPANZ—Holiday Parks
- @home NZ—B & B’s
- MANZ—Motel
- NZLA—Lodges
- BCA—Bus & Coach
- ONZ—Outdoor NZ
- HANZ—Hospitality
- Ski Areas Association
- RVA—Rental Vehicles
- BARNZ—Board Airline Representatives

### Industry Training Organisations:

- ATTTO—Aviation, Tourism & Travel Training
- HSI—Hospitality Standards Institute
- SFRITO—Sport Fitness & Recreation Industry

*I TOC Full members promote NZ companies off-shore. They then purchase NZ wide product, in volume and are repeat business. They value supplier relationships and give excellent pastoral care to our international visitors.*

# DISTRIBUTION

## How does the ITOC distribution system work for New Zealand suppliers?

ITOC Full member Inbound Tour Operators make regular sales calls on overseas wholesalers and travel agents and, through these new business relationships, they market the services and products of Allied member suppliers on a preferred basis.

Although the marketplace is price-driven and very competitive, product suppliers include sufficient margin for Full member Inbound Tour Operators to work the market effectively and to pay recognised commissions to wholesalers and travel agents overseas.

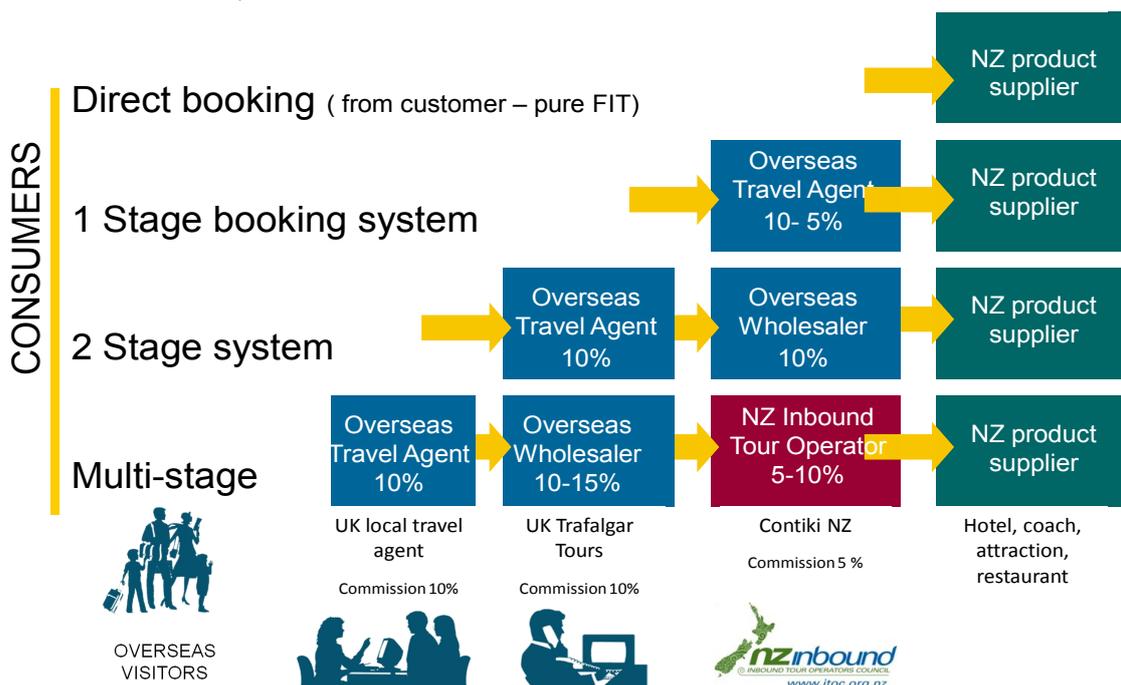
The ITOC Full member is a “one stop shop” for marketing products and services. They will provide suppliers with business and save them time, cost and marketing effort in going to the market.

The ITOC Full member has the contacts, the knowledge and is the marketing arm to increase business for New Zealand suppliers.

Despite the increase in direct bookings and overseas consumers booking via the internet with New Zealand suppliers, there is still a growing market for professionally arranged itineraries for groups and individuals to be packaged by Inbound Tour Operators and sold through overseas distribution channels.

## How does the ITOC Distribution System Work?

\* FIT means—free independent traveller



I TOC is based in Wellington and led by Chief Executive Lesley Immink and operates a small team out of Tourism House and works closely with TIA.

The I TOC Board consists of eleven representatives from both Full and Allied members as well as a co-opted member from Air New Zealand. Board members are:

**Martin Horgan**

(President) Southern World New Zealand, Christchurch [representing Full Members]

**Stuart Neels**

(Vice President) ATS Pacific, Auckland [representing Full Members]

**Stewart Brown**

(Vice President) Rainbow Springs, Rotorua & Ngai Tahu Tourism [representing Allied Attraction & Activity Members]

**Lisa Li**

China Travel Service, Auckland [representing Full Members]

**Stephen Ecclestone**

GTA by Travelport, Auckland [representing Full Members]

**Adele Marsden**

NZ Educational Tours, Tauranga [representing Full Members]

**Geoff Yee**

GSN Pacific, Auckland [representing Full Members]

**Dominic Cheng**

Winchester Travel, Auckland [representing Full members]

**THE TOURISM INDUSTRY’S TOP PRIORITIES:**

I TOC provided input into TIA’s Tourism Industry Election Manifesto that outlined the industry’s top priorities for the incoming government. I TOC supports the national priorities listed in the manifesto being:



**Steve Shearer**

Scenic Hotel Group, Auckland, [representing Allied accommodation sector]

**Vance Boyd**

Kiwi Discovery, Queenstown [representing Allied-Transport sector]

**Jenny Simpson**

Air New Zealand, Auckland [Co-opted Member]

**Brian Henderson**

Tourmasters, Auckland [immediate past President]



**I TOC Board 2011-2012** Left to right: Dominic Cheng, Vance Boyd, Adele Marsden, Brian Henderson, Lisa Li, Lesley Immink, Martin Horgan, Stephen Ecclestone, Geoff Yee, Anna Black, Steve Shearer. ABSENT: Jenny Simpson, Stuart Neels, Stewart Brown

# ITOC PROJECTS & EVENTS

ITOC is involved in a number of activities that may be of interest to Ministers:

## Qualmark endorsed Inbound Tour Operators



ITOC is a strong supporter of quality standards. ITOC has worked with New Zealand's national tourism quality standards organisation, Qualmark, to instigate an endorsement scheme specifically tailored for Inbound Tour Operators. ITOC has made it a requirement of membership, as of 1 April 2009, that all ITOC Full Inbound Tour Operator members must have successfully achieved this Qualmark endorsement.

## ITOC Conference & AGM

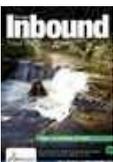
Each year ITOC holds an industry conference which is attended by 200-250 delegates. For the last few years a major component of this has been a Market Update by Tourism New Zealand senior executives and overseas managers. This year the ITOC Conference will be held in **Greymouth 21-24 August 2012** with host Regional Tourism Organisation, Tourism West Coast. Traditionally the Minister of Tourism is invited to deliver a keynote address on the first day.



## ITOC Xmas Forum Update

Each December ITOC holds its Christmas Members Update and Networking Function in Auckland. In 2012 this is scheduled to be held on **Wednesday 12 December 2012**. This half-day event features a market update from Tourism New Zealand and a celebratory network function in the evening. The Minister of Tourism is invited to attend and deliver an address at the Update.

## ITOC Directory



Each April ITOC produces its annual Inbound Travel Directory which provides information on ITOC and contact details of all its members. This is distributed throughout New Zealand and overseas.

## ITOC Website

An up-to-date list of members and activities can be found at [www.itoc.org.nz](http://www.itoc.org.nz)

## ITOC E-Newsletters

Each month ITOC produces a newsletter which is sent to all members and affiliated organisations.

## Why do overseas wholesalers and travel agents use the services of ITOC Full member Inbound Tour Operators ?

### 1. Bookings made easy

An Inbound Tour Operator in New Zealand will coordinate communication between New Zealand ground and air suppliers and provide the information they need, in a single package.

### 2. Local advice and planning

There is nothing like local knowledge. An Inbound Tour Operator will give overseas wholesalers a first-hand view of the local scene. These are people who have travelled the length and breadth of the country, who stay in the same hotels they recommend and who fly regularly on New Zealand routes.

### 3. Service from people they trust

An Inbound Tour Operator acts just like a branch office in New Zealand. An overseas wholesalers request takes top priority because an Inbound Tour Operator is virtually an extension of their business.

### 4. On-the spot handling of emergencies

Your loved ones can be assured that when booking through an Inbound Tour Operator— pastoral care for you and all your travel arrangements will be handled with the utmost care and professionalism. Even the best planned travel can have problems. Accidents, Acts of God, cancellations, loss or theft of belongings, are just a few of the many situations that can be handled with maximum tact and a minimum of fuss by an Inbound Tour Operator.

### 5. Specialised itineraries and incentives

New Zealand is fast becoming a popular destination for incentive programmes and specialised group tours. For these specific

itineraries, an Inbound Tour Operator offers invaluable help in coordinating the many details that make for successful group travel.

### 6. Local guides and interpreters

An Inbound Tour Operator will arrange sightseeing with an experienced and knowledgeable guide in any New Zealand city, resort or wilderness area. Interpreters in many languages can also be booked through an Inbound Tour Operator.

### 7. Confidential agents tariffs and brochures

To allow overseas wholesalers to quote and plan accurately, they will receive regular communications giving updates on tariffs within New Zealand.

### 8. Attractive volume rates

An Inbound Tour Operator can negotiate on an overseas wholesalers behalf with hotels and other suppliers for the best available rates.

### 9. Total coordination of tours

An Inbound Tour Operator will draw together the many aspects that make travel in New Zealand so rewarding. Many different travel combinations can be planned and organised to the last detail, to suit individual client requirements.

### 10. Up-to-date information

When changes occur Inbound Tour Operators keep overseas wholesalers informed about a range of topics that may have an effect on their business.

