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Ministry of Business, Innovation and Employment
WELLINGTON

By email: prioritybands@mbie.govt.nz

Kia ora

Fuel Response Plan - TIA Submission

Tourism Industry Aotearoa welcomes the opportunity to submit on the Government's Fuel Response Plan that has been triggered by the war in the Middle East that is disrupting global fuel supplies, with multiple implications for New Zealand.

TIA considers that the characteristics and fuel needs of tourism must be factored into plans that are developed to see New Zealand through the current difficulties. As such, this submission set out:

- How the tourism system works and its contributing parties
- The role of fuel within the tourism system
- Indications of industry impacts from fuel costs and supply disruption
- Feedback on the Fuel Response Plan

This submission has been prepared with input from the sector associations that operate across tourism.

Tourism Industry Aotearoa

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,250 member businesses, TIA represents the full range of tourism-related activities including accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services and hospitality.

Tourism is vital to the economy

Tourism represents 17% of New Zealand's export economy and supports one in every nine jobs in New Zealand.¹ The contribution of tourism will only increase given the Government's goal to double tourism exports by 2034.² The industry's own goal is for tourism to reach \$50 billion in total annual expenditure by 2030.³

Indicator for YE March 2025	Value	% of NZ Total
Total expenditure	\$46.6b	
International expenditure	\$18.1b	
Domestic expenditure	\$28.5b	
Total GDP (direct and indirect)	\$30.6b	7.7%
Tourism exports	\$18.1b	17.0%
Total Employment (direct and indirect)	327,888	11.4%

¹ <https://www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2024/>

² <https://www.mbie.govt.nz/immigration-and-tourism/tourism/tourism-growth-roadmap>

³ <https://www.tia.org.nz/tourism-2050>

Compared to other sectors, Tourism exports of \$18.1b (YE March 2024) are only just behind Dairy (\$23.1b), and well ahead of Meat Products (\$9.2b), Wood (\$5.97b), Fruit (\$5.1b) and Seafood (\$2.0b).

These datapoints serve to highlight the responsibility we have to ensure that tourism is carefully factored into all considerations for fuel access and security.

As a country located far from most key trading partners, New Zealand is highly reliant on our aviation connectivity with the world. For instance, New Zealand's international aviation connectivity plays the critical role of enabling tourism activity and high value freight, which amounts to two-way goods and services trade of around \$58-65 billion. This is made up of inbound tourism of \$18b; outbound tourism of \$7b; air freight exports of \$15-18b; and air freight imports of \$18-22b.⁴

Tourism is a strong net contributor to the Government budget, with Government revenue of \$10.5 billion annually and expenditure of \$1.4 billion, generating a net gain of \$9.1 billion. As such, maintaining tourism activity has a direct bearing on maintaining Government revenue streams.⁵

Tourism also plays a role within our society. So much that is tourism is used by Kiwis in all sorts of ways: the holiday parks that provides seasonal worker accommodation; the road transport operators that provide links right around our country – connecting communities; the visitors joining the workforce while here – fruit picking and working in hospitality; rental vehicles available for all sort of uses; and helicopters for search and rescue; and so on. These aspects of tourism are part of the wide contribution that is of value to our society.

Tourism system and fuel dependency

Having established the size and contribution of tourism, it is important to consider how it works as a complex system, and the role fuel plays across this system.

At its heart, tourism involves the movement of people from their home to other places for leisure and holidays, new experiences, visiting friends and family, education, business, and others.

This movement is enabled by a network of sectors, including transportation, accommodation, hospitality, activities and attractions. Some of which are tourism-specific, such as aviation and accommodation, while others are embedded across the wider economy, including hospitality, retail, land transport, public spaces and amenities.

The scale of this activity is large and widely dispersed around our country. For instance, in the 12 months to December 2025, Air New Zealand operated 138,323 domestic flights and 28,084 international flights. This amounted to 15.9 million passengers (10.1m domestic and 5.8m international).⁶ In the accommodation sector, in the year to February 2026, 2,809 establishments hosted 40.25 million guest nights across hotels, motels, holiday parks, lodges and backpackers.⁷

Tourism operates as a connected system of businesses, with visitors typically engaging with many different services over the course of a single trip. An overseas visitor may begin by researching New Zealand online, then work with an inbound operator while booking flights. On arrival, they move through airport and border services, travel to their

⁴ Stats NZ, Balance of Payment, YE December 2025

⁵ <https://www.mbie.govt.nz/dmsdocument/31874-tourism-funding-flows-and-impacts-final-report-pdf>

⁶ https://www.airnewzealandnewsroom.com/press-release-2025-a-year-in-the-air-air-new-zealand-connects-nearly-16-million-people-across-aotearoa-and-around-the-world-in-2025?utm_source=chatgpt.com

⁷ <https://freshinfo.shinyapps.io/ADPReporting/>

accommodation, dine at local restaurants, and participate in an activity. This pattern repeats across their journey through the country, linking multiple sectors together.

Fuel is vital in enabling both international connectivity and domestic movement. Aviation is a high energy-load sector, with fuel accounting for approximately 30-40% of the cost of a long-haul airfare to New Zealand.⁸ This makes aviation particularly sensitive to fuel price increases, especially in a context where travellers are already price sensitive when booking long-haul travel.

On the ground, New Zealand's status as a touring destination means visitors travel extensively, whether by coach, campervan, car train or ferry. Given our geography and low population density, this inherently means that road transport will always play a major role in getting our visitors around our country.

Tourism also plays a role as part of the fabric of our society. So much that is tourism is used by Kiwis in all sorts of ways: the holiday parks that provides seasonal worker accommodation; the road transport operators that provide links right around our country – connecting communities; the visitors joining the workforce while here – fruit picking and working in hospitality; rental vehicles available for all sort of uses; and helicopters for search and rescue; and so on. These aspects of tourism are part of the 'soft' contribution that is of value to our society.

Within the tourism system, different sectors have varying levels of fuel dependency, but all are affected by fuel availability and price:

- **Aviation** is highly exposed to fuel cost volatility and supply constraints due to its high energy intensity.
- **Accommodation** is generally more capital intensive, but still relies on fuel and energy for heating, cooking and operations depending on location and infrastructure.
- **Activities**, particularly New Zealand's iconic adventure tourism offerings, often have high petrol and diesel requirements. These experiences are a primary driver of visitation and require assured fuel supply to operate.
- **Land transport** is fundamental to visitor movement and regional dispersal, with high cumulative fuel demand due to travel distances.

In addition, broader system components are also fuel dependent:

- **Workforce:** Tourism supports a large, varied and mobile workforce, including in remote locations with small resident populations. New Zealanders moving to work in tourism are often in the same position.
- **Supply chains:** Visitors consume a wide range of goods and services, requiring functioning logistics networks to deliver food, beverages, retail goods and other inputs across the country.

With tourism operating as an integrated system, all components require reliable and affordable fuel supply for the system to function effectively. This interconnectedness means that disruption in one part of the fuel system can have cascading effects across the wider tourism economy.

⁸ <https://www.stuff.co.nz/travel/news/131340924/cheat-sheet-why-are-international-flights-so-expensive#:~:text=Broadly%20speaking%2C%20fuel%20costs%20made,to%20those%20sky%2Dhigh%20airfares.&text=But%20full%20planes%20are%20also,premium%20for%20those%20available%20seats.>

Sector impacts and emerging risks

Six weeks into the Iran conflict, visitation to New Zealand has remained relatively stable, as travellers continue to take trips that were booked prior to the escalation.

However, it is expected that impacts will become more evident over time as higher fuel costs, weaker global economic conditions, and reduced consumer confidence begin to influence travel demand. The timing of the conflict coinciding with New Zealand's winter off-season may partially moderate immediate impacts, but forward bookings and business and consumer confidence are already showing signs of pressure.

TIA Member Survey

To quantify industry impacts and responses, TIA and other industry associations are tracking trends across their sectors and the outlook for the future. In late March TIA surveyed its membership, 167 respondents provided the following feedback:

- 74% of respondents are receiving cancellations in March to April period (of these, 54.9% reported cancellations of less than 10% of bookings).
- 51% are facing cost pressures.
- 57% have made pricing changes or are actively considering it (of these, 9.6% have already made pricing changes).
- 55% see loss of international visitors in their top 2 concerns if the conflict lasts 8 weeks (with fuel pricing the next highest at 49.7%).
- 64% see loss of international visitors in their top 2 concerns if the conflict lasts 6 months.
- 18% report negative forward bookings for summer 2026/27.

General survey comments:

- Operators are watching closely, delaying decisions, and increasingly worried about what happens if disruption occurs over the mid-term. A priority therefore is to sure up the winter visitor season and the next summer season.
- Fuel cost increases and availability are described as vital for transport, aviation, and fuel dependent experiences. Members explicitly raise the risk of fuel rationing, diesel shortages, or supply disruption affecting their ability to run scheduled services. This is particularly acute for coach, jet boat, aviation, ferry, and heavy transport dependent tourism.
- Many operators note the fuel price increases of 40% or more, with no ability to absorb or pass these on due to prepaid contracts or fixed rates. Fuel is repeatedly linked to downstream effects such as freight costs, supplier pricing, and general inflation, reinforcing the sense that cost pressure is systemic rather than isolated.
- Uncertainty is repeatedly highlighted as likely to damage forward bookings, investment decisions, and staffing plans. When travellers feel uncertain, discretionary spending is impacted.

Sector reporting and feedback

Across the tourism association network, sectors are reporting a range of current and anticipated impacts:

- **Aviation:** Airlines are focused on schedule reduction scenarios and fuel distribution challenges and price. The aviation sector is closely engaged with government on jet fuel allocation processes, reflecting the critical importance of maintaining connectivity. Without assurance of aviation fuel supplies, there is industry concerns around aviation capacity, especially for the next summer season. At present, the sector concern is focussed more on the price of aviation fuel than the supply aspects.

- **Bus and coach operators:** Highly exposed to both fuel availability and price. Tour and charter services are particularly vulnerable, with rising costs likely to flow through to tour pricing and potentially reduce regional accessibility.
- **Hospitality:** Experiencing cost pressures with limited ability to pass these on to price-sensitive customers. Operators are reporting cancellations and a shift toward more last-minute bookings, increasing revenue uncertainty.
- **Inbound tourism operators (ITOs):** Reporting fuel surcharges being introduced into the system, creating tension with long-term contracted pricing models. In this sector, price itineraries are sold at prices fixed up to two years ahead of travel. There is concern that operators may be unable to deliver contracted experiences, posing risks to New Zealand's destination reputation. This reputational aspect is important. If during the current phase, we do not meet expectations of our visitors, there will be downstream implications in terms of future bookings.
- **Rental vehicle sector:** Fuel cost increases are largely being passed through to customers, but additional operational costs are being absorbed. There are concerns around forward bookings in the near term that are already declining, with fuel price a key factor. Major concerns on the potential for a longer-term conflict and what this might mean for summer of 2026/27. Rental fleets also support wider system functions beyond tourism, including government, health corporate and essential supply chain distribution.
- **Holiday parks:** Often fuel-intensive operations, relying on petrol and diesel for vehicles, generators, heating and grounds maintenance. They also play a key role across the country, for instance in accommodating seasonal workers and project-based workers in a range of industries, including roading construction and maintenance, and in providing accommodation for people without alternative housing options.
- **Regional tourism organisations and regional operators:** Reporting early signs of cancellations and increased concern around fuel costs. There is particular concern regarding the ski season and the potential impact of higher travel costs on demand. Business travel demand is also showing signs of softening.
- **Business and other events.** The business events sector is a key driver of business-related tourism activity for seasonality gains and regional dispersal. It is reliant on fuel, particularly for travel to and from the events, with cost being a key concern as this stage. Events have a wider benefit in terms of economic activity and development for the country, given the role they play in lifting performance of the business, entertainment, sports and specialist interest sectors involved.
- **Travel management sector.** Travel agents are reporting a softening of bookings by New Zealanders, including across the government and corporate sectors. Cost and uncertainty are reported as areas of concern.
- **Backpacker, youth and adventure sectors:** Concerned about reduced regional dispersal due to higher travel costs and/or reduced transport capacity. Fuel-intensive activities such as jet boating and skydiving are already seeing cost increases being passed on to visitors.

New Zealand Māori Tourism also provided the following:

"For many regions (particularly those that are highly tourism dependent), tourism should not be seen as a solely discretionary activity but be considered as core economic

infrastructure. In respect to Māori tourism, such enterprises are often intergenerational, place-based, and deeply embedded across local employment markets. Disruption to fuel availability or affordability generates risks not only to businesses continuity, but to wider community resilience, employment, and cultural connections. Critically, the fuel allocation and fuel band settings should therefore reflect not just sector continuity, but wider regional economic continuity.”

While the full impact of the Iran conflict on tourism demand remains uncertain, there is clear evidence of emerging pressure across multiple parts of the tourism system. Given tourism’s reliance on fuel across aviation, land transport, activities, workforce mobility and supply chains, it is important that the Government’s Fuel Response Plan recognises tourism as a highly fuel-dependent sector with system-wide implications.

Across all tourism sectors, there are consistent concerns around uncertainty, the cost and supply of fuels, implications for demand, and that New Zealand must sustain its quality as a visitor destination to ensure its long-term brand reputation.

New Zealand’s Fuel Response Plan

TIA and sector associations welcome the development of a clear plan for managing our movement through the current period of volatility in our fuel supply situation. We support the Government’s actions to operate transparent processes to inform New Zealanders on where we stand and the actions that need to be taken.

The four-Phase approach sets out progressive actions that can be taken and we note the Phase 3 includes a prioritisation process for the supply of available fuels.

TIA feedback on the Bands is:

1. The economic activity that tourism generates is vital to the functioning of our economy, and every effort is needed to keep this activity going or else the jobs and export earnings from tourism will fall away, with wide implications.
2. We welcome the inclusion of international air links in Band B. These links are vital to our economic well-being as a nation. Tourism flows underpin New Zealand’s economic performance and are the livelihood for tourism businesses across the country.
3. However, just keeping links open does not necessarily provide assurance on the capacity of those links. Airlines need to be full of paying customers before they fly and they need assured supplies of fuel, or they will not service our country to the detriment of our tourism and trade economies.
4. Tourism operates on long lead times. As an aspirational destination, people plan their travel sometimes years out. This means that what we do now will flow into future visitation levels. For instance, international visitors planning to come to New Zealand in Summer 2026/2027 will be booking their trip now and making plans. We are seeing softer forward bookings for the summer of 2026/27, and this will certainly grow as this uncertainty drags on.

As a planning tool, signalling that every effort will be made to keep the economically important tourism industry functioning is important. As such, we seek specific recognition of tourism within the Bands so the role and contribution of tourism within our wider economy can be sustained. As we read this, it is the ‘intent’ of the Bands that is important, and not whether one industry is or isn’t included: the point is whether the Bands serve to protect as much economic activity as possible for which ever scenario arises.

We make this request this in the context of how tourism works within New Zealand communities. Support for tourism remains very strong, with 95% of New Zealanders

agreeing that tourism is good for New Zealand (December 2025, Views of Tourism Research), and in this context we are not asking to operate to the detriment of New Zealand communities, but rather we are asking that tourism can operate as normally as possible to sustain the benefits to these communities through economic activity and jobs.

Conclusion

TIA asks that the Fuel Response Plan explicitly recognise tourism within the priority Bands, reflecting both its economic weight and its systemic fuel dependency. Doing so will help sustain the jobs, export earnings, and regional communities that tourism supports across New Zealand – at exactly the moment when that support matters most.

TIA is available to provide further information or assist with any discussions as needed.

Ngā mihi,



Rebecca Ingram
Chief Executive

Co-signatories

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