

September 2021

Supporting the survival and transition of tourism

Current situation

It has been a roller coaster ride since February 2020 for the country's 35,000 plus tourism businesses. Border closures were necessary but a huge blow. The opening of the Tasman travel bubble in April 2021 lifted spirits but the outbreaks in Australia and the shutting down of Tasman flights meant the benefits were temporary and minimal.

Kiwis have been our saviours. While there've been a huge range of individual business outcomes from closure or hibernation to record revenue levels, many tourism businesses that deliver services to a domestic market had been trading reasonably well in 2021. Domestic travel for leisure and business was buoyant, accommodation occupancies were steadily increasing and a strong programme of events and conferences was underway. The winter school holidays which ran 10-25 July had generated good business. The biggest issue facing businesses, other than the closed border, was a shortage of workers.

New Zealand moved to Alert Level 4 on 17 August 2021 as a result of community transmission of the COVID-19 Delta variant. Auckland will remain at Level 4 at least until 21 September while the remainder of the country moved down to Alert Level 3 and then Alert Level 2 on 8 September. The Government has provided support for businesses including a wage subsidy and the Resurgence Support Payment.

Business adjusted quickly to the lockdown, drawing on their experiences in 2020. However, tourism operators note that the impact of the lockdown and recovery will be different from 2020. Reasons for this include:

- The 2020 lockdown commenced on 25 March 2020, towards the end of the peak season. Operators had cash reserves to draw on whereas now that is less likely.
- It's unclear how quickly domestic tourism will bounce back. The biggest domestic market, Auckland, remains unavailable and with summer around the corner New Zealanders may delay any leisure travel until January/February.
- This summer is expected to have a very short peak due to no international travellers. A similar trend happened in the 2020/21 summer and operators are expecting another 10 day spike from Christmas to early January, a drop-off for the remainder of January and then a significant slowdown in February. That is impacting current thinking and planning.
- Operators are tiring. We're now 18 months into the pandemic with no certainty on when we will emerge to the 'new normal'. Operating a tourism business with closed borders and changing alert levels is incredibly hard and challenging work. Revenue dries up overnight. The mental wellbeing of many operators is being impacted, severely for some.
- We are now seeing signs from operators that enough is enough. Anger and grief are common emotions. Some have made the hard decision to close.
- In TIA's latest industry survey (conducted just before lockdown) 5% of respondents said they would not still be operating in six months' time; 37% were struggling to survive. More than a third of respondents were very concerned for their own mental wellbeing.

Survive to revive and thrive

Tourism is a complex ecosystem with multiple players. This includes government as both a steward, looking across the whole tourism system to make sure that it is working effectively, and as an actor in the tourism system directly through its own investments and interventions. The private sector has a few larger players but is dominated by SMEs and micro-businesses. It is locally owned, and in recent years increasingly Māori owned and operated. There are embedded inter-dependencies, with tourism businesses reliant and supportive of each other.

As tourism looks to survive the current challenges and return to its previous levels of contribution to New Zealand's economic and social wellbeing, it will need a range of solutions that protect essential parts of the tourism ecosystem.

If parts of the ecosystem deteriorate through business failures, creating gaps in the overall offering, the road to recovery will be much more difficult and retaining the strength of the New Zealand brand highly problematic.

If the ecosystem can be maintained, the sector can recover faster, supporting more jobs for New Zealanders and making a greater contribution to New Zealand's prosperity. The difference between a patchy recovery and a strong recovery would be significant.

Priority Focus Areas

As a result of the current lockdown a wide range of support packages have been proposed by operators, industry associations and regional business groups such as Chambers of Commerce.

Following is a set of initiatives that TIA proposes to champion over the coming months to assist members. Some are led by government, some by TIA. All require partnership. Some are underway and others are proposed. One request (No. 4) has been delivered. For some of those underway we are proposing modifications or continuance.

1. Vaccination uptake

Achieving a high rate of vaccinations within the New Zealand population will support the national management strategy for COVID-19 and is a key consideration in the reopening of the borders to international visitors.

TIA is actively encouraging employers and employees to get vaccinated and supports health sector initiatives for vaccine uptake.

2. Compulsory vaccination

There is also a steady stream of enquiries from members on vaccination-related matters. These largely fall into two categories:

1. Can they ask their customers to be vaccinated or declare their vaccination status?
2. Can they insist that their customer-facing employees are vaccinated?

On the first point, tourism businesses will likely be keen to use the proposed Vaccination Passport as a check on domestic visitors (presuming that all international arrivals will be vaccinated).

The Minister of Workplace Relations and Safety is currently looking at how under health and safety legislation businesses can keep their workforce and their customers safe and the role of vaccination in that. This work needs to be progressed quickly. TIA will inform members by developing guidelines or providing legally-approved policy templates.

3. Continue wage subsidy

The wage subsidy continues to apply countrywide while Auckland is at Alert Level 3.

TIA proposes that the wage subsidy continues for all tourism and hospitality businesses countrywide (suffering at least a 40% reduction in revenue) until all the country, including Auckland, moves to Alert Level 1. Auckland is the main source of domestic visitors for the rest of the country and Aucklanders need to be travelling in strong numbers before the wage subsidy is withdrawn.

4. Repeat Resurgence Support Payment

Current government policy is that each time the COVID-19 alert level is increased from Level 1, the Government may decide to activate the Resurgence Support Payment.

When the RSP is activated, eligible businesses and organisations can apply to receive the lesser of \$1500 plus \$400 per full-time equivalent (FTE) employee, up to a maximum of 50 FTEs or four times (4x) the actual revenue decline experienced by the applicant. So a maximum of \$21,500 per business.

A one-off RSP payment following an increased alert level is of limited value in an extended period of restriction on business activity. The RSP should be made available to eligible businesses on a greater frequency to assist with ongoing fixed business costs. We propose the RSP is provided on a two-weekly rotation (the wage subsidy is currently on a two-week rotation). *(NB. Government has now extended the RSP).*

5. Rent relief

After wages, rent is often the biggest cost facing businesses. TIA supports calls for government to contribute to rental costs for businesses.

Finance Minister Grant Robertson has publicly indicated the government is continuing to look at the rent relief issue. TIA encourages a decision to be made.

6. Business loans

TIA supports the continuance of the Small Business Cashflow Scheme (SBCS). This support was introduced to support small to medium businesses and organisations struggling with a loss of actual revenue due to COVID-19. Applications are open until 31 December 2023.

The maximum size of the loan a business or organisation is eligible for depends on the number of full-time equivalent employees (FTEs) employed. The loan amount is \$10,000

per firm, plus \$1800 per FTE. The maximum loan a business or organisation can receive is \$100,000. Sole traders can receive a loan of up to \$11,800.

An anomaly of the scheme is that businesses can only apply if they have not applied before or have already repaid the first loan. We seek a provision allowing operators to re-borrow and to top-up loans to the maximum.

Few tourism businesses were able to access last year's Business Finance Guarantee Scheme. They were unable to show what future revenue will be under a 'normal' scenario so could not meet bank criteria; they often had their business lending guaranteed by security over the family home or other personal assets and did not want to risk default; and they could not be confident of repaying the loan in the required three years.

A re-aligned loan scheme designed for SMEs would be beneficial. TIA supports the government exploring options such as the one proposed by NZ Māori Tourism.

7. Promote Mental Health support

75% of respondents to the recent Tourism Industry Aotearoa survey were concerned about their personal health and wellbeing, with 9% being very concerned. Comments provided by respondents were heavily focussed on stress, uncertainty, mental toll, fatigue, depression and financial concerns.

In the short-term, TIA is providing support via webinars, virtual 'coffee catch-ups' and access to resources. We are also developing a medium-term campaign looking at what other support and initiatives can be provided. This may result in seeking government support for initiatives such as a national mental wellbeing service for tourism operators, similar to the services provided by farming and construction to their sectors.

8. Fee and levy relief

TIA will continue to seek relief from government fees and levies including but not limited to:

- Extension of DOC's temporary concession fee waiver from the current end date of 1/1/2022 to 31/6/2022.
- Removal of Maritime NZ and Civil Aviation Authority fixed, non-revenue based levies and fees until 31/6/2022.
- Supporting the Rental Vehicle Association's call for Waka Kotahi relief on existing compliance costs, particularly the six-month Certificate of Fitness (COF).

9. Travel incentives

Since mid-2020, TIA has advocated for the government to consider a voucher scheme to stimulate domestic travel, similar to those used in many countries including Australia. There is some smart technology that can be used to tailor any scheme. Vouchers were investigated by officials, but it was not included in the government's support package when domestic travel recovered strongly after the 2020 lockdown.

Supporting and incentivising school trips would be another way to stimulate domestic travel, with significant social and cultural benefits.

Direct travel stimulus is worthy of consideration when it's likely the borders will remain closed for some time and the return of international visitors in any meaningful volume is unknown.

10. Continue workforce support

Prior to the increase in alert levels TIA had a campaign underway to address workforce shortages ahead of the summer. This included over a dozen activities including advocating for removal of the MSD Oversupply Lists, working with Go With Tourism on a summer campaign, urging flexibility in conditions for migrants with existing work rights; and development of a medium-long term workforce strategy. While the workforce issue has had some of the urgency removed due to lockdown, we expect the issue to remain and will continue this work.

Long-term partnerships

TIA is also looking to partner with government on longer-term strategic initiatives, including the proposed Tourism Industry Transformation Plan; TIA's Tourism Sustainability Commitment; the TRENZ international trade event (both physical and a new on-line platform); and the government funded/industry led Go with Tourism initiative.

These initiatives all support the development of a sustainable tourism industry that delivers for Aotearoa and its people, while the 10 points above are designed to protect vital elements of the tourism eco-system in the short-term.