

Tourism Futures Taskforce

TIA Position Paper 4: Tourism Industry Research Capability

15 September 2020

Purpose

To set out for the Tourism Futures Taskforce the thinking of Tourism Industry Aotearoa on the critical need to develop the quality and quantity of the research support for the industry with the primary request that the Taskforce recommends that:

- 1) A portion of the International Visitor Levy (IVL) or some other industry-good funding is assigned to the tourism industry to establish an industry-led research infrastructure with capability for managing and undertaking research, and for leveraging wider funding sources to build an ongoing programme;
- 2) The public Science and Innovation system is configured to better allow the development of tourism science and innovation programmes (in conjunction with point 1 above).

Focus of this Paper

The tourism industry has a complex range of insight or knowledge needs which TIA considers sits along a 'knowledge spectrum' – from data through to blue-sky research. For the purposes of the Taskforce's consideration of the future knowledge needs of the tourism industry, we are treating data and research separately as they require different solutions. TIA is providing two insight-related Position Papers, this one on Research, and another on Data.

By research, we generally define this as 'Research, Science and Innovation' or RSI which covers the many types of research that the industry needs.

This paper sets out the case for new arrangements to enable the tourism industry to take responsibility for better meeting its research requirements. It explores the current low level of tourism research undertaken, how other sectors address similar problems and sets out how this deficiency can be addressed.

Strategic Context

Tourism is an integral element of New Zealand society, and a leading component of New Zealand's export economy. There is a strong national interest in ensuring the sustainable growth of the tourism industry as expressed through the *New Zealand-Aotearoa Government Tourism Strategy*¹ and the industry's *Tourism 2025 & Beyond – A Sustainable Growth Framework*.²

¹ <https://www.mbie.govt.nz/immigration-and-tourism/tourism/new-zealand-aotearoa-government-tourism-strategy/>

² <https://tia.org.nz/tourism-2025/>

As with data, TIA has sought to make advances through its Tourism Insight Framework³ and the Insight Leadership Panel that was subsequently established. While strategic importance is placed on industry research, very little has changed in response.

The Problem

The tourism industry has failed to find sustainable ways to deliver its knowledge needs, whether data or research. There is some data delivered through MBIE and Stats NZ, but a systematic approach to meet the industry's research needs or capability does not exist. The fallback position has been to rely on occasional research projects by industry, the academic community and government. This work tends to be ad hoc and does not typically contribute to overall industry wellbeing.

The central issue is that there is no structure, system or funding dedicated to the research needs of tourism. There is no 'desk' with the ability and responsibility to advocate for the industry research needs. There is no capacity for setting priorities, building research consortia and getting research programmes underway. There is no funding for systematic industry research and there is no mechanism for drawing funding either from industry or government. There is no recognition of tourism within the government's \$1.4 billion RSI system. There is no structural mechanism to effectively engage the academic research capacity onto industry-relevant issues.

In short, this is a two-part problem:

1. Lack of structure or secretariat to drive the tourism research agenda to set priorities with the ability to get this done. This includes expertise to write funding proposals, manage programmes, build consortia and to interpret and disseminate findings.
2. Lack of funding resources applied to tourism research, including from both industry and the public sector.

The problem is not a recent one. Rather, it has been an inherent characteristic of the tourism system for many years. Over time, the knowledge deficit has become progressively more acute as a range of growth-related issues have emerged across New Zealand. Notably, as TIA considers the list of 18 or so areas that it recommends the Taskforce needs to consider, most if not all of these areas would either be lesser problems or more readily solvable had they been supported by good data and research.

TIA considers this to be a structural deficiency in the overall tourism system.

Why do we have this problem?

There are two key reasons for the problem:

1. **Lack of ability of industry to act.** The fragmented nature of the industry does not permit the clubbed or collective action for substantive and ongoing industry-good projects, nor for the collection of the type of supply-side levies that are a standard feature of New Zealand's primary sectors. The lack of any industry-good funding (such as the primary industries' levy-based funding pools) means that tourism cannot easily

³ <https://tia.org.nz/resources-and-tools/insight/new-tourism-insight-framework/>

leverage other funding sources. As such, the industry has a market failure issue around its RSI needs, and this needs a new solution.

2. **Lack of public sector support.** The lack of Government recognition of the importance of investing in tourism knowledge as a positive contributor to industry and societal well-being and growth. Investment in tourism data has been minimised and investment in research has been largely absent. Government strategic documents are silent on the prioritisation of tourism research.

Related to these is a lack of understanding of who uses and benefits from the industry's knowledge resources. TIA has identified a wide range of users: 1) central government; 2) local government; 3) commentators, analysts, consultants, investors, the public, academics and students; and 4) the industry itself.

This is important as it means there is little to no incentive for any tourism business or even groups of businesses to invest in research that will then be used across these four groups, even though many critical industry issues need to be understood and addressed across this range of users. Tourism is a collective-action system, requiring a broad range of interventions to make it work well. The current system is not meeting this need.

Science and Innovation System

The Government operates a substantial Science and Innovation programme with an annual spend of around \$1.4bn (excluding R&D tax incentives) allocated across many programmes and types of research.

The programme is guided by the National Statement of Science Investment 2015-2025. Notably, this document does not specifically include tourism. Without this signal of prioritisation, it is difficult for the programme administrators to invest in tourism.

While tourism can be a subject focus in generic funding pools, in practice the criteria used in these pools do not favour the type of research needed by tourism. For example, tourism research needs may require the use of known methods, whereas the criteria require ground-breaking research approaches. As a result, the Science and Innovation programme has been a minimal supporter of tourism research which, as set out shortly in this paper, is markedly different to New Zealand's other productive industries.

TIA raised these points and others in its submission to MBIE's 2019 process to update its investment strategy.⁴

In addition, while New Zealand has a very high quality of academic researchers, the structure of the Performance-Based Research Fund (PBRF) that is part of the Science and Innovation programme and which seeks to ensure excellent research in the tertiary education sector, does not encourage industry-good research.

⁴ <https://tia.org.nz/assets/Uploads/e508472370/RSI-Strategy-Submission-7-November-2019.pdf>

What do other sectors do?

Tourism is by no means unique in facing collective action issues. Indeed, most of New Zealand's export industries have these characteristics and our science and innovation systems have been structured to take this into account.

However, the current structural characteristics of the tourism research environment are markedly different to New Zealand's other large export industries, particularly the primary industries – dairy, beef and lamb, wine, kiwifruit, horticulture and others.

Each of these industries have substantial programmes to support their industry-good research requirements. The common thread is that these industries have a levy on the commodity produced that is then used for industry-good activities, whether advocacy, marketing or research. Often these levies are enacted in legislation, thereby providing an assured level of funding for the industries involved. Notably, these funds get vested with the industries themselves, and not a government agency. This enables the industry bodies to focus directly on the issues of most importance to their industry strategies, and to leverage other funding streams, whether public or private.

For instance, the \$1.8b export wine industry provides a compelling example of a leveraged industry research programme that the tourism industry should aspire to.

The wine industry body, New Zealand Winegrowers, in the year to June 2020 received levy income from the production of wine and grapes of \$11.7m, of which \$2.08m was allocated for industry-good research. These funds support an internal research capability and are used to undertake projects and to leverage other public and industry funding sources. Through this approach, New Zealand Winegrowers expended a further \$5.75m from external funding sources for research, and it had earlier received a further \$12.5m over four years from MBIE to establish and operate a regional research institute based in Marlborough. This enables New Zealand Winegrowers to manage a substantial \$8m per year research programme. This includes specialised internal capacity, including a separate Board to guide the research effort, the programme manager, scientists, and the research and support staff to run the programme. New Zealand Winegrowers' member survey finds that research is the most valued function delivered to its members.

Similar leveraged programmes are in place for all the various primary industry bodies, including DairyNZ, Zespri, Beef and Lamb NZ, and others.

Furthermore, across the primary industries, there is a complex set of funding arrangements and institutions to deliver research for these industries. For instance, there are: industry levies to generate industry research funds; Government Science and Innovation funds that can be tapped into, such as MBIE's Endeavour Fund, MPI's Primary Growth Partnerships and Callaghan Institute's programmes; and Government-funded Crown Research Institutes (e.g. AgResearch, Plant and Food, forestry's Scion) and universities that have the capability to conduct research programmes. In addition, large industry players, such as Fonterra, invest commercially into the levy-based research programmes, thereby further increasing the overall research effort.

Quantification of the total investment in research by these primary industries is difficult, but the scale of the public sector contribution is large and runs to many hundreds of millions of dollars. Overall, the level of work achieved is impressive. For instance, the Fonterra

Research and Development Centre, which is an important part of the overall research programme of the \$12.4b dairy export industry, employs 300 staff, 130 of whom are PhDs.

There is no doubt that this research support has contributed massively to New Zealand's economic wellbeing and this investment should continue.

It is our contention that the \$17.2b export tourism industry, as 21% of New Zealand's export economy, would also benefit significantly from appropriate research support. Persistent tourism industry issues, such as productivity, sustainability, seasonality, regional dispersal, workforce shortages, visitor flows, inadequate investment, and more, all suffer from inadequate knowledge to inform strategies, policies and commercial decisions around each issue, and to inform industry development and planning. Also, a specific knowledge is needed to assist in achieving some broader societal goals, e.g. Māori entrepreneurship, wellbeing, revival of rural communities, etc.

As we consider both the recovery from COVID-19 and the long-term settings of the New Zealand tourism system, there is a compelling need for more and better RSI support for the tourism industry. The tackling of the challenges and opportunities ahead needs to be undertaken on an informed basis.

Opportunity for the Tourism Futures Taskforce

Conceptually, the tourism industry must look to the primary industries as a template for how the tourism system should be configured to address the problems associated with the current tourism research environment.

While there are some actions underway to improve the current setting, these do not address the inherent structural issues of research within the tourism system. For instance, currently a group of mostly academic researchers are seeking to set out a research plan for tourism, and MBIE has indicated this may be influential to adjusting the current settings and getting some research support from the RSI system.

TIA welcomes this work and is involved with it, but we feel the bigger opportunity and need is for a structural change to the research settings for the industry.

The following steps are proposed:

1. Utilise the IVL to establish a tourism research structure or secretariat

This approach is based on the primary sector levy model, with the IVL or some other industry-good funding used as a 'demand-side' equivalent to the 'supply-side' levies used by primary industries. A proportion of this would be assigned to industry to develop its research capability, to develop and run a research programme and to leverage other funding sources to establish a larger programme.

TIA would be a logical host of this secretariat which would likely set up a separate structure as per the New Zealand Winegrowers example.

2. Ensuring the Science and Innovation system can support tourism research

This approach will require a shift within the Science and Innovation system by making appropriate changes to the strategic documentation guiding the RSI system to better enable quality tourism research.

Once this is achieved, the proposed research structure would be well placed to work in conjunction with MBIE and others to undertake a range of tourism research programmes.

It is the view of TIA that both changes need to be implemented at the same time to achieve maximum benefit for the industry.

The strategic objective of TIA is to work with Government and industry partners to put in place the structural changes that will address the long-term knowledge deficits of the tourism industry. This is a priority action in our Tourism 2025 & Beyond Strategic Growth Framework.

Given that industry research, as per the primary industries, is best managed and run by the industries themselves, TIA recognises it may have a direct role to play in the proposed model set out in this paper.

Solutions for the Taskforce

- Recommend that a portion of the International Visitor Levy (IVL) or some other industry-good funding is used to establish an industry-led capability for managing and undertaking research, and for leveraging wider funding sources to build an ongoing research programme
- Recommend that the public Science and Innovation system is configured to better allow the development of tourism science and innovation programmes.