

3 May 2024



Mark Thompson
Chair
Ministerial Advisory Committee

By email: Attention: ann.webster@treasury.govt.nz

Kia ora

Independent Advice on the Future of KiwiRail's Inter-island Ferry Service

Congratulations on your appointment as Chair of the independent Ministerial Advisory Committee charged with providing advice to Government on the future of KiwiRail's Inter-Island ferry service.

TIA has been invited by the Ministry of Transport to provide feedback on the importance of the Cook Strait transport to tourism and I thought it would be valuable to share our thinking with you also.

As Nelson Airport is a member of TIA you are likely aware that Tourism Industry Aotearoa is the peak body for the tourism industry in New Zealand. With around 1,300 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

The tourism industry is an important element of who we are as a nation. In the year to March 2023 (the latest data point we have) tourism expenditure was \$37.7 billion, with tourism making up 11.4% of exports and supporting 11.3% of New Zealand's employment.¹ Since then, further recovery has taken place as tourism works to restore its position alongside Dairy as New Zealand's largest export earning sectors.

TIA is sharply focused on ensuring the sustainable future of the industry, and this is clearly articulated in the tourism industry's strategic framework, *Tourism 2050 – A Blueprint for Impact*.² This sets out the key steps that tourism needs to take, including that the '*mechanisms for ensuring tourism has the infrastructure it requires to enable its development in line with the quality growth of the industry.*'

The Inter-Island ferry service is an important part of this tourism infrastructure, connecting the two islands and ensuring the flow of people and freight, and thereby enabling a wide range of tourism demand and supply activities that impact right across the country.

The four key ideas we shared with the Ministry of Transport are:

- 1. The inter-island ferry is integral to tourism.** As a touring destination, how people move around the country is a key factor, whether by air, road or ferry, with engagement with these modes forming the itineraries for every traveller. As such, the Inter-Island ferry service is much more than the physical movement across the Cook Strait. Rather, it is an essential part of the complex tourism network that attracts and moves people to and around our country. If the industry has confidence in the ferry service, itineraries will be built that will include more parts of the country, with the counter position that lack of confidence will limit these itineraries, thereby truncating visitor flows to regions the rely on itineraries that includes a Cook Strait crossing. In addition, disruption to service delivery is extremely costly and time consuming for both the visitors and the operators that support their itineraries, thereby impacting visitor experience and adding costs to operators.

¹ Tourism Satellite Account, YE March 2023, Stats NZ, February 2024.

² https://www.tia.org.nz/assets/Infograph/TIA-Tourism-2050-Blueprint-for-Impact-Report_v10_low-res.pdf

2. **Quality in line with the wider tourism system.** New Zealand has spent decades building its position as a high-quality destination in the very competitive global tourism industry. Through this, we have built an industry that New Zealand can be rightly proud of. But this also means that all parts of the industry need to be of a certain quality standard, and the industry is concerned that an aged Inter-Island service does not align with the standards across the wider tourism industry. Without investment this will only increase over time. With the Inter-Island ferry service, we see this as involving three discrete aspects: access to the ferry terminal; the port infrastructure and facilities; and the ferries themselves.
3. **Trusted, reliable and safe are the essential features.** The industry is most interested in outcomes and is not vested with a particular solution. In this it recognises the fundamental need is for a trusted, reliable and safe service that meets the needs of users and is well set up for the future.
4. **Sustainability matters.** As the owner of the New Zealand's sustainability framework, the Tourism Sustainability Commitment³, TIA considers it of utmost importance that the industry takes every step that it can to become sustainable. This is especially so for large capital projects that will be part of the tourism system for decades to come. Through Tourism 2050, the industry has the goal for non-aviation tourism to '*reduce carbon emissions to 30% below 2019 levels by 2030*'.

There is a remarkable opportunity to take a major step forward around the sustainability performance of the Inter-Island ferry service. We had been excited by the future-proofed design approach of the earlier iReX project and we consider that such sustainability innovation should form part of the criteria for the future Inter-Island service, to both reduce emissions and to showcase this visible component of the tourism industry.

Consumers are looking to a sustainable future. Tourism New Zealand research that found that:

*'Globally, sustainable travel options and traveller uptake is growing fast – there has been a significant jump in the uptake of more sustainable choices. For instance, compared to 10 years ago, travellers are now 3 times more likely to choose an operator/business that has been sustainably accredited and to offset carbon emissions where possible through their traveller journey.'*⁴

With the wider tourism industry having a clear interest in how the Cook Strait ferry services develop, we recognise the important role of the Ministerial Advisory Group in considering the future of these ferry services. We also recognise the wide variety of stakeholders that you will be engaging with as you progress your work.

As such, we would be pleased to contribute in any way we can to support your considerations and we would be happy to discuss this matter further, if useful for you.

Nga mihi,



Rebecca Ingram
Chief Executive

CC Sara Carson, Ministry of Transport

³ <https://sustainabletourism.nz/>

⁴ <https://www.tourismnewzealand.com/assets/insights/industry-insights/TNZ-and-MBIE-Consumer-Sustainability-Key-Findings-Report.pdf>

Supplementary Information: Tourism Perspective on Inter-Island Ferry Service

- Tourism is a large industry that is fully integrated within the New Zealand economy and society. Key figures for the year to March 2023:
 - Total tourism expenditure was \$37.7 billion.
 - 11.4% of New Zealand's exports, worth \$10.8 billion (2nd behind Dairy)
 - Supports 317,514 jobs (direct and indirect).
 - 6.2% of NZ's GDP (direct and indirect).
- Tourism is a highly interconnected and networked industry. It involves people having on-the-ground experiences and is enabled by supply chains internationally and domestically. Key players in this supply chain include:
 - Inbound tourism operators who organise travel to New Zealand.
 - Travel agents in NZ and overseas that organise travel within and to NZ.
 - Airlines that sell flights and itineraries.
 - Online channels that allow travelers to build their own itineraries.
 - Providers of the products and services that visitors consume.
- To sell New Zealand and to build itineraries, it is essential that these players have full confidence in all parts of the New Zealand tourism supply chain. If there are points of weakness, then the itinerary-builders will avoid the weak links.
- Within the tourism system, the Inter-Island ferry service has important roles to play:
 - It is a key link in 'State Highway One' meaning it is the vital connector between the North and South islands for trade and people movements. At this functional level, the Inter-Island ferry services are core national infrastructure.
 - It is a key link in the dynamic tourism system, with considerable influence over travel patterns around the country. If there is a perceived weak link, it will impact the flow of people to and around those places particularly to those regions that feed itineraries that include Cook Strait crossings.
 - It can have a utilitarian function to get freight and people across the Cook Strait, and it can have a higher value function as a visitor experience. The journey itself is part of what makes New Zealand a quality and high value visitor destination.
- From a tourism perspective, therefore, it is very important that the Inter-Island ferry service is functioning well, particularly as a reliable, high-quality value-add aspect of the wider tourism system. The tourism industry requires a ferry service that is:
 - Safe, reliable and modern ferry service.
 - Provides a quality experience across all aspects of the service.
 - Future-ready to meet growing visitor demand over time, for instance with international tourism expected to double of the next twenty years.
- As such, the tourism industry envisages a modern Inter-Island ferry services across the three key aspects of the passenger journey:
 - Access to the port facilities, including roads and signage.
 - The port infrastructure, including berthing wharves, passenger terminals.
 - The ferries themselves to ensure modern, reliable and fit-for-purpose vessels for the challenging Cook Strait operating environment.