

Tourism sector

Briefing note for Ruapehu District Council

December 2014

www.berl.co.nz





Background

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The role of tourism in Ruapehu District 2014

- Since 2013, tourism FTEs and GDP have increased along with guest nights
- The tourism sector accounted for 555 FTEs in 2014
- The tourism sector generated \$30 million in GDP in 2014
- The tourism sector contained 161 business units in 2014
- The tourism sector was the third largest employment sector in 2014
- Over 419,000 guest nights were spent in the district in 2014

The purpose of this briefing note is to provide an overview of the tourism sector within the Ruapehu District for the year ending March 2014 and throughout the last decade. Additionally, this briefing note provides a comparison of the employment contribution of the tourism sector in relation to the top ten employment sectors in the district.

Home to the two largest and most developed ski areas, Whakapapa and Turoa, the Ruapehu district is a prominent winter sports destination in New Zealand. With two national parks and various hiking and mountain biking trails, the diverse natural landscape of the district makes it a draw card for sports and nature enthusiasts alike. It has also played host to various film makers, most notably the Lord of the Rings and The Hobbit trilogies.

With extensive outdoor summer and winter attractions, for visitors both domestic and international, the tourism sector in Ruapehu district is one of the most heavily dependent on the weather.

Table 1 provides a snapshot of the tourism sector within the Ruapehu District in 2014. It shows that the sector continues to play an important role in the local economy. As a proportion of the district's total GDP, tourism GDP has increased from 6.2 percent in 2013 to 6.4 percent in 2014.¹

Table 1 Snapshot of tourism in Ruapehu District, 2013 and 2014

Latest tourism indicators (2014)		Latest tourism indicators (2013)	
Tourism employment	555	Tourism employment	546
% of all local employment	11.1%	% of all local employment	11.2%
% of national tourism employment	0.5%	% of national tourism employment	0.5%
Tourism GDP (\$2014m)	\$30.3	Tourism GDP (\$2013m)	\$29.4
% of all local GDP	6.4%	% of all local GDP	6.2%
% of national tourism GDP	0.4%	% of national tourism GDP	0.4%
Annual guest nights ('000)	419	Annual guest nights ('000)	376
Tourism employment rank	3	Tourism employment rank	3

Source:BERL

Source:BERL

The most significant change between 2013 and 2014 was the increase in annual guest nights, which increased from 376,000 in 2013 to over 419,000 in 2014, up 11.4 percent. This increase in guest nights is reflected in the increase in the sector's contribution to the region's GDP, over \$30 million, up from \$29.4 million in 2013, a 3 percent increase. While the sector's contribution to the national tourism is relatively small, the sector remains a key part of the district's economy comprising over 11

¹ Refer *BERL Tourism sector: Briefing note for the Ruapehu District Council*, August 2014, reference no. 5523.

percent of all local employment. Tourism continues to be the third largest employment sector within the district.

Table 2 shows that the district derives significantly more economic activity from tourism than nationally. Tourism directly accounts for around 5.4 percent of all employment² in New Zealand, but in the Ruapehu District, this figure is 11.1 percent.³ Tourism directly contributes 6.4 percent of the district's GDP, through 9.1 percent of its businesses.

Table 2 Overview of tourism in Ruapehu District, 2014

Role of tourism in local economy	Employment	%	GDP (\$2014m)	%	Number of Business Units	%
Tourism-characteristic industries	401	8.0%	\$17	3.5%	116	6.6%
Tourism-related industries	73	1.5%	\$5	1.1%	15	0.9%
All non-tourism-related industries	81	1.6%	\$8	1.8%	29	1.6%
Ruapehu	555	11.1%	\$30	6.4%	161	9.1%
New Zealand	104,372	5.4%	\$8,369	3.6%	20,802	4.0%

Source: BERL Regional Database 2014

Proportionately speaking, there was a slight decrease in the size of overall tourism employment, down from 11.2 percent in 2013, though the actual count of people employed in tourism increased, from 546 to 555. With this small rise in actual employment leading to a greater rise in GDP, this suggests that there was an increase in productivity for the tourism sector over the last year.

Just over 400 jobs and \$17 million in GDP were generated directly by tourism-characteristic industries. The number of business units in the tourism-characteristic industries has decreased slightly, while at the same time increasing their share of GDP from 3.3 percent to 3.5 percent of GDP in the district in 2014. Overall, the level of tourism employment, GDP, and business units has remained fairly stable with only slight variations over the last few years, mirroring to a certain extent the national picture which saw percentage levels across the three indicators largely unchanged.

Table 3 provides a summary of the proportion of total employment, GDP and business units generated by the tourism sector in Ruapehu District over the last ten years. It indicates that the sector steadily became a more significant contributor to the district over this time period, though there was a slight dip across all three indicators between 2013 and 2014. This drop in Tourism's share is due to the strong growth in employment (3.0 percent) and GDP (3.4 percent) outside the tourism sector in the Ruapehu District.

Table 3 Importance of tourism to Ruapehu District, 2004-2014

Tourism's share of	2004	2009	2010	2011	2012	2013	2014
Employment	8.6%	9.8%	9.3%	10.3%	11.8%	11.2%	11.1%
GDP (\$2014m)	5.8%	6.2%	6.2%	6.5%	6.8%	6.7%	6.4%
Businesses	6.7%	9.0%	8.6%	8.9%	9.3%	9.1%	9.1%

Source: BERL

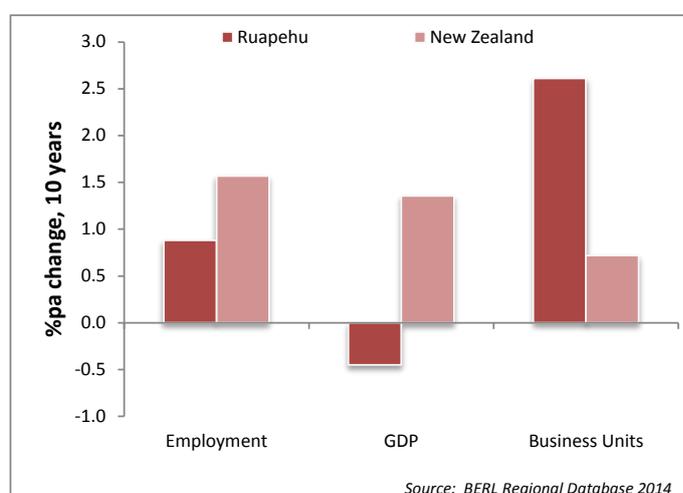
² Employment is measured in terms of Full Time Equivalents (FTEs), where a part time worker is calculated as half an FTE. Given the part-time and casual nature of employment in the industry, the total number of people employed is likely to be much higher.

³ The contribution of tourism to the local economy comes from three sources: **tourism-characteristic industries**, which is accommodation, restaurants, transport services, and cultural and recreational services; **tourism-related industries**, which is the retail trade; and **all other industries**, which includes all other industries in the economy, from education to health services and construction.

Over the last ten years the tourism sector has experienced steady per annum growth in both Ruapehu District and New Zealand. However, according to Figure 1 employment in the district has been outpaced by that of the nation. GDP growth contracted slightly over the ten year period; however this was relatively minor at -0.4 percent. At the same time the district strongly outpaced the nation in terms of business unit growth.

This indicates that the tourism sector over the last decade has been experiencing a change in composition with its tourism industries, with more businesses now operating in Ruapehu district, employing more FTEs, but at the same time generating less GDP for the district. This implies lower productivity within the tourism sector. Productivity also fell across New Zealand, though this drop was lower than what has been seen in Ruapehu District.

Figure 1 Growth of tourism sector in Ruapehu District and New Zealand, 2004-2014



There were 419,000 guest nights spent in the district in the year ending March 2014, the highest it has been over the last ten years. This increase follows a steady downturn since 2010 and comes in spite of a slight decrease in daily accommodation capacity in 2014. The growth in capacity over the period has mirrored that of guest nights, with exception of 2013 and 2014, which each experienced the reverse.

The strong growth in guest nights over the past year came about despite a short ski season, with the lowest number of skier days recorded in several years. The increase could instead be explained by greater visitor activity during the warmer seasons such as the Tongariro Alpine Crossing which attracts up to 80,000 visitors a year.

Table 4 Guest nights and accommodation capacity, 2004-2014

Other tourism indicators	2004	2009	2010	2011	2012	2013	2014
Annual guest nights ('000)	313	385	412	400	395	376	419
Daily accommodation capacity	1,742	2,346	2,480	2,478	2,406	2,451	2,433

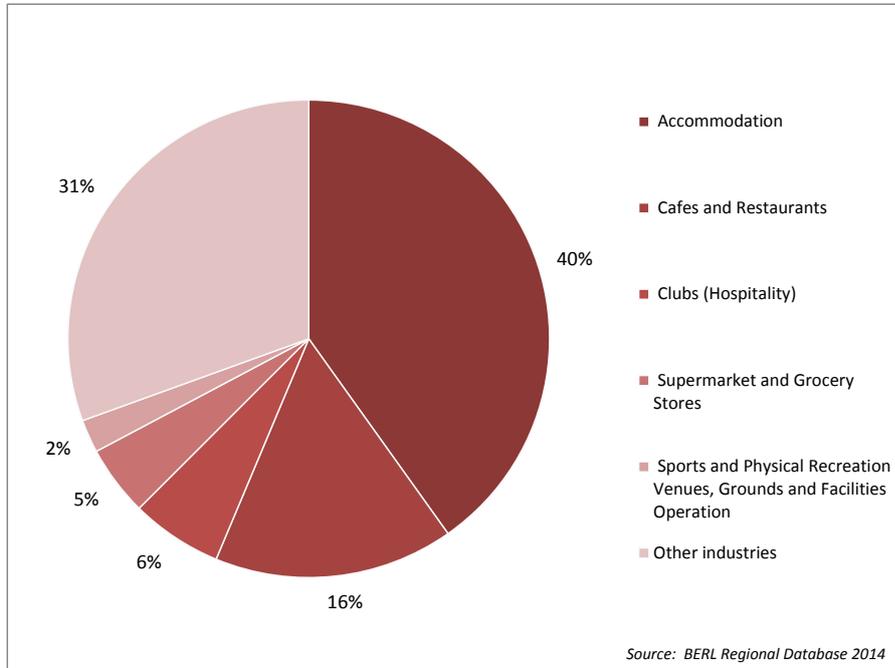
Source: BERL

Figure 2 shows the proportion of total tourism sector employment in the district created by the top five tourism industries in 2014. It indicates that four out of the top five industries were tourism-characteristic industries⁴; with the exception being the sports and recreation operations industry.

⁴ Refer definition of *tourism-characteristic industries* in footnote 3.

These top five industries accounted for 69 percent of all tourism sector employment in the district while the remaining 31 percent was provided by other industries.

Figure 2 Top five tourism employment industries, 2014



The accommodation industry, which was the largest employer, accounted for 40 percent of all tourism sector employment in the district, down from 43 percent in 2013. Cafes and restaurants saw an upturn, 16 percent compared to 12 percent in 2013. Overall the division between the top five tourism employment industries has not changed significantly over the course of the year.

As a composite sector, tourism includes employment from within each of the 19 sectors in the local economy.⁵ If tourism was counted as a separate sector it would be ranked 3rd in the district in terms of employment with 555 FTEs as indicated in Table 5 below. It employs significantly more people than the education and training or retail trade industries, but fewer than half the FTEs employed in agriculture, forestry and fishing. Given the strong growth in annual guest nights, the district could potentially see further growth in tourism employment and GDP over the coming year. This however could be tempered by adverse weather conditions given the weather dependency of many of the district's tourism attractions.

Table 5 Employment size of local sectors, 2014

Rank	Size of local sectors	Employment
1	Agriculture, Forestry and Fishing	1,258
2	Public Administration and Safety	655
3	Tourism	555
4	Construction	494
5	Accommodation and Food Services	444
6	Education and Training	387
7	Retail Trade	368
8	Health Care and Social Assistance	317
9	Manufacturing	290
10	Professional, Scientific and Technical Services	147

Source: BERL

⁵ The table shows the role of tourism compared with the 19 sectors that make up the local economy. The figure for the tourism sector is a composite total that includes employment within each of the 19 sectors. For this reason, the sum of employment by industry in this table is greater than the total number of FTEs employed in the region. For example, a large share of tourism employment is *within* hospitality; cultural and recreational services; and transport.

What the results mean, and what they don't

So what do the BERL figures measure?

The BERL Regional Tourism Database presents the estimated share of FTE employment, GDP and businesses directly attributable to tourism in the geographic area being examined.

In other words, the results measure:

FTEs, not actual number of workers. **Why?** The tourism industry is characterised by a high proportion of casual/part-time workers compared to other industries. The full-time/part-time split may also be more pronounced in some areas that take on large numbers of part-time workers, for example in ski areas, as opposed to areas that have all-year-round tourism. To provide a consistent measure of employment that is comparable against other industries and RTOs, we measure full-time equivalents (FTEs) rather than just total workers.

GDP, not tourist expenditure. **Why?** Often the media report that tourist expenditure is more than \$20 billion. This figure is several times higher than tourism GDP of \$7.1 billion. GDP provides a better representation of actual economic contribution. Different industries have different ratios between tourist expenditure and the GDP it produces. For example, the air transport industry contributes a far higher share of tourist expenditure to GDP than accommodation. GDP provides a common consistent measure that allows us to *compare tourism to other industries*, and to *compare RTOs*.

Direct, not total impacts. **Why?** Often the media report the impact of tourism in New Zealand at around 9 percent of employment. This is the *total* impact of tourism, not the *direct* impact, which is 5.2 percent. Using direct impacts allows us to compare the *actual size* of different industries in the economy. For example, at a New Zealand level, we can say that tourism directly employs almost 97,000 FTEs, compared with 129,000 in education, and 74,000 in government administration. If we use total figures for tourism, we cannot compare the sector's size to that of others in New Zealand

A **composite total**, not an individual industry. **Why?** Tourism is a *composite* sector where tourism-related employment can occur across all industries in the economy. In an industry such as accommodation, cafés and restaurants, we would expect a large proportion (but not all) of employment to be as a result of tourism. But in construction, health and community services, or business and property services, we would expect the proportion of workers employed directly as a result of tourism to be far lower. Hence, tourism activity is a composite made up of the tourism-related portion of activity in all other industries.

