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THE ECONOMIC IMPACT OF TOURISM IN TAUPO

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of the requirements for the degree of
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ABSTRACT

Tourism in Taupo is almost as old as the town itself. During that time it has had a significant impact on the local economy and is recognised explicitly and supported as a growth industry of the region. For this same recognition and support to be afforded tourism at a national level the industry must show that it can compete effectively for the same human, physical and financial resources which are sought after by other sectors of the economy.

A prerequisite to formulating policies aimed at sound resource utilisation is information on the demand for and supply of those resources and the impact which their use has on the economy, environment and society. This thesis examines the economic impact of the tourism industry in Taupo through estimation of the income and employment generated by tourism spending. Detailed data is obtained through surveys of the tourist population and local businesses to reveal the size and pattern of spending and the way in which this initial injection is circulated within and leaked from the local economy. Multiplier values for various tourist types are estimated and these reflect the propensity for each tourist type to generate income and employment. Observations are made on the uses to which the information can be put and the limitations of both the model used and the information generated are also examined.

1. INTRODUCTION

Tourism in New Zealand is one of the growth sectors of the national economy. Central government recognises that the economic benefits of encouraging tourism are considerable. It has been identified as a strategy to counter balance of payments problems and to reduce unemployment and disparities in regional growth. (Quigley 1982)

For 1980 it was estimated that the industry contributed \$800 to \$1000 million towards the country's Gross National Product. Between \$500 and \$600 million of this amount coming from domestic tourism, the remainder being foreign exchange contribution or invisible exports. In 1980 just under one half of a million visitors came to New Zealand sustaining hotel chains, motels, transportation linkages, tourist attractions, restaurants, historic places, shops and travel agencies. In employment terms, the Tourism Advisory Council estimates that in 1980 some 55 000 jobs can be directly attributed to tourism. (All data Quigley 1982). Comparative data for 1976 estimated that tourism contributed \$150 million in foreign exchange earnings from 384 000 overseas visitors. (N.Z. Tourist and Publicity 1976)

While successive governments have recognised the benefits of the industry, tourism remains the cinderella of development portfolios. The commitment to tourism in terms of monies advanced, the status of the portfolio in government cabinets and the secondary role which tourism plays in the national growth strategy to what became known in 1980 as 'think big' projects all reflect this position.

Arguments for and against this strategy continue. Central to these arguments has been the implications for the best use of New Zealand's indigenous resources - physical, human and financial - on both intersectoral and intertemporal dimensions. Some of the energy projects which are part of 'think big' are in direct competition with tourism in the

use of physical (eg geothermal energy) and to a lesser extent human resources.

Almost certainly the financing of these projects will lead to some degree of 'crowding out' in the financial sector, making investment monies for tourism scarcer and more expensive. (See Blinder and Solow 1973) Why wasn't tourism included as a focal point of the growth strategy? It would appear to measure favourably using accepted growth yardsticks. For example the effect on private consumption and employment of an increase of \$100 million in tourism, agricultural and manufacturing exports has been estimated as follows :

Table 1.1 Increase in Private Consumption and Employment
Resulting from a \$100 Million Increase in Exports

	\$100 Million Increase		
Estimated Increase	Tourism	Agriculture	Manufacturing
Private Consumption (\$ million)	289	302	224
Employment	26 000	22 000	17 000

Source B.E.R.L. 1982b

The tourism product is home-grown and certainly no less indigenous than the development of our energy resources. Tourism also has the ability to earn overseas exchange while not making heavy demands on imports. (B.E.R.L. 1982b)

Environmentally tourism is a 'clean' industry and strong public support has been identified by one study for the continued growth of tourism. (Mings 1980)

Perhaps it is the nature of the industry itself which has kept it in its present position. Tourism is both ubiquitous and ill-defined. It is everywhere using a wide range of resources but at the same time it is difficult to distinguish many parts of the tourist industry as being

separate from their role in non-tourism economic activities. Our national parks, accommodation, restaurants, transportation and all those who are employed in these services are examples of the human and physical resources involved in tourism which have this dual function. As a consequence of this the investment in or promotion of tourism by the government at a scale necessary to make it a leading generator of national growth would involve the co-operation and organisation of thousands of people and hundreds of organisations. There is little wonder then that the choice has been to rely on the expertise of a few large companies to manage well-defined national resources and ten figure investment sum than to spread the use of a resource or investment responsibility over a wide geographic area and management system.

The nature of the tourism product has meant also that until very recently it has not been recognised as a sector in national economic modelling or national accounts. (Min. of Works & Development 1980; N.Z. Yearbook 1981)

Models have been applied to the national investment impacts of agriculture, forestry and energy development. While these models could be adapted for use in the tourism sector or for assessing the impact of a particular tourism injection or project no explicit mention is given to the industry. Neither do the national input-output tables customarily included in the New Zealand Yearbook exhibit tourism as a sector in its own right. However very recent work at Victoria University has sought to remedy this situation through a recomposition of the Official New Zealand Input Output Table 1976/77 which has been especially devised to accent tourism sectors. (B.E.R.L. 1982a)

The table is used to estimate capital requirements, employment generation, imports, foreign exchange earnings and the contribution to Gross National Product of foreign and domestic tourism output or exports. It also compares how these input variables compare with other sectors of the economy for a given change in output.

In undertaking this study it has been explicitly realised that in order for decisions on resource allocation to be made the relative contribution that each sector makes to the economy must be measured. Also recognised is that before the tourist industry can demand greater consideration by the government, quantitative evidence of tourism's potential contribution must be obtained.

It will be national decision making which gives tourism a greater share of national investment. However the impact of those decisions will not be evenly distributed and it is New Zealand's tourist regions that will enjoy or suffer the outcome. The ability of these regional economies to maximise the benefits of any tourism injection will depend on their self-sufficiency in all inputs to the tourism product. For the national economy the inter-regional flow of inputs necessary to sustain a local tourist economy are a desirable and expected part of income and employment generating multiplier process. But for a regional economy the primary objective is to maximise the circulation of the tourist injection within the regional economy.

This study seeks to measure how one tourism-oriented regional economy functions. It measures the initial receipt of tourism expenditure and follows the successive rounds of spending in the economy which create income and employment. At the same time it is established how tourism in Taupo benefits other regions through the inter-regional flow of certain inputs. Overseas, income and employment generation has usually been measured through the application of multiplier analysis at both national and sub-national levels. This form of analysis allows the estimation of both direct and indirect effects of a specified tourism injection. This study applies the multiplier technique to tourism in the Taupo urban area and estimates income and employment multiplier values.