



# Tourism2050: Scenarios for New Zealand

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For further details about the project and copies of the book chapters see [www.tourism2050.com](http://www.tourism2050.com).



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# Chapter 1

## Introduction: 2050 Scenarios for the future of New Zealand tourism

### Stories, drivers and ideas

Dr Ian Yeoman  
Victoria University of Wellington, New Zealand

#### **Executive summary**

Tourism in New Zealand represents nearly one in 10 jobs, 9.1 per cent of the country's gross domestic product (GDP), and 18 per cent of foreign exchange earnings. The country's tourism brand, '100% Pure New Zealand', is world leading. However visitor demand and global tourism trends are changing, whether they depend on energy costs, for example oil prices, or social demographics, such as the new middle class of China. The Tourism2050 project, commissioned by the Ministry of Tourism and the Foundation for Research in Science and Technology, set out to envision the future of tourism in New Zealand by asking the question: 'What will New Zealand tourism look like in the year 2050?' The research project produced four scenarios – *Manaakitanga*, *An Eco Paradise*, *Perfect Storm* and *The State of China* – all following different pathways and constructed based on specific circumstances. The purpose of the scenarios was to provide a foundation to encourage and promote discussion in order to understand New Zealand's tourism future.

#### **Introduction**

##### **Tourism in New Zealand: a direction ahead**

Will tourism become a 'future maker', shaping and contributing to the sustainability of the planet, or 'future taker', consuming a disproportionate amount of resources? In New Zealand, sustainability has a unique meaning. The land is considered 'taonga tuku iho', 'a treasure handed down', and sustainable futures with Māori land are considered to be about people sustaining the land and the land sustaining the people (Sharples, 2010).

New Zealand's share of international tourism arrivals is 0.03 per cent, and on a world stage this country is a small player compared to those like India and China. However tourism currently contributes over 18 per cent of New Zealand's export income (Statistics NZ, 2011), and visitor demand and global tourism trends that impair that income can change rapidly. Nevertheless tourism is extremely important for the country's economy, representing 9.1 per cent of GDP and 9.4 per cent of employment. The country's tourism brand, '100% Pure New Zealand', is recognised as one of the world's leading tourism brands and has served to influence other countries' tourism and national branding (Hall, 2010; Hudson & Ritchie, 2009; Morgan

& Pritchard, 2006; Tourism NZ, 2009). Australia, the United Kingdom, the United States, China and Japan are New Zealand's largest visitor markets, with China overtaking Japan as the fourth largest market in 2008 (Tourism NZ, 2010). However tourism is an industry that, due to the increased interconnectedness of the world economies, transportation systems, and media and communications networks, has become increasingly sensitive to many factors, including economic downturn (Hall, 2010).

Most recently, Ms McPherson (McPherson, 2011), Deputy Secretary at the Ministry of Economic Development and New Zealand's highest-ranking tourism public servant, has stated that tourism was at a flip point due to the turmoil of uncertainties. In a similar vein New Zealand's Finance Minister, the Hon Mr Bill English, warned that:

“Traditional markets such as the US and UK can no longer be relied on for inbound tourism as over the next 10 to 15 years we will continue to see further concerns over government debt levels, including the possibility of another financial crisis unfolding in Europe.” (Rutherford, 2011)

As the Hon Bill English (2011) further noted, this country has seen the reduced competitiveness of its dollar over the previous seven years with the New Zealand dollar giving strength against the major currencies. Indeed, the country saw solid growth in tourism up until 2004, but since then its average real effective exchange rate stabilised at quite a high level with a corresponding drop in visitor expenditures. Traditional markets such the United Kingdom and the United States have been and are diminishing in value, while Asian markets have been and are increasing, with many Asian visitors prepared to spend more. New Zealand is a long haul destination, with significant demands on energy/fuel for international travel. According to Becken, Nguyen and Schiff Becken et al (2009), the world is entering a period of peak oil, defined as the point in time when the maximum rate of global petroleum extraction is reached and after which the rate of production enters terminal decline.

In the longer term, key demographic changes in traditional markets such as the United Kingdom, Japan and Germany could see significant changes in wealth per capita, which is one of the key drivers of propensity to travel. Significant changes are also expected in the application of technologies, the emergence of new consumer markets, New Zealand's forecasted fiscal deficits and climate change (Yeoman, 2012).

New Zealand is recognised as a leading tourism destination, with a very successful brand, '100% Pure New Zealand'. It has high recognition in key markets limited to a propensity to travel and, for example, on aspiration and association with *Lord of Rings* trilogy (Tourism NZ, 2009). Given the need to consider such a variety of matters from a planning perspective, the New Zealand Tourism Strategies of 2010 and 2015 (Ministry of Tourism NZ, 2007) seek to create a vision and provide strategic direction for stakeholders and the government to work together in order to enhance economic benefit and deliver tangible growth.



Given such challenges, it is not surprising that Martin Snedden (2012), Chief Executive of the Tourism Industry Association, encourages:

“industry players to ‘think different’ and come up with new ways to grow the visitor economy and address long term challenge ... there’s an old saying ‘if you keep doing the same old things the same old way, why should you expect anything other than the same old results?’ This also applies to tourism.”

Given this call to arms, the Tourism2050 project seeks to provide frameworks that facilitate new ideas and thinking. This project, commissioned by the Ministry of Tourism and the Foundation for Research in Science and Technology, takes a required longer-term perspective framed by key uncertainties of the future. The project team therefore started by asking the question: ‘What will New Zealand tourism look like in the year 2050?’ It does this by using a scenario planning methodology within the field of futures studies.

### **What is futures studies?**

Although thinking about the future has always been a part of human culture, for example soothsayers, prophets, and later ‘utopians’, it has only been in the past four to five decades that the research field known as futures studies has emerged. Futures studies is a plural term rather than the singular ‘future’ studies to counter the notion of ‘only one future’, the latter having both conceptual limitations and political implications. This pluralisation of futures opens up the territory for envisioning and creating ‘alternative’ and even ‘preferred futures’. While it is commonly thought that futures studies are an attempt to ‘predict the future’ based on extrapolation from present-day trends, a literature review of futures studies reveals that there has been a shift from what Inayatullah (2002) calls single-point forecasting – as a precise prediction – to scenario planning that embraces not only one outcome but several. Then further to foresight and back casting, to map out complex, layered causal powers involved in social processes and outcomes. According to Strand (1999), forecasting and the making of predictions are seen as naive scientific activities among futures scholars today. In line with Blackman (1994), Strand states that futures studies is to make more informed decisions and choices when trying to manage the processes of change, rather than being an engine for making predictions. Bergman et al. (2010) present a useful typology of futures studies reflecting four paradigms of thought, namely: prediction, prognosis, utopia and science fiction. Predictions usually reflect ambitions of a scientific process and can therefore be identified with a specific method or process. Prognoses are characterised by not being rooted in an explanation; they do not make explanatory claims about future events and states. They are associated with a belief that ‘forecasts’ are plausible. A common form of prognosis is to extrapolate using empirical, usually statistical, trends. The statistical methods can be very sophisticated, but the underlying assumption is that the future will continue to follow the direction already established. Utopias – or dystopias – are put forward without pretensions of being true and neither do they show why things are going to be the way they are said to be. The word utopia, or outopia, means ‘no place’, which seems to be a good term for ‘forecasts’ that neither want to reflect truths, nor point out causes that are put forward without pretensions of being true. Neither do they

explain why things are going to be the way they are said to be. Authors of utopias may often want no more than to offer critical truths about the society in which they live, or perhaps indicate mechanisms behind a social development that they want to give warnings about. We call such a combination of not making truth claims, but indicating some mechanisms or reasons behind the descriptions of future states as science fiction.

## **What is scenario planning?**

One of the ways to affect the purpose of futures studies is by using scenarios or scenario planning. In the postmodern era, which is characterised by uncertainty and contingency, we see scenario thinking and planning increasingly used in the public and private sectors for business and government decision-making. By facilitating strategic conversations of diverse stakeholders and embracing the complexity of their multiple perspectives, scenario planning promotes the development of a broader perspective of the landscape and facilitates creative thinking and promoting action. Lindgren and Bandhold (2009) provide a number of rationales for the success of the scenario planning method. First, scenario planning provides a complexity-reducing framework and reduces complexity to a finite number of divergent options. Second, by availing team players to a collectively understood and agreed structure for thinking beyond what is already known the scenario framework offers a means to communicate more efficiently. Third, the human brain relates easily to stories. The narrative thinking used in scenario thinking matches the way the brain works, thus expanding its capacity to process information. Finally, by forcing your mind to think in qualitatively different directions you can train your brain to think the unthinkable.

Effective scenarios must have meaning and relevance to the key players. They must be plausible to stakeholders and enable them to imagine themselves in the situations outlined. At the same time, the scenarios must challenge the minds of these stakeholders; they must be novel and innovative and need to move thinking beyond the framework of business as usual.

## **The project: Tourism2050**

How will New Zealand tourism shape its future? Will it be a 'future taker' contributing towards climate change, having a detrimental impact on consumption or not considering the future for others? Or will tourism be a 'future maker' shaping the right future and influencing its own future?

This project asks the question 'What will New Zealand tourism look like in the year 2050?' as a guide for thinking and actions.<sup>1</sup>

## **The objectives of the project Tourism2050:**

- Developing well-constructed scenarios depicting and quantifying possible futures for New Zealand tourism, whilst providing staged information to stakeholders and leaders

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<sup>1</sup> The project was funded by the Foundation for Research in Science and Technology with a significant contribution from the Ministry of Tourism, (subsequently merged into the Ministry of Business, Innovation & Employment), with reference number VICX0905

of parallel research projects at suitable milestones. This approach will provide the best opportunity to share work in progress as early as possible.

- Establishing a clear understanding of the drivers and aspirations of future visitors within a rapidly changing world through local and international dialogues – at cultural, commercial, social, technological, demographic and geopolitical levels – that can be used to advantage by public or private policy-makers and investors.

The project team consisted of Dr Ian Yeoman (Victoria University of Wellington), a researcher with a strong reputation in tourism scenario planning, and Dr John Moriarty (J & H Moriarty Ltd) who has detailed knowledge of the New Zealand tourism industry. Supporting the project were Professor Douglas Pearce in the initial stages, and Professor John Davies in the latter stages, in an advisory capacity.

The project culminates in painting four scenarios of the future to 2050 within New Zealand, via narratives of the key cultural, social, landscape and economic resources that interact with future visitor demands. The scenarios are quantified using a series of broad indicators of sector performance in order to assist policy-makers and investor to understand the implications. The scenarios – labelled as *Manaakitanga*, *An Eco Paradise*, *Perfect Storm* and *The State of China* – present a combination of present and future states. In these the reader is taken on a journey of possible changes in the world, New Zealand and tourism, all woven together in a narrative form.

These scenarios provide an initial coherent perspective of the future possibilities for New Zealand tourism capturing local and global trends and dependency relationships, within a number of sectors, for example, retail and transport. The research initially followed Heijden et al.'s (2002) methodology in order to frame the scenarios, then a more detailed guidance framework was developed by Dr John Moriarty (2012), subsequently published in the *Journal of Sustainable Tourism* and a companion book, *Tourism2050: Planning for the Future*.

## **The scenarios**

The scenarios are shaped by social political driving forces along a spectrum of reciprocity and rivalry against a background of resource use from scarcity to relative abundance. These driving forces are used to construct four scenario that represent different pictures of the future. All are feasible, but are shaped by different circumstances and outcomes as seen in Figure 1.1 below.

### **Scenario 1: *Manaakitanga***

This scenario portrays New Zealand as a successful tourism destination as a consequence of the world having a relative abundance of resources and behaving in a cooperative manner. It suggests humankind as being successful at addressing many of the issues believed to accompany past failures, and in which inefficiency and uncooperative behaviour are heavily penalised. In this scenario technological innovation has been incentivised to deal with humankind's woes, for example, synthetic oils addressed the problem of the peak oil. In a world in which sustainable living is now as mainstream as consumerism, capitalism and the use of resources

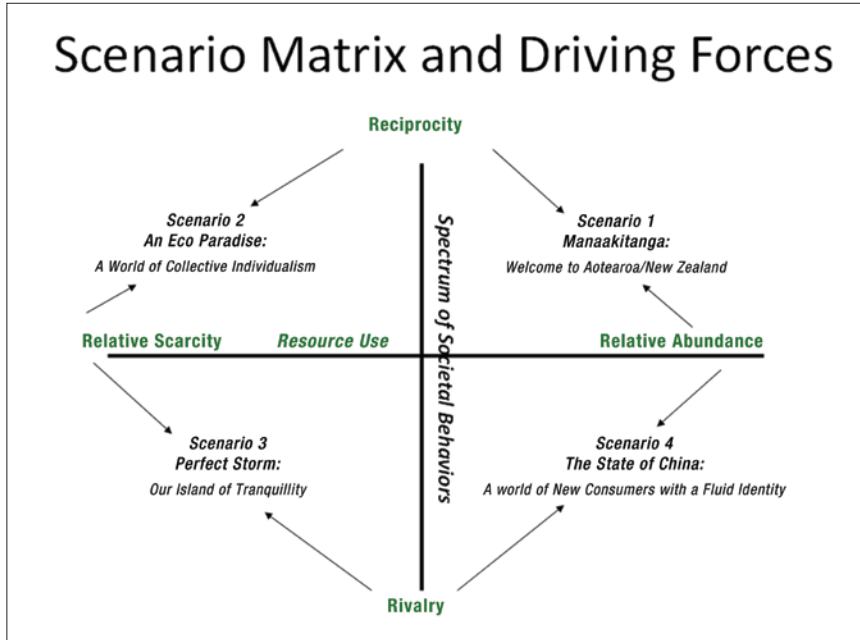


Figure 1.1: Scenario matrix and driving forces

have been rebalanced. New Zealand is considered to have emerged as a leading all-year round-tourism destination because of the importance of national identity, indigenous culture and core values. Tourism is now focused on manaakitanga, making the visitor feel welcome, assuring an authentic experience and driving a national conversation that tourism is everyone’s business.

### Scenario 2: *An Eco Paradise*

Here, New Zealand is a paradise of resources driving a land-based export economy. In 2050, as the world suffers from scarcity of resources, an eco-paradise is the new luxury and the New Zealand tourism industry benefits. However, society has taken the decision to conserve the future for the collective good, as resources and the land are important features of the Kiwi psyche. As a consequence, society and government know everything about you, what you do and when you do it. Individualism and freedom have been sacrificed. New Zealand is a high taxation economy with a high standard of living. It is an innovation economy with a sustainable living ethos, moral conservatism, and a controlled tourism demand and supply model which balances the economy with resources.

### Scenario 3: *Perfect Storm*

The core of this scenario raises the question: “At what point does tourism in New Zealand become unsustainable as a consequence of changing economic conditions and how would the tourism industry and government respond?” The scenario portrays continued economic malaise in Europe resulting in a long period of stagnation and incremental decline. As a consequence governments cannot respond with sufficient capacity to deal with external crisis

in a cooperative manner. Tourism still exists in this scenario, but there are just less tourists spending less money year on year. The impact of an ageing population is highlighted in this scenario as an opportunity, that is, tourist desire to extend their healthy years post-retirement and as a threat, for example, the impact on health care and reduced productivity.

#### **Scenario 4: *The State of China***

Here, New Zealand is portrayed as a successful tourist destination as a consequence of increased prosperity. This scenario highlights the shifts in international markets from west to east with greater diversity of internationalism. The new consumers of China pursue a postmodern fluid identity in which consumerism is at the core. The core of a fluid identity is that consumers seek novelty, new experiences and samples across a wide variety of activities. The new tourists of China are a ‘have it all’ society, which wants both family and wealth. The scenario notes the importance of the female traveller and demonstrates the futuristic applications of technologies from augmented reality to hypersonic travel.

#### **Concluding thoughts**

Whichever scenario unfolds, New Zealand tourism faces a series of choices and decisions about the future. Some of the scenarios represent harmful futures such as *Perfect Storm*, which envisages an extension of the global financial crisis (GFC), and economic stagnation, whereas *Manaakitanga* is a vision of what New Zealand tourism could achieve. *An Eco Paradise* represents the decisions New Zealand and tourism would take between now and the future in order to achieve a sustainable future shaped by the environment. To some, this scenario may not be palatable given the economic consequences, whereas *The State of China* is a representation of the pathway of new markets and tourists. The scenarios represent different journeys towards the future, some about muddling through, and others by making quantum leaps. The purpose of these scenarios is to make the industry think about its future. As Martin Snedden said:

“Think different and come up with new ways to grow the visitor economy and address long-term challenge.”

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# Chapter 2

## Research methodology

### Constructing scenarios

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#### **Executive summary**

Scenario planning is a methodology to create and represent a range of possible multiple futures. It is not intended to provide prediction or forecast, but is a framework used to develop and illustrate what the future could be in order to plan for that future. This chapter describes the process of scenario planning for the Tourism2050 project, and the construction of four scenarios labelled as *Manaakitanga*, *An Eco Paradise*, *Perfect Storm* and *The State of China*. The scenarios were constructed using a 2 x 2 matrix reflecting a spectrum of (1) resource use and (2) societal behaviours encompassing collaboration and competition. The chapter illustrates the initial scenario construction based on a hierarchy of drivers, and the importance of quantification in order to guide policy-maker's judgments. The use of a behavioural framework in the construction of scenarios, and as a means of interpretation, is to guide the scenario planner's process of sense-making.

#### **Introduction**

##### **Scenario planning and tourism**

Scenario planning is a methodology that has evolved from initial development and use, primarily in the business sector in the early 1960s, to being a methodology that has not only had increasing practical success but also academic credibility. Indeed, scenario planning has been beneficial in creating a mind-set where businesses not only prepare for one 'official future' but prepare to respond to a range of possible futures. In a postmodern era, which is characterised by uncertainty and contingency, we have increasingly seen scenario thinking and planning being used in the public and private sectors. Facilitating strategic conversations of diverse stakeholders and embracing the complexity of their multiple viewpoints, scenario planning can promote broader actions from focused perspectives. Lindgren and Bandhold (2009) provide a number of rationales for the success of the scenario planning methodology and associated methods. First, by reducing complexity to a finite number of divergent options, scenario planning provides a complexity-reducing framework. Second, the scenario framework offers a means to communicate more effectively by providing a shared structural framework. Third, the human brain relates more easily to a story. That is, by matching the way that the brain works narrative and narrative analysis can reduce cognitive overload and seemingly expand its capacity to process information. Finally, by requiring the mind to think in qualitatively different directions you can train the brain to think the unthinkable.

Yeoman (2012) employs scenario planning across a number of typologies or purposeful uses from prediction, prognosis, science fiction, and utopia (Bergman, 2010) in order to illustrate the future of tourism. Yeoman's book, *2050: Tomorrow's Tourism* (2012), envisions a range of futures to illustrate how the drivers of technology, wealth and resources will shape the future of world tourism. The word 'scenario' has many connotations, semantic definitions and interpretations, some with scientific nuances as in climate change modeling or in econometrics, and other social science, for example, to illustrate tourist behaviour (Yeoman, 2008) and destination planning (Yeoman & Lederer, 2005; Page et al., 2010). This is using what is known as a 'driver's approach' across a number of purposeful uses (Bergman, 2010).

## **The purpose of the chapter**

This chapter describes the process of scenario construction for the New Zealand Futures Tourism Project, Tourism2050. The project set out to answer the question: 'What will New Zealand tourism look like in the year 2050?' This year was chosen because it allows a quantum leap into the future rather than an incremental extension of the present. Scenarios are designed to paint pictures of possible futures for debate, rather than to provide a guideline toward a preferred future. This chapter presents in chronological order how the scenarios were constructed from inception, identification of drivers, scenario matrices, narratives and quantification.

## **The scenario planner's paradigm**

Scenario planning facilitates a subjective interpretation of the future, and the scenario planner acts as a filter or interpretation vehicle. When faced with multiple depictions or accounts of knowledge, the planner can be viewed as a 'bricoleur' – a constructor or creator who draws from a diverse range of available sources (Lévi-Strauss, 1996). It is the scenario planner who assembles the research as a set of cognitive patterns, a 'bricolage' that can make sense to the researcher, industry and stakeholders. Of course, this bricolage may change as data emerges from the various research sources. The scenario planner interprets unfolding events using a process that brings methodological rigour and depth to the construction of a scenario. Given that we cannot know the future, creativity and lateral thinking rather than objectivity is the goal and trade mark of a good scenario planner. Ensuring the validity of their methodology and methods can be achieved and demonstrated, however, via the process of triangulation.

Triangulation of qualitative and quantitative methods ensures validity, creates a depth of understanding, provides the possibility of drawing on a breadth of information sources, and means data and interpretation can be traced to source. The process of triangulation is a foundational block in scenario planning, and will be demonstrated in this research for the tourism industry (Yeoman et al., 2005). Using multiple data sources and a triangulation of sources and data collection methods overcomes many of the problems of validity often associated with scenario planning. Whilst policy-makers and business strategists have sometimes dismissed qualitative scenario planning methods as "too visionary" and/or "science fiction", social scientists, on the other hand, have critiqued quantitative methods as being "reductionist and superficial in a complex postmodern world." In the modern world, the

policy-making environment has been likened to a “primordial soup” with “nodes in the policy-making matrix coming active at one time or another and decision-making being a much more contingent process than it was in the past” (Hill, 2006).

In this research the scenario planner explores and prompts the thinking of stakeholders, in general, and others identified as “remarkable people”, in particular. The scenario planner seeks to elicit the thinking and knowledge of groups through workshop discussions, to survey the literature, and then to synthesise these materials in order to construct a range of scenarios about the future of tourism in New Zealand.

The methodology can be described as belonging to a constructivist interpretative paradigm (Lincoln & Guba, 2000), which in simple terms suggests that the world of events and meaning can only be interpreted. This process of constructive interpretation is about clarifying and revealing through discursive practice. The scenario planner is making sense of the knowledge that is being explored and elicited. Sense-making is concerned with how the research is managed and the level of sophistication deployed to interpret the research findings. It also involves questioning assumptions with stakeholders and independent people as part of an external process to reduce any scenario planner biases and avoid ‘malconstruction’, that is, scenarios that are ‘incomplete’, ‘simplistic’, ‘unformed’ or ‘internally inconsistent’.

## **Advisory Panel**

Scenario planning is often part of a de facto political process that requires the participation of key stakeholders. In the case of this project, such participation occurred through an Advisory Panel comprising strategic leaders and key influencers from New Zealand’s tourism sector. The purpose of the panel was to offer strategic advice, for members to act as ambassadors for the project, and to facilitate and enable interaction with key stakeholders. It also included futures thinking and scenario planning experts. Members of the Advisory Panel were drawn from the industry’s key stakeholders including: Air New Zealand, the Ministry of Tourism, the Tourism Industry Association, Tourism New Zealand and the Automobile Association. The Advisory Panel was supported by the New Zealand Futures Trust and the McGuinness Institute, organisations with a futures thinking and scenario planning capability.

## **Foundations of the scenario planning process**

The art and science of scenario planning is well documented (Yeoman, 2012). The scenario planning methodology used in the project draws on the work of Heijden et al. (2002) and Moriarty (2012a). At the core of Heijden’s approach is the construction of four scenarios representing plausible futures. Each scenario is shaped by a matrix of scenario drivers. The matrix positions factors relating to uncertainty and impact along each axis and scenarios based on these factors are created. Added to these speculative elements is a quantitative analysis. Eden and Ackerman (1998), Huff (1990) and Sparrow (1998) note that management thinking is historically anchored in rationality; they contend that decision-making is based on positivist principles. By folding quantitative measures and estimates back into the scenarios, more buy-in and credibility is attached to the scenarios by policy-makers (Yeoman et al., 2005).

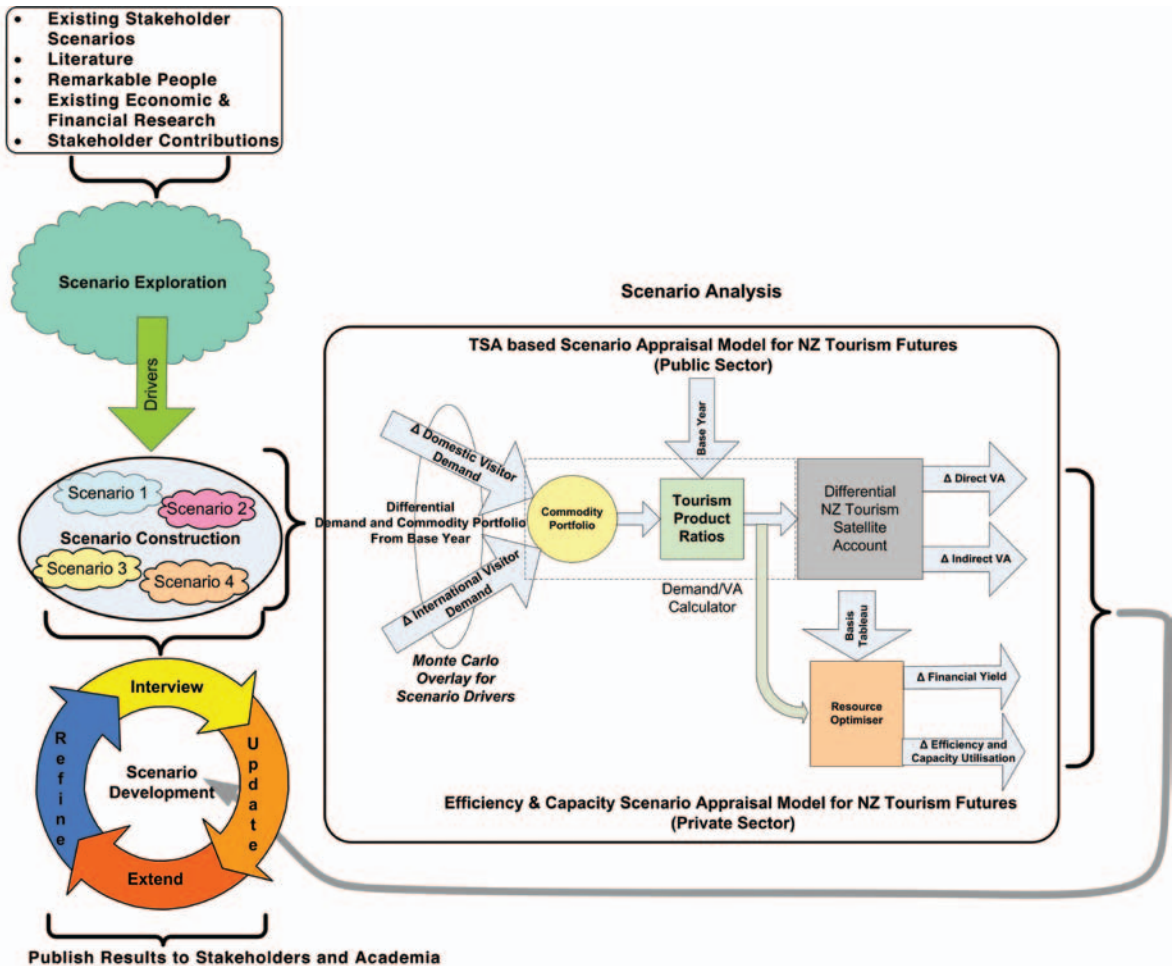


Figure 2.1: Scenario planning project overview

Figure 2.1 is a flow process chart depicting the research methodology and project overview. The remainder of this section will describe the chart in greater detail.

## Establishing the drivers, workshops and evaluation

Factors considered as key drivers for the future are used in the production of the four scenarios. Such drivers or driving forces are considered to be the significant underlying and impacting factors that set the pattern of events and determine outcomes in the business environment (Heijden et al., 2002). In order to determine the driving forces 30 “remarkable” persons, defined as intensely curious but sharp observers, were interviewed who understand the way the world works and have their finger on the pulse of change (Heijden et al., 2002). These people were chosen because of their specialist knowledge, such as climate change or energy, or their understanding of the strategic process of change within the tourism industry. The remarkable persons in this project were leaders of New Zealand’s tourism industry and

international tourism leaders. The interview questions and prompts were drawn from the literature and from the researchers' experiences. The questions adopted in most of the semi-structured interviews were:

- “If you fell asleep today and then woke up in the year 2050, how would the world be different?”
- “What are the critical issues that will shape the future of New Zealand?”
- “What are the interesting changes in New Zealand society you see around you?”
- “What are the key political, economic, social, technological and environmental changes in society that you see changing the future of the world in 2050?”
- “How will these changes shape the future of tourism in New Zealand in 2050?”
- “What are the early adopters and pioneers doing in the tourism industry today that deal with these changes?”

These questions formed the basis of the semi-structured interview in which supplementary questions on specific points surfaced by the interviewees could also be further explored. Questions were modified, and additional supplementary questions were asked. This was to draw further on an interviewee's expertise, for example, on technological change – as it became evident. Each interview, which lasted approximately 60 minutes, was audio recorded and subsequently summarised by the interviewer on one page of A4. In addition to the semi-structured interviews, six half-day workshops were organised with the key destination management organisations of New Zealand's tourism industry. The objectives of the workshops were to:

- Capture perceptions of the key underlining drivers that will shape New Zealand's tourism industry in 2050.
- Rank the importance of those drivers in terms of uncertainty and impact in order to construct a scenario matrix.

Over a two-week period, 150 participants were engaged in work-shopping the objectives using a range of systems thinking and clustering techniques (Sparrow, 1998). Data was captured via post-it notes, digital recorders and photographs of the systems thinking maps.

In the first instance, data was analysed via immersion methods in which the scenario planner became completely familiar with the captured data. Subsequently a series of cognitive maps were formulated using the software, Decision Explorer (DE). DE is an interactive tool for assisting and clarifying problems using the principles of problem structuring, causality and cognition as developed by Eden (1998). It allows a visual display and analysis of cognitive maps in such a manner that it permits 'multiple viewpoints', 'holding of concepts', 'tracing of concepts' and 'causal relationship management'. The scenario planner then pieces together the data gathered to produce a close set of practices and interpretations that present a series

of findings which ‘make sense’ (Lévi-Strauss, 1996). The most important feature of DE according to Eden (1998) is its ability to help categorise concepts, values and emergent themes to produce alternative representations or data maps.

These data maps were then merged into a hierarchical cluster of concepts at different levels: the world; New Zealand; tourism supply; tourism demand; and the future tourist. The hierarchy of drivers is shown in the following Table 2.1.

Table 2.1: Hierarchy of drivers

Hierarchy	Drivers
The World	Wealth
	Technology
	Resources
	Risks
New Zealand	Population structures and diversity
	Economic wealth: is it good enough?
	Paying for the future
	How we trade?
	Knowledge capacity
	Identity, perception and culture
	A sclerosis of governance
	Nothing is sacred!
	Earthquake central
Climate change	
Tourism supply	Sustainable structures and expectations
	Economic tectonics
	Political economy of tourism
	Competition of labour
	Husbandry
	Product clusters
	Speed of change
Connectivity to the world	
Tourism demand	A more knowledgeable world
	Distance and the uncertainty of connectivity
	Wealth and elasticity
	Bring it on! Climate change
	Our identity and humanity
A world of science and technology	

<b>Hierarchy</b>	<b>Drivers</b>
	Tourism vs leisure expenditure
	Shifting markets of demography
The tourist – fluid identity	Rising middle classes and wealth distribution
	Fluidity of values
	Demanding consumers, endless choices and a complicated life
	A world without boundaries
	I will try and be ethical, but ...
	The feminisation of a have it all society
	Anxious society
	Trust, volatility and identity
	Collective individualism
	Contested hedonism
	Contested liberalism
	Immediacy
	Fluidity of luxury
	New life courses
	Extended families
	Something new
The tourist – simple identity	Resources are the new luxury
	Resurgence of deference?
	Breaks on green consumerism
	Advancement of discretionary thrift
	Focus on the boardroom and assault of pleasure
	Sense of security
	Speeding up mercurial consumption
	Dominance of simplicity
	A background of authenticity

## Scenario quantification

In order to build a more robust narrative or story, that key players regard as plausible and can have confidence in, quantitative data from New Zealand's 2007 Tourism Satellite Accounts (TSA), was added to the scenario mix. The quantitative input-output static modeling of economic impacts arising from incremental changes in supply or demand for tourism and non-tourism products or industries within New Zealand provides an appropriate mechanism with which high-level aggregate changes in scenario drivers can be depicted. Then TSA measures of value-added (VA) outputs, direct and indirect, can be used to provide policy-makers with



insights into future economic changes arising from variations in visitor demand, expenditure portfolios and tourism product ratios derived from scenario outputs. This approach can provide a guide to resource allocation – labour, capital, materials – for various sub-sectors of tourism such as retail, accommodation, hospitality, transportation and recreation (Moriarty, 2008 & 2009).

In a complex and constantly changing world, the limitations of this quantitative analysis relate to its static or linear nature which does not automatically equilibrate if changes occur to macro-drivers. Since a critical assumption is that tourism is a small but complex component of New Zealand's GDP (~10 per cent), and also because its secondary or feedback effects are smaller and substitutable. The input-output model cannot accommodate dynamic interactions with respect to the whole economy. However, the model allows decision-makers to gain a view of how changes in tourism appear with respect to the overall economy. The modeling for the scenarios accommodated wide variation across a range of key variables, for example, visitor growth varied between one per cent and seven per cent coupled with price changes of between five per cent and 15 per cent, and also accommodated expenditure pattern changes. The TSA input-output model can also be adjusted to conduct simulations that determine the expected outputs of other chosen industries or groups, in the same way as it can be used to construct a probable future TSA. The model is further documented in Moriarty (2012b).

In addition the Monte-Carlo approach was applied to ascertain the likely variability of key parameters within each scenario. These parameters are further identified in the companion monograph by J.P. Moriarty (2012c), *Tourism2050: Planning for the Future*.

## **Developing a scenario matrix**

The development of the scenario matrix (see Figure 2.2) is drawn from Heijden et al., *Sixth Sense: Accelerating Organisation Learning with Scenarios*, and this provided a basis for developing the initial draft scenarios. After subsequent feedback from the Advisory Panel and internal review, the scenarios presented below were further shaped by following the guidelines for developing the 'driving force' behaviours demonstrated by Moriarty (2012b), and most recently published in the *Journal of Sustainable Tourism*. This behaviour-based approach is important in establishing coherency and consistency, thus overcoming perceived weaknesses attributed to scenario development and also to the interpretation of phenomena represented within scenarios.

### **Vertical axis**

The vertical axis represents a spectrum of social political forces. The concept of reciprocity is present in many explanations of how social norms are formed and maintained. Reciprocity in social psychology (Peoples et al., 2009) refers to 'in kind' behaviour of individuals. It seeks to explain the processes by which individuals react to positive actions with positive actions, or correspondingly to negative actions with negative actions.

Research undertaken by economists for the MacArthur Foundation (Fehr et al., 2002) suggests that many people have a tendency to cooperate voluntarily if treated fairly, but also to



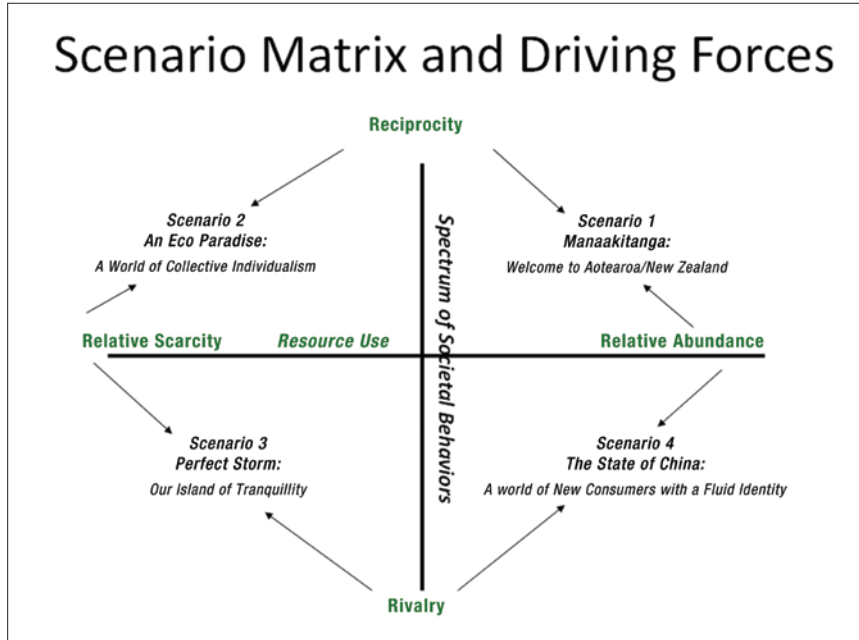


Figure 2.2: Scenario matrix and driving forces

punish non-cooperators. The authors call this behavioural propensity ‘strong reciprocity’ and show empirically that it can lead to almost universal cooperation in circumstances in which otherwise purely self-interested behaviour would cause a breakdown of cooperation. Rivalry is a facet of an entrepreneurial society characterised by innovation and competition (Audretsch, 2007). To others, international conflicts are an example of rivalries as nations adopt strategies to secure resources.

### Horizontal axis

The ‘relative scarcity’ pole of the horizontal axis reflects the fundamental economic problem of having seemingly unlimited human needs and wants in a world of limited resources. Over the last two centuries, there has been unparalleled growth in human populations and economic well-being. This growth, fed by equally unprecedented natural resource consumption and environmental impacts, including conversion of large portions of the natural world to human use, has promoted recurring concern about whether the world’s natural resource base is capable of sustaining such growth. Where there is relative scarcity, society has insufficient resources to fulfil all human wants and needs. At the other polar end of the horizontal axis, the resource use driver is labelled as ‘relative abundance’, reflecting a full or completely adequate amount or supply of resources at our disposal. In 2005, Krautkraemer concluded that to date technological progress had ameliorated the scarcity of natural resource commodities. However, even with an abundance of resources the problem of limited resources continues to be mediated by new technological or social solutions, with equilibrium in terms of supply and use of resources considered to have been reached.

## The scenarios

Four scenarios have been constructed to represent four different pathways and outcomes. Scenario 1, *Manaakitanga*, envisages New Zealand as a successful tourism destination as a consequence of the world having relative abundance of resources and behaving in a cooperative manner. Humankind has been successful at addressing many of the issues of past failures in which inefficiency and uncooperative behaviour are heavily penalised. Scenario 2, *An Eco Paradise*, positions New Zealand as a paradise of resources driving a land-based export economy. In 2050, as the world suffers from scarcity of resources, eco-paradise is the new luxury and the New Zealand tourism industry benefits. By contrast, Scenario 3, *Perfect Storm*, raises the question: “At what point does tourism in New Zealand become unsustainable as a consequence of changing economic conditions and how would the tourism industry and government respond?” The scenario portrays continued economic malaise in Europe resulting in a long period of stagnation and incremental decline. As a consequence, governments cannot respond with sufficient capacity to deal with such external crisis in a cooperative manner. In the final scenario, *The State of China*, New Zealand is a successful tourist destination as a consequence of increased prosperity. This scenario highlights the shifts in international markets from west to east with greater diversity of internationalism. The new consumer ‘class’ of China pursue a postmodern fluid identity in which consumerism is at the core. Indeed, the core of such a fluid identity is that consumers seek novelty, that is, new experiences across a wide variety of activities. Further details of the scenarios are explained in the following four chapters.

### Scenario frameworks: rule or guide

Here, we briefly comment on the methodological frameworks and guidelines used for constructing scenarios, and identify the paradigm within which the methodology sits. For the Tourism2050 project, methodological guidelines were used to: develop plausible driver behaviours for each scenario; construct the scenario narratives; and more generally to bind the ‘plot’, the ‘drivers’ and ‘implications’ of the scenarios into a unified whole. The benefit of using methodological guidelines in constructing scenarios, and in using criteria for assessing the plausibility of scenario outcomes, is that they provide more meaningful and complete, informed and internally consistent scenarios. Lincoln and Guba (2000) refer to constructions that are not meaningful as examples of malconstruction where scenarios are variously described as ‘incomplete’, ‘simplistic’, ‘unformed’ and ‘internally’. Are our frameworks rules or guides to the construction of the future? In this project, the importance of using rules as guides by the scenario planner was in order to produce a narrative within the dimensions of the scenario matrix, that is, reciprocity and relative scarcity. For further details of the methodological framework used to develop ‘driving force’ behaviours see Moriarty (2012c).

For the Tourism2050 project Tables 2.2, 2.3 and 2.4 below demonstrate how the rules as guides were used by the scenario planner to make an interpretation for the construction of *An Eco Paradise* scenario.

**Table 2.2: World behaviour and *An Eco Paradise* – world interpretation**

<b>World behaviour</b>	<b><i>An Eco Paradise</i> – world interpretation</b>
<ul style="list-style-type: none"> <li>• Extreme capitalistic behaviour and a push for monopolies.</li> <li>• International consensus on basic rules and ethical practices to ensure some equity in access to essential resources. The imperative is global survival founded on national responsibility. Inter-bloc rivalry is tempered.</li> <li>• Territorial disputes involving resources must be handled more objectively lest there be open conflict – some trust residing in genuinely international bodies such as UN and its agencies, International Court of Justice, WTO etc.</li> <li>• Some extra-bloc protectionism to maintain local equity. Intra-country protectionism, that is primary sector protections in USA, Europe etc to maintain order.</li> <li>• Resource decline not matched by international successes on replacement R&amp;D. Global realisation that ‘less is necessary for survival’.</li> <li>• Greater awareness of the need to address global externalities arising from attenuated standards of living everywhere. Learning to be ‘rich with less’.</li> <li>• Population control targets to reduce future demands.</li> </ul>	<ul style="list-style-type: none"> <li>• In a world of scarcity of resources in which consumers have wealth, the environment is perceived as the luxury experience.</li> <li>• Altruistic values and ethical rules to ensure global equity of access and management of resources, cooperation between states, global legislation is for the betterment of society through the adaption and mitigation of resources. Global intervention policies to develop and help those affected more by climate change and shortage of resources.</li> <li>• Trust and cooperation at a global level by UN type organisations; draconian powers and severe penalties that do not comply; social, economic, political and intellectual capital revolves around the future of resources.</li> <li>• International ISOs regarding standards.</li> <li>• Religious tolerance and liberal cultures in society, which is checked in balance.</li> <li>• Shortage of resources is not substituted by improvements in technology – maybe.</li> </ul>

**Table 2.3: New Zealand behaviour and *An Eco Paradise* – New Zealand interpretation**

<b>New Zealand behaviour</b>	<b><i>An Eco Paradise</i> – New Zealand interpretation</b>
<ul style="list-style-type: none"> <li>• Increased Oceania cohesion with New Zealand seen as a cooperative exemplar.</li> <li>• Increased economic/climatic refugees from Pacific Islands, more balanced recognition of social obligations to society vs earlier insistence of differences amongst societal groups. Immigrants conform or leave.</li> <li>• NZ a welcoming country for non-obligated, that is non-Oceania, contributors. A ‘Swiss Canton’ approach to would-be residents from abroad – “prove your worthiness and you can stay as a probationary citizen, otherwise stay at our pleasure as a fully self-supporting visitor.”</li> <li>• Modern democratic practices prevail: New Zealand moves to STV and a positive movement away from polarisation in terms of race-based politics or tribal identity.</li> <li>• Primary sector R&amp;D world class.</li> <li>• Energy R&amp;D in geothermal and biotechnology world class.</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand is well in this world because it has resources, food, very strong agricultural country which focused on high-volume and value exports.</li> <li>• New Zealand is the political and economic force of Oceania, strong on human rights and cooperation.</li> <li>• Climate change favourable to New Zealand led to big increase in climate change refugees; how does climate change impact on Tonga, Samoa and Cook Islands in 2050?</li> <li>• New Zealand is a major oil exporter; high hydro and geothermal energy source.</li> <li>• New Zealand complies with world standard of housing, therefore very efficient and sustainable.</li> <li>• NZ First predominates; wealthy country ranked 8<sup>th</sup> in the world of OECD tables.</li> <li>• Māori culture extremely important in society; Māori culture and values ingrained in society.</li> <li>• New Zealand education system is the best in the world.</li> </ul>

Table 2.4: Tourism behaviour and *An Eco Paradise* – tourism interpretation

Tourism behaviour	<i>An Eco Paradise</i> – tourism interpretation
<ul style="list-style-type: none"> <li>• Recreation is seen as an essential component of well-being. Simpler forms of recreation encouraged such as cycling, hiking, nature-watching, fishing, self-propelled water sports, photography etc.</li> <li>• Wasteful practices are unacceptable and monitored. Visitor services are specifically regulated to be efficient in accommodation, transport, and food and beverage.</li> <li>• Visa-based travel is obviated by intergovernmental cooperation. Personal travel is based on one's global biometric. Passport status: open = all countries; restricted or none may limit departures from country of residence due to historical health or behavioural issues.</li> <li>• Resource husbandry now seen as a national competency as to do otherwise evinces uncooperative behaviours.</li> <li>• Still predominantly a two seasons tourism industry with increasing diversity into hybrid offerings of high-quality low-energy to balance capacity, people and cash-flows.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortage of resources has major implications on tourism.</li> <li>• New Zealand is an expensive destination, an exclusive eco-tourism paradise.</li> <li>• Transport technologies are 50-70 per cent more efficient, however aviation is still a problem.</li> <li>• Simpler lifestyles promote outdoor activities; there is a general desire amongst Kiwis to position themselves within the environment.</li> <li>• Embedded and ubiquitous technologies allow safe travel between countries and destinations; New Zealand has strong husbandry skills.</li> <li>• Tourism in New Zealand is fundamentally a two season, two types of tourist product; on the one hand the eco-paradise tourist who represents about 10 per cent of tourists, high yield, predominately international and on the other hand the middle tourist.</li> <li>• All tourism businesses have to have a green Qualmark.</li> <li>• Tourists have a collective attitude towards the environment.</li> <li>• Marketing brand is pure luxury.</li> </ul>

## Scenario verification

In order to further validate the scenarios, a workshop was held in Wellington with key stakeholders from the Tourism Industry Association and the Tourism Strategy Group at the Ministry of Business, Innovation and Employment. Participants immersed themselves in two of the scenarios: *An Eco Paradise* and *The State of China*. The process of validation required stakeholders to draw out specific issues, to consider prioritised action, and then to consider plausible countermeasures for each of the scenarios.

An example, using the *An Eco Paradise* scenario, is described in Tables 2.5 and 2.6 below.

Table 2.5: Scenario verification workshop – identification and prioritisation of strategic issues – *An Eco Paradise*

Identification and prioritisation of strategic issues – <i>An Eco Paradise</i>			
No.	Issue	Justification	Priority
1	Air connectivity	NZ trade with the rest of the world; customers needed to sustain services	1
2	Infrastructure use and deployment	Idle capacity, redeployment, less demand	

<b>Identification and prioritisation of strategic issues – <i>An Eco Paradise</i></b>			
No.	Issue	Justification	Priority
3	Reduced demand	Impacts on revenues	
4	Conservation estate	Balancing value and use	
5	Connectivity (maintain)	Economic, geography arguments	2
6	Pressure on conservation estate	International luxury travel vs domestic tourism travel contrasted with demand for agriculture and horticulture products	1

**Table 2.6: Scenario verification workshop – consideration of plausible counter-measures – *An Eco Paradise***

<b>Consideration of plausible counter-measures – <i>An Eco Paradise</i></b>		
Issue	Plausible counter-measures	
Air connectivity	Government intervention to underwrite airline operations Streamlining/simplifying visa processing/facilitation, e-visas, smart gate, ‘domestic-like approaches’ Diversifying into services exports	1
Pressure on the conservation estate	Full cost and environmental impacts against benefits of encroachments Reviewed tourism markets to get taxes right Classify conservation estate according to environmental values, e.g. ‘Schedule 4’	1

## **Concluding thoughts**

Scenario planning is not a sinecure for addressing the difficulties of contemplating the future or how one should respond to it. Scenario planning encompasses the use of guiding frameworks and processes to help policy-makers make sense of whatever the future might be. This chapter has illustrated how the Tourism2050 scenarios were constructed through an iterative process of engagement with key stakeholders. Also, in this instance, it has demonstrated the value of using a guiding framework of ‘driving force’ behaviours to ensure the internal consistency of scenario phenomena and narrative and the meaningfulness of scenarios so derived.

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# Chapter 3

## Scenario 1: *Manaakitanga*

### Welcome to Aotearoa/New Zealand

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#### **Executive summary**

New Zealand is a successful tourism destination as a consequence of the world having a relative abundance of resources and behaving in a cooperative manner. Humankind has been successful at addressing many of the issues of past failures in which inefficiency and uncooperative behaviour are heavily penalised. Technological innovation has been incentivised to deal with humankind's woes, for example, synthetic oils addressed the problem of the peak oil. In a world in which sustainable living is now mainstream as consumerism, capitalism and the use of resources have been rebalanced. New Zealand has emerged as a leading all-year-round tourism destination because of the importance of national identity, indigenous culture and core values. Tourism is focused on *Manaakitanga*, making the visitor feel welcome, assuring an authentic experience and driving a national conversation that tourism is everyone's business.

#### **Introduction**

The New Zealand Tourism Strategy of 2015 (Ministry of Tourism, 2007) set out a vision for a successful, world-beating industry with two central values – *kaitiakitanga* or guardianship, and *manaakitanga* or hospitality. *Manaakitanga* implies a reciprocal responsibility upon a host, and an invitation for a visitor to experience the very best New Zealand has to offer. As Tourism New Zealand (2012) states:

“Maori people, being hospitable, looking after visitors and caring how others are treated – no matter what their standing in society – is of prime importance.

“The traditional value of *manaakitanga* in Maori culture has had a positive influence on the unique kiwi-style hospitality that makes a New Zealand visit memorable.

“As is the case with many Maori words – the meaning of *manaakitanga* is much broader than a one word or direct translation can convey.

“It can be broken down into three parts: *mana-ā-ki*, which loosely translates as ‘the power of the word’ and reminds hosts to be expressive and fluent in welcoming visitors.

“Another explanation has the words *mana* / prestige and *ki te tangata* / to the people – pointing out the importance of enhancing the *mana* which covers the integrity, status / prestige, and power of guests.”

This scenario is about a perfect future or a utopia. A utopia is an ideal community or ideology possessing a perfect socio-politico-environment. From a tourism perspective, it is an ideal or perfect place to be. This scenario could be presented as a vision, a place where tourists want to go and where industry and governments want to be. This utopian scenario presumes a world of ample resources and cooperative behavior in which humankind pursues a sustainable future rebalancing consumerism and capitalism for the better of society. So what is this perfect future?

## **Scenario behaviours**

The overarching behaviours in this scenario are shaped by a cooperative world in which resources are in relative abundance, therefore the scenario could be described as a progressive one. In order for the world to recover from the GFC, and deal with the problems of climate change and the rivalrous nature of capitalism, the common good is pursued cooperatively and centres on excellence, providing rivalry for the best ideas and practices that are then shared. The scenario then presumes a sustainable future that is about rebalancing consumerism, capitalism and the use of resources leading to the formation of new values in societies. A cooperative world manifests strong measures and penalties for those who are uncooperative. For New Zealand, the historical values of its indigenous culture and national identity are extremely important. This is a scenario of technological application, innovative design and sustainability in which humankind has common bonds, values and shared beliefs. Tourism policy is about getting manaakitanga right, focusing on the visitor, family values, healthy hedonism and cultural experiences.

## **Consequences**

Cooperation and abundance of resources has ensured that the world is wealthy, and consensus on trade financial systems and resources reduced international tensions, and has facilitated improved travel and recreation. As the world has improved, humankind has balanced lifestyles and sustainability for the benefit of the planet. Pre-2025 anxieties about wealth and incomes have now been reversed and steadily improved resulting in an accumulative growth in tourism over the last 25 years.

## **Timeline of change**

**2011:** The political economic environment is dominated by the Arab Spring and the worsening economic situation of the Mediterranean countries, thus squeezing the middle class consumer world over.

**2020:** The political enlightenment in which the middle classes of Iran turn the country towards real democracy rather than a suppressive Islamic state.

**2032:** United Nations Travel, Transport and Security Organisation, (UNTTSO) abolishes paper passports for bone fide travellers.

**2040:** New Zealand inaugurates the Māori Queen Temapara Mead as one of the dual heads of state.

**2042:** Innovative discovery means fourth generation synthetic oils manufactured using clean and green technologies become mainstream, putting to an end the petroleum economy, and the word ‘peak oil’ is assigned to history.

## **Signposts of the scenario occurring now**

- The future of aviation: International Air Transport Association (IATA) sets out how the future of aviation will change to 2050, whether it is transparent aircraft, green oils and transport infrastructure. They research many examples of innovations in the aircraft industry happening today (IATA, 2012).
- The authentic tourist: As David Boyle highlights in his book, *Authenticity: Brands, Fakes and Spin and the Lust of Real Life*, the consumer desire for experiences beyond Mickey Mouse and hedonism are prevalent in today’s consumer society, whether it is the New Zealand proposition as ‘100% Pure New Zealand’ or authentic Jordan. The desire for authenticity, nostalgia and something real is a core proposition of many tourist destinations (Yeoman, 2008).
- Occupy Wall Street Movement: The society portrays an anti-capitalist paradigm in which society realises it is time to change and move towards a more holistic and sustainable future (Occupy Movement Wall Street, 2011).
- The future of Māori culture in society: A report by Te Puni Kōkiri highlights the importance and recognition of Māori culture in New Zealand’s identity, whether as a staged experience for tourism or a way of life (Schulze, 2007).
- The provision of manaakitanga: this is core to the present New Zealand tourism strategy along with kaitiakitanga (Ministry of Tourism, 2007).

## **Economic argument**

The scenario commenced post-GFC and portrayed the state of the world’s economies as confused, but patient, and optimistic that resolutions would be found. For governments, ample credit provided the consumptive fuel for capitalism and in many cases also fuelled unsustainable social policies to such an extent that sovereign insolvencies were only avoided through bailouts. The utter dependency of 1<sup>st</sup> world nations on oil, a subsequent curtailment of credit, rising unemployment and poor prospects for sustainable employment or advancement, resulted in an economic miasma that took some years to abate. Real economic growth hovered around zero per cent, but various stimuli generally recorded apparent economic growth at about one per cent, slightly above that of a recession – see Table 3.1.

Post-2025, this cooperative world saw a more egalitarian perspective, a steady though not spectacular rise of middle classes throughout the world, controlled protectionism, greater emphasis on long-term value creation, individual responsibility and accountability. There was a greater sense of confidence that a balanced lifestyle was an asset that had to be paid for. In addition, international GDP growth averaged 3.9 per cent per annum, and with low

Table 3.1: *Manaakitanga*

Factor		Scenario Results				
		December 2011, Scenario 1: Manaakitanga				
		Base	Mid	Δ%	End	Δ%
<b>Visitors</b>		2007	(2007-2025)		(2026-2040+)	
	Australia/Oceania	1,066,338	1,344,407	26.1%	3,182,414	198.4%
	Americas	302,626	296,248	-2.1%	549,439	81.6%
	Asia	531,559	649,341	22.2%	1,661,605	212.6%
	Europe/Africa/ROW	535,145	390,870	-27.0%	971,751	81.6%
	<i>Total International</i>	2,435,668	2,680,866	10.1%	6,365,209	161.3%
	NZ Day	29,100,000	39,505,688	35.8%	72,468,187	149.0%
	NZ Overnight	16,051,000	20,458,074	27.5%	43,551,367	171.3%
	<i>Visitor Nights (NZ)</i>	48,153,000	54,160,244	12.5%	133,068,845	176.3%
	<i>Visitor Nights (Intl)</i>	49,863,212	42,913,368	-13.9%	143,449,432	187.7%
	<i>Total Visitor Nights</i>	98,016,212	97,073,612	-1.0%	276,518,277	182.1%
<b>Expenditures</b>		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
	Australia/Oceania	\$ 2,670	\$ 3,305	23.7%	\$ 12,047	351.1%
	Americas	\$ 1,344	\$ 1,250	-7.0%	\$ 3,482	159.1%
	Asia	\$ 2,135	\$ 2,633	23.3%	\$ 11,202	424.6%
	Europe/Africa/ROW	\$ 2,649	\$ 1,522	-42.6%	\$ 7,610	187.3%
	<i>International</i>	\$ 8,798	\$ 8,709	-1.0%	\$ 34,340	290.3%
	NZ Day	\$ 2,619	\$ 3,758	43.5%	\$ 8,745	233.9%
	NZ Overnight	\$ 8,668	\$ 10,962	26.5%	\$ 32,320	272.9%
	Total Expenditures (related to Base year)	\$ 20,085	\$ 23,429	16.7%	\$ 75,405	275.4%
<b>Mini-TSA (\$M)</b>		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
	Primary Sector	\$ 419	\$ 514	22.9%	\$ 997	138.3%
	Manufacturing	\$ 1,502	\$ 1,854	23.4%	\$ 3,773	151.3%
	Utilities & Construction	\$ 876	\$ 1,050	19.9%	\$ 1,973	125.4%
	Wholesaling and Retailing	\$ 2,993	\$ 3,663	22.4%	\$ 7,777	159.8%
	Accommodation	\$ 1,652	\$ 2,203	33.4%	\$ 7,919	379.5%
	Restaurant and bars	\$ 1,673	\$ 2,155	28.8%	\$ 6,369	280.8%
	Road and rail transport	\$ 1,609	\$ 2,103	30.8%	\$ 5,994	272.6%
	Water and air transport	\$ 4,622	\$ 6,444	39.4%	\$ 26,566	474.8%
	Services to transport	\$ 1,163	\$ 1,543	32.7%	\$ 4,764	309.6%
	Comms, Finance and Insurance	\$ 782	\$ 921	17.8%	\$ 1,691	116.3%
	Vehicle & Equipment Hire	\$ 485	\$ 671	38.2%	\$ 2,291	372.1%
	General Services	\$ 1,718	\$ 2,073	20.7%	\$ 3,888	126.3%
	Libraries, museums and the arts	\$ 110	\$ 139	26.0%	\$ 323	192.7%
	Sport and recreation	\$ 484	\$ 588	21.6%	\$ 1,301	169.1%
	Total	\$ 20,088	\$ 25,922	29.1%	\$ 75,627	276.5%
	DTVA+Imports+GST	\$ 11,797	\$ 15,847	34.3%	\$ 55,527	370.7%
	ITVA+Imports+GST	\$ 8,288	\$ 10,075	21.6%	\$ 20,100	142.5%
	DTVA/Total	59%	61%	4.1%	73%	25.00%
	Tourism % GDP	5.9%	6.2%	5.4%	8.8%	48.3%
	GDP (\$M)	\$339,491	\$415,521	22.4%	\$862,244	154.0%
	Population Forecast	4,228,000	4,897,658	15.8%	5,545,450	31.2%
	GDP (\$NZ)/Capita	\$80,296	\$84,841	5.1%	\$155,487	93.6%
	GDP (\$US)/Capita	\$59,130	\$63,631	7.6%	\$114,500	93.6%

standard deviation suggested it was a truly egalitarian world. By 2050 international visitors were projected to reach about 6.4 million and stay for about 26 days. This scenario also somehow successfully addressed seasonality as visitor nights increased nearly three-fold over the base year. Total visitor expenditure was seen to increase by a factor of four: driven more by volume than daily spend. Tourism increased in value to nearly nine per cent of GDP, and New Zealand's GDP increased steadily to just over \$860 billion – 154 per cent above the base year.

## **The scenario: *Manaakitanga***

### **The world: we've changed for the better**

The Commonwealth Heads of State gathering on 21 June 2050 set out to discuss ways of embedding and enforcing the principles of whanaungatanga – relationship, kinship – as put forward by Aotearoa/New Zealand's Prime Minister Michael Zhang. The conference was opened by King William V and Queen Catherine in Wellington. His speech was a reflection of how society has changed over the last 40 years with a focus on relations, values and kinship. It was reported as:

“Thank you Prime Minister Zhang. Today, for those that don't know, it is my 68<sup>th</sup> birthday and 10 years since I have ascended to the throne to represent the Commonwealth. Much has changed in my lifetime, in particular, 2011 was the turning point. The occupation of Wall Street, the Greek tragedy, the Arab Spring and the subsequent democratisation in Iran and China was all about a realisation that the world has to change. The common thread between all of these events was that capitalism was sick, society's values were misplaced and our relationship with nature was out of balance. People, citizens and consumers rebelled. We had had enough. Society seemed to be moving apart, the rich were becoming mega-rich, the middle classes were being squeezed and social deprivation was on the increase. It was Adam Smith who summed up the situation best in the *Wealth of Nations*: “No society can be flourishing and happy, of which the far greater part of the members are poor and miserable.” Today society is no longer like it was in 2011, although there have been ups and downs, recessions and booms. The general trend has been for the better of humankind in which a state of affairs is characterised by recognition that cooperation rather than rivalry provides greater achievement for our needs.

“There is international consensus on the principles of values, a society that in the last decade has taken more people out of poverty than at any other time in the past. This could only be achieved with strong international legislation embodied in world trade agreements and draconically policed by the international courts and states. Economics taught us that inefficiencies of resources do not work. Efficiency now meant synthetic oils manufactured using clean and green technologies, rather than the environmental spoilage associated with tar sands and the drilling for deep oil in the world's oceans. Flying today from London to Wellington in the world's first hybrid synthetic oil/solar panel airplane is a symbol of change. We do things for the better of humankind.

“So, in the last 40 years the key achievements have been: recognition that education and knowledge is a key driver of economic prosperity; a liberal and tolerant society; ISO standards for sustainable business practice; the importance of intellectual property and a reciprocal sharing process; a broad range of energy and resource usage; the importance of scientific discovery; and addressing issues of scarcity of resources. Finally, a realisation that the world today is not dominated by Anglo-Saxon viewpoints but is plural and diverse.”

This story represents a number of trends in society including:

- How a suppressive society can only be tolerated for a limited time before rebellion occurs.
- The imbalance between consumerism, capitalism and the use of resources leads to a realisation and formation of new values in society.
- The importance of strong measures and penalties in a cooperative society for those who are uncooperative.
- The global shift in geopolitics from an Anglo-Saxon perspective to an Asian and pluralistic society.

### **Aotearoa/New Zealand: puawaitanga**

In response to King William V’s address, the Māori Queen Temapara Mead invited Aotearoa’s Prime Minister Michael Zhang to explain puawaitanga, the principle of best outcomes:

“Puawaitanga, the principle of best outcomes, has been guided by purotu in which the principles of governance have been transparent to the people of Aotearoa. Kaitiakitanga, our guardianship of the land and the people, whanaungatanga, our relationship with Asia, all balanced by the tuhono that is the principle of alignment. Today, Aotearoa is a small place with a big heart. We represent the small nations of the world in which we act as the guardian of humankind, landscapes and oceans, and we are a permanent member of the UN security and peace council, the bastion and headquarters of the UN in Asia. A country of diplomacy and multi-culturalism. When the OECD ranked New Zealand in the top quartile for wealth and economic prosperity, we knew something was right. Fundamentally, it was the way we do things. A strong export-led economy, sustained through high-value manufacturing and agriculture. A place where people want to live, work and play. In fact, it takes immigrants 10 years to become citizens of Aotearoa based on their contribution to society, whether it is volunteering or intellectual capital. We have a legal system based on whanau and communities that has resulted in one of the lowest prison populations in the world per capita. Christchurch is one of the world’s most livable cities, with sustainable architecture, open spaces and a vibrant community all build from scratch after the 2011 earthquakes. Although our culture is founded on our indigenous population this culture has adapted, been blended, and has grown as migrants from Asia have arrived on our shores. Some of the impacts of this change have meant Aotearoa’s education system has been raised with Auckland University being constantly ranked as

a world top 10 university. Football competes with rugby to be Aotearoa's first sport. The All Whites are a representation of multi-cultural Aotearoa, and we cannot forget Bob Wetzell's injury time winning goal in the 2046 World Cup semi-finals. Unfortunately, Brazil beat us in the final, but maybe this summer in Malaysia, Ricky Herbert's grandson will be our Pele.

“Today, the whanau of Aotearoa is a place of which kiwis are proud. A strong recognition of intergenerational obligation, an equitable taxation policy and King William V is no longer our king, but Queen Temapara Mead reigns. We surpass Australia in the terms of economic wealth. But fundamentally Aotearoa is a place of puawaitanga – principle of best outcomes, and tuhono – principle of alignment. A place of good living, exchange and family, a place of manaakitanga, where we want to share your knowledge and beliefs with us.”

This story represents a number of trends in society including:

- The importance of protecting indigenous culture and national identity.
- Recognition that New Zealand's ethnicity will change by 2050 because of the rise of Asian and Pacific immigrants.
- The debate in New Zealand about a monarchical head of state, the republican movement or a Māori monarchy.
- New Zealand's foreign policy, which is driven by human rights and shared values.
- The governance of New Zealand shaped by a range of Maori principles.

### **Tourism in New Zealand: our values**

Angie Dickinson, the BBC's royal correspondent, blogged a reflective piece on her visit to Aotearoa whilst covering the Commonwealth Heads of State gathering:

“*Manaakitanga* was the sign at the airport when we arrived in the new Boeing hybrid synthetic oil/solar panel airplane. There was no passport control as we have been certified as bone fide travellers of the United Nations Travel, Transport and Security Organisation (UNTTSO). The journey from the airport to the harbour hotel was straightforward, efficient and comfortable using the hotel's electric water taxi. We are staying at the Hilton Port Nicholson hotel, a floating and award winning structure in Evan's Bay, which includes an underwater restaurant offering sub-aqua tours of the vicinity. The hotel is managed by Hilton in agreement with local Iwi who have the foreshore and seabed rights.

“I was talking to Michelle Topp, one of Aotearoa's commentators about tourism. The general impression was that tourism policy was all about getting manaakitanga right, making the visitor feel welcome, being part of our family and ensuring an Aotearoa experience was something real, authentic and warm, simple and about the people. Michelle went on to say tourists generally fell into two categories: those who were into



healthy hedonism; and the traveller visiting friends and relatives. Accommodation in the country was varied but most popular was the principle of home stay, which was similar to Japan's Ryokons system but with families. It seemed that tourism in Aotearoa was everyone's business. The welcome host principle was ingrained into the schooling system and communities took pride in achieving 100 per cent satisfaction ratings by tripadvisor.com.

“Tourism in New Zealand is a successful industry with the average length of stay 26 nights. That success reflects the values of New Zealand's way of life that had resonance with Asian cultures. Fundamentally this was about the family. The Queen Temapara Mead Trust was an organisation that set out to develop the community skills needed to deliver a competent industry, something that was small, unique and sustainable. Research identified the exchange of values as a core driver of tourism, putting genealogy, history, cultural events and food experiences at the core of tourism products. Aotearoa had a story to tell which was unique and good. Aotearoa is not Las Vegas, Macau, China or India; it is just a nice place to be.”

This story represents a number of trends in society including:

- The ongoing debate about Māori foreshore and seabed rights.
- Technological application, passports and a Big Brother society.
- Innovative design and sustainable architecture.
- Common bonds, values and shared beliefs between citizens of different countries.

## **The tourist: simple and fluid identities**

### Tourist 1: Fluid identity – extended families and healthy hedonism

Spending time with family has always constituted and reflected one of society's strongest bonds. In an era when both parents are working longer hours it is natural that grandparents spend more time with their grandchildren, whether it is acting as caregivers or taking them on holiday. Our story begins with Mr and Mrs Chin from Shanghai who are taking their grandchildren, and their cousin Jin, on holiday this half-term. The reasons why the Chin family decided to come to Aotearoa were the shared connection of values and that all of their cousins live here. Mrs Chin had also been a student at Canterbury University. They fly directly to Christchurch International Airport, and stay at the Elder Hostel as part of the Marae Garden Resort. On arrival at the resort, they are greeted with a reviving spirulina drink, the healing properties of which can be traced back to the Aztecs. Spirulina is often labelled as the world's most nutrient dense foodstuff. The children are tagged with radio-frequency identification (RFID) technology allowing the grandparents to know where they are, and what they are doing, at all times. The next day, the family participates in a Māori story telling about local legends before seeing Cousin Jin off on the start of his 72-hour Modafinil Iron Man competition. In the afternoon, they take an excursion trip to Whitakers Dairy Farm to



milk the cows, and then make their own chocolate bars. Grandfather Chin made an excellent feijoa and almond dark chocolate bar, whereas the grandchildren made a hokey pokey special. That evening the family participated in a hide-in-maze event in which the grandparents seek out the children using global positioning system (GPS) tracking technology integrated with holographic 3D spiritual monsters that act as devils and demons. The next day they check on Jin's performance, and then the children participate in a guided waka adventure down the Waimakariri River. This gives the grandparents the opportunity to learn how to spin golden Merino wool into thread. For the remainder of their holiday the family stays with friends and relatives. Cousin Jin came twenty-sixth in the Iron Man competition and was pleased to beat his simulated personal best.

Mr and Mrs Chin's story represents a number of trends in society including:

- Extended families, visiting friends and relatives and the concept of whanau.
- Resorts catering for a variety of activities associated with extended holidays.
- Healthy hedonism and adrenalin in sports.
- Helicopter and paranoid parenting and the use of children-technology monitoring system.

Tourist 2: Simple identity – my holiday decision

Daniel Wayne is a 21-year-old student of architecture at Wisconsin University and is making a decision about where to go on holiday next year:

“I remember my dad once upon a time say something about New Zealand, a country that was more like 20 per cent than a 100 per cent pure when it came to the environment. My dad boycotted New Zealand as a holiday spot because of the stories about polluted rivers, motorcars and general ignorance of the environment, whereas today things are very different. Wisconsin University is representing the USA in the world university football championships that are being hosted in Auckland. The opening game will be with the student All Whites. My role as an assistant coach is to help with the organisation of flights, accommodation and training facilities. For the tournament students have make a 25 per cent contribution towards the costs. Although this is a ‘once in a lifetime’ opportunity, education is expensive and me and my mates are pretty price sensitive. I have already spoken to the intelligence agent, taken advice from my dad and it seems the deals on farecast.com are probably the best. I really want to do this holiday because I can also get credits towards my degree if I take a sustainable architecture paper at Auckland University at the end of the tournament.”

Daniel's story represents a number of trends in society including:

- The importance of brand consistency in an internet world.
- Mercurial consumption, price sensitivity and the internet.
- The importance of education tourism.

## Drivers shaping this scenario

### Driver 1: The future of societal values as the world rises from the ashes

Whether it is the Arab Spring or the Occupy Wall Street Movement, disenfranchisement with the present seems to be the norm. In the United States (Brown, 2011), almost half a decade of recession has fuelled the fire with staggering unemployment – 25 per cent among recent college graduates, deteriorating wages, vanishing pensions, home foreclosures, scandalous rates of poverty and homelessness – one in five children are born into poverty, and accelerated destruction of public goods and services already slimmed by two decades of neo-liberal defunding and privatisation. As Brown writes:

“To put the problem a little differently, partly through these broken solidarities, partly through demonizing the one per cent, and partly through explicitly forging this new populist ethos, the Occupy Wall Street Movement has managed in spirit, analysis and conduct to substitute justice talk for interest talk. And it has done so when the language of justice seemed almost extinguished by a neo-liberal rationality that refracts all conduct through the metric of human capital self-appreciation. “We are the 99 per cent”, far from participating in a discourse organised by interest or difference, overtly rejects the seizing of the nation by a plutocracy, by private rather than public interests. If the slogan is sometimes mobilised to cast this seizure as an effect of corruption and greed rather than neo-liberal rationality in late capitalism, including the complete imbrication of Euro-Atlantic states with the fates and imperatives of finance capital, this is consequent not only to the wealth extremes that the epoch has generated, but to the necessary personification and theatricalisation of all potent political discourse. Even the Bolsheviks needed to feature the Czars as the enemy! Yet how difficult it has been for the mainstream media to grasp this new formation as promulgating a vision of justice, as issuing from educated political conviction, and not just personal circumstance or individual rancor! It is a sign of our profoundly depoliticised vernacular of citizenship today that the stock interview question of Occupy Wall Street Movement participants, “what brings you here?” is always intended to solicit a story of personal hardship or calamity. From CNN to the New York Times, the interviewers never know what to do with Occupy Wall Street Movement answers that reference a decent, equitable and sustainable way of collective life, a sense of right and wrong, and an account of what we political theorists quaintly call The Good for the polity.

“Shock, like the GFC or the Arab Spring, brings to the consumer consciousness an imperative danger, hence acting as a catalyst for change. Imperative danger as a psychological concept is well documented in the literature as a change agent of human behaviour (Organ, 1990), and is the basis for the future of societal values as the world rises from the ashes.”

## Driver 2: New Zealand’s changing ethnic mix

According to Statistics New Zealand (2007) – see Table 3.2 – the mosaic of New Zealand’s population is changing with Māori, Asian and Pacific populations making up a growing proportion of the overall New Zealand population. The demographic reflects past and likely future differentials in fertility, as well as the impact of intermarriage and changes in migration patterns. In addition, the Māori, Asian and Pacific populations have more youthful age structures, and thus a greater built-in momentum for growth than the European or other populations. Combined with higher fertility for Māori and Pacific people, and the assumed net immigration levels for Asian people, these ethnic populations are likely to grow at a much faster pace than European or other populations. All ethnic groups, as seen in the table below, will age in the coming decades, reflected in rising median ages and increasing proportions.

The Māori population overall will become older, but will continue to have a much younger age structure than the total New Zealand population because of higher Māori birth rates. The relative youthfulness of the Māori population, taken alongside the trends towards a higher proportion of Māori in the population and improving quality-of-life indicators for Māori, point to a future expansion of the Māori middle class. However New Zealand is changing as the Māori Future Maker (Schulze, 2007) project points out:

Table 3.2: Age group distribution of ethnic minorities (Source: Ministry of Social Development)

Age Group Distribution of Ethnic Populations						
2006-2016-2026						
Ethnic Group	Age group (years) distribution of ethnic populations (%)					Median Age (years)
	0-14	15-39	40-64	65+	All ages	
<b>2006 (estimate at 30 June)</b>						
European or other	20	32	33	14	100	38.3
Maori	34	39	22	4	100	22.9
Asian	21	48	27	5	100	28.5
Pacific	37	40	20	4	100	21.7
Middle Eastern / Latin American / Asia	27	48	22	3	100	26.7
<b>Total New Zealand Population</b>	<b>21</b>	<b>35</b>	<b>32</b>	<b>12</b>	<b>100</b>	<b>35.8</b>
<b>2016 (projected)</b>						
European or other	19	30	33	18	100	40.9
Maori	34	37	24	6	100	24
Asian	21	45	27	7	100	31.8
Pacific	36	38	21	5	100	22.2
Middle Eastern / Latin American / Asia	NA	NA	NA	NA	100	NA
<b>Total New Zealand Population</b>	<b>20</b>	<b>33</b>	<b>32</b>	<b>15</b>	<b>100</b>	<b>37.3</b>
<b>2026 (projected)</b>						
European or other	18	30	30	22	100	42.2
Maori	32	37	22	9	100	25.4
Asian	21	45	27	7	100	31.8
Pacific	36	38	21	5	100	22.2
Middle Eastern / Latin American / Asia	NA	NA	NA	NA	100	23.2
<b>Total New Zealand Population</b>	<b>19</b>	<b>33</b>	<b>30</b>	<b>19</b>	<b>100</b>	<b>39.1</b>

“The rise of the Asian countries to become economic superpowers will bring some level of uncertainty for Māori, specifically in terms of employment and investment. The rise of immigration from Asia may lead to competition for jobs in local markets. Also, as Asian firms make acquisitions in New Zealand, and potentially in Māori businesses, corporate cultural integration will become an important issue.”

From a mainly rural population that was somewhat invisible in public policy before World War II, Māori moved in search of work following the war in what may be the most rapid urbanisation experienced by any population. This saw a shift from around 25 per cent of Māori being urbanised in 1945 to some 75 per cent by the mid-1970s, and this will continue in the same direction to 2050. Māori urbanisation and the accompanying massive demographic changes have had huge consequences for social structures and communities. Many Iwi now have a minority of members living within their rohe, and about one-quarter does not report their Iwi ancestry (Schulze, 2007). Fundamentally, the structure of New Zealand’s population is changing; it will be older and demonstrate more ethnic diversity.

### Driver 3: Cultural identity, nationhood and Māoridom

Defining a national identity is not simple as New Zealand is a diverse nation made up of many cultural groups with many different customs and traditions (Ministry of Social Development, 2007). While people may describe themselves as ‘New Zealanders’, how they define their ‘New Zealandness’ will vary from person to person. For example, some people might see a New Zealand identity in aspects of New Zealand history or in New Zealand achievements in sporting, artistic or other endeavours. On the other hand, others might see it through a sense of national characteristics or traits or through national symbols and icons.

Māori culture forms one aspect of national identity, since it is both unique to New Zealand and a part of our identity in the outside world. Cultural identity is an important contributor to people’s well-being. Identifying with a particular culture makes people feel they belong and gives them a sense of security. It also gives access to social networks, which provide support and shared values and aspirations. These networks can help to break down barriers and build a sense of trust between people. However strong, cultural identity expressed in the wrong way can also contribute to barriers between groups. An established cultural identity has also been linked with positive outcomes in areas such as health and education. Māori language is a central component of Māori culture, and an important aspect of participation and identity. It also forms part of the broader cultural identity and heritage of New Zealand. In 1987, the Māori language was recognised as an official New Zealand language. The 2006 Census reported that almost one-quarter of all Māori – 24 per cent or 131,600 people – could hold a conversation in Māori about everyday things. Of the 157,000 people, or four per cent of the total New Zealand population, who could speak Māori in 2006, 84 per cent were Māori.

Sport is also an important factor in defining the identity of many New Zealanders, the most strident example of which is rugby. To many in this country rugby is a symbol of national identity, the cornerstone of their conversations, stories, life and culture. For those holding

this view, the 'All Blacks' are New Zealand's number one brand and the controversial 'Ka Mate' haka symbolises, and also commercialises, what they believe New Zealand stands for, notwithstanding the cultural issues it has raised (Jackson & Hokowhitu, 2002).

#### Driver 4: Compliance in a cooperative world

Yeoman (2008) points out that for consumers in advanced economies, their quality of life is improved by looking after the community's interests 'rather than simply their own'. Consumers, for instance, accept their own personal role in and responsibility for climate change – being at fault for contributing to it and taking the responsibility for tackling it (Harrison, (2006). Are consumers becoming more altruistic? Research by the Future Foundation (2011) suggests that when consumers are wealthy they support altruistic causes, whereas when thrift becomes the norm and belts have to be tightened 'selfishness' is. Consumers are aware of the issues of climate change. However the issue is compliance, incentive and enforcement.

#### Driver 5: The search for 'authenti-seeking'

As much as global consumers continue to embrace the convenience and reliability delivered by globalised mass production, they also aspire to an alternative to the perceived 'homogenisation' of contemporary culture, food and leisure experiences. The consumer's search for the 'real', which we define as 'authenti-seeking' (Future Foundation, 2011a), has a number of implications for tourist and retail sectors from the way in which a company packages and markets their offerings to how they interact with their customer base. Products with a clearly communicated 'hinterland' – be it cultural, historical, environmental or geographical – can hold significant appeal for global consumers. Many enjoy understanding about a product's heritage, from its cultural and historical provenance to the detail of where, how and by whom it was created and the ingredients it comprises. Considerable status is also bestowed on those owning the original, and therefore more authentic, version of a particular product.

According to the Future Foundation (2011a), 'authenti-seeking' has also become associated with the accumulation of knowledge and with becoming the most common conversational topic – see Figure 3.1. The holiday trip, for example, has become so much more than an excuse to simply laze in the sun. Instead, modern holidaymakers wish to experience different cultures and to sample local foods and leisure activities particular to a region or country. Such 'collectible' experiences, in turn, become rich sources of social and cultural capital and an important means of differentiating ourselves.

'Authenti-seeking' is also related to products or activities that offer a connection with the 'natural' world as well as a return to some of the more traditional, honest and simple pleasures in life. In developing and rapidly urbanising countries offerings of this kind are likely to become increasingly appealing, especially as consumer-citizens manage the transition to urban lifestyles. In more developed countries, many of which are slowly recovering from deep economic downturns, aspects of 'back-to-basics' lifestyles that also save money, such

## Top 3 topics consumers enjoy talking about with others by country (see notes for question wording)

	1	2	3
Czech Rep	Holidays	Family	Food
Denmark	Holidays	Books	Food
France	Holidays	Family	Books
Germany	Holidays	Books	Food
Hungary	Family	Holidays	Food
Ireland	Holidays	Books	TV shows
Italy	Holidays	Books	Food
Netherlands	Holidays	Food	Books
Poland	Holidays	Books	Products bought at good price
Russia	Holidays	Technology	Books
Spain	Holidays	Books	Family
Sweden	Holidays	Food	Books
Argentina	Holidays	Family	Books
Australia	Holidays	Family	Food
Brazil	Food	TV shows	Products bought at good price
China*	Technology	Books	Food
India	Holidays	Family	Technology
Japan	Food	Holidays	TV shows
South Korea	Products bought at good price	TV shows	Holidays
USA	TV shows	Food	Family

Source: nVision Research | Base: 800-4,000 online respondents per country aged 16-64 (\*China is 16-54), 2010

future foundation

Figure 3.1: Social capital of consumers (Source: Future Foundation)

as gardening, homemade leisure activities and food-related resourcefulness, have become popular. This desire sits alongside a rejection of excessive consumption, frivolity and wastefulness.

Interlocked with authenti-seeking is the rise of inconspicuous consumption (Future Foundation, 2011b). As society gets richer and has access to resources, there is a reconfiguration for the more eco-aware and price-sensitive era in which issues of social delineation generate considerably less excitability among consumers. Yes status remains a definitive factor for some; the diamond-incrusted MP3 player or gold-plated smartphone will always attract some customers. Yes we still attach a premium to 'quality'. But ever fewer now think that wanton 'over-consumption' or extravagant expenditure is trendy. Instead, status is increasingly derived from being seen as restrained or understated, and even from being sensitive to wider concerns and locating the very best deal at the best possible price. We consume our luxuries quietly rather than broadcasting their presence to all.



## Concluding thoughts

A utopia or perfect world some would consider such a proposition a ‘no place’ (Yeoman, 2012) as utopia cannot not be achieved. The 2015 New Zealand Tourism Strategy could be viewed as a utopia. Like many other strategic plans, it seeks to achieve ambition but never gets there. The search for a utopian or perfect place through tourism motivates many tourists, and is capitalised by the tourism marketing that selectively manipulates or silences certain images and realities in order to fit these idealised places. However, utopias associated with tourism can also have material consequences. Due to the strong intervention of places to make them fit tourism imaginaries, Connell (2003) suggested that certain tourism destinations are “pervasively utopian – places in which to construct social and spatial ideologies, reconfiguring landscapes and people”, but in fact are not true or a misconfiguration of reality.

This scenario presents a vision of a utopian future. Some would argue that the difficulty for government and industry is how one can deliver a strategic plan that is realistic and implementable when so many utopian visions are abandoned soon after commencement of a journey. Whereas others would argue you need a vision to create direction and ambition.

To summarise, the scenario raises the following pointers that signal a utopian future and the pathway of achievement:

- A realisation post-GFC is for the world’s disrupted economies to be patient and optimistic about the long-term future. As a consequence, an egalitarian perspective was necessary with the view for long-term value creation.
- Manaakitanga is the centre of New Zealand’s approach to society, along with principles such as whanaugatanga – relationship, kinship.
- The scenario recognises education and knowledge as a key driver of economic prosperity, a liberal and tolerant society and reciprocal sharing process of humankind development.
- New Zealand has strong governance institutions, beliefs and values.
- The scenario highlights how ubiquitous networks allow certification of travel from bona fide countries, therefore enshrining safety and trust.
- The principles that guide New Zealand are reflected in the types of visitors attracted to our shores.
- The scenario highlights a number of changing consumer trends including family structures, healthy hedonism and the importance of brand consistency.

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# Chapter 4

## Scenario 2: *An Eco Paradise*

### A world of collective individualism

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#### **Executive summary**

New Zealand is a paradise of resources driving a land-based export economy. In 2050, as the world suffers from scarcity of resources, eco-paradise is the new luxury and the New Zealand tourism industry benefits. However, society has taken the decision to conserve the future for the collective good, as resources and the land are important features of the Kiwi psyche. As a consequence, society and government know everything about you, what you do and when you do it. Individualism and freedom have been sacrificed. New Zealand is a high taxation economy with a high standard of living. It is an innovation economy, with a sustainable living ethos, moral conservatism, and a controlled tourism demand and supply model which balances the economy with resources.

#### **Introduction**

Paradise is a religious term for a place that is positive, harmonious and timeless. So, could New Zealand be *An Eco Paradise*? Its “natural unspoiled beauty” (McClure, 2004) has been the main reason to come for those visiting the country since the late half of the 19<sup>th</sup> century. The very first significant attractions were hot springs and the magnificent pink and white terraces – later destroyed in 1886 by a volcanic eruption – around Rotorua. By the 1890s, tourists enjoyed spas and thermal areas around the country, did tramping in the Milford Sounds, Mt Cook and Tasman Glaciers, visited Waitomo glowworm caves, were taken by steamer on the Whanganui river and engaged in sporting activities including hunting and fishing. Today, in general, tourists consider that the main highlights of their visits to New Zealand are its beautiful landscapes, its people, or visiting family (Hall, 2010). Indeed, a survey conducted in 2008 demonstrated that natural attractions are the main reason why international tourists visit the country (MED, 2008). It is not surprising that ‘100% Pure New Zealand’ has become this country’s destination brand built on previous campaigns as ‘Scenic Wonderland’.

Considered by some as one component of a broader national branding strategy to project the country as a unique and innovative place to visit, live and invest in, the ‘100% Pure New Zealand’ campaign is considered to be a “natural extension and elegant expression for the clean and green space that New Zealand had long occupied in the minds of global consumers” (Bose, & Muthukumar, 2011). Thus it helps construct a national image aligned with New Zealand resources, consumer demands and expectations, and that is also

adaptable to target specific segments of the diverse global market. Portraying New Zealand as a young, beautiful and clean country, the idea of 'purity' can be mainly applied not only to the natural environment, represented as pristine, undiluted and de-humanised, but also to other elements such as Māori culture and hospitality, and locally produced food and wine. However, as Bose and Muthukumar (2011) point out, '100% Pure New Zealand' is a brand with problems because of the country's environmental issues. These issues were highlighted in a report, *Beyond Rio*, by the global conservation organisation World Wildlife Fund (WWF) stating that: "Aotearoa, the land of the long white cloud, is now a land of polluted rivers and lakes, rising greenhouse gas emissions, pressured marine ecosystems and disappearing bird and mammal species." So, can New Zealand be *An Eco Paradise*? This scenario pictures a future in which a paradise is gained based on a cooperative world where resources are scarce. However, in order to deliver *An Eco Paradise*, sacrifices have to be made which involve changes in behaviour and new policy directions. This is a scenario that fundamentally mirrors an environmental prisoner's dilemma approach (Clemons & Schimmelbusch, 2007) in which the circumstances are presented and the actions given that stakeholders can take to address the issue of climate change. One of the dilemmas for tourism is the economic trade-off reflected in the scenario.

## **Scenario behaviours**

The overarching behaviours in this scenario are shaped by a cooperative world in which resources are scarce. As a consequence the world has moved to a state of collective individualism, where a high degree of personal freedom exists but within the constraints of a world in which there is a scarcity of resources. A communitarian ethos drives policy-making with an emphasis on efficient resource use and waste minimisation. New Zealand is a nation favoured by climate change. Environmental intellectual property is one of the nation's key resources, and in the spirit of achieving a global environmental equilibrium these technologies are shared with the rest of the world. Life is simple. Competitive individualism is equated with excess and resource waste, while cooperation, harmony and the continuation of a global cooperative psyche are seen as the foundation stones of continued relatively comfortable survival of humanity. Tourism is a luxury and activities are environmentally ethical. Visitors are well-off, purposeful, highly respectful and careful to prove their worth.

## **Consequences**

Climate change is the 'name of the game', and tourism is an exclusive experience available only to the few. Lifestyle has changed to reflect a concern for the future of humanity, and the big 'overseas experience' is now a carefully considered and well-planned operation. In an increasingly urbanised and technological world, New Zealand offers the luxury of connection with the great outdoors and relief from the ubiquitous surveillance of the modern city environment. Basically, consumers and tourists think about the planet, are concerned about the environment, and make sacrifices for the common good.

## **Timeline of change**

**2011:** The landscape, the environment and climate change are the key issues in 2011 as the world faces resource shortages and middle class consumers are economically squeezed.

**2025:** The 100% Pure New Zealand Act is passed which establishes a low-carbon economy based on a controlled economic and environmental pathway motivated by resource maintenance and economic stability.

**2030:** New Zealand introduces a variable tourism tax for international visitors ranging from \$50 to \$5,000 per day with exemptions for those involved in community projects.

**2035:** Saudi Arabia exports solar energy technologies, a major breakthrough in green technology.

**2048:** The Mediterranean fringe is a desert, California is no longer a wine region, and New Zealand keeps winning the world sustainable travel award every year as it has done since 2038.

## **Signposts of the scenario occurring now**

- Climate change is the changing world: Whether it is food supplies, less snow in the Alps or water shortages in Australia. Climate change is here now and no-one escapes the consequences (Yeoman, 2012).
- The use of taxation to manage tourism demand, for example, butane and carbon taxes (Macalister, 2011); Sweden's dioxide emissions drop 20 per cent between 1991 and 2000 after implementation of a tax (Fouche, 2008).
- A variable tax policy and at the exploitation of price elasticity as a means to manage tourism demand, involving the application of the principles of yield management, for example Air New Zealand's variable price offerings: Yield management is the process of allocating the right type of capacity or inventory unit to the right type of customer at the right price so as to maximise revenue or yield (Kimes, 1997).
- Changing consumer attitudes and behaviour in relation to climate change and a sustainable lifestyle (Harris, 2009), for example, co-friendly cars, recycling and sustainable homes: The end of the peak oil period is looming and as a result the general public, governance bodies and private providers are at varying speeds going green (Green Supply Chain, 2011).
- Big Brother society and ubiquitous computing: The advent of ubiquitous computing in conjunction with recognition technologies including voice, sound, retinal and gestural make anonymity difficult if not impossible (Goodchild, 2007; Ubiquitous Computing, 2011; Yeoman, 2012).
- Eco-tourism as a luxury experience, for example, Costa Rica, Mexico and many more destinations around the world: Eco-tourism is no longer the bastion of hippies, greenies and budget holidaymakers. Luxury tourism offerings that are ethical and ecologically sound are abundant (Argen, 2008; Downer, 2007; Regenold, 2007; Eco-Luxury, 2011).

## **Economic argument**

The eco paradise scenario, as shown in Table 4.1, commenced post-GFC and portrayed the state of the world's economies as confused, struggling for optimism and apprehensive about the future of critical resources. For governments, ample credit provided the consumptive fuel for capitalism, and in many cases also fuelled unsustainable social policies. This happened to such an extent that sovereign insolvencies were only avoided through reserve-generated credit – printing money. New Zealand continued to have a relatively narrow economic base founded on the primary sector and susceptible to international commodity market prices. Post-2007, maintenance of public sector programs became difficult without recourse to borrowing and private sector debt, which was comparable with the egregious examples such as Greece elsewhere in the world. The Christchurch earthquakes of 2010-2011 resulted in a \$30 billion impost on the nation. For tourism, the Europeans, Americans and Japanese stayed at home in increasing numbers. New Zealand's overall visitor nights were stabilised by the Australians, a few more Asians and internal travel. Length of stay had declined to 15 days, down 22 per cent on the base year. Although tourism expenditure increased very slightly, (2.6 per cent), the multiplier effects of visitors improved tourism value-added (by 27 per cent) through a slightly stronger economy. Tourism's position had declined five per cent to become 5.6 per cent of GDP. By 2025, a more cooperative world saw a shift towards an egalitarian perspective and the rise of middle classes in a steady and unspectacular fashion. There was fervent emphasis on efficiency, profound individual responsibility and accountability, and consumption. New Zealand fared better than most in the new world order. Already a relatively egalitarian nation, the world changes suited the psyche of the country and exports were in demand to support rising new middle classes in the BRIC nations – Brazil, Russia, India and China. The more cooperative world also fostered progress on the journey towards genuinely multicultural societies and improved internal cohesion, which further strengthened the relentless drives for efficiency. Compared with the hey-days of the early 2000s, post-2025 New Zealand was a sober and purposeful country reflecting on what needed to be done and then doing it; a model global nation within a constrained world. The effects of a more cooperative global framework to arrest resource depletion saw prospects and income decline throughout the world. Visitors became more price-averse, reflected in reduced price elasticity. Overall taxes rose to 22 per cent, with expenditure falling by 29 per cent and visitor nights halved.

### **The scenario: *An Eco Paradise***

#### **The world: our sustainable future**

As the United States President Carolyn Adams said in her 2050 address:

“The landscape, the environment and climate change are the key issues in 2050, just as they were in 2011. Reading the newspapers of the time there were resource shortages in society. In Australia, it was water, in Africa, it was food, and in Asia, it was floods. Post-Copenhagen and Johannesburg the world couldn't agree on climate change, short-term behaviours prevailed and no-one was a winner. Today, without doubt, as a consequence

Table 4.1: *An Eco Paradise*

Factor	Scenario Results - Eco Paradise					
	Base	Mid	End			
	2007	(2007-2025)	Δ%	(2026-2040+)	Δ%	
<b>Visitors</b>						
Australia/Oceania	1,066,338	1,287,660	20.8%	939,992	-11.8%	
Americas	302,626	225,570	-25.5%	145,042	-52.1%	
Asia	531,559	552,676	4.0%	353,713	-33.5%	
Europe/Africa/ROW	535,145	326,920	-38.9%	104,614	-80.5%	
<b>Total International</b>	<b>2,435,668</b>	<b>2,392,826</b>	<b>-13.8%</b>	<b>1,543,361</b>	<b>-36.6%</b>	
NZ Day	29,100,000	38,904,078	33.7%	36,958,874	27.0%	
NZ Overnight	16,051,000	19,825,350	23.5%	17,842,815	11.2%	
Visitor Nights (NZ)	48,153,000	50,221,251	4.3%	38,956,449	-19.1%	
Visitor Nights (Intl)	49,863,212	32,614,425	-34.6%	11,394,864	-77.1%	
<b>Total Visitor Nights</b>	<b>98,016,212</b>	<b>82,835,677</b>	<b>-15.5%</b>	<b>50,351,313</b>	<b>-48.6%</b>	
<b>Expenditures</b>						
Australia/Oceania	\$ 2,670	\$ 2,993	12.1%	\$ 1,522	-43.0%	
Americas	\$ 1,344	\$ 764	-43.1%	\$ 276	-79.5%	
Asia	\$ 2,135	\$ 1,963	-8.1%	\$ 702	-67.1%	
Europe/Africa/ROW	\$ 2,649	\$ 1,128	-57.4%	\$ 85	9680.0%	
<b>International</b>	<b>\$ 8,798</b>	<b>\$ 6,849</b>	<b>-22.2%</b>	<b>\$ 2,584</b>	<b>-70.6%</b>	
NZ Day	\$ 2,619	\$ 3,598	37.4%	\$ 3,299	26.0%	
NZ Overnight	\$ 8,668	\$ 10,165	17.3%	\$ 8,365	-3.5%	
<b>Total Expenditures</b>	<b>\$ 20,085</b>	<b>\$ 20,612</b>	<b>2.6%</b>	<b>\$ 14,248</b>	<b>-29.1%</b>	
<b>Mini-TSA (\$M)</b>						
Primary Sector	\$ 419	\$ 721	72.3%	\$ 1,244	197.1%	
Manufacturing	\$ 1,502	\$ 2,287	52.3%	\$ 3,079	105.1%	
Utilities & Construction	\$ 876	\$ 1,086	24.0%	\$ 1,444	64.9%	
Wholesaling and Retailing	\$ 2,993	\$ 3,730	24.6%	\$ 4,939	65.0%	
Accommodation	\$ 1,652	\$ 1,921	16.3%	\$ 2,031	23.0%	
Restaurant and bars	\$ 1,673	\$ 1,961	17.3%	\$ 2,227	33.1%	
Road and rail transport	\$ 1,609	\$ 2,236	39.0%	\$ 2,913	81.1%	
Water and air transport	\$ 4,622	\$ 5,785	25.2%	\$ 5,765	24.7%	
Services to transport	\$ 1,163	\$ 1,505	29.4%	\$ 1,879	61.5%	
Comms, Finance and Insurance	\$ 782	\$ 931	19.0%	\$ 1,398	78.8%	
Vehicle & Equipment Hire	\$ 485	\$ 657	35.3%	\$ 878	81.0%	
General Services	\$ 1,718	\$ 2,171	26.4%	\$ 3,085	79.6%	
Libraries, museums and the arts	\$ 110	\$ 133	20.5%	\$ 182	64.8%	
Sport and recreation	\$ 484	\$ 556	14.9%	\$ 691	42.9%	
<b>Total</b>	<b>\$ 20,085</b>	<b>\$ 25,680</b>	<b>27.9%</b>	<b>\$ 31,755</b>	<b>58.1%</b>	
DTVA+Imports+GST	\$ 11,797	\$ 14,755	21.5%	\$ 16,565	40.4%	
ITVA+Imports+GST	\$ 8,288	\$ 10,926	31.8%	\$ 15,190	83.3%	
DTVA/Total	59%	57%	-2.2%	52%	-11.20%	
Tourism % GDP	5.9%	5.6%	-4.6%	5.0%	-15.5%	
GDP (\$M)	\$339,491	\$454,905	34.0%	\$635,250	87.1%	
Population Forecast	4,228,000	4,897,658	15.8%	5,545,450	31.2%	
GDP (\$NZ)/Capita	\$80,296	\$92,882	15.7%	\$114,553	42.7%	
GDP (\$US)/Capita	\$59,130	\$68,398	15.7%	\$84,357	42.7%	

of rising populations, new and expanded middle classes and climate change, we face a situation of scarcity of resources. To the extent that when I talk to tourism leaders, access to the environment, the beauty of the landscape and authenticity is the new luxury because of its scarcity. The world has come together to tackle the problem of climate change. I feel that we live in a world of altruistic values, ethical behaviour and cooperation. When I speak to President Lin Deng of China there is a realisation that taking a global perspective is the only way to deal with this situation. The power of the United Nations World Trade Organisation has been paramount. I specifically thank my colleague President Lin Deng for her collaboration on this matter. Without the world working together for the benefit of humankind, the situation would have been a lot worse. A sustainable future has had to develop ISO standards for architecture, personal carbon allowances for travel, and severe punishment to those who operate an unsustainable future.

“I do know that many conundrums have been addressed on the pathway to a sustainable future. The debate about food supply and science-based alternatives has been a heated one, and we have seen limited success within this field. Where we have seen improvements, it has been about increased yield, better fertilisers and sustainable communities, like the City of Bend who have taken a vertical farming perspective. Some of the changes have been exceptional, such as the advancement of green technologies and, in particular, Saudi Arabia’s ability to export solar energy technologies under the leadership of Professor Mohammad Dali at the University of Riyadh and the work of the United Nations Compliance Board with technological tracking. The key in scientific applications has been resource efficiencies and new ideas.

“All of this has changed the consumer perspective. Consumers’ behaviours and attitudes have fundamentally shifted over the last 40 years. We have a respect and a relationship with the landscape which some call spiritual. Resources today are more expensive and consumers spend a higher proportion of their income on such things as fuel, food and other essentials. There is a noticeable divide in society; the rich have got richer at a faster pace than the middle classes of the world. We still have substantial levels of poverty in Africa and Asia. As demand hasn’t matched supply, inflation is now a problem. I would say life is a bit more frugal and simple.

“So to summarise the world has become more sustainable because of:

- Growing national, regional and international competitive agreements
- Increased regulation
- More effective and active NGOs
- Good science relating to pollution impacts, human health and ecological systems
- Market demand for green and clean energy, safe foods, efficient transportation and green buildings.



“On a final note, my children keep reminding me I am responsible for their future so let us hope it is an everlasting future.”

This story represents a number of trends in society including:

- The world’s middle classes are being squeezed as resources become scarce, price inflation erodes consumers’ level of disposal income, especially squeezing disposal income for out-of-home expenditure, that is, dining, tourism and leisure activities.
- Prioritisation and incentive for resource substitution is driven both by entrepreneurship and by severe penalties for bad practice. Sustainability is the only business model.
- The environment and natural products are perceived as the new luxury in a crowded, urban and metropolis world.

### **New Zealand: the ‘100% Pure New Zealand’ Act**

In the 2025 election, the primary issue was New Zealand’s green future. Across the political spectrum the only debate was about the degree of resources and commitment. The elected government’s first piece of legislation was the passing of the ‘100% Pure New Zealand’ Act which establishes this country’s low-carbon economy based on a controlled pathway motivated by resource maintenance and economic stability. The Act was necessary given the global problem of climate change refugees, wars over food supply, and the post-peak oil economy. The Act formulates a number of policy levers and instruments that: incentivise a green economy for business and consumers; educate for change; accelerate investment in green technologies, facilitate adoption; and penalise ‘un-green’ behaviour. New Zealand’s real priority is to protect and develop its resources and land economies, which are viewed by most of the world as the new gold. In spite of some dissenting voices, this country has come to realise its only future is this green pathway to the extent that people talk more about the environment than they do about rugby these days. Green is the Kiwi psyche.

Post-2025, New Zealand exports its agricultural produce, mineral resources, environmental intellectual property and tourism. Because of the scarcity of resources in the world, this country is a beneficiary. According to the latest OECD tables, New Zealand is ranked in the top quartile in the world in terms of wealth per capita and purchasing power. This country is a nation of strong political and economic force in Oceania, a place that advocates human rights, which has a liberal culture and an open door and promotes cooperation. New Zealand over the last 40 years has seen a number of changes because the country has significant energy resources including oil, hydro and geothermal. This has funded high levels of educational attainment, which in turn has driven investment in research and development. The Universities of Auckland and Victoria are ranked in the world top 100 with particular emphasis on carbon chemistry, technological compliance, digital media and the liberal arts. Some of the big issues in 2050 have been the dilution of Māori ethnicity and an increase in Pacific and Asian economic immigrants and climate change immigrants to this country.

The price of this environmental success is the erosion of individual liberties. In order for the government to bring about change, individuals and businesses have fixed carbon allowances, which are monitored via an extensive ubiquitous network of data and mind-reading technologies. These technologies allow the government to know what you do, when you do it, how you do it, when you are thinking about it and for how long. Even babies are chipped at birth to monitor their environmental life span. Eco priority principles mean that individual liberty has had to be sacrificed for the benefit of the planet. As a consequence, New Zealanders are morally self-regulating when it comes to the environment.

This story represents a number of trends in society including:

- The Kiwi psyche is green permeating government, business, society and the individual. However in order to reach this state, individual rights have been sacrificed for the collective good through ubiquitous monitoring and compliance networks.
- New Zealand is a successful nation in a world of scarcity of resources, and is deemed a plentiful society due to an abundance of resources that are well managed. The country's diverse economy is based on intellectual property, a natural resource base and agricultural products, with a strong knowledge research and development attitude.
- New Zealand has a liberal attitude but strong environmental values, which is comparable to Nordic countries. Smallness allows uniqueness and specialisation in a global environment.

### **Tourism in New Zealand: first and everlasting**

According to the *Lonely Planet* tourism guide, New Zealand is a microcosm of *An Eco Paradise*. In a world of scarcity of resources, this country's uniqueness is an abundance of land, water and food in a temperate climate. Although the glaciers have shrunk, the impact of climate change has been less compared to many other countries in the world. Now that the Mediterranean fringe is a desert, California is no longer a wine region and there is no reliable snow coverage on the Alps, New Zealand is 'the destination' and the winner of the Condé Nast world sustainable travel award every year since 2038.

In order to preserve *An Eco Paradise*, the New Zealand Government operates a variable tourism tax for international visitors with a range from \$50 to \$5,000 per visitor per day to manage demand. The policy operates in a number of ways. For those tourists involved in community projects and volunteering the tariff is low, whereas the top-end tourists have a minimum spend per day equating to a high tariff. In addition there are a number of schemes that combine these elements.

The tax, although controversial, is the cornerstone of New Zealand's sustainable tourism policy. Revenues generated have been reinvested into tourism in order to position the industry as the first and everlasting industry of the nation. According to Prime Minister, Theo Coy, tourism is a significant contributor to our economy. New Zealand is the first country that people across the world think of in terms of where to holiday. Tourism is the first industry in terms



of professionalism and career choice. The tourism industry has set the standard for others to follow – its pursuance of an everlasting strategy in which the guardians of the present have set out to secure the environment that has enabled the industry to be one of New Zealand's sustainable industries. Those guardians have protected our children's future.

New Zealand has had to position itself as an aspirational eco-tourism paradise because of a shortage of resources. Although the world has seen improved transport efficiencies over the last 40 years, aviation is still a problem. The eco paradise tourist represents approximately 10 per cent of all tourists providing 25 per cent of the revenue. The remainder of the market is dominated by New Zealand's domestic tourists and those tourists who advocate a more sustainable lifestyle. All tourism providers comply with an assurance scheme for green businesses, which includes sustainable architecture, community involvement, professional practice and energy efficiency. The assurance scheme extends to customer service in which the 100 per cent guarantee policy offers tourists their money back if their experience does not meet their expectations. Many in the industry laughed at such a proposition when it was first introduced in 2025, but New Zealand only targets and attracts visitors who have an affinity with its environmental outlook and way of life. The country is marketed as 'the slow holiday place'. According to the Visitor Attitudes Survey, enrichment, solace, space and an abundance of natural products are the reasons why tourists holiday in New Zealand. These are attributes many countries do not have these days!

This story represents a number of trends in society including:

- The impact of climate change globally has been dramatic, but New Zealand is an oasis, given that climate change here has not been as dramatic compared to other countries. The environment is temperate and favourable. New Zealand's 'green' credentials and relative abundance of resources make the country popular as a tourism destination compared to 'too hot' California or 'no snow' Europe.
- New Zealand's tourism tax for international visitors balances the needs of the environment with economics. This sustainable approach to tourism taxation is offset if tourists undertake a number of community-based projects.
- A strong domestic economy is the main driver of tourism growth to 2050.

### **The tourist: simple and fluid identities**

Tourist 1: Simple identity – the last glacier

"Come to see it before it disappears" was the TV ad for Mt Cook. Snow has not been seen in Australia since 2028, and if you want to experience snow sports or see a glacier there is only one place to go – New Zealand. Anne Paterson is a 34-year-old singleton from Sydney who is taking a three month sabbatical in New Zealand. Having watched programmes about Aoraki National Park on TV, she was determined to visit the area and experience snow before it disappeared. Her holiday began at Mt Cook. As the Park has snow conservation

status, the Department of Conservation charges NZ\$2,500 per day to foreign tourists to pay for adaptation programmes for the region. However, as Anne is engaged in community activities this fee is reduced to \$50 per day. She is in the park for two months, staying in the ice-hostel, a temporary winter structure made from semi-permanent ice. The emphasis of Anne's volunteering is acting as a tour guide in the park using i-foots which are two-legged mountable robots developed for 3D mobility, with the ability to navigate staircases. The passenger climbs on and drives with a joystick. In exchange for guiding, Anne has been granted a two-week restricted snow tourism visa. As she is only allowed two hours on the snow per day she decides to familiarise herself with the slopes by learning all the routes, rides and tricks on the snow-boarding simulator. The simulator provides an excellent analytical tool for measuring performance, endurance and improving techniques. Due to the poor snowfall this season the slopes have had to be enhanced with artificial snow in certain parts.

Anne is an expert amateur glacier geologist, belonging to the local society in Sydney. She is one of Australia's leading bloggers on the topic. Other activities in the park include mending pathways, a three-day alpine survival course, a glacier skiing trip and participating in a lecture programme. For the remainder of her holiday, she manages to visit some relatives in Dunedin and join a community bus tour of the South Island with the New Zealand Geographical Association.

Anne's story represents a number of trends in society including:

- The feminisation of travel as a consequence of higher participation in education, increased purchasing power, more singletons in society, and the need for a sense of purpose such as volunteering.
- How climate change will impact on snow sports, therefore access becomes a matter of price and level of expertise. Technology will play a greater part in leisure activities and will have a substitution effect on tourism.
- Technological advancement in medical applications will make disability access easier. In addition, as populations age more opportunities arise to engage with impaired travellers.

## Tourist 2: Fluid identity – an exclusive holiday

I remember my grandfather saying that travel, once upon a time, was virtually free and accessible to all. He would think nothing of a cheap weekend in Paris, flying with a low-cost carrier. Those were the days. Mr and Mrs Kapil Kumar's time has come. Their permit has been granted based on four years of personal carbon credit travel allowances and a daily eco-tourism luxury tax. Because long-haul flights cost so much, and people have to save hard for the flight, the flight itself is treated as a special occasion. Mr Kumar is wearing his best suit and Mrs Kumar went to a beauty therapist to have her make-up done on the morning before the flight. Their extended family even went to Delhi airport to wave them goodbye for their long flight to New Zealand. The couple would have normally holidayed in Asia because of the excellent public transport system connecting the major cities of the continent.

The Kumar's desire to visit New Zealand has been based on a personal fulfillment, infatuation with well-being, and high sensitivity to environmental and social issues. To this couple, New Zealand is a rich and worthwhile experience, which is explicitly ethical. During their month-long stay they are keen to experience a Māori cultural show. In order to minimise the impact of the holiday on the environment, they decide to hire a luxury self-propelled airship with all the 'mod cons'. The airship allows the couple to visit many places across the country deemed inaccessible by road. The airship's shuttlecraft transports them to Fiordland to places like George Sound, Breaksea Sound, Resolution Island and Puysegur Point. Local guides provide them with compelling stories of the glaciers and fauna. The couple even stayed in the award-winning Milford Sound Subaqua Hotel for two nights, exploring the fiord's seabed and looking for blue cod, one of the regions endangered fish.

The Kumar's story represents a number of trends in society including:

- Historically, everyone has had the right to access tourism. However, in the future it could be propositioned that this right is no more. The couple's right to travel has been curtailed for the benefit of the environment as a consequence of climate change.
- Exclusivity in this story is about the right to purchase an eco paradise experience in New Zealand. However a fluid identity still means the tourist wants novelty, comfort and quality, and this is represented by the Subaqua Hotel, Milford Sound.
- Technological solutions to the problems of climate change are emphasised with the use of airships as an innovative tourism product to mitigate impact.
- The future consumer will be socially aware and pertain to moral behaviours when it comes to their relationship with the environment.

## **Drivers shaping this scenario**

Driver 1: *An Eco Paradise* is the new luxury

In a society where access to resources is scarce, and tranquility is desired, the meaning of luxury changes the meaning of materialism and luxury towards simplicity, escapism, access to resources, real experiences and the green environment. Therefore, it could be argued that luxury is increasingly about experience and authenticity (Yeoman, 2008). The focus on aspiration and experience means an increasing emphasis on personal transformation through, for example, well-being and travel. It means that consumers want to improve their life. This is what Danziger (2005) and Israel (2003) identify as the feminisation of luxury, where luxury has moved on from its male trophies and status symbols towards experience and indulgence. This is perhaps attributed to women's increased buying power in society, which is driving luxury markets such as well-being, clothes and tourism. So today luxury can be categorised into materialism, enrichment or time as seen in the Figure 4.1 (Yeoman, 2008).

However in the scenario access to resources presumes exclusivity, whereas access to real food and green pastures are the new luxury, as luxury equals exclusivity. It is as if New Zealand's

## Materialism

Driving an expensive car  
Enjoying the best home entertainment technology  
Having beautiful home furnishings  
Wearing designer clothes  
Having nice toiletries and pampering myself



The 'old' version of luxury:  
exclusive, expensive, best  
quality, self-indulgent,  
conspicuous, tangible, 'overt  
materialism'

## Enrichment

Eating good quality food  
Going on expensive holidays  
Living in a nice area



Emphasis on 'quality of life'  
experiential, personal,  
authentic, 'subtle/covert  
materialism'

## Time

Having time on my own  
Having time just to relax



The value of relaxing and de-  
stressing from the pace of  
everyday life, focus on self-  
development and quality of  
life, intangible, non-material

Figure 4.1: The dimension of luxury (Source: Yeoman, 2008)

natural environment is the new 'Jimmy Choo' shoes (Yeoman, 2012), which creates a sense of 'must have' and 'be there' as a consumer product.

### Driver 2: Scarcity of resources

Scarcity is the fundamental economic problem of society having insufficient productive resources to fulfill all human wants and needs. Growth in the human population, and increased economic well-being, have put pressure on the natural environment contributing to climate change related issues such as water supply, food security, health, increased poverty, the gap between rich and poor, labour supply and migration (Schott, 2010). As Krautkraemer (2005) points out, the past two centuries have seen unprecedented growth in human population and economic well-being for a good portion of the world. This growth has been fed by equally unprecedented natural resource consumption and environmental impacts, including conversion of large portions of the natural world to human use, and prompting recurring concern about whether the world's natural resource base is capable of sustaining such growth. To some degree this concern is supported by simple mathematics; exponential physical growth in a finite world eventually generates collapse. For example, with any positive population growth rate, and all other things being equal, eventually the population will completely cover the face of the Earth and expand rapidly into space. As a result economists proposition a scarcity of resources where the world just runs out space, oil, food and water.

### Driver 3: Big Brother

'Big Brother', a fictional and imaginary character in George Orwell's novel *Nineteen Eighty-Four* (Orwell, 1949), symbolises a society in which your behaviour is constantly monitored for deviance from the norm. A Big Brother society or surveillance society means a raft of technologies such as body scanners at airports, automatic number plate recognition cameras using CCTV cameras, aerial police drones that are more pervasive than CCTV, or global positioning devices that track your whereabouts through your mobile phone. Looking to the future, we wonder whether 'society' could read your mind, akin to something like 'Minority Report' (2002 science fiction movie) when thinking about a crime is actually a crime. As Yeoman (2012) points out, telepathy involves the development of a "telepathy chip", a neural implant that allows users to project and receive thoughts and feelings without the use of verbal words or actions (Goertzel, 2009). The initial development of synthetic telepathy revolved around military use when the United States Army Research Office awarded the University of California in Irvine a \$4 million grant for research to work on the project 'Silent Talk'. The objective of the project is to allow soldiers to engage in user-to-user communication on the battlefield without the use of vocalised speech through the analysis of neural networks. The research seeks to develop technology that would detect the signals of 'pre-speech', analyse and transmit the statement to an intended interlocutor, which then uses non-invasive brain imaging technology such as electroencephalography that decodes these thoughts and translates them into brainwaves and the spoken word. Today, technology shapes the Big Brother society. Taking the concept one stage further, it is possible that human behaviour could be manipulated through this technology. Such a concept is feasible as the technological capability is already here.

### Driver 4: Innovative green technologies

Driver 2 was concerned with scarcity of resources, just as was asked by Thomas Malthus (1798) in *An Essay on the Principle of Population*, when he observed that sooner or later population levels would be realigned by famine and disease. He wrote in opposition to the popular view of 18<sup>th</sup> century Europe that saw society as improving and, in principle, as perfectible. He was wrong. Why? While exponential growth can be expected to lead to increasing resource scarcity, human creativity can ameliorate increased scarcity, hence the emergence of green technologies to solve the problems of the planet. Humans have been quite adept at: getting solutions to the problem of scarce natural resources; finding more abundant substitutes for various natural resources; exploration for and discovery of new reserves; recovery and recycling of materials; and, perhaps, most importantly, the development of new technologies that economise on scarce natural resources or that allow the use of resources that were previously uneconomical so humankind can use innovative green solutions to overcome scarcity of resources. Green technologies are the application of environmental science to conserve the natural environment and resources. Such technologies provide the means to curb the negative impacts of human involvement, be it sewage treatments, solar power or electric cars. Green technologies are applied in almost all fields in society.

## Driver 5: Attitudes towards paying for a green future

Growing concern about climate change has brought environmental issues to the forefront of the policy agenda in many European countries. Fullerton et al. (2008) note that to make any serious impact on some of the major environmental problems now facing policy-makers, such as acid rain, global warming and traffic congestion, environmental policy cannot be approached purely as a technical issue. This is especially if this approach implies these major environmental issues can be resolved merely by requiring the use of specified abatement technologies, setting emissions limits and using taxation to curb demand. Eco taxes can be used as a means to manage tourism. Bhutan, for example, utilises a “high-dollar, low-impact” strategy to keep tourist numbers low and focus on high-value tourists (Yeoman, 2012).

## Concluding thoughts

In essence *An Eco Paradise* scenario highlights how in a cooperative world in which resources are scarce, the environment is paramount and New Zealand’s response to it is crucial. The problems of global warming and long-term climate change are real. Any solution will be both expensive and technologically complex. However as set out in the scenario, it is also both economically and technologically feasible. We note that cooperation is the most important aspect of this scenario. At the moment, individuals are generally not good at considering the trade-off of uncertain future benefits against certain and immediate costs. It is even more difficult to coordinate the decisions of large groups when asking them to accept immediate and certain costs in order to gain future and uncertain benefits. Governments made up of elected officials will find it difficult to coordinate long-term policies that produce future and uncertain benefits, and also impose costs that might decrease their chances of re-election. No company is going to undertake large capital investments unilaterally to reduce the environmental damage it causes if its competitors do not, for the expense of doing so will damage or destroy the company’s competitive position. So, as Clemons and Schimmelbusch (2007) note, this is a classic tale of a prisoner’s dilemma in which individuals or organisations might not cooperate even if it is their best interest to do so. Therefore, the scenario raises these dilemmas and identifies the issues and decisions taken.

To summarise, the scenario raises the following pointers for the future:

- The realisation that collective responsibility is necessary to create change in order to tackle the world problem of the environment and climate change. This realisation can be described as a tipping point because of the importance of the problem and the necessity for action.
- A cooperative approach ensures that excess and waste are penalised from an environmental perspective.
- When considering the adverse impacts of climate change, New Zealand has favourable status compared to other countries.

- The enactment of the 100% Pure New Zealand Act established this country as a low-carbon economy and ‘doing the right thing’ for the betterment of humankind and the environment.
- However, the price of environmental success is the erosion of civil liberties which is a contentious issue for this country.
- New Zealand develops intellectual capacity in environmental management and innovation.
- The vision for tourism in New Zealand is a ‘first and everlasting industry’. The vision has tourism as a significant contributor to the economy, a professional workforce, a country that is first for work and play, founded on a sustainable tourism strategy which ensures an everlasting future.
- The use of a variable tourist tax in order to balance demand and the environment.
- The need to rebalance tourism in New Zealand as a result of a policy change shift in tourist markets, as tourism is now a more exclusive experience for international markets.
- The scenario identifies a number of consumer trends which are important for the future including feminisation of travel and the green consumer.



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# Chapter 5

## Scenario 3: *Perfect Storm*

### Our island of tranquility

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#### **Executive summary**

The core of this scenario raises the question: “At what point does tourism in New Zealand become unsustainable as a consequence of changing economic conditions and how would the tourism industry and government respond?” The scenario portrays continued economic malaise in Europe resulting in a long period of stagnation and incremental decline. As a consequence governments cannot respond with sufficient capacity to deal with external crisis in a cooperative manner. Tourism still exists in this scenario but there are just less tourists spending less money year on year. The impact of an ageing population is highlighted in this scenario as an opportunity, that is, tourists’ desire to extend their healthy years post-retirement and as a threat, for example, the impact on health care and reduced productivity.

#### **Introduction**

The movie ‘Perfect Storm’, a disaster drama starring George Clooney, is based on the influence of two powerful weather fronts and a hurricane. The title as metaphor can either be used to describe a rare combination of events which will create an extreme phenomenon, or it can be used to describe the phenomenon itself. The title of this scenario draws on the present global malaise in which economist Nouriel Roubini (Krudy, 2012) predicts that the United States economy is heading into recession just as the Euro currency block breaks up. Roubini, otherwise known as Dr Doom, foresees debt troubles in Europe, a slowdown in emerging markets, particularly China, and military conflict in Iran. All of this coming together would create a ‘perfect storm’ for the global economy in 2013. Using a longer timeframe, the United Kingdom Chief Scientist, Professor John Bennington, predicts a different kind of perfect storm emerging by 2030 (Sample, 2009) as water, food and energy shortages unleash public unrest and international conflict. This scenario encapsulates not only the realities of the present but also the future impacts for New Zealand and tourism.

#### **Scenario behaviours**

The core ‘driving force’ behaviours that shape this scenario relate to ‘rivalry’ and the ‘scarcity of resources’. Envisioning that Europe could not solve its economic woes arising from the GFC, a long period of fractious behaviour ensued along with frustration and impatience in dealing with the complex issues of the environment, financial systems and energy supply. The inability of the world to cooperate in a meaningful manner eventually leads to economic

stagnation and incremental decline, suppressing consumer spending and confidence across the world.

## **Consequences**

The world has seen a steady descent from goodwill to frustration to protectionism as countries have shifted from altruistic endeavour to 'me first' – egocentric behaviour. Consumerism in North America and Europe has shifted downwards as discretionary incomes are squeezed, and although New Zealand is far away it cannot disassociate itself from the global problems. As a result, tourism markets have shifted and declined.

## **Timeline of change**

**2018:** Economic malaise in Mediterranean countries is now in its 10<sup>th</sup> year as a result of the GFC of 2007.

**2020:** The Intergovernmental Panel on Climate Change (IPCC) warns the world that temperatures will rise by 5°C in the long term.

**2020:** Kiwisaver has been made compulsory for all citizens at 10 per cent per annum.

**2025:** The World Bank warns the world about economic stagnation.

**2030:** The superannuation age has been raised in New Zealand to 74.

**2035:** Rare metals discovered in Abel Tasman National Park resulting in its temporary closing for 25 years.

## **Signposts of the scenario occurring now**

- Greek default and contagion: As a result of the GFC pointed out by Frank Martins (2011) in his book, *A Decade of Delusions: From Speculative Contagion to the Great Recession*, the turning point has arrived in which Greece defaults trigger what economists call 'contagion'. This is a series of linked financial failures that cannot be stopped.
- Pensioner poverty: Across the world countries are reforming pension policies to transfer liability from state or business to the individual. As a consequence, many countries will see increases in pensioner poverty exacerbated by consumers not saving for the future (Brewer et al., 2007).
- Ageing populations as an opportunity: As Yeoman (2012) points out in his book, *2050: Tomorrow's Tourism*, society is already perceived as ageless, with older citizens experiencing improved health or seeking everlasting youth being core drivers or driving forces of tourism growth.
- Polarisation of incomes: As a consequence of the GFC, incomes are squeezed as taxes rise, state support falls, workers work longer hours or delay retirement, and inflation rates increase (Chum & Wright, 2011). This squeezes the middle classes, draws more people

into poverty, but at the same time a long-term trend is observed of a dramatic increase in the super rich within society (Rowlingson & McKay, 2012).

- The rise of protectionism: A world of ‘rivalry’ and ‘scarcity of resources’ produces the egocentric behaviours of ‘me first’ rather than altruistic behaviour for the good of society, culminating in a rise in protectionism. The World Economic Forum (2011) had already noted this trend, beginning in 2011, as countries start to protect themselves from the feared oncoming storm of possible economic contagion.

## **Economic argument**

The behaviours and values – gold standard, prudential policies, asset securitisation and so on – that guided the world’s economic systems post-World War II had steadily eroded and by 2007 had created an abundance of credit throughout the western world – some of it funded by China’s economic surplus. Failing to agree on problems and common solutions, nations steadily looked increasingly to their own internal interests. For governments, ample credit provided the consumptive fuel for capitalism. In many cases it also fuelled unsustainable social policies to such an extent that sovereign insolvencies were only avoided through World Bank and European Commission bailouts and debt write-off. The dependency of 1<sup>st</sup> world nations on oil, a subsequent curtailment of credit, rising unemployment, and poor prospects for sustainable employment or advancement resulted in an economic miasma that never truly abated.

Post-2025, although the root cause of the economic miasma was known to be a lack of cooperation and agreement on the global mechanisms of finance, energy, quality-of-life, international behaviour and the international legal system, the gulf between nations continued to widen driven by historical mistrusts and recriminations. In this rivalrous world, pragmatic diplomacy was abandoned in favour of aggressive protectionism. The middle classes failed to rise as expected and the BRIC countries were not averse to asserting their aspirations through brinkmanship and regional hegemony. Nationalistic behaviours focused on securing resources, appeasing straitened communities and providing purely minimal levels of community infrastructure. Individuals increasingly regarded themselves as survivors in a fractious world where no reliable assistance might come except from within.

Although New Zealand benefited from having adequate resources to sustain its relatively small population, its trade routes to historical markets became unreliable through unceasing regional conflicts. Australia and New Zealand enjoyed the best trade relationships of any in the developed world, and this provided both countries with greater quality-of-life than could be expected elsewhere. By 2050, international visitors declined to about 1.5 million and visitor expenditure decreased by 33 per cent, compared to the base year. Domestic tourism fell by 12.1 per cent and revenue by 15 per cent (as shown in Table 5.1).

Table 5.1: *Perfect Storm*

Factor	Scenario:	Scenario Results				
		December 2011, Scenario 3: The Perfect Storm				
		Base	Mid		End	
<b>Visitors</b>		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
Australia/Oceania		1,066,338	1,338,562	25.5%	1,130,238	6.0%
Americas		302,626	280,532	-7.3%	107,244	-64.6%
Asia		531,559	646,228	21.6%	216,202	-59.3%
Europe/Africa/ROW		535,145	323,332	-39.6%	98,787	-81.5%
<i>Total International</i>		2,435,668	2,588,654	6.3%	1,552,470	-36.3%
NZ Day		29,100,000	39,434,045	35.5%	42,070,688	44.6%
NZ Overnight		16,051,000	20,369,126	26.9%	17,999,464	-12.1%
<i>Visitor Nights (NZ)</i>		48,153,000	53,690,310	11.5%	28,948,891	-39.9%
<i>Visitor Nights (Intl)</i>		49,863,212	38,832,953	-22.1%	9,279,799	-81.4%
<i>Total Visitor Nights</i>		98,016,212	92,523,262	-560.0%	38,228,690	-61.0%
<b>Expenditures</b>		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
Australia/Oceania		\$2,670	\$3,418	28.0%	\$1,863	-30.2%
Americas		\$1,344	\$1,149	-14.5%	\$158	-88.2%
Asia		\$2,135	\$2,722	27.5%	\$287	-86.5%
Europe/Africa/ROW		\$2,649	\$1,104	-58.3%	\$97	-96.3%
<i>International</i>		\$8,798	\$8,393	-4.6%	\$2,406	-72.7%
NZ Day		\$2,619	\$3,907	49.2%	\$3,659	39.7%
NZ Overnight		\$8,668	\$11,339	30.8%	\$7,286	-15.9%
Total Expenditures (related to Base year)		\$20,085	\$23,640	17.7%	\$13,351	-33.5%
Loss (International/NZ) Nights		(22.0/3.0)	(16.5/2.6)	(-20%/-12%)	(5.0/1.6)	(-74%/-46%)
<b>Mini-TSA (\$M)</b>		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
Primary Sector		\$419	\$514	22.9%	\$545	30.2%
Manufacturing		\$1,502	\$1,855	23.5%	\$1,929	28.5%
Utilities & Construction		\$876	\$1,051	20.0%	\$1,102	25.8%
Wholesaling and Retailing		\$2,993	\$3,669	22.6%	\$3,687	23.2%
Accommodation		\$1,652	\$2,217	34.2%	\$1,539	-6.8%
Restaurant and bars		\$1,673	\$2,167	29.6%	\$1,792	7.1%
Road and rail transport		\$1,609	\$2,111	31.3%	\$1,857	15.4%
Water and air transport		\$4,622	\$6,513	40.9%	\$3,714	-19.6%
Services to transport		\$1,163	\$1,555	33.7%	\$1,273	9.4%
Comms, Finance and Insurance		\$782	\$922	17.9%	\$952	21.7%
Vehicle & Equipment Hire		\$485	\$673	38.6%	\$546	12.6%
General Services		\$1,718	\$2,074	20.7%	\$2,199	28.0%
Libraries, museums and the arts		\$110	\$139	26.2%	\$140	26.9%
Sport and recreation		\$484	\$588	21.8%	\$575	19.0%
Total		\$20,085	\$26,048	29.7%	\$21,850	8.8%
DTVA+Imports+GST		\$11,797	\$15,964	35.3%	\$11,436	-3.1%
ITVA+Imports+GST		\$8,288	\$10,084	21.7%	\$10,414	25.6%
DTVA/Total		59.0%	61.0%	4.3%	52%	-10.90%
Tourism % GDP		5.9%	6.3%	5.8%	5.2%	-12.9%
GDP (\$M)		\$339,491	\$415,992	22.5%	\$423,856	24.9%
Population Forecast		4,228,000	4,897,658	15.8%	5,545,450	31.2%
GDP (\$NZ)/Capita		\$80,296	\$84,937	5.8%	\$76,433	-4.8%
GDP (\$US)/Capita		\$59,130	\$62,548	5.8%	\$56,285	-4.8%

## **The scenario: *Perfect Storm***

### **The world: an economic malaise**

In 2010 the world population had reached 6.9 billion, with 5.6 billion living in less developed regions. By 2050 the population is expected to be 10 billion, with life expectancy averaging 75.5 years in most of the world but rising to 94 years in developed countries. “How do we feed these people,” said Matsuko Yamaguchi, Japan’s Prime Minister. He posed a question to the Shugin in 2050 of how the growing population would be fed. His speech was widely covered by the international press and reported in the *Economist* as follows:

“How did we get here? Ageing populations have stifled economic prosperity, but it is more than that. We have had wars over oil, and we are still having conflicts over water. Lack of international consensus has brought about some protectionism, and prevalence in society for security. The world has been shaped by mistrust and rivalry. I feel the collective good has been abandoned for individualism which to me hasn’t been favourable. All of this started to emerge given the rise of an ageing population in the world and a series of contagions including the fall of the US dollar, a number of environmental disasters and the big human pandemic in 2020. These points brought a clash of international cultures and ideologies. It was China in one corner and the United States in the other. What the United States resented was China buying the rest of the world, whether it was New Zealand’s dairy industry, California’s intellectual property or Italy’s sovereign debt. The middle ground had been lost. Some parts of the world democracy, once the bastion of liberalism, are now bi-partisan to the extent where some countries cannot govern and others are over-represented by one side in politics. It was Professor Paul Buchanan in his book, *Rivalry, Death and the World Political Order*, who recognised how countries started to abandon social welfare policies because of the issues of affordability, the Christianisation of the United States politics and the funding of warlords in order to secure resources in many parts of the world. We did listen to the IPCC in 2020, warning us of the 5°C scenario, but it was just that the world couldn’t agree to adaptation and mitigation in order to tackle the problem in a collective manner. This has definitely been a world where the rich have got richer, the middle classes have been squeezed and the poorer have become poorer.

“In our country and other parts of the northern hemisphere living standards have slowed down as a consequence of scarcity of resources, meaning prices have risen for core goods and services. As Japan’s economy stagnated a generation of young people became so frustrated. Graduating from university meant nothing as this generation moved from one low-paid short-term contract to another. Young people in Japan stopped having families because of the economic environment and the difficulty of finding a stable career path. What can I say? To a certain extent we have failed, and let down generations who placed their trust and future in us. Ladies and gentlemen – that has been the bad news story as I have seen it. Fundamentally, society has been squeezed, we are more vulnerable to shocks, have less capability to recover and consumers are more inward looking, entrenched and

lacking confidence. Business still goes on, but as the chairman of Toyota said to me, consumers are spending less each year-on-year.”

This story represents a number of trends in society including:

- The present day economic situation of contagion in which the sovereign debt of the Mediterranean countries leads to the abandonment of collective economic responsibility towards protectionism and a country-first perspective.
- In this scenario, for some parts of the world economic and political order is portrayed by mistrust and rivalry that means countries cannot collectively address the issues of climate change, economic disorder, trade and pandemics in an effective manner.
- A growing and ageing population is portrayed in this scenario as having a negative economic impact on a country’s wealth as a consequence of falling productivity per capita and rising health costs.

### **New Zealand: distance advantage**

According to the OECD, New Zealand in 2050 is somewhat of a tranquil island because of its distance and access to resources. It has been sheltered from the turbulent world as a result of its relatively simple lifestyle, a middle-order economic ranking, but also its high quality of life. The OECD report highlights a number of changes in New Zealand’s society including:

- Work is valued over recreation and annual holidays are foregone as Kiwis respond to the uncertainties of the global economy.
- Strong relationships with many Pacific Islands has result in them acting as border outposts for this country.
- New Zealand’s spending on defence has increased from one per cent of GDP in 2010 to between five to 10 per cent in subsequent years.
- Wealth has increased on average, but wealth distribution exhibits greater polarisation.

Pondering on these changes, the William’s retirement commission in 2020 reported that government revenues would be adversely affected as the baby boomer generation moves from a period of high income generation to retirement. Per capita expenditure for the elderly is high and the commission forecasted that this would continue to grow, especially within the fields of health and medical support. This is where the desire and pressure from New Zealand’s grey voters for the telomeres ageing-stabilisation treatment creates a demand not previously catered for. To address some of these changes, the government made the Kiwisaver compulsory for all citizens at 10 per cent per annum. The age of superannuation was gradually increased from 65 in 2010 to 74 by the year 2030. There is also the merger of New Zealand’s universities, and the closure of the Palmerston North and Dunedin campuses, the legalisation of the use of iRobot nurses in nursing homes, GST at 30 per cent, and the scaling down of New Zealand’s health care system, which is run by a number of charitable trusts. The ownership of New Zealand’s food



production system is in foreign hands and foreign corporations dominate parts of the landscape. Nevertheless, pockets of organic oasis can still be found throughout the country. The conflict between stakeholders is still prevalent given the discovery of rare metals in Able Tasman National Park in 2035, which resulted in the temporary closure of the park for 25 years.

This story represents a number of trends in society including:

- In this scenario, New Zealand's relative distance from and relative isolation and access to resources is of economic benefit given a volatile economic-political paradigm.
- New Zealand's economic performance is relatively weak but its people are healthy, happy and content.
- New Zealand's outlook in the world is about protecting itself from the volatility of world economic disorder through strong relationships with Australia, and an expanded military presence in the Pacific.
- New Zealand's ageing population has forced change on social and health care provision within the country. Given this country's relative access to resources, economic rather than environmental arguments gain favour.

### **Tourism in New Zealand: health and well-being**

Tourism in New Zealand has seen significant shifts in distribution patterns relating to overseas markets. Northern hemisphere countries such as the United Kingdom, Germany, the United States and Japan declined in real terms by 25 per cent to 2025. This was followed by a period of stagnation and incremental decline. Of fundamental importance, there were fewer tourists every year spending less money. In 2030, economic commentators raised the question: "Has New Zealand's tourism industry reached the point where economic malaise has led to unsustainability?" As a response to this incremental decline, the tourism industry positioned itself as a health and well-being destination.

Domestic tourism represented an important sector of the tourism industry, and international visitors are mainly drawn from the Australian market as both countries deem themselves trustworthy in an unfriendly world. Protecting the environment is extremely important due to the scarcity of resources. This is exemplified by the Department of Conservation's user pays model which has radically restructured the use of conservation lands:

- Tier 1 parks such as Fiordland and the Great Barrier Island are leased to multi-national corporations for exclusive use by international visitors.
- Tier 2 parks such as Tongariro are sponsored by a number of cooperative trusts that uphold Victorian values for the benefit of society.
- Tier 3 parks are managed by the local principalities.
- Tier 4 parks have been abandoned from a tourism perspective, and some have been turned over to mining companies for a defined period.

With the emphasis on lifestyle and well-being, responsibility for tourism within government lies with the Minister of Health and Resorts. In 2030, Rotorua was nationalised to become the 'Metropolis of Geyserland' offering both a European style spa and whakarewarewa cultural centre.

Ever since the New Zealand Government realised lifestyle was an important aspect of well-being, and given the high costs of pharmaceutical drugs, exercise programmes, weight reduction plans, and Qigong courses are all prescribed by general practitioners. The tourism industry focuses on 'wairua', a programme of balance between body, soul and spirit. Wairua embraces Māori culture. Tourists are sent on a journey of self-discovery to find a closer connection between themselves and the land. The wairua strategy came about as consumers began searching for a means to extend healthy retirement years. The research suggested:

- Consumer demand has increased for healthier foods, and for better access to a variety of physical activities, as a way of combating growing anxiety problems and depression – as well as growing waist lines! Obesity is the consumer's number one health scare.
- There is an increased interest in Māori culture, eastern medicine, and 'back to basics' activities such as yoga meditation, and herbal remedies have seen accelerated growth in the last few years.
- This market is primarily female, with a focus on self-actualisation and enrichment.
- An increasing use of beauty aids and medical tourism has been observed for those searching for the fountain of youth.
- As 'retirement has retired', the importance of free leisure time and volunteerism increases.
- The vertical extended family is the new norm.

This story represents a number of trends in, and surfaces questions about, society including:

- This scenario raises the question of when does tourism become an unsustainable industry as a consequence of economic malaise.
- The role of tourism in government as a health and economic driver.
- The scenario raises the trade-off dilemma in the conservation estate between commercialisation and conservation in the future.
- Tourism is a simpler, individualistic, traditional and value-based proposition.
- Tourism in New Zealand exists in this scenario but it is smaller than previous years.

### **The tourist: simple and fluid identities**

Tourist 1: Fluid identity – the health tourist

At the age of 86, Melbourne Haka Erdoğan and his wife Aga, aged 87, have decided to retire. Their general practitioner prescribed a six-month health holiday funded by a combination of

private and public health insurance. Research has proven that a six-month sabbatical focusing on lifestyle, nutrition and activity gives individuals an additional four years of healthy living. This is a more cost-effective treatment than the latest expensive pharmaceutical drugs. The focus in 2030 by health authorities is on preventative health and well-being rather than remedial medicine. Mr and Mrs Erdoğan have booked the New Zealand Government's Ministry of Health and Resorts Te ohonga ki te ao *Māori package*. Their journey begins on arrival by the Sunderland flying boat into Lake Taupo. Aga has arthritis and is spending five days at the hot pools before embarking on a three-day visit at the Hilton Medical Institute for telomeres therapy. The Institute is a joint venture between the Hilton Resorts and the New Zealand University Medical School of Auckland. During her stay at the Institute Aga receives specialist advice on combination treatment including diet, well-being and exercise. She even participates in a cookery class run by Dr Sara Langbyne, a renowned physician, dietician and chef who champions the natural goodness of New Zealand's produce augmented by naturally produced supplements. Aga is encouraged to keep a digital food diary where she photographs her food, and her mobile phone then tells her the calorie count and nutritional value of what she is about to eat. They spend the next month on a marae meditating, exploring methods of personal enrichment, having massages, and learning breathing exercises – just slowing down and relaxing. As part of the adventure they undertake a three-day hike up Mt Ngauruhoe using bionic exo-hikers. Koha for the permit is \$A2000. This fee is noted as controversial since commercial exploitation of the spiritual site should be free. To others, Mt Ngauruhoe should not be climbed because it is sacred. Over the next three months, Mr and Mrs Erdoğan undertake a number of relaxing and easygoing activities including a four-day fast at Waiwera waters, one of New Zealand's best Iwi cooperative businesses.

The Erdoğan's story represents a number of trends in society including:

- The role of medical technologies as a monitoring device for healthy living and the advancements of medical science to radically extend life courses.
- The scenario focuses on the commercial synergy between the tourism and health industries as tourists try to extend their healthy years in retirement.
- The notion of well-being runs all the way through the scenario to support medical procedures.
- As a fluid identity is often contested we observe in this scenario how Mr and Mrs Erdoğan's values are compromised by climbing Mt Ngauruhoe.
- The trend of quantification and control highlights how everyday technologies can be used to monitor lifestyle through mobile devices.

Tourist 2: Simple identity – the culture vulture

Shenna McCaul is 56, lives in Dunedin and is a part-time social worker. She is well travelled, has just completed an extramural degree in the history of technology, and volunteers with

a number of local community projects. Circumstances have forced Shenna to work part-time because of pension shortfall and she thinks she will have to continue this until her health dictates otherwise. She is also a caregiver for both her parents. This weekend, Shenna is heading to Wellington to take part in a number of cultural activities. Lack of money means she has to watch what and how she spends. Websites such as [www.culturalfarecast.com](http://www.culturalfarecast.com) tell her in advance when it is the right time to purchase a theatre ticket based on a bid price system. Shenna would like to travel, but nowadays tends to stay in the local region doing day trips to the surrounding countryside. The visit to Wellington is a bit of a treat. She remembers going to Melbourne in 2031 to attend The Cultural Fest, but “those were the days.” To cut costs, she travels by train, a 12-hour trip including the ferry crossing, and stays with friends. Today Sheena will take in many of the free street shows and go to the Old St James Theatre for the opening day’s performances by the renowned political satirist, John Quay. In the evening, she will watch a public performance of the Presidential Melbourne Ballet and visit the Burger Queen Free Gallery of Fine Art. For the next three days, she will be acting as a volunteer guide during the festival, selling tickets for events and manning the information stalls. All in all, a culture vulture’s cheap extended weekend in Wellington.

Shenna’s story represents a number of trends in society including:

- This scenario is based around Shenna who is time-rich but cash poor, well educated and actively involved in community activities. Her involvement in those activities is a representation of her social identity.
- Frugality, simplicity and mercurial consumption represent her economic behaviours.
- The scenario highlights that the consumption of tourism is local and regional rather than international.

### **Drivers shaping this scenario**

Driver 1: New Zealand’s fiscal deficit and pensioner poverty

Current tax revenue is insufficient to balance current spending. Left unchanged, the income tax system will raise more revenue by pushing more and more taxpayers into higher income tax brackets. An average wage earner is projected to earn more than \$70,000 by around 2023, thus entering the top tax bracket. Although increased tax revenue could help achieve a more sustainable long-term fiscal position, higher taxes are likely to result in slower economic growth and lower incomes for New Zealanders. There are serious issues and concerns around the current design of the tax system: the effect of different taxes on economic growth; international competition for people and capital; and the coherence and fairness of the system.

The recent review of the taxation system by the Tax Working Group echoed the concerns of the New Zealand Treasury that the current system is unsustainable given its structural deficiencies and its inability to support future needs (Victoria University of Wellington, 2010). A graduated personal income taxation regime is a relatively inexpensive and pervasive

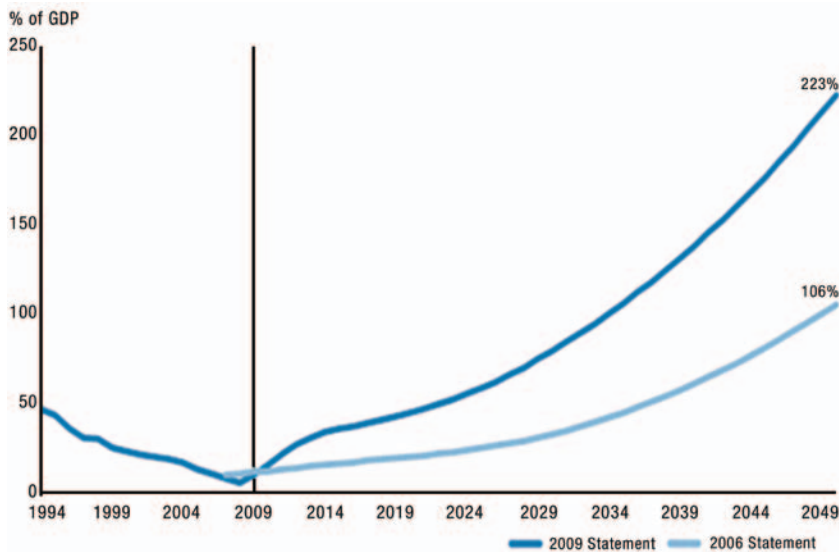


Figure 5.1: New Zealand's debt as proportion of GDP (Source: Adapted from <http://www.treasury.govt.nz>)

method of revenue generation, more so if deductions are minimal and income is collected at source. However, the situation in 2009 shows that personal income taxation not only accounts for over 50 per cent of government income, but is sourced from a relatively small pool of 'high' income earners. This pool supplies about 60 per cent of total tax, much of which is redistributed to others who meet the qualifying criteria for tax credits.

The question arises whether New Zealand can afford its future. Figure 5.1 (NZ Treasury, 2009) extrapolates to a situation that is unlikely to occur because of the risk faced by funders who are associated with funding a country like New Zealand to this level of sovereign deficit. In 2010, Greece had sovereign debt of €216b versus a GDP of about €180b (120 per cent). However these relative figures are within European Union (EU) limits and support and remedial action from member states will occur, if only to protect the Euro. New Zealand's exchange rate would collapse under similar circumstances, and default would be a likely outcome as refinancing would become impossible. However, Treasury's position is that radical restructuring is preferred over incrementalism given the demographic shifts that will occur. This is given otherwise chronically low levels of productivity and geo-distance-related threats in a future world of energy constraint.

One of the issues arising from wealth distribution is liquidity. Relatively complex instruments are required to extract liquidity from a residential property as people must live somewhere. Tourism and other discretionary expenditures rely on surplus liquidity, examples of which are personal superannuation, rents, investment distributions and cash deposits, including on-call or short-term cashable investments. It is in such areas of liquidity that New Zealanders have a relatively weak history of saving, risking dependence on national superannuation – aka pensions – for their ordinary living expenses. Credit-squeezed countries, for example, Ireland

in 2010, have recently increased the age of eligibility for such payments and there is a broad concern that future affordability of universal superannuation schemes in 1<sup>st</sup> world countries will trigger steady upward adjustment of the entry age, currently around 65 years, to perhaps as high as 70 years by 2050 (Statistics NZ, 2007). New Zealand economist Gareth Morgan (2006) colourfully describes this as a “retirement tsunami”, which is just over the hill. Future pensioners will have less wealth compared to previous generations and it is likely that visitor numbers from countries like Italy, Germany and Japan could decline significantly.

## Driver 2: Simple identity, well-being and longevity

A desire for simplicity (Yeoman, 2012) driven by inflationary pressures and falling levels of disposable incomes permeates the nation’s psyche. As the economies of wealth slow down, new patterns of tourism consumption emerge with trending toward domestic rather than international travel and what some call a ‘staycation’. At the turn of the century, the postmodern world provided the consumer with the possibility of fluid identity, a complex array of possible ways of being in the world that found expression in multiple and contradictory expressions of ‘the self’; the eco-tourist and the 1<sup>st</sup> class tourist could be found within the same person. Today the expression of ‘multiple identity’ is associated with excess and waste and the world has returned to a place that is simple, authentic and rooted in a connection between people and the land.

Simplicity is associated with well-being and ageing populations. Figure 5.2 below highlights that functional health falls gradually throughout a person’s life; this reduction does not cause problems until very old age, when it ultimately leads to an individual losing independence.

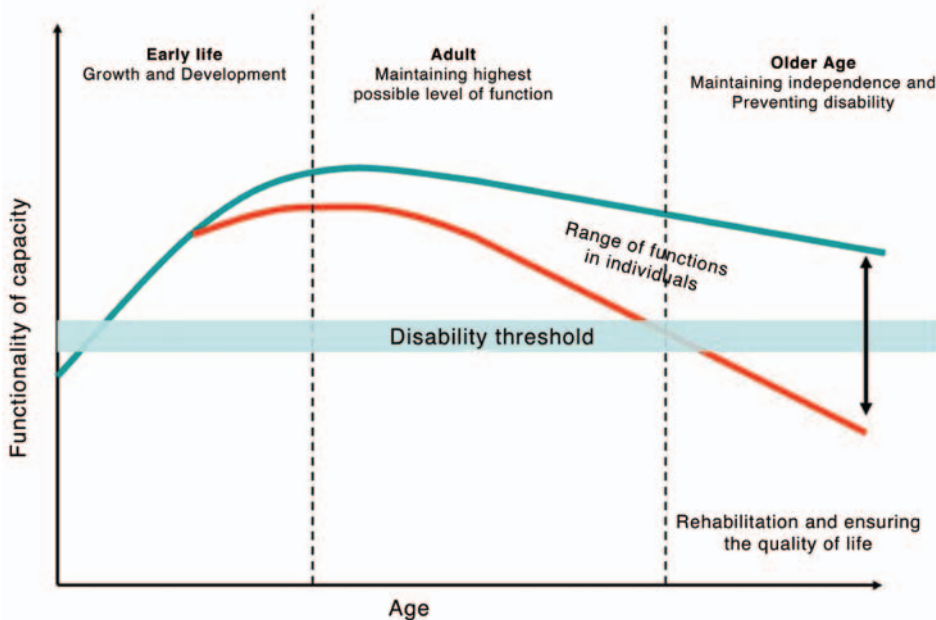


Figure 5.2: Extending healthy years (Source: Yeoman & Butterfield, 2011)

One of the most frequent conditions associated with advanced economies is obesity, which limits life expectancy and increases the risk of chronic health diseases that can dramatically increase both mortality and morbidity in remaining years. As a consequence, to maintain a healthy lifestyle in old age consumers are searching for a means to extend healthy retirement years through wellness. Wellness can be defined as a balanced state of body, spirit and mind and with fundamental elements such as self-responsibility, physical fitness, beauty care, healthy nutrition, relaxation, mental activity and environmental sensitivity.

As society develops and grows it finds new solutions. Discovery is the heart of medicine, technological revolution seems endless, and therefore humankind seems to be facing a world in which the pace of discovery is infinite. As a result, complexity and the pace of discovery are changing the world of science, technology and medicine. This is evident in Table 5.2's depiction of results from a study by the European pharmaceutical industries on relative survival rates of cancer patients receiving appropriate drug treatment.

Table 5.2: Relative survival (Source: Shoemaker & Shoemaker, 2009)

<b>Five-year relative survival (per cent) during three time periods by cancer type</b>			
<b>Type</b>	<b>1975-1977</b>	<b>1984-1986</b>	<b>1996-2002</b>
All	50	53	66
Breast (female)	51	59	65
Colon	51	59	65
Leukaemia	35	42	49
Lung and bronchus	13	13	16
Melanoma	82	86	92
Non-Hodgkin lymphoma	48	53	63
Ovary	37	40	45
Pancreas	2	3	5
Prostate	69	76	100
Rectum	49	57	66
Urinary bladder	73	78	82

The research suggests that cancer survival rates are radically and progressively improving. In other fields of medicines, new and better treatments are also emerging. Over the last decade, we have seen life expectancy massively increase for patients diagnosed with HIV due to new treatments and drug therapy combinations. Shoemaker and Shoemaker (2009) note that one in five people in advanced economies will probably celebrate their 100<sup>th</sup> birthday by 2030. The authors go on to say that the average 50-year-old woman living in the US in 1990 could look forward to an average of 31 additional years of life, bringing life expectancy to 81. If we assume a cure for cancer, this increment beyond 50 years of age grows to 34 years, adding a cure for heart disease amounts to 39 years. After we conquer strokes and diabetes, the increment rises to 47, yielding a full life expectancy of 97 years of age. No-one knows for sure how far the boundary of death can be pushed, but optimistic scientists consider 130 years to be feasible by 2050.



### Driver 3: New Zealand's protectionist, assertive and regional foreign policy

Much of New Zealand's foreign policy is focused on the Pacific region, in particular Polynesia and Melanesia (NZ Ministry of Defence, 2010). Traditionally this region, as implied by the name, has been one of peace. The beauty of the islands, the white sands and clear waters are enduring images of the region, but developments in recent decades have caused such images to become historical memories rather than contemporary experiences because of politico-military problems such as coups in Fiji or East Timor. New Zealand was actively involved in ending the Bougainville conflict, hosting and mediating the first of a series of meetings between the factions in 1997 and the deployment of truce monitors. Australia and New Zealand deployed forces in the Solomon Islands; both countries opposed the 2006 Fiji coup and were politically active in getting Fiji to be expelled from the Commonwealth. As Bercovitch and Derouen (2011) argue in *Unravelling Internal Conflicts in East Asia*, New Zealand is active in the Pacific Islands by being the economic power house and by being assertive in extending its regional influence. Such behaviour is induced and shaped by Pacific Island states' exposure to chronic social, economic, environmental and governance stresses. Few countries in the region can claim to have mastered the difficult challenges of globalisation, and the cumulative nature of these stresses means that the outlook for the South Pacific over the next 25 years is one of fragility. The people of the region will remain open and optimistic, but they have few strategic resources to fall back on and their control over those resources is being tested. It is therefore likely that the resilience of Pacific Island states and the effectiveness of regional institutions will remain under pressure. The New Zealand Defence Force White Paper (NZ Ministry of Defence, 2010) outlines working with Australia to contribute to stability, capacity strengthening and economic development, regional maritime surveillance, search and rescue, humanitarian aid and disaster relief when required.

Protectionism is the economic policy of restraining trade between states through methods such as tariffs on imported goods, restrictive quotas and a variety of other government regulations designed to allow – according to proponents – 'fair competition' between imports and goods and services produced domestically. As Dr John Singleton (2010) of Victoria University of Wellington points out, New Zealand has a history of protectionism as:

“A balance of payments crisis in 1938-39 was met by the introduction of administrative restrictions on imports. Labour had not been prepared to deflate or devalue – the former would have increased unemployment, while the latter would have raised working class living costs. Although intended as a temporary expedient, the direct control of imports became a distinctive feature of New Zealand economic policy until the mid-1980s ...

“Insulation was a boon to manufacturers, and New Zealand developed a highly diversified industrial structure. But competition was ineffectual, and firms were able to pass cost increases on to the consumer. Import barriers induced many British, American, and Australian multinationals to establish plants in New Zealand. The protected industrial economy did have some benefits. It created jobs – there was full employment until the



1970s – and it increased the stock of technical and managerial skills. But consumers and farmers were deprived of access to cheaper – and often better quality – imported goods. Their interests and welfare were neglected. Competing demand from protected industries also raised the costs of farm inputs, including labour power, and thus reduced the competitiveness of New Zealand’s key export sector.”

Given the present GFC, the International Monetary Fund is reporting a reverting to protectionist policies as 17 of the 20 G20 countries imposed trade restrictive measures. In the World Bank report, *Trade and the Crisis: Protect or Recover* (Gregory et al., 2010), the Bank says most of the world’s major economies are resorting to protectionist measures as the global economic slowdown begins to bite. Economists who have examined the impact of new trade-restrictive measures using detailed bilaterally monthly trade statistics estimated that new measures taken through late 2009 were distorting global merchandise trade by 0.25 to 0.5 per cent – about \$50 billion a year.

#### Driver 4: The scramble for natural resources

China faces a severe water scarcity problem with implications for agriculture and industries such as electric power, iron and steel, petroleum production, chemicals, paper and textile dyeing. China’s economic growth has been primarily driven by industry as it has become the world’s manufacturer. This growth has driven demand for coal power, which has increased water contamination from acid rain. Moreover, many of these heavy industries are highly water consumptive. Recent weather has resulted in a seven-year drought in certain western regions of China. Agriculture and industrial use are the two largest drains on this country’s water supply. China has 6.2 per cent of the world’s renewable fresh water supply, yet has 21 per cent of its population. The northern and western regions of the country are particularly vulnerable. Southern China residents have access to over 80 per cent of the country’s water. By contrast, 67 per cent of China’s cities are impacted by water shortages (Shalizi, 2009).

Chinese companies have paid out billions of dollars buying up stakes in Canada’s oil sands, the Guinean iron ore industry, oil fields in Angola and Uganda, the Argentinean oil sector and Australian coal-bed methane gas producers. “China is rich in people but short of resources, and it wants to have stable supplies of its own rather than having to buy on the open market” (Arnott, 2010). Jonathan Fenby, China expert and director of research group Trusted Resources, has said: “... it is a strategy causing anxiety elsewhere in the world.” According to Bregger (2011), and contrary to some conspiracy theories, China is not looking for world domination. It has seen economic growth averaging a massive 10 per cent for the best part of three decades. Although it is expected to drop into the high single-digits in the coming years in response to a dip in export demand, the natural resources required to support even slightly moderated growth are an overwhelming priority (Wu, 2006).

## Driver 5: The politics of contagion

Malcolm Gladwell's (2002) book, *Tipping Point: How Little Things Can Make a Big Difference*, describes a tipping point as a moment of critical mass, the threshold, or as the boiling point. That is, as a point where ideas, behaviour, messages and products sometimes act just like outbreaks of infectious disease in that they have reached the point of no return, like an epidemic. Therefore, we consider what will be the point of no return in this scenario, when the individual or country will make a decision for the benefit of themselves rather than for society or humankind. The tipping point is linked to a series of events, all interconnected, whether they happen through the lack of regulation, governments' non-adherence to the fiscal rules of debt ratios, over-consumption in western society, or fascination with house prices as observed in the sub-prime markets of the United States. Such a series of events may therefore create the tipping for contagion (Pesenti & Tille, 2000).

Whether the future is neo-liberal or social democratic or some other political leaning depends on the balance of forces at global, regional or national levels. To a large extent it will depend on whether the three economic powerhouses of the world – Asia, the EU and the United States – create a financial architecture that is constructed anew and replaces the old.

The present crisis (Walby, 2010) starting in 2007 is the latest and largest of a series of financial crises. Its current impact on the 'real' economy and on social relations is already enormous and its potential impact is cataclysmic. A range of policy and political responses have been developed drawing from different projects and visions of society including neo-liberal, social democratic and pre-modern. The significance of this crisis depends on whether it becomes a tipping point in the global financial and economic system, or whether it is just the bursting of yet another bubble which has a wider range of effects than previously experienced because of the extent and pervasiveness of the global financial system and processes. The scale of the finance sector, especially the shadow banking system, newly dwarfs the size of the 'real' economy, therefore having tremendous power to transfer funds from taxpayers in the real economy to finance capital or debt through the threat of meltdown. However, bursting financial and asset bubbles are not uncommon in the history of capitalism. Since the Dutch tulip bulb mania in 17<sup>th</sup> century Holland and the South Sea Bubble in England in 1720, there have been a long series of such bubbles. During the 1990s, financial crises laid low the economies of East Asia and Latin America, followed by the bursting of the dot.com bubble.

As many economists and political commentators have stated, the world is in a dangerous phase where self-interest rather than the common good prevails (IMF, 2011). The possibility of the break-up of the Euro currency area was already being mooted, even before the single currency Euro existed, with economists 'preparing' us for anticipated rapid rise inflation, a 40 per cent drop in house prices and massive unemployment. According to Eichengreen (2011) of the governing council of the German central bank, the possibility that one or more participants might withdraw from the monetary union due to the collapse of the Euro, and that Germany might return to the Deutschmark, had been matters that had been previously considered. In such situations, self-interest and survival lead to a tipping point.

## Concluding thoughts

This scenario reflects a world where the scarcity of resources, or economic disorder, can lead to a perfect storm. Such a scenario is feasible, and raises questions for the New Zealand tourism industry about the point at which tourism may become unsustainable as a consequence of changing economic conditions, and also how the tourism industry and government would respond in such circumstances. In this scenario when the behaviour of driving forces are shaped by fractious conduct, frustration and impatience to the point of abandonment of the collective good, the end-point can reduce to a case of the survival of the fittest.

The perfect storm scenario is shaped by the following circumstances and driving force behaviours:

- Increased world population and the scramble for resources, in particular, economic slowdown produces a sclerosis of demography as the future becomes bleak.
- The world reaches a point where ‘self’ and ‘individualism’ are more important than the collective good so cooperation, agreements and, for example, treaties are abandoned for self-interest. Attempts by governments to tackle the issues of climate change, sustainability and energy resources are discarded leading to an increase in protectionism and isolation.
- The middle class consumer is incrementally squeezed as disposal income in real terms continually falls across the world.
- Consumer behaviour changes with thrift and mercurial consumption being key elements.
- The scenario emphasises the impact of demography and an ageing population on New Zealand’s economy, with retirement age for superannuation gradually raised to 74.
- Governments across the world reprioritise, increase taxation and reduce spending to deal with the economic malaise.
- An analysis of New Zealand’s economy leads to the proposition that it is better off than some countries due to its land-based agri-business-based economy.
- Tourism’s response to the world malaise is a ‘back to basics’ approach, focusing on health and well-being as elements of a tourism strategy.
- As government’s spending is reduced, principles of governance, values and beliefs change. As an example, the Department of Conservation approach to access to parks and conservation lands is based on user pays.

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# Chapter 6

## Scenario 4: *The State of China*

### A world of new consumers with a fluid identity

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#### **Executive summary**

New Zealand is a successful tourist destination as a consequence of increased prosperity. This scenario highlights the shifts in international markets from west to east with greater diversity of internationalism. The new consumers of China pursue a postmodern fluid identity in which consumerism is at the core. The core of a fluid identity is that consumers seek novelty, new experiences and samples across a wide variety of activities. The new tourists of China are a 'have it all' society, which wants both family and wealth. The scenario notes the importance of the female traveller and demonstrates the futuristic applications of technologies from augmented reality to hypersonic travel.

#### **Introduction**

China remains on a path to overtake the United States as the world's largest economic power by 2050. However, traditional western powers will likely remain the wealthiest nations in the terms of per capita income (Yeoman, 2012). Prior to the GFC the world's balance of economic power, as measured by real GDP, was shifting to the south and east. According to Stancil and Dadush (2010), the G20 countries are expected to grow at an annual rate of 3.5 per cent, rising from US \$38.3 trillion in 2009 to US\$160 in 2050, but 60 per cent of this growth will come from the MBRIC countries of Mexico, Brazil, Russia, India and China. From a New Zealand tourism perspective, a shift is already seen, with traditional western markets stagnating and Asian markets growing, and China at the centre of that growth. Therefore from a futures perspective, understanding the future tourist and China's role in the world is extremely important, hence the title of the scenario being *The State of China*. The scenario is founded on the best-of-capitalism embracing rivalrous behaviour generating the competition which drives innovation.

#### **Scenario behaviours**

This scenario envisages rivalrous behaviour and resource availability in a form of capitalism which drives wealth generation and resource usage. A refined capitalist spirit prevails throughout the international community, protectionism has been abandoned, and sustainable frameworks abound but are often contested. Capitalism is seen to embody individualism, ownership and destiny. The centre of political economic environment has shifted from west to east, and as a consequence one of the dominant features of this scenario has been the role

of China's policy towards securing resources. In addition, this country's growing middle class of consumers follow a pattern of fluidity in wanting to sample and try out new experiences.

## **Consequences**

New Zealand's economy has grown because of the influence of key trading partners such as Australia, Japan, the United States and China. As the middle class consumers of China become more mainstream, a significant increase in protein-based diets occurs which is of benefit to New Zealand's agricultural industry. This country's free trade agreement with China sees changes in ownership of the food supply chain. This country's economic base sees increased industrial diversity founded on a strong science-based university system and research and development. Tourism, in this scenario, is prosperous given the presence of increased wealth and recreational opportunities. However, access and use of land is contested between economic development, environmentalism and recreational use.

## **Timeline of change**

**2025:** The Wunguiu Dairy Corporation overtakes Fonterra as the largest producer of milk in New Zealand.

**2028:** Calorie-free chocolate is Cadbury's number one selling chocolate bar.

**2032:** Reuters reports that over 65 per cent of households in OECD countries now have a 3D printer.

**2043:** China tops the world's university rankings, with Beijing Business School ranked as the world's number one. The Shanghai Institute of Technology has more patents per head of faculty than any other university in the world.

**2046:** World inaugural hypersonic flight from Shanghai to New York.

## **Signposts of the scenario occurring now**

- The emergence of China's middle class: As Helen Wang (2011) writes in her book, *The Chinese Dream*, a burgeoning middle class, estimated to reach 800 million within the next 15 years, is jumping aboard the consumerism train and riding it for all its worth. This is a reality that may provide the answer to America's economic woes.
- The arrival of 3D printing: From chocolates (Aamouth, 2012) to electric guitars (Reid, 2012), 3D printers have arrived and are changing the supply chain.
- Chinese foreign policy of securing the future food supply: China today is purchasing agricultural land across the world to secure a food supply for its population whether it is New Zealand or Madagascar (Smith, 2009).
- The arrival of Google glasses: Google has launched a beta version of augmented reality glasses (Golijanva, 2012), and Microsoft (Parviz & Tan, 2012) predicts that by 2014 a contact lens version will be available.



- Forget the New Zealand cycle pathway – the electric bike has arrived: Given Switzerland-like mountainous regions, and the general trend towards obesity, the government (Neville, 2011) has invested heavily in an electric bike network as a tourism experience.

### **Economic argument**

The scenario commenced post-GFC and portrays the state of the world's economies as confused but intensely optimistic that solutions would prevail (see Table 6.1). For governments, under-secured credit provided the fuel for consumptive capitalism and often fuelled unsustainable social policies to such an extent that sovereign insolvencies were only avoided through reserve-generated credit, that is, printing money. The utter dependency of 1<sup>st</sup> world nations on oil, a subsequent curtailment of credit, rising unemployment and poor prospects for sustainable employment or advancement resulted in an economic miasma that took some time to abate. Real economic growth hovered around zero per cent but various stimuli generally recorded apparent economic growth at about one per cent, just above that of a recession. The root cause of the economic miasma was considered to be: a lack of discipline and of effective regulatory frameworks or rules for global financial transactions; the full pricing of natural resources; and equitable social programmes affecting, for example, quality-of-life, international property rights and international legal systems. It was reasoned that capitalism could be both rivalrous and civilised if these matters could be addressed satisfactorily.

Post-2025 this scenario restored 'effective' capitalism so that the rising middle classes could develop sustainably. There was a consensual component that applied and enforced the rules of engagement, but thereafter behaviours were rivalrous. This required focus on real value creation, abandonment of protectionism, free trade, national and individual, responsibility and accountability. The objective was the creation of global consumer confidence, a balanced lifestyle, for example, hard work and healthy living, as well as payment of market prices for these benefits. Growth in international GDP rose to an average of 4.4 per cent per annum, with little variability, what some call a truly capitalistic world. New Zealand was advantaged by this new world order. Changes to historical protectionist policies saw genuine global competition in agricultural and manufacturing markets, and our efficient exports were in demand to support the rising new middle classes in the BRIC countries. A wealthier and more disciplined world also fostered progress on the journey towards more pluralistic societies, and improved global cohesion through fairer but more disciplined or binding contractual relationships.

The effects of a disciplined global capitalistic framework saw economic prospects, in general, and income, in particular, rise dramatically throughout the world fuelled by consistent global growth. Visitors became much less price and income-averse, reflecting reduced price and increased income elasticity. Even though taxes and prices rose significantly by 20 per cent and 15 per cent respectively, travel also rose dramatically as a result of an increasing consumer base and propensity to spend on valuable services such as recreation. By 2050, international visitors were projected to reach about 6.7 million. Total visitor expenditure increased four-fold, driven more by visitor numbers than daily spend, which also increased 24 per cent. Tourism increased in value to 8.7 per cent of GDP as New Zealand's GDP increased steadily to just over \$1,000 billion – 200 per cent above the base year.

Table 6.1: *The State of China*

		Scenario Results				
Scenario:		December 2011, Scenario 4: The State of China				
Factor		Base	Mid		End	
Visitors		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
	Australia/Oceania	1,066,338	1,392,656	30.6%	3,475,130	225.9%
	Americas	302,626	288,937	-4.5%	535,878	77.1%
	Asia	531,559	684,769	28.8%	1,752,262	229.6%
	Europe/Africa/ROW	535,145	383,795	-28.3%	954,163	78.3%
	<i>Total International</i>	2,435,668	2,750,157	12.9%	6,717,433	175.8%
	NZ Day	29,100,000	40,923,489	40.6%	77,942,563	167.8%
	NZ Overnight	16,051,000	21,192,285	32.0%	48,656,250	203.1%
	<i>Visitor Nights (NZ)</i>	48,153,000	56,103,977	16.5%	160,679,185	233.7%
	<i>Visitor Nights (Intl)</i>	49,863,212	42,474,349	-14.8%	146,945,149	194.7%
	<i>Total Visitor Nights</i>	98,016,212	98,578,326	0.6%	307,624,334	213.9%
Expenditures		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
	Australia/Oceania	\$ 2,670	\$ 3,572	33.8%	\$ 13,897	420.4%
	Americas	\$ 1,344	\$ 1,230	-8.5%	\$ 3,285	144.4%
	Asia	\$ 2,135	\$ 2,898	35.7%	\$ 11,813	453.3%
	Europe/Africa/ROW	\$ 2,649	\$ 1,360	-48.7%	\$ 6,517	146.0%
	<i>International</i>	\$ 8,798	\$ 9,060	3.0%	\$ 35,512	303.6%
	NZ Day	\$ 2,619	\$ 4,062	55.1%	\$ 9,830	275.3%
	NZ Overnight	\$ 8,668	\$ 11,849	36.7%	\$ 39,026	350.0%
	<i>Total Expenditures (related to Base year)</i>	\$ 20,085	\$ 24,971	24.3%	\$ 84,368	320.1%
Mini-TSA (\$M)		2007	(2007-2025)	Δ%	(2026-2040+)	Δ%
	Primary Sector	\$ 419	\$ 536	28.1%	\$ 1,169	179.3%
	Manufacturing	\$ 1,502	\$ 1,936	28.9%	\$ 4,705	213.3%
	Utilities & Construction	\$ 876	\$ 1,091	24.6%	\$ 2,248	156.8%
	Wholesaling and Retailing	\$ 2,993	\$ 3,831	28.0%	\$ 8,948	199.0%
	Accommodation	\$ 1,652	\$ 2,388	44.6%	\$ 9,186	456.1%
	Restaurant and bars	\$ 1,673	\$ 2,303	37.7%	\$ 7,293	336.0%
	Road and rail transport	\$ 1,609	\$ 2,246	39.6%	\$ 7,057	338.7%
	Water and air transport	\$ 4,622	\$ 7,096	53.5%	\$ 30,881	568.2%
	Services to transport	\$ 1,163	\$ 1,659	42.6%	\$ 5,565	378.5%
	Comms, Finance and Insurance	\$ 782	\$ 954	22.0%	\$ 1,918	145.3%
	Vehicle & Equipment Hire	\$ 485	\$ 726	49.7%	\$ 2,677	451.7%
	General Services	\$ 1,718	\$ 2,154	25.4%	\$ 4,486	161.1%
	Libraries, museums and the arts	\$ 110	\$ 146	32.6%	\$ 369	234.9%
	Sport and recreation	\$ 484	\$ 616	27.3%	\$ 1,467	203.3%
	<i>Total</i>	\$ 20,085	\$ 27,682	37.8%	\$ 87,968	338.0%
	DTVA+Imports+GST	\$ 11,797	\$ 17,180	45.6%	\$ 64,495	446.7%
	ITVA+Imports+GST	\$ 8,288	\$ 10,502	26.7%	\$ 23,473	183.2%
	DTVA/Total	59%	62%	5.7%	73%	24.80%
	Tourism % GDP	5.9%	6.4%	7.8%	8.7%	46.9%
	GDP (\$M)	\$339,491	\$434,119	27.9%	\$1,011,868	198.1%
	Population Forecast	4,228,000	4,897,658	15.8%	5,545,450	31.2%
	GDP (\$NZ)/Capita	\$80,296	\$88,638	10.4%	\$182,468	127.7%
	GDP (\$US)/Capita	\$59,130	\$65,273	10.4%	\$134,369	127.2%

## **The scenario: *The State of China***

### **The world: isn't capitalism good?**

As the United States President Carolyn Adams said in her 2050 address:

“Isn't capitalism good? It's an inherently democratic system allowing the invisible hand of the market to function, encouraging entrepreneurs to work hard, to bring improvement to individuals by putting their own interests at the heart of their lives, by allowing you to run your life, make decisions, and allowing you to change. Governments, democracy, capitalism and choice are the foundations for today's successful world. Look at the emergence of China as a democratic state where poverty has been eliminated as society has become richer. The success of emerging nations has fostered self-determination and the emergence of new global consumers: the Chinese, Indians, Mexicans, Indonesians and Brazilians.

“Today the world has a relative abundance of resources as the issues of peak oil, climate change and food supply have been dealt with because of the relative benefits of capitalism. As I have said, rivalry and competition is good for the benefit of humankind. Across the world, we have international consensus on the basic rules of free trade although there are a few blips and anomalies. Technological innovations such as a 3D printing and claytronics have radically changed the supply chain for carbon-based resources. Today, if I need a new part for my electric car, I simply print it. Humankind has also realised the mutual benefit of a sustainable future. In the 2020s, as the price of oil quadrupled, businesses recognised that innovation was the name of the game. First we saw biofuels, then the refinement of complex tar sands, and eventually the emergence of synthetic oil, which overcame the doom and gloom prophecy of the end of the world because of a lack of oil. Basically, as the supply of goods starts to dwindle and the price rises the economics of innovation steps in. The role of government is to provide a framework in which business innovation can develop for the benefit of humankind. As a consequence businesses have thrived because of efficiencies and economies of scale.

“If someone was to ask me who are today's consumers I would still say those that value possessions, a comfortable lifestyle, those who emphasise the importance of family and are driven to create personal wealth. The biggest change in society has been the exponential growth in education over the past 40 years. If we look at China, 50 per cent of school leavers go on to university, 15 per cent of graduates have a PhD and four per cent have higher doctorates. Education has been a distinguishing factor for today's discerning consumer. Beijing Business School is the world's most elite university, and the Shanghai Institute of Technology has more patents per head of faculty than any other university in the world. Knowledge and openness in education has changed ever since the early days when Google Scholar transformed access to knowledge. For those who can remember Wikipedia, knowledge is free. The difference today is wisdom; this is what you have to pay for. I would say that China's Machiavellian tendencies to assert themselves in

the 2030s have tested diplomacies across the world to the point of brinkmanship. Their sudden invasion of Taiwan in 2035 caused a serious international incident. The United States couldn't match the military might of China at the time. Some political leaders and some countries wanted to boycott China and Chinese goods. But it couldn't happen because Chinese goods were so ingrained in everyday society. The Taiwanese war did cause an economic recession but this is not unusual in economic cycles of ups and downs.

“The world in 2050 is fundamentally richer; there are more people in the middle classes and there have been dramatic decreases in the number below the poverty line. We still live in a world which is a mixture of democracies and dictatorships and everything else in between; liberalism is often contested. We live in a society which panders to racism, rivalry and factionism. But this is the nature of capitalism and democracy. We do not live in an altruistic society. I leave you with this thought: today there are 10 billion people on this planet who are significantly better off compared to previous generations. Children will be 25 per cent better off than their parents in the future. Future generations will live longer, be better educated and be happier. We owe a lot to the innovations of bio and nanotechnologies to sustain the world's wealth. Today calorie-free chocolate is probably a reflection of an innovative consumption.”

This story represents a number of trends in society including:

- A capitalist society based on increased wealth, prosperity and competition is the foundation for a sustainable future. Human behaviour is based on the betterment of the individual, which leads to a better society. By creating opportunities in an open system, humankind can tackle many of the challenges and vices they face.
- How China behaves in the future is a key question. It is important whether they behave in a manner of putting China first, or if they take a more altruistic viewpoint about the future of the world.
- Technological innovations such as 3D printing and claytronics may change the future of the supply chain, making redundant the movement of low-value commodities across the world.

### **New Zealand: a diverse economy**

New Zealand is a dynamic country and multi-cultural society that accepts a diversity of views. In fact, the world looks to this country as an example of how multi-culturalism has worked. New Zealand is one of those aspirational countries where people want to work, play and live. The tech-sexy-nerdy culture drives a thriving science community and attracts Nobel Laureates, leading thinkers and investors from around the world. There is something about being in New Zealand, and being a New Zealander, that attracts people to this country. This country's economy has strong agricultural presence, high-value manufacturing and an intellectual property sector driven by world class universities. In a society of plentiful resources New Zealand's agricultural produce focuses on 'real' food of high value in niche markets,

no longer producing low-value mass-produced foodstuffs for exports. The food supply chain of the last 20 years has dramatically shifted as an abundance of resources has come from scientifically engineered food and improved yields. In fact, the New Zealand food supply chain is owned by Wungui Dairy Corporation, which many farmers are indebted to. The discovery of holmium in the Abel Tasman National Park in 2035, a component essential in optical circuitry, challenged mining regulations in which the economic benefit was seen as more important than the conservation of the land. The world recognises New Zealand's innovative transport system which ranges from light rail, driverless car lanes and community buses, all of which serve its population of six million people. The benefits of closer economic union with Australia and Pacific countries means New Zealand is no longer a second class citizen in comparison to Australia but rather a partner. This country's economic well-being has attracted significant numbers of Pacific Islanders as a consequence of a first class education system, both as climate change refugees and in the search for jobs. The city of Auckland is recognised in 'well-being' indicators as the most desirable place to live in the Asia-Pacific region. New Zealand's schooling system has a strong emphasis on numeracy, entrepreneurship and science which drives a psyche of individualism rather than nationalism. This country's pursuance of free market policies, low taxation and deregulation has been the cornerstone of economic growth. Technological innovation has allowed New Zealand to overcome many of the barriers that were previously perceived such as distance and isolation. Hypersonic travel makes connectivity and distance irrelevant, but only for some. Overall, the cost of travel is relative. Today, the world is much closer than it has ever been.

This story represents a number of trends in society including:

- For New Zealand to be a vibrant economy, significant shifts would have to occur with a stronger emphasis on high-value science, manufacturing and agriculture.
- In a competitive marketplace New Zealand's image is extremely important from a work, play and living perspective. A strong place brand is important.
- Frameworks need to be in place to deal with sensitive issues such as mining balanced with environmental considerations.
- How important will distance and isolation be in the future if the reality of hypersonic travel becomes mainstream or there are other technological advancements?

### **Tourism in New Zealand: new Amsterdam**

According to the *Lonely Planet* guide Queenstown is the new Amsterdam and the destination for the pleasure-seeking tourist who lives in a society where they 'have it all': fluid identity, individualism and no-brow culture. Queenstown is the epicentre of tourism in New Zealand rivalling Macau in the north and Las Vegas in the east. Designer labels are everywhere, and the world mountain skeleton suit championships are held there. Queenstown is an example of New Zealand's free market approach to tourism where the market decides what tourism is. So successful is it that the China You Le Yuan Corporation owns 60 per cent of the commercial

businesses and infrastructure in the town which funds the future sustainability of the destination. New Zealand long ago abandoned its nation-oriented policy and nation branding in order to introduce regional competition to the marketplace since research had suggested the future wasn't New Zealand as a 'country brand' but rather its regions and cities. The government's only involvement in tourism is the collection of basic statistics and the provision of a light regulatory framework. New Zealand has the equivalent of 2.5 FTE public servants addressing the national issues of tourism. The real power resides with the tourism clusters of Auckland, Christchurch and Queenstown, especially when viewed in terms of revenue generation. However, there are still 264 destination management organisations which cover a wide spectrum of tourism activities and ventures. These include the McKenzie country merino knitting festival, Maori volunteer tourism, the Christchurch urban rat race, and the Woodbourne space tourism centre which offers day trips into the stratosphere for approximately \$NZ100,000.

Whilst Queenstown may still be a representation of hedonistic behaviour, the supply of tourism activities is dominated by a variety of niche market providers who cater for the tourist whose identity is shaped by their desire for new experiences and novelty. This means that high-brow cultural experiences often sit comfortably alongside low-brow 'manufactured' experiences. This approach to tourism is New Zealand's strength, offering diversity and robustness against the background of economic ups and downs. A policy of tourism diversity allows tourism operators to extend seasons, increasing demand beyond those levels when decades ago tourism in New Zealand was a two season destination. Over the last 40 years the country has seen an incremental dilution of traditional markets such as the United Kingdom and the United States towards a diversity of newer markets. Also 70 per cent of international tourism revenue comes from over 30 countries such as Singapore, Indonesia, Chile, Malaysia and Thailand. These tourists stay on average 18-22 days, although the Australian short break tourist and the hypersonic traveller skew the statistics. The country has seen a reduction in the conservation estate as a consequence of allowing economic activities such as mining in former conservation areas. New Zealand's large and previously untouched landscape and natural environment are compromised as a consequence of such infringements made in the name of economic development. Whilst such policies are contentious the conservation estate is managed in a sustainable manner for the benefit of communities, boosting employment, creating infrastructural investment and through technological innovations in mining engineering.

This story represents a number of trends in society including:

- In this story, the marketplace has been left to decide the structure of the tourism industry. As a consequence, capitalism and rivalry show a few dark sides, for example, Queenstown has become a hedonistic epicentre of tourism in New Zealand.
- If the future of tourism in New Zealand is based on success and profit we will see stronger regions becoming beacons and benchmarks, therefore mitigating the need for a nation or country brand and also focusing the political power for tourism at a business and/or regional level. This trend follows similar patterns of diversity of consumer choice and increased competition globally.



- The question remains of how, with a fragmented tourism industry and without a substantive coordinated policy, tourism can influence its future strategic direction.

### **The tourist: simple and fluid identities**

#### Tourist 1: Fluid identity – a little bit of everything

Li Yu is a 35-year-old business executive from Shanghai. She is a seasoned traveller who likes to take two long holidays a year and several short breaks. Today, Shanghai to Auckland is only a four-hour flight. Like the rest of the world, hypersonic travel has made everything possible, as even a day trip into the stratosphere is within the reach of the ‘new world’s’ middle classes. Li and her partner want to visit Auckland city, kayak in Milford Sound, and hunt for moose in Fiordland. She chooses New Zealand because friends had previously visited the country; they often talked about the food, the people, how everyone was so helpful, how safe it is, and what a wonderful experience it was. Prior to visiting, Li read a couple of guide books on her news master and this formed the basis of a vague itinerary. She also sought information from official websites and other sources. All she was certain of was flying to Auckland and staying in the city for one night, before journeying down to Fiordland. On arrival in Auckland, Li visited the local i-Site where Mandy, a helpful volunteer, made all of the necessary accommodation, attraction and transport arrangements for her stay. She checked into the Heaven Tower, a 56-storey self-catering apartment block which is serviced by STAIR robots and features the latest innovations in sustainable design. These include the self-cleaning shower, the easy sheet bed and gestural interface technologies. During their brief stay in Auckland, using her Nikon 300 UXP augmented reality attachment to her spectacles she was able to see stories about the city’s culture. She especially enjoyed the story of U2 and One Tree Hill. That evening Li went to see the Beatles holograms in concert and ended up dancing the night away at the Retro Jungle night club. The next day, she went to Waitangi to see a Māori cultural performance. Then, after flying on the scheduled service from Auckland to Queenstown and staying there for three nights, she spent the first evening at the casino resort taking in a performance of the Topp Twins – the Musical. Using Queenstown as a base, Li and partner spent a day kayaking on Milford Sound and searching for the illusive moose in Fiordland. However, at times, Milford Sound seemed like Shanghai with all of those bustling crowds, but at least you could get a decent coffee at Starbucks. All in all, she enjoyed a wonderful action packed extended weekend with everything from frivolous fun to culture.

Li’s story represents a number of trends in society including:

- The core of a fluid identity is that consumers continually seek novelty, new experiences and sampling, that is, sampling a wide range of experiences and liking to try them out. Once upon a time, it would take the average cricket enthusiast five days to watch a test match, whereas today consumers can still sample cricket by watching a 20/20 game for two or three hours.

- Technological advancement plays a key part in enhancing the leisure experience, whether it is augmented reality or 3D hologram musicians. Also, technological advancement means increased productivity and labour substitution for some tourism products.
- In a technological-based society, the abundance of choice can be a positive, but it can also be overwhelming. In a similar way, whilst technology confers many benefits, especially in the ease of access to information, human contact and advice from friends and relatives will still be perceived as the most important when it comes to recommending holidays, activities and eating out. Hence the importance of a human face and i-Sites.

## Tourist 2: Simple identity – my biking holiday

The road east out of Christchurch is a tranquil mellow of peace and quiet with the odd car and bus passing by. Travelling through the foothills of the Southern Alps, this is the story of Mary Tan, a third-year history of interactive gaming student at the Shanghai Institute of Technology. She is travelling from Christchurch to Queenstown via Wanaka with the New Zealand e-bike company. She is with like-minded tourists who desire to escape from an urban bustling world to experience something simple, beautiful and authentic. E-biking is the latest trend, which means you don't need to be a Tour de France champion to cycle the ups and downs of the country. The bicycles have a 1,000 watt electric motor which can take on any steep incline, even if the ascent takes a couple of hours. E-bikes are a combination of peddle bikes and modern mopeds and are all the rage for a slightly overweight and ageing population. However, in New Zealand, they make travelling large distances at varying altitudes more accessible to the average tourist. Mary often takes holidays with like-minded people, travelling in small groups who become friends. Daniel Smith, the owner of the New Zealand e-bike company, has stated that the average e-bike tourist is usually female with a university education, under the age of 35, technologically savvy, concerned about the environment, Asian, and is otherwise well travelled.

During Mary's one-day cycle adventure she takes in the Church of the Good Shepherd on the shore of Lake Tekapo, with a stop-over in the local hot pools, watching the stars from the community observatory in Twizel, a day cycling around the vineyards of Wanaka tasting the local produce, before ending up at the Lord of the Rings Queenstown History Festival.

Mary's story represents a number of trends in society including:

- Highly educated Asian females, who want to travel in groups in order to meet like-minded people and for reasons of safety.
- The desire to escape and relax is extremely important, especially in an urban society that is time-pressured and goal-oriented. New Zealand's open landscapes therefore offer an opportunity to the tourism industry. In this country, simplicity equates to tranquility, natural beauty and something real.
- Obesity and the counting of calories reflect an important trend for the future, so therefore we are seeing substantial growth in individual sporting activities like running and cycling rather than team-based activities.



- Technological innovation means opportunity and new tourism products, hence the e-bike as a means of creating accessibility to New Zealand's mountainous landscape.

## **Drivers shaping this scenario**

### **Driver 1: The rise of China**

The moment has come where China may be poised to take over from the United States as the world's leading economy. This is a view strengthened by its GDP, trade flows and the ability to act as a creditor to the rest of the world. If so, its economic dominance will be far greater and come far sooner than most observers realise. Indeed, China may be on its way to becoming an economic superpower and the United States may have to share the global stage with it in the future. However some will still argue that the threat from China is not so imminent, not so great, or not so multi-faceted that it can push the United States out of the driver's seat (Subramanian, 2011) as has been argued in Kissinger's (2011) book.

As Elizabeth Economy (2010) writes in *Foreign Affairs*, China's outreach programme involving the acquisition of foreign institutions, securing future resource supply, and building relationships and future friends is based on a subtle and creeping foreign policy strategy devoid of, or regardless of, human rights issues or environmental concerns. China as a world superpower wants to, and will, control its supply chain. At the same time, it is seeing a massive expansion of its defence forces and ironically it is the purchase of its first aircraft carrier that has raised eyebrows amongst defence analysts (Li & Weuve, 2011).

In China and India alone GDP is predicted to increase by nearly \$60 trillion, the current size of the world economy. A study by McKinsey of the Chinese consumer has established that the middle class urban households in this country will make up one of the largest consumer markets in the world. In 2008, the number of 'wealthy' households in China reached 1.6 million. By 2015, the number will exceed four million, making it the world's fourth largest country in these terms after the United States, Japan and the United Kingdom. It is wealth that drives tourism expenditure, with China's urban middle class expected to be an extremely viable market for the future. This trend is what many commentators say is the future. For example, David Roche, chairman of investment advisory firm Independent Strategy, believes the future of the Chinese economy lies in the service industry and the 'experience' economy (Koenig, 2011). Recognising the importance of appealing to visitors from China, New Zealand cultivates an Australasian feel, familiar enough to appeal to the Chinese consumer but different enough to remain exotic.

### **Driver 2: 'Have it all' society**

The term was first meaningfully coined in the late 20<sup>th</sup> century with the proposition that it is possible for individuals to simultaneously enjoy all of the fruits of life and that they are morally entitled to it (Yeoman, 2008). This proposition was specifically related to women, and it remains the essence of a potent cultural force but, of course, to 'have it all' can be a time-consuming and potentially exhausting endeavour. In the 21<sup>st</sup> century, many complain that the

pressure on women to perform well in multiple roles can be cruel and the multiple demands are just plain irreconcilable. Around 40 per cent of people in the OECD countries feel under time pressure in their everyday lives; the figure rises to 60 per cent for those in the family formation segment. However, it is unlikely that there will be weakening of the pressure to 'have it all' throughout advanced societies. People seem less excited by those who, for whatever good reasons, lead monotone and 'can-only-do-one-thing-at-a-time' lives (Yeoman, 2012). Women and men want it all, and the middle class consumer who works hard to achieve what they desire has no problem reconfiguring their identity in the pursuit of a new experience. As Noble and Walker (1998) discuss in the journal, *Psychology and Marketing*, adaptability is a key trait of this consumer who craves liminal experience and the possibility of reaching new understandings of the world. From eco-tourism to hedonism, family holidays to extreme sports, heritage tourism to stratosphere joy rides, this consumer wants it all – and they will have it. From a tourism perspective, holidays become the meeting place of a 'have it all' society. Tourism then is about 'collecting' places, part of the development of cultural and social capital people 'talk about'.

### Driver 3: Free market economy

A market economy is an economy in which the prices of goods and services are determined in a free price system. This is often contrasted with a state-directed or planned economy. Market economies can range from hypothetically pure laissez-faire variants to an assortment of real world mixed economies, where the price system is under some state control or at least heavily regulated. In mixed economies, state-directed economic planning is not as extensive as in a planned economy. In the real world, market economies do not exist in pure form, as societies and governments choose to regulate them to varying degrees rather than allow self-regulation by market forces. The term free market economy is sometimes used synonymously with market economy, but as Ludwig Erhard once pointed out this does not preclude an economy from having social attributes opposed to a laissez-faire system (Altvater, 1993). The free market economy is what Milton Friedman (2002) extolled the virtues of, and in which governments choose minimal intervention in the political economy environment. Many argue that there is no alternative to capitalism; it is fundamental economics which is a basic humanistic trait (Schweickart, 2011).

New Zealand has a market economy which is greatly dependent on international trade, its main partners being Australia, the EU, the United States, China and Japan. It has only small manufacturing and high-tech sectors, being strongly focused on tourism and primary industries like agriculture. Economic free market reforms of the recent decades have removed many barriers to foreign investment, and the World Bank in 2005 has praised New Zealand as being the most business-friendly country in the world before Singapore (Andrews, 2005).

### Driver 4: Game-changing technologies

Michio Kaku (2011), in his book *The Future of Physics*, discusses game-changing technologies in the world of medicine, robotics and computers where quantum physics will change our

daily lives in the future. He also talks about the future of space travel including things such as the possibility of a space elevator, the future of energy, wealth, nanotechnology, virtual worlds, holograms, internet contact lenses, 3D printing, claytronics and universal translators, plus many other ideas. These are technologies that are not science fiction, but based on real science and scientific advances.

Since the beginning of the 1990s, Israel has experienced high growth in its high-tech industries as well as in the number of start-ups that were established, and in the venture capital industry accompanying these industries. As such, science has been put at the heart of its manufacturing strategy. Israel has even been called “the world’s most vital place for entrepreneurship” (Almor, 2011). Lerner (2009) points out that Israel and Singapore have benefited from a strong venture capital sector, which must bode well for New Zealand given the similar sizes of countries and populations. Using Israel as a benchmark is an option for the New Zealand Government as it seeks to build a platform to transform the economy away from a dependence on agriculture and other low-yield industries. Such intent is made clear in the New Zealand Ministry of Economic Development high-value manufacturing review (MED, 2011) and is considered to be a game-changer.

#### Driver 5: Pluralistic New Zealand

New Zealand is one of the leading inward migration countries in the world. The 2001 Census revealed that 10 per cent of the population is comprised of ethnic minority people other than the indigenous Māori and neighbouring Pacific Polynesian peoples. This figure is projected by Statistics New Zealand to be 18 per cent by 2021. The challenges of dealing with multicultural societies may be intensified due to this rapidly changing social landscape. However, this country’s history reflects a willingness to reconcile and make amends for the wrongdoings and misgivings of earlier colonial migration and its impact on the indigenous people. Furthermore, the relatively small size of the population makes it easier to communicate across communities. The way this country deals with multiculturalism can therefore be quite different from how other jurisdictions choose to respond because of its unique environment. New Zealand is considered to possess the ‘X’ factor that other countries struggle to cultivate (Singham, 2006).

Sir Paul Reeves (Pio, 2010) in his foreword for the book, *Longing & Belonging*, states that: “Diversity has always been a part of the mix of New Zealand but until recently it could be discounted as it affected only a few of us. Now the unity and connectivity of our nation requires us to prize and embrace diversity.” However, as Pio contests, it is not all a bed of roses living in this country. Immigrants from Asia, the Middle East, Latin America and Africa face huge challenges around gaining equal access to employment, and are finding that their friends and family are not excelling with the world’s elite achievers.

## Concluding thoughts

Rising income, and the associated gains in wealth, have been the driving force of many a modern society – ‘little’ New Zealand, the giant China. Increased personal wealth embodies a more demanding, consumer-citizen with greater expectations for all consumers. This scenario takes a positive view of capitalism and the global economy.

The key issues raised by the scenario include:

- The realisation of shifting markets and an economic order moving from traditional western and northern hemisphere markets to South East Asia and other emerging economies.
- China’s middle class consumers will adopt and follow western consumption patterns for seeking novelty experiences and the sampling of tourism products.
- A capitalist and competitive tourism industry is the basis of product innovation and diversity.
- New technologies such as 3D printing and claytronics will change the global supply chain overcoming the distance and isolation, which contributes to high costs of production in the present day.
- The scenario represents a 214 per cent increase in visitor nights and 320 per cent increase in revenue, therefore raising the issue of unconstrained growth and the impact on resources. This is highlighted in the Queenstown and Milford Sound cameo in the scenario.
- The growth highlighted in the scenario is driven by the economic success of New Zealand emphasising the view that a healthy economy is a necessary driver of tourism, especially in domestic markets.
- New Zealand’s mineral assets, and the economic policy portrayed in the scenario that favours commercial exploitation of such assets, will affect access to conservation land, is likely to be contested, and will also impact on tourism, destination image and the conservation agenda.
- The scenario draws attention to foreign direct investment (FDI) policies in New Zealand, and investment in the tourism sector, with particular focus being given to the influence of China’s preparedness to invest and expand across the world.
- A number of innovation technologies presented in the scenario could be classified as game-changers, for example, hypersonic travel, the augmented reality contact lens, or even calorie-free chocolate.
- The New Zealand brand is challenged in this scenario drawing attention to region and place branding in a fragmented tourism environment.

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# Chapter 7

## Which direction does New Zealand follow?

### Issues, challenges and directions

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#### **Executive summary**

The concluding chapter highlights the key issues and strategic directions associated with the four scenarios: *Manaakitanga*, *An Eco Paradise*, *Perfect Storm* and *The State of China*. The chapter begins by revisiting a key issue which will shape the future of the world over the next decade. This is the GFC and the implications that arise from that, for example, the present debt crisis in the Eurozone and the slowdown in economic growth in Asia. For New Zealand, the GFC has brought around greater uncertainty and when combined with other factors, such as cost of the Christchurch earthquakes of 2010 and 2011, productivity in general or dealing with the country's green image in particular New Zealand has many challenges. For the tourism industry, the country's distance and isolation is both a cost and an opportunity, a cost in terms of 'peak oil' and associated depletion of carbon resources and an opportunity in terms of tranquillity as a tourism experience. The question may be posed about what direction New Zealand's tourism industry should follow or whether it should be considered *An Eco Paradise* or a health destination. Drawing threads of discussion together, the chapter concludes with 10 decision situations that need to be contemplated whatever the future holds.

#### **Introduction**

Economists and meteorologists may find it relatively straightforward to understand and predict with accuracy the economic outlook for the next three months or the weather for the coming week, as these future events are more closely bound to the present and have a perceived greater degree of certainty. The following sections examine those certainties likely to shape the future of New Zealand and its tourism industry in the medium to long term, whether they are the challenge of the GFC, the impact of the Christchurch earthquakes, the volatility of currency markets or the variable quality experienced by New Zealand's Asian visitors. These challenges help form the basis of certain change.

In contemplating the future, whilst analysing patterns and trends is not too dissimilar to looking at the patterns and trends of La Nina or El Nino to help understand medium and longer-term weather conditions, the further we look into the future the more uncertainty prevails. What we cannot do is to predict an exact future at a particular time or location. But what we can do is to paint feasible and plausible pictures and narratives of the future based on understanding what we regard as the drivers of change. These pictures or narratives are then our scenarios of tourism in New Zealand in the year 2050. What this chapter sets out to do is



**Which Direction does New Zealand Follow?**

**Challenges for New Zealand's Tourism Industry**

**World Economic Disorder**

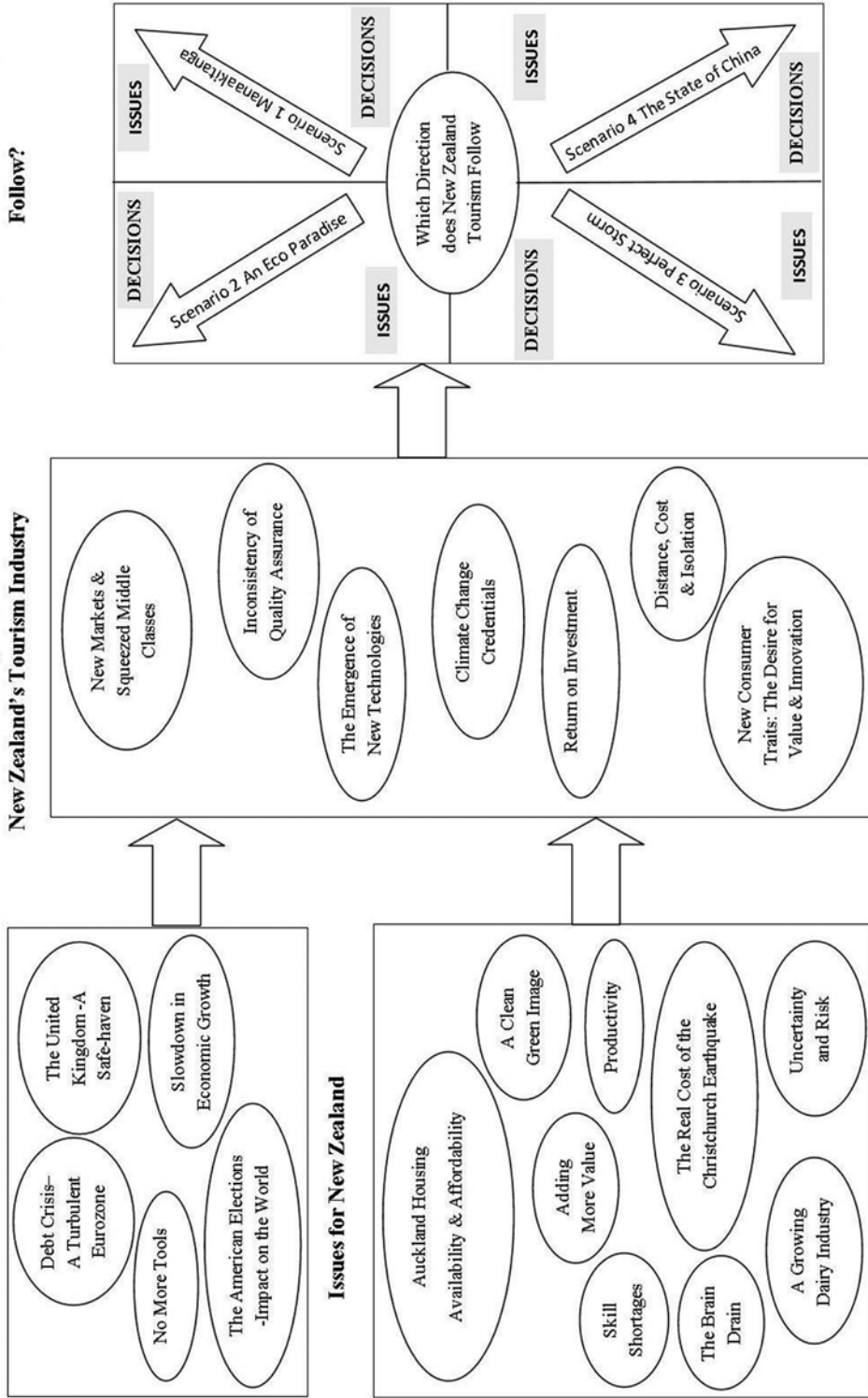


Figure 7.1: Which direction does New Zealand tourism follow? – issues and challenges



address the key decision situations captured or reflected in those scenarios in order to suggest a roadmap or journey into the future. What is important is that decision-makers recognise the needs and challenges evolving from a particular future, and then recognise the need to decide on a strategic direction in order to meet the challenges of that future. Figure 7.1 represents the challenges and journeys ahead.

## **World economic disorder**

### **Debt crisis – a turbulent Eurozone**

One of the consequences of the GFC in late 2007 had been the escalation in political and societal turbulence, in general, and currency turbulence and sovereign debt, in particular, within the Eurozone (“Eurozone Crisis”, 2012). The main causes of the current political unrest and social issues within the Eurozone countries have been linked to continual and excessive borrowing. Unfortunately there appears to be little agreement amongst economists and analysts that the current austerity measures being advocated, and/or the structural economic reforms taking place within the Eurozone countries, would be enough to allow the Eurozone to emerge from these crises in the near future (“Record Eurozone”, 2012). Hence, it is probable that it is also beyond the ability of the Reserve Bank of New Zealand to understand and forecast. As Governor Alan Bollard pointed out, “There’s a small but growing risk that conditions in the Euro-area will deteriorate more markedly.” This is concerning because even though New Zealand does not have much direct exposure to Europe, just seven per cent of exports to the Euro-community, the biggest trade risk may lie indirectly with its bigger Asian trading partners that have greater trade with Europe and who, if impacted adversely, may have to cut back on buying New Zealand products (“ReserveBank”, 2012).

### **The United Kingdom – a safe haven**

The United Kingdom has been given the ‘safe haven’ status within Europe, and has subsequently benefited from an inflow from investors fleeing the Eurozone debt crisis (Nag, 2011). Whilst tough austerity measures will extend beyond the next election in 2015, they are likely to underpin the country’s triple-A rating and encourage more flows into the United Kingdom gilts. However, this increased safe haven status for the this country within Europe, together with a rising risk aversion that affects all European currencies trading against the United States dollar, could yet prove problematic for the United Kingdom currency if the crisis in the Eurozone is not resolved (Nag, 2011). It could also perversely lead to currency and trade wars as nations attempt to limit the impact of broader global forces (Inman, 2011).

### **No more tools**

The European Financial Stability Facility, created as a temporary measure in the early days of the Eurozone crisis in June 2010, was replaced by the European Stability Mechanism, a permanent rescue fund, in September 2012 (EFSE, 2012). The fund currently holds only 200 billion Euros after recent demands for help from debt-laden countries (“Markets Panic”,

2012). Unfortunately, doubts over the solvency of countries in the Mediterranean region have affected European equity markets and raised concerns about whether there are enough tools left in the financial toolkit to deal with this latest demand.

## **Slowdown in economic growth**

Both the World Bank and the International Monetary Fund have forecast a slowing of China's economic growth from 9.2 per cent in 2011 to 8.2 per cent in 2012. Similarly, in East Asian countries growth will only be 7.6 per cent in 2012 (UNESCAP, 2012). This slowdown in growth is mainly attributed to reduced demand in both the United States and Europe and a softening of the Chinese property market. However, the continuation of Europe's debt crisis could inflict even more damage on East Asian markets. This could prove problematic for New Zealand since its biggest trade risks lie with its Asian trading partners and who, as stated earlier, have greater contact with Europe and may have to cut back on New Zealand exports ("ReserveBank", 2012).

## **The American elections – impact on the world**

A minor baseline reduction in global outlook projections from the International Monetary Fund is based on three important assumptions, one of which is that the United States fiscal policy does not tighten sharply in 2013 ("Weak Global Recovery", 2012). Unfortunately there is a high possibility of the United States Government being forced by existing law to severely cut spending and increase taxes on 1 January 2013, a situation described as the fiscal cliff. Regardless of whether the Republicans or the Democrats win the 2012 elections, political gridlock arising from the Senate and Congress may not only hamstring the United States economy, causing a severe decline in that country's growth, but also produce significant spill-over to the rest of the world ("Weak Global Recovery", 2012).

## **Issues for New Zealand**

### **Auckland housing availability and affordability**

Over the next 30 years, Auckland is expected to increase its population by approximately one million, creating demand for about 12,000 new houses per annum, significantly above the 2,000 per annum noted in 2012 (Auckland Council, 2012). Such new dwellings will be built not only within the existing footprint, but as new greenfield land developments, in satellite towns and also in rural and coastal towns. Additional land will also be needed and provided for business development (Auckland Council, 2012). However, such developmental growth begs the question of where the money will come from. Possible solutions may be drawn from amongst the financial tools recently deployed in Hong Kong, Singapore and Canada, for example, macro-prudential tools that link loans to value ratio limits. These tools seek to meet several objectives, attempting to slow the growth of housing sector without invoking economically damaging interest rate hikes and also reducing the risk of housing bubbles (Hickey, 2012).

## **The real cost of the Christchurch earthquakes**

In 2011, the world witnessed several devastating natural disasters – the New Zealand Christchurch earthquake, the Japanese earthquake and tsunami being amongst the worst. Estimated costs to repair and rebuild Christchurch, assuming the worst case scenario, will be approximately \$6,800 per person based on today's estimated population (Statistics New Zealand, 2012), which is approximately 16 per cent of the country's GDP. In heavily populated Japan, the costs per head of population have been estimated to be approximately \$2,400, which represents approximately seven per cent of their GDP ("Japan Economy", 2011). These estimates draw attention to the relative financial impact of the Christchurch earthquake, and suggest recovery in Christchurch may take longer than in Japan.

## **A growing dairy industry**

According to Mr Nathan Guy, Associate Minister for Primary Industries, New Zealand's dairy industry earns almost one-third (30 per cent) of the nation's total export revenue, accounts for approximately one-third of international dairy trade, and is growing (Guy, 2012). The New Zealand Government is committed to supporting the dairy industry as it sees many global opportunities. However, an important issue is whether and how the increased wealth of the dairy industry can be redistributed so that the whole of the country benefits. The government's options for how this can be made to happen include: modifications to the tax system, for example, through a resource tax since the dairy industry has relatively free access to a number of shared resources; or taxes that seek redress for generating negative externalities such as air and water pollution.

## **Productivity**

Statistics New Zealand publish the official productivity statistics for the 'measured sector' of the economy, which covers only approximately 80 per cent of the economy as it excludes government administration and defence, health, education and owner-occupied dwellings. Whilst productivity is regarded as key to boosting New Zealand's standard of living (Statistics NZ, 2012), there are challenges in obtaining relevant up-to-date data and in being able to make meaningful international comparisons because of variances in data collection methods, analysis, comparative time periods and timing.

## **Adding more value**

Historically, the New Zealand economy has been dominated by the primary industries. Unfortunately, these industries often offer limited value-added in their raw form, that is, traded as commodities. If this country is to continue to improve its per capita income growth and productivity, it needs to do so through the primary industries and through the creation of potentially higher value-added high-tech products and services (MED, 2003). Indeed, being so reliant on primary industries, especially the dairy industry, exposes the economy to risk not only from fluctuating commodity prices and exchange rates but also competition

from other commodity producing nations and from technology developments. Other major concerns relate to climate, hydrological and biosecurity risks, and each could have major impacts in the agricultural and horticultural industries that will require innovative action and solutions.

## **Skill shortages**

As of April 2012, the unemployment rate sat at 6.7 per cent of the working-age population, that is, approximately 160,000 (CareersNZ, 2012). Many of the unemployed are unskilled young people, or skilled people for whom there is no demand. However, New Zealand also has specific skill shortages. Unfortunately, these now include skills such as those in agricultural sciences, which are particularly concerning when agriculture could be an area of growing economic strength and where this country could lead internationally in growing talent (“Government fails”, 2012). Similar skill shortage trends are also exhibited in professions such as medicine. While New Zealand produces enough doctors for its needs, salaries and career prospects may not be attractive enough to retain the talent here (“Concerns over”, 2010) – an example of the brain drain.

## **The brain drain**

Tertiary education accounts for a significant proportion of New Zealand’s total education expenditure. As a percentage of GDP, it is the fifth highest of all OECD countries in 2008 (OECD, cited in Baxter, 2012). A recent study from the World Bank showed New Zealand had the worst record among the developed nations for retaining its skilled workers – including teachers, medical practitioners, engineering professionals, hospitality workers, health and welfare support workers, salespeople and labourers – with nearly a quarter of them having left the country (O’Hare, 2010). If increasing global connectedness and high overseas earnings continue then this trend will be strengthened, and New Zealand will suffer further losses (Harvey, 2010). It is recognised that solutions need to be found to curtail further the brain drain.

## **A clean green image**

Tourism continues to be a major contributor to total New Zealand exports, approximately 17 per cent, sitting closely behind the dairy industry (Statistics New Zealand, 2012). The government has established an Advisory Group with the intent of pursuing ‘green growth’ to support the growing dairy industry but recognising that, at the same time, to achieve greater economic growth and development it must be done in a manner that protects the environment (Guy, 2012). This green growth approach will help build the credibility of the dairy industry, particularly in overseas markets, and especially as there is demand for high-quality, safe and pastoral products produced in a sustainable manner (Guy, 2012). This approach will also be essential to help maintain the clean green tourism brand of New Zealand on which present and future tourism is highly reliant (Clendon, 2011).

## Uncertainty and risk

The GFC has changed the economic world, and the rapid growth that has been seen in the resource hungry and populous emerging countries is now accompanied by a relative weakening of the advanced economies (Fallow, 2012). Whilst this can create new uncertainties it can also offer New Zealand firms – and Australian – new business opportunities. According to Birchfield (2010), leaders and decision-makers in this country need to re-evaluate their reluctance to commercialise and their risk-averseness, in order to make the most of these changing and challenging times.

## The challenges for New Zealand’s tourism industry

### Distance, cost and isolation

New Zealand’s isolation is a positive ‘pull’ factor impacting today’s tourists (Trade and Enterprise, 2006). However, this positive factor is counter-balanced by the cost of travel to this country and of course the volatility of associated fuel costs. The uncertainty surrounding the future availability and pricing of oil is well known, and recent price shocks have provided ample evidence of what might happen in the years ahead (Yeoman, 2012) and how it affects different players. For example, from an airline perspective, New Zealand is a low-yield (passenger), high-cost destination (distance) so when costs of oil rise airlines reduce capacity in order to maintain yield. This country is a terminus, not a hub, and this poses relative efficiency issues for aircraft routing. It is known that exchange rates influence price and cost. When there is strength of the New Zealand dollar against the United Kingdom pound and the United States dollar – see Figure 7.2 – this country becomes an expensive option for tourism consumers from these other countries and it affects their tourism choices. For instance, according to the United Kingdom Office for National Statistics (Tourism NZ, 2012), the number of British people

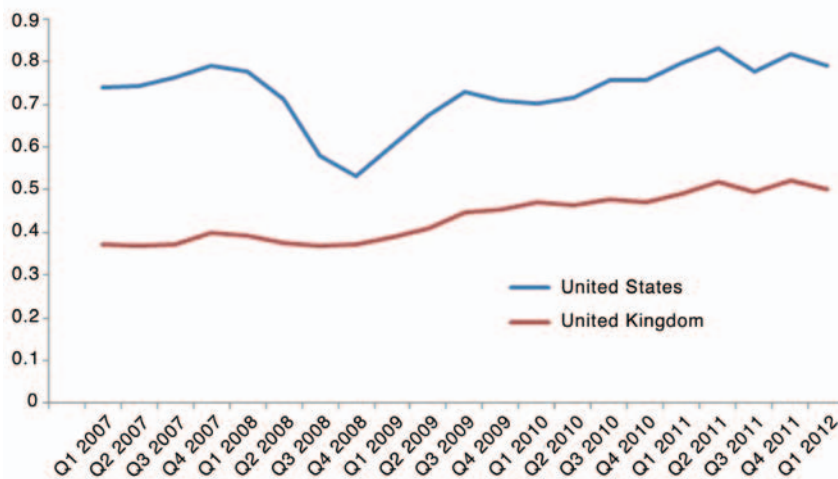


Figure 7.2: United States and United Kingdom exchange rates per quarter from 2007 to 2012 (Reserve Bank NZ, 2012)

travelling abroad in the year to October 2011 dropped by three per cent. In addition, the two major factors continuing to impact outbound travel from the United Kingdom are the slower-than-expected economic recovery and the continuing weak United Kingdom pound. Taken together, it is not surprising then that these factors have contributed to a continuing decline in the number of British travellers arriving in New Zealand into the first months of 2011 on the back of decreasing arrivals throughout 2009 and 2010.

### New markets and the squeezed middle classes

The world’s economic balance of power is shifting rapidly, accelerated by the global recession of 2009. Stancil and Dadush (2010) suggest that China remains on a path to overtake the United States as the world’s largest economic power within a generation and that India will join both as a global leader by mid-century. Consumers in emerging markets are experiencing relatively rapid growth in their personal spending power as their economies expand. Parity with developed markets is still some way off, for example, the United States GDP per capita in real terms is 10 times that of China – see Figure 7.3. However, as personal prosperity in emerging markets rises, many more millions of consumers will, as in the west, enjoy greater levels of discretionary expenditure and a more varied consumption portfolio. This will hugely diversify the consumer demands of the newly enfranchised middle classes, with brands and companies being developed to creatively ‘welcome’ new market entrants, and to build sustainable and profitable relationships with these consumers as they progressively climb the income ladder.

The expanding wealth of developing markets is continuing at an impressive pace, and will be one of the key drivers impacting the global consumer landscape, creating new demand and market opportunities. The appetite for luxury goods, for example, is something that is expected to continue to grow rapidly as more affluent consumers seek new levels of quality consumption. These will be major features of the future of consumerism in emerging markets.

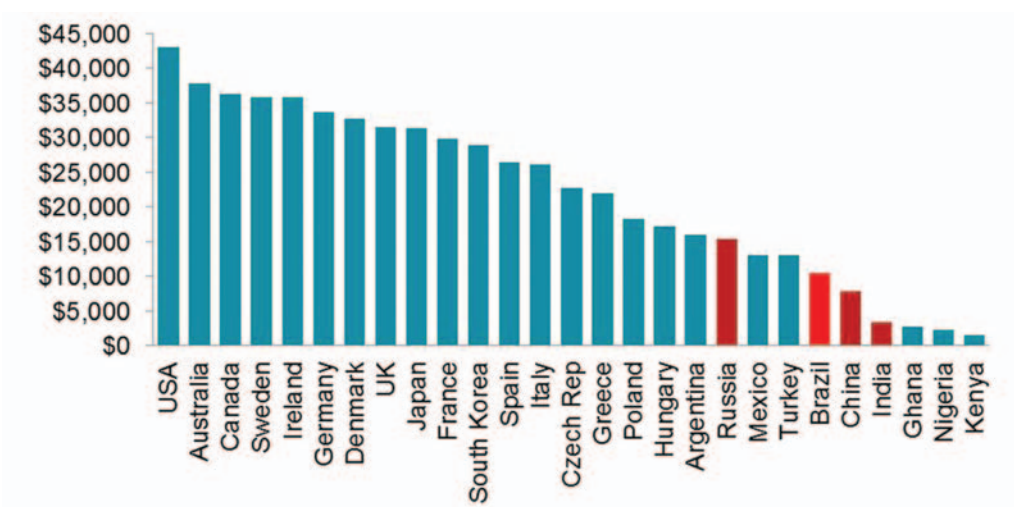


Figure 7.3: GDP per capita (Source: Future Foundation)



In developed economies recently impacted by recession, including New Zealand, consumers are adopting behaviours in reaction to a period of economic turbulence and this continues to have a sustained influence over spending and budgeting.

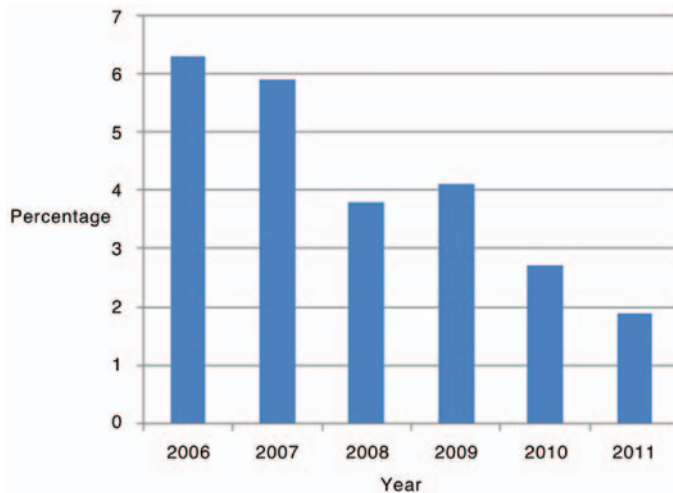


Figure 7.4: Change in median hourly earnings for wage and salary earners (Source Statistics NZ, 2012)

According to the most recent New Zealand Income Survey (2011), shown in Figure 7.4, the median hourly earnings for 2011 recorded its lowest increase (1.9 per cent) since 2009 compared to a the high of 6.2 per cent in 2006. This perhaps offers a demonstration of how wages are being squeezed. Confronted with the pressures of living in a period of relative austerity, value-for-money is at the forefront of consumers' minds. In summary, the traditional middle classes of the developed world are being squeezed as their economies experience a period of economic stagnation.

### **Inconsistency of quality assurance**

The variability of quality across New Zealand's tourism products is attributed to two important but different factors: Asian visitors' perceptions of their experiences; and the penetration rates of quality improvement processes and systems, for example, Qualmark. Satisfaction with accommodation in New Zealand varies across different market groups according to the Visitor Experience Monitor (2012). For example, visitors from Australia and other western markets – the United Kingdom, the United States, Germany, other European countries and Canada – have relatively high levels of satisfaction whereas Eastern markets are generally less satisfied with accommodation in New Zealand.

Qualmark is the official quality assurance system within New Zealand tourism – <http://www.qualmark.co.nz/> – and this happens across a number of tourism experiences and products. However, one issue of concern is the level of penetration of Qualmark amongst tourism business. It is estimated that there are 3,500 bed and breakfast establishments in New Zealand (Yeoman, 2012). However for several reasons, including seasonality, the nature of small

business practice and lifestyle, less than 10 per cent of establishments (330) are members of the Qualmark scheme. Within the motel sector it is estimated that there are 1214 motels in New Zealand according to the Motel Association (Yeoman, 2012), with 470 being members of Qualmark, representing a penetration rate of 38 per cent.

### **The emergence of new technologies**

Graham Whitehead, the renowned BT futurologist, has said: “Consumers will see more technology change in the next ten years than was witnessed in the previous hundred years” (Whitehead, 2005). Exponential change in technology has changed how consumers use information and how this impacts on tourism. The internet has changed distribution patterns, and mobile technologies are about to change how tourists ‘see and book’. As Google’s Claire Hatton (2009) stated: “30 per cent of hotel bookings in the cities of Tokyo and Seoul are made on the day of arrival through the mobile phone, and this trend can only grow. Today’s typical tourist is pointing their mobile phone at a hotel, using augmented reality platforms to view information, and then making reservations via [www.expedia.com](http://www.expedia.com).”

The provision of information on tourism products is now available through a variety of channels and technological platforms, bringing with it a range of benefits such as convenience with user-friendly interfaces, up-to-date information and affordability to the end user. These developments increasingly drive the integration of technology, not only within our everyday lives with mobile internet, navigation systems and smartphones, which attempt to constantly keep us connected to the digital world, but also within tourism.

### **Climate change credentials**

100% Pure New Zealand has been acknowledged world-wide to be one of the most successful international tourism brands and branding campaigns, and is even considered to have influenced other countries’ national branding strategies. Over time, the 100% Pure New Zealand imagery has been both transformed and contested. The ‘pure’ image of a green and clean New Zealand has been internalised not only by international tourists but also by domestic residents. However, this country was ranked in a low 92<sup>nd</sup> place by the Travel and Tourism Competitive Index in 2009 based on its climate change ‘performance’, and queries and doubts have appeared in international media. The leading United Kingdom newspaper, *The Guardian*, has escalated debate about and queried New Zealand’s perceived ‘purity’ because of its environmental pollution levels and political reversals on climate change control (Bose & Muthukumar, 2011). *The Economist* has also published similar views, asserting that this country is actually “dirtier” than the 100% Pure New Zealand campaign suggests (Bose & Muthukumar, 2011). The focused attention suggests that New Zealand needs to re-evaluate why it has, for example, the world’s third highest car ownership rate, and whether it should address the controversial and increasingly polluting effects of cattle breeding and dairy farming, not only in terms of carbon emissions but also of land and water contamination.

### **Return on investment**

Tourism in New Zealand has to face a number of hurdles for the future, one of which is that its economic performance inhibits the capital investment necessary for effective development.



Price Waterhouse Cooper (2009) provides reports on weighted average cost of capital for listed companies, identifying the risk-adjusted competition for investor's funds. Although such analysis is restricted to listed companies, it provides a guide to the risk associated with sectoral investments. As Moriarty (2008) has reported:

“This sector had reasonably low Financial Yield across the various accommodation types. There are likely to be a number of reasons for this in addition to the actual ‘quality’ of the performance of the individual firms. For instance, much of the capital involved in accommodation is in real estate which has a low inherent risk profile. Also, investors might be looking beyond the purely operational aspects of the business to the capital gains from rising property values.”

### **New consumer traits: the desire for value and innovation**

Today's tourist demands better experiences, faster service, multiple choice, greater satisfaction and social responsibility. At the same time, the tourist can holiday anywhere in the world whether it is Afghanistan or Las Vegas to the extent that they can take a holiday at the north pole, the south pole and everywhere in between including a day trip into outer space. The tourist is ‘collecting’ countries, trying new things and has a desire for constant change. It means the tourist is both comfortable with a hedonistic short break in Las Vegas or a six-month eco-tourism adventure crossing Africa. As Chris Anderson (2006) states, this is the period of the ‘long tail’ of endless choice and innovation. In contrast, a new thriftiness and desire for simplicity is also emerging. This desire for simplicity is driven by inflationary pressures and falling levels of disposable incomes, and the squeezing the middle class consumer. As the wealthy economies slow down, whatever the reason, new patterns of tourism consumption emerge as different as the desire for domestic rather than international travel or what some call the ‘staycation’. Whilst a wealthier tourist can afford enriching new experiences, indulge themselves at premium five-star resorts, and afford to pay extra for social or environmentally conscious consumption, the emerging simpler consumption patterns mean that these former trends have slowed, halted or reversed. As resources become scarcer, the mind-set of a whole generation of tourists changes along with their behaviour. Between now and 2050, the world will continue to go through cycles of economic prosperity and decline, which is the nature of the economic order.

### **Which direction does New Zealand follow?**

Strategy is derived from the Greek ‘strategos’, with an original meaning of a set of general manoeuvres carried out to overcome an enemy. What is notable is the focus on a ‘general’ set of manoeuvres (Eden & Ackermann, 1998). Hence the ‘directions’ set out in the following section highlight the strategic implications for the New Zealand tourism industry of four different possible journeys based on four different scenarios. The directions provide a guide or map to follow in order to untangle the complexity of the scenarios. Each direction offers different risks and kinds of tourists, and confronts the tourism policy-maker with a variety of decisions and consequences so they can make sense of a number of circumstances associated with different futures or scenarios.

## **Scenario 1: *Manaakitanga***

### **Key issues**

The key issues presented in *Manaakitanga* are a vision of cooperation in which resources are in relative abundance, and where humankind concentrates on creating a long-term value chain focused on maintaining equality in social, environmental and economic prosperity. In New Zealand, where ethnic diversity is changing, the importance of mutual respect and cultural identity is paramount. Māoridom represents the culture, identity and authenticity of New Zealand in a world that otherwise seems more homogeneous, urban and bland. The scenario reflects significant wealth and consumers adopt a liberal outlook, embracing novelty, diversity and change. Game-changing technologies have reshaped the global supply chain resulting in this country's distance and isolation no longer being regarded as an economic disadvantage. Tourism in this scenario represents the values of humanity, conscience and a welcoming.

### **Economic vision**

The anticipated magnitude of the tourism sector is represented by the following statistics:

- Visitor expenditure – NZ\$75.4 billion
- GDP – 8.8 per cent tourism
- Visitor nights – 276 million.

### **The tourist and market direction**

Visitors from Australia, Asia and local domestic markets will drive strong revenue and expenditure growth patterns, with lower levels of demand coming from the Americas and Europe. Extended families, healthy hedonism, novelty and new experiences represent the key market drivers and core products and experiences. At the centre of a broad marketing direction is a consistent well-accepted and understood brand that presents the values of *manaakitanga* in which potential visitors can understand what New Zealand stands for and what it is not.

### **Guiding principle**

*Manaakitanga*, and its root word, *manaaki*, describe a broad cultural concept around reciprocity of kindness, respect and humanity. From a tourism perspective it connotes an inspiring of the New Zealand visitor experience, summed up through the acts of giving, sharing and welcoming.

### **Tourism strategy**

Using *manaakitanga*'s guiding principle means putting hospitality and welcome at the heart of the tourism strategy through providing an experience of *whanau*, that is, treating visitors as part of our extended family. It also means that a focus on the people of New Zealand is through a focus on indigenous Māori as a representation of cultural identity, not as a commodification of Māori culture. Authenticity, community and sustainability are key notions. Tourism becomes part of greater strategy to promote the values of New Zealand, which focuses on place rather than destination branding to create a country for people to work, live and play.

### **Risks**

*Manaakitanga* represents a utopia, a place that is an ideal community possessing a desirable socio, political, environmental and economic perspective. The danger is the world can never be a utopia, and the strategy may have to be abandoned because it is not a representation of reality or it is not feasible.

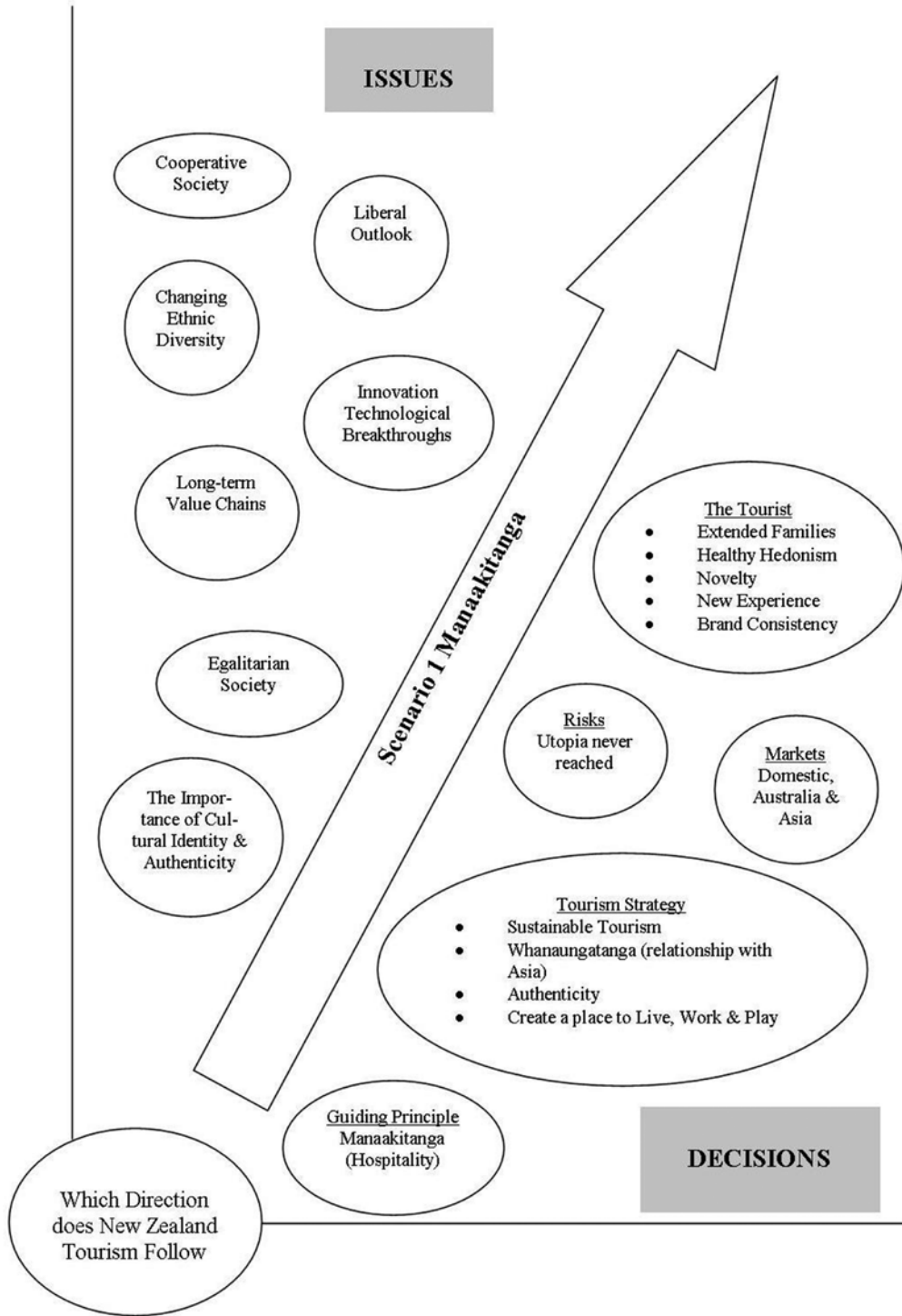


Figure 7.5: *Manaakitanga* – a future direction

## **Scenario 2: *An Eco Paradise***

### **Key issues**

New Zealand is a paradise of resources in a world of scarcity of resources. The central feature of an eco paradise is the realisation that consumers have made sacrifices for the common good. Consumers realise that to save the planet behaviours have to change. So, in altruistic fashion, collective responsibility overrides individual desires. The world is designed in such a manner that inefficiency is penalised because of the impact on the environment. Consumers live in a sustainable manner and have made sacrifices to do so. From a tourism perspective the scenario accentuates the costs of change, initially portraying the costs of not addressing the issue of climate change and then subsequently those of doing so.

### **Economic vision**

The anticipated magnitude of the tourism sector is represented by the following statistics:

- Visitor expenditure – NZ\$14.2 billion
- GDP – 5.0 per cent tourism
- Visitor nights – 50.3 million.

### **The tourist and market direction**

The main markets are domestic tourists and exclusive international high-yielding visitors. Tourists are socially aware, predominately female, educated and they desire access to a natural landscape and isolation. Hotels are sustainable, modern and novel, offering simple luxury.

### **Guiding principle**

New Zealanders' first and everlasting industry, tourism will be this country's first industry in terms of economic performance and quality and the first choice for international visitors. A tourism industry that represents the best of this country is an economic driver of change, and first in the terms of professionalism, wealth creation and values. In order to protect the future, the tourism industry adopts a principle or notion of everlasting to ensure the future is sustainable and acts as a guardian for future generations.

### **Tourism strategy**

The tourism market is substantially smaller compared to the 2007 baseline, with a focus on domestic markets and high-yield eco-luxury experiences. To deliver to these markets, New Zealand adopts a range of variable tourism taxes to manage demand and supply, mitigated by community-driven exclusions for community-based projects. The country adopts a range of penalties for businesses that operate inefficiently and to incentivise sustainable practice. Tourism products focus on luxury eco-tourism experiences and community voluntary projects. The compulsory certification scheme for the industry produces a smaller and more professional industry.

### **Risks**

This scenario envisages a 29 per cent decrease in tourism expenditure compared to the 2007 baseline, and therefore represents a notable economic and political risk to decision-makers. Tourism also becomes an exclusive experience, shaped by the needs and demands of international visitors and raising the issue of accessibility to the landscape for this country's population. An important question is whether New Zealanders are prepared to sacrifice individualism and personal liberty for the collective good, a matter that raises issues that have strong elements of political risk? Associated risks also relate to whether this country could afford not to address the issue of climate change in a serious manner. Such risks evolve and revolve around various trade-offs, including the short to medium-term sacrifices that New Zealand would have to make to provide an environmentally sustainable future.

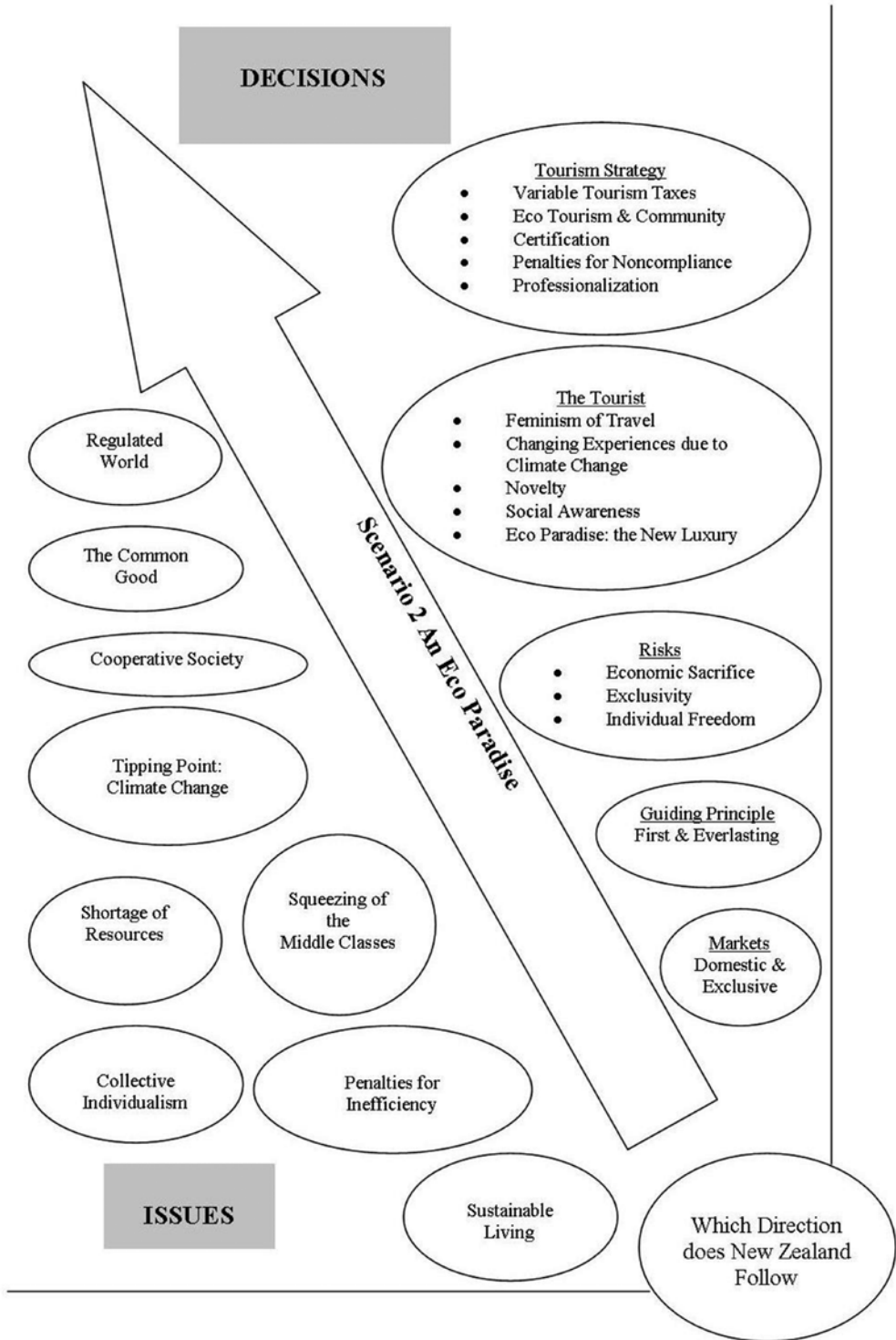


Figure 7.6: *An Eco Paradise* – a future direction

## **Scenario 3: *Perfect storm***

### **Key issues**

At what point does New Zealand's tourism industry become unsustainable? This is the central issue in this scenario which is shaped by dwindling resources and rivalrous behaviour, and this is a scenario in which self-interest is portrayed as protectionism. As nations cannot cooperate and deal with climate change in an orderly manner, they lose the capacity to deal with environmental disasters. However, New Zealand's strategic advantage is that it has resources and isolation as an advantage. In this scenario, regionalisation rather than globalisation is paramount so this country takes on a leadership role within Oceania and strengthens ties with Australia. This scenario portrays economic stagnation, drawing comparisons with the present day situation in Greece and Japan's lost decade because of deflation. From a tourism perspective, the decline of international markets is portrayed in the scenario, but tourism does not disappear as the country focuses on the niche market of health and well-being.

### **Economic vision**

The anticipated magnitude of the tourism sector is represented by the following statistics:

- Visitor expenditure – NZ\$13.3 billion
- GDP – 5.2 per cent tourism
- Visitor nights – 38 million.

### **The tourist and market direction**

The core markets are day visitors, domestic tourists and Australian visitors, and such markets share the characteristics of frugality, simplicity and mercurial consumption. The main tourism product is health care and well-being.

### **Guiding principle**

As this is a future that no-one wants, the guiding principle reflects a focus on avoiding this future through adaption and mitigation.

### **Tourism strategy**

The central focus of this tourism strategy relates to whether and at what point does New Zealand's tourism industry become unsustainable. Therefore, the strategy emphasises mitigating and avoiding this future. The economic development of tourism is based on foreign earnings through health, medical and well-being tourism, that is, a strategy focused on niche markets at a time of global downturn.

### **Risks**

The major risks are economic in nature, reflecting the stability of the global financial, banking and economic systems and the dynamics of changing economic power bases.

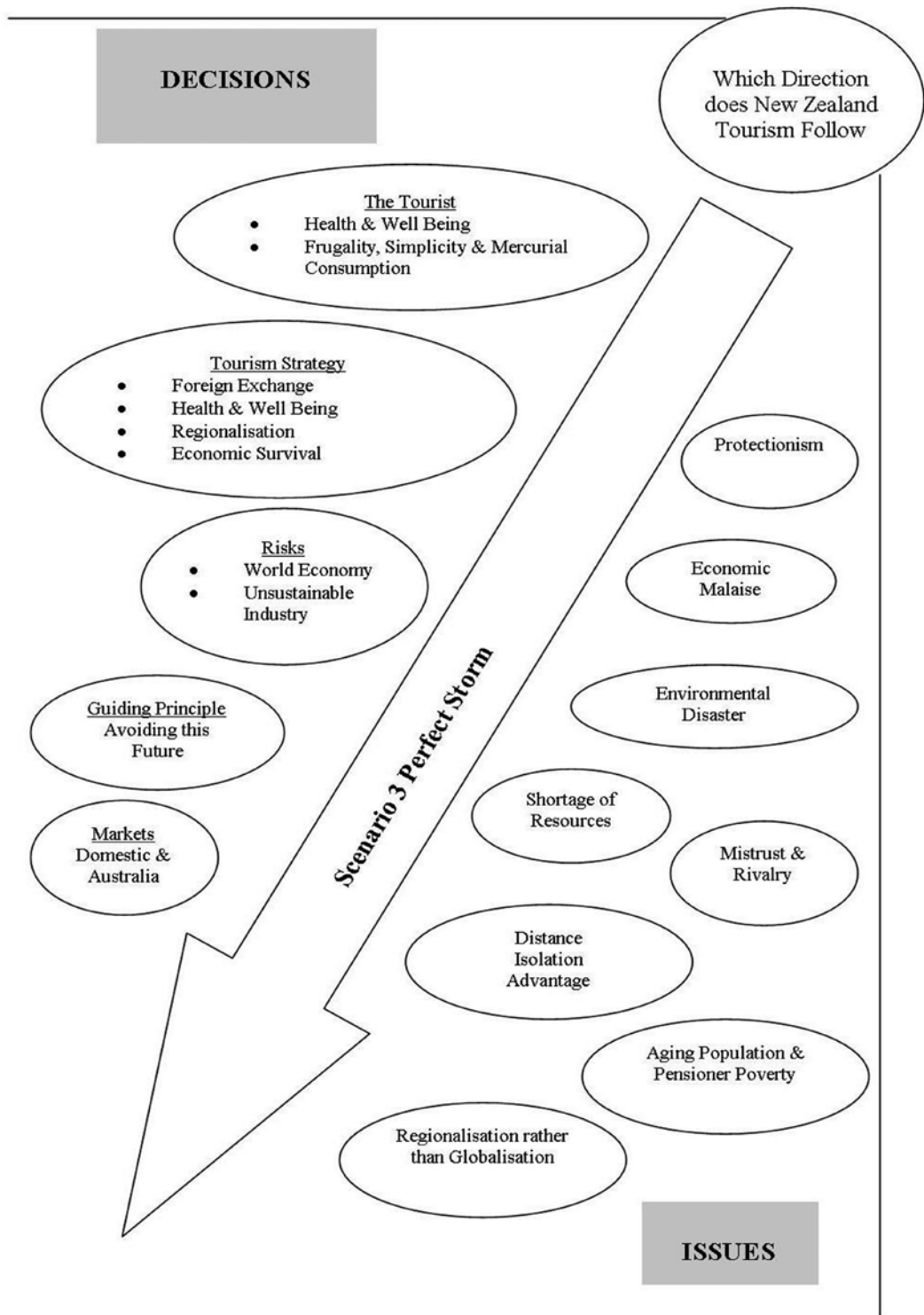


Figure 7.7: *Perfect Storm* – a future direction



## **Scenario 4: *The State of China***

### **Key issues**

The scenario is shaped by rivalrous behaviour as capitalist competition directs and moulds an innovative tourism industry as sustainable. Resources are ample, but there are issues of constrained capacity. The central issue is the mainstreaming of the new middle classes of Asia who are materialistic, have a fluid identity and pursue a 'have it all' society lifestyle. Economic development and wealth creation challenge landscapes, therefore balancing economic development with conservation is an issue. New Zealand has a strong economy founded on science and high-value manufacturing, thus creating wealth for out-of-home expenditure.

### **Economic vision**

The anticipated magnitude of the tourism sector is represented by the following statistics:

- Visitor expenditure – NZ\$84.4 billion
- GDP – 8.7 per cent tourism
- Visitor nights – 307.6 million.

### **The tourist and market direction**

Asia, Australia and domestic markets represent strong growth markets, with moderate growth from the mature regions of Europe and America. New Zealand offers a diversity of experiences from Auckland's focus on urban tribes to Southland's eco experiences.

### **Guiding principle**

The guiding principle reflects an underpinning belief in free markets, de-regulated environments, and the benefits they generate.

### **Tourism strategy**

The development of appropriate legislative frameworks means there is minimalistic government intervention which allows the private sector to demonstrate initiative, be innovative and prosper. The private sector shows strong cohesive leadership. Emphasis is on destinations within New Zealand rather than the country.

### **Risks**

New Zealand becomes a mass tourism destination which has an impact on the well-being of the nation. Managing the risk requires a visitor management strategy to reduce and mitigate impacts on communities and the environment.



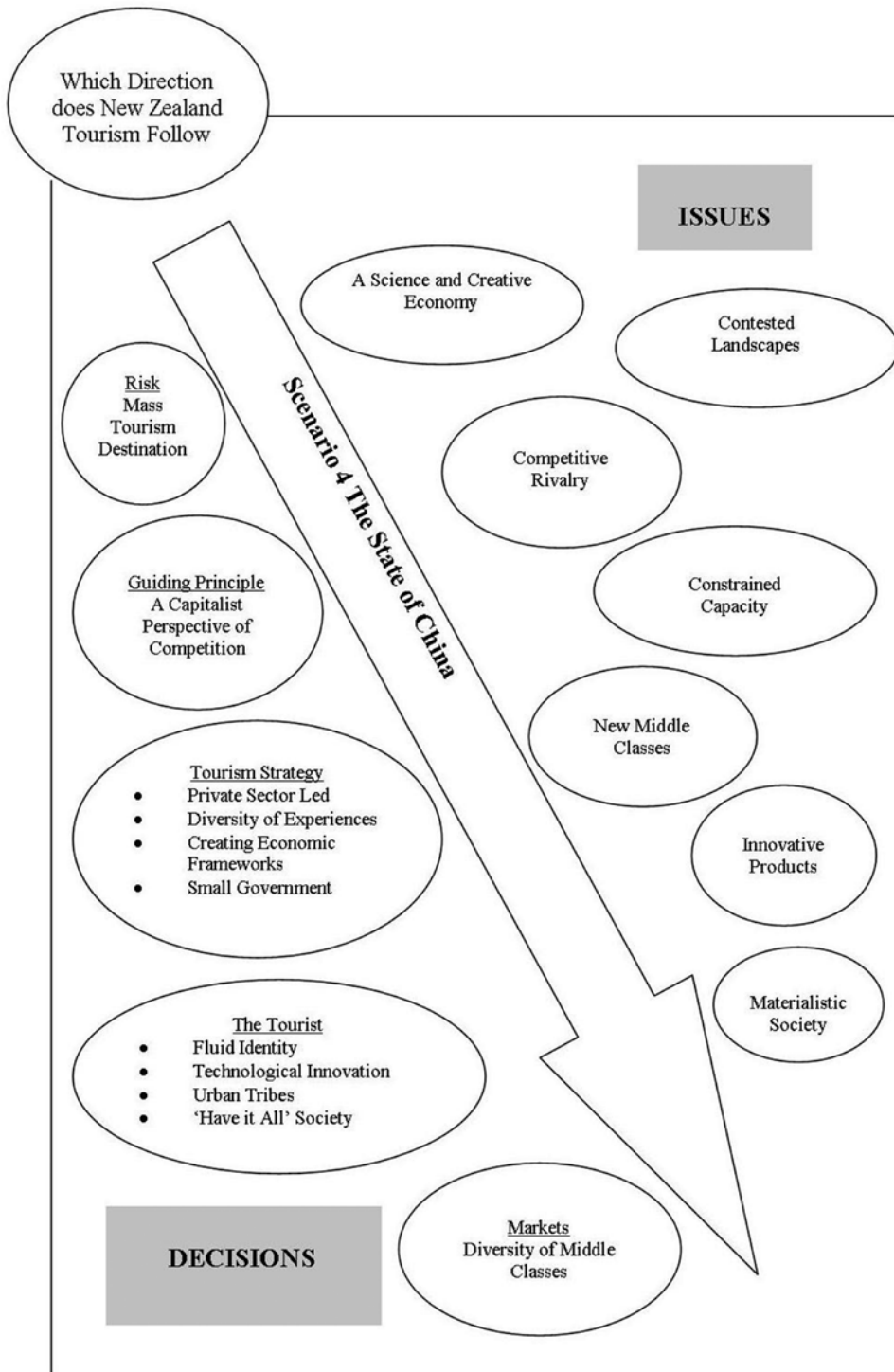


Figure 7.8: *The State of China* – a future direction

## **Concluding thoughts – strategic topics and decisions**

Drawing on understanding and insight from analysis and interpretation of the four scenarios, and then synthesising such insight, it is possible to identify topics of strategic importance which need to be addressed by a comprehensive strategic analysis and decision-making.

Discussion of such topics confronting New Zealand's tourism industry should include the following:

### **1. New Zealand should lead the way as a sustainable tourism destination**

Imagine if Stewart or Waiheke Island was an eco paradise in which all residents practised sustainable living, where everyone drove electric cars, where hotels all had solar energy systems and were designed using the principles of sustainable architecture, and where tourism products were a combination of eco-luxury and volunteer community projects.

### **2. Tourism should be New Zealand's first and everlasting industry?**

Imagine if tourism was recognised as New Zealand's first industry in the terms of professionalism, consumer aspiration, economic contribution and quality. Also where this country was people's first choice in terms of work, play and living and where its tourism industry acted as guardian to ensure an everlasting future.

### **3. New Zealand tourism should adopt the guiding principle of manaakitanga**

Imagine that manaakitanga serves as a direction for relating to people, to visitors, to hospitality and to the welcoming of visitors.

### **4. New Zealand should become a niche tourism destination**

As 99.7 per cent of the world has not yet visited New Zealand, being a niche tourism destination provides an opportunity to innovate products and ideas, whether it is an electric bike network or airship shuttlecraft in Fiordland. This country, as a niche tourism destination, ensures that the nation can focus on the types of visitors that it can best serve and that best serves New Zealand.

### **5. Game-changing technologies will affect tourism in New Zealand**

New technologies will change the distribution patterns of visitors and enhance experiences, which can be pre-visit, during or post-visit, or the potential of hypersonic travel or augmented reality.

### **6. Tourism has to be pervasive in New Zealand – it has to be everyone's business**

Tourism in New Zealand can be more than hotels and attractions as it reaches out to all communities and businesses. Alternatively, as the perfect storm scenario suggests, the development of tourism as a health product and the associated tourism strategy could be contemplated.

## **7. New consumers, new products and new trends will shape tourism in New Zealand**

The emergence of new classes or groups of consumers, the development of new products, and other not yet imagined social-economic-political-technological trends will impact on society and on tourism. In particular, the shape of the future of tourism in New Zealand will be linked to: the nature of families – the nature of extended families; and social-economic-demographics – ageing populations or the new middle classes.

## **8. The GFC has changed tourism consumer's attitudes, beliefs, feelings and behaviours**

It will be important to consider that regardless of whatever change in consumer attitude emerges, whether it is a newfound belief in thrift or it reflects 'mercurial consumption' or a slowdown in discretionary spending, individual values and feelings will be extremely important in determining what people expect from tourism activities and therefore from the tourism industry.

## **9. The principal role of government is to ensure a sustainable tourism industry and building capacity**

Important decisions will need to be made, for example, about investment in capacity building. Such matters may be associated with preparing for the long-term consequence and decisions linked to the scenarios – the state of China or taxation policy with an eco paradise. Also, in seeking to mitigate and adapt to the consequences of a perfect storm, there must be consideration of whether, and at what point, New Zealand becomes an unsustainable tourism destination without government intervention or support. Similarly, in evaluating the impact of too many visitors, as in the state of China scenario, we need to consider whether and how government intervention will be necessary.

## **10. Consistency in the quality of the visitor experience is the key to success for New Zealand tourism**

Whatever the future direction New Zealand's tourism takes, ensuring consistency in the quality of the visitor experience is extremely important in a competitive world. Given the nature of competition globally, with every city, community and nation offering a tourism product, innovative ways of measuring and delivering a visitor experience on a consistent basis must be developed.

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## **Tourism2050: Scenarios for New Zealand**

Like economist's and meteorologists, it is relatively easy to understand and predict with accuracy the weather for the coming week or the economic outlook for the next 12 months as these events have a degree of certainty. However, predicting a longer-term perspective is fraught with difficulties, whether it is the challenges of the GFC, the impact of the Christchurch earthquakes, peak oil, food supply or technological change. The further we look into the future the increased degree of uncertainty prevails. By adopting a scenario planning perspective, a range of multiple futures has being constructed about New Zealand tourism. These scenarios are pictures in which actors and stakeholders act out strategies, understand implications and measure policy responses.

Four scenarios represent a number of different circumstances, trends and driving forces set in the year 2050. Some of the scenarios represent harmful futures such as a 'perfect storm' which envisages an extension of the GFC and economic stagnation, whereas 'manaakitanga' is a vision of what this country's could achieve. An 'eco paradise' represents the decisions New Zealand and tourism would take between now and the future in order to achieve a sustainable future shaped by the environment. To some, this scenario may not palatable given the economic consequences, whereas 'the state of China' is a representation of the pathway of new markets and tourists. The scenarios represent different journeys towards the future, some about muddling through and others by making quantum leaps.

Further details about this project can be found at [www.tourism2050.com](http://www.tourism2050.com).

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