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The challenges and opportunities ahead for New Zealand's hotel industry

Kia Ora.

It gives me great pleasure to be invited here today to open the inaugural New Zealand Hotel Industry Conference.

I welcome the development of a locally-based conference for the industry, to address issues that are of particular relevance to the New Zealand market.

Thanks to the New Zealand Hotel Council, Horwath Hotel Tourism & Leisure, and Simpson Grierson, for co-hosting this important conference. We are at a time when there is a particular focus on the strategic opportunities and issues facing the New Zealand hotel sector and the wider tourism industry.

Never has there been a more pertinent time to discuss the key issues and opportunities facing the hotel industry.

The hotel sector is a vital part of tourism's quality, service and infrastructure network. It plays a crucial part in tourism's economic contribution, hosting nearly 32 per cent of all guest nights and providing employment for over 17,000 people each year.

That represents a major investment in New Zealand.

Hotels make a significant contribution to the tourism sector, which earns almost one-fifth of our export dollars. Our international visitors spent \$6.4 billion in New Zealand in the year to December 2006, with domestic travellers spending slightly more at \$7.5 billion.

International visitors staying in hotels spent significantly more per night than visitors staying in other forms of accommodation – they spent an average of \$220 per night on all their trip expenses.

But there's still plenty of room to improve. Our goal in the tourism sector is to remain prosperous and attract ongoing investment.

Improving tourism sector yield is one of the key areas at the heart of the mid-term update of the New Zealand Tourism Strategy. Our achievements to date have been impressive.

Arrivals growth has been strong, and customer satisfaction levels high.

Yield can be raised by increasing visitor numbers, but this is not sustainable if it is not managed carefully.

It can lead to issues such as over-crowding and limited carrying capacity in the peak summer season. It can also put huge pressure on our natural resources and infrastructure.

The continued success of our industry – and our economy – relies heavily on the beauty and quality of our environment. We must protect it – and demonstrate clearly that we are protecting it, while managing demand in a truly sustainable manner.

Sustainability is a term most commonly applied to the need for sound environmental policies. But it is a concept I believe we need to apply across economic, social, and cultural policies too. Those are the four pillars of a sustainable nation.

I believe the four pillars are mutually reinforcing: we cannot build a strong economy on a society where too many are left to fail and where we plunder the natural environment for short-term gain.

Conversely we cannot build a strong society on an economy which fails to generate the wealth required to fund opportunity and security for our people, protect our environment, and develop our culture.

We must take the long view and balance the long-term financial success of our businesses with the guaranteed satisfaction of our customers and the protection of our environment. That requires good management, innovation and leadership.

I know that the hotel sector faces challenges, including the short supply of domestic capital, as many savers have their money tied up in property rather than investing in a high quality, profitable accommodation business.

New Zealand hotels charge low rates compared with overseas, and profitability continues to be an impediment to investment.

To increase our value as an industry, we need to look at improving the returns of each and every tourism business, and improving our attractiveness to investors.

It is important that any volume growth in the industry is accompanied by improved profitability on a consistent and sustainable basis.

It is heartening that some of the panel discussions today will be discussing these very issues.

High value is synonymous with high quality. Initiatives by individual businesses and national accreditation schemes such as Qualmark have increased the focus on lifting the quality our tourism products

And Tourism New Zealand's "100% Pure New Zealand" brand is as strong as ever.

We need to continue developing New Zealand's reputation as a quality destination. I am pleased to note that a large number of you here today are Qualmark accredited.

Today's discerning travellers seek assurance that the products and services they buy are independently certified as professional and trustworthy.

The Government has invested in an expansion of Qualmark to include a new environmental accreditation programme. This recognises that for more and more of these discerning customers, quality without sustainability leaves a bitter taste.

I would like this programme to be up and running in time for the next summer season. You will need to meet the challenges as environmental performance becomes increasingly important to your clients and New Zealand as a whole.

I encourage you to view Qualmark as one of the tools that will help you meet the challenges ahead, and to use it as it is intended.

Being a service industry, we rely on people. Workforce issues in the tourism sector are also reflected in our updated New Zealand Tourism Strategy. With skills shortages projected to continue, the sector must ensure that it is competitive in a tight labour market.

I know that you recognise this and I applaud the New Zealand Hotel Council's involvement in the Tourism and Hospitality Workforce Strategy, and in new initiatives like their recently launched a recruitment website dedicated exclusively to the hotel sector.

However, there are real challenges for the hotel sector to address.

For example, wage growth for accommodation, cafes and restaurants has been the lowest in all sectors, with 1.5 per cent growth in the last year, compared with an average of 3.2 per cent for all sectors.

We will not address skills shortages while remaining at the bottom of wage figures.

Seasonality is another issue that I know the sector contends with. Many accommodation providers are running at full capacity in peak summer season, and visitors can struggle to find accommodation.

It is inefficient for businesses to expand their facilities just to cope with the demand in January and February, if they struggle to fill the capacity for the rest of the year.

We need to stretch the shoulder seasons out and encourage visitors to come here in October and November, and April and May, when the weather is usually still quite good and there are fewer crowds.

The recent changes to the daylight savings hours will help us with this, as well as initiatives like Tourism New Zealand's "What's On" marketing campaign in Australia, that entices people to come here in the shoulder seasons.

There has also been the recent "Green and Gold" campaign, advertising to the Aussies that New Zealand is a fantastic destination to come to in autumn.

These campaigns have been great examples of where the industry has got together with the Government to help develop and fund these initiatives.

Research by the Ministry of Tourism shows that our best markets to address seasonality are Australia, China, and Korea. Lateral thinking is needed and opportunities exist to market conferences, events, major sports games and festivals as these often occur outside the peak times.

The emerging market of China is one we need to get right. That is why the Government has invested \$7 million from this Budget to manage and increase tourism marketing activities in that country.

Without targeted investment and smart policies we risk either failing to realise the potential economic benefits in China or exposing New Zealand to price-based, low quality growth and associated negative impacts.

I believe there are many opportunities ahead, and I strongly encourage lively discussions, which I am sure you will have here today.

I am pleased to hear that this conference is intended as an annual event for the hotel industry, and will be part of the ongoing discussions of the key issues you face.

The hotel sector has already come a long way in understanding its performance, and I commend New Zealand Hotel Council members' contribution to research which helps to inform, educate and enhance the sector's performance.

Thank you again for inviting me to speak today. I appreciate the support of the industry and I intend to work closely with you as New Zealand tourism enters a new 'phase'.

I strongly encourage you to read the draft strategy discussion document when it comes out next week and submit your feedback on any of its contents.

This is a watershed moment for us, and strong leadership is required. The revised strategy will shape the way we as a country address the challenges and opportunities we face in the tourism sector.

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