

**Hon Damien O'Connor**  
**Minister of Tourism**



8 May 2008

**Speech Notes**

## **New Zealand Hotel Industry Conference**

Kia ora.

It gives me great pleasure to be invited to open the second New Zealand Hotel Industry Conference. It's great to be back.

I'd like to acknowledge the significant support of Scenic Circle Hotels, as the platinum sponsor, in helping to make this event happen. Many thanks also go to the New Zealand Hotel Council, Horwath HTL, and Simpson Grierson, for once again co-hosting this conference.

I'd also like to take this opportunity to acknowledge John and his team here at the Langham. Langham Hotel was the deserved winner of both the hotel accommodation and overall visitor accommodation categories of the 2007 tourism awards - an outstanding achievement for which John and his team can be very proud.

### **Tourism strategy**

When I spoke to you this time last year, we were in the final stages of updating the New Zealand Tourism Strategy which was first launched back in 2001. In November last year, we launched the New Zealand Tourism Strategy 2015, and it was great to see a number of you at Parliament for the launch function.

The strategy to 2015 will guide how we develop tourism in New Zealand over the next seven years. It sets out the key challenges facing the sector, and we all know there are challenges ahead. But it also sets out what we need to do, together, to overcome those challenges.

And I emphasise the word ‘together’ because in the tourism industry, we cannot go out on our own. Our tourism product is New Zealand, in its entirety. For our strategy to succeed, we need buy-in across the economy, and to connect with other initiatives which will help the tourism industry achieve its goals.

We have recently completed a detailed plan to guide the implementation of the strategy to 2015. The plan, which will be released soon, sets out the “who” and “when” for each of the strategy’s 92 actions.

## **Employment**

One of the overarching goals of the tourism strategy is that the sector is **prosperous and attracts ongoing investment**. An impediment to this is the difficulty many operators are having in attracting and retaining staff, and I know that the hotel sector is certainly no exception. As you all know, unemployment is extremely low, in fact it hit a new low of only 3.4% in the December quarter – the lowest level since the Household Labour Force Survey began twenty years ago.

The labour supply issue is not going to be tackled overnight. We need to look at smart ways to attract, skill and retain people in the

sector. I understand that some hotels are offering increasing flexibility in shift hours and rosters. That's great to hear. Flexible work hours are an important incentive in a tight labour market.

Like all industries you want stable, hard working and diligent workers. Many of these people are likely to be mature workers. Switched-on employers I am sure have already considered and are actively pursuing the potential of these workers as we move forward with an aging population.

### **Immigration**

And at this time of record high labour market participation and record low unemployment, it is also essential that immigration is helpful to employers looking to fill skill shortages, while ensuring that risks are managed.

My colleague, Clayton Cosgrove, the Minister for Immigration, has recently directed immigration officials to consult a range of business representatives around the country, on how we can better utilise temporary and permanent migrant workers to support New Zealand's economic development.

Some of you may have attended the meeting in Queenstown recently. A positive outcome of that meeting is that the New Zealand Immigration service is looking to increase the capacity of its office in Queenstown in order to strengthen its ability to meet visa permit processing targets.

The government is open to initiatives to bring in seasonal workers. We are keen to promote greater uptake of Working Holiday Schemes and expand the numbers where feasible. But it is important to remember that if we do employ temporary workers that we work to ensure that their training needs are met, particularly if they'll be interacting with international visitors on the front line.

Good wages are also critical. Along with offering greater flexibility of hours, good wages are even more important in a tight labour market for retaining a skilled and reliable workforce.

### **Hotel rates**

Last year I talked a lot about the low profitability of the hotel sector. Hotel room rates are regarded as being low in New Zealand compared with international standards. Now I know that this is much easier said than done, and that it's easy for me to stand here telling you not to drop your prices in line with your competitor down the road. But as our tourism strategy says, we need to continue to focus on quality and develop and differentiate our products to encourage longer stays and greater spend.

### **Improve profitability**

To help improve business profitability, we need to stimulate demand outside the peak season. Clever marketing is one way to do this. Tourism New Zealand's "green and gold" campaign was first launched in August 2006 to entice more Australians across the ditch in the autumn months. By November last year, nearly 93,000 more Australians visited New Zealand compared with the same 15 month

period a year earlier. That equates to an additional \$56.7 million in visitor holiday spending. This campaign has just been revamped and relaunched.

I'd also like to take this opportunity to applaud Peter Blackwell and his team at AA Tourism for the recently revamped "101 must-dos" campaign. I think we probably all feel a little patriotic when we see the ads telling us to "get off our bums" to explore our own country. Now is the perfect time to target New Zealanders who have decided to do just that.

### **Conference centres**

Conferences and conventions also hold enormous potential for generating shoulder and off-season demand. Business events generate high expenditure, often include leisure travel add-ons and do not demand capacity in the peak season. There is an opportunity to build this market to effectively manage seasonality. But this cannot happen until we have suitable venues that cater for major conventions.

I'm pleased to note that options for a convention centre in Auckland are currently being researched by officials from both Auckland and central government.

### **Infrastructure**

The provision of world-class infrastructure, like this, is a key ingredient of delivering a world-class experience for our visitors. But world-class infrastructure comes at a high cost. A cost that needs to be met

by a combination of central and local government funding, and contributions from the private sector.

Funding solutions are not easy. Funding future infrastructure needs, and having a clear understanding of what those needs will be, is a big challenge for both central and local government. Healthcare, education, roading, police – these are all funding challenges for central government.

And the infrastructure funding challenges faced at the local government level – around roading, water, waste collection and treatment, airport and port facilities - are also critical to the tourism sector and not always easy to resolve in a city like Auckland.

### **Rugby World Cup**

The provision of appropriate infrastructure will be an important factor in determining our success in hosting the Rugby World Cup in 2011. Hosting the Cup presents a major opportunity for New Zealand to showcase the country over the next few years, while international attention is focused on the nation. Of course a direct benefit is the off-season business for the accommodation sector.

Estimates indicate a global viewing audience of 3.4 billion and 60,000 international visitors are expected to attend the event. The government is maintaining its commitment to underwrite the project up to \$190 million and the Eden Park Rugby Board is continuing negotiations with other parties to secure the remainder of the funding.

And no doubt there will be many other investments needed to cater for this great event.

## **GST**

I frequently hear calls from the industry for a share of the GST paid by international visitors to be reinvested back directly into the tourism industry. There is no doubt that GST is an important source of revenue for central government. International visitors alone contributed an estimated \$526 million to GST revenue in 2005.

## **Contribution to the economy**

Tourism is an important industry for New Zealand, and overall, tourism contributes \$18.6 billion to New Zealand's economy. Both central and local government recognise this through the investments we make. However, when the government redistributes revenue from GST and other sources, tourism certainly doesn't miss out.

## **Central government investment**

Central government reinvests money from the consolidated fund directly into tourism through marketing, research and policy activities. Central government also invests in roading and public transport initiatives, maintaining the conservation estate, protecting heritage buildings and more.

## **Sustainability**

Having world-class infrastructure goes hand in hand with our ability to protect and enhance our natural environment. This is a key theme of the New Zealand Tourism Strategy 2015 and is crucial for tourism.

The “sustainability” word is one you may well be sick to the back teeth of hearing about. But let me assure that it’s not just a buzz word that is going to be used until the next “fad” comes along. Business and environmental sustainability are vital and, in fact, are interdependent.

### **Environment**

I noticed in your agenda for the day that you will discuss the topic “increasing environmental awareness – a threat to the hotel industry.” Thanks to science and the media, the world is becoming increasingly aware of climate change. And we need to see it as an opportunity.

We are fortunate to have one of the most successful country tourism brands in the world – ‘100% Pure’. The brand has been an outstanding success. But in order to deliver on our ‘100% Pure’ image, we must take visible and credible steps to reduce and improve our environmental management.

### **Travel decisions**

I often think about the way people make decisions in relation to their travel to New Zealand. Travel here takes both time and money. We must be grateful many are prepared to make a somewhat irrational decision, based on a compelling emotional experience that is 100% Pure New Zealand. Increasingly marketing targets that emotional decision making which places us in a good position to go forward.

### **Improving quality**

We also need to make visible and credible changes to the way we operate our businesses. In February, the Langham became New

Zealand's first hotel to achieve international Green Globe certification – the highest level of green globe membership. This is a credit to John Dick and his team's enormous efforts in delivering on environmental best practice.

I also recently attended the launch of the new ICON conference centre at the Heritage in Queenstown. Heritage Queenstown teamed up with architects Warren and Mahoney, who specialise in environmentally sustainable design, to create the new facility. The Heritage Queenstown also became the first hotel in Queenstown to achieve Green Globe benchmarked status last year.

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

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.

With increasing expectations by all stakeholders on the Qualmark brand there is a growing risk that an individual operator or assessor who does not uphold the standards will undermine the brands integrity. We have to ensure those of you who are Qualmarked, are certain that, the system delivers, real value over time.

You will have heard of the work being done by Qualmark, with support from the government, to introduce new environmental criteria to recognise the various measures that businesses are taking to lift their environmental performance. I will not say too much more about this, except to say “watch this space,” as the new criteria will be announced at TRENZ in Rotorua at the end of this month.

Thank you once again for inviting me to speak today. Having seen the list of presenters you’ll hear from throughout the day, and the topics of your panel discussions, I’m sure you’ll have an informative day that sparks a lot of productive debate.

Thank you.