

John Key

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## Lifting our Game: My Vision for Tourism

Speech to the Hotel Industry Conference 2009

It's great to be here this morning to open your conference and to talk to you about such an exciting subject.

It is a privilege to be New Zealand's Minister of Tourism, to lead tourism in our beautiful country, and to promote our incredible scenery, our fine food and wine, our rich Maori culture, and the 100% pure experience.

Tourism is one of New Zealand's most interesting industries. It has many different operators and many different customers.

And its success is hugely important for our future. Already, one-in-ten working New Zealanders are employed in the tourism sector. It accounts for around one dollar in every five of our export earnings. And it makes up about 10% of our economy.

We need to keep this in mind, because it shows just how much we stand to gain if our tourism industry keeps lifting its game.

As hoteliers, you play a central part in tourism's success.

You provide our visitors and businesspeople with the quality accommodation they need to enjoy their holidays and do their work. Most importantly, you provide the hospitality they will remember when they return home.

Today I want to speak about the challenges and opportunities that you – and our tourism sector – face.

I will lay out my vision for tourism. And I will explain how we can work together to achieve that.

I will also make a pre-Budget announcement on one of the initiatives that came out of the Job Summit.

### Confronting the recession

In many ways, hotels are tourism's frontline. By looking at your occupancy rates and your forward bookings, you can tell just how well the tourism sector is doing. And because tourism is such a big part of our economy, you can get a feel for how well New Zealand is doing.

Recently the news has not been good.

Since January, visitor numbers have been down around 5% on last year's numbers, and that's leading to a similar drop in guest nights and occupancy rates.

I know that you will be working hard to get through this difficult patch and that some of you will be hurting at the moment.

However, I am extremely optimistic about New Zealand tourism and the part it will play in our future success.

There are a few reasons for this.

The New Zealand economy, and our tourist numbers, are holding up better than in many other countries. What's more, although visitor numbers are down, the overall tourist spend has barely declined at all, and confidence in the tourism sector actually increased in May over where it was a month earlier.

As the world recovers from the downturn, more people will get wealthier, and more of them will travel.

And New Zealand has some big competitive advantages that will allow us to benefit from this.

Broadly speaking, I see these advantages falling in three areas.

Firstly, we produce high-quality food that is in demand.

Secondly, our people have a great deal of ingenuity and creativity.

And thirdly, our outstanding scenery is the best in the world.

Tourism draws on each of these.

Our restaurants and wineries, which are increasingly important to our visitors, depend on the produce grown by our world-leading farming and fishing industries.

Our innovative tourism experiences, from bungy jumping to jet boat rides, are products of Kiwi ingenuity.

And our unique Maori culture and its stories, as well as our reputation for a clean and green environment, are rooted deep in our outstanding scenery.

### **My vision for tourism**

With this in mind, I have a vision for tourism in New Zealand.

It is one simple goal.

My vision is that we make the very most of our competitive advantages, and that we seize the many opportunities they provide.

I believe there are five things we need to do to achieve this.

We need to make New Zealand a higher-value destination. We need to respond to the world as it changes. We need to improve the business environment. We need to work more closely with each other. And we need to make the most of the Rugby World Cup.

I'd like to spend a few minutes exploring each of these points

### **Making New Zealand a higher-value destination**

In my vision for tourism, we will make New Zealand a higher-value destination.

To do this, we need to improve the quality of the products and experiences we offer, and we need to develop new products that attract higher-value visitors.

When wealthier tourists decide where to spend their holiday, they make a choice that is based less on price, and more on quality. So we need to become more conscious of the expectations higher-value tourists have for the products and experiences we offer.

We must also live up to our environmental responsibilities.

Our environment is a huge part of our brand. Climate change awareness, resource shortages, and intolerance of environmental degradation are playing a growing part in the choices that tourists make – especially those from wealthier markets.

The Government will work to protect the resources that tourism providers rely on – clean air, clean water, and unique landscapes. At the same time we will work at home and on the world stage to reduce greenhouse gas emissions and build global alliances that further the goals agreed at Kyoto.

But we must also acknowledge that our environment is not just there to be protected. It is there to be enjoyed.

Almost half our country is set aside in conservation estates, parks, and reserves. In itself, that is an important competitive advantage. We need to develop new tourism experiences that make the most of this in an environmentally responsible way.

A good example of this is the national cycleway.

### **The National Cycleway**

The cycleway is an idea that came out of the Job Summit in February.

Since then we have been looking at it in more detail, and I'd like to spend a few minutes talking about it now.

I see the national cycleway developing from a series of "Great Rides" through some of New Zealand's most beautiful scenery. Our long-term goal is to create a network that links these "Great Rides" into a uniquely New Zealand set of cycling experiences that connects and passes through our cities.

The routes for these Great Rides will be influenced by existing cycleways, facilities, and tourism attractions. We are working with councils and community groups to identify suitable routes that can boost employment and our regional economies.

It's my great pleasure to announce today that the Budget will allocate \$50 million over three years for the New Zealand Cycleway Project. I expect this investment will generate extra contributions to the Great Rides from regional organisations, community groups, businesses, and individuals.

The cycleway will help create jobs. It will create a high-quality tourism asset that will help attract higher-value cycle tourists and complement our 100% pure brand. And it will help unite and inspire regional communities in these difficult economic times.

We will shortly set up an advisory group to help local groups develop proposals for the "Great Rides", and I'm looking forward to announcing further details about this in coming months.

I hope that the cycleway is just the first of many ideas, both from government and from business, that make the most of the advantages that our unique landscape provides.

### **Responding to a changing world**

In my vision for tourism, we will respond to a changing world.

It is essential that our brand continues to capture the imagination of customers in our key tourism markets – even as their expectations change.

We need to ensure our marketing efforts are focused on the right countries. That means the markets that have traditionally generated many of our visitors, such as Australia and the United Kingdom. But it also means developing newer markets with a growing number of wealthy tourists, such as China.

China has around 53 million outbound tourists a year but only 100,000 come here. As it gets wealthier, there will be a lot of potential growth we can tap into.

That's why tourism was one of the big issues on the agenda when I visited China last month. And that's why we have signed a tourism cooperation agreement between our two countries. This will lead to greater coordination between Tourism New Zealand, our Ministry of Tourism,

and the China National Tourism Administration.

In every international market, we must make the best use of our limited assets.

As we outlined in our election policy, we want to bring together our primary agencies – Tourism New Zealand, the Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise, to help promote and market New Zealand on the world stage. We will have more to say about this in coming months.

We also need to boost the amount of money we spend.

The world tourism market is hugely competitive and we are up against some very big players. And yet tourism marketing hasn't had a funding increase for about eight years.

Don't get the wrong message here. There won't be a big boost in this year's Budget.

But I do expect that over the next few years the Government will put more into the pot.

### **Working together better**

In my vision for tourism, we will work together better.

As Bill English said in his speech to Chief Executives a few weeks ago, we are looking for good ideas and it doesn't matter where they come from.

As a government, we know we don't have the answer to every problem, and we certainly know we don't have all the good ideas.

I am keen to explore ways we can work more closely with businesses and Regional Tourism Organisations.

One idea that came out of the Job Summit was a tourism fund to provide contestable funding for good ideas in the sector. It could work like this. We put in a certain amount of money. Then RTOs, businesses, and other tourism bodies can contest that money if they put in some of their own.

We've already done a bit of this. Just last month we announced that the government is providing an immediate \$2.5 million boost for tourism promotion in Australia. Air New Zealand matched this with another \$2.5 million.

Our research suggests that this could create around \$65 million of revenue for New Zealand and deliver about 35,000 extra tourists from Australia. It is early days, but it looks like the number of tourists coming out of Australia has increased since this funding boost.

### **Improving the environment for business**

In my vision for tourism, we will improve the environment for tourism businesses.

We have begun the first phase of reforms to the Resource Management Act. This will reduce the costs, delays, and uncertainties associated with tourism developments.

We have also begun to review other important regulations such as the Building Act, the legislation governing the electricity sector, and the Overseas Investment Act.

On top of this, Rodney Hide is looking closely at rules and regulations across all sectors.

And we have launched our Small Business Relief Package. This cuts red tape and makes it easier and less expensive for small businesses to manage their cash flows and pay their taxes.

We also want to cut red tape at the border.

When I visited Australia earlier this year, Prime Minister Rudd and I agreed to streamline the customs and immigration at international airports for trans-Tasman flights. Our thinking is that the more we can get Trans-Tasman travel to feel like a domestic flight, the more Australians will come to New Zealand.

I expect we'll be able to make some announcements about this when I head to Australia again in August, but it's fair to say things are progressing well.

The Government is boosting infrastructure investment in state highways, schools, and broadband – areas which will bring benefits to the tourism industry in coming years – but there are also some important elements of our tourism infrastructure that need some work.

There is no doubt that business visitors tend to be higher spenders than regular tourists, and when they come to a country like New Zealand for a convention they tend to tack on a nice little holiday. So we are looking at what we can do to tap into this higher-value market.

Another area where I am keen to see some real improvement is in the facilities and experiences we provide for cruise-ship visitors. We make a bit of money out of cruise-ship passengers, but we are yet to really make the most of our opportunities.

The number of visitors we get from cruise ships is set to boom in the next few years and we need to lift our game. We are looking closely at what can be done to boost investment in this area.

### **Making the most of the Rugby World Cup**

In my vision for tourism, we will make the most of the Rugby World Cup.

In recent months I have announced that the Government is providing some investment for several sports stadiums that will host Rugby World Cup games.

The potential around the Rugby World Cup is absolutely huge. It is the third largest sporting event in the world. It has a worldwide audience in the billions. And it runs for a very long time – 44 days – at a time that can extend our summer season by a couple of months.

As Prime Minister and Minister of Tourism I have three priorities:

- Make sure that we have the right infrastructure in place and that the tournament goes smoothly.
- Make sure that we make the most of the opportunities the World Cup presents.
- And make sure that we win!

Admittedly, I don't have much say in that third bit – but that's not what I'll tell my son if we come out on top.

Every single person in the tourism industry needs to realise that it may be some time until we get another opportunity as big as the World Cup.

We need to remember that a large proportion of the people who travel to New Zealand for the World Cup won't just come for the rugby. They will come for the festival atmosphere associated with the rugby – the wine and the food, the unique cultural experiences, our world-famous hospitality. We must make sure they get what they are looking for – and more, and that they tell all their friends about it.

Making the World Cup a success is one of our absolute priorities and there is a lot of work going into this.

The Cup will stretch our resources in a way that no other event has. We need to make sure that what we provide is up to standard. Visitors must leave New Zealand singing our praises and yearning to return, not complaining about the experience they have had.

**Your role**

Which brings me to the final point I want to make today.

The burden for providing a high quality World Cup experience falls just as heavily on our hotel industry as on any others, since you will provide accommodation for most of our visitors.

Ultimately, the experiences our World Cup visitors – and all tourists to New Zealand – have here don't have much to do with government policies, marketing campaigns, or tourism initiatives. They have more to do with the skills, the facilities, and the attitudes of people working in the sector.

As I pointed out at the beginning of this speech, tourism is one of New Zealand's most interesting industries. It has many different operators satisfying many different customers. This adds up to a challenge for government.

We know that we don't have all the answers. We know that there is only so much we can do.

Yes, we can provide leadership. Yes, we can provide direction. But if New Zealand is to make the most of our competitive advantages, if we are to seize our opportunities and lift our game, the best ideas, the hardest work, and the greatest contribution, will need to come from people like you.

**Conclusion**

Ladies and gentleman, tourism is hugely important for our economy and our future. It is experiencing some challenges at the moment, and as hoteliers you are at the frontline of these.

But New Zealand has some important competitive advantages, and we have much to gain if we can keep lifting our game.

I have a clear vision for tourism – that we make the most of our advantages and seize the opportunities they provide.

To do this, we need to make New Zealand a higher value-destination. We need to respond to a changing world. We need to work together better. And we need to improve the environment for business.

We also need to make the most of the Rugby World Cup.

We can do these things – and more – but we can only do them by working together.

In the months and years ahead I'm looking forward to listening to your ideas, working with you to develop them, and making the most of the advantages we have.

Let's get down to work.

Thank you and best wishes for your conference.