

# Hotel Leaders Forum

Chair:

Vasso Zographou – Horwath HTL

Panellists:

Paul Richardson - Accor

Jeff Shearer - Heritage

David Shackleton - Intercontinental Hotels Group

Matt Taplin – Millennium & Copthorne Hotels

Brendan Taylor – Scenic Hotel Group



# Overview

- Aviation Update
- Auckland
- Wellington
- Rotorua
- Christchurch
- Queenstown
- Dunedin
- Critical Issues
- Global Pulse
- Other Issues



- Worst downturn in aviation history.
- Worlds airlines waging fare warfare.
- Trans pacific route = 30% ↑ in capacity = QF + UA & VA & DL
- Trans pacific now loss making (was previously a protected route).
- IATA says 2009 grim.
- A significant recovery in 2010 requires more optimism than realism.
- \$7B in losses for world wide airline industry.

## Qantas Cutbacks

- Further redundancies = 1,750
- 10 aircraft grounded / for sale.
- Capacity cuts (5%):
  - United States,
  - United Kingdom,
  - South Africa,
  - Domestic routes.
- Capital deferments:
  - 4 x A380 >> 1 year
  - 12 x 737's >> 14 months
  - Negotiating 15 x 787 Dream Liners
- 2009 profit forecast 80% ↓ >> \$100 - \$200M

## Air New Zealand Update

- NPAT ↓79% 1H FY08/09.
- Long-haul capacity ↓ (mix of smaller aircraft type & flight frequency)
- Forecast Long Haul capacity ↓14% > last qtr FY08/09.
- Reduction in long haul cabin crew positions = ↓ labour \$\$
- Capacity ↓ + labour cost ↓ + fuel cost ↓ = ↑2H FY08/09 financial performance.



# Auckland

KPI	Year End 2008			YTD	
<b>Occupancy</b>	73%	▼	1%	77%	▼ 4%
<b>Average Daily Rate</b>	\$146	▲	\$3	\$148	▼ \$7
<b>RevPAR</b>	\$106	▲	\$1	\$113	▼ \$12
<b>Income Before Fixed Costs</b>	30.6%	▲	1%	N/A	N/A

	2009	2010	2011	2012
<b>New Supply</b>	95	370	126	-

- Change from the previous year's data
- Sources – Covec 2008 results and YTD March 2009 & Horwath HTL Survey of Operations

# Revpar and EBITDA in Auckland market will increase/decrease in the next 12 months by:

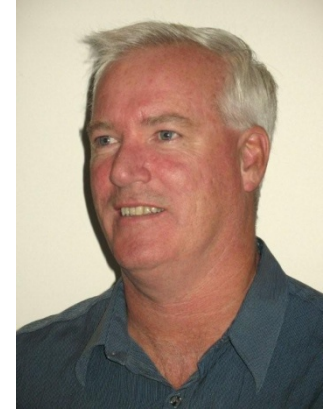
## Revpar

1.  $-10 \geq R\%$
2.  $-10 \rightarrow -6\%$
3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Auckland market will increase/decrease in the next 12 months by:



REVPAR -6 → 10%

-5 → 0%

-10 → -6%

-10 → -6%

0 → 1%

EBITDA Moderate ↓

Moderate ↓

Moderate ↓

Moderate ↓

Marginal ↑

# Within the context of a 4 star plus hotel in Auckland which market segments are likely to offer the greatest volume decline in the next 12 months?

1. Volume Corporate
2. Domestic FIT/Leisure (direct booking)
3. International FIT/Leisure (direct booking)
4. Groups
5. Wholesale
6. All segments!

# Within the context of a 4 star plus hotel in Auckland which market segments are likely to offer the greatest volume decline in the next 12 months?



Int FIT

Local  
Corporate



Int FIT

Groups



Int FIT

Groups

Wholesale



Groups

Wholesale



Wholesale

Volume  
Corporate

# Australian Outbound Departures to New Zealand



Visitor Compound Annual Average Growth (CAAG):

CAAG (2002 - 2007) = 8.6%

CAAG (2007 - 2012) = 2.2%

CAAG (2012 - 2017) = 1.7%

# Australian Airfares

## International Flights

London, France, Germany, Italy, Netherlands,  
Russia

USA, South America

China, Hong Kong,

Singapore, Kuala Lumpur, Thailand, Fiji,  
Vanuatu, Noumea

New Zealand

## Domestic Flights

Eastern Seaboard

Eastern Coastal

Coast to Coast

## Return Airfare

< AUD\$1500

< AUD\$1000

< AUD\$700

AUD\$240 - \$400

## Return Airfare

AUD\$100 - AUD\$200

AUD\$100 - AUD\$200

AUD\$300 - AUD\$350



# Wellington

KPI	Year End 2008		YTD	
	Value	Change	Value	Change
Occupancy	71%	▲ 3%	72%	▼ 4%
Average Daily Rate	\$147	▲ \$3	\$145	▼ \$8
RevPAR	\$104	▲ \$6	\$103	▼ \$12

	2009	2010	2011	2012
New Supply	-	-	54	-

- Change from the previous year's data
- Source – Covec 2008 results and YTD March 2009

# Revpar and EBITDA in Wellington market will increase/decrease in the next 12 months by:

## Revpar

1.  $-10 \geq R\%$
2.  $-10 \rightarrow -6\%$
3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Wellington market will increase/decrease in the next 12 months by:



<u>REVPAR</u>	0 → 5%	0 → 1%	-10 → -6%	-10 → -6%	N/A
<u>EBITDA</u>	Marginal ↑	Marginal ↑	Moderate ↓	Moderate ↓	N/A



# Rotorua

KPI	Year End 2008		YTD	
	Value	Change	Value	Change
Occupancy	66%	▼ 2%	71%	▼ 8%
Average Daily Rate	\$109	-	\$111	▼ \$4
RevPAR	\$72	▼ \$3	\$79	▼ \$12

	2009	2010	2011	2012
New Supply	-	-	-	-

- Change from the previous year's data
- Source – Covec 2008 results and YTD March 2009

# Revpar and EBITDA in Rotorua market will increase/decrease in the next 12 months by:

## Revpar

1.  $-10 \geq R\%$
2.  $-10 \rightarrow -6\%$
3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Rotorua market will increase/decrease in the next 12 months by:



**REVPAR**

-10 ≥ R%

-10 → -6%

N/A

-10 ≥ R%

N/A

**EBITDA**

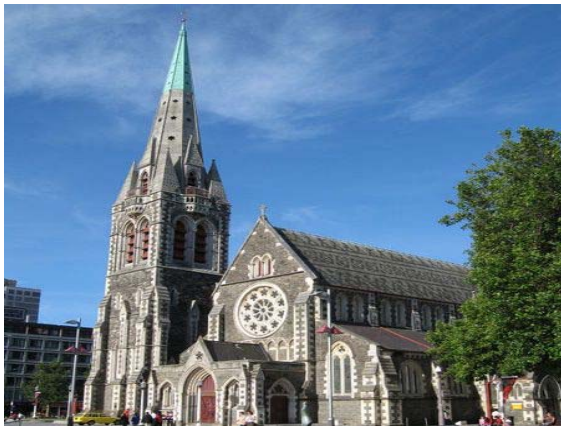
Significant ↓

Significant ↓

N/A

Moderate ↓

N/A



# Christchurch

KPI	Year End 2008		YTD	
Occupancy	68%	▼ 2%	77%	▼ 4%
Average Daily Rate	\$127	▼ \$6	\$128	▼ \$7
RevPAR	\$87	▼ \$7	\$98	▼ \$12

	2009	2010	2011	2012
New Supply	154	-	171	-

- Change from the previous year's data
- Source – Covec 2008 results and YTD March 2009



# Revpar and EBITDA in Christchurch market will increase/decrease in the next 12 months by:

## Revpar

1.  $-10 \geq R\%$
2.  $-10 \rightarrow -6\%$
3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Christchurch market will increase/decrease in the next 12 months by:



REVPAR -6 → 10%

-5 → 0%

-10 ≥ R%

-10 ≥ R%

-6 → 10%

EBITDA Moderate ↓

Moderate ↓

Significant ↓

Significant ↓

Significant ↓



# Queenstown

KPI	Year End 2008		YTD	
	Occupancy	63%	▼ 6%	69%
Average Daily Rate	\$137	▲ \$2	\$145	-
RevPAR	\$87	▼ \$7	\$101	▼ \$18

	2009	2010	2011	2012
New Supply	50	276	235	-

- Change from the previous year's data
- Source – Covec 2008 results and YTD March 2009

# Revpar and EBITDA in Queenstown market will increase/decrease in the next 12 months by:

## Revpar

1.  $-10 \geq R\%$
2.  $-10 \rightarrow -6\%$
3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Queenstown market will increase/decrease in the next 12 months by:



REVPAR

-10 ≥ R%

-5 → 0%

-5 → 0%

-10 ≥ R%

-5 → 0%

EBITDA

Significant ↓

Moderate ↓

Moderate ↓

Significant ↓

Moderate ↓

## Hot Accommodation Deals

- Surfers Paradise 5 Star (airfare and 4 nights) - \$109  
- \$212 per night (including return airfare)
- Perth 5 Star – \$285 - \$400 per night  
Perth 4 Star – \$200 per night
- Cairns 5 Star - \$170 – \$185 per night
- Port Douglas 5 Star (airfare and 4 nights)  
- from \$150 per night (including return airfare)

# Revpar and EBITDA in Dunedin market will increase/decrease in the next 12 months by:

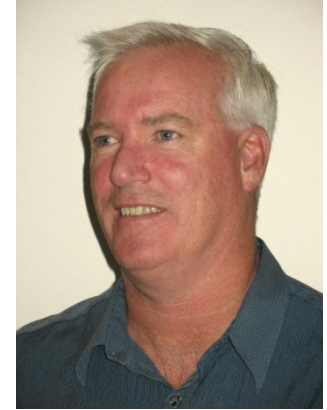
## Revpar

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3.  $-5 \rightarrow 0\%$
4.  $0 \rightarrow 1\%$
5.  $1 \rightarrow 5\%$
6.  $6 \rightarrow 10\%$

## EBITDA

- Significantly Decrease
- Moderately Decrease
- Marginal Impact
- Moderately Increase
- Significantly Increase

# Revpar and EBITDA in Dunedin market will increase/decrease in the next 12 months by:



REVPAR 0 → 5%

N/A

N/A

-5 → 0%

-5 → 0%

EBITDA Marginal ↑

N/A

N/A

Marginal ↓

Moderate ↓

**Most Critical Issue Impacting the New Zealand  
Accommodation Market from an operational perspective in  
the next 12 months >>>**



# Most critical issue impacting the New Zealand Accommodation Market >>>



Global economy  
International arrivals ↓



Global economy.  
Unemployment (fear).

# Most critical issue impacting the New Zealand Accommodation Market >>>



Operators ability to hold/improve margins.  
No new investment.  
Debt commitment capability.



Nervousness about future / inability to spend.  
Economy accelerating changing travel habits.  
Shrinking Local/Global economy.

# Most critical issue impacting the New Zealand Accommodation Market >>>



The negative global economic effect on  
Group Wholesale Market.

**Opportunities in the current market and economic  
circumstances in the areas of >>>**



# Opportunities in the current market and economic circumstances in the areas of >>>



Rethink business > prepare for the upturn.  
Review cost structures.



Domestic (incl Australia) market.

# Opportunities in the current market and economic circumstances in the areas of >>>



Streamlining business.  
PM equals tourism portfolio.  
Independents conversion to branded operators.



Tough times are accelerating change,  
notably in distribution channels.

# Opportunities in the current market and economic circumstances in the areas of >>>



Re-Structure services to better cater to changing client mix.

# I See the Light at the End of the Tunnel in the:????

- 1<sup>st</sup> half of 2010
  - 1<sup>st</sup> half of 2011
  - 1<sup>st</sup> half of 2012
  - No one knows!!!!
- 2<sup>nd</sup> half of 2010
  - 2<sup>nd</sup> half of 2011
  - 2<sup>nd</sup> half of 2012



# I See the Light at the End of the Tunnel in the:????



1<sup>st</sup> ½ 2010



2<sup>nd</sup> ½ 2010

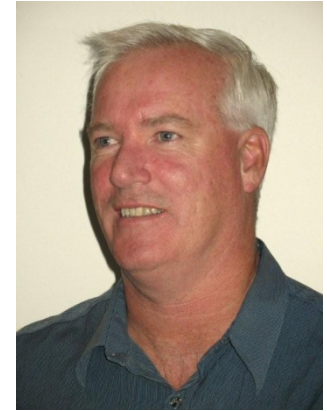
No one knows



No one knows



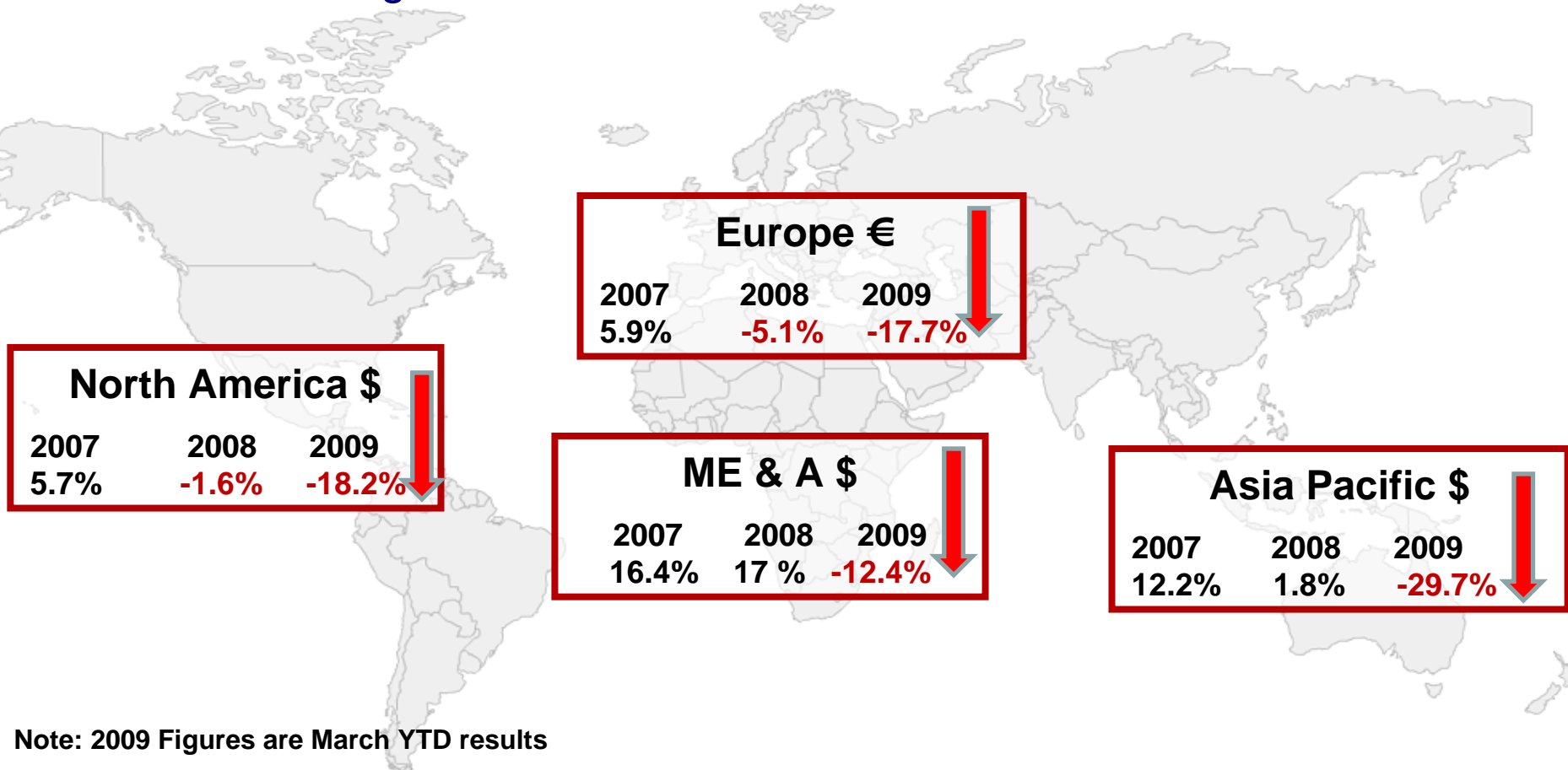
1<sup>st</sup> ½ 2011



2<sup>nd</sup> ½ 2011

# Global: RevPAR declines

RevPAR % change



# Focus on Asia: RevPAR 2009

## RevPAR % change

Europe €	
2008	2009
-5.1%	-17.7%

ME & A \$	
2008	2009
17%	-12.4%

US \$	
2008	2009
-1.6%	-18.2%

Asia Pacific \$	
2008	2009
1.8%	-29.7%

Asia Pacific 2009 local currency	
Australia	-5.6%
China	-32.6%
India	-39.5%
Japan	-12.9%
New Zealand	-7.9%
Singapore	-28.2%
Thailand	-32.2%

Note: 2009 Figures are March YTD results

# Post Market Recover, New Supply Opportunities will arise in?

- Auckland
- Wellington
- Rotorua
- Christchurch
- Queenstown
- Dunedin



# Post Market Recover, New Supply Opportunities will arise in?



NIL



Wellington



Auckland  
Wellington



Wellington



Queenstown  
Dunedin  
West Coast