



New Zealand Chambers of Commerce (Inc)

Submission on the Draft New Zealand Tourism Strategy 2015

June 2007

Introduction

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 34 Chambers of Commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are in the SME category our membership includes most of the largest corporations in New Zealand.

Tourism is a vitally important sector and NZCCI is pleased to be able to make this submission.

Infrastructure

Increased investment in infrastructure is needed to sustain growth in New Zealand's tourism industry. Not just tourism specific infrastructure (hotels and tourist attractions etc) but supporting infrastructure as well.

Transport infrastructure is particularly important. Improved transport links across the country, minimising congestion within cities, investment in rail and airport facilities and improved domestic and international air links are necessary. In addition to transport, certainty of electricity supply and developed telecommunication services are crucial in enhancing the visitor experience.

The processes slowing down the approval of hotel construction and tourist attractions need to be addressed. In spite of the significant investment in nationwide accommodation since 2001 (\$1.1 billion) guest accommodation data shows that shortages are likely to continue in some areas.

Private and public sector investment in infrastructure is needed if we are to meet the demands of future tourism growth and continue to attract more visitors to the country.

The International Market

NZCCI strongly supports the promotion of New Zealand offshore and the development of international tourism markets. When prioritising expenditure in different markets it is clearly a difficult balancing act between existing large/wealthy markets and new emerging markets.

The strong economic growth of India and China, the size of their populations and their relative proximity to New Zealand means investment in these emerging markets is crucial.

Notwithstanding this, it is important not to neglect established markets which may not have reached their full potential. For example the marketing of New Zealand cities as a weekend destination for Australians is a relatively new and innovative idea.

The Domestic Market.

While growth in the international market is likely to be much stronger than growth in the domestic market over the coming years, the domestic market must not be overlooked. As New Zealand's economy grows New Zealanders' expenditure on travel can be expected to increase. Much of this will be inter-regional domestic travel.

While tourism is recognised as one of New Zealand's top export sectors, "imports" of tourism ie New Zealanders travelling overseas, mean the net figures could be better. While obviously not favouring restrictions of New Zealanders holidaying overseas, promotions encouraging them to "See New Zealand First" are at least as worthy as "Buy New Zealand Made" campaigns. The successful campaigns promoting Wellington to the rest of New Zealand are an example.

Increased Yield and Visitor Numbers

While we agree that expenditure per visitor and yield are more important than visitor numbers, we should not underestimate the importance of the latter. Lower spending visitors still have a story to tell when they go home. If they have a good experience they may come back in the future – when they have more money to spend. (Many backpackers fall into this category.) While not disputing the economic value of "high quality" tourists, in this sense all visitors are important.

It is important to note that the strengthening dollar will have more of an effect on expenditure per visit than it will on numbers of visitors.

While we agree "moving beyond competition based solely on price and focusing on increasing yield makes tourism businesses more successful", we should not underestimate the importance of competition in the industry. Furthermore, we do **not** support calls from the industry to raise hotel prices as a way of increasing yield which would impact on domestic users equally.

Seasonality

To address the difficulties associated with the seasonal nature of the industry (eg sub-optimal asset utilisation and overcrowding), Individual operators are likely to take steps to address the costs associated with seasonality (diversification, snow making machines etc).

We caution against trying to flatten out the seasonal peaks and troughs at the central/national level. Seasonality is inherent in New Zealand tourism and attempting to remedy this through intervention could have unforeseen consequences such as advantaging certain regions or sectors at the expense of others. One positive step that can be taken at the regional level is the establishment and promotion of a year round calendar of events.

Environmental Sustainability

Increasing environmental awareness around the world makes environmental sustainability one of the tourism industry's most important objectives. It presents both strengths and weaknesses to the industry.

New Zealand has for some time promoted itself as clean and green ("100% Pure"). Notwithstanding the merits of this campaign, increasing environmental awareness has made the industry vulnerable in the sense that if the image is not able to be verified, New Zealand's reputation could be threatened.

Environmental Impact of Long-Haul Flights

Increasing consumer concerns about the carbon emissions associated with long haul flights pose a real risk to New Zealand as a tourist destination.

It is doubly important that the industry is able to demonstrate sound environmental standards to compensate for the environmental impact of long haul flights (in the same way the agricultural sector must demonstrate environmentally friendly domestic production offsets the environmental impact of transport to markets.)

New Zealand's Distance from its Markets

New Zealand's distance from its markets makes international air capacity an important issue for the industry.

In addition to the risks to air travel associated with climate change, New Zealand is vulnerable to the economic vagaries facing the air transport sector. New Zealand would benefit from an increased number of international airports and long haul routes connecting the country with the rest of the world.

There is insufficient discussion of this or the increasing importance of cruise liners in the New Zealand tourism industry in the Draft Strategy.

The Retail Sector

While the retail sector is not a significant driver of international visitors to New Zealand, a major component of the tourism sector is tourism shopping. At \$1.4 billion in 2005, this represents 20% of tourism expenditure yet it is hardly mentioned in the Draft Strategy.