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Acknowledging the best in the hotel industry

The New Zealand Hotel Industry Awards saw a dynamic group of individuals honoured by their industry.

The managing director of Dynasty Hotel Group, Jeffrey Tang, who established the Heritage Hotel, CityLife Hotel and Heritage Boutique Collection brands in New Zealand, has been awarded the Hotel Industry Achievement Award for his outstanding contribution to New Zealand's hotel sector.

From his first New Zealand hotel opening in 1995 to today, Tang has developed an impressive collection of properties in New Zealand, from the award winning Heritage Queenstown through to the 'by invitation only' Heritage Boutique Collection.

"On behalf of the Heritage Family, I am honoured and delighted to receive this award. I am extremely grateful for the privilege and opportunity to be involved in the New Zealand hospitality industry over the last two decades. I am indebted to my brother Keith and our beloved father, Mr Tang Wee Cheng, whose wisdom and guidance remains with us in all our endeavours to this day," he said in accepting the award.

The award is not presented every year, only when deemed there is merit, and goes to an individual who has made an outstanding contribution to the New Zealand hotel industry, according to awards judge Stephen Hamilton, of co-host Horwath HTL.

"In two decades Jeffrey Tang has established a respected group of New Zealand hotels, built strong brands and been a constant innovator. He also provides employment for more than 500 people and is committed to numerous local children's charities and community projects, making him a very worthy recipient of this special award," says Hamilton.

Senior Hotel Executive

Jeffrey van Vorrsele, managing director of The Langham, Auckland, was named Senior Hotel Executive of the Year.

Van Vorrsele has more than 20 years experience in the hotel industry and has held hotel management roles all over the world. A New Zealander, he returned home in 2008 to run The Langham, Auckland.

Under his leadership, The Langham, Auckland has consistently achieved outstanding financial results and excellent guest feedback, as well as demonstrating a commitment to environmental sustainability.

"Jeffrey always puts excellent customer service at the top of his priorities and is



Terry Ngan (left) of co-host Horwath HTL with Jeffrey Tang.



Jeffrey van Vorrsele

passionate about staff development. He has an impressive track record and has shown true leadership in the hotel industry," Hamilton says.

Environmental Initiative Award 2012

Novotel Auckland Airport, which opened in May 2011, won the Environmental Initiative Award 2012 for its commitment to environmental principles.

"The judges were looking for a hotel that showed innovation in its environmental programmes and had the potential to

influence the way the hotel industry operates in future," Hamilton says.

The hotel stands at the gateway to New Zealand for many travellers, and sustainable design was a core value and was integral to the build of Novotel Auckland Airport.

From sustainably managed New Zealand indigenous timbers to low energy fittings, the environmental stewardship and the integrity of the design is evident throughout the hotel. Materials and finishes were selected not only for their durability and beauty but also for their low environmental impact.

Bright star

He started as a part-time attendant at Inter-Continental Wellington some 10 years ago while studying law, and now Ben Schmidt has been named Hotel Industry Outstanding Young Hotel Executive of the Year. Currently Director of Rooms, Schmidt has rapidly risen through the ranks of the hotel.

Meanwhile Tim Dearsley, general manager of All Seasons Christchurch, and Scott Wallace, the director of operations New Zealand for Millennium Hotels and Resorts were honoured with a Special Award for their outstanding efforts to care for the visitors to Christchurch after the earthquakes. ■

Amanda Wignell Photography

A unique part of history

The times are changing and there is no going back, says economist Cameron Bagrie.
By Annie Gray.

It would be hard to go past ANZ New Zealand's chief economist, Cameron Bagrie, for telling it like it is.

In a riveting and very accessible keynote address at the New Zealand Hotel Industry Conference at the Pullman, Auckland in late May Bagrie told delegates straight up: "Upfront – it's tough and going to continue to be tough."

He says that what New Zealand will experience in the next five to 10 years is going to be remembered as a unique part of our history "because we either make it work or make a meal of it".

He explained that in 2008 the old economic model blew up. Credit grew two to three times the rate of people's income. At some stage the market was going to call time, and did so in 2008.

"What we have been struggling with ever since is cleaning up the legacy issues and unlocking opportunity."

Four years later we now have record low interest rates and private sector debt as a portion of GDP has declined. People have cleaned up their act but [globally] public sector debt has exploded.

In 2012 we now have more debt in the global system than we had in 2008 and debt has shifted from the private sector to the public sector.

What we have now is insolvency of countries, although, he says, Greece is a bit of a sideshow and the world is looking at Spain and even Italy and France.

Bagrie says the western world is facing a fundamental shift in attitudes.

"Rule One: Money in before it goes out. We are talking about changing the DNA of society."



Amanda Wignell Photography

Cameron Bagrie

If the balance sheet is weak you can cut costs and can tip the revenue line. "If in debt or there is more money going out than coming in and you can fire revenue, that is the game to play.

"Running an economy is no different to running a business."

He says you must find points of differentiation. "You need to have something different in your offering or brand. You need points of difference and areas of comparative

"Our natural endowment is built by having a diversified portfolio of land, heritage assets..."

NZ is uniquely placed globally because we have got the right strategic assets and we are aligned to countries that do not have these. For instance New Zealand is long in food, Asia is short in food.

Bagrie says New Zealand needs a multi-pronged attack in unlocking our natural endowment.

But, for the future: "The only trend is that there is not going to be a trend." This is what happens when legacy issues and opportunities clash. Unlocking the latter comes back to differentiating.

He also pointed out that the United States Government is now a huge debtor to the world with some US\$2,310,000,000,000 of debt. However Bagrie says the US has a bit of time because it is getting some growth.

He believes New Zealand needs to watch for the six "Cs".

Contagion Risk: We need credible government and he says both political parties understand we need a plan.

Confidence: Good fundamentals but they are receding. He sees a real resilience story

But, for the future: "The only trend is that there is not going to be a trend."

New Zealand, he says, has woken up to the brutal reality that it is a different world. He says society in New Zealand is accepting the basics of what needs to be done, but Greece, Spain and France believe we are going back to pre-2008 behaviour.

He says for countries with too much debt there are different ways to deal with it – default; pay back the debt; or go for growth.

advantage to drive your business relative to competitors. Once you have identified that you can go and get your market." And Bagrie says New Zealand has a unique strategic advantage in that going by its natural resource base it is the 8th wealthiest country in the world. Australia is 13th and the other top seven countries globally in regard to natural resources are oil-producing countries.

in New Zealand with people just getting on with it.

Number three is the cost of funds and the fourth “C” is China which is slowing from a gallop to a canter. Then it is currency, which has come down in the last few weeks and finally commodities.

Essentially, he says he is cautious but not panicking.

“Welcome to a world of slow payback and ‘grumpy’ growth.”

Bagrie believes the way forward lies in unlocking the future and remobilising assets, remobilising capital and altering the skill set of the economy.

Tomorrow’s model will be about earning

potential – engineers and scientists.

He says we need to welcome differentiation as a key dynamic and New Zealand does have that on four levels which are not often quoted:

1. Our natural endowments which he says are strategic weapons to be unlocked.
2. A sound political framework.
3. Evidence that society is getting it and changing its attitudes away from merely spending (the current debates around Kiwisaver and the retirement age).
4. Micro economic reform in New Zealand.

And he points to New Zealand’s free trade agreements as another weapon. The country now has FTAs with 29 percent of the

global population and is negotiating with another 27 percent of the world population.

But, says Bagrie, there is no quick fix to the economic challenges. Twenty year legacy issues cannot be sorted out over-night and he points to a world of volatility where business sector success will be delivered by micro economic moves not by macro economics.

“If you are waiting for the economy to go back to 2008 to rescue your business – sell it.”

It comes back, he says, to micro economics, leadership, strategic planning, going after market share and differentiation.

“In my view the next five to 10 years will be defining - either we make a meal of it or make lots of money.” ■



Rachael Shadbolt and panel

Amanda Wignell Photography

Leadership in hotels

The Tourism Industry Association’s sector manager hotels, Rachael Shadbolt, posed some interesting questions in her lead-in to the panel session on ‘Leadership in Hotels: Has the role of a general manager changed?’

She said that today general managers are now champions in learning and talent development particularly with Generation Y managers coming through who want quick career progression and pathways.

More than ever, she said, the GM is expected to achieve more with less. Traditional distribution channels need to be maintained while managers are also grappling with online travel agents and the end game is to drive revenue.

They are also faced with drastic changes in markets and need to work to develop staff to address these changing demographics.

As Jeffery van Vosselen, the managing director at The Langham, Auckland, noted, these days general managers are less specialised in one particular area.

Hotels, he said, are less silo-ed, GMs are working in an open and fluid environment and that required them to have wider knowledge and a broader skill base.

As to the deluge of information they must absorb and respond

to, the general managers on the panel, (who also included Penny Clark of Goldridge Resort Queenstown, Olivier Lacoua of Quality and Comfort Hotels Wellington and Kristine Kilpatrick, director human resources NZ at IHG) agreed the volume of information was enormous.

“You are getting benchmarked in real time. Seeing results coming through and information that means you must make quick decisions,” said van Vosselen.

Lacoua noted that he checks on his Blackberry all the time and responds in real time to let guests know they are taking notice and that they are listening.

Asked about the Langham, Auckland’s strategy on TripAdvisor, van Vosselen said they are endeavouring to provide an experience where guests leave and do post on TripAdvisor.

“We see TripAdvisor as very powerful...it is about having a service culture where you are confident you deliver great experiences.”

He goes to TripAdvisor twice a day to check the Langham, Auckland’s reviews and competitors reviews.

And does he respond to reviews?

“We don’t respond to every positive one but respond to specific ones and respond to all negative ones.” ■

Flat demand ahead

A study of tourism forecasts from 2006 to 2012 against the actual visitor numbers and visitor nights has shown very little growth in demand over the period, says Horwarth HTL director Stephen Hamilton.

He says that his analysis of past New Zealand tourism forecasts versus actual, found effectively no growth in key demand segments over the past decade in:

- international leisure visitor nights;
- international business visitor nights;
- and domestic visitor nights.

So what issues does this bring up for the hotel industry?

Hamilton noted that over the period overall supply increased but there was almost no demand increase.

In turn most new hotel/apartment product has been at the top end of the market and this has put pressure on room rates in all segments of the market.

Hotel performance over the past five years has seen occupancy rates in most centres fall from 2007 to 2009, with the exception of Wellington. This was followed by a general recovery in 2010 as the domestic recession faded only to see the industry face the complex impact of events in 2011 namely the Christchurch CBD earthquake; the opening of the Hilton Queenstown and the RWC.

As to the future outlook for visitor and hotel demand Horwarth HTL's projected international visitor demand sees visitor arrivals shaved back a little although the main growth is still



Stephen Hamilton during another session.

assumed to be from China. In turn, visitor nights are also slightly lower reflecting a reduced Average Length of Stay.

"It seems evident there will be a decline in visitor arrivals in 2012 (calendar year) and a higher decline in visitor nights. This is based on the changing mix in visitor arrivals and no RWC in 2012," he said. "The underlying trend was evident in 2011, and we can only be grateful for the RWC."

Hamilton said the combined effect of a flatter outlook for visitor arrivals, a reducing international ALS and no decline in domestic overnight visits, is a minimal overall growth outlook for the next few years for hotels in

terms of visitor nights.

"So, is this a pessimistic or an optimistic outlook? The bad news is that there is a greater probability it could be optimistic.

"The opportunity is that our airports and airlines could make some difference and a re-prioritising of objectives and resources from Tourism NZ which has recently been signalled by Kevin Bowler."

In terms of domestic visits and nights, Horwarth has assumed that the best we can hope for is a flat outlook.

"Unless major strategic changes are achieved, future hotel demand will remain relatively flat," Hamilton said. ■

Amanda Wignell Photography

Tremain: Tourism a top priority

Tourism, says Associate Tourism Minister, Chris Tremain, is a top priority for the Government.

He said the 2012 budget, delivered earlier in May, is about rebuilding and strengthening the economy. This included responsibly managing the Government's finances; building a more productive and competitive economy; delivering better public services within tight fiscal constraints and rebuilding Christchurch.

He says the Government is focused on getting better results, rather than just inputs and that it is focused on smarter spending. Getting back to a small surplus in the 2014-2015 year will help control government debt and will allow NZ to build resilience in the future.

Looking ahead the forecasts show improved economic growth and more jobs. Household savings are also improving but for every dollar earned in this economy we are spending \$1.09.

He also pointed to vast changes in trading partners since the 1970s and believes the



Chris Tremain

outlook is positive despite the headwinds. The key economies the Government is focused on are the growth economies such as Australia, Asia and China.

And this Government recognises hotels as a central part of tourism, hosting 33.6

percent of all guest nights and as being pivotal in attracting higher value visitors. They are also a major factor in offering quality experiences to guests, he said.

Meanwhile, investment in Christchurch infrastructure is seen as vital and he explained that the Christchurch Central Development Unit within CERA had 100 days to develop a blueprint for action, which would be unveiled on July 27. This, he said, would provide clarity on projects and hotel developers will look to develop once they know where the convention centre will be. He sees an opportunity for a hotel precinct.

Still on Christchurch Tremain said there had been 497 new businesses registered in Christchurch and the labour market appeared to be stabilising.

"I am very positive about the future of Christchurch and welcome opportunities for the hotel industry to get back into Christchurch and get involved to help take Christchurch forward." ■

Amanda Wignell Photography

Building a global hotel brand

The keys to global branding, according to Simon McGrath, the chief operating officer - Accor Pacific, included a localised approach to regions and countries; a vision of scale to support network growth and brand development which requires innovation, flexibility and adaptability that differentiates brands.

Culture was important in preparing for the next generation of middle class travellers from emerging nations - a demographic which has crept up on the market.

This, he says, includes the 21-year-olds who travel four times a year. And, while there is a lot of talk about the leisure market, you have also got these "leisure commuters" who might travel overseas for a sports game or a birthday.

This market is harder to talk to and to do so needs brands that have scale.

In turn, the difference between leisure and business travellers is becoming blurred – people are busy and they are aware of a balanced-life approach. On holiday they want to do emails and while on business they also want to relax. A number of hotel chains are starting to develop on that.

The Accor Group, which was the platinum sponsor

at the conference, is the largest hotel company and operator in New Zealand operating under nine brands. It offers a multi-brand solution from Sofitel and Pullman at the luxury and upscale end to Novotel and Mercure in the mid scale with Ibis at the budget/economy end.

It is undertaking a mega-branding project with its Formula 1, All Seasons and Ibis chains branding them under Ibis Budget and Ibis Styles and Ibis brands which will target the emerging middle class traveller.

And the company is continuing to invest. While it has sold assets in the United States it has a strong investment focus in emerging markets including China, India and Brazil.

McGrath, who was one of the conference's keynote speakers along with Cameron Bagrie and Stephen Hamilton, also pointed to the Mirvac deal which saw Accor purchase the Mirvac Group's 43 hotels in Australia and New Zealand and was the largest hotel deal in the Pacific Region in two decades.

This, he said, provides an opportunity for Accor to consolidate its leading market position in the two countries in both city and regional destinations. ■

OPERATOR EXPANSION

Looking at operator expansion in New Zealand, a panel chaired by Horwarth HTL's Terry Ngan explored what could be in store for New Zealand.

Ngan outlined the current growth in hotel chains noting that since 2007 the Heritage Group had risen from five hotels to 16; Scenic Hotels had grown from 10 properties to 17; Accor had moved from 17 properties to 32; Millennium was up to 26 from 14 properties in 2007; Quest had grown by 10 properties to 30; the VR group had gone from having no properties to eight while Distinction had grown from three to nine properties.

But despite this growth Ngan said many groups which had a substantial number of properties in Australia were still under-represented in New Zealand. Rydges Group had five properties in New Zealand and 46 in Australia; Mantra has 130 in Australia and eight in New Zealand while Accor has 202 in Australia and Quest 109.

Asked if there was a danger in a smaller market of the larger chains with multiple brands cannibalising themselves, Lindsay Leeser, Accor's director of development-Pacific, said from a distribution perspective they offer a complete solution from budget to luxury.

Kate Harper of Inter-Continental Hotels Group noted that it was important to have a distinction between brands and different types of experiences.

Another benefit of an international brand is having brand presence in other markets so when visitors come into New Zealand they already understand what the brand is about. ■

What's the vision for Christchurch?

International guest nights in Christchurch are down 45 percent on last year with Canterbury as a whole down 36 percent and commercial accommodation for the whole of the South Island down 13 percent, the hotel conference heard.

A panel chaired by Rod Oram, looking at the rebuilding of hotels in Christchurch, heard from Christchurch and Canterbury Tourism CEO, Tim Hunter, that the domestic market had not been as bad and while the numbers were down they were moving in the right direction. Australians, however, continued to stay away.

Hunter said there were 9400 rooms available but the beds were in the wrong categories. They were in the B&B, motel and holiday park sectors and, while about 80 percent of coach tours were still coming, they were staying out of the city. In turn backpacker tours have removed Christchurch from their itineraries as there is little backpacker accommodation.

He said CCT had finished the visitor sector recovery plan and spoken to government about the need for fast tracking hotel development, rebuilding the bar precinct and establishing an earthquake exhibition.

"If we do that we can get back to where we were by 2018."

Tim Dearsley, of Accor, who has been involved with CERA for 14 months, says the Central City Development Unit within CERA will be presenting a blueprint for the rebuild on July 27. A range of anchor projects will be disclosed, including location.

He says the focus is to increase the pace of redevelopment by coming up with a blueprint and to support investors. The objective of the invest-



ment strategy is to encourage investment for the long term. This blueprint should give confidence for owners to move forward. "I believe they need to come up with a vibrant city and create an environment where people want to invest. To me the greatest problem is a lack of entertainment."

Steven van der Pol of project managers, Arrow International, which is working on a number of projects in Christchurch, said: "For us the old rules still apply – no one is going to build commercial buildings unless they can get them tenanted."

Scott Wallace of Millennium Hotels said he had a fear that after July 27 if there are four new hotels on the convention centre site, it will be 2016 to 2017 before they can get the demand-side back up. He was concerned about having more supply before there was the demand.

Big ideas thrown up by the panel, included an Avon River Park where visitors could walk alongside the river to restaurants and bars; a 100 day plan and 1000 days to implement it; getting the convention centre built as quickly as possible and building for the long term; more green fields around the river and city and more airline capacity. ■



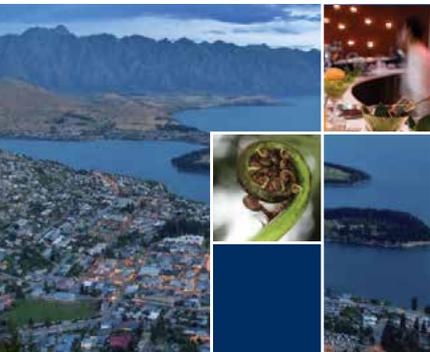
The Tourism Industry Association New Zealand (TIA) is the lead national private sector organisation speaking on behalf of the tourism industry. With more than 1500 members who collectively make up about 85% of New Zealand's tourism turnover TIA exists to lead the tourism industry and create an environment that helps our members grow and flourish. Our hotel sector members:

- comprise over 130 of New Zealand's international, chain, large independent, privately owned and boutique hotels
- are in eight TIA hotel regions - Auckland, Rotorua, Central Park (Taupo, Tongariro, Napier and Gisborne), Wellington, Nelson/Marlborough, Christchurch, Dunedin and Queenstown
- account for around 90% of hotel capacity in the main centres and close to 100% of 'large hotel' inventory
- collectively operate almost 16,500 rooms, control capital assets of in excess of \$2.9 billion and employ over 10,500 full and part time staff.

TIA Hotel Statistics

- The Tourism Industry Association has one of the best sets of hotel data in the tourism/hospitality sector with over a decade's worth of monthly hotel occupancy, average daily rates, RevPar and market share statistics.

If you would like to know more about the TIA hotel statistics or would like to join TIA and have access to this and other great resources please contact Rachael Shadbolt TIA Sector Manager - Hotels at rachael.shadbolt@tianza.org.nz



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Horwath HTL has in-depth knowledge of the New Zealand hotel, tourism and leisure industry, including the challenges and opportunities operators, lenders

and owners in the industry face.

Our services include strategic advice on existing and new-build hospitality developments, market demand and supply studies, financial feasibility studies, operating and financial projections, hotel operating reviews, independent expert advice, litigation support, operator selection and management agreement negotiations, pre-lending bank reviews, purchaser and vendor due diligence and asset management.

To discuss our services further, please contact Stephen Hamilton or Terry Ngan (Directors).

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Horwath HTL is pleased to co-host the New Zealand Hotel Industry Conference