

Attracting Wealthy Tourists after COVID-19

Minister of Tourism Stuart Nash came out strongly today in favour of New Zealand targeting wealthy tourists, rather than freedom campers and backpackers. "My ambition is that once global borders open, New Zealand is considered by the world's most discerning travellers as one of the top three places in the world to visit", he said.

The sentiment is great, and certainly one that may New Zealanders would support. So what should Minister Nash do in order to help make high-end tourism a reality, rather than an often-talked-about pipe dream?

Successive governments and local body politicians want sustainable, high value tourism, while at the same time failing to properly understand the role of hotels in delivering a luxury experience.

Here's the truth: wealthy tourists stay at international-standard hotels.

Yeah, I know... Some uber-wealthy tourists go to luxury lodges, and others "slum it" with a little high-end camping or spend a few nights in huts on the Great Walks. One or two might even build their own itinerary on Air BnB. None of this changes the basic fact that's been demonstrated in countless worldwide destinations: To create a sustainable, high-end tourism industry of sufficient scale to make a difference, our country needs high quality and profitable hotels within striking distance of our major tourist attractions.

What has New Zealand done with our hotel industry in recent times?

- **Worsened the hotel development boom/bust cycle:** We've fostered a boom and bust cycle around hotels that's never really stabilized since multiple Japanese developers went bust in the 1980s. At a policymaking level, we simply don't understand how hotels are designed, developed, managed and run, so our regulatory settings have been poorly conceived and damaging in the long run. We Kiwis hate being beaten by the Aussies, but in the last 10 years, Australia has streaked out well in front of us in terms of truly understanding how hotel development works.
- **Imposed good times taxes against hotels:** We've allowed local body politicians in Auckland and Queenstown – our two most important international destinations – to directly target hotels with rushed and unfair taxes, further affecting the development cycle and hotel profitability. The blatant grab at hotel revenues decreases hotel profitability, thereby indirectly assisting other, lower-value forms of visitor accommodation. Putting aside the fairness issues, no country of just 5 million people should be happy with a guest experience that involves different visitor charges and taxes depending on which local government area you're staying in.
- **Supported low-value competitors of hotels:** We've implicitly supported and promoted lower-value alternatives to international-standard hotels, such as freedom camping, campervans and alternative accommodation providers like Air BnB. We've created an uneven playing field that's allowed some of these non-hotel accommodation providers to have a cost base advantage over hotels. Hotels employ considerably more people to deliver a service-driven experience of New Zealand, but our regulators don't seem to care.
- **Advertised open spaces and scenery:** For 20 years or so, almost all our international destination marketing has been built around pictures of empty, "unimproved" spaces. Wilderness is great, but there aren't many ways to open your wallet on a hike... Isolation must not be the only pillar upon which our international image is built. It's almost sacrilege to whisper the truth – other countries have pretty scenery, too! Many of those other countries have also marketed their vibrant cities, excellent food & beverage, amazing local crafts and enticing shopping malls. These other countries have also developed extraordinary tourist infrastructure, including top quality hotels. Built form and commerce, done right, are *not* turn-offs for wealthy travellers.

Imagine the positive flow-on effects for both the environment and our economy if we could get international travellers spending one extra day in one of our clean, creative and vibrant cities!

- **Ignored hotel operational challenges:** In addition to the obvious overhang of unfair council taxes and rates, hotels face various operational issues that the government seems happy to ignore. Just two of those issues: Massive skills shortages require a more nuanced solution than being told to “go and employ New Zealanders”. Offshore bookings platforms clip the ticket by up to 20% of hotel rooms revenue, but government is reluctant to support “book direct” campaigns and other initiatives.

So here are five simple steps for Minister Nash and his team if New Zealand is serious about attracting wealthy tourists after COVID-19:

Attracting wealthy tourists



1. Understand hotel development

- Government at all levels needs to properly understand the development cycle and what conditions lead to the sustainable development of international-standard hotels.

2. End good times taxes against hotels

- Its time to end “good times taxes” against hotels. Auckland Council’s “suspension” of the APTR is naïve and inadequate. Local bodies shouldn’t target tourists and hoteliers in a piecemeal way if we want an effective national strategy for high-end tourism.

3. Stop propping up low-value accommodation

- Policy settings have, for a long time now, implicitly supported low-end accommodation providers at the expense of hotels. A re-think is needed.

4. Promote NZ’s built form

- It’s now time for New Zealand to advertise some of our built form and value-add products and services – not just empty spaces. Buildings can be beautiful.

5. Engage on issues that impact on quality and service

- Rather than characterising hotels as a necessary evil, Government should engage with industry to help solve hotel sector operational challenges. Help drive a high-quality, service-rich experience.

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