



TOURISM NEWS

MAY 2009

AIRLINE SEATS

Retaining airline seats key to long term growth.

FLYING HIGH

International media programme reaches dizzy heights.

TOURISM IS NEW ZEALAND

BNZ Chief Economist Tony Alexander shares his thoughts on the global economy.

KIA ORA

Tourism New Zealand is looking closely at fresh opportunities to keep visitor numbers up this year.

Australia is one of these opportunities, with visitor numbers holding firm. The Government's \$2.5 million funding boost will help maintain New Zealand's profile in this vital market as Australians plan their winter and summer holidays.

The Prime Minister's visit to China this month has been an opportunity to reflect on the future of this market. Inroads have been made since the launch of the 100% Pure New Zealand campaign last year, with anecdotal evidence suggesting there is increased interest in independent travel from China. This market is considered important to the future of tourism in New Zealand, with strong growth potential.

In this issue of *Tourism News*, we look at how the global economic situation is impacting on airlines; capacity cuts and schedule changes are set to impact tourism over the coming 12 months. We also look at the future of the cruise market. Although companies are cutting back schedules and staying closer to home this year, new ships continue to be built and the industry's future is bright.

Please remember to visit our website – www.tourismnewzealand.com – for regular updates on our markets and Tourism New Zealand activities. I hope you enjoy this latest edition of *Tourism News*. We welcome your feedback and ideas. Email comms@tnz.govt.nz.

George Hickton
Chief Executive
Tourism New Zealand



CREDIT: CHINA PHOTOS / GETTY IMAGES

Spotlight on China

China has been in the spotlight after a visit by Prime Minister and Minister of Tourism John Key.

The Prime Minister signed an agreement with the Chinese Government committing tourism representatives from the two countries to meet regularly to discuss tourism issues. Work will go on behind the scenes to formalise a protocol for handling emergencies affecting nationals while on holiday.

Chinese visitor arrivals continue a long term upward trend, despite recent volatility. For New Zealand, the focus in China is firmly on future growth.

While on his recent visit, John Key took time to celebrate the first anniversary of the launch of the 100% Pure New Zealand campaign in China.

The campaign, which appeared across a number of mediums including television, outdoor and a large online presence,

delivered massive traffic to www.newzealand.com/travel/china/

User sessions peaked at 418,772 in February 2009 – a record for the highest traffic in one week to one of Tourism New Zealand's market websites. User sessions continue to reach more than 300,000 a week.

Tourism New Zealand Chief Executive George Hickton says China is not without its challenges, "but it remains an important part of New Zealand's long term tourism future. China is a market with issues that need to be addressed to ensure its value to the New Zealand tourism mix."

The majority of Chinese visitors to New Zealand arrive on organised tours. New Zealand is also often sold as a joint destination holiday with Australia, which means the average length of stay is just three or four days compared with an average of 20 days for all countries.

...continued overleaf

People on the move

ARRIVALS LOUNGE

at Tourism New Zealand

Tourism New Zealand welcomes **Jennie Langley**, Independent Chair of the New Zealand Hotel Council, and **Paul Richardson**, Vice President New Zealand and Fiji for the Accor Hospitality Group, to its Board of Directors this month.

Our Tourism Graduate for 2009 is **Katy Medlock**. **Jane Hansen** is the new Office Coordinator/PA in Sydney. **Carolyn Pope** is the new Training Coordinator in North America and **Sara Stern** also joins the Los Angeles team as Marketing Coordinator.

Cruise Weathering Storm

Executives who attended Seatrade, the annual international cruise industry event, are confident the sector can weather the current global economic storm.

Although cruise bookings for 2009 are down for most countries, the international cruise industry has seen unprecedented growth in recent decades. New Zealand has followed suit, realising a 300 per cent increase in passenger numbers in just the last four years.

Tourism New Zealand Chief Executive George Hickton says that despite an expected dip in passenger numbers this season, "we know New Zealand is a firm favourite with cruise executives and that we are definitely on the agenda when the economy begins to recover."

Read the full story online at www.tourismnewzealand.com/tourism_info/latest-news/

Below: Cruise industry representatives from New Zealand met their international counterparts at Seatrade 2009.



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"Our focus for China is clear," says China Regional Manager Mark Flood. "We want to increase numbers, yield, average length of stay, improve the quality of group tours – and thereby overall satisfaction – and promote more independent travel. So, there's quite a bit to be getting on with."

Behind the scenes Tourism New Zealand is having quiet success with its Approved Destination Status (ADS) monitoring unit. Twenty companies are now approved under the voluntary code of conduct and around 70 tour guides recently graduated to become the first cohort of official ADS-approved guides.

Tourism New Zealand has also worked with the Immigration Service in China to introduce a fast-track visa approval system for 'trusted partner' travel agents selling independent holidays.

While China's economy is still growing, albeit more slowly, the same cannot be said for New Zealand's top two long-haul markets. Arrivals from the US and UK continue to drop off sharply as tough economic conditions hit home.

United States

The US Government has pledged trillions more to buy up troubled assets and unclog credit markets, but individual wealth and job security continue to be eroded through declining stock markets and falling house prices.

As one economist recently stated, "Things are very, very fragile, especially for consumers. Now we sit back and wait for the stimulus to kick in."

Tourism New Zealand's focus is on building increased awareness in the medium to long term. In the short term, cheap airfares and a strong US dollar exchange rate are expected to stimulate interest in New Zealand travel.

The 100% Pure New Zealand campaign – with its newly launched extension 'The New Zealand Life Back Promise' – continues to build and sustain New Zealand's profile.

"Making sure that interest is strong for the September booking season will be key in keeping strength in US outbound over the 2009/10 summer," says George Hickton.

United Kingdom

British consumer confidence continues to erode. House prices have already fallen by 20 per cent since the market peaked in the summer of 2007 and jobless rates are at a 12-year high of over two million. In a recent report, Citigroup said that British household wealth declined 17 per cent in 2008.

Again, the exchange rate and competitive pricing on airfares is maintaining interest. If fares stay low through to May and June, it will further stimulate the youth market and gap year travel as students finish school and university.

Australia

Australia continues to deliver positive visitor arrivals numbers. The \$2.5 million additional funding provided by Government in March has already been put to good use, with a new batch of television advertisements filmed and going to air from 19 April.

"Our strategy to pull forward funding to boost advertising over summer was the right one, but the industry has got to pull together to come up with ways to ensure that New Zealand remains fresh, exciting and good value for our key market during autumn and winter," says George Hickton.

Read more about our markets at www.tourismnewzealand.com
Keyword: Market Guides



MINISTER OF TOURISM, JOHN KEY

Hi there,

I've spent my first few months as Minister of Tourism meeting people across the industry and visiting some of our popular destinations, such as Queenstown, Rotorua, Waitomo, Nelson and Marlborough. And this week I returned from China where I signed an agreement that strengthens the tourism relationship between our two countries.

I'm really impressed by the talent, the enthusiasm and the potential I see in our tourism sector.

But I know that many tourism operators are starting to feel the effects of the global downturn. That's why, last month, I announced that the Government is

providing \$2.5 million to Tourism New Zealand to immediately boost New Zealand tourism promotion in Australia. As the recession bites across the Tasman, our Australian friends will be keen to holiday closer to home and we need to make the most of that.

The Government is taking many other steps to protect New Zealand from the worst impacts of the downturn and prepare for future growth.

We've delivered on all the promises we made for our first 100 days in office, and we're continuing to develop our Jobs and Growth Plan – a 'rolling maul' of initiatives aimed at retaining and growing jobs. These include our Small Business Relief Package and the Prime Minister's Job Summit.

The Small Business Relief Package is aimed at reducing red tape and making it less expensive for small and medium businesses to manage their cash flows and pay taxes. It's worth around \$480 million for businesses over four years and will help thousands of operators in the tourism industry.

The Job Summit produced an idea for tourism that I think has a lot of potential – the national cycleway. The Government is working with key players in the sector to develop the idea further and I'm looking forward to updating you on our progress in coming months.

Until then, best wishes

John Key
Prime Minister and Minister of Tourism

AIRLINE SEATS KEY TO LONG TERM GROWTH

While cuts to the number of available airline seats are an expected casualty of the global downturn, keeping the existing long-haul air route network in place is vital to New Zealand's long term tourism development.

Overall, long-haul seat numbers into New Zealand for the coming year will be down based on currently published schedules. It could further deteriorate if economic conditions worsen, or if long-haul travellers don't pick up on the airfare bargains being offered out of a number of core markets.

"A 10 per cent reduction in long-haul airline seats into New Zealand can be expected this year as airlines cut services in response to weaker demand conditions", says Tourism New Zealand General Manager of Operations Tim Hunter.

Asian routes into Australia have already seen some significant reductions, with a resulting limit on seats for through traffic to New Zealand from Asia and Europe.

New Zealand currently enjoys very good air links, with 15 long-haul air routes from

11 countries. A unique feature of this inbound network is that only two routes (Los Angeles to Auckland and Hong Kong to Auckland) have more than one carrier competing on a direct, non-stop service basis.

"Having carriers with monopoly status on a route can restrain growth in good economic times as higher prices and restricted seat availability are common outcomes of lower competition," says Tim Hunter.

"But in recessionary conditions, lower levels of competition might assist in keeping the single carrier routes economically viable."

Strong competition on routes from the US, UK and Australia is resulting in some of the lowest air ticket prices seen in nearly a decade.

Round trip airfares from the US to New Zealand have hit levels around US\$700 including taxes. These new fare levels represent discounts of up to 40 per cent on the fare levels of a year ago.

Conversely, where there is little direct service competition, for example from China and Korea, fares are staying at similar levels to last year and, in some cases, are firming.

As new competitors Virgin Australia and Delta spur price competition on US to Australia routes, there is potential for New Zealand to lose some of the considerable dual destination traffic that we currently share with Australia.

In 2006, a dual destination ticket was only slightly more expensive than a ticket for a mono-Australia holiday. These days, adding New Zealand can add up to US\$270 more to the ticket price.

"As 45 per cent of New Zealand's arrivals from the US are dual destination visitors, having a situation where US to Australia airfares are materially lower than a dual destination ticket could result in travellers substituting what has been a popular two-country itinerary with an Australia only holiday," says Tim Hunter.

"New Zealand could be a big loser if a large fare disparity develops."

MEDIA: IMP HIGHLIGHTS

From Bollywood beauties to Chinese yachting tycoons and stars of the small screen, Tourism New Zealand's international media programme has reached dizzy heights this summer.

The programme hosts around 400 print, broadcast and online journalists each year, with coverage reaching around 937 million consumers from our target audience around the world.

Here are some recent highlights.



CREDIT: FREEMANTE AUSTRALIA

Australian television audiences got a taste of adventure when five New Zealand episodes of *The Biggest Loser* aired in mid-April. Two 30 minute episodes and three one hour episodes were each viewed by over one million Australians.

The six contestants that made it as far as New Zealand were pushed to their limits mentally and physically, facing up to their own personal fears – heli-swinging over Mt Tarawera, white water rafting, sky diving, kayaking and bungee jumping around the Rotorua region. The contestants raved about their experiences and Tourism New Zealand has already had enquiries from Australian consumers expressing interest in visiting the places featured in the show.



Chinese opinion leader **Wang Chaoyong** and wife Li Yi Fei visited New Zealand during the Louis Vuitton Pacific Series in January. As well as coverage of this trip that is expected to appear in lifestyle newspaper *Modern Weekly* and uber-chic magazine *Noblesse*, his blog postings on www.sina.com of his experiences in New Zealand have been read by more than 50,000 golfing and sailing fans. Sina.com also sent its own journalist to cover **Wang Chaoyong's** trip and the sailing regatta, and the resulting content has received 615,675 page impressions so far.



The exploits of **India's cricketing superstars** and the adventures of leading **Bollywood Actress** Preity Zinta helped push New Zealand's profile sky high in March.

Among the highlights of the coverage, photos of the cricket team's Sky Walk on the Auckland Sky Tower were seen by around 65 million readers in India in a total of 81 newspapers across the country. Video footage of the players doing tourism activities also appeared on 15 television channels with an audience totalling 50 million.



Hit American television show *The Bachelor* saw images of New Zealand beamed around the world across five episodes in February and March. The viewership for these episodes totalled more than 67 million in the US alone. Millions more read about the Bachelor's visit to New Zealand in various entertainment magazines and websites.

In an exclusive interview for Tourism New Zealand, Bachelor Jason Mesnick described New Zealand as "the most beautiful place I've ever been". The interview has been viewed on YouTube over 27,000 times.

In Australia, foodie magazine *Delicious* (circulation 116,500) featured a seven-page spread on the delights of the Bay of Islands – from cafes to coastlines. Food was also the focus of Australian television show *Mercurio's Menu*, presented by actor and dancer Paul Mercurio, which screened in Melbourne on 21 March. Subsequent episodes will screen in April and are expected to attract between 800,000 and one million viewers each.



Emerging Markets Update – Europe

Most people across the industry have a view on emerging markets as arrivals from more traditional markets are affected by the current economic climate.

Like everyone else, Tourism New Zealand grapples with how to deal with emerging markets but has made the decision not to divert substantial spending from major market investment.

"That would be counterproductive given our current budget and we don't hear from the industry that that is what they want," says Tourism New Zealand Chief Executive George Hickton.

However, Tourism New Zealand is looking at how to get more out of Scandinavia (Denmark, Sweden, Finland, Norway) and Southern/Central Europe (Netherlands, Belgium, France, Spain, Italy).

Gregg Anderson, Tourism New Zealand Regional Manager Europe, says these markets are important because of the combination of spend, length of stay and the match with products on offer.

"Some of these markets remain quite resilient, particularly in sectors like youth travel. They also compliment existing visitor flows from elsewhere in Europe. For example, visitors from Italy and France come early in the summer, helping extend the season."

France and Italy will become increasingly important markets during the Rugby World Cup 2011. The rugby teams of both countries will be in New Zealand to play the All Blacks this year.

Air links to New Zealand are growing across Europe, the Euro is strong and increased broadband penetration is making it easier to reach these markets with online information about New Zealand.

Tourism New Zealand's approach will be to work with the travel trade – particularly inbound operators – to improve our knowledge and performance in these markets.

"But we want to get the New Zealand message in front of consumers as soon as possible," says Gregg Anderson.

Tourism New Zealand will look at paid and unpaid media options, technology and building training capability through webinars, newsletters, our travel trade website and www.newzealand.com

"Germany remains very important and efforts there or in the UK will not be diluted as part of this expansion" says Gregg Anderson.

"These moves are timely given the relative strengths of these markets, the types of potential visitors they provide and the opportunities afforded by new air links, media and high profile events involving New Zealand."

TOURISM NEWS MARKET HIGHLIGHTS

VISITOR ARRIVALS



China

March 09: 11,640 **+9.3%** YE March 09: 113,465 **-8.7%**

- Strong domestic demand and a 4 trillion Yuan stimulus package should help sustain growth, if at lower levels than the past decade
- Consumer spending and exports have both picked up slightly in March
- Demand for mono-NZ travel is strong compared to dual destination; booking lead times are short as travellers wait for 'best deals'
- A third round of 100% Pure New Zealand campaign activity ran in Feb/Mar resulting in record user sessions on TNZ's website
- Tactical promotions with travel trade and airlines will help boost NZ's profile over winter
- TNZ expects arrivals from China to be down by 10-20% in Mar-May

Australia

March 09: 88,080 **-4.6%**
YE March 09: 975,870 **+0.6%**

- Australia is not yet in recession but the economy is worsening and is expected to shrink by 1% this year
- The Government's AUD 10 billion stimulus package will see consumers receive a AUD 900 tax bonus in Apr, which – combined with domestic marketing campaigns in market – could boost travel
- Booking lead times are short and consumers are looking for deals
- A \$2.5 million funding boost will enable TNZ to market in Australia throughout 2009
- TNZ is expecting visitor arrivals to be up by 0-3% in Mar-May

United Kingdom

March 09: 27,288 **-25.6%**
YE March 09: 263,733 **-10.1%**

- Economists have predicted the UK will be the country hardest hit by the global recession
- Unemployment is at a 12 year high, with over 2 million people now out of work
- The travel trade report good levels of interest in NZ but sales volumes are dipping as the UK heads into summer
- The NZD is weak against the Pound and airfares continue to be on sale; the youth sector continues to be the strongest performing
- TNZ is expecting visitor arrivals from the UK to be down by 15-20% in Mar-May

United States

March 09: 20,352 **-20.0%**
YE March 09: 196,655 **-11.7%**

- President Obama's fiscal stimulus package has raised hopes for a quick economic recovery, but conditions are not expected to improve until 2010
- Consumers continue to be cautious with almost 2 million jobs lost since January
- The USD has gained against the NZD and low airfares are making NZ affordable for those who are still travelling
- The travel trade report late booking patterns and sales that are being driven by cheap deals
- Fresh TNZ advertising activity around 'The New Zealand Life Back Promise' will help keep NZ's profile high
- TNZ is expecting arrivals from the US to be down by 10-15% in Mar-May

Japan

March 09: 10,512 **-11.8%**
YE March 09: 96,824 **-16.9%**

- Falling exports and weak domestic demand have seen the worst economic decline in Japan since the 1974 oil shock
- The recession is expected to be long and severe, with recovery unlikely to happen without an improvement in US consumer confidence
- Business confidence is at its lowest level ever and this is flowing on to consumer confidence and spending
- Airlines are expected to cut fuel surcharges from April and the trade have reported increased enquiries for travel after April as a result
- Despite this, TNZ expects arrivals to be down by 15-20% Mar-May

South Korea

March 09: 5,472 **-18.9%**
YE March 09: 71,213 **-22.5%**

- Falling export demand, a weak currency and general economic uncertainty have all dented consumer confidence
- The Government is predicting the economy will shrink 2% in 2009 but private estimates are worse
- A decrease in group travel saw outbound travel drop 38% in Jan; the travel trade report only cut-price and short-haul travel is selling well
- With the decrease in outbound travel, TNZ expects arrivals from South Korea to be down 20-25% in Mar-May

Germany

March 09: 6,168 **-5.1%**
YE March 09: 61,908 **+1.6%**

- GDP fell 2.1% in the fourth quarter of 2009, the biggest decline in 22 years, as exports plunged and companies scaled back production
- Consumer confidence has risen on the back of slowing inflation and the Government's 80 billion Euro economic stimulus package
- Business confidence is at a 26-year low and unemployment at 8.5%, but the personal economic situations of people within TNZ's target market are generally unaffected
- The strong Euro is making travel to NZ affordable in a market where consumers are shopping for deals
- Though Germany remains a stable market in the long term, TNZ expects arrivals to drop back by 0-5% in Mar-May

Singapore

March 09: 2,664 **+0.5%**
YE March 09: 28,694 **+5.5%**

- Singapore has been severely affected by the drop in global demand and the recession is expected to be its longest and most severe in history
- Retail sales have slumped and business confidence is at its lowest since 2004
- Cuts to airlines seats through Singapore have not yet impacted flights to NZ; we are benefiting from cheaper flights following recent airfare cuts
- Despite the economic slowdown agents reported record sales following the NATAS and MATTA travel fairs in March

Canada

March 09: 5,520 **-13.8%**
YE March 09: 49,633 **-4.3%**

- Canada has been slower to enter recession but is now being impacted heavily due to its close ties to the US
- Consumer confidence is down, house prices have fallen and unemployment is at its highest level in 5 years
- The weak NZD means NZ is still good value for Canadian travellers and the travel trade report bookings are good despite being down on 2008
- Like all markets, consumers are looking for cheap deals and booking late
- NZ will see a drop in visitor arrivals as Canada heads into summer and people stay closer to home; TNZ is expecting arrivals to be down by 10% in Mar-May

Other Markets Month of March 09: India: 2,328 **+17.9%** The Netherlands: 1,944 **-1.6%** Thailand: 2,544 **-5.8%** Hong Kong: 1,896 **-27.1%** Taiwan: 1,392 **-4.0%**

FOR FULL MARKET INFORMATION VISIT WWW.TOURISMNEWZEALAND.COM KEYWORD: MARKET GUIDES



CREDIT: IAN TRAFORD

TOURISM IS NEW ZEALAND

Tourism is New Zealand's biggest export earner. So, when one thinks about the impact on our economy of the world's worst recession since 1946, attention naturally needs to focus on visitor flows. In a nutshell, it is impossible to envisage anything other than a potentially substantial decline in visitor numbers over the coming year.

People offshore have seen their financial wealth decimated over 50 per cent courtesy of falls in share prices and exposure to bank housing-backed securities. House prices have fallen sharply in many countries. Now people are losing their jobs.

Not everyone is affected, but for a market in which strong growth in recent years has been assisted by cheap airfares making international travel more affordable to middle and low income people, the effects of the global recession risk being strong for the globe's tourism sector.

But, as is the case with many other sectors in New Zealand, there are some insulating factors. One important one is the exchange rate. To understand this, consider the case of Ireland. By dropping the punt and adopting the Euro in 1999, the Irish got low interest rates – and a borrowing and building binge,

which has now near collapsed their economy. But, at this time of deep recession, they do not get any assistance to their exporters from a falling currency. Depressed Englanders will remain drowning their sorrows in UK pubs rather than hopping across their ditch to the more jovial Irish ones.

The New Zealand dollar (NZD) has fallen on a trade weighted basis some 23 per cent over the past year. In the short term, this will not act as a huge buffer though it will tend to boost spending by those who do come here. The importance of the low NZD is that, when economic conditions improve offshore, the attractiveness of New Zealand is likely to produce a strong surge in visitor flows.

The implication of that is the same as for other parts of the exporting sector. The first signs of light at the end of the tunnel offshore are likely to produce increased investment in tourism in anticipation of the eventual upturn.

It's unwise to make any strong claim about when global conditions will improve let alone return to normal. Uncertainty is massive. However, general consensus offshore is that the worst for the world economy may be over by mid-2009 and growth will slowly recover

over 2010 into 2011. By late-2011 firm conditions may have returned – maybe.

That suggests, after allowing for the traditional 18-month lag between a large shift in the NZD and a resulting shift in our visitor numbers, we could see improving visitor numbers from the second half of 2010 with potentially good growth from some point in 2011.

But, be aware that uncertainty about virtually everything remains extreme and for the next 12 months a potential 15 per cent fall in inward visitor numbers will necessarily occupy the minds of operators in the tourism sector. The aim of most should be to get through this period with a strong focus on current cash flows. Then when, and if, financial conditions allow, think about slowly building for the eventual recovery, even though we can at this stage only guess when that may come.



Tony Alexander, BNZ Chief Economist

UPCOMING EVENTS

2009

More information on Tourism New Zealand events can be found at www.tourismnewzealand.com

Upcoming Events

- TRENTZ:** 8 – 11 June, Auckland, www.trenz.co.nz
- Hong Kong International Travel Expo:** 11 – 14 June, Hong Kong, www.tourismnewzealand.com
- Asia Luxury Travel Market (ALTN):** 15 – 18 June, Shanghai, China, www.tourismnewzealand.com
- IMA Workshop:** 20 – 29 July, London/Europe, www.tourismnewzealand.com
- ITOC Conference:** 11 – 12 August, Gisborne, www.itoc.org.nz
- Kiwi Link India:** 6 – 10 September, New Delhi and Mumbai, India, www.tourismnewzealand.com

New Qualmark Website

With a vibrant new look, easier licence holder search and other new features, Qualmark's new website is a useful tool for travellers and operators. Check out the new-look website at www.qualmark.co.nz.

Tourism New Zealand Manaakitanga Aotearoa

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