



**Submission to the
Queenstown Lakes District Council
on the
Queenstown Convention Centre Proposal**

31 August 2013

EXECUTIVE SUMMARY

1. TIA supports the Queenstown Lakes District Council (QLDC) proposal to lead the development of a convention centre.
2. At a national level convention centres are widely acknowledged to:
 - increase numbers of high value international and domestic visitors
 - increase tourism expenditure with convention visitors typically being higher than average spenders
 - help address seasonality, one of the tourism industry's major strategic challenges
 - provide stability of jobs within regions with a greater spread of business throughout the year
 - provide flow-on economic benefits to a range of non-core tourism business sectors, including retail, hospitality and transport.
3. TIA accepts that there are risks associated in developing a convention centre and urges QLDC to take all steps necessary to mitigate these risks for themselves and their ratepayers. And that any apportioning of cost to fund this initiative will be done fairly taking into account all parties who stand to benefit from the convention centre development now and in the future.
4. The current proposal and submission process provides an open and transparent platform for proper consideration of these risks and balancing these against the above-mentioned benefits flowing from the creation of a purpose built convention centre.

RECOMMENDATION

5. TIA recommends that QLDC proceeds with the initiative to lead the development of a convention centre. This is done on the basis that this will provide lasting long term economic benefits for Queenstown and any issues around public exposure and financial risk to QLDC, and ultimately the rate payer, are mitigated.
6. TIA suggests that the size of the convention centre should not be limited to 750 people and the design of the convention centre must have room to expand to 1000-1200 people in the future.
7. TIA recommends that the primary focus for QLDC should be the development of the convention centre in the first instance and any other mixed use developments need to be constrained on the basis that this development should not be to the detriment or viability of the existing Queenstown CBD.

INTRODUCTION

8. The Tourism Industry Association (TIA) is the lead association that represents the interests of about 1,500 tourism businesses in New Zealand with 132 members based in Queenstown. TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and activities, attractions and retail as well as related tourism services.
9. Within this membership, TIA represents the interests of over 130 large scale hotels throughout New Zealand which, collectively, enjoyed almost 350,000 guest nights from conventions, meeting and event delegates in 2012. (resource: TIA Hotels Annual Operating Survey 2012)
10. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business services. The TIA team is based in Wellington and led by Chief Executive, Martin Snedden.
11. Any enquiries relating to this submission should in the first instance be referred to Rachael Shadbolt, TIA Hotels Sector Manager, at rachael.shadbolt@tianz.org.nz or by phone on 04 495 0814. The Association would appreciate the option of appearing at oral hearings in support of this submission.

COMMENT

12. TIA's advocacy for world-class convention centre infrastructure is long-standing. In its 2008 general election manifesto, TIA highlighted the need to invest in vital infrastructure to grow visitation. As one of the key actions in the manifesto, the Association, with the support of industry, proposed the construction of an internationally competitive convention centre, along with upgraded cruise ship port facilities and the improvement of road and passenger transport networks. It continued this advocacy position for the 2011 general election.
13. Since 2008 an international cruise ship port has been developed and recently opened to widespread industry praise in Auckland. An International Convention Centre in Auckland will also very likely become reality. As demonstrated below, infrastructure like this in Auckland, as well as excellent supporting infrastructure throughout the country like the proposed convention centre in Queenstown, will provide a significant boost to the business tourism sector and also to the wider New Zealand economy.

By the numbers

14. Conference delegates are high net worth visitors, spending an average \$318 a night compared to an international leisure visitor who spends around \$208 a night.
15. As is the current pattern, many conference delegates are also likely to take a few days holiday either before or after their conference, while others will choose to return to New Zealand later to enjoy a holiday here with their family.
16. Beneficiaries of the economic benefits flowing from a convention centre are also much wider than core tourism businesses and will include retailers, hospitality providers, taxi drivers, supermarkets and petrol stations.
17. Additionally, the jobs created once the facility is fully operational represent an opportunity to bring young New Zealanders into the tourism industry and train them with the skills they need for a long-term career in the sector.

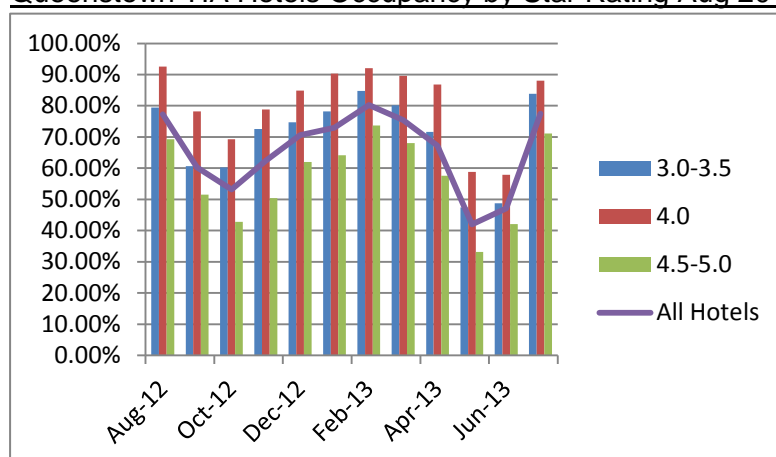
Economic Benefits case study: Hotels

18. TIA represents the interests of 22 hotels in the Queenstown region with individual properties also making their own submissions on this issue. Many are in support of the convention centre development. This equates to just over 3100 rooms or almost 1.1 million room nights per year.
19. In the year to 31 December 2012, Queenstown hotels operated at around 63% occupancy for the year or approximately 691,000 room nights sold. Of this, approximately 59,000 room nights were sold to convention, conference and event delegates, representing \$8.3 million in accommodation revenue. In addition, Queenstown hotels earned another \$1.2 million in on-site residential conference revenue such as room hire and from the provision of food and beverages.
20. On a national level, convention, conference and events business is currently worth around \$47 million annually in accommodation revenue for hotels with on-site residential conference business making up \$17 million in room hire revenue.
21. The scale of the proposed facility, with seating for 750 delegates plus exhibition space, is larger than anything currently available in Queenstown. The benefits of being able to host medium to large scale events would see accommodation bookings spread amongst Queenstown hotels, fill beds in the off-season and provide additional revenue opportunities with extra satellite meetings related to the larger event spreading out into the nearby hotels.
22. There has been concern raised that a convention centre would compete with hotels for existing convention space. For this reason it is important that the convention centre be built to a scale that enhances the Queenstown product offering rather than competes with existing infrastructure. For this reason the Council should not limit the scale of the facility to a capacity of 750 people which, to use a TIA example, would still not be big enough to accommodate the international tourism trade event TRENZ, or any of its key networking events.

Seasonality

23. TIA is currently leading the process which will result in the creation of a long-term strategic framework for our industry. One major challenge identified in this framework is the detrimental impact of seasonality. The need for our industry to take steps to address this challenge will receive high priority within that framework.
24. The construction of a Queenstown Convention Centre presents a valuable tool to tackle seasonality which is evidenced by the following graph from data gathered by the TIA Hotels Queenstown properties.

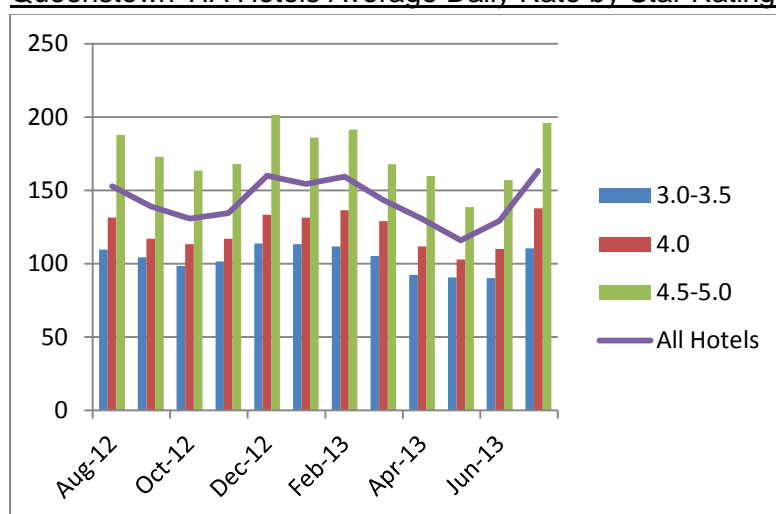
Queenstown TIA Hotels Occupancy by Star Rating Aug 2012 – July 2013



TIA Hotels Monthly Data – Queenstown Aug 2012- July 2013

Significant peaks and troughs are evident on the graph, particularly in the spring when the ski season has ended and the summer season has yet to ramp up. More severe however is the May-June period which is pre ski season and with little other drivers of visitation to Queenstown the town is very quiet during this period. This lack of demand is reflected in an annual occupancy of around 63% with significant peaks and troughs over the 12 month period and also through hotel room rates (see below).

Queenstown TIA Hotels Average Daily Rate by Star Rating Aug 2012 – July 2013



TIA Hotels Monthly Data – Queenstown Aug 2012- July 2013

25. Convention, conference and event business is not materially constrained by seasonality. Significant growth in this sector, such as that likely to be catalysed by the creation of this proposed facility, will have a helpful 'seasonality smoothing' impact during the shoulder and off-peak seasons.
26. Such smoothing results in better use of existing capital infrastructure, greater certainty for seasonal labour, the ability to drive yield, resulting in better return on investment, all of which helps lift tourism's productivity. It also helps to maintain existing infrastructure such as air connectivity. Maintaining profitable, sustainable air routes is critical to the region and must be protected. Creating year round demand through business events is one way to do this.

The competition

27. New Zealand's lack of a world class convention centre sees us ranked poorly compared to our competition. A 2012 report by the International Congress and Convention Association (ICCA) has New Zealand ranked 51st in the world rankings in terms of the number of meetings per country while Auckland ranked 125th in terms of number of meetings per city. We lag well behind our Australian competitors. Every year other countries enlarge, renovate and develop new exhibition and conference centres. The Sydney Convention Centre is currently undergoing a multi-million dollar upgrade which is scheduled for completion in 2017. This in turn is causing displacement throughout Australia and a natural alternative option should be New Zealand, currently we are not.
28. Anecdotal comment from one large chain property is that Queenstown has turned away as many as 40 medium-scale conferences in the past 12-18 months. This has not been due to unsuccessful bidding but through the inability to be able to offer a facility large enough for the core conference business. High quality hotel accommodation, and world class activities and attractions have not been the issue as they are all readily available in Queenstown but appropriately sized convention centre infrastructure is currently lacking.
29. New Zealand is competing not only with Australia but also globally for conventions and events. This is no different to the current challenges New Zealand faces in remaining front of mind as a visitor destination. To remain competitive, we must have key tourism infrastructure in place to allow us to compete with confidence and credibility.

Financial Contribution

30. TIA thanks QLDC for the opportunity to comment on the convention centre proposal and acknowledges that there is still much to be done with regard to finalising funding for the project and ultimately who pays. TIA urges QLDC to proceed cautiously and mitigate any risk to the Council and ultimately the rate payer. These issues must be fully disclosed before any development is confirmed.

31. At a national level, the tourism industry has a shared interest in what happens in Queenstown because of the region's status as one of New Zealand's premier international visitor destinations.

BACKGROUND

32. Tourism for New Zealand is big business as the country's second largest export sector. It is a major contributor to the New Zealand economy. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
33. Tourism in New Zealand is a \$64 million per day and \$23.4 billion a year industry.
34. The tourism industry directly and indirectly supports more than 185,000 full-time jobs, or about one in ten people in the workforce
35. Domestic tourism contributes \$37 million in economic activity every day or \$13 billion per annum
36. International tourism contributes \$27 million in economic activity every day or \$10 billion per annum and represents 8.6% of GDP as New Zealand's second largest export industry

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