

# Call for Hotel Sector Support

September 2021



## Who?

Hotel Council Aotearoa advocates on behalf of New Zealand's 350 hotels, comprising approximately 32,000 guest rooms in total. Our paid-up membership is 140 of the largest of those hotels, with 15,600 guest rooms and an estimated replacement value in excess of \$7 billion. We were formed in late 2020.

It's time for Government to offer targeted assistance to the hotel sector in light of COVID border closures.

## What?

- **Support for people:** Targeted expansion of the wage subsidy programme aimed specifically at overnight accommodation providers until borders re-open and reasonable tourist inflows return, *so that talent is retained and service levels are maintained.*
- **Support for product:** Introduction of accelerated depreciation regime for tourism industry assets including accommodation providers, modelled on Australia's previous COVID-related depreciation policies and available until reasonable tourist inflows return, *so that renovations and repair are carried out in a timely fashion for when New Zealand re-opens to the world.*
- **Support for key marketing channels:** Confirmation of central government funding for Tourism New Zealand and RTOs (including Destination Queenstown and Auckland Unlimited) for the next three fiscal years, *so that (a) New Zealand remains front-of-mind for international travellers, and (b) the hotel sector and other tourism industry stakeholders have time to work with central government and regional authorities on a fairer tourism infrastructure funding model.*

## Why?

- **Customers are shut out:** 55% of accommodation sector revenues pre-COVID were generated from international travellers.
- **Oversupply cannot be managed in the short term:** Without international travellers, New Zealand has a massive oversupply in overnight accommodation. Hotels cannot replicate airlines and rental companies, which have the option of quickly reducing inventory through fleet management.
- **Oversupply affects downstream businesses:** Accommodation is highly fragmented and competitive. The oversupply in hotel rooms trickles down to impact small operators and drive them out of business. Guests can trade up at the same price (from a motel to a discounting hotel), so they do...
- **Massive shortfall in revenues:** Nationally, hotel sector revenues are down approximately 40% ever since borders closed. It's not a lockdown story, it's a "no international travellers" story.
- **Hotels are infrastructure:** Government should be concerned about the *overall state of our tourist accommodation sector*, even though it is privately owned. Airlines, airports, in-country transport networks and accommodation are the *tourism backbone* – high-cost infrastructure assets that deliver the guest journey. Travellers judge destinations by the quality of tourism infrastructure.
- **Repeating old mistakes:** Hotel sector neglect and a return to boom-and-bust hotel development will once again damage New Zealand's perpetual efforts to grow average visitor spend. Cost-cutting and postponement of maintenance at hotels will hurt the recovery and make the hotel sector a less attractive career path for talented Kiwis. This adversely affects the prospects for downstream tourism businesses, too.