



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

Submission to the New Zealand Government
Broadband Investment Initiative – Draft proposal for comment

27 April 2009

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Broadband Investment Submissions
ICT Regulatory Group
Energy and Communications Branch
Ministry of Economic Development
PO Box 1473
Wellington

Dear ICT Regulatory Group

**Re: *Tourism Industry Association: Submission to the New Zealand Government
Broadband Investment Initiative – Draft proposal for comment***

The Tourism Industry Association (TIA) has consulted with our members and wishes to make the following submission on the “*New Zealand Government Broadband Investment Initiative – Draft proposal for comment*”.

KEY POINTS

- TIA strongly supports the key principles and overall goals of the NZ Government Broadband Investment Initiative including the desire to make a major step-change in broadband infrastructure which the government believes will underpin New Zealand's international competitiveness in future years, and for the benefit of future generations.
- TIA is concerned that key tourism regions which are a major source of New Zealand's international competitiveness, export earnings and international profile including Queenstown, Wanaka, Kaikoura, the Bay of Islands, Northland, the Coromandel, and the West Coast have been excluded from the 25 regions in the current proposal. (*We believe that this issue may have arisen due to regions being selected largely on the basis of population figures rather than on levels of export productivity – an important measure which also needs to be taken into consideration when targeting international competitiveness*)
- Tourism in New Zealand is a \$50 million per day industry. Tourism delivers \$24 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$26 million in economic activity every day. Total tourism expenditure reached \$20.1 billion for the year ended March 2007. International visitor expenditure accounted for \$8.8 billion or nearly a fifth (18.3%) of New Zealand's total foreign exchange earnings.¹
- Queenstown alone generates approximately \$795 million per annum in tourism revenue, the Queenstown Lakes District has a population of about 26,400 (*similar to Blenheim, Taupo or Timaru and greater than Masterton, Whakatane, Ashburton, Tokoroa and Oamaru*), includes some of New Zealand's largest tourism organisations and is an iconic symbol of New Zealand's status as a premium destination in the eyes of the world.
- For New Zealand to continue to market itself as premium destination offering world class services, our top tourism regions must have access to the latest developments in state-of-the-art information and communications technology (or at least match those provided in other New Zealand regions).

¹ Tourism Satellite Accounts, year ended March 2007

- TIA recommends that Queenstown be added to the regions list for the NZ Government Broadband Investment Initiative immediately and that other key tourism regions including Queenstown, Wanaka, Kaikoura, the Bay of Islands, Northland, the Coromandel, and the West Coast, are also reconsidered for inclusion based on their contribution to New Zealand's export productivity.
- TIA sees² that the government does intend to actively develop funding solutions for improved broadband service delivery in those parts of New Zealand not directly addressed in the New Zealand Broadband Initiative and welcomes this. However, we believe key export productivity regions such as Queenstown must not be excluded from the current NZ Broadband Initiative, given their critical contribution to New Zealand's international competitiveness right now.
- In the current economic environment it also seems unlikely that these areas will be primary targets for alternative commercial investment for ultra-fast broadband if this is not provided via the NZ Broadband Initiative.
- Indeed, if Queenstown and other key tourism productivity regions are left out of the proposed NZ Broadband Initiative, a negative impact on New Zealand's overall export productivity, comparative to other competing international destinations which do have ultra-fast broadband services, can be expected.
- The need for productivity measures to be considered when determining the final regions for the NZ Broadband Initiative is also supported in Business New Zealand's submission to the Ministry of Economic Development. Business New Zealand notes that³, *"For instance, Queenstown and Wanaka were not included in the top 25 regions due to their small population size (approximately 11,500 and 6,200 respectively). However, as a major tourist destination, tourists on average spend around \$795m annually in the Queenstown region. Therefore, the ranking of regions by economic contribution or growth for the top 25 regions may be quite different in comparison to just an examination of the general population. Overall, these issues highlight the need for consideration by Government in terms of the final make-up of the regions, whether this involves substituting one region for another based on economic settings, or looking to change the composition of the regions by way of boundary settings."*

FURTHER COMMENTS

- TIA sees⁴ that Demand-side initiatives are planned for all public sector agencies, and in particular the health and education sectors, including a \$150 million allocation in funding for schools, and is supportive of this approach.
- TIA also sees⁵ that the proposal includes a \$48 million commitment to rural broadband initiatives and is supportive of this investment given the considerable importance of the agricultural sector to New Zealand's export productivity and continued international

² Item 22, Page 11, NZ Broadband Investment Initiative – Draft proposal for comment

³ Business New Zealand Submission to Ministry of Economic Development on Broadband Investment Initiative, 27 April 2009

⁴ Item 90, Page 27, NZ Broadband Investment Initiative – Draft proposal for comment

⁵ Item 99 Rural Broadband, Page 29 NZ Broadband Investment Initiative – Draft proposal for comment

competitiveness. Unfortunately, the priority regions for tourism and 'rural' agriculture differ on a case-by-case basis, so this fund will not necessarily cover the key tourism productivity regions just because this funding is likely to be allocated to low population rural areas.

- TIA recommends that a similar Demand-side initiative be developed for key tourism productivity regions which it is likely will not be included in the current NZ Broadband Investment Initiative.

THE NEED FOR ULTRA-FAST BROADBAND

The ability to access and to transfer large amounts of data, access multiple applications, including high definition IPTV, videoconferencing, video streaming, VoIP, real time applications internet browsing, fast email, efficient booking systems , and other new media and information technologies is a critical component of future tourism productivity and development.

Ultra-fast broadband will provide the means for tourism businesses to market their product to the world in a cost-effective manner, deal efficiently with online booking enquiries and reservation requests, and capitalise on the ever increasing range of business applications and information sources available online. Tourism businesses without easily accessible websites and fast and efficient booking systems will simply not keep pace with their competitors.

Internet Traffic

Internet traffic is becoming one of the most important Key Performance Indicators for Regional Tourism Organisations (RTO) to determine whether their marketing efforts are effective because the online environment has become the major source of international reservations and bookings for the tourism industry. Increasingly promotional media aims to attract respondents to each RTO's website as a first point of follow up. A recent survey shows that Average Monthly Unique Web Visitors for 27 New Zealand RTO's in 2008 was 368,946 and Average Monthly Page Impressions were 2,391,194. Considerably more online communications are generated directly by tourism operators themselves.

The expectation of high speed services and systems is not only held by tourism businesses, but by international visitors as well. Overseas travellers, especially in the business and luxury sectors New Zealand targets, expect to be able to access on demand video and internet services wherever they are in the country, something they currently cannot do. To deliver on the world class visitor experiences, providing connectivity to these key tourism regions is essential.

TIA also continues to have significant concerns for those regional tourism businesses that still have no broadband access at all. As with most industries, the road to increased efficiency and productivity in the tourism sector will be built on the adoption and use of information and communications technologies by all tourism businesses. Key outcomes for the tourism industry from the NZ Broadband Initiative would be:

- better access to ultra-fast broadband services;
- improved infrastructure at a regional level;
- better on-line content and applications;
- improved co-ordination of the government's own online IT systems; and

- better international broadband access.

SUMMARY

TIA understands that the ICT Regulatory Group is tasked with achieving a major step-change in New Zealand's ultra-high speed broadband infrastructure development over the next 10 years and that this is a complex task. TIA is eager to ensure that, as one of New Zealand's leading export sectors responsible for nearly one fifth of New Zealand's foreign exchange, the needs the tourism industry are accounted for in the ICT Regulatory Group's planning and infrastructure rollout programme.

- TIA recommends that key export productivity regions such as Queenstown must not be excluded from the current NZ Broadband Initiative, given their critical contribution to New Zealand's international competitiveness right now.
- TIA recommends that a specific Demand-side initiative be developed for key tourism productivity regions which are not likely to be included in the current NZ Broadband Investment Initiative.

TIA would be pleased to work more closely with the ICT Regulatory Group to progress these recommendations and we look forward to providing any further information which you may require.

Yours sincerely



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Chief Executive
Tourism Industry Association (TIA)



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Tourism Industry Association (TIA)

ABOUT THE TOURISM INDUSTRY ASSOCIATION - THE VOICE OF THE TOURISM INDUSTRY

TIA is the umbrella organisation that represents and advocates for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of New Zealand's tourism-related revenue. Tourism expenditure reached \$20.1 billion to the year ended March 2007 with international tourist expenditure accounting for 18.3% of New Zealand's total export earnings. The industry, directly and indirectly, employs one in ten New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises with less than five people. Not only is tourism important because of its size, representing 8.9% of New Zealand's GDP, it is highly employment intensive; regionally disparate; and very diverse - ranging from large stock exchange listed companies to small cottage industries. These businesses cover a range of tourism-related activities – hospitality, transport, adventure and activities, attractions and retail as well as related tourism services. In many cases, regional tourism businesses have developed around regional assets divested by other industries and have revitalised those assets and the communities that depend on them.

The TIA Executive team, led by Chief Executive, Tim Cossar, has a staff of eighteen based in Wellington working across the advocacy, events, membership and business services areas. The TIA Board consists of twelve representatives from the various sub-sectors of the industry. The Board is currently chaired by Norm Thompson, Deputy Chief Executive of Air New Zealand. Please go to the TIA website for further information: www.tianz.org.nz