



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

Submission on the TelstraClear Bitstream Application - Statement for Consultation To the New Zealand Commerce Commission

October 2005

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About Our Association and Industry

The Tourism Industry Association New Zealand (TIA) represents the interests of the tourism industry in New Zealand. The businesses we represent generate more than 80% of New Zealand's tourism-related revenue.

Tourism is a \$17 billion industry (\$7.5b from international and \$9.5b from domestic tourism) and generates 18% of New Zealand's exports. The industry employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises. Not only is tourism important because of its size, as well as being 10% of New Zealand's GDP, it is also:

- Highly employment intensive;
- Regionally dispersed;
- Sufficiently nimble to change its target markets quickly as conditions change.

These businesses cover a range of tourism-related activities – hospitality, transport, adventure and activities, retail and 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 tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.

New Zealand welcomes almost two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry. TIA estimates that over 75 million visitor nights are spent by New Zealanders every year.

Technology take-up is a major issue for our industry. The New Zealand Tourism Strategy 2010 contained a recommendation calling for "*the development and implementation of a sector-wide technology strategy to support sustainable growth in New Zealand tourism.*" To date this has not progressed, however TIA wishes to work with central government and other stakeholders to develop and fund the development of a Tourism Technology Strategy. We would see the benefits of such a Strategy being: lifting profitability and productivity; making SMEs more sustainable and ensuring higher business survival rates; and lower operating costs.

Broadband internet is a vital technology for tourism businesses, and growing more important all the time.

This submission provides input to the statement the Commerce Commission has recently released for consultation on an unbundled bitstream (broadband) application received from TelstraClear. Our submission:

- Contains some wider background on the tourism as a major 'export' earner for the New Zealand economy

- Sets out the specific concerns that TIA has with the impacts this application potentially creates for the accessibility of broadband internet services in regional parts of the country.

Tourism is a vital 'export' sector

Tourism is a crucial driver of national economic activity and growth across a wide range of sectors, including transport, accommodation, wine and food, retail, catering and financial services. The exposure every year of well over 2 million international visitors – many of high net worth and fitting Tourism New Zealand's influential interactive traveller profile - to New Zealand products also provides important marketing opportunities for our export industries. In other words, tourism creates revenue opportunities for many sectors.

The tourism market is truly global. International tourists have an enormous range of destination options. New Zealand is located at the end of the international transport network and comparatively expensive and time consuming to reach. In order to compete, our tourism products and services must be first class and our delivery of a quality experience second to none.

Countries like Australia and the UK, key source markets for New Zealand tourism, are also in the midst of concerted domestic tourism campaigns. The *See Australia* campaign is a direct attempt to encourage Australians who do have the income to afford to travel overseas to explore their own country instead of destinations such as our own. It is part of an investment of around \$AUD360 million over four years by the Australian Federal Government alone.

Adding to these challenges is the high value of the New Zealand dollar - previously a major attraction for foreign visitors – the weakened US dollar which has made that destination cheaper, and difficult economic times in some of our important markets (for example, Germany).

Looking ahead, visitor numbers are levelling off and New Zealand's competitive position is more challenging than ever before. The onus is on industry and government to actively sustain the momentum generated over the past five years. This will not be achieved by resting on our laurels or passively willing that momentum to continue.

Reduced broadband accessibility threatens regional business capability

As the industry association representing the tourism industry in New Zealand, TIA seeks to assist New Zealand's tourism businesses to develop the business capability needed to grow their markets and revenue in the highly competitive tourism market. The ability to access and be able to utilise new media and information technologies is a fundamental component of this capability development.

Broadband access provides the means for tourism businesses to market their product to the world in a cost-effective manner, deal efficiently with enquiries and reservation requests, and capitalise on the ever increasing range of business applications and information sources available online. This is particularly true of regional tourism businesses, where isolation from the main tourism flows and from the support services available to the industry makes the use of online marketing and business management tools even more important.

TIA is very supportive of any initiatives that will provide improved broadband access to our members. We would, however, be concerned if that improved access is not distributed equitably across our members and in particular, if some stand to be disadvantaged by such a move.

TIA understands that one of the consequences of providing an unconstrained bitstream service may be that customers furthest from Telecom's network of exchanges and cabinets are no longer able to access broadband as at present. We are somewhat surprised to note in the Commission's Statement for Consultation that you believe the benefits of supplying higher-speed broadband through an unconstrained service will outweigh the detriments to existing end-users.

A number of these existing end-users will inevitably be regional tourism businesses who risk finding themselves cut off from the productivity and efficiency enhancing tools that broadband access is currently offering them. In today's tourism market with its ever-intensified level of competition, this could have major detrimental effects on the competitiveness of those businesses.

Furthermore, we have significant concerns for those regional tourism businesses who are not current users of broadband. 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 of our tourism businesses. If some tourism businesses are unable to access those technologies through a reduction in the reach of the broadband network, our industry capability development strategies stand to become seriously compromised.

TIA's recommendation

TIA asks the Commission to reconsider the conditions under which it is proposing to regulate an unconstrained bitstream service, and in particular to fully assess their likely impacts on the quality and availability of broadband services to regional New Zealand. We reaffirm our belief that any enhanced broadband offering should be made available in a fully equitable manner to all New Zealand's tourism businesses.

Tourism Industry Association New Zealand (TIA)
27 October 2005