

Napier Tourism Monitor

March 2010

1.0 Introduction

This report is the second of a new series of quarterly reports providing a specialised economic analysis of the current situation of the Napier tourism/ visitor sector, recent trends in the sector and the medium-term outlook for the sector. The analysis comprises a mixture of statistical, tabular and graphical reporting, and also provides regional and national comparisons where appropriate. Base data sources include Statistics New Zealand, Ministry of Tourism and the Napier City Council's Tourism Services Department. Readers are reminded that this report and others to be provided in the future provide an overview only of the current performance of the broad tourism sector in the City and should not be solely relied on for any new commercial tourism business/feasibility investigation. The latest formal reporting period is December 2009, although comments are included in the report on some trends since then.

2.0 Trend Summary

- An approximate 4% fall in total visitor numbers to Napier over the 2009 calendar year. This is a continuation of the declining trend that has taken place in the City since the 2006 year. Commercial accommodation visitor numbers as recorded by Statistics NZ fell 0.4% whilst VFR (Visiting Friends and Relations) numbers fell 8.4%. Nationally, commercial accommodation visitor numbers fell 1%.
- Domestic visitors from the rest of NZ still account for around 75% of total visitor-nights spent in the City and international visitors 25%. Last year, domestic visitor numbers fell 6.9%, whilst overseas visitor numbers increased 8.6%.
- Total Napier visitor numbers are forecast to increase in the range 2-3% annually, over 2010-2015.
- The visitor sector directly contributes an estimated \$150 million annually to the full Napier economy. Total direct and indirect employment in the sector is in the order of 3,300.

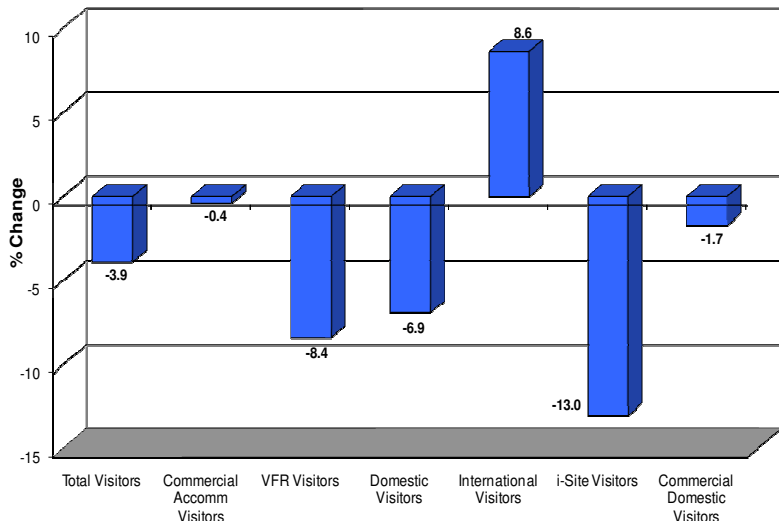
3.0 Key Results For December 2009 Year

<i>Total Overnight Visitor Numbers</i>	:	528,308
<i>Annual % Change in Visitor Numbers</i>	:	-3.9
<i>Total Visitor Nights</i>	:	1.54 million
<i>Annual % Change in Visitor Nights</i>	:	-7.4
<i>Average Length of Stay (Nights)</i>	:	2.92
<i>Total Direct Overnight Visitor Spend (Est)</i>	:	\$170 million
<i>Total Industry Direct/Indirect GDP (Est)</i>	:	\$150 million
<i>Total Direct Employment (#)</i>	:	3,300

4.0 Visitor Numbers

Total overnight visitor numbers to Napier for the year ended December 2009 were recorded at an estimated 528,308. Total visitor numbers for the period were down 21,400 or -3.9% on the preceding year. The number of people visiting the Napier i-Site last year totalled 274,541, down 39,688 or 13% on the December 2008 year. The number of people staying in commercial visitor accommodation in the City fell 0.4%, whilst the number of people staying with friends and relatives (VFRs) fell 8.4%. Commercial visitor numbers to the City have been falling gradually from 2005 and overall since then by some 26,000 or 8%. At the same time, VFR visitor numbers have fallen by 23%. HB Airport passenger numbers for the second half of 2009 were down approximately 9% on the same period in 2008.

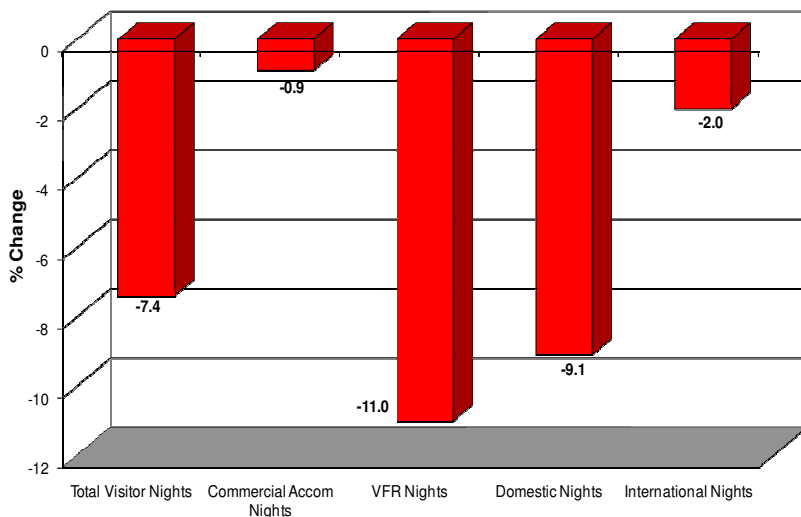
Figure 1: Napier Visitor Trends 2008/09 Calendar Year



5.0 Visitor Nights

Total visitor nights spent in Napier over the December 2009 year were recorded at 1.54 million, comprising commercial visitor accommodation nights 591,135 and VFR nights approximately 952,100. Total night-stays fell 7.4% over the year, with commercial nights falling by -0.9% and VFR nights by -11%. Over the period, the commercial accommodation sector accounted for approximately 38% of all nights spent by visitors in the City and VFR accommodation 62%. Since 2005, the annual number of nights spent by visitors staying in Napier commercial accommodation has fallen by -3.6%, whilst the number of nights spent by VFR visitors has fallen by -18.3%. Total visitor nights have fallen by -13.2%.

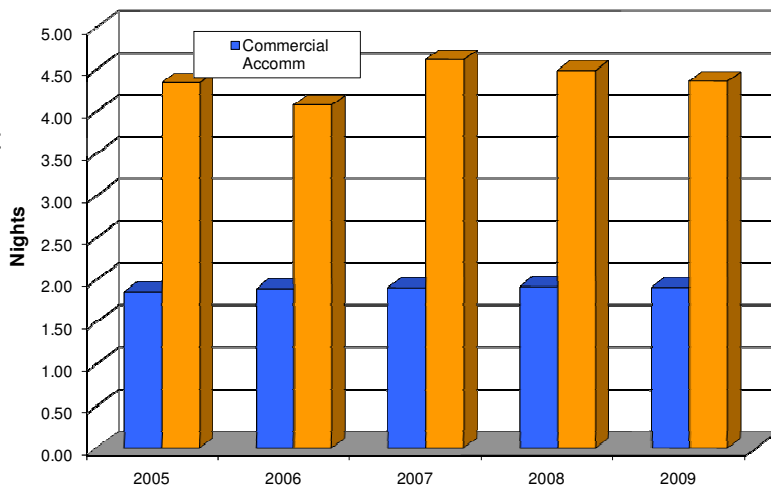
Figure 2: Napier Visitor-Night Trends 2008/09 Calendar Year



6.0 Length of Stay

This refers to the average length of stay in nights (ALOS) for all overnight visitors to the City during the year and is calculated on the basis of total night-stays divided by total overnight visitor numbers. This calculation results in recent December year annual figures of Year 2005: 2.87 nights, 2006: 2.77 nights, 2007: 2.97 nights, 2008: 3.03 nights and 2009: 2.92 nights. Thus, there was a significant overall increase in this indicator in the City during 2005-2008, with the figure falling back sharply last year though due to the impact of the major economic downturn. The ALOS for commercial accommodation visitors last year was 1.91 nights and VFR visitors 4.36 nights.

Figure 3: Napier Visitor Length of Stay 2005-2009 Calendar Years



7.0 Other Area Comparisons

Table 1 indicates the comparative changes in commercial accommodation visitor numbers and night-stays for Napier City and other regional centres, last calendar year.

All areas other than Gisborne district recorded a decline in visitor numbers, whilst three areas (Gisborne, Hamilton and Timaru) recorded increases in visitor-nights last year.

Napier ranked 2/14 areas for visitor numbers and 4/14 for night-stays.

Both indicators fell more strongly nationally than they did in Napier.

Total Hawkes Bay RTO (regional tourism organisation) catchment area commercial visitor arrivals fell 1.3% last year, with total visitor-nights falling 1.2%.

Table 1: Comparative Commercial Accommodation Tourism Changes December 2009 Year

City/District	Annual % Changes	
	Visitor Numbers	Visitor Nights
Napier	-0.4	-0.9
Hastings	-1.8	-1.6
Gisborne	+3.0	+3.0
Whangarei	-2.8	-3.6
Hamilton	-2.6	+0.3
Tauranga	-3.9	-2.7
Rotorua	-3.9	-4.8
New Plymouth	-3.5	-3.6
Wanganui	-3.7	-5.5
Taupo	-2.0	-0.3
Palmerston North	-2.8	-2.7
Nelson	-0.8	-2.5
Marlborough	-3.8	-2.9
Timaru	-4.3	+3.1
NZ TOTAL	-2.3	-1.4

8.0 Visitor Markets

Figures 4a and 4b:

Over the 2009 calendar year, overnight visitors to Napier from within New Zealand (i.e. domestic visitors) totalled some 413,980 or 78% of all visitors to the City.

International visitor numbers totalled approximately 114,327 or 22% of all visitors.

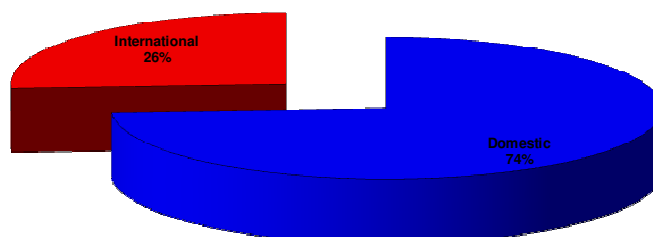
Domestic visitors accounted for 75% of all visitors to the area staying in commercial accommodation and overseas visitors 25%. Domestic visitors also accounted for 83% of all visitors staying during the year in VFR accommodation and overseas visitors 17%.

As indicated in Figure 4a above, domestic visitors account for approximately 74% of total Napier visitor-nights and international visitors the balance of 26%.

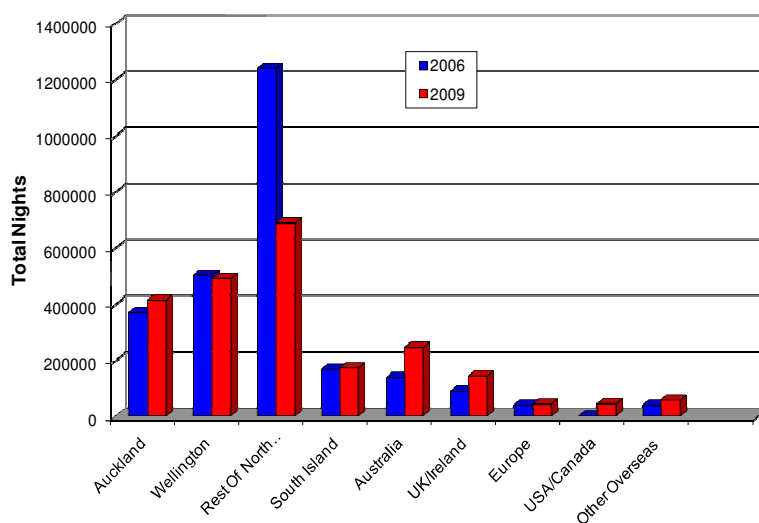
Since Year 2000, total visitor night-stays in Napier City have increased from some 1.21 million to 1.54 million, a gain of 27.3%. At the same time, total domestic visitor night-stays have risen 18% and international visitor night-stays 63%. The domestic sector's share of total night-stays has fallen from 80% to 74%, whilst the international sector's share has correspondingly increased from 20% to 26%.

With regard to the Hawke's Bay VFR sector, the leading individual markets for the year ending December 2009 were, in order, Wellington, Auckland, Australia, Waikato, Bay of Plenty, United Kingdom and Manawatu. The individual VFR markets that have grown the most since 2006 are Australia, United Kingdom, Canterbury and the Gisborne region, in this order.

Main Napier Tourism Market Sectors 2008/09



Broad Napier VFR Tourism Market Changes 2006-2009

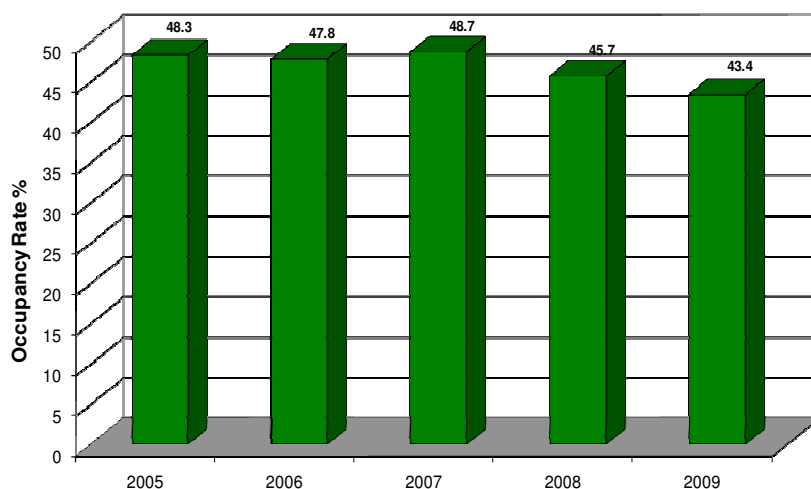


9.0 Accommodation Trends

Figure 5

Statistics NZ's monthly commercial accommodation surveys over the year ending December 2009 point to a monthly average of 57 accommodation outlets in the City, covered by the surveys. At the HB region level, the sector profile of total accommodation capacity for the 2009 calendar year was hotels 10%, motels 29%, backpackers 19% and holiday parks 42%. Over the past five years, total visitor accommodation capacity in Napier has increased by 18%, with individual sector capacity growth at the regional level being hotels 22%, motels 7%, backpackers 68% and holiday parks -5%. At the same time, the total commercial accommodation occupancy rate in Napier has fallen from 49.2% to 43.4%, with the trend for the individual accommodation sectors at the regional level being hotels (40% up to 43.8%), motels (58.8% down to 50.6%), backpackers (45.5% down to 37.3%) and holiday parks (15.9% up to 16%). At the regional level, total hotel sector visitor nights increased 11% last year, with motel nights falling 4.6%, backpacker nights increasing 5% and holiday park nights declining 4.5%.

Napier City Annual Commercial Accommodation Occupancy Results 2005-2009



10.0 Napier City Council Tourism Operations

Table 2 presents attendance/patronage results for the various Napier City Council main tourism operations, for the 2008 and 2009 calendar years.

The National Aquarium of New Zealand and HB Museum and Art Gallery recorded increased patronage last year, whilst the other facilities recorded reduced patronage to varying degrees.

Napier i-Site recorded a 13% fall in visitor numbers. The overall fall across Par 2/National Aquarium/Museum-Art Gallery was in the order of just -0.5%.

The War Memorial Centre recorded a small fall in utilisation, whilst Kennedy Park Top Ten Holiday Park recorded a noticeable decline in visitor activity over the year.

Table 2: Napier City Council Tourism Operation Results 2008/2009

Amenity/ Attractions	December Years		% Change
	2008	2009	
Napier i-Site Visitor Numbers	314,229	274,541	-12.6
Par 2 Admission Numbers	51,172	43,843	-14.3
National Aquarium Attendance Numbers	98,047	99,335	1.3
HB Museum & Art Gallery Admission Numbers	29,694	34,775	+17.1
War Memorial Conference Centre (Days In Use)	291	285	-2.1
Kennedy Park (Total Room Nights)	32,805	29,818	-9.1

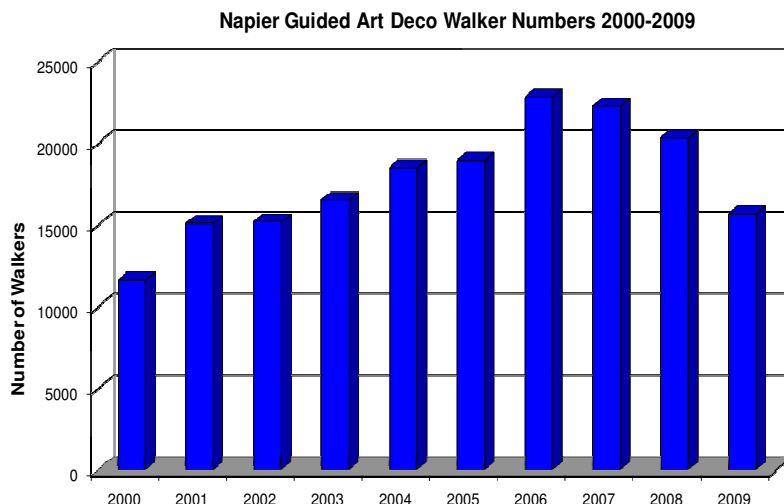
11.0 Art Deco and Cruise Ship Tourism

Figure 6

Over the 2009 calendar year, the number of people participating in Art Deco guided walks in Napier totalled approximately 15,677, down 4641 or 23% on the 2008 result. The number of walkers over the past year is now back to the level for the 2001/02 year. Years 2006-2008 were the peak period for walker numbers since they were first recorded in the mid 1980s.

Some 39 cruise ship visits were made to the Port of Napier between November 2009 and April 2010. Total passenger numbers involved were an estimated 50,500 and crew numbers 21,200. Total on-shore direct spending by cruise visitors (passengers and crew) this past season is estimated at around \$10 million.

Total ship visits in 2010/2011 are currently forecast at 47, with a total passenger implication of some 73,000 and a total crew implication of 32,000.



12.0 Tourism Economic Indicators

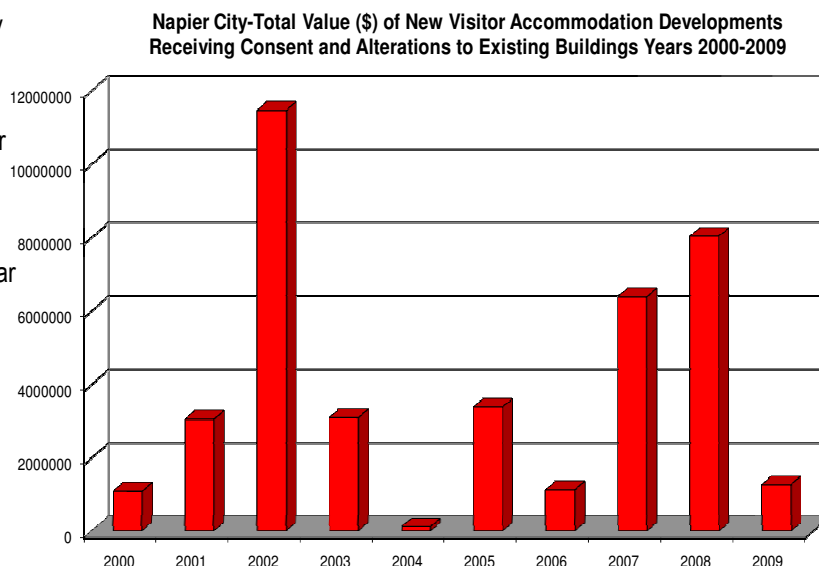
Figure 7

This section indicates the scale and trend over the past year in Napier tourism GDP, employment and building activity, three key economic indicators for the sector.

Total direct and indirect tourism sector GDP in Napier presently stands at around \$150 million or approximately 10% of all-industry GDP in the City. Direct tourism/hospitality sector GDP in the City fell only marginally in real terms, over the year ending September 2009.

Total direct employment in the local tourism/hospitality sector (cafes/restaurants/visitor accommodation) last year was recorded at a quarterly average of approximately 1730 or 6.4% of total City employment. The above employment figure represents only part of the total employment impact of the sector in Napier (which is estimated at around 3,300). Last year, total employment in the Napier tourism/hospitality sector fell by 6.8%.

Over the 2009 calendar, two new visitor industry-related accommodation premises received building consent in Napier, compared to 5 in the previous year; the combined value of the premises was \$1.14 million, compared to \$7.6 million for the 2008 calendar year. Last year, three proposed alterations to existing visitor accommodation received consent, worth a combined value of \$0.12 million. In the 2008 calendar year, the comparable figures were 2 alterations with a combined value of \$0.46 million.



13.0 Recent Industry Performance

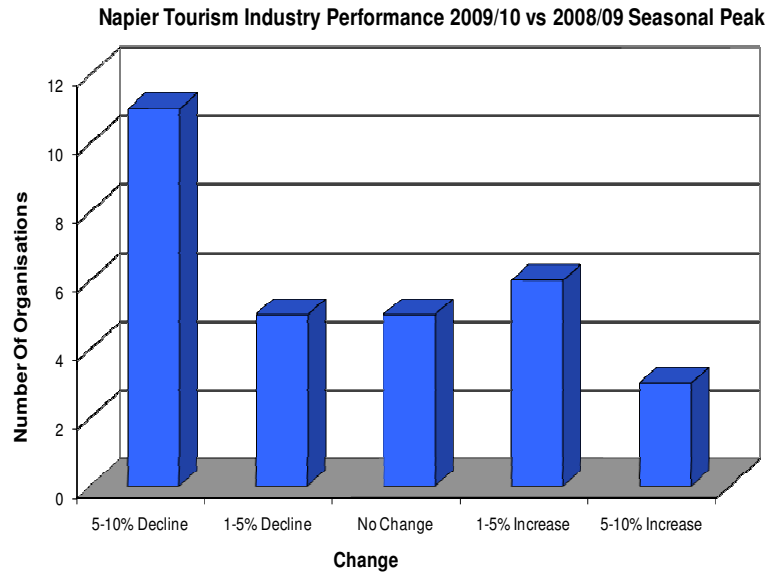
Figure 8

This section indicates the results from a brief survey of a range of local visitor accommodation, attractions, wineries, amenities and events, with regard to 2009/10 peak season business performance compared to the 2008/09 year. Some 32 organisations were covered by the survey, which basically asked the organisations to indicate whether their business activity was ahead or behind last year and by how much.

The graph to the right indicates the overall situation for the organisations surveyed. Approximately half of those surveyed reported lower business activity this season, with 17% reporting no change and the balance of 33% reporting an improvement in the range of 0-10%. The gains were primarily for cruise ship and Art Deco activity.

Survey feedback from operators highlights a number of influences and trends currently impacting the local tourism sector, including:

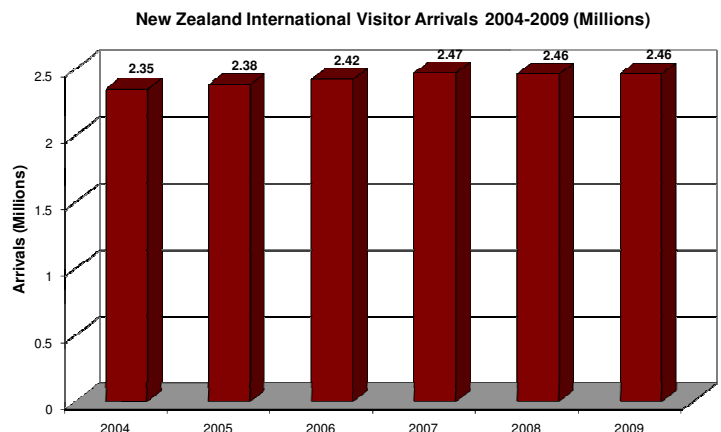
- The relatively unsettled early to mid summer weather adversely affected visitor activity overall
- The tighter economic conditions meant that consumers were looking for value for money and shopping around for the best deals
- An upward trend in activity in the hotel and backpacker accommodation sector
- An overall decline in patronage numbers, along with restructuring of some key event formats
- Some increased conference activity
- A challenging season for the wine/wine tourism sector.



14.0 National Tourism Trends

Figure 9

Over the year ended January 2010, the total number of international visitor arrivals into New Zealand was recorded at 2.46 million, the same figure as for the previous year. Over the same period, total commercial accommodation visitor numbers in New Zealand fell by around -1% and visitor-nights by -0.4%. Total domestic visitor-nights remained very much unchanged, whilst total international night-stays fell by -1%.



15.0 Napier Tourism Outlook

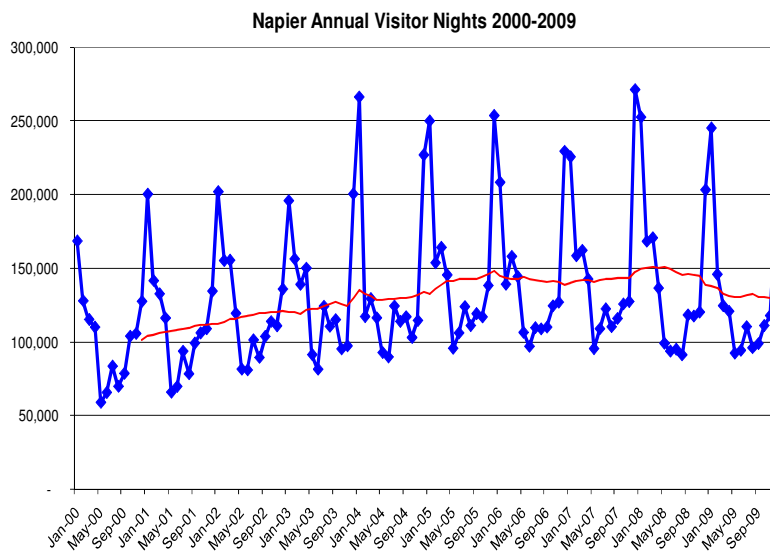
Figure 10

Figure 10 (red line) indicates the long-term underlying trend in total visitor nights-stays for Napier City, since Year 2000. There has been a sharp fall in this indicator since mid 2008.

There has been an overall fall in Napier visitor numbers since 2006, with a more noticeable fall since early 2008 but relative stability since mid 2009.

The latest regional tourism forecasts from the Ministry of Tourism are for total overnight visits to the Hawkes Bay area to increase by an annual average 0.6%, over the period 2009-2015. Taking into account the historical Napier annual growth experience and the Ministry's regional growth forecast, it is suggested that an appropriate annual growth forecast for Napier visitor numbers is in the order of 2%-3%. This implies a Year 2015 annual visitor total for the City of around 615,000. The highest annual total for the City historically has been 600,000 for the year ending December 2007. The suggested forecast therefore provides a target which is broadly consistent with the historical growth experience of the City and at the same provides an element of stretch for the City to aspire to.

It is noted that the graph also clearly indicates the strong seasonality of tourism to Napier, with visitor activity consistently peaking over the late December to March/April period and then falling relatively sharply over the winter interval until the usual pick-up from around the September month.



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