



Members present

Alan Torrance, Amanda Gower, Ann Blair, Ann Cooper, Anneli Torrance, Barry Pulford, Ben Dunbar-Smith, Ben Wildish, Bill Morris, Brian Burrell, Bruce Ward, Charlie Smith, Clive Croy, Colin Bendall, Coral Laughton, Cynthia Ducrot, Darren Burden, Dave Berry, David Wildish, Ennio Veronese, Fritz Drissner, Gary Eng, Gary Gower, Gaynor Thacker, George Murray, Gilbert Whalley, Gillian Urry, Gordon Solloway, Harry Guitry, Hayley Tribble, Heather Pryor, Herman Ducrot, Ivan Hibberd, Jan Veronese, Jancis Hampton, Jaya Prasannan, John Blair, John Thacker, Julie Hooper, Kathy Weaver, Ken Griffin, Kenneth West, Kevin Brewer, Kevin Penberthy, Lilian Van Elk, Lindsay Park, Lloyd Sutton, Lorna Adamczyk, Margaret Harding, Mark Ebrey, Mary Croy, Masako Mizusawa, Michael Dempsey, Mike Flaws, Moira Boyle, Moira Lipyeat, Natalie Trumper, Peter Washington, Ray Salter, Ross Butler, Ruth Wildish, Sally Evers, Sarah Devine, Stephen Lace, Suzanne Kendrick, Trish Lipyeat, Vivien Jones, and Wayne Urry.

In Attendance

- Mark Wells (Chief Executive), Maureen McCloy (National Secretary), Kevin Cameron (Finance Manager), Melanie Evans (Payroll Co-ordinator) and Mari Johnson (Office Administrator).
- Robyn Antill (YHA Australia)
- George Forbes (Partner, Rhodes & Co).

Chair

Ray Salter.

1. Meeting opening

1.1. Welcome

The Chair opened the meeting and welcomed members to Wellington. He then reminded the members of YHA's Aims and Objects as set out in YHA's Constitution and the Standing Orders for the meeting.

1.2. Apologies

Apologies were received from the following members:

Avis Robertson, Barbara Childs, Ben Mitchell, Beverley Kirby, Bruce Bertram, Bruce Church, Christine Kiddey, Cornelia Van der Hulst, Dennis Viehland, Erin Ryan, Gwyn Rogers, Isla Lewis, Jane Lovell, Jim McKie, John Hammond, Lance Kiddey, Martin Gallagher, Melvan Driscoll, Michael Sheehan, Mike Northmore, Mollie Bertram, Peggy Jack, Ross Blackwood, Sidney Lovell, Steve Wakefield, and Wendy Wallace.

86/1 Resolved that the above apologies be accepted.

Ray Salter / Amanda Gower

1.3. Quorum

The Chair advised that the quorum requirement was achieved and that there were 68 Senior Financial Members present, 66 of whom had voting rights. There were also two Branch representatives, each holding two votes, in addition to their own. This meant there were 70 votes available at the meeting.

1.4. Adoption of the Agenda

The Chair advised he would call for items of General Business under agenda item 10.

86/2 Resolved that the agenda be approved with the above additions.

Ray Salter / Darren Burden

2. Introductions

2.1. National Board

The Chair introduced the National Board members present: Darren Burden, Jaya Prasannan, Kevin Brewer, and Hayley Tribble.

He then acknowledged John Hammond's contribution to the governance of YHA. John had recently resigned from the Board and from the role of National Chair due to ill health.

2.2. YHA Australia Representative

The Chair welcomed Robyn Antill, Director of YHA Australia. He emphasised the strong partnership with YHAA, noting the common operations and information management systems.

2.3. Honorary Vice-Presidents

The Chair acknowledged the three Honorary Vice-Presidents present: Bruce Ward, Dave Berry, and Harry Guitry and thanked them for their work during the year.

The Chair noted that Harry Guitry had been an Honorary Vice-President since 2013 and did not stand for re-election this year. He then presented Harry with a small gift in recognition of his contribution to YHA as an Honorary Vice-President.

2.4. Honorary Life Members

The Chair introduced the Honorary Life Members present and acknowledged their long-standing service and on-going interest in YHA.

2.5. YHA Staff

The Chair introduced the YHA staff members present at the meeting:

Mark Wells (Chief Executive), Kevin Cameron (Finance Manager), Maureen McCloy (National Secretary), Melanie Evans (Payroll Co-ordinator) and Mari Johnson (Office Administrator).

2.6. Legal Adviser

The Chair introduced George Forbes and welcomed him to the meeting in his capacity as YHA's constitutional legal adviser.

3. In Memoriam

The Chair asked the meeting to take a moment to remember the passing of members during the last year, including: Elaine Aimers, Elizabeth Beer, Gordon Roberts, Hunter Wilson, Len West, Oscar Nordstrand, Pat Wright, Peter Grenfell, Rex Smart, and Sally Keene.

4. Minutes

4.1. Confirmation of minutes of the previous Annual General Meeting.

The spelling of Oscar Nordstrand's name was corrected.

86/3 Resolved that the minutes of the 85th Annual General Meeting are a true and accurate record of the meeting and be approved. **Ray Salter / Gary Gower**

4.2. Matters Arising

Len West acknowledgement – Ken Griffin queried the note regarding Len West in the 2016 minutes, attributed to the Chief Executive. He believed it understated the contribution to YHA of other members and staff, including Jim McKie. The Chief Executive responded that his intention was simply to acknowledge Len's death and his long-standing contribution to YHA through a period of great transition. He had not intended to discount the outstanding contribution of other members, in particular that of Jim McKie.

5. Announcement of Election Results

The Chair thanked all the candidates for standing for the elected positions. He confirmed the previously declared results for Honorary Vice-Presidents and announced the National Board election results (*Appendix 1*) as follows:

5.1. Honorary Vice-Presidents

- Bruce Ward, Christchurch
- David Berry, Timaru

Dave Berry advised that he and Bruce Ward wished to record their support for more members to stand for election as Honorary Vice-President. The Chair confirmed he welcomed greater engagement and involvement with the Vice-Presidents role.

5.2. National Board

- Jaya Prasannan, Auckland
- Ken Griffin, Auckland

Jaya Prasannan introduced herself to the meeting and summarised her professional background and long standing membership of YHA.

Ken Griffin advised that it was 25 years since he was last on the Board and the organisation had changed in that time. He expressed his concerns and identified the areas within the organisation which he believed should be improved: respect for the Constitution, and the people, planet, profit focus which should include everyday members. YHA needs to do better to help membership grow.

5.3. Constitutional Notices of Motion

The Chair announced the voting results (*Appendix 1*).

The Chair advised that the Constitution will be updated with the new wording, lodged with the Companies Office and Charities Services, and then published on YHA's website. Hard copies will be available on request.

6. Annual Report and Financial Statements

6.1. Presentation of the Annual Report and the Annual Financial Statements

The Chief Executive presented his report for the year (*Appendix 2*) which was followed by the Finance Manager's presentation of the Annual Financial Statements for the year ended 30 June 2017.

There was objection to the inclusion in the Chief Executive's report of the management experience of the Oputere consideration. The National Chair requested the Chief Executive to continue with his presentation as the governance consideration was a separate agenda item later in the meeting.

The Chair added further commentary regarding the development during the year of the property long-term asset life cycle. This sets out the long-term maintenance obligations for our hostel properties including forthcoming repairs and maintenance and commitment of expenditure.

He also identified the Lake Tekapo development as a major investment decision that the Board made during the year and confirmed the Board's commitment for this project. The Chief Executive demonstrated a 3D overview of the new hostel, advising that construction had commenced during the week.

The National Chair then asked for questions:

Membership revenue decline – Stephen Lace

The Chief Executive responded that many membership organisations have free membership now and YHA New Zealand is 'swimming against the tide' by asking members to pay for their membership e.g. YHA Australia is moving to a virtually free membership. Revenue from membership fees will likely continue to decline.

Tekapo debt and likely performance of new hostel – Ben Dunbar-Smith

The Chief Executive advised of the high level of confidence that the new hostel will have strong occupancy. The previous hostel had 40 beds only which routinely, even in the hostel's sub-standard condition, could have sold three times over. The modelling shows that YHA will receive a significant return on its capital investment in Tekapo.

Impact of the Tekapo development on the Association's debt to asset ratio – Bruce Ward

The Finance Manager responded that the current ratio was 28% and will be 37% once the new hostel at Tekapo is complete. The new \$9.5m debt facility will be used to fund the development. The land purchase was paid from cashflow.

Tekapo as a tourism destination – Dave Berry

The Chief Executive responded that the lease on the current Tekapo hostel has expired and the need to develop on a new site was well known and understood by members. Tekapo has become a year-round destination and there are many new developments underway – YHA is well-positioned to benefit from this.

Opoutere performance – Stephen Lace

The Chief Executive advised that on the current seasonal model for the operation of YHA Opoutere, the hostel records a deficit of up to \$20k per year.

Te Aroha settlement – Ken Griffin

The Chief Executive responded that YHA Te Aroha has been closed since Easter 2014 and the building, which has a zero asset value, is situated on Crown land. Management has worked hard to seek a community project to make use of the building; however, DoC has approached YHA regarding a proposal to incorporate it into a Treaty settlement, which has been agreed.

6.2. Adoption of the Annual Report

86/4 Resolved that the YHA New Zealand 2017 Annual Report be adopted. Ray Salter / Bruce Ward

6.3. Adoption of the Annual Financial Statements

86/5 Resolved that YHA New Zealand's Financial Statements for the year ending 30 June 2017 be adopted. Ray Salter / Clive Croy

6.4. Confirmation of Auditors

86/6 Resolved that PwC be appointed as YHA New Zealand's Auditors for the two years ending June 2019. Bill Morris / John Blair

7. General Notices of Motion

Opoutere Member Group

The rationale and timing of the notice of motion was discussed in relation to the Board decision in mid-August to approve the group. Concern was expressed that the Board had decided at the same meeting to close YHA Opoutere. The on-going concerns regarding engagement and responsiveness were also discussed.

86/7 Resolved that the YHA National Board shall recognise the Opoutere Hostel Group and consult with them fully in any decision(s) regarding the future of the Opoutere YHA Hostel.

David Wildish / Kathy Weaver

Opoutere Hostel

The notice of motion was discussed at length with a number of members speaking both for and against the motion. Key points included:

- Concern that not enough had been done to ensure the on-going viability of the hostel and insufficient consultation with members had occurred.
- Commentary that members are choosing not to stay at the hostel, hence the low occupancy.

- Whether or not the on-going operation of the hostel was an appropriate expression of YHA's aims and objects, and use of its capital.
- Acknowledgement that decisions to close hostels aren't made lightly and are often difficult however, the Board must look to the long term sustainability of YHA.

86/8 Resolved that the YHA National Board shall defer the decision regarding the future of Opoutere Hostel for 12 months to enable fully informed consultation amongst all interested parties.

Ken Griffin / Ruth Wildish

38 for / 22 against

The Chair advised that whilst the discussion on this topic had concluded for the day, the Board would now further consider its previous decision to close the hostel, given the intent of this resolution.

8. Award nominations and presentations

The Chair advised that Avis Robertson had been nominated for a Distinguished Service Award:

86/9 Resolved that the Annual General Meeting confers the Service and Merit Award for 2017.

Bruce Ward / Dave Berry

Hayley Tribble, National Board Member, presented the award to Gordon Solloway on behalf of Avis Robertson. Gordon then spoke on behalf of Avis summarising her exceptional contribution to YHA over many years.

9. YHA Australia Representative presentation

The Chair welcomed Robyn Antill to the meeting, whose accomplishments include visiting 100 countries. Robyn then presented the YHA Australia report, beginning with their success in bringing all of the Australian states together under one YHA Australia organisation. She reported on their challenges, their new simple model for membership, Trans-Tasman co-operation, and current hostel developments.

The Chair thanked Robyn for her presentation, acknowledging how similar the issues are between the two countries and the value of working together on solutions.

10. General Business

10.1. Voting details – Harry Guitry

- There were 1014 valid votes and 36 invalid votes cast in the National Board elections.

10.2. Youth participation in the governance and future of the organisation – Ben Wildish

- Every Senior Financial Member has the opportunity to be involved and youth involvement is welcome.

10.3. Board elections should be declared null and void, because the publication of existing board member profiles and the 2014 National Chair letter in the AGM pack could have influenced the voting in favour of sitting board members – Mark Ebrey

- Elections are controlled and managed by the externally contracted Returning Officer. All queries regarding the elections should be directed to him.

10.4. Stewart Island donations should not be re-directed to the Tekapo development – Mark Ebrey

- A refund is available to every donor to the Stewart Island project who does not want their donation redirected to Tekapo.

10.5. Constitutional Notice of Motion submission and consultation procedure – Kathy Weaver

- Constitutional Notices of Motion take a long time to correctly prepare so should be advised early. Natural justice in relation to effective consultation with the Board is key.

- An extended discussion followed regarding the exact nature of the consultation process undertaken between the Board and representatives of those proposing the notice of motion.

10.6. Voting on the Constitutional Notices of Motion should be declared null and void and re-put to the membership now – David Wildish

- Voting is controlled and managed by the externally contracted Returning Officer and this process can only occur prior to an AGM.

10.7. Proposal of a motion of no confidence in the National Chair – David Wildish/Alan Torrance

- This motion was not accepted.

10.8. Member Forums, either online or in person, are required as a way of communicating with the wider membership – David Wildish

- Will be added to the Board's Matters Arising for follow up.

10.9. National Board Charter is not publicly available to members – David Wildish

- Is an internal document written by and for Board Members. The Chair will investigate with a view to making this available to members.

10.10. YHA's Mission Statement no longer references members – David Wildish

- The Mission was reviewed in 2016 and the wording refreshed to be more inclusive of all people, not just members.

10.11. YHA's Constitution requires a full review – Ken Griffin

- Ken's discussion paper was discussed, in particular the timing of any review in relation to the eventual passing of the new incorporated societies legislation. The Chair advised that the Board will develop a constitutional review process, in a similar manner as for the last full review in 2008. This process had included significant consultation with the membership. Planning for the review will progress throughout the year and will be reported to the next AGM.

10.12. 2018 AGM date and location

The Chair announced that the next AGM will be held in Christchurch on 27 October 2018.

10.13. Meeting ending

As there was no further business, the Chair then declared the 86th Annual General Meeting closed at 2.40pm.

Voting Results



Youth Hostels Association of New Zealand

2017 National Board Election & Constitutional Notices of Motion Voting

DECLARATION OF ELECTION RESULTS

I hereby declare the following results for the 2017 National Board and Constitutional Notices of Motion voting, which closed at 12 noon on Friday 20 October 2017, as follows:

2017 National Board

Election of TWO (2) National Board members – Preferential voting method

Total Valid Votes 1,014

Total Invalid Votes 36

Winning Threshold/Quota 339

After the tallying of all preferences, the successful candidates are Jaya PRASANAN and Ken GRIFFIN.

The unsuccessful candidates are Steve WAKEFIELD and Mark EBREY.

I therefore declare **Jaya PRASANAN** and **Ken GRIFFIN** to be elected to the National Board.

2017 Constitutional Notices of Motion

Board Constitutional Notice of Motion 1 - Honorary Vice-President tenure

	Votes Cast	% of Votes Cast
Votes FOR the Resolution	911	86.76%
Votes AGAINST the Resolution	55	5.24%
Blank or Informal Votes	84	8.00%

As the number of members that have voted **FOR** the Board Constitutional Notice of Motion 1 is more than 66% of the votes cast, I therefore declare that the Board Constitutional Notice of Motion 1 – Honorary Vice-President tenure is **CARRIED**.

Board Constitutional Notice of Motion 2 – Board Member and Honorary Vice-President eligibility criteria

	Votes Cast	% of Votes Cast
Votes FOR the Resolution	926	88.19%
Votes AGAINST the Resolution	35	3.33%
Blank or Informal Votes	89	8.48%

As the number of members that have voted **FOR** the Board Constitutional Notice of Motion 2 is more than 66% of the votes cast, I therefore declare that the Board Constitutional Notice of Motion 2 - Board Member and Honorary Vice-President eligibility criteria is **CARRIED**.

Member Constitutional Notice of Motion – Dispute Resolution

	Votes Cast	% of Votes Cast
Votes FOR the Resolution	425	40.48%
Votes AGAINST the Resolution	547	52.10%
Blank or Informal Votes	78	7.43%

As the number of members that have voted **FOR** the Member Constitutional Notice of Motion is less than 66% of the votes cast, I therefore declare that Member Constitutional Notice of Motion - Dispute Resolution is **NOT CARRIED**.

The voter return percentage was 11.84% being 1,050 votes cast, of which 42.00% voted on the internet and 58.00% voted by post.



Warwick Lapp
 Returning Officer – Youth Hostels
 Association of NZ 0800 666 040,
iro@electionz.com



Chief Executive AGM Address 2017

It's my pleasure to join with Ray and welcome you here, and I also want to acknowledge our Honorary Life Members as well as Robyn Antill, from YHA Australia.

As I do routinely at the AGM, I will take the Annual Report as read but will take this opportunity to convey our results of the past year, and also to provide a State of Nation update on the organisation. My intention here is to convey that YHA is a successful organisation, and the underlying reasons for that success. However, I am also going to share with you the operational experience of the YHA Opoutere situation.

In terms of our performance, YHA New Zealand can again celebrate a successful year. This reflects not only the positive tourism trading environment within which we are operating, but also the ongoing and cumulative impacts of a range of specific operational strategies.

Just by way of introduction, I want to once again clearly state that YHA New Zealand is embedded in the tourism sector, which was a pathway set as long ago as the 1980s. Our participation in this sector is informed by:

- i) Our Charitable Purpose ... of education through travel, delivered through hostels
- ii) Our Mission ... To deliver quality budget accommodation and travel experiences which enrich people's understanding of each other, the environment and New Zealand
- iii) Our values ... of respect, integrity, passion and excellence
- iv) Our triple bottom line commitment in which we pay equal attention to people, planet and profit, alongside our other commitments of living our values and recognition of Maori
- v) Our legacy, in which we honour our past by responding to our challenges and opportunities in a way that ensures that YHA New Zealand secures a long-term future – that is the greatest respect we can pay to our past.

In reviewing our performance metrics for the past year, we should celebrate:

- Our hosting of guests for in excess of 700,000 overnights over the year, of which 430,000 were in YHA-managed hostels. This was a slight decrease on the previous year due to significant closure periods in each of YHA Queenstown Lakefront, YHA Aoraki Mt Cook, and YHA Auckland City for major refurbishments, as well as disruption to travel, particularly into Wellington, because of the Kaikoura earthquake event
- Bed revenue growth of 3.55% (\$489k), which is outstanding given the reduction in available inventory and reflects excellent occupancy levels, the benefits of dynamic pricing by which we vary our room rates according to demand, and the strength of the YHA brand, which is founded on ensuring our guests enjoy a great YHA experience through the combination of quality hostel facilities and staff commitment to customer service excellence
- Bed yield (average price per sold bed) growth of 4%
- Occupancy levels (adjusted for temporary closures) of 83%
- Revenue earned per available unit (REVPAU) growth of 3.7% to \$31.25 (adjusted)
- Positive cash flow performance which exceeded budget.

When I reflect on a 5-year trend, on a like for like basis, I note the following:

- Bed revenue has increase by 41% from \$10.2m to \$14.3m
- Occupancy has improved from 71% to 83%
- Yield has improved by 50% from \$20.79 to \$31.25
- REVPAU has improved by 18% from \$28.78 to \$34.05
- The value of our hostel assets has grown by 26%.

I would suggest these are pretty significant results and gains over a period of time, and they have been achieved in a very challenging market ... and I will talk more about that soon.

We maintain brand representation through 41 hostels in 38 destinations across New Zealand. The recalibration of the hostel network to achieve the right balance between our own investment of capital and third-party operator partnerships in support of a more sustainable business model, is largely complete. However, we are still looking to add Mount Maunganui and Dunedin destinations to the network through suitable operator partner relationships. We also face some uncertainty about the future of Rolleston House – the lease expires in April 2018 and CCC policy is to run an RFP process in which we will have to compete for tenure.

We have continued to make significant investment in maintaining our hostels in support of quality standards – a total of \$7.9m was invested over the course of the past year. Major refurbishment projects have been undertaken at YHA Queenstown Lakefront and YHA Auckland City, effectively creating a ‘second life’ for these properties. These are now very high-quality hostels setting the new standard for YHA New Zealand.

In addition, a range of general work has been undertaken across the network in support of our quality standards and guest expectations, as well as our commitment to environmental sustainability. This includes solar installations in both Mt Cook and Wellington to add to that in Franz Josef. In support of maintaining our hostel plant, our Property staff have developed the Asset Life Cycle Costing Plan which provides a comprehensive, long-term view of our hostel asset replacement and refurbishment requirements and will better inform our future capital planning.

In terms of our customers, New Zealand continues to be our largest single market, and we have achieved significant success in targeting the group and education segments, both of which support our occupancy levels outside the peak summer season.

There has been limited change to our international markets – Germany remains the largest ahead of the UK, while China and Australia continue to sit alongside each other. While we did experience some decline in the Chinese market on the previous year, this did not impact YHA as much as it did other accommodation operators. There is also a sense that our occupancy levels, and with that the limited availability of inventory, contributed to this outcome.

Our ongoing marketing investment will continue to balance the opportunities associated with our emerging markets, maintaining our traditional markets, and growing the level of business derived from off-season groups and the education sector.

We remain committed to responsible tourism and managing environmentally sustainable hostels. A particular celebration is our directly-managed network, including National Office, becoming the first accommodation network world-wide to be carboNZero^{Cert™} certified. As part of this programme, we remain committed to measuring, reducing, and off-setting our greenhouse gas emissions ... which have reduced by 6.5% over our first year of certification. We continue to stay local in offsetting our remaining emissions by supporting the Hinewai Trust on Banks Peninsula, which is committed to the regeneration of native bush and bird-life.

Other points we should note include:

- The implementation of a new financial management information system which better meets our future requirements and has also improved operational efficiency
- Continuing investment in our staff through the further development of the electronic Learning and Development programme and through the development of a partnership relationship with Service IQ. This partnership complements our on-the-job training with unit standards towards a formal tourism qualification
- Our annual staff survey again confirmed high levels of staff engagement and positive progress towards the goal of ensuring a great employee experience of YHA. It is gratifying to lead a hugely committed team of people who, in many ways, replicate our long-term members’ passion for YHA.

On the other hand, we are still needing to make progress in our business model and financial performance. While the Board has been very supportive about measuring financial performance through positive cash flow, it is also expecting a return to a surplus bottom-line result in the not too distant future – that is a real challenge even in today's really positive trading environment.

I want to talk about the market and environment we operate in. During the summer season, New Zealand had 415 backpackers large enough to contribute to the official Commercial Accommodation statistics, with a daily capacity of 28,000 beds and annual average occupancy of 44%. Last year, our managed network share of backpacker guest nights was 8% with an annual average occupancy of 83%.

Our ability to maintain a consistent 30-40 percentage point lead in occupancy demonstrates YHA's brand strength and the premium associated with how well we deliver to the needs of the current backpacker market. In an era of instantaneous customer reviews, where brand reputation can be lost overnight, YHA can stand tall thanks to the hard work and dedication of our staff, both front-of-house and support staff, all of whom ensure we deliver consistently to the brand values and YHA mission.

Let's be clear, this is a competitive market and one that is changing rapidly. Backpackers, don't always stay in hostels. No matter where our guests come from, they all stay in other forms of accommodation during their stay, from hotels to campgrounds and, whether we like or not, YHA is compared to each and every one.

The supply side for backpackers has also changed significantly and sets new levels of customer expectations. The success of hostel chains in Europe such as Generator, Clink and Freehand all create a desire for higher quality dorms, as well as private room facilities. The recent opening of a Jucy hostel in Christchurch and Haka hostels in Wellington, Taupo and Auckland all put pressure on ensuring our hostel facilities continue to improve. The quality gap between more established hostels and new hostels continues to grow ... and that is a gap that YHA is working diligently to close through our own investment in plant e.g. Auckland City and Queenstown Lakefront.

In addition, large international chains such as Accor with Jo & Joe, and even Hilton Hotels, are now targeting youth travellers with upmarket hostel-style accommodation development plans. Alongside that is the improved marketing activity by Holiday Parks and their deliberate and well-funded move into international markets. As a consequence, they have enjoyed an 8% growth in international guest nights ... while the backpacker sector suffered a 1% decline for the same period.

Air BNB is also the silent threat that has seen exponential growth in the last two years - they now have over 20,000 available beds for sale, which is close to the entire capacity of the commercial backpacker segment.

The point of all of this is that YHA is trading in a fiercely competitive environment in which there is increasing competition from across the whole accommodation sector ... and accompanying this are growing customer expectations in relation to quality.

YHA maintains a close eye on guest satisfaction and perceptions of value for money. We use a sophisticated tool called ReviewPro which aggregates reviews from over 160 sites, including Trip Adviser, Google and online travel sites like Booking.com. Our average network rating has improved from 82% in 2015 to its current 86%. Our rankings on TripAdvisor for most hostels have also risen significantly - 8 of our hostels are now in the top 5 places in a category called 'other accommodation', which includes B&B's and luxury lodges.

These are significant strides for YHA and a testament to our focus on investing to ensure we deliver on customer expectations.

We also operate in an environment where dynamic pricing is the norm and this allows us to maximise our revenue in peak season. However, we monitor this to ensure we meet the majority of guest expectation of value for money ... and 85% of our guests say our price meets their expectations.

Our guest profile has also changed over recent years in relation to member overnights. In 2015, members made up 200,000 guest nights but this fell to 125,000 in the just completed year, of which just 17,000 were New Zealand member guest nights. While falling, this still represents 35% (of FIT overnights), and we know from our research

that membership of YHA influences 75% of guests to book another hostel within our network. That is why we continue to invest a lot of time and energy looking for ways to maintain strong membership sales.

This challenge is difficult. YHA is a rare breed in that it requires guests to pay to belong, whereas most accommodation providers worldwide now offer free membership in an attempt to retain guest loyalty. The fact that in this environment YHA can sell nearly 8,500 new memberships annually is a testament to the value of the brand and the positioning of membership as a good purchase decision based on the benefits we offer.

We do note, however, that:

- i) Most new members join YHA to capitalise on the 10% accommodation discount as opposed to the more altruistic motivation of supporting the YHA mission
- ii) Domestic member overnights represent only 5% of all guest nights in our network.

Despite extensive domestic marketing activity both in general and directly to members, YHA remains oriented toward international travellers. Maintaining a membership model that incentivises network usage is important and has positive results but, as already outlined, it is becoming increasingly difficult to maintain against a background of free membership for most other providers.

The reality is that true loyalty to YHA is achieved by:

- i) Meeting and exceeding guest expectations
- ii) Delivering on the promise of good quality, clean, friendly and affordable accommodation
- iii) Demonstrating our values and commitments in relation to the environment and to providing communal spaces where travellers can connect with each other in a safe and comfortable way.

YHA New Zealand operates in one of the most competitive backpacker markets in the world. Through our focused investments in maintaining a quality network, our highly committed staff, and a customer-centric orientation, we have been able to maintain and grow our business and our brand reputation – **we haven't just survived difficult and challenging times, we have thrived through these times!!**

This has also been an outcome of evolving the organisation and its network in response to our challenges and our opportunities. We have never been a static network – the Bygone Hostels publication of 2002 identifies well in excess of 120 facilities that were no longer part of the YHA network.

In more recent times, we have recalibrated our network to reflect visitor flows, and to achieve a better balance between directly managed and third-party operated hostels. This supports our aim of delivering our mission to the most people possible and achieving the best result possible for our members and young travellers. In addition, we simply have to apply our own capital in a more strategic and targeted manner in support of financial imperatives – failure to respond to those imperatives would have affected our ability to keep operating, and I use the example of Relationship Services, Aotearoa which closed down after 60 years of important service because it did not evolve in response to changing market conditions. Adapting our network coverage to meet guest travel preferences is a matter of the ongoing survival of YHA, not one of choice!

And this is the context within which YHA Opoutere has been reviewed. The facts in relation to Opoutere are:

- It is a beautiful place
- The hostel has limited capacity (40 beds) and poor occupancy – its average occupancy for the period October to March over the past 5 years was 40% of the total network average of 86%. Sadly, Opoutere is not a destination that our guests and members visit
- Furthermore, it is apparent that this is more a holiday destination for New Zealanders – 52% of guest nights through the same period were from the domestic market, which is not representative of our network guests as a whole.
- The hostel is loss-making and has been for many years; however, in moving to a seasonal operating model we have managed to mitigate the level and impact of those losses ... and so extended its life

- The Opoutere hostel now needs significant investment for compliance and quality standards reasons - \$352K over the next 5 years, \$510k over the next 10 years, so that is a minimum requirement of \$50k per year on average over each of the next 10 years. **This will not add one more cent to the revenue capability of the hostel!**

The Board has taken all of these factors into account in its consideration of Opoutere. In addition, it expanded its consultation to enable further discussion to take place and to include feedback, both negative and positive, regarding the closure. I need to be really clear about the process of consultation – to consult is to provide the opportunity for interested parties and stakeholders to offer additional information to be taken into account in the decision-making process. It is not about consensus; instead it is about ensuring that all information and perspectives are available in the decision-making process. The Board has gone to great lengths and considerable expense to hear those views and it is therefore quite untrue to claim that this is a ‘unilateral decision by the YHA Board’ as is claimed and appearing in the media – the Board has consulted and has considered all information and a full range of views in making its decision.

While an option now is simply to provide the landlord with notice, we are instead exploring the possible hand-over of the site to a like-minded organisation with objects that directly align with those of YHA. Their intention is to base an Outdoor Education and Adventure programme at the current hostel site, and I have had a number of meetings with the key drivers of this initiative. In addition, the proposal includes continuing to offer visitor accommodation over the summer vacation period. There is no doubt in my own mind, and that of the Board, that this is a win-win scenario on the basis that the site will continue to be available as a holiday spot for members, but will also be utilised on a year-round basis delivering programmes that connect young people to each other and the environment. This also informed the decision to approve the Opoutere Member Group – YHA will have an ongoing stake in the site and its future use and availability.

There are additional comments I wish to make:

- i) Our mission and objects relate to education through travel, and all of our activity is mission-based – that is why we maintain communal areas in hostels and connect guests to the community and the environment. Our mission is **not** to provide year after year holiday accommodation for the same few.
- ii) In terms of marketing, YHA’s marketing responsibility is to the whole network and the focus is on building brand awareness in general, to communicate the whole network, to encourage hostel to hostel sales, and to profile individual hostels. All YHA hostels are promoted individually on key distribution channels and many on-line listing sites. Opoutere has been featured in various campaigns and Google adwords spend for group sales, and receives an equal share of profile on the YHA website. However, people will not travel to Opoutere just for a YHA accommodation experience, as I am sure you understand.
- iii) Contemplations such as this are not undertaken lightly – there are clearly serious impacts for staff and for members who have a close attachment to the hostel. However, they are considered and made with the wider good in mind, and a central element of that wider good is the future sustainability of YHA. Achieving a sustainable business model is the only way that the organisation can continue to deliver on its mission and so recognise the contribution of those from the past. And I put it to you – if we had never shut a hostel in the past, we would not be sitting here today. Instead, we would have ceased to exist many years ago ... buried in debt!
- iv) Our operating model has evolved over time in response to the challenges and opportunities we face and, in my time as CE, has been openly reported to the membership ... which has generally been very supportive if, at times, also grieving for some of the necessary changes that have taken place.
- v) We are a values-based organisation and that contributes to committed and passionate staff, a fantastic and hard-won brand reputation, and extraordinarily high guest satisfaction levels. The current mobilising of a group of members, some of whom have only recently re-activated their participation in

the organisation after many years, is most welcome; however, it appears to largely ignore the organisation we are today, and instead seems to be more informed by the past and the organisation we used to be. In fact, when we review past records of 'debate' in the organisation, we note that it is characterised by what I can only describe as personalised, nasty, and aggressive behaviour in which there was a complete absence of respect. That way of being is not the organisation we are today - while our past is acknowledged and highly respected, we must remain future-focused and continue to evolve if YHA is to continue to survive and thrive, while also living our values.

Furthermore, while I welcome debate and accept that there will not be universal acceptance of all decisions made at a Board or operational level, we need to manage our debates and differences in a principle-centred manner; instead, I would suggest that the deep sense of mistrust that appears to underpin the opposition to the Opoutere decision, and the accompanying behaviour and allegations which have taken place in the public arena, are both prejudicial to the reputation of the Association and contrary to our values. The risk to our brand reputation, which we have worked so hard to earn, is particularly concerning ... and my staff deserve better given their commitment and dedication to YHA.

The Opoutere decision by the Board is to be discussed later in this meeting – essentially this is a heart vs head situation in which the Board is acting in line with its fiduciary duty obligations; that is, its legal obligations to ensure that the organisation is financially sustainable.

I want to conclude this address with some celebrations and acknowledgements. Firstly, we should celebrate:

- Our selection as finalists in two award categories of the New Zealand Tourism Awards
- Winning the Most Engaged NA Award in the HI Awards recently, which reflects the commitment we have made to HI in relation to projects and working groups

And as we look ahead over the next 12 months, we have a couple of big celebrations:

- Firstly, we are investing in a new website development. This is a significant but absolutely essential investment - our current website transacted \$5m of sales in the last financial year and yha.co.nz is the key plank of our direct channel sales strategy. The new website, will however, be more than a distribution channel – it will be a business tool, will provide improved sales and marketing tools, and will be a sales generator.
- And then there is Tekapo - this is a really exciting development of a new hostel in Lake Tekapo. The level of investment is up to \$9.8m and this will deliver an attractive, two-level design in the heart of Tekapo consisting of 120 beds and a licensed café. The inclusion of the café expands our operating model into food and beverage, and will ensure a significant additional revenue stream.

This investment decision recognises the emergence of Lake Tekapo as a destination in its own right through the development of attractions such as Earth and Sky, while remaining an ideal stopping point on the main route south. In terms of progress:

- Our previous hostel has closed to accommodate construction workers
- Consented for 146 beds, but operating 120 (staff accommodation)
- Café will be an intimate burger-style concept offering breakfast, lunch and dinner ... and it will add a significant revenue stream to the hostel
- Building Consent has been issued
- Henderson Building, based out of Timaru, has been approved to undertake the construction and has commenced that just this week
- The project programme is for a 12-month construction, and we expect to be open for business in early October 2018

This development is largely being undertaken through additional borrowings and it does require us to tighten our belts in the current year. However, the business case is strong and the new hostel will make

a significant contribution to both our hostel network and our financial performance. You will also have noted that the funds raised and retained in support of the Stewart Island project will be applied to this development, and we have also created an opportunity for members to contribute, with donations having already been received.

I also acknowledge the presence of Robyn Antill from YHA Australia. Our two countries continue to work closely together and both contribute significantly to the work of HI. In more recent times, we have joined with HI USA and HI Canada to form the PACRIM group and there are some exciting marketing and operational collaboration opportunities that lie ahead.

On a more sombre note, our previous Chair, John Hammond, is not with us today having recently resigned due to some serious health challenges he faces. John joined the Board in 2010 and was Chair for the last three years. He just oozed YHA – he loves everything we stand for! I personally want to acknowledge his contribution to this organisation both generally and in his role as Chair – he is one of the planet’s really good people!

I also want to acknowledge the Board generally – you donate your time, you commit to good governance and you take your responsibilities very seriously. I appreciate working with a Board that provides appropriate checks and balances for management, and is also prepared to make the tough decisions and with that a significant contribution to our ongoing performance and positioning.

In conclusion, we celebrate another positive year for YHA New Zealand. We continue to enjoy extraordinarily high guest satisfaction levels and that is an outcome of both the quality of our hostel product, and a very passionate team of staff committed to providing guests the best possible experience of YHA and New Zealand.

We also continue to make pleasing progress toward our goal of a sustainable business model, and to trade at a level that enables the level of investment necessary into our hostel network and business processes. This maintains our leadership position in the backpacker accommodation sector, and ensures we are well-positioned to meet the growing expectations of guests.

YHA will continue to adapt to commercial and competitive challenges and opportunities, but in so doing, we remain committed to operating in a manner consistent with our long-held values. We continue to anticipate a positive and long-term future in which YHA continues to be **more than just a bed** to its guests and **more than just a job** to its staff ... and once again, that long-term future is the greatest respect we can pay to our past!
