



19 September 2023

Commerce Commission
Te Komihana Tauhokohoko
55 Shortland Street
PO Box 105-222
Auckland 101

Bungy NZ Submission - Queenstown tourism mergers Real NZ and Ngāi Tahu Tourism

Bungy NZ provide this written submission on matters relevant to the applications from each of Real NZ and Ngāi Tahu Tourism. We appreciate the opportunity to submit our insights regarding the adventure tourism industry in Queenstown.

Queenstown, New Zealand, is renowned for its plethora of tourism activities, ranging from adrenaline-pumping activities, including bungy jumping and jet boating to skydiving, biking, luge, and an array of other adventures, to luxury experiences, scenic activities, sightseeing, wineries, lake activities to many other activities. In this vibrant market, it's essential to recognize that customers' choices are driven by a multitude of factors that extend beyond the confines of a specific type of activity.

Rather than solely identifying with one particular type of activity, customers evaluate their options based on a wide set of criteria. These include cost, time commitment, risk levels, skill requirements, location, reviews, recommendations, inclusivity, accessibility, scenic experience, food experience, brand reputation, uniqueness, quality of experience, ad-ones and adherence to safety standards, (including the experience of guides, where relevant). For some, adventure, challenge and adrenaline level can be important, which partly drives choices for and between adventure activities.

In this submission, we will delve into the dynamic nature of Queenstown's adventure industry, where the competition is rooted in a broad spectrum of activities, each vying for the attention of tourists who carefully weigh their choices based on these multifaceted considerations.

Further background on Bungy New Zealand: For the Commission's information, Bungy New Zealand offers a range of activities as follows:

- Bungy Jump in Queenstown at three locations
- Swings at two locations in Queenstown
- Catapult at the Nevis Valley in Queenstown
- Zipride at Kawarau
- Bungy Jump and Swing at Taupo
- Bungy Jump and Bride Climb at Auckland Harbour Bridge
- Skyjump and Skywalk at Auckland Sky Tower

We focus on providing high quality gravity related challenges. Our attractions are all marketed and run as experiences for consumers, rather than individual features on their own.

Questions in Commerce Commission email of 31 August

- *Tourism in Queenstown generally;*

After three very tough years in Queenstown, tourism is making a recovery post-Covid. Things started to improve fairly quickly in 2022, with approximately 60% of the market returning. This number increased to about 70% in 2023. However, there was a plateau in the recovery, with some markets taking longer



to bounce back, especially China, which was one of the last countries to emerge from the Covid pandemic. We expect to return to pre-Covid 2019 levels by 2025.

Queenstown boasts a large number of tourism operators offering a wide range of activities. These activities vary in terms of experience, duration, and cost, covering a broad spectrum. Additionally, during this period of growth, new operators are entering the market. The capital required to start a new tourism business varies depending on its size. Even for larger-scale tourism activities, there are individuals or companies willing to make the necessary investments. While resource and other types of consents are often required, these are not insurmountable obstacles.

The size of tourism operations also varies, ranging from small-scale operations to larger ones, often depending on the type of activity offered. Furthermore, there are operators who manage multiple tourism businesses, as exemplified by Real NZ, the Southern Discoveries businesses, us, and several others.

Booking agents and websites play a crucial role in promoting tourism activities and securing customer bookings. They can significantly influence customers' choices and possess bargaining power, as they negotiate prices with operators to secure favorable rates for themselves.

Most visitors to Queenstown seek to engage in a variety of activities during their visit, often mixing adventurous activities with more relaxed ones.

- *differences between, and substitutability of, different types of tourism activities;*

Customers make choices between various types of activities, considering factors such as available time, the type of experience they seek, cost, weather conditions, and other relevant factors as discussed above. Tourism activities are priced within a range, typically falling between \$150 and \$600.

While some visitors may have a strong preference for a specific type of activity, a significant number of customers evaluate and choose from among various activity options.

In our case, we assess the pricing of tourism activities across the entire spectrum and recognize that the activities we offer compete with all the available options. We take this into consideration when establishing our pricing each year, as these activities are interchangeable for tourists seeking things to do.

- *whether there is a broad market for all tourism activities, narrower markets for adventure tourism and non-adventure tourism, or even narrower markets for jet boating and lake cruises;*

We have doubts regarding whether it would be accurate to define markets solely for lake cruises or jet boating, especially in the case of the latter, which appears highly uncertain. As the Commission is aware, it has previously examined Bungy New Zealand's clearance applications in markets related to adventure tourism. However, we believe that we also compete with non-adventure tourism activities. The distinction between the two is becoming increasingly blurred, particularly as new and innovative activities are introduced (such as the Hydro Attack activity), and to some extent as always existed for activities like jet boating. Therefore, it is possible that a broad market encompassing all tourism activities may be more appropriate.

- *whether the geographic scope of any markets are Queenstown, the Queenstown Lakes Region, or broader;*

Tourism activities sold in Queenstown and accessed by visitors to Queenstown are carried across a wide area and there is also website marketing of activities. We think that the market, at least has to be geographically wider than Queenstown.

In Bungy New Zealand's experience, only a small proportion of tourists choose between tourist activities across New Zealand, such that it does not seem appropriate to define a market wider than the Queenstown Lakes region.



- *the level of competition between tourism operators;*

There is strong competition between operators for the tourism dollar, especially after the last 3 tough years. An example of this is the offering of discounts on activities also combo deals, especially put together by agents. Other examples of competition that we are seeing include stronger marketing efforts, creation and marketing of unique experiences, improved customer service, innovation (eg in new activities as discussed below. (An example of a new innovation is Bungy NZ human catapult that is the first in the world at our Nevis site) sustainability initiatives, moves to improve accessibility and inclusivity, collaborations, partnerships, and greater safety and quality assurance (and marketing of safety and quality assurance).

- *the ease of entry/expansion in tourism in Queenstown; and*

As mentioned earlier, we believe this is feasible, and new operations have indeed started in Queenstown. Several innovative activities have emerged, including via ferrata, shark rides, snowmobiling, snowmoto, eMTB, and more. Bungy NZ is presently in the process of developing a new activity, which will be the first three-person swing in Queenstown and New Zealand.

- *overall thoughts on each of the two applications before the Commission.*

We see ourselves as competing with the two merging sets of businesses amongst a large number of other businesses, such that we do not see the two applications as substantially changing the competitive conditions in the market for us.

Questions in email of 12 September

- *How Bungy NZ would describe the market(s) in which it operates in Queenstown, and whether this is the same market in which Real NZ provides cruises on Lake Whakatipu and/or Ngāi Tahu Tourism operates jet boat trips in Queenstown – if not the same market, please outline how Bungy NZ sees the market(s).*

See above comments

- *Is there a spectrum/range of tourism activities in Queenstown (ranging from scenic to extreme adventure) and, if so, where do each of bungy jumping, lake cruises and jet boat trips sit on any spectrum?*

Indeed, there exists a spectrum of activities. We position the activities we offer on the more adventurous side, although not at the extreme end, which might include activities like canyoning. Jet boating, on the other hand, falls more towards the middle of this spectrum, while lake cruises are notably gentler, prioritizing scenic enjoyment along with food and wine experiences, especially when combined with Walter Peak.

However, we consider ourselves competitors for tourists' spending across this range of activities. It's worth noting that our closest competition often comes from activities situated nearer to our place on the spectrum. Nevertheless, it's important to recognize that the nature of the activity is not the sole determining factor. Other elements such as pricing, time commitments, available time for tourists, scenic attractions, additional experiences, market reputation, the quality of the experience, and the level of skill required all play significant roles, and other factors can be important as discussed above.

Additionally, we don't view our activities as exclusively or necessarily centered around providing an adrenaline rush. Instead, we actively seek out picturesque locations for our activities, aim to make them enjoyable and engaging, introduce an element of challenge, and envelop the overall experience in high-quality standards.



- *Where people are considering doing a bungy jump, what are they likely to consider as close alternatives/substitutes to doing a bungy jump? Would this include a lake cruise and/or jet boat trip?*

Due to how tourists make decisions about spending their money and time, the concept of having closely similar alternatives and limiting the market definition to just that isn't quite accurate. Instead, it's more appropriate to consider a variety of activities that compete for tourists' spending and time. In light of this, activities such as other swings, ziplines, and skydiving are the most closely related to what we offer. Jetboating, especially in canyon-type locations like the Shotover Jet and Skippers Canyon Jet, is considered relatively adventurous and a reasonably close substitute. While lake cruises may not offer the same level of adventure as bungy jumping, they are still seen as an alternative activity to bungy jumping.

Additionally, we want to emphasize that the "level of adventure" is not the sole criterion for defining an activity. For example, we aim to ensure that our activities operate on multiple levels, providing a comprehensive and fulfilling experience for our customers.

- *Who are Bungy NZ's closest competitors in Queenstown?*

Bungy New Zealand's closest competitors include Canyon Swing, Ziptrek, and Paradise Ziplines, all of which offer products very similar to ours. In a broader context, our competition extends to encompass all other adventure tourism operators, including but not limited to jet boating, skiing, skydiving, mountain biking, and more. Additionally, we face competition from a wider range of tourism activities.

- *To what extent (how closely) does Bungy NZ compete with each of the cruises in Lake Whakatipu and jet boat operators in Queenstown?*

We compete in a broad sense as tourists are looking for activities to do and not specifically those we offer and they make decisions on a number of factors as discussed above. We would face closer competition from jetboating than lake cruises.

- *How much consideration does Bungy NZ give to the pricing of lake cruises or jet boats in setting the prices of its own tourism activities in Queenstown?*

We consider the price of all activities when pricing in Queenstown as these are all options for customers when considering a bungy, swing, zipride or comparable product.

Sincerely

David Mitchell, MBA, BE.

Chief Executive Officer | AJ Hackett Bungy New Zealand Ltd

E:

M: | T: +

Bungy HQ, 209 Glenda Drive, PO Box 488, Queenstown

Confidentiality and Privacy Notice (New Zealand)

This document contains confidential and private information protected under New Zealand's privacy and confidentiality laws. It is intended exclusively for the recipient(s) identified herein. Unauthorized access, disclosure, copying, or distribution of this document is strictly prohibited and may have legal consequences. If you have received this document in error, please notify us immediately and delete it from your system. Personal information, if present, should be handled in accordance with the Privacy Act 2020. Compliance with applicable privacy and confidentiality laws is essential. By proceeding with this document, you acknowledge your understanding and acceptance of these terms.