

Minutes of the 88th Annual General Meeting of YHA New Zealand
held at the Grand Millennium Hotel, Auckland on
Saturday 2 November 2019, commencing at 9.00am.



Members present

Ann Cooper, Barbara Pollard, Barry Pulford, Bill Morris, Bruce Cox, Bruce Ward, Charlie Smith, Chris Burns, Christine Eales, Dave Berry, Diane Sommerville, Gaynor Thacker, George Murray, Gilbert Whalley, Gordon Solloway, Harry Guitry, Ian Lothian, Jancis Hampton, Jaya Prasannan, John McCarthy, John Thacker, Julie Hooper, Ken Newlands, Kevin Brewer, Malcolm Wade, Margaret Harding, Mark Ebrey, Masako Mizusawa, Natalie Trumper, Paul Reid, Pauline Berry, Ray Salter, Richard Osborne, Ross Butler, Vivien Jones, Vivienne Strangman, and Wendy Wallace.

In Attendance

- Mark Wells (Chief Executive), Steve Kelsen (National Secretary), Kevin Cameron (Finance Manager), Melanie Evans (Payroll Co-ordinator), Leiali Al-Afrangi (Administration and Communications Co-ordinator), and Benjamin Simatos (ICT Support Coordinator).
- Ross McDougall (YHA Australia).

Chair

Ray Salter.

1. Meeting Opening

1.1. Welcome

The Chair opened the meeting and welcomed members to the 88th Annual General Meeting of the YHA. He then reminded the members of YHA's Aims and Objects as set out in YHA's Constitution. He informed members that the meeting would be run in accordance with YHA's values of respect, integrity, passion and excellence, and that it would be managed in accordance with the Standing Orders set out in the Constitution.

He then advised that the AGM was being streamed live onto the YHA New Zealand Members Facebook page.

1.2. Apologies

Apologies were received from the following members:

Amanda Gower; Ann Blair; Anthony Blaschke, Audrey Jones, Bruce Bertram, Clive Croy, Coral Laughton, Cornelia van der Hulst, Dennis Viehland, Derek Lipyeat, Gary Gower, Geoffrey Negus, Hayley Groves, Ivan Hibberd, John Blair, Ken Geoghegan, Ken Griffin, Mary Croy, Maureen McCloy, Michael Dempsey, Mike Flaws, Moira Lipyeat, Nancy Ward, and Robert Clarkson.

88/1 Resolved that the above apologies be accepted.

1.3. Quorum

The Chair advised that the quorum requirement was achieved with 37 Senior Financial Members.

1.4. Adoption of the Agenda

The Chair advised he would call for items of General Business under agenda item 9.

88/2 Resolved that the agenda be approved.

2. Introductions

2.1. National Board

The Chair introduced the other National Board members present: Jaya Prasannan, Ian Lothian, Ross Butler, and Mark Ebrey.

2.2. YHA Australia Representative

The Chair welcomed Ross McDougall, Director of YHA Australia and spoke about the strong partnership between YHAA and YHA NZ.

2.3. Honorary Life Members

The Chair introduced the Honorary Life Members present: Gordon Solloway, Bill Morris, Malcolm Wade, Gilbert Whalley, Charlie Smith, Harry Guitry, Ross Butler, Bruce Ward, and Dave Berry. He thanked them and asked the meeting to acknowledge their service to YHA.

2.4. YHA Staff

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

Mark Wells (Chief Executive), Steve Kelsen (National Secretary), Kevin Cameron (Finance Manager), Melanie Evans (Payroll Co-ordinator), Leiali Al-Afrangi (Administration and Communications Co-ordinator), and Benjamin Simatos (ICT Support Coordinator).

3. In Memoriam

The Chair asked the meeting to take a moment to remember those members whose passing has been advised to YHA since the last AGM: Agnes & Leonard Home, Timaru; Brian & Colleen Batchelor, New Plymouth; Christopher Ilich, Auckland; David Snary, Katikati; Geoffrey Oakeshott, Te Awamutu; Grace Reid, Christchurch; Gwyn Rogers, Christchurch; Ian Mudgway, Wanganui; Ivy Mossop, North Shore; Jack Maddox, Auckland; Janet McCallum, Wellington; John Kaczmarek, Opunake; Keith Beer, Invercargill; Margaret Campbell, Helensville; Margaret Crone, Gisborne; Mary Thompson, Lower Hutt; Murray Sim, Christchurch; Niven Todd, Manukau; Noeline Parton, Christchurch; Robin Hood, Auckland; Robin McWilliam, Omokoroa; Rodney Lewington, Wellington; and Ronald Keam, Auckland.

4. Minutes

4.1. Confirmation of minutes of the previous Annual General Meeting

88/3 Resolved that the minutes of the 87th Annual General Meeting are a true and accurate record of the meeting and be approved.

4.2. Matters Arising

The Chair advised that:

- The disputes clause in the Constitution had been updated;
- The governance and membership review is progressing with the next step being the Workshop scheduled to be held after the AGM; and
- No general or constitutional notices of motion had been received for this AGM.

5. Announcement of Election Results

The Chair advised that two candidates had been nominated for the two vacant Board positions and two members had been nominated for the four vacancies for Voluntary Vice Presidents. As the number of nominations did not exceed the vacancies, he advised the following appointments (*Appendix 1*):

5.1. National Board

- Ross Butler, Nelson
- Nancy Ward, Wellington

Ross Butler introduced himself and advised that he is very proud that this is the second time he has been appointed then elected to the Board. He thanked the members for their support.

The Chair advised that Nancy Ward was unable to attend the AGM.

5.2. Honorary Vice-Presidents

- Dave Berry, Timaru
- Bruce Ward, Christchurch

6. Annual Report and Financial Statements

6.1. Chair's Address

The Chair reported to the members on the following:

- *Work of the Board 2018/19*

In 2018/19 the Board changed the format of its meetings to better reflect the Board's governance role distinct from the management of YHA. The Chair advised that the Board is in the role of policy maker, strategy developer and decision-maker on the direction of YHA. It is advised by management and, in some situations, other people with expertise beyond YHA. However, it is the Board's decisions that management of YHA then execute.

- *Tekapo*

The highlight of the Board's work this year has been the opening of the YHA Lake Tekapo and also branching out into higher value food and beverage offerings through Our Dog Friday as a means of ensuring that YHA remains a viable organisation. It has been very lucky in this project to have a good team that has delivered an outstanding product, which will enhance the reputation of YHA for years to come. The Chair advised that he was at the Tekapo hostel opening and was very pleased to hear supportive comments from locals.

The Chair advised that the hostel was built within budget, albeit later than the original plan. While this has had some financial impact, the Board believes it is the right location, is the right product, and opened at the right time. With interest rates at extremely low levels, it looks to make a valuable contribution to the YHA income stream for some time.

- *Opoutere*

The Chair noted the disappointment of some members about the closing of the hostel. However, the Board consider the surrender of the lease to Wharekawa Outdoor Education Trust provides YHA members with the ongoing ability to stay at the hostel over summer, while opening up the facility for a year-round use by Wharekawa.

- *Tourism and Budgets/the financial story*

One of the major areas of focus for the Board has been organisational finances and the impact of flattening visitor arrivals after the major growth NZ has experienced over the last 5 years. This means that YHA and the Board must be fiscally careful to ensure that we make the most of the investments that we have made into the network. Budget planning has therefore been one of those issues that has occupied a lot of Board time earlier in the year, with a very strong consensus by the Board and management that the next couple of years will be about consolidation and ensuring that the investments we have made in hostel upgrades and maintenance are delivering revenue to the organisation.

- *Environmental footprint*

YHA's environmental footprint is one of those areas where additional gains have been made. YHA stands as a shining example of quality and environmental performance within the tourism industry. And an example of that is the continuing success in reducing the carbon footprint of the organisation – this year by another 8%.

- *Membership and Governance*

Following discussions at the 2018 AGM, the Board's January 2019 strategy day focus was on the membership and governance of the YHA. The Board considered it important to take a positive approach to this issue, rather than wait until there is a crisis or some external event that required it to act.

The environment in which Incorporated Societies exist is changing rapidly, in particular what it means to be a member of an organisation as well as the regulatory and compliance environment. There are increasing expectations of directors as well as personal liability for an organisations' actions or inactions. The Board considers that it is therefore absolutely vital that YHA members consider the future of our governance and membership.

The Chair reminded members that a membership and governance workshop would be held immediately after the AGM and urged all members to participate.

- *Board membership*

During the year, Darren Burden resigned from the Board after accepting a job in Hong Kong. This, combined with the need to progress the membership and governance review, led the Board to in depth consideration of the skills and experience needed for the future.

The Chair announced that he was delighted that the Board was able to co-opt two fantastic new National Board members, one of whom is a past Chair. Ross Butler re-joined the Board in March, bringing a huge depth of experience, knowledge, and history to YHA.

Ian Lothian joined the Board in May and he brings audit and financial expertise to the Board, with previous roles at Audit New Zealand and also on other not for profit boards. Ian's skills complement those of Nancy Ward, ensuring the Board has excellent financial governance capability as it navigates through this period of strict fiscal control.

Also, during the year Maureen McCloy resigned as the National Secretary. The Chair acknowledged Maureen's role in supporting the Board and recorded the Board's gratitude to her.

- *Conclusion*

The Chair noted that this would be his last meeting as Board Chair. He has chosen to stand down because of the demands of his work limit the time he can commit to the important business of the Board.

He noted that during his 8 years on the Board change has been constant. Since he joined the Board in 2011 it has had to contend with the effects of the Canterbury earthquakes, and then the Kaikoura and Wellington earthquakes. The execution of the network plan and constant IT and website development has also been a theme for the Board over this time, as was the hostel refurbishment programme and the Tekapo development. This had all taken place within the context of very rapid change in the tourism industry.

Finally, the Chair stated that it has been his privilege to serve the membership on the YHA Board, and he hoped that his involvement has made a small contribution to YHA being a sustainable organisation into the future.

6.2. Chief Executive's Address

The Chief Executive noted that this was his fifteenth report to the AGM and he is honoured that this is the case. He also acknowledged the recent dissolution of the Whangarei Branch and the contribution made by the Branch to YHA over many years, and paid tribute to Bill Morris who had defied health issues to attend the AGM.

The CE spoke to the power point attached as *Appendix 2*. This included:

- The line of sight expression of Mission, Values, Commitments which informs all of YHA activity
- The current hostel network, distinguishing between YHA-operated hostels (13), Franchise partners (3) and Associate partners (21). The directly operated hostels reflect visitor flows and their size and scale contributes to YHA financial goals, as do the franchise partner relationships, while coverage goals are

met through the Associate network. There continue to be network gaps in Mt Maunganui and Dunedin, and now Napier which was sold by the operator in early 2019.

- Key performance metrics in the financial year included:
 - Occupancy levels of 76% which were slightly down on the previous year but still high
 - Overnights were also down slightly on the year before, reflecting the temporary closure of Auckland International for refurbishment, the absence of a hostel in Tekapo while the new facility was under construction, and some slight softening of the market
 - Domestic tourists make up 16% of YHA's guests, and while the key international markets of Germany, the United Kingdom and China were all down, the strategy of maintaining a balanced market portfolio mitigated the impacts of decline in specific markets
 - 67% of accommodation revenue was earned through direct YHA channels
 - 62% of accommodation revenue was earned online, of which 51% was direct through the YHA website.
- An ongoing strategy to maximise sales through direct channels, but the necessity of maintaining a presence with Online Travel Agents
- In presenting the annual financial statements, the Chief Executive acknowledged the contribution of Kevin Cameron over the past 6 ½ years. He noted that Mr Cameron had produced a clean set of accounts each year and his financial stewardship has been exemplary. The accounts were summarised as follows:
 - Revenue earned was less than the previous year due to the temporary closure of Auckland International for refurbishment and the delayed opening to YHA Lake Tekapo
 - While total costs had increased, this included an additional \$290,000 in depreciation
 - The overall trading result was a deficit of \$1.003 million compared to \$0.414 million in the prior year
 - The investment in the new Tekapo hostel and café had increased the value of the YHA's assets, and the level of debt had increased correspondingly
 - The sale of Wellington investment property had resulted in a loss on disposal. This property had been purchased when it was providing an above market rental return, so although the decision not to extend the Wellington hostel and to sell the property has resulted in a loss on sale, the net rental income earned over the period of ownership was significant and more than off-set the loss on sale
 - The valuation of the Rotorua hostel has increased and, as a result, a corresponding decrease in the value of Goodwill on Acquisition has been recognised
 - Association funds had decreased by \$2.591 million from the previous year, reflecting the net deficit for 2018/19

He also spoke about the BNZ covenant, which the bank has reviewed with earnings before interest, depreciation and tax (EBIDT) needing to be at 1.5 times interest costs at 30 September 2019, increasing to 1.75 times on 31 December 2019 and to 2.0 times on 31 March 2020 and thereafter. The Chief Executive reported that financial forecasts predict that YHA will comply, although winter trading levels will require close monitoring of compliance in the final quarter of the current financial year.

- Going forward, the Chief Executive advised of the commitment to 'Living within Our Means', which included not drawing new debt to supplement trading. The 2020 revenue budget is \$16.7 million, an increase of \$2.5 million on 2018/19 due to a fully operating network, and the opening of the new Tekapo hostel and café. A deficit of \$1.5 million is budgeted, which includes a \$460,000 increase in depreciation costs, and reflects a material improvement in YHA's cash performance.
- Performance in the first quarter of the new financial year is encouraging, with increased occupancy and a \$700,000 increase on the same quarter last year. In addition, 43% occupancy is already booked for the period through to February 2021, so the expectation is for a strong summer season.

Over the longer term, the Board and management remain committed to a return to surplus, and long-term financial forecasts are encouraging showing incremental improvement.

- The Chief Executive reported the following achievements as areas for celebration:
 - YHA occupancy continues to be about 35 percentage points better than the backpacker sector
 - Investments in Auckland City (lifts), the earth bank works at Queenstown Lakefront, and the first stages of a refurbishment at Auckland International
 - CarboNZero certification with a further 8% drop in emissions
 - A very positive staff survey, confirming the level of engagement of staff
 - The launch of the new website, which is forecast to generate \$6.5 million in revenue and is achieving an outstanding 9% conversion rate
 - The launch of digital membership, with sales 24% higher in the current year first quarter
 - A range of recognition awards, including once again being finalists in the NZ Tourism Awards
 - Our quality standards which are at the heart of our brand reputation, and confirmed through continuing participation in Qualmark with all hostels achieving Gold Sustainability status, and customer reviews and ratings through ReviewPro (software which aggregates our satisfaction ratings and benchmarks it against competitors), which gives YHA a stunningly high rating of 87.8%
- A special celebration is the opening of YHA Lake Tekapo and adjoining licenced café Our Dog Friday. The development was completed within budget, although the opening was delayed until April due to delays in the construction. Both the hostel and the café are meeting budget expectations and customer reviews are excellent.

The hostel achieved 81% occupancy in the first quarter of the new financial year, and was the highest earning hostel in the network for that period. Interestingly, its occupancy is skewed towards the domestic market, which is introducing New Zealanders to the YHA brand and is likely to have benefits for the entire network
- The Chief Executive outlined the potential for product diversification to contribute to stronger financial performance and to the challenge associated with the low margins in the backpacker accommodation sector. Our Dog Friday is a venture into the food and beverage sector, and a coach tours product, YHA Tours, is to be launched with a two-year trial in May 2020. This bus tour product will initially have two departure points, Auckland and Christchurch, and 15 tours per year are planned. The tour will run the length of the country, providing guests with experiences and sightseeing opportunities, with overnights only at YHA hostels. This product is seen to have strong potential and good margins, so there is confidence that it will perform positively financially.
- YHA continues to be committed to Hostelling International and other international forums such as the Pacific Rim Alliance of New Zealand, Australia, Canada and the United States. We also continue to foster the strong relationship we have with YHA Australia, which is mutually beneficial.
- Looking ahead, the Chief Executive reiterated the financial challenges facing the organisation and the need to return to an annual surplus over time. There are also challenges associated with the decline in the youth market, which is being taken up with Tourism New Zealand, as well as constrained investment associated with current financial performance. However, there is much to celebrate and YHA remains well-positioned on the back of its strong brand reputation, its investment into hostels including Tekapo, the potential associated with diversifying.
- In conclusion, the Chief Executive acknowledged the support of the National Board and Ray Salter, who is retiring as Chair.

Following the Chief Executive's address, the Chair made the following two points then asked for questions:

- YHA was a finalist in the 100% Pure NZ Experience awards and this is a considerable achievement because all category winners were activity providers, none were from the accommodation sector; and
- 2019/20 will be the first time in many years that all hostels are open following several years of refurbishment.

In response to questions from the floor:

- The Chief Executive confirmed there were no penalty clauses included in the Tekapo construction contract, which reflected the size of the contract
- The Chair confirmed an increase in visitor numbers to the McKenzie District
- The Chief Executive confirmed that we are generally well-prepared to meet all of our guests' expectations, including those from North America
- The decision to sell the earthquake-damaged Manchester Street property followed careful analysis, and it simply did not make economic sense to pursue a repair strategy. Our capacity in Christchurch is appropriate – it is a tough market at the moment as post-earthquake capacity has exceeded growth in visitors. As a result, our occupancy in Christchurch hostels has been lower than desired, resulting in Rolleston House being re-purposed over the winter period as a groups'-only facility
- The current gearing of 45% reflected additional borrowings associated with the major refurbishments in Auckland City, and Queenstown Lakefront, as well as the Tekapo development. The cost of debt is currently very cheap, but there is an intention to apply up to 25% of surplus cash to the retirement of borrowings
- Consideration is always given to undertake hostel refurbishments on a staged basis to avoid temporary closure. However, it is not always possible because of disruption to guests, and due to impact on the overall costs of the project
- The mortgage referred to in the accounts relates to the sale of the Greymouth Hostel. YHA made an interest-only loan to the operator at an interest rate of 7.25%. This is secured against the hostel and is due to be repaid in October 2020.

6.3. Adoption of the Annual Report

88/4 Resolved that the YHA New Zealand 2019 Annual Report be adopted.

6.4. Adoption of the Annual Financial Statements

88/5 Resolved that YHA New Zealand's Financial Statements for the year ending 30 June 2019 be adopted.

6.5. Confirmation of Auditors

88/6 Resolved that PwC be confirmed as YHA New Zealand's Auditors for the year ending June 2020.

7. Award Nominations and Presentations

The Chair advised that Kevin Brewer had been nominated for an Honorary Life Membership. He outlined his service on the YHA National Board and the Audit and Risk Committee and the challenges addressed by the Board over that period.

88/7 Resolved by acclamation that the Annual General Meeting confers the Service and Merit Award for 2019.

Following the presentation of the certificate and medal, Kevin Brewer responded that as he looked around the room at the long serving members he was humbled by the award.

8. YHA Australia Representative presentation

Ross McDougall presented the YHA Australia report including:

- This is the YHA Australia's 80th anniversary year
- YHA Australia is facing severe price competition due to:
 - the volume of inventory Airbnb has added to the accommodation market
 - the commission cost of online travel agencies
 - the launch of Google Hotels
- This price competition is exacerbated by the loss of traditional income streams such as membership fees and sale of internet access
- YHA Australia has recently adopted a new strategic plan with the following components:
 - A focus on customer experience, with four components of Promise, People and Culture, Offering, and Sustainability
 - Social Objectives as the core of its offer and the future of YHA Australia
- The financial constraints of YHA Australia, with a debt to equity ratio of 40%
- The investigation of new opportunities including:
 - Land in the Gold Coast which has been banked for a future development
 - The search for a new site in Melbourne, and
 - A joint property development in Sydney which will see YHA Australia partner with a tech company to construct a 30 story building with five floors for a hostel in place of the current Railway Square hostel
- The ongoing collaboration between YHA Australia and New Zealand

9. General Business

9.1. Opoutere Site

The Chief Executive outlined the process taken to identify a like-minded organisation to take over the Opoutere Hostel site and advised that the Wharekawa Outdoor Education Trust has now entered into a lease for the site with the Thames and Coromandel District Council. The Trust has been established by the Whangamata Area School and Opoutere Primary School to provide an experience of turangawaewae for local students and to provide peak season visitor accommodation.

A video presentation from Alistair Luke, Principal of the Whangamata Area School and a trustee of the Wharekawa Outdoor Education Trust, was played. In the presentation he thanked the YHA for its role in the transfer of the lease and invited YHA members to book accommodation over the 2019/20 summer.

9.2. 2019 AGM date and location

The Chair announced that the next AGM will be held in Wellington on 31 October 2020.

Harry Guitry asked whether a future AGM could be held in Tekapo. The Chief Executive advised that logistics and costs make Tekapo a difficult AGM venue, but that a tour to Tekapo could be organised in conjunction with the 2021 AGM which is due to be held in Christchurch.

9.3. Acknowledgement of National Chair

Jaya Prasannan thanked Ray Salter for his service to the YHA as a National Board member and as the Chair. She acknowledged the achievements of the organisation during his time as Chair and noted that during his time on the Board he had consistently demonstrated the YHA's Values and had set this example from the top.

Presentations were made to the Chair on behalf of the Board and on behalf of YHA.

9.4. Hostel Feedback

Paul Reid advised that he and his father had recently stayed at four hostels as they toured the South Island. He complemented the staff on their welcoming and accommodating behaviour throughout his stays.

9.5. Hostel Facilities

Vivien Jones reported that Auckland City Hostel rooms do not have sufficient mirrors and that electric jugs are too large to be refilled underneath the bathroom taps.

9.6. Meeting Closure

As there was no further business, the Chair then declared the 88th Annual General Meeting closed at 12:15pm.



2019 YHA New Zealand Elections

Candidate Nominations

Nominations for the YHA New Zealand 2019 Board elections closed at 12 noon on Friday 13 September 2019. The following confirmed nominations have been received.

National Board (two vacancies)

BUTLER	Ross	Nelson
WARD	Nancy	Wellington

As the required number of valid nominations has been received, I declare **Ross BUTLER** and **Nancy WARD** elected to the National Board unopposed.

Vice-President (up to four vacancies)

BERRY	Dave	Timaru
WARD	Bruce	Christchurch

As only two valid nominations have been received, I declare **Dave BERRY** and **Bruce WARD** elected as Vice Presidents unopposed.

For further details call the election helpline on 0800 666 040 or contact the Returning Officer, Warwick Lampp, [electionz.com](mailto:iro@electionz.com) at iro@electionz.com.

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