

Positioning Auckland as a Major Events Destination

MAY 2008

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1. Introduction

If Auckland were to fully capitalise on its distinctive natural assets and urban amenities, the region could become an event-rich destination, regularly hosting world-class, attention-grabbing, major events that would enhance its international profile and reputation.

But in recent years, while other regions have invested in major events and reaped the rewards, Auckland has been seen as losing ground and falling well short of its potential. It has failed to secure some major events and lost others, including the Ellerslie International Flower Show and Volvo Round the World Yacht Race.

There is no question that Auckland can do events brilliantly. Think of the 1990 Commonwealth Games, two America's Cups, and successful annual events such as our unique Pasifika. Despite these successes, and the fact that Auckland will be the focal point of the 2011 Rugby World Cup, the region has had a tendency to take a reactive and uncoordinated approach to bidding for, and managing, major events.

Positioning Auckland as a Major Events Destination takes an honest look at the current situation, investigates what needs to be done to transform Auckland into a world-class events destination, and outlines the critical investments required to make this happen.

If Auckland gets it right, the returns will be immense. Major events create opportunities to showcase the host to the world. They offer a way to create economic benefit, increase a region's profile and attractiveness to domestic and international visitors, as well as to highlight its unique value proposition and provide a platform for industry and business promotion. They can also help to celebrate and strengthen residents' pride in their region and their sense of belonging.

Major events also have the ability to contribute to a lasting legacy in infrastructure, social and cultural development, environmental sustainability, tourism and economic development.

As the only region in New Zealand with the infrastructure (e.g. accommodation capacity) to support many major events, Auckland's success will have significant flow on effects for the rest of the country.

Put all these things together and the opportunities are simply too great to ignore.

2. Background

2.1 Metro Project Action Plan

In 2006, Auckland's Metro Project Action Plan identified as one of its principal objectives, the need to *transform Auckland into a world class visitor destination*. At the same time, Central Government developed its Economic Transformation agenda with one of its themes as "Auckland – an internationally competitive city". To make this transformation happen, the development and implementation of three main actions are required:

- a compelling brand identity for Auckland
- a regional Visitor Plan
- a regional Major Events Strategy.

Positioning Auckland as a Major Events Destination responds to the Metro Project Action Plan's call for the development of a regional major events strategy. The timing is significant given that over the next ten years New Zealand, and in particular Auckland, will play host to a number of internationally important events such as the Rugby World Cup 2011 and the 2015 Cricket World Cup (as co-host).

2.2 Alignment with Bringing the World to Auckland

*Bringing the World to Auckland: The case for investment in Auckland's visitor economy*¹ was developed in response to the need for a regional visitor plan and outlines the case for investment in Auckland's visitor economy². That document articulates a 10 year aspiration for Auckland's visitor economy underpinned by seven strategic themes. One of the strategic themes is that of Host City:

(Within 10 years) Auckland has the infrastructure, reputation and unity to secure and host large scale conferences, conventions and major events.

As well as responding to the need for a regional major events strategy, *Positioning Auckland as a Major Events Destination* outlines how Auckland could deliver on this host city aspiration.

Positioning Auckland as a Major Events Destination operates under the same guiding principles as the case for investment in Auckland's visitor economy, *Bringing the World to Auckland*³ and should be considered one of its appendices.

¹ AucklandPlus, November 2007.

² References to "Auckland" should be read as the Auckland region

³ Bringing the World to Auckland, 1.7 Guiding Principles, p 18

3. The opportunity

The benefits of a sustainable major events portfolio for Auckland would extend well beyond the direct financial benefits.

The bigger picture would include greater amenity for Auckland residents underwritten by additional visitor expenditure, greater talent development and retention in the events industry, increased wealth and employment, and improved social well-being. These factors would reinforce one another and initiate a virtuous cycle that would improve Auckland's infrastructure, quality of living and international profile.

Auckland has the opportunity to position itself as a major events destination, with a sustainable calendar of major events, and deliver the following benefits:

- attract more visitors, particularly in the shoulder seasons,
- maximise the economic benefits arising from hosting major events,
- enhance Auckland's international profile and reputation,
- bring certainty and coordination at the regional level in the competition for major events,
- offer opportunity to cluster support events around a major event,
- maintain programming consistency (regularly scheduled dates/times of major events each year),
- centralise knowledge and expertise on securing, promoting and delivering events,
- ensure infrastructure requirements are taken into account,
- create the critical mass to retain the skills and knowledge acquired from the city-region's investment in major events.

Case study:

2006 Winter Olympics, Torino

The Torino 2006 Winter Olympics showed the rest of the world a changed city. The success of the Games was just the first important result of an intense process of transformation that the city had begun in the 1990s. By 2000 Torino was the first city in Italy to adopt a Strategic Plan. Through developing the plan, the city committed itself to transforming from an industrial capital into a centre for innovation, culture and improved quality of life. At the same time, Torino developed a project aimed at the renewal of the international image of the city, culminating in the bidding for, and successful organisation of, the 2006 Winter Olympics.

Torino plans to continue to invest in culture and innovation and is using a series of events to further progress plans for the city-region. Events scheduled include: Torino World Capital of Books with Rome, World Speed Skating Championships, World Congress of Architects, Torino World Design Capital 2008 and in 2011, Torino will be the heart of celebrations for the 150th anniversary of the Unity of Italy.

The city is now equipped to host major events, trade fairs, conferences and conventions, guaranteeing infrastructures, facilities to business and services of all kinds. Torino has successfully transformed itself into a modern and exciting city of art and culture.

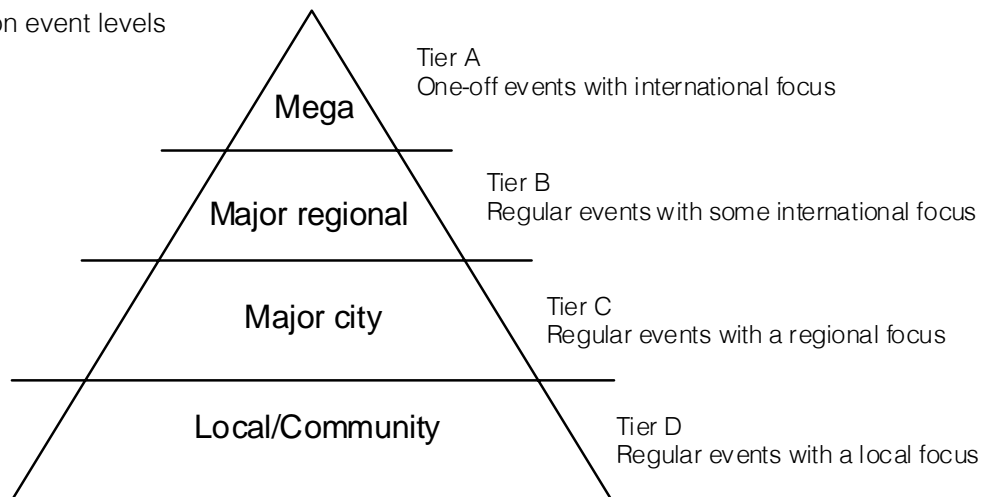
(Source: NZ Ministry of Economic Development, 2007).

4. Current situation

Currently the region hosts four different levels of events; mega or one-off events, major regional events, major city events and local/community events. For the purpose of this document, these levels of events are defined as:

Figure 1

Auckland region event levels



Tier A mega one-off event

Typically, a sporting or political event, that has an important international media profile and attracts overseas visitors and participants. Likely to require considerable government investment but leverages national and regional strengths, delivering significant return on investment (ROI).

Tier B major regional event

A regularly-held sporting, art, cultural or other type of event that impacts the majority of the region with significant ROI. Requires a regional approach to be truly successful and provides flow-on benefits to other New Zealand regions. Whilst media coverage is generally strong domestically, international coverage is driven by niche or special interests.

Tier C major city event

Usually coordinated by one council as part of its regular event portfolio. Attracting mostly domestic visitors (from within the Auckland region and nationally), it leverages regional strengths and provides a ROI in line with council investment. Media is likely to be limited to domestic coverage.

Tier D local/community event

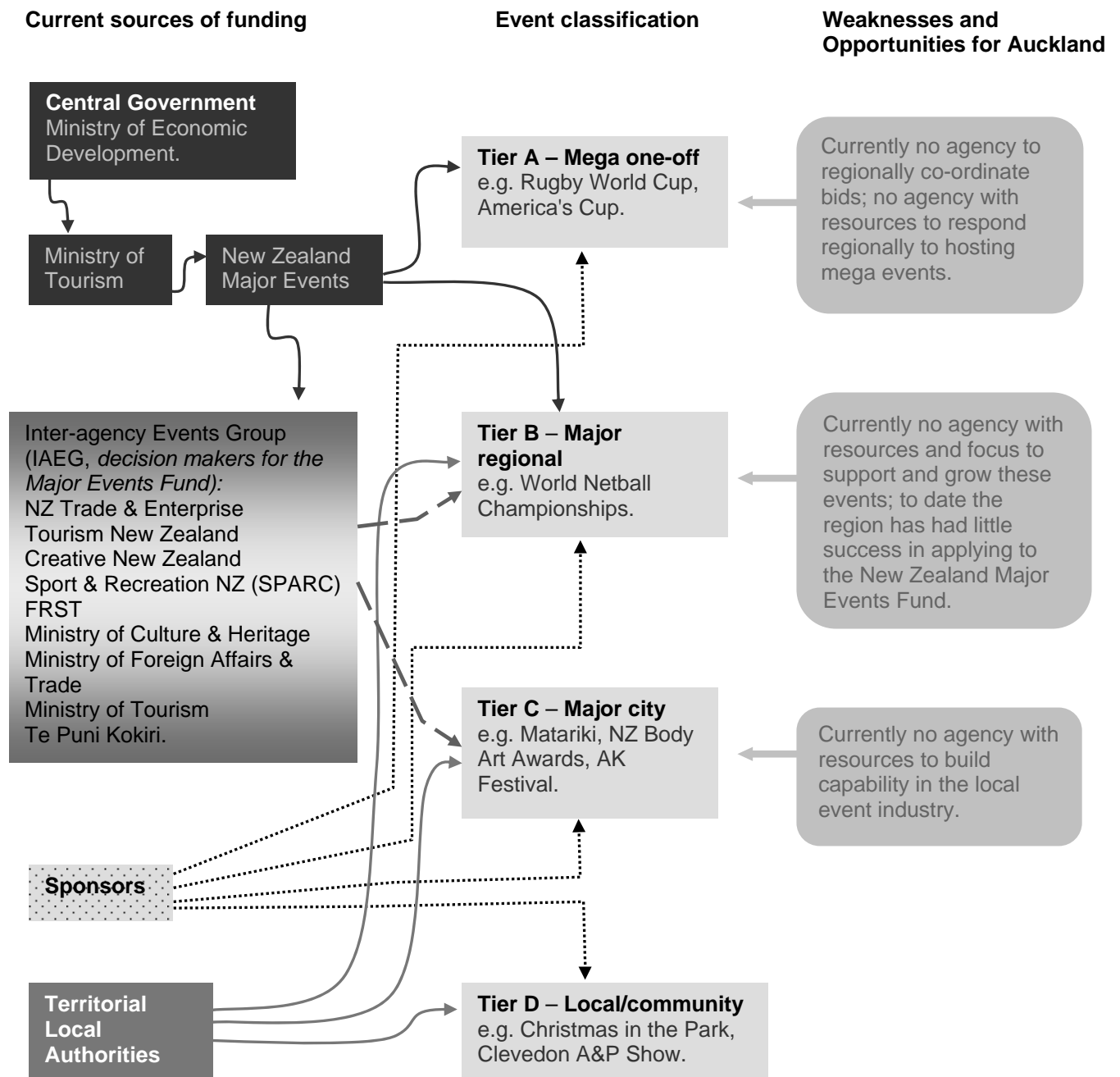
Requires significant community involvement, with social benefit a priority over economic impact. Visitors are likely from within the Auckland region and local media coverage may extend to national coverage as a general interest news story.

Currently, depending on the level of an event, funding and investment is secured from central government, local government or private sector sources. However, there is limited regional co-ordination, creating the risk of cannibalisation (different bodies within the Auckland region competing against each other to secure events) rather than the region using its collective resources to greater effect.

The lack of regional co-ordination is a major contributor to the recent loss of major events and missed opportunities to secure new events. Examples include the loss of the Ellerslie Flower Show to Christchurch in early 2008 and the failure to secure the V8 Street Race in 2003-04.

Auckland's current major events model is complex and cumbersome as illustrated in figure 2.

Figure 2 Auckland's current major events model



Dashed arrows denote additional funding by individual members agencies of IAEG

With a more strategic and cohesive approach, the region would be better placed to attract and successfully host more mega and major events. A new approach would also co-ordinate funding to better demonstrate cost-benefit ratios.

Conferences, conventions and exhibitions

Conferences, conventions and exhibitions are also economically important events. *Positioning Auckland as a Major Events Destination* is designed to align with Conventions & Incentives New Zealand's (CINZ) national conventions strategy⁴. The importance of conferences and conventions is also highlighted in

⁴ Due for release mid 2008

Bringing the World to Auckland, which advocates for the building of a national convention and exhibition centre within the CBD to support the strategic theme of Host City. A national convention centre would be significant in terms of both Auckland and New Zealand's positioning internationally and would deliver benefits to the whole country.

Conferences, conventions and exhibitions can have a significant impact on visitor demand, particularly in the shoulder and off-peak season when events of this nature are usually held. Therefore, in order to coordinate the scheduling of major events and conferences, the regional major events office would work collaboratively with the regional visitor agency and CINZ to minimise seasonal disparity and enable businesses to gain a better year-round return from all types of events.

5. The aspiration

Auckland has an opportunity to transform itself into a major events destination over the next 10 years. The following aspiration has been developed through input from regional and national stakeholders.

"Auckland has a portfolio of major events that showcase its unique landscape, culture and lifestyle on the world stage. It has a strong international profile and a proven track record in delivering large scale events. Major events add significant value to the regional economy and enrich the lives of Aucklanders."

The aspiration is underpinned by 6 strategic themes:

Regional Approach

Auckland adopts a unified partnership approach to identifying, winning and delivering major events

Exciting Place

Auckland has a unique cultural dimension and vibrant CBD with strong connection to its waterfront and a diverse, accessible hinterland

Quality Infrastructure

Auckland wins major events based on its infrastructure including a national convention centre, a marine events centre, more high quality inner city hotels, a national stadium and transport links

Outstanding People

Auckland offers sustainable careers and professional development opportunities to skilled experienced event managers

Well Supported Events

Aucklanders embrace major events resulting in higher attendances and greater public sector funding and operational support

Sustainable

Auckland develops its major events industry in a sustainable manner – environmentally, culturally, economically and socially.

6. Framework for action

6.1 The need for action

Despite its many advantages, stakeholders feel that Auckland needs to act now to realise its potential as one of the world's pre-eminent event hosts by 2018. Three high level actions are necessary:

- Establish a regional bidding function to attract new major events and retain and grow regionally important events,
- Establish a regional, major event co-ordination function that engages councils and maximises net economic benefit from events across the region,
- Advocate for the development of Auckland's event industry – its people, infrastructure and support services.

6.2 Organising ourselves for success

To deliver on the high level actions identified above, Auckland must be organised for success:

Action: Establish an appropriately funded and mandated regional major events office, to work in partnership with public bodies and private sector event organizers, to develop and maintain an appropriate portfolio of major events for Auckland. This office would be responsible for managing an investment fund to bid for new events, and invest in existing events with high growth potential. The office would be supported by a committee of regional representatives to make bidding and investment decisions.

Action: Direct the regional major events office to co-ordinate and focus the efforts of councils, to strengthen Auckland's offer as a major events destination. The office would work closely with the regional visitor agency and related bodies, to ensure alignment with regional strategies including Brand Auckland. Regional co-ordination would reduce the likelihood of councils competing against each other to win events and extend the leverage opportunities region-wide, regardless of host city.

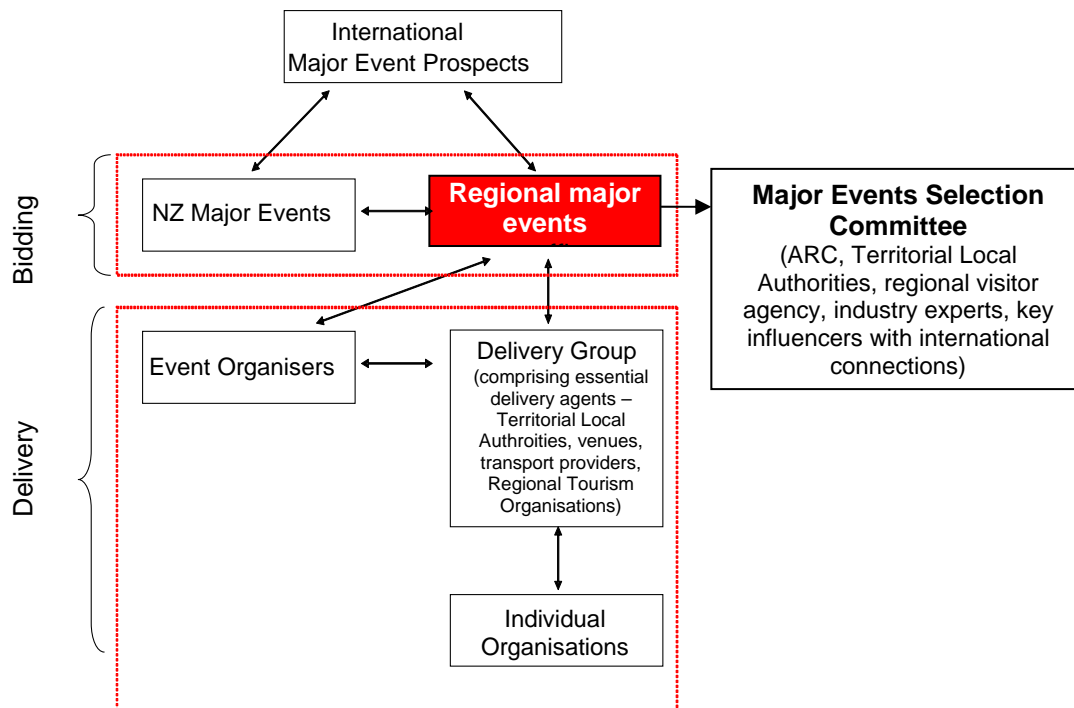
Action: As the advocate for Auckland, develop a close working relationship with New Zealand Major Events, particularly around its national bidding function, Major Events Leverage and Legacy Framework and industry development programmes.

A new model

The development of *Bringing the World to Auckland* identified that a regional structure for destination marketing, destination management and major events co-ordination is required. It proposed that the most effective structure would be an agency comprising separately branded, but integrated arms (one of which would be the regional major events agency), driven by the regional brand values.

For major events co-ordination, the model demonstrated in Figure 3 would ensure that bidding and investment decisions responded to regional and local government objectives, were based on relevant industry knowledge, and were informed by aligned strategies.

Figure 3 Proposed major events model



Recommended role of the regional major events office

As a coordinating agency, the regional major events office would:

- Act as the single point of contact for all matters relating to major events in the Auckland region. It would be the international and national voice of major events in Auckland, as advocate, influencer and leader. It would establish Memoranda of Understanding with territorial local authorities and agree terms of engagement across the region.
- Manage a regional bidding and investment fund for the purpose of attracting, retaining and growing regionally important events. Final decisions on investment and bidding would be made by the Major Events Selection Committee. Events would be assessed against a quadruple bottom line (economic, social, cultural and environmental appraisal) to determine alignment with regional strategic priorities.
- Work with and support partners to identify, evaluate and pursue events considered valuable to Auckland's event portfolio – refer to 6.4. Where appropriate, the office would support bidding parties rather than lead the bidding process itself. This would involve identifying international events that Auckland should bid for, working with appropriate partners to ensure high quality bids are presented, and interacting with event owners to bring these events to Auckland. Its role would include the development of event selection criteria and a robust assessment process, as well as conducting feasibility studies and pre-and post-event evaluations. The office would develop a detailed framework for the application of criteria which would allow events to be evaluated against a balanced scorecard.
- Provide and manage investment for growth and development in existing major events. The office's mandate would be to establish a long term public sector investment platform that would add value to, rather than displace, existing funding. To stimulate private sector involvement, the office would work with private sector partners and sponsors to help extend and strengthen events through co-funding or underwriting. A critical element would be the retention of existing major events, with the office mandated to intervene on behalf of the region to assist in retaining events locally as deemed necessary.

- Proactively leverage events across the region to ensure that regardless of event location, cross-sectoral benefits are fully capitalised upon.
- Intervene to avoid market failure. The office would have an interventionist role, for example to assist a smaller sporting association that lacked the ability and resources to bid for and deliver an event that was strategically important for the region.
- Co-ordinate a centralised calendar of events for the region which maximises facility usage, capitalises on marketing activity, and benefits from economies of scale. This service would be a major resource for event organisers to assist in developing event clusters and maintaining programming consistency, to avoid clashes. The service would also link closely with tourism information services offered by the regional visitor agency.
- Facilitate capability building in the Auckland regional major events industry by supporting and endorsing the work of the New Zealand Association of Event Professionals and New Zealand Major Events. This would result in a pool of highly skilled and experienced event managers able to access offshore expertise and professional development opportunities. The office would become the repository of event intellectual property and knowledge, acting as a regional industry resource. The office would also house the valuable learnings and feedback gained from unsuccessful bids.
- Influence the development of a region-wide event-friendly regulatory environment, applying where possible consistency in consenting processes, event facilitation procedures, etc across multiple councils.
- Ensure the considered development of event infrastructure to supply the region with a network of high quality venues with direct and efficient public transport links, thereby offering the region a competitive advantage in securing and hosting major events. (An outline of the infrastructure required to support the actions highlighted in *Positioning Auckland as a Major Events Destination* is included as Appendix A.)
- Provide chair services to regional major events delivery groups formed at either the bid and investment proposition stage, or for the planning and delivery stages. Groups would represent the individual delivery main agencies and the regional major events office would offer neutral guidance through its role as chair.
- Communicate and promote the office as the central point for Auckland's regional major events industry to partners, Government, the public and international event audiences.

6.3 Prioritising major events

To maximise economic, social, cultural and environmental benefits and enhance the region's profile nationally and internationally, Auckland's major event portfolio should prioritise events that:

- are consistent with Auckland's brand, values and strategic objectives,
- deliver net economic benefit to the Auckland economy without significant negative environmental, social or cultural impacts,
- leverage and showcase Auckland's distinctive landscape and culture,
- are likely be welcomed and well-supported by a wide cross-section of Auckland residents,
- efficiently maximise the use of existing regional infrastructure and enable new infrastructure development,
- increase visitor activity, particularly outside the traditional peak season periods,

- bring significant international broadcast and electronic/print media coverage, enhancing Auckland's national and international profile and reputation,
- generate commercial opportunities for Auckland businesses,
- offer cyclical or multi-year hosting opportunities,
- are aligned with the priorities of other regional and national strategies e.g. Auckland Sustainability Framework, Auckland Regional Economic Development Strategy, National Tourism Strategy, NZ Major Events Strategy,
- offer a pathway or entry to hosting larger events owned by the same body.

6.4 Creating a portfolio of major events

For the Auckland region, a wide range of approaches to developing a sustainable portfolio of major events could be taken. Such approaches could include, but not be limited to, the following:

Identify, evaluate and nominate Auckland's interest as a candidate city for a mega and major event.

Mega and major events that are offered to bidders include the Commonwealth Games, University Games, World Cups or Championships of many sporting codes, World Masters Games, World Youth Day, etc. Of primary consideration is the length of time required to investigate an event, complete feasibility studies and prepare and submit a bid per the organiser's deadline. Lead-in times are typically four or five years (although mega events such as the Rugby World Cup require lead times of up to eight years).

For successful bidders, mega events will typically have a four or five year planning and delivery phase and for smaller events, two or three years. These timescales are tight for most cities, particularly if infrastructure development is required.

Once an event has been evaluated as feasible, dedicated resources are also required to ensure that a quality bid is presented that meets (or exceeds) the requirements of the event, promotes the host city or country, demonstrates excellence in delivery capability and offers a once-in-a-lifetime experience for participants and spectators.

Create an annual or regularly hosted signature event that plays to Auckland's unique assets and strengths.

Cities and regions that have developed their own unique events and embedded them into their culture. Such events include:

- Calgary Stampede (1 week of rodeo, western heritage and entertainment)
- Running of the Bulls, Pamplona (festival of music, markets and bullfighting)
- Burning Man, Nevada (6 day alternative arts festival in the Black Rock Desert)
- Biennale di Venezia (bi-annual festival of art, music, theatre, cinema and architecture)
- Edinburgh International Festival (3 week festival of performing arts)
- Rio Carnivale, (4 day party of dance and "excess")
- Glastonbury Festival (3 days, largest greenfield music and performing arts festival in the world)
- Farnborough International Air Show (6 day international aerospace exhibition held every second year)

Secure the right to host one of an international series of events.

This approach would offer regular returns to the local economy, visitor market and the region's international profile. Many sporting codes stage international series with specific examples being the *A1GP*, *PGA*, *MotoGP*, *Ironman* and *Rugby Sevens*. Cities are granted hosting rights for a time period, subject to its infrastructure meeting the requirements of the sport. Occasionally new cities are added where considered strategically important to the sport or the series, and cities are sometimes replaced by others offering better quality facilities and infrastructure.

Bid for "second tier" supporting events.

To build capability, another tactic would be to bid for supporting events, such as age-grade events or regional qualifying events. These supporting events provide unmatched experiential learning under the guidance of the event owner, and offer a pathway to hosting larger events for the same owner. A current example is the *FIFA Under-17 Women's World Cup* event being played in New Zealand in 2008.

Develop a cluster of events around an anchor event.

An example would be *Aquatica*, a marine-themed festival of match racing, street theatre, pyrotechnics, music and food held over Auckland Anniversary weekend that was developed around the Anniversary Day Regatta.

Case Study:

2002 Manchester Commonwealth Games

Manchester's bid for the Commonwealth Games made clear that its aim was not only to deliver a world-class event, but also to make the games bring about more than just a short term glory for Manchester and the region. They wanted to maximise the benefits by leaving a lasting legacy of new sporting facilities and social, physical and economic regeneration.

An important factor behind the success of the games was the commitment of the people of Manchester who were proud to be the chosen host city. Crucially too was the redevelopment of the deprived East Manchester area with the construction of the new Sport City, complete with commercial centre, houses and retail parks. The games also accelerated a number of major transport schemes including the redevelopment of the coach station, airport and roading links, totaling £670 million in regeneration investment.

Local tourism board, Marketing Manchester, estimates that 300,000 additional visitors will come to the city each year as a result of Manchester's increased and improved international profile. (*Source: Legacy & Impact of Major Sports Events, Greg Clark, 2007*).

7. Financial and investment analysis

7.1 Bidding costs

The level of funding required to support a regional major events office depends largely on the costs associated with bidding for events. Research conducted by PricewaterhouseCoopers found that bidding costs vary considerably, and are impacted primarily by how wide the global appeal of the event is, the economic benefits it delivers and the media coverage that can be generated. The following table demonstrates the variation in bidding costs across events.

Table 1 Variation in Bidding Costs

Event	Bidding Cost
FIFA U17 Women's World Cup 2008	<\$10k
2007 World Badminton Junior Champs	<\$10k
Yachting Junior World Champs	<\$15k
FIBA World Basketball Champs	\$3m
Rugby World Cup	>\$3m
FIFA Soccer Men's World Cup	\$30m+ (based on failed England bid)

It should be noted that there are often substantial hosting costs associated with major events. For example, the organisers for the World Junior Badminton Championships estimate the hosting costs to be around \$500k. The FIFA U17 Women's World Cup cost is estimated to be in the high millions, with some contribution from FIFA (the U20 Women's World Cup event in Russia was estimated to cost around \$20m to host). In addition, the host city often needs to upgrade sporting as well as transport and accommodation infrastructure to meet minimum standards expected, to host the event.

These hosting costs are often shared across a variety of stakeholders, and are more likely to be borne by local and central government than the regional major events office, but their existence should be noted and factored into event bidding decisions.

7.2 Funding levels in Australia

Analysis of per capita funding levels in Australia indicate that funding ratios range from A\$4 per state resident to \$11 per state resident. Examples of funding levels and staff numbers are set out below for the main Australian major event offices.

Victorian Major Events Company

The Victorian Major Events Company (VMEC) in Melbourne received A\$2.3m of operational funding in 2004 FY which has been increased by A\$0.5m from 2007. In addition, the Victorian government allocates a total funding cap of about A\$55m to attract major events to Victoria. VMEC has 9 FTEs with employee expenses at A\$0.7m and consulting expenditure at A\$0.8m in 2004.

Queensland Events Corporation

The QEC had a budget of A\$8.4m in 2004, rising to an estimated A\$15.3m in 2007. This budget covers both events securement and support/hosting, unlike VMEC's budget which is purely for events securement. QEC has 14 FTEs with employee expenses at A\$1.4m and expenditure on supplies and services (including consultants) at A\$0.8m.

EventsCorp

EventsCorp in Perth received A\$10.7m of funding in 2005, rising to an estimated A\$16m in 2007. Like QEC, EventsCorp secures and develops events, and has 26 FTEs with employee expenses at A\$1.2m and spending on supplies and services of A\$1m.

Events South Australia

Events South Australia received A\$9m in revenues from the South Australian government in 2006, incurring expenditure of A\$13.8m with offsetting income of A\$4.1m. Events South Australia spent \$2.3m on employee benefits, \$3.6m on event operations and \$2.9m on industry assistance.

7.3 Private sector involvement in Australia

The public sector plays a significant role in attracting events to states and cities, and providing funding for them. This is done with the intent of stimulating visitor activity and hence generating economic benefits for the state or city. The private sector is viewed as a significant partner in a few different respects – from providing sponsorship for events, to providing event management expertise and providing expertise to help govern the major event organisations.

7.4 Possible funding levels for the Regional Major Events Office

As well as the Australian evidence outlined, it is interesting to note that New Zealand Major Events will only have a budget of \$4m in 2008. Taking all these factors into account, it is recommended that the regional major event office is funded during its early years from a public sector investment platform of \$2 million per annum.

This funding would finance the bidding and investment programme and operational costs of the office. Alternative funding mechanisms would be explored and implemented by 2013 at the latest, to ensure that the workstreams were adequately resourced for the future.

By 2018, it is recommended that the fund reaches \$10 million per annum for the regional major events office.

7.5 Benefits, return on Investment, payback

Australian Data

Events have been used as part of a broader strategy to act as a primary attractor of visitors into the host city or region. Typically, the argument is, that there is strong international evidence that staging of major international events can generate significant benefits for host communities.

The NSW government claims it will only back an event if it can get \$15 of economic benefit for the state for each \$1 it puts in, and quotes the Rugby World Cup where it estimates that the \$16m spent by NSW government generated \$350m of economic benefits.

The Victorian government estimates that in 2004, economic impacts attributable to major events contributed over \$1b to gross state product, which on the \$40m spending cap that applied during that year suggests a return of \$25 for every dollar invested. The Victorian government will generally not invest in events that deliver a net return of less than \$10 for every dollar invested.

The following table sets out reported benefit costs ratios for several Australian states as reported by industry.

Table 2 Reported benefit cost ratios for major events in Australia

Description	Reported benefit cost ratio (benefit expressed in dollar value for each dollar invested)
Events South Australia's \$9m investment in 15 major events	\$2.2 in economic benefits \$7.2 in economic benefits and media editorial coverage
EventsCorp's investment in major events in Western Australia	\$2.2 in direct expenditure \$3.8 in direct expenditure, media impact and wider economic impacts
NSW Major Events' \$1m investment in the Sydney World Cup qualifiers	\$14 in tourism benefits \$5 in gate takings
NSW Major Events' \$130k investment in Newcastle Surfest	\$15.4 in expenditure generated
NSW Major Events' \$16 investment in the 2003 RWC	\$21.9 in economic benefits
Victoria Government estimates	\$25 in gross state product generated

7.6 Major events in Auckland

Major events have the potential to generate substantial additional visitor activity and expenditure in Auckland as the examples below demonstrate.

Lions Series 2005

The Lions Series is estimated to have attracted an additional 20,000 international visitors to Auckland in June and July of 2005 (traditionally the two slowest months for the visitor economy). A formal economic assessment⁵ concluded that:

The Lions Series generated an additional \$53.0m of revenue in the Auckland region which flowed through the Auckland economy and generated a total regional GDP impact of \$43.2m. This GDP would not have existed in the absence of the Lions Series.

The impacts of the event were widespread, with visitor demand increasing significantly during a traditionally slow period for Auckland, and New Zealand. The impact was well reflected in the monthly New Zealand Hotel Council statistics which showed that revenue per available room (RevPar) – the standard yield measure in the hotel sector - increased from \$85 in July 2004 to \$111 in July 2005 (the Lions effect), before returning to \$84 in July 2006. This had a marked impact on hotel earnings in 2005, and on the earnings of many other businesses in Auckland, and throughout New Zealand. Major events can therefore have a significant impact on seasonality, if they are scheduled at times that are traditionally slow for the Auckland visitor economy i.e. autumn and winter. A single event of a similar scale to the Lions Series each year (around 20,000 additional international visitors), could have a marked impact on the long-term profitability and sustainability of the visitor economy.

Americas Cup Defence 2003

The Americas Cup defence in 2003 is estimated to have had an even greater impact, estimated at around \$450m of additional GDP for Auckland, albeit over a much greater period of time.

⁵ "The Economic Impact of the 2005 DHL Lions Series on New Zealand", October 2005.

The major expenditure was contributed by:

- syndicates (\$171m)
- superyachts and other yachts (\$155m)
- syndicate communities (\$53m)
- international visitors (\$49m)
- regatta organisers (\$29m)
- media (\$28m)
- sponsors and businesses (\$21m)
- cruise ships and other vessels (\$11m).

The main sectors to benefit from the additional demand were:

- marine sector (\$143m)
- accommodation and hospitality (\$92m)
- retail and entertainment (\$132m)
- business and household services (\$48m)
- transport (\$48m).

In addition to these tangible GDP and employment effects, the America's Cup event generated greater international awareness of New Zealand - as a visitor destination and a place to do business – and helped consolidate the reputation of the New Zealand marine sector.

All Blacks vs. England June 2004

The All Blacks vs. England test match at Eden Park generated an additional \$8m of GDP in the Auckland economy and sustained an estimated 175 full-time equivalent employees.

Bledisloe Cup Match 2005

The Bledisloe Cup test match between the All Blacks and Australia in 2005 generated an additional \$11.2m of GDP in the Auckland economy and sustained an estimated 247 full-time equivalent employees.

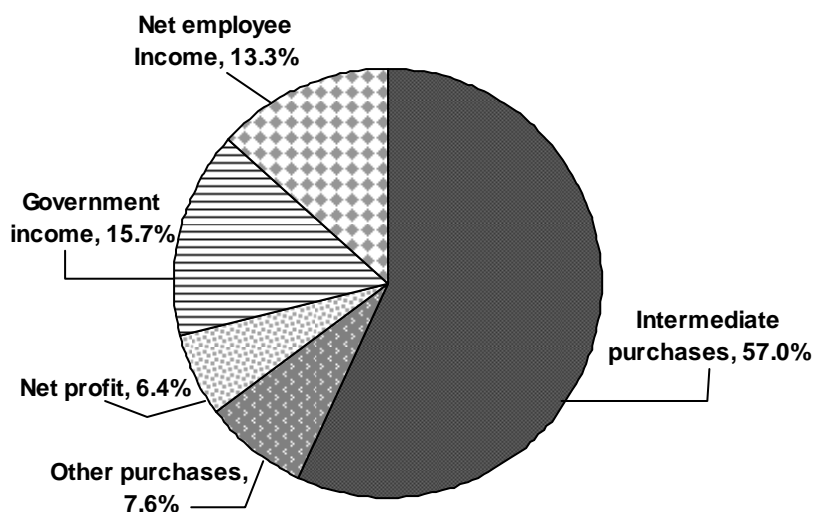
7.7 Potential impacts on Auckland

Bringing the World to Auckland identifies major events as a key catalyst for helping Auckland to achieve its aspiration of increasing gross visitor expenditure by \$2.61b per annum in ten years time (in real 2006 dollar terms). Major events are critical because they:

- have a significant impact on the level of visitor activity in Auckland, and subsequently on the level of visitor expenditure,
- raise Auckland's reputation and profile as a legitimate visitor destination,
- promote Auckland as a place to live, work, play and invest.

The additional economic activity generated by major events is widely distributed across the regional and national economy. On average around 15.7% of each dollar spent directly by visitors to Auckland accrues to the government (through various taxes), 13.3% accrues to employees (net of tax), 57.0% is spent on the intermediate goods and services required to deliver the product(s), 7.6% is spent on other non-intermediate purchases and the remaining 6.4% accrues to the owners of businesses as profit (net of tax).

Figure 4 Typical Distribution of Direct Visitor Spend (excluding flow-on effects)



If Auckland hosted two major events per year of a similar magnitude to the Lions Series, visitor expenditure in Auckland would increase by over \$100m per annum and regional GDP would increase by almost \$90m per annum. This additional expenditure would generate a *direct* increase in central government income of around \$16m per annum, and a *direct* increase in private sector net profit of around \$6.5m per annum.

Flow on impacts

There would also be substantial flow-on impacts generated by the additional activity associated with the intermediate purchases (supply chain impacts); and the extra consumption resulting from greater employment, income and profit. The Tourism Satellite Account⁶ estimates the flow-on benefits of a direct impact on visitor expenditure to be around 85% of the direct impact, implying that the total impact of hosting the equivalent of two Lions Series' per year would be an increase in gross regional output of around \$190m per annum and an increase in regional GDP of around \$165m per annum.

Impact on government income

It is estimated that every dollar of visitor expenditure in New Zealand leads to a total increase in government revenue of \$0.25, taking into account both the direct and flow-on effects (see *Bringing the World to Auckland* for more detail). Assuming that 20% of the additional expenditure in the Auckland economy is simply transferred from other parts of the country (based on the Lions Series experience), an incremental increase in visitor expenditure of \$190m per annum would increase government income by around \$38m per annum; assuming New Zealand has a similar tax environment in the future.

Impact on seasonality

Seasonality is a major issue for the visitor economy. Major events, in conjunction with conferences and conventions, can be used to increase visitor activity in shoulder and off-peak periods (traditionally April-October), thereby creating a more uniform distribution of visitor activity across the year and enabling businesses to get a better year-round return on capital.

The impact of an event will depend to a large extent on the time of year that it is held. If an event is held in the middle of summer when the visitor economy is close to capacity, a major event will simply displace or crowd-out, existing visitor activity, rather than adding to activity. Major events have the largest incremental impact on visitor activity during shoulder and off-peak periods when there is surplus capacity, and minimal visitor displacement.

⁶ Produced by Statistics New Zealand.

7.8 Rationale for public sector investment

Market Failure

Major events have the potential to generate significant benefits that are often quite widely distributed, both geographically and sectorally. This is good from a development perspective, because the benefits are widely distributed across the resident population, either directly i.e. by transacting directly with visitors; or indirectly through the subsequent flow-on effects. However, the wide distribution of benefits can be problematic because it is difficult to accurately identify all of the individuals and organisations that benefit from the additional activity. There are several obvious beneficiaries such as hotels, airlines and airports, but there are also a host of smaller beneficiaries (e.g. supermarkets, retailers, transport providers) that benefit significantly in aggregate but are practically impossible to identify. This is problematic because it can lead to 'market failure'⁷ - a situation that can seriously distort the investment process. The market failure in this case relates to 'positive externalities' which occur when an investor is unable to capture all of the benefits of the transaction i.e. some of the benefits accrue to people who do not invest in the transaction. Positive externalities are common in relation to major events.

Major events are often not commercially viable on a stand-alone basis because the full cost of securing and hosting the event is rarely recovered from the event itself. It is therefore rare to see major events funded solely by the private sector. However, surrounding businesses in the area, particularly hotels, food and beverage establishments, transport providers and retailers derive significant benefits from the additional visitor activity a major event generates. If the benefits accruing to the event itself and all of the other third party beneficiaries were added together, the resulting aggregate benefit would most likely represent a commercially viable return on the cost of securing and hosting the event.

A rational solution would be for the various beneficiaries to pool their resources and collectively fund the major event on the basis that they will all generate a commercial return on their share of the investment. However, in practice this approach is very difficult to administer for a number of reasons:

- The benefits are likely to be widespread; hence financial contributions would need to be sought from a large number of relatively small players (a coordination issue).
- Some players would not realise that they were going to be beneficiaries, particularly those benefiting from indirect flow-on effects, and would therefore not contribute (an information issue).
- Some players would refuse to contribute even though they expected to be beneficiaries (a free rider issue).
- Contributions would need to be sought in advance, presumably in direct relation to the expected distribution of benefits. While the benefits could be quite easy to estimate in *aggregate*, the distribution of these benefits among individual players would be practically impossible to estimate (an equity issue).
- The visitor industry contains a large number of small, capital constrained businesses that would find it difficult to raise the money required to invest in large scale projects (a dispersion issue).

These are the types of factors that can create market failures, thereby preventing socially efficient outcomes from being achieved. They are particularly relevant to major events because the resulting benefits are distributed widely across the population. In such cases it is appropriate for the public sector to invest on behalf of society as long as:

- the market cannot provide an efficient outcome,
- the aggregate benefits outweigh the aggregate costs,
- the intervention represents the best use of the time and money required (assuming the intervention is funded out of general public funds. This condition can be relaxed if the intervention is paid for using funds collected for a specific purpose e.g. a targeted rate or tax to fund major event attraction).

⁷ Market failure is a situation in which the free market cannot deliver an efficient outcome.

Efficient Growth Driver

Major events are a catalyst for bringing visitors to Auckland. The visitors that major events attract enable Auckland to grow beyond the constraints imposed by the size and spending power of the resident population, both of which are relatively low by international standards. Visitors increased the effective population of Auckland by 75,300 (5.5%) in 2006 and the effective spending power of the population by \$3.75b (14.3%), and with Auckland's population projected to grow by less than 1.8% p.a. over the next 10 years, the degree to which demand can be increased internally (i.e. from within the region), is significantly constrained. The potential to grow visitor demand through major events is much less constrained, which is why most international cities have comprehensive major event strategies in place to accelerate growth in the visitor economy, and enable expansion beyond their natural limits.

The visitors that major events attract play a major role in underwriting Auckland's amenity. For example, visitors contribute directly to the operation and maintenance of several essential publicly provided services e.g. museums, art galleries and public transport, all of which receive significant public subsidies; hence each additional dollar that visitors spend on these services is one less dollar of subsidy required. Visitors also contribute indirectly to the development, operation and maintenance of a wide variety of public sector initiatives through the additional business activity they generate in Auckland. A reasonable percentage of this enters the public purse through a variety of central government taxes (e.g. GST, income tax, company tax)⁸ and local body charges (e.g. rates). Once in the general public pool, this money is used to fund a wide range of public sector initiatives, most of which are designed to enhance the wellbeing of local residents.

The additional business activity generated by visitors also enhances the amenity levels of Auckland residents by increasing the sustainable scale, range and quality of commercial activities in Auckland, particularly retail activities. Many of these activities would not be commercially viable in the absence of visitors; hence visitors expand the range of consumption choices available to Auckland residents.

A highly attractive feature of the additional visitor activity generated by major events is that the delivery of these benefits is entirely consistent with the SmartGrowth principles embodied in the Auckland Growth Strategy⁹. A leading objective of the Growth Strategy is to increase living densities (persons per hectare) in and around existing town centres and transport arterials. A high percentage of visitor nights associated with major events are spent in commercial establishments that produce very high living densities (e.g. hotel rooms, motel rooms, backpacker dormitories), even when only partially occupied. Furthermore, most commercial establishments are located in and around existing town centres and major transport routes, with a high percentage in the CBD, hence major event visitors that stay in commercial accommodation, increase living densities in areas that are highly desirable from a growth perspective. The remainder of major event visitors stay in private accommodation (often the homes of friends and relatives) which increases the living densities in those areas. Major event visitors are also major users of public transport - a priority issue in the Growth Strategy.

This is desirable not only because they enhance the commercial viability of these services, but also because it enables growth in the effective population, and subsequent spending power, without exacerbating Auckland's well documented transport problems. An added advantage is that major event visitors generally use public transport outside peak commuter periods which enables transport providers to get a better return from their existing assets rather than having to expand their services.

Major events therefore increase the effective population of Auckland, enabling greater public investment and supporting a wider range of commercial activities, while placing very little direct pressure on land use patterns, property prices or transport infrastructure. This outcome is highly desirable from a growth perspective, delivering all of the benefits associated with population growth without the associated costs.

⁸ It is estimated that each dollar of direct visitor expenditure generates \$0.25 of income for the government.

⁹ The Auckland Growth Strategy has been developed to ensure that growth is accommodated in a way that meets the best interests of the inhabitants of the Auckland region.

Economic Transformation Agenda

Enhancing the major events industry in Auckland will strongly support the Government's economic transformation agenda. The right major events for Auckland could generate significant economic impacts for Auckland and New Zealand, while increasing Auckland's international profile and reputation. Major events have been a core component of Melbourne's economic renaissance over the past decade not only in terms of the direct economic benefits, but also in terms of building the Melbourne brand, which has generated a wide variety of tangible and intangible long-term benefits. Public sector support for Auckland's major events industry would therefore provide strong support for the economic transformation agenda, while increasing Auckland's, and New Zealand's profile on the international stage.

Appendix A

Infrastructure report
12 October 2007, Covec Limited

Introduction

This report outlines the additional infrastructure that is required to support *Positioning Auckland as a Major Events Destination*. The major event stakeholders have identified the following infrastructure needs:

1. A national convention centre, to be developed on the inner city site bordered by Albert St and Mayoral Drive. According to CINZ, there is considerable value in having a centrally located convention centre that is within walking distance of a significant number of commercial accommodation providers, retail shops, bars, restaurants and visitor attractions. These are not the only factors that drive the attractiveness of a conference and convention venue – quality, functionality and price are generally the most important factors - but they do have a tangible impact on hosting decisions.
2. A permanent 60,000 seat stadium in Auckland. Most stakeholders thought that a key legacy of the Rugby World Cup should be 60,000 permanent seats at Eden Park (rather than the temporary solution that is currently proposed). There was surprisingly little support for the construction of a new stadium in Auckland. The additional cost of making the changes to Eden Park permanent are unknown, but have been estimated in the Auckland Region Visitor Plan at around \$150m. The final decision needs to be based on a comprehensive cost-benefit analysis that weighs up a variety of factors including:
 - a. The additional cost of making the changes permanent,
 - b. The increase in annual operating cost if the expansion was permanent,
 - c. The impact on the average occupancy of Eden Park,
 - d. The ability of Auckland to host future events *without* a 60,000 seat stadium.

The study would ultimately need to determine whether it is economically sensible to erect temporary seating each time Auckland wants to host a major event requiring a 60,000 seat (or more) stadium, or whether it is more sensible to invest in permanent expansion ahead of time. This probably comes down to balancing the infrequent but high cost of erecting temporary seating vs. the capital and operating costs of developing and maintaining a larger stadium. The concerns of local residents who have been very vocal in the stadium debate would also need to be factored into the analysis.

3. Better connectivity between the CBD and major event venues in Auckland, with a particular focus on public transport (mainly rail). This is consistent with Auckland having a network of quality event venues that it can promote to secure events requiring multiple venues e.g. Commonwealth Games. Better public transport infrastructure is therefore required between the CBD and principal major event venues. There are a number of public transport upgrades planned for Auckland over the next decade, so it would be sensible for the regional major events office to engage with ARTA and other key stakeholders to ensure that the proposed changes support Auckland's major event aspiration.

4. A marine events centre (MEC). Marine events have been identified as a significant opportunity for Auckland and a MEC would greatly strengthen Auckland's attractiveness as a venue for large water-based events e.g. international sailing regattas. An MEC is a leading feature of the proposed Wynyard Quarter development and will occupy the existing Halsey Street Extension Wharf site. The Wynyard Quarter Urban Design Framework states that the MEC's "...proximity to the existing Maritime Museum will create a new waterfront destination for water and marine based event activities". The MEC also creates the opportunity to establish an internationally recognised events venue on this visually prominent site". It would be sensible for the regional major events office to engage with Sea + City and other principal stakeholders to ensure that the proposed MEC fully supports Auckland's major event aspiration.
5. More high quality inner city hotels. This is a private sector initiative that will only occur if visitor demand continues to increase. There are currently around 8,500 hotel rooms in the Auckland region, around 6,000 of which are located in the CBD. This is not enough to host a major event like the Rugby World Cup or the Commonwealth Games. Some expansion is expected in the next few years but high construction costs and low average room rates (by international standards) are reducing the incentive to invest in Auckland. Auckland will require significant amounts of overflow accommodation such as cruise ships and private dwellings to host the RWC in 2011. The development of a world class convention centre and a successful major events industry would undoubtedly enhance the commercial viability of investing in commercial accommodation in Auckland.

Note: ARPASS recently commenced its "Greater Auckland Regional Facilities Project". The major tasks included within the project scope are to:

- review existing regional research and plans from project partners to centralise the information,
- develop criteria and definitions for assessing and differentiating between regional and national facility standards,
- determine a hierarchical network plan for facilities across the greater Auckland region that meets identified programmes and events,
- provide a plan that prioritises and quantifies proposed developments including indicative capital costing and provisional operational costs and potential ownership and governance models,
- test the viability of proposed facilities with regard to accessibility, transport links, growth nodes, catchment areas, ability to meet identified markets and competitors.

It is important for *Positioning Auckland as a Major Event Destination* to be aligned with this project (and vice versa) to avoid duplication and misalignment.

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Franklin District Council
Manukau City Council
North Shore City Council
Papakura District Council
Rodney District Council
SPARC
Tourism Auckland
Waitakere City Council

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Further information

The development of this document is an action within Objective 3 of the Metro Project Action Plan, which is designed to implement the Auckland Regional Economic Development Strategy.

Positioning Auckland as a Major Events Destination is not an ARC policy document. It is designed to stimulate discussion and inform decisions about investment in Auckland's major event industry and should be considered an appendix to *Bringing the World to Auckland – A case for investment in Auckland's visitors economy*.

The development of this document has been coordinated by AucklandPlus, a business unit of the Auckland Regional Council. www.aucklandplus.com



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