

International Convention and Exhibition Centre:

*Summary of findings of a feasibility study and
supplementary research*

September 2009



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1 Background and executive summary

1.1 Background

This report summarises a feasibility study¹ prepared for the Auckland City Council by Horwath HTL in June 2009 and incorporates supplementary research undertaken by the Ministry of Economic Development, including interviews with convention centre operators in Asia and Australia and officials from Federal and State (Victoria and Queensland) governments in Australia.

The feasibility study comprised:

- a robust assessment of the market for an international convention and exhibition centre
- an economic impact assessment of the Auckland and national economies including sensitivity analysis
- a benefit cost analysis that addressed non-economic factors
- an identification of facility requirements and specifications
- assessing the criteria for site selection, and considering the high level viability of a few sites against the criteria
- an identification of examples of successful ownership models that could be applicable, including governance, management, operational and funding arrangements.

This was done by reviewing existing available research, interviewing key conference industry stakeholder representatives and completing additional secondary research as required.

1.2 Note

Although the Ministry of Tourism funded the study to explore the feasibility of developing an international-scale Convention and Exhibition Centre in Auckland, the findings are relevant to any New Zealand location proposed. References to Auckland as a preferred location are incidental therefore, with the critical success factors being of greater importance.

The estimates and other information taken from the Horwath report were based on information available to them at the time.

1.3 Executive summary

The primary rationale for developing a new international convention and exhibition centre (ICEC) is to improve substantially New Zealand's capability for hosting medium to large-scale international conferences and related exhibitions.

New Zealand has some capability for hosting small to medium sized international conferences at present and has hosted some reasonably large international conferences in the past. However, New Zealand faces increasingly significant constraints and competitive disadvantages when compared to international facilities and locations, especially when compared to our closest competitor Australia. New Zealand is not currently competitive in international association conferences of over 1000 delegates because it lacks an appropriate scale facility.

Auckland is a suitable location for an international convention centre because it is New Zealand's primary gateway, with good international connectivity and well-developed infrastructure and the appropriate number of hotel rooms.

¹ *International Convention and Exhibition Centre: Feasibility Study*, prepared by Horwath HTL for Auckland City Council, June 2009.

Historical conference activity

There has been substantial growth reported in the number of larger international association conferences held annually in the period 1999 to 2008, with the strongest growth being in meetings of 1000 to 1999 delegates (6.7% per annum compound annual growth rate (CAGR)), where New Zealand currently does not have strong capability. The growth rate has also been strong in the largest conferences, although the total number of such conferences is smaller. There has been stronger growth in international association conferences hosted in the Asia/Middle East/Pacific region during the period 1999 to 2008.

Between 1999 and 2008, New Zealand achieved a CAGR of 6.2%. The 38 New Zealand conferences represent a share of 0.5% of the total conferences held in 2008. The conferences had an average size of 467 delegates compared to the world average of 638 delegates. The data suggests that New Zealand has “punched above its weight” in terms of winning international association conferences within the Australasian and world markets over the past decade, even with facility limitations. This can partly be attributed to new facilities in Christchurch and Auckland becoming established in the international market and improved marketing and targeting of international conventions. In addition to regional and international conferences, New Zealand taps into the Australian domestic market for association conferences.

New Zealand’s competitive position

New Zealand’s competitive position is compromised currently by the lack of a purpose-built, international standard convention and exhibition facility that can cater for large conferences. However, New Zealand continues to attract a small number of international conferences, partly a result of increased marketing.

New Zealand’s current weaknesses relate to venue scale, quality and functionality while the strengths relate to destination appeal and support infrastructure. Specific opportunities that New Zealand can leverage to optimise the outcomes from developing an international standard convention centre include:

- 100% Pure New Zealand marketing campaign and brand recognition
- targeting international conferences hosted in Australia
- development of a distinctive venue that showcases New Zealand.

Location and scale

Proximity to a critical mass of appropriate standard hotel rooms is the single most important attribute for conference “buyers” because of the convenience this provides conference organisers and delegates. Therefore, a CBD location is the most obvious and advantageous option for an international convention centre. Furthermore, existing transport links and infrastructure primarily service the CBD and the CBD has the greatest concentration of existing meetings infrastructure and entertainment facilities.

In order for the convention centre to maximise its economic impact it must be capable of hosting conferences averaging 3500 delegates, including associated activities such as exhibitions. A large centre (27,000m² gross floor area) is optimal because it provides:

- much clearer incremental capability to any existing or planned conference facilities in New Zealand
- the highest degree of flexibility and convenience while minimising compromises
- the highest degree of “future proofing” and greatest future potential for maximising event numbers and use, and consequently cashflows.

A large centre is also more clearly competitive with the expanding capacities and capabilities of Australian and Asian venues.

Operating projections

A new convention centre could attract on average approximately 35 conferences per annum – 25 of which will be international conferences. Based on these activity levels, the centre would operate broadly on a break-even cash flow basis. This level of cash flow performance is consistent with that achieved by major Australian venues including Melbourne and Adelaide.

Benefits

When fully operational, the centre would attract almost 22,000 additional international visitors and more than 200,000 extra visitor days. There would be an estimated increase of \$85.4 million in tourism-related expenditure. Furthermore, there would be non-quantifiable benefits such as improving shoulder and off-peak tourism, fostering commercial links between international and New Zealand businesses, and supporting innovation and knowledge transfer between international delegates and New Zealanders.

Risks

The main risks associated with developing a convention centre are:

- Economic climate – the current economic climate presents a risk that the centre would not attract a greater share of the international conference market. However, given that the centre (if pursued) would be built post-2011, it is unlikely to affect significantly the centre’s feasibility.
- Subvention – a new venue would need a sufficient sales and marketing budget to develop appropriate subvention policies to attract conferences. Subvention (incentive) policies recognise the economic value of conferences to host destinations.
- Technology – video conferencing and on-line communication channels may start to substitute meetings and conferences. However, this is more likely to be the case for short duration meetings so demand for convention centres is unlikely to reduce significantly.
- Environmental concerns – the “carbon footprint” of travel to long-haul destinations and increasing interest in centres that are committed to sustainability in their design and delivery of conferences are challenges that New Zealand faces in attracting large conferences. However, distance is unlikely to become a critical decision factor for most conference organisers and building cost estimates assume a design that would achieve a six star green rating, as was achieved by Melbourne recently.

Capital costs

Capital cost estimates for three alternative locations are outlined below.

(\$000)	Downtown waterfront			Wynyard Point	Midtown
	Wharf (no rebuild)	Half land / half wharf	Wharf (full rebuild)		
Land ²	75,000	75,000	75,000	75,000	75,000
Convention centre	191,700	191,700	191,700	191,700	191,700
Additional waterfront enhancement	57,510	57,510	57,510		
Wharf structure premium		54,900	109,800		
Fees, consents, other	43,612	53,219	62,827	33,548	33,548
Sub-total (base cost pre-escalation)	367,822	432,329	496,837	300,248	300,248
Escalation (4 years, except Wynyard 9 years)	37,178	44,671	53,163	82,753	28,753
Total cost (incl. escalation)	405,000	477,000	550,000	383,000	329,000

Benefit cost analysis

Benefit-cost ratios are calculated across the locations noted above. The midtown option has the highest benefit-cost ratio of 1.433. If the assumptions are considered realistic, this suggests that every \$1 spent on a convention centre will deliver \$1.433 in benefits to the economy.

The analysis also includes some scenario testing, based on higher and lower assumptions of the number of major conventions that the centre would attract, and therefore higher and lower financial impacts. This analysis implies a range of benefit-cost ratios for the Midtown option from 1.079 – 1.610. The full results for each location option are shown in the table below.

² Note that a flat rate estimate of \$75.0m has been used rather than estimating actual costs, which will vary between sites.

Net present value of Auckland convention centre benefits and costs

Option	Net present values (\$m)						
	Costs	Benefits base scenario	Benefits low scenario	Benefits high scenario	BC ratio base scenario	BC ratio low scenario	BC ratio high scenario
Midtown	276.9	396.7	298.7	445.7	1.433	1.079	1.610
Downtown waterfront (no rebuild)	335.3	396.7	298.7	445.7	1.183	0.891	1.329
Downtown waterfront (land/wharf)	391.1	396.7	298.7	445.7	1.014	0.764	1.140
Downtown waterfront (full rebuild)	446.9	396.7	298.7	445.7	0.888	0.668	0.997
Wynyard	203.5	237.6	178.9	267.0	1.168	0.879	1.168

(Source: NZIER)

Supporting activities

Any proposed convention centre development cannot be viewed in isolation and must form part of a wider strategy, including:

- reaching a consensus on the importance of attracting international business events
- reviewing the effectiveness of existing conference assistance programmes
- assessing availability of transport and infrastructure
- developing an action plan (including specifying roles of central and local government agencies) following an assessment of New Zealand's capability and capacity
- identifying immediate international opportunities
- investigating additional incentives required to attract major conferences
- developing an agreed marketing plan.

2 Introduction

An international convention and exhibition centre is purpose-built to provide facilities for conferences, exhibitions and events. The international meeting market is large and growing and New Zealand is losing valuable international conferences and hence economic benefits because of a lack of suitable facilities.

The New Zealand Tourism Strategy 2015 contemplates specifically an international convention and exhibition centre. The strategy notes that New Zealand tourism has traditionally built its growth on high demand over the summer months. Domestic demand also peaks during this period, reinforcing the industry's seasonal pattern. Managing seasonality is an important way of increasing assets use, increasing employment opportunities, reducing congestion, and improving return on investment³.

Conferences and conventions (and other business events) are a source of shoulder and off-season demand, and these kinds of events generate high expenditure and often include add-on leisure travel.

New Zealand has some capability for hosting small to medium sized international conferences at present (up to 1000 delegates), and has hosted some reasonably large international conferences in the past. However, New Zealand faces increasingly significant constraints and competitive disadvantages when compared to international facilities and locations, especially when compared to our closest competitor Australia.

New Zealand is not currently competitive in international association conferences of over 1000 delegates. So, while organisers choose Australasia and the Asia-Pacific region as a destination for their conferences, New Zealand is often passed by because it lacks an international standard facility of an appropriate scale.

The primary rationale for developing an international convention and exhibition centre is to improve substantially New Zealand's capability for hosting medium to large-scale international conferences and exhibitions (averaging around 3500 delegates). This involves winning events over competing countries (especially Australia) and hosting them with minimal compromises. Auckland is a suitable location for an international convention and exhibition centre as it is New Zealand's primary gateway, with good international connectivity and well-developed infrastructure (e.g. accommodation and hospitality).

There are five main market segments in the Business Events industry⁴:

- Association hosted events – this market covers a wide range of event types and categories: medical meetings, scientific, other academic, trade organisations, professional bodies and social groupings. They provide the largest share of business for convention centres.
- Exhibitions – covering both trade and public events. Stand-alone exhibitions are often developed and owned by entrepreneurial exhibition organisers, a small number of which are global companies. Exhibitions are also forming an important component of many association conferences providing a revenue source and commercial boost to the event.
- Corporate meetings – tend to be smaller than association conferences. The meetings can take many forms: annual corporate conferences, retreats, training seminars, AGMs and product launches. The strength of this sector tends to reflect the strength of the economy.
- Corporate incentive travel – these are used to reward top clients, distributors and/or staff and can range from very small groups or couples to many thousands of people at one time. This segment often combines a one to two day meeting with leisure activities.
- Government meetings – these meetings are often held on a regional rotation, such as APEC, or in response to a political, economic or humanitarian crisis.

³ New Zealand Tourism Strategy 2015.

⁴ *A National Business Events Strategy for Australia 2020*, prepared by The Business Events Strategy Group convened by the Federal Minister for Tourism, Energy and Resources, October 2008.

3 Market analysis

3.1 Historical trends

3.1.1 International association conference activity

According to the International Congress and Convention Association (ICCA) database, the association market covers a wide range of event types and categories. Events vary in size, duration, budget and complexity, but there are some similarities:

- almost every speciality has an association that holds one or more meetings
- most associations have meetings that are repeated at regular intervals, with an associated exhibition and/or trade show
- the destinations rotate, and they rarely return to the same destination within a very short time span
- the initiative to host a meeting often comes from the local counterpart, although some associations do not necessarily require the involvement of the national branch⁵
- association meetings have a very long lead time, a lead time of five years or more is not unusual
- a growing minority of about 25–30% of decision-making processes no longer have a bidding process, but instead have a central initiator who selects the location and venues based on pre-determined criteria.

The convention industry is sensitive to the cyclical nature of national and global economies. Attendance numbers fall and conference budgets decrease during recessions, such as in the United States in the early 1990s and Asia at the end of the 1990s. Conversely, attendance and budgets recover during upturns. The industry is resilient, as events go ahead during recessions, albeit with reduced budgets⁶. However, large international meetings are often organised two to four years in advance so there is a lag in measuring the true impact of downturns⁷. This was confirmed by one interviewee, who observed that the greater impact is on the number of attendees at events (down 30% to 40%) rather than on event cancellation.

It appears likely that particular segments are more or less resilient than others are. Centres that rely on the corporate incentives segment endured the cancellation of conferences planned over 2008-09 due to the recession and the H1N1 epidemic. On the other hand, centres with exhibitions at the core of their business have not been affected by the recession greatly.

3.1.2 Global international association conference market trends

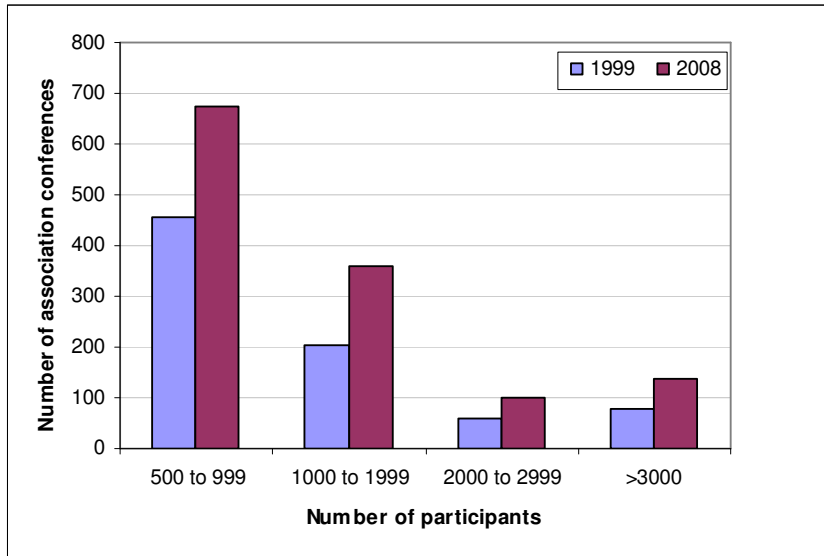
As illustrated in figure 3.1, there has been substantial growth reported in the number of larger international association conferences held annually in the period 1999 to 2008, with the strongest growth in meetings of 1000 to 1999 delegates (6.7% per annum compound annual growth rate (CAGR)), where New Zealand currently does not have strong capability.

⁵ E.g. an interviewee reported that the decision to host the 12,000-delegate World Diabetes Conference in Melbourne was made by the CEO and Chair of the International Diabetes Association.

⁶ *Conferences and Conventions: A Global Industry*, Rogers, T. 2003, page 66.

⁷ History of Convention Tourism, Spiller, J. in *Convention Tourism: International Research and Industry perspectives*, Weber, K. and Chon, K. (ed), 2002, page 7.

Figure 3.1: International association conferences (> 500 delegates) – global (1999–2008)



(Source: ICCA International Association Meeting Market Statistics Report 1999 to 2008)

The most popular conference venues, particularly for smaller conferences, are hotels with meeting facilities (42%), followed by dedicated conference/exhibition centres (30%), and universities (19%). While a greater proportion of meetings are held in hotels, this does not necessarily reflect a venue preference. Rather, the supply of hotels is greater than the supply of convention centres.

Of the 7,475 international association conferences held in 2008 (and included in the ICCA database), 50% rotated worldwide (i.e. they rotate between all major regions of the world). Another 30% rotated within Europe only.

3.1.3 International association conference market trends – Asia/Middle East/Pacific region

There has been stronger growth (7.3% CAGR) in international association conferences hosted in the Asia/Middle East/Pacific region during the period 1999 to 2008, interrupted only by the outbreak of SARS in 2003 (refer to figure 3.2). This rate of growth is 21% higher than the rate of growth reported for the world over the same period (CAGR of 6.0%).⁸

The higher regional rate of growth reflects strong economic growth in the Asia Pacific region compared to North America and Europe, which has generated higher numbers of professionals joining international associations. This rise in association membership has contributed to an increase in regional conferences and investment in the number of new convention centres that opened in the region during the period, according to one interviewee.

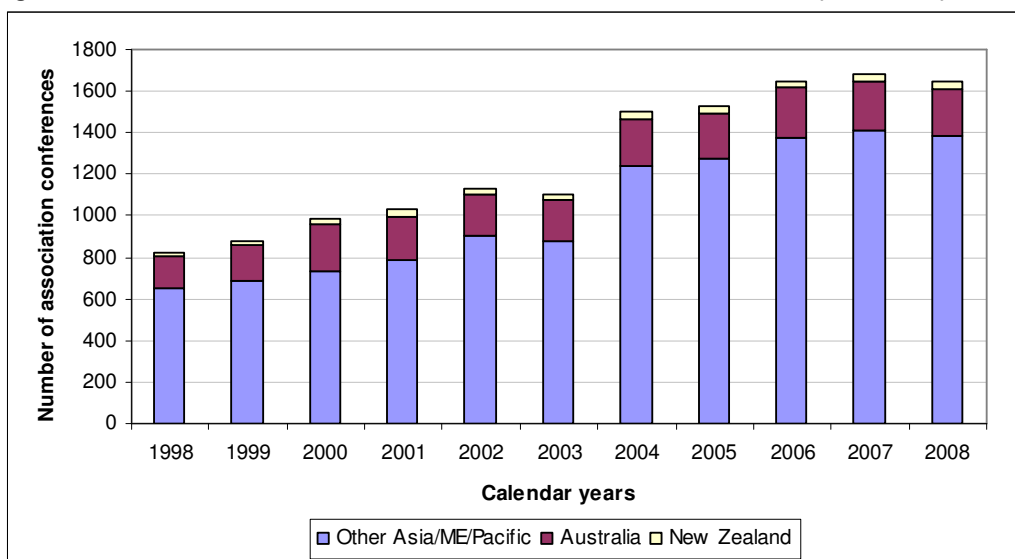
Appendix A contains a schedule of convention centres in the region. Appendix B provides further analysis of the conferences held in the Asia Pacific region in 1999 and 2008 and illustrates the scale and age of the centres in the region. The analysis reveals:

- the dramatic growth in conference activity within Asia, especially China, Korea and Singapore, which invested heavily in new and expanded convention and exhibition centres
- that New Zealand's CAGR of 6.2% was greater than Australia but not as high as Asia
- New Zealand achieved a relatively low share of conferences hosted.

The analysis suggests strong growth potential for New Zealand within the Asia Pacific region.

⁸ The ICCA database includes new venues reporting conference activity as well as actual growth in total conference activity, although it is not possible to identify what the underlying actual growth is.

Figure 3.2: Number of international association conferences – Asia/ME/Pacific (1999–2008)



(Source: ICCA International Association Meeting Market Statistics Report 1998 to 2007)

New Zealand is also well positioned to benefit from growth in Asia. Between 2007 and 2026, Asia-Pacific (excluding Japan) real GDP is expected to grow at an average of 5.9% per year⁹. The International Monetary Fund reports that economic growth projections in emerging Asia have been revised upward to 5.5% in 2009 and 7.0% in 2010¹⁰. The upgrade is primarily a result of growth in China and India.

A growing economy improves consumer spending on discretionary goods and services and this is likely to drive increased demand for travel, for both leisure and business¹¹. New Zealand stands to get a disproportionate share of this growth because of its proximity to Asia relative to Europe.

3.1.4 International association conference market trends – New Zealand

Table 3.1 summarises New Zealand’s performance compared to the rest of the world.

Table 3.1: Share of international association conferences – 1999, 2008

	New Zealand		Australasia		Asia/ME/Pacific		World	
	1999	2008	1999	2008	1999	2008	1999	2008
Number	22	38	163	220	857	1612	4424	7475
Growth		+73%		+35%		+88%		+69%
Average length	-	-	-	-	4.5	4.0	4.4	3.9
Average size	269	467	665	521	659	599	722	638
Total delegates	5,918	17,746	108,395	114,620	564,763	965,588	3,194,128	4,769,050
Growth in total delegates		+200%		+5.7%		+71%		+49.3%

(Source: ICCA International Association Meeting Market Statistics Report 1999 to 2008)

The data suggests that New Zealand has “punched above its weight” in terms of winning international association conferences within the Australasian and world markets over the past decade, even with facility limitations. This can partly be attributed to the Christchurch Convention Centre (which opened in 1997) and SKYCity Auckland Convention Centre (which opened in 2004) becoming established in the international

⁹ *Flying by nature: global market forecast 2007-2026*, Airbus, page 80, http://www.airbus.com/fileadmin/media_gallery/gmf2007/PDF_dl/00-all-gmf_2007.pdf.

¹⁰ *World Economic Outlook Update*, International Monetary Fund, July 2009, page 5, <http://www.imf.org/external/pubs/ft/weo/2009/update/02/pdf/0709.pdf>.

¹¹ *Flying by nature: global market forecast 2007-2026*, Airbus, page 31, http://www.airbus.com/fileadmin/media_gallery/gmf2007/PDF_dl/00-all-gmf_2007.pdf.

market and improved marketing and targeting of international conventions by Conventions and Incentives New Zealand in conjunction with the leading venues and regional convention bureaus.

New Zealand also taps into the Australian domestic market for association conferences. Australian corporate conferences (and to a lesser extent, corporate conferences from further afield) are also a target for the New Zealand conference industry. From late 2009, passport and bio-security control initiatives are being introduced to streamline trans-Tasman travel. Passenger clearance at airports will be more efficient, making travel to New Zealand easier and more attractive, and this should improve New Zealand's market share of Australian conferences.

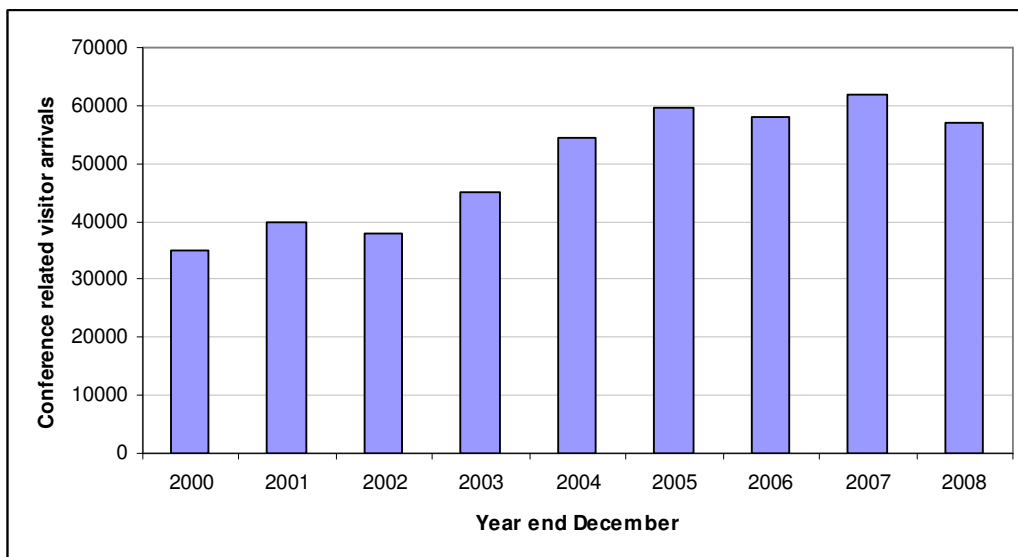
3.1.5 New Zealand international convention activity

In 2008, New Zealand had 2.45 million international visitor arrivals, of which 2.3% (57,000) indicated that their main reason for visiting was to attend a conference in New Zealand¹². Figure 3.3 shows the growth in conference-related international visitor arrivals between December 2000 and 2008.

New Zealand's international conference market has experienced growth of 6.6% (CAGR) between 2000 and 2008, despite a plateau of approximately 60,000 arrivals per annum since 2005. Factors contributing to the growth in international delegate arrivals include:

- New Zealand's reputation as a safe country, building on the success of Tourism New Zealand's 100% Pure marketing campaign
- dedicated resourcing and focus of international conference marketing by Conventions and Incentives New Zealand and regional convention bureaus, especially in the Australian market
- competitive airfares, especially on trans-Tasman routes
- new and refurbished convention facilities becoming established in the market (e.g. Christchurch Convention Centre, SKYCity Auckland Convention Centre, THE EDGE®) thereby improving New Zealand's competitiveness in the international conference market, and particularly in the Australian corporate and association conference markets.¹³

Figure 3.3: Growth in conference-related international visitor arrivals



(Source: *International Travel and Migration*. Statistics New Zealand)

¹² *International Travel and Migration*. Statistics New Zealand.

¹³ *International Convention and Exhibition Centre Feasibility Study* prepared for Auckland City Council by Horwath HTL, June 2009, page 37.

New Zealand's key source markets for conference-related visitors in 2008 were Australia (59%), Asia (15%), the Americas (10%), and Europe (8%).

3.1.6 Conference activity in New Zealand main centres

In the year to June 2008, Auckland, Wellington and Canterbury (mainly Christchurch) hosted approximately 3,500 multi-day conferences¹⁴. Auckland is dominant in terms of the number of conferences held in New Zealand. This reflects the:

- dominance of corporate meetings and conferences over association meetings¹⁵, supported by Auckland's position as New Zealand's leading commercial centre
- dominance of major hotels and hotel conference venues, e.g. the Langham, Hyatt Regency, Stamford Plaza, Rendezvous and Hilton hotels¹⁶
- opening of the SKYCity Auckland Convention Centre in 2004, and the expansion/refurbishment of conference facilities at THE EDGE® at the same time.

3.2 Competitive analysis

3.2.1 International competition

Interviews suggest that international conventions rotate regionally and the competition is between countries and not cities. The major competitors in the region are considered to be Australia, Malaysia, Singapore, Thailand, Hong Kong, and China. South Korea, southwest Canada and South Africa were also mentioned (various interviews). The strengths of major regional competitors include:

- destination appeal, including infrastructure
- the quality of the centre
- aligning the focus of the convention and exhibition centre with the focus of their economies, e.g. a trading hub positioned as a trade show centre and manufacturing mega-shows moving to emerging manufacturing centres.

It was noted that there is a close link between the desirability of a country as a tourist destination and its desirability as a conference location and several interviewees commented that New Zealand has a strong tourism brand. A good, well-run centre in a good city is then necessary to be on the rotation circuit.

Although all centres were established to target international conventions and exhibitions primarily, most do not rely on this solely and have built additional, complementary revenue streams to ensure optimal use of their facilities. Examples include trade shows, banquets, entertainment events, weddings etc. In some cases, the activities are aligned with the economic development and social objectives of the country/city.

3.2.2 New Zealand's competitive position

The number of international visitors to New Zealand has grown in recent years (although the market is softening due to the current economic climate)¹⁷ and New Zealand's profile is increasing internationally.

¹⁴ Convention Activity Survey, Angus & Associates.

¹⁵ Approximately 2/3 of New Zealand conferences are corporate conferences. *International Convention and Exhibition Centre Feasibility Study* prepared for Auckland City Council by Horwath HTL, June 2009, page 38.

¹⁶ Approximately 40% of New Zealand's major hotel room supply is in Auckland. *International Convention and Exhibition Centre Feasibility Study* prepared for Auckland City Council by Horwath HTL, June 2009, page 38.

¹⁷ International visitor arrivals increased by 0.9% in the year ended June 2008, but decreased by 2.8% in the year ended June 2009. International visitor arrivals who recorded the purpose of their visit as "business" decreased by 12.2% in the year ended June 2009. The Ministry of Tourism forecasts international visitor arrivals growth of 3.3% per annum between 2008 and 2014. However, significant changes to the global economy over the past six months mean that the tourism forecasts need to be treated with caution, particularly for the outlook over the next one to two years. *Key Tourism Statistics*, Ministry of Tourism, July 2009.

However, shoulder and off-season demand is still relatively low and New Zealand currently attracts only approximately 0.5% of all international association conferences, similar to Indonesia, Croatia, Colombia and Uruguay.

A national convention centre would target and grow a new tourism sector. However, it is not clear whether New Zealand's leisure tourism profile will translate into international business tourism.

Auckland was suggested as the preferable location for an international convention and exhibition centre because it is New Zealand's "destination city" and has the necessary supporting facilities. Interviewees noted however, Auckland's city brand is not as well known as New Zealand's, but if travel to Auckland were convenient, it would compete for a share of the business currently enjoyed by Sydney, Melbourne and Brisbane.

Our competitive position is compromised by our largest venues (THE EDGE®, Wellington Convention Centre, Christchurch Convention Centre) relying on arts-focused spaces to provide them with critical scale. Furthermore, New Zealand venues require conferences of significant size (e.g. 600+ delegates) that require exhibition space, to move between multiple buildings. These arrangements mean that from a facility perspective, New Zealand is becoming increasingly uncompetitive, particularly as cities in Australia and Asia continue to upgrade and expand their facilities.

Despite this, New Zealand is continuing to attract a small number of international conferences. This can be attributed partly to increased marketing (e.g. the Ministry of Tourism funded Conference Assistance Programme operated by Conventions and Incentives New Zealand).

One leading New Zealand convention bureau reported that many conference organisers have an inherent interest in bringing their events to New Zealand. Almost 670 conferences in the ICCA database have within their organisation some connection to New Zealand (e.g. a committee member of the international organisation). However, it is unrealistic to expect that marketing activities and connections with New Zealand can continue to overcome facility deficiencies. This was highlighted by the 2006 International Bar Association Conference in Auckland, one of the largest conferences ever to be held in New Zealand. The conference was generally regarded as a success, but the event faced logistical issues because of the need to use multiple venues. The organising committee has since rewritten the event guidelines to preclude the conference being held in another venue where multiple buildings are required.

3.2.3 New Zealand's strengths and weaknesses

New Zealand's key strengths are:

- strong destination awareness and profile assisted by the international marketing of a variety of New Zealand agencies including Tourism New Zealand
- a wide range of strong local host organisations¹⁸ that are internationally well respected and have representatives regularly attending international conferences throughout the world. Conventions and Incentives New Zealand is actively working with many of these host organisations through the conference assistance programme to develop conference business for New Zealand
- Auckland enjoys good international air connections to a wide variety of countries and offers a good range of accommodation options that suit the various needs of conference delegates
- existing venues are generally well located in relation to support infrastructure, including hotels, bars, restaurants
- good plenary capacity due to the large auditoriums at most major convention centres.

¹⁸ Examples include medical and science associations, university departments, and leading industry (e.g. dairy, forestry) organisations, such as the International Dairy Federation, International Society of Paediatric Oncology, Institute of Brewing and Distilling Asia Pacific.

However, New Zealand's strengths are not all exclusive to New Zealand and are countered by some significant weaknesses, including:

- sub-optimal promotion by Tourism New Zealand of New Zealand generally, and Auckland specifically, as a location for large-scale international business events
- relatively low investment in conference attraction programmes and other initiatives, in comparison to international competitors
- a general lack of flexibility in major conference venues as the spaces typically have not been developed specifically for the needs of conferences and exhibitions
- for larger conferences a general inability to accommodate all conference requirements on site due to a lack of flat floor space, which particularly impacts on exhibitions, banquets and break-out sessions
- generally poor circulation in the venues because most venues are multi-purpose and have not specifically been designed to facilitate large flows of delegates
- the need to work in "venue precincts" for larger conferences – international buyers are becoming less prepared to accept this compromise (as demonstrated by the International Bar Association), due to a greater choice of dedicated international-standard facilities throughout the world
- relatively low resourcing of international marketing compared with overseas competitors, including Australia
- subvention not occurring in New Zealand.

3.2.4 Opportunities to leverage

New Zealand can leverage a number of opportunities to optimise the outcomes from developing an international standard convention centre.

100% Pure New Zealand

The convention industry, as with many parts of the travel industry, is increasingly focused on environmental initiatives. New Zealand's "100% Pure" marketing could be leveraged to offer conference organisers an environmentally aware option. The importance of environmental considerations is highlighted by the fact that all four of Australia's largest conference venues feature environmental information on the home pages of their websites.

Targeting international conferences hosted in Australia

ICCA data shows that in the ten years ending 2007, Australia has hosted over 1700 international conferences. In effect, these conferences demonstrate a willingness to travel to this part of the world and represent a pool of potential conferences to be targeted for the proposed convention centre. The rotational nature of international association conferences means that New Zealand would have a good opportunity to secure these conferences when they next look to travel to Australasia.

Some Australian interviewees noted the high degree of inter-state competition in their country between centres when bidding for international conferences. This is because centres are built and funded at the state level, with the federal government interested only in addressing the market failure of international promotion of Australia as a destination.

Although there is now a national business events strategy agreed between industry and government, its scope is limited to the federal government's areas of responsibility, which do not include funding of centres or coordination of state marketing¹⁹. Individual states have also developed and implemented their own business events strategies, such as in Victoria²⁰.

¹⁹ *A National Business Events Strategy for Australia 2020*, prepared by The Business Events Strategy Group convened by the Federal Minister for Tourism, Energy and Resources. October 2008.

²⁰ *10 Year Tourism and Events Industry Strategy*. Department of Innovation, Industry & Regional Development Victoria State Government, Australia. October 2006.

This competition is duplicated at state level in Queensland, where the government has funded the construction of six centres that it owns. It also funds the associated convention bureaux on a competitive basis, according to the number of delegates that they attract

New Zealand could avoid harmful internal competition if the proposed centre is part of an overarching national approach that ensures that locations and centres complement each other to compete internationally. Internal competition will also be avoided if the New Zealand has only one large-scale centre.

Developing a distinctive venue that showcases New Zealand

A common criticism of international convention centres is that they “could be anywhere in the world” and delegates fail to get a sense of the destination they are visiting. An opportunity exists for New Zealand to develop a distinctive conference venue that showcases the country and reflects our 100% Pure brand.

4 Location

4.1 Site selection criteria and location analysis

An excellent centre alone is insufficient for a city to attract events. Location and city infrastructure are also vital. Specific considerations include:

- destination infrastructure that can provide for an international convention of 3000 to 5000 delegates
- three, four and five star hotel rooms available on site, within walking distance, or within a short taxi or bus ride, together with budget accommodation
- parking facilities on site and within close proximity
- transport available from the nearest airport
- tourist and leisure attractions within the immediate locale
- support services available within the region, including transport companies, conference organisers, exhibition stand contractors and other meeting related services²¹.

The attributes listed in table 4.1 are the most important attributes for identifying the appropriate location for the proposed convention centre. The buyer attributes were identified in consultation with industry representatives²² and are consistent with feedback received from international convention centre operators²³.

Table 4.1: Location selection attributes (in order of importance)

Buyer attributes	Other attributes
Proximity to necessary number of hotel rooms (widest range preferable, predominantly four and five star)	Potential site size relative to proposed venue floor area requirements
Site access/egress	Profile/icon potential
Proximity to car parking	Potential economic return to the adjacent area(s)
Proximity to public transport facilities	Ability to future-proof for growth
Flexibility/synergy with existing/nearby meetings infrastructure	Private sector investment (precinct development likely to attract greater investment)
Proximity to entertainment/retail/food and beverage	

The buyer attributes will determine the long-term success and competitive advantage of the convention centre. Other attributes, such as stakeholder views about the priority of location options or the potential to maximise economic (or other) outcomes for financial stakeholders in the facility, could become important and relevant decision factors to ensure that the city receives as much of the spillover benefits from the centre as possible.

4.2 Possible sites

4.2.1 CBD versus non CBD

Based on the location attributes identified above, a CBD location is the most obvious and advantageous option for an international convention centre. The CBD is the only precinct that provides the critical mass of appropriate accommodation to support the centre's operation. Furthermore, existing transport links and infrastructure primarily service the CBD and the CBD has the greatest concentration of infrastructure for meetings and entertainment. All existing major Australian venues are located in the CBD/CBD fringe.

²¹ AIPC (International Association of Congress Centres) 2009, *Convention Centre Evaluation Criteria Checklist*, <http://www.aipc.org/join/AIPC%20CC%20Evaluation%20Criteria%20checklist%202009.doc>.

²² Conducted by Horwath HTL Asia Pacific.

²³ Interviews conducted by the Ministry of Economic Development, 2009.

4.2.2 CBD precincts

Midtown (core CBD)

The advantages of the midtown precinct are close proximity to the majority of Auckland's hotel accommodation and proximity to key public transport nodes and car parks. The developed nature of the core CBD means that demolition of existing buildings is likely to be required to create a site of sufficient size and that allows the centre to have a distinct profile.

CBD fringe

CBD fringe e.g. Wynyard Point and the rail yard site adjacent to Vector Arena. Wynyard Point is an area identified for significant redevelopment and therefore has appeal in terms of the potential for a site of appropriate size (including flexibility for future expansion). If located at the Lighter Quay end of the precinct there is potential to leverage off the proposed Marine Events Centre. The rail yard site has potential to regenerate this rundown area, but would require significant preparation including the construction of a platform above the rail lines. A disadvantage with these areas is the relative distance from most hotel accommodation and inferior transport links compared to midtown and waterfront locations. In the case of Wynyard Point, the construction of the proposed Te Wero Bridge would mitigate this issue but it will have implications for development timeframes.

Waterfront

In recent years, a number of convention centres around the world have been developed on waterfront sites, for their iconic nature and to attract higher levels of activity than they would if located elsewhere. In Auckland, the waterfront precinct is interpreted as being the area east of Princes Wharf. A facility in this area could leverage off Auckland's harbour location but is likely to increase the capital cost of the development because:

- at least some portion of the building would need to be built over the water
- the facility's design would need to be sympathetic to the high profile waterfront location.

Compared to midtown, a waterfront location is also at a relative disadvantage in terms of proximity to most of Auckland's hotel accommodation.

4.2 Precinct development

In many cases, convention centres are built as part of broader precinct developments that include hotel(s), retail, entertainment (restaurants and bars) and in some cases commercial and residential properties. It would be unusual to build just a convention centre, but developing a precinct is not a necessary precondition for the success of the centre, if it is located within reasonable distance to appropriate amenities.

The advantage with precinct developments is that the adjacent amenities capture a greater share of the benefits from conference activity. Developers would likely find the range of potential revenue streams appealing and this may reduce the level of investment required by local or central government.

Precinct developments often have drivers only indirectly related to the centre itself, such as urban regeneration, as was reported by interviewees to be the case in Hong Kong, Singapore and Sydney²⁴. Such drivers may be applicable only in particular sites.

4.4 Building attributes

To host international events, the centre should be able to respond to current international expectations regarding structure, layout and technical facilities. Minimum requirements relate to the space of the main

²⁴ Sydney Convention & Exhibition Centre (2009), *Fact File*, (http://www.scec.com.au/content/fact_files/Centre_Fact_File_2009.pdf)

auditorium and breakout rooms, exhibition area and centre operating requirements such as disabled access²⁵.

It is very important that the centre is multifunctional, in terms of catering to different types of events, such as plenary and breakout meetings of conventions, exhibitions, banquets and private functions.

An interviewee reported that the Singapore Centre is divisible and flexible, with high quality construction and fit out disguising features such as dividing walls. The building was designed to make it easy to upgrade services and infrastructure. Building design should also consider the space requirements of back of house operations e.g. catering, laundry and staff facilities.

4.5 Scale

Three scale scenarios have been considered for an international convention and exhibition centre.

A medium sized centre (20,700m² gross floor area (GFA)) would meet the needs of approximately 90% of current international conferences but would not have the same scale as major Australian venues or the flexibility to host concurrent events, and individual spaces (e.g. plenary auditorium and flat floor exhibition space) would be no larger than other facilities in New Zealand.

A smaller centre (15,350m² GFA) would have significant compromised capability to grow the international market.

To improve economic growth New Zealand needs a centre that can accommodate an average of 3500 delegates in a plenary session. This size of conference requires a GFA of around 27,000m². Evidence²⁶ suggests that a centre of 27,000m² GFA is optimal because it:

- provides greater incremental capability to any existing or planned conference facilities in New Zealand
- is more competitive with the capacities and capabilities of the Australian and Asian venues
- ensures that New Zealand will meet the facility expectations to be part of the Australasian conference circuit, including exhibition space
- provides the highest degree of flexibility while minimising compromises
- provides the highest degree of 'future proofing'
- provides the greatest future potential for generating maximum venue operational cashflows by maximising event numbers and use.

A 2006 Horwath Asia Pacific report also concluded that²⁷:

- the medium and larger centres deliver a similar benefit cost ratio, significantly above that for the smaller centre
- the smaller centre does not adequately meet current and emerging market expectations for such a centre over the next 10 years (and beyond)
- the medium centre meets current and emerging market expectations to a reasonable extent but has some limitations in terms of hosting larger scale conference-related exhibitions and full scale banqueting concurrently, or hosting concurrent independent events without compromises
- the larger centre meets current and foreseeable market expectations including hosting large scale conference-related exhibitions and full-scale banqueting concurrently, and hosting concurrent independent events without compromises

²⁵ AIPC (International Association of Congress Centres) 2009, *Convention Centre Evaluation Criteria Checklist*, <<http://www.aipc.org/join/AIPC%20CC%20Evaluation%20Criteria%20checklist%202009.doc>>.

²⁶ Including *New Zealand Convention Centre Business Case and Facility Recommendations*, Horwath Asia Pacific Ltd, February 2006 and recent (limited) interviews conducted by Horwath with buyer and seller representatives including Conventions and Incentives New Zealand, Tourism Auckland, Sky City Entertainment Group, and The Edge.

²⁷ Pages 26 and 102, *New Zealand Convention Centre Business Case and Facility Recommendations*, Horwath Asia Pacific Ltd, February 2006.

- while the benefit cost ratio of the larger centre is slightly lower than for the medium centre, the ratio does not take into account greater intangible benefits of the larger centre
- because none of the scenarios take into account land costs, location issues and therefore other potential location or operating cost synergies, it is not conclusive which option is technically or financially feasible or optimal.

Christchurch and Wellington convention centres support an international convention and exhibition centre in Auckland. However, they noted in 2005²⁸ that the facility should:

- be clearly differentiated in scale and capability from other New Zealand facilities
- not be compromised in capability, thereby maximising the chances of the new facility growing New Zealand's market share and minimising the risk that a new facility would "cannibalise" existing business.

A February LTCCP 2009 submission²⁹ on Christchurch City Council's proposed \$65 million expansion of their convention centre facilities echoed this position³⁰:

"Our proposal contemplates a national convention centre being built in Auckland. As part of a national strategy, the expansion of the Christchurch Convention Centre would be stage one of a two-staged infrastructure investment plan to deliver a stronger overall position for New Zealand in the lucrative conferencing market. Stage two would be the development of the national convention centre...

"The proposed development of the Christchurch Convention Centre would therefore play a complimentary and supporting role to the proposed national convention centre in Auckland.

"The investment in both convention centres, as part of a government-driven strategic plan, would leverage New Zealand's two international airport gateways as well as other tourism infrastructure in the international conferencing season."

A convention centre of the scale contemplated is a significant investment. Construction costs for large conventions centres overseas ranged from NZ\$500 million to \$1 billion, with additional investment required in precinct and city infrastructure. For example:

- the Hong Kong Convention and Exhibition Centre cost US\$200 million to build in 1988 (excluding land costs)³¹
- the Suntec Singapore International Convention and Exhibition Centre that opened in 1995 was built at a cost of S\$620 million³².
- the Victoria state government contributed AU\$371 million to the construction of the new Melbourne Convention and Exhibition Centre, out of a total construction cost of approximately AU\$450 million. It is estimated that a total of AU\$1.4 billion has been invested into the convention centre and wider precinct, including hotels, office blocks and a shopping area. In addition, the City of Melbourne invested AU\$43 million in amenities and services (a new footbridge across the river, landscaping, footpaths and lighting surrounding the building, and a contribution to marketing over the first five years)³³.

²⁸ Consultation completed in 2005 by Horwath Asia Pacific.

²⁹ Submitted by VBase, the Christchurch City Council-owned manager of the Christchurch Convention Centre.

³⁰ The Christchurch City Council 2009–2019 Long-term council community plan confirms plans for a \$20.2 million refurbishment of the Christchurch Town Hall and a \$44.7 million expansion of the Christchurch Convention Centre.

³¹ Hong Kong Convention and Exhibition Centre (2009), *History and Facts*, <http://www.hkcec.com/about-hkcec/company-information/history-and-facts>

³² Tay, L. (2006). Strategic facilities management of Suntec Singapore International Convention and Exhibition Centre: A case study. *Facilities*, 24 (3/4), 120-131.

³³ Melbourne Convention and Exhibition Trust (2009), *Annual Report 2008–2009*, <http://www.mcec.com.au/Media/docs/MCET%20Annual%20Report%200809-04c27d43-d081-4036-9049-5329b1c089bf-1.PDF>

5 Funding, ownership, governance, operations

5.1 Public and private sector funding

Convention and exhibition centres generally do not generate a commercial return on capital investment (i.e. land and construction costs). However, all centres interviewed generate an operating surplus. International convention centres are developed to generate broader economic impact and facilitate the transfer of valuable knowledge and contacts to the benefit of the local economy. As private sector parties are unlikely to invest in the construction of a convention centre only, these broader benefits are difficult to capture without public sector investment.

Australian and Asian convention centres examined in detail were all constructed as part of comprehensive precinct developments. Government retained ownership of the land on which the centres were built (and in some cases the building itself) as part of approaches where private sector partners were given opportunities to develop and sell commercial properties such as retail, office, residential and hotels surrounding the centre for private gain. Table 5.1 describes some of the models used.

Table 5.1: regional ownership and developer models

Model	Land ownership	Building ownership	Management and operations	Precinct developer
Sydney	Public	Public	Private	Public
Melbourne	Public	Private (25 year BOT)	Public (marketing & events management) & Private (facilities management)	Private
Singapore	Public	Private	Private	Private
Kuala Lumpur	Public	Public	Public-Private	Public
Hong Kong	Public	Public	Private	Private

Apart from precinct developments, more limited opportunities for private sector funding include:

- Provision of development opportunities. Providing space for a hotel for example may be very attractive to private sector partners who believe they can capture a significant share of the accommodation market generated by convention attendees. This opportunity may provide an incentive for the partner to contribute directly to the capital costs of the centre. The extent to which these opportunities can be pursued will depend on the specific site chosen.
- Structuring the development as a Build, Own, Operate, Transfer (BOOT) scheme. Under such a scheme, the private sector contributes capital funding to a level on which it can earn a commercial return over the period of its operation before transferring the assets back to public ownership. As the centre is not forecast to generate significant operating returns, it is unlikely that this will provide a substantial contribution to capital costs.
- Other indirect funding mechanisms that attempt to target the beneficiaries of the centre more specifically could include levying a bed tax on commercial accommodation³⁴, a targeted rate on the hospitality industry or a broader instrument such as airport departure taxes. These approaches are similar in that they target sectors of the economy that most benefit from the centre. It is common in the United States to implement a bed tax to help fund tourism infrastructure such as convention centres. Bed taxes can be criticised as a blunt instrument that target a select group of service providers, rather than all industry participants who benefit from the convention centre. However, it could also be argued that they are somewhat less blunt than using general taxes or rates that are paid across society with no relation at all to benefits. The high proportion of conference delegate expenditure that accrues to hotels supports the use of a bed tax as part of a funding package.
- Voluntary funding from (hospitality) sector organisations could be another option. However, the lack of compulsion can make voluntary mechanisms ineffective.

³⁴ Currently, the Local Government Act 2002 excludes bed taxes. Councils do have the power to levy targeted rates, which include the options of rates levied on specific industries. These could have a similar effect to a bed-tax if levied on the accommodation sector, but they do pose practical difficulties.

5.2 Public ownership options

Horwath HTL posits that there are two ownership options available for a convention centre:

- (a) direct public sector ownership, e.g. Wellington Convention Centre
- (b) a special purpose entity accountable to the public sector, e.g.
 - VBase in Christchurch – a council controlled organisation that owns a range of public assembly facilities including the convention centre, AMI Stadium and Westpac Arena
 - Sydney Harbour Foreshore Authority – a statutory body that owns assets including Sydney’s heritage, cultural and entertainment precincts The Rocks and Darling Harbour
 - South Bank Corporation – a statutory body that owns the Brisbane Convention Centre
 - Adelaide Convention Centre Corporation – a subsidiary to the Ministry of Tourism.

These entities are fully accountable to the public sector but operate at arms length to ensure the public sector’s objectives are met in the most efficient and effective manner.

Public funding and/or ownership can leverage wider economic, social and environmental outcomes. For example, an interviewee reported that the Melbourne Convention Centre is intended to be a community asset and in addition to ensuring that operating surpluses are invested in moderate capital works, the government funding agreement envisages a process of community engagement. It was also reported that the Kuala Lumpur centre engages in corporate socially responsible events such as sponsoring piano recitals, to help increase Malaysia’s international profile.

If necessary, broader social and environment outcomes would be specified in the key performance indicators for the centre, in addition to the economic objectives. An evaluation and monitoring framework would be required to measure success against the outcomes.

5.3 Governance

The governance model for the centre will be a product of the ownership model. There may be merit in establishing an interim governance structure to oversee the development of the centre. This could be akin to the Redevelopment Board established at Eden Park and have specific responsibility for ensuring key stakeholder requirements are met in the development of the building. The skills required for the development phase are likely to differ from the skills required to govern the ownership entity although some continuity of representation is highly desirable.

5.4 Management models

In Australasia, there is a reasonably even split between in-house and outsourced venue management, examples of outsourced management include:

- AEG Ogden that manage the Brisbane and Cairns Convention Centres on behalf of the South Bank Corporation and the Queensland Government respectively
- Spotless Services that manages the Perth Convention Centre on behalf of the Wyllie Group
- Convention Centre Management Pty Ltd, a consortium that manages the Sydney Convention and Exhibition Centre.

In contrast, Wellington Convention Centre, Christchurch Convention Centre, Melbourne Convention and Exhibition Centre and Adelaide Convention Centre are managed in-house.

The primary advantages of outsourcing venue management are realising “key money” in return for the commercial opportunity and the potential for specialist operational expertise to improve performance, particularly during establishment.

The key risks of outsourcing venue management are the potential for misalignment of objectives and the potential that revenue gained may not offset the associated management fees.

Historically there has been a trend for venue managers to outsource food and beverage services to specialist caterers. In recent years, the trend is to bring these services in-house to assist in their profitability and ensure greater control over service standards.

It is a feature of successful centres that senior management typically has relevant qualifications and deep experience in the industry. For example, the manager of the Hong Kong Convention and Exhibition Centre is a certified Facilities Executive (CFE) with 40 years' experience in the industry and the chief executive of the Sydney Convention and Exhibition Centre has 15 years' experience in the same role. This reflects the specialist skills required to manage the facilities and staff, develop the convention and exhibition business, and manage relationships with government, industry, commercial and association stakeholders.

5.5 Staff and services

An international convention centre should provide appropriate event services and ensure that centre staff have the experience and skills required to operate the centre efficiently and safely.

The majority of centres interviewed employ staff to perform most roles, with some non-core functions outsourced. The importance of experienced staff was highlighted by:

- Sydney: 200 expert and experienced full time equivalents (FTE), who make a direct contribution to the quality of service provided³⁵
- Melbourne: 120 FTE approximately, with a pool of up to 500 casual workers.³⁶

Two other centres in the Asia-Pacific region reported the following:

- 290 staff approximately, with only partial outsourcing (cleaning, waiting and kitchen staff) for very large events. Some staff have worked for the centre from six to 14 years, so they are very knowledgeable and are the centre's biggest asset. In addition, there is very low turnover of senior staff, which is important as the lead time for international conferences is two to six years
- 302 staff currently, with most roles performed in-house apart from some public relations, operations, some facilities management, training, waiting and kitchen staff

³⁵ Sydney Convention & Exhibition Centre (2009), *Fact File*,
http://www.scec.com.au/content/fact_files/Centre_Fact_File_2009.pdf

³⁶ Melbourne Convention and Exhibition Centre (2009), *Working at the MCEC*,
<http://www.mcec.com.au/Utility/MCEC-Information/Working-at-the-MCEC.html>

6 Operating projections

6.1 Operating projections

Operating projections for an international convention centre have been developed in the context of the:

- destination appeal of New Zealand resulting from the marketing activities of Tourism New Zealand and Conventions and Incentives New Zealand
- types of conferences that have been attracted to New Zealand's largest existing venues
- record levels of activity and financial performance at many of Australia's large convention centres
- relative strengths and weaknesses of Auckland as a conference destination (assuming a new convention facility)
- range of non-conference activity that typically is accommodated in convention centres (as evidenced in Australian venues).

6.1.1 Assumptions

Assumptions underpinning the operating projections include that:

- the scale of facility will ensure it is clearly positioned as New Zealand's only international standard facility thereby avoiding internal competition, which exists amongst Australia's state facilities
- ultimately there will be only two major facilities in Auckland, because a proliferation of venues in Auckland competing for market share could mean:
- unreasonable price competition, to the extent that venue pricing is discounted excessively
- venue stakeholders deciding to exit the market to concentrate on other uses.

The projections outlined below are for a stabilised year of operation (likely to be around year five). Two conflicting factors are likely to influence activity levels in years one to four. Firstly, conferences have a long lead-time (particularly larger international conferences) and conference organisers are generally reluctant to commit to venues that are incomplete at the time of the conference bid process. Secondly, conference organisers are always seeking new destinations for conferences (particularly regional and domestic conferences that rotate between a relatively small number of destinations). This can create a "honeymoon" effect for a new venue.

6.2 Projected activity levels

6.2.1 Conference activity

Activity projections take into account the origin and average size of the conferences. As shown in table 6.1, it is projected that a large centre could attract on average approximately 35 conferences per annum³⁷. This is fewer than the number held at the leading Australian venues (e.g. Melbourne Convention Centre hosted 41 conferences in 2007/2008) and reflects the smaller domestic market in New Zealand.

In terms of international conferences, the centre is likely to have a greater number of conferences than many Australian venues due to the relative lack of internal competition. In a stabilised year, it is projected that the centre could host 25 international conferences, compared to 18 international conferences hosted at the Melbourne Convention Centre in 2007/2008.

New Zealand's strong relative performance in the international conference market, in the context of the size and standard of our current venues, provides confidence that this level of performance is achievable.

³⁷ The medium sized scenario would attract approximately 31 conferences per annum (two major, 10 large, 10 medium, and seven small conferences).

Table 6.1 Mix of conferences attracted by the proposed centre

Conference size (average number of delegates)	Global	Asia-Pacific	Australasian	Domestic	Total
Major (2500)	3	1	-	-	4
Large (900)	4	3	4	1	12
Medium (400)	1	1	6	4	12
Small (150)	-	-	2	5	7
Total	8	5	12	10	35
Average size	1440	1120	530	330	760

Note: It is assumed that one medium Australasian, one medium domestic, and five small domestic conferences per annum are not incremental to Auckland and are therefore excluded from the economic impact analysis.

(Source: Horwath HTL Ltd)

6.2.2 Assumptions

Conferences

Eight global conferences with an average size of 1440 delegates represents strong growth in New Zealand's market share of global conferences. The size profile of the global conferences broadly reflects the range of activity of major Australian venues and reflects that only 6% of all international conferences have more than 2000 delegates. Projected activity levels assume:

- an average of five Asia-Pacific conferences per annum – New Zealand is becoming increasingly successful in penetrating the Asia-Pacific market
- twelve Australasian conferences per annum – many industry participants have identified significant potential growth in the Australasian market for a new convention centre because it could be positioned as a new domestic conference option. This would support an increasing trend towards joint Australasian associations
- an average of ten domestic conferences per annum. This represents 29% of the projected annual number of conferences and reflects the smaller domestic market in New Zealand and fewer large domestic conferences that require facilities, such as those proposed in a national convention centre.

Exhibitions

Conference-related exhibitions are becoming an increasingly important component of the overall programme for many conferences, as they are revenue sources for conference organisers. The projected activity levels assume that exhibitions will accompany 100% of global and Asia-Pacific conferences, 75% of Australasian conferences and 50% of domestic conferences.

Conference banquets

Based on industry norms, the projections assume an average of one in-house banquet per conference. The average size of the banquet is projected to match the number of conference delegates on the basis that attendance by accompanying persons will offset the number of non-attending conference delegates.

Other banquets

Non conference-related banquets (e.g. awards dinners, fundraising dinners etc) are a significant component of the overall business mix for many major convention centres. It is reasonable to assume this will also be the case for the proposed centre, although it will face strong competition from large hotel facilities and will be influenced by the iconic nature of the facility. The activity levels assume an average of eight banquets per annum.

Trade and public exhibitions

The proposed centre will be a high-quality complement to the redeveloped ASB Showgrounds for exhibitions and high-end public shows. It is assumed that the ASB Showgrounds will remain the primary exhibition venue in Auckland given its scale and location and that the proposed Marine Events Centre will capture the majority of CBD/harbour focused exhibition activity. An allowance is made for an average of six trade shows and eight public shows per annum.

Other Events

A convention centre is likely to host events other than conferences, exhibitions and banquets, driven primarily by a need for additional business between major events. The projected activity levels assume:

- three entertainment events per annum (limited by Vector Arena)
- fifteen day-meetings per annum (large-scale meetings such as company AGMs).

6.2.3 Overall event days

Table 6.2 summarises the overall event days the convention centre could cater for.

Table 6.2 Overall event days by event type

	Conferences	Banquets	Trade exhibitions	Public exhibitions	Entertainment events	Day meetings	Total
Events	35	8	6	8	3	15	75
Average length (days)	3.7	1.0	2.5	3.0	1.0	1.0	2.5
Event days	128	8	15	24	3	15	193
Average pack-in/out	1.1	0.5	3.0	3.0	3.0	0.5	2.3
Pack in-out days	37	34	18	24	9	8	100
Potential days used	165	12	33	48	12	23	293
Days used							250

Notes: Conference related exhibitions and banquets are not separately counted, as they do not drive incremental event days and days used allows for concurrent events. (Source: Horwath HTL Ltd)

6.3 Financial projections

High-level indicative operating cash flows have been prepared to provide input into the economic impact and benefit-cost analyses (refer section 9).

Cash flows are based on benchmark data and have been verified at a high-level through discussion with existing convention centres. For the purpose of the projections, it is assumed that the centre will be operated with a stand-alone overhead structure and the food and beverage operation will be in-house.

There is significant scope for different outcomes depending upon the operational model applied. The operating cash flows for a stabilised year are summarised in table 6.3. Cash flows are after a rates allowance and a contribution towards an asset replacement fund, but are before any finance costs. The \$2 million sales and marketing budget represents a subset of a broader marketing approach. Tourism New Zealand, Tourism Auckland and CINZ for example will undoubtedly be active convention marketers.

Based on the projections, the facility will operate broadly on a breakeven cash flow basis. This level of cash flow performance is consistent with major Australian venues including Melbourne and Adelaide.

Table 6.3: Indicative operating cash flow – stabilised year

Revenue	\$000s
Conference revenue	13,329
Other revenue	4,321
Total revenue	17,650
Variable costs	
Conference costs	6,683
Other costs	2,677
Total variable costs	9,360
Overhead expenses	
Salaries and wages	1,650
Sales and marketing	2,000
Building services and maintenance	2,250
Other	1,000

Total overhead expenses	6,900
Asset replacement fund	706
Net operating cash flow	684

(Source: Horwath HTL Ltd)

7 Benefits

7.1 Quantifiable benefits

7.1.1 Introduction

To estimate the economic benefits, we need to consider the impact of the centre that arises from the additional spending it generates. Total spending results from expenditure:

- at events at the centre by participants – conference delegates, exhibitors and other attendees
- by persons accompanying participants (e.g. spouses)
- from tourism before and after the events by participants and accompanying persons – in Auckland and in other parts of New Zealand.

From a national perspective, international visitor expenditure is relevant. Expenditure by New Zealand residents is assumed to be a transfer between expenditure types: it represents a diversion of other spending to centre events and related activities (e.g. tourism in Auckland from visitors from elsewhere in New Zealand) and is excluded from the analysis³⁸.

Horwath HTL provided all data.

7.1.2 Initial impacts

When operational, the centre will attract almost 22,000 additional international visitors who would not otherwise visit New Zealand, and more than 200,000 extra visitor days. There will be an increase of \$85.4 million in tourism-related expenditure.

Table 7.1 shows total expenditure by international visitors according to the type of event at the centre, including expenditure at the event, by accompanying persons and for tourist activities before and after the event.

Table 7.1: International visitors and expenditure by event type

Event type	Visitors	Visitor days	Expenditure \$m
Conferences	17,466	166,685	72.0
Conference exhibitions	2,518	20,453	9.2
Banquets	95	285	0.1
Trade exhibitions - attendees	1,454	12,156	3.5
Trade exhibitions – exhibitors	14	113	0.0
Public exhibitions – attendees	-	-	-
Public exhibitions – exhibitors	140	1250	0.5
Total	21,686	200,941	85.4

(Source: Horwath HTL)

Table 7.2 shows expenditure according to the type of activity taken.

³⁸ Conceptually, it would be preferable to include this expenditure by Auckland and other New Zealand residents, and offset this by reductions in other spending. There might be a net increase or decrease in national income, depending on differences in impacts of centre-related and other expenditure. The Horwath HTL Asia Pacific study, on which this report is based, did not attempt to do this. However, the net effects are not likely to be material, so it would be unlikely to alter the conclusions.

Table 7.2: International visitors and expenditure by activity³⁹

Activity	Visitors	Visitor days	Expenditure \$m
Event participation	20,201	81,420	52.0
Accompanying persons	1,485	6,260	1.2
Auckland pre-post	16,822	33,644	9.0
Rest of NZ pre-post	12,490	79,617	23.1
Total		200,941	85.4

(Source: Horwath HTL)

Conferences are the most important activity for increasing national income – 84% of visitor expenditure is associated with people who participate in conferences. However, while most visitor expenditure is at the events themselves, there is a significant spin-off from associated activities. These account for over half the visitor days and 39% of visitor expenditure.

7.1.3 Assumptions

Total international visitor expenditure assumes a weighted average daily expenditure for conferences⁴⁰ of \$424. Different expenditure levels have been used for each type of conference:

- daily delegate spend of \$700 for global conferences
- daily delegate spend of \$450 for international delegates attending domestic conferences
- accompanying person daily spend of between \$160 and \$200
- pre and post conference daily expenditure of between \$150 and \$350.

Covec reviewed the expenditure assumptions in 2008 and concluded that they were reasonable.⁴¹

7.2 Non-quantifiable benefits

7.2.1 Introduction

The London International Convention Centre (ICC) Commission found that in addition to a range of quantifiable benefits, several non-quantifiable benefits would accrue from a large-scale convention centre.⁴² It is important to recognise, however, that the extent to which non-quantifiable benefits could be realised is largely dependent on the ongoing investment in, and development of, the Auckland and New Zealand economies and Auckland’s ability to strengthen its position as a world city in the future.

7.2.2 Tourism and events

New Zealand tourism has traditionally built its growth on high demand over the summer months. Domestic demand also peaks during this period, reinforcing the industry’s seasonal pattern. The New Zealand Tourism Strategy 2015 considers that conferences and conventions are one source of shoulder and off-season demand, contending that these events generate high expenditure and often include add-on leisure travel. Building this market is one way of managing seasonality and requires a venue that can cater for major conventions, most likely in Auckland as the major international gateway.

An international convention centre may also help attract large events to New Zealand. For example, the Glasgow bid for the Commonwealth Games was enhanced by having a convention centre in the CBD.

³⁹ The total number of event participants and accompanying persons is the same as the total number of visitors associated with all event types in Table 5.1. the figures for visitors “pre/post” represent the number of these people who engage in tourism activities before and after the event in Auckland and the rest of New Zealand.

⁴⁰ Daily spend figures draw on limited survey data available in relation to conferences held in New Zealand, conference delegate spend from Australia and International Visitors Survey data (for accompanying person expenditure and pre- and post- conference expenditure).

⁴¹ As part of the 2008 Covec review of Horwath Asia Pacific’s economic impact analysis for Auckland City Council.

⁴² ICC Commission Report October 2005, London ICC Mayoral Commission, www.londonicc.co.uk, page 38.

7.2.3 Business tourism

Business tourism can stimulate future inward investment as business people see the attractions of the destination while attending a conference and return on holiday or to establish business operations⁴³.

A convention centre in Auckland would support Auckland and New Zealand's position as a leisure destination by attracting larger numbers of international arrivals and increasing the potential number of extended stays and return visits. Other New Zealand destinations stand to benefit from delegates and their accompanied persons making extended trips outside of Auckland.

Australia demonstrates the phenomenon of extended trips beyond the location of the conference. The Sydney Convention and Visitor Bureau's 2001 survey found that 57% of delegates visiting Sydney also undertook pre-or-post-convention travel elsewhere in Australia, an increase of 8% since 1999. The Melbourne Convention Delegate Study reports that 58% of international delegates indicated that they would return to Melbourne in the next five years as leisure tourists⁴⁴.

Business visitors (and other tourists) also become unpaid 'ambassadors' for the city by communicating to colleagues and others their positive impressions and favourable experiences.

7.2.4 Supporting trade and industry

An international convention and exhibition centre would support international trade and industry growth in established and emerging sectors by:

- helping Auckland and New Zealand firms showcase their products and services to realise increased export opportunities
- supporting innovation, providing the platform for increased knowledge exchange and innovation among New Zealand organisations to enhance performance, competitiveness and sustainability of New Zealand's businesses and communities
- supporting SMEs and entrepreneurialism through greater networking opportunities and collaborations⁴⁵.

International events/conferences can foster long-term commercial links between overseas customers and New Zealand companies. Conventions and associated exhibitions will allow New Zealand businesses to demonstrate the latest developments from New Zealand industry and provide a world-class forum for businesses to promote their products and services worldwide.

Realising the potential value of these benefits is dependent on the support and partnership of local and national industry associations.

7.2.5 Supporting innovation and knowledge

New Zealand's rich knowledge base encompassing its companies, universities, research institutions and individuals drives innovation and productivity in New Zealand businesses, providing an important contribution to the national economy.

Innovation is a vital ingredient for competitiveness, productivity and social gain within businesses and organisations. If successful modern economies are based on the skills and knowledge of their people, policies must be pursued that enable creativity, exploit science and knowledge and transfer new ideas and

⁴³ ICC Commission Report October 2005, London ICC Mayoral Commission, www.londonicc.co.uk, page 38.

⁴⁴ Melbourne Convention Delegate Study (December 2007), prepared by the Melbourne Convention and Visitors Bureau.

⁴⁵ ICC Commission Report October 2005, London ICC Mayoral Commission, www.londonicc.co.uk, page 40 and KPMG, *Economic Impact of the Proposed London ICC Final Report*, www.lda.govt.uk, 2005.

approaches between individuals, businesses and organisations. An international convention centre provides a new opportunity for these exchanges.⁴⁶

⁴⁶ *ICC Commission Report October 2005*, London ICC Mayoral Commission, www.londonicc.co.uk, page 41 and supported by unpublished interview notes, 2009.

8 Risks

8.1 Challenges and risks

In pursuing a larger share of the international conference market, it is important to acknowledge challenges that New Zealand will need to overcome and the risks that will need to be managed.

8.1.1 Economic climate

The current economic climate poses a risk that an international convention centre will fail to grow New Zealand market share of international association conferences. A failure to increase New Zealand's market share will have a negative impact on the cash flow of the centre and the economic impact for Auckland and New Zealand. However, if pursued, the international convention centre would be built post-2011 (possibly not until 2013 depending on the location) so while the negative economic climate is a risk, it is unlikely to significantly impact the centre's feasibility.

8.1.2 Subvention⁴⁷

The second challenge is the emerging trend for conference venues to "buy" conferences. This trend has emerged as conference organisers recognise that conferences are of economic value to destinations. Many organisers seek direct or indirect financial incentives to attract their events, assistance with renting venues, funding for conference organisers to assist delegates, that would otherwise not be able to, to attend, or funding to help market a conference internationally.

Subvention policies are an essential operating cost for a convention centre hoping to attract large-scale international conferences, but the actual cost is largely unknown and dependent on a range of variables, including the number of bids for conferences and the actual number of conferences being held. A new venue will need a sufficient sales and marketing budget to develop appropriate strategies. However, subvention strategies may not be as important for New Zealand if there is only one centre of scale, unlike Australia where multiple cities and centres compete against each other so need to offer extra incentives. Subvention is discussed further in section 10.

8.1.3 Technology

Technology improvements create risks and opportunities for convention centres in two key areas.

Video conferencing

The risk of improved video conferencing is the potential for video conferencing to substitute meetings and conferences. However, this risk is likely to be more real in relation to corporate meetings of short duration (e.g. part or full day meetings) rather than multi-day conferences, and generally in relation to smaller groups rather than larger groups. It is unlikely that video conferencing will become a practical alternative to multi day international association meetings and conferences, so the demand for convention centres should not reduce significantly.

The benefit of improved video conferencing is the increased ability to have expert input from a wider range of presenters by video link rather than having them attend in person. This allows greater flexibility, richness and depth in conference content and greater cost efficiency. However, the risk with "virtual speakers" is that it may reduce the appeal of the conference, resulting in fewer delegates attending.

⁴⁷ The provision of assistance or financial incentives to attract conventions.

Communication with potential attendees

Evolving communication technologies provide both risks and opportunities for the conference industry. The risk is that increasing use of the internet and other on-line forums for effectively and efficiently communicating information and ideas globally may reduce the need for face-to-face meetings and conferences. However, there are also likely to be significant benefits for international conferences from evolving communication technology in terms of conference offerings, and marketing opportunities. Additionally, it is unlikely that the need or desire to conduct face-to-face interactions will ever go away.

8.1.4 Environmental concerns

Carbon footprint

The environment has become a focus in the conference industry because of increased awareness and concern about the 'carbon footprint' of travel, particularly to long-haul destinations such as New Zealand.

This presents a risk to New Zealand in terms of marketing to and winning international conventions. Australasian destinations may become proportionately less favourable over time than if there were no environmental concerns. This may become an increasingly significant factor for conference buyers considering conference destinations and means the conference itself will need to be very efficient to deliver as sustainably as a short-haul competitor. Long-haul travel may also reduce delegate numbers.

However, it is unlikely that distance will become the *critical* factor in deciding on the location for international conferences. Further, there is no particular reason why the number of conference visitors to New Zealand would be worse affected than the number of leisure visitors. Arguably, leisure travel is more discretionary and possibly less justifiable than business travel. Additionally, as aircraft technology improves, travel will become more efficient and sustainable further reducing the risks associated with attracting events to what is, for many travellers, a long-haul destination.⁴⁸

Sustainability

There is increasing interest in centres that are committed to sustainability in their design and delivery of conferences⁴⁹. New centres are being designed and built to rigorous environmental standards (e.g. the new six-star green building Melbourne Convention and Exhibition Centre) and existing venues, organisers and suppliers are seeking environmental accreditation and certification.

There is an opportunity for the New Zealand conference industry to take a leading edge approach to environmental sustainability, and should be led by a national convention centre.⁵⁰ Accordingly, the cost estimates for an international convention centre assume a design that would achieve a six star green rating, as was achieved by Melbourne. Achieving such a rating is an imperative for a new centre.

8.2 Conclusion

There are risks associated with developing an international convention centre. However, the risks are not "deal breakers", are unlikely to affect fundamentally the feasibility of the centre, and can be mitigated.

⁴⁸ For example, the Airbus A380 raised the bar for environmental standards with low fuel consumption and noise levels and reduced CO₂ and NO_x emissions (www.airbus.com). Similarly, Boeing's newest aircraft have improved fuel efficiency by 20% and over the last fifty years commercial jet CO₂ emissions have been reduced by approximately 70% and the noise footprint area has been reduced by approximately 90% (www.boeing.com).

⁴⁹ Information collected in an international PCO survey conducted by Howarth Asia Pacific suggests that corporate social responsibility (CSR) and 'green' issues are influencing buyer behaviour. The distance involved in travelling to New Zealand could be an issue because it is environmentally unfriendly, but could be offset with competitive rates and CSR programmes.

⁵⁰ Other leading venues in New Zealand are Green Globe certified (Wellington was certified in January 2009, Christchurch has applied for certification) or ISO accredited (Wellington). Green Globe is a worldwide programme that assists organisations to improve their economic, social and environmental sustainability.

9 Estimated costs

9.1 Capital costs

Capital cost estimates for three alternative scenarios are outlined in table 9.1. Assumptions underpinning the cost estimates are detailed below.

Table 9.1: Capital cost estimates

(\$000)	Downtown waterfront			Wynyard Point	Midtown
	Wharf (no rebuild)	Half land / half wharf	Wharf (full rebuild)		
Land ⁵¹	75,000	75,000	75,000	75,000	75,000
Convention centre	191,700	191,700	191,700	191,700	191,700
Additional waterfront enhancement	57,510	57,510	57,510		
Wharf structure premium		54,900	109,800		
Fees, consents, other	43,612	53,219	62,827	33,548	33,548
Sub-total (base cost pre-escalation)	367,822	432,329	496,837	300,248	300,248
Escalation (4 years, except Wynyard 9 years)	37,178	44,671	53,163	82,753	28,753
Total cost (incl. escalation)	405,000	477,000	550,000	383,000	329,000

(Source: Horwath HTL Ltd)

9.1.1 Cost assumptions

The convention centre costs are:

- Based on a total floor area of 27,000m², assuming:
 - high tech exhibition hall 6,000m²
 - subdividable auditorium 4,500m²
 - pre function foyer 3,500m²
 - low/medium tech hall 6,000m²
 - BOH/kitchen and storage 4,400m²
 - breakout rooms 2,600m² (the only rooms at an upper level)
- Based on three location options:
 - downtown waterfront sites: wharf with no rebuild, half land/half wharf, fully rebuilt wharf
 - a midtown site
 - non-specific Wynyard point site
- Benchmarked against the construction costs of the Melbourne Convention and Exhibition Centre (built in 2009 to a six star Green Star Environmental rating) and adjusted for the scale of the development and price escalation (the tender was completed in 2006).

9.1.2 Location specific cost assumptions

Waterfront

Waterfront scenarios include a cost premium for additional enhancements to take advantage of the location. A median cost premium of 30% of the base construction costs has been included in each of the three waterfront cost scenarios. Three waterfront scenarios are costed to reflect the differences between:

- building on a wharf with no upgrade/rebuild
- building half on/half off a wharf
- a complete wharf rebuild.

Escalation provisions of four years to quarter three 2013 are included in the cost estimates. This allows 2.5 years for design and ensuring wharf availability and 2.5 years for construction.

⁵¹ Note that a flat rate estimate of \$75.0m has been used rather than estimating actual costs, which are likely to vary between sites.

Wynyard Point

No cost premiums for additional enhancements are included although may apply depending on the final location within Wynyard Point. Escalation provisions of nine years to quarter three 2018 are included in the cost estimates. This allows for longer negotiation and site remediation prior to construction.

Midtown

No cost premiums for additional enhancements are included although may apply depending on the final location (e.g. Aotea precinct). Escalation provisions of four years to quarter three 2013 are included in the cost estimates. This allows 2.5 years for design and 2.5 years for construction.

9.1.3 Exclusions

The following exclusions apply to all sites unless otherwise noted:

- GST
- finance charges
- land purchase costs including compensation payments or relocation costs of affected tenants
- site remediation costs including demolition/alteration of existing structures, removal of contaminated ground, construction of new buildings to replace demolished buildings
- major service diversions/relocations – all costs assume the services for each option are readily available at the chosen site boundary
- marketing costs
- dredging of sea bed/sea wall upgrades or reclamation of additional land
- public open space, street works, landscaping outside of the footprint of the convention centre including pedestrian bridges, underpasses, additional wharf construction for pedestrian and vehicular access
- development contributions
- icons, artworks, and feature sculptures
- pumping stations for drainage
- stand-by generator.

9.2 Benefit cost analysis

This section estimates⁵² the economic impact of a possible convention centre under a benefit-cost analysis framework. The analysis is based on the estimated benefits discussed in section 7 and costs discussed in section 9.

9.2.1 Income

The projections in table 7.1 suggest that when fully operational, events at the centre will attract almost 22,000 additional visitors, who would not otherwise visit New Zealand, and more than 200,000 extra visitor days. Because of this, there will be an increase of \$85.4 million in tourism-related expenditure per annum, which equates to \$75.9 million per annum (excluding GST).

It is assumed that the facility will take four years from opening to reach a fully operational level of activity, at which point it will be generating the above increments to national income. Prior to that, it will operate at:

- 50% of capacity in the first year, \$38.0 million
- 70% in the second year, \$53.1 million
- 80% in the third year, \$60.9 million.

⁵² Based on modelling by NZIER and as per the report: *International Convention and Exhibition Centre: Feasibility Study*, prepared by Horwath HTL for Auckland City Council, June 2009.

9.2.2 Costs

Capital costs for various site options are detailed in table 9.1 above. As discussed in section 6.3, it is assumed that the centre's operating costs will break even. However, in the pre-opening phase, and initial years while the centre is establishing itself, it is likely that operational subsidies will be required. These have been assumed as:

- \$2.0 million per annum in each of the three years before opening, for setting up operations and initial marketing
- \$2.9 million in the first year after opening
- \$1.4 million in the second year after opening
- \$0.5 million in the third year after opening
- no subsidy after this time, when the facility is fully operational.

9.2.3 Results

The results of the benefit-cost analysis are detailed below. The results are based on a net present value (NPV) analysis with the following assumptions⁵³:

- a twenty year time horizon
- all revenues and costs expressed in real, GST-exclusive prices
- a real discount rate of 8% per annum
- a weighting of 20% on all costs funded by public sector, to reflect deadweight losses.

Table 9.2: Net present value of Auckland convention centre benefits and costs

Option	Net present values (\$m)		
	Benefits	Costs	BC ratio
Midtown	396.7	276.9	1.433
Downtown waterfront (no rebuild)	396.7	335.3	1.183
Downtown waterfront (land/wharf)	396.7	391.1	1.014
Downtown waterfront (full rebuild)	396.7	446.9	0.888
Wynyard	237.6	203.5	1.168

(Source: NZIER)

A Benefit-Cost Ratio (BCR) of greater than 1.0 indicates that the benefits of the project exceed its costs over this time horizon, on a NPV basis.

The NPV of benefits is \$396.7 million for all options (except Wynyard). This is to be expected, given all options assume the same income stream.

The midtown option has the lowest total NPV of costs (except Wynyard), as its capital costs are purely for construction of the convention centre. The higher costs assumed for the waterfront options raises the NPV of their costs.

The Wynyard option differs from the others due to timing assumptions. In fact, its annual benefits and costs are identical to those of the midtown option, but deferred by four years. Hence, the numbers for Wynyard illustrate the impact of deferral, with the NPV of costs 26% lower than the midtown option, and benefits 40% lower.

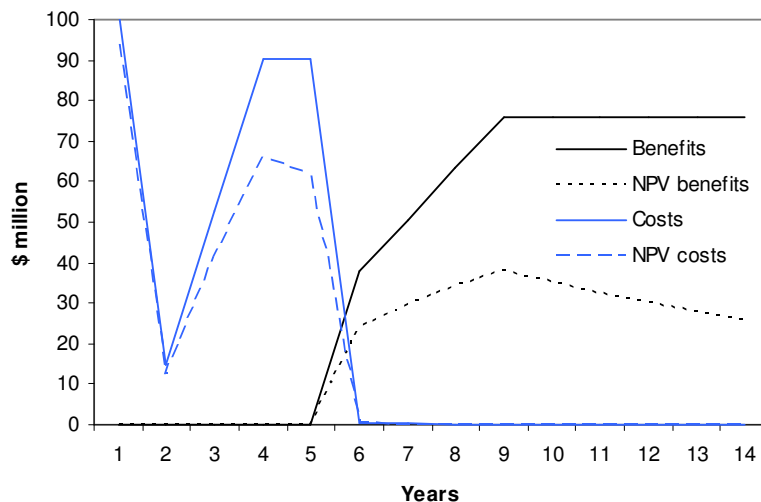
Comparing benefits and costs:

- the midtown option has the highest BCR of 1.433
- the lowest-cost waterfront option and the Wynyard option have similar BCRs, of 1.183 and 1.168 respectively
- the effect of additional costs of wharf strengthening is to reduce the BCRs of other waterfront options further

⁵³ Consistent with the methodology outlined by the NZ Treasury: The Treasury (2005) *Cost Benefit Analysis Primer*, Wellington, December 2005.

- in the case of the most expensive waterfront option, its NPV costs exceed NPV benefits, resulting in a BCR of less than 1.0 (0.888).

Figure 9.1: Profile of benefits and costs over time – midtown option



(Source: NZIER)

Actual costs are high in the initial year when land value is included in the analysis; peak in years four and five during the construction phase; then decline to zero from year nine when the facility is fully operational.

Benefits commence from year six when the facility is opened, and rise to a steady level from year nine onwards when it is fully operational. The track of the NPV of benefits is lower over successive years, reflecting the effect of discounting at a progressively higher rate in later years.

9.2.4 Alternative scenarios

Given the potential uncertainties about these estimates, the effects of changes in the number of events – in particular, major global conventions – and land values are examined below.

The benefits and BCR could vary markedly if the number of events at the centre, and resulting visitor numbers and expenditure, proves to be different that the projections. To test this, different numbers of major global conferences have been examined. As these are the largest events and have the greatest impact, any variation in these will have a much larger effect on total benefits than variations in other types of event.

The two scenarios tested involve:

- two fewer major global conferences, resulting in 5,000 fewer attendees
- one more major global conferences, resulting in 2,500 extra attendees.

Other assumptions (average daily spending, international/domestic visitor mix, accompanying persons and pre/post-conference tourism) are unchanged.

Under these two scenarios, total income when the facility is fully operational would be:

- \$64.3m per annum with two fewer major global conferences (-\$21.1m)
- \$96.0m per annum with one more major global conference (+\$10.6m).

The impacts on the benefit-cost ratios are outlined in the tables below:

Table 9.3: Net Present Value of Auckland convention centre benefits and costs – LOW scenario

Option	Net present values (\$m)		
	Benefits	Costs	BC ratio
Midtown	298.7	276.9	1.079
Downtown waterfront (no rebuild)	298.7	335.3	0.891
Downtown waterfront (land/wharf)	298.7	391.1	0.764
Downtown waterfront (full rebuild)	298.7	446.9	0.668
Wynyard	178.9	203.5	0.879

(Source: NZIER)

With fewer major conferences, BCRs at all sites fall markedly (as would be expected). Only the midtown option has a BCR greater than 1.0.

Table 9.4: Net Present Value of Auckland convention centre benefits and costs – HIGH scenario

Option	Net present values (\$m)		
	Benefits	Costs	BC ratio
Midtown	445.7	276.9	1.610
Downtown waterfront (no rebuild)	445.7	335.3	1.329
Downtown waterfront (land/wharf)	445.7	391.1	1.140
Downtown waterfront (full rebuild)	445.7	446.9	0.997
Wynyard	267.0	203.5	1.168

(Source: NZIER)

One extra major global conference raises BCRs across the board, so that all options have a BCR greater than 1.0, except for the most expensive Waterfront option, which is virtually equal to 1.0.

9.2.5 Conclusions

Under nearly all scenarios, the benefits of the project exceed the costs over a twenty-year period, on a net present value basis. The scenario with the greatest benefit cost ratio is the midtown option. Therefore, if the assumptions are considered realistic, a midtown option would be favoured as it delivers the benefits from increased tourism at the earliest date and with the lowest capital costs.

10 Supporting activities

Any proposed convention and exhibition centre development cannot be viewed in isolation from other parts of the business events sector, national and city promotion and branding and local and central government. It must form part of a wider strategy. Factors include:

- reaching consensus that international business events are an important segment for the New Zealand tourism industry
- reviewing the effectiveness of existing conference assistance programmes in conjunction with Conventions and Incentives New Zealand
- assessing current availability of international air connections, domestic transport and accommodation to identify other infrastructure needs
- developing an action plan for the segment (including specifying the roles of central and local government agencies) following an assessment of the capability and capacity of New Zealand branches of international associations, academic and research business organisations, centre operators, professional conference organisers, and suppliers
- identifying immediate international opportunities, such as holding satellite meetings to complement conferences in Australia
- investigating what additional incentives may be required to attract major international conferences, such as subvention policies that might include for example carbon off-sets
- developing an agreed international marketing plan (including specifying the roles of central and local government agencies and the private sector, including funding), promoting New Zealand as a business events destination, with a particular focus on international conferences. It should ensure complementarity between regions and event types.

It is recommended that, subject to a decision to proceed to a business case and establishment plan for the proposed international convention and exhibition centre in Auckland, officials begin to scope how these supporting activities might be implemented.

Appendix A – Convention centres in Asia, Australia and New Zealand

Venue	City	Approximate population (m)			Hotel rooms (daily capacity)	Opening / refurbishment date	Location	Largest plenary space (pax)	Breakout spaces (theatre style capacity, non-combined spaces)						Banqueting capacity (pax)	Largest exhibition floor space	Theatre facility	Capital cost	Funding partners
		City	Region	Country					Number of spaces										
									Capacity <100	Capacity 101-200	Capacity 201-400	Capacity 401-600	Capacity 600+	Total spaces					
Wellington Convention Centre	Wellington	0.2	0.4	4.2	3235		CBD	4430	9	3	1		2	15	1400	2186	Yes		
Rotorua Energy Events Centre	Rotorua	0.07	0.4	4.2	1854	Opened March 2007	CBD	4000	1	4	1		2	8	2600	3567	No	\$28m	
ASB Showgrounds	Auckland	0.4	1.3	4.2	8533	Redevelopment 2008	Suburbs	3000	1	2				3	4000	5500	Yes		
Christchurch Convention Centre	Christchurch	0.3	0.5	4.2	4472	Opened November 1997	CBD	2584	9	2	1	1	1	14	1350	1864	Yes	\$12-13m	100% Christchurch City Facilities Limited
The Edge	Auckland	0.4	1.3	4.2	8533	Aotea Centre built 1999, Town Hall restoration 1997, Civic restoration 2000, convention hall upgrade 2003	CBD	2256	6	9		2	2	19	650	1100	Yes	\$203.5m	100% Auckland City Council
Sky City Auckland Convention Centre	Auckland	0.4	1.3	4.2	8533	Opened August 2004	CBD	1500	7	6	4			17	1200	1300	Yes	\$65m	
Rotorua Convention Centre	Rotorua	0.07	0.4	4.2	1854	Upgrade 2005	CBD	800	4		1		1	6	700	Unknown	Yes		
Gold Coast Convention Centre	Gold Coast	0.02	4.2	21.0	9821	Opened June 2004	CBD fringe	6020	4	5	2		4	15	4600	6345	Yes	AU\$167m	100% State of Queensland
Adelaide Convention Centre	Adelaide	1.2	1.6	21.0	4467	Opened 1987, expanded 2001	CBD fringe	5212	8	7	3	2	2	22	3700		Yes		
Townsville Entertainment and Convention Centre	Townsville	0.2	4.2	21.0			CBD fringe	5200	3			2		5					
Cairns Convention Centre	Cairns	0.14	4.2	21.0	7623	Opened 1996, second hall 1999	CBD	5000	15	1		4		20	1300	15,817	Yes		
Melbourne Convention Centre	Melbourne	3.8	5.2	21.0		Convention centre opened 1990, exhibition centre opened 1996	CBD	5000	17	13	12	1	2	45	2304	30,000	Yes		
Brisbane Convention and Exhibition Centre	Brisbane	1.9	4.2	21.0	6779	Opened 1995, expansion mid-2010	CBD fringe	3958	7	2		2		11	2740	20,000	Yes	AU\$170m	State of Queensland
Sydney Convention Centre	Sydney	4.3	6.9	21.0	18,293	Opened 1988, extended 2000	CBD fringe	3500	13	10	5	1	8	37	10000	25,000	Yes		
Perth Convention and Exhibition Centre	Perth	1.6	2.1	21.0	5798	Opened 2004	CBD	2600	15	6	2		9	32	1710	16,644	Yes	AU\$220m	Western Australian Government
Alice Springs Convention Centre	Alice Springs	0.03	0.2	21.0		Opened 2002	Suburbs	1200	3			1		4	750	1176	No	AU\$8.5m	Northern Territory Government
Suntec Singapore International Convention and Exhibition Centre	Singapore	4.8	NA	4.8	28,071		CBD	10,000	10	17		3	1	31	5000	12,000	Yes		
Singapore Expo	Singapore	4.8	NA	4.8	28,071	Opened 1999, expanded 2005	Airport									100,000	Yes		
Kuala Lumpur Convention Centre	Kuala Lumpur, Malaysia	6.9	NA	25.3		Opened 2005	CBD	5200	11	7		3	9	30	3020	9710	Yes	S\$220m	
Putra World Trade Centre	Kuala Lumpur, Malaysia	6.9	NA	25.3		Opened 1985	CBD									23,500	Yes		
MATRADE Exhibition and Convention Centre	Kuala Lumpur, Malaysia	6.9	NA	25.3		Opened 2007	CBD									32,888	Yes		Malaysian External trade Development Corporation
Sarawak Convention and Exhibition Centre	Kuching, Malaysia		NA	25.3		Planned opening 2009/2010	CBD										Yes	MYR200m	
Jakarta Convention Centre	Jakarta, Indonesia						CBD fringe	5000	4	4	3		8	19	2500	5850	Yes		
Shanghai New International Expo Centre	Shanghai, China					Opened 2001										65,000			
Bangkok Trade and Exhibition Centre	Bangkok, Thailand					Opened 1997	Suburbs									50,000	Yes		
Queen Sirikit National Convention Centre	Bangkok, Thailand					Opened 1991		5000								35,000	Yes		Thai Government
Pattaya Exhibition and Convention Hall	Pattaya, Thailand					Opened 2000, expanded 2008	Resort	8000							3640		Yes		
Tokyo International Exhibition Centre	Toko, Japan					Opened 1996										46,280	Yes	40,400m yen	Tokyo Metropolitan Government
Makuhari Messe Convention Centre	Chiba, Japan					Opened 1989													

Venue	City	Approximate population (m)			Hotel rooms (daily capacity)	Opening / refurbishment date	Location	Largest plenary space (pax)	Breakout spaces (theatre style capacity, non-combined spaces)						Banqueting capacity (pax)	Largest exhibition floor space	Theatre facility	Capital cost	Funding partners
		City	Region	Country					Number of spaces										
									Capacity <100	Capacity 101-200	Capacity 201-400	Capacity 401-600	Capacity 600+	Total spaces					
Intex Osaka Exhibition Centre	Osaka, Japan													70,000	Yes				
Nagoya Congress Centre	Nagoya, Japan						3000								Yes				
Vietnam National Convention Centre	Hanoi, Vietnam																		
COEX Convention and Exhibition Centre	Seoul, South Korea					Opened 1988, expanded 2000													
International Convention Centre Jeju	Siogwipo, South Korea						Resort						4300						
Philippine International Convention Centre	Manilla, Philippines					Opened 1976	Suburban	3000					2500	4000	Yes		Central bank of the Philippines		
SMX Convention Centre	Manilla, Philippines					Opened 2007	Suburban	7000						9130	Yes		Private ownership SM Group		
AsiaWorld-Expo, Hong Kong	Hong Kong	7.0	NA	1330.0		Opened 2005	Airport	13,500				10	10	70,000	Yes	HK\$2.35b			
Hong Kong Convention and Exhibition Centre	Hong Kong	7.0	NA	1330.0		Opened 1988, expanded 1997	CBD						52	28,000	Yes				

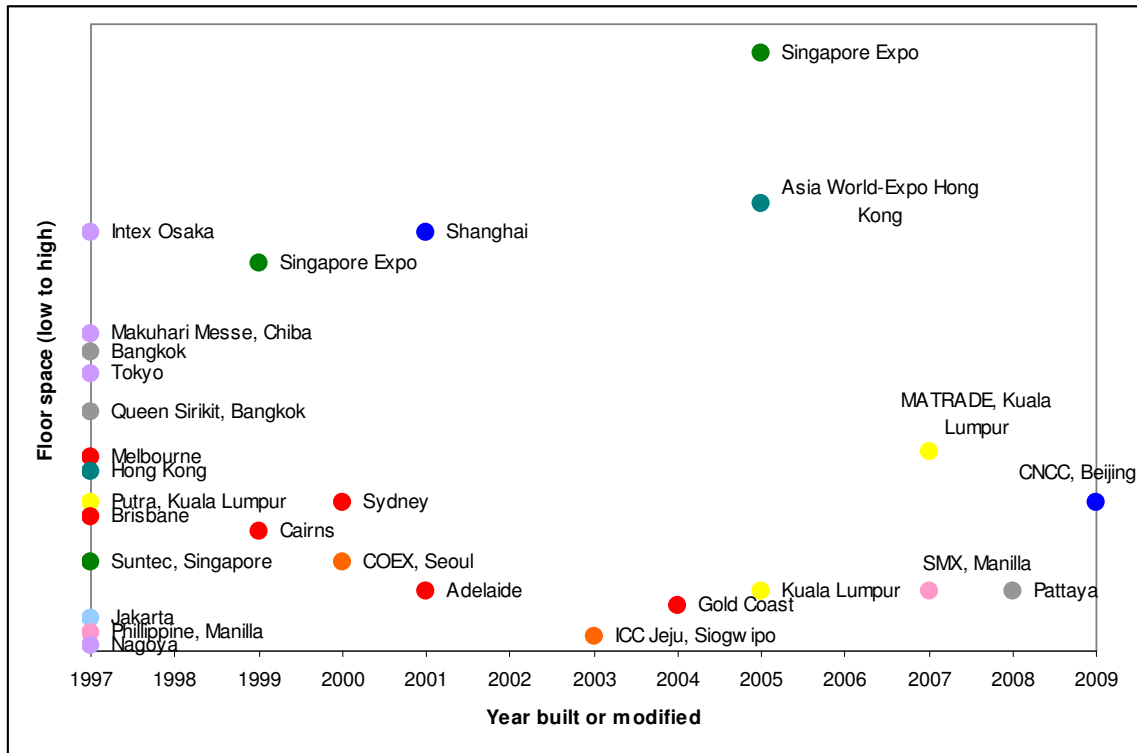
Appendix B – Asia/Middle East/Pacific region conference data

Number of conferences hosted within Asia/Middle East/Pacific region

Country	Number of international association conferences held		Percentage change 1999-2008	CAGR change 1999-2008	Ranking in 2008
	1999	2008			
Japan	154	247	60.4%	5.4%	1
China	69	223	223.2%	13.9%	2
Korea	67	169	152.2%	10.8%	4
Singapore	46	118	156.5%	11.0%	5
Other Asia	277	539	94.6%	7.7%	
Total Asia	613	1296	111.4%	8.7%	
Sydney	56	64	14.3%	1.5%	
Melbourne	35	38	8.6%	0.9%	
Brisbane	18	18	0.0%	0.0%	
Other Australia	32	62	93.8%	7.6%	
Total Australia	141	182	29.1%	2.9%	3
Auckland	8	17	112.5%	8.7%	
Christchurch	1	8	700.0%	26.0%	
Other New Zealand	13	13	0.0%	0.0%	
Total New Zealand	22	38	72.7%	6.3%	10
Other ME/Pacific	81	96	18.5%	1.9%	
Total Asia/ME/Pacific	857	1612	88.1%	7.3%	

(Source: ICCA International Association Meeting Market Statistics Report 1999 to 2008)

Floor space capacity by venue in Asia Pacific region



Note: most centres depicted as built in 1997 were actually built earlier. The exact dates are provided in appendix