

Proposed Queenstown Conference Centre

Feasibility Study



Prepared for Queenstown Lakes District Council

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Hotel, Tourism and Leisure



Members of Crowe Horwath International

CONTENTS

EXECUTIVE SUMMARY	4
1. INTRODUCTION	8
1.1 KEY OBJECTIVES OF THE STUDY	8
1.2 OUR APPROACH	9
1.3 EXCLUSION OF SCOPE	10
1.4 DISCLAIMERS.....	10
2. THE PROPOSED CONFERENCE CENTRE.....	11
2.1 STAKEHOLDER OBJECTIVES.....	11
2.2 PREVIOUS RESEARCH (APRIL 2007).....	11
2.3 FUNCTIONS OF THE PROPOSED CONFERENCE CENTRE.....	14
2.4 'BEST PRACTICE' FACILITY REQUIREMENTS.....	15
2.5 ASSUMED CONFERENCE CENTRE SIZE AND CAPITAL COST ESTIMATE	15
2.6 KEY SELECTION CRITERIA FOR CONFERENCE CENTRE SITE	19
2.7 SURVEY OF QUEENSTOWN BUSINESS COMMUNITY	19
3. NEW ZEALAND CONFERENCE MARKET AND EVENT VENUES	23
3.1 SUPPLY OF MAJOR NON-HOTEL CONFERENCE VENUES.....	23
3.2 THE INTERNATIONAL BUSINESS EVENTS MARKET IN AUSTRALIA AND NZ.....	27
3.3 NEW ZEALAND CONFERENCE ACTIVITY.....	29
3.4 REGIONAL COMPARISON ANALYSIS: CONFERENCE ACTIVITY.....	36
3.5 CONCLUSION	39
4. QUEENSTOWN AIRPORT CAPACITY.....	40
5. EXISTING QUEENSTOWN CONFERENCE MARKET.....	44
5.1 CONFERENCE VENUES IN QUEENSTOWN.....	44
5.2 QUEENSTOWN COMMERCIAL ACCOMMODATION CAPACITY	45
5.4 HOTEL ACCOMMODATION SUPPLY IN QUEENSTOWN.....	48
5.5 QUEENSTOWN HOTEL OCCUPANCY	50
5.6 CONCLUSION	52
6. RISKS AND CRITICAL SUCCESS FACTORS.....	53
6.1 RISKS AND MITIGATION	53
6.2 CRITICAL SUCCESS FACTORS	54
7. OPERATIONAL PROJECTIONS	56
7.1 ACTIVITY AND UTILISATION PROJECTIONS.....	56
7.2 REVENUE PROJECTIONS	59
7.3 VARIABLE OPERATING COST PROJECTIONS.....	62
7.4 FIXED OVERHEAD EXPENSE PROJECTIONS	63
7.5 PROJECTED FINANCIAL PERFORMANCE / NET OPERATIONAL CASHFLOW	65
8. INDICATIVE ECONOMIC IMPACT ANALYSIS	67
8.1 INITIAL DIRECT EXPENDITURE.....	67
8.2 ESTIMATED ECONOMIC IMPACT: OTAGO'S GDP	69
9. PUBLIC / PRIVATE OWNERSHIP, GOVERNANCE, OPERATIONS	72
9.1 PUBLIC / PRIVATE OWNERSHIP OPTIONS	72
9.2 POTENTIAL FUNDING SCENARIO: QUEENSTOWN CONFERENCE CENTRE.....	76
9.3 GOVERNANCE.....	77
9.4 OPERATIONAL MODELS.....	78
APPENDICES	83

GLOSSARY OF ACRONYMS

AIAL	Auckland International Airport Limited
AV	Audio Visual
BOOT	Build–Own–Operate–Transfer
CAM	Commercial Accommodation Monitor
CAS	Convention Activity Survey
CBD	Central Business District
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CINZ	Conventions and Incentives New Zealand
F&B	Food and Beverage
FF&E	Furniture Fixtures and Equipment
FIT	Free and Independent Traveller
GDP	Gross Domestic Product
GFA	Gross Floor Area
GST	Goods and Services Tax
HHTL	Horwath HTL Limited
IAPCO	International Association of Professional Congress Organisers
ICCA	International Congress and Convention Association
ICT	Information and Communications Technology
IVA	International Visitor Arrivals
JV	Joint Venture
MED	Ministry of Economic Development
NZHC	New Zealand Hotel Council
PCOs	Professional Conference Organisers
PPP	Public Private Partnership
QLDC	Queenstown Lakes District Council
RTO	Regional Tourism Organisation
TIANZ	Tourism Industry Association New Zealand
TRENZ	Tourism Rendezvous New Zealand

EXECUTIVE SUMMARY

INTRODUCTION

The concept of a purpose-built conference centre for Queenstown has been the subject of debate for several years, and previous research and consultation has been undertaken, although not for a dedicated conference centre. This report provides our analysis of the market potential for a purpose-built international standard conference centre, Queenstown's existing conference industry capability and constraints, our recommended conference centre size and construction cost, site selection criteria, our indicative operating activity and financial projections, the estimated economic impact, and funding / governance / management options.

Given the preliminary nature of the concept at this stage, including in relation to the timing, size and overall quality of the facility (prior to detailed consultation with potential funders), this study is indicative in nature, and subject to further revision / review when the concept plans and funding model are finalised.

RECOMMENDED SIZE OF FACILITY

Our research and consultation indicates that the capacity to host a maximum 'large conference size of 750–800 delegates (excluding accompanying persons) without compromises, as well as the ability to host smaller concurrent meetings / conferences, would be the optimal size of a new purpose-built conference centre. With a high proportion of Queenstown's existing and potential future international conference attendees originating from Australia, this is also an appropriate maximum conference size in terms of the aircraft seat capacity and airport facilities required to handle this number of delegates.

GUIDELINES ON VENUE DESIGN

Internationally recognised guidelines for planning a conference centre are published by the International Association of Professional Congress Organisers ("IAPCO"). The guidelines are generally considered to indicate 'best practice'. Significant departure from the guidelines could result in a compromise in terms of the functionality of the conference centre. We have assumed the IAPCO guidelines form the minimum design and functionality criteria for the proposed conference centre.

SITE CRITERIA

The ideal conference centre site size would need to be large enough to support a single-level building footprint of around 5,300m². The site would also need to provide for access ways, parking, service delivery, landscaping, etc, making up a total land requirement of around 12,500m². The overall site requirement could be reduced if some of the services (eg: parking) could be located off-site, provided they were conveniently close by, and by raising the building height, if it was feasible, to locate some of the facilities on an upper level. However, building a two level structure would have consequential increased capital cost implications.

CAPITAL COST ESTIMATE

WT Partnership has prepared indicative capital cost estimates for the construction of a 750 delegate conference centre, based on these site criteria. They estimate the total build costs, including fixtures, fittings and equipment, at \$43.7 million, including allowance for two years of cost escalation from the date of the estimate.

SITE SELECTION CRITERIA

Relative proximity to commercial accommodation capacity is an important consideration. However there are a number of other key criteria include size of site, room for future expansion, the availability of iconic views and consentability under the Resource Management Act.

ACCOMMODATION CAPACITY

As an international resort destination, Queenstown has a wide range of accommodation available, from five star luxury hotels to motels, apartments, budget accommodation and holiday parks.

Outside of seasonal peaks, the hotel, motel and apartment accommodation sectors experience periods of under-utilisation, especially in the shoulder and off-seasons, and there is currently significant available commercial accommodation capacity.

Current forecasts of future visitor numbers indicate that this excess capacity will not be absorbed for several years, and that over the short to medium term, with proper management, the accommodation inventory will be sufficient to accommodate the requirements of a new purpose-built conference centre of the size indicated. From an economic perspective, the accommodation providers need this business, in order to be able to lift yields and maintain the financial sustainability of their businesses.

AIRPORT CAPACITY

Queenstown Airport would be the primary point of access for the majority of prospective conference delegates, especially from Australia.

The airport company already has in hand a significant programme of expansion and upgrading of its existing capacity, designed to enable it to make maximum use of its consented operating hours and increase its passenger throughput.

Working with its investor partner, Auckland International Airport, its current initiatives include looking at ways to increase trans-Tasman seat capacities, target higher-yielding travellers and the potential for new routes. Both companies consider that the introduction of new conference facilities would be a significant asset to their development plans.

The airlines servicing Queenstown would in turn respond to the new opportunities now being created, with the introduction of additional flight services and more aircraft as the demand develops.

ACTIVITY AND FINANCIAL OPERATING PROJECTIONS

It is rare for conference centres to be financially self-sustaining, and it is considered that such a facility in Queenstown would be no different in that regard.

Our projections indicate that the centre could expect to break even in terms of cashflow in Year 3, and that by Year 5 it could be generating in excess of \$9.6 million in direct revenue, with a cashflow surplus (before provision for asset replacements) in the order of \$400,000. These figures exclude any provision for debt servicing or repayment.

The justification for such an investment therefore depends in large measure on the additional economic activity and downstream benefits it would generate for the wider Queenstown Lakes economy.

INDICATIVE ECONOMIC IMPACT

The projections on which our economic impact estimate is based assume that all conference activity hosted at the conference centre will be net 'new' business for Queenstown (ie: not conference activity achieved or won at the expense of existing conference facilities, with any transferred activity being replaced by other new overall activity stimulated by the additional overall capacity).

The total direct expenditure from visitors in the Queenstown economy generated in relation to the additional events held at the new conference centre is estimated to average \$26.4 million (excluding Goods and Services Tax ("GST")) per year over the first five years.

While the wider Queenstown business community will be the major direct beneficiary of this additional economic activity, local, regional and central government would also stand to gain significant benefits through increases in the size of the workforce, additional local authority rates paid and central government taxation revenue earned.

FUNDING: PUBLIC FUNDING AND INVESTMENT

Our operating projections indicate that the facility will not generate sufficient cashflow to provide either a significant return on capital invested, or repayment of debt.

Even if the proposed conference centre is built on publicly owned land, it will require funding predominantly, but not necessarily exclusively, from public sector sources.

Because development of the conference centre is partly in the interests of the private sector, it is equitable that private sector interests should contribute towards the capital cost of the centre.

There are a range of possible options for private sector involvement, including direct investment contributions, public / private partnerships, in-house versus outsourced

management services, contributions to fit-out, sale of naming rights or similar commercial arrangements, and philanthropic donations from the community.

CONCLUSION

There is a good overall business case for a new conference centre. There is sufficient capacity to support the projected increase in activity that a new centre would generate, over and above any increase in demand that the current forecasts of future growth in visitor numbers might indicate.

However, given the relatively high capital cost of the proposed facility, the modest direct cash returns it would generate, but the significant wider economic impact it will generate, the funding to build the facility will require a broad element of risk-sharing.

The majority of funding will need to come from public sector stakeholders on behalf of the wider communities they represent.

1. INTRODUCTION

Queenstown Lakes District Council (“QLDC”) has formed the Queenstown Conference Centre Working Party (“Working Party”) to investigate the feasibility of developing a purpose-built conference centre in Queenstown.

Horwath HTL Limited and WHK Queenstown have been engaged to prepare this feasibility study for the proposed facility, with assistance from WT Partnership.

1.1 KEY OBJECTIVES OF THE STUDY

The key objectives of this Feasibility Study are as follows:

- to research where Queenstown’s competitive advantage lies in the international business events market
- summarise the need / business case for a new purpose-built conference centre for Queenstown
- confirm the maximum desired ‘target’ conference size for the facility – without compromises involved (ie: is it 1,000–1,200 delegates, or some other target range?)
- research the potential market demand for a conference centre of this size
- identify the desired ‘no compromise’ facility requirements in terms of Gross Floor Area (“GFA”), ie: size of plenary meeting space, exhibition hall / networking hub, banquet space, break-out meeting rooms, pre-function / crush space, kitchen / storage / back-of-house space, ancillary space (eg: media rooms, conference organiser offices, administration offices, etc)
- identify Information and Communication Technology (“ICT”) and other technical requirements for the conference centre
- estimate the capital cost of the facility (exclusive of land)
- identify alternative funding models and management options
- provide indicative five year operating projections and net operational cashflow projections for the venue
- provide an estimate of incremental economic impact for the region (ie: incremental visitors and ‘new’ expenditure generated for the region, identification of other intangible benefits)
- summarise the case for public funding / investment in the facility
- assess the risks of the project
- summarise other requirements that have to happen if the conference centre is to be a success (eg: other infrastructure required in Queenstown to support increased convention activity)

- identify key site selection criteria against which Expressions of Interest / alternative sites can be evaluated.

Given the preliminary nature of the concept at this stage, including in relation to the timing, size and overall quality of the facility (prior to detailed consultation with potential funders), this study is indicative in nature, and subject to further revision / review when the concept plans and funding model are finalised.

1.2 OUR APPROACH

We have undertaken the following key tasks to meet the objectives of the study:

- review of relevant work already undertaken in relation to a proposed conference centre for Queenstown
- review of existing available research regarding conference demand in New Zealand and the need for / opportunity for new conference facilities
- desk-based review of comparable facilities in New Zealand, Australia and elsewhere in order to identify key competitive requirements for a conference centre in Queenstown
- review of recent trends in the 'Business Events' industry in New Zealand, Australia and elsewhere, including planned expansion of infrastructure / facilities
- interviews with key conference and exhibition stakeholder representatives, including:
 - Conventions and Incentives New Zealand ("CINZ")
 - Queenstown Convention Bureau / Destination Queenstown
 - leading New Zealand Professional Conference Organisers ("PCOs")
 - leading Queenstown hotel owners / operators
- a web-based survey of the Queenstown business community via the Queenstown Chamber of Commerce database
- identification of critical success factors for a competitive and commercially successful 'right sized' conference centre
- identification of the potential for staged development (ie: expansion of facilities as demand requires) vs up-front 'future proof' requirement
- a workshop with the Working Party
- preparation of a draft report for discussion with you
- finalisation of the report based on feedback from the Working Party.

1.3 EXCLUSION OF SCOPE

Our scope of work did not include:

- detailed independent primary market research / interviews, except to the extent indicated here
- preparation of concept designs, plans, sections, elevations, perspective sketches or a detailed design report
- detailed verification of information or representations provided by third parties
- evaluation or comment regarding potential sites
- a detailed physical feasibility study or other detailed report, other than to the extent indicated in the report.

1.4 DISCLAIMERS

Horwath HTL, WHK and WT Partnership's work is based on certain assumptions, estimates and other information provided to us and based on our knowledge of the industry. Some assumptions and forward looking statements inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis may vary from those described in our report and the variations may be material.

This report is intended for the use of Queenstown Lakes District Council and the Working Party, and not for inclusion in a private offering, prospectus or public offering for equity and / or debt raising purposes or other reasons. Neither the report nor its contents, nor any reference to our firms may be included or quoted in any offer document, prospectus, valuation or other document without our prior written consent. We also reserve the right to (i) review any document for consistency with our report, where there is a reference to our report, or inclusion of any part, and (ii) suggest amendments to your document.

2. THE PROPOSED CONFERENCE CENTRE

2.1 STAKEHOLDER OBJECTIVES

The key objective of the Working Party is to achieve the development of an international standard purpose-built conference centre which draws additional visitors to Queenstown from throughout New Zealand, Australia and further afield, especially during the off-peak and shoulder leisure visitor seasons (May–June and September–October).

The rationale for the facility is to generate improved economic and financial performance outcomes for the visitor industry and related / downstream businesses of the Queenstown Lakes District. This will involve better utilisation of a significant proportion of the visitor infrastructure in Queenstown (eg: the airport, all or most of the hotels, the upmarket serviced apartments and motels, transport providers, food and beverage suppliers, and tourism activity and attraction operators).

2.2 PREVIOUS RESEARCH (APRIL 2007)

In 2004, the Council engaged Horwath HTL Limited (“HHTL”, then called Horwath Asia Pacific Limited) to evaluate the business case for a conference and community meeting facility to be located on a site in central Queenstown, bounded by Gorge Road, Stanley and Beetham Streets, and to produce indicative financial projections and an economic impact analysis.

In 2007, HHTL was requested to update the report and analysis undertaken in 2004 and to include 5 year projections commencing January 2011.

Relevant key findings from HHTL’s research in 2007 are summarised as follows:

- the ‘drawing power’ of Queenstown was strong enough to mean that conference organisers should be willing to accept greater facility compromises than they would elsewhere in New Zealand as long as workable solutions existed and the necessary capacity was provided
- an optimal target conference size was likely to be between 400 and 600 delegates; this conference size was considered appropriate given Queenstown’s airport and accommodation infrastructure and would ensure Queenstown’s capability to cater to the vast majority of conferences held in Australia and New Zealand
- Australia represented a significant conventions and incentives market for Queenstown; access to Queenstown in respect of the Australian market was being assisted by Air New Zealand’s recent introduction of its second direct weekly flight to Sydney; the ‘desirable’ image of Queenstown is

important to many Australian corporates and Queenstown offers a conference destination that is not available in Australia

- Queenstown is a premier tourism destination and has a wide range of supporting facilities, including an abundance of attractions for pre- and post-conference activities; feedback from PCOs indicated that this was a key demand driver in attracting association conferences to Queenstown; general industry feedback indicated that conferences held in Queenstown tended to have better delegate numbers purely because of the destination appeal
- feedback from PCOs suggested that, although conferences of 200–300 delegates could be catered for at the Rydges and Millennium hotels, the facilities were constrained in relation to low ceiling heights, lack of pillar-free space, and lack of supporting facilities, particularly in respect of exhibition space, break-out meeting facilities, and pre-function space
- the Queenstown Events Centre was expensive to convert for conference and banquet use and was effectively prohibitive for many potential conference clients
- adequate flat-floor space of approximately 1,000m² would be important and highly desirable to allow a full conference potential up to approximately 700 delegates to be realised, and capture more banquet business in-house
- in-house banqueting capability (and sufficient capacity) would be critical to ensure a competitive conference facility, and therefore a finishing kitchen would need to be incorporated.

Key views expressed by hotel operators included:

- the hotels were very supportive of the concept; without such facilities, in recent years Queenstown was becoming less competitive with other centres with better conference and meeting facilities (eg: Rotorua); however there was some divergence of opinion between the hoteliers (as could be expected) with those existing hotels with larger meeting facilities tending to be more cautious about the potential for such a civic facility to impact on their business; other hotels with smaller facilities took the view that such a facility would ‘grow the market’ to the benefit of everyone
- in the hoteliers’ experience, conference and meeting facilities, whilst being an important addition to Queenstown, would still not achieve high levels of utilisation from conference activity alone on an annual basis – there would still be ‘down time’, at least in the initial years; this would lead to higher costs, with overheads to be shared with other users of the facilities
- the hoteliers had a view that the target conference size should be clearly larger than the existing conferences currently attracted to / hosted in Queenstown; the suggestion was that the target conference size should be in the range of 750–1,000 delegates; smaller conferences would compete to some extent with some existing properties, and larger conferences would be greater than the accommodation capacity and other

infrastructure in Queenstown could adequately cope with in the medium term – especially in the peak accommodation and visitor demand months of November and February

- full production kitchen facilities should be provided at the centre (rather than just a finishing kitchen)
- hoteliers would welcome involvement / partnership in the convention centre's sales and marketing planning and initiatives; a key concern was ensuring that major conferences were diverted away from the peak demand months of November and February
- they also suggested sales and marketing co-ordination between Destination Queenstown / Convention Bureau, the proposed convention centre and hotels – and suggested a 'Convention and Incentives' board be established which hotels would be pleased to participate in or lead.

The report looked at Queenstown's existing and projected hotel room inventory and occupancy.

Research published by CINZ at the time indicated that the traditional peak months for conference activity in New Zealand were from July to November. In most New Zealand centres, this largely correlates with the low season hotel demand. In the case of Queenstown, however, hotel availability is impacted by ski-related demand, resulting in market-wide occupancy rates of 60%–70% in the months of July to September.

It was therefore considered that over these three months there was the greatest likelihood of hotel capacity constraints impacting on potential conference business.

However, research also indicated that there were at least 9,700 room nights unsold in major hotels in Queenstown in the months of July to September in 2006, which would have provided sufficient spare capacity to host at least two 500 delegate conferences in each of these months.

The report therefore concluded that, overall, hotel room availability would be not a limiting factor on conference activity.

We were also requested to specifically consider operational constraints at Queenstown Airport and assess the potential for any constraints to impact on Queenstown's potential as a conference destination.

In summary, our findings were that we did not believe the airport's operational constraints would impact on Queenstown's conference potential in the medium term. The airport was already able to cater for aircraft with up to 145 passengers, and as most large conferences would have delegates arriving from a wide range of locations over a period of several days to undertake pre- and post-conference activities, the airport should be able to adequately cater for conferences of up to 700 delegates without any problems.

We did however note that large incentive groups of a similar size could be problematic. This was because these large groups would usually be travelling from the same place to Queenstown (rather than from a variety of locations). Airline schedules and capacity constraints meant that incentive groups often needed to be broken into smaller groups, an issue which is common to any regional centre in New Zealand (outside of Auckland, Wellington and Christchurch), and not therefore specific to, or caused by, Queenstown Airport.

In this report, we have reviewed and updated the hotel capacity statistics and related analysis. We have also updated our assessment of the capacity of Queenstown Airport for the improvements that have occurred there since 2007.

2.3 FUNCTIONS OF THE PROPOSED CONFERENCE CENTRE

The proposed Queenstown Conference Centre will need to function as an effective, flexible and multi-purpose venue, and meet exhibition, networking, banquet and break-out meeting room requirements for single and multi-day conferences without significant compromises. The venue should have the ability to host at least two smaller events concurrently (for example, two or three separate but concurrent meetings of 200–300 people in different rooms).

Given New Zealand's 100% Pure marketing brand strategy and the sensitivity of the Queenstown environment, a new conference centre will provide the opportunity to create an international-standard facility that reflects modern trends in environmental sustainability, which could become a showcase for the national conference industry.

The facility should be able to host:

- single day and multi-day conferences and meetings with a commensurate and comfortable capacity in terms of plenary space, break-out rooms, exhibition / networking space and banqueting capacity
- functions and special events (eg: cocktail parties, weddings, etc)
- stand-alone banquets / themed incentive events
- concerts / entertainment events
- graduation ceremonies
- civic and 'town hall' style meetings and events
- public and trade exhibitions
- local community events
- other special events or special functions associated with special events.

2.4 'BEST PRACTICE' FACILITY REQUIREMENTS

Our recommendations on the size and scope of the proposed conference centre are partly based on international 'best practice' specifications for purpose-built conference venues published by IAPCO in February 2008.

The IAPCO Guide on planning a conference centre describes the spaces required for an international-standard facility, identifies the key design criteria and provides suggestions on the different management requirements of these spaces. The Guide is very detailed, but notes that it is not intended to be prescriptive, and allowances need to be made for specific locations, local building codes and regulations, etc.

A summary of the specifications is included as Appendix A.

We have assumed that the proposed conference centre will meet all (or effectively all) of these criteria without significant compromises. This would make the new conference centre distinctive within New Zealand compared with all existing venues, which generally tend to be compromised, in that while designed predominantly for one purpose, they attempt to function effectively for a wide variety of other purposes.

2.5 ASSUMED CONFERENCE CENTRE SIZE AND CAPITAL COST ESTIMATE

WT Partnership has provided capital cost estimates for the proposed conference centre, based upon an assumed maximum capacity of 750–800 delegates, and designed to the IAPCO 'best practice' specifications.

The 750–800 delegate target for maximum conference size is based on our detailed market analysis summarised in Section 3. This excludes accompanying persons. The accompanying person ratio could increase the total maximum size of some conference-related events (eg: cocktail functions, banquets) to 1,000–1,200 attendees.

2.5.1 ASSUMED CONFERENCE CENTRE SPECIFICATIONS AND SIZE

The capital cost estimate is based upon an assumed building GFA 'footprint' of 5,335m² for the conference centre itself, and a further 7,250m² of external site area, itemised as shown in Table 2.1 below.

The capital cost estimate assumes a single-level 5,335m² building structure with a floor-to-roof height of 6 metres. The 6 metre height compares to the following existing conference hall heights in New Zealand:

- SKYCITY Convention Centre – New Zealand Room (level 5) 5.0m
- SKYCITY Convention Centre – Auckland Room (level 4) 4.0m
- Langham Hotel – Great Room 4.3m.

The former Christchurch Convention Centre had a ceiling height of 8.0m.

Table 2.1 Summary of recommended building size and assumed site area

	m ²	m ²
Building GFA footprint		
Plenary Hall	750	
Exhibition Hall	1,500	
Breakout rooms	900	
Foyers	750	
Back of house, catering and service areas	1,435	
Total building GFA footprint		5,335
External areas		
Parking - 100 cars	3,000	
Service yard	1,250	
Access roads and footpaths	2,500	
Planting and landscaping	500	
Total external areas		7,250
Total site area		12,585

(Source: WT Partnership)

A more detailed schedule of the recommended space requirements is included in Appendix B.

The building footprint, and therefore the overall required site size, could potentially be reduced by up to 50% (approximately 2,500m²) by building over two levels, to a total height of approximately 10–12 metres or more.

However this would result in an overall increase in capital cost as a result of a suspended floor, increased acoustic treatment between floors, and required vertical circulation (ie: escalators, lifts and stairwells), reduced by savings from a smaller foundation slab and roof structure.

If on-site car-parking was not required, the external area requirement could also be reduced, by 3,000m². Likewise, any reduction in the size or requirement for the service yard, access roads, footpaths, planting and landscaping could also reduce the overall site requirement.

2.5.2 COMPARISON WITH MAJOR AUSTRALIAN VENUES

In Australia, there are major purpose-built conference and exhibition centres in Melbourne, Sydney, Brisbane and Adelaide.

Table 2.2 below shows the total usable floor areas in each of these centres, divided between meeting space and dedicated exhibition space, excluding 'back-of-house' areas.

Table 2.2 Australian venues: usable floor area (GFA)

Venue	Meeting Space - m ²	Exhibition Space - m ²	Total Usable GFA - m ²
Brisbane	9,883	20,000	29,883
Sydney Convention & Exhibition Centre	12,929	25,000	37,929
Melbourne Convention & Exhibition Centre	23,077	30,000	53,077
Adelaide (meeting space includes exhibition space)	11,075		11,075

(Source: Horwath HTL, venue websites)

The Sydney Convention and Exhibition Centre has recently announced plans for further expansion, to take its exhibition space up to 40,000m², a plenary capacity of 10,000 delegates and a sporting / theatre / concert capacity for up to 12,000 people.

2.5.3 COMPARISON WITH NEW ZEALAND VENUES

By comparison with Australia, New Zealand's conference centres are of a much smaller scale and are not purpose-built. New Zealand also typically has separately located trade and public exhibition facilities, rather than having large combined conference and exhibition centres.

In New Zealand, most conference centres involve a degree of compromise (often high) in terms of the extent to which they meet the 'best practice' criteria of the IAPCO specifications noted in Section 2.4.

Table 2.3 lists the major non-hotel purpose-built conference venues in New Zealand. We have not separated out the meeting space from the total usable area, other than for Auckland's Viaduct Events Centre.

As in Table 2.2, the GFA excludes 'back-of-house' areas. Four of these venues have associated theatres on-site.

Table 2.3 New Zealand venues: usable floor area (GFA)

Venue	Meeting Space - m ²	Exhibition Space - m ²	Total Usable GFA - m ²
SkyCity Auckland Convention Centre		1,050	5,347 *
Auckland Convention Centre The Edge		1,100	5,200 *
Viaduct Events Centre	1,244	2,245	3,488
Rotorua Convention Centre		278	1,734 *
Rotorua Energy Events Centre		1,453	8,255
Great Lake Centre		596	700 *
Wellington Convention Centre		700	5,336
Dunedin Centre		340	1,770

*excludes theatre

(Source: Horwath HTL, venue websites)

2.5.4 CAPITAL COST ESTIMATE

Table 2.4 summarises WT Partnership's capital cost estimate, which allows for two years of construction cost increases from the date of the estimate (June 2012).

A detailed analysis of the WT Partnership \$43.7 million cost estimate is included in Appendix B.

Table 2.4 Indicative capital cost (\$000s)

Construction	30,500
Fixtures, Fittings and Equipment	5,150
Sub-total	35,650
Professional fees @ 13%	4,635
Consents @ 2.5%	891
Network User Charges	400
Project Contingency @ 5%	2,124
Total development cost, incl. 2 years cost escalation	43,700

(Source: WT Partnership)

The following items / expenses are not included in WT Partnership's cost estimates:

- G S T
- cost escalations further than two years
- iconic building enhancements
- finance costs
- land costs including compensation
- stand-by generator
- escalations from the date of these estimates
- uniforms and general operator's consumables
- specific land constraints including major excavations, demolitions, tree removal etc.

Included in the WT Partnership cost estimate is provision for Information and Communications Technology and audio-visual technology, based partly on the IAPCO 'best practice' guide detailed above.

The requirement for broadband capacity is likely to be high, given the need to provide high-speed access for video-conferencing, web-casting, high-definition resolution and greater use of graphics, audio and visual downloads, plus current-day expectations of on-site high speed internet access for all delegates, including wi-fi.

2.6 KEY SELECTION CRITERIA FOR CONFERENCE CENTRE SITE

There are a number of key factors that contribute to the success of a conference centre, and the following have been identified as a result of discussion with a range of industry stakeholders, including PCOs.

- relative proximity to a critical mass of appropriate standard hotel accommodation, due to the convenience this provides to both organisers and attendees
- the size of the site in relation to the usable floor areas of the venue, as this may impact on the number of levels required and the extent of any compromise that may ultimately be required, in terms of variation from the IAPCO ‘best practice’ design specifications
- a site large enough to provide car-parking facilities, if such parking is not already provided for nearby, along with the GFA requirement of the building itself
- potential for future expansion (ie: ‘future proofing’ the site)
- ease of access and circulation space for coaches, taxis, etc, and direct access for deliveries, including truck access to the exhibition floor
- proximity to public transport for those delegates who wish to use it
- potential synergies with adjacent facilities and infrastructure (existing and potential future)
- the potential for the conference centre to enjoy the ‘iconic’ views for which Queenstown is renowned
- relative ease of access to external entertainment / retail / food and beverage facilities
- the ability to incorporate unique ‘iconic’ design features to reflect the conference centre’s location in Queenstown and set it apart from its competitors
- the impact of tenure and location on potential funding sources (eg: any public Private Partnership (“PPP”) potential)
- a building bulk and design at the location that would be consentable under the Resource Management Act.

2.7 SURVEY OF QUEENSTOWN BUSINESS COMMUNITY

A web-based survey of the Queenstown business community was undertaken with the co-operation of the Queenstown Chamber of Commerce, who distributed the survey to their database for us.

The survey comprised a series of 34 questions that covered the existing conference facilities, current and potential future demand, infrastructure requirements, ownership, funding and governance structures for any future facilities.

250 responses were received, predominantly strongly supporting a new purpose-built conference centre, with considerable support for a PPP funding structure.

A full summary of the full survey results and responses is included in Appendix E.

The overwhelming majority of respondents believed that Queenstown could host larger conferences very well if a purpose-built facility is available.

The survey indicates a very positive view of Queenstown as a uniquely beautiful and popular destination with a wide range of activities and attractions well suited to the needs of the conference and incentive travel industry.

87% of respondents thought that Queenstown is an excellent destination for incentive travel and that developing a new conference centre would significantly improve Queenstown's competitiveness in this market, which was noted as having grown nationally over the past ten years.

Many respondents expressed the view that a large conference centre would be a great boost for Queenstown and many business people and residents would benefit from the longer visitor stays and the increased visitor expenditure. One respondent described a large conference centre as the single greatest initiative that could be advanced in order to lift the local economy.

It was also noted that, with the recent demise of the Christchurch Convention Centre, a current opportunity exists for Queenstown to step up and meet some of this demand.

It was noted by several respondents that the existing Events Centre (and associated marquee, when used) is inappropriate for consideration with respect to conferences or exhibitions as it is basically a community sports venue.

Some respondents were detailed in their comments on the nature of the facility. It was noted by several respondents that it must be large enough to hold 1,000–1,200 delegates, be state of the art, flexible in its layout and be built according to 'green' principles of sustainability. These size / scale comments may reflect local media commentary.

Respondents listed functionality, such as plenty of usable break-out space, expansive flat areas for exhibitions and the possibility of holding theatrical and entertainment events there, so as to maximize its use between conferences. Several respondents said that it was important to 'build it for the future', not just for present demand.

More than 84% believed that Queenstown is losing potential visitors because current facilities are inadequate for existing and future conference, exhibition and incentive travel demand. With respect to future demand, 92% thought that the existing conference facilities are inadequate.

Three quarters of those surveyed thought that there currently exists an adequate range of facilities for small to medium conferences, but when asked about expanding them to cater for larger groups, nearly 64% thought that this is not preferable to building new / additional facilities. Nearly a quarter of respondents were neutral on the matter.

Two thirds of respondents thought that the current accommodation supply, considering the levels of occupancy, will cater for future demand. 65% thought that Queenstown is well supplied with hotels and other commercial accommodation and won't need any more if a conference centre is developed. A small proportion (14%) thought that additional accommodation at the premium end of the market might be required, but 50% disagreed.

Some respondents were unsure about the ability of the airport to cope with increased traffic but comments related mostly to the terminal. Nearly half thought that the airport infrastructure and facilities are appropriate for the foreseeable needs of the visitor industry, including potential conference growth demand. 30% disagreed with this.

Others stated that the development of the airport has positioned Queenstown well in order to support increased visitors travelling by air. A third didn't think that the airport will need to handle larger planes and longer-haul aircraft.

Views on the funding of a new conference facility were varied, with 73% stating that private funding should be sought and over 60% also saying that ratepayers should contribute. There was a general view, supported by detailed comments, that a PPP would be a suitable model.

Funding to some extent by local government was thought to be a reasonable expectation by 83% of respondents. More than 62% also thought that it was reasonable for business ratepayers to pay a higher / additional rate compared with residential / domestic ratepayers.

Several comments centred on the view that, if left to the private sector, a conference centre would probably not be developed, as it would not be commercially feasible.

Participants in the survey were asked if those in the Wakatipu ward should be rated proportionally more than other Queenstown Lakes District ratepayers. 40% were neutral about the question but 30% disagreed with the remaining 30% agreeing that this was reasonable.

Half of the survey respondents thought that ratepayer funding should not be contingent on central government funding. Some indicated that they understand that the Government had indicated \$10 million of central government funding is available.

73% felt that private sector funding partnerships would be acceptable even if the private sector partner was subsequently found to be in a favourable position by contrast with other operators.

Nearly 75% thought that existing hotel operators in Queenstown should be eligible to tender for the right to provide catering services at a new conference centre. 16% were neutral on the matter and 10% disagreed. As for managing the new centre, 45% thought that existing hotel operators should also be eligible to tender but a third of respondents neither agreed nor disagreed. Some respondents commented very negatively about the suggestion that a hotel company might manage the conference centre, on the basis that it should be managed on an 'independent' or neutral basis.

The governance of a new facility drew varied responses. The view of 80% was that any governance board should have representatives of both public and private sector funders. Nearly half of respondents thought that it should be managed by a publicly owned entity unless the funding was primarily from private sources. Some respondents noted that managing a conference centre was not necessarily a core competency expected in a local government organization.

On the question of staging the development in order to gauge and reflect demand, and thereby reduce the initial cost, 44% disagreed that staging might be preferable. A significant 23% appeared indifferent on the matter but a third of respondents thought staging ought to be considered in order to reduce initial cost and demonstrate demand. Slightly more thought that it was not preferable to stage the project even though the up-front cost is higher. A similar number (29%) were indifferent.

3. NEW ZEALAND CONFERENCE MARKET AND EVENT VENUES

The proposed Queenstown Conference Centre will compete nationally for business and other events. Its competitive success will be significantly assisted by the location attributes of Queenstown and the Southern Lakes, the venue's 'best practice' design attributes compared to competing venues in other locations, the effectiveness of its marketing, and the quality and relevant experience of its management.

This section identifies and analyses the main competing locations and venues.

3.1 SUPPLY OF MAJOR NON-HOTEL CONFERENCE VENUES

New Zealand has a variety of non-hotel conference venues in terms of size, age, fit-out, configuration, flexibility and location. The larger venues with more capacity are located in the larger cities and main resort destinations. These typically have better support infrastructure (eg: international / regional airport, higher accommodation capacity, etc).

Table 3.1 summarises New Zealand's leading non-hotel conference venues located in the four main centres and leading resort locations with which the proposed conference centre is most likely to compete¹.

Table 3.1 Non-hotel conference venues – Main centres and leading resort destinations

City	Venue	Theatre-style capacity ¹ (pax)	Banquet-style capacity (pax)	No. of break-out rooms ²	Largest Exhibition/ Banquet Flat floor space ³ (m ²)
Auckland	SkyCity Auckland Convention Centre	1,500	1,200 ** ⁷	17	1,050
Auckland	Auckland Convention Centre The Edge®	2,160 *	650 ***	19	1,100
Auckland	Viaduct Events Centre	1,050	1,170	8	2,245
Rotorua	Rotorua Convention Centre	800	700 **	6	278
Rotorua	Rotorua Energy Events Centre	4,000	2,600 **	8	1,453
Taupo	Great Lake Centre	650 *	400 ⁶	4	596
Wellington	Wellington Convention Centre	3,743 ⁴	1,400 **	15	700 ⁵
Dunedin	Dunedin Centre	2,268 *	600 **	6	340

¹ Largest plenary / auditorium space (largely or totally pillar-free)

² Break-out spaces does not include the largest plenary room and hallways / foyers

³ Floor space on one level / space, *other than* plenary / auditorium space (may not be pillar-free)

⁴ Space as TSB Bank Arena – largest auditorium capacity is 2,210 at Michael Fowler Centre

⁵ Wellington Town Hall

⁶ Same space as largest plenary room and largest exhibition / banquet floor space

⁷ No allowance for stage, dance floor, etc.

* Tiered auditorium-style seating

** Same space as largest plenary room

*** Same space as largest exhibition / banquet floor space

(Source: venue websites, CINZ, Horwath HTL)

The former Christchurch Convention Centre and Town Hall complex had a theatre-style capacity of 2,584 seats and banquet-style capacity of 1,350 seats. Its largest

¹ The most significant venue in other centres (ie: excluding the four main centres and leading resort destinations) is the Claudelands Events Centre in Hamilton which is a new purpose-built flexible multi-purpose venue suitable for hosting medium scale conferences. Its main constraint is a shortage of conveniently located hotel capacity for medium and larger scale multi-day conferences.

flat-floor space was 1,864m². It is expected that the replacement conference centre will be significantly larger and more flexible than the previous facility.

3.1.1 SKYCITY CONVENTION CENTRE, AUCKLAND

The existing SKYCITY Convention Centre has two levels dedicated to conferences, conventions, meetings, exhibitions and banquets with a total space available of 5,370m². The New Zealand Room is the main room, measures 1,300m², and is free of structural columns. The room can be broken down into four break-out rooms including a foyer. The SKYCITY Convention Centre is adjacent to the SKYCITY Grand Hotel, SKYCITY Hotel and SKYCITY Auckland entertainment complex including multiple restaurants and bars, Sky Tower, casino and SKYCITY Theatre.

The SKYCITY Convention Centre is currently New Zealand's single most complete conference and exhibition centre. Its main deficiency is that, for the largest conferences (eg: over 1,000 delegates), it is short of conveniently located breakout meeting room space and its plenary and exhibition / networking spaces are on different levels.

3.1.2 AUCKLAND CONVENTION CENTRE AT THE EDGE

The Auckland Convention Centre is part of the Aotea Centre, the main component of which is the ASB Theatre. This venue, combined with the nearby Civic Theatre and the Auckland Town Hall (linked together by Aotea Square) are managed (along with several other venues in Auckland) by Regional Facilities Auckland.

The ASB Theatre (currently with 2,160 seats) has recently been substantially refurbished, although its previous capability of classroom-style seating in the stalls area has been removed. The Aotea Centre's convention wing (2,020m²) provides the ability to run up to ten concurrent break-out sessions in conjunction with the ASB Theatre. This includes using the upper and lower NZI floors and the 'Limelight' area which can be converted into smaller break-out rooms. The Aotea Centre can provide over 3,300m² of exhibition space, although this is located over four levels of foyer space.

The Civic Theatre is a heritage atmospheric lyric theatre which seats 2,378 people over two tiered levels.

The Great Hall of the Auckland Town Hall has a 16 metre high ceiling with fine acoustics reputed to be amongst the best in the world. The venue seats 1,500 people and is the city's premier venue for fine music and orchestral performances. The Great Hall has a banquet capacity for 460 people.

The main disadvantage is that all of the venues are designed and are currently operated principally as arts and cultural venues, and only the NZI levels of the Aotea Centre are dedicated meeting facilities. The main exhibition / networking space (the ASB Theatre foyers) are on several levels and also provide access to the ASB Theatre for cultural events.

3.1.3 VIADUCT EVENTS CENTRE, AUCKLAND

The Viaduct Events Centre, also managed by Regional Facilities Auckland, is the newest addition to Auckland's waterfront. It is located on Halsey Street Wharf, overlooking the Viaduct Harbour, home to New Zealand's former America's Cup challenger bases, and now a thriving marine centre.

The site is a component of the re-development of the Wynyard Quarter, and faces the new Te Wero pedestrian bridge, providing direct access to the Central Business District ("CBD").

The 6,000m² facility provides a range of exhibition, meeting and hospitality spaces.

Built over three levels, it has over 2,200m² of event space at ground level, 466m² on Level 2, with a further 778m² on Level 3. With service doors 10m high and 8m wide, it can handle large exhibits and products, and its heavy-duty service lifts enable large loads to be carried to the upper levels.

The development plans for the precinct include an adjacent site proposed for a future 5 star hotel.

While the Viaduct Events Centre is currently being promoted heavily for conferences, it is not a purpose-designed conference venue, and is designed principally as a venue for stand-alone exhibitions, trade shows and banquets.

3.1.4 ROTORUA CONVENTION CENTRE

The Rotorua Convention Centre is located near the centre of Rotorua's business district. The venue, which has been developed around the original Civic Theatre and Concert Chamber, has been reconfigured for hosting small and medium sized conferences, exhibitions and tradeshows. It includes the 'Banquet Room' which can seat up to 800 delegates theatre-style, a 350 seat concert chamber and a 686 seat auditorium. It has capacity constraints and compromises for hosting conferences of over approximately 400 delegates.

3.1.5 ROTORUA ENERGY EVENTS CENTRE

The Energy Events Centre is a flexible multi-purpose complex designed predominantly for indoor sports but which is also suitable for small to large scale banquets, tradeshows, conferences and meetings. The total floor space of 8,255m² can stage exhibitions or tradeshows with up to 500 booths.

The Energy Events Centre's largest flat-floor area measures 3,567m². The venue is located within walking distance of the Rotorua Convention Centre.

Its principal uses are for indoor sports and stand-alone tradeshows and exhibitions rather than multi-day conferences, and is a considerable distance to walk from the majority of hotel rooms.

3.1.6 GREAT LAKE CENTRE, TAUPO

The Great Lake Centre in Taupo is a purpose-built versatile venue that can cater for a range of events from corporate and sporting events to cultural and theatrical performances. The venue features a 358 tiered seated theatre, a 596m² exhibition area and three small meeting rooms which can function as additional dressing rooms with bathrooms in close proximity.

The venue's capability for multi-day conferences is constrained by a shortage of break-out meeting rooms and exhibition / banqueting space for medium-sized and larger conferences.

3.1.7 WELLINGTON CONVENTION CENTRE

The Wellington Convention Centre incorporates the modern Michael Fowler Centre and historic Wellington Town Hall and is adjoined by Civic Square. The nearby TSB Bank Arena is also managed by 'Positively Wellington Venues' and is a short walk from the other venues. The Arena is Wellington's largest indoor space and can cater for up to 3,743 delegates seated theatre-style. The Michael Fowler Centre is one of New Zealand's premier concert halls and can also be utilised for conference plenary sessions. The Wellington Town Hall is suitable for events such as dinners, conference exhibitions and concerts.

Structural improvements to the complex are currently planned to improve its earthquake-resistance. This will result in the closure of the Town Hall for up to three years, but will not result in any change in the overall capacity.

A 'temporary' re-fit of the TSB Arena and adjacent Shed 6 have recently been approved, to provide alternative venue space during the period of the Town Hall's closure.

While the venues collectively perform reasonably well in hosting medium-sized conferences, it is compromised in hosting conferences of 500 delegates and above by a relative shortage of conveniently-located breakout meeting rooms and large-scale exhibition space.

3.1.8 DUNEDIN CENTRE

The Dunedin Centre is located at the heart of Dunedin's cultural and business district. The complex features eight venues including the 2,800 seat Dunedin Town Hall. The Dunedin Centre has the capacity to cater for small to large scale events including seminars, banquets, conferences, concerts and other social events.

In November 2008, the Dunedin City Council approved a \$45 million major redevelopment and upgrade of the Dunedin Centre and Dunedin Town Hall. The work is scheduled for completion in 2013. The redevelopment will improve the functionality of the Dunedin Centre in particular for hosting small and medium size

conferences, and make the venue more competitive in this market, but the overall venue will still be constrained in hosting conferences of 400 delegates and above.

3.1.9 CONCLUSION: MAJOR NON-HOTEL CONFERENCE FACILITIES

Most of the major non-hotel conference venues in the main centres and leading resort locations in New Zealand are multi-purpose venues that cater for a wide variety of events.

Most of these venues have deficiencies and compromises as identified, especially for hosting larger conferences (eg: over 500 delegates) with associated exhibition and banqueting requirements.

For example, the banquet space is either the same space as the plenary hall or the largest exhibition area. This makes it difficult to cater for larger scale conferences that utilise the venue's maximum theatre-style capacity and concurrently require an exhibition hall and hosting a banquet dinner in the evening.

The venues that are designed to be more flexible (with the ability to be converted to suit different events and mainly consist of flat-floor space) may have sight and acoustic restrictions and therefore be less suitable for fine music and orchestral performances. On the other hand, they often also have the ability to host popular concerts and sport events.

3.2 THE INTERNATIONAL BUSINESS EVENTS MARKET IN AUSTRALIA AND NZ

The International Congress and Convention Association ("ICCA") publishes annual reports on the scale of the international conference and convention markets.

Since 1972 its research department has assembled information on 'International Association Meetings'.

The ICCA Association Database is designed to assist the marketing information needs of suppliers in the international meeting business. 'International Association Meetings' (or what we refer to here as 'ICCA Association conferences') are defined as ones that meet the following criteria:

- are attended by at least 50 participants
- are organised on a regular basis (one-time events are not included, and first-time events are only included if the future rotation is known)
- move between at least three different countries

ICCA's published reports provide full country and city rankings based on these criteria, and as at the end of 2011, Australia ranked 16th and New Zealand 48th in terms of world-wide country rankings.

Table 3.2 below illustrates the share of this international Association meeting market achieved by Australian and New Zealand venues.

Table 3.2 Australasian share of ICCA Association conferences

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
World-wide meetings	5,279	6,115	6,321	7,563	7,854	8,583	9,077	9,649	9,283	9,170	10,119
Australia	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Melbourne	35	34	44	40	52	52	40	45	35	49	62
Sydney	57	59	51	44	57	58	71	72	62	102	57
Brisbane	24	15	17	36	15	23	22	21	27	24	24
Perth	19	19	19	19	19	19	23	12	12	18	16
Adelaide	14	15	9	12	8	18	13	17	9	8	12
Cairns	7	12	12	14	17	13	20	12	18	13	11
Gold Coast	2	7	3	6	9	5	14	9	11	13	6
Other	7	10	18	17	10	19	16	20	9	12	16
Total	165	171	173	188	187	207	219	208	183	239	204
Australia % of world market	3.1%	2.8%	2.7%	2.5%	2.4%	2.4%	2.4%	2.2%	2.0%	2.6%	2.0%
New Zealand	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Auckland	15	6	11	15	16	16	11	22	13	8	22
Wellington	4	5	2	9	6	5	4	10	7	8	7
Christchurch						7	8	8	7		
Other	18	11	22	19	9	9	15	9	4	13	15
Total	37	22	35	43	31	37	38	49	31	29	44
NZ % of world market	0.7%	0.4%	0.6%	0.6%	0.4%	0.4%	0.4%	0.5%	0.3%	0.3%	0.4%

*2011 report subject to final confirmation

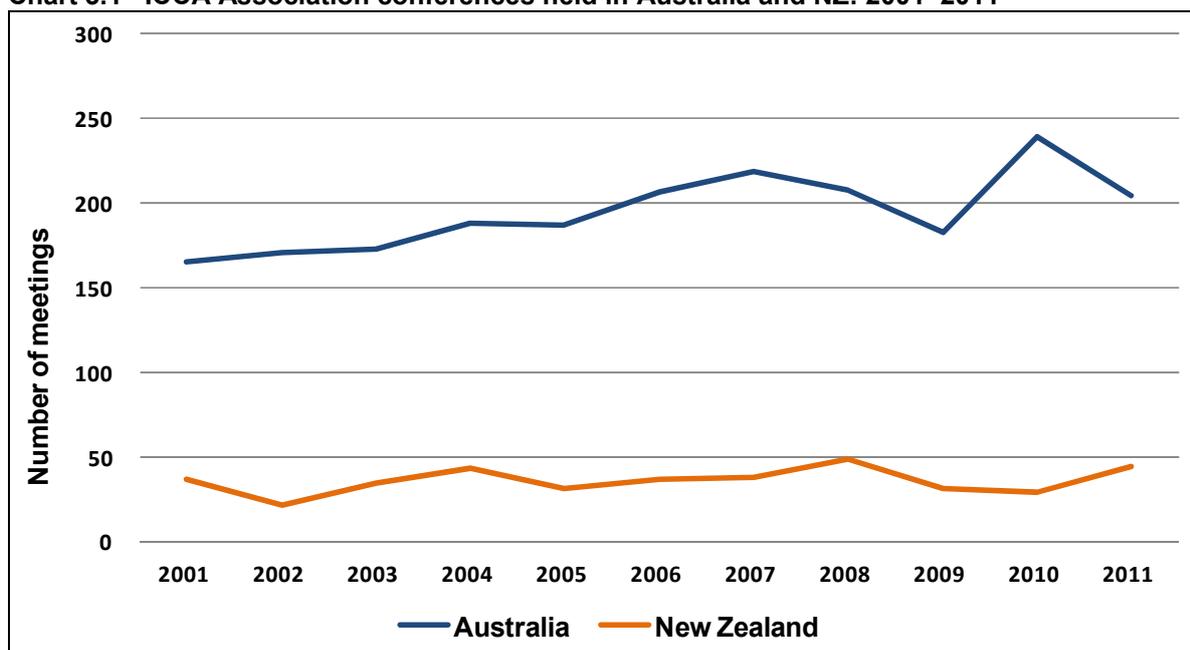
(Source: ICCA Statistics reports 2001-2011)

The table shows that New Zealand's share of the global ICCA Association conferences market, currently at around 0.4% of the world total, is on average less than one-fifth of the size of the Australian market.

However, given the relatively large scale and significant number of major international convention centres available in Australia, it can also be argued that New Zealand 'punches above its weight' as a destination for such conferences by comparison with Australia.

It is possible that, in 2012, the ongoing impact of the loss of the Christchurch Convention Centre will become further apparent in the New Zealand data.

Chart 3.1 compares the relative number of ICCA Association conferences hosted by Australia and New Zealand between 2001 and 2011.

Chart 3.1 ICCA Association conferences held in Australia and NZ: 2001–2011


(Source: ICCA Statistics Reports 2001- 2011)

3.3 NEW ZEALAND CONFERENCE ACTIVITY

Overall ‘business events’ activity in New Zealand is measured by the Convention Activity Survey (“CAS”) undertaken by Covec Ltd and published by the former Ministry of Economic Development (“MED”) (now part of the Ministry of Business, Innovation and Employment).

The survey covers ten main (but not all) regions in New Zealand and therefore covers probably approximately 80% of total conference activity in New Zealand.

The following tables from the 2011 CAS give an indication of the total size of the national business events industry.

Table 3.3 summarises all business events, delegate numbers and ‘delegate days’ (which take into account the number of events, their average size and duration).

This is also itemised into single day events and multi-day events.

Table 3.3 Summary of business events held in 2011: 10 CAS regions

Summary	Single Day	Multi Day	Total
Events	22,792	6,941	29,734
Delegates	1,841,252	840,600	2,681,852
Delegate Days	1,841,252	1,624,892	3,466,144

(Source: CAS – MED / Covec)

3.3.1 REGIONAL DISTRIBUTION: ALL EVENT TYPES

The events (the first row of Table 3.3) were distributed across the 10 CAS regions centres as summarised in Table 3.4.

Table 3.4 Business events hosted by region in 2011: 10 CAS regions

CAS Region	Single Day	Multi Day	Total	Regional Share		
				Single Day	Multi Day	Total
Auckland	7,841	2,456	10,297	34%	35%	35%
Rotorua	1,489	496	1,985	7%	7%	7%
Taupo	884	359	1,242	4%	5%	4%
Hawke's Bay	1,994	234	2,228	9%	3%	7%
Manawatu	1,691	360	2,050	7%	5%	7%
Wellington	4,408	1,663	6,070	19%	24%	20%
Nelson	667	181	849	3%	3%	3%
Canterbury	2,222	526	2,748	10%	8%	9%
Queenstown	548	467	1,015	2%	7%	3%
Dunedin	1,049	200	1,250	5%	3%	4%
All CAS Regions	22,792	6,941	29,734	100%	100%	100%

(Source: CAS – MED / Covec)

These figures indicate that Queenstown attracted about 3% of the total events hosted in the 10 CAS regions in 2011.

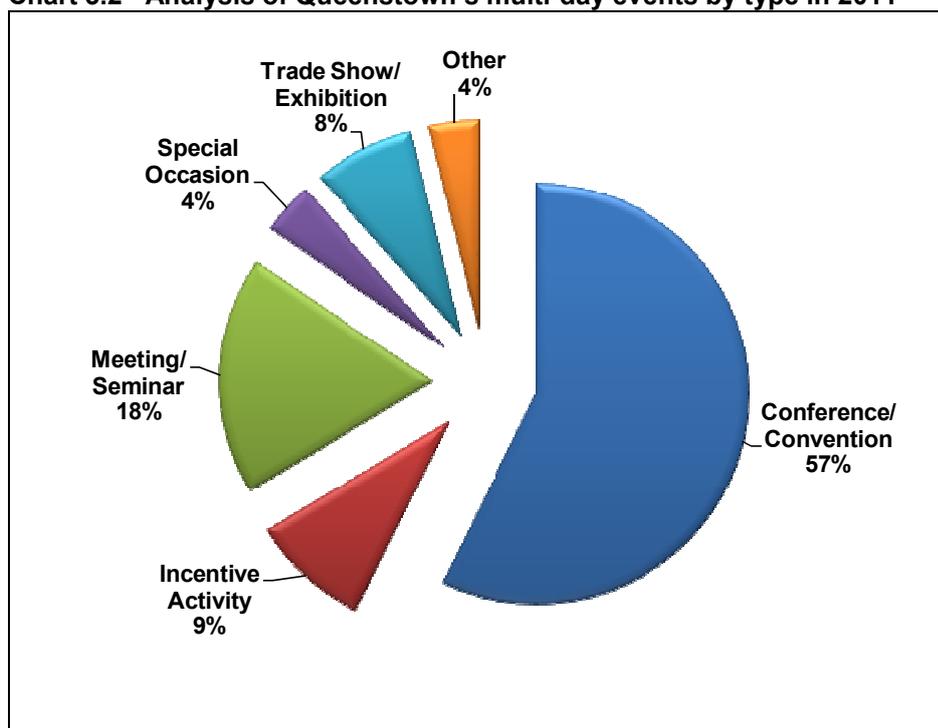
Nationally, these events are analysed into the following categories of activity by type of event, as summarised in Table 3.5.

Table 3.5 Events by event type in 2011: 10 CAS regions

Event Type	Single Day	Multi Day	Total	Share		
				Single Day	Multi Day	Total
Conference/Convention	1,329	2,120	3,449	6%	31%	12%
Incentive Activity	350	128	478	2%	2%	2%
Meeting/Seminar	15,000	3,860	18,860	66%	56%	63%
Special Occasion	4,748	302	5,050	21%	4%	17%
Trade Show/Exhibition	410	230	640	2%	3%	2%
Other	955	302	1,257	4%	4%	4%
Total	22,792	6,941	29,734	100%	100%	100%

(Source: CAS – MED / Covec)

An analysis of Queenstown's 467 multi-day events by type in 2011 is shown in Chart 3.2.

Chart 3.2 Analysis of Queenstown's multi-day events by type in 2011


(Source: CAS – MED / Covec)

In terms of total delegates, Queenstown's share, as shown in Table 3.6, was only 2% of the total for the 10 CAS regions.

Table 3.6 Regional distribution of event delegates in 2011: 10 CAS regions

CAS Region	Single Day	Multi Day	Total	Regional Share		
				Single Day	Multi Day	Total
Auckland	801,450	394,524	1,195,974	44%	47%	45%
Rotorua	103,641	70,572	174,213	6%	8%	6%
Taupo	42,291	18,820	61,111	2%	2%	2%
Hawke's Bay	109,316	15,861	125,178	6%	2%	5%
Manawatu	104,035	79,849	183,884	6%	9%	7%
Wellington	456,855	166,685	623,540	25%	20%	23%
Nelson	38,724	34,368	73,091	2%	4%	3%
Canterbury	94,881	16,840	111,721	5%	2%	4%
Queenstown	30,806	33,135	63,941	2%	4%	2%
Dunedin	59,253	9,946	69,200	3%	1%	3%
All CAS Regions	1,841,252	840,600	2,681,852	100%	100%	100%

(Source: CAS – MED / Covec)

Table 3.7 shows the number of delegate days.

In terms of the total number of delegate days, Table 3.7 shows that Queenstown captured around 2% of the single-day event market, 6% of the multi-day event market, and 4% of the overall market.

Table 3.7 Regional distribution of delegate days in 2011: 10 CAS regions

CAS Region	Single Day	Multi Day	Total	Regional Share		
				Single Day	Multi Day	Total
Auckland	801,450	701,889	1,503,340	44%	43%	43%
Rotorua	103,641	182,348	285,989	6%	11%	8%
Taupo	42,291	46,942	89,232	2%	3%	3%
Hawke's Bay	109,316	33,200	142,516	6%	2%	4%
Manawatu	104,035	99,488	203,523	6%	6%	6%
Wellington	456,855	330,841	787,696	25%	20%	23%
Nelson	38,724	54,102	92,826	2%	3%	3%
Canterbury	94,881	52,619	147,499	5%	3%	4%
Queenstown	30,806	95,812	126,619	2%	6%	4%
Dunedin	59,253	27,652	86,905	3%	2%	3%
All CAS Regions	1,841,252	1,624,892	3,466,144	100%	100%	100%

(Source: CAS – MED / Covec)

The analysis of these delegate days by type of event is shown in Table 3.8.

Table 3.8 Delegate days by type of event in 2011: 10 CAS regions

Event Type	Single Day	Multi Day	Total	Share		
				Single Day	Multi Day	Total
Conference/Convention	122,566	715,800	838,366	7%	44%	24%
Incentive Activity	22,891	15,309	38,200	1%	1%	1%
Meeting/Seminar	846,042	318,336	1,164,378	46%	20%	34%
Special Occasion	662,361	134,777	797,138	36%	8%	23%
Trade Show/Exhibition	109,864	386,837	496,701	6%	24%	14%
Other	77,529	53,833	131,361	4%	3%	4%
Total	1,841,252	1,624,892	3,466,144	100%	100%	100%

(Source: CAS – MED / Covec)

3.3.3 REGIONAL DISTRIBUTION: MULTI-DAY CONFERENCES

The 2,120 multi-day conference events held in the 10 CAS regions, as shown in Table 3.4, are further analysed by size of event (number of delegates and delegate days) as shown in Table 3.9.

Table 3.9 Multi-day conference size by number of delegates in 2011: 10 CAS regions

Summary	<=100	101-250	251-500	501+	Total
Events	1,476	453	144	47	2,120
Delegates	62,332	72,828	50,292	46,069	231,522
Delegate Days	168,458	214,020	151,207	182,115	715,800

(Source: CAS – MED / Covec)

The regional breakdown of these multi-day conference events is shown in Table 3.10. This indicates that 74% of all multi-day conference events were hosted in Auckland, Rotorua, Wellington and Queenstown, with Queenstown capturing 9% of the total of the 10 CAS regions.

While Wellington hosted the largest number of multi-day conferences, Auckland is dominant in terms of the size of multi-day conferences held in New Zealand. This reflects:

- the dominance of multi-day corporate conferences over association conferences, supported by Auckland's position as New Zealand's leading commercial centre
- the dominance of major hotels, and hotel conference facilities in Auckland (eg: The Langham, Pullman, Stamford Plaza, Rendezvous Grand and Hilton hotels)
- the opening of the SKYCITY Auckland Convention Centre in 2003.

Table 3.10 Multi-day conferences by size (number of delegates) and region in 2011

CAS Region	<=100	101-250	251-500	501+	Total	Share
Auckland	334	117	62	22	535	25%
Rotorua	182	69	32	14	297	14%
Taupo	112	25	4	0	142	7%
Hawke's Bay	26	16	4	0	46	2%
Manawatu	127	16	1	1	145	7%
Wellington	392	116	37	8	553	26%
Nelson	50	14	2	0	67	3%
Canterbury	84	9	0	0	92	4%
Queenstown	134	58	0	1	193	9%
Dunedin	34	14	1	0	49	2%
All CAS Regions	1,476	453	144	47	2,120	100%

(Source: CAS – MED / Covec)

Table 3.10 shows that 69% of Queenstown's multi-day conferences were for less than 100 delegates and 30% were between 101 and 250 delegates.

In terms of the total number of delegate days spent at multi-day conferences in the 10 CAS regions, 84% were in Auckland, Rotorua, Wellington and Queenstown, as detailed in Table 3.11.

Table 3.11 Multi-day conference delegate days by size and region in 2011

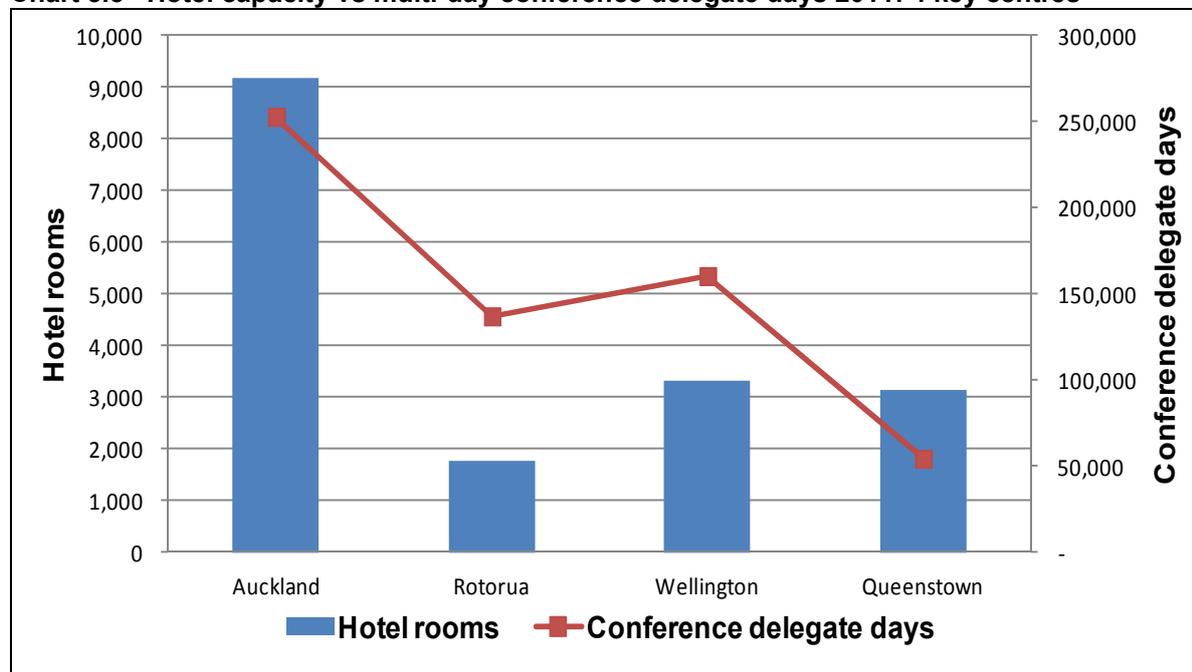
CAS Region	Conference Size (number of delegates)				Total	Share
	<=100	101-250	251-500	501+		
Auckland	34,736	49,776	58,262	110,320	253,094	35%
Rotorua	24,676	36,172	35,064	41,443	137,356	19%
Taupo	11,542	10,010	3,876		25,427	4%
Hawke's Bay	3,939	8,209	4,589		16,738	2%
Manawatu	8,320	6,332	1,110	2,188	17,950	3%
Wellington	41,375	49,848	44,671	24,863	160,757	22%
Nelson	7,109	9,027	2,135		18,270	3%
Canterbury	10,806	5,992			16,798	2%
Queenstown	20,613	30,935		3,300	54,848	8%
Dunedin	5,342	7,720	1,500		14,562	2%
All CAS Regions	168,458	214,020	151,207	182,115	715,800	100%

(Source: CAS – MED / Covec)

Rotorua, with nearly 1,800 hotel rooms, hosted 137,000 multi-day conference delegate days in 2011, whereas Queenstown, with over 3,100 hotel rooms, hosted 54,800 delegate days.

As Chart 3.3 demonstrates, despite having 75% more hotel rooms than Rotorua, Queenstown hosted only 40% of the multi-day conference delegate days.

Chart 3.3 Hotel capacity vs multi-day conference delegate days 2011: 4 key centres



(Source: CAM Statistics, CAS – MED / Covec)

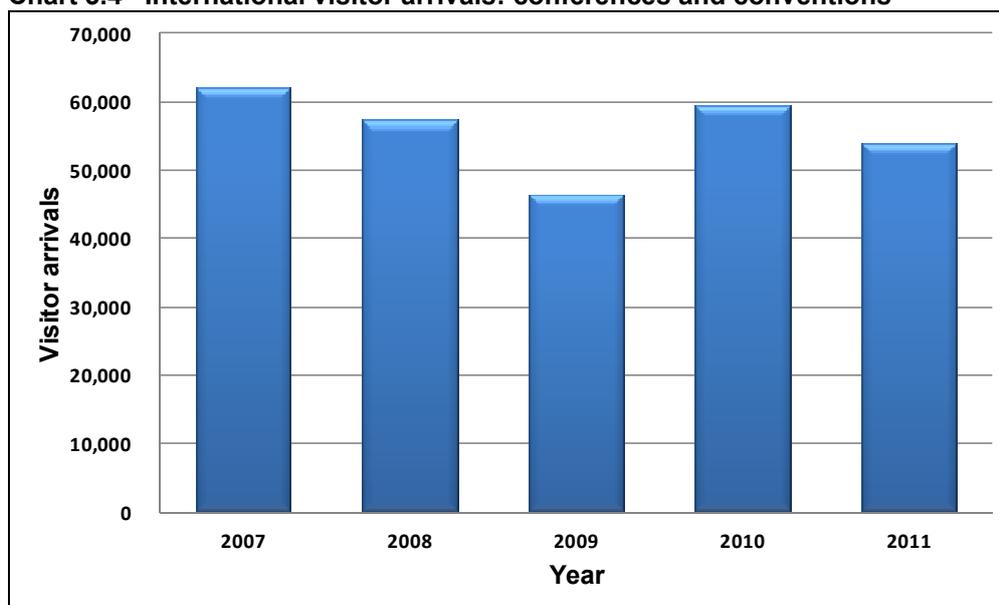
However, in the smaller multi-day conference sizes of up to 250 delegates, Rotorua, with 61,000 delegate days, was only 18% ahead of Queenstown, at nearly 51,500 delegate days.

It can be concluded that Queenstown's share of the multi-day conference market is not constrained by the availability of hotel rooms, as the total number of multi-day conferences that both Rotorua and Queenstown hosted were quite similar, Rotorua with 496 and Queenstown with 467.

3.3.4 ORIGIN OF BUSINESS EVENT DELEGATES

The number of international visitors to New Zealand who indicate (on their arrival cards) that their main purpose of visit is to attend a conference has varied over the last five years.

Chart 3.4 shows that, according to the International Visitor Arrivals ("IVA") data, published by Statistics New Zealand ("Statistics NZ"), the current numbers have yet to recover to 2007 levels, which had been a peak year, preceded by several years of solid growth.

Chart 3.4 International visitor arrivals: conferences and conventions


(Source: IVA – Statistics NZ)

As previously shown in Tables 3.7 and 3.8, according to the CAS, there were 3.5 million total delegate days spent in New Zealand in 2011.

Table 3.12 shows that domestic delegate days accounted for 93% of this total. 50% of the international delegates were from Australia.

Table 3.12 Total delegate days by origin of delegate in 2011

Origin of Delegates	Single Day	Multi Day	Total	Share		
				Single Day	Multi Day	Total
Domestic	1,785,466	1,448,486	3,233,951	97%	89%	93%
Australian	19,231	96,987	116,218	1%	6%	3%
Other International	36,555	79,419	115,975	2%	5%	3%
Total	1,841,252	1,624,892	3,466,144	100%	100%	100%

(Source: CAS – MED / Covec)

Of the 1,624,892 multi-day delegate days, 715,800 were in respect of conferences and conventions. Of these, the domestic conference market accounted for 87% of all delegate days, and Australians 9% of all delegate days.

Table 3.13 shows the analysis of the origin of these delegate days by size of conference for the 10 CAS regions.

Table 3.13 Multi-day conference delegate days by origin and conference size in 2011

Origin of Delegates	Conference Size (number of delegates)				Total	Share
	<=100	101-250	251-500	501+		
Domestic	149,270	185,026	133,699	152,340	620,334	87%
Australian	13,381	21,606	12,210	15,912	63,108	9%
Other International	5,807	7,388	5,298	13,863	32,357	5%
Total	168,458	214,020	151,207	182,115	715,800	100%

(Source: CAS – MED / Covec)

In Queenstown, the breakdown is quite different, as shown in Table 3.14, with Australia accounting for 40% of multi-day conference delegate days in 2011.

Table 3.14 Origin of Queenstown multi-day conference delegate days in 2011

Origin of Delegates	Conference Size (number of delegates)				Total	Share of origin
	<=100	101-250	251-500	501+		
Domestic	11,576	16,438		3,300	31,315	57%
Australian	8,139	13,733			21,872	40%
Other International	897	764			1,661	3%
Total	20,613	30,935		3,300	54,848	100%

(Source: CAS – MED / Covec)

In 2011 the only event hosted by Queenstown in excess of 250 delegates was a domestic one. This was probably TRENZ (“Tourism Rendezvous New Zealand”), which is an international trade show, not a domestic conference, and is not typical of multi-day conference activity in Queenstown.

3.3.5 CONCLUSION

It is likely that the absence of a conference venue capable of hosting the mid-size to larger groups is the most significant factor limiting Queenstown’s share of the conference market.

The main centres of Auckland and Wellington in 2011 together captured 63% of the multiple day and 69% of the single day conference market in New Zealand. This indicates that the resort / non-main centre locations are more attractive for multiple-day conferences.

The attractive resort setting of Queenstown and its excellent air service connections with the main centres in New Zealand and Australia should give a purpose-built conference centre a competitive advantage compared to more remotely located regional centres in New Zealand.

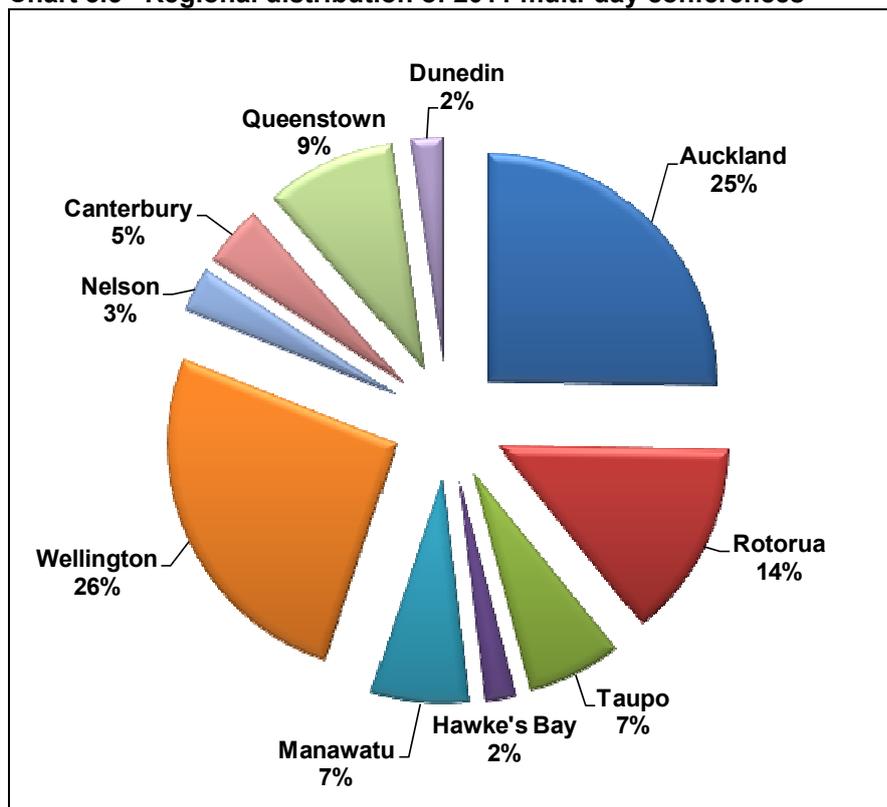
Queenstown’s performance as an international conference centre will likely depend heavily on the Australian market.

3.4 REGIONAL COMPARISON ANALYSIS: CONFERENCE ACTIVITY

In 2011, Wellington and Auckland hosted the largest number of conferences and conventions, with 51% of the market between them, followed by Rotorua, with 14%.

With the loss of the Christchurch Convention Centre and substantial reduction in hotel capacity, Canterbury was only able to capture 5% of the market, so Queenstown was ranked 4th with 9%, and Taupo 5th equal with 7%.

Chart 3.5 Regional distribution of 2011 multi-day conferences



(Source: CAS – MED / Covec)

Since the opening of the Rotorua Energy Events Centre in 2007, Rotorua's conference and convention activity has grown significantly. Between 2010 and 2011 its total delegate days rose by 16%.

At a regional level in New Zealand (as opposed to 'main centre' level), Queenstown's most direct comparative location would be Rotorua because Queenstown and Rotorua are both 'resort' destinations, both have regional airports with trans-Tasman flight services, and both destinations would be considered 'iconic' in terms of New Zealand's tourism product.

Both have a wide array of individual attractions and activities, supported by a comprehensive and well-developed tourism infrastructure. However, Queenstown has the advantage of a greater range of winter season attractions and activities to boost its visitor numbers, in contrast to Rotorua's traditional mid-winter low season.

While Rotorua has a reputation as the 'cultural heartland' in terms of showcasing Maori culture and is widely known for its geothermal activity and related attractions, Queenstown is New Zealand's leading alpine resort in summer and a major ski resort in winter.

Table 3.15 compares the relative performance of Rotorua and Queenstown between 2010 and 2011 in terms of delegate days reported in the CAS.

Table. 3.15 Rotorua vs Queenstown: Delegate days

	2010 activity		2011 activity	
	Rotorua	Queenstown	Rotorua	Queenstown
	Single Day	Single Day	Single Day	Single Day
Events	1,572	618	1,489	548
Delegates	111,838	45,024	103,641	30,806
Delegate Days	111,838	45,024	103,641	30,806
	Multi Day	Multi Day	Multi Day	Multi Day
Events	460	450	496	467
Delegates	60,872	35,085	70,572	33,135
Delegate Days	133,568	121,311	182,348	95,812
	Totals	Totals	Totals	Totals
Events	2,032	1,068	1,985	1,015
Delegates	172,710	80,109	174,213	63,941
Delegate Days	245,406	166,335	285,989	126,619

(Source: CAS – MED / Covec)

It is likely that some of Rotorua's growth has come at the expense of the South Island, as Queenstown has suffered directly from the side-effects of the Christchurch earthquakes. Queenstown's total delegate days fell by 24% between 2010 and 2011. The drop in single day delegate days (32%) fell rather more than the multi-day delegate days (6%).

Table 3.16 shows the delegate days in both centres by origin of delegate for 2010 and 2011.

Table 3.16 Rotorua vs Queenstown: Delegate days by origin of delegates

	2010 activity				2011 activity			
	Rotorua		Queenstown		Rotorua		Queenstown	
	Single Day		Single Day		Single Day		Single Day	
Domestic	105,864	95%	33,336	27%	97,812	54%	23,529	25%
Australian	1,477	1%	6,157	5%	1,880	1%	4,639	5%
Other International	4,497	4%	5,531	5%	3,949	2%	2,639	3%
Total Delegate Days	111,838	100%	45,024	37%	103,641	57%	30,806	32%
	Multi Day		Multi Day		Multi Day		Multi Day	
Domestic	128,481	96%	64,406	53%	164,248	90%	54,937	57%
Australian	2,332	2%	39,473	33%	11,009	6%	34,568	36%
Other International	2,755	2%	17,432	14%	7,091	4%	6,307	7%
Total Delegate Days	133,568	100%	121,311	100%	182,348	100%	95,812	100%
	Totals		Totals		Totals		Totals	
Domestic	234,345	95%	97,742	59%	262,061	92%	78,466	62%
Australian	3,809	2%	45,630	27%	12,889	5%	39,207	31%
Other International	7,252	3%	22,963	14%	11,039	4%	8,946	7%
Total Delegate Days	245,406	100%	166,335	100%	285,989	100%	126,619	100%

(Source: CAS – MED / Covec)

Rotorua has seen significant growth in Australian delegate days in 2011, which will have been partly driven by conferences relocated from Christchurch in 2011, and also supported by its trans-Tasman air service from Sydney.

While Queenstown's domestic delegate days were down 20%, its international delegate days were down 30%. Queenstown's figures in 2011 would have been significantly influenced by the ongoing impact of the Christchurch earthquakes, but they also demonstrate that there is sizeable room for recovery.

These figures also show that Queenstown still has considerable 'pulling power' in the international delegate sector, with Australian delegate days three times larger than Rotorua, accounting for over 31% of delegate days in 2011.

3.5 CONCLUSION

With the opening of the Rotorua Energy Events Centre in 2007, Rotorua has achieved a significant increase in the average number of conference delegates, mainly attributable to the association market.

This indicates the ability for a resort location to achieve a higher average conference size by building a larger and more suitable venue for large scale conferences.

By building the proposed conference centre on the basis conceived (ie: without significant compromise), Queenstown would greatly increase its potential to be competitive on the New Zealand conference market, and in particular in the medium to large conference segments.

4. QUEENSTOWN AIRPORT CAPACITY

Queenstown Airport is one of Australasia's fastest growing airports and is ranked as the fourth busiest of New Zealand's airports in terms of total aircraft movements.

The airport is serviced by Air New Zealand, Jetstar, Qantas and Virgin Australia, with direct international flights between Melbourne, Sydney and Brisbane, as well as from Auckland, Wellington and Christchurch (as shown in Chart 4.1).

Chart 4.1 Queenstown Airport route map



(Source: Queenstown Airport website)

The airport is one of New Zealand's busiest for scenic helicopter flights and is the base for several flight-seeing operations, including scenic flights to Milford Sound.

The airport has experienced strong growth in passenger numbers over the last three years, with increased flight frequencies on its traditional routes, an increase in seat capacity and more people choosing to fly as their preferred form of transport.

Jetstar introduced international flights in December 2011, and also increased its Auckland-Queenstown capacity by 57%. During 2011, Qantas introduced new flights and Air New Zealand also increased its seat capacity with larger aircraft and more flights. The Gold Coast has also been approved as a new route.

Through the Auckland International Airport Ltd ("AIAL") minority shareholding in Queenstown Airport Corporation, Queenstown is now gaining additional benefits from assistance provided by AIAL with commercial development, engineering and route development.

Our consultation with AIAL indicates that they see Queenstown as an opportunity to increase the yield levels on trans-Tasman services, by building on the long-haul dual-destination traffic that currently flies into Australia, and by using Queenstown as

an alternative to Auckland as the point of first entry into New Zealand, thereby cutting down on the amount of time spent by visitors on 'back-tracking'.

This is seen by AIAL as a particularly attractive option for the higher yielding Chinese and Korean markets, and can be used to lift seat loadings in the shoulder seasons, which would ultimately lead to increased flight services.

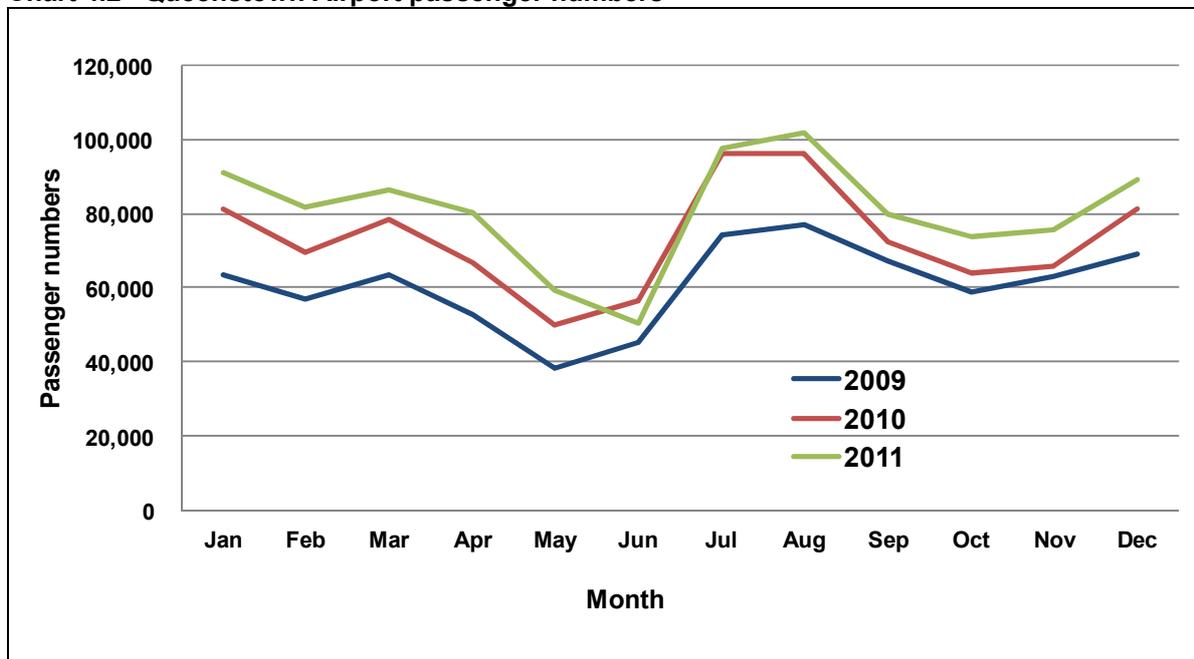
Queenstown has a relatively low population base, which does not provide the airlines much of a yield opportunity. However, its appeal as a resort destination with a range of high-value tourism product enables the airlines to obtain a yield premium on international flights.

Both airports regard the conference market as a higher yielding sector of their passenger mix, and are therefore keen to support the development of a conference centre in Queenstown.

In 2011 Queenstown Airport tripled the size of its baggage-handling facility, added new aircraft stands, extended the apron for corporate jet parking and future terminal expansion, and completed the installation of new runway lights. It also completed the Runway End Safety Area, a mandatory requirement for international flights.

Passenger numbers have grown steadily over the last three years, and are forecast to exceed one million passengers in 2012.

Chart 4.2 Queenstown Airport passenger numbers



(Source: ZQNnews Monthly Passenger Updates)

Table 4.1 Key performance statistics – Queenstown Airport

	2009	2010	2011
Aircraft landings	4,135	4,373	4,794
Passenger numbers	684,474	811,464	924,464
Aircraft seats (capacity)	919,000	1,030,000	1,176,616

(Source: Queenstown Airport Corporation annual reports 2010, 2011)

Our consultation with Air New Zealand indicates there are no payload restrictions on domestic flights out of Queenstown, but weight restrictions apply on trans-Tasman departures, which can result in reductions in aircraft seat capacities of between 6 and 21 seats, depending upon the sector.

During the peak ski season, there are further weight restrictions on the trans-Tasman sectors, due to the need to provide for additional sports baggage, which can require up to 7 further seat reductions on some international departures.

In terms of potential future increases in seat capacity, Air New Zealand's policy of serving Queenstown is very responsive, in that increases in overall demand will encourage them to increase capacity. They will continue to work around the restrictions on seat capacity and manage any directional imbalance as they do today.

Queenstown Airport has an ongoing development plan for future growth, aimed to ensure that it can always cater for anticipated peak demand. Its current expansion plans include increasing international passenger facilities, providing larger public areas, improving passenger flows, increasing total retail space and providing larger airport lounges.

The airport's consented flying hours are 6am to 10pm, but flights are presently restricted to daylight hours only. The newly installed runway lights will in due course permit greater utilisation by aircraft with the introduction of new flight schedules, as the airlines obtain approval to use the consented hours, particularly for landings. The runway lights will also help minimise flight disruptions in times of poor visibility.

The airport is planning to increase the size of the apron to allow for overnight parking of larger jet aircraft. As airlines start to make fuller use of the consented night flying hours, this will allow for later afternoon flight departures from the Australian eastern seaboard airports, greatly improving the convenience factor for outbound Australian travellers. These extended flying schedules are likely to be in operation well before any new conference facility is built.

In due course, it could be desirable for the flying hours to be further extended to take further advantage of later afternoon / early evening flights out of Australia.

The increase in night flying activity is likely to be greater in respect of incoming rather than outgoing flights, due to noise limitations and the need by both the airport and the airlines to mitigate any adverse environmental impact, hence the need for provision of overnight jet parking. This may none-the-less involve the airport having

to introduce further mitigating initiatives, such as increased soundproofing for houses in the affected flight paths, in order to ensure community support.

At this stage, there does not appear to be an affordable or practical way to extend the current runway, so aircraft sizes and routes will remain at the current levels for the time being. Larger aircraft and long-haul traffic will continue to go to Christchurch, with Invercargill and Dunedin as possible alternatives.

Queenstown Airport has good domestic and international connectivity, with ongoing plans to further develop its capacity in both its domestic and international volumes, and providing improved facilities to match expected increases in demand.

It has the potential to increase its flight capacity in the current shoulder and low months, with the only likely constraints being weekend traffic during the peak winter ski season, which, based on current flight schedules and facilities, impacts on only approximately 16 days a year.

The airport therefore does not represent a constraint in terms of infrastructure supporting a new conference centre. However, allowing late evening flight arrivals from Australian cities will provide a substantial improvement in flight connections to Queenstown for Australian conference attendees, and potentially allow an additional day (and night) in Queenstown before and / or after the conference for enjoying Queenstown's activities and attractions.

5. EXISTING QUEENSTOWN CONFERENCE MARKET

Development of increased conference demand is largely dependent on three components:

- accommodation capacity of a suitable standard
- a flexible venue with sufficient space and capacity to host larger-scale events without compromise, and to host smaller concurrent events. This includes the venue having sufficient break-out rooms, exhibition / networking space (ie: space for exhibition booths, coffee stations, computer stations, lounge area, circulation, Food and Beverage (“F&B”) services, etc) and sufficient space for banqueting all attendees and accompanying persons
- accessibility / supporting infrastructure at the location (eg: regional / international airport, road network, public transport services, etc)

5.1 CONFERENCE VENUES IN QUEENSTOWN

Queenstown offers a range of venue options, from in-house hotel facilities to stand-alone venues and other community venues, some of them designed around other activities.

In terms of size, the largest capacity is currently provided by the Queenstown Events Centre, which can handle up to 1,700 delegates theatre-style and 2,000 cocktail-style. This venue is primarily designed for sporting activities, so its use for conferences represents a significant compromise by international standards.

The largest hotel venue is the Millennium Queenstown, with a maximum capacity of 550 in cocktail or theatre-style.

We have summarised in Table 5.1 the current inventory of conference venues in Queenstown. These are split between hotel-based venues, dedicated conference centres and other community-based facilities. In terms of layout and functionality, none of these venues would meet the criteria for ‘best practice’ set out in the IAPCO specifications noted in Section 2.4.

Queenstown can adequately cater for conferences of up to 250 delegates with only limited compromises. However, there are reasonably significant constraints once a conference goes above 250 delegates. There are not many options in terms of venues that can comfortably (without compromise) cater for these larger numbers.

Queenstown’s hotel accommodation is relatively widely spread along the shores of Lake Wakatipu. For larger conferences, irrespective of the final location of a new conference centre, distance to the hotels is likely to be less an issue, given that transport will invariably be required for a considerable number of the delegates.

Table 5.1 Conference Venues in Queenstown (excluding community and school halls, etc)

	No. of rooms	Capacity					Maximum Capacity
		Banquet	Board-room	Class-room	Cocktail	Theatre	
Hotel-based Facilities							
Copthorne Hotel & Resort	3	130	25	100	250	200	250
Crowne Plaza	4	100	50	100	200	150	200
Grand Mercure Oakridge	3	350	50	100	250	250	250
Heritage Queenstown	8	160	40	150	250	200	250
Hilton Queenstown	4	130	66	48		200	240
Hotel St. Moritz	1	80	30	60	100	90	200
Kawarau Hotel	4	130	66	120	240	200	240
Kingsgate Hotel Terraces	1		30	30	100	70	100
Mercure Resort	3	100	40	70	100	100	100
Millbrook Resort	7	140	80	130	180	180	180
Millennium Queenstown	3	400	40	250	550	550	550
Novotel Queenstown Lakeside	3	32	28	60	300	150	300
Rydges Lakeland Resort	5	250	50	180	500	450	500
Sofitel Queenstown	3	32	30	24	50	48	50
Tanoa Aspen Hotel	1	50	25	40	80	60	80
The Rees Hotel	4	40	30	40	120	60	100
The Spire	1	25	12		40		
Non-hotel based Facilities							
Gibbston Valley	1	160	50		250	60	180
Moonlight Country Estate	1	350			600		600
Prime & Tatler	2	200	120	120	300	180	250
Queenstown Events Centre	2	800		800	2,000	1,700	2,000
Skyline	6	380	30	130	650	350	900
Other venues							
Queenstown Memorial Hall	4	330			740	564	
City Impact Convention Centre	4		10	100	1,110	400	

(Source: CINZ website, Horwath HTL, individual venue websites)

When it comes to flexibility and the capability of holding concurrent meetings or break-out sessions, Queenstown's existing conference facilities have a number of constraints.

5.2 QUEENSTOWN COMMERCIAL ACCOMMODATION CAPACITY

The Queenstown accommodation industry offers a variety of commercial accommodation types, with a wide range of options to suit all budgets.

The total accommodation inventory as at December 2011 for the Queenstown Regional Tourism Organisation ("RTO") area, based on the Commercial Accommodation Monitor ("CAM") report, is summarised in Table 5.2 below.

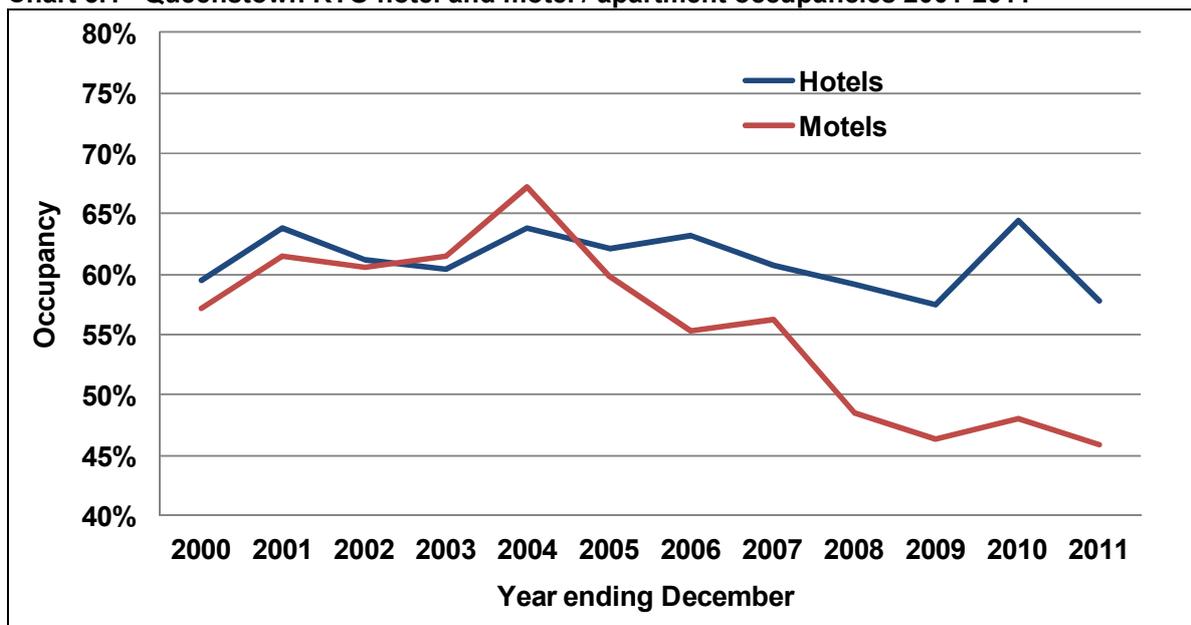
Table 5.2 Queenstown RTO accommodation inventory as at December 2011

	No. of establishments	Daily capacity
Hotels: hotels & resorts	35	3,135
Motels: motels, motor inns and apartments	52	1,136
Backpackers and hostels	20	2,111
Holiday parks (caravan parks and camping grounds)	7	1,219
	114	7,601

Daily capacity is defined for hotels and motels as the number of rooms available, for backpackers as the number of beds available and for holiday parks as the number of sites available.

(Source: CAM)

Chart 5.1 shows the average annual occupancy for each of the hotel and motel / apartment accommodation categories since 2000, sourced from the Queenstown RTO CAM statistics. The CAM defines 'hotels' as including hotels and resorts, and 'motels' as including self-catering motor inns, apartments and motels.

Chart 5.1 Queenstown RTO hotel and motel / apartment occupancies 2001-2011


(Source: CAM)

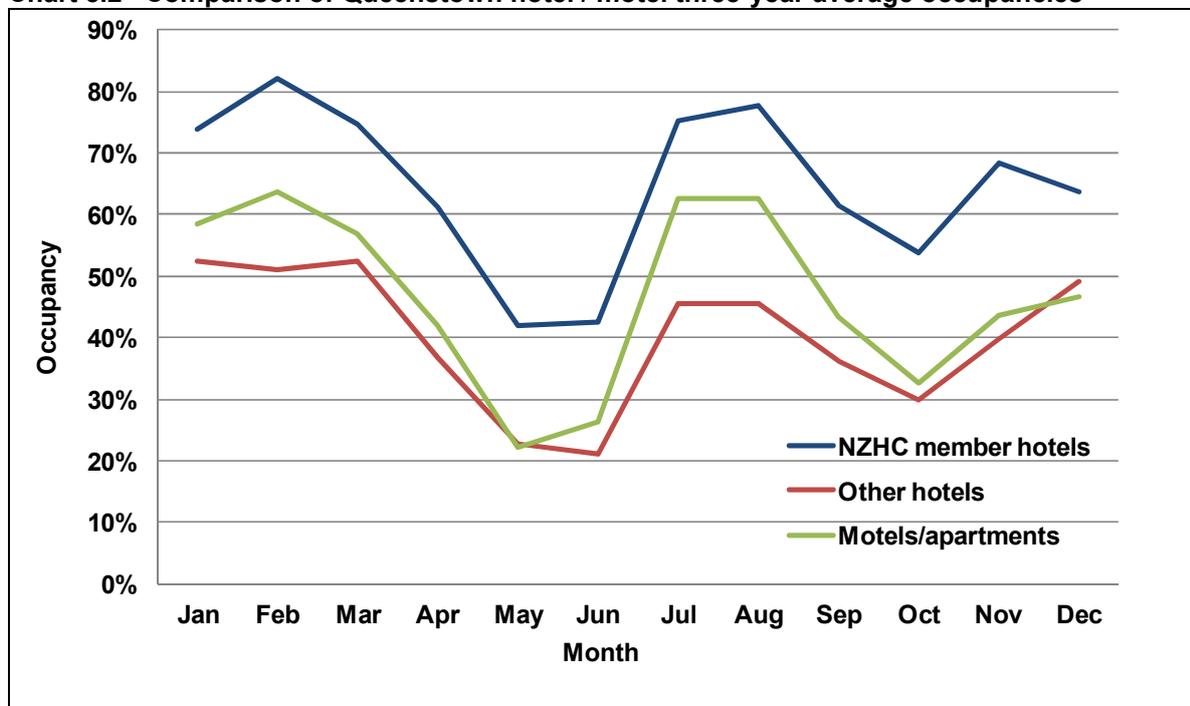
This indicates that over-capacity has been an issue over all of this period, and is becoming increasingly significant in the motel / apartment sector.

Our market enquiries indicate that the majority of the accommodation requirements of conference attendees tend to be provided by the hotel sector.

By contrast, the Free and Independent Traveller ("FIT") markets, particularly during the ski season, are higher users of the motel / apartment sector.

In periods where hotel occupancy is peaking, the motel / apartment sector will act as an effective buffer for any extra demand, especially from visitors travelling alone or in small groups.

Chart 5.2 Comparison of Queenstown hotel / motel three-year average occupancies



(Source: CAM, NZHC)

Chart 5.2 shows the 3-year average monthly fluctuations in occupancy for the hotels that are members of the former New Zealand Hotel Council² (“NZHC”), non-NZHC member hotels and the motel / apartment sector over the last three years.

The chart highlights the occupancy issues for the motel / apartment sector over April–June, which mirror those of the non-NZHC member hotels for this same period. It also illustrates the higher take-up of apartments over the winter ski season.

Given the conference and convention industry’s preference for hotel accommodation over other types, this report focuses on the hotel sector in our analysis of accommodation supply and demand.

² In 2012 NZHC merged with the Tourism Industry Association New Zealand (“TIANZ”), but for the purposes of this report, this data is referred to as NZHC data, and the hotels themselves as the major hotels in Queenstown.

5.4 HOTEL ACCOMMODATION SUPPLY IN QUEENSTOWN

Table 5.3 summarises the major hotel accommodation supply in Queenstown.

Table 5.3 Hotel Accommodation Supply in Queenstown

Queenstown's major hotels (members of the former NZHC)	Star Rating	Number of Rooms	Number of Rooms per Star rating
Goldridge Resort	3	75	75
Heartland Hotel Queenstown	3+	81	318
Mercure Resort		148	
Tanoa Aspen Hotel Queenstown		89	
Copthorne Hotel and Resort Lakefront	4	190	959
Copthorne Hotel & Apartments Queenstown, Lakeview		85	
Novotel Queenstown Lakeside		273	
Peppers Beacon Queenstown		83	
Rydges Lakeland Resort Queenstown		244	
Scenic Suites Queenstown		84	
Crowne Plaza Queenstown		4+	
Heritage Queenstown	211		
Kawarau Hotel	98		
Millennium Hotel Queenstown	220		
Hilton Queenstown	5	178	639
Hotel St Moritz		134	
Millbrook Resort & Country Club		175	
Sofitel Queenstown		82	
The Rees Hotel & Luxury Apartments		60	
The Spire Queenstown		10	
Total NZHC hotel properties		20	2,659
Non-NZHC member hotel properties		15	476
Total hotel inventory per the Commercial Accommodation Monitor		35	3,135

Inventories as at December 31st 2011

(Source: CAM, NZHC)

Chart 5.3 illustrates the geographical distribution of the major hotel accommodation supply in Queenstown.

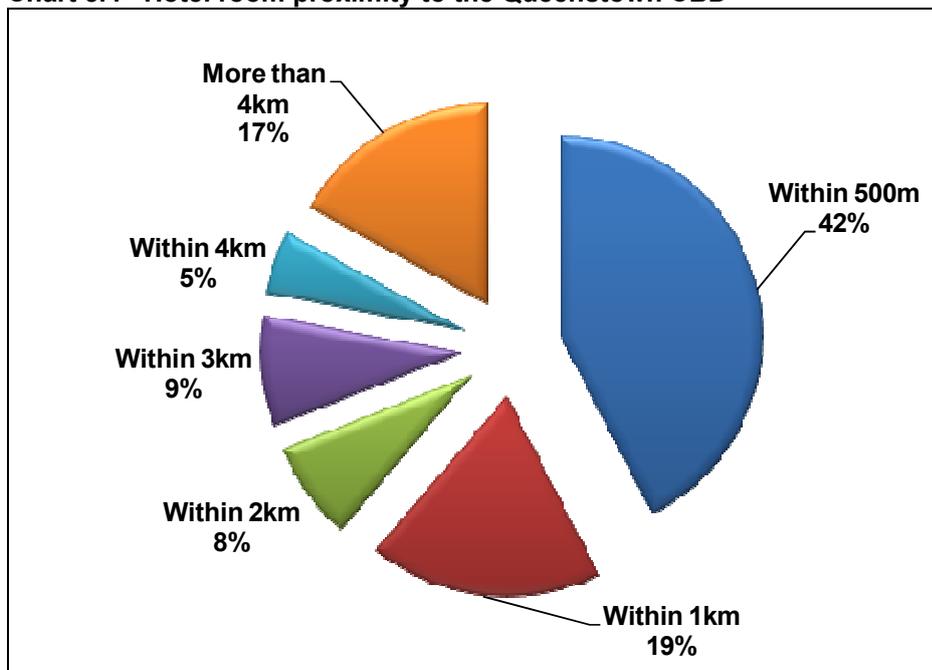
Chart 5.3 Distribution of the major hotel accommodation



(Source: Google Maps, Horwath HTL)

This distribution of accommodation in terms of distance from the CBD is shown in Chart 5.4.

Chart 5.4 Hotel room proximity to the Queenstown CBD



(Source: Queenstown maps, Horwath HTL)

5.5 QUEENSTOWN HOTEL OCCUPANCY

On an annualised basis, Queenstown's hotel occupancy over the last three years has fluctuated between 57% and 64%, as shown in Table 5.4.

Table 5.4 Occupied versus unoccupied rooms

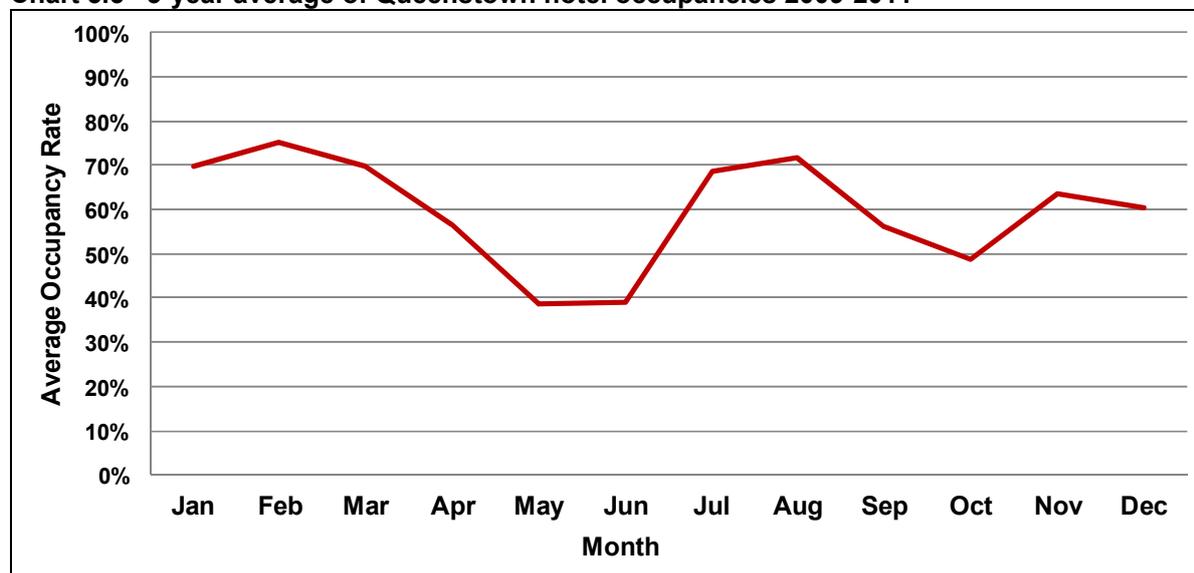
	2009	2010	2011	3-year average
Total available room nights	1,043,395	1,042,535	1,092,984	1,059,638
Occupied room nights	599,857 57%	671,781 64%	631,222 58%	634,287 60%
Unoccupied room nights	443,538 43%	370,754 36%	461,762 42%	425,351 40%
Daily equivalent number of empty 150-room hotels	8	7	8	8

(Source: CAM, Horwath HTL)

The equivalent number of empty 150-room hotels fluctuates on a monthly basis between 4 and 11 over the course of the year.

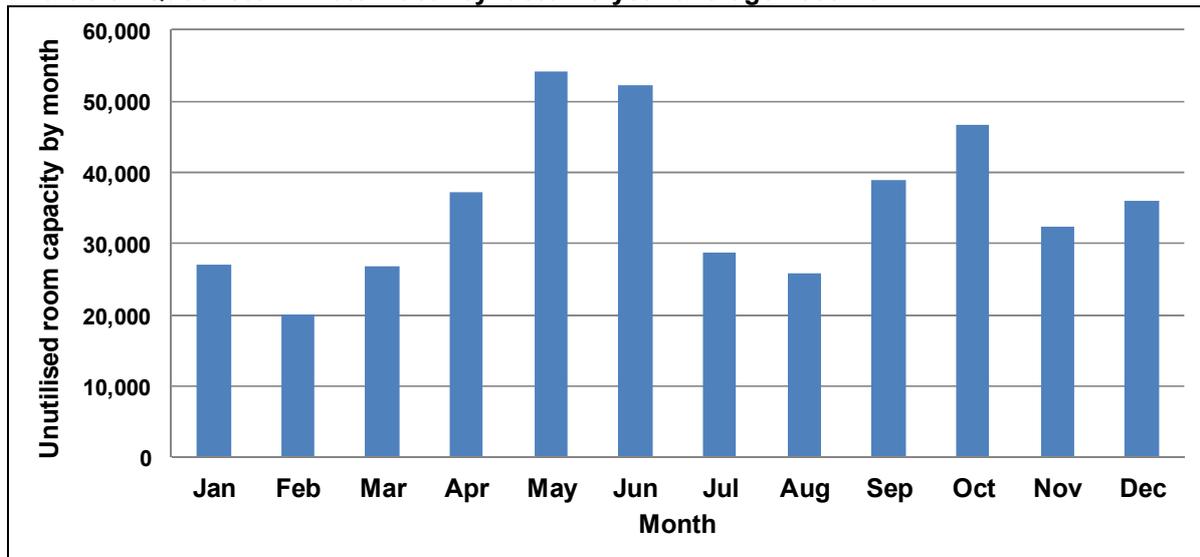
Charts 5.5 and 5.6 show the 3-year average monthly hotel occupancies in Queenstown, and inversely, the number of unoccupied hotel rooms that each month's occupancy also represents – the vacancy factor.

Chart 5.5 3-year average of Queenstown hotel occupancies 2009-2011



(Source: CAM)

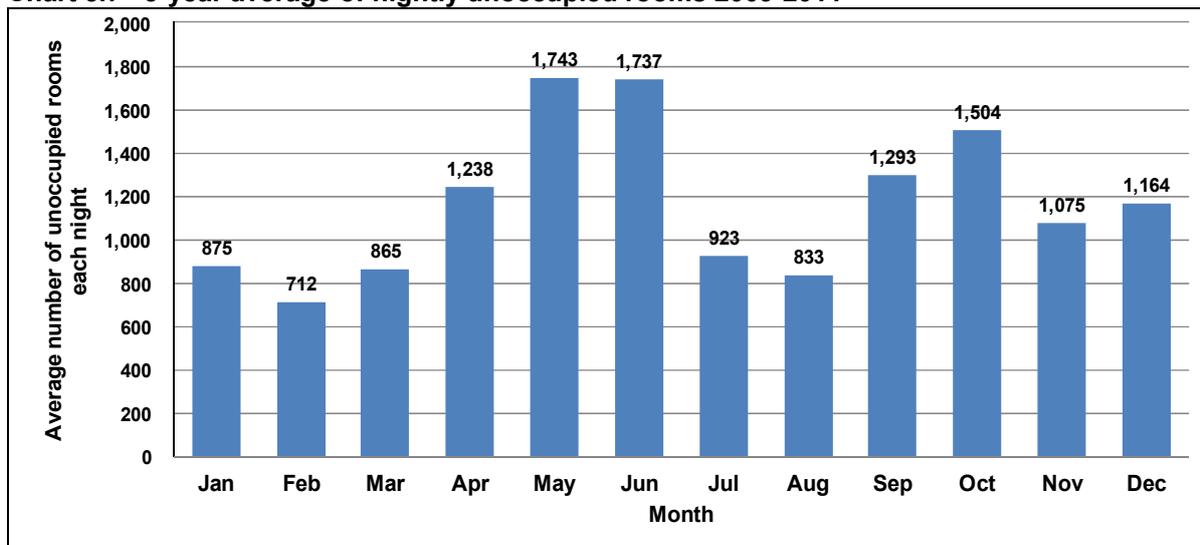
Chart 5.6 Queenstown hotel vacancy factor: 3-year average 2009-2011



(Source: CAM)

This vacancy factor can also be expressed in the form of the average number of unoccupied rooms each night of the month, as shown in Chart 5.7.

Chart 5.7 3-year average of nightly unoccupied rooms 2009-2011



(Source: CAM)

The scale of the vacancy factor would also indicate that outside the peak seasons, there is sufficient capacity to absorb the accommodation requirements of at least one 750-delegate conference each night.

5.6 CONCLUSION

Queenstown offers a variety of accommodation options ranging from three to five star hotels, motels and serviced apartments.

The current accommodation capacity is enough to meet expected future demand generated by the conference centre as this will mainly be attributable to the conference season when the existing accommodation demand is generally low with ample available accommodation.

6. RISKS AND CRITICAL SUCCESS FACTORS

6.1 RISKS AND MITIGATION

Table 6.1 summarises key risks associated with development and operation of the conference centre and how these risks could be mitigated.

Table 6.1 Risks with the proposed Queenstown Conference Centre

Risks	Mitigation
<p>Insufficient available commercial accommodation (actual or perceived)</p> <ul style="list-style-type: none"> ▪ insufficient commercial accommodation available in Queenstown ▪ available capacity split between too many accommodation providers 	<ul style="list-style-type: none"> ▪ current and forecast hotel occupancies indicate no short-term capacity problems ▪ the majority of conferences will be held during the shoulder and off-peak seasons ▪ a good mix of hotels by size and standard, offering a wide choice of accommodation options ▪ if most of the conference activity is in the low and shoulder seasons, the local transport infrastructure will be more than adequate to meet delegate transport requirements
<p>Inadequate management and marketing of the venue</p> <ul style="list-style-type: none"> ▪ poor service levels ▪ projected number of large and medium conferences not achieved ▪ possible decline in larger-scale conferences nationally over the next 10 years ▪ increased competition from new Auckland and Christchurch convention centres 	<ul style="list-style-type: none"> ▪ promotion of Queenstown as an iconic destination, with year-round activities and attractions for conference add-ons and partner programmes ▪ ensuring the entity appointed to manage the property is an appropriately experienced organisation with prior experience in managing such venues (eg: events centre, conference centre, etc) ▪ ensuring the entity appointed to market the property is an appropriately experienced organisation with prior experience in marketing such venues (eg: events centre, conference centre, etc) ▪ using the range of international hotel brands already established in Queenstown to lift the profile of the resort as a conference destination ▪ a strong focus on the Australian market ▪ building an 'uncompromised' venue
<p>Not obtaining sufficient community buy-in to public funding</p> <ul style="list-style-type: none"> ▪ public funding not politically acceptable ▪ QLDC councillors not committed to the project ▪ project losing momentum while funding model is resolved 	<ul style="list-style-type: none"> ▪ business case indicates ongoing strong positive economic impact for the accommodation sector, and the wider tourism industry and economy ▪ engaging with stakeholders at every level ▪ direct and indirect increase in contribution to QLDC rating income quantified, and central government revenues ▪ leveraging existing media / marketing relationships ▪ providing unbiased media coverage re funding and location issues ▪ leveraging existing conference market activity

(Source: Horwath HTL)

Table 6.1 Risks with the proposed Queenstown Conference Centre (continued)

Risks	Mitigation
<p>Insufficient Funding</p> <ul style="list-style-type: none"> ▪ insufficient support from stakeholders to cover capital costs (ie: approx \$43 million) ▪ insufficient provision of initial working capital 	<ul style="list-style-type: none"> ▪ establishment of a strong business case to support the project ▪ ensuring the concept provides a venue which, to the greatest extent possible, meets the objectives of local, central and regional government stakeholders (and the respective communities they represent) ▪ locally: <ul style="list-style-type: none"> – a new signature asset in the local community – emphasis on local economic spin-offs: conferences will bring additional visitors and their expenditure to Queenstown. They will utilise existing infrastructure and investment (eg: commercial accommodation, transport and other attractions) and increase supplies for local services and employment during low season when demand is not at its peak. This generates sustainable local year-round employment, and more ratepayers ▪ regionally: <ul style="list-style-type: none"> – regional downstream spin-off supporting purchase of regional goods and services – the conference centre could prioritise goods and services purchased within the region – increased employment opportunities ▪ nationally: <ul style="list-style-type: none"> – improved competitiveness on New Zealand internationally in business events market – improved national offering, supplementing and supporting the competitiveness of new international conference centres in Auckland and Christchurch – improved government revenues from increased foreign exchange earnings, increased GST, improved company taxes and increased personal income taxes

(Source: Horwath HTL)

6.2 CRITICAL SUCCESS FACTORS

We have identified the following critical success factors for the proposed conference centre:

- winning a sufficient number of medium and larger-sized conferences each year is critical if the conference centre is not going to require ongoing stakeholder subsidies
- sufficient air capacity at the time of medium and larger conferences to transport delegates who wish to fly on their preferred day to and from Queenstown at prices that are not significantly higher than 'normal' for that sector
- reaching agreement regarding commercial terms with any private sector operator which also ensures that there is sufficient public sector / community influence and control over the service standards provided by the operator

- ensuring that public sector stakeholders are prepared to commit the capital required in order to achieve the facility without significant compromises
- ensuring that the conference centre provides consistent high-quality service in order to demonstrate early success and win the projected number of conferences.

7. OPERATIONAL PROJECTIONS

Based on our analysis of the market for conferences and related business events in New Zealand and internationally, and our discussions with the industry, we have prepared activity and visitor projections for the first five years of the proposed conference centre.

Our enquiries indicate a maximum 'large' conference size of 750–800 delegates / attendees, excluding accompanying persons.

This is supported by our analysis of the infrastructure (air capacity, accommodation capacity, etc) as well as WT Partnership's cost estimates.

7.1 ACTIVITY AND UTILISATION PROJECTIONS

Table 7.1 summarises the number and mix of events the Queenstown Conference Centre is projected to host in its first five years of operation.

We have assumed that all of this activity is new or additional to Queenstown – ie: that no events will move from other existing facilities in Queenstown (or, if they do, they will be replaced by other 'new' business, meaning that existing venues do not experience a net reduction in 'existing' levels of conference activity).

We believe this is a realistic assumption because no existing venues have the scale to host the large or medium-scale events assumed, and there is significant evidence to the effect that Queenstown misses out on a substantial amount of conference activity simply because of the lack of suitable facilities.

Table 7.1 Number of events: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Large Conferences	8	9	10	10	10
Medium Conferences	10	12	14	16	17
Small Conferences	21	23	25	26	27
Large Day Meetings	8	9	10	10	10
Small Day Meetings	20	22	24	25	25
Large Trade Exhibitions	1	1	1	1	1
Small Trade Exhibitions	2	2	2	2	2
Large Banquets	11	12	13	13	13
Small Banquets	22	28	34	40	45
Concert / Entertainment	3	3	4	4	4
Indoor Sports Events	3	4	5	5	5
Sundry Events / Meetings	8	9	10	10	10
Large Public Shows	1	1	1	1	1
Small Public Shows	2	2	3	3	3
Total	120	137	156	166	173

(Source: Horwath HTL)

As shown in Table 7.1, the Centre is projected to host 156 events in the third year of operation.

The Centre is projected to attract 10 large conferences (conferences with 500–800 delegates, with an average of 625 delegates) and 14 medium-scale conferences (250–500 delegates, with an average of 375 delegates).

We have assumed that all large and medium conferences have an associated banquet. These are treated in our projections as separate events.

We have also assumed the conference centre will host three large banquets (600–1,200 attendees, with an average of 750 attendees per annum) and between 12 (in Year 1) and 28 (in Year 5) small banquets (up to 600 attendees, with an average of 250 attendees).

Most of these banquets are assumed to relate to incentive travel groups. We have assumed that existing venues will continue to host small to medium scale banquets with predominantly domestic attendees.

Other events assumed to be held at the conference centre include day meetings, trade exhibitions, concerts / entertainment events, indoor sport events, public trade shows, and other sundry meetings and events (eg: graduation ceremonies, prize-givings, etc). We have assumed however, that all of these additional events are effectively of secondary priority to multi-day conferences and incentive / banquet events. Although these events are projected to be 35% of the total events held in the conference centre in Year 5, they represent a lower proportion of event days and centre revenue.

Table 7.2 summarises the number of event days in Years 1–5.

Table 7.2 Number of event days (excluding pack-in / pack-out days): Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Large Conferences	29	32	36	36	36
Medium Conferences	33	40	46	53	56
Small Conferences	59	64	70	73	76
Large Day Meetings	8	9	10	10	10
Small Day Meetings	10	11	12	13	13
Large Trade Exhibitions	3	3	3	3	3
Small Trade Exhibitions	6	6	6	6	6
Large Banquets	11	12	13	13	13
Small Banquets	22	28	34	40	45
Concert / Entertainment	3	3	4	4	4
Sports Events	3	4	5	5	5
Sundry Events / Meetings	16	18	20	20	20
Large Public Shows	3	3	3	3	3
Small Public Shows	4	4	6	6	6
Total	209	237	268	284	295

(Source: Horwath HTL)

The number of event days includes multiple events which are hosted concurrently in the venue, and are assumed to be 'public admitted' days.

These exclude pack-in / pack-out days, which could add approximately 20% to the 'public admitted' days.

Excluding conference-related banquets (which are also counted as conference event days), the number of 'unique' event days is 191 event days in Year 1, rising to 268 event days by Year 5.

In Year 5, total event days plus an allowance for 20% pack-in / pack-out days, gives 322 equivalent days utilised.

If there were to be no events held concurrently in the conference centre during the year (other than conferences and conference-related banquets) this would represent 88% of days available in Year 5 in which some part of the conference centre was utilised.

Concurrent events will reduce this potential utilisation ratio, perhaps by a factor of between 5–10% of days utilised.

Allowing for this assumed level of concurrent events, the conference centre would be utilised on 80–84% of days available in Year 5.

Table 7.3 Number of attendee days: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Large Conferences	18,000	20,250	22,500	22,500	22,500
Medium Conferences	12,375	14,850	17,325	19,800	21,038
Small Conferences	7,350	8,050	8,750	9,100	9,450
Large Day Meetings	1,600	1,800	2,000	2,000	2,000
Small Day Meetings	1,000	1,100	1,200	1,250	1,250
Large Trade Exhibitions	3,000	3,000	3,000	3,000	3,000
Small Trade Exhibitions	3,000	3,000	3,000	3,000	3,000
Large Banquets	8,250	9,000	9,750	9,750	9,750
Small Banquets	5,500	7,000	8,500	10,000	11,250
Concert / Entertainment	1,500	1,500	2,000	2,000	2,000
Sports Events	1,500	2,000	2,500	2,500	2,500
Sundry Events / Meetings	4,000	4,500	5,000	5,000	5,000
Large Public Shows	2,500	2,500	2,500	2,500	2,500
Small Public Shows	2,000	2,000	3,000	3,000	3,000
Total	71,575	80,550	91,025	95,400	98,238

(Source: Horwath HTL)

Approximately 54% of the total attendee days (in Year 5) are attributable to multi-day conferences.

A further 21% are attributable to banquets, with these two event types generating 75% of total attendee days in the venue.

Table 7.4 provides a summary of the total activity for Years 1–5. The ‘Days Occupied Percentage’ assumes no concurrent events (except conference-related banquets) and is before pack-in / pack-out days.

Table 7.4 Total conference centre activity: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Total Number of Events	120	137	156	166	173
Total Days Occupied (excl. conference banquets)	191	216	244	258	268
Average Length of Event	1.74	1.73	1.72	1.71	1.70
Average Attendees per Event Day	342	340	340	336	333
Available Days	365	365	365	365	365
Days Occupied Percentage	52%	59%	67%	71%	73%

(Source: Horwath HTL)

7.2 REVENUE PROJECTIONS

We have made revenue assumptions regarding all event types. These are summarised in Appendix C.

By Year 5, 67% of gross revenue is projected to be attributed to multi-day conferences with a further 28% of gross revenue earned from banquets (mainly associated with multi-day conferences, plus also incentive travel groups).

We have assumed that all revenues associated with catering and technical services are included as gross venue revenue but that technical services are contracted out to an external provider.

Catering services could similarly be contracted out.

Table 7.5 provides a summary of gross conference centre revenues associated with the conference centre activity, analysed by revenue type and event type.

Key revenue assumptions regarding the ‘large conference’ event category include:

- the ‘whole of centre’ venue hire charge is assumed to average \$18,000 + GST in Year 1 (after allowing for negotiated discounts)
- gross catering revenue per conference day (excluding an assumed banquet, but including cocktail events held in the conference centre) is assumed to be \$34,375 + GST in Year 1 (\$55 + GST per person per day)
- additional labour and expense recoveries per day is \$5,000 + GST in Year 1
- technical services charges (including technical equipment hire and labour charges) is assumed to be \$10,000 + GST per day in Year 1.

This totals \$67,375 + GST per conference day, and a total of \$1.94 million in Year 1. This averages \$107.80 per attendee day in Year 1 in relation to large conferences.

At an average of 3.6 days per large conference, this represents conference centre revenue of \$388 + GST per attendee.

Table 7.5 Summary of total conference centre revenue: Years 1–5

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<i>No. of Events per year</i>	120	137	156	166	173
<i>No. of Event Days per year</i>	209	237	268	284	295
Analysis by revenue type:					
Total Space Rental Revenue	\$1,630,500	\$1,882,367	\$2,163,250	\$2,324,275	\$2,445,062
Total Catering Revenue	\$3,030,750	\$3,564,438	\$4,124,491	\$4,489,557	\$4,782,131
Total Labour & General Recoveries	\$319,635	\$376,943	\$435,725	\$471,030	\$498,050
Total Technical Services Revenue	\$1,126,900	\$1,342,357	\$1,572,916	\$1,748,282	\$1,896,840
Total Revenue	\$6,107,785	\$7,166,104	\$8,296,382	\$9,033,143	\$9,622,084
Analysis by event type:					
Conferences	\$4,171,800	\$4,879,057	\$5,617,934	\$6,083,333	\$6,423,327
Day Meetings	\$75,500	\$86,554	\$98,135	\$101,970	\$104,637
Trade Exhibitions	\$120,750	\$123,821	\$126,971	\$130,202	\$133,515
Banquets	\$1,533,785	\$1,846,490	\$2,172,690	\$2,429,972	\$2,665,748
Concerts / Entertainment	\$20,250	\$20,759	\$28,370	\$29,080	\$29,804
Indoor Sport Events	\$20,250	\$27,676	\$35,459	\$36,347	\$37,254
Sundry Events / Meetings	\$94,800	\$109,325	\$124,513	\$127,621	\$130,818
Public Shows	\$70,650	\$72,423	\$92,311	\$94,619	\$96,981
Total Revenue	\$6,107,785	\$7,166,104	\$8,296,382	\$9,033,143	\$9,622,084
<i>Average revenue per attendee day</i>	<i>85.33</i>	<i>88.96</i>	<i>91.14</i>	<i>94.69</i>	<i>97.95</i>

(Source: Horwath HTL)

In addition, we have assumed one banquet will be held in the venue for each large and medium conference.

The average revenue per banquet attendee is assumed to be \$104.16 + GST (for large banquets).

We have assumed 30% of conference attendees have an accompanying person.

Table 7.6 summarises the gross revenue (excluding banquet revenue) for multi-day conferences, analysed by size of conference.

The average venue revenue per attendee (with an accompanying person attending the banquet dinner) in relation to a large conference is \$596 + GST (including cocktail events held at the conference centre, but excluding catering and other events held outside the conference centre).

All of these charges would be included as a significant component of the delegate's conference registration fee.

Table 7.6 Summary of multi-day conference revenue (excluding banquets): Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
<u>Large Conferences</u>					
<i>No. of Conference Events per year</i>	8	9	10	10	10
<i>No. of Conference Days per year</i>	29	32	36	36	36
<i>Percent of Event Days</i>	16%	16%	16%	15%	15%
Space Rental Revenue (excl. GST)	\$518,400	\$589,032	\$661,025	\$667,635	\$674,311
Catering Revenue (excl. GST)	\$990,000	\$1,141,594	\$1,300,148	\$1,332,652	\$1,365,968
Labour & General Recoveries (excl. GST)	\$144,000	\$166,050	\$189,113	\$193,840	\$198,686
Technical Services Revenue (excl. GST)	\$288,000	\$335,340	\$385,641	\$399,138	\$413,108
Total Conference Revenue (excl. GST)	\$1,940,400	\$2,232,016	\$2,535,927	\$2,593,266	\$2,652,074
<i>Average revenue per attendee day</i>	<i>107.80</i>	<i>110.22</i>	<i>112.71</i>	<i>115.26</i>	<i>117.87</i>
<u>Medium Conferences</u>					
<i>No. of Conference Events per year</i>	10	12	14	16	17
<i>No. of Conference Days per year</i>	33	40	46	53	56
<i>Percent of Event Days</i>	18%	19%	20%	22%	23%
Space Rental Revenue (excl. GST)	\$371,250	\$452,183	\$535,459	\$621,133	\$669,853
Catering Revenue (excl. GST)	\$618,750	\$761,063	\$910,104	\$1,066,122	\$1,161,073
Labour & General Recoveries (excl. GST)	\$82,500	\$101,475	\$121,347	\$142,150	\$154,810
Technical Services Revenue (excl. GST)	\$247,500	\$307,395	\$371,179	\$439,052	\$482,820
Total Conference Revenue (excl. GST)	\$1,320,000	\$1,622,115	\$1,938,090	\$2,268,457	\$2,468,556
<i>Average revenue per attendee day</i>	<i>106.67</i>	<i>109.23</i>	<i>111.87</i>	<i>114.57</i>	<i>117.34</i>
<u>Small Conferences</u>					
<i>No. of Conference Events per year</i>	21	23	25	26	27
<i>No. of Conference Days per year</i>	59	64	70	73	76
<i>Percent of Event Days</i>	32%	32%	31%	31%	31%
Space Rental Revenue (excl. GST)	\$264,600	\$295,596	\$327,726	\$347,652	\$368,243
Catering Revenue (excl. GST)	\$294,000	\$330,050	\$367,719	\$391,988	\$417,241
Labour & General Recoveries (excl. GST)	\$58,800	\$66,010	\$73,544	\$78,398	\$83,448
Technical Services Revenue (excl. GST)	\$294,000	\$333,270	\$374,929	\$403,573	\$433,764
Total Conference Revenue (excl. GST)	\$911,400	\$1,024,926	\$1,143,917	\$1,221,611	\$1,302,697
<i>Average revenue per attendee day</i>	<i>124.00</i>	<i>127.32</i>	<i>130.73</i>	<i>134.24</i>	<i>137.85</i>
<u>Total Conferences</u>					
<i>No. of Conference Events per year</i>	39	44	49	52	54
<i>No. of Conference Days per year</i>	121	136	152	162	168
<i>Percent of Event Days</i>	66%	67%	67%	68%	69%
Space Rental Revenue (excl. GST)	\$1,154,250	\$1,336,811	\$1,524,210	\$1,636,420	\$1,712,408
Catering Revenue (excl. GST)	\$1,902,750	\$2,232,706	\$2,577,971	\$2,790,762	\$2,944,283
Labour & General Recoveries (excl. GST)	\$285,300	\$333,535	\$384,003	\$414,388	\$436,944
Technical Services Revenue (excl. GST)	\$829,500	\$976,005	\$1,131,749	\$1,241,764	\$1,329,692
Total Conference Revenue (excl. GST)	\$4,171,800	\$4,879,057	\$5,617,934	\$6,083,333	\$6,423,327
<i>Average revenue per attendee day</i>	<i>110.58</i>	<i>113.07</i>	<i>115.65</i>	<i>118.35</i>	<i>121.22</i>

(Source: Horwath HTL)

7.3 VARIABLE OPERATING COST PROJECTIONS

We have assumed that catering costs (ie: cost of food and beverage, direct labour costs, plus direct consumables costs) start at 80% of gross food and beverage revenue in Year 1, improving to 76% by Year 5 (as a result of efficiencies of scale, streamlining of systems, and enhancements in the quality of food and beverages provided (including service levels)).

Direct recoverable and non-recoverable variable staff costs (ie: wages plus direct on-costs) are assumed to start at 85% of variable staff recoveries, and improve to 81% by Year 5.

These costs include such staff as event services attendants and cleaners.

We have assumed that technical services are contracted out to a third party provider. Gross technical revenue (in relation to equipment hire and technical labour service charges) is included in our revenue projections, including a margin for the conference centre.

We have assumed, for the purposes of our projections, that the provider's costs are charged to the conference centre, which on-charges the hirer with a margin added.

The provider's costs are assumed to be 90% of revenue in Year 1 (average 11% mark-up) reducing to 86% by Year 5 (average 16% mark-up).

It is possible that these margins to the conference centre could be improved.

Table 7.7 summarises the projected direct variable costs associated with multi-day conferences, and these costs as a percentage of multi-day conference revenue.

Table 7.7 Summary of multi-day conference operating costs: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Variable Catering Costs (excl. GST)	\$1,522,200	\$1,763,838	\$2,010,817	\$2,148,887	\$2,237,655
Recoverable Staff Costs (excl. GST)	\$242,505	\$280,169	\$318,723	\$339,798	\$353,925
Technical Services Costs (excl. GST)	\$746,550	\$868,644	\$995,939	\$1,080,335	\$1,143,535
Total Variable Costs (excl. GST)	\$2,511,255	\$2,912,652	\$3,325,480	\$3,569,019	\$3,735,115
<i>%age of Revenue</i>	<i>60.2%</i>	<i>59.7%</i>	<i>59.2%</i>	<i>58.7%</i>	<i>58.1%</i>

(Source: Horwath HTL)

Table 7.8 summarises the projected total direct variable costs associated with all events, including as a percentage of total conference centre revenue.

Table 7.8 Summary of total variable operating costs: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Total Variable Catering Costs (excl. GST)	\$2,424,600	\$2,815,906	\$3,217,103	\$3,456,959	\$3,634,420
Total Direct Staff Costs (excl. GST)	\$271,690	\$316,632	\$361,652	\$386,244	\$403,420
Total Technical Services Costs (excl. GST)	\$1,014,210	\$1,194,698	\$1,384,166	\$1,521,005	\$1,631,283
Total Variable Costs (excl. GST)	\$3,710,500	\$4,327,235	\$4,962,920	\$5,364,209	\$5,669,123
<i>%age of Total Revenue</i>	<i>60.8%</i>	<i>60.4%</i>	<i>59.8%</i>	<i>59.4%</i>	<i>58.9%</i>

(Source: Horwath HTL)

7.4 FIXED OVERHEAD EXPENSE PROJECTIONS

We have projected the fixed overhead expenses to run the conference centre assuming it is run as a 'stand-alone' business. This assumes all management, administration, sales and marketing and property operational costs are covered by the centre, in relation to the direct management responsibility for the centre and the catering operation, but assuming that technical services are contracted out to a third party service provider.

Overhead salary and wage costs are projected to be \$750,000 in Year 1, increasing by 2.5% per annum. These costs include a General Manager, Executive Assistant, Human Resources Manager, Operations Manager and assistant, Event Services Manager and assistant, Sales and Marketing Manager and assistant, Property Services Manager, Financial Controller and assistant.

Staff Costs and training is projected to be \$100,000 in Year 1, increasing by 3.5% per annum. This reflects the need for ongoing recruitment and training of casual and part-time staff (including event services and catering staff) including allowance for staff turnover in a transient location.

Administration and General expenses (\$650,000 in Year 1, increasing by 2% per annum) include information technology, human resources, administrative and general expenses not included elsewhere.

Sales and Marketing costs (excluding staff costs) are projected to be \$350,000 in Year 1, increasing by 3% per annum.

Cleaning costs are projected to be \$100,000 in Year 1, increasing by 4% per annum to reflect increased frequency of cleaning as overall utilisation levels rise. This includes regular cleaning of public areas, but excludes cleaning of hireable spaces, which is assumed to be covered by the variable event staff cost assumptions (ie: recovered from hirers in addition to bare venue hire charges).

Insurance costs (\$150,000 in Year 1, increasing by 3.5% per annum) are assumed to cover material damage (including furniture, fittings and technical equipment), business interruption, public liability and other sundry insurance costs.

Energy and other utility costs are projected to be \$450,000 in Year 1, increasing by 4.5% per annum, to reflect increasing utilisation levels.

This includes energy use associated with the regular utilisation of the conference centre by hirers.

It also reflects the assumption that whole-centre air-conditioning will be required for approximately 48 weeks of the year.

Property operations and Repairs and Maintenance (“R&M”) expenses (\$300,000 in Year 1, increasing by 2% per annum) includes routine preventative maintenance to buildings and equipment, painting and repairs to surfaces (eg: walls, floors, doors, etc) and replacements of minor capital items.

It does not include periodic planned major replacement or upgrading of significant assets, including replacement of Furniture, Fixtures and Equipment (“FF&E”) which are of a capital expenditure nature.

This expenditure would be funded (at least partly) from the FF&E fund we have allowed for from Year 4 onwards.

In the first five years of operation, major building components and fit-out items are expected to be mainly covered by performance guarantees and service contracts.

We have assumed the conference centre will pay annual rates of \$200,000 per annum in Year 1 (based on advice from QLDC), increasing by 3% per annum.

We have also allowed for a contingency of \$100,000 per annum in Year 1, increasing by 3% per annum.

The assumed fixed overhead expenses do not include the following items:

- provision for replacement of major capital items, or replacement of furniture, fixtures and fittings (other than of a minor nature)
- interest on any debt
- any debt repayment
- depreciation of buildings or equipment
- capital expenditure or asset improvements / additions
- allocation or recovery of any Council overhead or similar charges
- ground rent.

Table 7.9 summarises the projected fixed overhead expenses.

Table 7.9 Summary of fixed overhead expenses: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Overhead Salaries & Wages	750,000	768,750	787,969	807,668	827,860
Staff Costs & Training	100,000	103,500	107,123	110,872	114,753
Administration & General	650,000	663,000	676,260	689,785	703,581
Sales & Marketing	350,000	360,500	371,315	382,454	393,928
Cleaning	100,000	104,000	108,160	112,486	116,985
Insurance	150,000	155,250	160,684	166,308	172,129
Energy & Utilities	450,000	470,250	491,411	513,524	536,633
Other Property Operations / R&M	300,000	306,000	312,120	318,362	324,729
Rates	200,000	206,000	212,180	218,545	225,101
Contingency	100,000	103,000	106,090	109,273	112,551
Total Fixed Expenses	3,150,000	3,240,250	3,333,312	3,429,277	3,528,250
<i>%age of Total Revenue</i>	<i>51.6%</i>	<i>45.2%</i>	<i>40.2%</i>	<i>38.0%</i>	<i>36.7%</i>

(Source: Horwath HTL)

7.5 PROJECTED FINANCIAL PERFORMANCE / NET OPERATIONAL CASHFLOW

Table 7.10 below summarises the total conference centre revenue (per Table 7.5), direct variable costs (per Table 7.8), Gross Operating Surplus, and Fixed Overhead Expenses (per Table 7.9).

The conference centre is projected to make a Net Cash Operating Deficit of \$753,000 in Year 1, break-even by Year 3, and make a modest surplus of \$240,000 in Year 4.

It is likely the ongoing modest cash surpluses will be required to fund capital replacements and improvements, and new capital expenditure.

We have therefore made provision for a transfer of cash to a 'Provision for Replacement of FF&E' fund from Year 4 onwards, funded from the available cash operating surplus.

The provision is calculated at the rate of 3% of total revenue (excluding technical services revenue).

The technical service revenue is excluded on the basis that the third party provider will be responsible for replacement of the Audio Visual ("AV") and related technical equipment.

We have made no revenue or operating costs assumptions in relation to car-parking at the conference centre as this will be location dependent.

If car-parking is to be charged for, we have assumed that the revenue and costs will be attributable to an entity other than the conference centre.

To the extent that there could be a net surplus from car-parking which could be attributable to the conference centre, this represents an upside potential for the business.

Table 7.10 Summary of financial performance: Years 1–5

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
REVENUE					
Space Rental Revenue	1,630,500	1,882,367	2,163,250	2,324,275	2,445,062
Catering Revenue	3,030,750	3,564,438	4,124,491	4,489,557	4,782,131
Labour & General Recoveries	319,635	376,943	435,725	471,030	498,050
Technical Services Revenue	1,126,900	1,342,357	1,572,916	1,748,282	1,896,840
TOTAL REVENUE (GROSS)	6,107,785	7,166,104	8,296,382	9,033,143	9,622,084
VARIABLE COSTS					
Catering Direct Costs	2,424,600	2,815,906	3,217,103	3,456,959	3,634,420
Staff Costs - Direct	271,690	316,632	361,652	386,244	403,420
Technical Services	1,014,210	1,194,698	1,384,166	1,521,005	1,631,283
Total Variable Costs	3,710,500	4,327,235	4,962,920	5,364,209	5,669,123
TOTAL VARIABLE COSTS	3,710,500	4,327,235	4,962,920	5,364,209	5,669,123
	61%	60%	60%	59%	59%
GROSS OPERATING SURPLUS	2,397,285	2,838,869	3,333,462	3,668,935	3,952,961
<i>%age of Total Revenue</i>	39%	40%	40%	41%	41%
FIXED EXPENSES					
Overhead Salaries & Wages	750,000	768,750	787,969	807,668	827,860
Staff Costs & Training	100,000	103,500	107,123	110,872	114,753
Administration & General	650,000	663,000	676,260	689,785	703,581
Sales & Marketing	350,000	360,500	371,315	382,454	393,928
Cleaning	100,000	104,000	108,160	112,486	116,985
Insurance	150,000	155,250	160,684	166,308	172,129
Energy and Utilities	450,000	470,250	491,411	513,524	536,633
Other Property Operations / R&M	300,000	306,000	312,120	318,362	324,729
Rates	200,000	206,000	212,180	218,545	225,101
Contingency	100,000	103,000	106,090	109,273	112,551
TOTAL FIXED COSTS	3,150,000	3,240,250	3,333,312	3,429,277	3,528,250
<i>%age of Total Revenue</i>	52%	45%	40%	38%	37%
NET CASH OPERATING SURPLUS	(752,715)	(401,381)	150	239,658	424,711
<i>(Before Allocations and Depreciation)</i>	-12%	-6%	0%	3%	4%
Provision for replacement of FF&E	-	-	-	218,546	231,757
NET CASH AFTER FF&E PROVISION	(752,715)	(401,381)	150	21,112	192,954
<i>%age of Total Revenue</i>	-12%	-6%	0%	0%	2%

(Source: Horwath HTL)

As noted in Section 1.4, some of our assumptions and forward looking statements inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis may vary from those described in the report, and the variations may be material.

8. INDICATIVE ECONOMIC IMPACT ANALYSIS

This section analyses the estimated potential impact of the proposed conference centre on the Queenstown and Otago economies, in terms of contribution to Gross Domestic Product (“GDP”).

To estimate the economic impact, there are two key steps:

- i) estimating initial direct expenditure (excluding GST) (or ‘output’, to use the economic term) which occurs in the Queenstown Lakes District economy as a result of events held in the new facility. This includes estimating average daily expenditure (excluding GST) by domestic and international visitors to Queenstown, by event type, for the first five years of operation
- ii) estimating the total economic impact (measured in terms of total ‘value added’) to the Otago economy (broadly equivalent with contribution to GDP).

The total economic impact is the sum of the initial, indirect and induced effects. Direct effects occur in sectors which directly service the events held in the proposed facility, including visitor spending by conference delegates, exhibitors and the expenditure of the venue itself. These businesses in turn increase their own demand for goods and services from other businesses not directly involved with the proposed facility. This is the indirect effect.

Finally, induced effects are derived from individuals and households who earn additional wages and salaries as a result of the increased business activity, and they further stimulate the economy when they spend these additional earnings on consumer goods and services.

The indirect and induced effects are estimated in terms of ‘multipliers’ of the initial direct effect.

The economic impact has been estimated for the Otago economy because Queenstown is very interdependent with and has a major beneficial impact on the Otago economy through the purchase of goods and services from throughout the region for consumption in Queenstown.

8.1 INITIAL DIRECT EXPENDITURE

We have estimated the initial direct expenditure based on assumptions regarding average daily spending per event attendee who is a visitor to Queenstown Lakes District. The visitor expenditure varies depending on where the visitors come from and the type of event they are attending.

This includes their direct and indirect expenditure at the Queenstown conference centre (eg: part of the conference registration fee) as well as other costs associated

with their stay in Queenstown such as accommodation, food, local transport, retailing and other attractions.

We have also estimated direct expenditure by accompanying persons, and pre / post event spending in Queenstown.

We have assumed that all projected activity at the conference centre will be incremental to Queenstown – ie: would not have occurred locally if it was not for the new facility.

Table 8.1 summarises our key assumptions regarding average daily spending by origin and type of attendee / accompanying person associated with multi-day conferences at the centre. We have not assumed increases in daily expenditure will be achieved during the forecast period.

Table 8.1 Average daily spend assumptions for multi-day conference attendees: Years 1–5

Conference Size	International (excl. GST)	Domestic (excl. GST)
Delegates – during conference	\$525	\$325
Accompanying persons – during conference	\$200	\$120
Pre / Post conference (per person)	\$325	\$220

(Source: Horwath HTL)

A summary of our visitor expenditure assumptions is attached as Appendix D. This is detailed in terms of total expenditure including Queenstown residents, total expenditure excluding Queenstown residents, total expenditure excluding residents of Queenstown Lakes District, and total expenditure of international visitors only.

The total direct expenditure from visitors in the Queenstown economy³ generated in relation to the additional events held at the new conference centre is estimated to average \$26.4 million (excluding GST) per year over the projection period. This is detailed in Table 8.2 below. \$22.5 million (85%) of this initial direct expenditure is generated from multi-day conference activity in the conference centre.

International visitors are projected to contribute 25% of the total visitor expenditure. This is a relatively high ratio of international visitor expenditure by comparison with conference centres in most if not all competing regional locations in New Zealand (ie: excluding Auckland and (previously) Christchurch), and is driven by a higher ratio of international delegate days than in those regional centres (as reported in the CAS).

However, it is possible that this ratio could be exceeded if Queenstown wins a higher proportion of the new conferences from Australia and international incentive travel groups than has been assumed (eg: almost exclusively international attendees associated with ‘Australian domestic’ conferences and incentive travel events held in Queenstown).

³ Excluding expenditure of residents of the Queenstown Lakes District.

Such a scenario would have the following effects:

- a higher ratio of international visitor expenditure as a proportion of total visitor expenditure
- higher total visitor expenditure, on the basis that international delegates are assumed to spend more per day on average than domestic delegates (assisted by the relatively strong Australian dollar)
- higher economic impact on the New Zealand economy resulting from increased international visitor expenditure (assuming the additional international conferences are not won from other regions or conference centres in New Zealand).

Table 8.2 Total direct expenditure (excluding GST) in Queenstown (by event type)

Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Average Yrs 1-5
Conferences						
International	5,245,131	5,999,950	6,754,769	7,104,675	7,295,647	6,480,034
Domestic	12,940,421	14,800,728	16,661,034	17,661,550	18,228,028	16,058,352
Conferences	18,185,553	20,800,678	23,415,803	24,766,225	25,523,675	22,538,387
% Change		14%	13%	6%	3%	
Banquets						
International	137,500	162,000	208,000	229,000	267,000	200,700
Domestic	2,475,000	2,685,000	2,884,375	2,940,625	2,952,500	2,787,500
Banquets	2,612,500	2,847,000	3,092,375	3,169,625	3,219,500	2,988,200
% Change		9%	9%	2%	2%	
Trade Exhibitions						
International	7,219	7,219	7,219	7,219	14,438	8,663
Domestic	446,175	446,175	446,175	539,878	798,647	535,410
Trade Exhibitions	453,394	453,394	453,394	547,097	813,084	544,073
% Change		0%	0%	21%	49%	
Public Shows						
International	5,594	5,594	5,594	5,594	5,594	5,594
Domestic	174,150	174,150	174,150	174,150	174,150	174,150
Public Shows	179,744	179,744	179,744	179,744	179,744	179,744
% Change		0%	0%	0%	0%	
Day Meetings						
International	-	-	-	-	-	-
Domestic	53,550	59,723	65,895	66,938	66,938	62,609
Day Meetings	53,550	59,723	65,895	66,938	66,938	62,609
% Change		12%	10%	2%	0%	
Entertainment Events						
International	-	-	-	-	-	-
Domestic	97,875	97,875	97,875	97,875	97,875	97,875
Entertainment Events	97,875	97,875	97,875	97,875	97,875	97,875
% Change		0%	0%	0%	0%	
All Event Types						
International	5,395,444	6,174,763	6,975,581	7,346,488	7,582,678	6,694,991
Domestic	16,187,171	18,263,650	20,329,504	21,481,016	22,318,138	19,715,896
All Event Types	21,582,615	24,438,413	27,305,085	28,827,503	29,900,816	26,410,886
% Change		13%	12%	6%	4%	

(Source: Horwath HTL)

8.2 ESTIMATED ECONOMIC IMPACT: OTAGO'S GDP

Direct Value Added is the direct contribution made to Otago's GDP after deducting the direct purchases of goods and services associated with the initial direct expenditure in the Queenstown economy.

This Direct Value Added is estimated by applying the appropriate multiplier (described as a Type I multiplier) to the initial direct expenditure for the average of the first five years (average of \$26.4 million per annum) as detailed in Table 8.2 above.

Indirect impacts are subsequent 'downstream' effects of the initial expenditure / output, and induced impacts include expenditure from the subsequent spending of household income generated as a result of the initial expenditure / output. These indirect and induced impacts are measured by a Type II multiplier.

We have assumed the following derived multipliers as a proportion of initial expenditure / output:

▪ Type I (direct GDP)	0.44
▪ Type II (indirect and induced GDP)	0.51
▪ Combined Type I + Type II	0.95

These multipliers are different to those used in the Convention Delegate Survey⁴ (Year ending June 2011) to calculate the contribution of multi-day conferences delegate expenditure in the average host region to national GDP. Those multipliers are 0.47 (Type I) and 0.72 (Type II), or 1.19 combined (after allowing for a noted adjustment re GST). Reasons for the differences include:

- the Convention Delegate Survey multipliers are national rather than regional – with regional multipliers being lower than the national multiplier because of the imports of goods and services from other regions (otherwise described as 'leakages')
- Otago's relatively lower than average population and manufacturing / construction base gives rise to lower multipliers than regions with a larger population and more 'self sufficient' manufacturing / construction sectors.

Total Value Added is the combination of the direct, indirect and induced Value Added. It measures the economic impact of the conference centre to the Otago economy in terms of contribution to regional GDP.

Table 8.3 shows the initial direct expenditure (per Table 8.2) as well as the resulting estimated direct, indirect, induced and total value added, averaged over the first five years.

Table 8.3 Estimated Value Added to Otago regional economy: Average of years 1–5

Attendee Origin	Initial Direct Expenditure	Direct Value Added	Indirect / Induced Value Added	Total Value Added
International	\$6.7m	\$2.9m	\$3.4m	\$6.3m
Domestic	\$19.7m	\$8.7m	\$10.0m	\$18.7m
Total	\$26.4m	\$11.6m	\$13.4m	\$25.0m

(Source: Horwath HTL)

⁴ Prepared by Covec Ltd for stakeholder group including MED and CINZ

The initial direct expenditure in Year 5 is projected to be \$29.9 million, 13% higher than the average, and 4% higher than Year 4.

It is reasonable to assume modest ongoing increases in economic impact from the Year 5 level should be achievable as Queenstown reinforces its reputation as a desirable conference destination nationally and internationally, activity levels at the conference centre continue to increase (with an increasing number of concurrent events) and average daily attendee expenditures also increase.

The key strengths of the proposed conference centre for the Queenstown and Otago economies are:

- it will attract high yielding visitors to Queenstown, some or many of whom would not otherwise visit (ie: higher than average spending per day)
- the 'high' period of demand and activity in the conference market corresponds with low and shoulder demand periods in Queenstown's visitor industry
- reducing overall seasonality of demand in the Queenstown visitor economy enables a higher proportion of full-time employment positions for New Zealanders, with reduced reliance on seasonal casual and part-time positions
- reducing seasonality of demand also provides better overall utilisation of existing visitor industry assets and therefore the likelihood of earning a higher and more sustainable financial return on capital invested
- there is sufficient existing capacity at Queenstown Airport and in the Queenstown commercial accommodation sector to meet the projected demand generated by the conference centre, meaning that no additional investment in supporting infrastructure is required to activate the conference centre
- there is a good opportunity to capture additional visitor expenditure in the Otago and Southland regions prior to and after the events hosted at the conference centre from visitors who extend their stay (eg: day visits and longer tours to Milford Sound, other locations in Fiordland, Stewart Island, the Southern Scenic Route, and Dunedin).

9. PUBLIC / PRIVATE OWNERSHIP, GOVERNANCE, OPERATIONS

9.1 PUBLIC / PRIVATE OWNERSHIP OPTIONS

Our operational cashflow projections indicate that the facility will not generate sufficient net operational cashflow to provide a significant return on capital invested, or repayment of debt. This is after allowing for the overheads of managing the facility and a provision for replacement of FF&E and other assets.

It is probable that the proposed conference centre will be built on publicly owned land (unless privately owned land is gifted) and will require funding predominantly, but not necessarily exclusively, from public sector sources.

Because development of the conference centre is partly in the interests of private sector business owners, it is equitable that private sector interests should contribute towards the capital cost of the centre.

Examples of ways in which the private sector could provide funding include:

- contribution of some or all land on which the conference centre is developed
- naming rights of the entire conference centre, or parts of it (eg: meeting rooms, foyers, etc)
- funding of AV and other technical fit-out, in exchange for technical service contract
- funding of catering and related equipment fit-out, in exchange for catering services contract
- consortium of private interests (eg: hotel owners / operators who could be direct beneficiaries from the conference centre operations) could contribute 'free' capital into a Joint Venture ("JV") investment vehicle (eg: a PPP)
- consortium of private interests could contribute capital, to be repaid by future levies (voluntary or compulsory) charged to private sector partners who obtain direct benefits from conference centre operations.

The benefits to the public sector from investing in the conference centre would include:

- local government:
 - improved financial performance of many businesses in Queenstown and wider Queenstown Lakes District leading to improved business and property values and improved rateable values
 - improved economic impact through increased visitor expenditure resulting in downstream impact of increased visitor expenditure to Queenstown and the Queenstown Lakes District including increased employment which includes replacement of seasonal worker with a higher proportion of permanent workers

- regional government:
 - downstream economic impact benefits from increased purchase of goods and services from the wider Otago and Southland economies
- central government:
 - improved increased salaries and wages paid in the Queenstown Lakes District and Otago / Southland Regions, providing increased household income and therefore reduced support on family and other income support
 - a purpose-built international standard conference centre developed at Queenstown suitable for hosting a wide range of multi-day conferences, incentive travel groups, banquets, special events, exhibitions, functions and meetings. This provides an excellent opportunity to showcase a unique part of New Zealand to best effect as a 'great place to meet' in the Australian, South-East Asian and worldwide competitive market
 - the marketing advantage of 'adding value' to New Zealand as an attractive and practical destination for hosting larger-scale international conferences in Auckland and Christchurch, with smaller 'satellite' conferences held in Queenstown (eg: after the larger main conference hosted elsewhere)
 - the marketing advantage of New Zealand leveraging off larger-scale international conferences held in Australia, with Queenstown being an attractive destination for hosting smaller 'satellite' conferences in New Zealand (eg: after the larger main conference hosted in Australia).

9.1.1 PUBLIC VERSUS PRIVATE SECTOR FUNDING

Major conference and events facilities are substantial real estate investments (in terms of capital cost) and are not generally run on a 'commercial' basis. The key reasons for developing such facilities revolve around their ability to generate increased visitor flows and substantial economic impact. It is because of these 'public good' aspects and relatively large capital costs that conference and events facilities tend to predominantly be funded by the public sector.

Having reviewed funding arrangements at various locations, it is evident that the primary opportunities for private sector funding input relate to:

1. funding of ancillary services (eg: hotel, car-park) on which the private sector can earn a commercial return and assist the overall development by providing synergistic infrastructure and contribute towards funding of associated land costs. The extent to which these opportunities can be pursued will depend upon the nature of the specific site that is chosen for the proposed facility
2. outsourcing of venue management and food and beverage services in return for 'key money' contributions. These contributions are likely to be minimal in the context of the overall capital costs
3. structuring of the development as a 'Build–Own–Operate–Transfer' ("BOOT") scheme between the public and private sector. In New Zealand this has been achieved with the development of the Vector Arena and, in Australia, the

Perth Convention Centre has been developed under a BOOT scheme. The BOOT scheme results in the private sector contributing capital funding up to the level on which it believes it can earn a commercial return over the period of its operation prior to transferring the asset into public ownership. A key potential drawback of a BOOT scheme is that for the duration of the private sector's ownership, it will operate the venue so as to maximise profit and return on investment. This could result in a mix of activity and events that does not maximise economic impact, which is normally the original reason for developing the facility. The experience with both Vector Arena and the Perth Convention Centre suggests significant private sector funding could be difficult to achieve through a BOOT scheme.

In Perth the State government provided the developer with:

- a. cash of A\$100 million, which is to be ratcheted over the development period by the rate of interest, and is estimated to finally be approximately A\$125 million
 - b. the convention centre site rent free for 35 years before it reverts back to government
 - c. land worth approximately A\$90 million surrounding the convention centre site for 99 years rent free. This enables the developer to leverage an above average commercial return off the associated facilities to off-set the convention centre return.
4. the levying of a 'bed tax' on commercial accommodation. It is common in the United States for bed taxes to be implemented to assist in the funding of tourism infrastructure such as convention centres. We are not aware of any precedent in Australia for implementing a bed tax to raise funds for a convention centre development. The New South Wales state government did, however, implement a temporary bed tax to assist in raising funds to off-set the cost of hosting the 2000 Sydney Olympics.

Bed taxes have previously been criticised on the basis that they are a 'blunt instrument' that target a select group of service providers, rather than all industry participants who benefit from the presence of a convention centre. However, this 'bluntness' can be mitigated by using a bed tax as one part of an overall funding package. The use of a bed tax as part of an overall funding package can be supported by the high proportion of conference delegate expenditure that accrues to hotels.

5. the imposition of a targeted rate. It would be possible to implement a targeted rate on all businesses within a certain geographic area as a means of collecting private sector contributions for a convention centre. The rationale for a targeted rate would be similar to that for a bed tax, in that the contributors would, in theory at least, benefit from the presence of the convention centre to a greater extent than the general ratepayer. This policy would have the benefit of spreading the funding impact more widely. Key issues with such a policy would be agreeing the appropriate geographic area and the fact that many businesses within the geographic area would likely receive no direct benefit from the presence of the convention centre.

9.1.2 OWNERSHIP MODELS: NEW ZEALAND AND AUSTRALIA

From our review there are three broad ownership options available for a nationally significant and internationally competitive conference centre of the type proposed.

The first option is for private ownership through a BOOT scheme, as discussed in Section 9.1.1.

The second option is for direct ownership by the public sector. Examples in New Zealand are the Rotorua Convention Centre, the Great Lake Centre (Taupo), and the Napier War Memorial Conference Centre.

The most popular model is the creation of special purpose entities that are accountable to the public sector. These entities take a diverse range of forms in New Zealand and Australia.

Some examples include:

- the Melbourne Convention and Exhibition Trust, which was established under the Melbourne Convention and Exhibition Trust Act 1996, that owns and operates the Convention and Exhibition Centres and is responsible to the Victorian Minister for Tourism and Major Events
- the Sydney Harbour Foreshore Authority, which was formed under The Sydney Harbour Foreshore Authority Act 1998, and owns a number of significant assets including Sydney's heritage, cultural and entertainment precincts at The Rocks and Darling Harbour; the Authority has a broad portfolio of assets totalling A\$1 billion including the Sydney Convention Centre and is responsible to New South Wales Minister for Planning
- South Bank Corporation, which owns the Brisbane Convention and Exhibition Centre, was established under the South Bank Corporation Act 1989 and has broad responsibilities for the development and management of the 42 hectare South Bank precinct
- the Adelaide Convention Centre Corporation, which is a subsidiary to the Minister for Tourism by regulations issued under the Public Corporations Act 1993
- in addition, prior to the Christchurch earthquake of February 2011, Vbase in Christchurch was a Council Controlled Organisation ("CCO") that owned and operated a diverse range of public assembly facilities including the Christchurch Convention Centre, AMI Stadium, and Westpac Arena.

By comparison, Positively Wellington Venues is a Council Controlled Trading Organisation ("CCTO") set up in 2011 to take over the operations (but not the ownership) of the Wellington Town Hall, Michael Fowler Centre, TSB Bank Arena, Shed 6, the St James Theatre and Opera House.

The advantage of these entities is that they are fully accountable to the public sector but are able to operate at arm's length to ensure the public sector's objectives are met in the most efficient and effective manner.

We note that most major event venues owned by Auckland Council are now managed by Regional Facilities Auckland, a CCO. Its main functions include facility management, management of shared services, asset planning, conventions and events planning and marketing.

9.2 POTENTIAL FUNDING SCENARIO: QUEENSTOWN CONFERENCE CENTRE

Table 9.1 provides one potential funding scenario for how the conference centre could be funded. This reflects a diversified range of funding sources because it is unlikely that only one or two parties will be prepared to fund the complete cost of the conference centre. There are a number of potential variations on this scenario. However, if one of the assumed sources is unavailable, the implication is that one or more of the other funding sources will need to contribute more.

Table 9.1 Funding scenario for Queenstown Conference Centre (excluding land)

Funding Source	Funding (\$ million)
Local government contribution (Queenstown Lakes District)	17.5
Regional government contribution (Otago / Southland Regions)	2.5
Central government contribution	20.0
Private sector funding of FF&E	1.7
Private sector naming rights / sponsorship	1.0
Philanthropic community funding	1.0
Total	43.7

(Source: Horwath HTL)

Key assumptions / principles involved in this example funding scenario are as follows:

- public sector sources contribute just over 90% of the cost (\$40 million), plus land (unless this is contributed by a private sector partner); private sector sources contribute the balance
- local / regional government and central government contribute equal shares (\$20 million each) – this recognises the reality that the relatively low ratepayer base in Queenstown makes it very challenging if not impossible to fund an international standard conference centre without such a partnership (which is why such a facility does not exist elsewhere in comparable regions in New Zealand at the present time)
- it would be equitable for regional government to contribute to the project (in this case \$2.5 million), on the basis that the economic impact of the conference centre will be regional as well as local, for example through the creation of additional employment in the wider region, and through the

supply of goods and services from throughout the wider southern region (eg: F&B supplies, consumables and other supplies, technical services, etc)

- some or all of the fit-out of the conference centre could be paid for by private contractors who win a tender process for (or who additionally pay for) the right to provide ongoing technical and catering services at the conference centre for a certain number of years, perhaps also with rights of renewal
- naming rights could be sold (preferably up-front) or sponsorship contracts negotiated with private sector entities:
 - either in relation to foyers, meeting and function rooms, etc (eg: Aotea Centre (Auckland), Michael Fowler Centre (Wellington))
 - or in relation to the whole conference centre (eg: Rotorua Energy Events Centre (Rotorua), Vector Arena (Auckland) and Forsyth Barr Stadium (Dunedin))
- philanthropic community funding could be raised from community or private charitable trusts (possibly also involving naming rights or sponsorship arrangements) or individual donors (eg: high net worth individuals who have chosen to make Queenstown their home and are prepared to invest back into the community, especially into a community facility which will deliver long-term economic benefits to Queenstown and the wider region).

9.3 GOVERNANCE

The on-going governance model for the proposed conference centre should be a product of the ownership model that is finally adopted.

There may be merit in establishing an interim governance structure to oversee the development of the conference centre, especially if it is to involve both public and private sector funding. This could be akin to the Eden Park Redevelopment Board, which was established with specific responsibility for ensuring key stakeholder requirements were met in the development and expansion of facilities for the Rugby World Cup.

An interim Project Control Group could potentially drive the project forward, especially during the planning and fund-raising period. Membership of the group could include:

- a representative of Queenstown Lakes District Council
- a representative of central government (eg: Ministry of Business)
- a representative of Otago and Southland Regional Councils (as applicable)
- a representative of Queenstown Chamber of Commerce (representing private sector business interests)
- a representative of specific private sector interests (or consortia) who are prepared to invest in the conference centre

- a project manager
- a respected independent chairperson.

The Project Control Group could also progress plans for the establishment of a CCO, or an alternative suitable JV entity between public and private interests, with initial directors to be recommended by the Project Control Group.

The alternative would be direct ownership and management by QLDC. However, this may not achieve the desired level of buy-in / funding from the private sector, or allow the desired level of strategic input from private sector interests (eg: at the governance level).

9.4 OPERATIONAL MODELS

In Australasia there is a reasonably even split between in-house venue management and out-sourced venue management. Examples of out-sourced management include:

- 1 AEG Ogden, which manages the Brisbane and Cairns Convention Centres on behalf of South Bank Corporation and the Queensland Government, respectively
- 2 Spotless Services, which manages the Perth Convention Centre on behalf of the Wyllie Group
- 3 Convention Centre Management Pty Ltd, which is a consortium jointly owned by hotel group Accor Asia Pacific and food services organisation Compass Group, that manages the Sydney Convention and Exhibition Centre.

By contrast, the Melbourne Convention and Exhibition Centre and Adelaide Convention Centre are managed by trusts established for the purpose by the public sector funders / owners.

The primary advantages of contracting out venue management include realising 'key money' in return for the commercial opportunity and the potential to obtain specialist operational expertise to improve performance levels, particularly during the establishment phase.

The key risks of contracting out the venue management is the potential for mis-alignment of objectives and the potential that revenue performance may not be improved to the extent necessary to off-set the associated management fees.

Historically, there has been a tendency for venue managers to out-source food and beverage services to specialist caterers.

However, in recent years there has been a trend towards venue managers bringing these services back in-house to assist their profitability and ensure greater control over service standards.

9.4.1 OWNER OPERATOR

Table 9.2 summarises the advantages and disadvantages of the owner operator management model.

Table 9.2 Owner operator

Option Description	Advantages / Strengths	Disadvantages / Risks
Owner Operator (CCO with a dedicated specialist venue management capability)	<ul style="list-style-type: none"> ▪ Have long-term commitment to the local community ▪ CCO integrates profitability objectives with long-term asset management responsibility ▪ Synergies with other CCOs ▪ Can hire the best expertise ▪ Total retention of profits in District ▪ Community public support for the venue because profits retained in District 	<ul style="list-style-type: none"> ▪ No existing experience or expertise in day to day operation of such a conference centre ▪ Carries all financial risk (possibly including ownership of building, maintenance, refurbishment, day to day and year to year risk of making financial losses, especially if any debt is involved)

(Source: Horwath HTL)

Examples of this type of operation are (or have been):

- Positively Wellington Venues (a CCTO) which is responsible for venue management (but not ownership of the venues)
- the former Vbase CCO in Christchurch which, following the buyout of Council's former Thailand based joint venture partner, NCC, also assumed the ownership of the venues from Council (but is now re-integrated back into Council, following major earthquake damage to and destruction of the venues)
- the former Aotea Board of Management which had been set up by its own Act of Parliament, but which has now been integrated into the new Regional Facilities Auckland CCO.

Both Vbase and THE EDGE had independent private sector-based governance models and operated in a private sector mode. They were also funded or underwritten by the public sector.

The Dunedin Centre and Town Hall, Napier Convention Centre and Rotorua Convention Centre are all direct operating units of Council, where the venue managers are directly accountable to an operating unit of the local authority.

9.4.2 PRIVATE SECTOR OPERATOR

If a private sector company is operator, they are likely to either manage under a management contract with the owner (most likely) or lease the building from the owner and operate on their own account (least likely).

Under a management agreement, the operator brings prior expertise and (sometimes) a brand, earns management fees, but the cashflow and business belongs to the owner. The contract may include performance clauses. The agreement is typically for 10 years with rights of renewal.

Under a lease scenario the building owner has no interest in the business and receives a fixed (or variable) rent from the business operator. The rental would be negotiated on a commercial basis between the parties. It is uncommon and highly unlikely that a private sector operator would be prepared to take on the financial risk of paying a commercial rent with a guaranteed fixed minimum amount to the owner.

An alternative would be a hybrid lease, where the building is still leased to the operator, but the commercial terms of the rental are based strongly on the performance of the business (ie: no or low minimum annual rental) and the majority of rental is based on a share of 'bottom line' cash surplus (if any).

Table 9.3 summarises the advantages and disadvantages of private sector operator arrangements, assuming a management contract is in place.

Table 9.3 Private Sector Operator

Option Description	Advantages / Strengths	Disadvantages / Risks
Existing local hotel operator (eg: Accor, IHG, Millennium Hotels and Resorts, Accor, or Scenic Hotel Group)	<ul style="list-style-type: none"> ▪ Local synergies (leverage existing marketing, staff, administration, etc) ▪ Greatest opportunity to leverage commercial terms in negotiating with existing local operator ▪ Local private sector parties that have the most to gain (because of their management of hotel rooms in Queenstown) 	<ul style="list-style-type: none"> ▪ Revenue risks – interrelationship between venue and hotel could be complex (eg: pricing of venue rentals and provision of hotel services, room rates, etc) ▪ Cost side risks – staff costs, marketing and allocation of management and overheads between venue and hotel could be complex ▪ Lack of transparency despite best efforts (eg: pricing of goods and services supplied) ▪ Allocation of resources may not be in best interests of the venue owner ▪ Lack of transparency of supply contracts (eg: hotel charges, commissions on bulk purchases, undisclosed commissions, and rebates) ▪ No demonstrated track record and experience of managing a venue of this scale in New Zealand ▪ Difficulties in meeting peak staffing requirements through casual staff

(Source: Horwath HTL)

Table 9.3 Private Sector Operator (continued)

Option Description	Advantages / Strengths	Disadvantages / Risks
Caterer (eg: Compass Group, Spotless Services)	<ul style="list-style-type: none"> ▪ Demonstrated track records in providing food and beverage services to a wide variety of clients throughout New Zealand including at peaks for special events ▪ More transparency ▪ Significant ability to relocate staff to manage peak times (eg: from Auckland) ▪ May be prepared to contribute to fit-out costs 	<ul style="list-style-type: none"> ▪ Have no demonstrated track record in New Zealand in managing a venue of this type (in addition to catering services) but do have overseas ▪ Lack of existing presence in Queenstown ▪ Queenstown, with its various risks and challenges, may not be comparable to management of overseas venues ▪ Rebates and bulk buying advantages may not be fully passed on to venue
Other Private Sector Operator	<ul style="list-style-type: none"> ▪ Operator not currently represented in Queenstown but with relevant experience overseas with potential strategic interest in securing venue contract and potential accommodation management contract (eg: existing hotels or apartments, if management contract coming up for renewal) 	<ul style="list-style-type: none"> ▪ Even if such an operator could secure a contract, the potential for it to be linked with the venue management would most likely mean existing operators would actively attempt to block such an arrangement
Private Sector Consortium (eg: hotel operator consortium, possibly involving caterer)	<ul style="list-style-type: none"> ▪ Hotel consortium could have strong interest in managing the venue ▪ Hotel consortium could be involved in sales and marketing, leveraging their existing sales and marketing, but not taking on F&B operations ▪ Caterer could focus on what they do best – F&B ▪ Caterer may be prepared to contribute to fit-out costs 	<ul style="list-style-type: none"> ▪ More complicated commercial negotiation structure in the best interest of all parties ▪ Hotel owners / operators not in the consortium unlikely to be supportive

(Source: Horwath HTL)

9.4.3 PPP OPERATOR

Table 9.4 summarises the advantages and disadvantages of a PPP operator.

Table 9.4 PPP Operator

Option Description	Advantages / Strengths	Disadvantages / Risks
JV between CCO and either a hotel company (or consortium) or caterer	<ul style="list-style-type: none"> ▪ Gives public sector (CCO) greater security and control over the business on a month to month basis ▪ CCO could better manage and control their risk and the performance of the private sector party to a much greater extent, including direct accountability ▪ Greater alignment between parties assuming CCO board representatives are appointed for their commercial acumen ▪ Strong commercially experienced CCO board representatives should enable the strengths of both JV partners to be maximised while minimising weaknesses 	<ul style="list-style-type: none"> ▪ Constant relationship results in more scrutiny than the private sector partner would prefer ▪ Increased transparency may lead to an increased risk of breakdown in good relationship

(Source: Horwath HTL)

An example of this scenario is the (previous) NCC model in Christchurch (a joint venture between public sector entities and private sector operator) before it changed to Vbase.

The greatest differences between private and public sector operations is that the private sector is driven by the motive to maximise its profit, whilst the public sector may pay more attention to overall economic impact for the local / wider community (eg: maximising revenue, employment, service levels, etc, but not profit).

A PPP will seek to maximise overall benefits (including a balance between profitability, increased employment and economic impact for the wider community) in the medium to long term.

APPENDICES

Appendix A	IAPCO Conference Centre Design Criteria
Appendix B	WT Partnership Capital Cost Estimate
Appendix C	Activity and Operating Projections
Appendix D	Visitor Expenditure Assumptions
Appendix E	Queenstown Chamber of Commerce Survey Summary