
Project title: Long Haul Aircraft Services
Strategy area: Economic Development

1. The Proposal

Recent changes in aviation technology have given us an opportunity to resolve one of the largest connectivity issues the region faces – the lack of an international airport capable of managing long-haul flights.

Positively Wellington Tourism and Wellington International Airport Limited (WIAL) are developing a strategy to attract at least one airline to fly daily long-haul services from Wellington, most likely to South East Asia, by 2008.

To resource this strategy Positively Wellington Tourism is approaching Councils in the Wellington region to commit funding for three years for the initial phase of this project (the new aircraft are scheduled for delivery in 2008). The programme will require support beyond that initial phase, for maintenance and for further development.

See attached Appendix – ‘Connecting the World to Wellington’.

2. Strategic Fit

The future economic growth of Wellington is related to how connected we are to the rest of the world. The Wellington Regional Strategy (and the WCC Draft Economic Development Strategy) has listed this as one of the key barriers to growth – a view supported by this issue receiving the most submissions during consultation on the WRS.

This project is closely aligned to Wellington City Council’s draft strategic direction 2006 -2016, specifically around the following strategies and outcomes:

ECONOMIC DEVELOPMENT

Better Connected

- ‘Wellington will be connected locally, nationally, and globally offering world class linkages....’ Access to key transport facilities that handle exports boosts productivity and economic growth. There is also scope to better leverage Wellingtons strategic positioning as the gateway to the North and South Island.

Stronger Sense of Place

- ‘Wellington will be a prime tourist and conference destination, with diverse and changing attractions that fit and highlight Wellington’s best features.’ The tourism industry makes a significant contribution to the Wellington economy and in order to increase international and domestic visitor’s means ensuring visitor growth is supported by appropriate infrastructure.

More Competitive

- ‘Wellington will attract and retain an increasing diversity of vibrant internationally competitive people, targeted investment, and businesses and industries of all sizes.’ Wellington has a role as a business centre for the region. The Council wants to internationalise in order to achieve a state where businesses locate in Wellington because it is a place where ideas with global application and global market connections can best be created.

TRANSPORT

More Prosperous

‘Wellington will have a coherent and efficient transport system that aids economic development.’

This fits with strategic priority number four – the Wellington Regional Strategy.

Direct air access to Asia (one-stop to Europe) will deliver clear regional economic and social benefits, including:

- Increased international visitation by reducing barriers to visit Wellington
- Increased domestic visitation with people from the lower North Island and upper South Island using Wellington as a hub
- Reduced time to freight product to international markets
- Increased attractiveness as a city by increasing Wellington’s international connectivity
- Overall, better global connectivity.

However, while it is now technologically possible for airlines to fly from Asia to Wellington, the challenge is to attract an airline to fly the route. To achieve this will require the region to build a compelling case for airlines and to grow the market that would use the new services, both here in New Zealand, and in the source markets of Asia and Europe.

3. Relationship to Existing Activities

Council is currently funding a number of internationalisation projects including tourism, business development and immigration programmes. In addition, the Wellington Regional Strategy has identified the lack of international connectivity as a key issue.

This new initiative would support all of these activities.

4. Proposal Costs

The total overall annual cost of the project is summarised below for the initial three year period. Following this period, the total annual cost of the project is estimated to be \$700,000 per annum for seven years.

Positively Wellington Tourism believes it can attract the balance of funding from other sources (Wellington Airport and other TLAs), requiring an annual investment of \$200,000 from Wellington City Council. In addition, Positively Wellington Tourism will be redirecting internal resource to this project.

Table 1

Activity	06/07	07/08	08/09
Marketing	170,000	320,000	420,000
Sales Calls & JV's	60,000	60,000	60,000
Website/Collateral Translations	70,000	70,000	70,000
Airline Activity	60,000	60,000	60,000
Research & Business Case Development	70,000	50,000	50,000
TOTAL	430,000	560,000	660,000

Table 2

<i>Outline project costs per year</i>										
Project Component	Operating expenses \$000									
	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	200	200	200	200	200	200	200	200	200	200
<i>Total</i>	200	200	200	200	200	200	200	200	200	200

During the initial three year phase, activities will be around:

Marketing

This will involve a number of activities in Asia and other long haul markets where marketing activity is required to support the initiative:

- PWT will extend their involvement with Tourism New Zealand's Kiwi Link programme into new markets in Asia including Hong Kong, China, Japan, Taiwan, India and Singapore as well as Europe, particularly the United Kingdom or Germany. Kiwi Link are trade training events that provide opportunities for New Zealand regional representatives and product suppliers to educate both wholesale and retail travel companies and airlines selling New Zealand in specific markets.
- Attendance at consumer trade shows in key markets, particularly Asia. PWT have identified four or five trade shows in the target markets to attend.
- The marketing budget will also be directed to tactical trade advertising in key industry publications such as trade journals.

Sales Calls and Joint Ventures

The current focus is not on the Asian markets and thus these markets would need to be targeted by:

- Sales calls to wholesalers in target markets – PWT are planning to visit six to ten wholesalers in each target market with aim of getting them to include Wellington on itineraries and to brochure Wellington in their publications.
- IBO sales activity – PWT will work with New Zealand based inbound tour operators who partner with the wholesalers in the offshore markets. This would involve sales and training visits to mainly Auckland based operators. It is anticipated that PWT would meet with inbound tour operators at least bi-annually.

- Developing new itineraries and fly/drive options – the infrastructure needs to be in place for tourists arriving in Wellington such as the availability of campervans and itineraries around available tourism product in the region and lower North Island.
- Other contact points are through joint venture marketing. The exact nature of these would be determined through negotiations with wholesalers, the airline and Tourism NZ.

Website/Collateral Translations

- Supporting collateral will require development such as new language website material and translations.

Airline Activity

This facet involves a number of activities including:

- Presentations to airlines – it is envisaged that two specific contacts with each initial target airline (Singapore, Cathay Pacific, Malaysian, Thai, China Southern and Air NZ) will be required in the first year. Meetings are currently occurring with New Zealand based airline representatives. The next step is to progress discussions to each airlines offshore route and sector planners. Follow up meetings may be required depending on the outcome of the initial meetings.
- Lobbying airlines and aircraft manufacturers – this will include visits to Boeing and Airbus in Australia. In Years One and Two, this is likely to involve two visits to each.
- The development of sales kits and instands.

Research and Business Case Development

This part of the initiative involves developing the business case for presentation to airlines including:

- Further research to determine the potential for the sector and the viability of the new services. As part of the business case development, there is a need to research the capability of the aircraft in relation to freight, the extent of the freight opportunity out of the Wellington region and the infrastructure required.
- Quantifying the exact size and potential of the outbound market particularly in relation to business travel. Currently, top line data is available but more detail is required. Specialist airline expertise will be employed to provide in-depth information on sector/route and aircraft performance and to provide third party endorsement

5. Project Outline

This project is time-sensitive and one which requires proactiveness. Airlines will be looking for a long term commitment which needs to be demonstrated although a review will be carried out following the initial three year programme. Research and development will need to be carried out simultaneously with market development in order to signal to the airlines and trade of our seriousness in markets in which Wellington is currently not very active or not active at all.

The aircraft will start flying in 2008 although it is anticipated that 2009 is a more realistic time frame for flights into Wellington. Airlines are currently ordering the aircraft that could fly this sector and if Wellington does not implement this strategy now, the aircraft will be allocated to other routes.

The strategic plan currently being developed has identified four key work areas that the project will focus on:

- Creating a regional cross-sector approach
- Developing a compelling business case to present to airlines, based on sound research and market knowledge
- A comprehensive advocacy programme targeting potential airlines
- Building Wellington's market share in source markets

This is a regional initiative and as a result Positively Wellington Tourism has instigated discussions with other Councils (Carterton District Council, Hutt City Council, Kapiti Coast District Council, Masterton District Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council) to also support this project. However Wellington City stands to gain the most from this opportunity and therefore will be looked to as one of the principal funders.

6. Conclusion

This is one of the most significant opportunities Wellington has faced for some time. If the goal is achieved, it will fundamentally change Wellington's infrastructure and will make it a truly international city.

This is a genuine regional initiative and Positively Wellington Tourism will manage this project as such, developing a working group to have input into activity. As the strategy is finalised Positively Wellington Tourism will be able to present a more detailed business case to Wellington City Council. It is expected that progress will be reviewed after the initial three year programme.