

POSITIVELY WELLINGTON TOURISM

REVIEW OF 2008/09 ANNUAL REPORT

Partnership Wellington Trust – trading as Positively Wellington Tourism (PWT) - presents its Annual Report including unqualified audited financial statements and performance measures.

Highlights for the year

- Wellington continued to build on its tourism successes; international visitors to Wellington increased by 1.8% to 553,833 in 2008/09, compared to a decline of 2.8% in overall international visitors to New Zealand.
- The Australian market was particularly strong; direct Australian visitor arrivals into Wellington increased by 6.4% compared to 2007/08, while overall NZ inbound growth was 3.9%.
- Strong marketing of the Wellington events programme helped the city perform well, and visitor nights increased by 2.5% compared with the previous year.
- PWT provided significant input into event development and joint marketing of key events including WOW, NZI Sevens, Starlight Express and the Te Papa Monet exhibition.
- There were over a million visits to WellingtonNZ.com in 2008/09.

Performance

1. Financial

A review of PWT's financial statements highlights the following points:

- The Trust achieved a surplus of \$85k in 2008/09, compared to a breakeven budget and a surplus of \$50k last year.
- Total income was \$9.8m, below the budget of \$11.2m and the 2007/08 year, largely due to lower Visitor Centre income.
- Visitor Centre income was \$3.2m, \$1.3m lower than budget and \$0.4m lower than 2007/08. This was partially due to the new booking system introduced which only processes the PWT commission (and not the full revenue and cost of a transaction); however, the Trust was unable to quantify the exact impact of this change. Overall, the Visitor Centre improved from a deficit of \$107k in 2007/08 to a deficit of \$1k. PWT attributes this to the careful management of expenses and restructuring that has taken place.
- The Trust lost its charitable tax status in June, which resulted in a tax expense of \$17k for the year.
- Partner funding overall was \$217k lower than last year and slightly below budget, however this is largely related to a change in the nature of the relationship with Air NZ. Where Air NZ used to pay a lump sum to PWT, they now separately fund individual joint venture projects directly

(rather than through the PWT accounts). PWT notes that the value of the relationship is largely unchanged under the new structure.

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2007/08 Actual
Total Income	9,851	11,206	9,994
Total Income (excluding Visitor Centre trading income)	6,613	6,682	6,307
Visitor Centre trading income	3,238	4,524	3,687
Total Expenditure (excluding Visitor Centre cost of sales)	7,054	7,363	6,695
Visitor Centre surplus	(1)	N/A	(107)
Operating Surplus	85	-	50

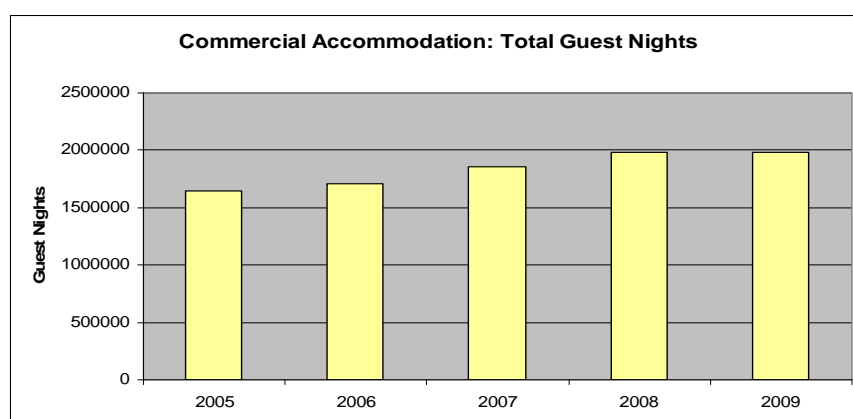
Statement of Financial Position

\$ '000	FY Actual	FY Budget	2007/08 Actual
Current assets	1,263	1,110	969
Non current assets	226	257	279
Current liabilities	963	763	807
Non current liabilities	-	-	-
Equity	526	441	441
Current ratio	1.3 : 1	1.5 : 1	1.2 : 1
Equity ratio	35%	32%	35%

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2007/08 Actual
Operating	359	(250)	(25)
Investing	(117)	(120)	(290)
Financing	-	-	-
Net	242	(370)	(316)
Closing balance	1,032	740	792

Note: the Trust's financial statements have been prepared using NZ IFRS.



2. KPIs

The Trust's KPIs for the year, as agreed in its SOI, are listed below:

PERFORMANCE MEASURES	TARGET 2008/09	ACTUAL 2008/09
International direct arrivals to Wellington Airport	Maintain 2007/08 levels	4.3% increase (year to May)
International visitor nights	Maintain 2007/08 levels	3.5% decrease (year to May)
New Zealand market visitors and visitor nights	Increase NZ market numbers and visitor nights by 1% (over 2007/08)	2.3% increase (year to May)
Weekend occupancy in partner hotels (capacity aligned)	1% increase (over 2007/08)	Occupancy of 69.0% (increase of 1.4%)
Downtown weekend visitation	2% increase (over 2007/08)	Sample weekend downtown visitor spend 8% decrease
i-Site revenue	Increase revenue by at least 5% (over 2007/08)	Total i-Site revenue decreased by 12% to \$3.2m
Partner funding	Maintain funding within 5% of 2007/08 levels	13% decrease in partner funding to \$1.5m. PWT's relationship with Air NZ has changed; where Air NZ used to pay a lump sum to PWT, they now joint venture individual projects.
Number of partners	Number of partners within 5% of 2007/08 levels	A 44% increase to 124 partners
Cost effectiveness	Partnership funding at no less than 35% of WCC funding	Partnership funding in 2008/09 was 29% of WCC funding, compared to 38% in 2007/08
Visits to www.WellingtonNZ.com	40% increase over 2007/08	43% increase for January to June 2009 (compared to the prior year)
Online revenue	Achieve revenue of at least \$1.4m and have an enhanced online booking system that is fully operational	Total online sales for the year were \$599k. An enhanced online booking system (Bookit) was introduced in Q3, which has improved the booking system and significantly increased sales. Daily average sales have risen 46% to \$2k since the upgrade.

The current economic situation and consequential reduction in global travel patterns and domestic consumer spending have impacted on certain PWT targets, specifically in the areas of downtown visitation and sales, and long haul initiative. However, whilst international visitor nights have decreased, the Australian market has performed above expected levels and domestic visitor nights have

increased by 2.5%; consequently Wellington's market share of NZ visitor nights has increased.

Total online sales for 2008/09 were ~\$600k compared to a performance target of \$1.4 million. During 2008/09 PWT reviewed their performance target in this area downwards, and officers accepted the revised targets.

3. Operations

In June 2009 the Council approved additional funding of \$2.576m over three years (being \$0.5m in 2009/10, and \$1.038m in 2010/11 and 2011/12) to PWT to continue to grow Australian visitor numbers, conditional on matching funding being received from the Government. This external funding needs to be secured before PWT can draw down the additional Council funding. PWT also aims to leverage this funding to secure new commercial partners' funding and work closely with other Regional Tourism Organisations (RTOs) and central Government on a partnership model of funding that could add up to \$3m to Council's \$1m investment.

In 2008/09 Council increased PWT's funding to enable it to invest further into online marketing and subsequently, WellingtonNZ.com had a record number of visits in this year, with a 43% increase in visitation in the second half of the year compared with the same period in 2007/08. The new domestic campaign "Spoil Yourself in Wellington" has been a key contributor to increased visitation to the site.

Social media and mobile channels have become increasingly popular within the travel industry and with travellers. The Wellington Mobile Guide was launched in February 2009. The guide includes Wellington highlights and has been used in conjunction with major events in the city such as the NZI Sevens, Wellington On a Plate and WOW®. Positively Wellington Tourism has also recognised that people are spending more time online, in particular on social networking sites. Related initiatives have been successful, and both Facebook and Twitter are now in the top 10 referring websites for WellingtonNZ.com.

The Long Haul Strategy was reviewed to clarify the respective roles of PWT and Wellington International Airport Limited (WIAL). PWT will continue to raise the profile of Wellington as a destination for business and leisure travel in Asia, North America and Europe. WIAL will continue to focus on airline relationships and infrastructure requirements. As delivery timeframes for new aircraft from Boeing have changed, and as no airline has aircraft capable of commercially viable long haul services into Wellington, further negotiations have not taken place in 2008/09. Work has been done by PWT and WIAL to increase Wellington connectivity that has resulted in an increased demand for Wellington from and through Australia.

Governance

The Trustees during the year were:

Glenys Coughlan (Chair)

Ruth Pretty

John Milford

Kim Wicksteed (reappointed from 1 January 2009)

Mike O'Donnell

Jo Coughlan (Councillor)

Peter Monk (reappointed from 1 January 2009)

Glenys Coughlan, Ruth Pretty and John Milford's terms expire on 31 December 2009. All three are eligible for reappointment.

Key issues going forward

The Council has approved operational grant funding over the next 10 years of over \$50m in the 2009-19 LTCCP. This is a significant investment; accordingly, the Council needs to ensure that PWT is achieving its own strategic objectives, as well as contributing to those of the Council. As part of the PWT health check process, the Finance team recommended that this be considered and that financial results and performance measures continue to be regularly monitored through CCOPS.

PWT will continue to focus on Australian marketing. The PWT Board and Executive have been in regular dialogue with central government, Tourism New Zealand, airlines and the other gateway RTOs in New Zealand. These discussions have progressed well and PWT's understanding is that the confirmation of additional funding to match that provided by the Council is now being considered by Cabinet. One of the key challenges in this process has been ensuring that the outcome negotiated delivers to investing stakeholders both locally and across New Zealand, and the new investment made is able to leverage successfully off the solid foundation that Tourism New Zealand has built in recent years in the Australian market. PWT believes that Australians represent the best opportunity for Wellington to grow its international visitor numbers long-term.

At the same time, focusing on domestic marketing through the "Spoil Yourself in Wellington" campaign will continue to ensure that Wellington retains its share of the market.

PWT will also continue to be significantly involved in development of major events, e.g. culinary tourism (Wellington on a Plate), that guarantee that a high quality event programme is offered throughout the year. In addition, it will focus on a joint promotion of the city's visitor attractions including ZEALANDIA: The Karori Sanctuary Experience and Carter.

Conclusion

In a challenging year, PWT had many positive developments. Wellington's market share of NZ visitor nights increased. The Visitor Centre achieved effectively a breakeven result. In addition, PWT increased both its number of partners and online visits significantly, and was also significantly involved in the development of major events such as the Monet Te Papa exhibition and Wellington on a Plate. Going forward, PWT will continue to focus on Australian marketing and is confident of receiving the funding from Cabinet to match that provided by the Council.