

WELLINGTON VENUES LIMITED

**POSITIVELY
WELLINGTON
VENUES**



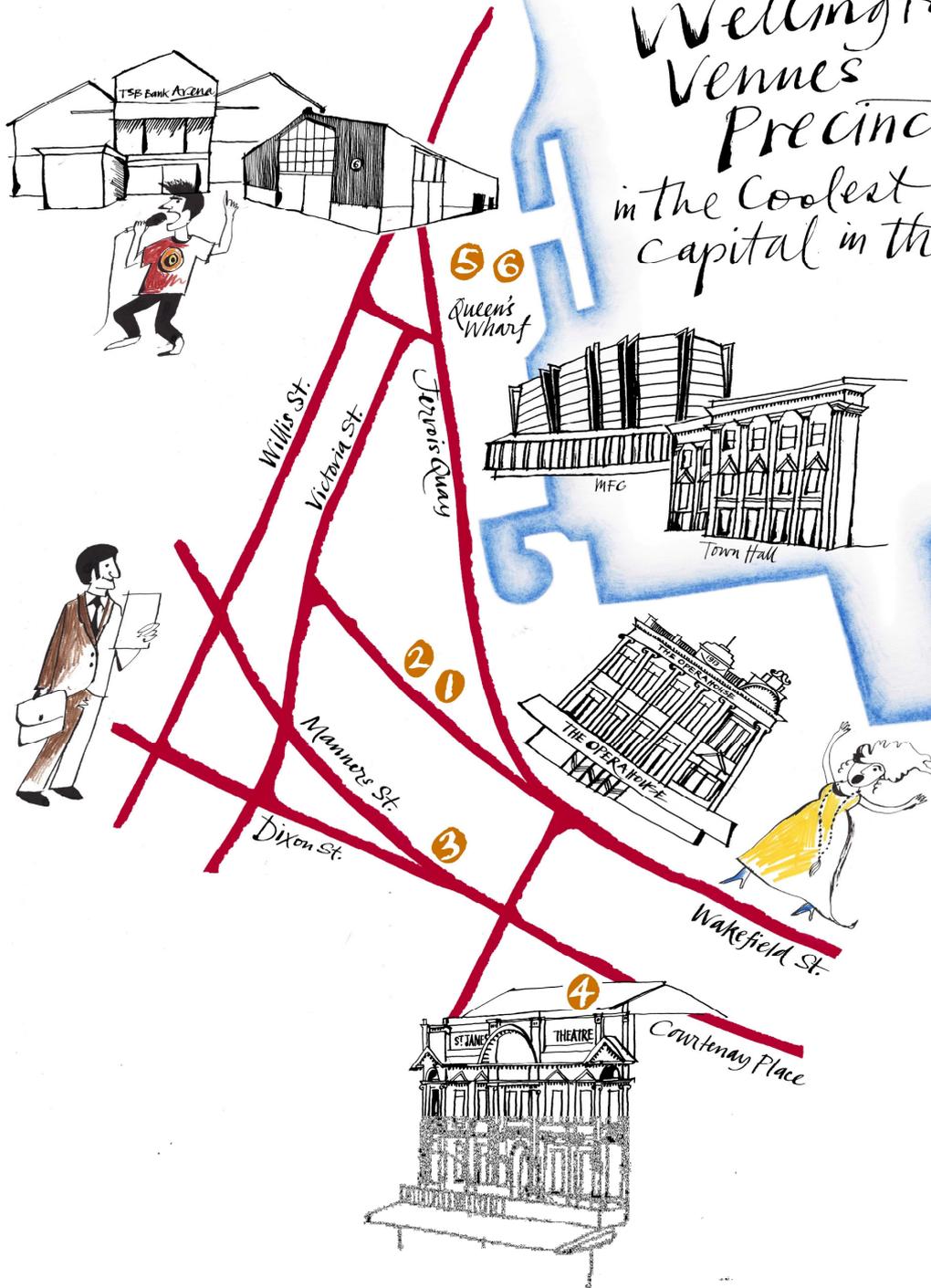
2012/2013

SOI & BUSINESS PLAN

MARCH 2012

Positively Wellington Venues
is proud to manage six of
Wellington's most significant
performance and conference
venues located in the heart of the
City's waterfront, arts, culture and
entertainment precinct.

The Positively Wellington Venues Precinct in the Coolest little capital in the World



Six very cool little venues within five very easy minutes walk.

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Foreword from the Chairman

On behalf of the Board and new leadership team at Positively Wellington Venues, I am pleased to present our 2012/13 Statement of Intent and Business Plan.

2011/12 was our first year of trading as a new CCTO and I am satisfied with the progress that has been made in merging the two pre-existing businesses and creating a platform for growth.

Creating a new organisation design to enable PWV take the best from the old structures in order to better leverage the venue assets we have under our management and drive efficiencies in the business has taken some time, but six months into the 2011/12 FY a new leadership team was in place and nine months in, a new organisation structure confirmed. Pleasingly, while this work was being undertaken, the team have managed the business to deliver a respectable on-budget trading result.

There are some one-off transition costs that were not budgeted for in 2011/12 – including some legacy agreements and grandfathered employment costs – but eight months in to our first year of operation our trading result is on-budget in what has been a tough and unsettled trading environment.

What no-one could have foreseen when Positively Wellington Venues was established was the devastating impact of the February 2011 earthquakes on Christchurch and the flow-on effect on the timing of seismic strengthening programmes around New Zealand.

Wellington City Council has agreed to fast track the strengthening of the Wellington Town Hall which will take one of PWV's anchor venues out of commission for two years. Under the guidance of the Board of PWV, the executive have moved swiftly to develop a business case for an alternative venue that will protect both PWV's and the City's earnings from the conventions and exhibitions market. We are delighted that the Council has supported our funding bid which will now be included in consultation on the Council's Long Term

Plan. Faced with growing financial liabilities and a want to restrict rate increases, we are doubly grateful for the Council's support in a period of financial constraint.

The Letter of Expectation that we received from WCC challenged PWV to deliver a break-even or better result in the 2012/13 financial year, and our 2012/13 budget reflects that. This break-even result is being delivered a full year earlier than originally forecast. Achieving that result will require both top line growth and bottom line savings. This will not be easy in a repressed economy with further cuts to the public sector imminent. And, while we hope to have our alternative Town Hall venue in place, we will be operating with reduced venue capacity and flexibility as a result of the closure of the Town Hall. On that basis, delivering a break even result will be challenging but, we are committed to meeting that challenge.

Having established a platform for growth in 2011/12, the 2012/13 year will see the business focusing on developing a five-year business transformation strategy and implementing a range of new projects that support significant business improvements. Although not reflected in the 'out-year' forecasts (2013/14 and 2014/15) at this stage, we are intent on driving a significant uplift in performance. Balancing the commercial and community requirements of the business will need to be addressed as part of that and we are pleased to be presenting the building blocks for a new community access strategy in our SOI.

Finally, we have put considerable effort into ensuring that the activities of Positively Wellington Venues are contributing to the City's 2040 Vision. In delivering a compelling year round calendar of 'grow' and 'show' business events, we are committed to adding to the dynamism, resilience, connectivity and 'coolness' of this great little capital city of ours.

Chris Parkin
Chairman

1. Introduction

1.1 Background

Trading as Positively Wellington Venues (PWV), Wellington Venues Ltd is a Council Controlled Trading Organisation (CCTO) that was established on 1 February 2011 as a result of the decision to merge the Wellington Convention Centre and the St James Theatre Charitable Trust.

The Wellington Convention Centre business started trading as Wellington Venues Ltd on 1 February 2011. The St James Theatre business (including The Opera House) was integrated into PWV effective 1 July 2011.

PWV is responsible for the management of six of Wellington's most significant venues:

- The Michael Fowler Centre
- The Wellington Town Hall
- The TSB Bank Arena
- Shed 6
- The St James Theatre
- The Opera House

1.2 Our “Business in a Box”

If we strip our core business offering back to the basics, PWV's business looks like this:



But as our “Rocking this Town” vision describes, it’s actually about what happens “outside the box” that makes the real difference ...

1.3 PWV's 2020 "Rocking this Town" Vision

Our vision is to rock this town by:

**delivering a stunningly good year round calendar
of show and grow business events**

driving profitable and sustainable business growth and

**contributing to the cultural, community and
business vibrancy of Wellington**



We have expanded on this vision in our "Rocking this Town in 2020" book.

"Rocking this Town" sets out a vision for PWV and the role that it will play in Wellington's business, educational and cultural arenas.

It positions the venues NOT just as spaces (or boxes) for hire but as integral to creating the kind of City that WCC's Toward 2040 Strategy intends.

"Rocking this Town" envisages a single collaborative umbrella – TEAM Wellington (that's Tourism, Events and Marketing) – where PWT, PWV and City Events work together to become an economic and creative powerhouse for the City by supporting a range of business, cultural, community and sporting events.

“Rocking this Town” is based on supporting the growth and development of events like Webstock that started back in 2006 as a twinkle in the eye of two passionate Wellingtonians.

It suggests that as we refurbish and improve our existing venues offering, and build a new Wellington Convention, Sports and Entertainment Arena (WCSEA) – we add classroom spaces and build business incubator studios in the venues to leverage the opportunities that we have to partner with the likes of the Weltech Cordon Bleu School and other tertiary institutions.

“Rocking this Town” sees Wellington making more of Wellington Town Hall’s internationally renowned acoustics with the addition of a scoring stage and sound studios that are in demand from the film and recording industries around the world.

We see opportunities to work more closely with Wellington’s leading businesses, helping to grow events like WCC’s BIG business expo (Business Innovation Growth) and attracting national and international exhibitors that are keen to develop ‘smart’ partnerships with their Wellington counterparts.

“Rocking this Town” is also built on developing some breakthrough green initiatives, pioneering new lighting technologies that enable the most amazing special effects and tremendous savings in energy costs.

Gone are the complaints that plagued the old arena. The new multi-purpose arena has been built with high-tech seating and specially designed acoustic panels that make the venue in high demand from promoters and international touring groups. It may not be the biggest arena in New Zealand but it is considered to be the best.

The arena also provides flat floor exhibition space for up to 150 exhibition booths and banqueting for up to 1000.

“Show Me Wellington” – Wellington’s signature conference and event EXPO has grown to showcase more and more of what Wellington has to offer and now attracts a strong out of town audience, including buyers from Australia and the Pacific Rim.

And, by working more collaboratively with “the teams behind the teams” that help to put Wellington on the map in national and international sports fixtures, attendance numbers and corporate support have continued to grow, sponsors are responding well to a range of highly creative leverage opportunities, and broadcasters appreciate the facilities and logistical “plug and play” support that the arena provides.

The City’s big tier-one events like WOW and the Sevens are alive and well and some ancillary events have sprouted up around them. TEAM Wellington have also been enormously successful in growing other ‘they-could-only-happen-in-Wellington’ events that attract local and international audiences and round out seasonal troughs in hotel occupancy.

Homegrown continues to be a roaring success with talk about it relocating to Auckland ending long ago. Handmade is now firmly cemented as a cornerstone event in the City’s mid-year calendar and the VISA Wellington on a Plate Master Class is a sell-out event that runs over three days.

The Opera House has been strengthened and its functionality enhanced. Much better use is being made of all of its spaces for a wide range of live cultural performances, and its links into Opera House Lane make it a much more used and loved space.

Thanks to the success of Wellington's Economic Development Strategy and an increase in investment in incubator projects the Opera House is home to some design studios for start-ups with a love of theatre and live performance. Graduates who have studied outside Wellington are coming back and putting their new found skills to the test.

The St James Theatre is offering an expanded 'Cabaret on Courtenay' offering with a boutique collective of bars, restaurants and cabaret lounges. Now home to the NZIFA the theatre's show and performance calendar is almost as strong in the off-years as it is in Festival years which has improved the financial strength of the Festival.

As the food and wine capital of New Zealand, Positively Wellington's Venues own an enviable position in culinary circles. Not only are our food and beverage offerings the talk of the town, but we're attracting a new generation of hospitality workers who 'get' that you can bring a taste of performance theatre to all of our guest experiences.

Not all venues are at capacity (after all, 2020 is only eight years away!!) but Wellington has become increasingly popular as a destination for business events and live performances and it has built an unassailable reputation for adding its own magic to every event.

Realising the "Rocking this Town" vision will take guts, passion and commitment.

The team at PWV are up for it.



Royal New Zealand Ballet, The 70th Season of Cinderella. Photo: Ross Brown

1.4 Meanwhile, back in 2012 - PWV's core business

PWV works with a range of hirers to:

- provide live entertainment and performing arts experiences
- host special government, education, business and industry occasions (e.g. awards dinners)
- support business and industry networking and development opportunities (e.g. conferences and exhibitions)
- provide facilities for regional, national and international sports teams to compete
- enable civic and community performances and celebrations

WVL's Constitution summarises the objectives and activities of the company as:

- manage, promote, operate and administer the venues and any related event business from time to time
- foster the holding of events and promote the use of the venues for events
- promote the acquisition, restoration, development and active use of the venues for events
- advocate for the venues and event sector(s) for the benefit of the residents of Wellington
- achieve the objectives of its shareholder, both commercial and non-commercial as specified from time to time in the Statement of Intent
- be a good employer
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community within which the company operates and by endeavouring to accommodate or encourage these when reasonably able to do so, and;
- conduct its affairs in accordance with sound business practice

1.5 Business objectives and community outcomes

At its establishment, the Transition Board of PWV agreed to eight commercial and community objectives.

These objectives have been refined to reflect PWV's strategic intent and WCC's Toward 2040 vision:

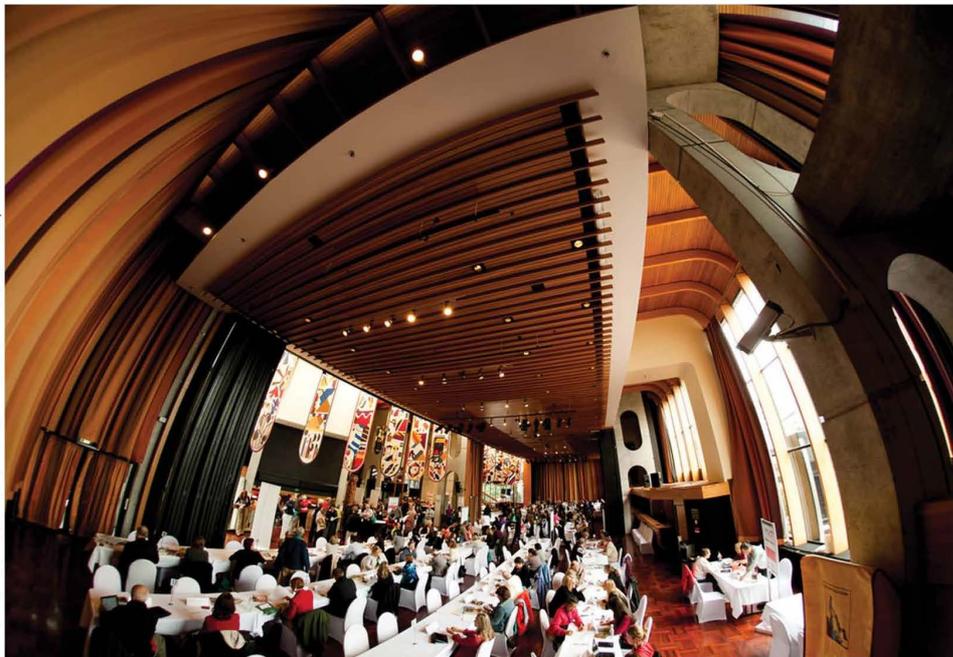
PWV will be driven by the following commercial imperatives:

1. optimising the **commercial utilisation** and earnings potential of the venue and ancillary assets under our management
2. delivering outstanding "end-to-end" **event experiences** based on best of breed business partnerships that create enduring value and set Wellington's venues offering apart from the rest

3. extending the venues offering to develop new markets, **grow new sources of revenue** and improve commercial performance
4. **reducing the level of operational subsidy** required from Council and the burden on the ratepayer and building our earnings to attract investment in future growth and development

PWV will also contribute to some important City and community outcomes:

5. adding to the **cultural and business vibrancy** of the City and Wellington's competitiveness as a visitor destination, its attractiveness as a place to do business, and its vibe as a City in which people want to live
6. contributing to the **health and resilience** of the Wellington economy (growing visitor spend and export earnings and supporting new investment), addressing environmental challenges and playing our part as a Capital City in improving the good of the nation
7. building **community pride and participation** that celebrates Wellington's belief in being a place of creativity, exploration and innovation; ensuring that our venues are part of the fabric of the City and accessible to their communities
8. supporting the **development of new and emerging creative talent** in our show and grow business events and connecting that talent with new business opportunities locally and globally



Natural timbers of the Renoult Poyer in the Michael Fowler Centre



1.6 Growth ambitions and strategic development

The establishment of PWV was underscored by the Board's intention to deliver on some ambitious growth targets – the Transition Board proposed doubling PWV's revenue over the next five years, while delivering on our core business objectives and wider city outcomes.

This target was established before the February 2011 earthquakes in Christchurch and before the WCC reviewed its seismic strengthening programme.

The first (transition) year of operation has involved merging the two pre-existing businesses and confronting the challenges involved in losing an anchor venue (the Wellington Town Hall) from our portfolio of venues.

Our second year of trading will focus on re-engineering the business as we bed-in a new organisation structure; and reviewing our operating processes to drive lifts in productivity and profitability (achieving a break even result a full year ahead of what we forecast in our 2011/12 SOI).

Subject to the outcome of the LTP consultation process and further feasibility analysis, we hope to be involved in developing the TSB/Shed 6 project (or similar) to replace much of the capacity and functionality that we will lose when the Wellington Town Hall is decommissioned for two years for seismic strengthening.

Having established this foundation and partly compensated for the loss of the Town Hall, our intent in the out-years is to transform our offering to ensure that the business can continue to be self sufficient and capable of further growth.

1.7 2012/13 Letter of Expectations

WCC has outlined their expectations of PWV for the 2012/13 year via a letter of expectations (LOE) from the Chair of CCOPS.

The letter requested that PWV reflect the following considerations and actions in its business planning for 2012/13.

- **Wellington Towards 2040: Smart Capital**

describing how PWV's strategic priorities align with the 2040 community outcomes and plans

- **Economic Environment**

demonstrating that PWV is working towards reducing the level of funding it receives from Council in recognition of the financial pressures that Council is under as a result of its leaky building and seismic strengthening programmes

- **Risk Management**

highlighting how PWV is managing its health and safety responsibilities, business continuity planning and insurance programme

The letter outlined five general objectives for PWV to be addressed in the SOI:

- having a **partnership** approach with the Council and other CCOs
- having a **regional** focus, where this is appropriate
- providing appropriate **acknowledgement** of the contribution of Council
- achieving maximum **effectiveness and efficiency** of service delivery
- operating at **break-even or better** after depreciation expense

Finally, the letter requested that PWV give specific attention in its 2012/13 SOI to:

- how PWV will transition to break even in the next FY and deliver appropriate operating surpluses thereafter
- presenting agreed measures that capture performance data and refine KPIs, including detailed strategies and relevant KPIs for advancing community engagement and venue access
- discussing in detail the economic and operational impact of planned earthquake strengthening work on the Town Hall and Opera House, and strategies for mitigating the disruption to business
- participating in discussions to be lead by the WCC, about the potential for additional events spaces in the city

1.8 Business transformation

In the following section of our SOI, we recap on the seven core business strategies that provide the framework within which we are managing PWV business.

In addition to a summary of the priority projects for 2012/13 that will underpin the delivery of each of those strategies, we will also be driving the implementation of five significant business transformation projects.

1. New initiatives to drive business /revenue growth
2. Completing the organisation restructure and business reengineering to improve productivity and performance
3. Developing plans to accommodate loss of Wellington Town Hall from our portfolio of venues
4. Risk management – including pan-venue overhaul of Health and Safety and Environmental and Quality Management programmes and business continuity planning
5. Launching an enhanced Community Access Programme

Our core strategies and business transformation projects all contribute to the general and specific objectives outlined in WCC's LOE.

A summary of the deliverables against the expectations included in the LOE is presented in section 4 of this SOI.

1.9 Budget assumptions

At the time of submitting this draft SOI, PWV has completed eight months of trading as the new entity.

Because 2011/12 was a transition year and we are only two-thirds of the way through it, we are still reliant upon making some assumptions about the full year result. This has impacted on the assumptions that we have had to make about the 2012/13 budget. and establishing some KPIs.

An additional consideration in our 2012/13 business planning and budgeting process has been the fact that The Wellington Town Hall will be decommissioned for at least two years for seismic strengthening. At the time of writing, the proposal is to close the Town Hall in July 2013. This requires relocation of pre-contracted business and has caused us to lose business in the 2011/12 and 2012/13 financial years.

A CAPEX proposal has been submitted to WCC to fund the development of venue spaces that will compensate for the loss of the Town Hall function and performance spaces and commercial kitchen. This proposal will be considered as part of WCC's LTP consultation process.

In anticipation of the Town Hall closure (and to support the CAPEX bid), PWV commissioned a commercial and economic impact assessment to understand the business and economic impact of closing the Town Hall and to identify viable options for replacing the function and performance spaces that are housed within the Town Hall complex.

Based on that work, PWV submitted a CAPEX bid for \$5m. After WCC deliberations (and given the financial pressures the Council is operating under) \$4m has been budgeted for as the basis for consultation in the LTP.

The findings of the above studies also underpin the budget scenarios presented within the 2012/13 SOI. And, in order to manage risk we have budgeted for a range of outcomes – including the non or part replacement of the Town Hall spaces.

If the CAPEX bid for, and building of, a viable alternative is not successful then PWV will require operating subsidies for the two years that the Town Hall is closed of \$1.308 million in 2013/14 and \$1.404 million in 2014/15. This level of subsidy is after we have reduced salaries, wages and other costs by \$1.47m.

It is important to note even if the CAPEX bid is successful and we are able to proceed with building alternative venue spaces in 2012/13, our overall hireable capacity is being reduced for the period that the Town Hall is closed.

This is reflected in conservative revenue growth in our 'with the Town Hall replacement' 2013/14 and 2014/15 forecasts and a bottom line result that shows little improvement over and above break even.

This is not to suggest that PWV isn't committed to driving a significant improvement in its commercial performance through better cross-the-board utilisation of our venues, however the seismic strengthening programme and concerns about using an EQPB has placed constraints on the business.

Furthermore, even though Christchurch is unable to compete in the events space at present, competition is intensifying as new venues come on-stream in City's like Auckland, Dunedin and

Hamilton. Not only are the venues becoming more aggressive with their bid proposals and levels of discounting but their offers are being 'sweetened' with City marketing contributions.

Other significant factors influencing the 2012/13 budget include:

- event revenue growth of approx 8% above 2011/12 levels arising from improved sales and marketing and reduced discounting
- wage and salary efficiencies from improved rostering and hands-on staff working across all six venues
- an allowance for performance based remuneration increases
- an increased sales and marketing budget required to drive revenue growth
- achieving cost savings and efficiencies in overheads
- increased asset maintenance over the 2011/12 level following the completion of the asset maintenance plan
- significantly increased utility costs as signalled by the WCC energy specialists and general market information
- significantly increased insurance costs following the 2011 Christchurch earthquake
- no allowance for legacy transactions or shared services costs as these have yet to be negotiated with WCC
- no allowances for Wellington Town Hall project costs as these are expected to be captured in the capital expenditure bid currently in the WCC LTP
- an allowance for the time required for minor seismic strengthening work at the Opera House
- minor operational capital expenditure to be funded by PWV



1.10 Executive Summary of PWV's 2012/13 SOI and Business Plan

Our 2012/13 is built around five main sections.

Section One: Introduction and context

This section is designed to summarise the context within which the SOI has been developed and our vision for PWV.

Section Two: Core business strategies and business transformation programmes

In section two we present a summary of our strategic intent and the seven core strategies that we use to frame the management of the business.

We list the key projects that we are working on in each of the core areas of the business. While all initiatives are designed to drive improvements in our performance, they are essentially 'business as usual' projects.

To more aggressively drive the transformation of the business we have developed five major work programmes that we will roll out in 2012/13. These are summarised in section two.

Section Three: 2012/13 budget, financials and budget scenarios

Section three presents our 2012/13 budget as well as forecasts for the 2013/14 and 2014/15. It assumes that we are able to replace most of the capacity and functionality that will be lost with the decommissioning of The Wellington Town Hall.

Our 2012/13 budget has been developed using a zero-based budget methodology utilising significant input from the new PWV leadership team.

The forecasts for 2013/14 and 2014/15 are based on an extrapolation of the 2012/13 budget. These forecasts will be refined in the out years.

- General assumptions have included:
 - modest revenue growth given the net decrease in venue space on offer
 - a seamless transition to the replacement Wellington Town Hall venue
 - further efficiencies in staffing costs
 - continued utility cost increases above CP rates
 - the full impact of the rate change for Kiwisaver
 - modest operational capital expenditure funded by PWV

Section three also included an analysis of what the PWV business would look like without an alternative to The Wellington Town Hall. It shows that even after downsizing and cost savings we would require a significant operating subsidy to achieve breakeven.

Section Four: Contributing to the LTP and Wellington 2040

Section four outlines how PWV will deliver on the specific expectations that were summarised in WCC's letter of expectations.

It also includes a section of how PWV's activities align with Wellington Towards 2040: Smart Capital – addressing our role in relation to the four key platforms outlined in the vision:

1. Wellington's people-centred city will be healthy, vibrant, affordable and resilient with a strong sense of place
2. Wellington's physical, virtual and social connectivity will create regional, national and global opportunities for our people, places and ideas
3. Wellington will take a leadership role in addressing environmental challenges to become the capital of clean and green
4. Wellington will be a place of creativity, exploration and innovation with the kind of lifestyle and environment that you'd expect of a compact, connected, cosmopolitan capital city

Section Five: KPIs - Monitoring and Managing our Performance

Section five summarises our KPIs for 2012/13 - linking them to our core strategies and business transformation projects as the LOE and Wellington 2040 strategy.

With the new PWV leadership team and organisation structure in place we can start to put more areas of the business "under the microscope" and begin the process of benchmarking PWV against best practice in other businesses and venue management companies. This will enable us to further enhance our KPIs so that we are "measuring what matters" in the out-years.

Attachments

The final section of the SOI is presented as a series of attachments and covers:

- Governance and risk management
- PWV's draft health and safety policy
- PWV's grant funding and shared services arrangements
- Summary of CCO partnerships

2. Positively Wellington Venues - Strategic Intent

Positively Wellington Venues has created a vision for 2010 based on “Rocking this Town”. That vision is designed to align with WCC’s Toward 2040 strategy and to drive the achievement of the commercial and community outcomes and objectives that are summarised in section 1.4.

PWV will win and grow more business, community and show business events for Wellington, improving the commercial performance of the business and delivering a better return to the City.

To achieve this, we will continue to build on the seven core strategic platforms that we identified in the 2011/12 transition plan and roll-out and embed five business transformation projects.

2.1 The seven strategic platforms in our business plan:

1. Business health

managing and improving the health and viability of the PWV business

2. Venue utilisation

driving growth in the commercial utilisation of our assets while delivering improved community access

3. Duty of care

respecting the special character of the venues under our management while meeting contemporary venue standards and the operational needs of our clients and hirers

4. Marketing edge

creating a marketing edge for the business by leveraging our understanding of the needs of our clients and audiences (and competitor offerings)

5. Outstanding experiences

delivering outstanding “end-to-end” event experiences that set Wellington apart from the rest

6. Performance partnerships

growing and developing partnership in both the public and private sectors to enhance the performance of the business and the quality of our programmes

7. Venue development

leading the development of new venue facilities and services to grow Wellington’s share of the events market

Part way through our first year of trading as a CCTO we remain convinced that the pursuit of these seven core strategies will support our intent to turn the business around over the next three years and continue to position it for further growth.

2.1.1 Improving business health and viability

Goal: We are committed to managing the performance and development of the PWV's delivery teams and the financial health of the PWV business.

We will continue to focus on growing our top and bottom lines, building our revenue pipeline, exploiting efficiencies and productivity gains and realising cost savings.

We will continue to improve management disciplines in the areas of pricing, contracting, discounting and cash flow management.

We have redeveloped and will now embed new employment policies, a customised PWV code of conduct and a new professional development and performance management programme. We have also reviewed our retention, recruitment and reward strategies and we will roll out more of a KPI driven and merit-based reward structure in the new FY.

We will continue to keep our shareholder informed about our business performance and development plans in a timely and reliable way, respecting the governance role of the PWV Board.

Our business plan projects in 2012/13

- Introduce a new pricing and yield management strategy based on delivering a simplified rate card that is standardised across all venues and consistent and transparent about inclusions and exclusions (the plan is that this will come into effect from start of new FY and will be part of issuing new terms of trade and venue contracts – including new clauses about Earthquake Prone Buildings)
- In-depth analysis of all costs/cost centres across the business to identify efficiency gains and savings and undertake 'cost of origination' project to refine/inform pricing strategy
- Review of major hirer agreements and legacy sponsorship agreements
- Development of new management information systems to support business decision making
- Development of new reporting dash board (Board and shareholder)
- Introduction of new professional development and merit-based performance management programme
- Roll-out of learning and development programme based on training needs analysis (and Health and Safety requirements)

Benchmarking our Performance

A significant project that links to platforms one and two is some research that we have commissioned to benchmark our venue utilisation levels and revenue per available venue (REVPV).

This important piece of work will enable us to set benchmarks for optimising venue utilisation and our revenue mix across our portfolio. Commissioned in March 2012 (and being undertaken by Covec), the results will be available prior to the start of the 2012/13 FY and we will develop and report on some new KPIs at that time.

2.1.2 Optimising venue utilisation

Goal: We will increase the commercial utilisation of the venues we manage while improving community access.

We will continue to be driven by winning/growing more business, community and show business events from domestic, trans-Tasman and international sources.

We will manage our bookings and programming activities to optimise venue utilisation and yield, ensuring that our business mix delivers both show and grow business events and offers a viable mix of entertainment genres that are reflective of the needs and interests of Wellington's diverse communities and external audiences (to encourage out of town visitation and spend).

We will identify and grow new funding streams and partnerships that will enable us to support and improve the viability of community access (e.g. "new" PAF, WCC venue subsidies).

We will make the most of the opportunities that today's technology offers to grow audiences and community access (e.g. video streaming of performances, deployment of technology to enhance access to sight and hearing impaired audiences and improved wheelchair access).

We will be active participants in developing a better funded, better coordinated event calendar that will contribute to the City's business and cultural vibrancy and competitiveness as a visitor destination.

Our business plan projects in 2012/13

- Working cooperatively with other venue, event and promotional partners to develop a compelling year-round calendar of events
- Roll-out new community sponsorship portfolio, review venue rental subsidy with WCC (WCC now controls that fund) and roll-out new PAF
- Develop and launch 'Wellington on Stage' project to coincide with closure of Town Hall
- Continue to liaise with Arts Access Aotearoa, Creative NZ and major hirers like Opera NZ and NZSO on new access initiatives for people with physical, sensory or intellectual impairments
- Investigate acquisition of wheelchair lift that can be used for stage access across all venues (previous supplier failed to deliver)

n.b. also note importance of REVPVAV project we are undertaking with Covec to enable us to better model and benchmark utilisation and improve yield through more dynamic pricing

2.1.3 Exercising our duty of care

Goal: We will respect the special character and heritage value of the venues under our management while maintaining contemporary venue standards. Our operating standards will be safe, competitive and efficient, and we will continue to invest in adhering to internationally recognised environmental accreditation/quality systems.

We are responsible for the utilisation and management of some of New Zealand's most remarkable venues – and we are committed to maintaining and enhancing the standard of experiences that we offer.

First and foremost we are concerned to protect the safety of everyone who enters and uses our venues and we are in the process of overhauling all of our health and safety policies and procedures. We aim to have a health and safety record to be proud of; and codes of compliance that uphold standard operating procedures and enable a solutions-focused culture.

We will promote the venues in a way that leverages their heritage and unique positioning in the market, sharing stories about the people and the passion that have helped to build them and been proud to perform and meet in them.

We will care for and maintain the venues under our management to a standard expected of our civic and cultural assets and to meet the needs of today's users.

We will get the basics right at every turn – safety, security, hygiene, technology, and service; making sure that the assets we operate are fit for purpose.

We will continue to manage our environmental footprint and commitment to quality by maintaining our ISO accreditation and introducing new energy saving and waste management initiatives.

Our business plan projects in 2012/13

- Complete overhaul of health and safety policy and procedures including staff and contractor training and hirer/patron/delegate communication
- Undertake comprehensive asset condition assessment and develop detailed asset management programme
- Extend existing ISO certification to St James and Opera House
- Review cleaning services and security provision models and other supplier agreements
- Review energy efficiency and waste management programmes

n.b. also note development of refreshed/upgraded health and safety strategy

2.1.4 Building our marketing edge

Goal: We will understand the business drivers of our clients and the needs of their customers. Our marketing and promotional activity will build the strength of the venues brand and our new business pipeline.

We have a world-class CRM and venue booking system and we sit on a mine of data. We will use this more intelligently to inform programming activity, marketing strategies and audience segmentation and development.

We will share our marketing and programming 'know-how' to optimise audience participation and venue utilisation (without compromising commercial sensitivities).

We will strive to develop best practice operating models and working relationships, be they in ticketing and distribution, technical support, convention bureau marketing.

We will use our marketing intelligence and event know-how to secure new business and develop new markets.

We will develop cooperative marketing partnerships with other CCO and venue partners.

We will pursue new business opportunities with a range of partners to develop products and services that will give us an edge in the marketplace and strengthen our sales pipeline.

Our business plan projects in 2012/13

- Continue the PWV re-branding programme to better connect with the City's brand story and raise our profile as venues of choice
- Communicate new pricing strategy, terms of trade and contracts and start the journey towards a more dynamic pricing model (including seasonal rates) reducing the use of discounting as a sales tool and improving margins through new/better service provision
- Develop and deploy new CRM framework and database and sales development strategy to reflect broader venue and service offering (including objective of growing ancillary revenue)
- Re-weight marketing effort to include stronger digital presence and complete re-vamp of website to improve B2B and B2C distribution and sales
- Review marketing and supplier relationships to create better leverage opportunities – e.g. Ticketek
- Actively promote new audience development and community access initiatives (refer new community access programme)
- Work with PWT to investigate and invest in a 'best practice' model for our convention bureau and to leverage MED and TNZ's increased investment in business events
- Undertake audience and commercial and community hirer research

2.1.5 Delivering outstanding experiences

Goal: We will work with our partners and hirers to create outstanding event experiences that could only be delivered by the PWV team in the 'Capital of Cool'.

We will develop a reputation for working with hirers and our suppliers and partners to create events that deliver outstanding 'end-to-end' audience experiences.

We will be known for the logistical efficiencies with which we turn our venues around. We understand that time is money and our logistical excellence will help us build our reputation as a great venue management team.

From front-of-house to back-of-house, from technical support, sound, staging and lighting, food and beverage, theming and design; we will add a touch of cool.

We will own a reputation for having a great attitude when it comes to client and customer service – reinforcing our brand values and those of brand 'Wellington'.

From ticketing to ushering, from cleaning to security management, we will engage with patrons, delegates, guests, cast and crew, customers and fans with an approach that is distinctively and proudly ours – developing our own house style and service standards.

We will refresh our marketing approach, revisiting the way we promote the PWV offering at trade shows and in the digital marketplace.

Our business plan projects in 2012/13

- Review of all aspects of F&B operations including catering, cafes and bars, employment, training and rostering of casual wait and bar staff, and review of our service agreements (including service and product innovation) with external caterers
- Refresh F&B offering to create a real point of difference based on the regional produce we have on our doorstep and the culinary skills that exist in the Capital
- Develop front of house 'style guide' for each venue and the different styles of events that we are involved in (e.g. formal dinner vs rock concert) and review customer service standards to drive consistency of service delivery across the venues
- Develop/strengthen partnerships to offer genuine 'end-to-end' event experiences (from ticketing to car-parking, accommodation to merchandising) and use newly created ticketing coordinator role to make sure relevant show information (door opening times etc) gets into the hands of the end consumer in a timely way
- Review of A/V and technical services (link to asset condition assessment)
- Review of FOH and BOH facilities services to identify upgrades/improvements required to enhance functionality and improve demand/ customer satisfaction

2.1.6 Enhancing performance through partnerships

Goal: We will grow and develop partnerships in both the public and private sectors to advance the success of our business and enhance the competitiveness of Wellington as an events destination and the contribution that the events business makes to the economy of Wellington.

We will work closely with PWT and other tourism and events partners like MED, Tourism New Zealand (who now administer the Conference Assistance Programme bid fund), the Wellington Convention Bureau and Te Papa to grow our share of the business and cultural tourism markets.

We will maintain our active involvement with industry associations like EVANZ (Entertainment Venues Association of NZ), VMA (Venue Management Association), CINZ (Conventions and Incentives NZ) and ICCA (International Congress and Convention Association) in order to stay informed about best practice and secure new business leads.

We will maintain our relationships and grow our joint venture partnerships with other venues, promoters and strategic business partners, as well as our contacts in the local and international performing arts community so that we can continue to attract live entertainment to Wellington.

We will maintain strong working relationships with the City's Events and Arts teams and other key parts of Council, finding opportunities to work together to meet the City's goals. We will also seek opportunities to work more collaboratively with other CCOs to make the most of the assets and talents we have in the City.

Our business plan projects in 2012/13

- Revamp Wellington Expo offering to attract larger buyer audience and develop more new business leads
- Further discussions with NZ International Festival of the Arts re greater cooperative programming partnerships to better fill performance calendar in the off-years
- Continue development of partnerships with local and international promoters and other venues to improve 'show business' calendar
- Work more closely with City Events, PWT, Stadium and Te Papa to grow and secure more events

2.1.7 Leading venues development

Goal: We will champion the cause for upgrading our current venues and expanding our venue offering to fill gaps in the market and enhance the performance of the business and the contribution of events to the City.

We will take a long term view of the infrastructural requirements of the sector - from purpose-built convention facilities to expanded entertainment venues, and play an active role in developing the business cases and funding partnerships required to develop new venues.

We'll get involved in debates and developments that will have an impact on our commercial success, from aviation and hotel development to the development of new attractions and local transportation infrastructure.

We will look for opportunities to expand our offering and enhance our competitiveness based on improved digital connectivity and new green business initiatives.

Our business plan projects in 2012/13

- Work with City Development and the Economic Development Strategy teams to review conventions and entertainment events infrastructure needs and contribute to planning for the future
- Maintain discussions with range of venue development partners

n.b. also note business transformation project – Town Hall alternative – section 2.2.3



The Shed - a pop-up bar in Shed 6

2.2 PWV's Business transformation programmes

To fast track the transformation of the business and deliver on our commercial and community-based objectives we will deliver on five major business transformation programmes in 2012/13:

1. Business growth

Focusing on our two main streams of business of conventions and events ('grow business') and performances and exhibitions ('show business')

2. Business reengineering

Complete final stages of organisation re-structure to fully integrate the business(es) and drive a lift a material lift in productivity and performance

3. Alternative venue development

Subject to confirmation of funding, manage the development of Town Hall venue replacement project

4. Risk Management, Health and Safety, Environment and Quality

Ground-up rebuild of pan-venue risk management and health and safety polices and procedures and overhaul of environmental and quality management programmes (ISO). Establishment of new measurement/monitoring framework

5. Community access programme

Launch package of community support initiatives including WCC's venue rental subsidy, PWV's own sponsorship portfolio, new PAF and an innovative new programme - Wellington on Stage



The impressive stage of the stunning St. James Theatre

2.2.1 Business revenue growth

Goal: 2012/13 will see a strong focus on growing revenue from events (+ 8%) across our two main lines of business - conventions and events ('grow business') and performances and exhibitions ('show business').

These two areas of the business target very different audiences. The conventions and events market is a 'B2B' market (business to business) and trade shows, expos, 'sales famils' (that's familiarisations) are an important part of the marketing mix.

The performances and exhibitions market is a 'B2C' market (business to consumer) – where we work alongside hirers and promoters to sell tickets to shows and exhibitions to the public (both within Wellington and from out of town).

With the up-weighting of our sales and marketing resources we will be 'turning up the heat' in a number of areas to build a stronger forward pipeline and create and convert more business leads.

And, we have also reconfigured the performances and exhibitions team to support stronger (and better margin) sales to ticketed events and develop new audiences/grow attendance numbers where we can.

Growing Conventions and Events Revenue

Show Me Wellington – winning the MICE market

A big focus for us in 2012/13 will be on how we promote the Wellington MICE offering – that's Meetings, Incentives, Conventions and (trade) Exhibitions at trade shows both here in Wellington, around New Zealand and abroad.

In the first instance, we have undertaken a major review of the Wellington Expo and we are ready to launch a revamped format that will set the Wellington offering apart from our competitors.

Because the choice of where to host a conference or event also depends on the desirability of the destination, we are working alongside Positively Wellington Tourism on this expo.

Show Me Wellington 2012 is the new branded name of the Wellington Conference and Events Expo and it will be held at the TSB Bank Arena on July 18 2012

Show Me Wellington is an invitation to show case the best of Wellington's MICE offering and to bring to life the experiences that make Wellington the coolest little capital to hold a meeting in. We believe Show Me Wellington will become a true highlight in Wellington's promotional calendar.

10 Years on ...

2012 is our 10th year of managing the expo and we need to continue to evolve the expo to ensure that we are:

- inspiring our exhibitors to tell their story
- enchanting and captivating our attendees
- continuing to deliver real business results
- set a new standard for expo experiences



Our business results for the event

- continue to make a break even financial result, with any return reinvested into the event
- increase exhibitor numbers from 90 to 100 exhibitors
- maintain the number of buyer attendees at 700 pax and work on qualifying the buyers who attend and targeting new buyers in order to deliver better growth and business development opportunities to our exhibitors
- develop a host programme for key stakeholders and targeted buyers (including Australia)

For Positively Wellington Venues

- grow the PWV brand as: a premier venue and event brand in New Zealand for the expo market, demonstrating not only how we are the leaders in managing and producing the high quality Wellington Expo but also in setting the standard for expos to come in terms of audience engagement and value (customer satisfaction survey to determine result)
- increase the leads gained from the PWV stand at the expo from 10-20 last year and aim to increase conversion to 50% (measure via sales pipeline to determine this)

C'mon Aussie C'mon

Another important part of revisiting our trade strategy will be reviewing our Australian marketing partnership with PWT and Te Papa. We all understood that we needed to build the foundations in the marketplace but having done that and once we get some more certainty around our ability to replace the Town Hall venues, we can become more aggressive about pitching for more trans-Tasman business



Plenary session in the Michael Fowler Centre Auditorium

We have set the following development targets:

We need to review/agree new targets with PWT and Te Papa for 2012/13 with the intention that we focus on converting the leads that were developed in 2011/12 to new business.

Growing Performance and Exhibitions Revenue

Our focus in 2012/13 is on building a compelling calendar of show business events – including live theatre and performing arts, concerts (from rock to classical), sports events and ticketed exhibitions across all of our venues.

Part of our approach to growing this part of the business will be developing a revamped programming strategy, working with other key players (in Wellington, nationally and internationally) to develop a well coordinated events programme. The strategy work that WCC's events team are leading in this area dovetails well with our objectives.

Core to our strategy in growing performance and exhibitions revenue is working with promoters to increase ticket sales for all show business events. In 2011/12 we had a number of sell-out performances and we'd like to build our reputation for growing attendance at events. This will encourage more promoters to consider Wellington more often.

We will also roll out some new audience and talent development initiatives, ensuring that we are developing a programme that will support/encourage the development of new creative talent and new audiences (linking in with the City Arts and Culture team and their strategy as well as other arts groups).

Another key thrust in this area will be reviewing our venues and facilities offerings to enable improved delivery of show business events (both back and front of house) to encourage more promoters to come to Wellington.

We have already invested in some minor development work to ensure that our back stage facilities at TSB Bank Arena are more comfortable and user friendly for touring groups and their promoters and crews. There have also been PAF funded been facilities upgrades at the St James Theatre – including a new sound system that has enabled us to promote cabaret performances in The Jimmy.

Any redevelopment of TSB Bank Arena and Shed 6 will factor the needs of touring groups and live performances into the design brief.



A view from the stage of the Historic Opera House

2.2.2 Business reengineering

Goal: Complete final stages of organisation re-structure to fully integrate the business(es) and drive a material lift in productivity and performance.

Although the 'old' Convention Centre business became PWV on 1 February 2011 it wasn't until 1 July 2011 that the St James and Opera House became part of the new entity.

We embarked upon a significant organisation redesign programme including a detailed HR audit to better understand the mix of skills and experience that the merged entity would have as at July 01 2011 and we migrated all permanent (71) and casual (308) employees onto new PWV Individual Employment Agreements.

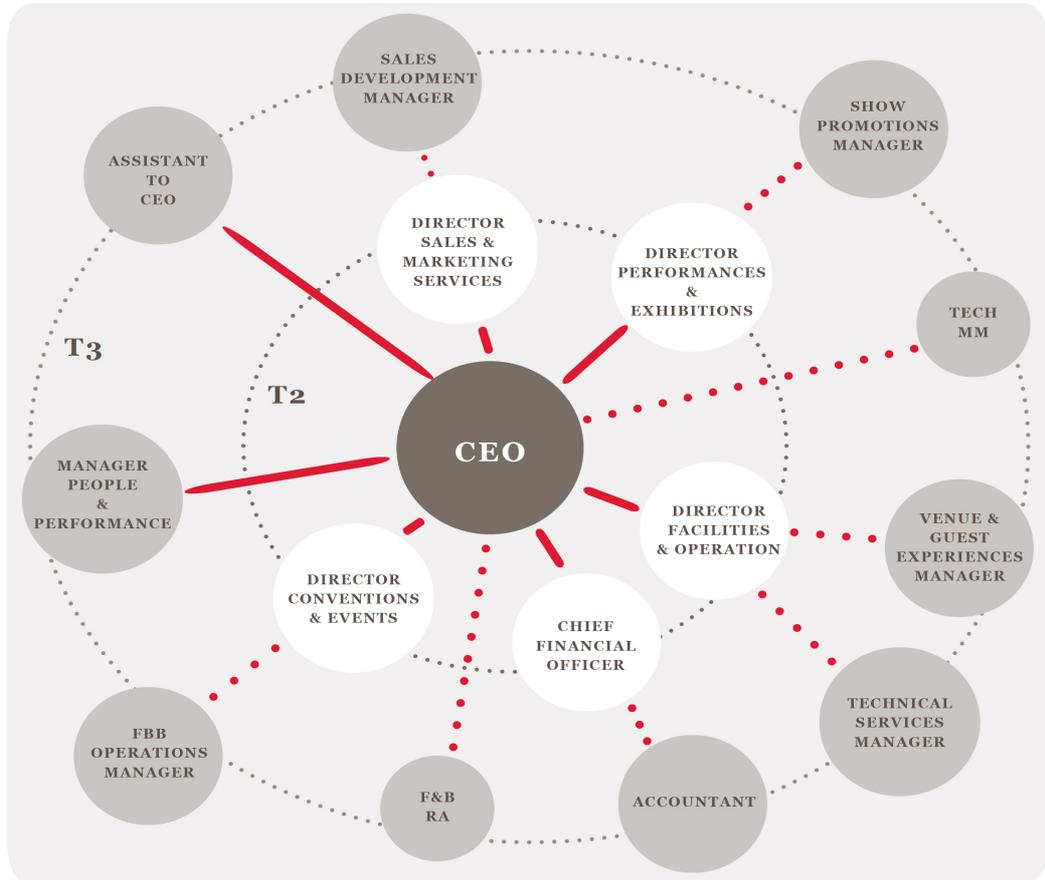
This was an important pre-cursor to rolling out a new organisation design.

Our new organisation design is built around a pan-venue model (vs venue specific management teams) outlined below. Our business processes are being designed to operate on a pan-venue basis using a 'hub and spoke' model with the Michael Fowler Centre as our business hub.

PWV's new leadership team was recruited to lead the business in each of these areas and an immediate focus when the full team came on board in November 2011 was to start work on designing how they would resource their areas of the business. The model, detailed below, was introduced to staff in December 2011 and a proposed organisation structure was presented to staff on February 12 2012.



Consultation on the organisation structure that we proposed closed on March 2 2012 and the final structure was presented to staff on March 22 2012. Our focus through this process has been on retaining talent where we can and consolidating to set us on platform for future growth. Our intention has therefore been to retain current staff where possible.



1. RA is Restaurant Associates (owned by the international Compass Group) and MM is Multi-Media (a New Zealand owned business). Both have long-term contract supply arrangements with PWV

Our focus in 2012/13 is on bedding in a new structure and rolling out new business processes.

As part of our re-engineering efforts we will be advertising some new roles – including a Health, Safety and Environmental Quality Coordinator – to ensure that we have the right level of capability within the business to deliver on our goals and the City's vision.

We have set the following targets:

1. With a more efficient organisation structure, hands-on staff at all levels and improved rostering we will manage our wages and salary envelope to deliver some savings against 2011/12 actuals
2. Complete a staff engagement survey in Q1 to inform our human resource development and communications strategies
3. In conjunction with staff, undertake work on developing values as well as launch a number of HR policies and procedures in order to consolidate a highly productive team-based culture

2.2.3 Seismic strengthening - Wellington Town Hall alternative venue development

Goal: Execute plans to accommodate the loss of Wellington Town Hall from our portfolio of venues to minimise the commercial impact on PWV's business and the economic loss to the City.

Background

As plans for the closure of the Wellington Town Hall were being developed, PWV started a parallel programme of work to quantify the commercial impact of the closure on the business; and the economic impact of closing the Town Hall on Wellington's economy.

This work was undertaken in order to determine what if any response would be appropriate and in recognition of the financial pressures that the City is under (i.e. any business case to Council needed to be compelling and robust if a CAPEX bid was to be supported).

Our preliminary analysis was presented to the PWV Board in July and further work including the identification of ten possible alternatives to replacing the Town Hall capacity were developed and presented to the PWV Board in September.

Under the direction of the Board, it was agreed to use external consultants to undertake an independent analysis of the four most viable alternatives and also to review the commercial and economic impact of removing the Town Hall from Wellington's venue offering. Wareham + Cameron and Covec were appointed to do the work.



Hosting an awards event at the TSB Bank Arena

The Results – best fit/least cost

The Wareham Cameron Report confirmed that the ‘best fit/least cost’ option was the option to refit the TSB Bank Arena and Shed 6.

Least cost

At \$4.986m it is half the cost of the other options.

The \$4.986m is based on ‘proof of concept’ work undertaken by Shand Shelton and quantity surveyors – Rider Levett Bucknall. As such it is a ‘best estimate’ based on a high level brief and further work needs to be undertaken to confirm the design and final cost.

Best fit

Finding an alternative to the Town Hall is not as straightforward as it might seem.

In addition to the 1,600 seat classical auditorium with exceptional acoustic qualities the Town Hall “complex” includes:

- 700 sq m flat floor auditorium space (which can accommodate up to 550 guests banquet style and large trade exhibitions)
- a total of 400 sq metres of space in the West Court and West Gallery (used for additional exhibition booths, pre dinner cocktails and registration etc)
- seven breakout spaces including Civic Suites 1, 2 & 3, the Green Room and Square Affair 1 & 2
- the 300 seat Illot Theatre (ideal for small performances and plenary sessions)
- commercial kitchen facilities that cater for circa 2000 people (300 square metres of space)

While some of these requirements can be met using other spaces, to function as a convention centre that can successfully compete for business, these services and spaces need to be co-located.

The Value of Conventions – what’s at risk for Wellington?

The Covec Report analyses both the impact on the venues business and the impact on non-venue expenditure in Wellington caused by the reduction in event activity, e.g. independent expenditure on hotels, taxis, restaurants and retail outlets by event organisers and local, domestic and international event attendees

The Covec analysis confirms that depending on how much business can be practically relocated in other venues within the PWV portfolio and other venues in Wellington, the loss to the Wellington economy will be in the order of \$10.6 - \$14.3m per annum.

The negative impact on PWV’s financial performance is included in section five of the SOI.

It is important to note that this loss to the business and the City is for the period of closure only and does not take into account the business that has been lost already (some hirers are unwilling to use the Town Hall) or the long tail (the time it will take to rebuild the business that we will lose and win back conferences that take Wellington out of their rotation).

We have set the following targets:

- support the funding bid for \$4m for an alternative venue and actively participate in the WCC LTP planning process to make sure that affected parties/stakeholders are briefed and their views are represented in the process
- commission stage two feasibility study including developing detailed design specifications, costings and project milestones to confirm budget required and identify potential savings and/or alternative funding options to close any budget shortfalls
- work with WCC to appoint project managers and oversee the redevelopment process
- ensure the seamless transition from closure of Wellington Town Hall to opening of alternative venue facilities to maintain the viability of PWV's business and maintain/grow the contribution that business events make to the Wellington economy

2.2.4 Risk management, health and safety, environment and quality

Goal: Review, rebuild and roll out of new risk management and health and safety policies and procedures to operate across all of the venues under PWV's management. A further strand of this project is taking our ISO accreditations in environmental and quality management across all of our venues and reviewing our business continuity planning (BCP) processes.

Risk Management Framework and BCP

The principles of Risk Management Standard AS/NZS ISO 31000 will be applied to our business processes.

The key attributes we will adopt for enhanced risk management are:

- Continual improvement
- Full accountability of tasks
- Risk management application in all decision making
- Continual Communications
- Full integration with the organisation's governance structure

We will place greater emphasis on how risk management is implemented and integrated throughout the organisation through the establishment and continuous improvement of a risk management framework. Our concentration will be focused on communication and consultation through the processes of:

- Establishing the risk context, i.e. defining the environment in which the organisation's processes take place, describing external/internal influences and identifying risks;
- Undertaking a risk assessment which incorporates risk identification, analysis and evaluation;
- Treating the risk i.e. either avoidance (by discontinuing a specific activity), taking or increasing the risk in order to pursue an opportunity, removing the risk source, changing either the likelihood or consequence, sharing or transferring the risk (either partly or fully outsourcing the activity), or retaining the risk by informed decision;
- Monitoring and reviewing risk treatment plans to ensure they remain relevant and achieve expected outcomes

BCP

The status of our business continuity plan (BCP) is currently fully compliant to the WCC Continuity Emergency Management Standard and was reviewed and updated in December 2011 by the retiring compliance manager of 28 years experience. Going forward, PWV will manage all its own risk internally and benchmark all procedures and processes against Council Standards. Business system continuity will be managed through the shared services of Council.

Dealing with EQPBs

Simpson Grierson have been providing WCC with legal advice about the EQPB classification of some of their buildings (including the Town Hall) and associated health and safety requirements.

Building on that advice, PWV asked Simpson Grierson to provide legal advice around the impact of the Wellington Town Hall being classified as an earthquake prone building from a health and safety perspective and to cover staff, contractors, hirers and patrons.

Their advice was as follows:

- take all practicable steps to ensure the health and safety of employees, occupiers such as our preferred partners Restaurant Associates and Multi-Media and people in the vicinity of PWV's venues (e.g. patrons, delegates, visitors, suppliers, contractors etc)
- undertake a hazard assessment and identification process, and get on-site partners and contractors to do the same
- Review emergency preparedness processes and procedures

As a response PWV is reviewing the health and safety policy, standard operating procedures and communication material and is updating all material within the standards of our health and safety strategy and H&S management plan (HSMP) – see below.

Information is tailored per venue and by size of group, from individuals such as hirers through to large groups such as conferences.

The material ranges from pocket cards, audio communication that will be played at the beginning of all events in our venues and to client contracts being updated with robust health and safety clauses. There is specific reference to the Town Hall's rating as an earthquake prone building and answers to frequently asked questions posted on our website.

Once the HSMP is rolled out at the end of this financial year staff will receive cyclical training on the revised Health and Safety standards, standard operating procedures, evacuation drills, hazard assessment and responsibilities.

Insurances

Our business risk is mitigated by insurance policies held by Council and extended to PWV for:-

- Travel
- Directors and Officers liability
- Business Interruption
- Material Damage
- General Liability
- Professional Indemnity
- Statutory Liability
- Motor Vehicle
- Crime

We also require public liability cover for individual events.

Health and Safety

We have undertaken a review of our health and safety and emergency management policy and procedures.

We are confident that we have sound procedures and processes in place that are compliant with all relevant legislation but some processes vary by venue and we are aware of the need to maintain best practice in EQPB procedures.

We have commenced work on developing a comprehensive risk management strategy that will include standard operating procedures (SOPs) that will enable us to achieve a higher level of consistency and control across all of our venues, and improved continuity of training and review (including induction programmes). Most of this work should be completed by 2011/12 YE and our focus in 2012/13 will be on developing and implementing a OHS performance indicator system to measure the success of prevention and intervention programmes

Due to liability issues, WCC have not been able to allow us to use their business security and risk management system and we are currently assessing alternative systems for procurement.

Environment and Quality

The 'old' convention centre business achieved ISO accreditation for its environmental management systems. This is an internationally recognised accreditation and to be certified to the ISO14001 environmental standard an organisation needs to be independently assessed by an external certification authority.

The system requires an organisation to actively and continuously improve its business in respect to the environment. The aim of the standard is to reduce an organisations' environmental footprint and decrease pollution and waste produced.

The main framework for ISO14001 is based upon: an environmental policy, planning, implementation and operation, checking, management review and continuous improvement.

The ISO also has a quality management system (ISO9001) which requires that an organisation is able to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system. ISO9001 also includes processes for continual improvement of the system and the 'convention centre' is certified.

Linking or integrating ISO14001 environmental management system with ISO9001 quality management system provides several advantages (including improved efficiency and effectiveness) and PWV is working towards accreditation for both ISO9001 and ISO14001 across all of the venues under our management.

We are proposing to appoint a Health and Safety and EQ Coordinator to support the delivery of the above programmes.

We have set the following targets:

1. To have updated HSEQ policies and procedures in place by end of the 2011/12 FY and new monitoring and reporting systems established and operating in 2012/13
2. New emergency evacuation procedures (including pre-recorded announcements and supporting print collateral) will be in place by the end of 2011/12. In 2012/13 the focus will be on rolling out new induction and training programmes to support evacuation procedures
3. ISO certification maintained



Diners experience the ambience of the Wellington Town Hall

2.2.5 A revamped Community Access Programme

Goal: To develop and launch a complementary package of community support initiatives including WCC's venue rental subsidy, PWV's own sponsorship portfolio, new PAF and an innovative new programme - Wellington on Stage

Background

PWV has been set very clear expectations via CCOPs about delivering a break even or better trading result. Equally, the Council wants PWV to play its part in supporting Community Access.

PWV's core objectives address both commercial and community outcomes.

In the 2011/12 FY PWV has provided venue support worth just over \$1m.

However, there hasn't been a clear framework in place to guide which events are supported and there has been some confusion about the fact that WCC grants team now administers the Wellington Venue Subsidy fund (it was administered by the convention centre under the previous regime). In addition, the Performing Arts Foundation (PAF) fund has only applied to the St James and Opera House.

Although we don't specifically address the Council's commercially focused Events Development Fund (EDF) and community oriented Community Events Fund (CEF) in our SOI, there is an opportunity to work towards greater alignment in order to look "in the round" at the support that WCC and other partners provide to attracting, delivering, supporting and leveraging events in Wellington.

n.b. we have not included Creative NZ, Lottery Grants or Community Trusts or business events funds (like the Conference Assistance Programme that was used to support Wellington's successful Digital Earth Summit bid) in our analysis

Objectives

PWV has commenced a review of different community access activities that we are either directly or indirectly involved in, to make sure that we have funds and processes that enable us to:

- provide fair and reasonable support to a range of community groups
- promote emerging talent and the development and health of the performing arts
- upgrade our venue facilities and services to improve customer and hirer satisfaction
- recognise the significant contribution that a number of not for profit groups make to Wellington

Proposal

As we see it there are four complementary pieces to the puzzle:

1. WCC's Wellington Venue Subsidy Fund (WVSF)

This \$245k fund is administered by the City Grants team with input from PWV and is designed to support/subside the cost of venue rental at PWV's facilities including the MFC, Town Hall, Opera House, St James Shed 6 and TSB Bank Arena.

Criteria include making a positive contribution to achieving the at least one of the strategic outcomes in Council's annual plan, primarily benefits the people of Wellington, sound financial management of the event, physically and financially accessible by a wide range of people or the intended users, principal intent of the event is not for private or commercial financial gain.

2. PWV Sponsorship Portfolio

PWV will support a range of events that make a contribution to the health and vibrancy of the wider Wellington community. Support will be by way of a venue discount and the total allocation will be capped at \$400k per annum)

Criteria need to be further developed to align with the WVSF and new PAF (we want to avoid double dipping) and will include things like being reflective of the diversity of Wellington's population, ability to grow the event/develop new partnerships, opportunity to reach and grow new audiences etc. We also think that the WVSF's approach about the 'principal intent of the event is not for private or commercial financial gain' is relevant to managing our proposed sponsorship portfolio.

3. "New" PAF Performing Arts Foundation

PAF was first established as a vehicle to recover refurbishment debt when the St James Theatre was restored. PAF has its own Board of Trustees and its trust deed provides the Trust with the powers to:

- subsidise the hire of arts venues for appropriate community groups
- contribute to the cost of production of arts events for appropriate community groups
- make grants to arts venues to facilitate community access
- provide grants or scholarships to individuals

Over the past few years over \$200,000 has been spent on facilities upgrades, including a permanently affixed sound system and a new draping system which have enabled The St James to host a variety of cabaret and live music performances – such as a series featuring artists from Christchurch who had lost their performance venues.

The Trustees have had a new trust deed drawn up for PAF which broadens PAF's scope and establishes it as the Performing Arts Foundation of Wellington.

The criteria that have been considered by the PAF Board of Trustees propose that a levy is applied to commercial ticketed shows over all of PWV's venues replacing a flat charge with a levy scaled by ticket price.

The main goals of the fund are to enhance the performance spaces and reduce overall costs for local community events e.g. upgrade lighting in the Opera House and at the same time make the venues more attractive for commercial hirers e.g. improve seating and sound systems.

In addition, by scaling the PAF levy we will be able to reduce ticket prices to some events making performances more accessible to the local community and 'filling the house' to make hiring our venues more attractive to promoters.

The PAF Board of Trustees met on 21/03 2012 to consider next steps and the proposed roll-out of "new" PAF will be discussed with WCC as part of the new community access strategy.

4. Wellington on Stage – a new community-based initiative

PWV has started work on what it hopes will be an annual event in Wellington's community events calendar.

The idea is that we will give Wellingtonian's free access to the performance stages in our venues one weekend in June or July of each year. PWV will fund the development, management and promotion of this event and secure some sponsorship funding to assist with that.

We propose that we launch this in 2012/13 and make this the final event in the Wellington Town Hall before it is closed for seismic strengthening. Other stages will be made available as the event grows. In addition to community groups we will work with resident hirers and emerging talent to provide a variety of entertainment experiences for the public.

One of the benefits of Wellington on Stage is that it can be used as a promotional platform for the likes of Wellington Musical Theatre and other performing arts groups who can provide a taster or teaser to driver greater attendance at their upcoming productions.

It will also provide a bit of an 'open-day' feel for resident hirers like the NZSO (and could include back of house tours or workshops).

PWV Board have given in principle support to this new initiative and we look forward to launching the concept in July 2012 (as part of a 12 month countdown to the closure of the Town Hall).

Conclusion

These four funds/initiatives provide in excess of \$1m per annum in community access support across PWV's venues.

That amount does not include management advice, marketing and sponsorship support and technical assistance that is generally provided as part of our offering.

Nor does it include the support that we provide to iconic city events like VISA Wellington on a Plate or Handmade, NZIFA or WOW.

We have set the following targets:

1. Review community access strategy with WCC grants and community events teams before end of 2011/12 FY, refresh criteria where required and identify vehicles to support Wellington's sports teams in addition to performing arts and community groups
2. Develop communications strategy to ensure that community groups know where to go for what support and how/when to apply
3. Launch Wellington on Stage July 2012

3. Financials and 2012/13 Budget

3.1 2011/12 Out-turn

PWV is currently on target to achieve its budgeted \$507,000 loss for 2011/12 for its business-as-usual operations. In general, the operating environment remains subdued, and although the total 2011/12 gross revenue may not be achieved, we expect to achieve equivalent savings in overheads in order to meet budget.

A number of unbudgeted expense items have arisen in the first year of operation relating to legacy transactions from the predecessor businesses. The PWV Board Chair and the CEO of WCC have agreed to disclose these items separately in PWV's financial reporting. At this stage it is proposed that these unbudgeted transition costs remain unfunded. The value of these unbudgeted transactions for the nine months to 31 March 2012 is \$585,000.

3.2. 2012/13 Budget

PWV's budget for the 2012/13 financial year delivers a \$15,000 surplus.

This result is significantly better than the \$198,000 deficit that we had projected for 2012/13 in the interim 2011/12 SOI. However, the timing of the budget preparation is early in our first operational year so the Chair has asked that we note that there is a risk of variation and we will keep Council informed of any significant changes to the projected out-turn.

The improvement in the result is based on a better working knowledge of the business (with our first eight months of trading as PWV complete), detailed analysis of our business pipeline for 2012/13 (both show and performance business and conventions and events) and a comprehensive review by the new leadership team of revenue and expenditure across the business.

The budgeted result addresses the 16 December 2011 Letter of Expectations from WCC/CCOPS requesting that we endeavour to deliver a break-even result in the 2012/13 financial year.

The general trading conditions facing PWV remain subdued (and competition from other centres around New Zealand is intensifying) so revenue expectations are not significantly higher than the current year. Cost increases are expected for staff (change to minimum wage rates), insurance and utilities.

Achieving a break-even result in this environment is based on introducing some significant changes in the sales and marketing area (including the pricing review and a reduction in discounting) more vigilance around following up with conventions and events bookings and new disciplines in the exhibitions and performance areas of the business. We are also targeting cost efficiencies in staffing and being more aggressive about managing discretionary costs.

The key items within the budget have been calculated on a zero-based budget basis by the directors and staff in the relevant business units. These initial budgets have then been checked and challenged by Finance, reviewed by the CEO and then undergone a final budget challenge with the entire leadership team.

PWV is yet to finalise the treatment of the legacy sponsorship transaction and the 2012/13 charges for shared services, and as such they have neither been included in the 2012/13 budget, nor are they included in the following analysis or discussion.

Positively Wellington Venues
Budget 2012/13
\$'000

	Q1 2012/13 budget	Q2 2012/13 budget	Q3 2012/13 budget	Q4 2012/13 budget	Full year 2012/13 budget
Event revenue	4,480	3,953	2,901	3,833	15,167
Café	162	135	131	159	587
Carparking	58	68	63	59	248
Other income	28	28	28	28	112
Interest income	12	12	12	12	48
Total revenue	4,740	4,196	3,135	4,091	16,163
Direct event costs	2,327	2,046	1,525	2,005	7,903
Wages	428	419	441	462	1,750
Gross profit	1,985	1,731	1,169	1,624	6,510
Salaries	806	819	793	855	3,273
Other employment costs	52	46	45	43	186
Occupancy costs	254	254	254	253	1,015
Utilities	189	189	197	198	773
Marketing	161	62	73	89	385
Admin	95	85	101	100	381
IT and Comms	41	38	43	38	160
Directors' fees	34	34	34	33	135
Travel	13	13	11	14	51
Vehicle costs	1	1	1	1	4
Depreciation	33	33	33	33	132
Total expenses	1,679	1,574	1,586	1,657	6,495
Net profit/(loss)	306	157	(416)	(33)	15

Current exchange rates have been used to translate any non-NZD costs. Overseas sourced costs are not significant and are mainly from Australia. No hedging has been effected for these transactions since the volatility against the Australian dollar is generally considered to be lower than for other currencies.

3.3 Detailed commentary

Event revenue includes all revenue from performance and non-performance events including any associated commission income from food and beverage and technical services. Budgeted event revenue has been based on our current booking pipeline adjusted for future booking growth in periods where there is good venue availability and repeat business by regular hirers.

Overall the budgeted revenue is a 8% increase over the current year forecast and this is expected to be achieved through improved booking levels, pricing adjustments and reductions in discounting.

Café revenue from the Jimmy is expected to be at similar levels to the current year. Although increased management attention across this operation is planned for 2012/13, we have chosen to be conservative about any increases in revenue and/or cost reductions.

Car park revenue from the MFC site has been budgeted to be at similar levels to the current year. WCC has proposed a 12.5% increase in parking levies (from \$4.00 to \$4.50 per hour for prime parking which includes the MFC car park). Should this increase be approved then there is the potential for some upside in this revenue stream but this would likely be limited to \$25,000.

Other income: the revenue streams which comprise 'other income' include sponsorship income, storage charges and charges for use of assets. These items are at similar levels to the current year. It is normal for a number of ad-hoc chargeable items to arise during the year which is why the current year's other income is much higher than the budget but these items normally have an associated cost (labour or other supplier charges) so although other income may exceed budget there will be equivalent increases in costs so there no net benefit will accrue.

Interest income has been budgeted on estimated cash levels for the 2012/13 year at the current rate paid by WCC (6.25%).

Direct event costs: these costs are those directly associated with earning event revenue and the two major components are catering and technical costs. Other much smaller charges include security costs, first-aid staff, furniture hire, plant hire and other misc charges. These charges vary significantly as a proportion of venue hire depending on the nature of the event (especially performance versus non-performance) however we have experienced a relatively consistent ratio of 52% in the current year and this has been used to budget for 2013 event costs.

Wage costs include employees with a low level of variability in working hours per week in the operations and café areas as well as casual employees whose working hours varies in-line with business activity.

The budget value for wages includes an allowance for a performance adjustment, and/or the movement in the minimum wage as applicable, as well as an adjustment for a small number of employees who are expected to be migrated from waged to salary as part of the organisation restructure.

Management believe that smarter rostering and staff deployment will also enable savings to be made and the combination of the foregoing factors has resulted in an 8% decrease in budgeting wages costs.

Salary costs have been budgeted in-line with the proposed organisation structure. The budgeted cost includes an allowance for performance adjustments and contracted one-off incentive payments as well as a small number of waged staff converting to salaried payments.

Overall wages and salaries are budgeted at \$5.023m versus a 2011/12 forecast cost of \$5.08m which is a \$57,000 saving in wage and salary costs after including a small increase in the salary envelope to allow for merit based increases. This saving is attributable to an efficient new structure, hands-on staff at all levels and improved rostering.

Other employment costs include Kiwisaver, training & development and recruitment costs. The increase in Kiwisaver has been allowed for and the need for a revised training programme has also been included. Recruitment costs are budgeted at a significantly lower level than the current year as we expect to do 60% of recruitment in-house. The decrease in the recruitment cost is the driver for the 19% reduction in other employment costs compared to forecast.

Occupancy costs: the significant items in occupancy costs are rates, cleaning, Shed 6 and TSB Bank Arena rent and asset maintenance. Most categories have been budgeted at similar levels to the current year with the exception of asset maintenance which has been at a very low level in the current year. However, an asset maintenance plan is expected to be in place by the start of the financial year which will enable programmed maintenance to occur ensuring our assets are presented and operated in appropriate condition.

Utilities: we have been advised by suppliers and WCC to allow for significant increase in utility prices. Nova gas have advised a 4.5% increase in prices and WCC have advised that a 3.5% increase from July 2012 is likely and a further 10% increase from January 2013 as WCC's (and PWV) current pricing contract ends.

The Operations Director is working with EECA to ensure that energy efficiency gains are achieved wherever possible and WCC (and PWV) is also expected to join the all-of-government purchasing group which may reduce the level of increase expected for electricity but this is not guaranteed.

Marketing: a detailed sales and marketing plan has been tabled by the Marketing and Sales Director and this has been agreed with the CEO. This plan include intranet and website redevelopment, Australian marketing support (contribution reduced by 50% in 2012/13 as outlined in the Heads of Agreement with PWT and Te Papa), client hostings, costs for trade expos, the Wellington on a Stage initiative, and general marketing, branding and PR work.

The legacy sponsorship transaction has not been included in the budget.

Although the budgeted marketing cost is a 30% increase over the current year this is largely because there has been no coordinated sales and marketing plan or function in the current year. Marketing costs represent 2.5% of event revenue.

Administration costs include insurance premium, legal and consultants costs, business memberships, and stationery. The proposed shared services charge has not been included. All line items have been reviewed in detail and savings and efficiencies have been targeted wherever possible. Overall there is a 3% increase but excluding insurance increases a 6.5% decrease would have resulted.

ICT costs: software maintenance fees, phone and dataline costs are the main items in the category and no significant changes are expected from the current year.

Other costs have been reviewed in detail. Directors' fees are based on the current remuneration rate and board complement, travel is based on specific business travel needs, and depreciation has been calculated by the WCC fixed assets.

3.3 Budgets 2013/14 and 2014/15

Positively Wellington Venues Budget 2013/14 and 2014/15 \$'000

	Full year 2012/13 budget	Full year 2013/14 budget	Full year 2014/15 budget
Event revenue	15,167	15,471	15,780
Café	587	593	599
Carparking	248	273	273
Other income	112	114	116
Interest income	48	48	48
Total revenue	16,163	16,498	16,815
Direct event costs	7,903	8060	8221
Wages	1,750	1695	1,729
Gross profit	6,510	6,743	6,865
Salaries	3,273	3,339	3,406
Other employment costs	186	240	245
Occupancy costs	1,015	1,038	1,060
Utilities	773	811	852
Marketing	385	392	400
Admin	381	365	374
IT and Comms	160	163	166
Directors' fees	135	138	140
Travel	51	52	53
Vehicle costs	4	4	4
Depreciation	132	171	161
Total expenses	6,495	6,716	6,860
Net profit/(loss)	15	30	5

1. The budget(s) presented above are based on a replacement venue for Town Hall being available for use prior to decommissioning
2. Current exchange rates have been used to translate any non-NZD costs. Overseas sourced costs are not significant and are mainly from Australia. No hedging has been effected for these transactions since the volatility against the Australian dollar is generally considered to be lower than for other currencies.

The budgets for the 2013/14 and 2014/15 years are presented above and show a continuation of breakeven results for the company.

These results assume that PWV will have some replacement venue capacity in place when the Town Hall is taken out of commission for at least two years from mid-2013.

As noted elsewhere, PWV have submitted a capital expenditure bid for 2012/13 to refit Shed 6 and TSB Bank Arena which will enable Wellington to continue to compete in the larger convention and conference market.

Although this refit would enable a significant amount of conventions business to be retained in Wellington (and with PWV) there is nonetheless a net reduction in the available venue space available and PWV will be required to work very smartly to minimise scheduling conflicts and effectively increase venue utilisation to deliver a break even result.

Other than the major change to venue space noted above working assumption has been that most income and cost lines will move largely in-line with CPI with the following exceptions:

- utilities and rates where higher than CPI increases appear to be the norm
- wages includes an allowance for further efficiencies to be made in 2013/14
- other employment costs have included the effect of the increase in the Kiwisaver rate
- administration costs include further cost savings in 2013/14
- depreciation is based upon calculations by WCC from the fixed assets register plus an allowance for purchases

3.4 Financial position

Positively Wellington Venues Financial Position \$'000

	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Jun-14	Jun-15
Banks & cash	875	1,164	1,304	870	823	1,024	1,190
Debtors	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Prepayments	100	100	100	100	100	100	100
Inventory	50	50	50	50	50	50	50
Accrued income	100	100	100	100	100	100	100
Total current assets	2,325	2,614	2,754	2,320	2,273	2,474	2,640
Fixed assets	1,000	1,017	1,034	1,051	1,068	897	736
Total assets	3,325	3,631	3,788	3,371	3,340	3,370	3,375
Creditors	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Employees entitlements	450	450	450	450	450	450	450
GST	25	25	25	25	25	25	25
Revenue in advance	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Provisions	0	0	0	0	0	0	0
Total current liabilities	2,825						
Shareholders' funds	1,560	1,560	1,560	1,560	1,560	1,560	1,560
Current year result	(1,060)	(754)	(597)	(1,014)	(1,045)	(1,015)	(1,010)
Total liabilities and equity	3,325	3,631	3,788	3,371	3,340	3,370	3,375

1. The balance sheets presented above are based on a replacement venue for the Town Hall being available for use prior to decommissioning

The opening financial position for 2012/13 is based on PWV achieving its 2011/12 forecast result. In summary, this forecast is a trading loss of \$500,000 and in-line with the budget in the 2011/12 SOI.

The forecast 2011/12 result also includes one-off transition costs and legacy costs of \$600,000. WCC had agreed to grandfather some employment costs and treat these as below the line.

No allowance has been made for expenditure associated with the refit of Shed 6 and TSB Bank Arena beyond the costs incurred in preparing the business case for Council.

PWV does not encounter significant balance sheet movements and as such the budgeted financial positions above simply reflect the financial performance of the related periods and minor capital expenditure partially offset by depreciation.

3.5 Statements of Cash Flows

Positively Wellington Venues Statements of Cash Flows \$'000

	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Cashflow 2012/13	Cashflow 2013/14	Cashflow 2014/15
Cash flows from operating activities							
Receipts from event management	5,153	4,545	3,337	4,407	17,442	17,791	18,148
Receipts from other operating activities	285	266	255	283	1,089	1,127	1,136
Interest income	12	12	12	12	48	48	48
Payments to suppliers and employees	(4,876)	(4,421)	(3,861)	(4,507)	(17,665)	(17,987)	(18,377)
Goods and services tax (net)	(227)	(205)	(118)	(188)	(738)	(778)	(788)
Net cash flow from operating activities	347	197	(375)	7	176	201	166
Cash flows from investing activities							
Purchase of property, plants and equipment	58	57	58	57	230	0	0
Net cash flow from investing activities	58	57	58	57	230	0	0
Net increase/(decrease) in cash and cash equivalents	289	140	(433)	(50)	(54)	201	166
Cash and cash equivalents at the beginning of the period	875	1,164	1,304	871	875	821	1,022
Cash and cash equivalents at the end of the period	1,164	1,304	871	821	821	1,022	1,188

The Statements of Cash Flows presented above are based on a replacement venue for the Town Hall being available for use prior to decommissioning

Cash flows are presented which reconcile with the budgeted financial performance and financial position previously presented.

3.6 The impact of closing the Town Hall

The impact of the Town Hall being an earthquake-prone building and its closure from mid-2013 for seismic strengthening is having a significant effect on PWV. A number of bookings valued at \$700,000 have been lost to other venues in recent months and other bookings (totalling \$1.3m) are awaiting confirmation of an alternative venue.

As noted above, PWV have submitted a capex bid, as part of the WCC LTP process, to refit Shed 6 and TSB Bank Arena.

Part of developing the business case included economic analysts COVEC estimating the commercial and economic effect of closing the Town Hall. Their conclusion was that PWV would lose \$5.6m of revenue per annum due largely to bigger conventions and dinners not being able to be relocated to another venue. Although some business could be relocated to our other venues or other Wellington sites, COVEC also concluded that there would be a \$12.1m loss of revenue to Wellington per annum due to the Town Hall closure.

We have calculated the financial impacts, as below, if a replacement for the Town Hall is not approved and completed prior to the decommissioning of the Town Hall.

Positively Wellington Venues
Budgets 2012/13, 2013/14 and 2014/15
\$'000

	Full year 2012/13 budget	Full year 2013/14 budget	Full year 2014/15 budget
Event revenue	15,167	9,689	9,883
Café	587	593	599
Carparking	248	211	211
Other income	112	114	116
Interest income	48	0	0
Total revenue	16,163	10,607	10,808
Direct event costs	7,903	4,938	5,037
Wages	1,750	1,336	1,363
Gross profit	6,510	4,333	4,409
Salaries	3,273	2,732	2,787
Other employment costs	186	209	213
Occupancy costs	1,015	867	884
Utilities	773	638	670
Marketing	385	293	298
Admin	381	384	453
IT and Comms	160	155	152
Directors' fees	135	138	140
Travel	51	49	50
Vehicle costs	4	4	4
Depreciation	132	171	161
Total expenses	6,495	6,716	5,813
Net profit/(loss)	15	(1,308)	(1,404)

1. The budget(s) presented above are based on a replacement venue for Town Hall NOT being available, and the Town Hall being decommissioned in mid 2013 for 2 years
2. Current exchange rates have been used to translate any non-NZD costs. Overseas sourced costs are not significant and are mainly from Australia. No hedging has been effected for these transactions since the volatility against the Australian dollar is generally considered to be lower than for other currencies.

Without the Town Hall being operational, PWV will lose over a third of its revenue and since not all costs are variable, a revenue reduction of this magnitude will result in a significant losses for PWV. We estimate that the net annual losses can be limited to \$1.3m per annum by aggressively reducing staffing numbers and reducing discretionary costs wherever possible.

Other than the significant reductions in staffing costs noted above, the working assumption has been that most income and cost lines will move largely in-line with CPI. Other items to note are:

- event revenue grows at 2% due to reduced discounting and better utilisation
- parking income from the MFC site is likely to be reduced with the closure of the Town Hall
- net interest income/expense for 2013/14 is calculated as NIL and is a \$75,000 expense in 2014/15
- occupancy costs reduce as no rates will be payable for the Town Hall plus reductions in maintenance, cleaning and other related costs
- utilities and rates have increased at higher than CPI rates to reflect past experience
- other employment costs include full year effects of the increase in the Kiwisaver rate.
- administration costs includes interest expense of \$75,000
- depreciation is based upon calculations by WCC from the fixed assets register plus an allowance for purchases.

3.7 Capital expenditure

The major capital expenditure item for PWV is the replacement venue for the Town Hall. Because WCC has retained ownership of all the land and buildings managed by PWV, this Capex bid is part of the WCC LTP process.

Other lower value capital expenditure is still undergoing costing review, but the following items are currently being considered for inclusion in the 2012/13 budget:

- Electronic promotional signage (to showcase upcoming events and drive ticket sales) – possibly \$100,000
- New uniforms – possibly \$40,000
- Replacement point of sale hardware for the St James and Opera House - \$30,000 to \$50,000
- Website redevelopment costs – possibly \$40,000

WCC CCOPS staff have indicated that low value capex items as noted above do not need to be included in the SOI if they are to be funded from the CCTO's cash reserves. Any capital expenditure like the items above will be subject to PWV Board approval once the business case and final costings are finalised.

3.8 Major transactions

Apart from the \$4,000,000 capital expenditure bid which is currently undergoing public consultation as part of the WCC LTP process, PWV has no other plans for any other 'major transactions' in the 2012/13 financial year.

4. Contribution to WCC Vision & Outcomes

In this section of our SOI we outline how we will meet the WCC's specific short-term expectations of PWV in the 2012/13 year and how we will contribute to the WCC's long term vision that has been presented in the 2040 strategy

4.1 PWV in 2012/13 - meeting WCC expectations

In addition to the operational projects identified against each area of strategic focus the LOE has requested that we give specific attention to the following in our 2012/13 SOI:

- how PWV will transition to break even in the next FY and deliver appropriate operating surpluses thereafter

(Refer to business transformation projects in section two and budget commentary in section three)

- presenting agreed measures that capture performance data and refine KPIs, including detailed strategies and relevant KPIs for advancing community engagement and venue access

(Refer to new Community Access Programme in section two and KPIs in section five)

- discussing in detail the economic and operational impact of planned earthquake strengthening work on the Town Hall and Opera House, and strategies for mitigating the disruption to business

(Refer to Town Hall replacement project in section two and financial analysis of options in section four)

- participating in discussions to be led by the WCC, about the potential for additional events spaces in the city

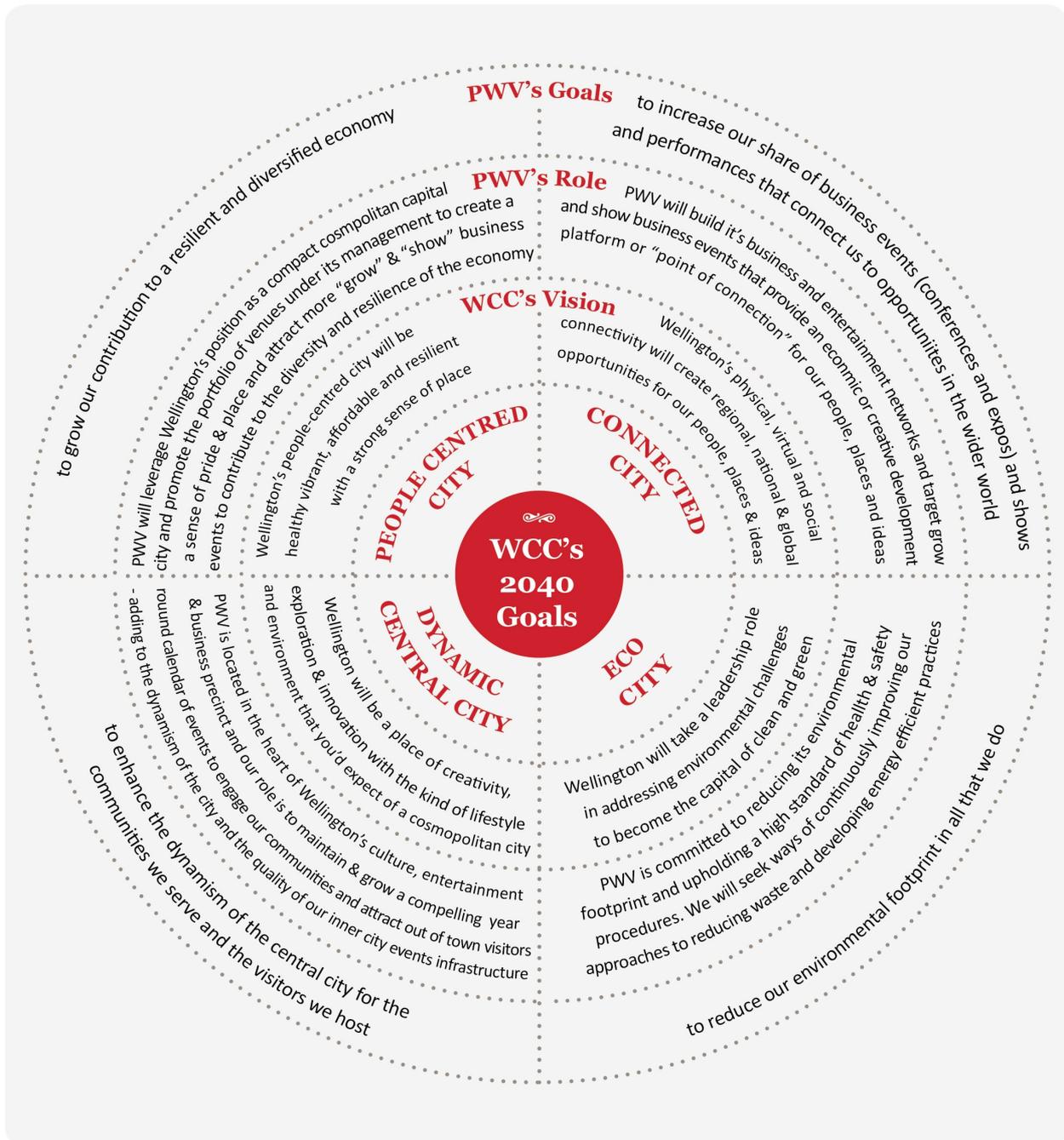
(PWV made a submission on WCC's 2015 economic development strategy and we are fully supportive of working with WCC to scope alternative venue spaces within the City. We would be pleased to make the work that we have undertaken in relation to assessing options for alternative venues to the Town Hall available to the City development team.

4.2 2040 Vision

At a bigger picture and more strategic level, Positively Wellington Venues has revised its commercial and community objectives (refer section one) to incorporate WCC's 2040 vision.

In the chart below we describe the role that we will play in contributing to Toward 2040 and outline the goals that we have set to in order to make progress towards the 2040 vision.

Of course, it's not just about setting goals and so PWV's business strategies and business transformation projects (presented in section two) have all been developed with an eye to 2040.



5. KPIs

5.1 2011/12 Out-turn

We are on track to achieve the KPIs outlined in the 2011 SOI. Many of the 2011/12 KPIs related to transitioning the business.

The only significant challenge will be in delivering on the KPIs which target achieving or exceeding the budgeted number of specific hire days against the backdrop of a weak economy and with the impact of RWC business displacement and a heightened sensitivity to the classification of EQPBs.

As noted elsewhere, any shortfall against revenue targets will be offset by savings to deliver the bottom line result that was agreed to.

5.2 Three sets of measures

We are proposing that we report against three sets of KPIs:

- 2012/13 Business Plan KPIs
- 2012/13 Business Transformation Project KPIs
- 2012/13 Towards 2040 KPIs

5.3 2012/13 targets and measures

We have kept these measures at a reasonably high level. We will present quarterly reports to the CCO Unit and CCOPs as required.

Please note that once the REVPV project is complete we will update the venue utilisation measures (retaining some for consistency/comparative purposes) and adding new ones that provide a better sense of how we are tracking against more robust benchmarks.

In addition, once our first year trading year is complete we will adjust our targets to reflect our first full year actuals.

STRATEGIC FOCUS	TARGETS	MEASURE(S)
1. Business Viability	On budget (or better) financial performance – with both top line revenue growth and cost savings	Result based on approved budget.
2. Venue Utilisation	Achieve or exceed x% increase in hired days (aggregate measure) over 2011/12 actual. TBC once 2011/12 result confirmed. Achieve or exceed budgeted number of performances and performance revenue	Total hired days across all venues. Number of performances and performance revenue

	<p>Achieve or exceed budgeted convention and event hires and revenue</p> <p>Maintain appropriate mix of commercial and community hires</p>	<p>Number of conventions/event hires and revenue</p> <p>Community hires by days utilised, organisation and event type and audience (to be reflective of the diversity of Wellington's communities)</p>
<p>3. Duty of Care</p>	<p>Health & Safety Develop and implement a OHS performance indicator system to measure the success of prevention and intervention programmes</p> <p>Safety and Security of patrons, visitors and Staff Managed</p> <p>Venue Equipment Asset Management Plan Including condition assessments, programmed maintenance and 10 year capital expenditure renewals program</p> <p>Environmental Footprint Achieve and maintain ISO 14001:2004 Environmental Management System certification pan venue</p> <p>Buildings Asset Management Work plans jointly agreed with WCC Property Group to insure alignment to PWV SOI ensuring customer focus at all times</p> <p>Work with WCC Property to achieve positive asset management outcomes that are aligned with PWV's business priorities</p>	<p>LTI's (Lost Time Injuries), MTI's (Medical Treatment Injuries) FAI's (First Aid Injuries) and Near Misses are accurately calculated and presented to LT Meeting on a monthly basis in the form of IFR's (Injury Frequency Rates) that have a downward trend</p> <p>Program rolled out that encompasses Hazard Management, Incident Investigation, Training & Supervision, Employee Participation, Emergency Readiness, Contractor Management and Injury Management</p> <p>Positive trend of reduced cost in reactive maintenance</p> <p>Implement and maintain at least 2 new sustainability initiatives 2012/13 that fit within the ISO 14001 framework</p> <p>Retain ISO EMS 14001:2004 certification pan venue Priorities agreed to and scheduled to minimise business interruption</p> <p>City Care Ltd achieve WCC performance KPIs in Health and Safety, Customer Satisfaction, Annual Renewals and Reactive Maintenance</p>
<p>4. Marketing Edge</p>	<p>Successful launch of new "Positively Wellington Venues" brand and market positioning</p> <p>New business pipeline shows strong forward bookings</p> <p>New business wins and value of relationship business</p>	<p>Qualitative feedback from major hirers, community, media (and pre and post launch brand recognition research)</p> <p>Value of new business leads "pencilled"</p> <p>Value of business converted/contracted</p>

	Business mix reflects effectiveness of marketing effort	Growth in “out of town” spend (especially Australia)
5. Outstanding Experiences	Audience and hirer satisfaction (maintain/increase relative to past trends)	Annual quantitative survey and focus group research
6. Performance Partnerships	At least three successful joint marketing ventures with PWT and other partners JV/own shows are successfully promoted and make a positive contribution to bottom line	Successful delivery of cooperative marketing campaigns/trade events Financial contribution of own shows
7. Venue Development	Work with WCC on review of City’s events infrastructure	To be agreed once terms of reference confirmed

5.4 2012/13 Business transformation project KPIs

The following measures will be used by the management and Board of Wellington Venues to measure the delivery of our business transformation projects.

Because some of these projects will run through the FY, we expect to report on these projects in our annual report vs against quarterly KPIs. We will of course, provide the CCO Unit/CCOPs with quarterly updates on relevant progress with these projects and unless there are specific and meaningful measurement criteria the measures will be “achieved, partly achieved, not achieved”.

PROJECT	TARGET(S)	MEASURE(S)
1. Business Growth	Increase events revenue by 8% over 2011/12 Meet the set business objectives for the new “Show Me Wellington” Increase events business from Australia by X% Make substantial progress towards developing Wellington-wide events three year calendar with other City partners Increase annual volume of ticket sales to ticketed events.	Meet 2012/13 budget See section two re new leads generation, exhibitor numbers etc TBC with PWT and Te Papa To be agreed with City Events and others TBC with Ticketek at 2011/12 year end (once full year result is available)
2. Business Re-engineering	With a more efficient organisation structure, hands-on staff at all levels and improved rostering we will manage our wages and salary envelope to deliver some savings against 2011/12 actuals	Perform to budget (which includes reallocation of some waged staff to salaried positions but a cap on overall spend vs 2011./12 – i.e. new structure delivers savings over old)

	<p>Complete a staff engagement survey in Q1 to inform our human resource development and communications strategies.</p> <p>In conjunction with staff undertake work on developing values as well as launch a number of HR policies and procedures in order to consolidate a highly productive team-based culture</p>	<p>Human Synergestics</p> <p>Project milestones to be established</p>
3. Town Hall alternative venue development	<p>Support bid for \$4m development fund and participate in the LTP planning process</p> <p>Commission stage two feasibility study including developing detailed design specifications and costings and project milestones (in partnership with Wellington Waterfront and WCC)</p> <p>Manage seamless transition from closure of Wellington Town Hall to opening of alternative venue facilities to maintain the viability of PWV's business and maintain/grow the contribution that business events make to the Wellington economy</p>	<p>LTP approval June 2012</p> <p>Commence work May 2012</p> <p>Alternative venue plans announced July 2012 and venue opened July 2013</p>
4. New pan-venue Health and Safety programme	<p>To have updated HSEQ policies and procedures in place by end of the 2011/12 FY and new monitoring and reporting systems established and operating in 2012/13</p> <p>New emergency evacuation procedures (including pre-recorded announcements and supporting print collateral) will be in place by the end of 2011/12. In 2012/13 the focus will be on rolling out new induction and training programmes to support evacuation procedures ISO certification maintained</p>	
5. New community access programmes	<p>Review Community Access Strategy with WCC grants and community events teams, refresh criteria where required to support Wellington's sports teams in addition to performing arts and community groups</p> <p>Develop communications strategy to ensure that community groups know where to go for what and how/when to apply</p> <p>Launch Wellington on Stage July 2012</p>	<p>Review to be completed before end of 2011/12 FY ready to roll out with WCC in Q1 2012/13</p> <p>Launch Q1 2012/13</p>

5.5 Towards 2040 – 2012/13 KPIs

PWV will provide commentary on our contribution to the Towards 2040 strategy in its quarterly and annual reports.

WCC's 2040 GOAL	PWV TARGETS	MEASURE(S)
People Centred City	To grow our contribution to a resilient and diversified economy	Economic contribution of events held in our venues to Wellington Export earnings (contribution of international conference delegates)
Connected City	To increase our share of business events and conferences and shows and performances that connect us to the wider world	Improve ratio of new business wins (with international delegates) and improved share of convention market. Strength of show business calendar with internationals acts.
Eco-City	To reduce our environmental footprint	TBC - Currently reviewing various accreditation and energy efficiency programmes – propose ISO certification as primary measure
Dynamic Central City	To enhance the dynamism of the central city for the communities we serve and visitors we host	Work with WCC and PWT on community engagement and visitor satisfaction surveys – suggest online survey tool/panel

Attachments

- 1. Governance and Risk Management**
- 2. Draft Health and Safety Policy**
- 3. Grant Funding & Shared Services**
- 4. CCO Partnerships**

Attachment 1:

Governance & risk management

The entity

Wellington Venues Ltd (trading as Positively Wellington Venues) is a Council Controlled Trading Organisation established in 2011 by the Wellington City Council to manage and administer the utilisation of the following Council owned venues:

- The Michael Fowler Centre
- The Wellington Town Hall
- The St James Theatre
- The Opera House
- TSB Bank Arena
- Shed 6

The role of the Board

The Board of PWV is responsible for the ongoing viability of the organisation and ensuring that WVVL meets its annual business plan and the goals outlined in the SOI.

The Board achieves this through monthly monitoring of KPIs and the financial results of the organisation.

The Board also guides the development of PWV's long term strategy.

Board membership

The Board has eight members all of whom are non-executive. They are:

- Chris Parkin (Chair)
- Cr Ngaire Best
- Cr Paul Eagle
- Sam Knowles
- Linda Rieper
- Samantha Sharif
- Lorraine Witten
- Mike Egan

Council policy in appointing members is to spread the terms to ensure continuity of knowledge is retained within the Board.

The Chief Executive Officer attends all Board meetings and members of the management team attend as required.

The Board meets on a monthly rotation.

Board operations

The Board is responsible for governance and the strategic direction of the business and delegates the day-to-day operational responsibilities to the CEO (and management team), who reports monthly to the Board.

The Board has established an Audit and Risk Sub-Committee and the terms of reference are being developed. Items will include review financial performance, monitor compliance issues and initiate reviews of business performance. The Sub-Committee will also be tasked with considering any business proposals where PWV would be involved at a higher risk level than merely a hirer of venues.

The Board will appoint other working groups from time to time.

The Board will complete an annual assessment of its performance.

Risk management

The Board will maintain an active risk register and a current register of trustee interests.

The WCC had provided a credit facility with its bank to enable PWV to manage liquidity risk.

The Chair will sign off on all CEO travel and expense claims.

PWV has well established delegated authorities (currently based on the WCC framework) and the Board will review these from time to time.

The CEO is approved to speak on behalf PWV, but where there is significant reputational risk, messaging will be agreed with the Chair and in consultation with WCC.

Council relationship principles

PWV will provide quarterly reports in a mutually agreed format to the Council's Council Controlled Trading Organisation Performance Sub-Committee on the agreed dates and present its Business Plan and Statement of Intent on mutually agreed dates.

PWV's annual report and audited accounts will be supplied to the Wellington City Council within 90 days of the end of the financial year.

The principles governing the relationship with the Wellington City Council will include:

- Ensuring that the Council is fully apprised of any significant deviations from the budgeted cash flows
- Providing early advice to the Council in the event of any situation that has the potential to be contentious in nature and cause reputational damage
- Disclose any significant transactions that are planned within PWV's business plan

As part of PWV's relationship with the WCC, the Chair and CEO of PWV will meet regularly with the Mayor and CEO of the Council and, as required, with the Council's Council Controlled Organisation Performance Sub-Committee and officers.

The CEO and CFO will meet regularly with the Portfolio Manager, Council Controlled Organisations.

Attachment 2:

PWV's draft health and safety policy

Positively Wellington Venues (PWV) is firmly committed to the provision of a safe and healthy environment for its employees, clients, service delivery partners, contractors and the general public. PWV recognises that this commitment will only be achieved with positive leadership, the provision of necessary resources and continued pursuit of best practice in occupational health and safety.

PWV expects every member of its community to accept personal responsibility for promoting the safety and well being of themselves and those involved in, or affected by, PWV activities. PWV will take responsibility for health and safety procedures, however, employees, clients and contractors need to be aware of their responsibilities and comply with the business' health and safety policy.

In fulfilling the commitment PWV will take all practicable steps to prevent accidents or injury in its venues.

In particular, PWV will:

- ensure that an effective health and safety management system is maintained, practiced and regularly reviewed for continuous improvement. All systems shall pay particular attention to emergency evacuation procedures
- integrate health and safety into day to day operational and management practices
- designate a management team member to be responsible for ensuring health and safety is effectively coordinated throughout the business
- require management at all levels to be responsible and accountable for the implementation of safety programmes
- involve employees in health and safety matters and encourage their active participation in hazard identification and control
- establish communication channels to ensure health and safety issues are discussed and that information and decisions are fed back to all interested parties
- ensure employees are trained on the equipment they operate and perform their duties in accordance with established operating procedures
- accurately report and record incidents and investigations that occur in our workplace
- meet our responsibilities to ensure contractors systematically manage their health and safety responsibilities when working in our venues

References:

Health and Safety in Employment Act (1992)

Health and Safety in Employment Regulations (1995)

Signed:

Glenys Coughlan

Chief Executive , PWV

Date:

Created XXXXXXXXXX

Reviewed XXXXXXXXXX

Attachment 3:

Grant funding & shared services

Operational grants

TBC for legacy agreements and shared services

Grant funding and other subsidies

The Convention Centre receives an annual NZSO rehearsal subsidy and this is ongoing.

There is a 'Wellington Venue Community Subsidy' that previously sat within the Convention Centre's books that will now sit within WCC. This fund amounts to \$245,000 and will be administered by the Council's Grants team in consultation with PWV management, to support community access.

In the past, the venues have also applied to the City Events fund for support. City Events are consulting on their 'go forward' strategy and this may impact on the availability of this fund.

Finally, there is the Performing Arts Foundation fund. We have taken advice from Buddle Findlay in Auckland regarding the wind up of this fund and the establishment of a new Wellington Arts Fund that could operate pan-venue.

Shared services

An important part of moving to the new CTO model was WCC's desire to move to more of a shared services model in the areas of Finance, IT, HR and other support services.

A Heads of Agreement between WCC and PWV was concluded in 2011/12. This will be used to guide the finalisation of a set of service agreements.

Although not a 'shared service' per se, WVL also needs to work alongside the Council's Property Services Group (and under the CityCare contract).

This model goes beyond sharing software platforms and includes:

- managing accounts payable/receivable alongside other finance functions such as GST and PAYE returns via WCC's finance team
- providing payroll, property and procurement services
- providing IT support services via the Knowledge Services Helpdesk
- provision of IT equipment and access to Vodafone call plans
- providing HR support services as required
- Further work needs to be undertaken to complete 'service level agreements' that cover the scope of shared services and delivery standards, as well as any fees for service.

Council will be monitoring the effectiveness of this shared services model as will the Board and Executive of PWV. PWV will want to be assured that it is enjoying 'best of breed' services at competitive rates.

Attachment 4:

CCO partnerships

Positively Wellington Tourism

PWT has a well established relationship with Positively Wellington Tourism (PWT) and there are opportunities to develop this further through destination marketing activity as well as the Convention Bureau relationship

Positively Wellington Waterfront

PWT has a contractual relationship with Positively Wellington Waterfront with the lease of TSB Bank Arena and Shed 6. This relationship will be further developed and strengthened if the redevelopment of Shed 6 proceeds as part of providing an alternative venue to the Wellington Town Hall.

There are also discussions about reviewing the management of the waterfront's outdoor venue spaces and sites in a more integrated way.

Wellington attractions

We see a significant upside in engaging with a range of other CCOs – Wellington Zoo, Carter Observatory and the Museums Trust to name a few.

Not only can these CCOs offer venues and experiences that can add to PWV's competitiveness as a conference, convention and meetings destination, but PWV can act as an additional marketing resource – attracting new customers and audiences to the City and its attractions.

Other partnerships

In addition to Wellington's CCOs, there are other partners that we should develop stronger working relationships with. These include Te Papa and Wellington International Airport Ltd as well as the Council's City Events Unit.

With Tourism New Zealand (TNZ) and the Tourism Industry Association (TIA) located in Wellington and a range of advocacy and industry bodies like EVANZ and the Hotel Council at hand, PWV will build strong working relationships to support the achievement of our business objectives.

We will also work in strong alignment with key Government agencies such as Tourism New Zealand and the Ministry of Economic Development.

Michael Fowler Centre



Magnificent

THE MICHAEL FOWLER CENTRE

Wellington's main stage for international conferences and leading performing artists, this much-loved part of the Wellington skyline sits right in the heart of the capital city's civic and cultural precinct.

Boasting a three-level glass facade and finished throughout with native timbers and Italian marble, "the sheer magnificence of the internal spaces" has seen the Michael Fowler Centre win numerous architectural awards.



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VENUES**

..... for extraordinary experiences, visit pwv.co.nz

Diners experience the ambience of the Wellington Town Hall



Elegant

WELLINGTON TOWN HALL

Its elegant architecture, intricate tile work, plush furnishings and grand sweeping staircase bring a sense of occasion to every event held within the Wellington Town Hall.

This impressive, stylish and versatile venue works equally well for hosting conferences, exhibitions, evening functions or as a concert hall.



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| The impressive stage of the stunning St James Theatre



Theatrical

ST JAMES THEATRE

The jewel in the crown of Wellington's flourishing theatre scene, the St James Theatre is the ideal performance space for dance, opera, musicals and cabaret.

Providing a unique functions and meetings environment it has also become a thriving events venue since its extensive refurbishment in the late 1990s. On-stage dining adds a touch of theatrical flair to any business event.



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Hosting an awards event at the TSB Bank Arena



Versatile

TSB BANK ARENA

A truly multi-purpose venue, the TSB Bank Arena is located on the harbour capital's fabulous waterfront. Suitable as an indoor sports arena, rock concert venue, public trade show facility or exhibition space, the Arena can be dressed up to the nines to host large gala and awards dinners (and the odd movie premiere).

In easy walking distance of Wellington's central business and downtown hotel district, the TSB Bank Arena is one of Wellington's most versatile venues.



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The Shed - a pop-up bar in Shed 6



Depot

SHED 6

With doors that open straight onto Wellington harbour, and located right beside the TSB Bank Arena, Shed 6's location is perfect for more garage-style events.

Used as a sail loft during the Volvo Round the World Yacht Race, a pop-up bar for the New Zealand International Arts Festival and a rehearsal space for the annual World of Wearable Arts show, the shed's 963 square metre footprint and 7 metre ceiling height, means there is plenty of room to dress to impress.



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>Show Me Wellington at TSB Bank Arena

**THE UNFORGETTABLE COOLEST, TRULY
CHIC & UNIQUE
COMPACT, VIBRANT
EXPERIENCE
FILLED, CREATIVELY INSPIRED SHOW ME
HOST CITY WELLINGTON
MAKE IT AN EVENT**



Amazing

TRADE EXHIBITIONS & PRODUCT LAUNCHES

Trade and exhibition space is easily accommodated in a number of our venues with the TSB Bank Arena providing the largest and most flexible flat-floor space for ticketed exhibitions and trade shows. And, if you want to showcase a new product or service, brief staff, customers, shareholders or even politicians – we have an amazing number and range of stages “on tap” at our other venues.



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Slick service at the Wellington Town Hall



Slick

GALA & AWARD DINNERS

Each of our venues brings their own distinct character to gala and awards dinners large and small. From the neo-classical elegance of the Wellington Town Hall, to dining on-stage at the St James Theatre or bringing your brand alive in a dressed-to-kill TSB Bank Arena, we will work with you to add a touch of culinary magic to your events.

Featuring fresh seasonal cuisine and award-winning New Zealand wine, our staff will deliver to impress with slick professional service.



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Royal New Zealand Ballet, The Tower Season of Cinderella. Photo: Ross Brown



Inspiring

PERFORMING ARTS & LIVE THEATRE

Wellington isn't called the cultural capital of New Zealand for nothing. Home to the New Zealand Symphony Orchestra and Royal New Zealand Ballet, and with a thriving theatre scene, Wellington is a popular performance destination for homegrown talent and touring international performances.

Not only can we add a touch of theatre and performance to your business meeting or conference to inspire some "outside the square thinking" but we can also arrange hospitality programmes at a range of stunning performance events for your clients and their delegates.



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| Enjoying a performance at the TSB Bank Arena



Entertaining

ROCK CONCERTS & INTERNATIONAL ACTS

Who doesn't enjoy some of that old time rock and roll? Positively Wellington Venues hosts a large number of international touring events and if you're looking for an opportunity to let your hair down, we can arrange tickets and hospitality programmes to suit your taste.

They also say that it's good to share a laugh and some of our smaller venues offer comedy club-style experiences. And, if you think that life is a cabaret - we can deliver that too - adding a touch of burlesque, an evening of jazz or a taste of contemporary New Zealand music to any event.



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Plenary session in the Michael Fowler Centre Auditorium



Energising

CONVENTIONS & INCENTIVES

Providing unrivalled ambience and atmosphere, our venues provide great settings for conventions, trade shows and incentive groups. Speakers can address large numbers of delegates from impressive auditoriums with a wide choice of break-out rooms close at hand.

Trade and vendor displays are easily accommodated in the flat-floor areas and promenades and we have a range of performance and entertainment options that can be used to energise and entertain your delegates. Add your very own "X factor" to an event!

Just 15 minutes from Wellington International Airport, a stones throw from Parliament and on the front door step of a range of great hotels and restaurants, your delegates will enjoy the benefits of a city that is easy, enjoyable and safe to get around.



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Delegates meet at the Society of American Travel Writers Convention, Penroul Foyer, Michala Fowler Centre



Effective

BUSINESS MEETINGS

We believe in meetings with a purpose and we know that when you go to the time and expense of getting busy executives together, you want to achieve the right results. You want the basics taken care of and hassle-free service. Fast fresh food, technology that works and whiteboard pens that write first time.

Simple things done well with a touch of inspiration at hand for those moments when the agenda becomes more like a marathon than a sprint.



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A view from the stage of the historic Opera House



Dramatic

THE OPERA HOUSE

An intimate and welcoming performance space that oozes antique charm and backstage drama, the Opera House has been a social and events venue for successive generations in Wellington.

The Opera House hosts a wide variety of performances and events and is a place that springboards and showcases up and coming talent. It is also a popular choice for on-stage gala events, dining and programme launches.



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