

Australian marketing

1. The Proposal

Positively Wellington Tourism (PWT) has submitted a new initiative for funding that it considers will enable Wellington to secure and grow its share of the Australian market, at an additional cost to Council of \$1,038,000. PWT's objective is to increase direct Australian visitor arrivals numbers by 7,300 a year (around 7.2% increase) and the visitor spend in Wellington by \$27 million annually (around a 10% increase). This proposal fits with WCC economic strategy which supports activities and events that bring more visitors to Wellington and provide a significant return on the Council's investment.

With this additional funding, PWT also aims to secure new commercial partners' funding and work closely with other RTOs and central Government on a partnership model of funding that could add up to \$3m to Council's \$1m.

Following officers' advice, PWT has submitted an updated proposal that seeks funding for three years, with further funding to be determined on the project review.

This proposal has come outside the LTCCP consultation period, and may therefore receive negative feedback from the business community that has not been formally consulted on regarding the impact on their rates. PWT has attempted to mitigate this through direct discussion with the business community and its recent media release.

2. Proposal Costs

PWT has submitted its Australian marketing proposal (attached) that seeks Council's funding of \$1,038,000 from 2009/10 to 2011/12:

Project Component	\$000									
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Existing PWT Australia Funding	392	392	392	392	392	392	392	392	392	392
<i>NEW Council funding</i>	1,038	1,038	1,038	0	0	0	0	0	0	0
Total Council funding	1,430	1,430	1,430							

It is proposed that the funding for this activity will come from the Downtown Levy, based on an increase of 15 cents per \$1,000 of capital value to raise an additional fund of \$1.038 million.

3. Outline of proposal

Current activities

The Australian market is worth \$1.6 billion to New Zealand in visitor expenditure. As New Zealand's largest inbound market and given its "semi-domestic" nature, the performance of the Australian market is critical to how well tourism is able to weather the global financial crisis.

Tourism New Zealand (TNZ) considers Australia to be the most important visitor market, recognising that Australia provides more visitors to New Zealand than any other country. In April the Government increased its investment in the Australian market by \$2.5 million. Air New Zealand has matched the Government's \$2.5 million with an equal amount in domestic fare giveaways. It is perceived by the industry that Australia represents the best opportunity to bolster visitor numbers in the current economic climate and beyond.

Economic uncertainty in other international visitor source markets such as the UK and the USA means that Australia will become even more important in the short to medium term and thus this is the right time to initiate a heightened level of activity. Wellington has significant "brand" challenges in the Australian market, particularly regarding lack of destination knowledge and what makes Wellington 'different'.

PWT currently spends \$392,000 per annum for marketing in Australia, which is significantly less compared with some regional tourism organisations such as Queenstown and Christchurch that are making investments in excess of \$1 million per annum in the market.

Long-term investment

Australians represent the best opportunity for Wellington to grow its international visitor numbers long-term. When Australians visit they come for a number of reasons that include business, leisure, conference, convention, events, visiting friends and family. Each of these segments is important to each of the attractions in which WCC has invested, such as the Karori Sanctuary and Carter Observatory. Critically Australians offer greater opportunity than domestic tourists because they are less familiar with Wellington and so are far more likely to go out to explore and enjoy these attractions than domestic visitors who may visit Wellington on such a regular basis as to have either 'done it' or 'leave it for next time'. Whilst the Australian visitor may not seek out the education/environment attractions in the way Scandinavian or Germanic visitors do, Australians proximity to Wellington means that they are able to visit and explore a region (such as Wellington) of NZ in depth and they do (and will continue to) come in much greater numbers.

This strategy has the opportunity to lessen the impact of the recession on Wellington, particularly if the recession is reasonably drawn out; importantly it has the opportunity also to put Wellington in a better position coming out of it with Trans-Tasman air seats ready to take off. The PWT's intention is that this work will carry the burden of opportunity which will see Wellington desired by Australians and thus create demand to retain flights today and increase them in the future.

PWT's strategy will also work in the long term if PWT builds a brand for Wellington in Australia that makes the destination desirable for leisure, business and education; and if it plays on that brand with tactical activity to get visitors to come here and now.

Impact

PWT considers any re-prioritising of its existing funding to free up money to into marketing to Australia would severely jeopardise the position which Wellington holds in New Zealand as being the destination which has seen sustainable growth since the mid 1990's and which is weathering the economic downturn most successfully. PWT aims to continue its multi-dimensional campaign to promote Wellington to key sectors in New Zealand and overseas.

This campaign can also focus on marketing of Wellington's tourist infrastructure and the Rugby World Cup 2011.

PWT focuses activity in Australia on the three main areas with direct air access to Wellington in 1) Sydney; 2) Melbourne; and 3) Brisbane. The key activities will include Television, Online, Cinema and outdoor advertising in conjunction with public relation campaign (focus on print media etc.)

Wellington currently secures \$279 million of the total New Zealand spend by Australian visitors. PWT's objective is to increase Australian visitor spend in Wellington by \$27 million per annum.

Additional arrivals	7,300	Additional nights	27,740
Expenditure per visitor night*	\$444.19	Additional Expenditure (in tourism)	\$12.3 million
Flow Down Effect factor*	2.2	Additional Expenditure (inc. flow-on)	\$27 million
Employment factor*	100,600	Additional employment created/preserved	268

* Source- Ministry of Tourism

PWT expects that it will achieve 7300 otherwise unfilled seats with new business in Year 1 and that beyond that further growth will occur. The following milestones will be monitored during the first year and subsequent years:

- Further increase in arrivals direct to Wellington
- Increased air capacity into Wellington direct from Australia
- Wellington increases its % of total inbound seats to NZ from Australia
- Increased conference activity driven out of Australia into Wellington
- Heightened level of interest in business investment into Wellington from Australia.

Partnership model

This funding will also enable PWT to show commitment and leadership in the Australian market and to secure new commercial partners' funding. In addition, discussions between the Gateway Regional Tourism Organisations and central Government have suggested that central Government would be interested in the idea of a contestable fund which would seek to match new funds gathered locally for the increased promotion of New Zealand in Australia. These discussions have been led by PWT and supported by partner RTOs in Auckland, Christchurch, Queenstown, Rotorua, and Dunedin. This can potentially significantly increase Australian marketing investment across all RTOs. The partnership model can potentially develop as follows:

<u>Existing Funding</u>	NZ\$
Tourism New Zealand - 100% Pure New Zealand (existing)	\$ 4,000,000
Auckland / Rotorua / Wellington / Christchurch / Queenstown / Dunedin <ul style="list-style-type: none"> • Drive into gateways • Joint venture/approach between TNZ and gateway RTOs (instead of What's On in current format) 	\$ 5,000,000
Existing RTO Funds <p style="text-align: center;">Gateways \$2.1m Smaller RTOs 1.1m</p>	\$ 3,200,000
Subtotal – Existing Funding	\$ 12,200,000
<u>New Funding</u>	
4 New Gateway RTO Funding (new - through targeted rates etc.)	\$ 4,500,000
New and Clustered RTO funding matched by Central Government (Central Government new money matches new funding from Gateway RTOs and transferred funding from small RTOs)	\$ 5,600,000
Joint Venture Industry funding (Industry contribution in regions through new ability to directly leverage campaigns in Australia – discussions held with NZHC, airport, airlines etc)	\$ 2,400,000
New Funding Sub Total	\$ 12,500,000
TOTAL	\$24,700,000

The proposed partnership funding model assumes that central Government funding when leveraged with regions and industry, could increase total marketing expenditure in Australia from c. \$12 million to c.\$24 million, enabling brand and tactical campaigns to co-exist and increase activity today and in the future. This model assumes that the funding secured by local governments (new gateway RTO funding, and funding from clustered RTOs) is matched dollar for dollar by the central Government. In addition, \$5 million of the existing TNZ funding is redirected to RTOs and partners' funding is increased to \$2.4 million. This translates into a partnership model of funding that could add up to \$3 m to Council's \$1m.

The model aims at increasing the frequency of which Australians visit New Zealand through joint venture campaigns funded by central Government, local government and private industry partner funding.

4. Options

Officers have assessed the following options:

Option 1 Approve funding for three years

This proposal fits with WCC economic strategy which supports activities and events that bring more visitors to Wellington and provide more than 20:1 return on the councils' investment. Increased Australian visitor numbers are also important to each of the attractions in which WCC has invested such as the Karori Sanctuary and Carter Observatory and other tourist infrastructure and events such as the Rugby World Cup 2011.

KPIs will be agreed with PWT's to closely monitor visitor numbers, visitor nights and visitor spend. PWT expects that it will achieve 7300 otherwise unfilled seats with new business in Year 1 and that beyond that further growth will occur.

Based on the recently boosted Government support and commercial partners' investment (Air NZ) it seems that the focus has been on the Australian market and that PWT can leverage of these campaigns in addition to its own increased activity. The Australian market currently holds well in the current climate (increase of 3.5%, while other markets show decline). PWT argues that this investment

is necessary in order to position Wellington better (short and long term) as Wellington currently only secures 2% of urban Australians.

Option 2 Approve funding for three years conditional on matching external funding

PWT has discussed a partnership model with TNZ, other RTOs and funding partners and has received positive feedback.

PWT's proposed increase in visitor numbers and visitor spend is based on WCC funding only (to achieve additional \$27 million spend). By securing Council funding, PWT believes that it will in a position to attract other partners funding and central government funding (by showing leadership, securing its share of the market early in the process of establishing this model etc). If successful the proposed funding partnership model will contribute to a significant increase in the Australian marketing budget (that it can potentially add up to \$3 m to Council's \$1m).

Council could approve this proposal conditional on PWT securing matching external funding (central Government or other parties to match funds provided by local government). This would secure at least \$2 million for PWT's Australian campaign in the first full year of funding.

While the proposed Australian marketing campaign can be delivered without this funding, leveraging \$1 of ratepayers funding with at least \$1 from elsewhere is clearly a far more attractive proposition for ratepayers.

Option 3 Decline the proposal out-right

PWT currently receives \$4.9 million from Council. It is proposed by PWT that new funding comes from the Down Town levy, which will increase by 10.8%.

There is a risk that, despite the proposed investment in the Australian market campaign, the number of visitors targeted do not materialise due to global conditions and other strong tourism campaigns in Australia from, the USA, Fiji etc.

If not funded PWT may lose an opportunity to leverage on the TNZ Australian campaign and to attract commercial partners' funding. It may also lose its current share of the Australian market or other well-established markets if it re-prioritises the existing funding. The Australian market is the closest and it currently holds well in the current climate (increase of 3.5%, while other markets show decline).

5. Officer recommendations

Officers support the Australian marketing initiative as making strategic sense and as it is one reasonably direct means through which the Council can seek to stimulate the city's economy through difficult times and position Wellington to emerge in a strong position. Wellington's track record of increased tourism and events-related spending has been solid for some time now. Increased Australian visitor numbers and visitor spending are also important to each of the attractions in which WCC has invested such as the Karori Sanctuary and Carter Observatory. Approval for increased Australian marketing should also be conditional on PWT promoting the tourist infrastructure in the city (e.g. Karori Sanctuary and Carter Observatory) and key events such as the Rugby World Cup 2011.

Officers recommend option 2, to approve Council funding based on matching external funding, from funding partners or/and the Government. Although officers haven't received any formal confirmation of the Government support for this initiative, positive feedback has been received through discussions. It is anticipated that the Government will make a decision regarding a joint venture partnership model and ways of supporting RTOs Australian marketing campaigns, later in the year.

It is anticipated that it would take up at least three months to confirm external funding and to develop the marketing strategy and therefore officers recommend:

- 1) Approving funding of \$700,000 in 09/10, increasing to \$1.038m in 10/11 and 11/12 as outlined in the table below, subject to:

Project Component	Operating Income \$000									
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Existing PWT Australia Funding	392	392	392	392	392	392	392	392	392	392
NEW Council funding	700*	1,038	1,038	0.	0	0	0	0	0	0
Total Council funding	1,092	1,430	1,430							
<i>External funding</i>	<i>700</i>	<i>1,038</i>	<i>1,038</i>							
TOTAL new funding	1,792	2,076	2,076							

- a) Matching external funding being secured before Council funding is drawn down.
- b) PWT promoting Wellington's tourism infrastructure and key events such as Rugby World Cup 2011.
- c) A review of PWT's progress in securing external funding by 31 October 2009.
- d) Review project in 18 months time with clear indicators of success that include a number of KPIs derived from the following activities:
 - Undertake two research projects: 1) campaign development research and 2) a consumer research project, to determine the perceptions of Wellington in Australia to compare to existing research findings (to be used as a benchmark)
 - Launch and maintain a destination-specific consumer campaign for Wellington in Australia with particular focus on delivery in Sydney and Melbourne
 - Demonstrate an increase in media activity about Wellington in Australia to 60 stories per year
 - Grow Australian visitor arrivals into Wellington by 7%
 - Increase Wellington's share of visitor arrivals into NZ from Australia
 - Increase Wellington's share of Trans Tasman airline capacity
 - Increase the proportion of Australian visitors to Wellington who utilise Wellington Airport from 50% to 55%
 - Deliver 12 Travel Industry familiarisations per year
 - Meet with 60 Australian travel wholesalers per year
 - Maintain partnerships with Wellington tourism industry partners to visit travel industry in Australia to increase the visibility of Wellington in travel brochures etc
 - Undertake at least three marketing campaigns in Australia in conjunction with WIAL and an airline partner
 - Grow visitation from Australia to WellingtonNZ.com by 35%
 - For the Wellington Convention Bureau to make two sales calls visits to Australia - Sydney / Melbourne / Brisbane

- *To increase Wellington Convention Bureau leads and referrals by 5% from Australia year-on-year*
- e. *Monitor performance of the increased funding through CCOPS.*

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