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## **DESTINATION WELLINGTON: PROPOSED DELIVERY MODEL**

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### **1. Purpose of Report**

This report seeks the Committee's agreement to recommend to Council a delivery model for Destination Wellington, funding for which was approved in the 2012/22 Long Term Plan.

### **2. Executive Summary**

The Economic Development Strategy (Strategy) was developed to enable Wellington to respond to changes in the global economy, the central government focus on Auckland and Christchurch for investment, and the downsizing of the public sector in Wellington.

As a major platform of the strategy, funding for Destination Wellington - which aims to attract business, talent and investment to Wellington City - was included in the 2012/22 Long Term Plan. This Committee asked officers to consider the appropriate delivery model, taking on board a number of factors, and delegated to the Mayor, the Economy Portfolio Leader and the Chief Executive the responsibility to recommend a delivery model.

Having previously agreed that the development of a new delivery agency for Destination Wellington was not desirable at this time, Positively Wellington Tourism (PWT) and Grow Wellington were each invited to submit a proposal on the role/s those organisations consider they should play in implementing Destination Wellington.

Both PWT and Grow Wellington submitted proposals for consideration. The proposals were developed as a collaborative effort, seeking to match roles and responsibilities to the respective core strengths of each organisations, and maximising the ability to leverage off existing resources and activities.

Officers reviewed the PWT and Grow Wellington proposals, and considered business, talent and investment attraction models operating in other cities. There are many different models operating across the world – some are single agency, some separate tourism efforts from business attraction efforts, some are delivered on a City, or regional, or national scale.

Wellington currently has two key economic development agencies, each with distinct core strengths and roles. Taken together, the proposals from PWT and Grow Wellington appear to provide a strong platform for implementing the Council's ambitions for Destination Wellington, and importantly are consistent with and leverage off the Wellington Regional Strategy efforts to attract business to the region.

Consequently, this report seeks your agreement to recommend that Council approves a programme of activities to be delivered by PWT, Grow Wellington and Council as follows:

- PWT would be responsible for developing and telling *the Wellington story* through destination marketing and the development and distribution of associated marketing material
- Grow Wellington would target business, talent and investment, convert business opportunities into tangible business deals, and take a lead role in providing aftercare and retention of business
- Council would assist in welcoming potential and new businesses, broker relationships as required, provide market analysis and intelligence, and coordinate and monitor the overall programme of activities.

Subject to approval, attention can then turn to the implementation of Destination Wellington, which is critical given the urgency that drove the creation of the economic development strategy during 2011.

### **3. Recommendations**

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Note the proposals from Positively Wellington Tourism and Grow Wellington attached as Appendices A, B and C respectively.*
3. *Recommend to Council that it agree that:*
  - (a) *Positively Wellington Tourism will:*
    - i) *Develop the Wellington story, working with key stakeholders and taking into account Wellington City Council's key strategies and priorities*
    - ii) *Develop a range of digital and printed materials to tell the Wellington story*
    - iii) *Deliver the Wellington story to market*
    - iv) *Assist Grow Wellington and Wellington City Council in providing aftercare and retention of targeted businesses.*

*(b) Grow Wellington will:*

- i) Have lead responsibility for business, talent and investment attraction activities*
- ii) Convert opportunities into business deals through a conversion process, using the Wellington story to targeted markets and segments*
- iii) Take the lead role in providing aftercare and retention of targeted businesses, working with PWT, Wellington City Council and other stakeholders as required*

*(c) Wellington City Council will:*

- i) Provide welcome services to make it easier for businesses, investors, talent and students to set up in the city.*
- ii) Assist Grow Wellington in providing aftercare and retention of targeted businesses*
- iii) Provide ongoing market analysis and intelligence*
- iv) Coordinate, monitor and report on the programme of Destination Wellington activities.*

**4. Recommend to Council that it:**

- a) Allocates Positively Wellington Tourism \$650,000 in 2012/13 and \$875,000 per year from 2013/14 to fund Destination Wellington activities.*
- b) Allocates Grow Wellington \$300,000 in 2012/13 and \$900,000 per year from 2013/14 to fund Destination Wellington activities.*
- c) Retains \$50,000 in 2012/13 and \$125,000 from 2013/14 per year to fund ongoing Destination Wellington activities.*

**5. Recommend to Council that:**

- a) A review of the implementation of Destination Wellington is undertaken and reported back to SPC by March 2014.*

## **4. Background**

### **4.1 Economic Development Strategy**

The Economic Development Strategy was developed to enable Wellington to quickly respond to significant changes in the global economy, the increasing focus by central government on Auckland and Christchurch for investment, and the downsizing of the public sector in Wellington.

The Strategy identified four strategic areas to drive the economic growth of Wellington city:

- **Destination Wellington** – developing and promoting the City in a way that attracts the visitors, skilled people, business and investment needed to achieve greater prosperity including through events, amenities and promotional activities
- **Smart capital** – generating a significant proportion of future economic growth from smart, innovative, knowledge-intensive businesses
- **Connected capital** – increasing physical and virtual connectivity within the region, with other parts of New Zealand, and internationally
- **Open for business** – delivering the Council’s services with a “can do” attitude, providing a quality built and business environment where it is easy, efficient and affordable to invest and do business

The draft Strategy was consulted on in the second half of 2011 and adopted in December 2011. The results of that consultation process showed strong support for the Strategy. Feedback on its direction revealed that:

- 93% of respondents supported the overall direction of the Strategy
- 94% of respondents agreed or strongly agreed with the initiative to “*Develop an integrated talent, business and investment attraction strategy*”. This was also identified as the top priority for the strategy by respondents.

#### **4.2 Destination Wellington**

Officers commissioned a report in 2011/12 to identify what activities would be involved in attracting talent, business, and investment to Wellington, and to recommend a level of resourcing (\$1.9 million per annum when fully operational).

Councillors were briefed on the results of this work at a workshop in February 2012, and provided with options and advice on how the activity could be implemented, taken into account a number of factors such as control, importance, track record and strategic fit.

The activities involved in Destination Wellington can be framed in a number of ways, but essentially comprise:

1. Destination Marketing – putting Wellington on the map for the target audiences, supporting by high quality ‘collateral’ and relevant marketing channels, including digital platforms.
2. Pro-active ‘hunting’ of business, talent and investment. Allied to this will be the ability to react in an agile and successful way to opportunities that we come across.

3. Ongoing analysis and market intelligence – making sure we constantly scan our internal and external environment, learn from our operations, and keep our activities and target groups relevant and fit for purpose.
4. ‘Landing the deal’ – making sure that we turn active interest into a decision to come to Wellington. We see a number of parties potentially having a role to play here, including Grow Wellington, PWT, Wellington City Council, the WECC and possibly central government.
5. Business retention/aftercare – making sure our efforts to secure new business, talent and investment pay off by remaining in Wellington. This activity will of course need to relate to broader retention efforts in the city and the wider-region.
6. Co-ordination – given the multiple and dynamic nature of the activities involved, there may be a need to consider how the various activities are coordinated.

Options for delivery ranged from an in-house operation, using existing CCO/s, to establishing a new entity to run the programme of activities. Councillors agreed that the bulk of activities meant it was logical to use a specialist delivery vehicle, and also agreed that there was little sense or appetite in establishing a new entity when Wellington already had both Grow Wellington and PWT operating in the economic development field.

### **4.3 2012/22 Long-Term Plan**

The draft 2012/22 Long Term Plan proposed that Council undertake a programme of business, talent and investment attraction activities and stated that Destination Wellington would be delivered by a specialist agency, rather than in-house, in conjunction with key stakeholders. No mention was made of which specialist agency the Council preferred to use.

A survey was conducted on the key proposals in the draft 2012/22 Long Term Plan. Eighty four percent (84%) of respondents expressed support for the Destination Wellington proposal.

During the consultation stages of the draft 2012/22 Long Term Plan, some submitters raised questions relevant to the delivery of Destination Wellington:

- Whether Grow Wellington or PWT were better placed to deliver the package of activities, or specific parts of the package
- Alignment with the Wellington Regional Strategy and whether the planned activities would result in duplication of effort.

In response to the strongly supportive feedback during consultation, but also to the issues raised over delivery arrangements, Council formally ratified the Destination Wellington activity on 27 June when it approved the 2012/22 Long Term plan (allocating funding of \$1.0 million in 2012/13 and \$1.9 million per

year from 2013/14) and delegated to the Chief Executive, Mayor and Economy Portfolio Leader the authority to develop a delivery model for Destination Wellington to be approved by SPC and Council.

## 5. Discussion

Positively Wellington Tourism (PWT) and Grow Wellington were each invited to submit a proposal on the role they would like to play in implementing Destination Wellington. A copy of the letter outlining expectations and inviting the agencies to respond is **attached** as Appendix D.

PWT and Grow Wellington have submitted a joint memo and proposals for their roles in Destination Wellington for consideration, **attached** as Appendices A, B and C respectively.

In considering the Destination Wellington delivery arrangements officers also considered the business, talent and investment attraction models in other cities, including Phoenix, Auckland, Hong Kong and Brisbane.

There is no one consistent model applied internationally for the delivery of business, talent and investment attraction activities. Some cities combine tourism, events and investment in one agency (e.g. ATEED), while others have a specific focus for each element (e.g. Invest Hong Kong).

### 5.1 Key considerations

In considering the delivery arrangements officers considered the following factors:

- The level of control the Council wants over the activities and those responsible for them
- The model needs to show clear accountabilities for each activity; i.e. one agency will lead on and be accountable for each activity area.
- Whether there is a proven ability to deliver and sector credibility
- The model should be compatible with the refreshed Wellington Regional Strategy (WRS). The WRS now has six priority areas, including attracting business, talent and investment
- The model needs to outline the role of other key stakeholders, such as KEA, New Zealand Trade and Enterprise and Wellington Employers' Chamber of Commerce
- The model must specify how resources will be allocated to each agency and how they will be used to undertake activities

- The nature of the activities and strategic fit with the work currently undertaken by each organisation.

## **5.2 Recommendation**

PWT and Grow Wellington, through their proposals and joint memorandum, have worked collaboratively, understanding that it is vitally important to produce an operating model that ensures integrated delivery, provides value for money, and sees each agency playing to their respective strengths.

Officers worked with PWT and Grow to refine the proposals and operating models to take into account issues raised, such as the role of Wellington City Council, and lessons drawn from a review of national and international practice.

Officers support the joint proposals and recommend that Destination Wellington is delivered through a shared agency model, involving core agencies PWT, Grow Wellington and Wellington City Council, and working with key stakeholders such as KEA, NZTE, and the Chamber of Commerce, tertiary institutions and so on. The role of each organisation and funding required is outlined below.

### ***Positively Wellington Tourism***

PWT would be responsible for developing and telling *the Wellington story* through destination marketing. The story - to be compatible with Wellington 2040: Smart Capital - would show why Wellington is the place to invest, work or do business.

PWT has a proven track record at telling the Wellington story to the tourism market and is recognised as the nation's leading regional tourism organisation. Tasking PWT with the destination marketing for Destination Wellington would leverage the scale and expertise of PWT's \$10m marketing investments and ensure that the marketing message is consistent across the business, investment, student, migrant, and tourist markets.

PWT would also develop a range of digital assets, such as websites and videos, and physical materials, such as brochures, to tell the story. PWT has expertise in digital marketing, which will increasingly be the marketing medium; its website WellingtonNZ.com receives the highest number of visits for an organisation of its type in New Zealand.

Resourcing these activities is proposed to cost \$650,000 in 2012/13 and \$875,000 per year from 2013/14.

### ***Grow Wellington***

Grow Wellington's role, leveraging off the Destination Marketing efforts of PWT, would be to:

- identify target businesses and investment and talent attraction opportunities in key markets and sectors

- convert business opportunities into deals – i.e. businesses locating in Wellington, new employment, skilled migrants and their families settling in Wellington
- take the lead role in providing aftercare and retention of business, with support from other entities such as Wellington City Council.

The proposed role of Grow Wellington would ensure there is an alignment between Destination Wellington and WRS focus area 4: attracting business, investment and talent to the region. The additional resourcing provided by Destination Wellington will leverage the region's investment with a 'booster' resource to focus on Wellington City.

Resourcing these activities is proposed to cost \$300,000 in 2012/13 and \$900,000 per year from 2013/14.

### ***Wellington City Council***

Consistent with the Open for Business component of the economic development strategy, the role of the Council would be to:

- provide welcome "soft landing" services to new businesses, including:
  - hosting of visitors (by the Mayor, Councillors or CEO)
  - regulatory assistance
- provide market intelligence and analysis
- coordinate the overall programme of activities.

The market intelligence and analysis function would inform both Destination Wellington activities and monitoring, and the Council's broader economic development programme.

It is proposed that the Council retain \$50,000 in 2012/13 and \$120,000 from 2013/14 to resource these activities.

### ***5.3 Steps to ensure model is integrated***

A risk of implementing a shared or multi-agency model, involving three core organisations, is the potential for lack of integration and for gaps in the system to occur. The proposed model seeks to address this risk in a number of ways.

Each core activity will be led by one agency – from the outside looking in, all marketing material will have a consistent look and feel, leads generated will all be worked through agreed operating protocols. Outcome-focused KPIs will be jointly developed and be agreed by each agency

Representatives of PWT and Grow Wellington will meet regularly with Council officers to share information, discuss potential leads and areas for cooperation, and ensure the programme of activities remains agile and fit for purpose.



#### **5.4 Control and monitoring of performance**

Although there will be specific mechanisms for measuring the specific performance of each agency, Destination Wellington will be monitored and reported on to Councillors as a whole, through the quarterly reporting process to this Committee. This is important in ensuring that we can accurately monitor and assess the value of the Destination Wellington investment.

In terms of monitoring and reporting on the performance of each entity, PWT will be monitored as part of its CCO monitoring arrangements – an amended 2012/13 Statement of Intent will be required. The Council will contract Grow Wellington for its part of the programme, and use contract monitoring as the performance and accountability mechanism. This will be separate to the wider performance and monitoring arrangements all councils in the region have with Grow Wellington, through the Wellington Regional Strategy.

#### **5.5 Key performance indicators**

Key performance criteria will be linked to the high level outcomes sought under the Council's economic development strategy – we want to see 10,000 new jobs created by December 2015, at least 50% in high value areas. These are outlined in Economic Development Strategy. We are looking to increase the number of new projects involving foreign direct investment in Wellington firms, and see an increase in the number of foreign fee-paying students and skilled migrants in Wellington.

Subject to approval of the Destination Wellington package, officers will work with PWT and Grow Wellington as part of the amended SOI and contract discussions respectively to develop a set of outcome focused Key Performance Indicators (KPIs).

#### **5.6 Proposed review**

It is proposed that the Council conducts a review of the operating model and implementation of Destination Wellington by March 2014, so that any implementation issues can be identified and attended to. Officers recommend that around 18 months of operation is required before any review is undertaken – a shorter timeframe is unlikely to have given arrangements sufficient opportunity to bed in and would therefore limit the effectiveness of any review.

#### **5.7 Consultation and Engagement**

The Destination Wellington proposal has been widely consulted during the development of the Economic Development Strategy and 2012/22 Long Term Plan engagement process. The arrangements proposed in this paper have focussed consultation on the agencies directly involved in the delivery of the programme.

#### **5.8 Financial and Long-term plan considerations**

Funding of \$1.0 million in 2012/13 and \$1.9 million per year from 2013/14 was approved for activity 3.1.7 Destination Wellington in the 2012/22 Long Term Plan. This paper makes recommendations on a delivery model, roles and responsibilities and the allocation of funding.

### **5.9 *Climate change impacts and considerations***

An increase in the number of businesses, investors and students visiting or moving to Wellington may have an effect on Wellington's carbon footprint. This will be mitigated to some extent through the targeting of sectors, such as film and digital which have low carbon emissions. Attracting Long Haul to Wellington would mean more businesses and migrants can avoid the additional carbon impacts of having to route international flights through an additional flight to Auckland or Christchurch.

## **6. Conclusion**

Feedback during the development of the Economic Development Strategy, the refresh of the Wellington Regional Strategy, and the 2012/22 Long Term Plan shows there is a clear desire for Council to urgently address the challenges facing the local economy. The Destination Wellington delivery model will enable Wellington city - in partnership with key stakeholders - to respond quickly and effectively.

Contact Officers:

Allan Prangnell, Executive Strategist  
Nelson Sheridan, Senior Strategic Advisor

## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

*Destination Wellington is one of four key strategic areas in the Economic Development Strategy, which builds on the vision for the city outlined in Wellington 2040: Smart Capital.*

### 2) LTP/Annual Plan reference and long term financial impact

*Funding of \$1.0 million in 2012/13 and \$1.9 million from 2013/14 onwards was approved in the 2012/22 Long Term Plan.*

### 3) Treaty of Waitangi considerations

*N/A.*

### 4) Decision-making

*The Strategy and Policy Committee is asked to agree that the Destination Wellington Delivery model outlined in this report is referred to Council for its agreement.*

### 5) Consultation

#### a) General consultation

*Destination Wellington has been widely consulted on during the draft Economic Development Strategy engagement process and through the 2012/22 Long Term Plan engagement process.*

#### b) Consultation with Maori

*No targeted consultation with mana whenua in this engagement period*

### 6) Legal implications

*There are no legal implications*

### 7) Consistency with existing policy

*The recommendations in this report are consistent with the aim of the Economic Development Strategy: to attract, retain and grow investment, to create jobs and to support sustainable economic growth in Wellington City*