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**REPORT 2**  
*(1215/52/02/IM)*

**PROGRESS REPORT:  
KARORI SANCTUARY TRUST, POSITIVELY WELLINGTON  
TOURISM, WELLINGTON REGIONAL STADIUM TRUST AND  
WELLINGTON ZOO TRUST**

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**1. Purpose of Report**

To provide the Council Controlled Organisation Performance Subcommittee (CCOPS) with an overview of the current issues and performance of the three Council Controlled Organisations and Karori Sanctuary Trust through presentations to the Subcommittee on 25<sup>th</sup> September 2009.

**2. Recommendations**

It is recommended that the Subcommittee:

- 1. Receive the information.*

**3. Background**

At the recent CCOPS meeting it was noted that the Subcommittee had not been able to complete the planned cycle of Council Controlled Organisations presentations due to busy meeting agendas. The aim is that CCOPS has the opportunity to have a face to face with each entity at least once a year or when it is necessary to discuss progress on projects and initiatives. To address this issue, it was proposed to schedule an additional meeting and invite four entities to provide the committee with an overview of their current performance, the key issues that they are currently facing and how these are being addressed. These four entities are: Karori Sanctuary Trust, Positively Wellington Tourism, Wellington Regional Stadium Trust and Wellington Zoo Trust.

## **4. Council Controlled Organisations Covered in this Report**

Officers have included a brief overview of the current performance and key issues for the four entities. This will support verbal briefings from the entities.

### **4.1 Karori Sanctuary Trust**

It has been a good start to the new financial year with visitor numbers for both July and August exceeding last year. The Trust has achieved 'Enviro Gold' - the Qualmark® accreditation which represents environmental and social commitment as well as general quality indicators.

#### **Karori Sanctuary Trust Board**

In April 2009, the Council agreed that as a condition of its additional loan funding of \$2.38m, it would require the Trust to amend its Trust Deed to increase the number of Council appointed Trustees from 2 to 3 and to reduce the total Board size to a minimum of 7 and a maximum of 8. The Council is now satisfied that this and other conditions relating to Council's loan have been met, including the final execution of the changes to its Trust Deed. The Karori Sanctuary Board now has 3 Council appointed members (Paul Callaghan, Russell Ballard and Graeme Mitchell) and 4 members appointed by the Guardians of the Trust (Peter Allport, Catherine Judd, Don Huse and Charles Daugherty). The first Board meeting was held on 11th August. For the last couple of months, apart from the induction process, the Board has been focussing on reviewing the background and assumptions of the 2005 Business Case for the Visitor & Education Centre. The Board intend to finalise the Statement of Intent for the October CCOPS meeting.

#### **New Visitor Centre Project**

Following the approval of the further \$0.48m loan funding in April 2009 to cover the New Visitor Centre project contingencies, the project is now funded through to completion, given the assessment of the risks identified.

93% of the construction cost has been committed. The outstanding uncommitted items are currently being priced. There is some budget risk in the pricing of the uncommitted items. However as they are relatively low risk activities such as building mechanical services, car parks and spillway viewing platforms, the exposure is minimal. The Project Cost Manager states that the costs reported on these contract instructions are the claimed amount rather than the estimated amount so the risk should be minimal. With respect to the programme, the project has been progressing well. The roof is on, cladding has commenced and the building is targeted to be 100% watertight by mid October. The main construction contractor, Fletcher Construction Company Ltd, has indicated that the project is back on track with an estimated completion, as programmed, of the end of March 2010.'

The Trust is also focusing on developing the infrastructure and operational systems to support the new operations including the implementation of a new

point of sale/tour booking and membership systems. This will improve the efficiency and effectiveness of its processes, improve customer service and management reporting.

The Trust's Chief Executive has been working with Positively Wellington Tourism's Chief Executive for the last few months on various marketing matters, including the Memorandum of Understanding (MOU) which sets out the principles of how the two organisations would work together to leverage each other's strengths and to achieve the respective organisations' objectives. This MOU is being worked on by the Trust with the aim to finalise this as soon as possible.

#### **4.2 Positively Wellington Tourism (PWT)**

The current economic situation and consequential reduction in global travel patterns and domestic consumer spending have impacted on certain PWT targets, specifically in the areas of downtown visitation and sales, and long haul initiative. However whilst international visitor nights have decreased the Australian market has performed above expected levels and domestic visitor nights have increased by 2.5%; consequently the Wellington's market share of NZ visitor nights has increased.

##### **Australian Marketing**

In June 2009 the Council approved additional funding of \$2,576,000 over three years (being \$500,000 in 2009/10, and \$1,038,000 in 2010/11 and 2011/12) to PWT to continue to grow Australian visitor numbers, conditional on the matching funding received from the Government. This external funding needs to be secured before PWT can draw down the additional Council funding. PWT also aims to leverage this funding to secure new commercial partners' funding and work closely with other Regional Tourism Organisations (RTOs) and central Government on a partnership model of funding that could add up to \$3m to Council's \$1m investment. The PWT Board and executive have been in regular dialogue with central government, Tourism New Zealand, airlines and the other gateway RTOs in New Zealand. These discussions have progressed well and PWT's understanding is that the confirmation of additional funding to match that provided by the Council is now being considered by Cabinet. One of the key challenges in this process has been ensuring that the outcome negotiated delivers to investing stakeholders both locally and across New Zealand, and the new investment made is able to leverage successfully off the solid foundation that Tourism New Zealand has built in recent years in the Australian market. Meetings in early September which have involved the Ministry of Tourism have focused on to this challenge and a solution is due to be delivered to the Minister and Ministry in late September.

PWT believes that Australians represent the best opportunity for Wellington to grow its international visitor numbers long-term. Recent results show that direct Australian arrivals into Wellington have increased by 6.4%, while the rest

of the international market has experienced a decrease in international visitor nights.

### **On-line**

Total online sales for 2008/09 were ~\$600k compared to a performance target of \$1.4 million. During 08/09 PWT reviewed their performance target in this area downwards, and officers accepted the revised targets. A new booking system was also introduced in January 2009, with daily average sales rising 46% since the upgrade. In the six month period from January to June 2009 the number of visits to WellingtonNZ.com was 42% higher than the same period in 2008.

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

### **The Long Haul Strategy**

The Strategy was reviewed to clarify the respective roles of PWT and Wellington International Airport Limited (WIAL). PWT will continue to raise the profile of Wellington as a destination for business and leisure travel in Asia, North America and Europe. WIAL will continue to focus on airline relationships and infrastructure requirements. As delivery timeframes for new aircraft from Boeing have changed and as no airline has aircraft capable of commercially viable long haul services into Wellington, further negotiations have not taken place in 08/09. Work has been done by PWT and WIAL to increase Wellington connectivity that has resulted in an increased demand for Wellington from and through Australia.

### **Marketing of Zealandia (Karori Sanctuary Experience)**

The Board and Executive of Positively Wellington Tourism have regular dialogue with the Board and Executive at the Karori Sanctuary Trust (KST). As noted in Section 4.1 a Memorandum of Understanding (MOU), which sets out the principles for the two organisations to work together, is soon to be finalised. The proposed MOU recognises the value of a working relationship that will leverage the two organisations' respective strengths and assist the achievement of each organisation's objectives. This memorandum continues on to detail some protocols relating to the marketing of ZEALANDIA: The Karori Sanctuary Experience and how a structured process should be implemented by the two organisations so that the marketing plan of ZEALANDIA leverages the marketing plan for Wellington carried out by Positively Wellington Tourism in all areas of activity - International, Australia, Domestic, Online, i-SITE and Convention Bureau. It is the intent of PWT that this Memorandum of Understanding is confirmed as soon as possible.

### **4.3 Wellington Regional Stadium Trust (Westpac Stadium)**

Westpac Stadium manages a wide range of sporting and cultural events, with between 40 and 46 event days forecast per year for the next three years. The schedule incorporates major sporting events (including hosting the Lions Air New Zealand Cup team, the Hurricanes Super 14 team, and the Wellington Phoenix football team), in addition to exhibitions and one-off events such as the Home and Garden Show and the AC/DC tour. In 2007/08 the Stadium generated a surplus of \$2.98m with 58 event days and in 2008/09 it generated a surplus of \$2.48m with 54 event days.

#### **Rugby World Cup**

In particular, the Rugby World Cup 2011 will be a significant event for the Stadium and it is a key participant in ensuring that the RWC 2011 regional experience is a positive one. Seven games will be played at the Stadium, including two quarter finals.

#### **Challenges/Opportunities**

The venue hire market is a challenging one, particularly in the current slower economic environment. There is the need to balance a full event schedule and to manage a largely fixed cost business. In addition, declining rugby attendance and the reviews of the Super 14 and Air New Zealand Cup competitions create some uncertainty in that market.

Short term, there may be some additional event opportunities for Westpac Stadium as Eden Park (Auckland) and AMI Stadium (Christchurch) undergo reconstruction work. Longer term, these reconstructions highlight the evolving competitive landscape for the Stadium. The management team has developed a long term asset management plan and capex program to ensure that Westpac Stadium remains a nationally and internationally competitive venue. For example, the Stadium will close for six weeks at the end of 2009 for a major turf renovation.

Longer term, the Stadium has renewed the naming rights to the Deloitte Club through 2014 and is currently negotiating the renewal of the naming rights contract with Westpac. The corporate box licences and Stadium memberships also expire in December 2014. Over the next few years the Trust will plan for these renewals; however, it is possible that these will be on different terms to the original agreements.

### **4.4. Wellington Zoo Trust**

The Zoo performed well in 2008/09 and met 20 of the 23 performance targets. It didn't achieve its visitor numbers predominantly due to particularly bad weather in May and June. However, this year visitation is currently 4003 (28.4%) ahead of the target for this period, with Winter Wednesdays visitation double the results of 2008/09.

The Zoo has achieved the Qualmark Enviro Gold accreditation (the first Wellington attraction to do so) and it is a finalist for the second year in the Sustainable Business Network Get Sustainable Challenge.

### **Financial Strategy**

The construction of 'The Nest' continues to be on time and on budget. The Nest community campaign has successfully raised nearly \$55,000 and the Zoo is now \$5200 away from reaching the \$1.5 million target for the project. Other projects that are completed or near completion include Living Room, African Unity and Visitor Amenities upgrade.

The Zoo's fundraising is going well, with \$280,000 already raised in this financial year (the target for 2009/10 is \$700,000). However, fundraising targets may be more difficult this year as some of the projects are less 'attractive' than in some other years.

The Trust has shown commitment to growing working capital and aims to undertake further work over the next two to three years to build a desired level of at least two to three months operational costs of approximately \$1 million. Having enough working capital to ensure business continuity remains a challenge for the Zoo in this financial year.

### **Challenges**

The long term visitation data illustrates the Zoo's vulnerability to bad weather and the economic downturn, set against the Trust's ongoing responsibility for meeting an increasing share of operating costs and its focus on continuous business growth and development.

The Zoo has also identified the challenge of keeping experienced staff, especially in areas such as marketing that have transferrable skills into other industries, or life sciences where the pull to big zoos in Australia is a constant threat. Staff remuneration still remains the highest priority during this year. However preliminary results from the JRA Best Places to Work survey are excellent.

## **5 Conclusion**

This report provides background material to support verbal presentations from selected Council Controlled Organisations and Karori Sanctuary Trust. Officers note that there are a number of challenges facing these entities in the current environment, and several significant projects underway.

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