

In Confidence

12 February 2010

Background information for upcoming meeting with Sky City

Purpose

This brief is to provide you with background information in advance of your meeting with Sky City. The date and time of the meeting are still to be confirmed.

Action Sought

	Action Sought	Deadline
Minister for Economic Development	Note the contents of the report.	12 February 2010

Ministry Contacts

Name	Position and Unit	Telephone		1 ST Contact
		Work	After Hours	
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Minister for Economic Development

Background information for upcoming meeting with Sky City

Executive Summary

- 1 Sky City are looking at expanding their existing conference facilities in Federal St as well as developing a new convention and exhibition centre on a site they own at 101 Hobson St. They may take you through their design concepts at the meeting.
- 2 A feasibility study (completed in August 2009) found that a new International Convention and Exhibition Centre (ICEC) would substantially improve New Zealand's capability for hosting conferences in the 1000-2000 delegate range (the largest growing segment of the conference market). It identified Auckland as the most suitable location for an ICEC because it is New Zealand's primary gateway, with good international connectivity and well developed infrastructure including the optimal number of hotel rooms.
- 3 The Minister of Tourism was briefed on the feasibility study findings in August and officials recommended going to the next stage of developing a business case for an ICEC.
- 4 At the same time officials became aware of the proposal being developed by Sky City to expand their convention facilities. The Minister of Tourism directed officials to stop work on the business case development for the ICEC and to wait for the proposal from Sky City. The proposal is yet to be received. It is not known at this time if Sky City will be requesting any assistance from Government to progress their development.
- 5 A proposal has also been developed to expand the Christchurch Convention Centre (estimated cost \$81.9 million). Christchurch City Council's funding of the expansion is contingent on securing 50% of it, or \$41 million, from Government.
- 6 The Minister and Associate Minister of Tourism are scheduled to meet with representatives from the Christchurch Convention Centre in late March.
- 7 Progressing the case for an International Convention Centre and the possible expansion of other centres and the elements of a business events strategy are actions in the Economic Growth Agenda. Following further work, they will be reported back to Ministers in the next 6-12 months.

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Recommended Action

8 We recommend you:

- **Note** the contents of this report.



Louise Marra
Director, Government Urban and Economic Development Office
Industry and Regional Development Branch

Hon Gerry Brownlee
Minister for Economic Development

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Background information for upcoming meeting with Sky City

Purpose of Report

- 1 This brief is to provide you with background information in advance of your meeting with Sky City. The date and time of the meeting are still to be confirmed.

Sky City's proposal

- 2 Sky City are looking at expanding their existing conference facilities in Federal St as well as developing a new convention and exhibition centre on a site they own at 101 Hobson St. They may take you through their design concepts at the meeting.
- 3 Officials were made aware of Sky City's proposal soon after they reported to the Minister of Tourism on the feasibility study for a new International Convention and Exhibition Centre (ICEC) in Auckland. The Minister of Tourism directed officials in August 2009 to defer developing a business case for an ICEC pending the Sky City proposed development,
Information withheld under Section 9(2)(j)
- 4 Sky City had indicated to officials that they intend to send through information on their proposed development in the near future. As the full proposal is still to be received it is not known if Sky City will be requesting any assistance from Government to progress their development.

Findings from the feasibility study for a new International Convention and Exhibition Centre in Auckland

- 5 In August 2009 officials reported to the Minister of Tourism on the findings from a feasibility study for a proposed ICEC. This study was undertaken in conjunction with Auckland City Council.
- 6 The international conference market is growing consistently, particularly in Asia. New Zealand presently has some capability for hosting small to medium conferences and has hosted some reasonably large international conferences in the past. However, New Zealand faces increasingly significant constraints and competitive disadvantages when compared to international facilities and locations, especially when compared to our closest competitor Australia.
- 7 There has been substantial growth in the number of larger international association conferences, with strongest growth in meetings of the 1000-2000 delegate range. Because New Zealand lacks an appropriate scale facility it is currently not competitive in the conferences of over 1000 delegates. In addition there has been relatively low investment in conference attraction programmes and other initiatives in comparison to international competitors.
- 8 New Zealand can capitalise on its strengths such as its strong tourism brand to compete internationally. Regional competitors include Australia, Singapore, Malaysia, Thailand, China and Hong Kong.

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- 9 Auckland was identified as the most suitable location for an international convention and exhibition centre because it is New Zealand's primary gateway, with good international connectivity and well developed infrastructure including the optimal number of hotel rooms.
- 10 A larger convention and exhibition centre of approximately 27,000m² in an Auckland CBD, or CBD fringe (e.g. Wynyard Quarter or the disused railway tracks adjacent to the Vector Arena) location would be optimal. The intention following the feasibility study was to identify a specific site(s) during business case development.
- 11 When fully operational, the centre could contribute to an estimated increase of \$85.4 million in tourism-related expenditure annually, improve shoulder and off-peak tourism, foster commercial links between international and New Zealand businesses and support innovation and knowledge transfer between international delegate and New Zealanders.
- 12 Construction costs for an ICEC could range from NZ\$250 million to NZ\$475 million (excluding land purchase and other costs). While the cost of land and construction could not be recovered, the ICEC could operate broadly on a break even cash flow basis.
- 13 Ownership of ICEC buildings and their surrounding precincts can range from completely public to completely private, with the ICEC land typically publicly owned.
- 14 The study concluded that any ICEC development should form part of a wider action plan involving the business events industry and central and local government.

Expansion of the Christchurch Convention Centre

- 15 The Christchurch City Council has budget \$19.9 million to cover the full refurbishment of the Town Hall and 50% of the \$81.9 million for the expansion of the Convention Centre. The Council has made the expansion project contingent on securing \$41 million from government.
- 16 VBase (a council owned company) is responsible for four venues – the Christchurch Convention Centre, Christchurch Town Hall, Westpac Arena and AMI Stadium. They have requested a meeting with the Minister of Tourism and Associate Minister of Tourism in March where it is likely they will discuss their request.
- 17 Officials have informed Ministers that any request would need to be worked though taking into consideration plans to develop an international convention and exhibition centre in Auckland.
- 18 Progressing the case for an International Convention Centre and the possible expansion of other centres and the elements of a business events strategy are actions in the Economic Growth Agenda. Following further work, they will be reported back to Ministers in the next 6-12 months.