



# The Case for an International Exhibition/Convention Centre in Auckland/NZ

(February 2005)

# Summary



- **Committee for Auckland supports the development of an integrated, purpose built International Exhibition and Convention Centre to grow NZ/Auckland's economy**
- **The global exhibition/conventions market is high growth and lucrative for city and state economies, but intensely competitive and demanding of purpose-built facilities**
- **The market generates large scale public and private investment**
- **Australasian Exhibition/Convention locations are currently very attractive to global delegates**
- **Auckland's current offerings are not seen as internationally competitive, but a niche remains**
- **\$200-\$300m would build an internationally competitive Exhibition and Convention centre**
- **Significant economic multipliers mean that investment is recouped indirectly in a short timeframe**
- **International profile and civic flow on effects are compelling**

## **Committee for Auckland believes an International Exhibition/Convention Centre could help grow Auckland/NZ's economy**



- Much discussion but little progress on the development of a national Exhibition/Convention centre in Auckland/NZ
- However all leading, world class cities have moved ahead and developed integrated Exhibition/Convention Centres over the last decade
- Could such a centre be a catalyst to further economic growth for Auckland and New Zealand?

### **This presentation:**

- **summarises our investigations to date**
- **is a call to action for champions for the project**
- **sets the scene to investigate further**
- **leads Committee for Auckland to support the development of a purpose built, integrated international Exhibition/Convention centre for Auckland/New Zealand**

# An international integrated Exhibition and Convention centre is proposed



International Exhibition/Convention Centres are

- Large, landmark buildings
- generally located in CBDs close to hotels, restaurants and tourist attractions
- host to large conferences and international trade shows
- serve international and local delegates
- offer a quality of amenity, hospitality and experience
- are equipped with state of the art technology

**An international Exhibition/Convention centre for NZ is proposed which:**

- seats 4,000 people
- offers high quality exhibition space 10,000m<sup>2</sup> - 16,000m<sup>2</sup>

**It must be an integrated centre comprising both Exhibition and Conference facilities**

- located on one site
- planned with room for expansion

## The global conventions and exhibitions market is growing rapidly



- **3,500 ICCA conventions world wide in 2003**
- **Over 2.4 million international delegates attended**
- **Convention market distribution is:**
  - **Europe 62%**
  - **Asia 16%**
  - **North America 10%**
  - **Latin America 6%**
  - **Australia/Pacific 4%**
  - **Africa 2%**
- **China is building/proposing 30 purpose-built Exhibition/Convention centres, 20 in Japan this decade**
- **Every capital and major city as well as many other provincial centres in Australia now have a Exhibition/Conference centre, e.g. Gold Coast, Cairns, Alice Springs, Darwin (proposed)**

## World leading cities are significant players in the convention industry



- **World leading cities: Vienna, Copenhagen, Amsterdam, Sydney, Geneva, Vancouver, Zurich**  
**are top 10 Mercer Cities & also top in Exhibition/Conventions market**
- **Vienna, Barcelona, Singapore, Stockholm, Lisbon rank top 5 in Global Associations Meetings Market; Australia ranks 8<sup>th</sup> with 117 meetings, and near 110,000 participants**

**New Zealand ranks 42nd**

- **16 international meetings**
- **near 10,000 delegates**
- **and generated \$1b from this industry in 2003**

## The convention industry is competitive and changing rapidly



- Integrated Exhibition and Conference facilities are mandatory
- Size, flexibility and functionality in venue make up crucial
- Technology must be constantly updated to remain competitive
- Event bidding highly competitive, with cash incentives
- Cost competitive nature e.g. China and Eastern Europe, a drawcard
- Safety and security important for large numbers of international guests, a draw for long haul destinations e.g. Australia and New Zealand
- Proximity to high quality supporting infrastructure expected
- Exhibition/convention centre site selection based on a holistic offering from the city – ambience, amenity and profile – in addition to international quality venue

## The conventions market is lucrative, attracting large scale investment and creating significant multiplier effects



Exhibition /Convention Centre	Capital cost	Funding Partners	No. delegates	Delegate Expenditure	Contribution to State GDP	Contribution to City economy	Jobs
Sydney	\$344m	State Government	1.2m pa	\$400m pa			
Melbourne Expansion	\$370m est	PPP Victorian State Govt, Melbourne City Council		\$8m pa retail spend \$129m pa (\$700 per day per international delegate)	\$197m pa	\$100m pa	1000 during construction and 2500 each subsequent year
Brisbane	\$170m	Funding provided from the proceeds of the sale of the Brisbane Casino Licence					
Perth	\$310m	Western Australian Government, Perth City Council PPP			\$2.2b in first 10 years		2600 new jobs over 10 years
Vancouver Expansion	\$495m	Federal and Provincial Governments, Tourism Vancouver – hotel tax	650,000 pa (currently, before expansion)	\$229m pa	\$250m		7,530 new jobs over 30 years

## NZ not perceived as internationally competitive Exhibition/Convention destination



- Global perception is that NZ does not yet have an international quality/size purpose built facility
- Auckland's current capacity limited to 1,500 delegates (less if exhibition and breakout facilities required), Christchurch 2,500
- To attract substantially more international conventions, NZ and Auckland must meet or better Australian standards
- Major competitors for NZ and Auckland include;
  - Adelaide
  - Brisbane
  - Sydney
  - Melbourne
  - Perth
  - other Asia/Pacific facilities.

## And many opportunities have been lost due to the lack of internationally competitive facilities



- Lost World Congress of Paediatrics (3,000-5,000 delegates) - went to Cairns instead of Auckland due to lack of capacity
- Lost 2001 Union of Physiological Sciences Conference (2,200 delegates – went to Christchurch due to lack of capacity in Auckland)
- Lost 2003 Haematology Society Australia and NZ to Christchurch as Auckland facilities not considered suitable
- 2001 Cardiac Society Australia and NZ convention hosted in Auckland, but would not return unless purpose built venue developed. Would host in Christchurch next time.
- IBA has amended convention manual to exclude all cities without purpose built integrated convention centres after hosting convention in Auckland (had to pay \$200k to erect marquee, \$70k to install covered walkway between venues due to insufficient capacity of present centres)

## ... but a niche remains for NZ & Auckland



- **NZ seen as a novel destination and a good pre/post holiday location**
- **Viewed as safe and friendly, cost competitive with Europe and America, once delegates arrive**
- **Fits the Australasian and Asia/Pacific Exhibition/Convention circuit, where trans Tasman Associations rotate around the major cities for annual conventions**

SO

- An international standard Exhibition/Convention centre seating 4000 delegates is proposed
- It should offer an exhibition flat floor space of between 10,000m<sup>2</sup> and 16,000m<sup>2</sup> (to host trade shows and exhibitions)
- It must be flexible in design, with multiple break out rooms
- It needs to be of iconic design and landmark location in the Auckland CBD
- It will cater predominantly for business events market (professional associations etc) and exhibitions

It would cost between \$200-\$300m to build an internationally competitive centre



- **Capital cost estimates range from \$200-\$300m**
- **Australian case studies suggest few centres cover depreciation or capital costs, however well run centres pay maintenance and marketing costs from cash surpluses**
- **State Governments are major funders for centres in Australia**
- **City Councils were found to be very small funding partners**
- **PPP ventures are becoming increasingly common in Australia, with risk shared between the private and public sectors**

## However given positive multipliers capital investment would be recouped quickly



- **Small numbers of international conventions generate substantial benefit to regional and national economies**
- **International delegates spend 2-3 times that of an average international visitor**
- **A convention of 2,000 delegates (1600 international, 400 local + 350 partners and 50 exhibitors) is estimated to add:**
  - **\$5.4m to regional GDP (6 conferences pa = \$32.4m pa)**
  - **Direct Expenditure \$4.9m**
  - **Total Output \$9.3m**
  - **Value Added \$5.4m**
  - **Household Income \$1.7m**
- **Estimated to add to the nation**
  - **\$7.2m to national GDP (6 conferences pa = 43.2m pa)**
  - **Direct Expenditure \$6m**
  - **Total Output \$12.7m**
  - **Value Added \$7.2m**
  - **Household Income \$3.6m**
  - **103 FTE annual jobs (or 620 FTE jobs pa for 6 conventions)**

Source: Major Conferences for Auckland, EY 2002

# Centres cover operating costs through sound commercial management



- **Ernst and Young study in 2000 predicts a stand alone Auckland facility\* would operate at cash deficit of approx \$400,000 in Year 1 but cash positive by Year 2 (before rates, rental and depreciation)**

\*figures calculated for a Exhibition centre only (Exhibition centre excluded)

	Year 1	Year 5	Year 10
Revenue	4,548	13,946	22,409
Variable Costs	3,055	9,347	14,889
Gross Operating Surplus	1,493	4,599	7,520
Fixed Expenses	1,660	1,594	1,910
FF&E Provision	227	697	1,120
Net Cash Operating Surplus	(395)	2,308	4,490
% revenue	(9%)	17%	20%

- **Melbourne – generates between \$11-\$15m pa in operating profit, covers its operating costs, pays its own maintenance and marketing costs (State funded construction)**
- **Edinburgh – achieved operating profit in 2003**
- **Capetown – operational profit of R9.3million before interest in last financial year, total revenue of R58m, gross margin of R43m or 73% of the turnover of its first operational year (depreciation not included)**
- **Sydney – ‘comfortably profitable at an operating level and does not require any ongoing working capital handouts to keep it going’**

## **Civic flow on effects enhance the attractiveness of the offer**



**The national economy benefits through**

- **construction industry – additional jobs during construction & catalyst for new supporting infrastructure**
- **tourism industry – additional visitor nights and jobs**
  - pre- and post- tourism**
  - ‘juice’ tourism**
  - grows shoulder season to fill excess capacity**
- **retail industry – additional delegate expenditure (Melbourne delegates contribute \$700 per day or \$8m pa in retail expenditure alone)**

**But even more important intangibles :**

**Civic pride through new landmark building**  
**International standard venue for NZers**  
**Leading industries network, learn and showcase**  
**Platform for local technologies & exports**  
**International delegates and return business**  
**Knowledge base of the city enhanced**  
**Lifts international profile of the city and the country**

## **And benefits are long lasting and spread across the country**



### **1999 Sydney Convention Delegate study revealed;**

- international convention delegates spent an average of A\$801 per day during their stay in Sydney (av 6.9 days)
- average international tourist spends A\$86 per day
- 79% delegates were first time visitors to Australia, prior to the convention only 36% had considered visiting Australia, after convention 76% said they would return in next 5 years
- 49% delegates undertook pre/post conference travel in Australia

### **1995 NZ Ernst Young Delegate Survey revealed:**

- international convention delegates spent an average of \$360 per day (now \$485)
- international tourist to NZ spent \$96 per day (now \$129)
- international delegate expenditure considerably lower in NZ because we current do not have the infrastructure to cater for larger conferences, particularly medical conferences which tend to have a higher average daily spend

### **1997/98 EY Convention Activity Survey**

- 20% delegates have an accompanying person

### **2001 Conference Activity Survey (NZCA)**

- average NZ conference last 2.8 days
- average international delegate spends 8.5 days in NZ, and therefore has 5.5 days to tour around the country

# A mix of innovative funding options is possible



## **Partnership between Central Government and Auckland Councils**

- Could make Act of Parliament (as per MOTAT and museum funding level) to ensure TLAs contribute their share

## **PPP**

- Partnership between Central and Local Government and the private sector –many structures and variations

## **Central Government**

- National funding for NZ facility - i.e. Australian model (all Exhibition centres funded through State Government contributions)
- 'Te Papa' capital grant

## **Other methods**

- Lottery, Bonds, taxi levy, sale of assets (airport shares?)
- Bed tax
- Carpark
- Hotel/retail/cruise ship terminal.. property opportunities

# National, regional and local strategies for growth identify wins for all



## Identify local, regional and national policy alignment

### National

- NZ Sustainable Development Programme of Action
- NZ Growth and Innovation Framework
- NZ Tourism Strategy 2010
- Events Strategy

### Regional

- Auckland Regional Economic Development Strategy,
- Auckland Regional Growth Strategy,
- Auckland Regional Council Long Term Council Community Plan (LTCCP) etc

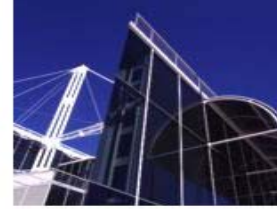
### Local

- Auckland City Council LTCCP
- CBD In to the Future Strategy

## **An international Exhibition/Convention centre has not yet materialised for various reasons**



- **Need a united view on exactly what is required - fragmented nature of the industry**
- **Need unity of purpose between the industry & public sector**
- **Need engagement with central government & champions**
- **7 Auckland TLAs to convince to contribute financially to a national need/CBD located facility**
- **Not a top priority for Auckland City Council – how to convince ratepayers to fund an asset primarily geared to generating foreign exchange (what’s in it for them?)**
- **Auckland City Council – considering enlarging Aotea Centre, also assessing Greenlane Expo site for stand alone exhibitions**
- **Need central government involvement in funding major capital investment**



- 1.0 Unite the vision and support of the industry, the public sector and the business community (e.g. Conference and Incentives NZ, investors, tourism stakeholders including airlines & hotels, Tourism Associations etc)**
- 2.0 Organise champions & lobby groups (the secret to success in Melbourne)**
- 3.0 Demonstrate the economic multipliers accruing to NZ and Auckland**
- 4.0 Remain neutral - prepare a robust case which follows a transparent process**
- 5.0 Make a case to Central Government – educate and inform about importance of convention market for the NZ economy (took Melbourne 7 years to achieve approval for expansion)**

# Appendices



- **Information Sources**
- **Melbourne Exhibition Centre**
- **Sydney Exhibition Centre**
- **Brisbane Exhibition Centre**
- **Perth Exhibition Centre**

# Information sources



- Previous work undertaken by Ernst Young, KPMG, Horwarth Asia in Auckland (1999, 2000, 2002, 2003), Auckland City Council, Tourism Auckland
- Auckland Exhibition industry leaders

Stephen Hamilton (Tourism Industry Consultant, Howarth Asia)  
Richard Jeffery (CEO Pacific Arena)  
Jan Tonkin (NZ Conference Company)  
Richard Buchanan (CMSL)  
Alan Trotter (CEO NZ Exhibition and Incentive Association)  
Bruce Slane (International Bar Association Conference Champion)  
Prof Peter Hunter (Director Bioengineering Institute, Auckland University)  
Dr Peter Browett (Prof Pathology, Auckland University)  
Dr Mark Webster (Cardiology, Auckland University)

- Australian Exhibition industry leaders

Gaurav Bhushan (Vice President Development North Asia and Pacific Region, ACCOR)  
Kevin Carruthers (Group Managing Director, Pan Pacific Australia and NZ)  
Michael Cooper (Director, KPMG Corporate Finance)  
Annabel Davis (Director of Sales International, Sydney Exhibition Centre Darling Harbour)  
Debbie Goodin (Director Precinct Development, Melbourne Exhibition Centre) Redevelopment (Department of Innovation, Industry and Regional Development)  
Leigh Harry (CE Melbourne Exhibition and Exhibition Centre)  
Tony Jolly (Exhibition Centre Consultant)  
Frank Mohren (Director of Operations, Melbourne Exhibition and Exhibition Centre)  
Johann Schumacher (Director, Multiplex)  
Albert Stafford, Director (The Stafford Group)  
Cameron Stewart/Kierin Deeming (Grant Samuel and Associates)  
Mike Williams (GM, Sales and Marketing, Melbourne Exhibition and Visitors Bureau)

- Web search for global trends/capacities/benchmark centres

# Melbourne Exhibition and Exhibition Centre



## Background

- Opened in 1990, separate Exhibition Centre (30,000m<sup>2</sup>) opened in 1996. Two centres linked by a walkway over the Yarra River (not ideal layout)
- Currently caters for 2000 delegates – smallest and most limited exhibition centre in Aus.
- A \$370m, 5,000-seat convention/exhibition centre expansion approved by State Government
- Economic benefits to Victoria; estimated increase in Gross State Product of \$197 million per year and 1000 jobs during the construction phase.

## Secrets to Success

- Excellent hotel and tourism infrastructure (19,000 rooms, many stadia, large multi purpose venues) and a diverse events calendar
- The alliance between the State, private sector and the professionally run Melbourne Exhibition and Exhibition Centre
- Linked to many State and Council policies
- Exploits clear niche for Melbourne as a business/biotech/scientific and medical hub
- Approval process involved
  - Co-ordinating stakeholders, timing of lobbying activity,
  - Using key strategic messages for the media,
  - Organising a timeframe and managing the political process from the outset (briefing and educating ministers and key politicians early and consistently)

# Sydney Exhibition and Exhibition Centre



## Background

- Most expensive venue in Australia (average Exhibition costs \$500,000 for three days)
- Opened in 1988 (\$287m) , Exhibition Centre South addition 1999 (\$57m)
- Current centre caters for 3500 delegates – with 27,200m of Exhibition space (wish for another 10,000m)
- Holds on average 600 events per year, hosting 1.2m visitors, generating 200,000 hotel room nights per year and \$400m worth of delegate expenditure
- Most lucrative part of business is the Exhibition Centre
- 270 permanent staff + 560 casuals
- Earnings before Interest and Tax are 22.04% revenue for 2002/03
- Run by a management company (ACCOR) – report on KPIs (occupancy, forward business, future international/domestic events, customer feedback, revenue targets)
- Owned by State Government via a Board – Sydney Harbour Foreshore Authority

## Secrets to Success

- Darling Harbour location and walking proximity to a large number of hotels
- International profile of Sydney
- Excellent Exhibition infrastructure – flexibility is the key
- Government and industry support
- Understanding that the venue alone does not attract a Exhibition – it is a holistic industry – the city, the ambience, the transport, the support all has to be right

# Brisbane Exhibition and Exhibition Centre



## Background

- Construction commenced in 1991 by Queensland Government on former World Expo site (close to CBD, accommodation and transport). Centre opened in June 1995.
- Construction funded by the proceeds of the sale of the Brisbane Casino License (\$170 million)
- Limited design competition used – each of the four participants received \$100,000 for their submission – received favourably from the industry
- Contributes \$100 m per year to Brisbane economy and provides 600 permanent and casual jobs
- Capacity
  - seats up to 3,958 people auditorium style
  - 1380 people banquet style
  - 20 multi purpose meeting rooms
  - 4 x 5000m Exhibition space halls – 20,000 m in total
  - 1600 undercover car parking sites
  - hosts 750 events every year
  - links directly to a hotel
- unique structure and dramatic roofscape – Brisbane architectural landmark
- won many awards for design and innovation

# Perth Exhibition Centre



## Background

- Construction work commenced in 2001, centre opened August 2004
- Centre will employ 30 core staff and 300 people casually (forecast to create 2,600 new jobs)
- Can host up to 5000 delegates, 2500 seat auditorium, hotel, office building, 16,554m Exhibition space, 1500 carparks
- Forecast to generate \$2.2b into Western Australia's economy in the first 10 years of operation
- PPP built by Multiplex, supported financially by the Western Australian Government, managed by Spotless Services Australia, and owned through a lease by the Wyllie Group
- Council funded the modification of the existing Mitchell Freeway/Riverside Dr interchange, the lowering of the existing Riverside Drive road bridge, the design and the construction of a new curved road bridge and the relocation of the bus layover area during the construction of the facility
- Council agreed to acquire the leasehold interest of the carparks at the Exhibition centre for 99 years \$30m funding