Report to:

Beca on behalf of Nelson City Council

ECONOMIC BENEFITS OF A NELSON PERFORMING ARTS CENTRE & CONFERENCE CENTRE

Prepared by

David Norman

Fiona Stokes

Tim Grubb

Kel Sanderson

Cristine Angus

August 2009

BERL ref #4777

Business and Economic Research Limited, BERL House, 108 The Terrace, PO Box 10277, Wellington 6143, New Zealand

T: 04 931 9200 F: 04 932 9202 info@berl.co.nz www.berl.co.nz

ANGUS&ASSOCIATES

berl economics

Economic Benefits of Nelson Performing Arts Centre & Conference Centre

1 Executive summary 3

2 Introduction 6

3 The performing arts centre 7

3.1 Background on the Performing Arts Centre – Conference Centre link ... 7

3.2 One-off impact: construction 8

3.3 Ongoing impact: two scenarios 9

4 The conference centre 14

4.1 Conferencing and tourism 14

4.2 Economic impact of the proposed conference centre 23

5 Broader benefits of a conference centre 30

5.1 Links with tourism and events 30

5.2 Strengthening special themes, values and identity 35

6 Conferencing: barriers, opportunities, and scale 37

6.1 Potential barriers 37

6.2 Key marketing opportunities 41

6.3 Summary of findings 42

7 Multiplier analysis 43

7.1 Measures 43

7.2 Direct, indirect and induced effects 44

7.3 Leakages 44

7.4 Limitations of multiplier analysis 45

1 Executive summary

This report, prepared on behalf of the Nelson City Council, provides scenarios of the possible economic benefits to the region of a proposed performing arts centre and the economic benefits of a proposed increase in conference centre capacity, assuming associated improvements in hotel capacity. It discusses links between the proposed conference centre extension and the proposed new performing arts centre, and a range of barriers and opportunities in deciding on an optimum scale for the conference centre.

The focus of the report is on the ***economic*** benefits to the Nelson – Tasman Region rather than the ***financial feasibility*** of the performing arts or conference centres. It is important to bear in mind that this is an economic impact, not a financial feasibility study.

Benefits of a proposed performing arts centre

A performing arts centre would increase the national and international profile of the Nelson-Tasman Region, and improve access to out-of-Region shows for Nelson residents. It is envisioned as a facility with a point of difference from existing facilities in the Region.

There is no question that the Region can fill the proposed performing arts centre, but there is uncertainty around how many shows a year could attract sufficient audiences. We have therefore looked at the possible impacts of a performing arts centre under two scenarios. A high scenario, based on work by the Nelson Millennium Centre Trust, suggests around 45 shows (around 11 groups) a year. A more conservative scenario assumes 22 shows a year (around six groups). The performing arts centre would create the equivalent of 230 one-year FTEs during construction, regardless of its level of use. The performing arts centre could add up to $1.1 million in annual GDP and 24 FTEs to the Region under the high scenario.

Shows could be included as part of the entertainment at conferences. In this way, the conference centre and the performing arts centre would work together to support regional economic development.

Conferencing and tourism in Nelson-Tasman

We estimate that conferences generate around $4.15 million in revenue for the Region each year. Nelson-Tasman receives between 1.0 percent and 1.5 percent of the total share of national delegate days, the lowest of the regions measured by the Convention Activity

Survey. The Region's conference delegates almost exclusively come from within New Zealand.

The largest conference centre in the Nelson-Tasman Region at present, the Rutherford Hotel, has capacity for around 300 delegates, which limits its ability to host larger conferences.

Tourism in the Region has been growing more strongly than at a national level, but is highly seasonal. Gaining a share of the market for large conferences could offset seasonality.

Benefits of an 800-seat conference centre

In the request for proposal, an enlarged conference capacity of around 800 delegates was proposed. Our analysis suggests that increasing capacity to between 800 and 850 delegates will attract a further 5.9 large (300-plus delegate) conferences each year.

However, with only 400 beds available at hotels, the Region does not have sufficient facilities of a standard to host large-scale (300-plus delegate) conferences. We do not foresee that the Region could expect to attract a share of the market for larger conferences without a significant increase in quality hotel accommodation. While the lack of hotel capacity is currently taken up in part by 'high-end' motels, we note that this lack of hotel capacity is an underlying weakness for Nelson ongoing economic development. On the other hand, the development of an expanded conference centre to a capacity of 850 will benefit an associated increase in hotel capacity, providing around 5,800 additional guest nights a year.

In calculating the economic benefit of a larger conference centre, we assume construction of new hotel accommodation to provide a further 150 rooms, the absolute minimum to make the Region attractive to larger conferences.

	One-off impacts		Ongoing impacts	
	Direct	Total	Direct	Total
Employment (FTEs)	326	495	26	31
GDP ($m)	$18.2	$32.0	$0.8	$1.3
Output ($m)	$60.6	$93.2	$2.1	$3.1

The construction of larger conference centre and hotel facilities would employ 495 one-year full-time equivalents (FTEs) over the period of construction, generating $32 million in GDP.

The ongoing annual economic benefit of additional large conferences would be 31 FTEs and $1.3 million in GDP. The additional $2.1 million spent in the Region is a 50 percent increase over current conference spending. This suggests that the proposed enlargement of the

conference centre makes economic sense on its own, with or without a co-located performing arts centre.

Much of this spending is likely to occur outside of Nelson's current peak tourism season, which would in part address the tourism industry's significant seasonality issues, identified as a key priority in the Nelson Tasman Regional Tourism Strategy 2007 – 2016.

The enlarged conference centre would also have potential links with tourism and arts events in the Region. At the very least, the Region's ability to stage large indoor and outdoor performing arts events adds to its attraction as a conference destination. The development of infrastructure for the purposes of holding larger conferences, including accommodation, and technical capacities such as lighting and sound, would complement the performing arts industry. In the case of technical conferencing requirements, this would reduce the share of these services contracted in from outside of the Region, reducing economic leakages.

Barriers and other considerations

Potential barriers to attracting larger conferences include transport infrastructure; suitable quality and capacity of hotel accommodation near the conference centre; and availability of off-site social and other venues. For example, a conference of 600 delegates would require nine flights on current aircraft into Nelson Airport, as well as accommodation for 450 out-of-Region delegates. Even with expanded hotel capacity, it would be difficult to accommodate all 450 delegates in suitable accommodation near the venue.

A further factor is perceptions of the proposed enlarged conference centre. On average, regional centres attract just 2.4 conferences a year with over 700 delegates. Even with flexible room sizes and seating arrangements, this may detract from the intimacy and atmosphere at smaller conferences, which form the bulk of annual events.

Summary of conference centre findings

The findings of the study indicate that Nelson can benefit from an increased conference centre capacity in the order of 600 to 800 persons. In order to meet the requirements of such a conference the hotel capacity of Nelson would need to be increased by at least 150 rooms.

2 Introduction

This report, prepared on behalf of the Nelson City Council, provides scenarios of the possible economic benefits to the region of a proposed performing arts centre. It estimates the economic benefits of a proposed increase in conference centre capacity, assuming associated improvements in hotel capacity. It discusses links between the proposed conference centre extension and the proposed new performing arts centre, and a range of barriers and opportunities in deciding on an optimum scale for the conference centre.

Section 3 looks at the proposed performing arts centre in terms of the history of the concept, the one-off construction impact, and two scenarios of what the annual impact of the centre could be.

Section 4 discusses the current situation in the conference market in New Zealand in general, and Nelson-Tasman in particular. It also considers the crucial role of tourism in the Nelson-Tasman Region. It then details the likely quantitative economic impacts on the Region of the construction of a conference centre and associated hotel capacity improvements. The largest of these impacts will be the effect on tourism, which in turn depends on the scale of the conference centre built.

Section 5 looks at a wide range of broader economic benefits to the Region of having a conference centre, such as how it links with a proposed performing arts centre, how it raises the profile of the Region, and how it links with other activities in the Region, such as the Rugby World Cup 2011 or arts festivals.

Section 6 discusses a number of other considerations such as obstacles to reaching the economic benefits highlighted in section 4, and assesses an optimum scale and scope for the conference centre.

Section 7 explains multiplier analysis, which is used in estimating the economic impacts of the proposed conference centre.

3 The performing arts centre

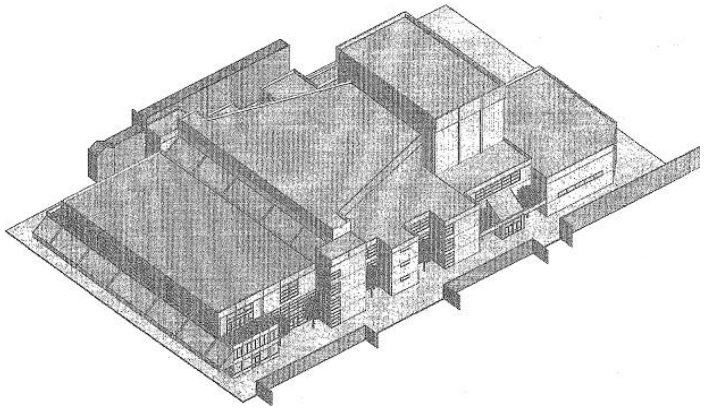
Our estimations of the likely economic impacts of the conference centre are based on robust data sourced from the Convention Activity Survey (CAS). Unfortunately, such reliable data does not exist for estimating the likely economic impacts of the performing arts centre. The approach of this section is thus to present:

- background on the performing arts centre – conference centre link
- the likely one-off economic impact of the construction of the performing arts centre, based on estimates from Nelson City Council
- two scenarios of what impact the performing arts centre ***could*** have in a given year should it capture a certain number of events, with a certain proportion of the audience being from outside the Nelson-Tasman Region.

3.1 Background on the Performing Arts Centre – Conference Centre link

The Nelson-Tasman Region does not have a performing arts venue for events of a scale of between 400 and 2,000 seats with the necessary facilities, acoustics, and format required to host large-scale productions.

Previous worked prepared for the Nelson City Council and the Tasman District Council by the Nelson Millennium Centre Trust was based on a Nelson Millennium Centre that was a performing arts and conference centre.



The Millennium Centre concept arose from a recognised need for a new facility following the destruction of the Majestic Theatre by fire in early 1996. *A New Theatre for Nelson* showed that almost all of the Region's existing venues had restrictions that limited their activities and Nelson was not seen as an attractive venue for visiting performers or larger conferences.

A feasibility study was completed in 2002. This recommended that the Centre be build on Wakatu Square in lower Trafalgar Street in Nelson. This centre had a design concept that included a 1,420 seat tiered proscenium theatre, a 900 square metre conference / function

room, a 250 seat drama theatre, and retail and commercial space along Trafalgar Street. The construction costs of this proposed centre were estimated at $19 million. According to this study, the Centre would host 107,000 people a year at 334 events or conference days.

The current preference put forward by Council is for separate conference centre and performing arts centre facilities although there is significant interest in co-locating the facilities. A performing arts centre would contribute to wider social and economic goals by attracting people to live in the Region or to migrate to the Region.

A performing arts centre would need to be accessible to the public and should be designed to gain national recognition for Nelson. It could potentially increase the national and international profile of the Nelson-Tasman Region. The proposed performing arts centre is envisioned as a facility with a point of difference from existing facilities in the Region. It would need to generate a sense of community and should contribute to an improved sense of place by drawing on local resources, talent and experience.

3.2 One-off impact: construction

The currently proposed performing arts centre, is expected to seat between 1,000 and 1,200 people. It would be built to stage a range of theatrical, orchestral, and special purpose performances, with provision for a possible future drama theatre of 250 seats. The performing arts centre is estimated to cost $32 million to build. This figure, however, includes the land cost, estimated at $4.0 million, which is just a financial transfer.

The net direct revenue generated by constructing the performing arts centre is $28 million. The direct and total effects on output, GDP, and employment are shown in Table 3.1.

Table 3.1 performing arts centre one-off construction costs

	PAC Construction	
	Direct	Total
Employment (FTEs)	151	229
GDP ($m)	$8.4	$14.8
Output ($m)	$28.0	$43.1

Direct expenditure of $28 million will create the equivalent of 150 full-time one-year jobs (FTEs), and $8.4 million in GDP. Taking into account the upstream and downstream impacts, the construction programme will add 230 one-year FTEs, generating $15 million in GDP from $43 million in output.

3.3 Ongoing impact: two scenarios

This section presents two scenarios of how the Region could benefit from staging several major events at the new performing arts centre each year. It is important to note the following points:

- We consider only the ***net*** ongoing economic impact on the Region. We thus only include events that cannot currently be held in the Region because of the lack of a suitably sized facility.
    - Events currently held at other local venues may well be held at the new performing arts centre instead, but that would not be a net gain to the Region, so is not included here.
- This is an economic impact, not a financial feasibility study. Our focus therefore is not on whether the performing arts centre would be profitable or not, but on what ***economic benefits*** it would bring to the Region in terms of employment, GDP and output.
- This analysis focuses on additional events of an international standard captured by the Region, and the likely increase in visitors to the Region of those events. It does not capture the reduction in imports of entertainment services that may occur as fewer Nelson-Tasman residents travel to Auckland, Wellington or Christchurch for major events as they will be able to attend more of these in their own Region. These benefits are not quantified here because there are no reliable figures on how many Nelson-Tasman residents leave the Region to attend events elsewhere.

Council provided a list of the types of groups and events the Region may attract if a suitable performing arts facilities of a size necessary to stage larger productions were built. A list of these groups and events is presented in Table 3.2.

Table 3.2 Events the Region may attract with a performing arts centre

Missed acts		
Full New Zealand Symphony Orchestra concerts	National Opera	National Youth Orchestra
Royal New Zealand Ballet - full company performances	Tower Voices	National Youth Choir
Christchurch Symphony Orchestra	National Band	Vector Wellington Orchestra
Brent Eccles Entertainment Touring contemporary music acts	National Youth Band	Wearable Art Mini Shows
Pacific Entertainment Touring Acts	Southern Opera	Large Religious Gatherings
Stetson Productions Touring Acts	Royal NZ Navy Band	Royal NZ Airforce Band
NZ Comedy Festival Touring Acts	NZ Army Band	Big Sing Choral Festival
Tribute Show (Pink Floyd, Abba, Bee Gees etc)	Chamber Music NZ	Southern Jam Jazz Festival
Touring Kids shows (Wiggles, Hi Five)	Court Theatre	Country Music Awards
Country Music Touring circuit	Irish Dance Shows	

The Nelson Millennium Centre Feasibility Study (2002, p.42) suggests that the performing arts centre would capture up to 106 event days per year in its main auditorium, excluding conference days.[1] A summary of these events is presented in Table 3.3.

Table 3.3 Nelson Millennium Centre Trust projected Year One audiences

Event type	Event days	Average attendance	Total attendance
Local amateur theatre / musical performances	35	400	14,000
Visiting professional theatre / musical performances	45	850	38,250
Political / Religious / Private / Other events	26	769	20,000
Total	**106**	682	**72,250**

The total includes 35 event days of local amateur theatre and musical performances, with average audiences of 400. The study further suggests that the performing arts centre will capture 45 event days of visiting musical and professional theatre performances, with a total audience of 38,250 (850 per event day). Finally, the study projects 26 other event days, at an average attendance of 770.

It is not within the scope of this report to comment on the likelihood of these numbers of events and audiences being achieved. However, in presenting scenarios of possible ***net economic benefit*** to the Region of the proposed stand-alone performing arts centre, we must make assumptions about how many ***new*** performing arts events will be attracted to the Region, given a suitable venue.

We would therefore have to discount local performances. These would be unlikely to bring significant additional numbers of visitors to the Nelson-Tasman Region, and would therefore not generate additional economic benefit. One could further argue that an audience of 400 in a theatre seating 1,000 to 1,200 could also detract from the venue and the event, with resultant negative qualitative impacts on the regional economy.

Similarly, political, religious, private and other events are not reliant to the same degree on the acoustics and other benefits of a specialist theatre. These events would thus likely not be new events, but would draw events currently held in other venues, such as the Trafalgar Centre, to the new performing arts centre.

We thus consider the remaining 45 projected visiting professional theatre and musical performances. The total audience for these events is projected by the Millennium Centre

[1] Nelson Millennium Centre Trust, prepared for Nelson City Council and Tasman District Council. Nelson Millennium Centre Feasibility Study: Discussion Draft 2. Nelson 2002.

Trust to be 38,250. To provide some perspective, this figure would be 3.6 times the ***total attendance*** at ticketed shows at the 2008 Nelson Arts Festival.

Examples of performing arts events that have enjoyed large audiences in recent years include Corporacion Tango, which sold 935 tickets for a single show during the 2007 Arts Festival, while the Topp Twins sold 1,100 tickets for a single show the same year. One example of a multi-show event that has been successful is the Circus Oz, with its five shows in March 2009 gathering a total attendance of 4,737, or nearly 950 a show.

There is thus no question that the Region can fill a venue like the proposed performing arts centre. The question for this economic impact scenario is, *for how many shows*. We propose two scenarios. In the first, 22 shows (around six ***new*** touring groups) are attracted each year, with total ticket sales of around 21,200, double that for the Nelson Arts Festival. In the second scenario, we use the figures suggested by the Millennium Centre Trust, of 45 shows (around 11 ***new*** touring groups), with ticket sales of 38,250.

Table 3.4 presents a possible event schedule for the two scenarios.

Table 3.4 Possible event schedule, two performing arts centre scenarios

Month	22 annual shows	45 annual shows
January		Event
February	Event	Event
March		Event
April	Event	Event
May		Event
June	Event	Event
July		Event
August	Event	Event
September		Event
October	Arts Festival	
November		Event
December	Event	Event

The first scenario would effectively mean the Region would need to fill 960 seats a night (the approximate average for the Circus Oz shows) for four to five nights every second month, other than in October, the Arts Festival month. The second scenario would mean the Region would need to fill 850 seats for four to five nights every month.

We make a number of further assumptions in the scenarios, as highlighted in Table 3.5 and Table 3.6. Table 3.5 shows the expected spending by visitors attracted to the Region from elsewhere for the two scenarios.

Table 3.5 Spending by visitors to new performing arts events

Visitors	22 shows	45 shows
Number of tickets sold	21,200	38,250
Share sold to out-of-Region visitors	*15%*	*15%*
Out-of-Region visitors	3,180	5,738
Overnight	*2,544*	*4590*
Day only	*636*	1,148
Spend in the Region by visitors	**$749,979**	**$1,353,145**

A survey commissioned by the Nelson City Council showed that 12.5 percent of attendees to the Nelson Arts Festival are from outside the Nelson-Tasman Region. In our scenarios, we assume that 15 percent of tickets sold are to out-of-Region visitors. We believe this figure is fair, taking into account the scale and quality of events assumed to be held in a specialist venue like the performing arts centre. These events (out-of-Region, and possibly international) will attract significant numbers of people from other parts of the country, who will be willing to travel significant distances by plane or by car to attend.

A large portion of out-of-Region visitors will be from urban centres like Christchurch, Wellington, or Auckland. A survey commissioned by Nelson City Council showed that 91 percent of out-of-Region visitors to the Adam Chamber Music Festival stayed at least one night. We assume more conservatively that 80 percent of visitors will stay at least one night in Nelson-Tasman Region, as it will be difficult to travel home by plane or car on the night of the event.

We used figures from the Tourism Research Council on spending by day visitors and overnight visitors to the Nelson-Tasman Region to estimate total spending by these visitors. In the first scenario, expenditure is estimated at $750,000 a year. In the second scenario, spending reaches $1.35 million a year.

Performers will also overnight in the Region, resulting in local expenditure. Table 3.6 shows the likely additional expenditure in the Region by the performing groups for each scenario.

Table 3.6 Spending by additional performing arts touring parties

Performers	22 shows	45 shows
Average size of performing group	25	25
Shows	*22*	*45*
Total nights	550	1,125
Spend in the Region by performers	**$154,328**	**$315,671**

Performing groups can range in size from a handful for a comedy or small group performance, to 100 for a group like the New Zealand Symphony Orchestra. Our scenarios assume an average of 25 performers per group, the approximate size of the Circus Oz touring group.

With 22 shows a year, performers can be expected to spend 550 nights in the Region. With 45 shows, the figure reaches 1,125 nights. Average daily expenditure by touring groups is likely to be significantly higher than that for visitors to the Region. We assume a figure of $281 a day, the same as spent by a typical overnight visitor on the average 2.9 night visit.

Given these assumptions, the performing arts centre scenarios produce the ongoing economic impacts to the Region summarised in Table 3.7.

Table 3.7 performing arts centre scenario: ongoing annual economic impact

	PAC scenarios:	
	Direct	Total
22 shows a year		
Employment (FTEs)	11	13
GDP ($'000)	372	573
Output ($'000)	904	1,327
45 shows a year		
Employment (FTEs)	20	24
GDP ($'000)	686	1,058
Output ($'000)	1,669	2,448

In the 22-show scenario, the performing arts centre would produce $900,000 in direct output each year (the sum of local expenditure by touring groups and out-of-Region visitors), generating $370,000 in GDP for Nelson-Tasman Region, and creating 11 ongoing FTEs. Taking into account flow-on impacts, the performing arts centre would add $1.3 million to local output, producing $570,000 in GDP, and 13 FTEs.

The 45-show scenario results in direct output of $1.7 million, GDP of $690,000, and 20 FTEs. Indirect and induced effects take output to $2.4 million, GDP to $1.1 million, and employment to 25 FTEs.

4 The conference centre

This section details the recent history of the Nelson-Tasman and New Zealand conference markets, as well as recent trends in Nelson tourism. It further estimates the quantitative economic impacts of the proposed Nelson conference centre and associated projects in terms of employment created, and contributions to output (revenue) and GDP (value added) in the Nelson-Tasman Region.

The Regional Visitor Monitor (RVM) and the Convention Activity Survey (CAS) provide a wealth of information on conference activity around New Zealand. This gives us a level of confidence in the figures presented in this section that allows us to present the likely impact of an enlarged conference centre, rather than a set of scenarios as in the section on the performing arts centre.

4.1 Conferencing and tourism

This section discusses the current scale and scope of the conference industry in New Zealand and in the Nelson-Tasman Region, and the impact of that industry on local tourism. It also discusses the role of the tourism sector in the Region in general.

It has been argued that existing facilities in the Region are unable to cater to the needs of the current conference market. With current limitations on conference centre and accommodation capacity, the Region is unable to capture a share of the market for large conferences. To support a larger conference facility, sufficient accommodation of a high quality is required. Proximity of accommodation is also important. The conference centre must be close to accommodation, transport such as airports, and local attractions.

4.1.1 History and trends in the New Zealand conference market

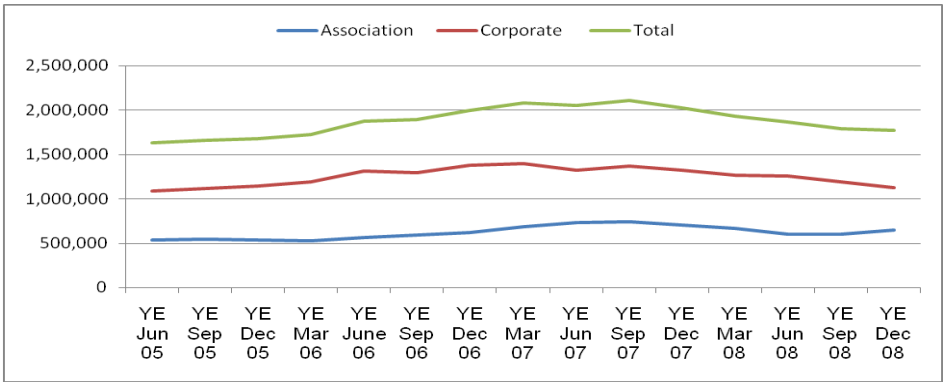
Results for the year ending 31 December 2008 (the most recent full year for which data is available) indicate that New Zealand played host to just over 13,800 conferences.[2]

Approximately two-thirds of these conferences were single-day events; the remaining third ran over multiple days. Three quarters of these conferences were corporate in nature, while the remaining 3,493 were held by associations. Collectively, these events involved almost 973,400 delegates, meeting for a total of more than 1.76 million delegate days.

[2] Note that in this context, events had to involve at least 15 delegates who were present for the entire duration of the conference to be included.

The change in total number of delegate days in recent years is presented in Figure 4.1.

Figure 4.1 Total New Zealand delegate days, 2005 to 2008



The corporate conference market has been in decline in New Zealand since around June 2006, with the number of corporate conferences falling 20 percent from 12,987 single and multi-day corporate conferences in the year ending June 2006, to 10,339 held in the year ending December 2008. Corporate delegate days fell 15 percent during this period, from 1.31 million delegate days in the year ending June 2006, to 1.12 million in the year ending December 2008. While the fall in corporate conferencing cannot be entirely attributed to the current global economic situation, the recession appears to have accelerated its decline.

The number of association conferences and delegate days grew 12 percent and 15 percent respectively between the years ending June 2006 and December 2008. However, anecdotal views from within the conference industry suggest that association conferencing is likely to also experience a decline in the coming months as a result of the recession. This is likely to be less severe as association conferencing is expected to be more resilient to the effects of the recession. The delayed effect of the recession on this market is said to be due, in part, to longer lead-times for these conferences.

International delegates made up 4 percent and 10 percent of single-day and multi-day conferences in the year ending December 2008. These rates have remained relatively steady over time, as shown in Figure 4.2 and Figure 4.3.

Figure 4.2 Origins of single-day conference delegates, 2004 to 2008

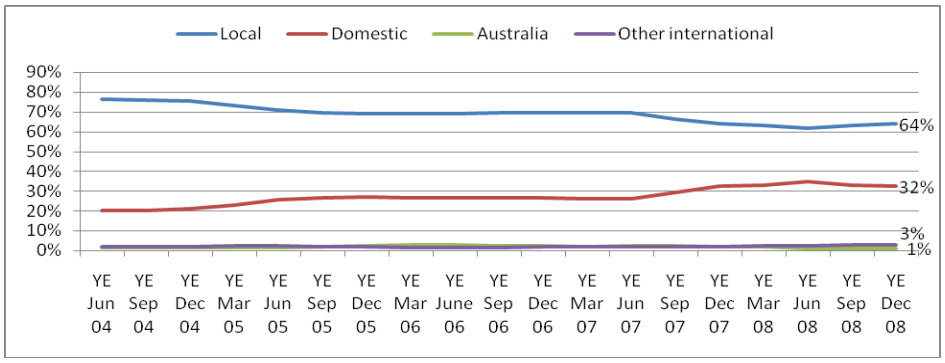
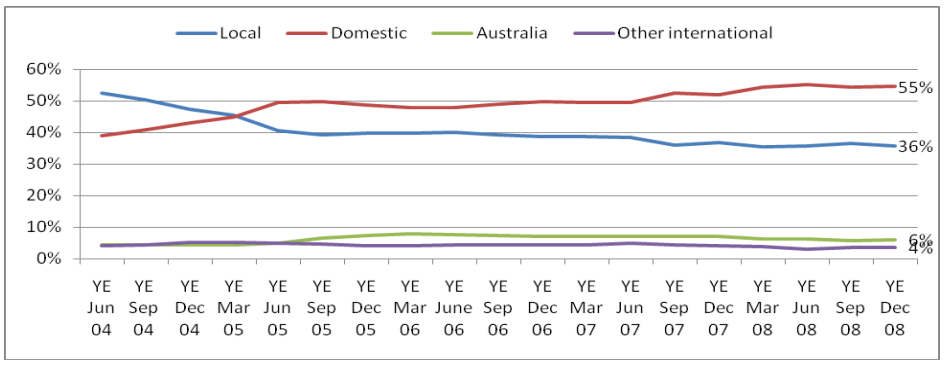


Figure 4.3 Origins of multi-day conference delegates, 2004 to 2008



Underpinning these trends are variances in the nature of conferences and their attendees based on the size of the conference taking place, and where it is happening.

Analysis of venues contributing to the CAS indicate that conferences occurring in Auckland, Wellington and Christchurch are more likely to have international delegates (Australian and other international) than in New Zealand's regional centres.

Larger conferences also attract more international delegates than smaller conferences, and this is more pronounced among the three main centres than regional centres, as demonstrated in Table 4.1.

Table 4.1 Origin of delegates, 2008

	Conferences with fewer than 300 delegates			Conferences with more than 300 delegates		
	Regional centres	***Main centres***	***Total***	***Regional centres***	***Main centres***	***Total***
Australia	*1%*	*4%*	*3%*	*3%*	*11%*	*9%*
Other international	*0%*	*1%*	*1%*	*3%*	*5%*	*5%*
Local	*67%*	*58%*	*60%*	*35%*	*32%*	*33%*
Domestic	*32%*	*37%*	*36%*	*60%*	*52%*	*53%*

At conferences with fewer than 300 delegates, international delegates typically make up four percent of delegates overall. At large conferences, this figure rises to 14 percent. In regional centres, both these figures are smaller, rising from one percent to six percent.

4.1.2 History and trends in the Nelson-Tasman conference market

Table 4.2 shows that Nelson hosted proportionally more multi day and association conferences than the New Zealand average.

Table 4.2 Delegate-days in Nelson, 2008

	YE December 2008					
	Single day delegates	%	Multi day delegate days	%	Total days	%
Nelson	**5,943**	***24.7%***	**18,136**	***75.3%***	**24,079**	***100.0%***
Association	2,803	*11.6%*	12,436	*51.6%*	15,239	*63.2%*
Corporate	3,140	*13.0%*	5,700	*23.7%*	8,840	*36.7%*
New Zealand	**588,921**	***33.3%***	**1,179,585**	***66.7%***	**1,768,506**	***100.0%***
Association	158,621	*9.0%*	487,034	*27.5%*	645,655	*36.5%*
Corporate	430,300	*24.3%*	692,551	*39.2%*	1,122,851	*63.5%*

Nelson draws many more of its delegate-days from multi day events and from association conferences than is the case in the rest of the New Zealand. This reflects a broader pattern found among regional centres throughout New Zealand. Simply, the main centres of Auckland, Wellington and Christchurch have a robust single day corporate conference market that is less prominent in the regional centres.

Table 4.3 demonstrates that Nelson conferences are typically smaller than the national average, once again reflecting the difference between regional conference activity and that which is taking place in the three main centres.

Table 4.3 Average size of conference (delegates), 2008

	Average delegates	
	Nelson	New Zealand
Association	58	88
Corporate	33	65
Total	**44**	**70**

Nelson's conference activity is typical of a regional centre within New Zealand. It has smaller than average conferences, more multi-day and association business, and fewer international delegates than would be found in the main centres of Auckland, Christchurch and Wellington.

Nelson-Tasman share of national conference market

Nelson attracts between 0.7 percent and 2.6 percent of delegate days for the various conference types, as shown in Figure 4.4.

Figure 4.4 Nelson's share of national conference delegate days, 2006 to 2008

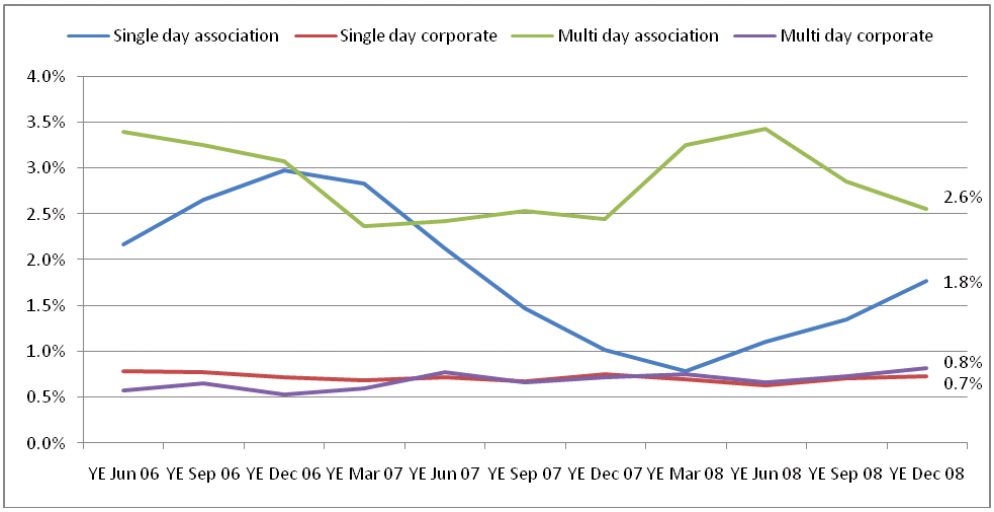
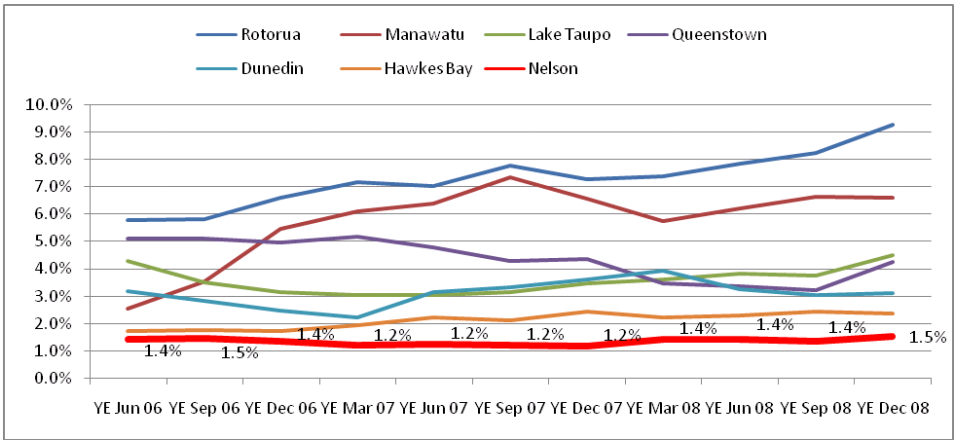


Figure 4.5 demonstrates that overall, Nelson has consistently received between 1.0 percent and 1.5 percent of the total share of national delegate days, and that this is the lowest of the regions measured by the CAS.[3]

Figure 4.5 Regional share of total delegate days, 2006 to 2008



[3] Note that the major centres of Auckland, Wellington and Christchurch are excluded from the figure. Hamilton is also excluded as it does not have a complete data set.

Nelson's conference delegates almost exclusively come from within New Zealand. In total, only 1.3 percent of delegates attending a conference in the Nelson Region were from outside of New Zealand in the year ending December 2008. This fact is highlighted in Table 4.4.

Table 4.4 Origin of Nelson conference delegates, 2008

	Single day	*Multi day*	*Total*
Australia	*0.1%*	*1.5%*	*0.8%*
Other international	*0.1%*	*1.0%*	*0.5%*
Local	*80.7%*	*23.3%*	*50.9%*
Domestic	*19.2%*	*74.3%*	*47.8%*

Just over half of conference delegates were from Nelson, while 48 percent were from other parts of New Zealand.

Knowing how many delegate days are spent in the Nelson-Tasman Region, and where those delegates are from, our attention now turns to their spending in the Region. Rounding down estimates based on Regional Visitor Monitor (RVM) data to take into account the regional nature of the Nelson-Tasman Region, suggests that delegates from other parts of New Zealand spend around $350 a day, while international delegates spend $400 a day.

The result is total spending in the Region of around $4.15 million, as shown in Table 4.5.

Table 4.5 Spending by international and domestic delegates, 2009

Expenditure	**YE Dec 08**
International	$126,270
Domestic	$4,025,930
Total	**$4,152,200**

International delegates are responsible for just 3.0 percent of spending in the Region, while delegates from other parts of New Zealand spent more than $4 million in the Region in 2008.

The RVM also shows what delegates spend their money on, as summarised in Table 4.6.

Table 4.6 Delegate spending by category, 2008

Share of spending	*%*
Accommodation & Conference Facilities	*54.4%*
Restaurants & Cafes	*15.7%*
Retail Trade	*13.2%*
Recreation & Culture	*8.9%*
Road Transport	*7.8%*

More than half of delegate spending is on accommodation and conference facilities. Nearly 16 percent is spent on food, while 13 percent is spent on retail trade. Smaller shares are spent on recreation and road transport.

Table 4.7 presents the current impacts on the Nelson-Tasman economy of conferences.

Table 4.7 Impact of conference-related tourism in Nelson-Tasman Region

	Tourism impact	
	Direct	Total
Employment (FTEs)	52	64
GDP ($m)	$1.63	$2.60
Output ($m)	$4.15	$6.20

The $4.15 million in direct spending in the Region results in 52 direct FTEs, and $1.63 million in GDP. Taking into account indirect and induced impacts, conferencing in the Region adds 64 FTEs to the economy, generating $2.60 million in GDP from $6.20 million in output.

4.1.3 Tourism in the Nelson-Tasman Region

Tourism has played an important role in the Nelson-Tasman economy for many years, and our analysis suggests that this role is growing.

The direct contribution of tourism to the Regional economy is calculated using proportions of industry FTEs, GDP, and business units that can be attributed to tourism, as estimated by the Tourism Satellite Account.[4] The contribution of tourism to the local economy comes from three sources - tourism-characteristic industries, such as accommodation, restaurants, transport services, and cultural and recreational services; tourism-related industries, specifically the retail trade; and all other industries, including everything from police services to agriculture.

Table 4.8 highlights the role of tourism in the Nelson-Tasman economy, compared to the national situation.

[4] The Tourism Satellite Account (Statistics New Zealand) provides information about the contribution of tourism to the New Zealand economy. It includes measurement of expenditure on tourism by domestic and international tourists, and the size of the industry, including its contribution to gross domestic product and employment. Note that these are direct contribution to tourism figures, which exclude indirect and induced effects.

Table 4.8 Role of tourism in the Nelson-Tasman economy, 2008

	FTEs	%	GDP ($2008m)	%	Business units	%
Tourism-characteristic industries	1,790	*4.5%*	108.4	*3.0%*	383	*3.2%*
Tourism-related industries	496	*1.2%*	27.0	*0.8%*	109	*0.9%*
All non-tourism-related industries	621	*1.5%*	75.5	*2.1%*	196	*1.6%*
Nelson-Tasman Region	**2,907**	***7.2%***	**210.9**	***5.9%***	**688**	***5.8%***
New Zealand	**115,499**	***6.2%***	**9,205**	***5.2%***	**25,409**	***5.0%***

In 2008, tourism directly supported 2,900 full-time equivalent workers (FTEs) in the Region, generating $211 million in direct GDP, produced by just under 700 businesses.

Tourism plays a significantly larger role in the Regional economy than nationally across all three indicators.

Table 4.9 shows the recent trends in tourism growth in the Nelson-Tasman Region.

Table 4.9 Recent growth in Nelson-Tasman tourism, 1998 to 2008

					%pa change		
	1998	**2006**	**2007**	**2008**	***2007***	***2008***	***1998 to 2008***
Employment (FTEs)							
Nelson-Tasman Region	2,131	2,871	2,791	2,907	*-2.8*	*4.2*	*3.2*
New Zealand	90,763	113,345	115,478	115,499	*1.9*	*0.0*	*2.4*
GDP ($2008m)							
Nelson-Tasman Region	153.5	216.2	206.8	210.9	*-4.4*	*2.0*	*3.2*
New Zealand	6,690	8,805	8,949	9,205	*1.6*	*2.9*	*3.2*
Business units							
Nelson-Tasman Region	486	681	674	688	*-0.9*	*2.0*	*3.5*
New Zealand	18,753	24,908	25,120	25,409	*0.8*	*1.2*	*3.1*

Tourism in the Region has been growing more strongly than at a national level. Employment has risen at 3.2 percent a year in Nelson-Tasman, compared to 2.4 percent a year in New Zealand overall. GDP has risen at around the same rate, while the number of businesses directly attributable to tourism has also increased more rapidly in the Region, at 3.5 percent a year.

Table 4.10 shows which industries in the Nelson-Tasman Region benefit most from tourism in terms of employment.

Table 4.10 Industries benefiting from growth in Nelson-Tasman tourism, 2008

Tourism employment by contributing industry	2008
Cafes and Restaurants	452
Pubs, Taverns and Bars	211
Scheduled Domestic Air Transport	197
Motels and Motor Inns	175
Hotels (Accommodation)	144
Caravan Parks and Camping Grounds	107
Supermarkets	87
Accommodation nec	55
Automotive Repair and Services nec	48
Port Operators	46

As would be expected, the industries benefiting most from tourism in the Region are in tourism-characteristic industries. These include cafés and restaurants; pubs, taverns and bars; air transport; motels; hotels; camping grounds; and other accommodation.

Table 4.11 shows how the Region has performed across a range of other tourism indicators in the last 10 years. The table also highlights the role of the hotel component of the tourism market in the Nelson-Tasman Region, given its particular relevance to this project.

In the year ending March 2009, there was an average of 200 establishments in the Region, of which 13 were hotels. The number of establishments has risen by 50 in the Region over 10 years, but the number of hotels has fallen by six. Overall, this suggests a decline in hotel options in the Region.

Capacity, on the other hand, has climbed by 1.7 percent for hotels, suggesting that the average number of beds at each hotel is increasing. However, with only 400 beds available at hotels in the Region, it is evident that the Region does not have sufficient facilities of a standard to host large-scale (300-plus delegate) conferences. It is also important to note that most conference-related visitors are likely to be single occupants. The number of hotel ***rooms*** available is likely to be far lower than the 400 daily ***capacity***.

The lack of hotel capacity is currently taken up in part by 'high-end' motels and we note that this lack of hotel capacity is an underlying weakness for the ongoing economic development of the Region.

Table 4.11 Recent tourism summary indicators, 1999 to 2009

Tourism indicators	Mar-99	Mar-08	Mar-09	%pa change Mar-08 to Mar-09	%pa change Mar-99 to Mar-09
Establishments					
Nelson-Tasman Region	150	195	200	*2.7*	*2.9*
of which hotels	*19*	*15*	*13*	*-14.3*	*-3.6*
New Zealand	3,119	3,854	3,891	*1.0*	*2.2*
Daily capacity					
Nelson-Tasman Region	5,526	6,782	6,813	*0.5*	*2.1*
of which hotels	*345*	*388*	*407*	*4.8*	*1.7*
New Zealand	112,283	137,867	141,152	*2.4*	*2.3*
Guest nights ('000)					
Nelson-Tasman Region	969	1,305	1,229	*-5.8*	*2.4*
of which hotels	*80*	*104*	*94*	*-9.8*	*1.6*
New Zealand	22,686	33,361	32,082	*-3.8*	*3.5*
Occupancy rates (%)					
Nelson-Tasman Region	25.9	28.5	27.5	*-3.3*	*0.6*
of which hotels	*41.0*	*45.2*	*38.1*	*-15.6*	*-0.7*
New Zealand	30.8	38.1	36.6	*-4.0*	*1.7*

In general, conference delegates need one room per delegate and accommodation should be within 10 minutes walking distance of the conference centre. Some forms of conferencing, such as association conferences, require a ***range*** of accommodation types. In particular, association conferences often require accommodation from a range of price-points to be available for delegates.

Guest nights in the Nelson-Tasman Region have been growing at 2.4 percent a year, below the national average of 3.5 percent since 1999. Hotel guest nights have been growing even slower, possibly as a result of the lack of hotel options. It is worth noting also that hotels account for just 7.6 percent of all guest nights in the Region.

Occupancy rates in the Region averaged 28 percent in the March 2009 year compared with the national average of 37 percent. This is largely because of the excess capacity in, for instance, camping facilities in Nelson, which cater for the large influx in summer visitors. The hotel occupancy rate is better, at 38 percent, but has declined from the heights seen in previous years.

4.2 Economic impact of the proposed conference centre

We look at the quantitative economic benefits from two perspectives – the one-off (construction) and ongoing (tourism) benefits to the Region.

On the one-off side, there are two components – the output generated in the construction phase, and the output generated by constructing the additional accommodation required to cater for the increased capacity at the conference centre.

At present, there is capacity for just 400 people at Nelson-Tasman hotels, meaning that if the Region hopes to capture any conferences in the 300-plus delegate range, it will need new accommodation. We therefore assume that any construction / extension to create a larger conference centre will be accompanied by a hotel extension or greenfields hotel development. ***We do not foresee that the Region could expect to expand into the large conference market without a significant increase in quality hotel accommodation***.

The relationship between the proposed conference centre and hotel accommodation works both ways. The Region is unlikely to attract larger conferences given a lack of accommodation of a suitable quality within walking distance of the conference centre venue. On the other hand, a new or extended hotel would benefit greatly from the likely growth in large conferences that would result from an expanded conference centre and a commensurate increase in hotel capacity.

We nevertheless separate the impacts of the conference centre and hotel construction for the sake of the analysis.

The ongoing benefits are due to the expenditure in the Region by visitors on accommodation; conferencing services (in the case of the conference centre); food and beverages; retail; and other expenses related to their visits.

Table 4.12 summarises the one-off and ongoing economic benefits of the conference centre.

Table 4.12 Quantitative economic benefit summary, future

	One-off impacts		Ongoing impacts	
	Direct	Total	Direct	Total
Employment (FTEs)	326	495	26	31
GDP ($m)	$18.2	$32.0	$0.8	$1.3
Output ($m)	$60.6	$93.2	$2.1	$3.1

In total, the conference centre and associated projects are expected to generate around $61 million in one-off output from construction, creating $18 million in GDP, and the equivalent of nearly 330 one-year FTEs in the Region. Taking into account indirect and induced effects, nearly 500 one-year FTEs will be created, resulting in $32 million in GDP and $93 million in total output.

The ongoing impact of the new conference centre will create an additional 26 direct FTEs, producing $0.8 million in GDP from $2.1 million in additional spending in the Region. Including indirect and induced effects takes total FTEs created to 31, with $1.3 million in GDP and $3.1 million in output.

4.2.1 One-off impacts: construction

This section presents the one-off economic benefit to the Region of construction of the conference centre, and associated improvements in hotel capacity.

Conference centre construction costs

The extension and upgrade of existing conference facilities linked to the Rutherford Hotel to extend capacity to 800 delegates, 600 person dining capacity in banquet mode, plus break out areas and trade display areas, is expected to cost $4.0 million. The one-off impact on the local economy is summarised in Table 4.13.

Table 4.13 Conference centre construction impact

	CC construction	
	Direct	Total
Employment (FTEs)	22	33
GDP ($m)	$1.20	$2.11
Output ($m)	$4.00	$6.16

The construction work is expected to directly generate the equivalent of 22 one-year FTEs, producing $1.2 million in GDP from the $4.0 million in direct spending. Taking into account upstream and downstream effects, construction will create around 33 one-year FTEs, producing $2.1 million in GDP from $6.2 million in total spending.

Hotel construction costs

There are two options for improving hotel capacity in the Region. The first would be to increase capacity at the existing Rutherford Hotel by a further 150 rooms; the second would be to build a greenfields hotel of at least 150 rooms. The cost for the former is estimated at around $57.2 million, and the latter at $55.9 million. The small difference in cost between these two options makes it sensible to present one number – an average of the two - $56.6 million.

Table 4.14 presents the one-off impact of hotel construction or extension to attract larger conferences to the Region.

Table 4.14 Hotel construction impact, $2008m

	Hotel construction	
	Direct	Total
Employment (FTEs)	304	462
GDP ($m)	$17.0	$29.9
Output ($m)	$56.6	$87.1

A project of this scale creates significant impacts for the Region. The equivalent of more than 300 one-year FTEs are created, producing $17 million in direct GDP from $57 million in direct output.

When we consider indirect and induced effects, output rises to $87 million, with $30 million in GDP and the equivalent of 460 one-year FTEs. The employment generated for one year by construction equates to more than one percent of total Nelson-Tasman Region employment.

4.2.2 Ongoing impacts: tourism

The following analysis considers the past performance of four (relatively) comparable 'designated' or purpose built conference and convention venues located in regional centres throughout New Zealand, from June 2005 to December 2008. This is in order to get an idea of how a larger conference centre could attract more delegate days in the over-300 delegate market.

Table 4.15 presents the number of conferences these four comparable regional centres have hosted each year since 2005.

Table 4.15 Larger conferences in regional centres, 2005 to 2008

Conferences: 300 to 850 delegates	**Average per region per year**
Events	**5.9**
Association	*3.4*
Corporate	*2.4*
Average delegate days per event	1,310
Delegate days	**7,674**
Local delegate days	*1,876*
Domestic delegate days	*5,331*
International delegate days	*467*

Each of these regional centres hosted an average of 5.9 conferences of between 300 and 850 delegates per year. The average number of delegate days per conference was 1,310,

for a total of 7,670 delegate days per year. Crucially, the proportion of delegate days from out-of-region visitors (domestic or international) is far higher than for smaller conferences, at 75 percent. This means far more spending in the region by out-of-region visitors.

Based on the spending patterns of domestic and international delegates attending larger conferences and conventions, the average contribution of these events to output in each of the respective regions is as shown in Table 4.16.

Table 4.16 Large conference spending

Additional expenditure	
International	$186,640
Domestic	$1,865,850
Total	**$2,052,490**

Because larger conferences are typically attended by a greater share of higher-spend international delegates, the share of spending by international delegates would be larger than is the case for conferences currently held in the Nelson-Tasman Region. International delegates would account for 6.1 percent of additional delegate days (compared with 1.3 percent for smaller conferences), and 9.1 percent of spending, compared with 3.0 percent for smaller conferences.

The size of larger conferences and their greater share of out-of-region visitors mean the 5.9 additional conferences would increase conference-related output in the Nelson-Tasman Region by almost 50 percent.

The fact that larger shares of out-of-region visitors attend larger conferences also has broader implications for the profile of the Nelson-Tasman Region and increases the likelihood of return visits, which are not captured in the quantitative benefits discussed here.

Direct spending of an additional $2.05 million in the Nelson-Tasman Region due to larger conference capacity would generate the impacts summarised in Table 4.17.

Table 4.17 Ongoing impact summary, future

	Additional tourism expenditure	
	Direct	Total
Employment (FTEs)	26	31
GDP ($m)	$0.8	$1.3
Output ($m)	$2.1	$3.1

Additional spending in the Region would generate around 26 direct FTEs, and $0.8 million in GDP a year. Total spending would rise by $3.1 million, with further GDP of $1.3 million, and 31 new FTEs.

Caveats

There are several possible outcomes that may affect these numbers in an upward or downward direction:

- The new conference centre may lie fallow due to having to compete for a small overall national share of conference activity.
- The venue is less likely to lie fallow if Nelson is able to attract a larger share of conferences over ***and*** under 300 delegates because of the new conference centre. There is potential for the proposed conference centre to attract additional activity from outside the Region that is not considered in this analysis (events with fewer than 300 delegates). This needs to be considered in relation to:
    - the appeal of a designated conference venue over a hotel venue for these smaller conferences
    - an increased profile for Nelson as a conference destination as a result of the conference centre being built and attracting more nationally significant events.
- There is potential for cannibalisation of existing Nelson conference venues' business. The net effect on the Region would be zero, but this may lead to higher figures for the conference centre than the ones presented, and lower figures for other venues. On the other hand, significant complementarity between venues may exist, which may mean larger gains overall for the Region, and individually for smaller and larger venues. Anecdotal evidence suggests that support for the conference centre among existing conference venues is strong, indicating that fears of cannibalisation are outweighed by the perceived benefits to the conference industry that would result from the construction of a new conference centre.

4.2.3 Economic viability of the conference centre

This analysis suggests that the benefits to the Region of an enlarged conference centre and improved accommodation capacity is significant. The conference centre, provided that sufficient hotel quality accommodation is in place, will be economically viable on its own, with or without the construction of a co-located performing arts centre.

Section 5.1 explains how the presence of a performing arts centre in Nelson-Tasman could add to the attractiveness of the Region as a conference destination. Similarly, section 5.1

highlights how the conference centre could result in larger audiences at performing arts events. Nevertheless, the figures in this chapter indicate that the enlarged conference centre will be viable based on the current attractiveness of the Region, given suitable accommodation.

5 Broader benefits of a conference centre

There are a range of broader implications for the Nelson-Tasman Region of having a conference centre with greater capacity. These include linkages with the proposed performing arts centre, spill-over benefits to regional tourism, and reducing seasonality impacts on tourism employment and incomes in the Region.

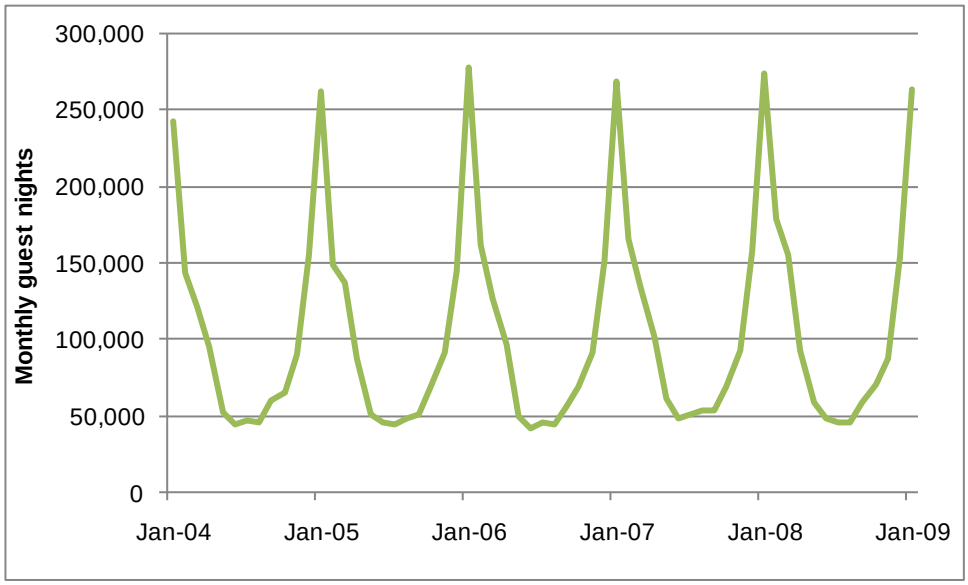
5.1 Links with tourism and events

As mentioned previously, tourism plays an important role in the Nelson-Tasman economy. In particular, tourism-characteristic industries such as cafes and restaurants, accommodation, and transport are key areas of growth and employment. How the proposed conference centre links with other tourism and events in the Region has the potential for large spill-over benefits.

5.1.1 Year round tourism experiences

One of the issues Nelson-Tasman Region faces is extreme tourism seasonality, which impacts on business profitability and workforce retention. This seasonality is highlighted in Figure 5.1.

Figure 5.1 Seasonality in Nelson-Tasman guest nights, 2003 to 2008



There is a large influx of visitors during the summer months, with around five times as many visitors in January as in June or July. Almost 60 percent of visitors to the Region arrive in

the four months between December and March. These fluctuations place a strain on resources and infrastructure.

Various strategies have been put in place to help alleviate this seasonality including the Nelson-Tasman Regional Tourism Strategy 2007-2016 and the Nelson Tasman Regional Arts Strategy 2008. The Nelson-Tasman Regional Tourism Strategy supports year-round tourism experiences; events and venues that are consistent with and strengthen the Region's special themes, values and identity; and the development of Nelson as New Zealand's mid-scale regional conference destination.

Extreme seasonality could be partially alleviated through the attraction of conferences and delegates to the Region during the low season. This may help to meet the aim of at least half of the Region's annual visitor nights occurring in the March to October period.

A marketing strategy that targets association conferences and multi-day events in particular could help fill this gap. Currently, these markets are where Nelson draws many of its delegate days from. This market could be further tapped and new markets in corporate conferences established and built up.

5.1.2 Other events

According to the Nelson-Tasman Regional Arts Strategy 2008, the arts form an integral part of marketing the Region to visitors and potential residents. The provision of a range of festivals, events and facilities is a key objective in this strategic plan. It is argued that a strong arts sector attracts new residents and visitors to the Region.

These events have a direct impact on the Region in terms of employment and GDP. This impact could grow if the number of conference delegates to this area grew with the building of a conference centre, and conference delegates extended their stay to attend events. Events could also be included as part of the entertainment at a conference. In this way, conferences and events would work together to further support regional economic development.

Anecdotal evidence indicates delegates are choosing to attend a conference based on the location of the conference. Therefore, conference organisers consider destination a key part of choosing where to hold a conference as well as considering conference centre

requirements. A key part of choosing a destination is what a location has to offer. If a conference is held concurrently or either side of a festival or event, this may make a conference more attractive to a delegate and a conference organiser.

Public consultation as part of drafting the Nelson-Tasman Regional Arts Strategy 2008 indicated that a priority for the Region is to brand and showcase the Region as an 'arts' Region, and to develop the Region as a centre of arts excellence. This branding, showcasing and development of the Region as a centre of arts excellence could be built on through the positioning and marketing of a conference centre.

Conference organisers may be drawn to the Region due to regional arts guides and delegates' ability to visit art facilities and see artists or craftspeople at work. The natural assets of the Region mean it is a popular tourist destination. However, outside of the summer season other assets need to be drawn upon. Arts products and services could be developed as these other assets, and to meet the needs of the conference market. These products and services could also vary depending on what conference market is targeted.

The Nelson Events Marketing and Development Programme

The Nelson Events Marketing and Development Programme is funded by the Nelson City Council. This programme has been established to fund events that have an economic development focus and bring economic benefits to the Region. The events funded by this programme could draw on the facilities provided by the conference centre.

To date, this programme has sponsored three events in the Region: the New Zealand National Motorcycle Show, the Nelson Winter Festival and the Hops Beer Festival. These events are organised between the end of March and Labour Weekend.

Previously the motorcycle show was organised by the Rotary Club of Whakatu Nelson. It has now been rebranded as the New Zealand National Motorcycle Show to attract motorcycle clubs and enthusiasts from throughout New Zealand. In its first year the show attracted 5,000 people, and funding from the Nelson Events Marketing and Development Programme will help to grow and develop this annual event.

The Nelson Winter Festival has been run by the Nelson School of Music for 14 years. The School proposes to use the funding received from the Nelson Events Marketing and

Development Programme to market the festival to a wider New Zealand audience and attract more visitors.

Nelson Arts Festival

The Nelson Arts Festival runs for 12 days in October. The Festival has raised the profile of the Nelson-Tasman Region considerably, and creates opportunities for links between conferences and Festival activities. Conferences could be held the week before or after the Festival, meaning that more delegates would come into the Region for longer.

This festival is owned and organised by the Nelson City Council, and attracts local, national and international acts to the Region. These acts are attracted to perform at the Festival due to the reputation of this annual event.

Acts are selected and invited to be part of the Festival based on their size. The Region currently does not have a venue that is suitable for large performances as they require equipment such as rigging, lighting, flying equipment, sets, and stage and rehearsal space for large numbers of dancers, actors or performers.

The Festival runs three to four shows per night at different venues across the Region. This means that temporary premises for acts need to be secured. Currently, the Nelson Arts Festival invests money in converting non performing arts venues into temporary performing arts venues for the length of the Festival. The cost of converting an area into a theatre can vary between $20,000 and $30,000.

Currently ticket prices for festival acts are in the range of $30 to $60 per performance. There are acts that visit the Region that have even higher ticket prices. The venue itself can make the Festival more profitable, particularly if multiple events are on at the same venue in one night. In this case, staff costs are kept lower as the front of house management and front of house staff operating the bar and/or café are employed to work for multiple shows.

Approximately 50 people are employed for the duration of the Festival including crew who are involved in technical, lighting, rigging and the performance aspect of the Festival, as well as front of house and hospitality staff who work in the cafés or bars. The Festival also employs people in marketing and publishing roles and in coordinating the schools programme. People employed for the Festival are predominantly from the Nelson-Tasman Region but some technical people are bought in from other regions such as Wellington as they have the lighting and technical skills required.

A larger conference centre could bring significant numbers of delegates into the Region for longer periods as they attend the Festival before or after the conference. This would generate more revenue for the Festival, and flow-on effects for the regional economy.

Summer Festival

The Nelson Summer Festival runs from mid-December through to late February, and is the second festival that is owned and operated by the Nelson City Council. Events at this festival are all outdoors and include major attractions such as the Sealord Opera in the Park through to the lantern spectacular, outdoor movies, trolley racing, and teddy bear picnics. The buskers festival is also included as part of the Summer Festival, and includes local, national and international busking acts.

The events that occur as part of this festival are free or gold coin entry, with the exception of the opera, and are small local events that focus on families and participation with the community. A core production team of approximately 10 people coordinates, manages and runs the events, and volunteers from the community are also a key part of this festival

A key action of the Nelson Tasman Regional Arts Strategy 2008 is that "[f]estivals continue to be developed as vibrant, high quality, well supported and unique events that showcase local, national and international excellence in the arts to the benefit of residents, as an added attraction for visitors and an enhancement to the Region's image."[5]

Active engagement and participation by conference delegates in existing festivals and events, as well as the arts sector could provide a genuine regional experience for conference delegates and their spouses.

Rugby World Cup 2011

Nelson will host two Rugby World Cup 2011 matches featuring Italy, who will play Americas qualifier two and Europe qualifier two.

While the World Cup will not directly result in additional conferences or performing arts events being held in the Region, it will showcase the Region as an attractive destination. If

[5] Nelson City Council & Tasman District Council. The Art of Being at the Centre: Draft Nelson Tasman Regional Arts Strategy 2008. Nelson 2008.

improved conference and accommodation facilities are already in place when visitors arrive for the World Cup, this exposure may result in significant growth in the number of international and domestic conferences or performing arts events held in the Region.

In addition to visitors to the Region, TV coverage will draw attention to the Region. The *Nelson-Tasman Rugby World Cup Economic Impact Assessment* (BERL, 2008) states that "pool matches would attract TV audiences in excess of two million with significant exposure in the country of team origin". This may create interest among international audiences in holding a conference in the Nelson Region. Follow-up enquiries that learn that a suitable facility has already been established in the Region are far more likely to result in additional international conferences being held in the Region.

5.2 Strengthening special themes, values and identity

To develop Nelson as New Zealand's mid-scale regional conference destination, the conference centre should build on the existing strengths of the Region and take advantage of trends occurring in the conference market.

The Nelson-Tasman Regional Arts Strategy 2008 states that the Council should explore the most appropriate way to ensure a visual arts perspective is taken into account in urban design planning and implementation. Trends occurring in the conference market indicate that the conference venue, as well as being in an attractive location, should be architecturally appealing, particularly if a region is trying to attract multi-day conferences. People spent a sizeable part of their time at the conference within the venue. Therefore, the venue itself should be attractive and have aesthetic elements such as plenty of light and space, open spaces such as decking or gardens, and preferably be individual – drawing on features of the Region or location that the centre is in.

An improved conference centre facility in the Region could prove to be a significant arts enabler and focus. According to conference organisers and trends in the industry, it is important that conference venues have exhibition space for exhibitors, soundproof walls so that concurrent sessions do not interrupt each other, and an arena area. However, this space could also provide the Nelson-Tasman arts community with an area to showcase their work to visiting delegates, and provide a vibrant breakout and exhibition space for conference delegates and organisers. The conference centre through its design and

facilities could build and broaden the reputation of the Nelson-Tasman Region as an arts and creative Region.

A developing industry in the Nelson-Tasman Region that could benefit from the proposed conference centre is wellness. A wellness cluster has been developed that includes activities and services in health education, nutrition, therapy, spa and beauty, and outdoor recreation. Conference trends indicate that conference organisers want their delegates to feel invigorated and energized by attending a conference. Choosing the right destination is a key part of this invigoration process along with the Region having the right facilities for delegates to feel energized or invigorated. These facilities could include relaxing, health and well-being, or attending a recreational activity. The wellness cluster and its members could be drawn on to provide this.

6 Conferencing: barriers, opportunities, and scale

This section discusses barriers and other considerations that may impact on the proposed conference centre reaching or exceeding the economic impact given in section 4. It further assesses the optimum scale and scope of the conference centre.

6.1 Potential barriers

There are potential obstacles that could stop the Region from maximising the economic benefits of constructing the conference centre.

Supporting infrastructure is vital to a successful conference centre. This includes appropriate accommodation, transport and social venues for holding events such as conference dinners, cocktails and pre-conference drinks and socializing.

6.1.1 Transport infrastructure

Crucial to holding a successful large scale conference is ease of access by air or road. Conference organisers like to be able to get delegates in and out of the Region quickly and with the minimum of time lag.

The Nelson-Tasman Region relies heavily on air access due to its geographic isolation and the resultant drive time from large centres such as Christchurch. One area of concern is whether or not the Region has the transport infrastructure (particularly air travel) to host large-scale conferences.

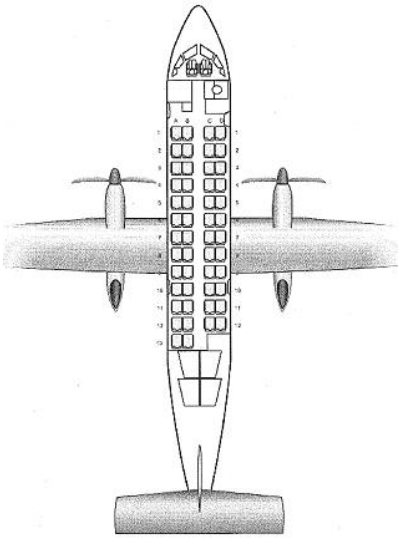
Nelson Airport, owned by Nelson City Council and Tasman District Council, is the fourth busiest commercial airport in New Zealand. The main provider of scheduled services is Air Nelson, operating as Air New Zealand Link. The airline plans to build a major new hangar and service facility on land provided by the airport company.[6] The Nelson Airport Company is also investing in a runway refurbishment, a passenger terminal refurbishment and redesigning the traffic layout and car parking facilities.

[6] Nelson Airport Limited. Annual Report for the Year Ending June 2008. (www.nelsonairport.co.nz) . Accessed 25 June 2009.

Flights operate from 6.30am to 10.30pm daily and over half a million passengers use the airport annually.[7] There are 90 aircraft movements every day, with a plane taking off or landing every 4.5 minutes during scheduled hours. Air Nelson operates 21 Bombardier Q300s which carry a maximum of 50 passengers.[8] The range of these aircraft is around 740 kilometres.

There are direct flights to and from Wellington, Auckland, and Christchurch, and good connections to other regional airports. There are typically between six and 11 daily flights between Nelson and each of the three largest cities in the country. There is no direct trans-Tasman air access.

A large conference on the scale of, say, 600 delegates, would suggest around 450 delegates coming from other parts of New Zealand. Given the current schedule of flights and aircraft into the Region from major cities around New Zealand, 450 delegates would fill nine aircraft.



It may be possible to put ATR-72-500s, which seat 68 passengers, on scheduled flights to Nelson when large conferences are held there. This could reduce the number of flights needed for 450 out-of-town delegates from nine to seven. It may also be possible to charter additional flights on Q300s should the need arise.

6.1.2 Location and suitability of accommodation and social venues

Conference venues need to be located close to quality accommodation options, and must be supported by appropriate off-site venues for social and other activities.

There has been a clear shift across New Zealand and the world to holding conferences at dedicated conference centres, rather than simply in meeting rooms at hotels. However, there has also been a shift toward full-scale conference centres being built alongside or very near the main accommodation for the conference. This makes the task of the conference organiser that much easier. At the same time, the demands of conference delegates in terms of accommodation requirements and quality have changed.

[7] Nelson Airport Limited. (www.nelsonairport.co.nz). Accessed 25 June 2009.

[8] Air Nelson. Air Nelson Fleet. (www.airnelson.co.nz). Accessed 25 June 2009.

If the Nelson-Tasman Region hopes to attract the number of large conferences suggested in this report, or even more, planners will need to ensure that the capacity and quality of accommodation required is available. Further, planners will need to ensure that movement between the conference centre and the hotel is sufficiently easy to reinforce Nelson's image as a conference destination. Typically, conference organisers like to keep this travel time to under 10 minutes' walk.

Social venues are also important in making a conference destination attractive by contributing to the atmosphere of the event. A lack of social venues that contribute to an enjoyable experience for conference delegates discourages conference organisers from considering a destination.

Examples of social venues include off-site restaurants and cafés, and sightseeing attractions. The Nelson-Tasman Region has no shortage of these, but one issue is whether off-site social venues have the scale required to accommodate the number of delegates likely to be attending a large conference.

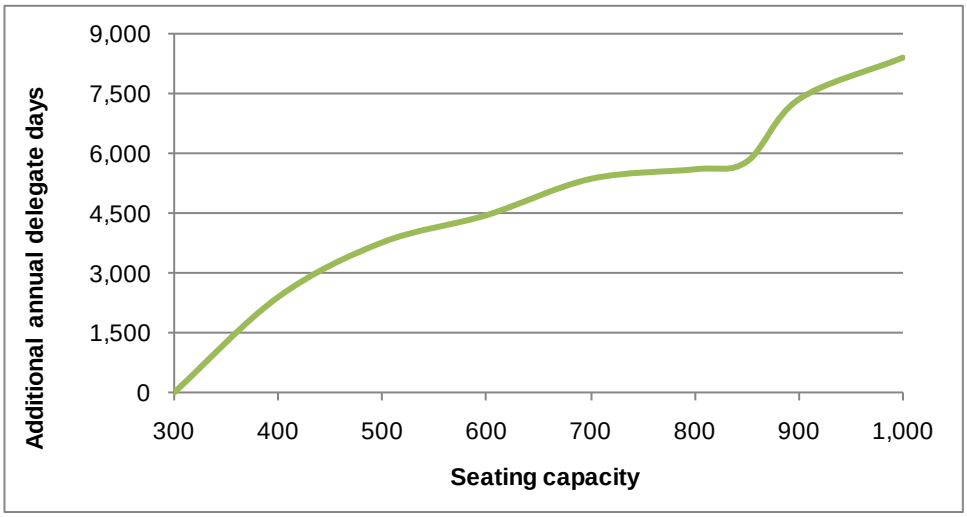
6.1.3 Scale and perception

There are two additional factors crucial to determining the optimum scale of a conference centre:

- additional market share likely to be captured by building a larger venue.
- perceptions of conference organisers and delegates in choosing a venue, and perceptions of residents or visitors to the Region.

Figure 6.1 shows the increase in delegate days captured in comparable regional centres around New Zealand when conference centre capacity increases above 300.

Figure 6.1 Increase in delegate days by conference centre size

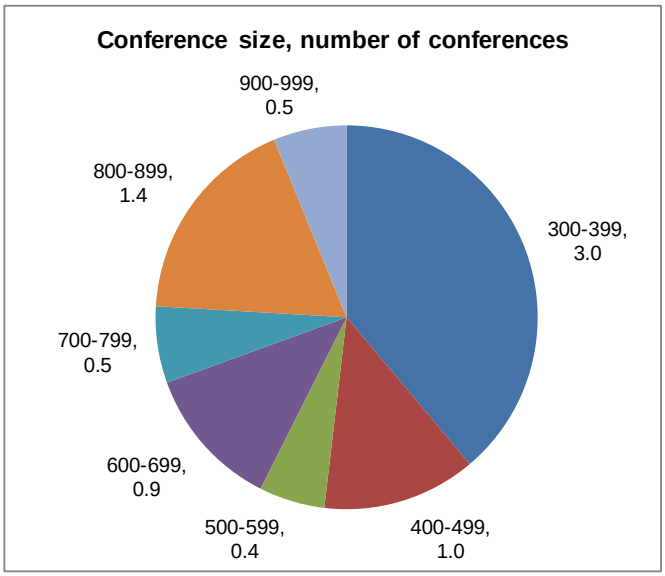


Increasing capacity to 400 is likely to increase the number of delegate days by out-of-Region delegates in the Region by 2,400 a year. There are continued strong gains up to around 700 seats, which would add 5,400 additional delegate days by out-of-Region delegates.

Growth then flattens, with a rise in seats from 700 to 850 adding just 430 delegate days a year. A step increase occurs at a capacity of 900 seats, reaching 7,370 additional delegate days. A capacity of 1,000 attracts on average 8,420 additional delegate days.

This could lead to the conclusion that larger seat capacity is always better. However, as Figure 6.2 shows, the number of ***additional*** annual conferences in each size category above 700 seats is likely to be small (around 2.4 conferences in the 700 to 1,000 delegate range).

Figure 6.2 Additional annual conferences by size, regional centres



Increasing conference centre capacity from 300 to 700 adds 5.8 conferences a year, and 5,370 delegate days. Increasing capacity from 700 to 1,000 adds a further 2.4 conferences a year, and an additional 3,050 delegate days.

That brings us to the second factor in deciding on scale: perceptions of conference organisers and delegates, and of residents and visitors. While the conference centre may be designed in a way that allows for flexible seating arrangements and room size, intimacy and atmosphere at a conference are important. If organisers believe the venue will swallow up the number of delegates expected to attend, they will look elsewhere for a more intimate venue.

A venue focused too much on securing a share of the large conference market, and thus too large for smaller conferences, may be under-utilised. This could create bad perceptions about Nelson as a conference, or even a tourist, destination. In addition, an under-utilised facility could reflect badly on those who made the decision to build it at a larger scale.

6.2 Key marketing opportunities

Based on the analysis outlined thus far, it is clear that the Nelson-Tasman region would increase its share of the conference market by upscaling its conference facilities. This would benefit the Region economically, (in particular) due to the significant increases in delegates that would attend conferences from outside of the Region as a result.

Discussions with leading professional conference organisers (PCOs) and Nelson-Tasman's own destination and conference marketing agency have identified some key market strengths that the Nelson-Tasman Region could leverage to ensure that it maximized its share of New Zealand (and potentially Australasia's) large-conference market.

A key strength for the Nelson-Tasman Region is its connectedness to New Zealand's major centres through Nelson Airport. Almost half of all New Zealanders (and therefore conference delegates) live within Auckland, Wellington or Christchurch – all of which have regular morning and evening flights to the Nelson-Tasman Region.

The association conference market is a particularly strong (and resilient) market within New Zealand and is widely held to be the more demanding market segment, placing greater importance on the attributes of the host region, such as its leisure, dining, shopping attributes, as well as the general 'feel' of the region. Association conferences are, on average, larger than corporate conferences, so Nelson-Tasman's existing performance within this market bodes well for its entry into the larger conference market.

The Region has dependable weather, a pleasant shopping area and café / restaurant / bar precinct (immediately adjacent to the site of the proposed conference centre), a growing reputation for cuisine and wellness experiences, and existing leisure opportunities both in and outside of Nelson City. These factors combine to form an attractive package for conference organisers and their clients to consider when choosing a location for their large conference.

Provided the infrastructure (in particular transport and accommodation) matches the region's increase in conference capacity, it is believed that the Nelson-Tasman Region would form a compelling and competitive conferencing option and could attract at least a share of the market that is in line with its increased capacity.

6.3 Summary of findings

Based on the discussion above, a capacity of ***between 600 and 800*** for the proposed new conference centre makes sense. A venue larger than this is unlikely to be matched by adequate infrastructure in terms of transport, accommodation, and off-site venues. In addition, a venue much larger than 850 seats will mean the venue is seldom used at a scale that justifies its size, resulting in a facility that "feels" too large for smaller conferences, and detracting from its ability to capture market share. Table 6.1 shows the marginal benefit of expanding the conference centre to various sizes.

Table 6.1 Marginal benefit of expanding the conference centre

Additonal impacts: event size	Direct output ($m)	Total Output ($m)	Total GDP ($m)	Total employment
Up to 300	$4.2	$6.2	$2.6	63.6
300-399	$0.9	$1.3	$0.5	13.1
400-499	$0.5	$0.7	$0.3	7.4
500-599	$0.2	$0.4	$0.2	3.7
600-699	$0.3	$0.5	$0.2	5.0
700-799	$0.1	$0.1	$0.1	1.3
800-849	$0.1	$0.1	$0.0	1.1

By far the biggest gains come in the 300 to 500 delegate range, with significant gains in moving from 600 to 700 delegates also evident. Summing the impacts in enlarging the centre from a capacity of 300 to 850 results in the sets of figures presented earlier – 31 new FTEs, $2.05 million in additional direct output, $3.07 million in additional total output, and $1.29 million in additional total GDP.

7 Multiplier analysis

This multiplier analysis uses multipliers derived from inter-industry input-output tables for the Nelson-Tasman Region. The input-output tables have been derived from the national input-output tables and other data by Butcher Partners, Canterbury - a recognised source for Regional input-output tables and multipliers.[9]

Multipliers allowed us to identify the direct, indirect and induced effects in terms of output (GDP) and full-time equivalent (FTE) employment.

7.1 Measures

7.1.1 Gross Output Multipliers

Gross output is the value of production, built up through the national accounts as a measure, in most industries, of gross sales or turnover. This is expressed in $ million at constant prices. Gross output is made up of the sum of:

- compensation of employees (i.e. salaries and wages)
- income from self employment
- depreciation
- profits
- indirect taxes less subsidies
- intermediate purchases of goods (other than stock in trade)
- intermediate purchases of services.

7.1.2 Value added (GDP) multipliers

Value added multipliers measure the increase in output generated along the production chain, which, in aggregate, totals Gross Domestic Product (GDP). Value added is made up of the sum of:

- compensation of employees (i.e. salaries and wages)
- income from self employment

[9] For a discussion on Regional input output tables and the validity and reliability of the Butcher input output tables see *Statistics New Zealand (2003) Regional Input Output Study.*

- depreciation
- profits
- indirect taxes less subsidies.

7.1.3 Employment Impact multipliers

Employment impact multipliers determine the number of FTE roles that are created for every $1 million spent in an industry for one year. It provides a measure of total labour demand associated with Gross Output.

An FTE is the percentage of time an employee works represented as a decimal. A full-time position is 1.00; a part-time position is 0.50.

7.2 Direct, indirect and induced effects

The underlying logic of multiplier analysis is relatively straightforward. An initial expenditure (**direct** effect) in an industry creates flows of expenditures that are magnified, or "multiplied", as they flow on to the wider economy. This occurs in two ways:

- The industry purchases materials and services from supplier firms, who in turn make further purchases from their suppliers. This generates an **indirect** effect.
- Persons employed in the direct development and in firms supplying services earn income (mostly from wages and salaries, but also from profits) which, after tax is deducted, is then spent on consumption. There is also an allowance for some savings. These are the **induced** effects.

Hence, for any amount spent in an area (**direct** effect), the actual output generated from that spend is greater once the flow on activity generated (**indirect** and **induced** effects) is taken into account.

7.3 Leakages

Generally the more developed, or self sufficient, an industry in a Region is, the higher the multiplier effects. Conversely, the more reliant an industry is on supply inputs from outside the Region, the lower the multipliers. These outside factors can be referred to as "leakages".

To put this another way, if a house was purchased in Nelson-Tasman Region, and all the materials and labour were sourced in Nelson-Tasman Region, and all the materials and labour that went into making the housing materials were made in Nelson-Tasman Region and so forth, and then the labour spent their wages or salaries in Nelson-Tasman Region,

again on goods or services produced solely in Nelson-Tasman Region, then all the multiplier effects would be captured by Nelson-Tasman Region. Where inputs or outputs come from outside Nelson-Tasman Region, leakages are said to exist, and the multiplier effect is reduced.

7.4 Limitations of multiplier analysis

7.4.1 Partial equilibrium analysis

Multiplier analysis is only a "partial equilibrium" analysis, assessing the direct and indirect effects of the development being considered, without analysing the effects of the resources used on the wider national and Regional economy.

In particular, it assumes that the supply of capital, productive inputs and labour can expand to meet the additional demand called forth by the initial injection and the flow on multiplier effects, without leading to resource constraints in other industries. These constraints would lead to price rises and resulting changes in overall patterns of production between industries.

To assess inter-industry impacts in full would require economic modelling within a "general equilibrium" framework. Applying such models becomes more relevant where the particular development is considered significant within the overall economy.

7.4.2 Additionality

Related to partial equilibrium, using multipliers for economic impact assessments assumes that the event is something that would not have been undertaken anyway and that it will not displace existing activity. That is, the event is additional to existing activity. If it does either of the above, then the economic impact is less than that determined by the multiplier and it would be necessary to subtract both the activity that would have occurred anyway and the displacement effect.

7.4.3 Impact

Again related to "partial equilibrium", multiplier analysis assumes that an event will not have an impact on relative prices. However, in a dynamic environment, it can be assumed that a large event would have an impact on demand and supply and hence prices. Hence, the larger the event and the more concentrated it is in a single industry or Region, the more likely it is that the multipliers would give an inaccurate analysis of impacts. For example, if multiplier analysis was used to determine the effect of residential building construction nationally it would likely be inaccurate as residential building construction accounts for over 6 percent of GDP.

7.4.4 Aggregation

Industries outlined in input output tables are aggregates of smaller sub-industries. Each sub industry has unique inputs and outputs. The higher the level of aggregation the less accurate these inputs and outputs become. Thus, if determining the multiplier effect of a very specific event using highly aggregated data, there will be a lower level of accuracy. Similarly, if an event encompasses a range of industries and multipliers from a single industry are applied the accuracy levels will diminish.

7.4.5 Regions and boundaries

The smaller or less defined a Region and its boundaries, the less accurate the multiplier analysis will be. Similarly, the easier it is to move across boundaries, the less accurate the analysis will be. For example, at the national level, the multipliers will be very accurate as it is easy to determine the inputs and outputs crossing through the New Zealand borders.

Similarly, it would also be more accurate to determine a North Island / South Island split. As smaller Regions without obvious geographic boundaries are selected, a higher level of assumptions needs to be made and the multipliers become less accurate. For example, an individual could work in the Auckland Region but live in the Waikato Region and spend a large proportion of his/her recreation money in the Bay of Plenty Region.

For any Regional analysis the level of accuracy will have to be accepted. As a rule of thumb, the larger and more defined the Region, the more accurate the analysis will be.

All work is done, and services rendered at the request of, and for the purposes of the client only. Neither BERL, A&A, nor any of their employees accept any responsibility on any grounds whatsoever, including negligence, to any other person.

While every effort is made by BERL and A&A to ensure that the information, opinions and forecasts provided to the client are accurate and reliable, neither BERL nor A&A shall be liable for any adverse consequences of the client's decisions made in reliance of any report provided by BERL and A&A, nor shall BERL or A&A be held to have given or implied any warranty as to whether any report provided by them will assist in the performance of the client's functions.