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Corporate Plan Output: Trading Activities Monitoring	

PURPOSE

Last month CCHL reported on its intention to make available seeding funding for a major South Island marketing initiative. The Strategy and Resources Committee requested that a staff report be obtained before any further action is taken.

The purpose of this report is to provide the additional information requested by the Committee on the background and process leading to the recommendation that funds be made available through CCHL to provide seeding capital for the South Island marketing initiative.

BACKGROUND

Arising from a recent strategic review of the investment in Christchurch International Airport (CIAL) the board of CCHL sought advice from Scott Oldershaw on a range of issues relating to CIAL. Part of that advice highlighted the huge potential for significant value to be added to the local economy through direct marketing of the South Island in a co-ordinated way. The South Island was seen to have a significant advantage over other destinations but because of the small population base, a partially developed tourism infrastructure and very few South Island corporates, a need to creatively act together was identified to grow the tourism market, especially as the tourism industry faces a major downturn in the very significant Asian markets.

The advice developed the argument that to be effective the marketing needed to be directed to wider tourism interests overseas in areas which CIAL by itself would not be in a position to significantly influence. It was argued that the South Island needed to develop a strategy to attract additional visitors to the region. This would create a demand which would lead to more visitors to the region with the flow on effect of providing additional income to the Council Airport investment.

A sub-committee of the Board was formed to develop the idea and test the reaction of major South Island interests.

DISCUSSION

The sub-committee met or had discussions with the following groups to canvass the idea of working together more effectively:

- Major South Island tourism operators including representatives from Fiordland, Queenstown, Mount Cook and Nelson.
- Important business interests in Dunedin
- Some South Island political leaders
- Some major local strategic players
- Chairman of the New Zealand Tourism Board and a member of the Major Events group
- The Air New Zealand CEO

Arising from these discussions there was general agreement among the parties that a more creative, holistic approach is needed in addition to the excellent work currently being undertaken by the regional tourism organisations. The emphasis was on a low cost, flexible, proactive structure that would build on the strengths of the individual players.

A subsequent meeting developed the following objectives:

- To increase the number of visitors to the South Island
- To at least maintain but preferably increase the individual yield
- To consider and implement (or have implemented) initiatives to achieve these goals
- To stay focussed and get the job done with a minimum of fixed cost structures

Many issues were considered in the process including:

1. What does the South Island have to offer?
 - A world within an island, from lakes, glaciers and fiords to beaches, forests and mountains
 - The open spaces options from native birds, animals, flora or fauna which need enhancing and developing
 - Clean, green image in a world under pressure from pollution
 - Huge potential for unique events throughout the South Island
 - Attractive, livable city precincts
 - Friendly people
2. The diversity of sub-market (eg adventure, eco-tourism) means that we should maximise available knowledge sources of what works within each market to ensure we do what we do much better.

The outcome of the deliberations was a realisation that the initiative and initial seed capital must come from Christchurch as the largest city in the South Island but the focus should be on the South Island as a whole to ensure maximum benefit. Structures needed to be simple, flexible, creative and productive to ensure funds were invested where they would generate significant returns with full accountability to the funding providers.

Initial seed capital of \$250,000 was requested from CCHL with the provision of a further \$250,000 in each of the following two years provided the Board agreed the objectives had been met. It was intended that the \$250,000 would actually be spent on real initiatives, not on salary/ies. The rationale for CCHL involvement was the benefit which would be generated for CIAL through the additional passenger loadings flowing through the airport.

To achieve the above operating objectives, an unincorporated joint venture structure was identified as the most suitable vehicle as it offered all contributors deductibility of funds provided and cost of servicing the organisation would be minimal. To ensure accountability it was proposed that a steering board be appointed to develop and implement the strategy and that they report to the Board of CCHL and other funding contributors on a three monthly basis.

POSSIBLE INITIATIVES

Arising from this group acting together a number of real initiatives have already begun to flow. One of these involves possible additional flights out of Christchurch, and another involves marketing agreements in China. These initiatives have the potential to provide major economic returns to the city and would not have occurred without the joint action that was possible from this initial group. Some smaller joint marketing has also happened as a result of those preliminary discussions.

None of the \$250,000 has, of course, been spent since it has yet to be approved by the Council.

SUMMARY

The initiative is seen as a way of providing a mechanism for ensuring better overall co-ordination of South Island visitor marketing. The organisation is not intended to have any direct employees, so all funds would be fully applied to agreed new initiatives. The CCHL contribution was seen as initial seed capital to get the venture under way with full accountability and measurement of results.

The report to last month's meeting of the Committee contained the following recommendation:

“That the proposal be endorsed by the Council.”

Recommendation: That the proposal be endorsed by the Council on the basis of the initial funding being provided by CCHL as set out in the above report.