Extract - Ref 079/12 P(a)

OTARI
WILTON'S BUSH TRUST

Comments in relation to the Zealandia working party report to the WCC Strategy and Policy committee.

1. I only became aware of the outcome of this report last Thursday and like many other stakeholders in the Parks and Gardens Unit was amazed that we were not consulted.

2. The report clearly outlines that the current Zealandia business model is unsustainable. This has been obvious to a number of people for some time and has been mentioned several times to councillors before.

3. The option selected will not change this in any significant way given the current Zealandia management and economic climate. If the Council wishes to continue funding annual operational losses of one million dollars (1M) and receive no repayments of interest on loans into the foreseeable future then it should:

- either agree to that and bring Zealandia within the Council natural environment unit.
- Or decide on a lesser amount and require the Zealandia trustees to operate within that limit as an independent entity.

This should be the first next step otherwise inevitable requests for further funding will be forthcoming.

4. Burdening the new CCO structure with the Zealandia issues is not the best way forward. The synergies outlined in the report are highly subjective and could well disrupt the development and management of the long established units of the council and the Zoo. There will also be new intergroup costs for the Parks and Gardens units by being put into the CCO. (rebranding, websites , information technology, back office etc)

Phil Parnell
Chair
Otari-Wilton's Bush Trust
26 March 2012

Extract - Ref 079/12P(b)

Contribution to WCC SPC Committee Meeting 27 March 2012-
Zealandia (Russ Ballard)

In my section of the presentation I wish to touch on some issues which may arise from a change in governance arrangements by aggregating separate entities under a single governance and executive arrangement. While the option of a 'Super CCO' is not strictly a merger or acquisition with the entities retaining their separate legal identity, in its operation it will have many of the characteristics of a merger. For this reason it is instructive to look at acquired wisdom on mergers.

Successful mergers occur where the merging entities have strategic and financial fit. Where mergers are driven principally to achieve cost savings they are generally unsuccessful.

The four entities proposed for the 'Super CCO' do not appear to have a particularly close alignment between their strategic objectives (the nature of their business and what they are trying to achieve) nor at the detail level are their financial objectives and strategies well aligned. This indicates that while cost savings may be identified upfront, future synergies are likely to be limited and the initial cost saving benefits lost over time.

In this context some questions are raised that the Council should address before settling on this model in preference to others:

1. ***Has the Council WG taken a future view (NPV) of the implications of placing under a single governance and executive structure three entities either wholly or partially dependent on Council funding with one which is committed to achieving financial independence in the mid term?***
2. ***What assumptions have the Council WG made about future pro bono, donor, sponsor, volunteer and membership support for Zealandia under a change from a ~~Private~~ Charitable Trust to a Council CCO?***
3. ***Based on existing and proposed Council annual subsidies to the Zoo and Zealandia, is it the Councils view that the Zoo does and will continue to provides 3x the public benefit that Zealandia does, or will the benefits and allocation of Council funding be left to the future CCO Board to decide?***

Catherine Isaac's notes

1.

Thank you for this opportunity.

May I first record our deep sorrow at the loss of our colleague Sir Paul Callaghan. As you know, *Paul was a passionate and inspiring champion of* Zealandia and its vision, and continued to advocate for it powerfully, right up to the end. He is a huge loss to us.

I would like very briefly to introduce my colleagues:

- Graeme Mitchell, was a Deloitte Audit and Assurance partner and has four other trustee roles;
- Dr Russ Ballard CNZM, is Chancellor of Massey University and former CEO of five government departments;
- Professor Charles Daugherty ONZM, is Professor of Ecology at Victoria University and Assistant Vice Chancellor Research;
- George Hickton was Chief Executive of the NZ Tourism Board, repositioned it as Tourism NZ and launched the 100% Pure NZ campaign.
- Don Huse, who is overseas today and sends his apologies, is a company director and has been CEO of Wellington and Auckland International airports.

This is a competent, diverse board with a strong commercial focus. Three directors are appointed by the Sanctuary Guardians and three by the Council, which also has the right to appoint the chair.
I should also note that the current governance structure including the number of trustees and decision to remunerate them was entirely the Council's initiative, implemented in 2009.

Also here today are three of Zealandia's senior managers: Raewyn Empson, conservation manager, Peter Laurenson, marketing manager, and Pam Fuller, volunteer coordinator. Nancy Ward is on leave and sends apologies.

We are acutely aware of the Council's current financial constraints and also its requirement to consider the public good.
We also understand that you want more control in exchange for increased funding.
We do want to work collaboratively with you.
I want to stress that we're not here to protect our own positions, nor simply to oppose what's being put forward, nor to criticise the Zoo – on the contrary we admire it.

We do however regret the lack of consultation with us by the working group, and that the facts and arguments underlying our preferred options are not included or reflected in the report.
So we are concerned about the process, and, as trustees, we seek clarification about the expected benefits and potential risks inherent in the proposed options. We also want to clear up some misinformation, and we have some questions to raise.

As background to our questions, may I make some general comments on the report:

1. First concerning the process, we note our preferred status quo option is not included. Likewise our preference – among potential partners - for a partnership with or being taken over by Te Papa. This option, which seems to us a logical fit, is not included nor was it assessed.

2. The comments and views of the board and management of the Zoo are not included nor were they fed back to us. This is a concern, because when we met with the CEO and chair of the Zoo early last year to explore potential synergies or efficiencies, they said they could think of none, other than possibly offering cross benefits to members.

   We invited the CEO to critique our visitor experience for us, but she declined, and the Zoo board declined to meet with us.

3. There is much in the report about Zealandia's failed business model. But the model is very simple and is the same as that of the other attractions. We generate revenue from visitor activities, fundraising, donations and sponsorships, in order to fund our conservation and education objectives.
   The Zoo does the same. Like us it has high fixed costs and insufficient revenue to cover them. They wouldn't be sustainable without the Council's $2.8m annual subsidy, which represents $14 per visitor (excluding depreciation and interest).
   The Museum Trust gets from Council around $12 per visitor and Carter and City to Sea around $6 per visit. Our subsidy from Council this year is 43cents per visitor. These figures all exclude capital grants and loans made by Council.

4. I mention this, because if ours is a failed model, all the other attractions are also failing.

5. The report effectively states that the investment in the visitor centre has created the problem. This is not correct. The Trust required funding before the centre was built. The centre's aim was to reduce reliance on Council funding and be self-sustaining long term. The Visitor Centre is actually making a cash contribution and without it we would still be seeking Council assistance.

6. The real problem is the economic climate and overly optimistic visitor numbers developed in partnership with the Council and PWT.

   We recognise that and have worked hard to counteract it, with a number of enhancements to our product offering. These include Sirocco's visit last year, the release of the takahe, the shuttle we're now running successfully between the city and the sanctuary, the baby tuatara enclosure, free ranger talks and guided tours coinciding with feeding of kaka, parakeets and eels, extended opening hours, among other things.

   As a result of all this we are doing better than expected and our funding requirement has accordingly reduced. More benefits can be expected over time. There are further initiatives, such as an adventure playground, that we'd like to consider but clearly can't in this funding environment.

7. We feel the report reflects a lack of understanding of our operations. Zealandia has a strong volunteerism ethos and is a very lean hands-on operation. There are no secretaries, and no CFO. Nancy does the work of two or three people. Raewyn here, for example, is literally hands-on in transferring and monitoring birds, frogs, reptiles, invertebrates, in planting, pest control and so on.

4.
We have 450 wonderful, generous volunteers – but that is a very sizeable, complex group to run, as Pam Fuller could tell you. Like Raewyn, Peter spends much of his time on hands-on tasks, partly because of budget constraints but also because of the many constraints involved in relying on volunteers to do most of the work.

We see a risk in putting another layer of management over all this and no obvious savings. Our back office operations are already being merged with other council entities, so there are no further savings to be made there.

8. The report states that we haven't raised much money lately and have been relying on Council funding. This is not correct. Over the last 17 years we've raised $16m (not including the council or pro bono or volunteer time). Many people including trustees have given generously over the years. But we are now raising money for operational expenditure which is very different from fund raising for capex, made even more difficult by the economic climate and uncertainty around the project's future.
   Nevertheless we've raised $400k in grants and donations over the past year. We have an estimated $900k worth of volunteers hours every year. Pro bono services have run to around $600k.

9. Finally I want to say we're very proud of what's been achieved and proud of the exceptional people who do the work, and we don't want to see it represented as a failure. We're also very grateful to the council for its support over the years. All we ask now is a robust evaluation of what is best for such an important project, and we will work collaboratively with the Council on that.

10. Thank you and I'll now hand over to my colleagues for questions, starting with Professor Charles Dougherty.

A. Charles: Zoo/Zealandia compatibility. Culture, philosophy. Science. Sunrise/sunset industries. Importance nationally, regionally and locally. Question about fit and benefits to Zoo (not set out in paper) and benefits to Zealandia
B. Russ – governance and your question 2 (in your email), public benefit argument and your question 4, fund-raising impacts – your question 3.

C. George – visitor numbers: current market, Zealandia's numbers compared with others. Noting different market and products between Zoo and Zealandia and two other entities, were these taken into account? what strategies to make savings? How will the new CCO

5.

address the depressed economy and optimistic visitor numbers in original business case?

D. Graeme – can you summarise Nancy's points 7,8 and 9 – 11 (from her updated notes doc). She *concludes savings identified* are $500k more than should be. With risk of market synergies, differing cultures, potential loss of support - a question about overall financial risk to Council of failure

Notes on Presentation made by Graeme Mitchell to Council. 27-3-12

~~PLEASE CONSIDER THE ENVIRONMENT BEFORE PRINTING THIS EMAIL~~ Page 1

~~<Notes re Working Party report docx>~~

I would just like to refer briefly to some of the costs associated with each option

While it may be a point of detail which could be better discussed offline with Council's management, we do not believe the cost comparisons between different options in the report are fair or indeed correct.

~~I We consider to compare~~

We consider the real difference between the status quo option and the Eco City CCO option is overstated by about $400K on an apples v apples basis.

With the real risks associated with ~~pe~~ differences in market synergies, ~~different cultures~~ differing cultures and the ~~potential~~ loss of support from volunteers and other key stakeholders – ~~there~~ must ~~[illegible]~~ be a questionmark ~~over~~ about the overall financial ~~risk~~ ~~to~~ Council ~~in realising~~ of failure. ~~to~~ ~~[illegible]~~ achieve even the ~~balance of~~ remaining ~~[illegible]~~ balance of proposed savings.

Gillton

From: "Gillton" <gillton@xtra.co.nz>
To: "Gillton" <gillton@xtra.co.nz>
Sent: Tuesday, March 27, 2012 8:19 AM
Subject: Re:

----- Original Message -----
From: Gillton
To: George and Maree
Sent: Tuesday, March 27, 2012 8:04 AM

The failed business model quoted in the report essentialy relates to the lower than forecast visitor numbers

This statement however masks the success Zealandia has had in achieving a 44% growth since the opening of the Visitor Centre
This is probably ~~to~~ THE stand out success of the new zealand visitor industry during a difficult time for ~~the~~ TOURISM ~~industry~~

Zealandia now welcomes more international visitors than the Zoo and is an important product in the international market offering of PWT — WORLD-CLASS TOURISM CENTRE

Zealandia offers Wellington's international marketing effort an important point of difference that a Zoo simply cant deliver.

My question for the committee is;
Are they fully satisfied that the new model will continue to grow and develop this unique element of New Zealand 100% pure brand and Wellington's postion within it?
And is it envisaged that savings from entities within the new model will be made to support Zealandia's growth