
**EVENTS STRATEGY: PROPOSAL FOR WELLINGTON
CITY TO HOST THE V8 SUPERCAR CHAMPIONSHIP
SERIES**

1. Purpose of Report

This paper seeks the Committee's approval to recommend that Council undertakes consultation on a proposal for Wellington City to host the V8 Supercar Championship Series for seven years from April 2006. The paper explains the proposal and explores it and other options for securing an 'icon event', an objective under Council's Event Strategy.

2. Recommendations

It is recommended that the Committee:

1. *Receive the information.*
2. *Note that on 18 June 2003, Council adopted its Events Strategy, which included the objective: to secure one to two icon events by June 2006.*
3. *Note the following options for achieving Council's objective:*
 - a. *Host the V8 Supercar Championship Series for seven years from April 2006*
 - b. *Pursue other icon event opportunities*
 - c. *Create a 'home-grown' icon event in Wellington.*
4. *Agree that the proposal to host the V8 Supercar Championship Series for seven years from April 2006 would best achieve Council's objective.*
5. *Recommend to Council that, although the decision is under the threshold for financial impact in the Council's Significance Policy, the decision is considered to be significant given the non-financial thresholds in the Council's Significance Policy, the combined Capex and Opex, and the guidance in the Significance Policy to err on the side of treating an issue as being of more rather than less significance.*
6. *Note that in order to proceed with the proposal an amendment to the 2003/04 Long Term Council Community Plan will be required, which involves the following steps:*

- a. 15 March 2005; Council approval of the Statement of Proposal and initiation of the special consultative procedure
 - b. 17 March 2005; public notification of the proposal (submissions close 18 April 2005)
 - c. 26 April 2005; hearing held to hear those submitters that have elected to be heard (reserve day 28 April 2005).
 - d. 5 May 2005; final deliberations and decision on whether to proceed with the proposal.
7. Agree that the Statement of Proposal required for the purposes of consulting on the proposal will be presented to Council for approval prior to initiation of the special consultative procedure.
 8. Note that in addition to the amendment to the 2003/04 Long Term Council Community Plan, the proposal will also be reflected in the 2005/06 Draft Annual Plan, but that the Draft Annual Plan will make it clear that both the consultation on the proposal and the decision will be undertaken as part of the amendment to the 2003/04 Long Term Council Community Plan on the timeframe in recommendation 6 above.
 9. Recommend to Council that it agrees to provide for the proposal to host the V8 Supercar Championship Series for seven years from April 2006 by way of amendment to the 2003/04 Long Term Council Community Plan and initiates the special consultative procedure on the proposal.
 10. Recommend to Council that the following is included in the 2005/06 Draft Annual Plan when it is adopted by Council:

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
\$ millions							
Capex	6.158						
Net Opex	2.580	2.583	2.633	2.580	2.523	2.463	2.398
<i>Note: Net Opex incorporates the interest and depreciation cost of Capex funding</i>							

11. Note that four rates funding options have been considered within the paper to meet the net operational costs outlined in recommendation 10 above.
12. Agree that a rates funding split of 40% downtown levy, 35% all commercial and 25% base (residential) be used as the rates funding basis included in the 2005/06 Draft Annual Plan when it is adopted by Council.
13. Recommend to Council that it delegate to the Chief Executive Officer the authority to:
 - a. make any minor editorial changes that may be required to the Statement of Proposal (once approved by Council); and

- b. *prepare the summary of information, noting that this will be distributed as outlined in the consultation plan attached as Appendix 2.*

3. Executive Summary

Council's Events Strategy outlines the organisation's drive to become New Zealand's premier events city. One of the key objectives for realising that vision is securing icon events that draw significant economic benefits, media profile and spectator support.

This paper evaluates the proposal for Wellington city to secure the V8 Supercar Championship Series as an icon event, and concludes that it is the best option available to Council.

The V8 Supercar Championship Series presents an opportunity to showcase Wellington nationally, in Australasia and throughout the Pacific Rim. It is projected to reap around \$23 million annually in direct economic benefits, as well as sustaining longer term benefits such as tourism growth, increased capacity as a result of relevant skills and industry development, and increased sales and investment accruing from media exposure. It is a unique opportunity.

Before making any final decision, Council needs to seek the views of its residents on whether the city should bid to host the race. It is recommended that Council initiate the special consultative procedure for consultation. Due to commercial drivers, in particular the need for the V8 franchise owner (AVESCO) to reach an agreement with a host city and promoter by 10 May 2005, a final decision needs to be brought forward from other Annual Plan decisions, to 5 May 2005.

The analysis in this paper is largely based on a proposal provided to Council by International Management Group (IMG), a report from Weathered Howe, an economic impact report from McDermott Miller, and subsequent analysis by Council officers. Any other proposals from alternative race promoters will be evaluated against relevant standard Council criteria and the criteria demanded by the Events Strategy, prior to Council's final decision on 5 May 2005.

4. Background

4.1 Events Strategy

Council adopted its Event Strategy on 18 June 2003. Its vision is that "Wellington is the Events Capital of New Zealand". Under Goal 1 - *Maximise the economic contribution that events make to the city* - the Strategy sets out a number of objectives, in particular *to develop 1 to 2 new icon events over the next 3 years*. Councillors should note that the three year period expires around the middle of next year.

The Events strategy has a number of other objectives that are relevant to this proposal, including:

- Objective 1.5: secure develop at least one World/ Asia-Pacific/ National Championship event a year from 2005
- Objective 6.5: secure one world championship event a year from 2005

- Objective 8.2: encourage events that contribute to economic growth
- Objective 8.5: encourage events that create vibrancy and energy
- Objective 8.6: encourage events that highlight the natural environment of the city and region
- Objective 8.6: encourage events that generate media profile for the city.

4.2 V8 motorsport and the Supercar Championship Series

The V8 Supercar Championship Series has quickly risen to become one of the most hotly contested motorsport categories in the world, and is the premier Australasian motorsport event. Attendance levels at events are high, with Adelaide attracting in excess of 200,000 people over a four day period.¹

The V8 Supercar Championship is owned by the Australasian Vee-Eight Supercar Championship Organisation (AVESCO). It receives a franchise fee from race promoters that run the V8 Supercar Championship events, of which there are currently 13 spread across Australia, New Zealand and, shortly, China.

New Zealand currently hosts a round of the V8 Supercar Championship Series on a semi-permanent basis at Pukekohe. This round will cease following the 2005 event, leaving the 2006 and future rounds open for a new circuit.

Auckland was set to host future rounds of the race, until its bid collapsed with the failure to obtain resource consent for the race. Resource consent was declined because of concerns about the impact of Auckland's proposed race circuit on the functioning of the city.

International Management Group² (IMG) was the race promoter in line to promote the race in Auckland. Subsequent to the collapse of the Auckland bid, AVESCO and IMG approached Wellington City Council and invited it to investigate a proposal to annually host the V8 Supercar Championship Series as a street race in Wellington City, from 2006. AVESCO has indicated that it needs to have reached a multi-party agreement with a race host and promoter by 10 May 2005 at the latest.

The financial analysis in this paper is largely based on a proposal provided to Council by IMG. Any other proposals from alternative race promoters will be evaluated against relevant standard Council criteria and the criteria demanded by the Events Strategy, prior to Council's final decision on 5 May 2005.

5. Discussion

The following sections outline the decisions required of Council and the process it must follow in making that decision. Information is provided on the options available to Council, the objective the decision is aimed at meeting, and weighs the relative merits of the options presented.

¹ Weathered Howe *Report for Wellington City Council* (2005).

² Further information on IMG is contained later in this paper in the *Assessment of Options* section.

5.1 Decision-making requirements

The Local Government Act 2002 (LGA 2002) provides the context for the decision-making process and consultation requirements that apply to the decision before Council. The LGA 2002 decision-making process requires the Council to:

- identify and assess the options for achieving Council's objective for the decision
- take into account community views and, if that requires consultation to be undertaken, to consult in accordance with the principles of consultation
- identify any inconsistent decisions.

The Council has a large degree of discretion as to how it discharges the above obligations but must be guided by the legal definition of 'significance' and 'significant', and the terms of the Council's Significance Policy. That assessment will determine in particular whether the consultation must follow the special consultative procedure and in particular whether it is a decision that can only be taken if provided for in the Council's Long Term Council Community Plan (meaning an amendment to the LTCCP is required).

The Council's Significance Policy contains thresholds, criteria and procedures for determining significance. It is noted that the decision is under the threshold for financial impact in the Significance Policy³. However, it is recommended that the Council consider the decision to be 'significant' given the non-financial thresholds in the Council's Significance Policy⁴, the combined Capex and Opex, and the guidance in the Significance Policy that Council will err on the side of treating an issue as being of more rather than less significant.

As a result the proposal will proceed by way of an amendment to the 2003/04 Long Term Council Community Plan which involves the following steps:

- **15 March 2005**; Council approval of the Statement of Proposal and initiation of the special consultative procedure
- **17 March 2005**; public notification of the proposal (submissions close 18 April 2005)
- **26 April 2005**; hearing held to hear those submitters that have elected to be heard (reserve day 28 April 2005)
- **5 May 2005**; final deliberations and decision.

It should be noted that in addition to the amendment to the 2003/04 Long Term Council Community Plan, the proposal will also be reflected in the draft 05/06 Draft Annual Plan, but that that document will make it clear that the consultation on the proposal and the decision will be undertaken as part of the amendment to the 2003/04 Long Term Council Community Plan on the timeframe in recommendation 6.

5.2 The objective of the decision

³ Financial Impact (ie total capital spend on a project) – 'exceeds 10% of total rates revenue'

⁴ Public Impact of any decision,

The objective for the decision that Council needs to make draws on the Council's vision for the Events Strategy. While there are a number of relevant objectives contained in the Events Strategy, the primary objective of the decision required of Council in this instance is *to secure an icon event by June 2006 that makes a significant economic contribution to Wellington.*

The Events Strategy defines an icon event as one which is nationally unique to Wellington and recognised as such, has a proven track record of success (not a "one hit wonder"), and is a major contributor to the city's economy (i.e. \$ 5 million plus or of similar promotional/branding value).

5.3 Options for achieving the objective

Officers have identified three reasonably practicable options for achieving Council's objective. They are

- (1) Bid to host the V8 Supercar Series
- (2) Pursue other icon event opportunities
- (3) Create a new 'home-grown' icon event in Wellington.

The other option is to do nothing. This has not been evaluated as it is not considered to achieve Council's objective.

5.3.1 Option 1: Bid to host the V8 Supercar Series

Council could choose to negotiate to host the New Zealand leg of the V8 Supercar Championship Series. This is a reasonably practicable option for securing an icon event, because the event is part of Australasia's premier motorsport series, and Wellington City Council has been approached by AVESCO and IMG with a view to submitting a proposal.

Council would negotiate an agreement with the race promoter and AVESCO, as franchise owner of the V8 Supercar Championship Series to hold a street race each April for seven years, from April 2006.

The race circuit would be as illustrated on the race map attached as Appendix 1. Approval for the street circuit needs to be obtained from the Motorsport Association of New Zealand (MANZ), on behalf of the International Automobile Federation (FAI).

Weathered Howe Report

The Council commissioned a report from Weathered Howe, to give Council a firm steer on the technical feasibility and financial implications of hosting a V8 Supercar Championship Series race on the streets of Wellington. Weathered Howe is an experienced engineering firm that has undertaken several similar assessments, including for local authorities in Australia that are now hosts to a round of the V8 Supercar Championship Series.

The Weathered Howe report found that it is technically feasible to construct the proposed race circuit on Wellington's CBD streets and the circuit is likely to meet with the approval of the requisite racing authorities.

Weathered Howe considered Wellington city a ‘natural’ to host a V8 Supercar street race, with particular reference to its harbour setting, compact CBD, waterfront location, and lined by hills (the town belt). It considered that the cumulative effect of these natural elements would be very attractive to spectators and media, and provide considerable television value to the commercial promoter and the city itself.

The report also outlined the likely costs associated with hosting the event. These cost estimates have informed the structure and funding levels outlined in the commercial framework for a deal with a race promoter.

Regulatory Matters

Wellington City Council’s District Plan provides for a street race event as a permitted activity, within certain conditions. Some ancillary parts of the event will require consent, for example some spectator stands in the Wellington Waterfront area, and the auxiliary pit location under the stadium concourse.

Confirmation of resource management status will be provided to Council for 5 May 2005, once the street race details have been finalised.

The race will require the closure of the streets used for the race, and in the surrounding area. This process is governed by the Local Government Act 1974, which will require public notification and Council decisions once the precise details are known.

Commercial Framework

IMG have proposed the following commercial framework to underpin an agreement with Wellington City Council. Council would be responsible for:

- Building the Race track, at an estimated cost of \$6.1 million Capex
- Providing annual funding of \$2 million to IMG
- Provide a range of ‘in-kind’ support each year, such as road maintenance, traffic management and staff support.

IMG would be responsible for:

- Organising and running the event
- Taking all commercial risks, including securing corporate support, commercial sponsors, selling television rights and so on.

Financial Impact on Council

The following outlines the forecast expenditure and funding requirement on the basis that Wellington secures an arrangement to host the V8 Supercar Series for a period of seven years. Costings are informed by the Weathered Howe report, conversations with prospective funding partners, and the commercial framework discussed with IMG; and are subject to due diligence, consideration of alternative promoter proposals, and contract details to be confirmed prior to final Council deliberation on the proposal.

Capital Expenditure

The following table summarises forecast up-front costs which will be incurred by Council under the proposed commercial framework.

Items per Weathered Howe Report	Report ref.	2005/06 \$m
Manufacture /fabrication of on-track items	1.0	1.770
Permanent infrastructure installations/conversions	2.0	0.037
Fabrication of steel work (pedestrian bridges etc.)	3.0	0.685
Race equipment	4.0	0.500
Event works - asphalt surface	5.0	0.032
Other items	6.0	0.166
V8 pit areas and overhead gantry hold downs(7.18)	7.18	0.550
Purchase of debris fencing	n/a	0.500
Civil works – conversions	7.0	0.560
Asphalt rehabilitation works	8.0	0.733
Contingency	9.0	0.300
Engineering	10.0	0.325
Total 2005/06 capital investment		6.158

The annualised impact of this capital investment is reflected in the operating statement below:

Operating Expenditure Budget

Draft operating budget	Note	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average/yr
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Operating expenditure:</i>									
Operating contribution to race promoter		2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
WCC operating costs	1	0.700	0.850	0.850	0.850	0.850	0.850	0.850	0.829
Depreciation/capex funding	2	0.880	0.880	0.880	0.880	0.880	0.880	0.880	0.880
Interest	3	0.400	0.353	0.303	0.250	0.193	0.133	0.069	0.243
Total - Annual expenditure		3.980	4.083	4.033	3.980	3.923	3.863	3.798	3.951
<i>Proposed funding:</i>									
Funded from existing projects	4	0.750	0.900	0.800	0.800	0.800	0.800	0.800	0.807
<i>External Revenue</i>									
Central government grant		0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
External funding agencies		0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350
Total - External revenue		0.650	0.650	0.650	0.650	0.650	0.650	0.650	0.650
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Total - Annual rates funding requirement		2.580	2.533	2.583	2.530	2.473	2.413	2.348	2.494
% Rates increase on 04/05 Annual Plan forecasts									
		1.65%	1.50%	1.47%	1.46%	1.40%	1.33%	1.26%	
% Incremental rates increase									
		1.65%	-0.03%	0.03%	-0.03%	-0.03%	-0.03%	-0.03%	

Notes:-

1. WCC annual operating costs include track (road) repairs, removal and reinstallation of street services, traffic management and professional costs.
2. All upfront costs are assumed to be Capex and incurred in year one (2005/06) and depreciated over 7 years .
3. Interest on funds borrowed to fund capex at 6.5% per annum. Assume assets will not be renewed; depreciation funds loan repayment, interest therefore decreases annually.
4. "Funding from existing projects" includes allocations from existing City Marketing, City Events, Roading and Traffic projects and legal budgets.
5. All figures quoted are indicative only (pending contract finalisation) and are shown exclusive of GST.

Rates Funding Options

The methodology for allocating the rates funding of a project between sectors of the community is set by the funding rationale for the activity within the Council's Revenue and Financing Policy. The proposed V8 Street Car Race is somewhat unique in terms of its 'best-fit' activity. As a result a number of options exist for Council in regard to the allocation of the rates funding requirement for this project:-

Option 1

Incorporate the project under the Visitor Attractions (4.5.2) activity. This activity currently includes the Te Papa, Events and Film Archive projects. Rates funding for this activity is split 20% Downtown Levy, 80% all commercial ratepayers.

Option 2

Incorporate the project under an activity currently funded 100% by the Downtown levy. Projects currently funded in this manner include Positively Wellington Tourism, Massey Film School, the International Festival of the Arts and Free Weekend Parking.

Option 3

Fund the project through the General Rate. This would result in an approximate split of 59% commercial, 41% base (residential).

Option 4

Introduce a new activity with a rates funding split which more accurately reflects the benefit derived from the event. Drawing on the findings of the Economic Impact Survey completed for the V8 race proposal, a rates split of 30% to the restaurant/café/bar sector, 20% commercial accommodation, 25% all commercial and 25% base (residential) is considered appropriate. The residential sector share is reflective of the overall benefits (manifested through property values, employment and 'feel-good' factor) the whole city receives from such icon events.

While this option potentially represents the most equitable distribution of benefit, it does present a number of issues:-

- it is extremely difficult from an administrative perspective to differentiate the proportion of multi-use properties that relate to entertainment and accommodation usage.
- such a level of specificity in the allocation of rates funding is inconsistent with that applied to other activities (e.g. visitor attractions)
- the incidence of rates on a small subset of the commercial sector may be unsustainable for individual ratepayers and/or may fall on the property owner rather than the direct beneficiary

A more practical option is to use the Downtown levy as a proxy (the current practice with funding for Te Papa and City Events projects). On this basis an appropriate rates funding split would be 40% Downtown Levy, 35% all Commercial and 25% Base (residential) ratepayers.

Rates Funding Options Analysis⁵

	Share of rates			% rates increase average property			Indicative \$ rates increase		
	Downtown	Comm.	Base	Downtown	Comm.	Base	Downtown	Comm.	Base
Option 1	20%	80%	-	0.8%	2.3%	-	\$478	\$217	-
Option 2	100%	-	-	3.9%	-	-	\$1,084	-	-
Option 3	-	59%	41%		1.7%	1.2%		\$353	\$17
Option 4	40%	35%	25%	1.6%	1.0%	0.8%	\$439	\$209	\$10

In light of the unique nature of the V8 Street Race project proposal it is recommended that, should Council decide to incorporate this project in the Draft Annual Plan, it consults upon the rates funding basis contained in Option 4, and that a new activity is set up under the City Economy KAA to accommodate this project and its funding.

Residents Support Survey

⁵ Average property values: Commercial (downtown only) \$1.973m, Commercial (all properties) \$1.631m, Base (incl. residential) \$0.380m. Downtown commercial properties will also be liable for the general commercial rates increase. Indicative rates increases are shown exclusive of GST.

Council commissioned a residents support survey from TNS. The objectives of the research were to ascertain:

- Resident support for the event
- General attitudes towards the event
- Attitudes towards impact issue, such as disruption to travel and noise
- Support for using rates to fund some of the event.

Councillors have been provided with a copy of the findings of the survey. The key findings were that:

- Overall there is a good level of support (72%) for the V8 Supercar race being held in Wellington
- Generally, residents believe the event would be of economic benefit to the city, extend the range and scale of sporting events held in the city and Wellington's profile as a leading events destination would be enhanced
- Residents have some concerns (typically low) about pollution and air emissions, noise, road closures and roading damage. Approximately one third of residents will have their work and personal activities negatively impacted by noise and road closures
- A quarter of Wellingtonians would pay to attend the V8 Supercar race if it was held in the city. A very small number (4%) said they would leave Wellington for the event. (McDermott Miller in its Economic Impact Study assert that, based on previous experience, very few that indicate they will leave actually do so.)
- The majority of residents surveyed indicated that they would accept a rates increase to host the event if it was less than one percent.

Economic Impacts

Council commissioned from McDermott Miller a report on the likely economic impacts in Wellington city of hosting V8 Supercar race. Councillors have received a copy of the report. The key findings from the report were:

- Total new spending in Wellington of \$22.9 million each April. The main beneficiaries of this new expenditure are expected to be:
 - ⇒ \$7.2 million restaurants, cafés and bars (31%)
 - ⇒ \$4.9 million general services purchased by teams, organisers, ancillary services etc (21%)
 - ⇒ \$4.7 million commercial accommodation (21%)
 - ⇒ \$4.7 million retail shopping (21%).
- The \$22.9 million excludes any value from longer-term tourism growth, increased capacity as a result of relevant skills and industry development, and increased sales and investment accruing from media exposure

- Approximately 50% of paying spectators are expected to come from outside Wellington. Of those, 20% would be from overseas
- Wellington City's commercial accommodation capacity is likely to be fully stretched by visitors to Wellington during the race
- Traffic disruptions and the possibility of a small number of Wellingtonians leaving the city are projected to produce around \$1.0 million in negative effects, which has been taken into account in the projected \$22.9 million new spend figure.

The following table outlines some estimates of comparative value for Council spend across 3 recent major events, and Te Papa. It should be noted that a comparison with Te Papa is very difficult to make, as central government provided the significant capital investment to build Te Papa and is by far the largest funder of that institution. Measuring the marginal benefit of Council's spend cannot be done in the same way as the ratios for other events.

Table: Comparative economic impact of events

Event	Date of data	New Spend	WCC Investment	Return on \$1 spent	International media profile	Comments
NZ Festival of the Arts	2000	\$22.7m	\$1.2m per Festival	19:1	Low/Medium	Does not include new spend generated by Edinburgh Tattoo
World Premiere for LOTR	2003	\$9.5m (projected)	\$1.8m	5:1	High	Highest level of international media coverage obtained for any event
V8 Supercars (projected)	2005	\$22.9m	\$2.56m	9:1	High	Event investment will include capital expenditure
Te Papa	2002	\$114.2m additional output	\$2m per annum	57:1#	Low	Output not directly related to WCC investment

Option 2: Pursue other icon event opportunities

A second option is to locate and secure another event. This strategy has been used successfully to secure events such as The Global Challenge Yacht Race, Vodafone X-Air, World Mountain Running Champs, Volvo Ocean Race and the recently announced Golden Oldies World Rugby Festival. Some of the challenges involved in this option are:

Limited availability of icon events

There are a limited number of available and affordable icon events on the highly competitive events market. Successful icon events are sought after by cities and demand is exceeded by supply. Where successful events are of a recurring nature in a single location, long term commitments and agreements are often in place to discourage them being enticed away. An example of this is the International Rugby Sevens where Wellington has had to secure a medium term commitment from the owners of the event to avoid it being moved to other cities offering a significant benefits package.

Conversely, if an icon event is to be encouraged to move away from another city to Wellington, the benefits offered sometimes would have to far exceed those offered by the existing host city and the return may not justify the investment.

On occasions, Wellington has been able to successfully secure outstanding events such as the Montana World of WearableArts or Vodafone X-Air for reasons other than simply the level of financial support offered. These include marketing support, venues, links with other support agencies, event facilitation and management, and making it easy for the event organisers to achieve the full potential of the event. Outstanding and immediately successful icon events are limited in availability and internationally proven events, such as the V8 Supercar Race, are even harder to locate and secure.

Non Recurrent Events – the need for them to be replaced by something else the following year and bidding/establishment costs

Wellington has been successful in securing a number of non recurring major events (i.e. on an annual basis) over the last two years. Examples include the Global Challenge Yacht Race, World Mountain Running Champs, Volvo Ocean Race, Commonwealth Karate Champs, David Bowie concert, Neil Diamond concert and the recently announced Golden Oldies World Rugby Festival. The challenge is to continually find replacements for these events.

Up-front investment often has to be made in providing/developing facilities and assets for “one off” events e.g. berthing pontoons for Global Yachts and track upgrades for World Mountain Running Champs. The non recurring nature of the events means that the costs involved cannot be amortised over a number of years.

Securing “one-off” events also often involves similar feasibility study and bidding costs to recurring events.

Icon Events – often require long lead in times

Major events often require significant lead in times to plan for and market. An example is the Golden Oldies World Rugby Festival in late October 2006 for which planning is well underway. It would be a considerable, if not insurmountable, challenge to find a replacement icon event of the scale of the V8 Supercars that could take place by June 2006.

Option 3: Create a ‘home-grown’ icon event

A key component of Wellington’s Event Strategy is the growth and development of local events. Potentially, community events such as Diwali, Cuba Street Carnival and Chinese New Year could grow into icon events which attract large numbers of visitors from outside the region.

The key challenges with this type of approach are:

- the lack of certainty of success in achieving iconic status
- the longer time frame required to nurture and develop the event compared to securing a ready-made icon event.

The Montana World of WearableArts started off in a barn and took 16 years to evolve into the event it is today.

Development of local events that have a distinctly Wellington flavour are a key part of the overall Event Strategy but the positive outcomes are more likely to be experienced in the long term rather than the short to medium term. The proposal in this paper is concerned with meeting the short term objective.

5.4 Assessment of the options & recommended option

Section 77 of the Local Government Act (LGA) 2002 requires a local authority in making a decision of this nature to assess the options outlined above by considering:

- ⇒ The benefits and costs of each option in terms of the present and future social, economic, environmental, and cultural well-being of the district
- ⇒ The extent to which community outcomes would be promoted or achieved in an integrated and efficient manner by each option
- ⇒ The impact of each option on the local authority’s capacity to meet present and future needs in relation to any statutory responsibility of the local authority
- ⇒ Any other matters that, in the opinion of the local authority, are relevant.

There are some relevant criteria contained in the Events Strategy that have also been included in the analysis of the options.

The following table assesses option one (the V8 Race) against the criteria. The Committee should note that, due to the nature of options two and three (i.e. there is no knowledge of what ‘the event’ might be), the bulk of the criteria are not a tangible means of assessing the relative worth of options - the assessment would necessarily conclude ‘unknown’ beside most criteria.

Assessment of the relative merits of options two and three, in comparison to option one, has therefore been included in the section above as part of the description of those options.

Table: Assessment of Option 1

Criteria	Option 1: V8 Supercar Championship Series
Benefits and costs in terms of the four well-beings	<ul style="list-style-type: none"> ➤ \$22.9 million new spend into the economy each year ➤ Longer-term benefits of media profiling, future skills and capacity growth in related industries, and increased sales and investment ➤ Some negative environmental effects such as pollution and noise ➤ Some negative social impacts from road closures. ➤ Some positive social impacts from the event (e.g. family

Criteria	Option 1:V8 Supercar Championship Series
	entertainment)
Community outcomes promoted in an integrated and efficient manner	<ul style="list-style-type: none"> ➤ Council has not yet completed its Community Outcomes process. However in its 2003/04 LTCCP, Council adopted its KAAs as its Community Outcomes in the interim ➤ Event planning will attempt to ensure the efficient integration of KAA outcomes where possible, for example City Economy also now encompasses recreation and leisure outcomes
Impact on Council's capacity to meet statutory responsibilities	<ul style="list-style-type: none"> ➤ No impact on core responsibilities required by legislation
Timeliness	<ul style="list-style-type: none"> ➤ The V8 race represents the best chance of meeting the overall decision objective by June 2006, the timeframe indicated in the Events Strategy for securing an icon event
Event Calendar	<ul style="list-style-type: none"> ➤ The V8 race fills the April gap in the events calendar and adds vibrancy
Long Term Viability	<ul style="list-style-type: none"> ➤ The event will be offered for between five and seven years, with a possible extension depending on the success of the event
Event Organiser capability and credibility	<ul style="list-style-type: none"> ➤ IMG is the world's largest sports marketing and management firm, with an annual turnover of over \$1.2 billion, and 2,200 employees. It is heavily involved in promoting motorsport events, including 3 rounds of the V8 Supercar Series (Sandown 500, Gold Coast Indy and Pukekohe) ➤ IMG and any other race promoters interested in working with Council will need to be evaluated against standard Council criteria
Media coverage	<ul style="list-style-type: none"> ➤ The race will generate both national and international media exposure that will promote Wellington City's destination profile
Overall event feasibility	<ul style="list-style-type: none"> ➤ Race planning and implementation would need to be completed by the race start date of April 2006. The decision-making timeframe outlined in this paper has been suggested after discussions with AVESCO, suggesting that the event timing is feasible. In addition, the Weathered Howe report commissioned by Council suggests that the race is technically feasible
Financial feasibility	<ul style="list-style-type: none"> ➤ The commercial framework outlined in this paper assumes the race promoter taking all commercial risk
Community Support for the event	<ul style="list-style-type: none"> ➤ Should Council decide to proceed with this proposal, public consultation should provide more of a picture of community support for the event. The residents survey commissioned by Council indicated a high level of support for the event, while noting some concerns about the event's impacts. The Wellington Chamber of Commerce study indicated a very high level of support (96%) from its members
Risk Profile	<ul style="list-style-type: none"> ➤ There is both an upside and a down-side 'reputation' risk to Council. Not securing the V8 race could be seen as damaging to Council's reputation (particularly for future promoters), while there is also a risk if the V8 race performs below expectations

On the basis of the information contained in the paper, including the analysis of options, officers recommend that option one, to host the V8 Supercar Championship Series, is the best option available to Council to meet its stated objective.

5.5 Amending the LTCCP

Given the discussion on 'significance' above, it is recommended that this decision is treated as a decision that must be provided for in the Council's LTCCP. As it is currently not provided for in the 03/04 LTCCP, the LTCCP must be amended to provide for it.

The actual parts of the LTCCP to be amended will be included in the Statement of Proposal required to be signed off by Council on 15 March 2005. The amendment will include the addition of 'narrative' explaining the proposal, and effect on financial position.

5.6 Risks and Risk Mitigation

Any funding agreement entered into with a race promoter and AVESCO will seek to manage Council's risks, in particular:

- ⇒ Capping the Opex contribution
- ⇒ Agreement on the race track/CAPEX specs
- ⇒ Allowing Council to secure 3rd party funding
- ⇒ Agreeing to a seven-year race term.

Although the framework provides that the race promoter takes the risk, there are a number of matters that relate to technical feasibility that Council will require assurances from the promoter prior to committing to the funding. It is proposed that these matters are worked on during the period that the proposal is consulted on, and reported to the Council in May, at the time of considering the final decision. They are as follows:

- ⇒ Technical feasibility of the track for 7 year period and approval from MANZ/FAI, taking into account in particular the likely changes on the Waterfront
- ⇒ Position of Wellington Waterfront Limited
- ⇒ Ascertaining clarity/agreement on the detail of the 'in-kind' contribution.

Council would not proceed with a bid unless satisfied that these matters are resolved, and which will be reported on before a final decision taken on 5 May 2005.

5.7 Consultation

A full consultation plan (attached as Appendix 2) has been developed for consulting on this proposal using the special consultative procedure.

Council officers have already undertaken some consultation on the idea of Wellington hosting the V8 Supercar Championship Series. In addition to the residents support survey (outlined in section 5.3.1 above), positive discussions have been had with the Retailer's Association, New Zealand Police, Transit New Zealand, Centreport, transport operators and Wellington Waterfront Limited. The Wellington Regional Chamber of

Commerce surveyed its members and found that 96% supported Wellington hosting the race. Positively Wellington Tourism has submitted its view on the proposal:

Positively Wellington Tourism fully supports the proposal to hold the V8 Supercars in Wellington. It is among the best event properties in Australasia.

The V8s will offer Wellington unparalleled profile in its most important international visitor market, Australia, providing further backbone to Positively Wellington Tourism's increased marketing efforts across the Tasman.

As well, the event will provide significant economic benefit for the city during what is traditionally a slower tourism season. Accommodation is expected to sell out and the event will generate strong trade for Wellington businesses and for other attractions such as Te Papa.

To continue to lead New Zealand in the events area, Wellington must host this race. We firmly believe this opportunity will only come once – now is the time to accept the V8 challenge.

The Committee should note that each Annual Plan since 2003/04 has contained information on the Events Strategy and fund, and the *Creative Wellington Innovation Capital Strategy*.

5.8 Timelines

Should this Committee, and subsequently Council, agree to consult on the proposal to host the V8 Supercar Series in Wellington, the following represent the key dates for working towards an agreement with AVESCO and a race promoter:

Table: Key Dates

Item	Date	Notes
Decision of Council to consult on V8 Proposal, initiating the Special Consultative Procedure.	15 March	
Public notice of consultation	17 March	
One month of consultation begins	18 March	Consultation materials are distributed, as outlined in Consultation section above.
Submission close	18 April	
Public hearings	26 April	Reserve days may be required
Paper summarising consultation and presenting final recommendations present to SPC and Council	5 May	

Item	Date	Notes
Council delegates meet with AVESCO Board	10 May	
Finalisation and announcement of Contract	To be confirmed	

6. Conclusion

This paper seeks the Committee's approval to recommend that Council undertakes consultation on a proposal for Wellington City to host the V8 Supercar Championship Series for seven years from April 2006.

If supported by Council, consultation on the proposal would be brought forward from consultation on the Draft Annual Plan, in order to meet the necessary commercial timeframe for an agreement on the race.

Following consultation, a final decision to bid to host the race would be made at Council on 5 May 2005.

Contact Officer: *Garry Poole, Chief Executive Officer*

Supporting Information

1) Strategic Fit / Strategic Outcome

The project supports Council's Events Strategy "Wellington is the Events Capital of New Zealand", and several objectives aimed at meeting Council's vision.

2) LTCCP/Annual Plan reference and long term financial impact

As outlined in the Financial Impact on Council section of this paper. Should Council decide to host the event, the LTCCP will need to be amended.

3) Treaty of Waitangi considerations

No Treaty issues have been identified.

4) Decision-Making

The decision-making requirements are set out in section 5.1

5) Consultation

a) General Consultation

As outlined in the Consultation section of this paper.

b) Consultation with Maori

Mana whenua will be consulted as part of the proposed consultative procedure.

6) Legal Implications

Council's lawyers have been consulted during the development of this report.

7) Consistency with existing policy

This proposal is consistent with Council's Event Strategy.

Appendices to be attached:

1 – Map

2 – Consultation Plan