

Operation of the Major Events Development Fund

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November 2007



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Executive Summary

Programme Background

Policy Rationale

Most major events will be organised by the private sector without the need for government involvement. Certain situations can arise, however, where the market fails to allocate resources optimally. This is particularly where downstream business, social, cultural, sporting and tourism benefits ‘spillover’ to third parties. These spillovers can create a wedge between the event package that an event organiser may be willing and able to deliver, and that which is best for society overall. Government is often best-placed in these situations to ensure that all of the benefits are realised.

The Major Events Development Fund

The Major Events Development Fund (“the Fund”) was established in September 2004, in support of the government major events strategy. The purpose of the Fund is to facilitate government’s ongoing investment in the sector to grow, attract and retain major events that provide the maximum benefits for society. The Fund is administered by an Inter-Agency Events Group (IAEG), comprising officials from ten government departments and agencies, and has been appropriated \$3.4 millions per annum in 2005/06 and 2006/07 from Vote: Economic, Industry and Regional Development.

Evaluation Scope

The Ministry of Economic Development (MED) has evaluated the operation of the Fund, and the efficiency and effectiveness of the strategy underpinning it. The initial period of operation has provided invaluable lessons for stakeholders and an opportunity to enhance the future performance of the Fund.

The evaluation report contains findings, conclusions and recommendations. The report has been reviewed by the IAEG.

Findings

- The Fund has been successfully used to influence the growth, attraction and retention of specific events.
 - Over three years, a portfolio of 41 events has been established. There is a majority of events with a predominantly sporting focus.
 - Government has been a partial investor in the vast majority of cases, with other contributions from local governments, event organisers, business sponsors, and spectators.
- There does not appear to be strong buy-in to the strategy from the government agencies responsible for leading and brokering its implementation. As a group, the IAEG has been more passive than anticipated.

- To the extent that supported events would not otherwise have occurred, or have been better run as a result of the support, the operation of the Fund has been successful in enhancing the level of event management expertise in New Zealand and our reputation for organising events.
- The supported events have generated net economic, social, cultural and international exposure benefits for New Zealand. This is important given the spillover rationale for the Fund.
 - Net economic benefits are measurable and generally positive;
 - Social and cultural benefits are not easily measurable, though this could be improved by increasing the specificity of targeted outcomes;
 - International exposure benefits are measurable, show disappointing results and reflect unrealised opportunities.
- A cash-grant approach has been exclusively adopted, and has highlighted unrealised opportunities elsewhere, particularly:
 - Limited leverage of resources, especially from elsewhere in government
 - Limited leverage of results, especially for international exposure
 - Limited influence over event legacy, including event re-investment (ownership)

Conclusions and Recommendations

On the basis of these findings, we conclude that the Fund's performance can readily be improved, and that the key to performance improvement is greater alignment of the major events strategy with agencies' own objectives for events, and stronger agency accountability for leadership and implementation of the strategy.

Recommendations to improve the future operation of the Fund are presented below. A complete list of recommendations is presented in chapter 10.

Engagement of Government Agencies

- The Fund was established to support the IAEG in leading and brokering the major events strategy from a whole-of-government perspective. Over time, however, development of the strategy has been lead out of the IAEG secretariat, New Zealand Major Events (NZME).
- The IAEG has taken a reactive approach to administration of the Fund. Resources have been almost exclusively used to support events organised outside of government, and IAEG member agencies – some of whom organise their own events – have not been able to connect to events supported out of the Fund, as was envisaged in the strategy.
- The following actions are proposed:
 - The national events strategy needs to link explicitly to the aims and objectives of member agencies for major New Zealand events (particularly SPARC, TPK, MCH, CNZ, NZTE and TNZ);
 - The IAEG needs to be collectively accountable for the ongoing development of the strategy. We suggest an annual update on the development and performance of the strategy from the IAEG to Ministers;
 - The strategy should include opportunities for the group to access leverage funding for their own activities and for events organised by others, where these are aligned to the objectives of the Fund. For example, TPK major

events where there are clear social spillovers, and privately organised sports events where there are cultural spillover opportunities that TPK could deliver with appropriate support, should both be within the remit of the Fund;

- Portfolio management should be used to enhance stakeholders' understanding of the performance of the strategy;
- The role of the secretariat should be to present options, events assessments, and strategic performance information i.e. portfolio performance information, to the IAEG, and to action its decisions through appropriate due diligence and contracting arrangements.

Administration of the Fund

- The following actions would improve the efficiency and effectiveness of the administration of the Fund:
 - Move to two funding rounds per annum, and switch to a two-tier application process;
 - Manage the balance of economic, social and cultural and international exposure criteria at the portfolio level and not for individual events;
 - In addition to direct cash grants to events organisers, contract specialist expertise to target specific outcomes which events organisers are unable to leverage on their own. There are particular opportunities to achieve international exposure benefits in this way.

Use of Cost-Benefit Analysis

- Major events are often presented publicly as achieving spectacular economic impacts. The figures used are based on a technique called 'economic impact assessment' which estimates the gross impact of a major event on local output, rather than the net benefit of the event to the national economy. This work can easily lead to the misallocation of resources both at the local and national level.
- The evaluation shows that a cost-benefit framework can be implemented, at no additional cost, which can provide accurate information on the net economic benefits of major events to society.

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1. Introduction

This report presents the findings and recommendations from the evaluation of the operation of the Major Events Development Fund (“the Fund”). The Fund was established by Cabinet in September 2004 to support events of national cultural, social, and economic significance, in accordance with the Government Major Events Strategy.

The Fund has been appropriated \$1.5 million in the 2004/05 financial year and \$3.4 million p.a. in financial years 2005/06 and 2006/07 from Vote: Economic, Industry and Regional Development. It is administered by an Inter Agency Events Group (IAEG) comprising officials from ten government departments and agencies.¹ As of June 2007, 41 major events have been supported.

1.1 Why has the Operation of the Major Events Development Fund Been Evaluated?

- 1.1.1 Industry and regional development policies are subject to regular monitoring and evaluation, to inform policy development by providing feedback on past and current performance.
- 1.1.2 At the direction of Cabinet, some initial evaluation work was undertaken on the Fund during late 2005. It could not be subjected to a thorough operational evaluation at that time, however, because of the long lead time involved with major events support.
- 1.1.3 This evaluation covers the period of operation September 2004 through June 2007. The evaluation has considered the period since January 2006 in particular, over which time the existing arrangements for event assessment and selection have been in place.

1.2 Evaluation Scope and Objectives

- 1.2.1 Prior to commencing this evaluation, it was agreed between the Ministry of Economic Development (MED) and the IAEG that the evaluation should primarily consider the extent of economic, social and cultural, and international exposure benefits obtained by supported events. The intention of this focus was to provide stakeholders with an early indication of the Fund’s operational effectiveness.
- 1.2.2 In addition, several broader objectives were developed to guide the evaluation towards a set of recommendations for future government support of major events. These comprised the following effectiveness and efficiency considerations:

¹ The IAEG comprises officials from the Ministry of Tourism, the Ministry for Culture and Heritage, the Ministry of Foreign Affairs and Trade, Te Puni Kokiri, the Ministry of Economic Development, Tourism New Zealand, New Zealand Trade and Enterprise, Sport and Recreation New Zealand, Creative New Zealand, and the Foundation for Research, Science and Technology.

- The extent of additionality generated by government's investment in major events, and the development of the events portfolio against the scheme's objectives;
- The lessons learned from examination of the scheme's operation, in comparison to similar schemes operating elsewhere, and how such lessons may be of benefit to the Fund's stakeholders; and
- The methods available for measuring and assessing event impacts, to aid the development of a benchmark for future funding proposals.

1.2.3 In light of the evaluation's objectives, and following consultation with Fund stakeholders, the following series of key questions were developed:

A. Development of the portfolio of supported events

- i. What defines a major event?
- ii. Are there emergent trends in the profile of supported events?
- iii. Is the portfolio of events developing in a manner consistent with the objectives of the Major Events Strategy?

B. Achievement of supported events

- iv. How have supported events (including conferences) performed against the economic, social and cultural, and international exposure criteria?
- v. Are particular types of events performing consistently well and/or consistently poorly?
- vi. What regional and/or seasonal impacts is the scheme having on the major events industry, and how is this considered in the selection process?
- vii. What impacts do major events have on New Zealand communities, and how is this considered in the selection process?

C. Additionality of funding support

- viii. How is the risk of grant fungibility managed?
- ix. Would the demonstrated outcomes have occurred without investment from the Fund?
- x. Is the scheme having any unintended impacts on the outcome of particular events or on the major events industry in general?
- xi. Is the current operation of the Fund effective?

D. Comparison with event support in other jurisdictions

- xii. How does the operation of the Fund compare with other arrangements for central and local government support for major events, from within New Zealand and abroad?
- xiii. Are there lessons from our examination of the way that the scheme is operated that might be of value to the Fund's stakeholders?

E. Ongoing performance assessment and review

- xiv. What tools are available to assist the IAEG's decision-making processes?
- xv. What tools are available to monitor the performance of the Fund and supported events?
- xvi. Are these tools sufficient to ensure that the operation of the scheme is efficient and effective? Are they being used accordingly?

1.3 Structure of the Report

1.3.1 The remainder of this report is structured as follows:

Chapter 2 establishes the policy framework for the Fund, noting its history, rationale and objectives in the broader context of the major events strategy. The purpose of this chapter is to confirm the rationale for the Fund.

In **chapter 3** and **chapter 4**, the operation of the Fund is analysed. Chapter 3 clarifies the strategic direction and objectives of the Fund as established in the major events strategy, while chapter 4 assesses the administrative processes that have been implemented to deliver on these objectives.

Chapter 5 addresses the development of the major events portfolio. The chapter reflects on the degree to which the portfolio has developed as anticipated, and considers how the Fund has impacted on the domestic events industry.

Chapters 6, 7 and 8 consider the frameworks established to measure and assess the economic, international exposure, and social and cultural benefits of major events support. The purpose of these chapters is to ensure that investment decisions, strategic planning and performance assessments are informed by relevant information on the benefits produced by major events.

The operation of the Conference Assistance Programme (CAP) is reviewed in **chapter 9**. The CAP is a component of the Fund that is targeted directly at the development of the international conference sector. Commensurate with the scale of the CAP, this chapter briefly reviews the strategic direction and implementation of the programme to date.

Finally, **chapter 10** presents the evaluation recommendations.

2. The Major Events Policy Context

The purpose of this chapter is to provide a contextual basis for the evaluation findings that are discussed in subsequent chapters. First, the Fund's policy framework is discussed, noting the history, rationale and objectives of the relevant major events policy. Thereafter the design of the Fund is discussed, noting the various types of financial support that are available.

2.1 Major Events Development Fund: Policy History

- 2.1.1 In April 2001 an Inter-Agency Events Group (IAEG) was established, comprising officials from a range of government departments and agencies responsible for supporting events. The IAEG was established to improve the co-ordination of government involvement in major events through information sharing, in addition to providing a central forum where event proposals could be considered from a cross-portfolio perspective.
- 2.1.2 A Major Events Programme was established within Industry New Zealand (an NZTE predecessor organisation) in June 2001 which, in partnership with the private sector, provided occasional funding for business-focussed major events. The aim of the programme was specifically to leverage economic development opportunities that would promote New Zealand's 'high growth' industries. Events were to be targeted in line with NZTE's sector focus and in accordance with the Government's broader economic, industry and regional development goals.²
- 2.1.3 The IAEG was reviewed in July 2003, and was found to be operating successfully. However, with no funding or resources with which to develop bids and fund events, and no joint criteria to assess proposals, the reach of the group was limited.
- 2.1.4 In September 2003 the Events Ministers³ agreed that a more strategic involvement with events was desirable, to ensure support would be directed at events contributing to the overall economic development and international profile of New Zealand. They directed the IAEG to develop a national strategy for major events.
- 2.1.5 Cabinet approved the resulting Government Major Events Strategy in September 2004. The purpose of the strategy was to provide the IAEG with a framework for effective and coordinated engagement with the major events industry, to ensure that opportunities to leverage social benefits were fully capitalised on by government.

² This programme was subsequently disestablished by Cabinet in April 2006 (CAB Min (06) 12/4A refers).

³ That is, the group of Cabinet Ministers responsible for event-related portfolios, initially comprising the Ministers of Economic Development; Research, Science and Technology; Tourism; and Sport and Recreation. The group was subsequently broadened to include the Minister for Arts, Culture and Heritage.

- 2.1.6 The Fund was established in support of the strategy, to allow the IAEG to grow, attract and retain major events of national significance. Economic, social and cultural, and international exposure criteria were embedded in the strategy to guide the allocation of funding across investment opportunities.
- 2.1.7 The Fund has been appropriated \$3.4 millions (GST inclusive) per annum for 2005/06 and 2006/07 from Vote: Economic, Industry and Regional Development. Over the period September 2004 through June 2007, 41 events have been supported.⁴

2.2 Policy Rationale

- 2.2.1 Most major events will be organised by the private sector without the need for government involvement. In certain cases, however, the market fails to allocate resources optimally, and government participation is required to ensure that the benefits arising for society are maximised.
- 2.2.2 The major events strategy responds to coordination, information and funding failures that inhibit the major events industry in New Zealand. The fund is a key instrument of the strategy that enables government to address the problem of market failure through the provision of direct financial assistance.
- 2.2.3 Government investment in major events is targeted at downstream business, social, cultural, sporting and tourism benefits that are catalysed by certain major events activities but which ‘spillover’ to third parties.
- 2.2.4 No market mechanisms exist to ensure that the event organisers who facilitate the production of spillover benefits are adequately compensated by the downstream agents who benefit from them. This market failure creates a wedge between the event package that an event organiser may be willing and able to deliver, and that which is best for society overall.⁵
- 2.2.5 Government is often best-placed in these situations to work with event organisers to ensure that positive externalities are recognised and accounted-for in event planning and management.

Major events can catalyse a wide range of spillover benefits, from the generation of additional tourism revenue to ‘feel good’ factors like heightened social cohesion and social pride. The successful staging of a major event can also bolster a nation’s standing in the international community. To capitalise on such opportunities and ensure a worthwhile return on investment, however, major events must deliver legacies of lasting and tangible benefits. This requires the development and implementation of a clear and coherent strategic policy framework. The government’s major events strategy is revisited in chapter 3.

⁴ A list of all events supported from the Fund, covering the period September 2004 – June 2007, is attached as Appendix 1. A similar list of conference bids is attached as Appendix II.

⁵ In this context, the term event ‘package’ encompasses the event itself plus the broad range of leverage activities that may occur at the periphery of the event.

2.3 Policy Objectives

2.3.1 The aim of the Government Major Events Strategy is to ensure that New Zealand remains competitive in growing, attracting and retaining major events that have economic, social and cultural, and international exposure benefits for New Zealand.

2.3.2 The Fund facilitates government investing in the sector to grow, attract and retain certain major events that provide the maximum benefits for society. The major events strategy establishes the following criteria to guide the allocation of investment funding:

Economic criteria:

- generation of economic impact/value-added to regional and national economies;
- creation of employment; and
- contribution to tourism outcomes

Social and cultural criteria:

- development and promotion of high achievement for New Zealanders in arts, cultural, heritage, sporting, and leisure fields;
- provision of opportunities for New Zealanders to experience world class events; and
- ability of communities to showcase their regions and achievements nationally and internationally

International exposure criterion:

- enhancement of international media exposure.

2.3.4 The major events policy links into the Government's economic transformation agenda. Events facilitate innovation, through cross-fertilising ideas, and through international exposure.

2.3.5 Government support for sport and cultural activities is substantial, and the Fund helps to profile such activity and, where appropriate, link it to together with business development opportunities.⁶

2.3.6 By investing in event opportunities that are aligned to the above criteria, the IAEG can support events organisers to plan and deliver major events in a manner that is consistent with the full range of government objectives.

2.4 Funding Mechanisms

2.4.1 The Fund is designed to enable government to invest in events and leverage activities, rather than to organise or support major events in their entirety.

⁶ Statistics New Zealand (2005) estimate that government spending on cultural activities totalled \$822.9m in the 2004 financial year.

- 2.4.2 Cash grants are the main form of support provided through the Fund. Direct funding support can give rise to a range of positive leverage opportunities, and is primarily awarded in the following instances:
- as seed funding, to enable event organisers to secure sponsorship and private sector investment
 - as funding to assist with bidding and hosting costs;
 - as investment for leveraging opportunities generated by offshore and onshore participation with major events, to build New Zealand's profile; and
 - as research grants for event and infrastructure feasibility studies.
- 2.4.3 Seed funding is directed to events that have the potential to generate net social benefits, but require public support in order to bid and attract sponsorship from the private sector.
- 2.4.4 Bid funding can be required in instances where potential sponsors make their support contingent on securing hosting rights. In such cases, small allocations can be used to get the event bid 'across the line', at which point private sponsorship may be sufficient.
- 2.4.5 In other cases, private sponsorship and event revenue may not cover the costs of hosting the event. Where substantial spillover benefits can be demonstrated, host funding may be used to ensure the realisation of those benefits for society.
- 2.4.6 Other events may be financially viable in their own right, but not in a form that is socially optimal. In these instances, government support may be used to leverage specific activities associated with the event that are of benefit to society.
- 2.4.7 Small grants, for the purposes of event research, are also included within the scope of the Fund. Where information on the likely costs and benefits of an event is not available, research undertaken to fill such this information gap may be valuable in highlighting those event opportunities that are of greatest benefit.
- 2.4.8 The next chapter considers the design of the major events strategy, and its impact on the operation of the Fund.

3. The Intention and Implementation of the Strategy

In this chapter, we consider the design of the major events strategy as the critical interface between policy intention and policy implementation. The chapter details the intentions of the strategy, and the adequacy of the measures built into the strategy to deliver the desired policy outcomes.

3.1 *The Intention of the Strategy*

- 3.1.1 The government major events strategy, developed in the 2004 Cabinet paper, aimed to guide both government agencies and industry stakeholders on the future role for government in developing the major events sector [CAB Min (04) 30/4A refers].
- 3.1.2 The strategy identified a range of industry constraints that could impede the country's ability to grow, retain and attract major events. It communicated a role for government to foster the development of the sector that involved both direct financial support and broader industry engagement.
- 3.1.3 The IAEG, in developing the strategy, and Cabinet, in approving the strategy, identified ten core areas for Government to better engage and influence the industry. These comprised:
- enhanced coordination of event organiser activities;
 - more sophisticated process for seeking and winning major events;
 - reduction in duplication of effort by event organisers and government agencies;
 - reduction in competition among NZ destinations to host the same event;
 - better use of available infrastructure, including natural assets;
 - focus on attraction of high quality, high yield events;
 - building events in low and shoulder seasons;
 - pooling of resources to gain efficiency;
 - improve standards;
 - improving the depth and understanding via research of the events industry, including details on size, capacity and performance.
- 3.1.4 A reconstituted IAEG was to play the leading role for government, with delegated responsibility for industry engagement and development. A number of initiatives were embedded in the strategy to support the IAEG in leading and brokering the strategy. These included:
- Establishment of the Fund, for the IAEG to use to establish a broad portfolio of major events, to allow government to leverage the spillover benefits associated with event activity.
 - Articulation of economic, social and cultural, and international exposure criteria, to enable the IAEG to allocate funding in light of strategic objectives, rather than taking ad hoc decisions.

- Identification of broader policy considerations, including success factors for government investment in major events; areas of focus for engagement and influence with industry; and industry constraints.
- Expansion of the role of the IAEG secretariat (NZME) in providing administrative support to the IAEG.

3.1.5 The following sections consider the sufficiency of these instruments in encouraging the IAEG to own and implement the strategy through the operation of the Fund.

Responsibility for the Operation of the Fund

The Fund is administered by the Inter-Agency Events Group (IAEG), which comprises officials from ten government departments and agencies involved with the major events industry, and is chaired by the Ministry of Tourism (TMT).⁷ The IAEG meet monthly to discuss industry issues from a cross-portfolio perspective, and to collectively allocate funding support across eligible event opportunities.

Six IAEG member agencies with sector-specific expertise were initially charged with additional responsibilities in the operation of the Fund as 'lead agencies'. These responsibilities included the evaluation of applications against the criteria for support; the preparation of event leverage plans; the presentation of funding proposals to the IAEG; the ongoing monitoring of supported events against contract specifications; and the delivery of post-event reports to the IAEG.

Secretariat support to the IAEG is provided by New Zealand Major Events (NZME), an operational unit within MED. Over time, lead agency responsibilities, as well as responsibility for development and refinement of major events strategy, have been largely assumed by NZME *de facto*, in addition to their secretariat function.

Relevant Ministers are briefed every six months on the operation of the Fund over the preceding period.

3.2 Strategic Results

3.2.1 A number of positive results have flowed from the strategy. Through IAEG meetings, views and experiences have been shared across government and some common positions have been established. The Fund has been successfully invested in the growth and retention of major events.

3.2.2 Particular achievements arising from the strategy include:

- establishment of a portfolio of major events, including a number which would not otherwise have occurred in New Zealand;
- demonstration to stakeholders of major events' potential value as policy instruments;

⁷ The IAEG comprises officials from the Ministry of Tourism (TMT), the Ministry for Culture and Heritage (MCH), the Ministry of Foreign Affairs and Trade (MFAT), Te Puni Kokiri (TPK), the Ministry of Economic Development (MED), Tourism New Zealand (TNZ), New Zealand Trade and Enterprise (NZTE), Sport and Recreation New Zealand (SPARC), Creative New Zealand (CNZ), and the Foundation for Research, Science and Technology (FRST).

- identification and awareness of infrastructural bottlenecks; and
- enhancement of organisational skills and professionalism in the major events sector.

3.3 Development of the Strategy

- 3.3.1 Experience to date has also shown that implementation and alignment of the strategy can be improved. Through the current phase of re-establishment, the IAEG has devoted little time to strategic planning. IAEG meetings have largely been used to respond to ideas, recommendations and information from the secretariat in regard to specific events, and the Fund has been exclusively applied to specific events in the sector. Consequently, execution of the overall strategy (including leveraging activities by government agencies) has tended to take a back seat.
- 3.3.2 The success of the Fund to date has been somewhat too dependent on the secretariat. IAEG membership is essentially voluntary and informal, which constrains the resources that individuals can bring to the table from their own agencies. Although the Fund ‘fits’ well with the existing events programmes of some member agencies, events do not appear to have been ‘core business’ for a number of others. Where a fit does exist, it can still be difficult to align internal priorities with the IAEG.
- 3.3.3 It would be timely to ask the IAEG as a group to report to Ministers on the future direction of the major events strategy, which should take greater account of the strategic aims and objectives of the IAEG agencies. Such reporting should include a set of achievable targets for the portfolio and for leveraged outcomes over the next five years, which could be followed by annual updates signed off by the IAEG. This would serve to sharpen the leadership and brokerage role that the IAEG is invited to take.
- 3.3.4 IAEG members should also be invited to define the complementarities between their agencies’ aims and objectives for the development of the major events sector and the strategic positioning of the Fund. This needs to form part of the strategic reporting by the IAEG to Ministers.
- 3.3.5 Without an IAEG sign-off on the strategy, responsibility for implementation inevitably reverts to the secretariat and the much smaller reach that it can offer.

3.4 Whole-of-Government Synergies

- 3.4.1 The current operating structure encourages agencies to administer the Fund at arms-length from other government activities, including events activities organised by IAEG member agencies. This is constraining the development of potential synergies across government agencies, and between government and the events sector.
- 3.4.2 The challenge for the IAEG is to build a track record amongst member agencies in using their networks to market the purpose and availability of the

Fund, identify major event opportunities from within their areas, and successfully leverage benefits from supported events.

- 3.4.3 The ideal scenario would be for SPARC, NZTE and MCH to be able to leverage a range of sporting, business development and cultural benefits from similar events or the same event. Incentives need to be made available to the agencies themselves to facilitate such results.
- 3.4.4 Consideration should be given to broadening the remit of the Fund, e.g. to cover the cost to agencies of leveraging an event to provide new and additional net benefits that are beyond their core business. This is an arrangement that has operated successfully for the Cross-departmental Research Pool.

3.5 Conclusions and Recommendations

Through the initial phase of implementation, a number of positive results have flowed from the strategy. Experience suggests, however, that this success has been too dependent on the secretariat.

Alignment of the strategy could be improved, to facilitate greater leadership by the IAEG in implementing the strategy and operating the Fund.

It is recommended that the IAEG be invited to report to government on the future direction of the strategy. Such reporting should:

- Outline how the strategy could be aligned more effectively to the strategic objectives of IAEG agencies;
- Develop achievable, medium-term targets for the IAEG including specific portfolio and leverage outcomes. Progress toward these outcomes should be monitored and reported to stakeholder Ministers annually;
- Articulate clearly the roles and responsibilities for the IAEG and the secretariat in working towards strategic outcomes.

It is recommended that the remit of the Fund be broadened to include, for example, agency leverage activities that are net additional but are not 'core business' for the agencies concerned.

What do leverage opportunities look like?

Because of their scale and profile, the opportunity to host international sporting and cultural events provides a platform to celebrate New Zealand society and culture and to showcase relevant business opportunities to a global audience. Events can also facilitate and prioritise broader development opportunities – such as investment in transport infrastructure and energy-efficient technologies – that may facilitate longer-term improvements in living standards. With co-ordinated planning, leverage opportunities generated by events can extend across a wide range of government agencies, community groups and private sector enterprises.

4. Administration of the Major Events Development Fund

In this chapter, consideration is given to the processes established to administer the Fund. We consider the major events funding cycle in several discrete stages – the design of funding applications, the assessment of investment applications, the management of funding support, and the post-event analysis of supported events.

4.1 Stage I: Design of the Funding Application Process

- 4.1.1 The design of the funding application process can have an important bearing on the range of event opportunities that are formally received as investment applications, and on the administrative workload of NZME.
- 4.1.2 Because the Fund is designed to leverage social benefits for the New Zealand community rather than private benefits for event organisers, an increasingly complex application process is likely to result in greater transactions costs to applicants, and so dissuade an increasing pool of event organisers from seeking out funding support. The burden of administrative work falling on NZME is also likely to increase with the size and complexity of the application process.
- 4.1.3 It is thus in the interests of all parties that funding applications address relevant information requirements in the most efficient manner possible.
- 4.1.4 The application process for the Fund has substantial informational requirements that may be prohibitive for some event organisers. In order to be considered for funding, applicants must submit generic application forms, plus supporting documents (e.g. business plan, marketing plan, audited accounts, endorsements etc), plus a completed assessment 'matrix' (providing the IAEG with an assessment of the scale of the event) that requires applicants to submit 67 fields of data across 9 categories.⁸
- 4.1.5 Given the size and purpose of the grants disbursed, a more simplified and streamlined application process may be appropriate. The IAEG has discussed at various times the possibility of moving to a two-tier application process; such a change is endorsed by this evaluation. The Marsden Fund, administered by the Royal Society of New Zealand, provides a funding application model that could be adapted for the major events context.
- 4.1.6 Applicants to the Marsden Fund encounter a two-stage process. Initially, applicants are required to submit short summary applications which are considered at once by a committee. Thereafter, certain applicants are invited to make a fuller, more detailed application. These are then ranked, according to their fit with the objectives of the fund, and supported accordingly.
- 4.1.7 A similar model would allow the IAEG to identify both clearly-unsuitable and highly-promising applications at an early stage, allowing the IAEG to focus on

⁸ The 'matrix' is an assessment tool that has been specifically designed to guide the IAEG in taking investment decisions. It is discussed further in section 4.2 and in subsequent chapters of this report.

the strategic fit and leverage prospects of a smaller pool of suitable events. It could also help to reduce the informational requirements for initial applicants and the administrative workload for NZME in assessing funding applications.

4.2 Stage II: Assessing Funding Applications

During the application assessment process, funding decisions are taken by the IAEG which bear directly on the makeup of the major events portfolio, and indirectly on the size and nature of the particular benefits that are leveraged for society. This section focuses on the efficiency of the process through which funding decisions are taken, and on the relevance of the information that is used to guide those decisions.

- 4.2.1 In most cases funding applications are received directly by NZME, who have *de facto* responsibility for their assessment. Where applications are fielded by other agencies, these are forwarded to NZME for assessment.
- 4.2.2 NZME have one full-time events advisor who assesses each application and distils the relevant information into a briefing note, which is circulated to IAEG members prior to their monthly meeting. In many cases, these briefing notes provide much of the event-specific context that the IAEG draw on to take funding decisions, in accordance with broader strategic considerations.
- 4.2.3 Briefing notes are generally between five and ten pages in length and outline an event's background, budget, management and promotion plans, and proposed use of funding. Analysis of the economic, social and cultural and international exposure dynamics of the event is also included, informed by summary outputs of the matrix assessment tool (refer below).
- 4.2.4 We have reviewed more than ten assessment briefs and corresponding full applications, and are satisfied that the assessment briefs capture the important details of the event proposals adequately. However, there is a risk that too much emphasis may be placed on the results of the matrix assessment tool and its summary statistics in guiding funding decisions, without adequate understanding or recognition of the model's assumptions and limitations.

The matrix assessment tool

- 4.2.5 The matrix assessment tool requires applicants to submit a large number of data across a broad range of headings.⁹ These data are fed through a complex input-output / social accounting model to produce forecasts of performance measures that proxy for the Cabinet criteria (refer 2.3.3). A large number of simplifying assumptions are needed to make the underlying model tractable. Consequently, the results of the model are necessarily 'ballpark' figures.
- 4.2.6 Given the limitations of the matrix model, it would be beneficial to incorporate sensitivity analysis of the model's key variables in the summary statistics.

⁹ These include 'economics and job creation', 'participation', 'tourism expectations', 'event spend by spectators', 'social and cultural criteria', 'regional showcase', and 'international exposure criteria'

Sensitivity analysis is valuable because it can highlight specific thresholds for key economic, social and cultural, and international exposure variables and reveal an event's risk profile. It is a standard feature of economic appraisal and is suitable to this context given the nature of the source data.

- 4.2.7 A further risk with the matrix model is its potential to divert attention from the central issue of market failure to the issue of event size. That is, though the matrix is of value in determining whether a given event is likely to be of 'major' status, and hence within the remit of the Fund, it can shed little light on the strength of the rationale for funding.
- 4.2.8 Where events are funded principally based on size of the event, rather than the size and nature of the market failure, there is a risk that sub-optimal funding decisions will be taken. This issue is discussed further in chapter 6.
- 4.2.9 In light of the changes proposed in 4.1.5 above, it may be beneficial for the IAEG to develop a shorter version of the current matrix tool. This would concentrate on a small number of data, and enable initial applications to be completed by applicants and screened by the IAEG in less time. Consideration could be given to retaining a fuller version of the matrix for use at the second stage of the application process.

The balance and composition of the events portfolio

- 4.2.10 The assessment of applications is currently guided by one-third weightings to economic, social and cultural, and international exposure criteria. That is, all events must demonstrate minimum levels of benefits across each of the three broad criteria to be eligible for support.
- 4.2.11 This arrangement reflects a particular interpretation of the major events strategy, which has had implications for the composition and aggregate performance of the event portfolio to date. We suggest that in future, the balance of economic, social and cultural, and international objectives be managed at the portfolio level and not for individual events.
- 4.2.12 This would broaden the menu of investment opportunities available to the IAEG and would allow the high level criteria to be targeted directly. Such conditions are consistent with leveraging the maximum benefits from the amount of funding provided.

The timing of funding decisions

- 4.2.13 The present assessment and funding system operates on a continuous basis, such that events are assessed as soon as they are received. Briefing notes are sent out shortly thereafter, and are reviewed at the next IAEG meeting for which time is available.¹⁰ Under this system, a small number of applications are considered by the IAEG at regular (e.g. monthly) intervals.

¹⁰ Although NZME require applications to be submitted at least 8 months prior to the staging of the event, the turnaround time is usually much shorter.

- 4.2.14 This arrangement is of benefit to event organisers, as it allows applications to be submitted at any point in time, though at the cost to the IAEG of having only limited information available to base investment decisions on. Whenever the IAEG take a decision to provide funding support, they must make an implicit judgement that a better investment opportunity will not arise over the remaining course of the financial year. This arrangement is not consistent with the aim of the Fund to deliver maximum benefits for society.
- 4.2.15 An alternative ‘funding round’ model is used in a number of other jurisdictions, and was envisaged for the Fund in initial policy documents [EDC (04) 122 refers]. Under this arrangement, funding decisions are taken only once or twice per financial year, with consideration given to a much greater pool of investment proposals. Such a framework requires less administrative work, and allows decisions to be taken in the light of all available information – including the opportunity costs of particular funding allocations.
- 4.2.16 It is recommended that the IAEG move to a system of funding rounds in order to streamline the allocation process, improve the information available to guide decision taking, and reduce the amount of time spent by both IAEG members and NZME on administrative matters. Two funding rounds per financial year should provide an appropriate balance between event organiser and IAEG concerns.¹¹

4.3 Stage III: Management of Funding Support

The way in which funding is managed, including the framework for allocating and monitoring funding, can impact on the effectiveness of particular allocations in achieving the objectives of the IAEG. This section briefly addresses these issues.

Funding arrangements

- 4.3.1 The allocation of all financial support is subject to contractual arrangement between the Ministry of Tourism (TMT) and the event organiser. Funding is paid in allotments, subject to event organisers demonstrating their achievement of agreed milestones. The allocation of payments is undertaken by NZME on behalf of the IAEG.
- 4.3.2 We have reviewed a number of contracts and are satisfied with the systems in place for disbursing and managing funding. Contractual processes have clearly been followed and contractual requirements enforced in all cases.

Funding effectiveness

- 4.3.3 The rationale for using direct cash grants as the main policy instrument is questionable in some cases. Where there are issues around the willingness

¹¹ It is acknowledged that provisions may be warranted to allow certain bid opportunities to be considered ad hoc, where these arise between funding rounds.

and/or ability of event organisers to undertake leverage activity, in-kind support may be a more efficient means of producing desired policy outcomes.

- 4.3.4 It is acknowledged that cash grants do provide an incentive for event organisers to work in partnership with government agencies, which is vital for social benefits to be leveraged effectively; however, we consider that a balance leaning more towards in-kind support than is currently the case would be appropriate.
- 4.3.5 There may be limited incentives for event organisers to fulfil/maximise the objectives of the IAEG, given that the 'social good' nature of the leverage opportunities will generally be tangential to their private interests. This risk is greatest where such leverage activity is seen by event organisers as the cost of securing government funding. There is an associated risk of cash being fungible in some cases.
- 4.3.6 Even with the best of intentions, event organisers may lack the expertise and/or resources to effectively leverage economic, social and cultural and international exposure benefits on behalf of the IAEG. This is relevant where a single event manager or small management team is responsible for producing all aspects of an event, as is the case for many major events in New Zealand.
- 4.3.7 An alternative approach would be to channel at least a portion of funding support to outside experts, who may be better placed to work with event organisers to leverage desired social outcomes. The mentoring benefits of expert input and advice for event organisers, and the synergies of a learning-by-doing approach, are consistent with the development of capability, capacity and professionalism in the domestic events industry that are noted in the 2004 Cabinet paper as part of the IAEG's broader sector development mandate.
- 4.3.8 The potential value add of experts and in-kind support is discussed in the context of international exposure leveraging in chapter 7, and in the context of the Conference Assistance Programme (CAP), operated on behalf of the IAEG by Conferences and Incentives New Zealand (CINZ), in chapter 9.

4.4 Stage IV: Post-Event Assessment and Reflection

- 4.4.1 The staging of different types of events in different locations and at different times of the year over the past three years has provided the IAEG with an opportunity to build up an institutional memory on the successes and failures of previous investment decisions. Institutional knowledge can play an important role in helping to shape an optimal portfolio of events over the medium term.
- 4.4.2 Formal ex post reporting can be a very useful input to strategic management if it is integrated into analyses of the portfolio and cross-country issues. At a basic level, it also provides accountability. This section considers the processes in place to collect and utilise ex post event information.

The ex-post collection of event information

- 4.4.3 All grant recipients are required to submit a post-event assessment report to the secretariat. We have reviewed a number of these reports, and have found them to contain information of variable quality.
- 4.4.4 There appears to be scope for the IAEG to make more explicit requests to event organisers for specific information to be provided. The targeting of smaller volumes of more relevant information is likely to reduce both the time spent by event organisers in compiling reports and the time needed by the IAEG to digest their findings.
- 4.4.5 In addition to ex post reports compiled by event organisers, the IAEG has endeavoured to collect ex post information on the economic, social and cultural and international exposure impacts of selected major events. The motivation for this process has been to understand the accuracy of the ex ante matrix tool in forecasting these outcomes, and to develop impact 'ratios' based on average return per dollar invested for different classes of event.
- 4.4.6 We believe the decision to test the accuracy of the ex ante matrix assessment tool is sensible, though we question the development of 'economic impact ratios' as performance indicators. More reliable economic benefit rules of thumb could draw on simple statistics, e.g. the number of foreign visitors at an event, which can be estimated reasonably accurately at relatively lower cost.
- 4.4.7 We suggest that the IAEG consider the key pieces of information that they would require in order to determine ex post whether or not a funding opportunity has been successful, and that such information is specifically required from all event organisers in future.
- 4.4.8 The provision of consistent and concise information may be aided by the development of a simple reporting template that can be distributed to the organisers of supported events for completion.

The use of collected information

- 4.4.9 There does not appear to have been widespread or systematic dissemination within the IAEG of the key information contained in post-event reports.
- 4.4.10 It is important that opportunities are made available for members to reflect on previous events, to foster the development of institutional knowledge and to guide the refinement of a high performing portfolio over time.
- 4.4.11 While there is no reason that funding decisions will be right every time, regular reflection and review are critical elements in the development and achievement of strategic goals over the medium term.
- 4.4.12 We recommend that a concise ex post reporting template be developed for event organisers to complete, and that post-event reports be explicitly considered by the IAEG on a regular basis.

4.5 Conclusions and Recommendations

- 4.5.1 To ensure that suitable investment opportunities are identified by the IAEG, and to reduce the associated transactions costs to event organisers and to NZME, it is recommended that a simplified, two-tiered application process be developed. The Marsden Fund, administered by the Royal Society of New Zealand, may provide a suitable model for the IAEG to adapt.
- 4.5.2 It is recommended that the use of the matrix in the application assessment process be revised in line with suggested revisions to the application process. IAEG members may also benefit from a session to increase their familiarity with the working of the revised matrix assessment model.
- 4.5.3 It is recommended that the management of the funding criteria occur at the portfolio level and not for individual events. This would allow a broader range of events to be considered for support, in order to improve the overall performance of the major events portfolio.
- 4.5.4 With regard to the timing of funding allocation decisions, it is recommended that the IAEG cease allocating funding on a continuous basis and move to a small number of funding rounds per financial year. Funding rounds have the advantage of allowing decisions to be taken in light of opportunity costs, and reduce the administrative burden on NZME in assessing applications and producing briefing notes for the IAEG. They also leave more time for the IAEG to spend on strategic leadership and brokerage matters.
- 4.5.5 It is suggested that alternatives to cash grants be considered in some cases. The use of in-kind support and the provision of experts to leverage specific types of social benefits are likely to produce greater additionality in some cases. The option to allocate direct cash grants could be retained where that was seen as a more appropriate mechanism.
- 4.5.6 We suggest that ex post informational requirements be simplified, to improve the consistency and relevance of the information conveyed back to the IAEG by event organisers. As part of this measure, it is recommended that a short reporting template be developed for completion by event organisers.
- 4.5.7 The accumulation of institutional knowledge would be improved by making more regular and more explicit reflection on past funding experiences. This information can facilitate improved decision making over time.

5. The Major Events Portfolio

In this chapter, the development of the major events portfolio to date is considered, in light of the objectives of the major events strategy. The purpose of this chapter is to discern any trends in the profile of supported events, reflect of their fit with the intention of the policy, and consider the implications for the future operation of the Fund.

Caveat: A number of observations are made regarding the development and composition of the portfolio over time. As these are based on simple descriptive statistics, rather than a detailed analysis, they do not permit value judgements to be made.¹² In some areas, the analysis offers a starting point for establishing appropriate strategic targets for the development of the portfolio, such as the balance to be struck between 'grow', 'attract' and 'retain' objectives, for example (see section 5.3).

5.1 Composition of the Portfolio

5.1.1 Table 5.1.1 reports the number of funding applications considered by the IAEG in the financial years 2004/05 – 2006/07. The number of applications received each year has been roughly constant; however the proportion of events receiving support has declined in each period.

Table 5.1.1 Applications to the Major Events Development Fund

Year	Applications received	Events Supported	Events Declined
2004/2005	21	15	6
2005/2006	25	15	10
2006/2007	21	11	10
Total	67	41	26

5.1.2 The total number of applications received is disaggregated in Table 5.1.2 by event type.¹³ The data reveal that a higher number of applications have been received from sporting events than cultural events in all years.

Table 5.1.2 Applications to the Major Events Development Fund by Event Type

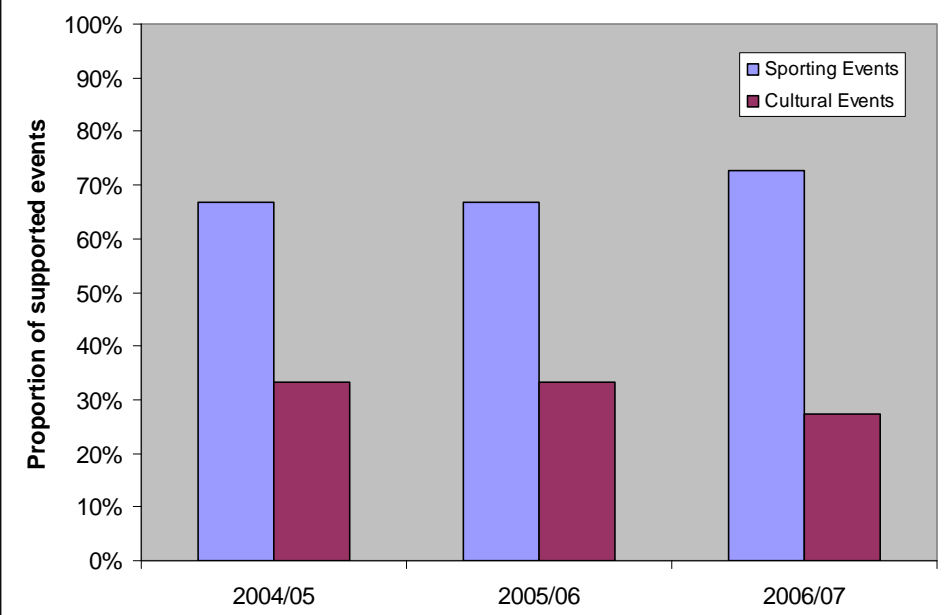
Year	Sport Events			Cultural Events		
	Number of Applications	Supported	Declined	Number of Applications	Supported	Declined
2004/2005	14	10	4	7	5	2
2005/2006	17	10	7	8	5	3
2006/2007	14	8	6	7	3	4
Total	45	28	17	22	13	9

¹² Once the evaluation had commenced, it became apparent that no profiling information had been collected on the state of the domestic events industry. Thus, it has not been possible to determine the extent of the impacts that the Fund has had on the composition of the industry.

¹³ A distinction has been made between events with a predominantly sporting focus and events with a predominantly cultural focus. In reality, most supported events have several dimensions to them and sit along a continuum, however it has been necessary to make arbitrary distinctions between types of events in order to analyse the development of the portfolio from a high level perspective.

5.1.3 Table 5.1.2 indicates that in total, 28 sporting events have been supported versus a total of 13 cultural events. This represents a roughly 70:30 weighting of sporting events to cultural events in the portfolio. Figure 5.1 tracks the composition of the events portfolio on an annual basis.

Figure 5.1 Annual breakdown of portfolio by event type



5.1.4 Figure 5.1 indicates that the ratio of sporting events to cultural events has been roughly constant in each period. That a greater number of sporting events than cultural events have been added to the portfolio in each period may indicate one or more of the following:

- That the majority of major events organised in New Zealand are sporting in nature;
- That the type of benefits generated by sporting events are, in general, more aligned to the broad range of economic, social and cultural, and international exposure benefits established in the Fund criteria;
- Greater advocacy on the part of sporting agencies in actively seeking out major event opportunities for support.

5.1.5 It is likely that all three factors identified above have contributed to the observed pattern of supported events. There is insufficient data to address this matter directly.

5.2 The Allocation of Funding

5.2.1 Table 5.2.1 reports on the breakdown of funding allocated to sporting and cultural events in each financial year.

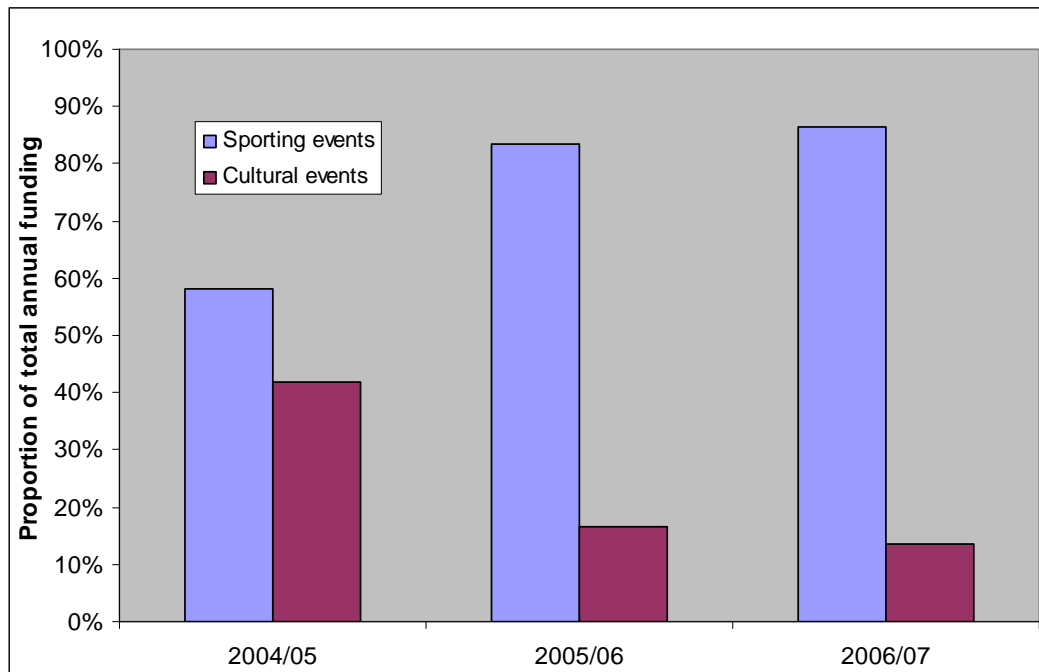
Table 5.2.1 Allocation of funding support by event type¹⁴

	Total Funding for Sporting Events	Total Funding for Cultural Events	Average Grant: Sporting Events	Average Grant: Cultural Events
2004/05	\$1,360,000	\$982,500	\$136,000	\$196,500
2005/06	\$3,282,000	\$655,000	\$328,200	\$131,000
2006/07	\$2,366,236	\$375,000	\$295,780	\$125,000
Overall	\$7,008,236	\$2,012,500	\$253,327	\$150,833

5.2.2 Substantially more money has gone into sporting events than cultural events in every year. More than \$9 million has been allocated in total, at a ratio of 80:20 in favour of sporting events.

5.2.3 The annual allocation of funding to sporting and cultural events is presented in Figure 5.2 below.

Figure 5.2 Annual allocation of funding to sporting and cultural events



5.2.4 The proportion of funding allocated to sporting events shown in Figure 5.2 exceeds the proportion of sporting events in the portfolio. This reflects the fact that funding for sporting events has exceeded, on average, the funding allocated to cultural events. We can also note that this gap has widened over time.

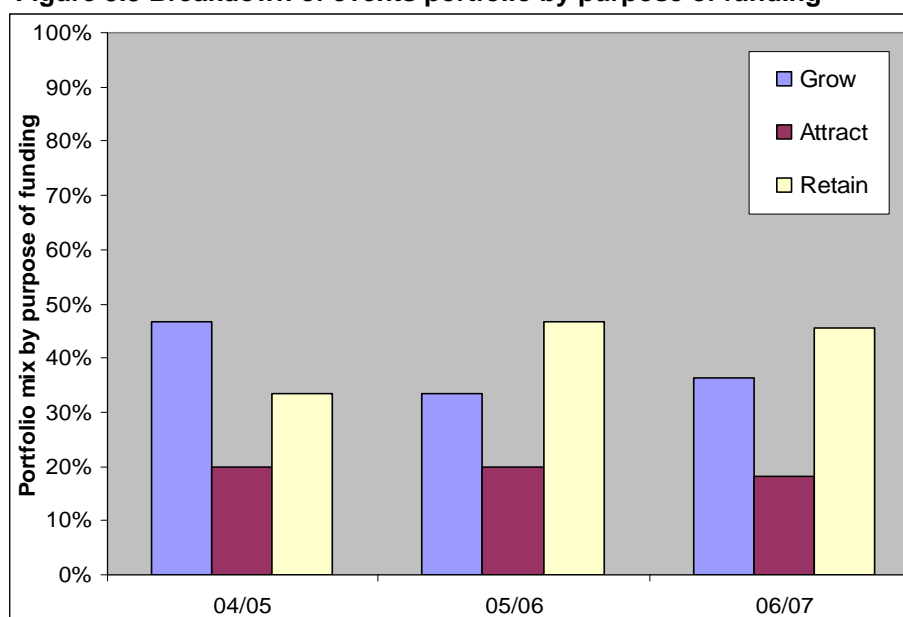
5.2.5 Further research on the profile of the events industry would be needed to understand the possible implications of this finding.

¹⁴ Totals are approximate, include GST, and reflect the period during which funding was approved rather than the period in which events occurred.

5.3 The Purpose of Funding

- 5.3.1 We have considered the distribution of funding across events according to the major event strategy's 'grow', 'attract' and 'retain' objectives. The composition of the portfolio by purpose of funding is presented in figure 5.3 below; decomposing the total allocation of funding reveals a qualitatively similar pattern.

Figure 5.3 Breakdown of events portfolio by purpose of funding



- 5.3.2 The results imply that 'retain' is still a dominant purpose of major events funding. A question arises around the relatively minor number of events in the 'attract' category, which is reflective of broader questions for the IAEG (not considered in this evaluation) around where 'attract' should sit as an ambition and policy aim. 'Attract' funding can require multi-year commitments due to the long lead times from initial bidding commitment to the timing of the event itself.
- 5.3.3 The findings also raise questions around the relative importance of events in the 'grow' category to the composition of the portfolio, as well as broader questions concerning the group's interpretation of 'grow'. Currently, 'grow' appears to be based on leverage activity associated with existing major events, rather than the development of regional events into new major events. A broadening of focus towards the latter interpretation may reveal further 'low hanging fruit' that could be leveraged.

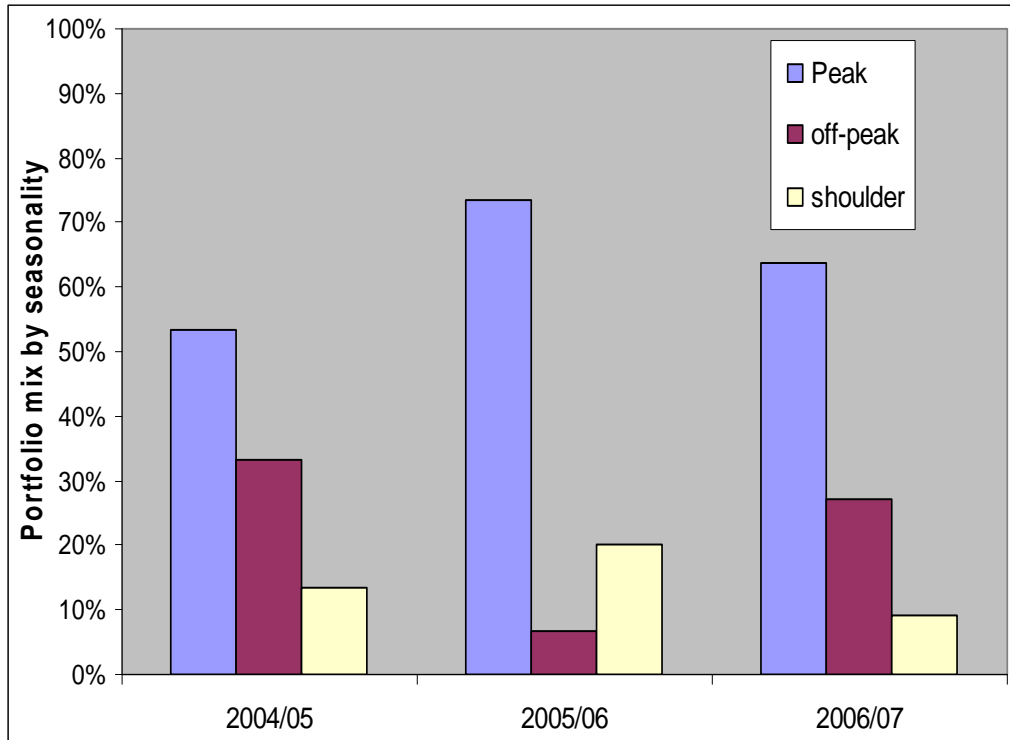
5.4 Seasonality Objectives

- 5.4.1 Original policy documents note a role for the Fund in managing the spread of events across the year, to smooth the flow of tourists across peak, off-peak

and shoulder tourist seasons.¹⁵ This was intended to make best use of existing infrastructure and avoid crowding out during peak periods.

5.4.3 The seasonality of supported events is considered in Table 5.4 below. The data indicate a dominance of peak season events in the portfolio over shoulder and off-peak events.

Figure 5.4 Breakdown of events portfolio by season of event



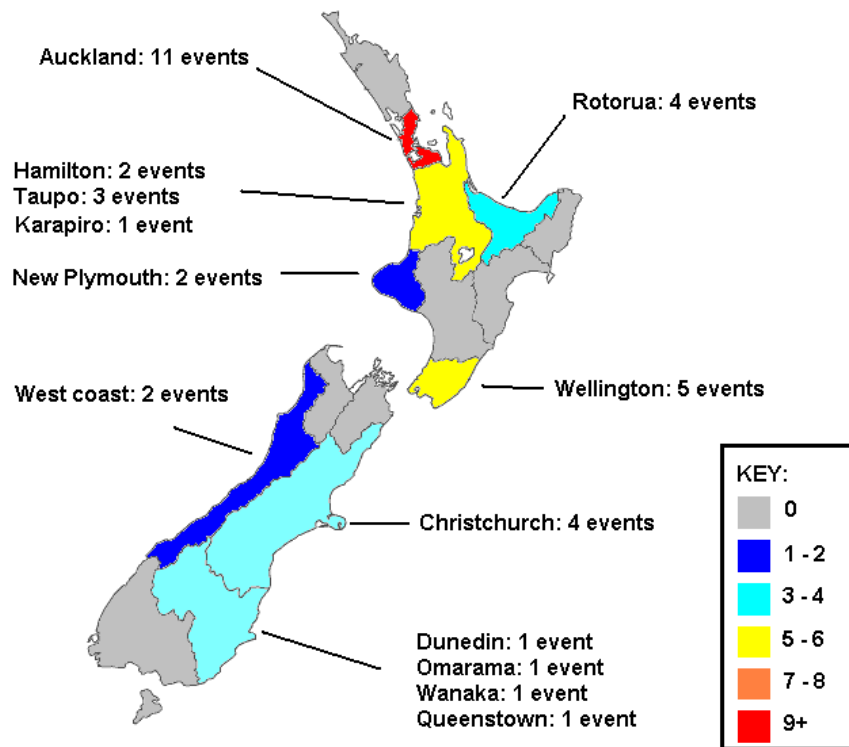
5.4.4 The dominance of peak season events in the portfolio may not be surprising, given the more agreeable weather patterns and heightened visitation that are associated with the 'peak' summer months in New Zealand. We do not have sufficient information to determine whether this seasonal distribution is reflective of the broader events industry in New Zealand.

5.5 Regional Distribution of Events

5.5.1 Figure 5.5 considers the regional distribution of events over time. The figure reveals that the regional spread of supported events to date has been roughly proportional to the spread of the population and the availability of suitable infrastructure.

¹⁵ In the context of tourism objectives 'peak' season is considered to extend from November to March, with October and April considered 'shoulder' months and the May to September period considered 'off peak'.

REGIONAL DISTRIBUTION OF EVENTS 2004/05 - 2006/07



What is a major event?

Major events are variously defined in the academic and trade literature according to a number of characteristics and criteria. The New Zealand major events industry appears to be substantially 'lumpier' than in other jurisdictions, with a relatively smaller population of relatively more diffuse events. It is important that the IAEG continue to acknowledge the distinct profile of the domestic industry, and allocate support to events on the basis of their potential to generate a broad array of social net benefits, rather than judging events on their fit with an arbitrary set of parameters.

5.6 Conclusions and Recommendations

- 5.6.1 This chapter has attempted to analyse the development of the portfolio over time, in light of the intentions of the strategy. However, as no information has been collected to date on the nature of the domestic industry, it has not been possible to make any value judgements about observed patterns of funding or potential industry impacts.
- 5.6.2 It is recommended that the IAEG look to gather basic data on the profile of the industry in the near future, in order to provide some information to guide the allocation of funding according to strategic factors. The collection of such information – to improve the IAEG's understanding of the domestic industry events – was identified in the 2004 cabinet paper as one of 10 core areas for government to better engage and influence the industry.

- 5.6.3 The collected information should allow the IAEG to manage the composition and performance of the portfolio on an on-going basis. 'Baseline' information is needed to assess the impact of the programme on the domestic industry over time.

6. The Economic Benefits of Major Events

The notion that major events may serve as catalysts for economic development is an important, often primary, reason that governments are willing to provide subsidies to event organisers. Estimation and evaluation of the net economic benefits produced by major events is important, particularly where government support schemes are funded from economic development Votes.

This chapter reviews the framework implemented by the IAEG to appraise the economic returns generated by major event investments. Several case studies are considered.

6.1 *Measuring the Economic Benefits of Major Events*

- 6.1.1 We have considered the frameworks that IAEG have developed for appraising the economic returns generated by major event support. Overall, we are satisfied with the practicality of the matrix assessment tool (see 6.1.3), the consistency of its implementation, and the practice of reconciling ex ante economic forecasts with ex post assessments.
- 6.1.2 We have, however, identified several aspects of the overall assessment process that may benefit from modification, in order to provide the IAEG with more accurate information to guide decision making. These concern analytical perspective, long run benefit streams, additionality, treatment of risk, and distributional considerations.

Analytical Perspective

- 6.1.3 The matrix assessment tool used by the IAEG is a form of economic model based on Economic Impact Assessment (EIA). The model traces the flow-on effects of event-related expenditure as it circulates through an economy, in order to estimate the total contribution to GDP that an event may generate. EIA is frequently used by local authorities in New Zealand and abroad as a project appraisal tool, and is also used as an ex post tool by the IAEG.
- 6.1.4 Because EIA estimates the total amount that an event may contribute to gross output, it can serve a useful purpose for IAEG in identifying whether an event is of sufficient 'size' to be considered for support.¹⁶ However, the assessment of economic benefits produced by major events should be guided by net economic benefit considerations rather than estimated changes in output. This requires that Cost-Benefit Analysis (CBA) be used to appraise investment opportunities.
- 6.1.5 CBA is an appraisal tool that takes account of all benefits and costs arising from a given policy action, including the opportunity cost of the resources

¹⁶ As noted in chapter 2, the 'size' of an event is a necessary, but not sufficient, condition for funding support. The latter should be guided primarily by the strength and presence of market failure.

involved.¹⁷ CBA calculates how much better off society is from allocating resources to a major event rather than allocating those resources to their next-best alternative use. It is aligned to the perspective of central government in determining whether a given activity is an efficient use of resources.

- 6.1.6 We recommend IAEG use net economic benefit, derived through a CBA framework, as the principal economic performance measure for guiding the allocation of funding. This is in line with programmes for event support in Canada (Sport Canada) and Australia (A.C.T. Chief Minister's Department and Victoria Major Events Corporation), and is supported by the recent academic literature (see Kesenne, 2005; Dwyer *et al.*, 2005a, 2005b; Crompton, 2006).
- 6.1.7 Commensurate with the scale of the Fund, an appropriate CBA framework should build on the existing EIA model to take account of all monetary and non-monetary costs and benefits likely to arise from a proposed investment opportunity. Such a framework can be developed largely using existing data and implemented with minimal transactions costs to the IAEG. Examples are provided and contrasted with EIA results in sections 6.2 and 6.3 below.

Major events as a source of long run economic benefits

- 6.1.8 Some critics argue that major events generate long term benefit streams for host economies, and that it is these benefits which make major events economically worthwhile investments. They also point out that EIA and CBA are not suitable for capturing these benefit streams, given the event-centric focus of both approaches.
- 6.1.9 In general, major events might provide long run benefits to their host economies by catalysing capital works projects and/or by altering the composition of output towards higher value goods and services. In our opinion, however, neither channel is likely to substantially enhance the economic rationale for major events support in New Zealand. To the extent that these outcomes are explicit policy ambitions, major events are unlikely to be an efficient policy instrument.
- 6.1.10 While it is possible that major events may catalyse selected infrastructure investments that provide marginal net benefits to society, the potential pool of capital stock improvements should not be overstated. Capital works which are unambiguously beneficial will (or should) generally go ahead whether major events are hosted or not, hence the number of projects at the margin – those that become economically viable on the back of major events – is likely to be small.
- 6.1.11 The notion that major events may lead to sustained changes in the composition of demand for New Zealand's goods and services is also difficult to reconcile with observed patterns of behaviour. In a more or less full

¹⁷ Opportunity costs reflect the value of goods and services that must be given up in order to produce an event.

employment economy, this would require greater demand in sectors with a relatively higher domestic component of value added. In the case of major events, however, heightened demand is usually felt most heavily in sectors such as hospitality and retail that are not, by and large, considered drivers of high wage, high value added employment opportunities.

- 6.1.12 Alternatively, some may point to the development of the New Zealand marine industry in the wake of the first America's Cup defence as an example of broader business development opportunities arising from major events. While it is possible that the America's Cup may have fostered international interest in New Zealand's boatbuilding industry earlier than might otherwise have occurred, this is not to say that no development would have occurred in the absence of the America's Cup.¹⁸
- 6.1.13 The empirical literature provides little support for the notion that major events provide long term economic benefits.¹⁹ Jones (2005) points out that the types of investments catalysed by the hosting of major events are not consistent with the generally accepted causes of economic development, such as innovation and research and development.
- 6.1.14 Szymanski (2002) finds negative and significant effects on growth for countries that have hosted the football World Cup, but argues that major events should be viewed as either investment in host promotion or a form of public consumption which represent rewards for past efforts. The promotional dimension of major events is considered in chapter 7.

Additionality

- 6.1.15 The estimation of return on investment values can be difficult, given the partial funding arrangement that typifies the IAEG's investment in major events. However, it is important that the underlying return is estimated. Previous work has used proxy measures that conveyed misleading information to stakeholders, and should be discontinued.
- 6.1.16 It appears that estimates of total economic impact have been used in some instances as a proxy for the net economic benefit attributable to government's investment. This is likely to overestimate the underlying return on investment substantially, as it fails to distinguish between benefits and costs, takes no account of crowding out of existing activity, and implies that no event would have occurred in the absence of government support.
- 6.1.17 In general, the return on investment should be calculated as the *additional* economic benefits that are specifically attributable to government's

¹⁸ It would also be wrong to ignore the influence of other factors, such as exchange rate movements, on observed sector outcomes.

¹⁹ A substantial volume of research has examined the effect of sports teams, events and stadia on regional and national economies, and generally fails to find a statistically significant effect on economic growth. Recent studies include Coates and Humphreys (1999; 2003), Szymanski (2002), Matheson and Baade (2006), Maennig (2007) and Siegfried and Zimbalist (2006).

investment, less the *additional* economic costs that the investment imposes on society, as a function of the sum invested.

- 6.1.18 It is recommended that the IAEG liaise with MED officials to develop a method for estimating the return on investment generated by the IAEG's support. The resulting measure should strike a balance between ease of use and relevance of output that provides stakeholders with accurate information. A pragmatic estimation method is presented in section 3 of this chapter (see 6.3.12 – 6.3.18).

Risk

- 6.1.19 The results of several ex post economic impact studies commissioned by the IAEG have indicated that forecast economic impacts often exceed the economic impacts that are observed in practice. This finding is consistent with much of the academic and trade literature, and reflects a tendency to over-estimate the volume of *additional* activity that a given event will generate.
- 6.1.20 It is also possible for exogenous factors such as unfavourable weather, exchange rate volatility, and the timing of similar events to have unforeseen impacts on the level of additional expenditure that eventuates.
- 6.1.21 In order to mitigate the risk of adverse results arising, it would be beneficial for IAEG to incorporate sensitivity analysis explicitly into ex ante estimates of net economic benefit.
- 6.1.22 Sensitivity analysis is a common feature in economic and financial appraisal, which allows decision makers to ascertain how robust the estimated net result is to changes in key variables and key assumptions. This is done by estimating the net economic benefit under a range of plausible scenarios, with the value of key variables repeatedly adjusted to reflect the full range of possible outcomes, from 'best case' to 'worst case'.
- 6.1.23 It is recommended that the IAEG liaise with MED officials to develop and embed a sensitivity analysis framework within their assessment process. This can be done relatively simply and will allow IAEG to be less dependent on economic estimates provided by applicants. It will also enable IAEG to understand the dynamics of each event better, and plan leverage activities accordingly.

Distributional considerations

- 6.1.24 Major event subsidies are a redistribution of income from taxpayers to specific groups and individuals in society. It is important to take account of the distributional effects that arise, to assess which groups in society are gaining and losing, and by how much. This is relevant even where events make net positive contributions to social welfare.
- 6.1.25 CBA is an adequate framework with which to address the equity implications of projected events, as it breaks down the benefit streams accruing to different

elements of society. Where projected benefit streams are likely to have significant impacts on particular groups, this should be noted and managed accordingly.

Suggested Actions

6.1.26 The issues identified in this section are intended to improve the information available to the IAEG on economic benefits associated with investment opportunities. The key actions proposed are:

- Adopt a Cost-Benefit Analysis (CBA) framework to estimate the net economic benefits arising from major event opportunities;
- Consider the *additionality* of government's investment when estimating and reporting returns on investment;
- Make use of sensitivity analysis within the framework for economic appraisal, in order to have an improved understanding of the dynamics of events and better information for planning leverage activities;
- Take account of the distributional implications of proposed funding options more explicitly.

The IAEG should liaise with MED officials to refine the assessment process in light of these recommendations.

6.2 Empirical Framework

6.2.1 In this section, we address perspective, additionality and sensitivity analysis in a CBA framework using events considered by the IAEG as case studies.

6.2.2 As this evaluation has sought to provide an initial indication of the Fund's effectiveness, we have estimated the net economic benefits produced by selected major events, and the return that is specifically attributable to government's investment in them.

6.2.3 Because government only partially funds the total cost of producing events, it would not, generally speaking, be correct to attribute all of the net economic benefit to government. The return on investment will depend in part on whether the funding is allocated on a 'grow', 'attract' or 'retain' basis (refer chapter 2 and section 6.3.12).

Selected events

6.2.4 The four events considered are:

- 2006 New Zealand Golf Open (NZGO 2006)
- 2006 World Mountain Bike Championships (UCI WC 2006)
- 2007 X*Air Games (X*Air 2007)
- 2007 Auckland Cup Week (Akld Cup 2007)

- 6.2.5 The 89th New Zealand Golf Open was held at Gulf Harbour in Whangaparaoa, north of Auckland, in November 2006. The event is owned by New Zealand Golf, but co-sanctioned with the Australasian and European professional golfing tours. This resulted in a number of professionals from those tours travelling to New Zealand to participate.
- 6.2.6 The 2006 Mountain Bike and Trials World Championships were held at Mt Ngongotaha, Rotorua, during August. The world champs are an international event, being owned and organised by the International Cycling Union (UCI) and involving participants, media and spectators from 36 countries. The championships are held on an annual basis and hosted by a different country each year.
- 6.2.7 The X*Air Games is an annual extreme sports entertainment event based around skateboarding, inline skating, BMX and motor cross competitions. The games are owned and organised by a New Zealand group who have managed the games since their inception. Previously based in Hamilton, the games now occur in Wellington, and attract extreme sports athletes from New Zealand and abroad.
- 6.2.8 The Auckland Cup Week is a week-long horse racing carnival designed around the Derby and the Auckland Cup, two well established New Zealand races. Auckland Cup Week 2007 was only the second occasion of the repackaged event, which seeks to grow the profile of racing in New Zealand in the fashion of the Melbourne Cup.
- 6.2.9 These events were chosen because primary data were available on key variables. The collection of data was instigated by the IAEG as an input to the research noted in 4.4.5.

Method and assumptions

6.2.10 The following streams of benefits and costs have been considered to derive estimates of net economic benefit, and to guide the attribution of additionality to government’s investment. They are described further below.

Producer’s surplus Consumers’ surplus Community surplus Business surplus Labour surplus
Net Benefit

6.2.11 Producer’s surplus captures the private benefits arising for the event promoter, net of the private costs of staging the event. This is the total value of direct financial revenues – primarily ticket, broadcast and sponsorship revenues – less the direct costs of staging the event.

Data on event revenues and costs have been taken from budget forecasts provided to the IAEG directly by applicants.

- 6.2.12 Consumers' surplus is a measure of the extent to which New Zealanders attending major events receive benefits from consumption in excess of the entry fee.
- 6.2.13 Values for consumers' surplus are usually established through the estimation of a demand function, using contingent valuation methods. As this information was not available to the evaluation for any of the case studies, we have utilised a base value of 10 percent of ticket revenue, multiplied by the domestic proportion of attendees, as a proxy measure of consumers' surplus. We have then subjected the base value to sensitivity analysis, to ascertain the effect of this assumption on the calculated net economic benefit. Similar approaches are applied by the ACT Auditor-General's Office (2002) and Victorian Auditor-General (2007) in their recent major event evaluations.
- 6.2.14 Taken together, producer's surplus and consumers' surplus represent the net economic benefit of private agents engaging in a commercial activity. In the case of major events, however, there are also community, business and labour net benefit streams to consider.
- 6.2.15 Community surplus is a broad measure encompassing the third party costs and benefits that major events impose on society. Social costs may include heightened traffic congestion, pollution and noise, as well as the social cost of the major event subsidy associated with the event.²⁰ Events may also require government services such as police and ambulance, which represent a cost to society. On the other hand, social benefits may include heightened social cohesion, international exposure and national pride associated with hosting an event.
- 6.2.16 Social costs and benefits are inherently difficult to measure, and so are often omitted from an economic appraisal. It is our opinion that even where (monetary) estimates of value cannot be established, qualitative information should be retained within the CBA framework to ensure that these are given recognition in the decision making process.
- 6.2.17 Business surplus represents the additional earnings collected by businesses due to heightened tourist expenditure, net of the additional costs of production and the crowding out of existing activity.
- 6.2.18 Business surplus is the main channel through which major events are commonly thought to provide economic benefits to society. It is difficult to accurately measure, and requires an estimate of the marginal cost of inputs as a function of output price. Where markets are assumed to operate without distortion, this proportion is likely to approach a value of one.²¹

²⁰ Major event sponsorship is simply the amount of public funding provided by the IAEG. Though it is a private benefit to the event organiser, it is a redistribution from the perspective of society that has an opportunity cost.

²¹ One form of market distortion is taxation. In general, business surplus is likely to accrue to government through heightened tax receipts, which are included here in the value for business surplus.

However, as events occur over a very short time horizon, it may be possible for heightened demand to be met through existing capacity.

- 6.2.19 We have assumed that input costs account for 80 percent of additional expenditure, net of direct event costs, so that the business surplus per marginal dollar of tourist expenditure is 20 cents. This figure is similar to values used by the Victorian Auditor-General (2007) and the ACT Chief Minister's Department (2005) and assumes that (a) the entire surplus accrues to New Zealand interests, and that (b) all of the extra demand is met from existing capacity. These are both very strong assumptions, which imply the resulting value should be interpreted as an upper bound. These assumptions can be adjusted through sensitivity analysis.
- 6.2.20 Labour surplus reflects the extra income that might arise out of additional tourist expenditure, based on the assumption that some or all of the additional demand can be met from underemployed workers. In reality, it is not likely to be a significant source of benefit given that New Zealand has one of the lowest rates of unemployment in the developed world, and that few employment opportunities created by additional tourist expenditure are likely to be in high wage occupations.
- 6.2.21 For the purposes of this evaluation, we have calculated labour surplus as a function of additional tourist expenditure, multiplied by the proportion of expenditure spent on labour (assumed to be 0.40), the proportion of additional labour sourced from within New Zealand (assumed to be 1.0 for most events), and the proportion of the wage that is surplus to the market rate (assumed to be 0.10). This results in a value for labour surplus of around 4 percent of additional expenditure, where the inclusion of this surplus is deemed appropriate. These assumptions are based on estimates used by Victorian Auditor-General (2007), and are subjected to sensitivity analysis.
- 6.2.22 Data on additional tourist expenditure generated by the four major events is based on survey data collected at each event.
- 6.2.23 We have taken a pragmatic approach to estimate the above benefit streams, given time and resource constraints. However, the analytical framework provides a useful means of assessing government's investment in major events. Similar methods have been used in recent reviews of State-level schemes for supporting major events in Australia, and are used to assess major sporting events seeking government support in Canada.²² The IAEG is encouraged to liaise with MED officials to implement a similar approach.

²² ACT Chief Minister's Office's (2005) 'Summernats 2005: Review and Cost-Benefit Analysis'; ACT Auditor-General's Office (2002) 'V8 Car races in Canberra – Costs and Benefits'; Victorian Auditor-General (2007) 'State Investment in Major Events'. See also Sport Canada, http://www.pch.gc.ca/progs/sc/index_e.cfm.

6.3 Estimated Results of the Four Case Studies

Net economic benefit

- 6.3.1 In Table 6.1 below, estimated values for net economic benefit are presented for each of the four case studies. These estimates are based on the framework presented in the previous section.
- 6.3.2 In addition to the estimates of net economic benefit, the ex ante forecasts and ex post estimates of economic impact are reported. The divergence of the estimated values highlights both the difficulty of forecasting economic impact on a consistent basis, and the tendency for economic impact values to overstate the corresponding value for net economic benefit (NEB).
- 6.3.3 Despite these observations, we note that three of the four events return positive net economic benefits when the base assumptions are invoked. Only the 2006 New Zealand Golf Open resulted in a net economic cost using the proposed CBA framework.

Table 6.1 Comparison of Estimated Net Economic Benefits with Estimated Economic Impacts for Four Major Events

EIA estimates	Source of data	NZGO 2006	UCI WC 2006	X*Air 2007	Akld Cup 2007
Ex Ante estimate (value added)	Matrix assessment tool	\$8,767,000	Not applicable	\$889,000	\$1,907,000
Ex Post estimate (value added)	Consultant's analysis	\$2,716,000	\$21,084,000	\$2,575,000	\$1,719,000
CBA estimates					
Producer Surplus		-\$25,000	\$95,373	\$68,795	\$930,750
Operating revenues	Funding application	\$3,490,000	\$1,790,785	\$2,169,542	\$5,130,000
Operating Costs	Funding application	\$3,515,000	-\$1,695,412	-\$2,100,747	-\$4,199,250
Consumer surplus		\$5,600	\$22,544	\$34,833	\$17,063
Ticket revenue	Estimated value	0.10	0.10	0.10	0.10
Domestic audience	Consultant's analysis / Estimated value	0.80	0.80	0.95	0.96
Community surplus					
Community benefits	Hypothetical examples	Heightened NZ participation	International exposure	Youth engagement	Celebration of NZ racing heritage
Community costs	Hypothetical examples	Traffic congestion	Environmental damage	Closure of park facilities	Traffic congestion
IAEG subsidy	IAEG	-\$250,000	-\$200,000	-\$40,000	\$0
Business Surplus		\$370,062	\$2,757,240	\$416,160	\$269,640
Tourist expenditure	Consultant's analysis	\$1,850,310	\$13,786,200	\$2,080,800	\$1,348,200
Business multiplier	Estimated value	0.2	0.2	0.2	0.2
Labour surplus					\$55,368
Gross expenditure	Consultant's analysis	\$1,850,310	\$13,786,200	\$2,080,800	\$1,348,200
Labour multiplier	Estimated value	0.00	0.00	0.00	0.04
Net economic benefit		-\$49,338	\$2,675,157	\$479,788	\$1,272,821

Notes: 'NZGO 2006' is New Zealand Golf Open; 'UCI WC 2006' is Mountain Biking World Champs; 'X*Air 2007' is X*Air Games; 'Akld Cup 2007' is Auckland Cup Week. Examples listed as community benefits and costs are hypothetical only. Estimates are presented in nominal amounts and have not been discounted for time preference or inflation.

- 6.3.4 The negative result for the Golf Open reflects a lower number of ticket sales being realised than was forecast, particularly to international visitors. This fed through into lower than anticipated values for business and labour surpluses as well as for producer's surplus.
- 6.3.5 Negative results cannot be avoided in all cases, given the possibility for uncontrollable events to impact on tourist numbers. However, the application of sensitivity analysis can provide insights into the likely effect on net economic benefit of various scenarios arising.
- 6.3.6 It is acknowledged that several non-market benefits could have been included within the framework, which would have likely increased the net economic benefit attributed to each event. These pertain to international exposure benefits in particular.
- 6.3.7 As noted in chapter 7, we are not comfortable with the methodology used to establish monetary values for the brand exposure achieved by supported events, and are weary of 'double counting' this and other benefit streams as both an economic and an international exposure, social, or cultural benefit. See also ACT Auditor-General's Office (2002).
- 6.3.8 The results from Table 6.1 indicate the net economic benefit estimated under base case assumptions. In order to gauge the importance of particular assumptions to the calculated net benefit, sensitivity analysis should be conducted on key variables.
- 6.3.9 Table 6.2 below shows the effect of imposing different assumptions about the value for business surplus (comprising assumptions over both the mark up of price over cost and the degree to which tourist expenditure crowds out existing expenditure) on the estimated net economic benefit.
- 6.3.10 A thorough sensitivity analysis would similarly test the further key assumptions, to gain an understanding of the dynamics driving each event. The resulting information can provide valuable insights to leverage planning and the strategic development of a major event portfolio by highlighting strengths and weaknesses of particular opportunities.
- 6.3.11 The 'base case' assumptions about the value of business surplus are denoted in bold in Table 6.2, and indicate that the net economic benefit of the UCI Mountain Bike World Championships is more sensitive to assumptions around business surplus than is the Auckland Cup, for example. This has implications for the degree to which each event is dependent on international visitation to make a positive economic return. Such information may be useful for event planners and the IAEG to have at hand when taking funding decisions.

Table 6.2 Sensitivity of net economic benefit to business surplus assumptions

Sensitivity Analysis: Business surplus					
Mark up	Crowding out	NZGO	Mountain Bike WC	X*Air	Auckland Cup
0.1	0	-\$234,369	\$1,291,537	\$271,708	\$1,116,338
0.1	0.5	-\$326,885	\$602,227	\$167,668	\$1,048,928
0.1	1	-\$419,400	-\$87,083	\$63,628	\$981,518
0.2	0	-\$49,338	\$2,670,157	\$479,788	\$1,272,821
0.2	0.5	-\$234,369	\$1,291,537	\$271,708	\$116,338
0.3	0.5	-\$141,854	\$1,980,847	\$375,748	\$1,183,748
0.3	0	\$135,693	\$4,048,777	\$687,686	\$1,385,978

Return on government investment

- 6.3.12 Accurately estimating the return on government's investment requires an understanding of what would have occurred in the absence of government funding. In most cases, the likely counterfactual would be 'a smaller event' rather than 'no event'; however judging precisely 'how much smaller' the event would have been is difficult.
- 6.3.13 Distinguishing between situations in which funding is used to increase the scale of existing events, and situations where funding is used to sustain events that would not have gone ahead, has important implications for the estimation of return on government's investment.
- 6.3.14 In the case that funding is used to increase the scale of an existing event (i.e. to 'grow' an event), a crude means of estimating the underlying return on investment would be to apportion a share of net economic return to government funding at the ratio of government investment to total cost. Thus, if government funding accounts for 20 percent of total funding, then 20 percent of the net economic benefit should be attributed to government support.
- 6.3.15 Using this formula, the return on investment from the UCI Mountain biking World Champs would be around 60 percent $[(\$200,000/\$1,700,000) \times \$2,700,000]$, suggesting a \$1.60 return for every \$1 invested by government.
- 6.3.16 This figure is much lower than has been claimed at times for government investment in major events, where the total economic impact has erroneously been used to estimate the return on government's investment. Nonetheless it represents a significant premium over the risk-free rate of return.
- 6.3.17 In situations where government funding is used to sustain an event that definitely would not have gone ahead otherwise, there may be some claim to apportion all of the estimated net economic benefit to government's investment.
- 6.3.18 For investment opportunities requiring substantial amounts of funding, or where accurate estimates of return on investment are required, it is

recommended that IAEG liaise with MED officials to consider the specific dynamics of the particular event in question, rather than relying on the above measure.

6.4 Conclusions and Recommendations

- 6.4.1 This chapter has considered the economic framework for assessing major events supported from the Fund, in light of the general dynamics of major events and the findings of the international literature.
- 6.4.2 We have proposed several changes to the economic assessment framework which give a sharper focus to the costs and benefits associated with government investment. This framework is based on readily-testable assumptions and can produce results using existing data provided by grant applicants.
- 6.4.3 We have used several domestic events as case studies of the proposed approach, and are comfortable that this sample is reflective of the wider portfolio. The estimated results imply that most major events do generate positive net economic benefits for New Zealand.
- 6.4.4 It is recommended that IAEG implement the proposed framework to appraise each investment opportunity, including the suggested ideas for dealing with additionality, risk, and distributional considerations. These are important dimensions to the economics of major events in addition to the estimated net economic benefit.

7. The International Exposure Benefits of Major Events

This chapter reviews the framework used to assess the international exposure benefits generated by major events. It considers the means by which progress can be measured, and the available options for achieving policy goals efficiently.

7.1 Assessing the Effectiveness of International Exposure

Major events provide host nations with a platform to achieve substantial media exposure in foreign markets. This exposure can be a valuable tool for strengthening key messages of national promotion and branding, and for extending the reach of those messages to new audiences.

The potential value of major events to New Zealand's international profile has been recognised by the IAEG, and international exposure is an important allocation criterion. In a number of cases, funding support has been granted specifically to strengthen the international profile of events.

The international exposure section of the ex ante matrix assessment tool focuses on events' potential to generate volumes of broadcast and print media coverage in foreign markets. Coverage attained in specific target countries is weighted higher than coverage in other markets.²³ The number of foreign media invited to attend, and the potential for personal, diplomatic and business relationships to be developed, are also considered.

The exposure generated by a number of IAEG-sponsored events has also been assessed ex post using a 'sponsorship media value' method. Under this approach, television coverage is analysed to ascertain the total amount of broadcast time that is given to 'advertising' a particular brand or destination. Similar methods can be used to value event-related exposure in print media.

Based on the type of coverage achieved - from verbal mentions of place names in commentary and screen shots of advertising collateral (including '100% pure NZ' billboards and on-screen text), to images of iconic New Zealand scenery – a dollar value is estimated using the cost of 'equivalent' advertising time as a proxy measure. For exposure in print media, the value of equivalent advertising is calculated on the basis of total print area.

In our opinion, the information that this method produces is not sufficient for assessing the achievement of supported events against the international exposure goals of the major event strategy. This is because:

- The use of commercial advertising rates as a proxy for exposure value assumes that targeted and passive advertising are equally effective (hence equally valuable);

²³ The specific target markets are Australia, Canada, China, Germany, Japan, Singapore, South Korea, Taiwan, the United Kingdom and the United States.

- The method conflates the *process* of increasing brand awareness with the intended *outcomes* of that process, being downstream business and tourism benefits; and
- The method provides estimated exposure values which are free of context – estimated monetary values do not give IAEG any indication of the degree to which an event has more or less fulfilled its potential for international profiling, given what may have been possible.

Similar sentiments have been previously expressed by the Centre for Tourism Research (2001) and the ACT Auditor-General (2002).

In light of these considerations, we commissioned an international media consultancy to assess the *effectiveness* of international exposure achieved by several major New Zealand events.²⁴ In addition to estimating rate card values of coverage in key markets, they were asked to collect qualitative and quantitative information on:

- The awareness of editors across broadcast media in key markets about selected New Zealand major events;
- The influence of our location on international media awareness, by comparing international broadcast media coverage of the A1GP motor race in Taupo with coverage of the Sydney race of the same series;
- Relevant lessons for the IAEG's future activities in this space, based on experience in targeted exposure campaigns undertaken with private sector clients.

The findings of their research inform the assessments made in this chapter.

7.2 The Value of International Media Exposure

- 7.2.1 In this section, the estimated value of exposure achieved by the four events is presented. Our analysis is based on media exposure, although it is acknowledged that international exposure is also achieved through visitation and personal contacts. The estimates presented below were established using a 'rate card' valuation method.
- 7.2.2 The rate card approach is similar to the sponsorship media value approach noted earlier. Exposure values are established based on the amount of screen time an event receives in foreign news bulletins and dedicated screenings. This time is then valued at the cost – or 'rate card' – of securing equivalent advertising coverage.
- 7.2.3 Although the resulting values are subject to the types of caveats listed in 7.1.5, we have decided to present these as a comparator for the qualitative information that is presented in the following sections.

²⁴ These were the 2006 UCI Mountain Biking World Championships, the 2006 World of Wearable Arts, the 2007 X*Air games, and the 2007 Auckland Cup Week festival.

- 7.2.4 The estimated values are presented in Table 7.1 below, based on coverage attained in North America, Europe, Asia and Australia. They reflect pooled values of coverage obtained in all markets, in the form of news items and dedicated programming.

Table 7.1 Rate card value of international media coverage attained by major events

Event Name	Value of Media Exposure
2006 UCI Mountain Bike World Champs	\$1,400,000
2006 World of Wearable Arts	\$76,000
2007 X*Air Games	\$130,000
2007 Auckland Cup Week	\$130,000

- 7.2.5 Underlying these high level estimates, it is noted that only one event secured coverage on a North American network; only two events secured coverage on Asian networks; and none of the events were carried by either Reuters or APTN broadcast news agencies.²⁵ The majority of coverage was obtained in Europe and Australia, and was delivered by the UCI Mountain Biking World Championship.
- 7.2.6 The relative success of the UCI Mountain Biking event in producing international media exposure was driven by the UCI having an in-house team of media professionals who were able to obtain distribution of event coverage through international networks. This infrastructure, which is crucial to an event's ability to generate exposure, is discussed in more detail later in the chapter.
- 7.2.7 The following section presents qualitative information on the media exposure attained by the sample of events, and several observations on alternative means of investing in major events that may facilitate substantially more effective exposure for New Zealand.

7.3 Qualitative Assessments of Media Exposure Effectiveness

- 7.3.1 This section considers several qualitative indicators of effectiveness around major events' international exposure. These are based on discussions with more than 50 broadcast editors from international media organisations.

Awareness and perceptions of key broadcast editors

- 7.3.2 To understand the context in which the coverage of events can generate international exposure, we elicited the awareness of senior international news and broadcast editors about New Zealand as a destination for major events, and about the sample of four major New Zealand events in particular.

²⁵ The global news broadcast market is essentially a duopoly, comprising Reuters and APTN. This has implications for the ability of a given event to reach a broad global audience without securing distribution through these networks.

- 7.3.3 Fifty four broadcasters from North America, Europe and the Asia-Pacific region were contacted and asked the following series of questions:
- i) Have you heard of the UCI Mountain Bike and Trials World Championships in New Zealand?
 - ii) Have you heard of the World of Wearable Arts Awards?
 - iii) Have you heard of the X*Air Games?
 - iv) Have you heard of Auckland Cup Week?
 - v) What sporting and other events do you associate with New Zealand?
 - vi) How do you get your sports and events coverage of New Zealand?
 - vii) How could New Zealand increase international coverage of its events?
- 7.3.4 The results of this survey are presented in appendices III and IV. The findings indicate a lack of awareness about any of the selected events among the broadcasters contacted in China and North America for the period examined, and a lack of awareness about the World of Wearable Arts among broadcasters except for a single agency in Taiwan.
- 7.3.5 Of the 54 broadcasters contacted, 20 had heard of the UCI Mountain Biking event in New Zealand. Of these, nine were from global and regional news broadcasters (e.g. Sky and BBC World) and five were Australian. None of the contacted broadcasters in China, Sweden, Germany, the Netherlands, Finland, Hong Kong or the US had heard of the event.
- 7.3.6 Seven broadcasters had heard of the X*Air games event, though only two were from outside Australia. There was no awareness amongst editors in continental Europe, North America or the Asian countries.
- 7.3.7 12 broadcasters were aware of the Auckland Cup Week racing festival, including all six editors contacted in Australia, two in Hong Kong and one each in Singapore, Taiwan and Thailand. Outside of the Asia-Pacific region, only one editor in Germany registered any awareness of the event.
- 7.3.8 The results of this survey suggest that most of the international exposure arising from coverage of major New Zealand events occurs in Australia, which is already our largest tourist and trading market, and where awareness of New Zealand is already well entrenched. On the other hand, the results suggest that awareness of New Zealand events is very low in the North American and Chinese markets.
- 7.3.9 All of the contacted broadcasters get their coverage from established regional exchanges (e.g. the Asian Broadcast Exchange, ABU, and the European Broadcast Exchange, EBU) or through the established news agencies SNTV and Reuters. None of these global broadcasters have any resources invested in New Zealand, and so are reliant on agencies or third parties to provide them with coverage of events.
- 7.3.10 In our opinion, further resources should be devoted to extending major events' media reach beyond Australia, in order to generate *additional* exposure for New Zealand. Given the lack of other promotion resources invested in the

growing Chinese market, for example, there is a real opportunity to leverage major events-related media exposure to increase awareness of New Zealand in that and other key markets.

- 7.3.11 The contacted editors suggested that event organisers in New Zealand could increase foreign coverage of their events by first contacting them to discuss the event and possible news angles and, second, by distributing coverage of the event directly by satellite or internet file transfer. This outcome could be facilitated within current arrangements by purchasing professional media services directly, rather than channelling Fund allocations tagged for media exposure outcomes through event organisers.
- 7.3.12 Analysis of the coverage given to the Taupo, New Zealand round of the A1 GP vis-à-vis the coverage dedicated to the subsequent round of racing at Sydney, Australia, suggests that New Zealand's relative isolation may impact on coverage of events by foreign media.²⁶ This result reinforces the need for coverage of major events to be well planned in order to achieve good coverage in target markets.
- 7.3.13 The next section presents several case studies of corporate sponsorship campaigns where major events have been used to leverage international brand awareness. These case studies provide a number of insights which may be of value to the IAEG in looking at ways to secure international exposure outcomes more effectively.

7.4 Major Events in Corporate Exposure Campaigns

- 7.4.1 The results of the preceding section suggest that major New Zealand events – particularly those without dedicated media strategies and resources – achieve limited international coverage beyond Australia. The lack of exposure in emerging tourism markets (e.g. China), where the New Zealand brand is least visible, is particularly noteworthy.
- 7.4.2 Given that two television news agencies, Reuters and APTN, control 90 percent of global news and sports production and distribution, the coverage of international events that is available to national and on-line broadcasters is almost entirely dependent on choices made by these agencies. As neither agency has a television bureau in New Zealand, it can be very difficult for domestic stories to achieve international exposure via this approach.
- 7.4.3 To provide guidance to the IAEG on how to use events to effectively market their brand in key offshore markets, we considered the strategies employed by several firms who have successfully used major events to raise the international profile of their products and their brands.

²⁶ Results indicate markedly greater coverage of the Sydney round across analysed television and newspaper networks when compared to the Taupo round of the race. Given the essentially 'identical' nature of the event packages, other than location, this result provides an indication that New Zealand's relative isolation does impact on the degree of events coverage by international media.

Case Study 1: 42 Below's *Cocktail World Cup*

- 7.4.4 For the past three years, 42 Below – a boutique New Zealand producer of super-premium vodka – has organised an international bartending contest in Queenstown dubbed ‘the Cocktail World Cup’.
- 7.4.5 The event has two key business objectives:
- To promote the range of 42 Below brands to distributors, bars and cocktail bar tenders around the world.
 - To create domestic and international media interest in 42 Below, thus providing an opportunity for consumer-focused promotion in the key markets of North America, United Kingdom and greater Europe, China and wider Asia, and Australia and New Zealand.
- 7.4.6 Given the location and nature of the event, viewed as a ‘soft feature’ by media organisations, it was obvious that international broadcasters would not be willing to invest resources in covering it. In order to overcome this barrier, 42 Below have taken a proactive approach in order to generate international media coverage for their event (and hence, their brands).
- 7.4.7 In 2006, 42 Below managed all aspects of the production and distribution of international news and on-line media relations for the event. A series of news packages were produced on location, and media relations teams in London, Sydney and New Zealand contacted as many magazine programme and newsroom broadcasters as necessary via one-to-one telephone interviews.
- 7.4.8 Production was tailored to meet the individual needs of key broadcasters by including interviews with competitors from specific countries. Production packages also contained iconic imagery of Queenstown and its associated adventure sport activities, e.g. bungee jumping, white-water rafting and skiing.
- 7.4.9 The final media package included:
- A 10’ 33” news package covering five days of the Cocktail World Cup 2006 event;
 - A 1’ 20” scripted, voiced item specifically for Sky News in Australia;
 - A Multi Media News Release (MNR) for global distribution.
- 7.4.10 The media relations team contacted broadcasters in a series of one-to-one telephone conversations, as well as by fax and e-mail. The material was distributed via APTN satellite to broadcasters in target countries²⁷; via USA domestic satellite to all broadcasters and affiliates in North America; and an MNR was distributed electronically to 80,000 journalists worldwide. Monitoring of the broadcast uptake was conducted by telephone follow-up, and of the MNR using automated monitoring software.

²⁷ The APTN feed is worldwide but the media relations effort was concentrated on the territories of the UK, USA, China and Australia. APTN also feeds into Reuters and the European Broadcasting Union.

7.4.11 The cost of the 6 day production, distribution and monitoring exercise was NZ\$60,000. The story was used by at least 35 broadcasters in 34 countries, including CCTV in China, as well as a number of pan-country broadcasters, such as Euronews (119 countries) and Al Jazeera. The total estimated audience of the item was in excess of 90 million viewers.

Case Study 2: Standard Chartered Bank's *Greatest Race on Earth*

7.4.12 The 'Greatest Race on Earth' sponsored by Standard Chartered Bank is made up of 4 races held from October to February in Nairobi, Singapore, Mumbai and Hong Kong. Standard Chartered are a major global financial institution with a primary focus on international banking.

7.4.13 The event was created in 2004 and a team of media experts were used to maximize coverage of the event by broadcasters and web channels across key target nations and regions. Coverage was tailored to broadcasters' requirements and carefully planned to bring out the human, individual and team stories behind the event.

7.4.14 The event has three key objectives:

- To ensure a 30% return on investment on the cash invested in promoting and sponsoring the events.
- To secure coverage of the event in all key banking territories, specifically China.
- To empower and raise awareness of the event amongst staff and promote participation in the event.

7.4.15 A three-phase approach to the development and implementation of a news management strategy for the races was implemented.

Phase 1: Focus: Define News Management Plan
Outcome: Detailed news management strategy with clearly defined coverage plans across all target territories.

Actions

- Identify key individual and team competitors;
- define key stories that form the foundation of the news management strategy;
- contact broadcasters in target nations and regions to establish interest and define coverage plans and agreements across all territories.

Phase 2: Focus: Detail coverage and distribution plans
Outcome: Production and global distribution of two news packages at each event and establishment of media pool.

Actions

- Cover each event with two local news crews and two location producers. All technical resource to be sourced in country with

producers moving between locations to give continuity of coverage and editorial control.

- Produce one 10-to-15 minute World News package at each event to coincide with the end of each race.
- Distribute packages across the APTN World News Service and make them available as FTP files from the race web site.
- Offer broadcasters additional country and competitor specific coverage.
- Operate a media pool offering material to local broadcasters and facilities to broadcasters wishing to attend the races from overseas.
- Produce a 3-to-5 minute voiced package on each race for delivery to key staff and customers.
- Support release for news packages with broadcast media relations focused at target broadcasters run out of London and Sydney.

Phase 3: Focus: Monitoring and Analysis
Outcome: Detailed broadcast coverage reports and refinement of news management strategy.

Actions

- All news packages are electronically tagged and usage monitored across all target territories.
- Coverage and impact analysis assessments conducted after each event.
- News management strategy revised after each event based on monitoring results and feedback from individual broadcasters.

7.4.16 As a result of the successful implementation of the full strategy, 145 stations carried the story in their news shows, with a combined audience of 1.3 billion people. The Multi-media news release was distributed to 80,000 broadcasters and generated web site downloads of complete coverage packages.

7.4.17 The event cost US\$ 3 million to organize including prizes and all marketing expenses and generated US\$10 million of coverage for Standard Chartered bank.

Case Study 3: MTV's Annual Music Awards

7.4.18 The MTV Awards are held in a different European Capital every year, and are now one of the highest profile music shows in the world. The event has three key objectives:

- To build the MTV Europe Music Awards into the world's leading music event;
- To secure editorial television usage of the Video News Releases (VNRs) in MTV target countries
- To liaise with, and ensure attendance of, as many national broadcasters from target territories as possible.

- 7.4.19 Media experts provide comprehensive logistical and technical support to all accredited broadcasters, and produce two editorial Video News Releases that provide newsrooms worldwide with images from the event.
- 7.4.20 On location, media experts enable all attending broadcasters to be able to “plug-in” to an exclusive press conference camera. A team of engineers bring all the equipment to site and then make sure all the broadcasters’ needs are catered for. The media experts also take a satellite truck to the event site, set up a live position on the red carpet and co-ordinate a variety of live feeds for attending broadcasters.
- 7.4.21 Filming takes place for two days on location doing preview filming, interviews, and rehearsals, in addition to recording and editing the main show on-site. Editing is done in the shortest time possible, to distribute the Main Show VNR to broadcasters worldwide; the 2006 show finished at 2300 hours and the finished VNR was distributed worldwide just 2 hours thereafter.
- 7.4.22 The media relations team contacts broadcasters in a series of one-to-one telephone conversations, supported by advisories sent to them via fax, e-mail and through the APTN wires to all APTN subscribers. They also make the feed available to non-subscribers by using commercial European satellites and domestic satellites across the USA. All the content generated is also made available simultaneously across key aggregator sites on the internet.
- 7.4.23 The 2006 Awards Show achieved more than 21 hours of coverage across TV stations in all key target territories, with an advertising equivalent media value of US\$4.5 million. The total production cost was NZ\$180,000.

7.5 Conclusions and Recommendations

- 7.5.1 Sponsorship media valuation is an incomplete tool for measuring the effectiveness of media exposure. If it is to be used, the methodology should be transparent, and the coverage obtained in target markets should be explicitly noted.
- 7.5.2 Because of the lack of international broadcasting resources in New Zealand, it can be difficult to generate international coverage of events. Strategically planned media exposure can achieve substantial results, and without requiring prohibitive funding. However, it often requires the input of media experts to effectively leverage and distribute coverage to regional and international media hubs.
- 7.5.3 The results identified in this section indicate the need to develop coverage and stories that will be picked up by the two main news agencies. In turn, this requires media expertise to assist the development and distribution of a quality media package.
- 7.5.4 In order to generate meaningful exposure in markets where awareness of the New Zealand brand is low, in some cases funding support may be more usefully allocated directly to media experts than through event organisers.

8. The Social and Cultural Benefits of Major Events

The purpose of this chapter is to review the IAEG's framework for assessing the social and cultural benefits produced by major events. This includes the ex ante framework for determining which events are best aligned to policy outcomes, and the ex post framework for establishing whether such support has been successful.

8.1 Ex Ante Assessment of Social and Cultural Benefits

- 8.1.1 The inclusion of social and cultural criteria in the major events strategy reflects the popular view that major events can catalyse substantial social and cultural benefits for local, regional and national communities.
- 8.1.2 The social and cultural criteria which are used to guide the allocation of funding are:
- the development and promotion of high achievement for New Zealanders in arts, culture, heritage, sporting and leisure fields;
 - the provision of opportunities for New Zealanders to experience world class events; and
 - the ability of communities to showcase their regions and achievements nationally and internationally.
- 8.1.3 The ex ante assessment of the social and cultural benefits of major event opportunities is primarily done using the matrix assessment tool. Around 20 questions are embedded in the matrix to elicit data from applicants, which are then used to produce an aggregate social and cultural 'score' for each event.
- 8.1.4 The adequacy of the matrix process in determining each event's fit with the Cabinet criteria depends on the quality of the embedded questions as proxy measures of the criteria. It also depends on the degree to which the resulting information can be accurately and consistently coded, in order to produce a series of 'scores' which truly reflect each event's fit with the Cabinet criteria.
- 8.1.5 The nature of the criteria listed above make the implementation of a quantitative assessment framework difficult. This is because the criteria - the latter two in particular - address the potential for major events to facilitate third parties to produce desirable social and cultural outcomes, rather than addressing the production of desired outcomes directly. This perspective is not conducive to assessment in a quantitative framework, as there is nothing tangible that can be measured to indicate whether or not policy objectives have been achieved.
- 8.1.6 It is noted that no method exists for assessing the social and cultural benefits of major events that is widely used in other jurisdictions. Interviews with a range of stakeholders undertaken for this evaluation highlighted a broad range of perspectives on the types of social and cultural benefits produced from major events.

- 8.1.7 The matrix framework is a useful attempt to clarify the social and cultural dimensions of alternative investment options, but there is a risk that subtle, contextual information is lost in the coding process. It is difficult to design questions which can elicit meaningful information about the fit of particular events with the existing criteria.
- 8.1.8 We suggest that the IAEG consider modifying the social and cultural criteria such that visible and measurable outcomes are targeted. This would enable the ex ante assessment of competing events to draw more meaningfully on data captured by the matrix assessment tool.
- 8.1.9 We also suggest that qualitative information be gathered ex ante, in conjunction with the matrix tool. Some other jurisdictions use a qualitative framework to assess events' fit with social and cultural, for example Sport Canada, where applicants to their Hosting Program are required to specify how their event will contribute to each of the specific social and cultural criteria.²⁸
- 8.1.10 A similar process could be a useful addition to the IAEG's existing assessment framework. By asking event organisers to explain how their event contributes to the desired social and cultural outcomes, the IAEG may be better able to reflect on the relative merits of alternative events in fitting with the social and cultural objectives of the strategy.

8.2 Ex Post Assessment of Social and Cultural Benefits

- 8.2.1 The ex post assessment of social and cultural benefits is undertaken by the IAEG on occasion, in the form of qualitative information. This makes reconciliation with quantitative ex ante forecasts difficult, and has not been conducive to a thorough assessment of the performance of the Fund in producing social and cultural benefits over time.
- 8.2.2 If the IAEG were to modify the social and cultural criteria in accordance with 8.1.6, the process of determining ex post whether policy objectives had been met would be made easier and more consistent. This is because of the ease of tracking performance against objectives that are visible and measurable. It would also enable the IAEG to undertake such ex post analyses on a more regular basis, to broaden their understanding on the relative merits of different kinds of events in producing different kinds of social and cultural benefits.
- 8.2.3 By targeting visible and measurable social and cultural outcomes, the IAEG would also have more scope to shift the burden of responsibility onto event organisers to ensure that objectives were met. Under the existing arrangement, given the somewhat intangible nature of the social and cultural objectives, it is difficult for the IAEG to determine how successful particular events have been in meeting the objectives of the strategy. Measurable targets could be embedded in contracts and could lead to improved value for funding.

²⁸ See www.pch.gc.ca/progs/sc/pol/accueil-host/ann-app-01_e.cfm.

8.3 Conclusions and Recommendations

- 8.3.1 Existing social and cultural criteria cannot readily be quantified. This has made accurate estimation of social and cultural benefits ex ante, and quantification against objectives ex post, difficult.
- 8.3.2 It is recommended that the social and cultural criteria be modified to enable measurable objectives to be targeted.
- 8.3.3 It is also recommended that applicants be required ex ante to articulate how their proposal fits with the social and cultural criteria. Such qualitative information can usefully complement data collected through a revised matrix tool, and is in line with the requirements for funding in other jurisdictions.
- 8.3.4 It is recommended that measurable targets be agreed with event organisers, and that the delivery of these objectives is assessed ex post on a regular basis.

Work currently being undertaken by Statistics New Zealand and the Ministry for Culture and Heritage on 'Cultural Indicators for New Zealand' may be a useful input to this process. Consideration should also be given to the government's 'National Identity' priority during this process.

9. Operation of the Conference Assistance Programme

This chapter considers the operation of the Conference Assistance Programme (CAP), a small component of the Fund that focuses exclusively on the international conference sector. The purpose of the CAP is to foster the development of the international conference industry by providing bid support to New Zealand scientific, medical and professional associations seeking to attract international conferences to New Zealand.

9.1 Administration of the CAP

9.1.1 The CAP has been managed on behalf of the IAEG by Conventions and Incentives New Zealand (CINZ), a not-for-profit industry society, since April 2005.

9.1.2 Since July 2005, the CAP has been allocated around \$350,000 from the Fund in each financial year. This funding has been utilised to:

- Develop general materials and information for associations planning conferences in New Zealand;
- Develop specific materials to accompany clients' bid applications (e.g. multimedia presentations, hard-bound bid applications);
- Provide expertise to assist clients to develop and present professional proposals and programmes;
- Provide small cash grants to assist with presentation expenses, including airfares, print and marketing costs, etc;
- Develop New Zealand's international profile as a conference destination, through attendance at international expos and conventions.

9.1.3 As a condition of this funding, CINZ are required to assist a minimum number of clients each year (currently 25). There is also an explicitly targeted success rate of 80 percent (i.e. 20 successful bids).

9.1.4 Quarterly, six-monthly and annual progress reports are provided to IAEG. Findings are conveyed to Ministers through the IAEG reporting process.

9.2 Identifying Conference Opportunities

9.2.1 The CAP is directly marketed throughout New Zealand by CINZ, through regular seminars at universities and institutions. CINZ also leverage the networks of their extended membership to disseminate awareness of the CAP scheme throughout the broader conference community.²⁹ This system is an efficient means of utilising very limited resources to reach as broad an audience as possible.

²⁹ CINZ has around 330 member organisations, spanning all aspects of the conference industry from regional airline and hotel operators to universities and professional conference organisers.

- 9.2.2 Clients are identified by CINZ either directly, through their extensive networks, or are referred from other sources (e.g. region convention bureaux). CINZ work with potential clients from an initial stage to ensure that proposed conferences are viable, and are aligned with the purpose of the CAP scheme. This allows a large proportion of unsuitable conferences to be identified before a formal application is submitted for appraisal.
- 9.2.3 The CAP scheme is heavily subscribed, and CINZ have been successful in meeting their assistance targets in each year. CINZ cite supply constraints, of both human and financial resources, as being the limiting factor in expanding the reach of the scheme.

9.3 *Assessing Funding Applications*

- 9.3.1 Potential clients are required to submit an application outlining the nature of the conference, details of the bid process (including estimated likelihood of success) and the purpose of funding. The data provided in an application are evaluated against the following criteria:
- Size of conference;
 - Delegate demographics;
 - Credentials of NZ society within global body;
 - Type of conference;
 - Alignment with government objectives;
 - Chance of bid succeeding;
 - Timing;
 - Forecast media exposure;
 - Supporting information and other information.
- 9.3.2 These criteria are weighted to derive an aggregate measure that is used in accordance with expert judgement to allocate funding and resources across applications. Though consideration is given to each application's potential to generate international exposure and social and cultural benefits, the potential to generate economic benefits is a prime consideration.
- 9.3.3 The CAP is operated on an ongoing basis, with proposals accepted at all times throughout the year. There is inherent flexibility in the operation of the CAP, given the very long lead time for international conferences and the narrow focus on conference bidding, that allows CINZ to make resource allocation decisions in light of competing bids without requiring a formal funding round process.
- 9.3.5 CINZ target fundamentally strong conference bids that have a likelihood of succeeding, yet require small amounts of funding support and advice to help get them 'across the line'. Applications which fit this profile, and satisfy the criteria under 9.3.1 are favoured.

9.4 Management of Funding

- 9.4.1 Funding is issued in small amounts, and used for specific inputs to the bid process. These include air travel, printing costs and advertising, as well as the cost of experts' time.
- 9.4.2 In the vast majority of cases, CINZ purchase inputs on behalf of the client. This system means that clients seldom receive cash grants, and so the risk of grant fungibility is very low.

9.5 Post-Conference Assessment

- 9.5.1 All supported conference bids are required to produce a post-bid report for CINZ, regardless they are successful in obtaining hosting rights or not.
- 9.5.2 CINZ review all post-conference reports, taking note of key insights, which have helped to build CINZ's institutional knowledge. Key findings and conclusions from these reports are conveyed to the IAEG where appropriate.

9.6 Measuring the Benefits of the CAP scheme

As at June 2007, the CAP has supported 43 medical, scientific and professional conference bids, of which 21 bids have been successful. Of the remainder, 8 bids have been unsuccessful and 14 are yet to be decided. This section considers the economic benefits produced by the CAP and the role of the performance measures noted in 9.1.3 and 9.2.3 in assessing the scheme's performance.

Economic Benefits

- 9.6.1 International conference bids with the potential to generate substantial economic benefits are the main targets of support from the CAP.
- 9.6.2 The estimation of economic benefits arising from CAP support is undertaken for each application, and is based on a simple economic multiplier model that considers the potential spending of conference delegates, their partners, exhibitors and sponsors in the domestic economy.
- 9.6.3 This model does not take account of economic costs, the value-added component of gross spending or the crowding out of existing activity, and so the resulting estimates are likely to overstate the underlying return on investment substantially.
- 9.6.4 Very little empirical work has been undertaken to estimate the net economic benefit of international conference activity in New Zealand. Several studies have considered the economic impact of individual conferences, and found evidence of substantial economic impacts; however these results are subject to the caveats raised in chapter 6 regarding the economic impact methodology.

- 9.6.5 Notwithstanding the dearth of empirical evidence, relatively small hosting costs, a high incidence of high net worth visitors, and the potential for conferences to make use of spare capacity in tourism infrastructure during the 'off-peak' months mean that international conferences are likely to generate positive economic returns for New Zealand.
- 9.6.6 We are confident that the CAP is producing a positive return on investment and would encourage further research into the net economic benefit of government investment in this sector, to inform future funding decisions.

Performance Measures

- 9.6.7 The administration of the CAP is considered against several performance measures. These pertain to the total number of bids assisted, the proportion of bids that are successful, and the potential economic benefits for New Zealand. The use of these measures to gauge the performance of CINZ and/or the CAP must be subjected to careful consideration of several factors.
- 9.6.8 There is a risk in setting a minimum number of 'assists' that CINZ must undertake each year that such a target will act as an incentive to target 'easy' applications, rather than those with the greatest potential for economic benefit. The use of a success ratio is also somewhat spurious, as a 'failure' in the current period can have a positive effect on the likelihood that subsequent bids will successfully win hosting rights.
- 9.6.9 It is also noted that failure to secure hosting rights can arise from a very wide range of internal political factors that are not necessarily connected to the strength of the bid presented. Thus, it would be wrong to attribute responsibility for a particular bid's failure to secure hosting rights to CINZ's involvement, as is implied by the 'success ratio' criteria.
- 9.6.10 The attempt to ensure accountability through performance targets is acknowledged, however it is suggested that the IAEG consider whether alternative measures might better incentivise desired behaviours.

9.7 Conclusions and Recommendations

- 9.7.1 The CAP is a small allocation (~10 percent) of the Fund that is being used to foster the development of the international conference sector. We are satisfied with the current operation of the CAP.
- 9.7.2 The current method for estimating the economic contribution of international conferences is likely to substantially overstate the underlying return on investment, though we are confident that the return is positive. Research into the benefits of international conferences should be encouraged.
- 9.7.3 The design and implementation of performance targets should be reconsidered to account for CINZ's limited ability to affect the allocation of

hosting rights, and to account for the impact of such targets on the incentives facing CINZ in their administration of the CAP.

10. Recommendations

In this chapter, recommendations introduced in previous chapters are presented in a single list.

Intention and Implementation of the Major Events Strategy

(see Chapter 3, pp. 14-17)

- It is recommended that the IAEG be invited to report to Cabinet by February 2008 on the further direction of the major events strategy, in light of experience to date. Such reporting should:
 - Outline how the strategy could be aligned more effectively to the strategic objectives of IAEG agencies;
 - Develop an appropriate set of targets for the IAEG to achieve over the medium term, involving specific portfolio and leverage outcomes. Progress toward these outcomes should be monitored and reported to Ministers annually;
 - Articulate clearly the roles and responsibilities for the IAEG members and the secretariat in working towards strategic outcomes;
 - Clarify the outyear funding required to effectively implement the major event strategy. Where the Fund is involved in bidding to attract new events, outyear funding of up to five years may be needed to support such activity.
- It is recommended that the remit of the Fund be broadened to allow, for example, agencies to access leverage funding, particularly where leverage opportunities exist that are net additional but which are not 'core business' for agencies. It is plausible that other reasons for broadening the remit of the Fund may arise in the process of revising the strategy.

Administration of the Fund

(see Chapter 4, pp. 18-24)

The following recommendations should be implemented by the IAEG by March 2008.

- It is recommended that a simplified, two-tiered application process be developed and implemented, to reduce transactions costs to event organisers and to the IAEG.
- It is recommended that the design and application of the matrix assessment tool be revised in line with suggested revisions to the application process.
- It is recommended that the balance of the funding criteria occur at the portfolio level and not for individual events.
- With regard to the timing of funding allocation decisions, it is recommended that the IAEG cease allocating funding on a continuous basis and move to a small number of funding rounds per financial year.

- It is suggested that alternatives to cash grants be considered in some cases. The use of in-kind support and the provision of experts to leverage specific types of social benefits are likely to produce greater benefits in some cases.
- We suggest that the information required from event organisers ex post be clarified, and a short reporting template be developed to enable the collection of consistent information. The collected information should be regularly disseminated to the IAEG and should inform strategic planning and investment.

The Major Event Portfolio

(see Chapter 5, pp. 25-31)

- It is recommended that the IAEG, in conjunction with NZME staff, continue to broker partnerships with the domestic events sector in order to develop the desired portfolio of events and enhance its capability.
- It is recommended that the IAEG collect basic data on the profile of the domestic events industry, in order to guide the allocation of funding and the management of portfolio composition and performance over time.

The Economic Benefits of Major Events

(see Chapter 6, pp. 32-43)

- It is recommended that the IAEG implement a new framework for appraising the economic performance of major events and major event investments. This requires the IAEG to:
 - adopt a Cost-Benefit Analysis (CBA) framework to estimate the net economic benefits arising from major event opportunities;
 - consider the *additionality* of government's investment when estimating return on investment;
 - make use of sensitivity analysis within the framework for economic appraisal, in order that the dynamics of events can be better understood and leverage activities planned accordingly;
 - take account of the distributional implications of proposed funding options more explicitly.

IAEG should liaise with MED officials to refine the assessment process in light of these recommendations.

The International Exposure Benefits of Major Events

(see Chapter 7, pp. 44-52)

- It is recommended that IAEG cease using sponsorship media valuation to assess investment performance, except in conjunction with other methods. Where used, the methodology should be made transparent, and the coverage obtained in target markets should be explicitly reported.
- It is recommended that the Fund be used, where appropriate, to obtain media expertise directly, rather than delegating responsibility to event organisers. Media expertise can assist with the development and distribution of quality media packages to regional and international media hubs, and in markets where awareness of the New Zealand brand is low.

- The allocation of funding to achieve international exposure should be strategically planned and should take account of the alignment of particular events with targeted audiences and outcomes.

The Social and Cultural Benefits of Major Events

(see Chapter 8, pp. 53-55)

- It is recommended that the social and cultural criteria be modified to enable measurable objectives to be targeted.
- It is recommended that applicants be required ex ante to articulate how their proposal fits with the social and cultural criteria.
- It is recommended that measurable targets be agreed with event organisers, and that the delivery of these objectives is assessed ex post on a regular basis.

Work currently being undertaken by Statistics New Zealand and the Ministry for Culture and Heritage will be a useful input to this process.

Operation of the Conference Assistance Programme

(see Chapter 9, pp. 56-59)

- It is recommended that the operation of the CAP continue in its present form.
- The IAEG and CINZ should undertake some cost-benefit analysis of significant conference support opportunities, to allow better targeting of support.
- The design and implementation of performance targets should be reconsidered in light of CINZ's limited ability to affect the allocation of hosting rights, and to account for the impact of such targets on the incentives facing CINZ in their administration of the CAP.

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Appendices

Appendix I Supported events: September 2004 – June 2007

Period	Event
Events funded during 2004 / 2005 financial year	2005 Coast to Coast multi-sport event
	2005 Applaud Arts Festival
	2005 NZ PGA Golf Championship
	2008 World Gliding Championship bid
	2005 NZ Golf Open
	2005 Auckland Festival AK05
	2005 Rally of New Zealand
	2005 Lions Tour Official Welcome
	2011 Rugby World Cup Feasibility Study
	2005 – 2007 ITU Triathlon World Cup Races
	2005 'Kia Ora San Francisco' Festival of Maori Arts
	2006 UCI Mountain Biking World Champs
	2005 Air New Zealand Fashion Week
	2006 FIM New Zealand MotoGP bid
	2005 Adventure Race World Championship
	2006 NZ International Arts Festival
	2006 NZ PGA Golf Championship
	2005 Ellerslie Flower Show
	2005 Volvo Ocean Race
	2005 World Mountain Running Championship
Events funded during 2005 / 2006 financial year	2008 World Bowls Championship
	2006 XTERRA multi-sport festival
	2006 Warbirds over Wanaka
	2006 International Six Day Enduro motor-cross event
	2006 Auckland Racing Cup Week
	2010 World Rowing Championship bid
	2010 World Rowing Championship
	2011 / 2015 Cricket World Cup bid
	2006 – 2007 NZ Golf Opens
	2006 ITU Triathlon World Cup
	2007 Auckland Festival
	2007 Pinot Noir festival
	2006 A1GP World Cup of Motorsport
	2006 – 2007 Ellerslie Flower Shows
2006 Rally of New Zealand	
2007 Coast to Coast multi-sport event	
Events funded during 2006 / 2007 financial year	2007 Vodafone X*Air extreme sport festival
	2007 – 2008 Queenstown Winter Festivals
	2007 World Netball Championships
	2008 Hamilton V8 Motorsport event
	2010 World Veteran Table Tennis Championship bid
	2009 Winter Games
	2008 World sailing Championship (Olympic classes)

Appendix II Supported conference bids: April 2005 – June 2007

Name of Conference	Bid Status
2008 ISCCP (Colposcopy)	Successful
2009 AOFOG (Gynaecology)	Successful
2010 IAEGE (Engineering Geology)	Successful
2009 7th ISVC (Veterinary)	Unsuccessful
2009 SUBUD (Social)	Successful
2006 PAQS (Surveyors)	Successful
2010 ISSLS (Lumbar Spine)	Successful
2008 RASCC (Agriculture)	Successful
2007 AARES (Agricultural Economics)	Successful
2009 IAHSA (Ageing)	Unsuccessful
2009 ICBC (Biological Control)	Successful
2008 ASUM (Ultrasound)	Successful
2008 IFPRA (Parks & Recreation)	Successful
2007 VLDB (Very Large Databases)	Successful
2007 4th MCHMS (Mayo Clinic)	Successful
2008 AFCI (Cineposium)	Pending June 2007
2007 Rotary International Convention	Unsuccessful
2010 B&BC Convention	Successful
2009 64th IFALPA (Airline Pilots)	Successful
2007 ICSG (School Governance)	Deferred
2009 ISBT (Blood Transfusion)	Unsuccessful
2010 IPVSC (Pig Veterinary)	Unsuccessful
2013 IDFWDC (Diabetes) Phase 1	Pending March 2008
2010 ISERC (Equine Reproduction)	Unsuccessful
2008 ICC (Cartographic)	Successful
2008 SCC (Safe Communities)	Successful
2014 AACA (Anaesthesiologists)	Successful
2009 WECEA (Energy Council)	Successful
2009 SSC (Spatial Sciences)	Unsuccessful
2009 4th ICSSW (School Social Work)	Successful
2008 10th ISBGMO (Biosafety)	Successful
2008 6th IPMC (Performance Management)	Pending (July 07)
2011 WSAVA (Small Animal Veterinary)	Pending (Aug 07)
2011 AOORL (Head & Neck Surgery)	Pending (Nov 07)
2014 IFLA (Library)	Pending (Feb 2008)
2009 IHFC (Handball)	Pending (April 2007)
2011 5th APOTC (Occupational Therapists)	Pending (May 07)
2008 MCC (Mayo Clinic)	Pending (Jun 07)
2009 MCC (Mayo Clinic)	Pending (Sep 07)
2010 IRAC (Reading)	Pending (May 07)
2008 4th GISF (Fishery & Aquatic Sciences)	Unsuccessful
2009 IGCC (Giardia/Cryptosporidium)	Pending (May 2007)
2012 WCCC (Churches of Christ)	Pending (Feb 08)

Appendix III Awareness of NZ events among broadcasters in key markets

Location	Broadcaster	UCI	X*AIR	AKL CUP	WOW
Australia	ABC	yes	no	yes	no
	Channel 7	yes	yes	yes	no
	Channel 9	yes	yes	yes	no
	Channel 10	yes	yes	yes	no
	Sky news	yes	yes	yes	no
	SBS	no	no	yes	no
China	CCTV 5 Sport	no	no	no	no
	CCTV 9 International	no	no	no	no
	CCTV 13 News	no	no	no	no
	Hebei TV	no	no	no	no
	Shanghai TV	no	no	no	no
	Shenzhen TV	no	no	no	no
	Shan Dong	no	no	no	no
	Tianjin TV	no	no	no	no
	Zhejiang TV6	no	no	no	no
Hong Kong	ATV	no	no	yes	no
	Phoenix TV	no	no	no	no
	TVB Xing HE (Jade)	no	no	no	no
	TVB Channel 8 (Pearl)	no	no	yes	no
Singapore	Ch5 (mediacorp)	no	no	no	no
	Ch8 (mediacorp)	no	no	no	no
	Channel News Asia	yes	no	yes	no
Taiwan	Taiwan TV	yes	no	yes	yes
	Formosa TV	yes	no	no	no
	USTV	no	no	no	no
Thailand	Television of Thailand	no	no	no	no
	ITV	yes	no	yes	no
Pan Asia	Al Jazeera International	yes	yes	no	no
Finland	YLE TV1	no	no	no	no
	MTV 3	no	no	no	no
	Nelonen	no	no	no	no
Germany	Deutsche Welle	no	no	no	no
	ZDF	no	no	yes	no
Norway	NRK1	no	no	no	no
	TV2	yes	no	no	no
Netherlands	NOS	no	no	no	no
	RTL	no	no	no	no
Sweden	SVT1	no	no	no	no
	TV4	no	no	no	no
United Kingdom	BBC	yes	yes	no	no
	Channel 4/TWI	yes	yes	no	no
Pan European	BBC World	yes	no	no	no
	Euronews	no	no	no	no
	Eurosport Int'l	yes	no	no	no
	Sky Europe	yes	no	no	no
North America	ESPN	no	no	no	no
	ABC	no	no	no	no
	Fox Sports Network	no	no	no	no
	CBS	no	No	no	no

Notes: Broadcasters were asked 'are you aware of the following major New Zealand events?'; 'UCI' is UCI Mountain Bike World Champs; 'X*Air' is X*Air Games; 'AKL Cup' is Auckland Cup Week; and 'WOW' is World Of Wearable Arts awards.

Appendix IV Awareness and source of coverage for events in New Zealand

Country	Broadcaster	What sporting and other events do you associate with NZ?	Where do you get coverage of NZ events?
Australia	ABC	Rugby, cricket, netball, sailing	SNTV, Reuters
	Ch7	Rugby, Cricket, triathlon, NZ rally	SNTV, Reuters, TVNZ
	Ch9	Rugby, NZ rally cricket, sailing	SNTV, Reuters
	Ch10	Rugby, cricket, rally driving	TV3 Exchange, SNTV
	Skynews	Mainly rugby but all sport really	Own feed
	SBS	Rugby, cricket, netball, sailing	Don't get coverage
China	CCTV 5 Sport	Running, rugby, soccer	Don't get coverage
	CCTV 9 Intl	Golf, motor racing	SNTV, Reuters
	CCTV 13 News	Rugby, sailing	SNTV, Reuters, ABU
	Hebei TV	Soccer	Don't get coverage
	Shanghai TV	Rugby	SNTV, sometimes ABU
	Shenzhen TV	The All Blacks	Don't get coverage
	Shan Dong	None	ABU
	Tianjin TV	Athletics, marathon running	Don't get coverage
	Zhejiang TV6	None	Don't get coverage
Hong Kong	ATV	Rugby, sailing, golf	SNTV, Reuters, CNA
	Phoenix TV	Golf, Rugby sevens, NZ rally	ABU, SNTV
	TVB Xing HE	Rugby, sailing (America's Cup)	SNTV, Reuters, ABU
	TVB Channel 8	Golf, Sailing, soccer	SNTV, Reuters, ABU
Singapore	Ch5	The All Blacks	SNTV, Reuters
	Ch8	Rugby	SNTV, Reuters
	Channel News Asia	Sport - rugby, golf, sailing, athletics, netball.	SNTV, Reuters, ABU
Taiwan	Taiwan TV	Rugby, sailing, rally	SNTV
	Formosa TV	Running, rugby, golf, sailing	SNTV, Reuters
	USTV	Rugby sevens	Agencies
Thailand	Thailand	Sailing, Rugby, rally driving, cricket	Agencies
	ITV	Rugby, sailing, motor racing	SNTV
Pan Asia	Al Jazeera international	Rugby, sailing, golf, motor racing (A1GP) rally, athletics, netball	SNTV, Reuters, own feed
Finland	YLE TV1	None	SNTV, REUTERS
	YLE TV2	None	SNTV, REUTERS
	MTV 3	Sailing, A1GP, Rally	SNTV, EBU
	Nelonen	None	SNTV, Reuters
Germany	ARD	None	SNTV, Reuters, EBU
	Deutsche Welle	Rugby, sailing	SNTV, Reuters
	ZDF	Polo, Football	SNTV
Norway	NRK1	None	SNTV, Reuters, EBU
	NRK2	None	SNTV, Reuters, EBU
	TV2	Cricket	SNTV, EBU
Netherlands	NOS	Rugby	Reuters, EBU
	RTL	Rugby	EBU, independent productions
Sweden	STV1	None	SNTV, EBU
	STV2	None	SNTV, EBU
	TV4	Rugby	SNTV, Reuters, EBU

Country	Broadcaster	What sporting and other events do you associate with NZ?	Where do you get coverage of NZ events?
United Kingdom	BBC	Rugby, Sailing	SNTV, Reuters, EBU, own feed
	ITV	Rugby	Agency feeds
	Channel 4/TWI	Rugby, sailing, cricket§	Agency feeds
Pan European	BBC World	Rugby, cricket, netball, rally, sailing	SNTV, Reuters
	Euronews	Rugby, sailing, golf, cricket	EBU, Reuters, independent production
	Eurosport Int	Rugby, sailing, rally, F1, golf, athletics, extreme sports	SNTV, Reuters, independent productions
	Sky Europe	Football, cricket, rugby, golf, racing	Agency feeds
North America	ESPN	Soccer	SNTV
	ABC	Soccer	ABC feed, ESPN, CNN
	Fox Sports	None	Reuters
	CBS	Sailing	Foreign feed

Notes: 'SNTV' is APTN (Associated Press); 'ABU' is Asian Broadcast Union (regional exchange); 'EBU' is European Broadcast Union (regional exchange); 'CAN' is Channel News Asia.