

# Statement of Proposal

## V8 Supercar Championship Series

(A proposed amendment to the Wellington City Council Long-term Council Community Plan 2003/04)

### 1 Introduction

This *Statement of Proposal*, relating to Wellington City Council's amendment to the Long-term Council Community Plan (LTCCP), is being published so that we can hear the views of the people of Wellington city on our proposal to provide funding for and make arrangements to host a round of the V8 Supercar Championship series in Wellington City, from April 2006.

Under the Local Government Act 2002, Wellington City Council is required to prepare a ten-year LTCCP every three years. Our last LTCCP was adopted in June 2003, for the period 2003/04 to 2012/13. Because the proposal is a significant new activity in Wellington, the Council proposes to amend its LTCCP to make provision for the proposal.

This document contains:

- ⇒ a description of the proposal
- ⇒ the LTCCP amendments relating to the V8 Street Race and consequential amendments to the overall projected financial information
- ⇒ a discussion of the rationale for the proposal
- ⇒ the associated costs and benefits of the proposal
- ⇒ alternative options we considered.

### 2 Have your say

The Wellington City Council is keen to know what you think about the proposal to hold a V8 Supercar street race on Wellington streets in April 2006 and in each of the following 6 years.

Councillors will consider all of the submissions before making decision as to whether it will amend the LTCCP to provide funding and arrangements for the event. If you make a written submission, you also have the opportunity to make an oral submission to the Councillors. We will start hearing oral submissions on 26 April 2005.

Please fill in the attached submission form or make a submission online at [www.Wellington.govt.nz](http://www.Wellington.govt.nz)

Submissions can be sent to:

Street Race consultation  
Freepost WCC  
PO Box 2199  
Wellington

Completed submissions forms can also be emailed to [streetrace@wcc.govt.nz](mailto:streetrace@wcc.govt.nz)

Submissions must be received by 4.00pm Monday 18 April 2005.

### **3 The Proposal**

The proposal is to host the New Zealand leg of the V8 Supercar Championship Series. The event is part of Australasia's premier motorsport series, and Wellington City Council has been approached by the Australian Vee-Eight Supercar Championship Organisation (AVESCO) and the International Management Group (IMG) with a view to submitting a proposal.

The proposal is for Council to negotiate an agreement with a race promoter (IMG or another) and AVESCO, as franchise owner of the V8 Supercar Championship Series to hold a street race each April for seven years, from April 2006. Each race event would be for three consecutive days, from midday Friday to Sunday.

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

#### **3.1 Technical feasibility of a street race circuit in Wellington City**

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

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

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

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

#### **3.2 Commercial Framework**

IMG have proposed the following commercial framework to underpin an agreement with Wellington City Council. (Council would follow a similar non-commercial risk framework with IMG or any other race promoter). Council would be responsible for:

- Building the race track, at an estimated cost of \$6.18 million Capex (Capital expenditure)

- Providing annual funding of \$2 million to IMG for each year the race is held (7 years are proposed)
- Providing a range of ‘in-kind’ support each year, such as road maintenance, traffic management and staff support.

The race promoter would be responsible for:

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

### 3.3 Financial Impact on Council

Under the proposal for Wellington to host the V8 super car race, Wellington City Council’s costs would incorporate: capital costs involved in purchasing and/or building assets; a fixed annual contribution to help run the event; and specific operating costs involved in setting up the street course for the event each year.

The total costs associated with Wellington City Council’s proposal to host the event are forecast to average \$3.95 million for each year of the proposed event. Of these costs, it is forecast that each year an average of \$0.65 million will be funded from external revenue (government grants and external funding agencies) and \$0.8 million from budgets already included in the Draft Annual Plan for this purpose (e.g. marketing and events funds). It is proposed that the balance, being the net impact of capital expenditure funding and annual operating costs, will be funded through rates. This will add an additional \$2.58 million to rates each year for the seven years it is proposed to run the event. This equates to a 1.6% increase in total rates for 2005/06.

Draft operating budget	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average/yr
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total - Annual expenditure</b>	<b>3.980</b>	<b>4.083</b>	<b>4.033</b>	<b>3.980</b>	<b>3.923</b>	<b>3.863</b>	<b>3.798</b>	<b>3.951</b>
<i>Proposed funding:</i>								
<b>Funded from existing projects</b>	<b>0.750</b>	<b>0.900</b>	<b>0.800</b>	<b>0.800</b>	<b>0.800</b>	<b>0.800</b>	<b>0.800</b>	<b>0.807</b>
<b>Total - External revenue</b>	<b>0.650</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>0.607</b>
<b>Total - Annual rates funding requirement</b>	<b>2.580</b>	<b>2.583</b>	<b>2.633</b>	<b>2.580</b>	<b>2.523</b>	<b>2.463</b>	<b>2.398</b>	<b>2.537</b>

The impact of this proposal on overall rates, capital expenditure and borrowings, as identified in the Council’s 2003/04 LTCCP adjusted for subsequent variations contained in the 2004/05 Annual Plan and in the 2005/06 draft Annual Plan (with and without the V8 street race proposal), is detailed below.

### 3.4 Parts of the 2003/04 LTCCP to be amended and financial impacts

The following statement would appear as an amendment in the Key Decisions section of the 2003/04 LTCCP under the heading “New Initiatives since the adoption of the Council Plan 2003/04”:

*“Wellington City proposes to host an annual round of the V8 Supercar Championship series for seven years from April 2006. The event is expected to attract a number of spectators to Wellington from around New Zealand and from overseas to Wellington to attend the event. We have allocated \$2.58 million in 2005/06 (and a similar amount each year for the duration of the event) to host the race over the seven years, with an expected economic return of around \$22.9 million each year in new spending over the same period.”*

This proposal will first impact in the 2005/06 financial year (i.e. the forecast position for year three of the 2003/04 LTCCP). It will continue to impact until 2012/13 (i.e. years four to ten of the LTCCP).

In order to demonstrate the proposed amendments to the forecast financial position for 2005/06 (and subsequent years) in the 2003/04 LTCCP, this document shows the 2003/04 LTCCP figures as varied by the 2004/05 Annual Plan. The reason for this is that decisions made as part of the 2004/05 Annual Plan have altered the 2004/05 budgeted position in the LTCCP and the forecast position for the subsequent years of the LTCCP (i.e. years 3 to 10). It would not give a full picture of the impact of the proposal on Councils position if it were to present the information solely by reference to the 2003/04 LTCCP in isolation from decisions taken after June 2003.

Likewise, the Council has approved further changes as part of its draft 2005/06 Annual Plan (available for public consultation in the middle of April 2005) which will alter the budgeted position in the LTCCP for 2005/06.

Consequently, the financial impacts of the proposal and consequential amendments to the 2003/04 LTCCP are shown by comparing the:

- ⇒ Forecast position in the 2003/04 LTCCP as varied by Council’s decisions in the 2004/05 Annual Plan
- ⇒ Forecast position in the 2005/06 draft Annual Plan, *without* the V8 street race proposal
- ⇒ Forecast position in the 2005/06 draft Annual Plan, *with* the V8 street race proposal.

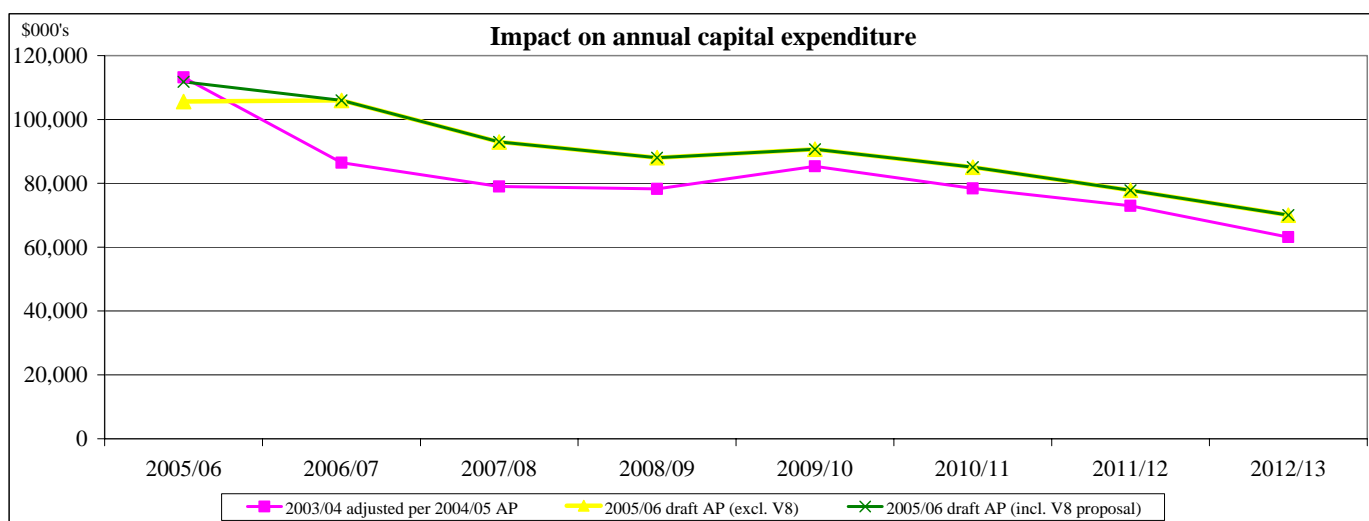
If the proposal is accepted, the amendments made to the 2003/04 LTCCP will show the V8 street race proposal along with the effect of Council’s decisions made as part of the 2004/05 and the 2005/06 Annual Plan processes.

The financial impacts on capital expenditure, borrowings and rates are anticipated as follows:

### 3.4.1 Capital expenditure

The proposal to host a V8 street car race in Wellington is forecast to cost \$6.18 million in capital expenditure to purchase and/or build assets required to construct the race track. There is no capital expenditure anticipated for subsequent years.

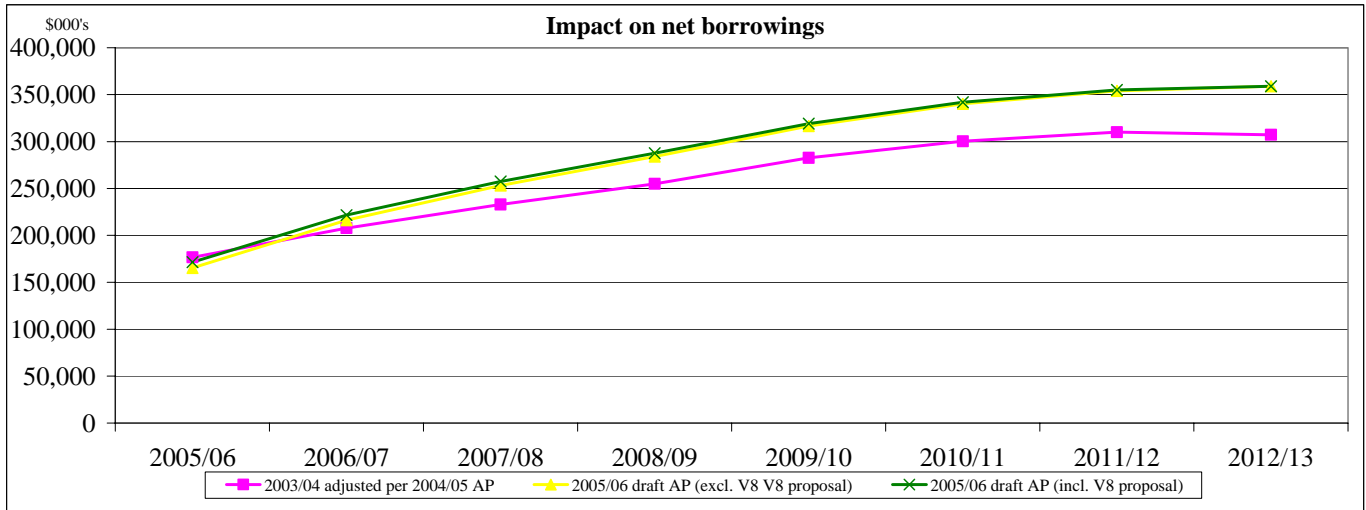
The graph below illustrates the impact of this proposal on the Council's capital expenditure programme as identified in its 2003/04 LTCCP adjusted for subsequent variations contained in the 2004/05 Annual Plan and in the 2005/06 draft Annual Plan (with and without the V8 street race proposal). Note that it is proposed that this capital expenditure will be funded through rates over the seven year duration of the proposed event.



Impact on annual capital expenditure	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2003/04 LTCCP adjusted per 2004/05 AP	113,181	86,463	79,011	78,243	85,326	78,434	72,968	63,196
2005/06 draft AP (excl. V8 proposal)	105,642	106,001	92,962	88,043	90,682	85,041	77,807	70,027
2005/06 draft AP (incl. V8 proposal)	111,800	106,001	92,962	88,043	90,682	85,041	77,807	70,027

### 3.4.2 Borrowings

The Council will initially fund the up-front capital expenditure of \$6.18 million through borrowings, with ratepayers funding this cost through rates over the proposed seven year duration of the event. The graph below illustrates the impact of this proposal on the Council's net borrowings as identified in its 2003/04 LTCCP adjusted for subsequent variations contained in the 2004/05 Annual Plan and in the 2005/06 draft Annual Plan (with and without the V8 street race proposal).



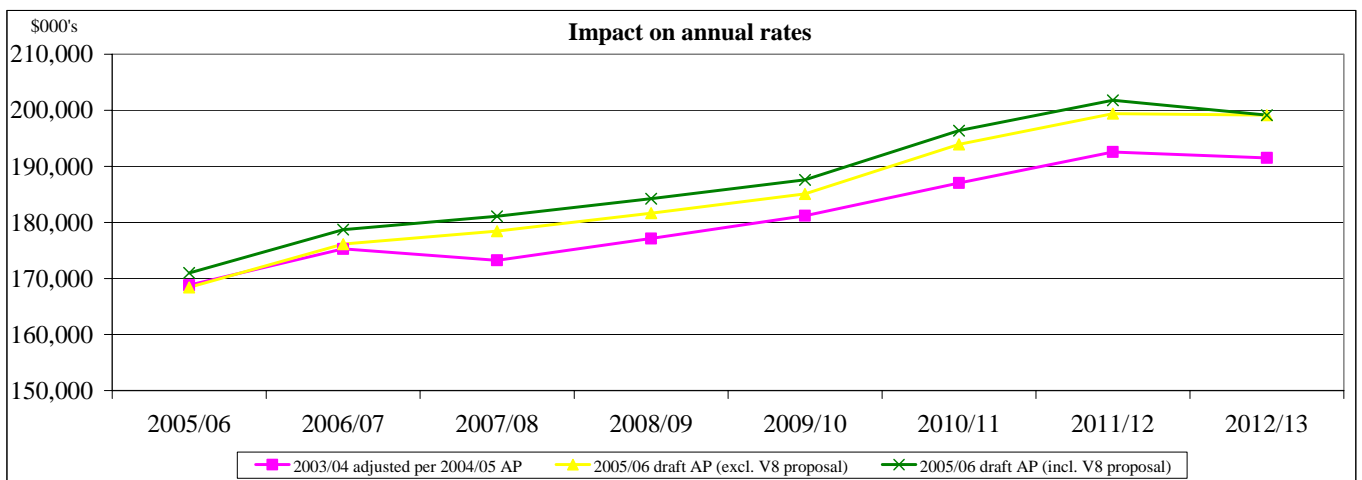
Impact on net borrowing	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2003/04 LTCCP adjusted per 2004/05 AP	176,677	207,730	232,874	254,919	282,586	300,286	309,960	307,255
2005/06 draft AP (excl. V8 proposal)	165,218	216,301	253,144	284,099	316,546	340,084	354,111	358,999
2005/06 draft AP (incl. V8 proposal)	171,376	221,579	257,542	287,617	319,184	341,842	354,989	358,999

### 3.4.3 Rates

As previously highlighted this proposal will result in an additional \$2.58 million (1.6%) rates increase from that indicated in the Council’s LTCCP (after other adjustments approved through the 2004/05 Annual Plan and to be consulted on in the 2005/06 draft Annual Plan).

The potential rates increase will vary for downtown commercial, suburban commercial, and base (residential) sector ratepayers. The potential rates impact for each sector, under a range of rates funding options is outlined in section 3.6 of this proposal.

The graph below illustrates the impact of this proposal on the Council’s rates requirement as identified in its 2003/04 LTCCP adjusted for subsequent variations contained in the 2004/05 Annual Plan and in the 2005/06 draft Annual Plan (with and without the V8 street race proposal).



Impact on annual rates	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2003/04 LTCCP adjusted per 2004/05 AP	168,819	175,285	173,233	177,131	181,188	187,019	192,565	191,515
2005/06 draft AP (excl. V8 proposal)	168,410	176,126	178,456	181,641	185,072	193,922	199,400	199,148
2005/06 draft AP (incl. V8 proposal)	170,990	178,709	181,089	184,221	187,595	196,385	201,798	199,148

### **3.5 Economic Impacts**

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

- The race would generate total new spending in Wellington of \$22.9 million each April. The main beneficiaries of this new expenditure are expected to be:
  - ⇒ \$7.2 million restaurants, cafés and bars (31%)
  - ⇒ \$4.9 million general services purchased by teams, organisers, ancillary services etc (21%)
  - ⇒ \$4.7 million commercial accommodation (21%)
  - ⇒ \$4.7 million retail shopping (21%).
- Approximately 50% of paying spectators are expected to come from outside Wellington. Of those, 20% would be from overseas
- Wellington City's commercial accommodation capacity is likely to be fully stretched by visitors to Wellington during the race

#### **3.5.1 Interpreting the economic impact**

The standard economic impact measure that has been used by Council over a number of years to assess major events and other projects is 'new spend'. This is the total spending which is new to the city as a result of a particular activity or event, and in this instance includes spending by visitors from out of Wellington, by sponsors, organisers, competition teams and other supporters, visiting entertainers and officials.

The projected \$22.9 million new spend excludes any additional value that may accrue from longer-term tourism growth, increased capacity as a result of relevant skills and industry development, and increased sales and investment accruing from media exposure.

The 'new spend' measure has been used extensively for other assessments including The International Festival of the Arts, world premiere for the Lord of the Rings, International Rugby Sevens, Edinburgh Tattoo, David Bowie concert, rugby tests and Super 12 games, Exhibition of the Century and a projected economic impact assessment of the recently secured Montana World of WearableArt.

The 'new spend' figure of \$22.9 million for the street race allows for a consistent and comparative measure of economic benefit to be applied for the event in relation to other events over a number of years.

Two other impact measures are included in the McDermott Miller assessment. They are direct value (total new spend minus money spent on imported goods and services) and total value added (accumulation of all direct value over a series of rounds of spend). The respective assessments for these are \$8.6m and \$15.7m.

The following table outlines some estimates of comparative value for Council spend across 3 recent major events, and Te Papa. It should be noted that a comparison with



Te Papa is very difficult to make, as central government provided the significant capital investment to build Te Papa and is by far the largest funder of that institution. Measuring the marginal benefit of Council's spend cannot be done in the same way as the ratios for other events.

**Table: Comparative economic impact of events**

<b>Event</b>	<b>Date of data</b>	<b>New Spend per event</b>	<b>WCC Investment</b>	<b>Return on \$1 spent</b>	<b>International media profile</b>	<b>Comments</b>
<b>NZ Festival of the Arts</b>	2000	\$22.7m	\$1.2m per Festival	19:1	Low/Medium	Excludes new spend generated by Edinburgh Tattoo
<b>World Premiere for LOTR</b>	2003	\$9.5m (projected)	\$1.8m	5:1	High	Highest level of international media coverage obtained for any event
<b>V8 Supercar Series</b>	2005	\$22.9m (projected)	\$2.58m per year	9:1	High	Investment includes capital expenditure
<b>Te Papa</b>	2002	\$114.2m	\$2m per annum	57:1	Low	Output not directly related to WCC investment

### **3.6 Who should pay?**

The basis for the funding of all Council activities is contained in the Council's Revenue and Financing policy, which is reviewed in full every three years. Funding decisions that vary from the Revenue and Financing Policy can be made by Council through the annual planning process, provided that Council takes into account the policy, and has robust reasons for any such decision.

The Council will decide (should the proposal be accepted) on the funding basis for this project. The funding rationale must be consistent with the principles contained within the Revenue and Financing Policy, taking into account both primary and secondary beneficiaries, ability to pay and any other issues which may influence equity in the distribution of rates.

Under the proposal the promoter of the event will carry all commercial risk associated with ticket sales, which means that with the exception of those paying to attend the event it is not possible to identify those individuals who will benefit. It is therefore not appropriate to apply a user charge to this activity and as a result it is proposed to fund the Council's share of the costs of the event through rates.

The Council is considering a range of funding proposals which will have a varying impact on rates for different sectors of the community.

The economic impact study prepared on the event proposal has estimated the primary beneficiaries as being the restaurant/café bar sector (31%), the commercial accommodation sector (21%), retail shopping (21%) general services (21%) and other (6%).

Because a number of properties (particularly in the city centre) have multiple uses it is not feasible to specifically rate beneficiaries on the basis of this survey. The Council's Revenue and Financing Policy also requires the Council to consider secondary beneficiaries and ability to pay issues.

A range of rates funding options will be considered by the Council. Approximate rating impacts of these options (which are subject to change as a result of the consultation process and subsequent funding decisions made through the LTCCP and Annual Plan decision-making processes for the life of the proposed event) are outlined below:

Option	Share of rates			% rates increase average property			Indicative \$ rates increase		
	Down-town	All Commercial	Base (residential)	Down-town	All Commercial	Base (Residential)	Downtown	All Commercial	Base (Residential)
<b>1</b>	20%	80%	-	0.8%	2.3%	-	\$478	\$217	-
<b>2</b>	100%	-	-	3.9%	-	-	\$1,084	-	-
<b>3</b>	-	59%	41%		1.7%	1.2%		\$353	\$17
<b>4</b>	40%	35%	25%	1.6%	1.0%	0.8%	\$439	\$209	\$10
<b>5</b>	50%	40%	10%	1.9%	1.2%	0.3%	\$542	\$239	\$4

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

For the purposes of consultation the Council has decided to incorporate option 5 into the 2005/06 Draft Annual Plan Funding Impact Statement.

### **3.7 Other Impacts of the proposed event**

#### **3.7.1 Regulatory matters**

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

The race will require the closure of the streets used for the race, and in the surrounding area, to vehicle and pedestrian traffic. This process is governed by the Local Government Act 1974, which requires Council decisions, and public notification thereof, and will proceed if the proposal is adopted and once the precise details of the nature and extent of the closures are known.

### **3.7.2 Access to the event site**

Pedestrian access to the race site, which includes the race track itself and the surrounding perimeter area, will be restricted during the period of the event to those with accreditation or entry passes. Businesses, residents and other impacted parties within the race site will be able to obtain an appropriate number of access passes. The number of passes will be negotiated by the race promoter with impacted parties on a case by case basis.

Limitation on general public access to retail businesses during the event site is balanced by the large numbers of additional pedestrian traffic that will be generated within the event site during the period of the event and pre and post event. Individual contact with impacted retailers will take place to seek to negotiate suitable arrangements. Every effort will be made by the event promoter to ensure that any negative impacts are minimised.

Vehicular traffic access to the event site will be restricted from a period before the start of the event on the Friday till the after the completion of the event on the Sunday night.

### **3.7.3 Wellington Waterfront Development**

Adjustments/modifications to the track configuration may have to be made from year to year to accommodate the developments on Wellington Waterfront. Discussions will be held with Wellington Waterfront Limited on the plans for Wellington Waterfront developments and timing. The section on Accountability and Risk Management, later in this document, states that no funding agreement with AVESCO and a race promoter will be entered into unless the Council is satisfied on the technical feasibility of the race track specifications for the duration of the event.

### **3.7.4 Streetscape**

No decisions have been made yet on the future design of Jervois Quay. Future streetscape planning and development would need to take the race event and track into account.

### **3.7.5 Track establishment and deconstruction**

A schedule of works will be developed to minimise disruption to normal city operations in accordance with Council's code of practice for working on the road. Zones will be chosen based on their likely impacts and as much work as possible will be left until the last minute to provide maximum amenity and access to businesses and residents. Often works will be carried out at night to minimise disruption while at the same time taking noise considerations into account.

Track establishment work will begin a maximum of four weeks before the event and deconstruction of the track may extend up to a maximum period of three weeks following the event. The bulk of the work is expected to occur within three weeks of the start of the event and two weeks following the event.

There will be some limited disruption to traffic during the establishment and disestablishment phases. Council would ensure, as far as is feasible and responsible, that minimal other road works are carried out in the city during that time.

Council will be planning other inner city infrastructure activities outside of this timeframe to minimise the overall impacts on the city.

### **3.8 Residents Support Survey**

Council commissioned a residents support survey, with the objectives being to ascertain:

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

Three hundred and fifty people participated in the survey, which has a margin of error of +/- 5.2%. The key findings of the survey were that:

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

## **4 Reasons for the proposal**

Wellington City Council has a vision that "Wellington is the Events Capital of New Zealand". The vision drives Council's Events Strategy, which was adopted in June 2003. When AVESCO and IMG approached Wellington city about the possibility of hosting the V8 Supercar series, it raised the possibility of contributing to Council's Events Strategy objectives.

### **4.1 The Council's Event Strategy**

Council adopted its Events Strategy on 18 June 2003. Under Goal 1 - *Maximise the economic contribution that events make to the city* - the Strategy sets out a number of objectives, in particular *to develop 1 to 2 new icon events over the next 3 years*. The three year period expires around the middle of next year.

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

- Objective 1.5: secure at least one World/ Asia-Pacific/ National Championship event a year from 2005
- Objective 6.5: secure one world championship event a year from 2005
- Objective 8.2: encourage events that contribute to economic growth
- Objective 8.5: encourage events that create vibrancy and energy
- Objective 8.6: encourage events that highlight the natural environment of the city and region
- Objective 8.6: encourage events that generate media profile for the city.

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

#### **4.2 Objective of the proposal**

The objective of the proposal is to *secure an icon event by June 2006 that makes a significant economic contribution to Wellington.*

#### **4.3 Assessment of the proposal**

Section 77 of the Local Government Act (LGA) 2002 requires a local authority in making a decision of this nature to seek to identify the practicable options for achieving the objective of a decision, and then to assess the options identified by considering:

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

The Council has identified the proposal to fund and make arrangements to host the V8 Supercar race as its preferred option for achieving its objective (which is set out above) and to generally give effect to its Events Strategy and to contribute to its vision to be the ‘Events Capital of New Zealand’.

In reaching this conclusion, the Council has identified two other options, and assessed all options against the matters listed in the Local Government Act 2002 criteria contained in the Events Strategy.

The following table records the Council’s assessment of the proposal (referred to as option 1).

**Table: Assessment of Option 1**

<b>Criteria</b>	<b>Option 1:V8 Supercar Championship Series</b>
Benefits and costs in terms of the four well-beings	<p><b>Economic</b></p> <ul style="list-style-type: none"> <li>➤ \$22.9 million new spend into the economy each year. In the first instance, the bulk of the economic benefits go to businesses in the downtown Wellington area, such as accommodation, cafés and bars, and retail outlets. Funding spent in these businesses is expected to filter through to benefit Wellingtonians more generally, through the usual flow-on impacts associated with business activity, such as increased employment opportunities, and the sourcing of additional goods and services from outside the down-town area due to additional demand</li> <li>➤ Longer-term benefits of media profiling, future skills and capacity growth in related industries, and increased sales and investment</li> <li>➤ Hosting the race will cost Wellingtonians approximately \$2.5 million each year. The actual impact on individual ratepayers will be debated through Council’s Draft Annual Plan process</li> <li>➤ Over the course of the event, it will cost about \$17.5 million to host the event, for an expected return of around \$160 million in new spending.</li> </ul> <p><b>Social</b></p> <ul style="list-style-type: none"> <li>➤ An increase in the amount of motorsport activity that can be enjoyed by motorsport fans in the Wellington region</li> <li>➤ Adds to a sense of excitement and pride in the city for many</li> <li>➤ Evidence from the Australian legs of the V8 Series points to a high proportion of family attendance at races; attendance from people across all ranges of income levels; and a growing proportion of female attendees and interest levels</li> <li>➤ There are some negative social impacts, such as travel disruption from road closures.</li> </ul> <p><b>Environmental</b></p> <ul style="list-style-type: none"> <li>➤ Some negative environmental effects such as pollution and noise.</li> <li>➤ The noise from the event will be required to be within the District Plan conditions for the race event (100 dba per car). Discussions will be held on how to minimise the impacts for those in the affected area</li> </ul>

<b>Criteria</b>	<b>Option 1:V8 Supercar Championship Series</b>
	<p>➤ While many of the likely environmental effects are reasonably well known, more information is likely to be available following discussions with key parties in the race track area</p> <p><b>Cultural</b></p> <p>➤ There are no direct cultural impacts noted from hosting the V8 street race. Discussion will be held with the Wellington Tenth's Trust and Ngati Toa prior to a final Council decision on 5 May 2005</p>
Community outcomes promoted in an integrated and efficient manner	<p>➤ Council has not yet completed its Community Outcomes process. However in its 2003/04 LTCCP, Council adopted its Key Achievement Areas as its Community Outcomes in the interim</p> <p>➤ Event planning will attempt to ensure the efficient integration of KAA outcomes where possible, for example: 1.1 Liveable City; 2.4 Participation; 4.3 Premier City; 4.5 Destination of Choice; 4.6 Supportive Population; 5.3 Open Space Recreation; 7.1 Recreation Opportunities;</p>
Impact on Council's capacity to meet statutory responsibilities	<p>➤ No reduction of Council's capacity to meet statutory responsibilities</p>
Timeliness	<p>➤ The V8 race represents the best chance of meeting the objective in the Events Strategy that Wellington secures an icon event by June 2006</p>
Event Calendar	<p>➤ The V8 race fills the April gap in the events calendar and adds vibrancy</p>
Long Term Viability	<p>➤ The event will be for seven years, with a possible extension depending on the success of the event</p>
Event Organiser capability and credibility	<p>➤ IMG is the world's largest sports marketing and management firm, with an annual turnover of over \$1.2 billion, and 2,200 employees. It is heavily involved in promoting motorsport events, including 3 rounds of the V8 Supercar Series (Sandown 500, Gold Coast Indy and Pukekohe)</p> <p>➤ IMG and any other race promoters interested in working with Council will need to be evaluated against standard Council criteria</p>
Media coverage	<p>➤ The race will generate both national and international media exposure that will promote Wellington City's destination profile</p>
Overall event feasibility	<p>➤ Race planning and implementation would need to be completed by the race start date of April 2006. The Weathered Howe report commissioned by Council suggests that the race is technically feasible</p>
Financial feasibility	<p>➤ The commercial framework outlined in this paper requires that the race promoter takes all commercial risk</p>
Community	<p>➤ The residents survey commissioned by Council indicated a high</p>

Criteria	Option 1: V8 Supercar Championship Series
Support for the event	<p>level of support for the event, while noting some concerns about the event's impacts. The Wellington Chamber of Commerce study indicated a very high level of support (96%) from its members.</p> <p>➤ Public consultation will be used to provide more of a picture of whether there is community support for the event.</p>
Risk Profile	<p>➤ There is both an upside and a down-side 'reputation' risk to Council. Not securing the V8 race could be seen as damaging to Council's reputation (particularly for future promoters), while there is also a risk if the V8 race performs below expectations</p> <p>➤ The key risk is financial, i.e. the risk that Council outlays funding to build the race track and the race event does not make it for seven years. This risk can be minimised through contractual arrangements, which are discussed in <b>section 7 below</b>, with a race promoter with a proven track record.</p>

## 5 Accountability and risk management

Any funding agreement with the race promoter and AVESCO will include:

- ⇒ A cap on the annual operational contribution
- ⇒ Agreement on the race track specifications/capital expenditure required
- ⇒ Acknowledgement that Council is able to, and will actively pursue, third party funding
- ⇒ A seven-year race term.

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

- ⇒ Technical feasibility of the track for 7 year period and approval from the Motorsport Association of New Zealand (MANZ) or the International Automobile Federation (FIA), taking into account in particular the likely changes on the Waterfront
- ⇒ Position of Wellington Waterfront Limited
- ⇒ Ascertaining clarity/agreement on the detail of the 'in-kind' contribution.

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



## **6 Effects on other current providers**

There are no current providers of street races in Wellington. The current V8 Supercar Series held in Pukekohe finishes in 2005, and will not be renewed.

## **7 Options considered**

Two other options have been considered by the Council to achieve the objective *to secure an icon event by June 2006 that makes a significant economic contribution to Wellington*. The three options that have been considered are therefore:

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

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

Options 2 and 3 are discussed below. It should be noted that, due to the nature of options two and three (i.e. there is no knowledge of what 'the event' might be), the bulk of the criteria outlined in the Local Government Act are not a tangible means of assessing the relative worth of options - the assessment would necessarily conclude 'unknown' beside most criteria.

Assessment of the relative merits of options 2 and 3, in comparison to option one, is therefore included in the following section as part of the description of those options.

### **7.1 Option 2: Pursue other icon event opportunities**

#### ***Limited availability of icon events***

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

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

On occasions, Wellington has been able to successfully secure outstanding events such as the Montana World of WearableArts or Vodafone X-Air for reasons other

than simply the level of financial support offered. These include marketing support, venues, links with other support agencies, event facilitation and management, and enabling the event organisers to achieve the full potential of the event. Outstanding and immediately successful icon events are limited in availability and internationally proven events, such as the V8 Supercar Race, are even harder to locate and secure.

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

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

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

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

***Icon Events – often require long lead in times***

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

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

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

The key challenges with this type of approach are:

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

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

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

### **7.3 Selection of option 1**

On the basis of the analysis contained in this paper, Council considers that option 1 best meets its objective.



# Submission Form

## Proposal to host V8 Supercar Championship Series for seven years from April 2006

Please fill out this submission form and return by 4pm Monday 18 April 2005.

Mr / Mrs / Ms / Miss / Dr (circle which applies)

First Name(s):.....

Last Name:.....

Street Address:.....

.....

Phone:.....

Email:.....

Please tick which box applies in each statement.

I want to speak to my submission on 26 April at a hearing to be held by the Wellington City Council.

- Yes       No (If yes, please ensure you have provided a contact phone number. Council staff will contact you to arrange a submission time).

I support the V8 Supercar Series being held in Wellington.

- Yes       No

I support the Wellington City Council financially supporting the V8 Supercar Series.

- Yes       No

My comments are (please use additional pages if required):.....

.....

.....

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Fold and staple this page or place in an envelope and post to the Council at "Street Race Consultation, Freepost 2199, PO Box 2199, Wellington" or fax it to 801 3231 or drop it into a Council Service Centre or the Council offices.

Privacy Statement: All written submissions (including name and details) will be made available to the Mayor, Councillors and the public.