Ministry of Business,
Innovation & Employment

Economic Evaluation Outcomes: MAJOR EVENTS DEVELOPMENT FUND

Meta-Evaluation Report

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Contents

Executive summary

Background

This report examines 18 of the 19 events that received an investment from the Major Events Development Fund (MEDF) between February 2010 and April 2012, for which either a post event report and/or an economic impact assessment, was submitted to the Ministry of Business, Innovation and Employment (MBIE)[1].

Investment received by each event ranged from $50,000 (three events) to $2 million (one event).

The evaluation does not include the Rugby World Cup 2011, which as a "mega" event is beyond the scope and definition of "major" events that are the subject of this report. A Rugby World Cup 2011 *Host Nation's Report* was published in December 2012, and informs economic and other social, cultural and legacy benefits for this pinnacle event[2].

Objective

The objective of this meta-evaluation was to understand the economic benefit the fund has made to the national economy, in terms of a full assessment of tangible, and where possible intangible, benefits and costs. A modified cost-benefit analysis framework has been applied to re-evaluate previously reported post-event impact assessments. The net national focus was an explicit requirement of this evaluation, as distinct from attempting to estimate regional or local benefits and costs.

Approach

Until recently, the Ministry has not prescribed a specific economic evaluation approach for post-event reporting for individual events receiving MEDF investment. This has resulted in many different methodologies being used. Recognising this, the Ministry is in the process of developing and disseminating a new methodology for the robust and comparable estimation of the economic and other contributions from future events. The approach will be based on formal cost-benefit analysis (CBA) methods, but reflect pragmatic considerations relevant to the scale and scope of most major events, with particular regard to acceptable evaluation rigour in the context of the size of central government investment.

This report retrospectively applied this new methodology to the 18 events. The objective was to apply a common measurement framework, by way of a meta-evaluation that recast original economic impact estimates in a common and comparable framework. However, stakeholder feedback on the first draft of the new guidelines is being considered concurrent to the evaluation reported here. Accordingly, the final methodology may differ slightly to that used in this evaluation, but is not expected to materially alter the conclusions and recommendations.

The underlying rationale for adopting the new approach over alternative methods such as economic impact assessment or cost-effectiveness evaluation is that the approach is explicitly designed to aid government investment decision making from the perspective of a complete assessment of economic benefits and costs at the national level. In contrast, the widespread use of economic impact analysis in event impact assessment starts with all associated expenditures – capital and operating costs, and

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[1] There was insufficient information in one post event report to complete the level of analysis required for this evaluation.
[2] The *Host Nation Report* can be found at http://www.med.govt.nz/majorevents/pdf-library/nz-major-events/rugby-world-cup-2011/RWC-2011-Host-Nation-Report.pdf

receipts from additional[3] tourism – and multiplies these expenditures up using assumptions about further expenditures undertaken by those who receive the initial spending as income. This results in misleadingly large estimates of impact for three key reasons:

- not adequately capturing costs
- not distinguishing between costs – resources that could be used for other valuable purposes – and benefits arising from additional resources from overseas
- assuming that unemployed resources are available to meet all additional demands for goods and services.

The events examined on this revised approach and the level of MEDF investment are summarised below in Table 1.

Table 1. MEDF investment by event

Event[4]	MEDF investment (ex GST)
A	$2,000,000
B	$1,500,000
C	$ 750,000
D	$ 500,000
E	$ 485,000
F	$ 400,000
G	$ 300,000
H	$ 200,000
J	$ 200,000
K	$ 153,750
L	$ 150,000
M	$ 130,000
N	$ 125,000
P	$ 100,000
Q	$ 100,000
R	$ 50,000
S	$ 50,000
T	$ 50,000
Total	**$7,243,750**

Preliminary examination of the 18 post-event evaluations revealed a wide range of methodological approaches with varying degrees or rigour and relevance. Accordingly, a uniform economic evaluation framework was applied retrospectively to each event to produce estimates on a consistent and comparable basis.

An abridged version of the framework is summarised in Table 2, below, and a more detailed description of method contained in Section 4 and Appendix 2.

[3] Often, event impact assessments also fail to isolate additional tourism receipts, and wrongly include "coincidental" receipts that would have been generated otherwise, i.e. visitors who would have travelled to the event region irrespective of the event being hosted. This also adds to overstatement of the true additional impact of the event.
[4] To avoid disclosing specific events' commercially sensitive information, throughout this report events have been referenced with an alphabetic code.

Table 2. Methodology for post-event estimation of the national cost and benefits

National costs	**Value**
Total operating expenditure	$
Redistribution of public funds cost (20% of the total value of central government funding)	$
Total costs	**$**
National benefits	**Value**
Total operating income	$
Consumer surplus (20% of the total value of estimated domestic ticket sales; 2% of operating expenditure for non-ticketed events)	$
International visitor expenditure contribution to GDP (75% of total international visitor expenditure, where main reason for visit was attending the event)	$
Value of international airfare expenditure that accrues to New Zealand (25% of international airfares)	$
Total benefits	**$**
Net benefits to New Zealand (benefits minus cost)	

Findings

Based on the current revised methodology, it is estimated that the 18 events collectively generated approximately **$32.1 million of net economic benefit** to New Zealand. This is in distinct contrast to the estimated $143.8 million of aggregate national economic benefit originally submitted by event organisers and their contracted consultants. There are many reasons for this, but most differences are because the original approaches:

- counted domestic visitor (and participants, officials, etc.) expenditure as a contribution to national economic welfare, when it actually represents only a transfer of expenditure or savings that would have occurred elsewhere in the New Zealand economy
- applied generic and/or unjustifiably high multipliers to direct event-induced economic activity (e.g. visitor expenditure), to derive questionable indirect and induced effects (this approach is discussed in Section 4 (method)
- sub-standard or non-existent primary survey collections to collect critical visitor and participant expenditure estimation, thereby relying on often imprecise or inflated estimates of per day expenditure
- directly attributing to the event expenditure by either or both domestic or international visitors who were visiting the host region irrespective of the event, i.e. “coincidental” rather than “additional” event visitors.

Based on total sponsorship, grants, and central and local government investment (including the $7.2 million MEDF investment but excluding value-in-kind contributions) of $33.5 million in these 18 events, an **approximate return on investment (ROI) of 96 per cent** was achieved. Because ROI is calculated on the basis of net economic benefit, it should be compared to a zero per cent ROI that would indicate break-even; or a rate such as five per cent from a term deposit in a bank. It should also be considered as a joint ROI – the total benefits to New Zealand resulting from total investment (MEDF and others’).

Beyond the fact a 96 per cent return is in itself a promising return compared to most investment opportunities, it has proven very difficult to provide a context for this return on investment. This is because there is little in the way of benchmarks or targets, or actual outcomes resulting from the returns from discretionary government investment in “interventions” similar to investment in major events.

Until a sufficient body of future events are evaluated on the same (or similar subject to finalising the approach) basis as this meta-evaluation, it is not recommended a Major Events target be set on the basis of the estimated 96 per cent return on investment. This is primarily due to the extensive array of assumptions and approximations used to date. Instead, we recommend a focus on the net national benefit of events, and using improved monitoring of this and of ROI to establish a benchmark for the MEDF portfolio, to be measured with increasingly greater reliability. The values in this evaluation should be used as an interim benchmark, to be improved as more data becomes available from events with improved reporting.

An interim benchmark of **net economic benefit to New Zealand of around 4.5 times the MEDF investment** – the MEDF investment ratio, can be tentatively set at portfolio level, but should be regarded as subject to revision as measurement improves. In conjunction with an ROI of around 90 to 100 per cent and other findings in this evaluation, this suggests the MEDF investment should be 30 per cent at most of total revenue (including sponsorship, grants and sales).

Figure 1 illustrates, for each of the 18 events examined, estimated net economic benefit and the level of investment from MEDF. This highlights the significant variation in not only the scale of government investment, but more importantly the estimated net economic benefit to New Zealand – and return on investment (ROI), represented by the size of circles in Figure 1.

Figure 1. Net economic benefit by MEDF investment and ROI

The further toward the right of the plot, the greater the absolute net economic benefit; and the further to the bottom right of the plot, the greater the benefit relative to the size of MEDF investment. The size of circles is relative to the return on investment.

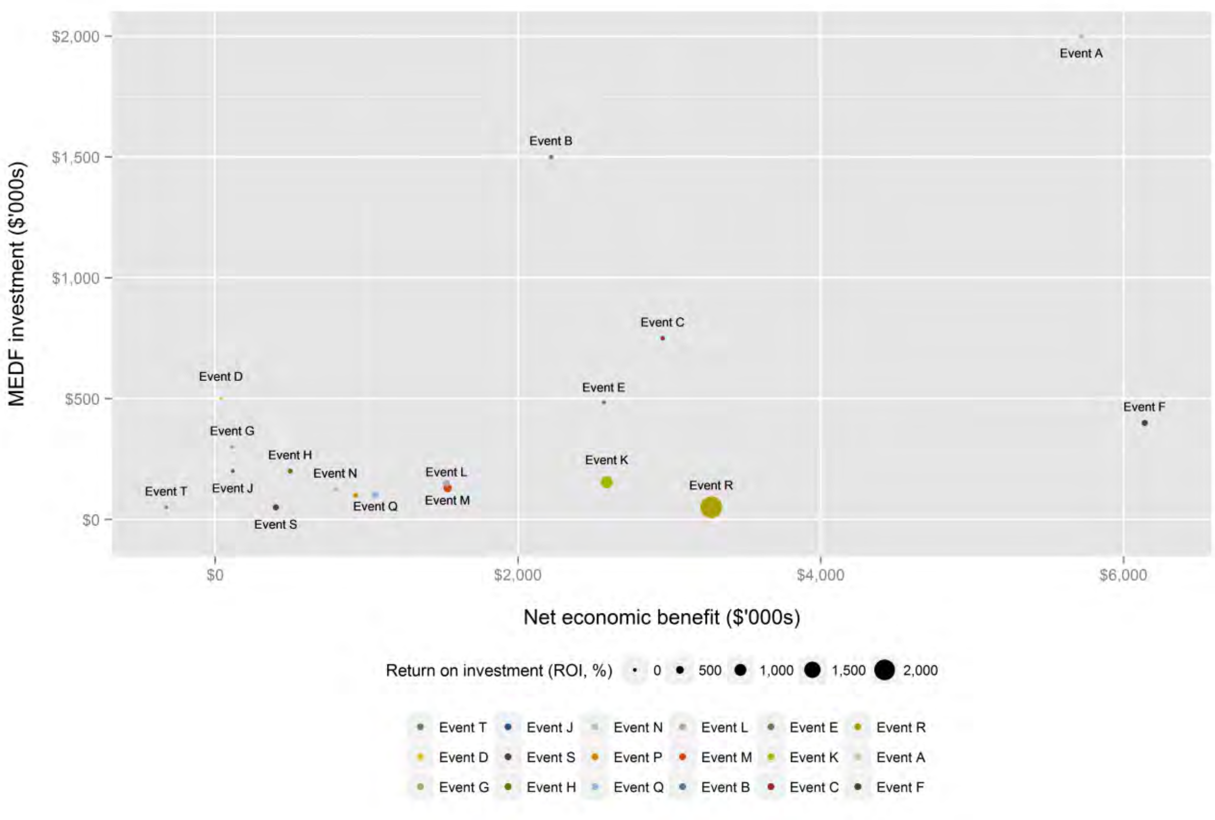


Figure 1 provides evidence that the fund is operating broadly as desired – events that received a greater investment from government tended to deliver greater economic returns, supported by a positive correlation between the level of MEDF investment and net economic benefit.

Conversely, significant returns were realised by some events that received modest levels of government investment, e.g. Events R and K.

The $32.1 million of net benefit to New Zealand and 96 per cent return on investment were to a large extent driven by the contribution to GDP from expenditure by overseas visitors drawn to New Zealand to participate, officiate or watch the events. A strong correlation exists between international visitor expenditure and overall net economic benefit, which lends considerable weight to the importance of prospecting and investing in events guaranteed to generate high levels of international visitor expenditure.

Table 3 illustrates and compares events with strong and more limited returns, and their respective levels of international visitor expenditure relative to gross benefits. The close relationship between international visitor contribution rank and net economic benefit rank affirms the strong correlation between these key measures.

Table 3. Net economic benefit – selected events by international visitor contribution

Event	International visitor contribution ($m)	International visitor contribution rank (of 18 events)	International visitor contribution (% of gross benefit)	Net economic benefit ($m)	Net economic benefit rank (of 18 events)
Strong returns					
Event A	$7.1 million	1	35%	$5.7 m	2
Event F	$6.2 million	2	52%	$6.1 m	1
Event C	$3.5 million	3	51%	$3.0 m	4
Event R	$3.2 million	4	78%	$3.3 m	3
Limited returns					
Event G	$156,000	18	25%	$112,000	16
Event D	$359,000	17	20%	$39,000	17
Event H	$382,000	16	41%	$496,000	13
Event T	$662,000	12	7%	- $324,000	18

Conclusions and recommendations

Table 4. Conclusions and recommendations

Conclusions	Recommendations
In general, the Fund is being invested in events that generate positive national economic benefits. With a ROI of 96 per cent, major events prove to be a sound investment for government. But because the meta-evaluation is a snapshot in time (an approximately 2 year period), it is difficult to judge if net economic benefits generated and ROI are at an optimum level relative to the level of government investment. Therefore, the results from this evaluation will be used as a baseline to monitor future performance.	1a. Invest in and prospect for events that are likely to generate greater levels of national net benefit. 1b. Use net national economic benefits and ROI measurement, as in this report, to monitor and compare major events' return on investment over time. Maximising the absolute net economic benefit should remain the primary objective of central government's investment in Major Events.

Table 4. Conclusions and recommendations *(cont.)*

Conclusions	Recommendations
Net benefits and return on investment is not always greater for events the greater the level of MEDF and/or total investment. Small investments can also return a high level of net benefits.	2. Strike a balance between prospecting and targeting events that deliver the largest absolute net benefits, against those that deliver the largest (relative) return on investment.
Overwhelmingly, events with the greatest international visitor contribution were also those with greatest overall net economic benefit. Length of stay, daily spend and number of international participants/audience are immediate and direct inputs to international visitor contribution.	3a. Events that achieve some combination of the following should be prospected and favoured: • large number of international visitors • longer than average length of stay • higher than average daily spend
	3b. Events of longer duration (and of course a significant international profile) should be afforded priority consideration.
	3c. Give greater emphasis to events that can demonstrate as broad-based an audience profile as possible. For example, concurrent "sub-events" designed to appeal to different target audiences than the main event.
Sport is the dominant recipient of MEDF investment. Sport investment has increased since 2007.	4. Actively prospect for a range of event types to better balance the MEDF investment portfolio.
MEDF investment, at least for the two year period examined, is heavily concentrated in two regions – Otago and Auckland.	5. Make greater effort to consider events in smaller regions, without compromising the fundamental objective of maximising net national economic benefit[5].
On average, "regional" events do not generate the level of net economic benefit that "major" events do. Similarly, recurring events do not, on average, generate the same net economic benefit as one-off major events. Following the recently revised approach to investing in major events, NZ Major Events now has a stronger mandate to focus on events with the greatest potential for economic return on its investment in major events.	6. Focus MEDF investment on major one-off events, given their high levels of economic benefit. However, care needs to be taken to ensure the MEDF investment portfolio is balanced in line with the funds' strategic intent to "attract, retain and grow New Zealand major events".
Findings illustrate disproportionately greater net economic returns from off-peak and shoulder season events, relative to peak season events.	7. Actively prospect for events that take place in the shoulder or off-peak season.
On balance, higher relative and absolute levels of commercial income (indicatively, 70 to 80 per cent commercial revenue) are associated with greater overall net economic benefits. This is a desirable outcome, and is consistent with the policy objective of providing government support to events that can or will be both self-sustainable (i.e. a "critical mass" of commercial revenue) and deliver significant net economic benefits.	8. Adopt a maximum government investment of 30 per cent at most of total event revenue (including sponsorship, grants and sales).
Existing data collection methods and analysis and estimation of economic impacts vary widely and can be greatly improved. However, effort in this area should not be disproportional to the size of MEDF investment, e.g. a $100,000 MEDF investment would not reasonably justify a formal cost-benefit analysis.	9. Finalise the second draft of post-event economic evaluation guidelines already distributed, including more examples and illustrations of evaluation best practice and principles. Circulate to stakeholders in early 2013.

[5] Because Auckland, Wellington and Canterbury represent significant population centres with a highly active private and public events sector, effort to grow the events sector in other regions should not be undertaken if at the expense of significant net national economic benefits generated by these important and enduring event host regions.

Table 4. Conclusions and recommendations *(cont.)*

Conclusions	**Recommendations**
The estimated \$32.1 million of net economic benefit is in distinct contrast to the estimated \$143.8 million of aggregate national economic benefit originally submitted by event organisers and their contracted consultants.	10. Issue comprehensive and easy to implement post-event evaluation guidance to MEDF recipients. The Major Events team will be enabled to ensure that the events sector understands what information requirements are needed of them, and why.
The data collection system and analysis of social and cultural benefits, audience profile and media benefits by event organisers can be vastly improved.	11a. Undertake further work to understand international audience/participant profiles for specific events.
	11b. Undertake further work to understand the nature and measurement of social and cultural benefits in the event sector, and how best to implement a social and cultural benefits measurement and reporting framework. Systematise the collection, analysis and reporting of monetised and other benefits that derive; possibly based on an option value approach – domestic residents' willingness to pay for the enhanced social and cultural legacy benefits of government investment in major events, even if there is no current or planned "use" of such legacy benefits.
	11c. Undertake further work to understand how to measure the value of media coverage and publicity to New Zealand over the immediate and long term, and how best to implement a media measurement and reporting framework.
	11d. Commit to semi-regular meta-evaluations to monitor post-event reporting and ensure policy objectives are being upheld. Indicatively, bi-annually.

1. Introduction

1.1 Background and purpose

Major events generate a wide range of immediate and longer-term benefits for New Zealand, including tourism revenue, new business opportunities, promoting high achievement in sports and arts, strengthening local and national pride, and enhancing the development of local infrastructure and amenities.

However, the measurement of economic and other benefits and impacts is not an area in which the events sector currently demonstrates a high level of proficiency. There is no accepted international standard approach to the measurement by event organisers of the economic benefit generated by the support of major events. Further, almost all measurement undertaken only attempts to measure gross economic impact rather than net economic benefit. Social, cultural and media value is also not always adequately evaluated.

The Ministry of Business, Innovation and Employment (MBIE) has been researching international examples of how to improve this measurement. There is a wealth of material on the measurement of economic benefit, but very little for major events. MBIE believes there is a need for a consistent New Zealand approach to the measurement of direct and indirect benefits of major events.

At the direction of Cabinet, an evaluation of the Major Events Development Fund (MEDF, “the Fund”) was undertaken in 2007. Key recommendations made at this time included[6]:

- introduce two annual funding rounds, and a two-stage application process
- manage the balance of economic, social, cultural, legacy and international exposure criteria at a portfolio, not individual event level
- actions to more strongly link the national events strategy with the aims and objectives of members of the Inter-Agency Events Group (IAEG), for example including opportunities for members of the group to access leverage opportunities for their own agency activities
- implement a cost-benefit analysis (CBA) approach for evaluating the performance of events to improve decision making on the basis of net national (and/or regional) benefits, and move away from the traditional economic impact assessment (EIA) approaches.

1.2 Current measurement

As part of all investment agreements for the Major Events Development Fund, MBIE requires recipients to complete a post-event report. This includes an independent economic impact evaluation, as well as an assessment of the social and cultural benefits resulting from the event. This second part is often completed anecdotally by the event organiser. The economic impact evaluation is sometimes completed by the relevant local authority, but is more often contracted to an economics specialist, through a robust tender process.

[6] At the time of undertaking this evaluation most of the key recommendations from the 2007 evaluation have been or are in the process of implementation.

While this provides some useful outcomes and can indicate the success of individual events to a certain extent, it is limited in its ability to provide a robust, comparative assessment of the benefits provided by any particular investment, or by major events as a group. This is due to a lack of consistency in the methodologies used, as well as a lack of benchmark information from past events.

MBIE believes that these issues can be addressed through priority projects, which will also assist with the decision-making process for the Fund. These projects include the meta-evaluation of recent events reported here, and the related benchmarking, pre-event scoring (or "pre-assessment") and second stage of developing new post-event economic impact evaluation guidelines. The result will be a robust measurement process that demonstrates the net economic benefits and return on investment, and aligns with the Fund's criteria, as well as expectations of other MBIE stakeholders such as event organisers and their research and evaluation consultants, commercial and local/regional government sponsors.

1.3 Evaluation scope and objectives

In December 2010, the Ministry of Economic Development was directed to complete the next formal evaluation of the effectiveness of the fund, including a net economic benefit analysis, and report back to Cabinet by December 2012. Signalling a deliberate change in emphasis to the broader framework of event evaluation, general cost-benefit analysis (CBA) principles were applied to this evaluation.

This evaluation report fulfils a substantive part of this requirement, the meta-evaluation of recent events, and an assessment of progress so far in related activities – enhanced post-event evaluation requirements, benchmarking and pre-event assessment. The evaluation covers the period of operation from February 2010 through April 2012, comprising 18 events that received an investment from the Major Events Development Fund.

The meta-evaluation has been guided by stakeholder feedback on the first draft of revised post-event economic evaluation guidelines. These guidelines are being concurrently developed alongside this meta-evaluation, as a means to substantially improve the consistency and robustness of post-event economic evaluation and reporting.

The objective of this evaluation is to understand the benefit the fund has made to the national economy[7], in terms of a full assessment of tangible, and where possible intangible, benefits and costs. An appropriately modified cost-benefit analysis framework has been applied to re-evaluate previously reported post-event impact assessments.

[7] The net national focus was an explicit requirement of this evaluation, as distinct from attempting to estimate regional or local benefits and costs. This is not to say regional and local impacts are not important, and for those events that have also received investment from local funding partners will almost certainly be required by these stakeholders. However, because central government's primary interest is in net national impacts, only event-induced expenditure by international visitors is counted as additional to the national economy and any contribution by out-of-region domestic visitors excluded. On the other hand, an assessment of regional benefits and costs will count out-of-region event-induced domestic visitor expenditure.

2. The Major Events policy context

The purpose of this chapter is to provide a contextual basis for the findings discussed in subsequent chapters. First, the Fund's policy framework is discussed, noting the history, rationale and objectives of the relevant major events policy.

2.1 Major Events Development Fund rationale and process

The purpose of the Major Events Development Fund is to attract, retain and grow major events. The fund focuses on the immediate and longer-term economic, social, cultural and reputation benefits that can be achieved through government investment in major events.

The Fund was established in 2004 to support the government's Major Events Strategy. In 2010, the Major Events Strategy was revised. This entailed a shift from a "reactive" funding model, to a more strategic and forward-looking model that, by working as an integral partner alongside the events sector, best identifies and supports events that will provide economic, social, cultural and international profiling opportunities to New Zealand. To support this partnership, a more coordinated, cross-government approach was agreed and the Fund's criteria were amended to target events that maximised leverage and legacy opportunities. In 2010/11, the Fund's appropriation increased from $3.321 million per annum to $10 million per annum.

Since 2005, the fund has supported 127 events and invested approximately $58.5 million (correct at October 2012). The median level of government investment to date is $211,111, and the average level of government investment $460,452.

The Fund is not intended as a source of on-going, year-on-year funding for events. It is a development fund for events which meet the MEDF criteria.

In current form[8], the MEDF is contestable with a two-stage application process that takes approximately five months from the stage one deadline:

1. stage one is open to all applicants
2. stage one applications are considered against other applications in the funding round; and the level of investment granted previous events
3. stage two is by invitation only after a successful stage one application
4. applicants are required to be GST registered (company, trust or incorporated society).

Funding decisions are currently made by the Minister for Economic Development, on the advice of the Inter-Agency Events Group (IAEG), a group of eight government agencies with a common interest in supporting events. New Zealand Major Events completes a comprehensive assessment of every application received, conducts a detailed due diligence process and provides advice to the IAEG for their consideration.

[8] The terms of reference for this evaluation were guided by the existing Major Events Development Fund policy objectives, governance and management structure, and application and assessment process. However, the recent Cabinet Paper "A Revised Approach to Government Investment in Major Events" [EGI Min (12) 20/2 refers], sets out a new approach that will be implemented in 2013. This is discussed in Section 2.5.

2.2 Policy rationale

Government investment in major events is targeted at downstream business, social, cultural, sporting, tourism and international reputation benefits that are catalysed by certain major events activities, but which "spill over" to third parties in the form or positive (and it must be acknowledged negative) externalities. In 2004, the Government designed a Major Event Strategy to underpin its policy rationale for investing in major events. The main points from the strategy are outlined below.

2.2.1 Vision

To maximise the return to New Zealand of government investment in major events and to position New Zealand as a highly competitive and desirable destination for hosting major events.

The aim of the major events strategy is to retain, grow and attract major events that deliver outcomes in line with government's objectives for promoting sustainable economic development, Brand New Zealand profiling and social and cultural development.

Careful targeting of government investment and involvement in events can:

- deliver benefits to local, regional and national communities, industries and firms
- act as a catalyst for social, economic, tourism, sporting and cultural development
- provide major leveraging opportunities for government and its agencies
- create added value through investing in major events that result in a net national and economic benefit rather than transferring benefits between regions and/or displacing or crowding out existing activity.

2.2.2 Purpose

The purpose of the Major Events Development Fund (MEDF) investment strategy is, among other things, to:

- support government's on-going involvement in facilitating events
- provide direction for a more co-ordinated and cohesive approach to facilitating events by government agencies
- ensure that government sees an appropriate return on investment from the funding assistance it provides.

The strategy addresses issues facing New Zealand's major event industry in an effort to ensure that New Zealand remains competitive on the world stage in three key areas:

- <u>retention</u> of sustainable events that already occur
- <u>growth</u> of new and existing events
- <u>attraction</u> of new major events to New Zealand.

2.2.3 Priority Areas

The 2004 strategy supports the future direction of the industry in New Zealand through more focussed engagement with industry stakeholders, and sets out priority areas that are intended to enable government to better engage and influence the industry.

Major events can catalyse a wide range of spill over benefits (as well as costs), from the generation of additional tourism revenue to "feel good" factors like heightened social cohesion and civic 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 a legacy of enduring and tangible benefits. This requires the development and implementation of a clear and coherent strategic policy framework

2.3 Policy objectives

The aim of the Government's 2004 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.

Government invests in major events that generate significant immediate and long-term economic, social and cultural benefits, and enable the government to leverage the event to achieve wider government objectives. At the time the 18 post-event reports informing this meta-evaluation were conducted, they were guided by the following MEDF criteria:

- **direct benefits**: such as increasing tourism revenue, generating international media exposure for New Zealand, employment opportunities, opportunities for New Zealanders to experience world class events, opportunities for communities to showcase their regions and achievements nationally and internationally, trade or investment opportunities during the event
- **legacy benefits**: such as local, regional or national infrastructure development, new business opportunities, growth in sport or cultural participation rates, on-going business or industry growth or investment opportunities, key international relationships, opportunities to build New Zealand's international brand, growth in participation and high achievement in the field to which the event relates, additional opportunities for participation in sporting, cultural or creative activities
- **event capability benefits**: such as building the management capability of the events sector, extending or improving additional systems and knowledge relating to event delivery, increasing the available pool of trained professionals and volunteers and growing its skills, enhancing New Zealand's reputation as a major events destination.

Demand for the fund is high and while there are many considerations in prioritising government investment in a major event, preference is currently most likely to be given to events that:

- align with government economic growth objectives and can provide a platform for additional tourism and/or business opportunities
- provide a balance to the existing portfolio of government-supported events (e.g. are regionally spread throughout New Zealand, and are a mix of event types including arts, culture, sporting and business)
- represent an opportunity to establish or develop a 'home-grown' event, and in some cases, an export product

- involve strong local government and other stakeholder financial support (including formal support from the national and international body where appropriate)
- in the case of recurring events, have the ability to become financially independent
- utilise existing infrastructure
- fall within off-peak or shoulder tourism periods
- align with New Zealand's unique identity and the New Zealand brand.

2.4 2007 evaluation – key findings

In 2007 the Major Events Development Fund was evaluated. Findings arising from the evaluation confirmed that the fund was successfully used to influence the growth, attraction and retention of specific events:

- over the three years 2005 to 2007, a portfolio of 41 events was established; the majority of events had a predominantly sporting focus
- government was a partial investor in the majority of cases, with other contributions from local government, event organisers, business sponsors, and spectators.

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 New Zealand's reputation for organising events.

In 2007 the supported events were assessed as having generated net economic, social, cultural and international exposure benefits for New Zealand:

- net economic benefits were measurable and generally positive
- social and cultural benefits were not easily measurable, although this could be improved by increasing the specificity of targeted outcomes
- international exposure benefits were measurable, but showed disappointing results and reflect unrealised opportunities.

A cash-grant approach was used prior to 2009, and 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).

3. Evaluation structure and progress

In this section, the component parts of the wider evaluation programme and progress made to date are summarised.

3.1 Post-event evaluation guidelines

Immediately prior to this meta-evaluation, MBIE’s Tourism Research and Evaluation team drafted new post-event evaluation guidelines based on the new economic evaluation framework introduced in the Executive Summary and discussed in detail below.

Guidelines were developed with two key aims:

- measure economic benefits at a national rather than regional level, but recognise events that also receive local and/or regional investment, concurrent regional evaluation may be warranted
- ensure events are evaluated in a consistent manner, to guide assessment of future events, and to use as a planning tool for assessing applications for event investment.

Guidelines were circulated in October 2012 to key stakeholders, including the IAEG, wider government, event practitioners, economic consultants, and academics. A considerable volume of first round feedback was received, and will form the basis for the next draft, but at the same time already incorporated into the evaluation framework for the meta-evaluation reported here. The guidelines and stakeholder feedback is discussed in more detail in Section 4.2.

The second draft of post-event economic evaluation guidelines will be developed through the remainder of 2012 and early 2013, and distributed for a second round of consultation mid-2013.

3.2 Meta-evaluation

This forms the substantive part of this report and supporting appendices.

3.3 Benchmarking

The MEDF application process currently requests a broad range of numeric data, along with other written information, which align with the fund's criteria, as well as the other factors that are taken into consideration when providing advice on investment decisions. These figures include, for example, the number of international visitors an event is expected to attract, and the number of volunteers likely to be engaged by the event.

Currently, a great deal of this analysis is qualitative, and compares these figures against the criteria and against other applications in the assessment round. Accordingly, as a natural by-product of the meta-evaluation of recently funded events, a suite of benchmarks against which future event investment funding decisions can be assessed, will be developed.

A draft of these benchmarks will be developed in 2013.

3.4 Event framework

Advice on MEDF investment decisions is currently provided by the Inter-Agency Events Group to the Minister for Economic Development, based on assessments by MBIE as well as group members' knowledge as they relate to the Fund's criteria and other eligibility factors. The advice is determined primarily through a robust discussion process, without any formal ranking or scoring system.

However, as discussed in Section 2.4, this approach is to be replaced by the functions of the new Major Events Ministers Group and Investment Panel.

Nevertheless, it is proposed that an event framework be developed to enhance, rather than replace, the proposed new functions of the Investment Panel. In principle, the system will require the Investment Panel to rate the applications against key event funding criteria, and will then be balanced against the Major Events Development Fund Investment Criteria and Eligibility Guidelines. A copy of the Investment Criteria and Eligibility Guidelines is contained in Appendix 1.

The system is being developed by MBIE's tourism research and evaluation group, in association with New Zealand Major Events. The teams have undertaken an experimental pilot using an independent and objective assessment scoring system, which has shown promise.

The final pre-event assessment scoring framework will be developed concurrently with the benchmarking system, in 2013.

The remainder of the report is based on the findings from the meta-evaluation of 18 of the 19 events that applied for and received Major Event Development Fund investment between 2010 and 2012. Where applicable, findings from the first round of stakeholder feedback on the post-event evaluation guidelines has been incorporated into findings presented here.

4. Meta-evaluation methodology

In this section the meta-evaluation methodology is summarised, with a full description contained in Appendix 2.

The evaluation excludes the Rugby World Cup 2011, which as a "mega" event is beyond the scope of "major" events that are the subject of this report, and targeted and supported by the Major Events Development Fund. A Rugby World Cup 2011 *Host Nation's Report* was recently published, and informs economic and other social, cultural and legacy benefits for this pinnacle event.

4.1 Purpose

The objective was to apply a common measurement framework to all events, in order to estimate the collective, quantifiable net economic benefits to New Zealand as a whole from hosting those events. The events examined and the level of government investment are summarised below in Table 5.

Table 5. MEDF investment by event

Event	MEDF investment (ex GST)
A	$2,000,000
B	$1,500,000
C	$750,000
D	$500,000
E	$485,000
F	$400,000
G	$300,000
H	$200,000
J	$200,000
K	$153,750
L	$150,000
M	$130,000
N	$125,000
P	$100,000
Q	$100,000
R	$50,000
S	$50,000
T	$50,000
Total	**$7,243,750**

4.2 Methodology

4.2.1 Information sources

The meta-evaluation was a desk top analysis, drawing on the following information sources:

- A condition of receiving an investment from the MEDF was that event organisers (grant recipients) provide MBIE with a post event report, a critical component of which is an economic impact assessment[9]. The information contained in this report (where it existed or existed in a suitable form for analysis) formed the basis of this current review.

[9] Some event organisers in turn commissioned the preparation of the economic impact assessment (complete with spectator surveys), while for other events the economic impact assessment was comprised solely of two or three largely anecdotal paragraphs in their Post Event report.

- Given the length of time between the actual hosting of these events and the preparation of this report, together with the timeframe for completing this report, grant recipients were not approached for any "missing" information. In any event, much of this information was such that if it was not collected at the time, it would now be unavailable, especially if it required primary information from event attendees. As such, in some instances information gaps have been rectified by informed assumptions were necessary. The report appendices outline the basis of these assumptions.

Methodology for estimating costs and benefits

Until recently, event organisers were not required to adhere strictly to any specific economic evaluation approach. This made comparisons across events problematic. Recognising this, MBIE is in the process of developing and disseminating more explicit guidance for the robust and comparable estimation of the economic and other contributions from future events.

This report retrospectively applied the new economic evaluation methodology to the 18 events examined. The objective was to apply a common measurement framework, by way of a meta-evaluation that recast original economic impact estimates in a common and comparable framework. However, stakeholder feedback on the first draft of the new guidelines is being considered concurrent to the evaluation reported here. Accordingly, the final methodology may differ slightly to that used in this evaluation, but is not expected to materially alter the conclusions and recommendations.

The underlying rationale for adopting CBA principles over alternative methods such as economic impact assessment or cost-effectiveness evaluation is that CBA is explicitly designed to aid government investment decision making from the perspective of a complete assessment of economic benefits and costs at the national level. In contrast, the widespread use of economic impact analysis in event impact assessment; starts with all associated expenditures – capital and operating costs, and receipts from additional[10] tourism – and multiplies these expenditures up using assumptions about further expenditures undertaken by those who receive the initial spending as income. This results in misleadingly large estimates of impact for three key reasons:

- not adequately capturing costs
- not distinguishing between costs – resources that could be used for other valuable purposes – and benefits arising from additional resources from overseas
- assuming that unemployed resources are available to meet all additional demands for goods and services.

Treasury guidance requires an assumption of full employment as a starting assumption, so issues of displacement and additionality must be directly confronted in the analysis – including the costs and benefits of additional employment where relevant. Computable general equilibrium (CGE) and input-output analysis can be helpful in examining linkages within the economy, and modelling quantity and price responses of the event if it is large in relation to the economy as a whole. However, the scale of most major events is not large relative to the entire economy, so the (positive or negative) "shock" of a typical major event will hardly register in a CGE or input-output analysis. So to assess the net economic benefit, a customised CBA framework should be applied so that all relevant costs and benefits are considered.

[10] Often, event impact assessments also fail to isolate additional tourism receipts, and wrongly include "coincidental" receipts that would have been generated otherwise, i.e. visitors who would have travelled to the event region irrespective of the event being hosted. This also adds to overstatement of the true additional impact of the event.

When there are spill over effects of the event and the net benefits of these spill overs can be quantified these should also be estimated and included. This consideration includes social, cultural, and reputation legacy benefits, which while outside the scope of this report, are discussed as areas that will be carefully considered in the future and where possible incorporated into the overall event economic impact assessment framework. It is important to note, however, that spill over effects will often lead to economic benefits over a longer timeframe. For example, word-of-mouth effects from additional visitors telling their friends that New Zealand is a great place to visit, and who subsequently take their advice; or longer-term health benefits of increased participation in a sport popularised due to an event.

An examination of the 18 reports has shown that post event evaluations completed over that time have adopted a range of methodological approaches with varying degrees of rigour and relevance. As such, meaningful comparisons between the benefits that derive from different events has been compromised. Taking the full range of costs and benefits into account has also been challenging.

Consequently, as discussed above, at the time of completing this report, MBIE is in the process of developing a uniform set of guidelines for the completion of future economic evaluations. It is this draft methodology (that will soon be circulated for a second round of stakeholder feedback) on which the evaluation presented here attempts to apply a robust, consistent approach to evaluate the economic benefit of the events studied.

An abridged version of the methodology is summarised in Table 6, below.

Table 6. Post-event estimation of the national cost and benefits methodology

National costs	**Value**
Total operating expenditure (producer surplus offset)	$
Redistribution of public funds cost (20% of the total value of central and local government investment)	$
Significant overseas expenditures (e.g. prize money, hosting rights fees)	$
Total costs	**$**
National benefits	**Value**
Total operating income (producer surplus input)	$
Consumer surplus (20% of the total value of domestic ticket sales plus 20% of the total value of domestic participant event entry fees; 2% of operating expenditure for non-ticketed events)	$
International visitor expenditure contribution to GDP (75% of total international visitor expenditure, where main reason for visit was attending the event)	$
Value of international airfare expenditure that accrues to New Zealand (25% of international airfares, where main reason for visit was attending the event)	$
Total benefits	**$**
Net national benefit (total benefits minus total costs)	
Return on investment (ROI, %) = 100 x (net benefit / total investment[11])	**%**

[11] Total investment equals all central and local government investment, and commercial sponsorships and grants, but excludes sales of tickets.

To summarise Table 6, and described in more detail in Appendix 2, the new approach takes into consideration the following key features:

- net national benefit focus – domestic visitor (and participants, officials, etc.) "transfer" expenditure impacts are excluded, and the value add to the New Zealand economy from international visitor expenditure is captured
- international visitor focus – counting only international visitor contributions clearly identified as additional rather than coincidental, i.e. international visitors who for reasons other than the event were already in New Zealand at the time of the event
- exclusion of multiplier effects – are invariably offset by the foregone alternative use of event-related cash flows; in the context of the scale and scope of typical major events are typically of insufficient magnitude ; and are too often arbitrary and/or inflated
- no permanent paid employment effects are assumed – few people rely on major events as an "industry" for permanent employment; permanent or enduring paid employment will almost always be negligible to nil because individual events are by their very nature time-limited; most events are extensively supported by volunteers
- quantifiable costs and benefits only – less tangible benefits, e.g. enduring social, cultural, or national reputation effects are excluded from the deliberately measureable economic emphasis of this evaluation[12]
- cost of redistribution of public funds ("deadweight loss") – guided by Treasury recommendations, assumed to equal 20 per cent of the total value of government investment
- consumer surplus – a benefit associated with a willingness to pay more than event entry (ticket) prices, assumed to be 20 per cent of the dollar value of domestic ticket sales, or two per cent of total event expenditure for non-ticketed events (discussed previously)
- international airfare contribution to New Zealand – based on analysis of historical airfare data, Statistics New Zealand's Tourism Satellite Account, and Air New Zealand annual accounts, approximately 25 per cent of international visitor airfare expenditure is assumed to accrue to the New Zealand economy.

First draft guidelines and response to stakeholder feedback

As introduced in Section 3.1, considerable stakeholder feedback to the first draft of post-event economic evaluation guidelines was received. Important issues identified by stakeholder feedback are discussed below.

Direct and indirect multiplier effects will remain excluded from estimation of the contribution to GDP that derives from international visitor expenditure. The reason for this is that the typical scale and character of events is such that any real or apparent multiplier effects are invariably at the expense of some other sector in an ostensibly full employment economy (full labour and capital utilisation, and supported by Treasury guidance). Individual events that can, however, empirically demonstrate definite multiplier effects will not be precluded from doing so. Such events will invariably be at the very larger end of the scale; indeed "mega event" status like the 2011 Rugby World Cup.

Imports and taxation (GST) are effectively a leakage from international visitor expenditure. Based on Statistics New Zealand's March 2012 Tourism Satellite Account, value add to the New Zealand economy has been assumed to be a uniform 75 per cent of international visitor expenditure. This assumption

[12] Of course, legacy benefits remain important, and will continue to be carefully considered for both event investment decision making, and more explicitly assessed in future post-event evaluation and reporting.

may be incorrect for certain events, but it is highly unlikely to materially bias international visitor expenditure value add up or down.

The consumer surplus that derives from domestic residents' willingness to pay a premium for attending or participating in any particular event is conditional on the elasticity of demand. However, a simple, standard guideline for the estimation of consumer surplus is recommended. Based on feedback received, consumer surplus has been increased from ten per cent of the value of domestic ticket sales (or one per cent of total event expenditure for non-ticketed events), to 20 per cent of the value of domestic ticket sales (or two per cent of total event expenditure for non-ticketed events). Again, individual events that can empirically demonstrate willingness-to-pay or consumer surplus at variance to the recommended valuation will not be precluded from doing so[13].

It is also acknowledged that the uniform application of two per cent of event expenditure, to derive an estimate of consumer surplus for non-ticketed events, may disadvantage events characterised by very large numbers of domestic visitors for whom actual consumer surplus may be considerably larger than the recommended measure. However, measuring the elasticity of (domestic) demand for non-ticketed events is extremely difficult and prone to under-estimation bias simply because the willingness of any given consumer to pay a premium beyond zero is more likely to be understated. Also, from a net national economic welfare perspective, unless consumer surplus can be empirically demonstrated to be a function of highly inelastic demand, its contribution to overall net economic benefit will typically be small relative to the dominant international visitor expenditure contribution.

The assumed 40 per cent of international airfares that accrue to the New Zealand economy has been adjusted down, to 25 per cent. This was guided by empirical evidence already available to some practising event evaluation consultants.

The requirement to explicitly consider and evaluate displacement, and where applicable avoided leakage effects, will be considered and as appropriate incorporated into the next draft of post-event evaluation guidelines. In saying this, for all but the very largest major events, and mega events like the Rugby World Cup 2011, displacement effects have historically been estimated to be negligible to virtually non-existent.

Event practitioners and their consultants will be instructed to more formally estimate the media and international exposure benefits (and costs) associated with their event. This additional requirement is discussed elsewhere in this report, and will be the subject of continued development and testing in 2013.

More generally, the guidelines will be revised to include more examples and illustrations of evaluation best practice and principles.

[13] The second draft "Post-event economic evaluation guidelines" were prepared after this meta-evaluation was conducted. Although these guidelines draw substantially on the approach described in this report, they have been modified or further progressed in other ways. Where differences or contradictions exist, the current guidelines should be referred to as the most up-to-date version.

5. Meta-evaluation findings

The financial and economic benefits that accrued from the 18 events that received an investment from the MEDF between February 2010 and April 2011, and submitted a post event evaluation report, are summarised in this section.

5.1 International expenditure and stay duration

The 18 events examined were estimated to have hosted approximately 19,200 international visitors to New Zealand. Where sufficient information was provided in original post-event evaluation reports, international visitors were counted only if their sole or main reason for visiting New Zealand was the event. However, this could not be determined for some events and so international visitor contributions reported here may be overstated in some instances. This is more likely to be the case for events with disproportionately large numbers of spectators (who are more likely to have "coincidentally" attended the event while already in the region or New Zealand), as distinct from participants and their friends and family, officials and others directly associated with the event. Fortunately, most events for which sole or main purpose international visitors could not be identified are characterised by the opposite – disproportionately large numbers of visitors directly involved in the event. This limitation will be addressed in the new post-event evaluation guidelines that will be revised and finalised in early 2013.

- On average, these 19,200 visitors spent a total of approximately 190,000 nights in New Zealand, resulting in an approximate 10 night average length of stay in New Zealand (see Table 7).

- There is a weak, positive correlation (0.2) between event duration and international visitor length of stay. Hence, there is some evidence that it may be optimal to target events that run for a longer duration.

- However, because of data quality limitations for length of stay based on original event evaluations (e.g. in some instances was not collected at all), although intuitively logical, it is not definite that longer event duration necessarily equates to longer length of stay. Accordingly, the need for accurate length of stay data – both during and before and after the event, will be stressed in the revised post-event evaluation guidelines.

Table 7. International visitors and length of stay

Event	MEDF investment	Estimated overseas visitors	Event duration (days)	Average length of overseas visitor stay[a]	Total overseas visitor nights
Event A	$ 2,000,000	4,120	9	9.5	39,140
Event B	$ 1,500,000	1,681	10	6.4	10,758
Event C	$ 750,000	1,311	16	16.7	21,901
Event D	$ 500,000	319	4	5.0	1,597
Event E	$ 485,000	1,030	24	7.0	7,236
Event F	$ 400,000	2,560	9	14.5	37,120
Event G	$ 300,000	132	4	5.0	660
Event H	$ 200,000	200	4	16.2	3,240
Event J	$ 200,000	416	4	5.4	2,258
Event K	$ 153,750	1,570	6	7.0	10,990
Event L	$ 150,000	500	12	13.8	6,900
Event M	$ 130,000	580	12	16.0	9,280
Event N	$ 125,000	350	9	10.0	3,500
Event P	$ 100,000	940	10	7.0	6,580
Event Q	$ 100,000	720	7	8.0	5,760
Event R	$ 50,000	1,900	4	9.0	17,100
Event S	$ 50,000	305	6	7.0	2,135
Event T	$ 50,000	588	19	7.0	4,116
Total	**$ 7,243,750**	**19,223**	**9**	**9.9**	**190,272**

a. Average calculated across spectators and participants. See Appendix 2 for full details.

After adjusting for the estimated 75 per cent share of total international visitor expenditure that actually accrues to the New Zealand economy, these 19,200 international visitors added $26.3 million of value to New Zealand's GDP from their in-country expenditure. In addition, the value to New Zealand in terms of international airfares to and from the country was estimated to be of the order $8.5 million.

Therefore, international visitors contributed approximately $34.8 million of gross national economic benefit of $96.4 million, or 36 per cent.

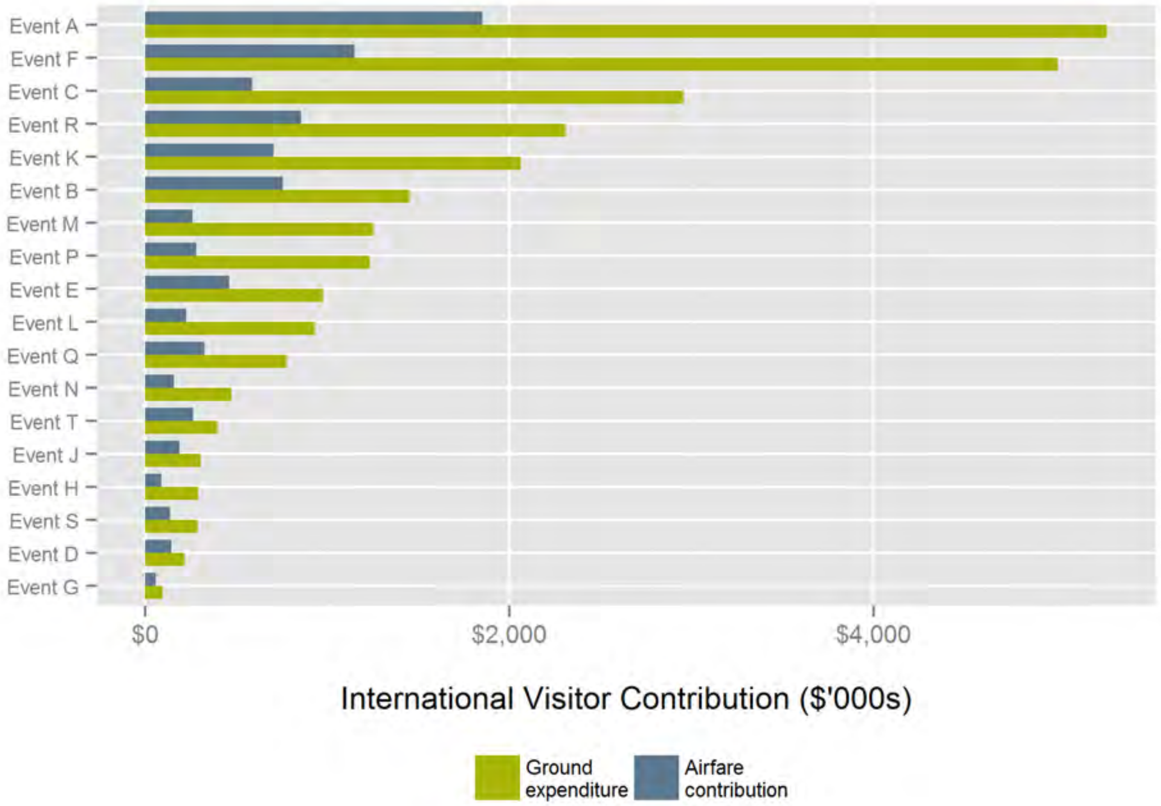
The other significant contributor to gross national economic benefit is, of course, operating income ($59.4 million, 62 per cent), comprised primarily of central and local government and commercial investment and grants, and in some instances large volumes of domestic ticket sales. The balance (just two per cent, $2.2 million) is captured by the relatively small estimated domestic event attendee consumer surplus that derives from willingness to pay beyond the level of actual event ticket prices.

Also of note is the relatively strong correlation (0.5) between operating income and net economic benefit. Although somewhat self-evident, this lends weight to giving more favourable consideration to events characterised by large budgets at the application stage.

However, like overall net economic benefit, the relative share of international visitor spend (and additional airfare contribution to the New Zealand economy) varied greatly, as illustrated in Figure 2. This again highlights the importance of international expenditure and associated contribution via the share of airfares that accrues to the New Zealand economy – overwhelmingly, events with the greatest international visitor contribution were also those with greatest overall net economic benefit.

Furthermore, for short-staying visitors (trips less than 20 nights) because visitor expenditure at an individual level is so closely correlated with length of stay, events of longer duration (and of course a significant international profile) should almost certainly be afforded priority consideration. An analogous consideration, beyond wanting to maximise the absolute number of event participants, especially those resident outside New Zealand, is to give greater weight to events that can demonstrate as broad-based an audience profile as possible. For example, concurrent "sub-events" designed to appeal to different target audiences than the main event, such as activities and opportunities that capture the interest of audiences like business, children, amateurs (in the context of professional sports events); or social sub-events associated with the main event.

Figure 2. International visitor ground expenditure and airfare contribution



5.2 *Per-day expenditure*

A weakness observed in many original event impact assessments is not accurately estimating per day expenditure for different types of event visitor, e.g. spectators, participants, officials; international and domestic visitors.

Accordingly, for all but four of the 18 events examined for this evaluation, there was insufficient information to impute anything but the current international holiday visitor average per day expenditure estimate of $180[14].

The lack of sufficiently precise international visitor expenditure information for the events examined, also means it is unclear the extent to which events can be segmented on the basis of actual or anticipated per day spend. Naturally, events likely to deliver higher per day spend should be targeted. Such events may be characterised either by the event itself attracting greater interest and/or participation by higher spend visitors, or as discussed elsewhere in this report, attracting larger travel

[14] Source: International Visitor Survey, year ending September 2012.

parties, e.g. parents/caregivers accompanying children. Although this latter consideration does not explicitly drive higher per day per person expenditure, it contributes to increased travel party expenditure.

There is some evidence this may already be the case, e.g. the significant economic benefits that derived from events with participants accompanied by parents, caregivers or other parties.

Also, because international visitor contribution represents, on average, around two fifths of gross benefits, events with large international exposure – be it participation or visitor appeal, and likely to attract longer-staying visitors and participants, should be more actively prospected and promoted.

5.3 Net economic benefit

Based on the revised methodology used for this evaluation, it is estimated that the 18 events collectively generated approximately $32.1 million of net economic benefit to New Zealand. The distribution of this overall estimated economic benefit by event is illustrated in Figures 3 and 4 – Figure 4 an alternative representation of the information contained in Figure 3.

These plots highlight the significant variation in not only the scale of government investment, but more importantly the estimated net economic benefit to New Zealand – and return on investment, represented by the size of circles in Figure 3.

Figure 3. Net economic benefit by MEDF investment and ROI
The further toward the right of the plot, the greater the absolute net economic benefit; and the further to the bottom right of the plot, the greater the benefit relative to the size of MEDF investment. The size of circles is relative to the return on investment.

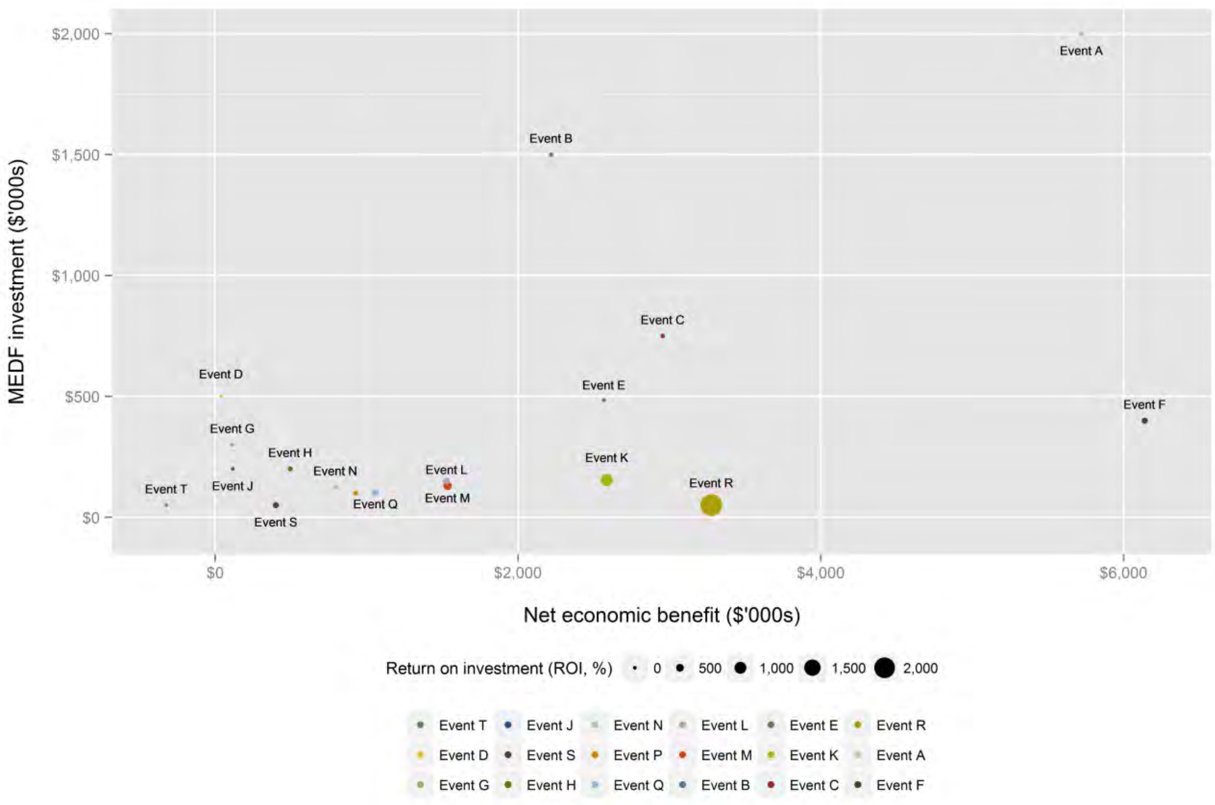


Figure 4. Economic benefit, ROI and MEDF investment by event

The dashed green lines represent, respectively, average MEDF investment, net economic benefit, and return on investment (ROI)

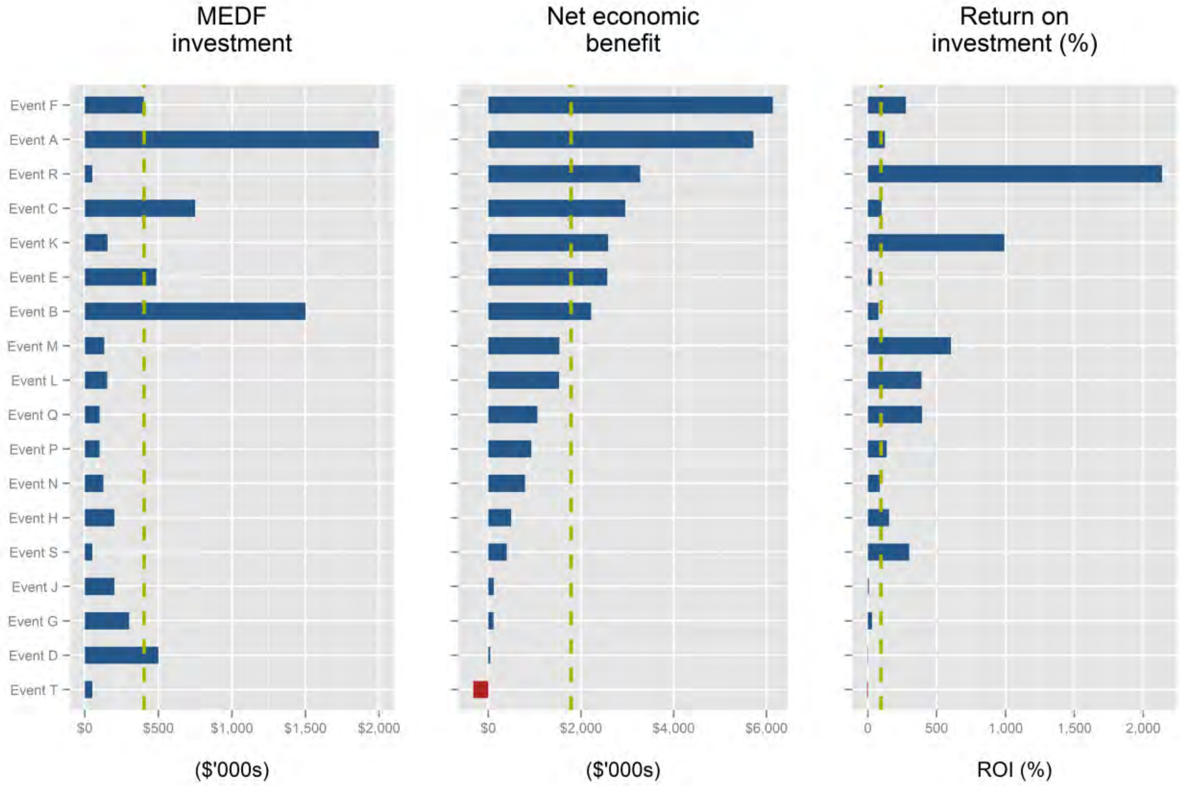


Figure 3 provides evidence that the fund is operating broadly as desired – events that received a greater investment from government tended to deliver greater economic returns, supported by a positive correlation (0.55) between the level of MEDF investment and net economic benefit. For example, Events A, B and C.

Conversely, significant returns were realised by some events that received modest levels of government investment, e.g. Events R and K, and to a slightly lesser extent Events M and L.

Importantly, what is common to nearly all events that delivered high overall returns is a definitely high absolute and relatively high proportionate level of international visitor expenditure (including airfare contribution and adjusted for contribution to GDP) relative to gross benefits.

Table 8 (below) illustrates that all but one event (Event T) delivered a return on investment (ROI) beyond "break even", defined as a ROI greater than zero (i.e. a positive relative return after deducting costs including public and commercial event investment).

Table 8. MEDF investment, net economic benefit and ROI

Event	MEDF investment	Other investment[a]	Net economic benefit	Return on investment (ROI)
Event A	$ 2,000,000	$ 2,633,450	$ 5,721,232	123%
Event B	$ 1,500,000	$ 1,352,000	$ 2,217,794	78%
Event C	$ 750,000	$ 2,194,978	$ 2,955,286	100%
Event D	$ 500,000	$ 887,450	$ 39,459	3%
Event E	$ 485,000	$ 8,195,000	$ 2,567,101	30%
Event F	$ 400,000	$ 1,823,240	$ 6,138,947	276%
Event G	$ 300,000	$ 71,000	$ 111,600	30%
Event H	$ 200,000	$ 120,000	$ 495,900	155%
Event J	$ 200,000	$ 1,291,885	$ 116,459	8%
Event K	$ 153,750	$ 107,240	$ 2,586,437	991%
Event L	$ 150,000	$ 241,498	$ 1,528,145	390%
Event M	$ 130,000	$ 124,100	$ 1,535,243	604%
Event N	$ 125,000	$ 779,116	$ 792,526	88%
Event P	$ 100,000	$ 573,200	$ 927,869	138%
Event Q	$ 100,000	$ 168,586	$ 1,058,206	394%
Event R	$ 50,000	$ 103,324	$ 3,276,135	2137%
Event S	$ 50,000	$ 83,500	$ 401,175	301%
Event T	$ 50,000	$ 5,510,700	-$ 323,614	-6%
Total	**$ 7,243,750**	**$ 26,260,267**	**$ 32,145,899**	**96%**

a. Includes other central and local government investment, and commercial sponsorships and grants.

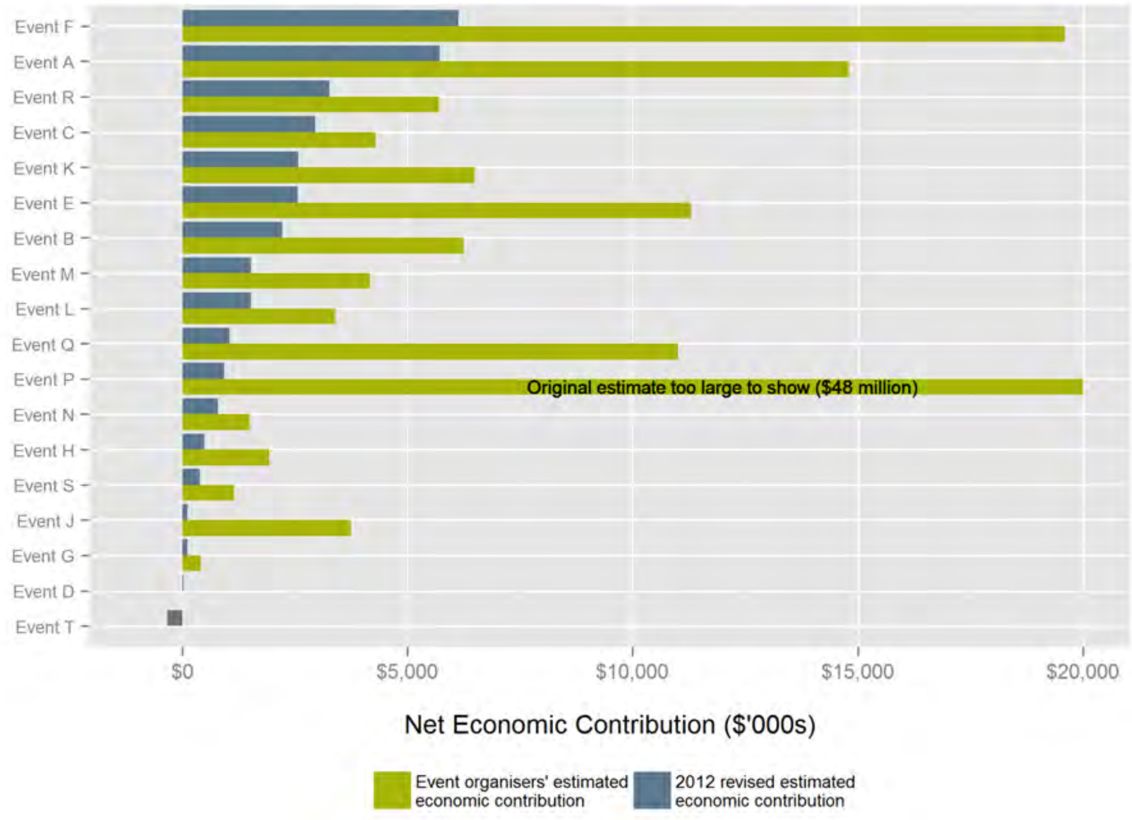
The estimated $32.1 million of net economic benefit is in distinct contrast to the estimated $143.8 million of aggregate national economic benefit originally submitted by event organisers and their contracted consultants. There are many reasons for this, but in the broadest sense, differences are due primarily because original approaches:

- counted domestic visitor (and participants, officials, etc.) expenditure as a contribution to national economic welfare, when it actually represents only a transfer of expenditure that would have occurred elsewhere in the New Zealand economy
- applied generic and/or unjustifiably high multipliers to direct event-induced economic activity (e.g. visitor expenditure), to derive questionable indirect and induced effects
- sub-standard or non-existent primary survey collections to collect critical visitor and participant expenditure estimation, thereby relying on often imprecise or inflated estimates of per day expenditure
- directly attributing to the event expenditure by either or both domestic or international visitors who were visiting the host region irrespective of the event, i.e. “coincidental” rather than “additional” event visitors.

The difference between original and revised net economic benefit is illustrated in Figure 5 below. Despite for a number of events original estimates being an order of magnitude greater than revised estimates, it is important not to be too judgemental in direct comparisons between the two estimates. In addition to estimation limitations and shortcomings discussed elsewhere in this report, nearly all the original estimates erroneously counted domestic event-related visitor expenditure as an additional contribution to national economic benefit. Had it been possible to subtract such expenditure from original estimates, they are likely to have more closely aligned with current revised estimates.

In response to known shortcomings in previous post-event evaluations, since mid-2012 all post-event economic impact reports are being independently audited by representatives of MBIE's research and evaluation functions. This practice will continue even when the new post-event evaluation guidelines have been finalised and become an established part of permanent practice.

Figure 5. Original and revised net economic benefits compared
Note – neither Event D nor Event T provided an estimation of economic benefit in their original post-event report



5.4 Return on investment

Based on total sponsorship, grants, and central and local government investment (including the $7.2 million MEDF investment but excluding value-in-kind contributions) of $33.5 million in these 18 events, an **approximate return on investment (ROI) of 96 per cent** was achieved[15]. Because ROI is calculated

15 MBIE's ROI measure is defined as [(gross national benefit – gross national cost) / total investment]; or (net national benefit / total investment), where total investment includes all central and local government investment, and commercial sponsorship and grants. Conversely, the regional return on investment (RORI) measure used by Auckland Tourism, Events and Economic Development (ATEED) to estimate the contribution of events to regional (Auckland) GDP looks very similar but has two key differences. It is defined as [(gross regional benefit – gross regional cost) / total regional investment and ticket sales to local residents and businesses]; or (net regional benefit / total regional investment and ticket sales to local residents and businesses), where total regional investment includes government and commercial investment sourced from within the Auckland region, including local ticket sales. The two ways in which RORI differs from MBIE's ROI are: (1) RORI implicitly attributes all net regional benefits to only investment sourced from within the region. However, for some events benefits are more localised than are costs. When significant investment is sourced from outside the region (e.g. central government MEDF investment), the RORI measure will be pushed higher than national ROI; (2) RORI includes sales of tickets as part of Auckland's "investment" in an event. MBIE has not used this approach in defining ROI the evaluation of MEDF. The evaluation team's view is that streams of operating revenue through sales should be considered separately to sponsorship and

on the basis of net economic benefit, it should be compared to a zero per cent ROI that would indicate break-even; or a rate such as five per cent from a term deposit in a bank. It should also be considered as a joint ROI – the total benefits to New Zealand resulting from total investment (MEDF and others').

Beyond the fact a 96 per cent return is in itself a promising return compared to most investment opportunities, it has proven very difficult to provide a context for this return on investment. This is because there is little in the way of benchmarks or targets, or actual outcomes resulting from the returns from discretionary government investment in "interventions" similar to investment in major events. The only relevant scenario in the public domain is New Zealand Trade and Enterprise's "Direct Economic Impact" (DEI) measure, used to assess the additional benefits arising or likely to arise directly from government support of a NZTE intervention. A target of four to one (risk adjusted) return on tax investment, or 400 per cent, is set for the DEI[16]. However, it is not clear that this figure is directly comparable to the ROI used in this evaluation; the figure of four might be seen as equivalent to the ratio of net national benefit to MEDF contribution (4.5), but even here the nature of joint investment in events makes comparisons difficult.

Until a sufficient body of future events are evaluated on the same (or similar subject to finalising the approach) basis as this meta-evaluation, it is not recommended a Major Events target be set on the basis of the estimated 96 per cent return on investment. This is due to:

- the diverse scale and scope of individual events (and variable returns confirmed by the analyses presented in this report)
- the substantial non-economic benefits realised by events but not explicitly addressed in this report, e.g. less tangible social, cultural, international reputation and media image benefits
- the "snapshot" basis of this meta-evaluation, covering only 18 events across an approximately two year period
- the extensive array of assumptions and approximations required to produce the economic impacts estimated for this report.

grants, when calculating ROI from an investor's perspective. Including sales as an investment pushes RORI lower than ROI.

[16] Source: New Zealand Trade and Enterprise, 2013-16 Statement of Intent.

Instead, we recommend a focus on the net national benefit of events, and using improved monitoring of this and of ROI to establish a benchmark for the MEDF portfolio, to be measured with increasingly greater reliability. The values in this evaluation should be used as an interim benchmark, to be improved as more data becomes available from events with improved reporting.

An interim benchmark of **net economic benefit to New Zealand of around 4.5 times the MEDF investment** – the MEDF investment ratio, can be tentatively set at portfolio level, but should be regarded as subject to revision as measurement improves. In conjunction with an ROI of around 90 to 100 per cent and other findings in this evaluation, this suggests the MEDF investment should be 30 per cent at most of total revenue (including sponsorship, grants and sales).

Figure 4 and Table 8 also illustrate the extreme variation in ROI at an individual event level, e.g. from as low as minus six per cent for Event T, three per cent for Event D, eight per cent for Event J; and at the other extreme, over 2,100 per cent for Event R and 990 per cent for Event K. What characterises these last two events is both the modest level of both government and total investment (MEDF investments of, respectively, $50,000 and $100,000) and a significant level of value add international visitor expenditure and international airfare contribution (respectively, $2.8 million and $3.2 million).

The returns reported above were primarily driven by the expenditure of overseas visitors drawn to New Zealand to either; participate, officiate, or watch the events. Given the modified CBA framework for measuring the net national economic benefit of major events, a relatively large scale of international expenditure will inevitably contribute to greater returns on investment.

It is important to note that return on investment can be calculated in many different ways, as ATEED's RORI attests (see Footnote 15 on the previous page). MBIE's approach to measuring ROI is reasonably conservative but at the same time easy to implement. Hence, it is recommended the ROI measurement used in this report is continued to be used by the Fund to monitor and compare major events return on investment over time.

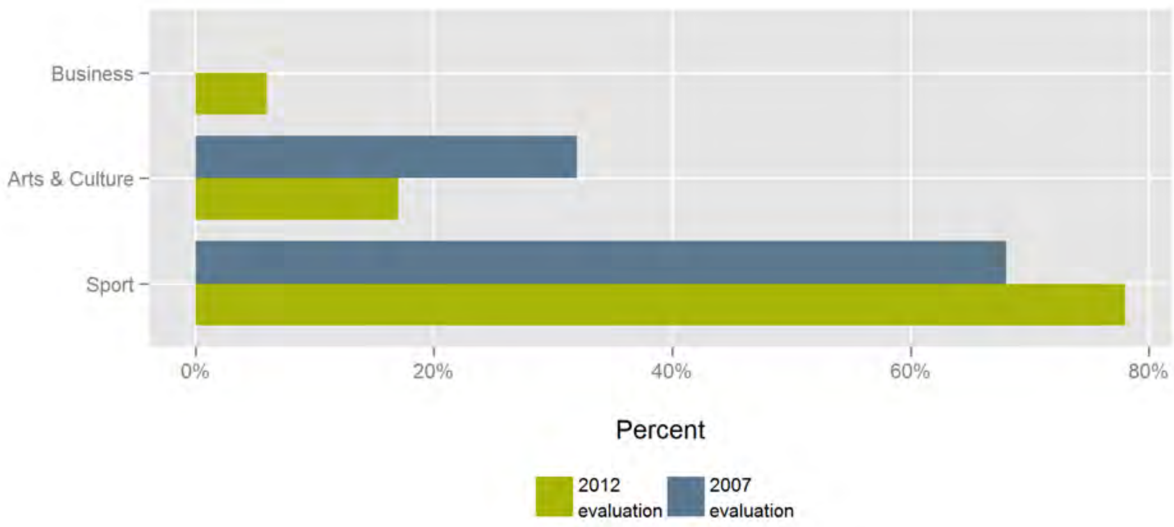
5.5 Event characteristics

5.5.1 Sports dominant

Sport was the dominant recipient of MEDF funding. Of the 18 events examined for this report, 13 were sports events and the five events to receive the largest amount of funding were also all sporting events. Sports events represented 78 per cent of events that received an investment, and captured 87 per cent of all investment. This reflects an increase in the relative share of sports events compared to the 41 funded events for the three years to 2006/7 when the last evaluation was conducted. At this time, 28 (68 per cent) were sports events, 13 (32 per cent) cultural, with no business events funded.

Figure 6 compares event type for the 18 events examined for the current evaluation, to the 41 examined as part of the 2007 evaluation.

Figure 6. Events by type – current compared to 2007 evaluation (2004/5 to 2006/7 events)



Meta evaluation findings illustrate the scale of net economic benefit that derive from sports events of a world championship nature. This is not unexpected – world championship events, by their unique nature, will attract a greater level of interest among international visitors (e.g. participants, spectators, officials).

While such events are likely to generate a desired level of net economic benefit, and therefore receive priority preference, consideration must also be given to events with growth potential to ensure the investment portfolio is balanced according to its strategic intent ('attracting, retaining and growing New Zealand major events').

5.5.2 Events by location

As discussed previously, because the current evaluation assesses economic benefits from a national as distinct from regional level, the following map (Figure 7), while illustrative of the regional economic impact of the events studied, should not be strictly interpreted as meaning any particular region captured the entire estimated benefit of the event. The map simply reflects the host region origin of the resulting national benefit.

Figure 7. Net economic benefit by region

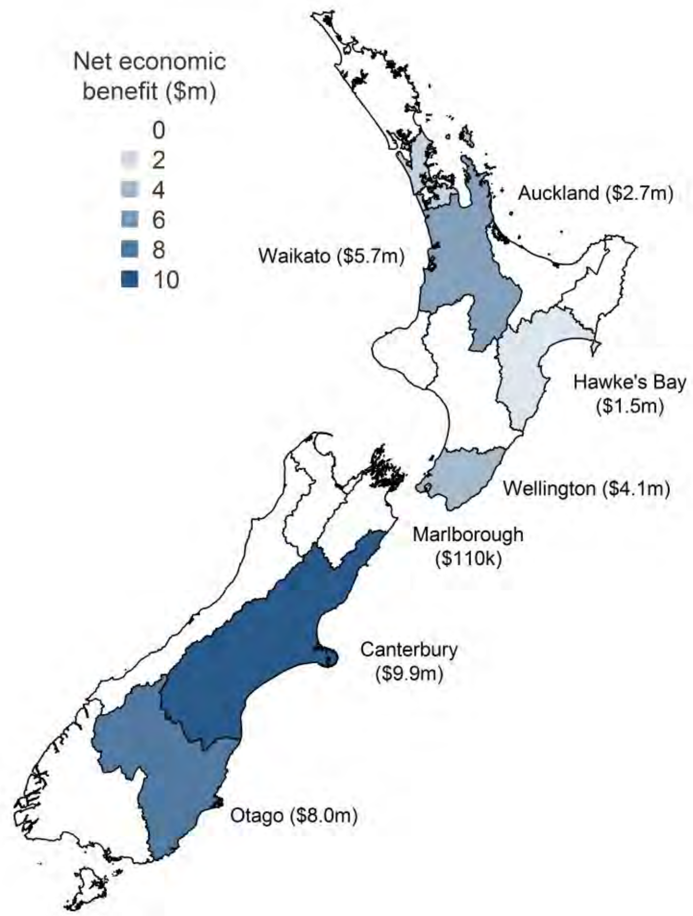


Figure 7 clearly illustrates that Canterbury and Otago generated the largest aggregate volume of economic benefit – $9.9 million and $8.0 million respectively, or together almost three fifths of total economic benefit from the 18 events examined.

This finding highlights the need for more careful consideration of the regional distribution of funded events, given the preference that the MEDF be administered on the basis of growing both national and regional benefits and ensuring there is a regional spread of major events. It is therefore important that greater effort be made to ensure a regional spread of events, without compromising the fundamental objective of maximising net national economic benefit. However, it is acknowledged that the Queenstown Lakes District is a natural destination for winter events.

It is also acknowledged that because Auckland, Wellington and Canterbury represent significant population centres with a highly active private and public events sector, effort to grow the events sector in other regions should not be undertaken if at the expense of significant net national economic benefits generated by these important and enduring event host regions.

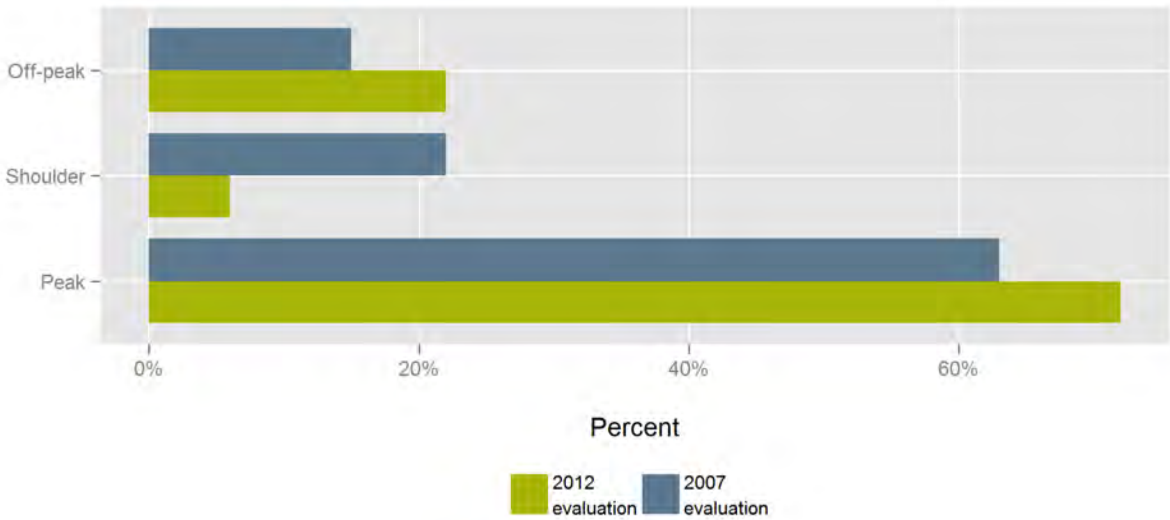
5.5.3 Seasonality

Major events policy objectives note a role for the fund in managing the spread of funds across the year, to better smooth the flow of visitors across peak, shoulder and off-peak seasons[17]. The intention behind this is to make optimal use of existing infrastructure and to avoid crowding out or displacement during peak periods. However, ensuring a seasonal spread can at times be beyond the control of MEDF decision making, particularly if, for example, the alternative is investing in a peak season event guaranteed to deliver a positive net national return; or not investing and forfeiting all or some of the potential benefits. Similar considerations apply to the desire to ensure a greater regional distribution of events.

Figure 8 illustrates that the majority of events were held in peak season; and in fact a greater proportion than at the time of the earlier 2007 evaluation (72 per cent for recent events, compared to 63 per cent at the time of the previous evaluation). Conversely, just six per cent of events examined in the current study were hosted in the shoulder season (compared to 22 per cent in the 2007 evaluation), and 22 per cent in the off-peak (winter) season (compared to 15 per cent in 2007).

The dominance of peak season events may not be surprising, given the more favourable weather patterns and heightened visitation associated with the peak summer months in New Zealand. However, there exists insufficient information to determine whether this seasonal distribution is reflective of the broader events industry in New Zealand, which may in fact exhibit even more pronounced peak season concentration.

Figure 8. Events by season – current compared to 2007 evaluation (2004/5 to 2006/7 events)



Findings also illustrate disproportionately greater net economic returns from off-peak and shoulder events, relative to peak season events. Specifically, 29 per cent of total economic returns derived from off-peak and shoulder season events, compared to just 15 per cent of government investment in these events. The reasons for this are unclear, but reasonable hypotheses may include:

- less sensitivity to adverse weather for off-peak winter sports and recreation events (which for winter destinations like Queenstown and Wanaka renders the term "off-peak" somewhat

[17] Guided by tourism policy and objectives, peak season is classified as November to March, shoulder season is April and October, and off-peak defined as May to September. It is acknowledged, however, that because off-peak includes the winter months, the definition means very different things to known winter sports destinations (Queenstown, Wanaka, Central Plateau) compared to elsewhere in New Zealand.

misleading); that is, such events are of necessity hosted in the colder winter months, when visitors may reasonably be assumed to be less sensitive to adverse weather

- more crowding during peak season, such that potential event visitors have more options for where to spend their discretionary travel dollar.

Extending the discussion above, Table 9 below compares the distribution of international visitor arrivals to estimated net economic return and the distribution of government investment by season. Again evident is the potential opportunity to better leverage shoulder and off-peak seasons, which despite attracting a disproportionately lesser share of MEDF investment funds, have delivered net economic benefits well beyond the level of investment.

Table 9. Seasonal distribution of international visitors – year ending September 2012

	Peak	Shoulder	Off-peak
International visitor arrivals	52%	16%	32%
Net economic return	72%	10%	18%
MEDF investment	85%	1%	14%

5.6 Regional and recurring events

"Regional" events, as classified by the major events strategy, are events that are smaller in nature and scale of benefit. A "recurring major" event is one that is held perpetually in New Zealand.

Both types of events face a number of challenges when seeking MEDF investment. Regional events often do not meet the international visitor numbers and overseas media coverage measures used to define a "major" event. Similarly, recurring major events struggle to meet the Fund eligibility because the Fund is not designed to invest in recurring events on an on-going basis. Rather, it seeks to develop and grow events but requires evidence of future financial independence from government (MEDF) support.

Regardless, some exceptions have been made for investments in "borderline" events to support a balanced investment portfolio. This approach has taken into consideration the existing mix of event types (arts, culture, sporting), regional spread throughout New Zealand, and/or opportunities to establish or develop a "home-grown" event.

However, while acknowledging that regional and recurring events can still deliver desirable social and cultural outcomes, the proposed new approach to government investment in events (see Section 2.5 for details) will mean regional and some recurring events are unlikely to be eligible for MEDF investment.

5.6.1 "Major" and "Regional" events compared

Table 10 and Figure 9 illustrates the distribution of events by net economic benefit and MEDF investment, in terms of "major" or "regional" status. This clearly identifies the greater returns from "major" events, which collectively accounted for $18.9 million, or 59 per cent, of overall net economic benefit of $32.1 million. However, just six of the 18 events examined were classified as "major", such that on average major events delivered an approximate net economic benefit of $3.1 million. Therefore, the balance of net economic benefit - $13.3 million, or 41 per cent, was delivered by the remaining 12 "regional" events. Hence, on average, regional events delivered an approximate net economic benefit of $1.1 million.

Accordingly, this supports an increased emphasis on prospecting and investing in "major" events. However, as discussed elsewhere in this report, because of the policy objective to have a balanced investment portfolio, care must be exercised in balancing investment in the inevitably larger scale major events versus regional scale events with growth potential.

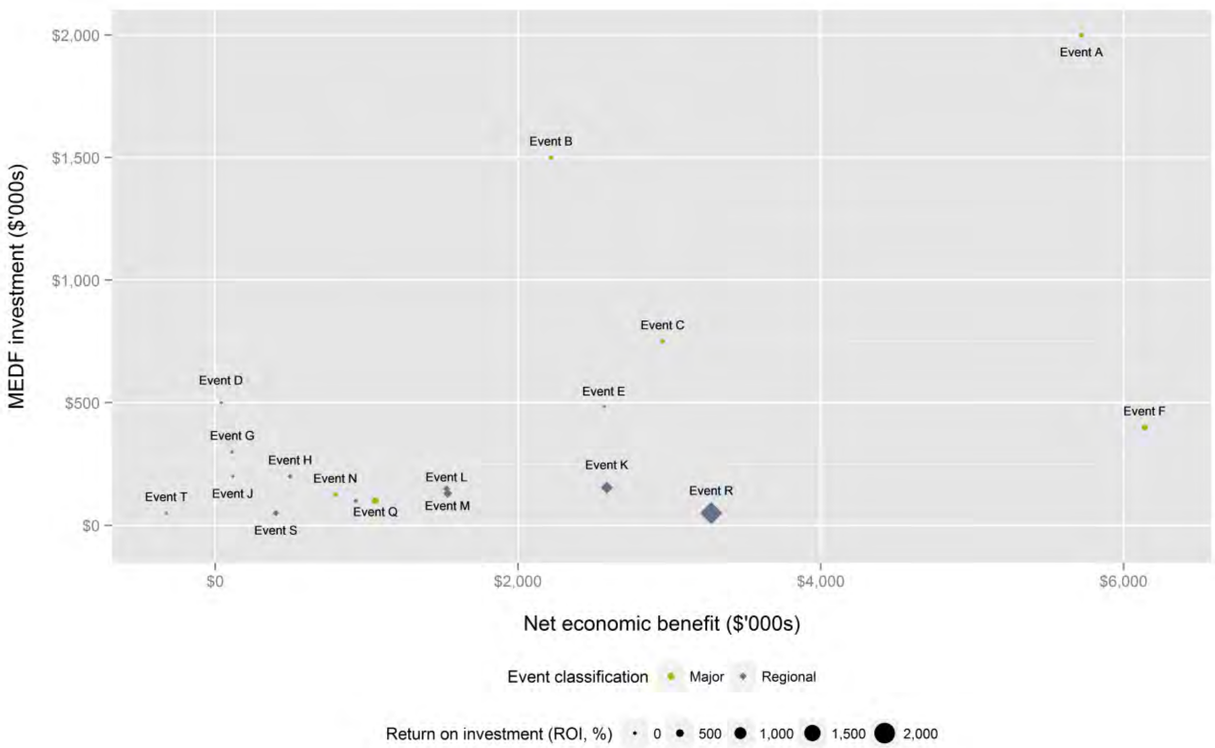
Also, in the absence of any information to confirm otherwise (which will be remedied in the revised post-event evaluation guidelines), because international visitors have been assumed to have spent most or all of their visit to New Zealand in the event host region, the benefits that derive from even “major” events are likely to be largely captured by the host region and its immediate vicinity. While this does not detract from an estimate of national benefit – because a region is of course part of the nation, it highlights the importance of ensuring as great a regional spread as realistically achievable of supported events. While taking this into account it is also important to note that national benefit defined in this report includes immediate economic benefits only. No attempt has been made to measure the broader social and cultural benefits of events or where these benefits accrue.

Table 10. MEDF investment and net economic benefit by major or regional status

Event	Major/ regional status	MEDF investment (ex GST)	Net economic benefit
Event A	Major	$2,000,000	$5,721,232
Event B	Major	$1,500,000	$2,217,794
Event C	Major	$750,000	$2,955,286
Event D	Regional	$500,000	$39,459
Event E	Regional	$485,000	$2,567,101
Event F	Major	$400,000	$6,138,947
Event G	Regional	$300,000	$111,600
Event H	Regional	$200,000	$495,900
Event J	Regional	$200,000	$116,459
Event K	Regional	$153,750	$2,586,437
Event L	Regional	$150,000	$1,528,145
Event M	Regional	$130,000	$1,535,243
Event N	Major	$125,000	$792,526
Event P	Regional	$100,000	$927,869
Event Q	Major	$100,000	$1,058,206
Event R	Regional	$50,000	$3,276,135
Event S	Regional	$50,000	$401,175
Event T	Regional	$50,000	-$323,614
Total		**$7,243,750**	**$32,145,899**

Figure 9. Net economic benefit by MEDF investment and major/regional event

The further toward the right of the plot, the greater the absolute net economic benefit; and the further to the bottom right of the plot, the greater the benefit relative to the size of MEDF investment. The size of data points is relative to the return on investment.



5.6.2 Recurrent and one-off events compared

Similar to the previous sub-section, events were examined for differences in terms of their recurrent or one-off status.

Figure 10 illustrates the distribution of events by net economic benefit and MEDF investment, in terms of recurrent or one-off status, while Table 11 lists each of the 18 events examined in terms of recurrent or one-off status. This identifies the greater returns from "one-off" events, which collectively accounted for $22.8 million, or 71 per cent, of overall net economic benefit of $32.1 million. One-off events accounted for ten of the 18 events examined, such that on average one-off events delivered an approximate net economic benefit of $2.3 million. The balance of net economic benefit - $9.4 million, or 29 per cent, was delivered by the eight "recurrent" events. Hence, on average, recurrent events delivered an approximate net economic benefit of $1.2 million.

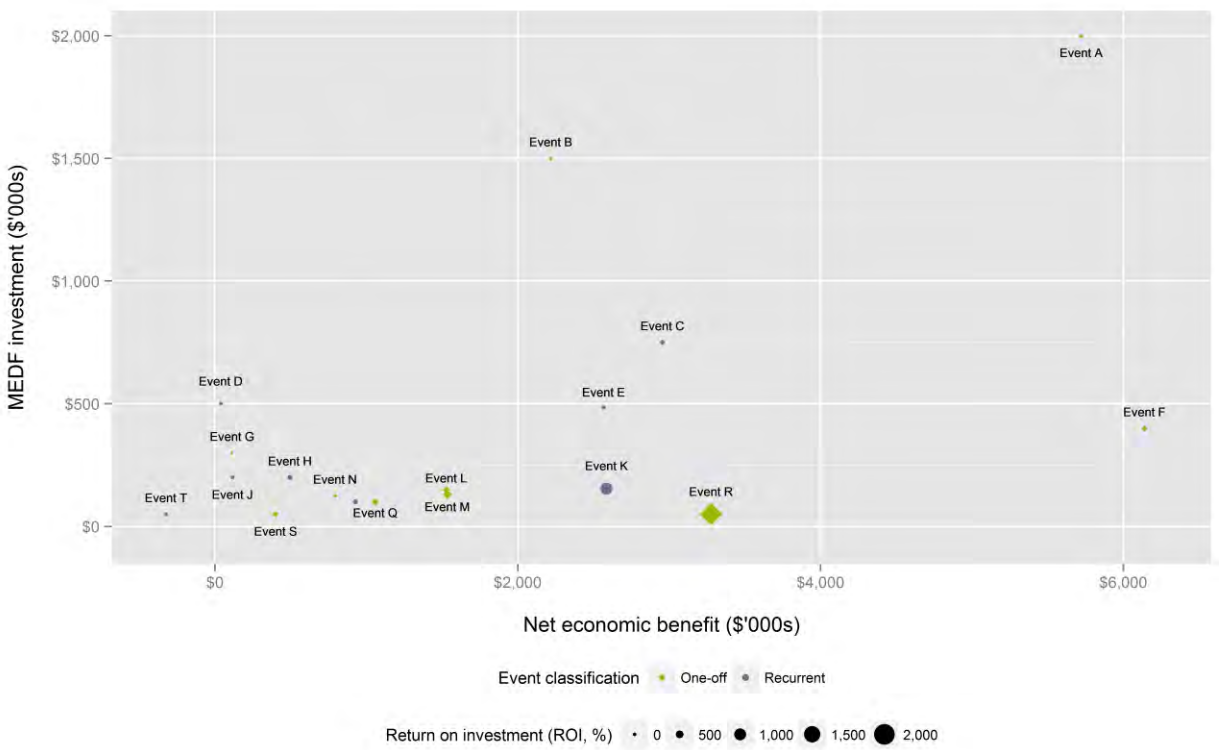
This finding presents something of a challenge. One-off events, by definition, do not return to New Zealand (or at least are unlikely to for a long time), but typically deliver greater economic benefits. This is almost certainly because they are one-off, unique events, and often of a world championship or similar status. Accordingly, such one-off events should be targeted given their economic benefits, but the investment portfolio should be carefully balanced by the need to retain interest and investment in events with growth potential.

Table 11. MEDF investment and net economic benefit by recurrent or one-off status

Event	Recurrent/ one-off status	MEDF investment (ex GST)	Net economic benefit
Event A	One-off	$2,000,000	$5,721,232
Event B	One-off	$1,500,000	$2,217,794
Event C	Recurrent	$750,000	$2,955,286
Event D	Recurrent	$500,000	$39,459
Event E	Recurrent	$485,000	$2,567,101
Event F	One-off	$400,000	$6,138,947
Event G	One-off	$300,000	$111,600
Event H	Recurrent	$200,000	$495,900
Event J	Recurrent	$200,000	$116,459
Event K	Recurrent	$153,750	$2,586,437
Event L	Recurrent	$150,000	$1,528,145
Event M	One-off	$130,000	$1,535,243
Event N	One-off	$125,000	$792,526
Event P	Recurrent	$100,000	$927,869
Event Q	One-off	$100,000	$1,058,206
Event R	One-off	$50,000	$3,276,135
Event S	One-off	$50,000	$401,175
Event T	Recurrent	$50,000	-$323,614
Total		**$7,243,750**	**$32,145,899**

Figure 10. Net economic benefit by MEDF investment and recurrent/one-off event

The further toward the right of the plot, the greater the absolute net economic benefit; and the further to the bottom right of the plot, the greater the benefit relative to the size of MEDF investment. The size of data points is relative to the return on investment.



5.7 *Public and commercial share of income*

Events varied widely with respect to how much they relied on public funding (central and local government) compared to commercial revenue (such as ticket sales, sponsorship and grants from commercial entities), as illustrated in Table 12 – from as little as six per cent publicly funded for Event R, to 85 per cent for Event S.

Table 12. Public and commercial share of event income

Event	MEDF investment ($)	Net economic benefit ($)	Public investment (%)	Commercial investment & revenue (%)
Event A	$ 2,000,000	$ 5,721,232	16%	84%
Event B	$ 1,500,000	$ 2,217,794	28%	72%
Event C	$ 750,000	$ 2,955,286	44%	56%
Event D	$ 500,000	$ 39,459	35%	65%
Event E	$ 485,000	$ 2,567,101	21%	79%
Event F	$ 400,000	$ 6,138,947	9%	91%
Event G	$ 300,000	$ 111,600	79%	21%
Event H	$ 200,000	$ 495,900	38%	62%
Event J	$ 200,000	$ 116,459	40%	60%
Event K	$ 153,750	$ 2,586,437	26%	74%
Event L	$ 150,000	$ 1,528,145	18%	82%
Event M	$ 130,000	$ 1,535,243	69%	31%
Event N	$ 125,000	$ 792,526	10%	90%
Event P	$ 100,000	$ 927,869	24%	76%
Event Q	$ 100,000	$ 1,058,206	48%	52%
Event R	$ 50,000	$ 3,276,135	6%	94%
Event S	$ 50,000	$ 401,175	85%	15%
Event T	$ 50,000	-$ 323,614	45%	55%
Total	**$ 7,243,750**	**$ 32,145,899**	**26%**	**74%**

A detailed analysis of Table 12 confirms that there exists a weak positive correlation between the level of MEDF investment and the commercial share of total investment, and a somewhat stronger positive correlation between the net economic benefit and the commercial share of total investment. Conversely (and by definition), there exists a weak negative correlation between the level of MEDF investment and the government share of total investment, and a somewhat stronger negative correlation between the net economic benefit and the government share of total investment.

This seems an intuitive finding – commercial sponsors will be more likely to contribute to an event if there is evidence to suggest that it will deliver a sufficient financial return. This might be signalled either by the known level of government investment (MEDF and/or other government), or empirical or other evidence that an acceptable return on investment will be realised. Related, because so much of gross income derives from visitor expenditure (on average, almost half), the downstream commercial benefits that derive from increased corporate and brand exposure will be more likely to reach a wider audience.

Furthermore, for the 18 events examined, this level of public funding (26 per cent, compared to 74 per cent commercial income) is in fact more favourable than a proposed policy objective of investing in events with a minimum 70 per cent commercial revenue stream. In that regard, to mitigate risk by more widely spreading event investment across multiple funding sources; it is recommended that consideration be given to establishing an assessment objective of a demonstrated share in the range of 70 to 80 per cent commercial investment.

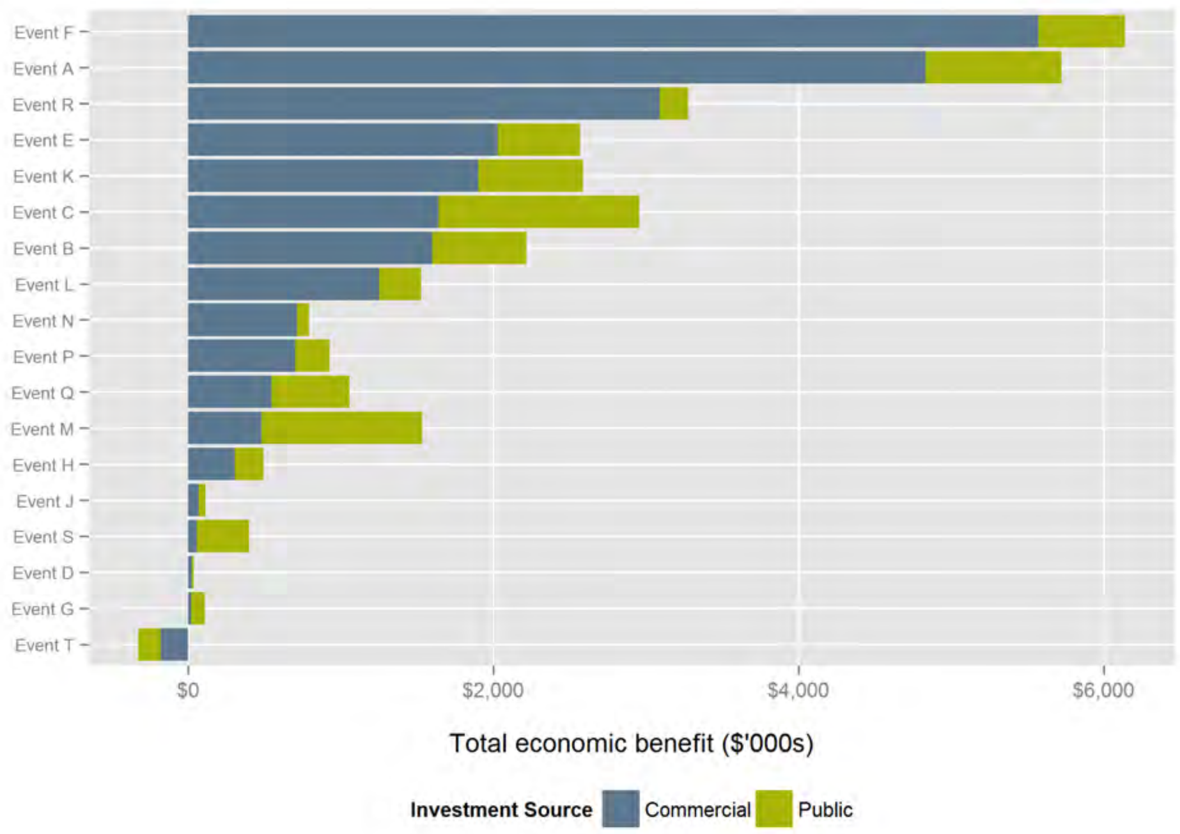
The relative balance of public and commercial income and its relationship to overall net economic benefit is illustrated in Figure 11. Figure 11 assumes that the relative balance of public and commercial income is directly proportional to overall net economic benefit (e.g. if commercial income is 75 per cent of total income, it is assumed that 75 per cent of total net economic benefit is attributable to commercial revenue; conversely, 25 per cent of total net economic benefit is attributable to public revenue). On this basis, it is obvious that on balance, higher relative <u>and</u> absolute levels of commercial income are associated with greater overall net economic benefits. This is a desirable outcome, and is consistent with the policy objective of providing government support to events that can or will be both self-sustainable (i.e. a "critical mass" of commercial revenue) and deliver significant net economic benefits.

One exception is Event C, which received a relatively high investment of public funds (44 per cent of total income, compared to just nine per cent for Event F and 16 per cent for Event A). However, looking ahead this event is expected to significantly grow its international profile, in terms of participants, visitors and media coverage. Accordingly, the share of commercial income relative to public income should substantially increase as the event builds toward being self-sustainable.

Another exception to the general rule is Event M that received an atypically high public investment (69 per cent of total income), yet delivered a promising net economic benefit of $1.5 million. This is overwhelmingly the result of the significant contribution from international visitors and participants; in fact, the highest of all 18 events at 85 per cent of gross benefit.

If anything, the exception of Events C and M again illustrate the need to evaluate and monitor the MEDF as a portfolio of events rather by individual events alone.

Figure 11. Relative public and commercial contribution to net economic benefit



5.8 *Social, cultural and legacy benefits*

Looking across the 18 event reports, it is clear that insufficient attention has been given to accurately describing and sizing any social and cultural impacts, or longer-term legacy benefits. A summary of findings from original reports is provided below:

- Few (two only) provided counts of local businesses involved, although some actively encouraged the business sector to be involved through providing flags (buntings) and dressing windows.
- Some had formal school programmes (but these were in the minority), adopt-a-team being one variant.
- Various attempts were made to attract the general public (as distinct from those already actively engaged in the sport/art (examples include free events and non-event related activities at the venues).
- Almost all events featured elements of Maori culture in their opening ceremony and provided pounamu souvenirs for participants (sometimes just for place getters).

It is acknowledged that one of the challenges in ensuring robust measurement of social and cultural benefits of major events is simultaneously the long lead time required for such benefits to materialise, and the very intangible nature of them. Accordingly, it is recommended that the policy rationale for social and cultural event benefits be considered when investing in an event and further work undertaken to understand and quantify the value of these benefits to New Zealand. However, this should be developed in a way that does not detract from the rich tapestry of more nuanced, in-depth qualitative information that will remain important for informing non-economic event outcomes like longer-term social and cultural benefits.

The above recommendation would also provide more scope to the Major Events Ministers Group and Investment Panel to shift the burden of responsibility onto event organisers to ensure the desired social and cultural objectives are met. Under current arrangements, the often intangible nature of social and cultural objectives is such that it is difficult to determine how successful particular events have been in meeting the objectives of the policy.

One immediate recommendation to the evaluation of less tangible social and cultural benefits is to frame an approach for measuring the option value associated with major event hosting. Essentially, in the context of major events an option value might be defined as domestic residents' willingness to pay for the enhanced social and cultural legacy benefits of government investment in major events, even if there is no current or planned "use" of such legacy benefits. Although historically the option value concept has been applied in environmental economics, in particular ascribing an option value to the conservation estate, there is likely to be benefit extending the principle to the social and cultural benefits that derive from major events. This is because the three key factors, on which the theoretical foundations of option are based, remain relevant to major events' legacy benefits:

- uncertainty about future need for the asset[18]
- irreversibility or high replacement cost if the asset is lost
- non-storability of the asset.

[18] In this context, "asset" can be interpreted as social, cultural, media and reputation/image legacy benefits.

5.9 *Media and international exposure benefits*

Major events can provide host nations with an opportunity 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 will continue to be recognised by the new Major Events Ministers Group and Investment Panel), and New Zealand brand promotion will remain an important investment decision criterion.

At present, pre-event assessment focuses on events' potential to generate volumes of broadcast, print and other media coverage in foreign markets. Coverage attained in specific target countries is weighted higher than coverage in other markets[19]. 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 MEDF funded events has also been assessed 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.

However, 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
- the method conflates the process of increasing brand awareness with the intended outcomes of that process, being downstream business and tourism benefits
- the method provides estimated exposure values which are free of context – estimated monetary values do not give 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.

This event meta-evaluation is primarily focused on measurement of economic benefits, and while it acknowledges the potential value of media, no attempt has been made to measure this benefit in economic terms. However, it is an important benefit to understand and measure in future, given its obvious links to New Zealand Inc. brand equity. Tourism Research and Evaluation is currently undertaking a longitudinal study to measure the attribution of Tourism New Zealand advertising on international visitor arrivals, spend and other characteristics. In future, the findings from this study could be explored as an alternative or complementary mechanism to help measure some of the international media benefits generated by major events.

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

6. Sensitivity to assumptions – drivers of economic benefit

6.1 Consumer surplus

Because ticket sales typically form a relatively small proportion of the income generated for the events examined, net economic benefit and the rate of return is not overly sensitive to the consumer surplus assumptions employed. That is, increasing the rate from the 20 per cent employed by MBIE for ticketed events and two per cent for non-ticketed events, to 50 per cent and five per cent, respectively, typically has a negligible effect on net economic benefit, and increases the return on investment by a negligible magnitude.

6.2 Number of international visitors

On the other hand, net benefit is most sensitive to the number of definite event-induced international visitors, and by association how long they stay in both the host region and elsewhere in New Zealand. But there is an important distinction that needs to be made here, being that most spectator surveys commissioned by event organisers do not at present differentiate definite event-induced visitors from those who were already in New Zealand for other reasons – "coincidental" visitors. That is, only international visitors for whom the event was the main reason for their coming to New Zealand should be included in such calculations.

Accordingly, the final post-event reporting guidelines will stress the necessity of differentiating "coincidental" event visitors (and thereby excluded from being counted as adding to overall net economic benefit) and those whose sole or main reason for visiting New Zealand was the event itself.

While definite event attribution for visiting New Zealand can be reasonably assumed for most event participants and officials, it is often not the case for spectators. At an extreme example, only four per cent of international visitors surveyed that attended some of Event P cited the event as the main reason for being in the host region at that time.

Almost by definition then, those events that do not attract a large number of overseas visitors (be they participants, officials or spectators) will not deliver sufficient net national economic benefit, nor deliver a high rate of return on investment.

6.3 Length of stay

The rate of return is also sensitive to the length of stay of participants, officials and spectators. However once again, the surveys commissioned by event organisers (if indeed any surveys were commissioned at all) are generally not designed to accurately capture this information. That is, at best they capture the length of stay during the event (and the days in the area immediately prior to the event, for example for training/preparation) split by spectators and participants, and sometimes international spectators compared to New Zealand resident spectators. But they do not capture the number of international visitors that did some pre- or post-event travelling around New Zealand, or the duration of that travel. Rather, the most the original reports reveal (either the economic impact report or the more comprehensive post event reports) are qualitative insights, such as "many then travelled to other South Island destinations". Such information provides at best a weak, proxy signal to the scale and value of pre- or post-event travel elsewhere in New Zealand.

If by way of illustration, all international visitors are assumed to have stayed in New Zealand 15 days (including the period spent at the event and now allowing for some post event New Zealand tourism), in lieu of the actual 10 days on average estimated, the collective benefit to New Zealand of the value add share of their total expenditure would have increased by more than 50 percent (55 percent, $14.5 million), from $26.3 million to $40.8 million. This in turn would have contributed to a commensurate $14.5 million increase in net national economic benefit, from $32.1 million to $46.6 million – a 45 per cent increase.

6.4 Daily spend

Finally, the rate of return is equally sensitive to the average daily spend of the international visitors (far more so than the 20 per cent share of international airfares that accrue to the New Zealand economy). However, once again few event visitor surveys split expenditure data (if it exists) into international compared to domestic visitors.

Thus, unless sufficiently accurate per day expenditure was directly collected from event attendees, the analysis has employed the MBIE provided figure of $180 per day, which is the current average daily spend by all international holiday visitors[20].

One survey did however include an estimate as high as $500 per day for international visitors (which is considered neither representative nor credible); another economic impact report suggested $250 as a conservative estimate, but not based on any survey. Further, a reputable industry provider of post-event economic evaluations employs $250 for events where spend details could not be sourced for particular visitor groups, but asserting that this estimate is based on previous (unreferenced) primary research). Last, a City Council model employs $335 per day for international visitor expenditure, but does not state the basis for this estimate.

Therefore, in the absence of robust daily spend survey information, both the original post event reports and economic impact reports were scrutinised for any information on spectator or participant income to use by way of proxy (bearing in mind the link may be slightly tenuous as, irrespective of income, people's "purse strings may loosen a bit" on holiday. However, with the exception of Events F and J, no such information was contained in the original reports.

Increasing both the average length of stay assumption to 15 days (see above), and the average daily spend assumption from $180 to $250, would see the value add share of the collective spend of international visitors more than double, from $26.3 million to $54.1 million. This in turn would have contributed to a commensurate increase in net national economic benefit, from $32.1 million to $59.9 million – an 87 per cent increase.

[20] The rationale for applying a holiday only estimate of average daily spend is that other purposes of visit, e.g. visiting friends and relatives and business, are less likely to reflect the typical characteristics and behaviours of event visitors.

7. Conclusions and recommendations

The objective of this evaluation was to understand the economic benefit the fund has made to the national economy, in terms of a full assessment of tangible, and where possible intangible, benefits and costs. An economic evaluation framework based on cost-benefit analysis principles was applied to re-evaluate previously reported post-event impact assessments.

At a portfolio level, the fund is delivering promising, positive returns

In general, the Fund is being invested in events that generate positive national economic benefits. With a return on investment (ROI) of 96 per cent, major events almost certainly prove a sound investment for government. But because the meta-evaluation is a snapshot in time (an approximately 2 year period), it is difficult to judge if net economic benefits generated and ROI are at an optimum level relative to the level of government investment. Therefore, the results from this evaluation will be used as a baseline to monitor future performance.

Recommendation 1a. *Invest in and prospect for events that are likely to generate greater levels of national net benefit.*

Recommendation 1b. *Use net national economic benefits and ROI measurement, as in this report, to monitor and compare major events' return on investment over time. While important that ROI is always considered alongside the net economic benefit, maximising the absolute net economic benefit should remain the primary objective of central government's investment in Major Events. Unlike ROI, the net economic benefit is more resistant to the effect of the absolute level of government investment.*

Net economic benefits are not highly correlated with the level of government and/or total investment

Net benefits and return on investment is not always greater for events the greater the level of MEDF and/or total investment. Small investments can also return a high level of net benefits.

Recommendation 2. *While it is natural that return on investment will be influenced downward for events with a larger MEDF and/or total investment, it is equally true that these events tend to deliver the largest absolute net benefits. Accordingly, a balance must be struck between prospecting and targeting events that deliver the largest absolute net benefits, against those that deliver the largest (relative) return on investment. In a general sense, this balance may be achieved by more explicit targeting of "medium" scale events – those that justify a more modest MEDF investment, but will also deliver desirable overall, absolute economic returns.*

International visitor value-add is a significant driver of net economic benefit

Overwhelmingly, events with the greatest international visitor value-add contribution were also those with greatest overall net economic benefit. Length of stay, per day expenditure and number of international participants/audience are immediate and direct inputs to international visitor contribution.

Recommendation 3a. *Events that achieve some combination of the following should be prospected and favoured, and appropriate mechanisms established to identify events with* ***these*** *characteristics:*
large number of ***international*** *visitors*
longer than average ***length*** *of stay*
higher than average ***daily*** *spend*

Recommendation 3b. *Because visitor* ***expenditure*** *at an individual level is so closely correlated with length of stay, events of longer duration (and of course a significant international profile) should be afforded priority consideration.*

Recommendation 3c. *Give greater emphasis to events that can demonstrate as broad-based an audience profile as possible. For example, concurrent "sub-events" designed to appeal to different target audiences than the main event, such as activities and opportunities that capture the interest of audiences like business, children, amateurs (in the context of professional sports events); or, for example, social sub-events associated with the main event.*

Sport continues to attract the largest share of MEDF investment

Sport is the dominant recipient of MEDF investment. Sport investment has increased since 2007.

Recommendation 4. *Actively prospect for a range of event types to better balance the MEDF investment portfolio. While still remaining true to the overall objective of the fund – invest in events that are likely to generate greater levels of national net benefit.*

MEDF investment is heavily concentrated in specific regions

MEDF investment, at least for the two year period examined, is heavily concentrated in two regions – Otago and Auckland. This highlights the need for more careful consideration of the regional distribution of events invested in, given the desire to administer the MEDF fund on the basis of growing both national and regional benefits, and ensuring regional spread of major events.

Recommendation 5. *Make greater* ***effort*** *to consider events in smaller regions, without compromising the fundamental objective of maximising net national economic benefit[21].*

Regional and recurrent events may struggle to meet MEDF investment criteria

Regional-scale events and many recurring major events struggle to meet the criteria of the MEDF, yet they can still deliver desirable social and cultural outcomes. Findings illustrate that, on average, "regional" events do not generate the level of net economic benefit that "major" events do. Similarly,

[21] Because Auckland, Wellington and Canterbury represent significant population centres with a highly active private and public events sector, effort to grow the events sector in other regions should not be undertaken if at the expense of significant net national economic benefits generated by these important and enduring event host regions.

recurring events do not, on average, generate the level of net economic benefit that one-off major events do.

Following the recently revised approach to investing in major events, NZ Major Events now has a stronger mandate to focus on events with the greatest potential for economic return on its investment in major events.

> ***Recommendation 6.*** *Focus MEDF investment on major one-off events, given their high levels of economic benefit. However,* ***care*** *needs to be taken to ensure the MEDF investment portfolio is balanced in line with the funds' strategic intent to "attract, retain and grow New Zealand major events".*

Evidence that off-peak and shoulder season events may out-perform peak season events

Findings illustrate disproportionately greater net economic returns from off-peak and shoulder season events, relative to peak season events. Evident is the potential opportunity to better leverage shoulder and off-peak season events, which despite attracting a disproportionately lesser share of MEDF investment funds, have delivered net economic benefits considerably beyond the level of investment.

> ***Recommendation 7.*** *Actively prospect for events that take place in the shoulder or off-peak season. The meta-evaluation has not only confirmed disproportionately greater net economic benefits from off-peak and* ***shoulder*** *season events, but such active prospecting will deliver more optimal resource utilisation, e.g. infrastructure and assets, labour, tourism, accommodation and hospitality supply, and airline capacity.*

Higher levels of commercial investment are associated with higher net economic benefit

On balance, greater relative and absolute levels of commercial income (indicatively, 70 to 80 per cent commercial revenue) are associated with greater overall net economic benefits. This is a desirable outcome, and is consistent with the policy objective of providing government support to events that can or will be both self-sustainable (i.e. a "critical mass" of commercial revenue) and deliver significant net economic benefits.

> ***Recommendation 8.*** *Adopt a maximum* ***government*** *investment of 30 per cent of total event revenue (including sponsorship, grants and sales).*

Existing data collection and economic impact analysis methods are highly variable

The meta-evaluation has confirmed that existing data collection methods and analysis and estimation of economic impacts vary widely and can be greatly improved. However, it is acknowledged that effort in this area should not be disproportional to the size of MEDF investment, e.g. a $100,000 MEDF investment would not reasonably justify a formal cost-benefit analysis.

> ***Recommendation 9.*** *Finalise the second draft of post-event economic evaluation guidelines already distributed, including more examples and illustrations of evaluation best practice and principles. Circulate to stakeholders in early 2013.*

Existing data collection and economic impact analysis methods have greatly overstated benefits

The estimated $32.1 million of net economic benefit is in distinct contrast to the estimated $143.8 million of aggregate national economic benefit originally submitted by event organisers and their contracted consultants. There are many reasons for this, but in the broadest sense, differences are due primarily because of original economic impact measurement approaches:

- not adequately measuring the obvious and less obvious costs associated with event hosting
- including domestic visitor contribution in estimates of net national impact
- employing overstated and unsubstantiated multipliers
- counting non-additional, or "coincidental" economic contributions as event-induced, e.g. international visitor expenditure by those who did not visit an event location specifically because of the event, i.e. were or were planning to visit the region anyway.

Recommendation 10. *Issue comprehensive and easy to implement post-event evaluation guidance to MEDF recipients. The Major Events team will be enabled to ensure the events sector understands what* ***information*** *requirements are needed of them, and why.*

Social, cultural, media and reputation/image benefits are not well measured and understood

Evaluation confirms that the data collection system and analysis of social and cultural benefits, audience profile and media benefits by event organisers can be vastly improved.

Recommendation 11a. *Undertake* ***further*** *work to understand international audience/participant profiles for specific events.*

Recommendation 11b. *Undertake further work to understand the nature and measurement of social and cultural benefits in the event sector, and how best to implement a social and cultural benefits measurement and reporting framework. Systematise the collection, analysis and reporting of monetised and other benefits that derive; possibly based on an option* ***value*** *approach – domestic residents' willingness to pay for the enhanced social and cultural legacy benefits of government investment in major events, even if there is no current or planned "use" of such legacy benefits. Such measurement should not detract from the unavoidably nuanced, in-depth qualitative information that will remain important for informing non-economic event outcomes like longer-term social and cultural benefits.*

Recommendation 11c. *Undertake further work to understand how to measure the value of media coverage and publicity to New Zealand over the immediate and long term, and how best to implement a media measurement and reporting framework.*

Recommendation 11d. *Commit to semi-****regular*** *meta-evaluations to monitor post-event reporting and ensure policy objectives are being upheld. Indicatively, bi-annually.*

Appendices

Appendix 1: Investment criteria and eligibility guidelines

The government invests in major events that generate significant immediate and long-term economic benefits and align with wider government objectives through leverage and legacy opportunities.

Event organisers seeking investment will be required to show evidence that the event will significantly and measurably impact on the following areas in the immediate and long-term:

a. **Tourism revenue** e.g. will attract international visitors and expenditure to New Zealand;

b. **New Zealand brand promotion** e.g. opportunity to showcase New Zealand through international media;

c. **Business and trade opportunities** e.g. investment and export opportunities created;

d. **Increased participation in sports, arts or culture** e.g. growth in participation and high achievement in event field;

e. **Increased employment opportunities** e.g. short and long-term employment created by the event;

f. **National identity and pride** e.g. opportunities to celebrate New Zealand culture and heritage and include local communities in event delivery; and

g. **Event sector capability** e.g. building additional event governance, management and delivery skills.

The Fund is contestable. Preferential consideration may be given to events which:

a. Are timed to fall within off-peak or shoulder tourism periods;

b. Provide balance to the existing portfolio of government-supported events including:

   i. Existing mix of event type (arts, culture, sporting);

   ii. Regional spread throughout New Zealand; and/or

   iii. Opportunities to establish or develop a ‘home-grown’ New Zealand event.

c. Its core event management team have a track record of successful event delivery, and best practice governance, event management and risk management strategies;

d. Are strongly supported by key stakeholders including local government or the equivalent local/regional events body, and endorsement of the national body relevant to the event (if applicable); or

e. Are supported by a significant level of commercial and sponsorship revenues.

An event is unlikely to receive support if it:

a. Will take place outside of New Zealand;

b. Requires an investment in offshore international rights fees, which is disproportionate to the economic returns to New Zealand from hosting the event;

c. Generates benefits primarily to the region in which it is hosted i.e. does not generate national benefits;

d. Does not allow for sufficient time (ideally two years from the application date) for the event to develop and deliver a significant leverage and legacy plan and/or enable the government to leverage the event for wider government objectives;

e. Will adversely affect an existing major event due to timing or any other reason;

f. Is seeking funding that:

    i. Is disproportionate to the benefits that will result from the investment;

    ii. Is a financial grant, as opposed to a partnership with government to enhance the event and leverage additional benefits from it; and/or

    iii. Is in addition to a significant level of other central government support (more than 10 per cent of income).

g. Has received Major Events Development Fund support or other significant central government funding in the past and has no credible evidence of future financial independence from government support; or

h. Is seeking funding for the following purposes:

    i. Development of new infrastructure;

    ii. Underwriting for the event; or

    iii. Business events (e.g. conventions, conferences, trade shows, exhibition, incentives etc.) as these events are supported by another mechanism.

Appendix 2: Meta-evaluation methodology

Net national benefit focus

The Major Events Development Fund's investment criteria focus on benefits likely to accrue to the New Zealand economy as a whole, as distinct from the region(s) where the event is held. Accordingly, the methodology employed for the meta-evaluation deliberately focussed only on net national benefits. The main impact of this is the exclusion of domestic visitor (and participants, officials, etc.) event-induced expenditure, which simply represents an internal transfer of expenditure that would otherwise have occurred elsewhere in the economy (discussed in more detail below).

An international visitor focus

Overseas visitor spend drives the calculation of net benefits because – if the event is run at no material surplus or deficit – the event operating expenditure and operating income typically cancel each other out, so the majority of estimated benefits are derived externally from event operations itself.

It is important that this benefit is calculated as the estimated value add share of expenditure by international visitors in New Zealand, who visited New Zealand specifically for the event. That is, they would not have come to New Zealand in the absence of the event. This is an important distinction and one that is rarely adequately captured in spectator survey questions and the like. For example, it is more often than not assumed that the value add share of expenditure by all international visitors to the event is entirely attributable to the event, even had they only coincidentally attended the event during a trip to New Zealand that would still have happened in the absence of the event).

Based on Statistics New Zealand's March 2012 Tourism Satellite Account, value add to the New Zealand economy has been assumed to be a uniform 75 per cent of international visitor expenditure[22].

The reason our estimates are limited to international visitors only is because, in the case of domestic attendees, had the event not occurred, the expenditure would have been spent elsewhere in the New Zealand economy. In other words, from a national welfare perspective, domestic event-induced expenditure represents simply a transfer from one region to another.

Excluding multiplier effects

A multiplier effect occurs when one person's spending becomes someone else's income, and some of the second person's income is subsequently spent, becoming the income of a third person; and so on.

For the purpose of major event economic evaluation, the use of multipliers for calculating indirect and induced expenditure is not appropriate for the following reasons:

- While in principle event-related expenditure may have a multiplier effect, this is invariably offset by the fact that so does the foregone alternative use of event resources and funding.
- The multipliers historically employed in economic impact assessments are often ambitiously high and therefore artificially inflate expenditure estimates.
- A number of factors influence the value of multipliers in the economy. For example, they should be specifically calculated for different regions, different industries, and whether intermediate inputs are sourced domestically or internationally (imports). Doing so is extremely difficult and costly.

[22] It is acknowledged that this assumption may be at variance for certain events, however from the portfolio of many events perspective that is the basis of the current meta-evaluation, it is highly unlikely to materially bias international visitor expenditure value add up or down.

- The scale and scope of major events is typically such that any multiplier effects will be small enough to be legitimately ignored. With the exception of all but the largest scale events (e.g. Rugby World Cup), the "shock" to the national economy from hosting an event is likely to be insufficiently large to have influenced employment of additional, rather than displaced, supply chain labour, capital and other resource. At a local or regional level, the justification for multiplier effects is even more tenuous.
- Last, the use of generic multipliers that capture the influence of much longer supply chain sectors of the economy (e.g. manufacturing), will invariably overstate the true (but rarely quantified) "service" sector shorter supply chains predominant in running events.

No permanent employment effects assumed

The Ministry does not support the inclusion of permanent or enduring employment impacts in the economic evaluation, for the following reasons:

- Not only do few people rely on major events as an "industry" for permanent employment, but because individual events are by their very nature time-limited, permanent or enduring paid employment will almost always be negligible to nil. In an economy operating ostensibly at full employment, the typically short-term temporary employees required for major events are highly unlikely to be unemployed in the absence of the event. Even if paid event employees are drawn from a pool of unemployed people, the type of workers required are usually those who tend to frequently move between various jobs (the "frictionally" unemployed) and are rarely unemployed for long.
- The majority of events are extensively supported by volunteers rather than paid workers. Accordingly, where people are employed to work in, or on, an event it is usually on a short-term, unpaid basis, so makes no contribution to permanent paid employment. When a major event creates extra demand for tourism and hospitality services, this can often be met using existing and/or temporary staff in these areas.
- By their very nature, events typically last for a short duration, and although it is not disputed they deliver employment opportunities before and during the event, enduring or permanent employment will typically be negligible or nil.

Quantifiable costs and benefits only

Less tangible benefits, such as the potential benefits to derive to New Zealand from increased media coverage arising from the event are not included in the current analysis, due to the return on investment focus of the brief, which by its nature requires costs and benefits to be (relatively easily) expressible in dollar terms.

Redistribution of public funds cost

The Major Events Development Fund is funded by tax revenue. Collecting and redistributing tax (e.g. via the Major Events Development Fund) results in market inefficiency and other costs. The formal economic term for this cost is “deadweight loss”. Treasury recommends that this is estimated as 20 per cent of the total value of government funding.

Accordingly, the post event evaluation calculates this by multiplying the total value of all government funding secured for the event by 0.2, and counting it as a cost associated with hosting the event.

Consumer surplus

The methodology employed assumes 20 per cent of the dollar value of ticket sales to non-international visitor spectators is counted as a benefit in the calculation.

The rationale for including this is the assumption that some spectators at the event would have been willing to pay more than they actually did to attend or participate. The extra satisfaction gained from paying less than they were willing to, is counted as a benefit, and described by economists as “consumer surplus”. Research conducted for other major events suggests that consumer surplus typically averages approximately 20 per cent of domestic ticket sales.

Consumer surplus should only be calculated for domestic attendees. While international attendees may gain extra satisfaction from the event over and above what they paid, this does not constitute an economic benefit for New Zealand.

If the event did not have ticket sales, i.e. free attendance, then the consumer surplus benefit was estimated as two per cent of total event revenue. It is acknowledged that this is only an approximation; does not properly account for the relative shares of international and domestic attendance; and cannot allow for events’ different rates of public participation (e.g. some low cost events may have higher public participation and consumer surplus than the two per cent rule of thumb suggests). However, analysis of historical event assessments confirms that this calculation will derive a reasonable estimate of consumer surplus benefit; and importantly, of a magnitude that will not adversely overall event benefit and cost estimation.

It is also acknowledged that the uniform application of two per cent of event expenditure, to derive an estimate of consumer surplus for non-ticketed events, may disadvantage events characterised by very large numbers of domestic visitors for whom actual consumer surplus may be considerably larger than the proposed approximation. However, measuring the elasticity of (domestic) demand for non-ticketed events is extremely difficult and prone to under-estimation bias, simply because the willingness of any given consumer to pay a premium beyond zero is more likely to be understated. Also, from a net national economic welfare perspective, unless consumer surplus can be empirically demonstrated to be a function of highly inelastic demand, its contribution to overall net economic benefit will typically be small relative to the dominant international visitor expenditure contribution.

Value of international airfare expenditure that accrues to New Zealand

The methodology assumes 25 per cent of the average airfare cost accrues to the New Zealand economy. This is based on analysis of historical airfare data, Statistics New Zealand’s Tourism Satellite Account, and Air New Zealand annual accounts. These analyses confirm that approximately 25 per cent of the amount spent by international visitors on international airfares to and from New Zealand is captured by the New Zealand economy. This estimate is based on a higher percentage for travel by Air New Zealand travellers (of which a significantly greater proportion of airfare revenues accrue to the New Zealand economy) and a lower contribution from foreign based carriers (comprising refuelling, landing fees, catering, etc.).

Analysis and Data Limitations

Information not collected

Not all events commissioned visitor surveys and consequently those economic impact assessments, where they existed, tended to be very light on empirical evidence regarding event impacts.

Where spectator and/or participant surveys were commissioned:

- there was often no disaggregation of data by domestic visitors compared to international visitors
- questions where rarely asked on length of stay beyond the event itself
- respondents were not identified as having visited the region explicitly for the event, or had planned to visit the region irrespective of the event, i.e. "coincidental" rather than "additional" visitors.

Event financials

Final audited income and expenditure statements were not always provided to MBIE at the time of submitting post event reports.

Accordingly, in some instances it was necessary to defer to either event *ex ante* budgets or income and expenditure statements. Furthermore, in some instances these were not final statements of accounts. Where the case, obvious adjustments have been made where relevant, for example adding the final instalment of MEDF funding to the income totals.