



## Pacific Cultural Centre feasibility study

NZIER report to the Ministry for Pacific Peoples

December 2016



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The assistance of Edward Langley and Celine Yockney from Colmar Brunton is gratefully acknowledged.



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# Preface

This report presents the findings of a study to determine the feasibility of establishing a Pacific cultural experience and entertainment centre in Auckland. The study was conducted between August and December 2016 by NZIER with input from the Ministry for Pacific Peoples' Pacific Cultural Centre Advisory Group. The Advisory Group consisted of public and private sector experts in arts and culture, tourism, education and business innovation, as well as a range of Pacific and Maori community leaders from across New Zealand including:

- Victoria Carter ONZM (Chair)
- Reverent Maligi Evile
- Mele Nemaia
- Leo Foliaki
- Fiso John Fiso
- David Taipari
- Brett O'Riley
- Sandra Kailahi
- Caren Rangi
- Peter Kiely

The Advisory Group was tasked with providing strategic guidance to the Ministry for Pacific Peoples for the project. The Group provided advice at various stages of the project thereby ensuring that a Pacific perspective was incorporated throughout the development of the feasibility study.

The Ministry for Pacific Peoples would like to thank NZIER and the members of the Advisory Group for their time, guidance and support, and the many people in New Zealand and overseas who participated in the study. This report is a valuable contribution to making a Pacific Cultural Centre in Auckland a potential reality.

# Executive summary

## A PCC could serve a few key purposes

The purpose of this study, commissioned by the Ministry for Pacific Peoples, is to test the feasibility of a Pacific Cultural Centre (PCC) to serve objectives for:

- economic development
- promotion and preservation of Pacific culture
- vocational pathways and job opportunities.

Examining wider choices to promote economic development and Pacific culture (e.g. Pacific television) are outside the scope of this study.

## Why a PCC?

- The strategic case for change is based on Pacific people constituting 18% of the Auckland population by 2038. Getting economic development and employment right for Pacific people is important for New Zealand overall
- Individual Pacific wealth sits at \$12,000 compared to \$87,000 for all New Zealanders. A PCC owned and operated by Pacific people has the potential to turn Pacific cultural and human capital into financial wealth
- Pacific unemployment sits at 8.6% for men compared to 4.9% overall and 12.1% for Pacific women compared to 5.8% overall. While a small direct employer, a PCC can create jobs for suppliers and related services
- Protecting and promoting Pacific culture will enrich New Zealand’s cultural diversity. Despite a strong sense of culture, Pacific people find it twice as difficult to express their identity compared to the total population. A PCC can celebrate Pacific identity
- There are currently very few tourism attractions that feature Pacific culture and very few tourism attractions operating at night. There is an opportunity for a unique offering like a PCC to provide a collaborative, coordinated sustainable space to celebrate Pacific culture.

**Table 1 Intervention logic for a PCC**

Inputs	Outputs	Impacts	Intermediate outcomes	Outcomes
People	Live performances	Management capability	Pacific economic development	Economic development (and reinvestment)
Cultural knowledge/expertise	Cultural demonstrations	Wealth creation	Job creation	Social cohesion
Facilities	Pacific events	Work experience	Promotion and protection of Pacific culture (including develop and maintain)	National identity
Creativity	Contemporary arts development and experiences	Skill development		Soft diplomacy

With the purpose of a PCC to provide for Pacific economic development and protect and promote Pacific culture, development of an authentic tourism offering provides a way to fund these objectives by leveraging the human and cultural capital held by Pacific people.

A PCC ultimately supports not only objectives for Pacific economic development and Pacific culture but wider outcomes for social cohesion, national identity and soft diplomacy within the Pacific region.

### A PCC can operate around break-even, depending on what prices it can command

- A **1-2 year establishment phase** will be necessary before a PCC is able to function sustainably
- The core offering sets the PCC apart from other cultural tourism attractions through providing an authentic interactive experience: **food, performances and arts and crafts**
- It attracts **78,000 international** visitors and **35,000 domestic** visitors (note we think this is fairly conservative, as the international visitor estimate is based on our top three markets from China, Germany and the US only)
- Under these assumptions, we estimate operating revenue to range from \$2 million to \$3.3 million in the early years of being fully operational (see Table 2)
- Assuming the PCC is near the airport and thus has relatively low leasing costs, we estimate operating expenses of \$3.3 million per year
- Co-location with like businesses and local infrastructure will improve the chances of success through **agglomeration effects**
- This suggests the **PCC could operate around break-even if it can command prices under Scenario 1**. However, if market conditions do not allow for the PCC to command those prices then the PCC will likely operate at a loss of around \$1 million
- Another way to look at it is that for the PCC to break even we would need each visitor to spend *almost \$30 on average*
- Our visitor projections are conservative. If we include the Australian market (which is large in number but has a much lower propensity to visit an interactive cultural attraction) it would suggest international visitors of 120,000. This would see operating revenue range from \$2.3 million to \$3.8 million. Taking into account increased operating cost of \$3.4 million from higher visitor numbers, this suggests the potential for the PCC to make a modest profit of almost \$500,000 if it can command prices under Scenario 1
- Key to commercial viability of the PCC will be attracting visitors and maintaining margins
- It may be possible to offset any commercial loss with sponsorship or other non-commercial revenue (e.g. public education programmes).

**Table 2 Indicative revenue range**

Scenario	Price of attractions			Total revenue	
	Cooking class	Performance	Exhibition	Visitor numbers of 113,000	Visitor numbers of 155,000
Scenario 1	\$40	\$50	\$5	\$3,307,200	\$3,837,600
Scenario 2	\$30	\$35	\$5	\$2,441,400	\$2,878,200
Scenario 3	\$25	\$30	\$2	\$1,965,600	\$2,262,000

### Important education, cultural and social benefits for all New Zealanders

- A PCC will play a domestic role for all New Zealanders by educating young and old about Pacific culture and New Zealand Pacific culture. Improved understanding helps **build national identity and social cohesion**
- A PCC can provide an outlet for funders and producers of Pacific arts and culture to reach new audiences
- Creative New Zealand reports that Pacific arts have had the lowest audience growth of any market segment. Notwithstanding, more than one-third of the country's 'cultural market' is interested in a first-time Pacific cultural experience, this creating an opportunity to boost and promote Pacific arts and culture
- Provide space for early childhood, primary and secondary school programmes
- A PCC may need to attract sponsorship, philanthropic or government revenue to support programmes that support these benefits.

### There is a gap in the lucrative cultural tourism market: a PCC could fill it

- Tourism is booming. International tourist spending was up 20.1% in 2015. Domestic tourism was up 6.8% in the same period
- Cultural activities (especially art gallery/museums) are popular with tourists, both domestic and international. Hobbiton has over 240,000 visitors per year. The Auckland Art Gallery had 446,000 visitors in 2015
- Cultural tourists spend more in Auckland than tourists who don't engage in cultural activities. There is a **cultural tourism spending premium of \$1,700** per international visitor

### Key issue: is it financially viable, and under what conditions?

The long-term financial viability of a PCC is important. Financial viability hinges on choices made related to:

- **activities/unique offerings** – a PCC will need to compete through unique product differentiation that preserves cultural authenticity
- **location** of a PCC – the optimal location of the PCC will need to balance proximity to its workforce, accessibility for target domestic and international tourism markets, complementary markets and cost-effectiveness

- the extent to which governance, ownership and management uphold both **cultural integrity and commercial disciplines.**
- we have considered the initial, indicative case. This provides a basis for any detailed business case assessment that may follow
- the **preferred option is a leased venue facility in South Auckland** because it is proximal to the workforce, international visitors and has lower costs, and the possibility of co-location with other cultural and economic development organisations.

### Our market research and financial analysis indicates a PCC would be financially viable, under certain conditions

- The commercial operation of a PCC **must be focused on international visitors.** The top three markets with the highest propensity to spend on interactive cultural experiences are China (also our fastest growing market), Germany and the US. Colmar Brunton's market research indicates **3 in 5 international visitors surveyed would be extremely or very likely to visit a PCC**
- Domestic visitors (differentiated as local Aucklanders and rest of New Zealand) are another source of direct revenue for a PCC, and provide a valuable contribution to the wider Auckland tourism sector through spending on accommodation and hospitality. Colmar Brunton's market research indicates **1 in 5 New Zealanders surveyed said they were likely to visit a PCC**
- There is strong domestic support for a PCC. Some 70% of Kiwis surveyed by Colmar Brunton say that a PCC would be good for Pacific peoples, and 63% say it would be good for tourism
- If located close to the airport, the PCC is close to the gateway for the 1.5 million international visitors that come through Auckland International Airport. Two-thirds of international visitors surveyed said they would make a special trip outside of Auckland Central to visit a PCC
- While the cruise ship market is also likely to be an important one for the PCC, its scale is around 1/8th of the number of visitors arriving by plane. The mix of international visitors arriving by plane also has a greater propensity to spend on cultural activities than cruise ship tourists
- It is assumed that the PCC **operates commercially six days a week**, with Sunday being a rest day.
- The core product mix that will support commercial viability **will be focused on Pacific food, performances, and arts and crafts.** Over half of international visitors surveyed by Colmar Brunton stated that they would be extremely interested or very interested in all of these activities, with **3 in 4 particularly interested in eating Pacific food**
- **Adequate balance sheet depth will be essential to ensure sustainability** through the start-up phase. At start-up, the PCC may need both private and public capital. We estimate annual operating costs of around \$2.8 million *in the first year of full operation* excluding leasing costs, or \$3.3 million inclusive

- We estimate \$5.25 million for set-up capital would be required (\$4.3 million + approximate cost of land) should a new building be constructed.

### The way forward

- A single centre can only ever be small but targeted (at least initially). As such, it cannot be all things to all people
- A **large iconic structure may be attractive to some but sets a high hurdle for initial feasibility**. This increases the financial risks for potential funders. As such, it will be important to demonstrate commercial viability because it will not be acceptable to put cultural authenticity at risk to attract customers
- While a financially viable PCC may not initially be a significant employer itself, it can however be an **enabler of economic development** for Pacific people through vocational pathways and social enterprise
- Scalability in time will come through partnerships and learning what works as you go.

### Ownership and governance choices are critical for long term success

- There are several ownership and governance options; all require close analysis; all involve trade-offs
- Ownership forms must consider community needs (cultural capital), will need to allow for flexibility and be consultative/Pan-Pacific
- Strong accountability to the community and other funders is critical
- Our initial view is that the preferred ownership model must have commercial primacy in order to be viable and support economic development objectives in a highly competitive tourism market. While this will be difficult in the initial years of full operation we believe in the long run it will be commercially viable through both an increase in the number of visitors and also increased spend per visitor
- Ownership models that are **run by Pacific people and Pacific organisations** are best placed to ensure that cultural authenticity is preserved and enhanced
- Ownership may be formed as part of an existing organisation or as a stand-alone.

### Build strategic partnerships and prepare the PCC for a competitive environment

- The input and insights from the PCC Advisory Group can be used to maintain momentum
- A successful PCC will attract competitors and imitators. PCC will need a staff with the business and marketing skills to maintain market share and grow without diminution of cultural integrity. Cultural integrity is a strength not a constraint
- Among the economic development agencies and cultural institutions presently operating and/or expanding in Auckland there is a need for a **dialogue on Auckland cultural partnerships** with the next steps to ensure

the PCC has partners (e.g. Auckland Council) and does not end up competing with others for the same scarce resources

- An Auckland cultural partnership dialogue needs to include the **mana whenua of Tamaki Makaurau**
- Flexibility, especially in the start-up phase (short-term contracting, pilot activities) will be needed to test and move rapidly with product development
- Incentives are essential to innovate and expand scope if commercially successfully (e.g. retail)
- Ownership, governance and partnerships should be designed in a way that is **commercially viable without compromise to cultural integrity**
- A funding case to central and/or local government is required to overcome the **capital and coordination constraint** faced in getting a PCC established.

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# 1. Objectives and scope

The objectives of the feasibility study are to establish whether a Pacific Cultural Centre (henceforth “PCC”) can generate sufficient income to meet the costs of goods and services offered.

The study has been commissioned by the Ministry for Pacific Peoples (MPP) to assess the potential for a PCC to support three objectives for:

- Pacific economic development
- promotion and protection of Pacific culture
- vocational pathway and employment opportunities.

For easy reference Table 3 sets out where we have addressed the required components of the Request for Proposal.

**Table 3 Study coverage requirements**

Area	Section reference
Desktop review (integrated into report) (See Reference list for documents reviewed)	References
Stakeholder interviews	Environmental scan section
Identify possible functions and activities	Survey section, Product mix section
Identify selection criteria	Models and choices section
Market research	Survey results section
Competition and SWOT analysis	Environmental scan section
Venue and facility requirements	Models and choices section
Potential locations	Models and choices section
Selection criteria for location	Models and choices section
Operating model	Models and choices section
Financial model	Models and choices section
Potential funding sources	Models and choices section
Ownership options	Models and choices section
Governance model	Models and choices section
Benefits	Managing for success section
Current issues	Managing for success section
Risks	Managing for success section
Critical success factors	Managing for success section
Action plan	Managing for success section

Source: NZIER, MPP

## 1.1. What do we mean by feasibility?

Feasibility refers to the ability of a proposal to be carried out successfully. In a practical commercial sense this refers to revenue exceeding costs.

In a broader economic sense, this study examines a range of choices so that decisions optimise the value a PCC can provide in supporting a range of objectives. Feasibility in the context of this study includes indicative consideration of the strategic, economic, commercial, financial and management cases set out in New Zealand Treasury's 'Better Business Cases: Guide to Developing the Strategic Assessment' (The Treasury, 2014).

Consideration of these cases is interwoven through the report, rather than proceeding in a linear fashion in order to provide a clear narrative appropriate for a feasibility study. Table 4 summarises the scope of each of the cases.

**Table 4 The Better Business Case Framework**

Case	Description	Key questions
<b>Strategic</b>	Describes the link(s) to the organisational strategy and objectives	Is there a compelling case for change?
<b>Economic</b>	Describes the economic benefits and costs	Does the recommended option optimise value?
<b>Financial</b>	Describes whether the project options are affordable	Is the project affordable?
<b>Commercial</b>	Describes the commercial and procurement aspects	Is the potential offering achievable and attractive in the market?
<b>Management</b>	Describes whether the organisation ability to undertake the options	How will the project be delivered successfully?

Source: NZIER based on Treasury guidance

The scope of the feasibility study is to take a high level look at each of the cases and their constituent parts to evaluate whether there appears to be a strong enough case to warrant further investment in developing a full Better Business Case for government funding or an alternative path.

## 1.2. Leveraging cultural capital to fund a PCC

Economists traditionally distinguish three types of capital; physical, human and natural. Cultural capital is a fourth type of capital (Throsby, 1994). Cultural capital is an asset that can give rise to economic value through a flow of services such as recordings and live performances.

Cultural capital is difficult to measure, as it has both tangible and intangible value. A successful PCC will work out how to leverage cultural capital to attract paying customers.

While cultural capital can be leveraged to make the PCC viable, for some art forms, costs exceed demand. This is especially true in 'high arts' (e.g. ballet) and this may be the case with some Pacific arts where there is an emphasis on excellence and costs are dictated by the art form. In these cases, where the art form has characteristics such as excellence or existence (non-market)

value, the state often makes up the revenue shortfall. Therefore, the PCC may be able to operate with a mix of private and public funding.

### 1.3. Who are Pacific people?

For the purposes of the Pacific Culture Centre, Pacific people are New Zealanders of Pacific heritage and the seven 'at risk' languages including Samoan, Tongan, Niuean, Cook Island, Tokelauan, Tuvaluan and Fijian.

Statistics used in this study include a wider Statistics New Zealand definition that includes people from a wider range of islands in the Pacific. The seven main ethnic groups accounted for more than 98% of the total in the 2013 Census.

## 2. Design parameters

The design parameters, agreed with the Ministry for Pacific Peoples, are based on the characteristics of a modern cultural centre as derived from the literature and current practice worldwide. The design parameters provide a set of operating principles needed for a successful and sustainable proposition.

The proposed PCC serves the following **primary outcomes**:

- Pacific economic development
- promotion and protection of Pacific culture
- vocational pathway and employment opportunities.

The proposed PCC in Auckland is likely to be **multi-purpose** with integrated functions for:

- cultural expression
- education/history.

The proposed PCC in Auckland is potentially **multi-platform** as a:

- open space for collaboration
- mixed digital and physical experience.

The proposed PCC in Auckland is **collaborative** and seeks to partner with other story tellers such as:

- Radio New Zealand International's Pacific Service
- NZ On Air's dedicated Pacific online presence with [thecoconet.tv](http://thecoconet.tv)
- Creative New Zealand's Pacific Arts Programme
- Fulbright-Creative New Zealand *Writer in Residence* at the University of Hawaii.

The proposed PCC in Auckland is **multi-disciplinary** and draws primarily on:

- the performing arts such as music and dance
- the visual arts such as painting and carving
- multi-media art forms.

The proposed PCC in Auckland is **relevant** to the users and empowers people because:

- experts work as communicators
- users generate content.

The proposed PCC in Auckland **leverages partnerships** including:

- Existing institutions and organisations in Auckland such as the Auckland Council, ATEED, Auckland Museum and Auckland Art Gallery
- Tourism New Zealand, Museums Aotearoa and Te Papa
- international counterparts - University of Hawaii, Polynesian Cultural Center, Bishop Museum.

These design parameters are part of the evaluation of the success factors for the proposed PCC, and is the basis on which we have carried out our financial analysis and market research surveys.

### 3. The strategic case for change

The strategic case for change is based on an intervention logic that is a testable theory of causation and a chain of conditions. The intervention logic links the inputs needed to create the PCC to the societal and economic impacts and outcomes that it will yield. The stated objectives of a PCC expressed as intermediate outcomes are set out in Table 5. The role of government and support for outcomes is discussed more fully in Appendix D.

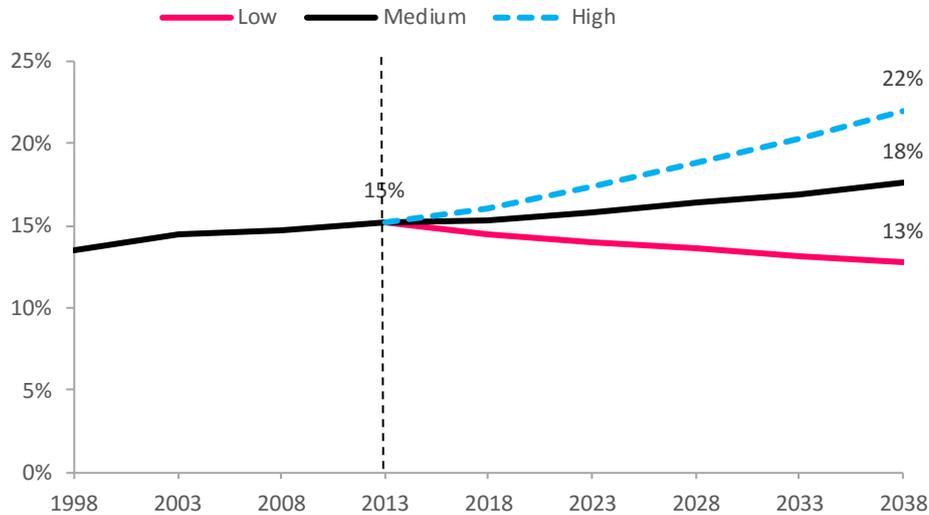
**Table 5 Intervention logic for a PCC**

Inputs	Outputs	Impacts	Intermediate outcomes (objectives of PCC)	Outcomes
People	Live performances	Management capability	Pacific economic development	Economic development (and reinvestment)
Cultural knowledge/expertise	Cultural demonstrations	Wealth creation	Job creation	Social cohesion
Facilities	Pacific events	Work experience	Promotion and protection of Pacific culture (including develop and maintain)	National identity
Creativity	Contemporary arts development and experiences	Skill development		Soft diplomacy

Source: NZIER

The strategic case and intervention logic exist in the context of Pacific society in Auckland and around the world. Understanding the patterns and trends within the context is important to fully appreciate and consider the strategic case for a PCC. Pacific people will constitute 18% of the Auckland population by 2038. Getting employment and economic development right for Pacific people is important for New Zealand overall. Protecting and promoting Pacific culture will enrich New Zealand’s cultural diversity. A PCC is an opportunity to support that.

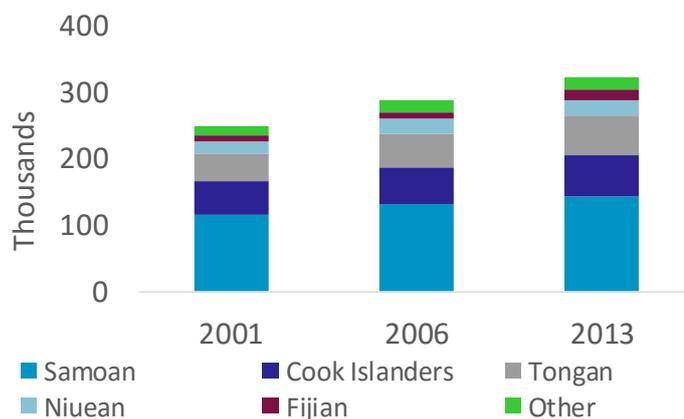
**Figure 1 Pacific people are a growing part of Auckland**



Source: Statistics New Zealand population estimates and projections

New Zealand Pacific people have their own distinct identities. These identities vary by ethnicity and generation. About one-third of Pacific people are born overseas and this proportion is declining. A PCC provides an opportunity to celebrate cultural diversity among the Pacific community and strengthen social cohesion through a common space.

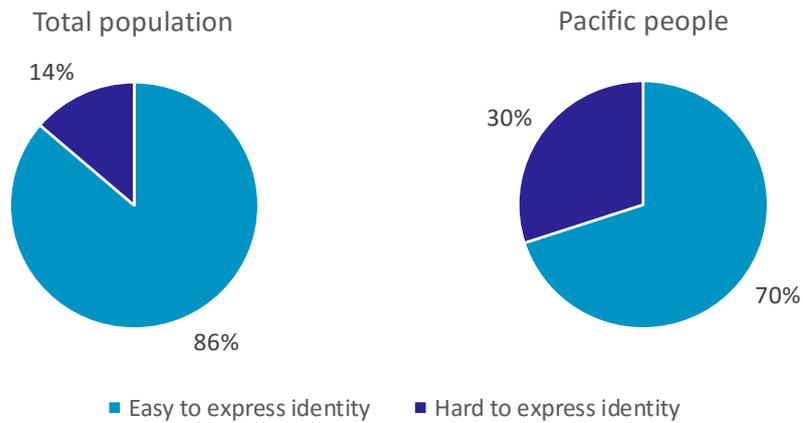
**Figure 2 Pasifika are a diverse group**



Source: Statistics New Zealand, 2013

Many Pacific people are multi-generational New Zealanders. Yet 30% of Pacific people find it difficult to express their identity – twice the difficulty felt by the total population. A PCC provides an opportunity for expression and for the expression to be welcomed and explored.

**Figure 3 Pacific people find it less easy to express their identity**

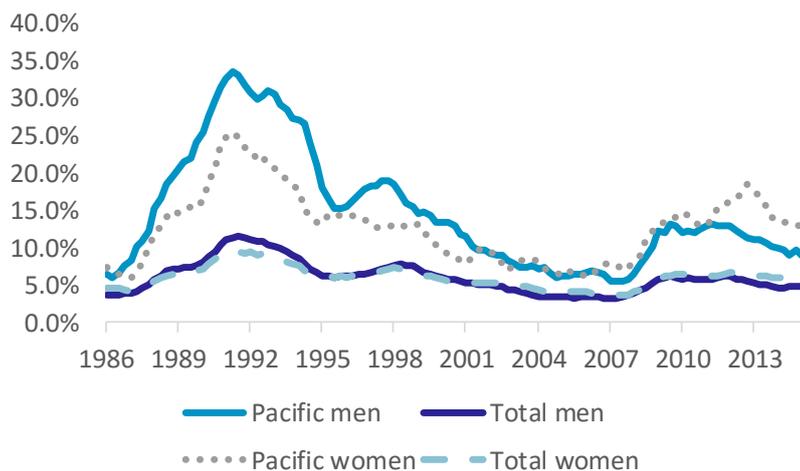


Source: NZIER, Statistics New Zealand General Social Survey

Part of the case for change is about providing an opportunity to boost Pacific employment and incomes that are on average lower than those of the overall population.

A PCC will provide direct and indirect employment opportunities. To be commercially viable, the PCC will need a low-cost structure which means it will not be a major direct employer. The degree to which indirect employment opportunities are created (e.g. performers) will depend on the ability to attract tourism revenue. Cultural sector jobs are less likely to be high wage but they offer opportunities to augment other main sources of income and provide part-time work, for example, musicians in live performances.

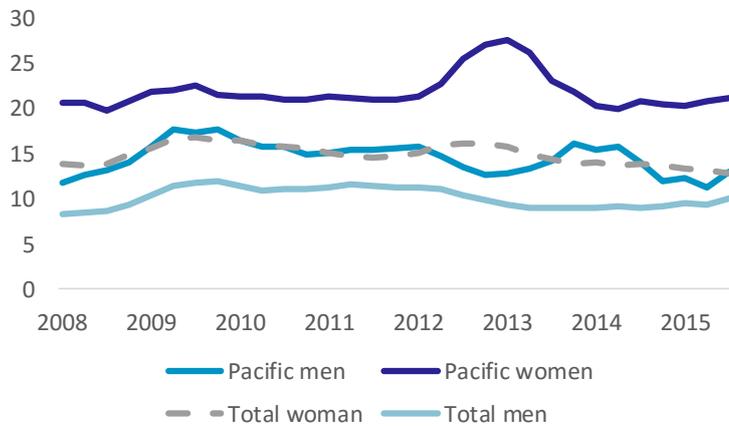
**Figure 4 Pasifika unemployment still higher than total**



Source: Statistics New Zealand, 2016

Of special concern is the number of Pacific people not in employment, education or training (NEET). A PCC would make a small direct contribution to reducing this NEET figure but the work of a PCC, especially in cultural productions, provides an opportunity for young people to gain work experience. A PCC can thus provide a channel for the development of confidence, experience and skills that support the prospects of increased employment among young Pacific people.

**Figure 5 Pasifika not in employment, education or training**



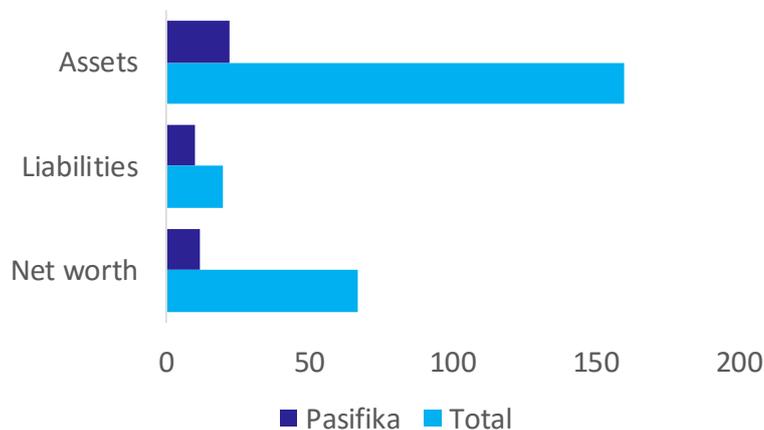
Source: Statistics New Zealand, 2016

Pacific people have lower net worth compared to the total population. Individual Pacific wealth sits at \$12,000 compared to \$87,000 for all New Zealanders. A PCC owned and operated by Pacific people has the potential to turn Pacific cultural and human capital into financial wealth.

A well-functioning cultural centre can provide an opportunity for Pacific people to further the management skills required to build economic institutions that create wealth long term.

**Figure 6 Pasifika hold minimal assets**

(\$000s)



Source: Statistics New Zealand

A well-functioning centre will leverage cultural capital in the form of know-how and cultural expression to build wealth. In doing so this contributes to the protection and promotion of Pacific heritage. Auckland is, in a sense, the cultural capital for Pacific people where this store of cultural capital resides.

**Table 6 Auckland is the capital of the Pacific**

City	Pasifika population	Year
Auckland	194,958	2013
Nasinu	76,064	2007
Suva	74,481	2007
Honiara	64,609	2009
Sydney	53,308	2011
Apia	36,735	2011
Nuku'alofa	24,571	2012

Source: NZIER, Statistics New Zealand, Australian Bureau of Statistics, Solomon Island National Statistic Office, Fiji Bureau of Statistics, Samoa Bureau of Statistics, Tonga Department of Statistics

### 3.1.1. Comparative cultural centres

The 2014 Te Hau ki Turanga Economic Viability Study briefly surveyed domestic and international cultural centres. Te Puia: Whakarewarewa Village and New Zealand Māori Arts and Crafts Institute stands out as a successful New Zealand example, generating in the order of \$15m in income with reported visitor numbers of 500,000-600,000 in 2013. The Te Puia day tour includes the geothermal area, Māori village and an arts and crafts demonstration. The tour starts at \$52 per adult. The Te Po experience includes dinner, an evening performance and geothermal waka journey starting at \$117 per adult.

Cultural centres comparable to Te Puia in scale and authentic offerings include:

- Polynesian Cultural Center, Hawaii – established by the Church of Latter Day Saints in 1963.
- Brambuk Cultural Centre, Victoria, Australia – established in 1990 by Aboriginal communities and the Victorian government
- Tjapukai Aboriginal Cultural Park, Queensland Australia – established in 1987 by artists and traditional owners.

Recent studies of Auckland Pacific Cultural centres include:

- Arrow Research Group developed a **Pacific Island Business and Cultural Centre** proposal in 2002 for Waitakere City Council. The report proposed a vision and set of guiding principles. The business elements of the proposal were a mix of tourism offerings and a business incubator that might evolve into an innovation precinct
- the **Kiwa Project** an ambitious Auckland waterfront project ‘on the harbour of the World’s first Polynesian super city’ has been generated by a group of prominent Auckland creative sector leaders for consideration by Auckland civic leaders (Kiwa Working Group, n.d.). Uncosted, the concept includes a large facility that would face operating costs and the need to generate a return on a large waterfront property. The grand design, iconic in nature, would be relatively expensive as a new build.

## 4. Survey research

### 4.1. Introduction

Colmar Brunton was commissioned to undertake market research to provide evidence on:

- the number of potential visitors to a PCC
- relative interest in a PCC across different demographic groups
- visitors' expectations of a PCC.

The market research included two online surveys:

1. An international survey across Australia, China and USA, who account for over half of all international travellers to New Zealand. Five hundred interviews were completed in each country with people who said they would be likely to visit New Zealand in the next three years. The data was weighted by country to reflect the balance of visitors to New Zealand.
2. A domestic survey with a nationally representative sample of 1,045 New Zealanders aged 18+.

The surveys were completed online using the Colmar Brunton Online Panel in New Zealand and online panels for the three overseas markets.

### 4.2. Likelihood to visit

#### 4.2.1. Estimating the visitor numbers

In order to estimate potential visitor numbers, survey respondents were provided with the following information about a PCC:

*There is currently a suggestion to establish a PCC, so that New Zealanders and tourists can experience Pacific Culture on a daily basis throughout the year. This would include the opportunity to watch or take part in cultural activities such as dance, singing or music as well as learn about Pacific languages and Pacific cultural rituals, and better understand other Pacific art forms.*

Survey respondents were asked about their likelihood to visit a PCC as well as a number of other existing cultural attractions (such as Auckland Museum and Te Papa).

The survey data was weighted depending on likelihood to visit. The weighted percentages were then applied to current population data (using the International Visitor Survey and 2013 NZ Census) to calculate initial projections of visitor numbers from overseas and New Zealand. Finally these projections were calibrated against other cultural attractions included in the survey (where actual visitor numbers are available) to improve their accuracy.

#### 4.2.2. Potential international visitor numbers

Based on the survey findings it is estimated there could be a potential audience of up to 211,000 overseas visitors to a PCC each year.

However, this estimate comes with a number of important caveats. It was not possible to provide survey respondents with information on pricing or the location of a PCC in Auckland, both of which would impact their likelihood to visit.

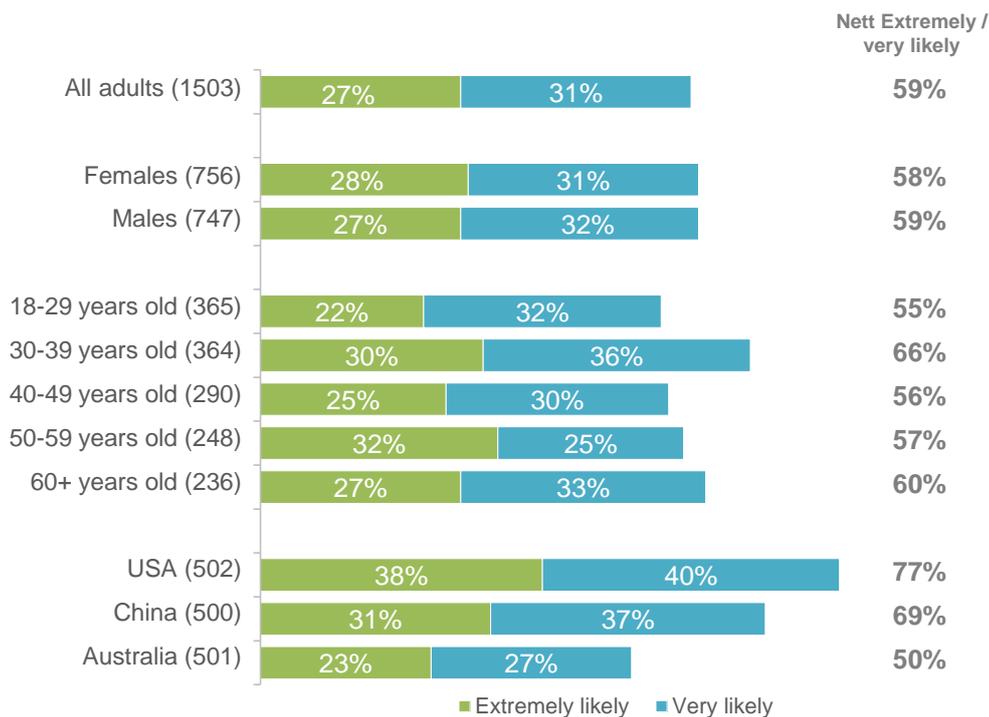
In addition, the estimate also assumes that a PCC achieves a similar profile to that of other key attractions such as the Auckland Museum, Auckland Art Gallery and Te Papa which were used to estimate the number of potential visitors. It is likely to take some time and investment to build this profile.

### 4.2.3. Likelihood to visit by demographics (international visitors)

There is strong interest from overseas tourists in visiting a PCC. Three in five of those planning a trip to New Zealand in the next three years say they would be extremely or very likely to visit a PCC (Figure 7).

**Figure 7 Likelihood to visit the PCC (international visitors)**

If the PCC was built, how likely would you be to visit it?



Base: All American, Australian and Chinese travellers planning to visit NZ in the next 3 years aged 18+ (1503). Bases for sub-groups shown in brackets.

**Source: Colmar Brunton Survey of International Visitors to New Zealand**

The survey highlights the types of tourists who are more likely than average to visit a PCC, which could inform marketing activity. These include:

- Americans (77% compared to 59% on average) and Chinese (69%)
- those planning to spend four or more days in Auckland (69%)

- those aged 30-39 years old (66%)
- those on higher household incomes (66%)
- families (65%).

## The importance of raising awareness of New Zealand's relationship with the Pacific Islands

The survey highlights how it important raising awareness amongst international travellers of New Zealand's links to the Pacific Islands will be to the success of a PCC. Those travellers who associate New Zealand with the people and culture from Pacific Islands are much more likely to say they will visit a PCC than average (83% of those who associate it a great deal compared to 59% overall).

They are also more likely to say they would travel outside of central Auckland to visit a PCC and express deeper interest in the various cultural activities presented in the survey.

### 4.2.4. Potential domestic visitor numbers

Based on the survey findings it is estimated that there could be a potential audience of up to 254,000 New Zealanders each year.

However, as above, this estimate comes with a number of important caveats (lack of pricing or location information available, timeframe for building profile).

### 4.2.5. Likelihood to visit by demographics (New Zealand)

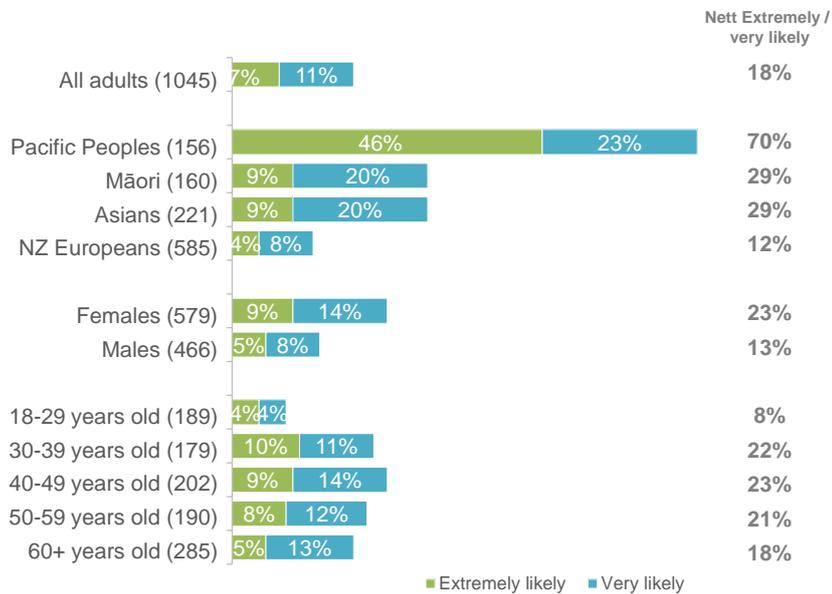
Interest in visiting the PCC is not as high amongst New Zealanders as overseas visitors. One in five say they would be extremely or very likely to visit the PCC (Figure 8). However, this increases to seven in ten for Pacific peoples. This demonstrates strong support for the idea of a PCC amongst the Pacific community.

Likelihood to visit is also higher amongst Māori and Asians than average (29% for both compared to 18%).

Those less likely to visit include New Zealand Europeans (12%) and those aged 18-29 (8%). This raises a question about how best a PCC can reach out and engage with these audiences.

### Figure 8 Likelihood to visit the PCC (New Zealanders)

If the PCC was built, how likely would you be to visit it?



Base: All New Zealanders aged 18+ (1045). Bases for sub-groups shown in brackets

Source: Colmar Brunton Survey of New Zealanders

## 4.3. Potential benefits of a PCC

New Zealanders identify a number of benefits to PCC, including cultural, economic and social (Figure 9).

### Figure 9 Potential benefits of a PCC

To what extent do you agree or disagree with the following statements about the idea of a PCC?



Base: All New Zealanders aged 18+ (1045). Bases for sub-groups shown in brackets

Source: Colmar Brunton Survey of New Zealanders

Seven in ten New Zealanders agree a PCC would be good for Pacific peoples in New Zealand. This support for a PCC extends well beyond those who would be likely to visit a PCC. For example, 70% of New Zealand Europeans agree with this statement.

Two in three New Zealanders feel there would be economic benefits from a PCC, agreeing it would be good for tourism. This is the prevailing view across the different demographic groups but the following are more likely than average to agree with this:

- Pacific peoples (73%)
- Māori (71%)
- older people aged 60+ (71%)
- lower income households (73%).

Almost half of all New Zealanders (48%) feel a PCC could bring about a social dividend by promoting tolerance in New Zealand, whereas just 8% disagree with this. A similar pattern is found across the various demographic groups with the following more likely than average to agree:

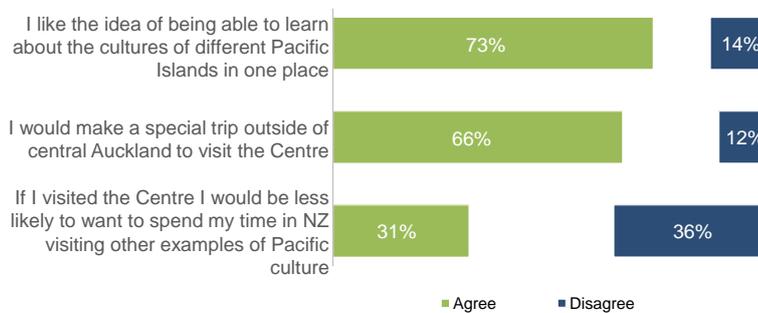
- Pacific peoples (57%)
- lower income households (56%).

## 4.4. Visitors' attitudes to a PCC

Survey respondents to the international survey who said they would be likely to visit a PCC were presented with some key attitudinal statements (Figure 10).

**Figure 10 Attitudes of potential international visitors to a PCC**

To what extent do you agree or disagree with the following statements about the idea of a PCC?



Base: All international visitors who would be likely to visit PCC (1381)

Source: Colmar Brunton Survey of International Visitors to New Zealand

The ability to learn about different Pacific cultures in one place is a draw for potential international visitors to PCC (73% agree they like this idea). The convenience factor is of particular appeal to those aged 60+ (82% agree with this statement compared to 73% on average).

Two in three potential international visitors to a PCC say they would make a special trip outside of central Auckland to visit a PCC. Those more likely than average to say they will venture further afield include Americans (74%) and those who most closely associate New Zealand with the people and culture from Pacific Islands (75%).

There is mixed evidence from the survey on the potential impact of a PCC on visitors' propensity to visit other examples of Pacific culture. One in three agree they would spend less time visiting these other examples, one in three disagree and one in three do not express a view either way.

Those more likely to agree they would spend less time on other examples of Pacific culture include:

- Americans (42%)
- those aged 30-39 (39%)
- those who most closely associate New Zealand with the people and culture of the Pacific Islands (41%).

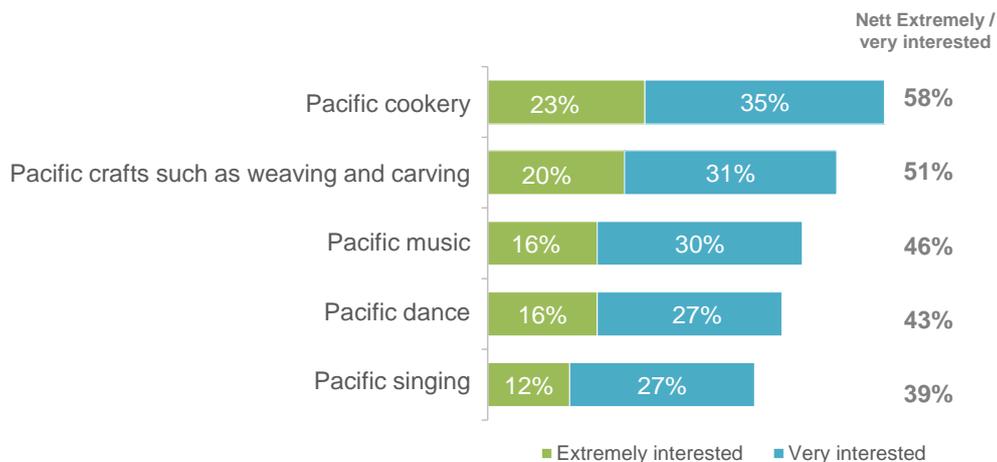
## 4.5. Visitors' views on the product mix

### 4.5.1. Interest in developing new skills

Potential international visitors to a PCC are most interested in developing skills around Pacific cookery and crafts, with over half saying they are extremely or very interested in each of these activities (Figure 11).

**Figure 11 Interest in developing new skills**

PCC would provide visitors with the opportunity to take part in Pacific Cultural activities. How interested or not would you be in developing a new skill, or improving your existing skills in ... ?



Base: All international visitors who would be likely to visit PCC (1381)

**Source: Colmar Brunton Survey of International Visitors to New Zealand**

Those more likely than average to be interested in developing skills across these activities include:

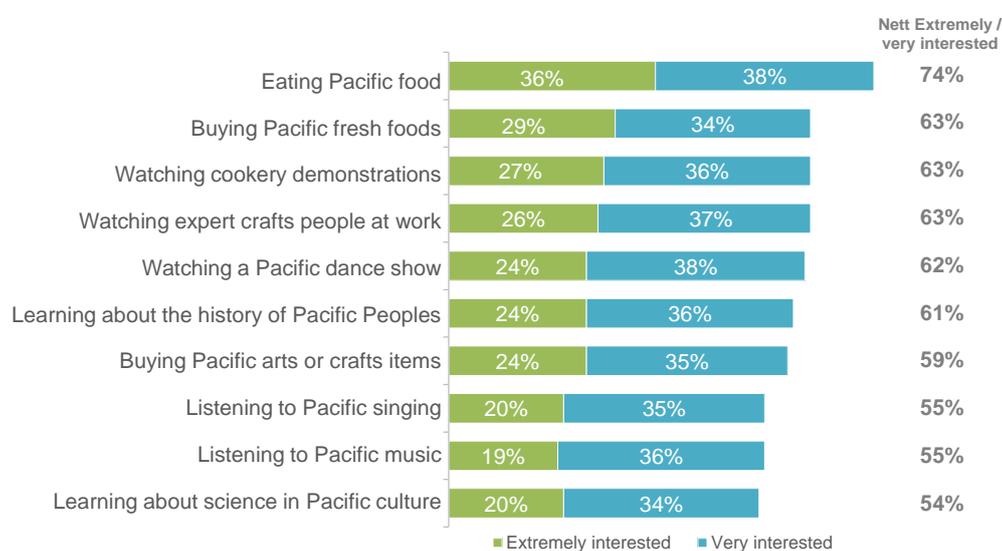
- American visitors
- Chinese visitors
- those aged 18-39
- families
- higher income households
- those with four or more days in Auckland
- those who most closely associate New Zealand with the people and culture of the Pacific Islands.

## 4.5.2. Interest in different cultural experiences

Potential international visitors to a PCC express strong interest in a range of different cultural activities. The activity in which they are most interested in is eating Pacific food (three in four say they are extremely or very interested in this activity). Other leading activities include buying Pacific fresh food, watching cookery demonstrations and watching crafts people at work (Figure 12).

**Figure 12 Interest in developing new skills**

PCC would provide visitors with the opportunity to watch or learn about Pacific Culture. How interested or not would you be in ... ?



Base: All international visitors who would at least be fairly likely to visit PCC (1381)

Source: Colmar Brunton Survey of International Visitors to New Zealand

Those more likely than average to be interested in participating in these different activities include:

- American visitors
- those aged 30-39
- families
- those with four or more days in Auckland
- those who most closely associate New Zealand with the people and culture of the Pacific Islands.

# 5. Environmental scan

## 5.1. Stakeholder perspectives

To inform the environmental scan, Colmar Brunton conducted qualitative interviews with ten key stakeholders.

The stakeholders represented a range of Pacific charitable trusts and communities, and Pacific business communities. Broadly, the interviews sought to understand stakeholders' perceptions of a PCC, and what they consider would ensure its success in Auckland.

The stakeholder organisations interviewed are included in Appendix A.

### 5.1.1. Overall support for a PCC

Stakeholders are generally enthusiastic and supportive of the PCC **concept**.

*"I think in concept it is a really exciting idea."*

*"It's a realisation of the dream for all Pacific Islanders in New Zealand, Pacific nation people of New Zealand. It's a dream come true."*

Stakeholders identify a range of cultural, social, and economic benefits that such a Centre could potentially provide. These include:

- Preserving culture and language  
*"Maybe it's the holding of culture so that's not lost because then there'd be things that generations might not hold, so that will be a good thing around the national identity. This is what Samoans were like and did, and you don't wanna lose that."*
- Uniting diverse communities  
*"It is something that could unite what used to be very fragmented communities."  
"We can forget all our differences and stand together as one people in Auckland."*
- Providing employment and business opportunities for Pacific communities  
*"We could be providing employment opportunities for Pacific People through PCC. And also entrepreneurial business opportunities for small Pacific businesses that sell their little boutique products, like selling little trinkets or even in partnership with their counterparts back home in the islands."*
- Driving social economic change for Pacific communities  
*"It could even drive the changes that Government have struggled to see in terms of poor social economic status for the Pacific communities because it could be a source of pride for the communities."*

## 5.1.2. Ensuring success

Several stakeholders comment that the idea of a PCC is one that has existed for a long time. While they say there have been different guises driven by various organisations, the idea is essentially the same.

This leads some of these stakeholders to question what will finally make this concept a reality.

Stakeholders provide a range of criteria they believe are important to ensure a PCC is successfully established and sustained into the future. These are identified below.

### Funding and revenue

Stakeholders consider the financial viability of a PCC is key to the concept's success. They believe the concept needs appropriate and substantial funding to ensure it is established successfully.

*"If this is going to succeed, the appropriate funding needs to be put in to make it happen. If we do this half pie stuff, that ain't gonna be good."*

Assuming there is appropriate funding for development, stakeholders identify the ongoing financial sustainability as important to the success of PCC. Financial sustainability could be through governmental funding.

*"It's got to be economically viable, and it's got to be able to stand on its own two feet, whether there is Government assistance or Council assistance."*

However, stakeholders also acknowledge that a Centre will need to generate its own revenue.

*"We've done all the niceties. And then, the reality has to hit in that it has to make money. It has to be sustainable financially."*

Stakeholders identify a range of ways a PCC could generate revenue from domestic and international sources. These include:

- tourism
- venue hire for meetings, conferences, etc.
- sports facilities for hire
- hosting sporting events
- food, arts and craft markets.

## Community acceptance and support

Stakeholders believe a successful Centre relies on community acceptance and support.

*“The buy-in of the people. A building on its own will stand with its wonderful textures and its wonderful designs telling a history, but there were hands that made it. There’s life in them, so how do you bring life and wairua into it and its people. People have to buy into that that’s theirs. ... It’s the whānau, it’s the family, it’s the individual to buy-in, to believe.”*

Achieving community leader support is seen as important to the success.

*“I think the right engagement by the right representatives can help. So, it’s a matter of leadership I think, and it’s engaging the right community leaders. ... It will be different engagement for different communities, but definitely engagement needs to be undertaken. That is really important, and their support of this would be really important.”*

As is acceptance and support from young Pacific people, because they are the future generation who will maintain and sustain PCC.

*“The young people need to have a say, and a strong say, because at the end of the day, if they don’t buy into this thing, then it is going to die. So, it is children and young people who are a key part of making this thing work.”*

## Clear purpose and scope

Stakeholders acknowledge that it is easy to say New Zealand should have a PCC, but it is more difficult to decide and agree on its purpose and scope. The purpose and objectives require careful consideration to identify if there is a need for such a Centre and subsequently determine its overall success.

*“You could overload it with objectives to a point where nothing would be achieved. That actually needs far more intense thought, really. ... There is more thought required to develop some degree of sharpness in the thinking before you can say do we or do we not need a PCC.”*

A few stakeholders feel that a PCC needs to be large in scope. Anything too small, and they feel it would be less than desirable and would result in the need for ongoing additions ‘patchwork’ style.

To meet the needs of a broad range of people and cultures, these stakeholders believe a PCC needs to be large, allowing it to be different things to different people.

*“Be a different thing to people. Allow the students to come in and be a student. Allow the tourists to be a tourist. Allow the art critic to come in and do his thing. Allow the Minister to come and bring his church in there. Allow the food critic, the connoisseur of wonderful Pacific arts and foods. Allow them to have that.”*

Other stakeholders believe a PCC’s success relies on prioritisation of its purpose and objectives. They feel that it cannot be all things to all people, and consequently, there needs to be a clear vision and purpose.

*“It is a good idea and I am very supportive, but there is a risk that you make it all things to all people trying to generate as much support for it as possible, and it becomes unaffordable and unclear as a result. So, I really encourage trying to find a clear and specific purpose...”*

## Collaboration and partnerships

Stakeholders agree that partnerships and collaboration will be key to a PCC’s success. They believe collaboration and partnerships will help to meet the community’s diverse needs from a PCC, while maintaining relevance for its target market.

*“Partnerships are vitally important. The fear is it will lose relevance without partnerships, and won’t do anything for anyone. Need to make sure it is used and relevant.”*

They identify an array of organisations and institutions that would be valuable to collaborate and partner with, including:

- museums and art galleries to tap into display and educational material (e.g. Te Papa, Auckland museum, Museum of Transport)
- educational institutions, such as universities
- local government, including regional facilities Auckland
- Pacific churches
- Pacific sporting community.

### Owned, governed and managed by Pacific people

Stakeholders hold strong views that a PCC should be developed, managed and owned by Pacific people. This is essential to a Centre’s success, as it will increase community support and engagement.

*“Very much in favour of it being owned and run by the Pacific communities, that is non-negotiable. So, it can’t be something that’s Government funded, that it is palmed off to an agency or a group of selected people by the agency department. It needs to be a grassroots, from the community type of ownership structure and model. Otherwise, it won’t work.”*

They also believe a PCC’s success relies on an ownership/governance model that has a strong and fair representation of all Pacific cultures in New Zealand, and not just the Pacific cultures with larger populations in New Zealand.

### Product offering – an authentic experience

Stakeholders believe the core product offering should focus on the needs of the Pacific community. A PCC should provide a place where Pacific communities can come together, share ideas, and connect. It would also be somewhere the younger Pacific generation (particularly New Zealand born Pacific people) can learn about their culture and language.

However, stakeholders understand the commercial benefits of targeting the tourism market. They realise the tourism sector is potentially the best source of revenue for the ongoing financial sustainability of a PCC.

They perceive tourists will be primarily interested in entertainment.

*“I think the tourists, primarily the focus would be entertainment ... Because they haven’t got long, they would have an hour, two hours, and then leave because it’s a visit. But highly entertaining and interesting.”*

While entertainment is considered suitable for the tourist market, stakeholders believe the total product offering needs to be more authentic to ensure the PCC’s success.

*“[Hawaii] is very much based around what most people would see as the tourist type of attractions for Pacific. I think there is more of an opportunity to provide more authentic cultural experiences within New Zealand... It is not just something you put on as a show, it is actual real events... Entertainment is fine, it is good. You will need that, there is an element of that. You can have a main stage where there is song and dance entertainment. That is great, but you also need to do authentic cultural experiences.”*

Dance, music and singing are an important and authentic part of the product offering, as stakeholders see this an expression of Pacific culture and a way of story-telling.

*“That’s all part of the fabric of our culture. The singing, the dancing, ... all those things are part of who we are. They all express an element of our culture.”*

Greater authenticity might also offer:

- Polynesian food stalls, cooking lessons
- a place where people can display and/or learn to do a range of arts and crafts (e.g. weaving)
- night markets where Pacific people can sell their arts and crafts
- Polynesian celebrations/ceremonies (e.g. weddings, tattoo)
- story-telling from elders, chiefs.

### Location

Stakeholders identify the location of a PCC as a key success factor.

Some feel a PCC is best placed in the ‘heart of the Pacific community’, that is, South Auckland.

*“It has to be in the right area, right? So, location, location, location. You’re sitting right in it [South Auckland]. We have water here. We’re surrounded by some amazing land and the airport is just down the road. Let’s not overthink this thing. And, you have all the Pacific communities in terms of the island connections that are here.”*

Others believe that if the tourist market is an important revenue stream, PCC should be on the viaduct/near the waterfront. This is because they place particular emphasis on the cruise ships.

*“The obvious places, the downtown area. I think we’re getting 170 cruise ships into Auckland now. And, most of those people don’t actually often want to go very far. But, if they can visit something like that within the waterfront area, generally, I think it would get a lot of attention.”*

## 5.1.3. Identifying challenges and risks

Stakeholders identify some key challenges and risks that they feel need careful consideration to ensure a PCC does not fail. These are outlined below.

### Half-hearted attempt to create a PCC

Stakeholders are concerned that establishing a PCC will lack appropriate resourcing to ensure it is developed to its full potential. They see an inadequate attempt to set up a PCC properly will result in a community that lacks a sense of pride in a PCC, which they believe puts the future success of the Centre at risk.

*“If you’re going to do it, you do it properly, and you do it to the max, and you try and get it as much support so that this thing is going to work. And, it’s going to work financially, it’s going to create jobs, it’s going to have a really good feeling buzz. And, it’s something we can be proud of because it actually makes a lot of money. It makes a lot of money, not only for our people, it creates jobs, but makes money for the operators, or for Auckland. Don’t do it half pie. Give it heaps, or don’t do it.”*

While stakeholders are mostly concerned about insufficient funding, they also identify inadequate planning for future needs as a risk for a PCC’s success.

*“The scalability of it has to be significant... The reason why I say scalability of size, because so many times in Auckland, we don’t build for the future. So, we’ll do something and then about 30 years’ time we’re gonna go ‘Oh we should’ve built a bigger motorway... Why didn’t we do that before?’ It has to, otherwise we’re setting ourselves up for failure. This is what’s gonna happen, we’ll build something and we’ll go, ‘oh my goodness, it’s too small now’.”*

## Same, same, not different

Stakeholders identify a key challenge for a PCC is to ensure its offering is unique and does not duplicate what currently exists in the Auckland market.

In particular, stakeholders are concerned that the concept will become another museum. They feel the museum sector is already well catered for in Auckland.

*"[Success] depends on what is the purpose and what do you want to achieve. So, some of the material I have seen, the description of it feels a lot like a museum, and I am not sure we need another museum to be perfectly honest."*

A couple of stakeholders also feel the needs of the Pacific community are already well catered for in Auckland.

*"We already have a very large Polynesian sense to our fabric in Auckland, and the arts infrastructure especially in terms of content."*

These stakeholders consider there is a wide array of Pacific events, festivals and activities that mean the Pacific community is well served. For example, they cite the:

- Auckland Museum, which has a Pacific collection and outreach programme
- Mangere Arts Centre, with its Pacific theme
- Samoan fale
- Q theatre.

## Just another Hawaiian Polynesian Cultural Centre?

While many stakeholders hold positive views about the Hawaiian model, a few question the relevance of such a model for New Zealand.

For these stakeholders, there is a sense that the New Zealand market is more discerning and needs a more real, immersive experience.

Some stakeholders view the Hawaiian model as too focused on meeting the needs of the tourist sector. They believe this model risks the New Zealand Pacific community being disengaged with a PCC.

In particular, stakeholders believe a PCC will fail if Pacific communities feel like they are on 'display'.

*"We don't want to be poked and prodded like we're in a zoo. 'Oh, this is a Samoan. This is a Samoan class. This is how you say Talofa. We have coconut trees'."*

## Unifying diverse cultures

Stakeholders recognise that the Pacific does not comprise one culture. They believe a challenge will be how to unify a diverse group of cultures to enable them to 'stand together as one'.

*"How do you unify a people that are so disparate? How do you do the cultural thing? You've got Samoa, you've got all the different cultures."*

*"[A risk is] the level of engagement by the Pacific peoples themselves. Now, it's not easy, because they are so many, from so many different islands, and getting them to speak as one voice it will never be easy."*

Related to this, stakeholders question whether it will be possible to unify the different Pacific leaders.

*“There is always going to be a degree of envy and jealousy as to who is in charge, and who represents who, and is my island group bigger than yours. Obviously, Samoan is the biggest group in New Zealand, but you don’t want to forget about the Niue islands or the Tokelau islanders.”*

## The role of Māori

Stakeholders believe another challenge will be to identify and reach agreement on the most appropriate level of Māori involvement, particularly given stakeholders consider Māori as the ‘holders of the land’.

*“The other difficulty too that I haven’t raised is the involvement of Māori. We’re in their Whenua and how would we engage them? We’re in their home. We are not hosts here either, we’re guests....”*

Stakeholders want to ensure the establishment of a PCC will not offend Māori. They note that Māori do not have a significant cultural centre, and any PCC will need their support and backing. Consequently, stakeholders say that dialogue and consultation with Māori is vital.

*“The other side of it, are we gonna offend Māori, because is there a Māori centre of significance? That’s important to have that korero with them and that talk has been going on for a while... I suppose that’s the thing with this thing is that Māori have to be involved, their blessing.”*

A few stakeholders feel Māori should have greater involvement in a PCC.

*“The other question is what place would Māori play in PCC given their Tangata Whenua status... Clearly, there will need to be some conversations with particularly Ngāti Whātua if it is decided to be located here or elsewhere, whatever the Mana Whenua are. Those are the challenges though that you might face with this type of initiative because Māori want to argue ‘well we don’t have a large centre’. Which is why I am saying it is a Polynesian Centre, not a PCC. It may need to be rebranded a Polynesian Centre where Māori have a significant, given it is their country, a significant presence in there. And, that will be a very controversial point amongst many Pacific communities. They will feel quite strongly it should be just Pacific. My personal strong view is that it must be Polynesian, and include Māori if it is even going to fly. Otherwise, it won’t even get off the ground.”*

Our Strength, Weaknesses, Opportunities and Threats (SWOT) and Porter Five Forces analysis examines environmental factors that help understand the value proposition and positioning required for a PCC to have the best chance of success.

The environmental scan was developed by an internal NZIER seminar with principal economists, senior management and the senior fellows. The environmental scan was then subjected to review by the PCC Advisory group to the Ministry for Pacific Peoples.

## 5.2. SWOT analysis

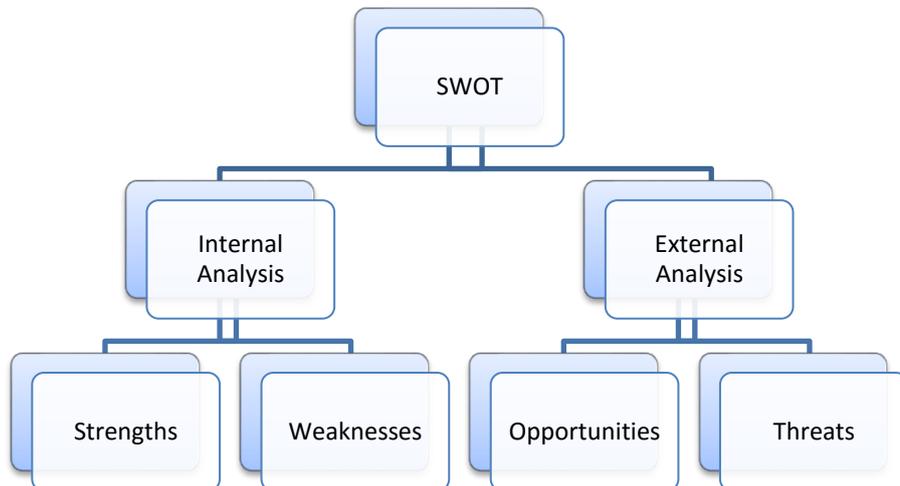
SWOT analysis is a useful way to summarise key issues in the environment and formulate a strategy that supports a successful outcome. SWOT analysis can be especially helpful for identifying hidden strengths and blind spots. For the purposes of this study, the SWOT assesses the ability of a PCC to serve objectives for:

- economic development
- vocational pathway and employment
- protection and promotion of Pacific culture.

A SWOT is in part a subjective exercise that draws on the collective wisdom gained from experience. This SWOT is but one part of this study that contains several objective aspects against which the SWOT can be judged as to whether it is valid and reliable.

The methodology for the SWOT analysis was a NZIER internal full staff seminar that was then tested with the Ministry for Pacific Peoples and the PCC Advisory Group.

**Figure 13 SWOT framework**



Source: NZIER

### 5.2.1. SWOT analysis – ‘top three’

The main potential internal **strengths** of a PCC are:

- strong connections and standing in the Pacific community
- access to local government infrastructure and resources
- strong sense of the role of culture in defining Pacific peoples.

The main potential internal **weaknesses** of a PCC are:

- extent of resources needed to establish a strongly differentiated product
- small and reliant on larger institutions to support some functions
- multiple ethnic groups within Pasifika to consider.

The main external **opportunities** faced by a PCC are:

- strong social capital and institutions among Pacific Peoples
- experience of cultural centre institutions e.g. Hawaii
- linkages with Pacific nations.

The main external **threats** faced by a PCC are:

- dilution of cultural authenticity to meet commercial objectives that results in diminution of culture and ultimately proves unsustainable
- potential discord with iwi
- multitude of other cultural and entertainment options.

### 5.2.2. SWOT management strategies

There are 4 strategies to put the SWOT findings into action:

- **S-O strategies** pursue opportunities that are a good fit to the strengths
- **W-O strategies** overcome weaknesses to pursue opportunities
- **S-T strategies** identify ways to use strengths to reduce vulnerability to external threats
- **W-T strategies** prevent weaknesses making the objectives susceptible to external threats.

**Table 7 SWOT strategies**

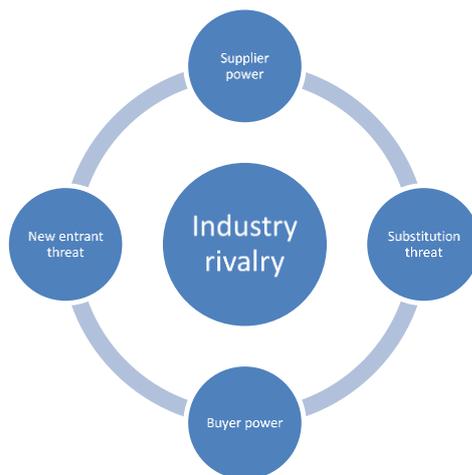
	Strengths	Weaknesses
Opportunities	Utilise strong connections and standing in Pacific communities to tap the strong social capital and institutions. Provide an outlet for Pacific cultural activity funded by Creative NZ, NZ On Air and other cultural institutions.	Countering the limited capability of a small centre by using the opportunity to partner with domestic and international institutions.  Countering the limited capability of a small Ministry by using the opportunity to partner with other ministries (e.g. Ministry for Culture and Heritage).
Threats	Harnessing the strong sense of culture in defining Pacific people to counter the threat of cultural authenticity being diluted to meet commercial objectives. Secure funding to recognise the non-market cultural value e.g. Creative NZ, NZ on Air.	Differentiate the cultural centre from the multitude of other cultural and entertainment options on offer. Strong marketing focus to promote the offering.

Source: NZIER

### 5.3. Five forces analysis

Five forces analysis identifies factors in the environment that influence the ability of an organisation to position itself for success. For the purposes of this exercise, the analysis focuses on the ability of a PCC to deliver cultural products on an on-going basis to domestic and international participants/visitors.

**Figure 14 Five forces framework**



Source: Porter, 2008

The top ranking factors are listed below in Figure 15. As with the SWOT analysis the concept of authenticity features strongly. Five forces analysis supports strategies that either:

- compete on price, when the product market is thick and commodified, or
- compete on differentiation, where the product offering is unique and difficult or impossible for competitors to replicate.

In the case of the PCC, the market is full of participants and choices. Therefore, the competitive strategy has to be strongly based on differentiation – a unique product and one that competes on the basis of authenticity that others cannot match.

**Figure 15 Five forces considerations**

Supplier power	Substitution threat	Buyer power	New entrant threat	Industry rivalry
<ul style="list-style-type: none"> <li>• Rich source of creative talent.</li> <li>• Easy for suppliers to use many means of distribution in a digital environment without reference to a Pacific Cultural Centre.</li> </ul>	<ul style="list-style-type: none"> <li>• Plenty of other cultural options for people to take up.</li> <li>• Plenty of other uses of people's scarce time.</li> <li>• Homogenisation of the product and loss of authenticity.</li> <li>• Differentiation becomes critical.</li> </ul>	<ul style="list-style-type: none"> <li>• Tourists will vote with their feet if the offering does not meet expectations.</li> <li>• Government would need to fund non market value.</li> <li>• Government funding growth is static.</li> </ul>	<ul style="list-style-type: none"> <li>• Other cultural institutions and tourist offerings may expand in the Auckland market.</li> <li>• User generated content.</li> </ul>	<ul style="list-style-type: none"> <li>• Māori cultural experiences are high quality and popular.</li> <li>• At 800 museums there are many alternatives.</li> <li>• Many live entertainment options.</li> </ul>

Source: Porter/NZIER

### 5.3.1. Establish partnerships and prepare for competition

A successful PCC will attract competitors and imitators. A PCC will need a staff with the business and marketing skills to maintain market share and grow without diminution of cultural integrity.

Among the economic development agencies and cultural institutions presently operating and/or expanding in Auckland there is a need for an Auckland cultural partnership dialogue to ensure a PCC has partners (e.g. Auckland Council, ATEED, Auckland Museum, Te Papa) and does not end up competing with others for the same scarce resources.

The Auckland cultural partnership dialogue needs to include the mana whenua of Tamaki Makaurau.

A funding case to central and/or local government is required to overcome the capital and coordination constraint faced in getting a PCC established to 'year-one' when it will have full market exposure.

Flexibility, especially in the start-up phase (e.g. short-term contracting, pilot activities) will be needed to test and move rapidly with product development.

Incentives are essential to innovate and expand scope if commercially successfully (e.g. retail).

Ownership, governance and partnerships should be designed and owned by Pacific people in a way so that the PCC is commercially viable without compromising to cultural integrity.

## 6. Models and choices

### 6.1. Product mix

Our selection criteria for product mix are based on the objectives for a PCC and commercial/market viability. The objectives are:

1. Economic development
2. Promotion and preservation of Pacific culture
3. Vocational pathways and employment.

In particular, we draw on Treasury's Better Business Case commercial and financial case criteria.

The target market for each of these objectives will be different. For example, the greatest potential for revenue growth would be to target international tourists given the increased flight capacity bringing more long-haul tourists who stay in New Zealand longer and spend more during their stay.

However, domestic visitors would still be an important market in terms of learning about Pacific culture. Domestic visitors are expected to be a less important target market from a *commercial* perspective, but from a *community* perspective the improvement in cultural awareness is an important benefit for the Pacific community. Community groups are also expected to benefit from the use of the PCC to practise and express cultural activities.

The PCC will be a dedicated space for Pacific culture to develop, both from a commercial perspective and for community benefit. It will be modest in size to start with, to ensure feasibility at the outset. Scalability in time will come through partnerships with complementary facilities and events, and learning what works as demand grows. As a *direct* employer it is relatively small; rather it is an **enabler** of skills development and job creation through social enterprise and the resource inputs of suppliers to the PCC.

Similarly, the PCC does not aim to provide a broad range of products and services to a wide variety of markets. Instead, the PCC will focus on the three core offerings that will deliver an authentic Pacific experience: food, performances, and arts and crafts.

Beyond that, the commercialisation of Pacific products and services such as retail products will be achieved through the support of social enterprise for fledgling businesses to test their wares to a ready audience.

An important aspect of the PCC is its contribution to social cohesion and national identity. A PCC has the potential to serve as a space for 'out of school' educational experiences for children and families. This offering may be able to attract a combination of public, philanthropic and commercial revenue.

Figure 16 Core offering



Source: NZIER

### 6.1.1. Venue and facilities assessment

Based on our analysis of our key target markets and the preferred product mix to service those markets we have assessed the type of venue which would be required. Access to several venues may be important as demand and product mix are dynamic. There are venue and facilities options across the city in West Auckland, South Auckland, the North Shore and the central business district. The proximity to international tourists, a Pacific workforce, transport and land prices make South Auckland the leading location. Final decisions may depend on considerations other than the commercial ‘break-even’ analysis provided in this study.

Both international and domestic visitors indicate a strong interest in learning more about, participating in preparation of, and consuming Pacific food. There has been increased awareness of the uniqueness of Pacific food through television food shows and annual festivals such as Pasifika. Food features strongly in Pacific culture, and the growing interest amongst visitors in learning more about this indicates the venue should have a kitchen and space for visitors to view cooking demonstrations and participate.

Performing arts is also a very important part of Pacific culture, and the strong interest to experience this and learn about the history of the Pacific people means the venue should involve a stage and seating that can be converted into space for eating following the cooking classes.

A PCC would cater to visitors’ keen interest in Pacific food through interactive experiences of **cooking demonstrations** and **catering** at the end of each performance, rather than a restaurant. This allows a PCC to provide a more authentic and differentiated experience, and hopefully pique further interest in Pacific food such that visitors try restaurants specialising in this cuisine. As such, a PCC will be an important promoter of Auckland’s hospitality scene.

The following table outlines the requirements of the appropriate venue to cater to the core product mix which showcases the unique Pacific culture through food and performing arts. It is important for a PCC to be authentic and interactive to differentiate itself from other tourist attractions. Given the uncertainty around visitor numbers in its formative years, we suggest the size of a PCC would be modest to start with and ideally be scalable through partnering with other venues and events as popularity increases. This will increase the chance of a PCC being commercially viable over the long run.

A PCC should also be a space for social enterprise to develop in the long run. The idea is that fledgling businesses have access to the PCC’s resources, with a PCC receiving a small share of that income as the businesses develop. This is in turn invested into future social enterprises to benefit the Pacific community.

Our estimate of 1200m<sup>2</sup> is based on our range of plausible estimates of visitor numbers to a PCC per year, and the likely demand for each of the activities taking into account likely average capacity utilisation.

From this we determine the space required to cater for this demand. The modest size of a PCC makes it more feasible to set up, particularly given the uncertainty around demand in the formative years. We focus on creating a *modest sized dedicated space*, which can be commercially viable on its own in the long run through its core cultural offerings, and will be an enabler of jobs growth and economic development through education programmes, social enterprise, vocational pathways and support of community groups. As demand grows the PCC can be scaled up through partnerships with complementary facilities and events.

**Table 8 Venue and facility requirements**

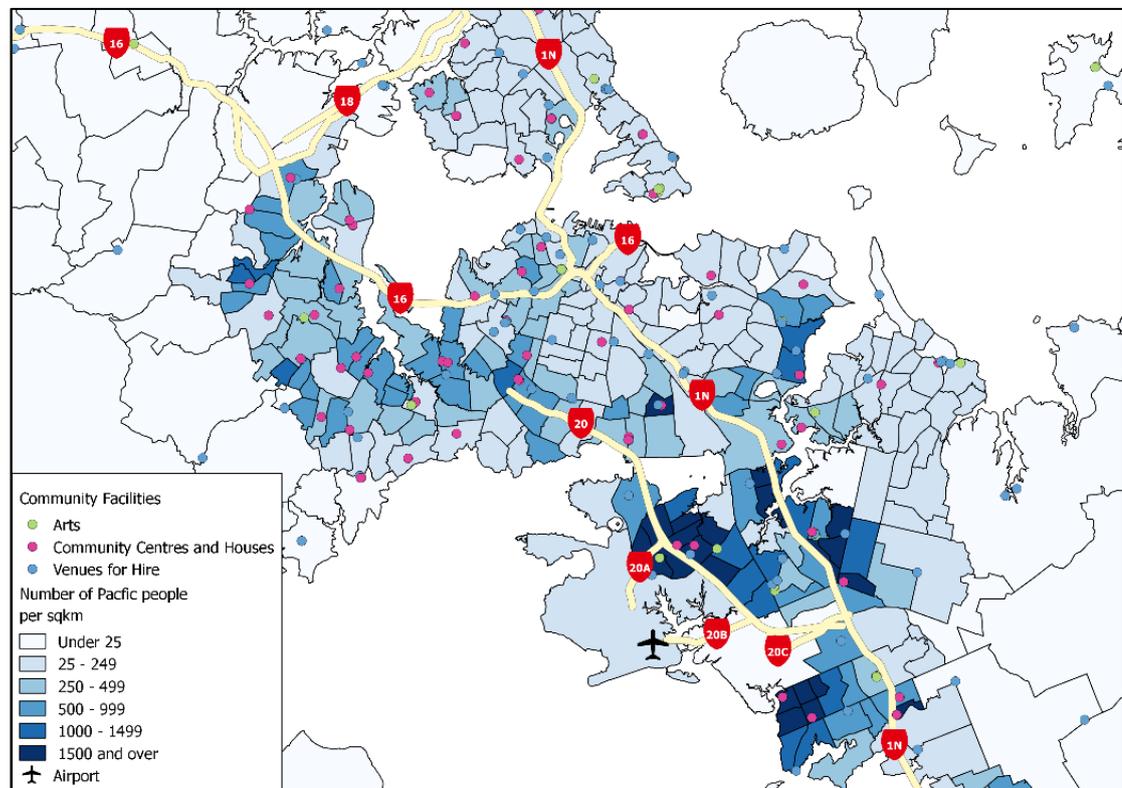
	Activity	Capacity	Floor area (m <sup>2</sup> )
Kitchen	Cooking demonstrations and classes	100	450
Stage	Cultural performances	35	100
Seating – convertible	To watch cultural performances To sit down to eat after cooking classes	200	350
Exhibition space (including amenities)	To showcase arts and crafts e.g. traditional weaving	250	300
<b>Total</b>			<b>1200</b>

Source: NZIER

There is a wide range of council owned community facilities across Auckland, differing in scale and purpose. Most are situated in West Auckland, with relatively few in South Auckland. This suggests a new facility in the form of a PCC would make a valuable contribution to the South Auckland community.

Although there is the potential to convert an existing community facility into a PCC given similar size requirements, few facilities have the scalability and flexibility this Centre requires. Conversion of an existing community facility also risks diluting the brand of a PCC. However, conversion of existing facilities could potentially be a lower cost option.

**Figure 17 Council owned community facilities**



Source: Auckland Council, Statistics NZ

### 6.1.2. Promotion and protection of Pacific culture

While there are many cultural tourism attractions showcasing Māori culture, particularly in Rotorua, there are few major attractions showcasing Pacific culture.

The popularity of annual festivals celebrating Pacific culture, including Polyfest and the Pasifika Festival, indicates there is strong interest in Pacific culture, particularly when it is expressed through the performing arts. Attendance at each of these events run to the tens of thousands. For example, over 65 schools and 9,000 performers are involved in Polyfest and it attracts over 95,000 spectators.

The Pasifika Festival separates out and highlights the various Pacific cultures. Along with the key attraction of the performing arts, the Pasifika Festival also includes demonstrations of authentic arts and crafts (e.g. weaving and tattooing).

The challenge will be in maintaining steady interest if an attraction was developed which would showcase Pacific culture throughout the year. While these annual events mainly target residents, a cultural tourism attraction would need to target visitors to ensure content is fresh and appealing to attendees.

### 6.1.3. Tourism revenue

While a key objective of a PCC is to promote and preserve the Pacific culture and values while providing a training ground for performing arts and business ideas, a PCC will also provide a prime opportunity to capture the revenue potential from the tourism boom. By focusing on the

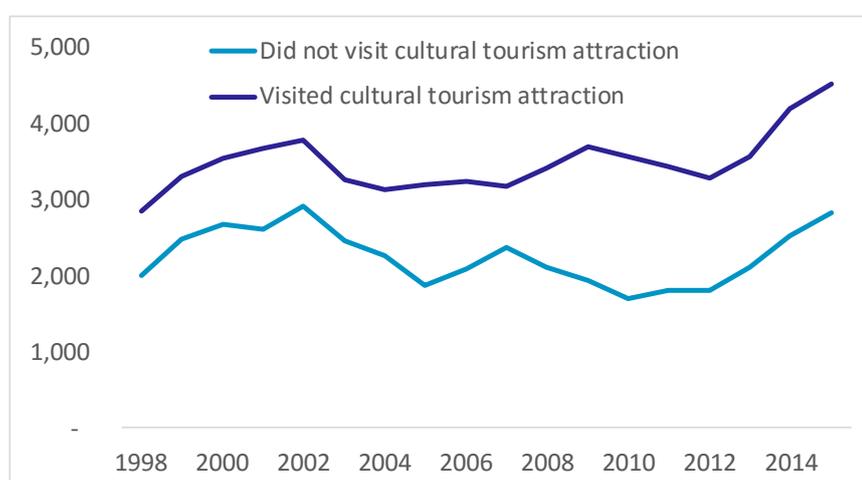
commercial viability of a PCC, we link to one of the other key objectives of using a PCC as a hub for related business ventures.

A look at current international visitor spending shows that **those who visit cultural offerings tend to spend more** during their time in New Zealand. For example, for the 2015 calendar year each international visitor who visited Auckland and a cultural tourism attraction spent an average of \$4,515 – higher than the average of \$2,829 spent by an international visitor who visited Auckland but not a cultural tourism attraction.

This suggests cultural attractions attract an average visitor spending premium of around \$1,700 for those who visited Auckland.

**Figure 18 International visitor spending of visitors to Auckland**

Average spending per trip (\$)



Source: Statistics New Zealand

For international visitors who did not visit Auckland, the average spend for those who visited a cultural tourism attraction was an average of \$4,459 – higher than the average of \$2,967 for international tourists who did not visit Auckland nor a cultural tourism attraction.

The difference in average international visitor spend between those who visited a cultural tourism attraction and those who do not is greater for visitors to Auckland. This suggests revenue potential could be enhanced by bundling a PCC offering with other cultural tourism attractions in Auckland.

#### 6.1.4. Target markets

The number of international visitors to New Zealand has seen phenomenal growth in recent years. Lower fuel prices have increased flight capacity between New Zealand and a wide range of destinations. In particular, there has been a rise in the number of long-haul travellers who are staying in New Zealand longer and spending more.

There has been strong growth in the number of visitors coming into Auckland on both flights and cruise ships in recent years. The increase in cruise ships has boosted retail and hospitality spending in central Auckland. However, the **cruise ship market remains a very small part of the Auckland tourism market**, with the 188,500 cruise ship passengers being a fraction of the 1.5 million international visitors coming into Auckland over the past year.

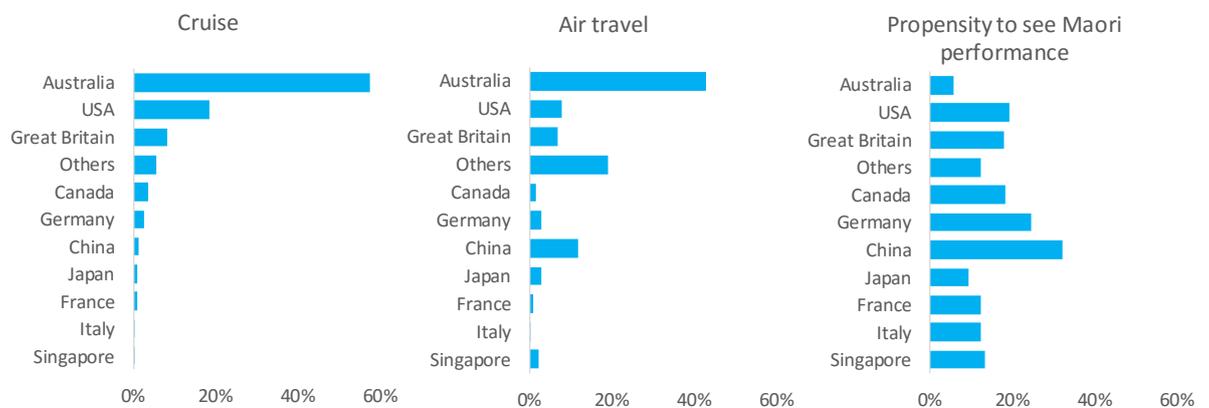
Cruise ship passengers also spend much less time in Auckland – an average stay of 1.1 days compared with an average of 5 days for international visitors coming in on flights. This suggests international visitors coming into Auckland on flights are more likely than cruise ship passengers to find the time to explore Auckland and visit a cultural tourism attraction.

While Australia is the leading source of international visitors coming in on both cruise ships and flights, Australian tourists are least likely to spend on cultural tourism activities. This is because most Australian tourists are here to visit friends and relatives. Tourists coming to New Zealand on holiday are most likely to spend on cultural tourism activities.

Tourists from China have the greatest propensity to spend on cultural tourism activities, but they make up only 1% of cruise ship passengers. Similarly, tourists from Germany also exhibit a high propensity to spend on cultural tourism activities, but make up only 3% of cruise ship passengers. This suggests the greatest revenue potential comes from targeting international visitors coming into Auckland on flights, as they are more likely to stay in the region longer and spend on cultural tourism activities. American tourists also exhibit a high propensity to spend on cultural tourism activities. This suggests targeting Chinese, German and American tourists would most likely yield the most tourism revenue.

**Figure 19 International visitors on cruise ships and flights and propensity to spend on Māori cultural performance**

% of total passengers over the past year



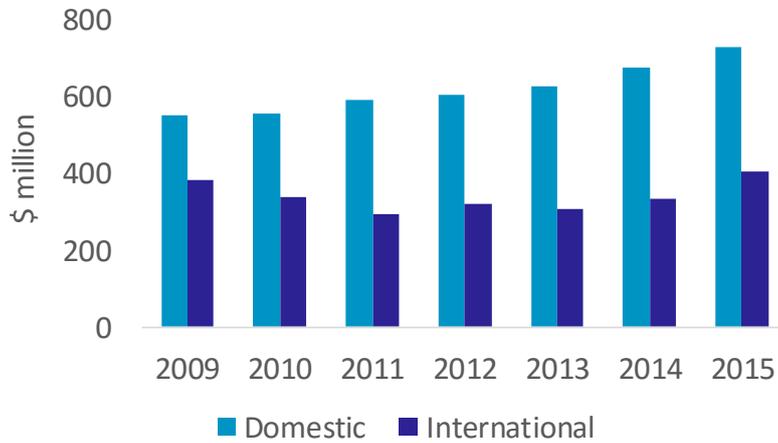
Source: Statistics NZ, Cruise NZ

The domestic tourism market is also growing, with spending on cultural, recreation and gaming services by domestic tourists almost twice that by international tourists (note though cultural, recreation and gambling services is a much broader category than cultural experiences).

Off-site school educational experiences are a specific part of the domestic market that a PCC may wish to develop. Philanthropic and public revenue may be accessible for educational packages.

**Figure 20 Annual tourism spending on cultural, recreation and gambling services**

\$million per year

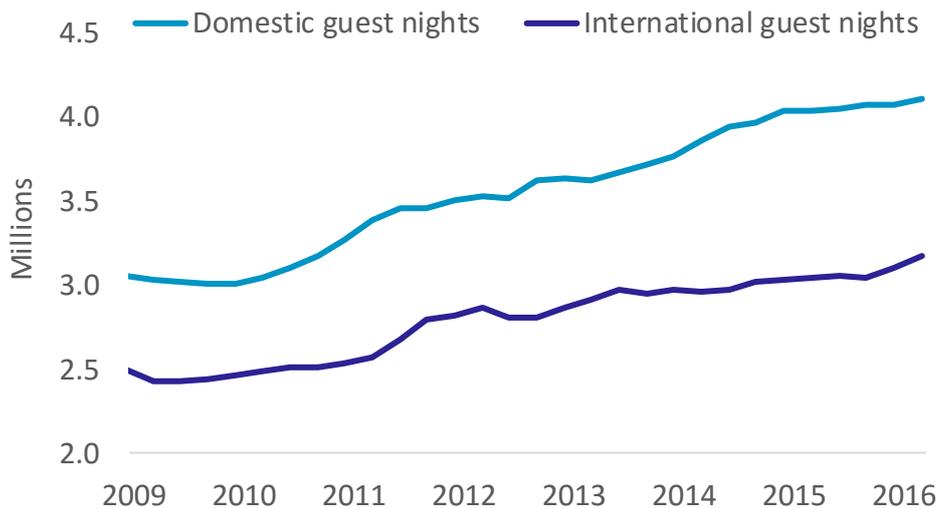


Source: Statistics NZ

The importance of domestic tourism is also reflected in guest nights, with domestic guest nights over the past year almost 30 percent greater than international guest nights. However, international tourism has been growing more strongly than domestic tourism more recently.

**Figure 21 Annual guest nights in Auckland**

Nights per year



Source: Statistics NZ

Survey results from Colmar Brunton also suggest targeting international visitors would be more effective than domestic visitors. Three in five international visitors surveyed indicate they are likely to visit a PCC – a higher propensity than the one in five New Zealanders surveyed who indicate they are likely to visit.

Domestic visitors to a PCC can be distinguished between the commercial market and community market. From a commercial perspective, domestic visitors are more likely to visit the more low-margin attractions and have a lower likelihood of generating *recurrent* tourism revenue.

Domestic visitors are unlikely to visit a PCC's core offerings more than once, except for special festivals and events. Beyond a PCC's core offerings, the commercialisation of market stalls as part of social enterprise development would be a channel for attracting recurring domestic visitors.

**Table 9 Composition of target market**

Commercial	Community
International visitors	Community groups
	Enterprise development
	Education
Domestic visitors	

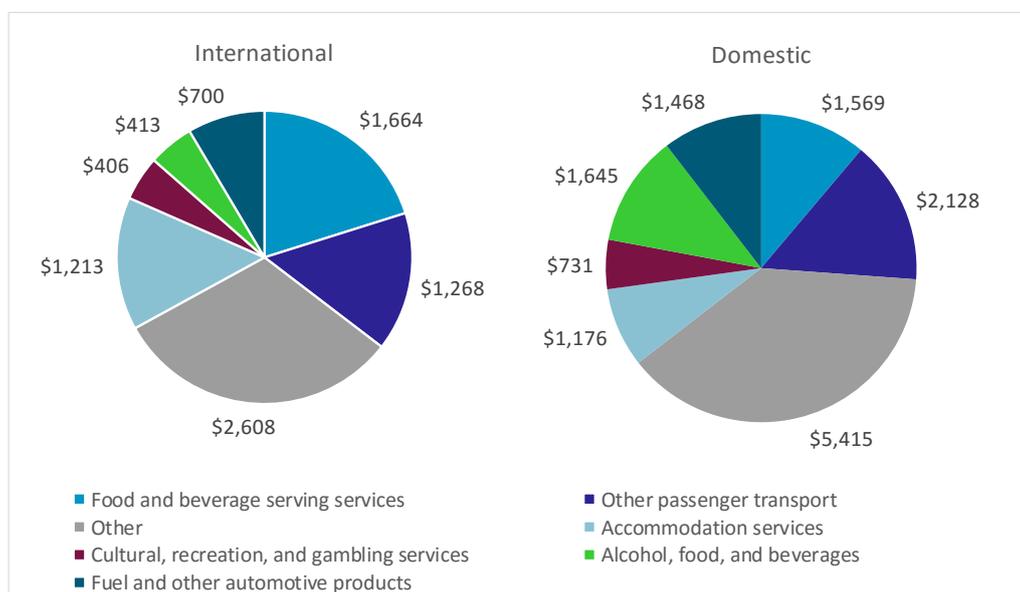
Source: NZIER

Overall, the *commercial* sustainability of a PCC is likely to come from international visitors. They, are more likely to spend on higher margin interactive cultural experiences and are likely to generate recurrent tourism revenue.

Nonetheless, a PCC will be important to the domestic market, largely in the preservation and promotion of the Pacific culture to all New Zealanders. Spending by domestic visitors on accommodation and hospitality will also benefit the Auckland and New Zealand tourism sector more generally. So while domestic visitors' *direct* revenue contribution to a PCC is expected to be relatively small, they provide an important contribution to the tourism sector through other spending while in Auckland.

**Figure 22 Tourism spending in Auckland**

\$million in 2015



Source: Statistics NZ

A PCC’s support of social enterprise will promote entrepreneurship in the Pacific community, providing the physical and human resources, as well as a ready audience (in the form of visitors to a PCC) to test out business ideas. While as a *direct* employer the PCC is relatively small, this enterprise development aspect will be an important channel for long-term skill development and job creation.

From a community perspective, a PCC will provide a dedicated space for groups to nurture key aspects of the Pacific culture, for example through performing arts and crafts. Education programmes will also play an important part in the preservation and promotion of the Pacific culture to the young. These non-market services are discussed further below.

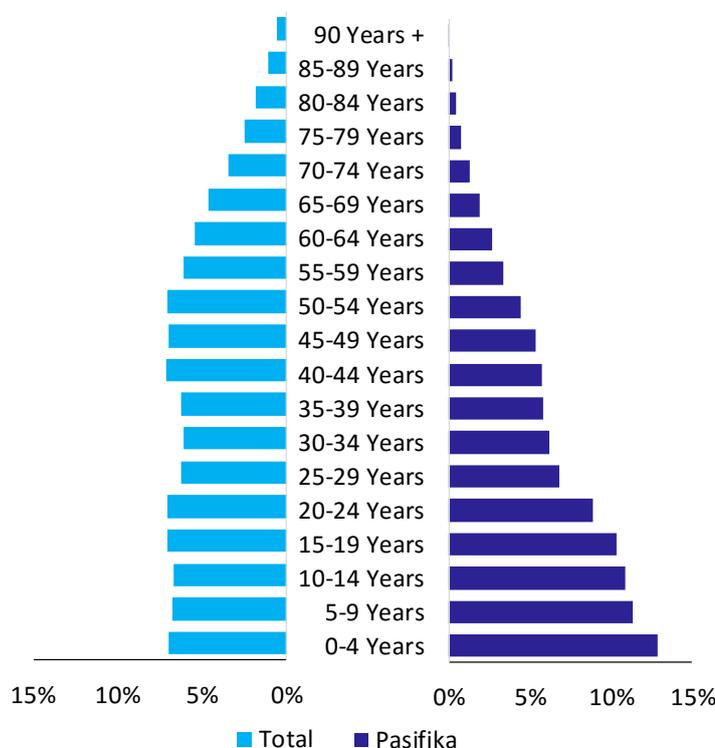
## 6.2. Job creation and business opportunities

### 6.2.1. Job creation

The Pacific population is relatively young, and growing. The majority of the Pacific population is under 30 years old, which suggests much potential for the development of a productive, vibrant workforce across the wider New Zealand economy.

**Figure 23 Age group distribution of New Zealand and Pacific populations**

Proportion of total population across age groups



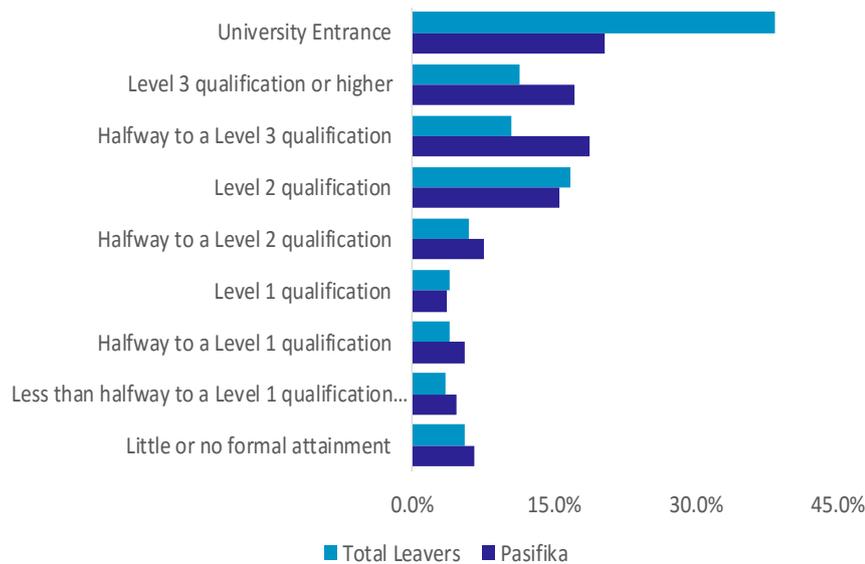
Source: Statistics NZ

However, the Pacific population has a lower education attainment rate than the overall New Zealand population. For example, only 20% of Pacific school leavers have University Entrance – much lower than the nationwide average of 38%. Furthermore, just over 20% of Pacific school

leavers' highest education attainment was Level 1, relative to almost 17% of total school leavers in New Zealand.

### Figure 24 Highest qualification of school leavers

Proportion of population, Education Counts 2015

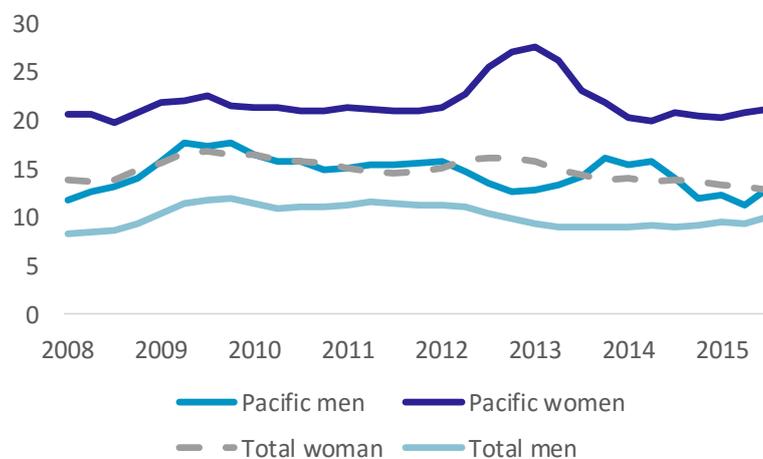


Source: Ministry of Education

Added to this, the Pacific population has a relatively high proportion not in education, employment or training. The NEET rate for Pacific women is especially high at just over 21%, while that for Pacific men is 13% – on a par with the NEET rate for women in New Zealand.

### Figure 25 Not in education, employment or training

Proportion of population



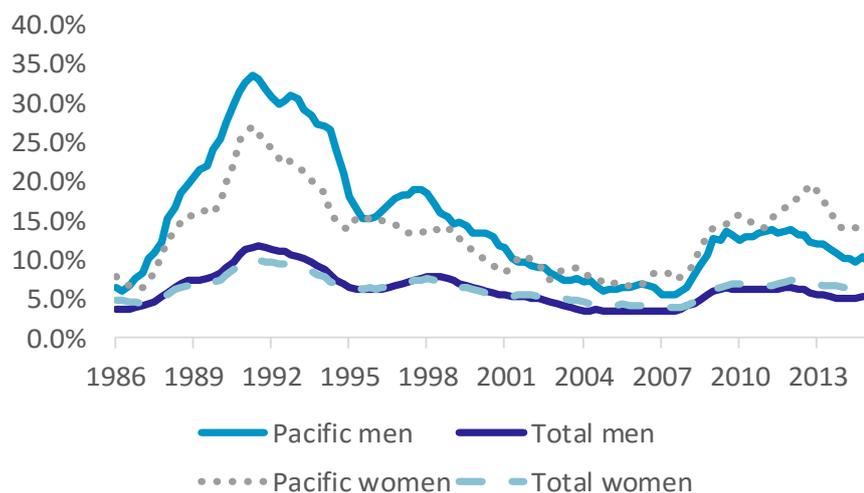
Source: Statistics NZ

The relatively lower level of education and training outcomes for Pacific people is hampering employment opportunities. This is reflected in relatively high unemployment rates, particularly

for Pacific women at 12%. Although Pacific unemployment rates have trended lower since 2013, they remain substantially higher than for the overall New Zealand population.

### Figure 26 Unemployment rate

Proportion of population



Source: Statistics NZ

It is clear the relatively young Pacific population provides many opportunities for a vibrant, productive workforce, yet its potential is hampered by low education attainment rates.

The development of a PCC could provide opportunities for training, employment and business ideas to be tested and established. The employment of Pacific people to run a PCC would enhance the authenticity of the tourism attraction, while at the same time developing the skills of the Pacific workforce.

As a *direct* employer, the PCC is small given the relatively small staffing requirements, but it is also an enabler of jobs through the development of skills through 1) its performing artists, and 2) social enterprise development.

The popularity of the annual festivals such as Polyfest and Pasifika Festival highlight the important role performing arts play in Pacific culture. A focus on performing arts would enhance the authenticity of the Pacific experience in a cultural tourism attraction.

The Pacific Institute of Performing Arts (PIPA) provides an ideal source of talent in the performing arts for a PCC. The benefits are two-way. A PCC has access to a steady stream of talented performing artists especially trained in contemporary culture by leading professionals, while students and graduates gain valuable work experience (and income) in a well-resourced cultural centre with exposure to the booming tourism sector. This work experience would be incorporated into the performing arts curriculum, thus providing both a commercial and community benefit.

## 6.2.2. Development of social enterprise

A PCC will require a supply chain from existing and potentially new businesses. As a new offering the PCC provides the opportunity for business ideas to be tested, and job creation over the long run. The first few years of a business are instrumental in its success, and a PCC would provide an established platform to test out and develop fledgling business ideas.

There is an opportunity for the retail market of Pacific arts and crafts to upscale, but by supporting this through social enterprise rather than directly being involved by setting up a retail shop, a PCC can empower the community to come up with innovative ideas to add value to products and market them to a wider (and ready) market.

Given a PCC's niche in Pacific arts and culture and intended exposure to tourists, using the PCC as a kick-starter for social enterprise would achieve the dual purpose of developing the business acumen and skills of the Pacific community as well as providing revenue for the longer-term sustainability of the PCC.

This social enterprise aspect of a PCC provides an important market and potential non-market benefit over the long run.

## 6.3. Venue and facilities

### 6.3.1. Venue and facilities options

There are a range of venue and facilities options. They are not examined in detail in this study. No option is mutually exclusive – as the PCC grows a mixed leasing and ownership model is possible.

The choice of whether to construct a new building for the PCC or to lease existing space depends on the priority placed on cost and flexibility versus branding and functionality. Constructing a new building would mean a facility custom-made for the PCC's purposes and mean a stronger brand and sense of identity for the Pacific people, but would require a large up-front cost. However, using an existing facility, if available, could potentially be a lower cost option – this is useful given the uncertainty around demand in the formative years.

Criteria to establish the best venue and facilities options include:

- availability of land/existing building
- cost effectiveness
- flexibility in production needs/arrangements
- sense of physical centre for the community.

**Table 10 Venue and facilities' options**

(not mutually exclusive)

Option	Features	Pros	Cons	Comment
<p><b>Option 1:</b>  <b>Hire/lease every thing</b>                      Opex: around \$315 per square metre per year in Manukau for office space; Venue hire dependent on event and space required.                      Capex: close to \$0</p>	<p>Small admin office                      Contract for venues around the city, country and overseas</p>	<p>Highly flexible to make cost effective and fit for purpose decisions                      Potential to run more than one production at a time                      Commercial flexibility</p>	<p>No home base for community unless specifically contracted for                        May come across too virtual for local ownership</p>	<p>Requires strong branding.                      Especially suitable if a PCC is a 'traveling show'                      Good fit with commercial primacy                      Common model in entertainment and cultural sector</p>
<p><b>Option 2:</b>  <b>Long term lease on building/space</b>                      Opex: around \$375 per square metre per year in Manukau – this works out to around \$480,000 p.a.                      Capex: dependent on amount of alterations required.</p>	<p>Visually identifiable community venue                      Branded</p>	<p>Provides a stable home base                      No need for building capital                      Potential to co-locate with like services</p>	<p>May be issues in getting fit for purpose venue</p>	<p>Probable fit with Transform Manukau                      Need to know more about who might be neighbours and what the social enterprise potential looks like</p>
<p><b>Option 3:</b>  <b>Buy building and retrofit (with or without land)</b>                      Opex: if land not gifted, may have to pay rent on land. Insurance premiums also additional.                      Capex: cost of building plus alterations.</p>	<p>Conversion project                      Community input to design</p>	<p>Opportunity to create a purpose built venue                      Opportunity to involve Pacific artists in design</p>	<p>Capital for purchase                      Capital for retrofit</p>	<p>Potential loss of flexibility.                      Opportunity cost if physical asset costs reduce ability to leverage cultural capital.</p>
<p><b>Option 4:</b>  <b>New build (with or without land)</b>                      Opex: if land not gifted, may have to pay rent on land. Insurance premiums also additional.                      Capex: \$4.3 million for construction of new building + potential cost of land.</p>	<p>Iconic Pacific structure</p>	<p>Community and artist involvement                      Location is fixed</p>	<p>Capital requirements                      Location is fixed                      Business case for investors</p>	<p>Attractive for community                      Opportunity cost of physical capital over cultural and human capital</p>

Source: NZIER

A PCC will be the starting point where Pacific culture thrives in the long run as it broadens from its core offering of food, performances and arts and culture exhibition, and **enables** economic development through the development of education programmes and social enterprise. Weighing up these criteria, *provided there is funding available*, the construction of a modest sized purpose-built facility to provide the core offerings, with the potential to scale up through partnerships with complementary events and facilities, seems the most appropriate option. This would balance between the flexibility required as the PCC broadens beyond its core offering once commercial primacy is realised, with the strong branding required for the initiative to succeed in the first place.

## 6.4. Potential location and selection

The ideal location of a PCC should be accessible to the:

- workforce
- target market
- complementary attractions.

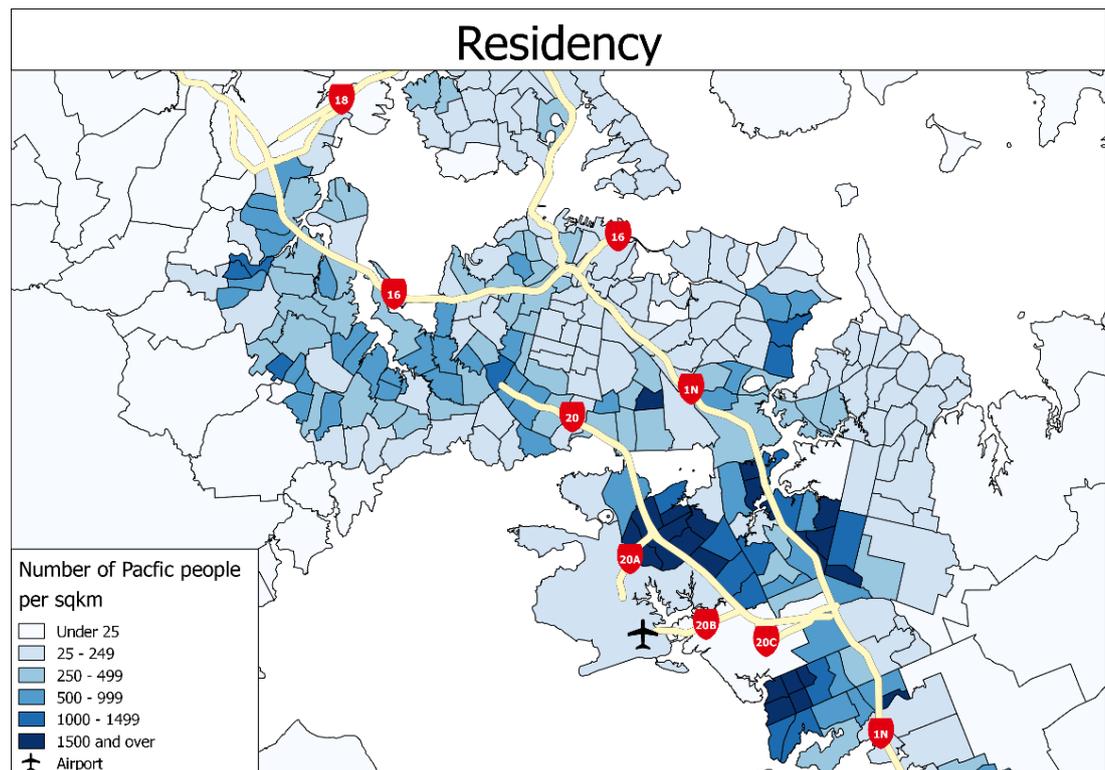
It should also be cost-effective.

An accessible location would reduce commuting times, thus improving the productivity of its workforce as well as the appeal of a PCC to its target market.

### 6.4.1. Accessible to its workforce

**Figure 27 Density of the Pacific population in Auckland area units**

Number of Pacific residents per square km

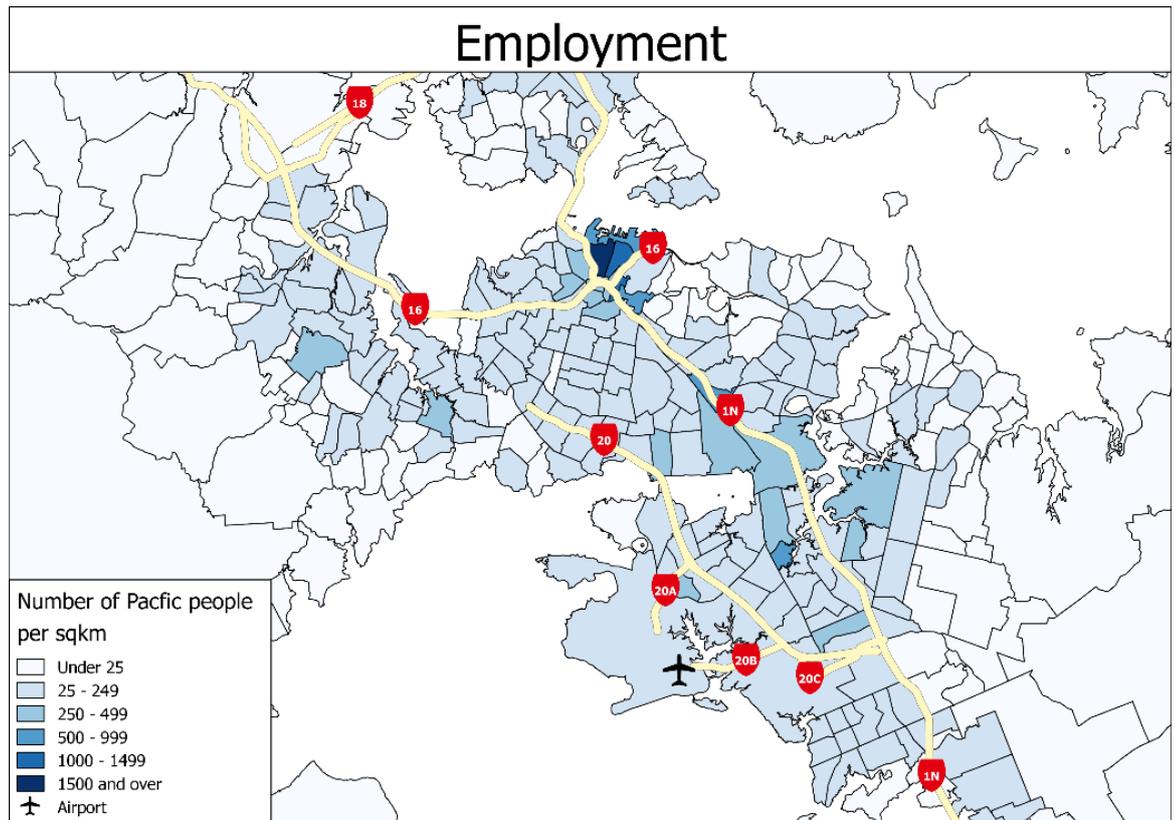


Source: Statistics NZ, NZIER

As Figure 27 shows the Pacific community is concentrated in South Auckland. Mangere, Manurewa and Manukau in particular are densely populated with Pacific people. However, a look at where Pacific people work (Figure 28) shows they are concentrated in the Central Business District, despite relatively few living in that area.

### Figure 28 Density of Pacific workers in Auckland area units

Number of Pacific workers per square km



Source: Statistics NZ, NZIER

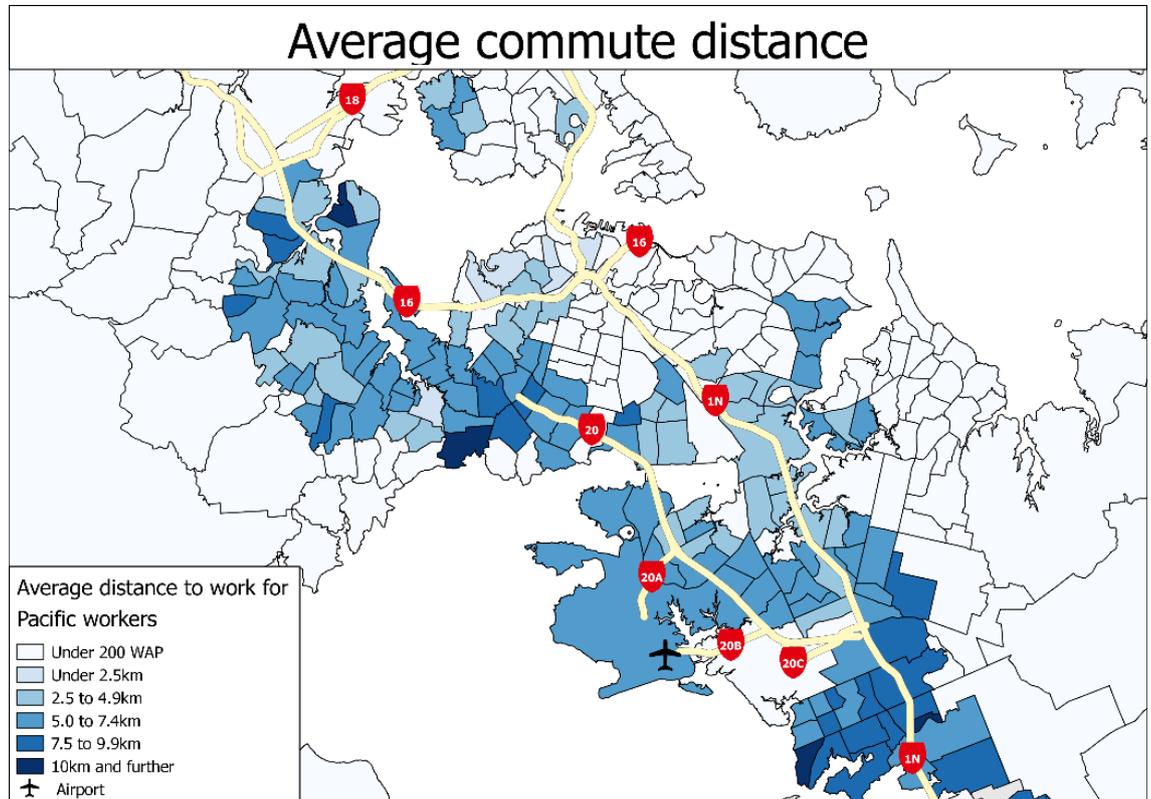
Commuting times for Pacific workers show a willingness to commute relatively long distances if the workplace is accessible via motorways. For example, the average distance for Pacific people living in Blockhouse Bay is over 10km, but it is easily accessible to State Highway 20.

Nonetheless, commuting is expensive, both in terms of money and time spent on travel. Previous NZIER research estimated each kilometre away from the city centre increases the cost of the commute by around \$738 a year. This means commuting between Manukau and the city centre everyday would cost the average worker around \$15,000 per year.

These factors all point to South Auckland being a more logical location for a PCC.

**Figure 29 Average commute distance for Pacific workers**

Average distance to work for Pacific workers



Source: Statistics NZ, NZIER

## 6.4.2. Accessible to target market

The target market for the PCC from a commercial perspective is international visitors, with tourists from China, Germany and the US showing the highest propensity to spend on cultural tourism attractions in New Zealand. The majority of these tourists come into Auckland on flights. This means the ideal location should be accessible to Auckland International Airport – the main gateway for these international visitors with the highest propensity to spend on cultural tourism activities.

As discussed, while the cruise ship market is growing, cruise ship passenger numbers are only a fraction of the 1.5 million passengers coming into Auckland through the international airport. They also tend to spend much less time in Auckland relative to international visitors coming in through the airport.

The Colmar Brunton survey showed two thirds of international visitors surveyed indicated they would travel outside of central Auckland to visit a PCC, with Americans most likely to visit outside of central Auckland.

The ideal location should also be accessible to domestic visitors, hence should be close to public transport options via train and bus, as well as motorways.

*Transform Manukau* is one of two strategic priority areas for development in Auckland. *Transform Manukau*, as proposed, includes the future Auckland public transport hub and location opportunities for agglomeration and anchor tenants in a similar manner to the Wynyard Quarter.

### 6.4.3. Accessible to complementary attractions

A cluster of tourist attractions would encourage bundled tourist packages to be offered. For example, tour groups for international visitors could more easily plan to visit nearby tourist attractions.

Complementary attractions in South Auckland include the Auckland Botanic Gardens, Otara Markets, Vodaphone Events Centre, Mangere Arts Centre, Vector Wero Whitewater Park, Butterfly Creek and Rainbow’s End Theme Park.

Central business district attractions include the Maritime Museum, Auckland Museum and the Auckland Art Gallery.

### Leasing

Commercial rents are variable across the Auckland areas, reflecting the different supply and demand drivers. Manukau has the advantage of being the cheapest area in Auckland for rent commercially. For example, **prime retail space in the Auckland Central Business District is around seven times more expensive than in Manukau.** The cost effectiveness of Manukau reinforces its appropriateness as a location for a PCC.

Commercial rent is relevant regardless of whether the PCC is leased or not, as it represents the opportunity cost of the space. For example, if the building is owned the commercial rent represents the return for the space if it is not being used as a PCC.

**Table 11 Commercial rents**

\$ per square metre

	Retail		Office	
	Prime	Secondary	Prime	Secondary
<b>Auckland CBD</b>	2600	650	525	350
<b>Newmarket</b>	1500	550	475	260
<b>Takapuna</b>	700	400	310	243
<b>Albany</b>	600	300	275	225
<b>Central Henderson</b>	400	225		
<b>Westgate</b>	500	265		
<b>Manukau</b>	375	175	315	190
<b>Pakuranga</b>	500	275		
<b>Howick</b>	500	300		
<b>Botany</b>	675	250		

Source: Bayleys

### 6.4.4. Construction cost

We use consent issuance data to find out the indicative cost of constructing a new commercial building across the various Auckland areas, using consent values and floor area of buildings consented. These are indicative estimates only, given the distinctive specifications of different buildings consented. This means that these estimates are more useful to ascertain the *relative* costs of construction across the Auckland area.

When it comes to the cost of constructing a new building, unsurprisingly the cost for the construction of new retail and office space is on balance greatest in Auckland Central, reflecting the relatively strong demand and skew towards high value buildings in the area.

Manukau is the cheapest when it comes to construction of new retail space, but the cost of constructing new office space is comparable to Auckland Central (and in fact has been higher over the past year).

On balance, Albany is relatively low cost for the construction of new retail and office space.

**Table 12 Construction cost of new building**

\$ per square metre

Area	Retail	Office
Auckland City	2300	2400
Albany	2100	1500
West Auckland	2400	1300
Manukau	1600	2800

Source: Statistics NZ, NZIER

### 6.4.5. Options have trade-offs

Different locations each have their own advantages and disadvantages. The following table outlines how each potential location meets our criteria on the ideal location for a PCC.

Based on these criteria the ideal location would be in Manukau, given its proximity to the areas where the Pacific community is concentrated, the Auckland International Airport and key complementary attractions. The ease of access via the motorway and public transport also makes this location attractive.

**Table 13 Location options against criteria**

Accessibility to workforce	Accessibility to target market	Accessibility to complementary attractions	Cost-effective
<b>Manukau</b>			
Concentration of Pacific community in the area, so short distance to commute to work.	Close to Auckland Int'l Airport – the main gateway for international visitors. Most tourists from China, Taiwan, Germany and the USA come to New Zealand on flights.  Abundance of public transport options via train and bus, as well as being close to motorway.	Auckland Botanic Gardens, Otara Markets, Vodaphone Events Centre, Mangere Arts Centre, Vector Wero Whitewater Park, Butterfly Creek and Rainbow's End Theme Park.	Cheapest commercial rent in Auckland.  Cheapest construction cost for new retail buildings, but most expensive for new office buildings.  Transform Manukau is one of two strategic Auckland Council development areas.
<b>Central Business District</b>			
Very light concentration of Pacific community, so majority of workforce likely to commute 20km to work.	Close to the cruise ship terminal – a very small but growing market. But majority of cruise ship passengers are Australian, who have the lowest propensity to spend on cultural tourism attractions.	Maritime Museum, Auckland Museum and the Auckland Art Gallery.	Most expensive commercial rent, reflecting the scarcity of vacant space in the area.  Rent for retail space is at least three times greater than Manukau, office space at least one and a half times more.
<b>West Auckland</b>			
Light concentration of Pacific community, but accessible via motorways.	Far from both the Auckland Int'l Airport and cruise ship terminal.	Concentration of community centres and houses in the area.  Corban Estate Arts Centre.	Commercial rent slightly more than Manukau.  Relatively expensive construction cost for new retail space, but low cost for new office space.

Source: NZIER

## 6.5. Operating model

Outlined below are the key considerations for the operation of the PCC. **Our estimates suggest a PCC, once fully established, can be sustainable from a commercial perspective in the long run**, with scope for community benefits through: having a dedicated space for community groups to develop their culture, education programmes and social enterprise.

A PCC also benefits the tourism sector more generally through the spending international and domestic visitors bring to Auckland on other goods and services such as hospitality and accommodation.

It is important to keep in mind that there will be a significant establishment phase before a PCC is fully operational.

## 6.5.1. Staffing requirements

Seven full-time and ten part-time roles have been budgeted for the ongoing operations of the PCC. This is based on the expectation that the PCC will operate six days of the week, with Sunday being a rest day for the Pacific people.

The structure of staff recognises the key product streams (performing arts, Pacific food and arts and crafts), and aims to attract and retain the best in their field for each stream. This is reflected in the salaries for each role being at the high end of the scale (based on salary surveys). We want a PCC to be an employer of choice, and promote career development.

**Table 14 Recommended personnel**

Employment status	Position	Salary	Number of positions
<b>Full time</b>	Chief Executive	\$110,000	1
	Business Development Manager	\$90,000	1
	Operations Manager	\$90,000	1
	Head of Performing Arts	\$100,000	1
	Head of Pasifika Food	\$85,000	1
	Curator	\$90,000	1
	Education Facilitator	\$90,000	1
<b>Part time</b>	Exhibition Guides	\$50,000	3
	Hospitality Assistants	\$45,000	4
	Performing Arts Assistant	\$65,000	1
	Administration Assistant	\$50,000	1
	Maintenance Technician	\$60,000	1

Source: NZIER

Besides the running of the overall Centre, roles are developed around servicing the PCC's core offerings: Pacific food, performance, and exhibition of arts and crafts. We have also budgeted for a role in charge of education to reflect the important role the PCC will play in promoting knowledge of Pacific culture through the development of programmes, particularly to New Zealanders.

The **Chief Executive** oversees the running of the PCC and its strategic direction, and will be the key point of contact for stakeholders including community groups. The Business Development Manager's key responsibility will be increasing visitor numbers, largely through forming key partnerships, reaching out to new markets and promoting the PCC through a wide range of communication channels including digital media. Meanwhile, the Operations Manager is involved in the day-to-day running of the PCC, including liaising with social enterprises and managing the pipeline of fledgling businesses that receive support. Assisting these roles will be a part-time Administration Assistant and a Maintenance Technician.

The **Head of Performing Arts** oversees co-ordinating the performances through working with performance arts institutions. This role will be assisted by a part-time

Performance Arts Assistant, to ensure that not only do visitors to the PCC have a positive experience but that performing arts graduates can gain valuable work experience. We envision the Head of Performing Arts and Performance Arts Assistant will select the team of fifteen performing arts graduates and choreograph each performance. The mix between contemporary versus traditional Pacific dance can be determined through analysis in a business case.

The **Head of Pasifika Food** oversees the development and presentation of the cooking classes, as well as the menu design for food served at the performances. Given the strong preference indicated by international visitors to learn more about and experiencing Pacific food, this role is key to building the brand of the PCC. Four part-time Hospitality Assistants will assist in food preparation, the running of the cooking classes, and serving of the food at the performances.

The **Curator** oversees the presentation of exhibits at the PCC, while the **Education Facilitator** oversees the development of education programmes to engage with the community. Three part-time Exhibition Guides will assist in the maintenance of exhibits and engaging with visitors, as well as helping carry out the education programmes.

The **Education Facilitator** oversees the PCC's education offering for schools and adults. This is likely to have a domestic focus and be aligned with school calendar as an 'off-site' learning opportunity to augment the curriculum.

Besides the employment of these core staff, we also expect the PCC to utilise the services of performing arts graduates and volunteers. We expect to have up to 30 performers at each performance, with performance arts graduates remunerated for each performance.

Volunteers will assist in providing information to visitors. This will enable the PCC to play an important role in encouraging community involvement and building the capability of the Pacific people through providing valuable work experience.

## 6.5.2. Projected visitor numbers

From a commercial perspective, **we forecast annual visitor numbers to the PCC of 78,000 international visitors and 35,000 domestic visitors each year** in the initial years.

This forecast is conservative, and our international visitor projection is largely based on the top three international visitor markets which have shown greatest propensity to spend on interactive cultural experiences: China, Germany and the United States. Including visitors from Australia, which is our largest source of tourists but who exhibit a low propensity to spend on interactive cultural experiences, suggests annual visitors of 120,000. To be conservative, we will use our international visitor number forecast of 78,000 per year as the basis for our revenue forecasts.

The focus on the international visitor market, from a commercial perspective, reflects the fact that the international visitor market is likely to generate more tourism revenue through:

1. Indicating a greater propensity to spend on cultural experiences
2. Going for the higher-margin cultural experiences of cooking classes and performances

3. A large net inflow of international visitors each year means recurring annual tourism revenue, since the pool of domestic visitors is limited and unlikely to visit PCC more than once unless there are special events.

Our forecast of 35,000 domestic visitors to the PCC is based on there being more potential domestic visitors than international visitors, but domestic visitors expressing a lower likelihood of visiting the PCC. Only one out of five New Zealanders surveyed by Colmar Brunton indicated they were likely to visit a PCC – much lower than the three out of five international visitors that indicated they were likely to visit.

As a comparison, the Auckland Art Gallery had 533,556 visitors in 2015, with 144,060 of these from outside Auckland. Meanwhile, the Auckland Zoo had 650,159 visitors over the same period, with 188,546 of these from outside Auckland. Hobbiton in Matamata attracts over 240,000 visitors each year.

This suggests upside risk to our forecasts, but it is prudent to be conservative given there is much uncertainty about demand in the formative years. Over the long run, we see around 200,000 visitors per year as an aspirational target, with the PCC scaling up through partnerships with other organisations to develop complementary programmes and events to meet this stronger demand.

**Table 15 Projected facility usage**

Activity	Time of day	Average attendance per session	Capacity of each attraction
Cooking class	Morning	45	100
	Afternoon	45	100
Performance	Night	150	200
Exhibition attendance	All day	150	250

Source: NZIER

A PCC can expect to hire out unused space to community groups for a nominal fee, and develop education programmes for school groups. From a commercial perspective, revenue from this is likely to be nominal but it will provide an important community benefit, as well as promote and protect the authenticity of Pacific culture.

### 6.5.3. Financial model

Our financial model inputs for the first five *fully operational* years of the PCC is based on our earlier analysis on:

- venue options (as a key input into initial capital expenditure and operating costs)
- key target markets and forecasts of visitor numbers for each market (as a key input into revenue projections)
- staffing requirements (as a key input into operating costs).

## Initial set up cost and establishment phase

Until the location of the PCC is decided it is difficult to determine the full cost of setting up the infrastructure. Uncertainties include the land the venue will be built on, how much it would cost to prepare the foundations (which would depend on the initial state of the land).

A look at council valuations in the Manukau central area shows that land costs vary widely even within the suburb. Based on council valuations and QV data on commercial sales in the Manukau CBD, we estimate the cost of the land for the building to be \$950,000. Besides the wide variance in land values depending on exact location, we also note the potential for the land to be gifted or discounted.

As outlined earlier, consent issuance data suggests the cost of constructing new retail premises in Manukau is relatively low but the cost of constructing new office buildings is relatively high.

We estimate the construction of this modest-sized PCC would cost around \$4.3 million. This estimate is based on the implied construction cost per square metre in Manukau from consent issuance data, plus consultancy fees at 10% of costs, developer margin at 15% of costs and fit-out of the PCC.

**Table 16 Initial set-up capital for building**

Type of cost	Cost
Building cost	\$3,360,000
Construction consultancy fees	\$336,000
Developer margin	\$504,000
Fit-out	\$100,000
<i>Land</i>	<i>\$950,000</i>
<b>Total</b>	<b>\$5,250,000</b>

Source: NZIER

## Operating costs and revenue

Leaving aside the uncertainty of the initial set up cost of the infrastructure, much of which would depend on the location of the PCC, we now estimate the ongoing operating costs and revenue each year. This provides an indication of how sustainable the PCC will be from a commercial point of view in the long run, once the initial cost of setting up the infrastructure has been covered.

We focus on the operating revenue and costs from the PCC's core product offerings: cooking classes, performances and arts and crafts exhibition. The community aspect of the PCC, such as hiring out unused space to community groups and social enterprise development, would generate additional revenue. However, revenue from community-focused hireage would be nominal, while the revenue from taking a cut of the profits of successful social enterprises would be difficult to predict given the variability of earnings of start-ups.

We include the cost of leasing the venue in our operating cost estimates, regardless of whether we go ahead with owning or leasing the venue. Besides showing the baseline

operating revenue and costs per year to determine commercial viability in the long run, the rent also represents an opportunity cost of the location of the venue.

For example, even in the event of the venue being owned and no rent being required, the leasing costs represent what the PCC could have received in the form of rental income. We can also treat this cost of leasing as the amount being repaid each year towards the construction of a new building, should that be the way forward.

We base our revenue scenarios on the following assumptions:

- cooking classes take place six days of the week, two sessions per day
- performances take place five nights of the week. The revenue for performances could also be substituted for revenue from hosting functions or conferences for days when performance attendance may be too low to be economical to run
- operating *on average* at around 45 to 75 percent capacity every session – we would expect some sessions will sell out while some sessions will be light.

Under these assumptions, we estimate operating revenue to range from \$2 million to \$3.3 million in the early years of the PCC being fully operational. Including the Australian market, which would increase the forecast number of international visitors to 120,000, would see operating revenue range from \$2.3 million to \$3.8 million.

**Table 17 Indicative revenue range under different price and visitor forecasts**

Scenario	Price of attractions			Total revenue	
	Cooking class	Performance	Exhibition	Visitor numbers of 113,000	Visitor numbers of 155,000
Scenario 1	\$40	\$50	\$5	\$3,307,200	\$3,837,600
Scenario 2	\$30	\$35	\$5	\$2,441,400	\$2,878,200
Scenario 3	\$25	\$30	\$2	\$1,965,600	\$2,262,000

Source: NZIER

As discussed earlier, our baseline projections of 78,000 international visitors and 35,000 domestic visitors per year are conservative. Over the long run, there are upside risks to our revenue growth forecasts from:

- international visitors from outside of our three key markets of China, Germany and the United States
- continued growth in tourism that is greater than the trend growth rate assumed in our projections. We assume international visitor spending grows at 1.8% per year, while domestic visitor spending grows at 4.9% per year. This is based on the long-run growth rate of international and domestic visitor spending on cultural, recreation and gambling services in Auckland

- hiring of unused space by community groups – however we expect these fees will be nominal, so this use is treated more as a community benefit than a commercial revenue driver
- a small proportion of profits from successful social enterprises, in return for the use of PCC’s resources. Revenue from this is likely to be highly variable given the uncertainty around the success rate of start-ups. Again, we treat the PCC’s function as a support of social enterprise more as a community benefit.

Note the price for the cooking classes and cultural performances represents the return per attendee **to the PCC**. Tour operators who bring visitors to the PCC are likely to charge a mark-up on top of this to the end customer.

We estimate operating costs to be around \$2.8 million in the first year before leasing costs, and \$3.3 million including leasing costs. As outlined, this is based on the PCC operating six days of the week (Sunday being a rest day for the Pacific community), and being based in Manukau.

**Table 18 Indicative operating costs in first year under Option 2 (once established)**

Type	Cost in first year
Personnel	\$1,160,000
Payment to the Board	\$50,000
Marketing	\$50,000
Day to day maintenance and utilities	\$26,000
Performances	\$910,000
Food (for cooking class and performances)	\$636,480
<i>Rent (based on Manukau site)</i>	<i>\$480,000</i>
<b>Total Operating Costs</b>	<b>\$3,312,480</b>

Source: NZIER

In terms of location options, having the PCC on secondary Auckland Central retail space would cost \$780,000 per year, and on prime Auckland Central retail space would cost \$3.1 million.

Taking the prices under Scenario 1, **it would take on average an extra 217 attendees per week to cover the extra cost of being located in secondary Auckland Central retail space, and an extra 1908 attendees per week to cover the extra cost of being located in prime Auckland Central retail space.** This difference in rents is relevant regardless of whether the space is leased or owned, as it represents the *opportunity cost* of what the space can be used for (if not to house the PCC).

Leaving aside how the initial cost of setting up the PCC will be funded, our baseline estimates of annual operating revenue and costs (including leasing) **suggests the PCC could operate around break-even if it can command prices under Scenario 1. However, if market conditions do not allow for the PCC to command those prices then the PCC will likely operate at a loss of around \$1 million.**

Another way to look at it is that for the PCC to break even we would need each visitor to spend *almost \$30 on average*.

If we include the Australian market (which is large in number but has a much lower propensity to visit a cultural attraction) it would suggest international visitors of 120,000. This would see operating revenue range from \$2.3 million to \$3.8 million. Taking into account increased operating cost of \$3.4 million from higher visitor numbers, this suggests the potential for the PCC to make a modest profit of almost \$500,000 **if it can command prices under Scenario 1**. Key to long term commercial viability of the PCC will be attracting visitors and maintaining margins.

These estimates suggest the PCC could be commercially sustainable in the long run. This is based on our assumption that revenue from international visitor spending on cultural, recreation and gambling services grows at its *long-run growth rate of 1.8%*, while revenue from domestic visitor spending grows at its *long-run trend rate of 4.9% per year*. Meanwhile, we assume operating costs (including rents) *grow at the long-run inflation rate of 2% per year*.

We consider indicative financial model inputs from Option 2 and Option 4 of Table 9. The inputs for Option 1 and Option 3 would be highly variable given the different venues that may be hired (Option 1), or what existing building is available to purchase and retrofit to the PCC's requirements (Option 3).

Option 2 would require no initial set-up cost for building capital, but will have an ongoing cost for leasing. There may be some alteration costs if an existing building is retrofitted for the PCC.

**Table 19 Financial model inputs (once established) – Option 2 of Table 10**

\$	Year 1	Year 2	Year 3	Year 4	Year 5
Operating revenue	\$3,307,200	\$3,382,117	\$3,459,090	\$3,538,190	\$3,619,491
Operating cost before lease	\$2,832,480	\$2,889,130	\$2,946,912	\$3,005,850	\$3,065,967
Lease costs	\$480,000	\$489,600	\$499,392	\$509,380	\$519,567
<b>Operating profit after lease</b>	<b>-\$5,280</b>	<b>\$3,387</b>	<b>\$12,786</b>	<b>\$22,960</b>	<b>\$33,956</b>

Source: NZIER

Option 4 would require a large initial set-up cost for building capital, but would have no ongoing cost for leasing should the land be bought or gifted. However, it would incur an ongoing insurance premium. The cost of the insurance premium would depend on the capital value of the building, but we have estimated a conservative amount of \$10,000 which rises in line with the long-run growth rate of the other operating costs.

**Table 20 Financial model inputs (once established) – Option 4 of Table 10**

\$	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Capital</b>	<b>\$5,250,000</b>					

Operating revenue		\$3,307,200	\$3,382,117	\$3,459,090	\$3,538,190	\$3,619,491
Operating cost		\$2,832,480	\$2,889,130	\$2,946,912	\$3,005,850	\$3,065,967
<i>Insurance</i>		<i>\$10,000</i>	<i>\$10,200</i>	<i>\$10,404</i>	<i>\$10,612</i>	<i>\$10,824</i>
<b>Operating profit</b>		<b>\$464,720</b>	<b>\$482,787</b>	<b>\$501,774</b>	<b>\$521,728</b>	<b>\$542,699</b>

Source: NZIER

Under these long-run growth rate assumptions for operating revenue and costs, this suggests the up-front cost of capital should be covered in the PCC's tenth year of being fully operational.

#### 6.5.4. Funding sources: non-commercial/non-market

Funding sources for capital and operating expenses are available and there is high demand from many cultural organisations for these funds. Pursuit of these resources becomes a business consideration depending how the product mix develops. Applying for these funds can be resource intensive and the probability of securing funds is variable.

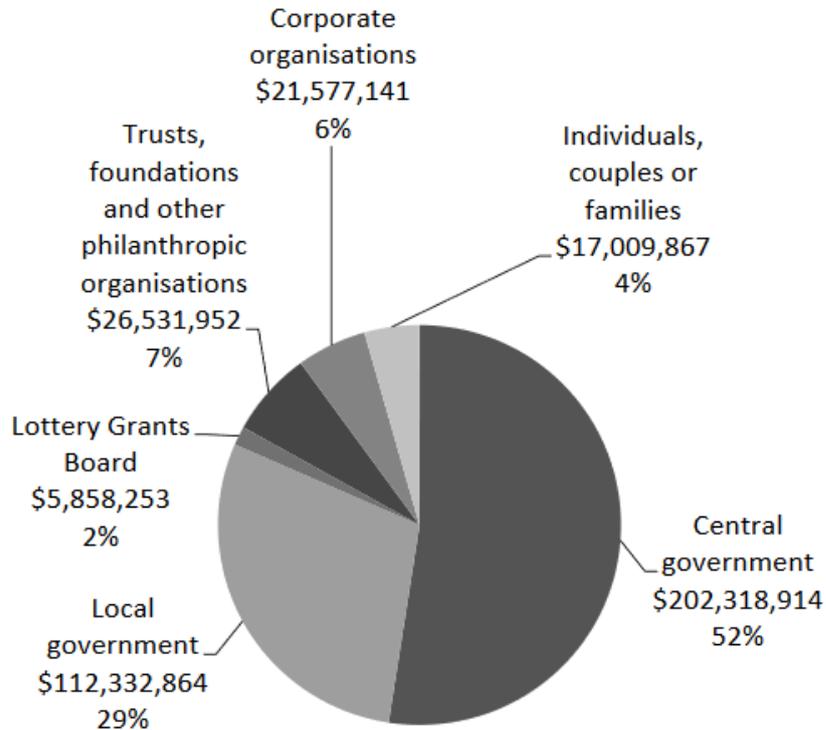
Funds from Vote: Arts, Culture and Heritage are fully allocated to national organisations such as Te Papa, New Zealand On Air and Creative New Zealand. Lottery funds are allocated on an annual basis for one-off grants.

The *Giving and Sponsorship Survey 2012* shows that of the 801 cultural agencies surveyed, 81% of non-commercial revenue was from central and local government. The survey included arts, heritage, libraries and media/film organisations (Ministry for Culture and Heritage, 2014).

The remaining 20% was sourced from philanthropic trusts, corporate organisations, individuals and the Lottery Grants Board. Almost 30% of the organisations applied to four or more sources of funding. This suggests that some organisations need multiple funding to meet costs.

**Figure 30 Total support by source to cultural organisations 2012**

Estimated cash and in-kind (non-cash) dollars



Source: Ministry for Culture and Heritage

### 6.5.5. Non-market services: education, cultural and social outcomes for all New Zealanders

A PCC will play a domestic role for all New Zealanders by educating young and old about Pacific culture and New Zealand Pacific culture. Improved understanding helps build national identity and social cohesion. A PCC can provide an outlet for funders and producers of Pacific arts and culture to reach new audiences.

Creative New Zealand (2015) reports that Pacific arts have had the lowest audience growth of any market segment. Notwithstanding, more than one-third of the country's 'cultural market' is interested in a first-time Pacific cultural experience.

A PCC may need to attract sponsorship, philanthropic or government revenue to support non-commercial programmes.

Finding direct funding for non-market services such as public education programmes will be challenging due to the pressure on static or declining funding pools. Revenue from international visitors may be a source of funds for domestic education and programmes to preserve and promote Pacific culture.

## 6.5.6. Central sources of funding

Vote Culture and Heritage provides funding to Creative NZ, NZ on Air and Te Papa, all of whom have Pacific arts and culture programmes. The total permanent vote stood at \$285m in 2011/12, rose to \$296m in 2016/17 and is projected to drop to \$265m in 2019/20 (Government of New Zealand, 2016a).

Lottery Grants Board funding in 2016/17 of \$108m for Lottery Distribution Committees comes as the gap widens between available funds and the number of grant applications increases since 2012/13 (Department of Internal Affairs, 2016).

The Ministry of Business, Innovation and Employment operates a Major Events Fund. The fund is open to cultural events. The Major Events Development Fund website reports that at January 2016 the Fund had supported 175 events to the value of \$80.93 million (Ministry for Business, Innovation and Employment, 2016). The median level of government investment has been \$200,000. The average level of government investment has been \$462,456. The World of Wearable Art Awards Show received support in 2014-2016. The Napier Art Deco Weekend was supported in 2015.

**Table 21 New Zealand Pacific cultural programmes and resources**

Programme	Purpose	Funding availability	Assessment of the opportunity
<b>Operating Cost Funding / In-kind resources</b>			
Creative New Zealand			
Fulbright-Creative New Zealand Pacific Writer's Residency	Opportunity for a Pacific writer from New Zealand to work on identity, culture or history at the University of Hawai'i	\$30,000 per annum	Potential for a reciprocal residency agreement
Kava New Leaders Grants	Supports Pacific artists to pass on their knowledge and skills	\$30,000 up to two grants	Highly competitive Potential to augment the arts and crafts
Pacific Heritage Arts database	650 community-recognised elders, tufuga, Puluotu, ta'unga, master craftspeople and cultural leaders in a range of Pacific artforms.	-	Instant pool of expertise for the PCC May be especially helpful in maintaining cultural authenticity
Creative NZ Arts Pasifika Awards	Awards for excellence in Pacific arts in New Zealand	-	Potential to signal PCC authenticity
NZ On Air			
Pacific radio	Nationwide radio services in several Pacific languages on NiuFM and 531pi. 12 funded access radio stations that provide programmes in a variety of Pacific languages on air and online	\$3.4m per annum	Potential for PCC to gain publicity and distribute content.
Television	Programmes including Tagata Pasifika, Fresh and Real Pasifik	Contestable fund	Potential for PCC to gain publicity and distribute content.

Programme	Purpose	Funding availability	Assessment of the opportunity
thecoconet.tv	Online hub for youthful Pacific content had 1.5 million visits last year, and an equal number of YouTube views.	Contestable from Digital Media Fund	Potential for PCC to gain publicity and distribute content.
<b>Other</b>			
Major Events Fund	Development programme for major events. Criteria including tourism, New Zealand brand promotion, business and trade, increased participation in sports, arts or culture, national identity and pride	\$10m per annum	Strong fit with PCC. Not intended as on-going source of funds. Fund has multi-year commitments that reduce the actual availability of funds.
Radio New Zealand International	Comprehensive Pacific coverage with the very latest Pacific stories and an extensive online news archive. Podcasts, a live audio feed and on-demand programmes	\$2.3m per annum	Potential for PCC to gain publicity and distribute content.
Pacific Cooperation Foundation (PCF) Pacific Broadcasting Initiative	Pacific Cooperation Foundation (PCF) deliver content via satellite to broadcasters across the Pacific	-	Potential for PCC to gain publicity and distribute content.
Cultural Diplomacy International Programme	Support to government sponsored events	\$0.49m per annum	Ministerially directed funding. Access depends entirely on government priorities.
Crowd Funding platforms (e.g.) Boosted	Arts Foundation Philanthropy Scheme for private fundraising and 33% tax for donors (boosters)	Funding need set by project. 90% of funds raised are granted by Boosted if target funding is reached. Boosted raised approximately \$1m in 2014/15 and says it is on track to raise \$1m in 2016	Completely open for good ideas that the general public elect to fund. All or nothing nature of the scheme means the fundraiser must have a strong proposal.
<b>Initial Capital Funding</b>			
Regional Culture and Heritage Fund	Contestable capital fund	\$10 million p.a.	Oversubscribed with lengthy waiting list but good proposals jump the queue. Focus on capital projects outside of Auckland, Wellington, and Christchurch. Projects located in Auckland, Wellington, and Christchurch remain eligible
Lottery Environment and Heritage Fund	Will fund project that protect collections at risk, improve access to heritage, tell 'stories'	Contestable fund \$10m allocated for 2016/17. \$5.1m granted in 6 months to May 2016. An average of	Good potential source of one-off establishment costs.

Programme	Purpose	Funding availability	Assessment of the opportunity
	prepare plans, studies or reports	\$138,000 per grant with \$500,000 the largest.	Overall, 5,180 requests for funding in 2014/15 2,990 grants made. (58% of applications where funded)
Lottery Significant Projects Fund	Funds for community assets of regional or national significance including arts, culture, heritage, economic development and tourism.	Contestable fund \$12m allocated for 2016/17. Projects with a total cost of \$3 million or more.	

Source: NZIER, Creative NZ, NZ On Air, 2016, Radio New Zealand, Ministry for Culture and Heritage, Lottery Grants Board, Ministry of Business, Innovation and Employment, Arts Foundation/Boosted

### 6.5.7. Regional sources of funding

Auckland Council and Foundation North provide regional resources for arts, culture, heritage and economic development. Creative New Zealand has an Auckland Diversity Project Fund.

There is potential to partner up with Auckland Council and in particular Transform Manukau to establish the PCC as the centrepiece of the hub for Pacific people. This would see the PCC as a key part of other developments such as retail outlets and apartment complexes, to provide a mixed urban living right in the heart of the Pacific community. Having a PCC as part of an Auckland Council development project would also make it a natural complement to other Council supported events such the annual Pasifika Festival.

Whilst collaborating with other entities carries risks given increased complexity, it also provides opportunities to build a stronger Pacific brand, as well as to provide funding for the cost of the initial set up of infrastructure (to be repaid over the subsequent years).

**Table 22 Auckland cultural funding**

Programme	Purpose	Funding availability	Assessment of the opportunity
Creative NZ / Foundation North Auckland Diversity Project Fund	Supporting projects by arts organisations that engage with Māori, Pacific and Asian communities in the Auckland Region. Offered in partnership with Foundation North.	On merit up to \$100,000 per project.	This is a new fund that is only just getting itself established so provides an opportunity for an early win.
Creative Communities Fund Auckland Council / Creative NZ	Opportunities for local communities to engage and participate in local arts activities.  Support the diverse arts and cultural traditions of local communities, enriching and promoting their cultural diversity  Enable and encourage young people (under 18) to engage with and participate in the arts	Individual grants will usually be between \$250 and \$2000.  Larger grants may be awarded, based on the creative engagement, community benefit and the budget information provided in the application.	Potential for PCC and/or member artists to gain financial support.
Auckland Council/ Panuku/Transform Manukau	Partnership opportunity	Negotiable	Early stage economic development project with potential for inexpensive accommodation and spill-over benefits from co-location (similar concept to Wynyard Quarter)

Source: NZIER, Creative NZ, Auckland Council

## 6.5.8. Accessing grant funds and leveraging existing funds

Public and grant funding is scarce, in high demand and incurs high transaction costs

Central government funding for arts, culture and heritage is not growing at a time when demand is increasing. Grant funds tend to be one-off and suited for overcoming the capital constraints faced by community organisations.

In general, assessing grant funding requires significant investment in proposal writing and uncertain probability of success. To be successful, a PCC will need to have the capability to write grant proposals in the establishment phase. A PCC establishment group will need grant writing/ business case skills as a lean fully operational PCC may not have this capability.

Despite an overall decline in available resources, the Lottery Grants Board funds and the newly established Auckland Diversity Project Fund offer the best opportunity to access funds in a cost effective manner.

Accessing the resources of Auckland Council is best done through direct engagement with the council's economic development agencies.

### PCC as an outlet for existing Pacific content on offer

While a PCC will want to produce its own cultural content, there are opportunities to avoid adding to demand for scarce resources and work with organisations that already have a stable funding base, produce Pacific content on an on-going basis and as an expectation of their funder, need distribution channels.

NZ on Air, Creative New Zealand, Lottery Grants Board and Foundation North measure the extent to which the projects they fund reach audiences. Leveraging the funder requirement on many cultural agencies to reach new audiences is a clever opportunity for a PCC to provide cultural content and to develop partnerships. In this sense, a PCC is operating as an aggregator of cultural content and a distributor – a showcase and a shop window.

## 6.6. Ownership options

### 6.6.1. Why is ownership important?

Ownership is a very significant dimension of this study because ownership is about control and distribution of resources. Ownership cuts to the core of feasibility and sustainability as ownership creates a separate legal entity to carry out business.

This paper examines 6 ownership options provided for under New Zealand law that divide broadly into companies and trusts/societies. The definitions, features, pros and cons of these ownership forms are covered in Appendix C.

Cultural institutions in New Zealand cover the full range of ownership forms.

### 6.6.2. What are the preferred options?

The evaluation criteria are based on a combination of:

- the objectives for the proposed centre
- efficiency in the ability to deliver on those objectives
- equity/distributional considerations of the benefits.

The final selection is discussed below. Ownership options are evaluated against the criteria.

But first we consider whether it might be better to have a different approach: government ownership.

#### **Government ownership has been ruled out on two grounds**

Government ownership is not generally a suitable vehicle for risky commercial trading because it does not face the right market disciplines and incentives. For example,

capital market monitoring of firms, which typically enforces sensible strategies and endorses new ideas, is mirrored in the case of government ownership by political oversight that prioritises non-commercial factors potentially negatively in a risky business.

On a wider front, the government has a conflict as referee and player in setting and enforcing commercial rules. On average, government owned institutions are less commercially efficient.

Government cultural policy places an emphasis on funding over public ownership. There are plenty of providers of cultural good and services. Cultural expression and the arts have as a central purpose, to challenge society and the status quo – no one knows what their future may be and they are always have the potential to be at odds with official views.

Therefore, these activities are accepted as best left at arms-length from government. There are several hundred museums and many cultural groups in New Zealand that are not government owned. Te Papa, the national museum, and the New Zealand Symphony Orchestra are in fact Crown owned exceptions. The role of government is discussed further in Appendix D.

### 6.6.3. Ownership options

The ownership model selected must provide the right incentives for the outcomes sought, otherwise the Centre is certain to fail. We set out all our evaluation criteria, but primacy in our evaluation is placed on economic development and protection of cultural authenticity.

As discussed above, we see these as the key criteria. They reflect, on the one hand the need for the commercial side to flourish, to ensure continued activity, and on the other, the drive for the entity to achieve its cultural goals.

Overall, it is important to remember that competition for the tourism dollar is intense and the Pacific Cultural Centre will face full market exposure – not just in tourism but in the entertainment market more generally. This means that even once the crucial start-up phase has been successfully negotiated, there will be ongoing threats.

Ironically success breeds competition and imitation. New ventures, possibly backed by large commercial organisations, will seek to enter the market and will thus put pressure on key staff, suppliers and products by trying to bid them away.

This high level of competition puts a great deal of weight on choosing a structure to support the entity's commercial capacity. It needs all the advantages it can get to succeed.

**Table 23 Indicative evaluation of ownership forms for a Pacific Cultural Centre**

Criteria/ Incentive	Partnership	Company	Trust	Cooperative Company	Incorporate d society	Industrial & Provident society
<b>Major</b>						
Economic development	☹️	😊	☹️	😊	☹️	☹️
Promote & preserve culture	☹️	☹️	😊	😊	😊	😊
<b>Minor</b>						
Community cohesion	☹️	☹️	😊	😊	😊	☹️
Skills development	☹️	😊	😊	😊	😊	☹️
Distribution of benefits	☹️	☹️	😊	😊	😊	😊
Flexibility of purpose after set up	☹️	😊	☹️	☹️	☹️	☹️
Administrative simplicity	☹️	😊	☹️	☹️	😊	😊
Flexibility to join and exit	😊	☹️	☹️	😊	☹️	😊

Source: NZIER

### Leading option is a cooperative company

At first glance no ownership option is ideal on all criteria. But focusing on the two key criteria the cooperative company is ahead of the others: best at supporting economic development without putting cultural authenticity at risk.

The cooperative company option would pull together productions and market them on behalf of a variety of Pacific trusts, churches, societies that joined to direct and to benefit from these services. But as a formally independent stand-alone vehicle it would have the capacity to meet commercial challenges.

### Others are less commercially adroit or culturally responsive

The underlying reason is that the cooperative must serve the needs of the Pacific/cultural groups that own it – while the traditional company is more inhibited about this. And a trust or society format is less able to meet the dynamic issues that are likely to arise on the commercial front as they are less flexible and find raising capital more difficult. That said, they are familiar forms that Pacific people understand and are comfortable with.

## 6.7. Governance model

### 6.7.1. Basics – there are two key features shaping the power of governance

In practice the key features of governance are the rules of the entity that set out how it should operate and its aims, plus the group of people who will, on a time to time basis, oversee the furtherance of the aims. This group can be called the “board.”

Governance models are determined by the legal requirements for registration requirements and establishment of constitutions under the applicable statute. The first stage of establishing governance in all cases is to draft a constitution/deed/rules that matches the purpose and function of a Pacific Cultural Centre. This will capture the appropriate balance between the need for commercial success and the important objective of doing this with Pacific cultural integrity.

### 6.7.2. Challenges for governance of the PCC

As earlier sections of this report have shown, the PCC will have all the normal stresses of any organisation with premises and staff, as well as the role of achieving its objectives. This is the function of a conventional supervisory board.

But the real test here is that the operational aspect is to become a successful commercial player in a highly competitive market – while maintaining its cultural integrity. The PCC is also going to do this without the backing of any commercial shareholder.

The demands will be intense, and call for a high calibre board to oversee and support the activities of management, who will be grappling with difficult issues. The likely ownership make-up means it is hard to envisage this entity as other than merely adequately funded, and unlikely to be able to call on shareholders and interested parties for significant extra capital. It is also dependant on a tight budget structure to meet its budgets. New competition would probably put pressure on both revenue and cost sides of the net income equation.

This combination of potentially severe trading risks from time to time and limited capital cushioning will call for a lively and commercially adroit board with the nous to appoint a first rate management team and the experience to know when back up management is required and when to call for alternative actions.

### 6.7.3. Appraisal criteria

In the light of this we examine the options for their ability to ensure that the entity rules and the calibre of the board are appropriate to meet and surmount the significant demands they are likely to face.

In short we are using the following criteria:

- Does the option allow the preparation of an apt set of entity rules?
- Does the option support the appointment of a high calibre board? Overview – how do the options fit the criteria?

Looking at all the models discussed, as might be expected, there is a degree of flexibility about both rule/ constitution preparation and board appointments.

But we note that different forms are more aligned to commercial purposes and thus less prone to disputes about fundamentals, such as the intention of the original founders. In particular, the company and cooperative company form are explicitly designed to allow for significant changes of direction in response to shifts in the environment or agreed aims of the owners.

### **Rules**

In all cases with some imagination there is the capacity to structure the rules and objectives of the entity to ensure the board is able to act in a business-like way, while keeping the need for cultural integrity in sight.

### **Board selection**

The board may be selected by different 'electors' in different formats, although the flexibility of most of the options means there is little effective difference, as the constitution and rules can be drafted to line up the options.

## **6.7.4. On balance**

This means that based on the desk analysis there is not a great deal of difference between different options from a governance stand point. In many ways, it might be seen as though the form of entity is less important than the way it is designed to achieve its purpose. And there is a degree of truth in this.

But, as already discussed, any entity which is intending to stand the test of time long run considerations become important. This in turn puts weight on the entity that allow it to be clear about its choice of option as expression of the aims of the original founders.

Such clarity can assist with closing out potential debate about that intention. Given what we have identified as the most significant potential risk we think it would be an advantage from a governance viewpoint to select an option that underlines the capacity of the entity to be a commercially vibrant operation – either a company or cooperative company structure.

And to allow the need to include the focus on cultural integrity most explicitly in the design we would then recommend that a cooperative company structure provides the best governance choice.

# 7. Managing for success

This section of the report summarises the benefits discussed throughout the report and what is involved in managing their realisation.

## 7.1. Understanding the benefits

Our approach to assessing the benefits of the development of a PCC follows the Treasury guidelines for assessing the economic case in an indicative business case. The benefits of the PCC were assessed using the framework presented in Table 24.

Some of the benefits can be quantified, such the economic benefit of tourism spending. Other benefits are more difficult to quantify and require sophisticated methods of non-market valuation that are outside the scope of this feasibility study.

**Table 24 The benefits of the PCC**

Quantifiable benefits	Qualitative benefits
<ul style="list-style-type: none"><li>- International visitor spending</li><li>- Domestic tourist spending</li><li>- Educational services</li></ul>	<ul style="list-style-type: none"><li>- Social cohesion</li><li>- National identity</li><li>- Multi-platform benefits</li><li>- Collaboration</li><li>- Soft diplomacy</li></ul>

Source: NZIER

## 7.2. Quantifiable benefits

### Boosting tourism

Tourism is a major contributor to the Auckland and New Zealand economy. An Auckland based PCC creates tourism opportunities for employment and innovation centred around the New Zealand experience. For the year ended March 2015 tourism achieved the following:

- 168,012 people were directly employed in tourism (6.9 percent of the total number of people employed in New Zealand)
- total tourism expenditure was \$29.8 billion
- international tourism expenditure of \$11.8 billion, and accounted 17.4 percent of New Zealand’s total exports of goods and services
- domestic tourism expenditure of \$18.1 billion
- a direct contribution to GDP of \$10.6 billion, or 4.9 percent of GDP
- the indirect GDP of industries supporting tourism generated an additional \$7.9 billion for tourism, or 3.6 percent of GDP (Statistics New Zealand, 2015).

The PCC can contribute to boosting tourism expenditure and employment by offering an authentic, accessible and tailored experience of Pacific culture. International

visitors, in particular, assist with growing the economy and job creation because of the pure additionality of their spending – all of their spending in New Zealand would not have occurred otherwise.

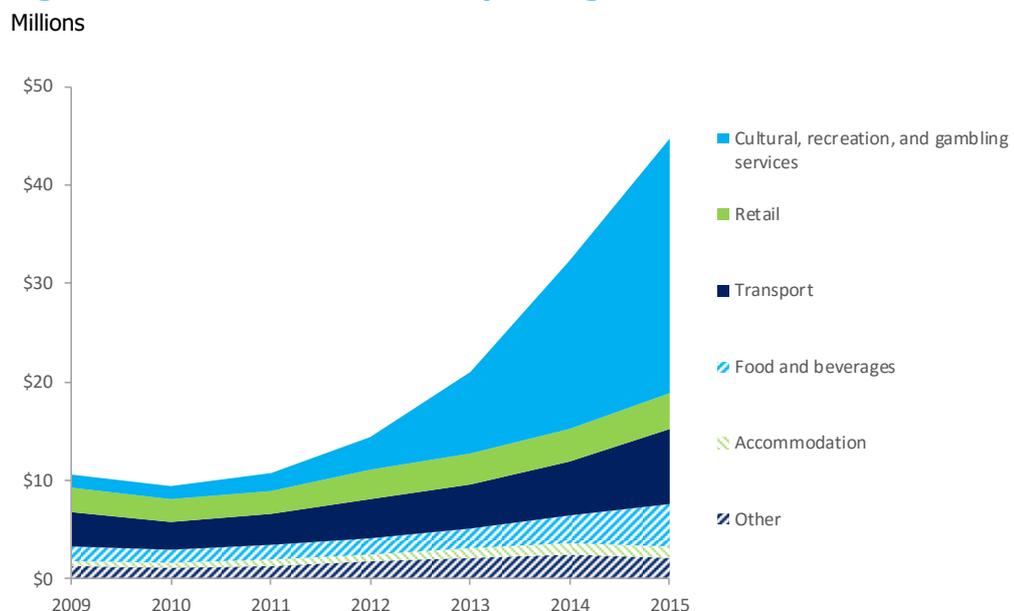
In contrast, spending by domestic tourists is simply a transfer between regions and/or between alternative types of spending, at least on a national level. An increase in domestic tourists’ spending in Auckland will benefit Auckland, but will be the result of a choice to not spend in other areas. There is no net gain to New Zealand.

Therefore, an attraction that boosts domestic tourism spending, directly and indirectly, will benefit Auckland. But if the PCC boosts international tourism spending it will contribute to the growth of the Auckland and New Zealand economy and the number of jobs available. There is an additional non-market set of benefits for social cohesion and national identity.

We know that the development of new tourist attractions can make a major contribution to increased tourism expenditure. For example, Figure 30 shows the dramatic effect on visitor spending in Matamata after the release of the three Lord of the Rings films and the revitalisation of Hobbiton.

In 2009, total international tourism spending in the Matamata-Piako District was \$9 million. Spending on cultural activities contributed around \$1 million. By 2015, following the revitalisation and series of movies, cultural activities contributed \$26 million. Spending in other sectors also increased by \$10 million to \$19 million, demonstrating the flow-on effects of cultural initiatives.

**Figure 31 International visitor spending in Matamata-Piako**



Source: MBIE regional tourism expenditure estimates

International visitors who visit cultural attractions tend to spend more during their time in New Zealand. For example, for the 2015 calendar year each international visitor who visited a cultural tourism attraction in Auckland delivered an average spending premium of around \$1,700 compared to a visitor that did not visit a cultural attraction in Auckland.

### Figure 32 Trends in cultural tourism by international visitors

Percentage of international visitors to New Zealand



Source: Statistics New Zealand International Visitor Survey

### International visitor spending

Our conservative estimate is that a PCC attracts 78,000 international visitors per annum. The total value of these visitors' tourism revenue is \$2.8 million per annum. We estimate this expenditure will directly and indirectly contribute \$1.1 million and \$805,000 to Auckland's GDP per year, respectively. The estimated value of GST revenue from this international visitor spending is about \$232,000 annually. These estimates are based on the value-added estimates in the Tourism Satellite Account published by Statistics New Zealand.

Not all the economic impact should be attributed to the PCC because international tourists travel a long way and have other options for the spending the same money elsewhere in Auckland. If the PCC does not come into existence tourists are highly likely to consume other activities. This means the economic impact should not be fully attributed to other activities.

### Domestic spending

We have conservatively estimated that 35,000 New Zealanders will visit the PCC. The total direct revenue to the PCC from domestic spending is expected to be \$460,000 per year. This spending is not additional to New Zealand's economy.

Although unquantified in this study, there is a potential education market that a PCC may elect to develop. There are revenue opportunities, directly from education institutions or public / philanthropic organisations that support social cohesion and national identity objectives.

## 7.3. Qualitative benefits

We identified four benefits as primary outcomes: intra and inter community cohesion, national identity, economic development and soft diplomacy.

### Social cohesion

The benefit of social cohesion relates to the way a diverse community can work together smoothly when the many parts come together to practice and celebrate Pacific cultures.

The PCC can provide a channel for intra and inter-community cohesion through a common organisation and facility designed to facilitate and celebrate the rich diversity of Pacific culture.

### National identity

A PCC will contribute to enhancing the national identity of Pacific peoples in New Zealand by creating a common focal point for the expression and celebration of Pacific culture. A PCC will also contribute to raising awareness of Pacific culture among New Zealanders that are not descendent from Pacific peoples, thus improving the national understanding of New Zealand as a Pacific nation with a Pacific identity.

### Soft diplomacy

A PCC offers the opportunity to be a meeting place for the exchange of ideas, values and understanding through cultural expression. Cultural media – oratory, literature, performing and visual arts – can be strong ways to communicate ideas.

Issues such as climate change for example are important for the Pacific and a PCC could be part of a New Zealand contribution to dialogue. These intangible diplomacy benefits are real but difficult to measure.

### Multi-platform benefits

Being multi-platform means that a PCC will ideally have a physical and digital presence. The benefits of being multi-platform are:

- relevance to an audience which increasingly interacts through digital forums and content.
- a digital presence will increase the accessibility of the PCC, which will benefit the community by lowering the barriers to participation.
- reaching a wider audience.
- economies of scope and scale (Doyle, 2010).

These benefits contribute to the primary objectives of community cohesion and strengthening national identity.

### Collaboration

Collaboration is relevant to the strategic case for a PCC. We see the potential for a myriad of opportunities for collaboration. These opportunities can be grouped into collaborative effect defined by four types of capital:

- financial capital: the sharing of funding and funding sources to generate synergistic benefits
- physical capital: collaborative on the use of physical assets to lower costs and increasing utilisation to increase the return on investment
- cultural/content capital: collaboration on the creation and distribution of Pacific cultural content will strengthen existing relationships and help to create new networks
- human capital: the Pacific community has wide range of skills and knowledge, and a PCC would create opportunities to use those skills collaboratively.

## 7.4. Issues and risks

This section discusses the issues and risks that have been identified throughout this study, highlights how that could impact PCC and the potential way forward.

### Navigating commercial and community objectives

The feasibility study shows that a PCC is commercially feasible on the basis that commercial revenue covers operating expenses. Therefore, carefully managed commercial activities will facilitate and sustain the PCC's community-focused activities and objectives.

There will always be a risk of the community and commercial activities getting out of balance. It is crucial that community aims are not lost sight of in pursuing commercial gains. Likewise, the demand for community activities must not exceed the availability of funds from commercial activities or other sources. The ownership and governance structures will be critical in managing and mitigating this balance between commercial and community objectives.

### Capital constraints

There is a capital and coordination constraint to be overcome to get a PCC established. The benefits and buy-in will not be immediately obvious to potential members. Many of the potential stakeholders/members are church or cultural groups that lack capital to invest in a start-up.

The government may need to continue to be involved to coordinate the next steps. The government will also need to consider what its role and response will be in resolving the capital constraint. This may require a range of decisions by MPP, Treasury, Cabinet and Auckland Council. These decision processes will require careful planning and coordination. They cannot and should not be rushed.

### Stakeholder commitment

The environmental analysis and stakeholder interviews have identified a range of stakeholders with views that differ. For example, some stakeholders feel that a PCC should be primarily a community space and funded by non-commercial means such as grants, while other stakeholders want it to be financially independent and self-funded through commercial means.

Before the next phase of business planning starts there must be a careful consideration of the differing stakeholder views and how these could impact on the implementation of a PCC.

In the process of developing this feasibility study a range of additional stakeholders have been identified.

The role of the Auckland Council, ATEED, Regional Facilities Auckland and Panuku look to be particularly important to the next stage due to their role in economic development, tourism, and urban renewal. They also control facilities and land that could be used for creating a PCC in the future.

There needs to be a decision on how best to consult with mana whenua and iwi Māori in the formative and critical stages.

### Terms of reference and dispute settlement

The next phase of planning will involve in-depth business planning and as a result some important decisions need to be made. For the concept of a PCC to move forward and avoid being bogged down in debate, some clear terms of the reference should be developed. They should include clear statements on the following:

- who is leading the project
- who are the key decision makers
- where will the resources for the development of the next stage come from
- the timeline for the next stage
- the process and procedures that should be put in place should problems or disputes arise.

### Developing and maintaining authenticity

Developing and maintaining cultural authenticity is an important issue for stakeholders. There is a concern the excessive focus on the commercial attraction could erode cultural authenticity. Stakeholders want to avoid a situation where a PCC is perceived by the community as place where tourists come to observe a diluted and commercialised version of Pacific culture.

Developing and maintaining cultural authenticity may be a challenge. So, it is crucial that it is prioritised and managed on many levels. Authenticity should be a key consideration in the development of a PCC and the following structural aspects:

- organisation mission and values
- ownership model
- governance structure
- governance team
- management team
- management incentives.

Through the very act of expression, artists themselves will have a say in authenticity and cultural integrity. A PCC will need to consider how these practitioners are best involved in the planning and programming of the PCC's offerings.

### Marketing is vital

The most important risk to the feasibility of a PCC is the realisation and sustainability of the estimated revenue streams. This is not a unique risk. All commercial operations must compete and manage their revenue potential.

Marketing is key to maintaining and growing the revenue which underpins the existence of a PCC. Developing a market strategy and budget should be a key part of the business planning in future stages.

### Access and transport

Providing transport to the PCC from key locations such as the airport and the cruise ship terminal in the form of a shuttle bus is one way to remove barriers for international tourists.

Providing transport options as part of the tourist package has been successful in supporting tourists arriving in Auckland and Tauranga to access Hobbiton near Matamata. Similarly, Weta Workshops is one of Wellington's key international tourism attractions. Like the proposed PCC it is not located in the CBD. Weta provides a package option that includes transport to and from the Weta Workshop.

### Establishing a point of difference

Establishing a point of difference and understanding the market niches that should be targeted to achieve success is crucial in any commercial or cultural offering. Stakeholders have signalled a risk that the proposed PCC could be perceived as duplicating other offerings such as the Auckland Museum, which has a Pacific collection and outreach programme and the Mangere Arts Centre, with its Pacific theme.

The PCC product mix developed in this report offers a different package to those offered at the facilities above, so we judge that the duplication risk is low.

## 7.5. Success factors

The success factors are combination of reoccurring themes throughout the study. This feasibility study is the combination of economic analysis, market research, an environmental assessment, stakeholder interviews and the literature review. We have identified the following success factors:

- delivery on the primary objectives for advancement of Pacific people
- commercial discipline in order to thrive in a competitive tourism market
- preservation of cultural authenticity for the durability of the centre
- education of youth to support social cohesion and national identity
- community and commercial partnerships to leverage physical, human and cultural assets
- opportunities for upscaling and supporting business partners and suppliers
- an ownership form that incentivises the commercial discipline, while preserving the cultural imperative.

These success factors should be included in the terms of reference for the next phase.

## 7.6. Action plan/next steps

This feasibility study indicates that a PCC is feasible. Many key decisions and activities are required before a PCC becomes a reality. There may be additional steps depending on the role of government and the procedural requirements.

### 7.6.1. Building on the work of the PCC Advisory Group

To maintain momentum, key actions include:

- the input and insights from the PCC Advisory Group that can be passed over to maintain momentum
- a successful PCC will attract competitors and imitators. PCC will need a staff with the business and marketing skills to maintain market share and grow without diminution of cultural integrity. Cultural integrity is a strength not a constraint
- among the economic development agencies and cultural institutions presently operating and/or expanding in Auckland there is a need for an **Auckland Cultural Partnership Dialogue with the next steps** to ensure the PCC has partners (e.g. Auckland Council) and does not end up competing with others for the same scarce resources
- the Auckland Cultural Partnership Dialogue needs to include the **19 iwi of Tamaki Makaurau**
- flexibility, especially in the start-up phase (short-term contracting, pilot activities) will be needed to test and move rapidly with product development
- incentives are essential to innovate and expand scope if commercially successfully (e.g. retail)
- ownership, governance and partnerships should be designed in a way that is **commercially viable without compromise to cultural integrity**
- a funding case to central and/or local government is required to overcome the **capital and coordination constraint** faced in getting a PCC established.

### 7.6.2. Establishment phase

The length of the establishment phase to 'year-one' depends on the options selected.

If the PCC is a standalone entity with a leasing option, then year one of operation will come more rapidly than with a build option. If the PCC is part of a wider partnership, then the partnership arrangements will determine the pace.

Adequate capital and business support will be needed before the PCC is fully exposed to the competitive tourism market.

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# Appendix A Stakeholder research approach

Colmar Brunton undertook qualitative individual interviews with **ten** key stakeholders.

The Ministry for Pacific Peoples (MPP) identified several key stakeholders to approach to request their participation in the interviews. From these contacts, Colmar Brunton randomly selected a set number of stakeholders, and MPP sent these stakeholders an email letter informing them about the research and requesting their participation. Colmar Brunton then phoned these stakeholders to secure an appointment.

The interviews were conducted in-person or over the telephone between 17 October and 7 November 2016. Each interview lasted approximately one hour.

The stakeholders represented a range of Pacific charitable trusts and communities, and Pacific business communities. The stakeholder organisations that participated are:<sup>1</sup>

- New Zealand Samoa Trade and Investment Commission
- United Church of Tonga (New Zealand)
- Counties Manukau District Health Board
- Vodafone Events Centre
- Pacific Cooperation Foundation
- Te Pou o te Whakaaro Nui
- Samoan Independent Seventh Day Adventist Church
- Ministry for Culture and Heritage
- Commission for Financial Capability

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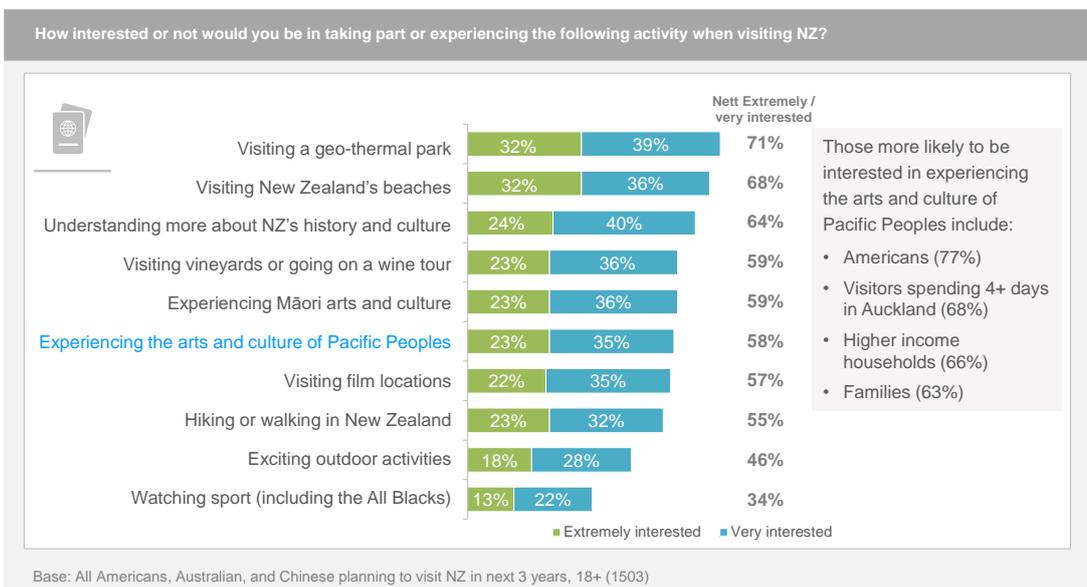
<sup>1</sup> One stakeholder declined their organisation to be identified.

# Appendix B Additional findings

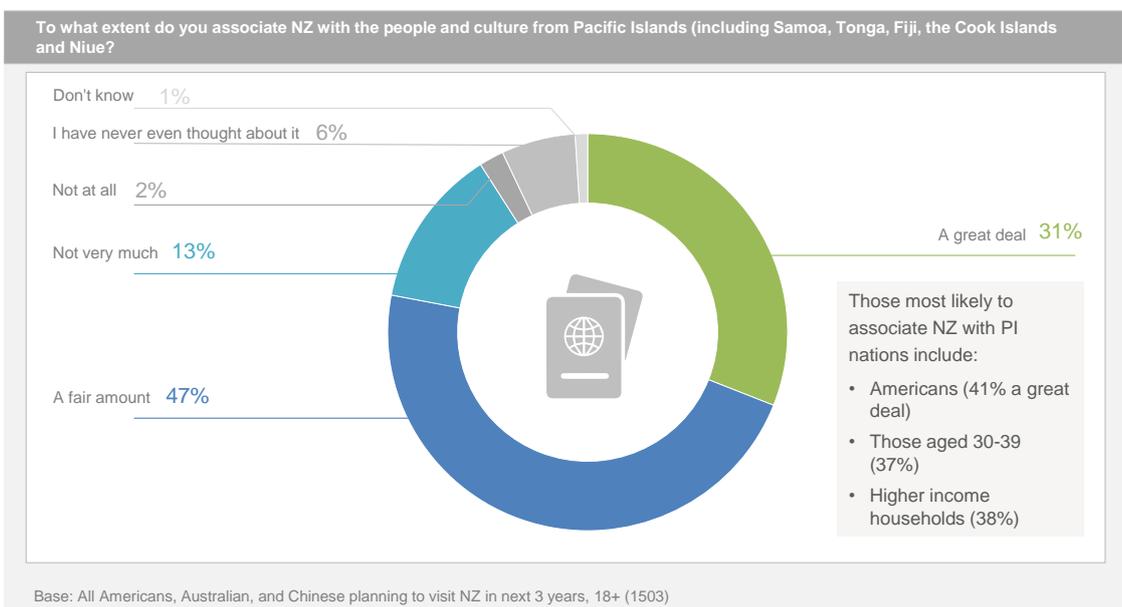
## A.1 Additional findings from the survey of international travellers



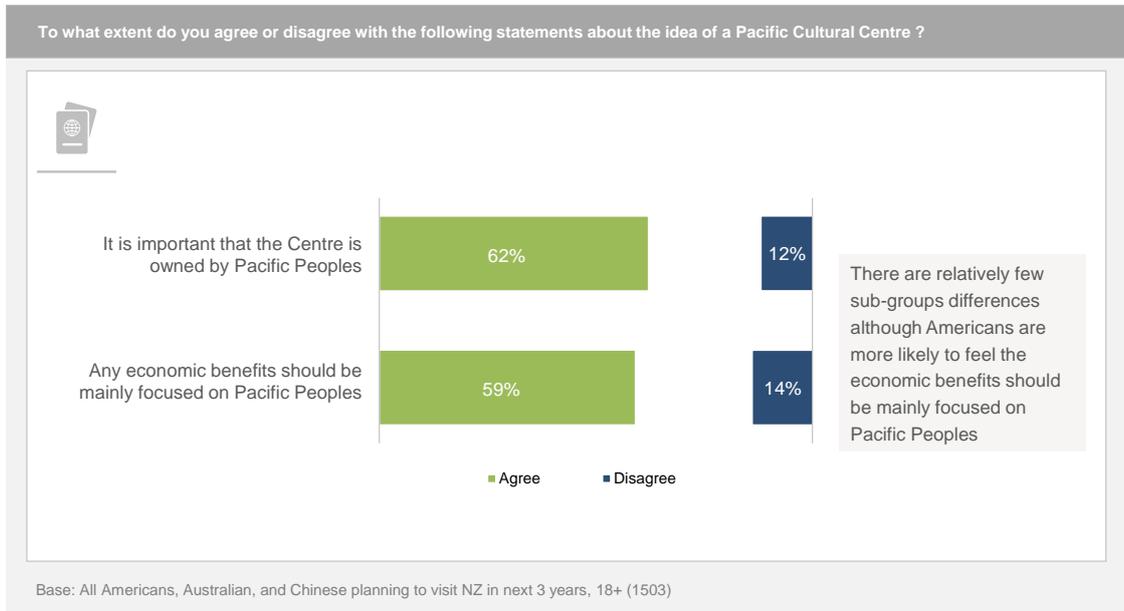
Three in five international visitors are interested in experiencing the arts and culture of Pacific Peoples.



Four in five overseas visitors associate New Zealand with the people and culture from Pacific Islands (a great deal or fair amount)

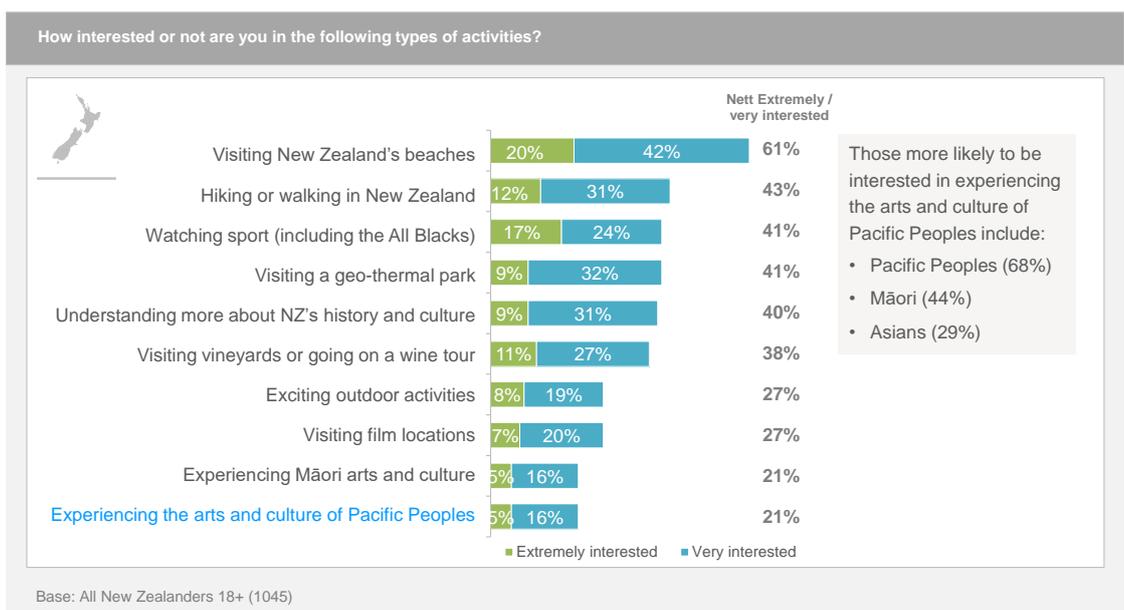


## The majority of overseas visitors agree Pacific Peoples should own the Centre and receive the main economic benefits



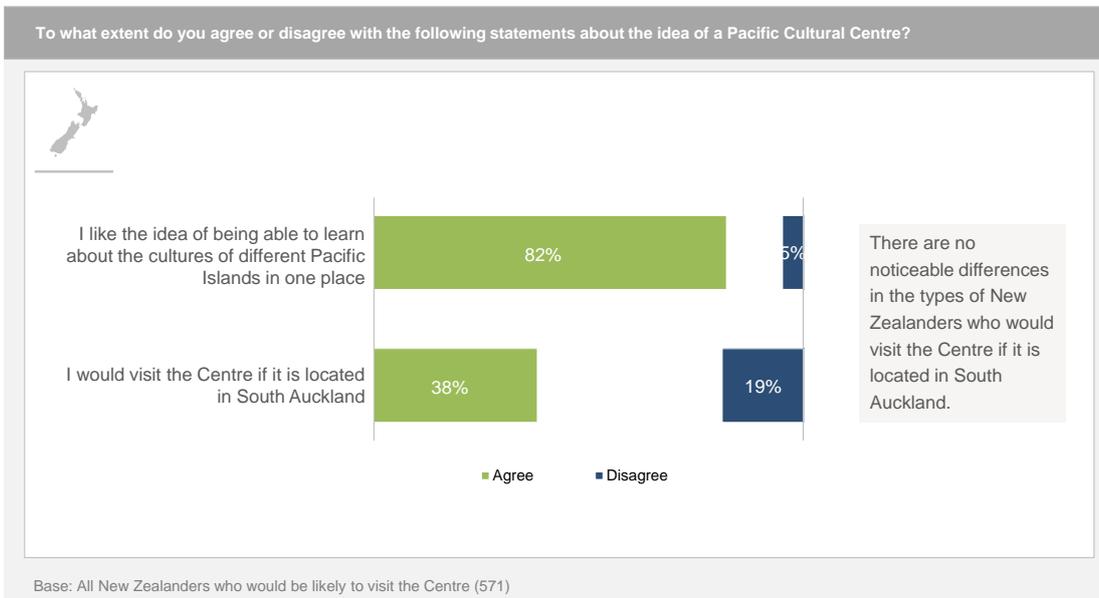
## A.2 Additional findings from the survey of New Zealanders

### One in five New Zealanders are interested in experiencing the arts and culture of Pacific Peoples. This is lower than other leisure activities.

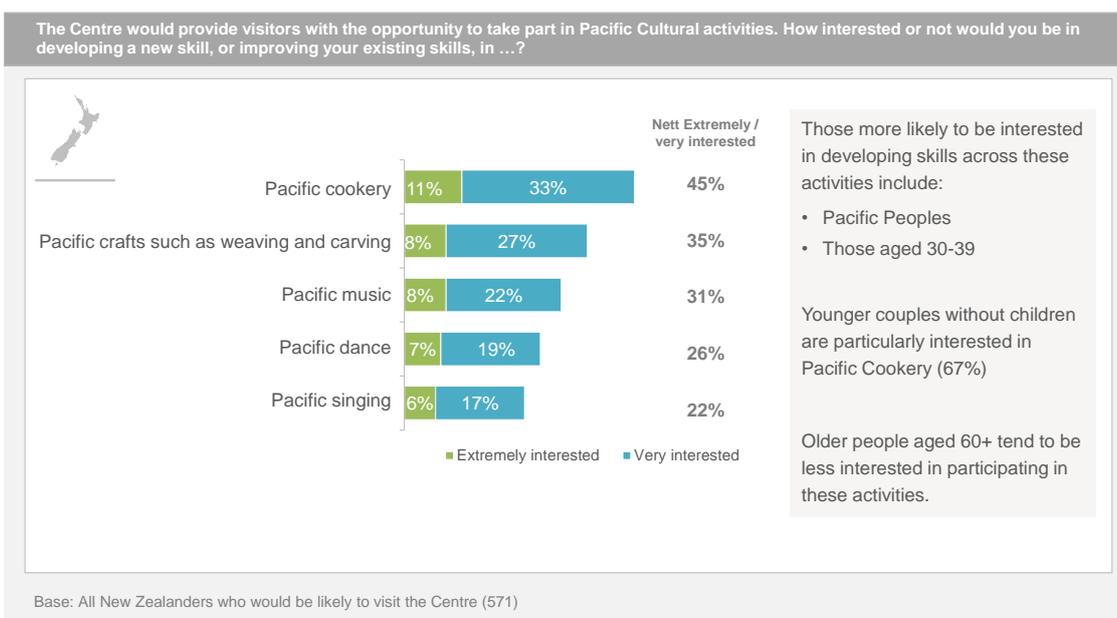




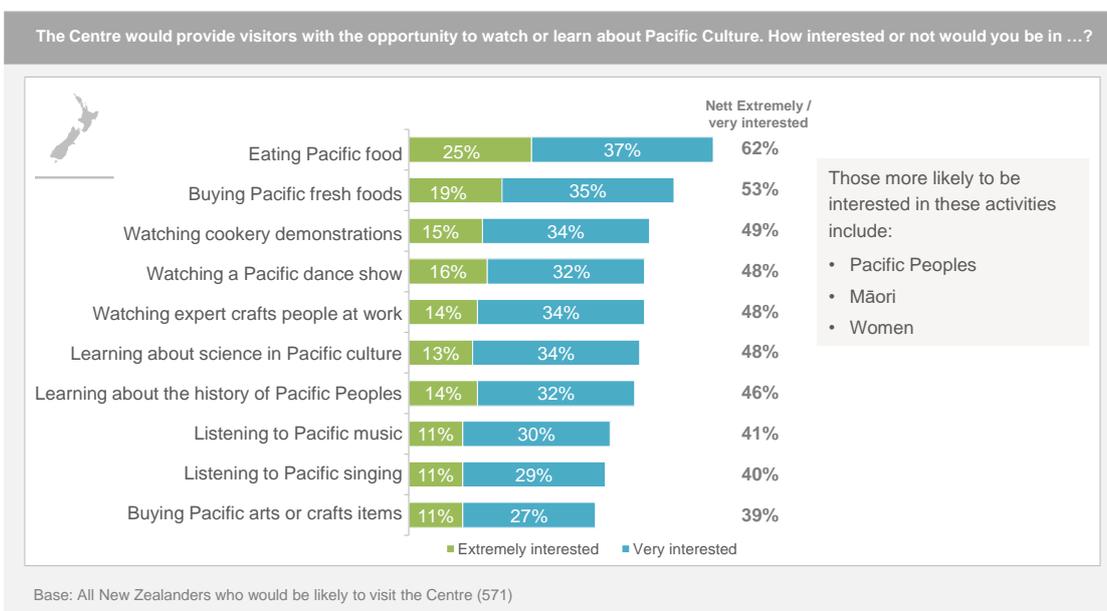
## Learning about different cultures in one place is a key benefit for NZers. Two in five would visit the Centre if it is located in South Auckland



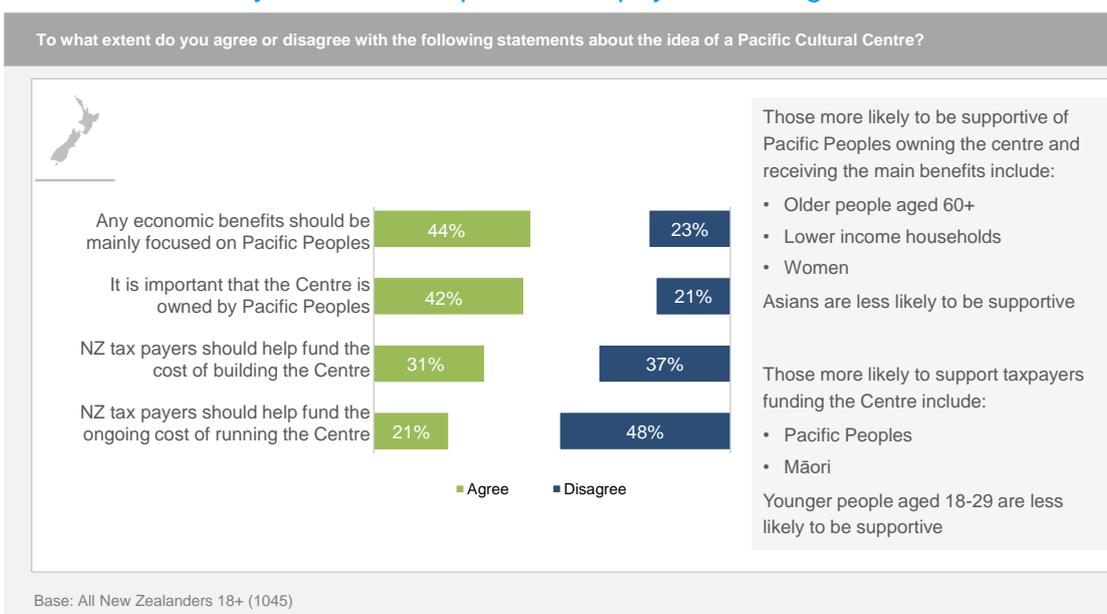
## Potential visitors from New Zealand are most interested in developing skills around Pacific Cookery and Crafts



## Potential NZ visitors are most interested in being able to taste Pacific food as well as buy Pacific foods and watch cookery demonstrations



## On balance New Zealanders are more likely to agree than disagree Pacific Peoples should own the Centre and receive the main economic benefits. They are more sceptical of taxpayers funding the Centre



# Appendix C PCC ownership options

**Table 25 PCC ownership options (excerpted from Companies Office Online and NZ.Coop)**

Institutional type	Features	Pros	Cons
Partnership	<p>A group who've chosen to work together. You might want to do this to increase the services your business offers or to share resources.</p> <p>Collective profit is shared out – typically according to a private legal document known as a partnership agreement or a deed of partnership – before each partner is taxed on his or her individual income. If one of the partners leaves, then in some circumstances the partnership is dissolved before another agreement involving the remaining partners is drawn up to form a new partnership.</p>	<p>Shared responsibility for the business.</p> <p>Shared costs in the business.</p> <p>Partners can specialise and focus on strengths.</p> <p>Partners bring in more capital investment</p> <p>There is someone else to consult on business decisions.</p> <p>If losses are made, they can be offset against your other income.</p>	<p>Each partner has unlimited liability, putting their personal assets at risk.</p> <p>There is joint and several liabilities – so a partner can end up paying not only their share of the business's debts, but their partners' (if all other partners are insolvent or unaccounted for).</p> <p>Shared responsibility can lead to disagreements.</p>
Limited liability company	<p>The defining feature of companies is called limited liability and is designed to give shareholders in the company protection from having to shoulder more than their fair share of debt. In other words, they can only lose the value of their shares.</p> <p>However, if you're involved in the running of the business as a director, you can be held liable for debts if your conduct is deemed to have been reckless, fraudulent or not in the company's best interests.</p> <p>This limited liability protection and the transparency of the company registry system (which allows anyone to see who's involved with a company as a shareholder or director) foster greater confidence in this type of business structure compared with others.</p>	<p>Easy to attract funding and investment.</p> <p>More credibility in the marketplace.</p> <p>Can be easier to sell the business because it's a separate entity.</p> <p>The business can grow and last indefinitely because it isn't tied to one person.</p> <p>Shareholders' liability is usually limited to their share of ownership.</p> <p>Tax rate is lower than the top personal rate and the trust rate.</p>	<p>Higher levels of regulation compared with sole trader and partnership structures.</p> <p>Can require larger amounts of investment.</p> <p>Directors need to carefully understand their responsibilities.</p>
Trust	<p>Alongside the three core business structures, businesses can also be run as trading trusts.</p> <p>The trustees of a standard private trust are individuals, usually holding wealth or property on behalf of a beneficiary until they are ready to claim it. However, the only trustee of a trading trust is a limited liability company. The directors of that company then effectively act as the trustees while they trade.</p> <p>Trusts are most commonly used for owning private assets (like the family home) or investments rather than for running businesses. This is because they are most useful for asset protection and estate planning, although there can be some tax benefits as well.</p>	<p>Relatively flexible</p> <p>Familiar form for Pacific community groups.</p>	<p>Trust structures are not well understood by financial institutions, and can make borrowing difficult.</p>

Institutional type	Features	Pros	Cons
	Running a business as a trust is one of the most complicated operating structures you can opt for, but many businesspeople choose it because it fits best with their personal situation.		
Co-operative company	<p>A user owned and controlled business from which benefits are derived and distributed equitably on the basis of use.</p> <p>A co-operative company differs from a standard company in features of its ownership that ensure continuous active membership.</p> <p>The profits of a co-operative company are returned to the shareholders as rebates referable to transactions during the particular accounting period or as shares in lieu of rebates. Shares can be issued with a nominal value to assist in such accounting.</p> <p>The advantages of a co-operative company are the mutual bond between transacting shareholders and the special features relating to shareholdings that depart from the normal arrangements under the Companies Act 1993.</p>	<p>Owned and democratically controlled by their members – not by outside investors.</p> <p>Co-ops return surplus revenues to their members in proportion to their use of the co-op, not in proportion to their investment or share ownership.</p> <p>Co-ops exist primarily to serve their members.</p> <p>Co-ops pay tax on income kept within the cooperative for investment purposes and as a reserve, while surplus revenues from the Co-op are returned to the members, who pay tax on that income.</p>	Relies on a strong common interest to collectively market what is produced.
Incorporated society	<p>An incorporated society is a group or organisation that has been registered under the Incorporated Societies Act 1908 and, when incorporated, is authorised by law to run its affairs as though it were an individual person. This means that the members are not personally liable for the society's debts, contracts or other obligations. Likewise, members do not have any personal interest in any property or assets owned by the society.</p> <p>There are a wide range of groups and organisations that have become incorporated societies. These include sports clubs, social clubs, music and cultural groups, special interest and activist organisations.</p> <p>An incorporated society will continue to exist as long as it files certain documents with the Registrar of Incorporated Societies or until its members, or a creditor, decide to bring the society to an end.</p>	<p>A society becomes a separate legal entity once incorporated.</p> <p>An incorporated society can lease, rent, buy and sell property, borrow money and enter contracts in its own name. No member of the society can have personal rights or interests in any of the assets of the society.</p> <p>An incorporated society will continue as a separate entity even though its membership changes.</p> <p>Members will not generally be personally liable for the debts, contracts or other obligations of the society.</p> <p>Members can be assured that there will be certainty to the way the society is run. An incorporated society may be entitled to an income tax exemption.</p>	Limited ability to adjust purpose once established.
Industrial and Provident Society	Usually owners of small businesses who intend to act independently and become part of a larger society for mutual benefit. A co-operative taxi society is an example that provides car insurance and radio communications services	Similar advantages to other corporate forms because they become a separate legal entity.	The primary purpose of the society should not be for the profit of its members.

Source: MBIE / NZ.Coop / NZIER

# Appendix D Role of government

## Cultural policy

Perspectives that argue for a minimal role for the state tend to consider that the role be restricted to:

- security to protect liberty and freedom of expression
- protection of property rights such as copyright.

Perspectives that argue for a wider role for the state tend to consider:

- market failure to provide an 'optimal' level of cultural goods and services
- specific government policy objectives.

While it may be difficult to determine a socially optimal level of cultural goods and services, successive governments have recognised the need for government involvement to ensure that New Zealand stories and New Zealand voices shine through in what is a very crowded global media and cultural landscape.

As a small English speaking nation, overseas media content is vastly less expensive to purchase from Australia, the United Kingdom or the United States than it is to produce in New Zealand. NZ On Air, Creative New Zealand and the New Zealand Film Commission have specific responsibility for funding the production of New Zealand stories and voices in a wide range of media and art forms to make sure New Zealand stories are told.

## Economic development policy

Similarly, with economic policy, perspectives that argue for a minimal role for the state tend to consider that the role be restricted to a:

- stable macroeconomic environment
- reliable legal framework.

Perspectives that argue for a wider role for the state tend to consider interventions such as:

- establishing new institutions and strengthening existing organisations to mobilise both internal and external resources
- investment in education and health
- orientation of international trade.

New Zealand economic development policy has elements of supporting institution building, human capital development and trade promotion. These are expressed currently through the Business Growth Agenda for export markets, investment, innovation, skills, natural resources and infrastructure.

## Alignment with strategic intentions

This study is based on supporting three outcomes for the **Ministry for Pacific Peoples**:

- economic development
- promotion and preservation of culture
- vocational pathway to employment.

The study aligns well with Pacific Peoples strategic intentions of the **Ministry of Business, Innovation and Employment**, with outcomes for job opportunities and more competitive businesses.

MBIE's three supporting objectives are:

- to improve job opportunities for all, with unemployment falling below 4 percent
- to make housing more affordable in the form of a lower ratio of housing costs to income
- to actively help businesses to be more competitive by doubling labour productivity growth to 2 percent per year and to increase the value of exports to 40 percent of gross domestic product.

MBIE's Pacific Economic Strategy (2015) focuses on:

- more sustainable job opportunities for Pacific people
- more affordable and suitable housing for Pacific people.
- more sustainable Pacific-owned businesses.

The **Ministry for Cultural and Heritage** funds multiple expressions of Pacific culture through Creative New Zealand, NZ On Air, the New Zealand Film Commission and Te Papa.

**Auckland Council** supports the Auckland Museum and the Pacific Access Project that is documenting cultural assets in 13 Pacific Island communities. The Auckland Council's *Toi Whitiki - Arts and Culture Strategic Action Plan (2015)* supports cultural and economic objectives.

The **Ministry of Foreign Affairs and Trade's** Strategic Direction (2016) has seven objectives, two of which relate to relations with the Pacific:

- embed New Zealand as an integral and trusted partner in the Asia Pacific
- maximise the impact of New Zealand's engagement in improving the prosperity, stability and resilience of the Pacific Islands region and its people. What happens in the Pacific has a direct bearing on New Zealand's well-being.

The way Pacific states plan to engage with New Zealand is evolving and there is an opportunity to consider what role a PCC might play over time to make the most of the similarities and differences in perspectives on regional development (Fry and Tarte, 2015; Maclellan, 2015).

Sports diplomacy is a recognised soft power in New Zealand (Jackson, 2016). Cultural diplomacy is less well understood. The Ministry for Culture and Heritage reported to Parliament in Financial Review Questions 2011/12 that New Zealand's attendance at the 2011 Frankfurt Book Fair was very successful in raising New Zealand's profile in Germany and in increasing book rights sales into the German market:

Since New Zealand became Guest Country of Honour in May 2011, the German translation rights for 83 New Zealand books have been sold. This compares with an average of 10 books rights sales into Germany per year for the previous 10 years.

67,500 people visited the New Zealand Guest of Honour pavilion at the Frankfurt Book Fair over five days (25,000 of them on Saturday 13 October). The six percent increase in the attendance figures for the public days (the weekend) of the Book Fair were directly attributed by the Book Fair organisers to New Zealand's Guest of Honour presence. New Zealand was mentioned in 9,000+ press clippings in Germany in the month of October during the Book Fair.