

**DESTINATION GREAT LAKE TAUPŌ**  
**DRAFT STATEMENT OF INTENT 2012/13**

**1. INTRODUCTION**

Destination Great Lake Taupo (DGLT) is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. It has no subsidiaries and is a not-for-profit organisation. DGLT is governed by a Board appointed by the Taupo District Council (TDC) under the Trust Deed establishing the CCO.

This Statement of Intent takes effect for the financial year commencing 1 July 2012 and ending 30 June 2013, which is the organisation's second full year of operation as a CCO. Stakeholder expectations for progress and change during the first year were high and given the challenging context some good progress was made.

This Statement of intent also touches on some longer term objectives that the organisation will work towards. These are considered more fully in our submission on the new Long Term Plan for TDC.

**2. OBJECTIVES**

**Organisational Context** – DGLT trustees have now had an opportunity to review the key documents, plans and strategies they inherited, some of which contributed to the rationale and mandate for DGLT's establishment as a more independent and professionally governed organisation. We are able to express a more informed view on issues, although a number still require more in-depth research and analysis. The economic context is discussed below and putting Domestic day trips to one side it infers that the overall New Zealand visitor industry is highly unlikely to experience revenue growth in 2012/13, especially those most reliant on International travel markets.

In this context, DGLT and industry stakeholders will need to again focus more on our Domestic Market opportunities and be significantly better in our marketing than other Regions, so we can win a larger share of the relatively static and discretionary spend by Domestic Visitors on overnight trips. We also need to continue growing our share of "active international travellers" who have already arrived in New Zealand. These travellers have independent transport and flexible itineraries, offering additional mid-week and shoulder season business outside of busy weekend and domestic holiday periods.

We are also clearer about the objectives and priorities we are recommending for DGLT to pursue in the long term interests of the region. More often than not, they require partnership and agreement with key players in the visitor industry and/or community. These partners create and deliver the essence of the visitor experience, which DGLT seeks to market under the Great Lake Taupo brand and a series of sub brands.

Despite a challenging economic context, we believe we made considerable progress with a number of the organisation's transitional challenges during 2011/12. However, this initial transition phase is still not complete and when we look beyond its completion we know that we must remain vigilant and pro-active in seeking out areas for productive change. This means we must expect some degree of on-going transition if we are to continue to deliver ever better outcomes for DGLT and its stakeholders. Likewise, DGLT will always need to assess and react intelligently to unforeseen changes and competition initiated by other parties.

Trustees gave priority to short term operational demands in 2011/12 to help the industry extract what revenue it could from market place opportunities. We plan in 2012/13 to give more focus to longer term opportunities without over-looking the short term market share battle. As well we will continue to develop and refine our governance and accountability processes for DGLT as a CCO.

DGLT delivered on its regional leadership role in Destination Marketing and Destination Management in 2011/12 with the same level of ratepayer support from the Taupo District Council that it inherited. This totalled \$1,732,344 when we include the \$100,000 in campaign funding that needed to be matched by new industry funding.

Trustees are confident they can improve the outcomes DGLT delivers from this investment by continuing to review how and where DGLT allocates its funding, including achieving better leverage in its cooperative programmes with key local stakeholders in the visitor industry.

In 2011/12 the DGLT Board clearly communicated its priorities by focusing on three major over-arching objectives. It believes it is still logical to maintain its focus on these three high level objectives for the 2012/13 SOI, as set out below.

With clarity about the high level outcomes we seek, we can if necessary, show some flexibility in the final allocation of our resources to the various programmes and activities undertaken by the business units and staff of DGLT, particularly those in partnership with Industry stakeholders. Any programme changes would be justified by looking carefully at any evidence of significant change in the external environment, or because much better opportunities present themselves to lift what we can deliver by way of outcomes.

From a stakeholder perspective it is at the programmes and activities level that competing sector or community interests are encountered and differences in judgement on potential returns emerge. We intend to continue building greater stakeholder consensus around DGLT's judgements, by being as open and transparent as possible about the rationale behind our judgements and the success measures we are using. We want each programme and activity to find broad support as being cost effective in contributing to the Region's over-arching objectives.

## **Operating Environment – Economic Context**

The last 12 months have demonstrated how Tourism expenditure is very sensitive to the effects of relatively weak local and international economies and the relative strength of the NZ Dollar. The latest data from the Ministry of Economic Development is for the year Ending 30 September 2011.

Australia was the only major international market showing visitor number growth other than China. However, Australian visitor length of stay and spend still declined as it did on average for the total international visitor market. International Visitor Spend declined 3.3% to \$5.607 billion, with 29% coming from Australia, 12% from UK, 8% from USA and 7% from China.

Looking forward economists are hoping small improvements in the USA's economic fundamentals will be maintained. However, all acknowledge they have a long way to go to solve some of their foundational economic and Government budgetary issues. The challenge is even greater for UK/Europe where a second Global Financial Crisis could easily emerge in the months ahead.

In the Domestic Market the influence of the Rugby World Cup is evident in spend on day Trips, which was up an astonishing 27% on the prior year to 30 September 2011, or 14% in comparison to 2 years ago. Post RWC there is a high probability that annual expenditure on day trips will decline.

Spend on Domestic overnight trips was up 2.7% on the prior year, about the level of annual inflation, though it was still in a decline of -2.2% on 2 years ago. In 2012/13 some further modest growth in spend on Domestic overnight trips should occur, although the appeal of international travel will continue with a strong Kiwi Dollar.

Against that background DGLT believe our predominant returns in 2012/13 will still come from pro-active marketing that focuses on winning a greater share of visitor spend from over-night visits of New Zealanders. However, continued development of the "active traveller" approach and other international joint venture opportunities, particularly in Australia, will make a very useful contribution to spend in the region; with increasing importance over the next three years.

This was one reason why a key success measure for building a stronger tourism economy for the region has been to increase visitation to GreatLakeTaupo.com. We plan to build on the good level of growth we are now achieving. Following investment through 2011/12 it has become our most cost effective marketing tool. It can also more effectively reach potential international visitors, particularly from those countries and cultures looking for an authentic experience similar to what New Zealanders seek.

We are also aware that discretionary spend, including for the domestic visitor market, is competing against households desire to reduce debt and increase savings as well as cope with increased living costs. Reversal of these economic trends needs more substantial economic growth, which is highly unlikely in the short-term even with the stimulus from the proposed rebuild of Christchurch.

It is within these local and international macro-tourism trends that DGLT continues to operate.

## **Key Objectives for 2012/13 Financial Year**

### **1. Build a Stronger Tourism Economy for the Taupo Region**

The primary purpose of DGLT is to deliver more visitors to the region and to increase their length of stay and expenditure; as reflected against past performance and taking into account global, national, and regional influences on the visitor industry.

Visitor numbers to the Taupo region as measured by the Commercial Accommodation monitor have reduced annually since 2006. This decline is not consistent with most RTO's and the Board and DGLT believe this can be attributed to a combination of; emerging destinations, a lack of brand awareness, loss of market share and changes in accommodation preferences to less commercial alternatives. DGLT has committed to long-term strategies to arrest this negative trend with the aim of securing material and sustainable growth into the future.

While commercial accommodation numbers have declined in the past, this decline has reduced and we have seen a positive rise in numbers for the year ended December 2011 of 2.6%. Halting the decline can be ascribed to a number of factors including DGLT's greatly increased domestic marketing investment and profile, new accommodation product, and some positive Rugby World Cup growth in September.

Continued efforts by all are going to be necessary to ensure that this growth in visitors can be sustained. A combination of smart collective marketing, building of our brand position, promoting reasons to visit and quality product, should produce the stronger tourism economy for Taupo.

### **2. Increase Key Stakeholder Engagement and Participation**

Ongoing effective industry communication and consultation between operators, stakeholders and tourism organisations in the region is vital to ensuring that the region operates as a coherent whole

Current economic conditions are placing considerable pressure on operators and stakeholder groups who look for DGLT to 'change the game' and to 'make a difference' for their industry and livelihood. DGLT will continue to actively engage with operators and stakeholder throughout the strategy and campaign development processes. Over the longer term increased participation and collective support from the whole of the Taupo tourism sector will be necessary to increase the overall effectiveness and performance of the region, including the contribution made by DGLT.

### **3. Build a More Effective I-Site Network for the Taupo Region**

Taupo District I-Sites represent the largest single category of core DGLT expenditure. Existing levels of expenditure focused on competitive marketing and promotional activities are insufficient to fund the activities necessary to lift the Taupo region above its competitors.

DGLT will aim to continuously increase the performance and subsequent revenue levels of these I-Sites to minimise the need for additional funding to meet essential marketing and promotional activity.

### 3. NATURE AND SCOPE OF ACTIVITIES

Conceptually, we continue to find it helpful to consider the nature and scope of activities undertaken by DGLT as grouped within three concentric circles.

**The innermost circle or core** represents the on-going activities of DGLT as a Regional Tourism Organisation that can be successfully delivered on a relatively independent basis. Council and stakeholders will support investment in these core activities provided there is regular reporting of outcome and performance measures to demonstrate that management and staff are delivering them effectively and efficiently.

- Because many visitors for a variety of reasons leave decisions on their local purchases until sometime after they arrive in a region, a network of I-Sites has developed across New Zealand, including in Taupo and in Turangi. This activity is also core as it helps visitors get impartial advice and assistance in meeting their requirements. Expenditure on I-Sites in Taupo and Turangi remains the largest single category of core DGLT expenditure.
- Destination related promotional expenditure is also a core DGLT activity. It is largely region wide and therefore does not typically attract material commercial contributions. Funding is allocated through the DGLT annual business and marketing plans across a number of traditional visitor market segments and projects/activities. Key activities for DGLT's destination promotion include online marketing, outdoor and print advertising, public relations and trade sales activity representing all the Taupo District has to offer, and sometimes in joint ventures with stakeholder partners in various domestic and international markets.
- The Board schedules reviews of the effectiveness of the activities funded for each of the key market segments and projects/activities. However, apart from change that flows from these reviews, it expects management and staff to make operational judgements based on the best evidence available to achieve the best outcomes from each of the current annual funding allocations.

**The circle of activities immediately adjacent to the inner circle** represents what DGLT trustees envisage should be a growing range of voluntary and cooperative visitor industry activities. Our cooperative activities are becoming more commercial and results focused to enable DGLT to grow the level of industry contributions as planned for 2012/13. It requires effective consultation to achieve high levels of shared knowledge and insights. There are on-going benefits for DGLT and industry stakeholders by continuing to improve the degree of alignment between how DGLT and the industry can more effectively operate and invest in promotion and in improving the range, quality and value of the region's products and services.

- In 2011/12 'destination focused' joint venture marketing activities (domestic and international) were successfully created and our target is to increase industry contributions.
- We identified the Meetings & Conventions market segment as providing good opportunities to develop more joint venture activity. Due to staff changes that potential was not achieved but we envisage good progress in 2012/13. As proposed decision-making is increasingly being shared in an agreed manner with the key industry players who contribute extra funds alongside those of DGLT.
- Increased sharing of knowledge and insights should contribute to all participants making better standalone decisions for their organisations. Board members have taken responsibility for specific portfolio topics and work with specialist staff and interested industry stakeholders to improve the knowledge and insights for those areas.
- More frequent and well-structured engagement processes benefit both DGLT staff and our industry stakeholders. They can also highlight when and how more joint partner projects could be implemented. This engagement process is slowly strengthening confidence in DGLT

Looking even further to the future an increased focus on a partnership approach for setting priorities will grow specific, additional marketing investments. DGLT believes that growth in joint industry/council 'matched' funding for marketing campaigns, needs to become part of the culture of how the visitor industry operates in the region. For the 2013/14 FY and beyond DGLT will also seek further marketing funding on the same dollar for dollar basis between council and the industry.

**The third and outer-most circle** represents longer-term investments by private and public sector (community) players to improve the range, quality and value of distinctive visitor experiences and activities in the Great Lake Taupō region.

This cluster of activities is sometimes described as '**Destination Management**' and it is typically documented in a region wide 'Ten Year Visitor Strategy' or in more local community strategy e.g. 'Turangi Tongariro Visitor Strategy'. As such while DGLT can act as a facilitator for the development of these long term plans and strategies, they are only as valid as the key private and public investors' view of their value generation capability. Each party ultimately makes their own independent decision, as to whether they make new investments or not and if so, when.

- DGLT has reviewed the current Ten Year Visitor Strategy in terms of its direction and assumptions as input to the Council's new LTP and 10 year financial forecasts. DGLT will also be developing a new Three Year Visitor Strategy that has a ten year horizon and includes key marketing strategies to target over the three year period.
- DGLT will continue through 2012/13 business to facilitate and or contribute to specific destination management activities that can make the biggest difference in improving visitor experiences and visitor-host relationships. The workshops leading up to DGLT's LTP submission have thrown up some ideas and the Board's on-going engagement programme with key community and sector leaders is also highlighting opportunities.

## Operation of the Planning process

In all three circles there is a plan-do-review cycle. It is the effectiveness of the activities undertaken (the 'doing'), as evidenced by good consistent outcomes achieved over time that is most important for all areas of activity. However, investing well in the planning and review processes to better understand the competitive, social or environmental contexts for selecting, setting and documenting the rationale for Key Performance Indicators can be time well spent.

The DGLT trustees have committed to develop a timetable to do that for all three circles of activity but believe that further development of the third circle (destination management improvement) will receive increased focus in the 2012-2015 proposed visitor strategy.

## 4. PERFORMANCE AND OTHER MEASUREMENTS

Performance against the principle objectives shall be assessed using the following success measures. These measures will be for the Financial Year Ending June 2013<sup>1</sup>.

Objectives	Measures of Success
Stronger Tourism Economy	<ul style="list-style-type: none"> <li>• 955,000 commercial guest nights as measured by CAM - estimated to be 950,000 YE June 2013</li> <li>• Average Length of Stay as measured by CAM 1.71 - (1.70 YE Dec 2012)</li> <li>• 25,000/month Unique Visitors (average) as measured by Google Analytics</li> <li>• 50% Brand recognition in Annual Visitor Survey</li> <li>• 80% willingness to recommend Taupo region in Annual Visitor Survey</li> </ul>
Increase Key Stakeholder Engagement and Participation	<ul style="list-style-type: none"> <li>• Stakeholder Focus Group meetings held in 2012/13 are well attended and supported by industry participants and sectors - monitor key industry sectors represented</li> <li>• \$150,000 contributed from key visitor industry participants for DGLT campaigns, \$125,000 domestic and \$25,000 international (\$103,000 contributed for 2011/12 domestic campaigns)</li> <li>• 8/10 Industry Stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey</li> </ul>
More Effective i-Site Network	<ul style="list-style-type: none"> <li>• Increase net revenue - 2.5% annual growth in net revenue (for commissions, advertising and retail profit margin)</li> </ul>

<sup>1</sup> Please note; targets shown may be subject to change before final approval of this SOI in June 2012, based on further analysis or improved information. Any changes will require Council approval.

In the annual DGLT business plan for 2012/13, a number of projects will be established to again pursue the three principle objectives and each project will have its own specific time frame, success measure and budget level.

#### **4. FINANCIAL DISCLOSURE**

The Board has authority to govern Destination Great Lake Taupo under the terms of this Statement of Intent as delegated to it by Council. It seeks to manage its activities in 2012/13 within the base funding allocation provided by Council as in the attached budget.

##### **Accounting policies and basis of preparation and compliance**

Financial Statements are prepared for DGLT by the Taupo District Council in accordance with CCO requirements in the Local Government Act 2002 and any subsequent amendments.

Financial statements are prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards.

The financial statements are prepared using the historical cost and based on specific policies below.

DGLT is a qualifying entity for differential reporting purposes as it has no public accountability and is not considered large. The financial statements are prepared so as to take advantage of all available differential reporting concessions.

**Goods & Services Tax** - The financial statements have been prepared on a goods and services tax (GST) exclusive basis, except for accounts receivable and accounts payable.

**Employee Entitlements** - Provision is made in respect of DGLT's liability for annual leave. Annual leave has been calculated on an actual entitlement at current rates of pay.

**Financial Liabilities** – Financial liabilities (creditors, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

**Operating Leases** – Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

**Accounts Receivable** – Accounts receivable are recognised at their cost less impairment losses.

**Revenue** – Revenue from any services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to work performance.



**Going Concern** – DGLT consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupo District Council that financial support and / or funding will be made available to ensure that the organisation can continue its current operations.

	<b>Budget FY13</b>	<b>Budget FY14</b>	<b>Budget FY15</b>
<b>Revenue</b>			
Domestic JV - Industry Participants	\$125,000	\$125,000	\$125,000
International JV Industry Partners	\$25,000	\$25,000	\$25,000
Website - Listings and Commissions	\$20,000	\$25,000	\$30,000
Commissions & Advertising - I Sites	\$465,240	\$474,545	\$484,035
Conventions	\$105,490	\$105,490	\$105,490
Marketing Incomes - Other	\$102,000	\$102,000	\$102,000
<b>Total Revenue</b>	<b>\$842,730</b>	<b>\$857,035</b>	<b>\$871,525</b>
<b>Expenditure</b>			
Salaries & related	\$912,240	\$935,046	\$959,357
General Overheads	\$133,690	\$138,235	\$143,070
Destination Management	\$29,300	\$30,296	\$31,350
General Marketing & Promotions	\$176,500	\$182,501	\$188,880
Domestic JV	\$317,000	\$328,528	\$340,020
International JV	\$140,500	\$145,277	\$150,330
Website Maintenance & Development	\$150,000	\$190,100	\$196,600
Sales & Marketing I-Sites	\$13,000	\$13,444	\$13,910
I-Site other	\$85,500	\$88,407	\$91,500
Trade & Media	\$43,000	\$44,462	\$46,000
Conventions	\$110,000	\$113,740	\$112,721
Board Remuneration	\$42,000	\$43,428	\$44,948
Special Events	\$20,000	\$20,680	\$21,404
TDC Overheads	\$350,000	\$361,900	\$374,567
<b>Total Expenditure</b>	<b>\$2,522,730</b>	<b>\$2,636,044</b>	<b>\$2,714,657</b>
<b>Capital Funding</b>	<b>\$70,000</b>		
<b>Funding Requirement</b>	<b>-\$1,750,000</b>	<b>-\$1,779,009</b>	<b>-\$1,843,132</b>
<b>Budgeted Funding</b>	<b>\$1,750,000</b>	<b>\$1,779,009</b>	<b>\$1,843,132</b>
<b>Funding Surplus (Shortfall)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

## 5. OTHER DISCLOSURES

The following information will be made available:

- At least 5 months prior to the start of the financial year the Board shall deliver to the Council a report setting out its recommendations on the DGLT annual budget, as reflected in the business plan for that year.

- Within 2 months after the end of the first half of each financial year, the Board shall deliver to Council a report on the organisation's operations during that half year.
- Within 3 months after the end of each financial year, the Board shall deliver to Council, and make available to the public, a report on the organisation's operations during that year.
- Within 2 weeks after each Board meeting, the Board shall make available to the public the minutes of the previous Board meeting.

## **6. GOVERNANCE STATEMENTS**

### **Approach to Governance**

#### **Structure, Function and Obligations**

The Board has a key role in promoting strategy on behalf of the Taupo tourism industry, the identification and addressing of strategic issues and, and the provision of destination marketing and tourism product advice to Destination Great Lake Taupo, Council, and the tourism sector.

#### **Membership**

The Board has been appointed by Taupo District Council as follows:

- Up to six members are appointed by Council on the basis of their skills, experience and attributes. Skills and experience are based on:
  - a. Governance experience
  - b. Visitor industry and business experience
  - c. Marketing experience
  - d. Destination management experience
  - e. Local government understanding and experience
- Selection of the Board takes into account the balance between external and internal District and or industry representatives and any potential conflict of interest issues.

Appointments have been made for a three-year period, but take into account the importance of continuity in terms of existing members. For the initial appointments, two appointees will retire at the end of 2011/12 and be eligible for reappointment. Similarly two further appointees will retire at the end of 2012/13 and the final two at the end of 2013/14. The Council has the ability to remove one or more Board members at any time should there be clear evidence of non-performance.

- The Council shall include in its selection panel an independent selector with relevant skills and experience.
- The Board may co-opt additional non-voting members at its discretion. (Co-opted members will not be eligible for meeting fees or expenses).

## **Chairperson**

- The members shall elect a Chairperson from members of the Board as required.
- The Chairperson has only a deliberative vote.

## **Meetings**

The Board is a Council Controlled Organisation and as such all meetings of the Board will be run in accordance with the Local Government Act 2002 and the Local Government Official Information and Meetings Act 1987

## **Reporting to Council**

- For the financial year, proceeding the year when Council issues a new Long Term Council Community Plan, the Board shall deliver to Council recommended budgets required to deliver Council's contribution to those outcomes.
- After the end of each financial year, the board must deliver to Council, and make available to the public, a report on the organisation's operations during that year.
- The Board is obliged to prepare a statement of intent each year setting out its intended activities and objectives. It is also responsible for preparing a half-yearly and annual report – the key elements of these reports being the reporting of performance against the accountabilities outlined in the statement of intent.

## **Support Services**

- Management and operational services for the group shall be provided by Destination Great Lake Taupo.
- Board members will be paid a meeting fee in accordance with normal Council meeting allowances.
- Board expenses will be funded directly by Destination Great Lake Taupo

## **Guidance and Resources**

The CCO will conduct itself in accordance with its Trust Deed, its annual statement of intent, and the provisions of the Local Government Act 2002.

## **Significant Policies in Place for Accountability**

Apart from the setting of a statement of intent each year, and the half-yearly and annual reporting, the Board will interact with Taupo District Council in a more informal way during the course of the year as required.

**7. CONTACT DETAILS**

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**Paul Winter  
CHAIRMAN**

Approved by shareholder on ..... (Date):

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For Taupo District Council

This Statement of Intent is based on "Recommended Good Practice for the Governance of Regional Tourism Organisations" developed by Local Government New Zealand (February 2004).