

# **NEW ZEALAND EVENTS SECTOR PROPOSED SURVIVAL STRATEGY FROM COVID-19 IMPACTS**

## **Discussion Paper**

10 May 2020

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### **PURPOSE**

The purpose of this discussion paper is to provide some background information on the New Zealand events industry, set out the impacts of the COVID-19 pandemic upon it and to outline practical and meaningful measures that can be taken by the Government to support the survival of this important sector. This paper presents ideas and options that can be further refined through an industry and Government partnership.

### **BACKGROUND**

#### **Who is the 'Events Sector'?**

The events sector is a diverse sector that operates in all regions of the country, involving event promoters/owners/agencies, suppliers, venues, service providers, not-for-profits, educational institutes, local and central Government.

Events range from major large-scale international events which deliver significant economic, social and promotional benefits to New Zealand; through to domestic, regional and local community events that deliver local economic, cultural and social benefits.

Events can help to improve social cohesion, community spirit and pride; develop a stronger identity and sense of place; improve cross-cultural awareness and understanding; stimulate domestic and international tourism and generate national and global media profile.

The span of the sector is huge: from sports, arts and culture through to consumer events, industry events and business to business events of all types.

For the purposes of this paper, 'events' are defined as organised occasions, gatherings or activities of limited duration that bring people together for the primary purpose of participating in a community, cultural, commemorative, recreational, sporting, art, educational, entertainment or business experience.

Due to its diverse nature, events as an industry sector has historically had less formal organisation and representation in comparison to others. However, the New Zealand Events Association (NZE A) has been growing steadily since its inception since 2005 to now represent over 3,000 events professionals. The NZEA must now act on behalf of the industry in response to COVID-19 and is doing so with support

of its highly capable and vocal members. We welcome the opportunity to collaborate with other industry interest groups such as Conventions & Incentives New Zealand (CINZ) and Entertainment Venues Association New Zealand (EVANZ) for the benefit of the sector.

### **Who makes their livelihood from the sector?**

The events eco-system is broad and the supply chain multi-faceted. As such, a number of professions from both the private sector and the public sector are reliant on the sector for their livelihood.

The following list, which is not exhaustive, highlights the breadth of companies involved in the event industry:

- Event promoters/owners/agencies – public and private
- Event contractors and personnel
- Events organisers within corporations
- Not-for-profits, charities and educational institutes
- National sport organisations
- Venues and facilities (Indoor and outdoor)
- Catering and hospitality providers
- Audio visual suppliers
- Temporary infrastructure companies
- Technical specialists in staging, lighting, rigging etc.
- Signage suppliers
- Event technology suppliers
- Creative and sporting talent (musicians, designers, sportspeople, artists etc.)
- Traffic and transport agencies
- Security providers
- Cleaning, environmental and waste suppliers
- Ticketing providers
- Freight and Logistics
- Broadcast production and distribution companies
- Media agencies
- Marketing companies
- Corporate sponsors
- Local Government
- Central Government
- Transport providers
- Accommodation providers

In addition to those mentioned above, a raft of other service providers and small business owners are beneficiaries, either directly or indirectly, of events.

### **The benefits that the Events Sector delivers to New Zealand**

New Zealand currently lacks comprehensive data on the true value of the events sector to the wellbeing of New Zealanders across economic, social and environmental spheres. The NZEA have been proactively working for some months to undertake an industry-wide impact evaluation. This project seeks to:

- Provide an accurate picture of the supply-side of the events industry, including event employment, income and expenditure.

- Provide an accurate picture of the demand-side of the events industry, including composition and spend of local, domestic and international event attendees
- Provide an estimate of the social benefit of events by calculating the social capital derived from event attendees and the communities, cities and regions that host them

Despite the current absence of industry wide data, it remains clear that the industry delivers enormous benefits to the wellbeing of New Zealand and New Zealanders.

Thousands of events that take place in New Zealand each year provide important economic benefits at many different levels. Regional Facilities Auckland calculated that events in their venues over the summer of 2019/20 would generate \$53 million while the 2018/19 Annual Reports of ATEED and WellingtonNZ state that the collective GDP impact of their respective major events portfolios for that year was \$137 million.

Independent evaluations of other events held on a regular basis elsewhere in the country range from \$24 million for Warbirds Over Wanaka (2018) to \$247 million for Fieldays (2019). In addition, large scale one-off events generate significant value. Rugby World Cup 2011 generated \$573 million to the economy while next year's America's Cup – one of several such one-off events to be hosted in 2021 alongside the likes of APEC and the Women's Rugby and Women's Cricket World Cups – had previously been estimated to deliver a minimum of \$600 million.

Given that these figures represent only a small fraction of the total event activity hosted in New Zealand each year it is a conservative estimate that the events sector delivers an average of at least \$1 billion to New Zealand's economy per annum<sup>1</sup>.

Whilst the positive economic impact of events is often focused upon, the wider positive impacts that events provide to New Zealanders wellbeing cannot be ignored.

The calendar of events delivered across New Zealand each year provide significant social, physical and mental wellbeing benefits. Events drive social pride; they promote social connections; they celebrate culture; facilitate association/sharing of ideas; and create social identity and welfare. Thousands of New Zealanders work in the events industry, it provides them with the opportunity to improve their knowledge and skills whilst also increasing their economic standard of living.

Every year hundreds of thousands of New Zealanders chose to dedicate leisure time to events, through participating, volunteering and attending. This creates community and helps provide people with a sense of identity and belonging. Indeed, many events are the epitome of community goodwill, passion and personal investment.

Thousands of active events take place in New Zealand's natural environment each year, providing important health benefits and connecting New Zealanders with the land, which in turn creates advocates for our physical environment and ecosystems.

### **Impact of COVID-19 on the Events Sector**

The impact of the COVID-19 worldwide pandemic has been severe on many industries and the economy overall. However, the pandemic's impact on the events industry will be one of the most profound and long lasting. Next to international travel, the events sector has been the first industry to go and will be the last to resume under bans placed on "mass gatherings" through Central Government's COVID-19 Alert Levels.

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<sup>1</sup> Various independent economic impact reports can be provided to support this number if required

The reality is that many companies that work in the events industry and the industry's supply chain have seen a 100% decline of activity and revenue since the first restrictions came into effect in March 2020.

Our most recent survey has revealed that close to 9,000 events in New Zealand have already been cancelled or postponed, with potential for a further 5,000 to follow in the next six months. Consequently, hundreds of full-time equivalents have already been lost or projected to be lost from the sector in the coming months with 280 businesses reporting a gross profit loss of approximately \$100 million. It should be noted that this survey sample represents less than 10% of potential total respondents, so the true impact on the industry will in fact be far worse.

The event sector is a job heavy service sector, with a large proportion of costs being related to overheads. These fixed overhead costs are seeing event-related companies using up any and all cash-reserves to meet fixed costs until such time as 'mass gatherings' are permitted and events can be delivered and revenues generated.

With event income for some businesses completely drying up from early March, and depending on the timing of when Level 2 and Level 1 Alert Levels start and conclude, we could see event-related companies sustain a six month or greater period of 100% revenue loss.

Events provide a key opportunity to aid recovery post COVID-19 once restrictions are lifted. However, events will be returning to a vastly changed landscape where key event revenues including lines of sponsorship, gaming trust funding, ticket sales and even Local Government funding will be impacted. This is creating a compounding negative impact on events whereby there is firstly an immediate and real halting of activity and revenue, with uncertainty regarding when restrictions will end. Then, once events are permitted, there will be a large financial risk to generating required revenues as factors including hesitance to attend mass gathering, social distancing and International border restrictions come into play.

We have grave concerns that, without any assistance, many event-related businesses will disappear over the coming weeks and months or exit the industry altogether. This loss of capability and expertise will jeopardise the significant contribution the events industry can make to the post-COVID-19 recovery of New Zealand's domestic tourism sector and New Zealander's wellbeing.

## **DISCUSSION**

### **The role of Government to support the events sector's survival of COVID-19 and play a critical role in its recovery**

We have identified a range of interventions that Central Government can make to best save a severely distressed industry, whilst also incentivizing the events sector to aid the country's broader economic and social recovery.

#### ***1. Short term financial support in the form of extended wage subsidies***

The industry congratulates the Government on the policies around wage subsidies. We note however that the timing must be extended for event related companies until such time as alternate revenues from events can genuinely be generated. As outlined above, this will be heavily dependent on the duration of Alert Levels 2 and 1 and the extent to which the sector can operate within these. The latter point is covered below in the next discussion point.

## ***2. Support for the creation of industry-led guidelines for operating under Alert Levels 2 and 1 and clarity on their potential timeframes***

Government's announcement this week that, at Alert Level 2, both indoor and outdoor gatherings would be limited to 100 people will afford very little relief for the vast majority of the events industry. With no assurance from the Government about how long the country will be in Alert Level 2 and no certainty about what Alert Level 1 will look like, the need for immediate targeted support from the Government is stronger than ever.

It is disappointing that the New Zealand events industry has not been consulted in developing workable guidelines for mass gatherings and public events at Alert Level 2. We are an industry that excels at putting public safety first and developing innovative solutions.

The 100-person attendance limit for events with a one-size-fits-all approach is overly simplistic as not all events present the same level of risk. Professionally conducted events are not to be confused with ad-hoc, uncontrolled, social mass gatherings. We are an industry that deals with and manages risk regularly. There are many events that could operate safely utilizing elements such as:

- Detailed health and safety plans
- Controlled spaces (entry and exit) ensuring both physical distancing and contact registration for future tracing
- Physical distancing strategies for all elements of the event experience

We note that Germany has now formally distinguished 'exhibitions' as different from 'mass gatherings', supporting the rationale for a distinction between lower risk and higher risk events. Our counterparts in Australia are also calling for their government to give certainty around these lower risk events.

We recognise that this is not a simple issue as the events sector is broad and covers a plethora of activities across a range of different venues (Indoor and outdoor) and this presents challenges in terms of the creation of a set of standard guidelines. We therefore propose that the Government supports the event industry to develop Alert Level guidelines with absolute urgency. This would include:

- Recommendation of a set of event specific possible amendments to Alert Level 2 guidelines – to be prepared by industry and submitted and considered by Government to amend current Alert Level 2 advice (within one week)
- Recommendation of event specific considerations for Alert Level 1 guidelines - to be submitted by industry and considered by Government ahead of any further detailed announcements on Alert Level 1 (within one month)
- Set of communication materials prepared by the industry for the event industry that explains how events can / can't operate within Alert Levels, aligned to what is adopted for the above

The above items will include consideration of broad guidelines for events, as well as specific event subsets (e.g. mass participation events; non-ticketed community events; business to consumer shows; lifestyle events etc.). This will empower event organisers to deliver their activities in a safe and compliant manner in the Alert Level environments.

Unlike the sports sector, where agencies such as Sports NZ have advocated and been effective in creating industry specific guidelines, the events industry does not have the large dedicated public agency resources, hence we must contract this important work to be completed with urgency. We request an urgent approval of \$100,000 to complete all of the work outlined above.

Finally, our industry tells us that the current uncertainty around the planned durations of Alert Levels 2 and 1 is perhaps their greatest challenge. Events require substantial planning time, with most events at a minimum requiring 6-12 months of lead time to make a decision to proceed with an event. Forward

notification of Alert Levels becomes critical to decision-making for event companies. We therefore request that Government shares the range of Alert Level scenarios that it is currently working through (understanding that these are hypothetical and subject to change) to provide the industry with a tentative framework for its own planning.

### **3. *Medium term targeted financial assistance to stimulate recovery activity***

Events provide a key opportunity to aid recovery post COVID-19 once restrictions are lifted. There is an opportunity for events to be a fundamental part of generating domestic tourism activity whilst also supporting local economic activity across the regions. Additionally, it is important to acknowledge the social and mental health benefits provided by events, which are vital to the wellbeing of our country and must not be ignored. There is a natural approach to timings of the resurgence of events:

- a) Local events (within regions) – providing reasons for the community to get out and about and support local traders, service providers and local SMEs
- b) National and regional events (within NZ) – providing strong reasons for domestic travel, supporting tourism, accommodation, hospitality and retail
- c) International events with border control restrictions (trans-Tasman bubble, testing of international talent artist and sportspeople etc.) – providing a gradual re-start of international tourism activity
- d) International events with no restrictions – maximizing international travel

Whilst the above plan makes good sense, many event-related companies will have withstood a long period of financial hardship and will face substantial financial risk to deliver planned or postponed events. The sponsorship market will inevitably dry up, Local Government may have less money to invest in events and discretionary spend by consumers on tickets will have decreased, not to mention their likely reluctance to attend mass gatherings again

Therefore, the role of the public sector becomes critical to providing the events industry with the confidence to ‘stick it out’ and then be prepared to step up and take the risk on events. Other sectors outside events have seen specific and targeted Central Government stimulus packages applied. The events sector must be supported as one of the most clearly and profoundly impacted, and one that simply will not survive without Government support.

#### **Potential targeted and contestable events fund**

In order to assist Government to find a pragmatic, effective and easy to administer solution, a potential stimulus package is proposed in the form of a Covid-19 ‘Events Stimulus and Recovery Fund’. The fund would be distributed via a contestable process to support events that aid in the recovery, whilst decreasing the total risk to an already strained industry. A timeline for the period when events could apply for the fund would need to be confirmed based on the gradual lifting of restrictions on mass gathering, but it would be hoped that this fund could be drawn upon to support events (both existing and new) taking place between late 2020 and early 2022.

The criteria and process for applying for the fund will be developed in due course, however it needs to be straightforward, efficient, fair and applied consistently across the country. It could require events to demonstrate:

- How they have been financially impacted by COVID-19
- How their event will benefit from the funding
- How their event will contribute to local and domestic economic outcomes
- How their event will contribute to community outcomes and social well-being / social fabric

There are several viable options for administration of the fund that could be utilised, either exclusively or in combination, including:

- Local Government and/or their regional economic development agencies, many of which already have contestable event fund processes in place
- New Zealand Major Events, who administer the Major Events Fund
- NZEA, as the independent industry body

To be clear, we are proposing that Central Government provide an additional one-off event fund which is open to applications from community, regional and national events of all types.

Keeping in mind the conservative estimate of the billion-dollar value per annum of the events industry to New Zealand's economy, we believe that a \$50 million dollar fund, representing only 5% of that value, is a reasonable ask.

#### **Benefits achieved under this proposed fund:**

- Provides for a nominal amount of extra funding for events to offset losses in other revenues and go ahead with events post COVID-19
- Gives greater confidence to companies to 'stick it out' through a sustained period of no activity
- Keeps highly specialised personnel and companies in the events business – a previously thriving sector in New Zealand
- More events are booked and confirmed to take place giving confidence to sustain business through COVID-19 period
- Revenue is generated through supporting events promptly following COVID-19 period.
- When announced, this fund will give hope to many New Zealanders that there will be enjoyment to be expected post COVID-19

#### **4. *Longer term financial assistance to grow New Zealand's event pipeline***

Whilst the above will help the sector survive in the short term, we must also be mindful of the medium to long term prospects of the event industry. It is vital that Government provides increased support for feasibility, business planning and bid work for future events as well as ongoing support for existing major events through an increase in MBIE's Major Event Fund.

Without strong leadership and advocacy from Government in this space, we are likely to find that New Zealand has very few major events in the coming years, which would be hugely damaging for the entire sector and deprive New Zealand of the significant benefits those events provide. We propose that the current multiyear appropriation of \$10 million is increased to \$30 million. This appropriation could also be utilised to increase seed funding available through the New Zealand Major Events Creative and Cultural Events Incubator.

## **SUMMARY AND RECOMMENDATIONS**

The profound impact that COVID-19 has and will continue to have on New Zealand's events sector may see a large number of companies within the events sector fail to survive. The events sector and its supply chain is large and diverse, it is an industry that spans the entire country. The events industry is a service industry and provides livelihood to many Kiwis.

Whilst a challenging sector to measure given its diversity (With a valuation of the entire events sector much needed), the impact of a severely diminished events sector will be a substantial reduction of the economic and social benefits the industry provides and a negative impact on the social fabric of New

Zealand society. The impact will not be limited to the many thousands of people who work both directly and indirectly for the sector but also the hundreds of thousands of New Zealanders who participate in, volunteer for and attend events each year.

In the short-term events can be a key lever to re-start domestic tourism and local activity, whilst in the medium term they can be a key stimulus to restart international visitation to New Zealand. At the right and safe time, events can be the reason for people to travel, to get out and about, providing important social benefits as well as stimulate spending on tourism, travel, accommodation and hospitality.

The necessary reaction to COVID-19 has meant that events have been the first sector to be impacted and will be one of the last to recover. The sector needs and deserves support.

More specifically, the industry calls on Government to implement the following:

1. Immediate extension of the wage subsidy for event-related businesses until such time that they are able to generate alternate revenue.
2. A support package of \$100,000 to enable creation of meaningful guidelines for operations for event activities through Alert Levels 2 and 1 (acknowledging that the risk profile of professionally run events can be managed and mitigated), and more detail on possible scenarios of the duration of these Alert Levels
3. Prompt creation and commitment to a targeted and contestable \$50 million Covid-19 Events Stimulus and Recovery Fund that will rescue many event-related companies and ensure events are a fundamental part of the national recovery.
4. An increased multiyear appropriation of \$30 million for the New Zealand Major Events Fund and its Creative and Cultural Events Incubator to grow the pipeline of event activity in the country and aid in the recovery of international tourism.