



Destination Marlborough

Future Path Project

25 October - 15 November
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*have
your
say*



Background

The Marlborough District Council (Council) invites your feedback on the future of visitor industry support services in Marlborough.

This document forms part of the Destination Marlborough Future Path Project. The purpose of the Future Path Project is:

To rescope and redesign the future role, purpose, functions, structure and resourcing of Destination Marlborough to deliver destination management, marketing and visitor attraction services provision that meet expectations and are fit for purpose to contribute to Marlborough's future success.

Council will consider your views as part of any final decision. Thank you for your input.

Why is the Future Path Project needed?

The Future Path project will identify the future function and structure of Destination Marlborough.

Following the collective resignation of the chairperson and board of Destination Marlborough in September 2023, Council appointed four commissioners - Councillors David Croad and Barbara Faulls, tourism consultant Tracy Johnston and tourism provider Trevor Hook – to take a closer look at the organisation.

They were tasked with considering Destination Marlborough's immediate future and asked to assist Interim General Manager Tracey Green in her day-to-day decision making and to liaise with, and report back, to Council.

It became clear during this process that change was needed to ensure Marlborough's promotion and visitor management efforts could continue.

In June 2024 the Destination Marlborough Trust was disestablished and its functions brought under the management of Council for the short term, while longer term options were considered.

What process is being used to evaluate the future of Destination Marlborough?

The process is being carried out in two phases.

The first phase took place in July and August 2024 and focused on establishing the case for change through a process called Investment Logic Mapping (ILM). ILM helps you understand a problem, its impacts and desired benefits – before looking at solutions.

The ILM process was conducted by a group of people with tourism expertise both locally and nationally alongside representatives from

Destination Marlborough and Council. The outcome is a series of options outlined on the next page for the future function and structure of Destination Marlborough to support the Marlborough visitor economy.

The second phase – which we are in now – aims to evaluate the outcomes of the ILM with stakeholders, seeking feedback and suggestions.

What is proposed?

The ILM process has identified the following:

- The future *structure* of Destination Marlborough to be either a Council Controlled Organisation (CCO) or a Council Business Unit
- The future *function* of Destination Marlborough to have an increased focus on destination management and brand management
- A review of Destination Marlborough's current delivery of services is needed including marketing (direct to consumer and trade), business events and the Marlborough isites
- Increased industry funding opportunities are needed to support Destination Marlborough's work
- Funding requirements may change once the service delivery is reviewed and priorities identified



What is Destination Marlborough?

Destination Marlborough was established by Council as Marlborough's regional tourism organisation (RTO) responsible for tourism marketing and management in October 1997. Prior to coming within Council in June 2024, it had operated as a not-for-profit trust for more than 25 years, governed by a board of six members.

Since its inception, Destination Marlborough has been funded by Council. Of its current budget, \$1.1M comes from a mixture of General Rates (\$900K) with a higher weighting for Commercial/Industrial and a Targeted Tourism Rate on accommodation properties (\$200K).

The remainder of Destination Marlborough's funding comes from the local tourism sector. This is a combination of commissionable

product for Marlborough isites to sell as well as brochure display fees, advertising in the Marlborough Visitor Guide and paid membership of the Trade Marketing Team (TMT).

Destination Marlborough is accountable to Council and reports annually to the Economic, Finance and Community committee.

Activities include:

- Marketing Marlborough as a destination both to trade and direct to the consumer via various platforms and initiatives
- Providing promotion and support for business events and conferences including digital business events guide and proposals
- Destination management including cruise ships, isites, product development support and managing the Marlborough brand
- Advocating for the Marlborough visitor economy to Council, industry, iwi, government amongst others

Marketing priorities are:

- To position Marlborough as a compelling place to visit
- To encourage managed growth of visitor spend
- To prioritise effort on smoothing seasonality

Post Covid there has been a decline in product availability through Marlborough's tourism operators. This, combined with the current economic climate, has resulted in lower operator contributions and in-kind support, placing a greater reliance on Council's rates contribution to manage the functions of Destination Marlborough.

What is Destination Management?

Destination Marlborough completed a Destination Management Plan in 2022 with funding from Government but no implementation funding was available.

Destination Management is the coordinated management of all aspects of a destination that contribute to a visitor's experience and needs. This includes considering the perspectives, needs and expectations of residents, iwi, the business and tourism sector, and visitors themselves.

The aspiration of Marlborough's Destination Management Plan is to:

- Enhance the lives of the local community
- Develop the local visitor industry to its most suitable potential ensuring a vibrant diversified economy and profitable businesses throughout the entire region
- Create a stable, year – round balanced destination that sustains, and where possible, regenerates the local environment
- Improve regional planning, coordination, and communication within the tourism sector as well as with local government, iwi, and other community groups
- Celebrate and share our place and all the diversity it offers

The role of destination management alongside destination stewardship and destination promotion functions is shown in the diagram on the next page.

At present Destination Marlborough carries out mostly destination promotion and a limited number of destination management functions. The ILM process indicated a shift towards management and stewardship should be taken but this would require increased funding and potentially less activity in some of Destination Marlborough's current activities.

Destination Promotion Functions

CORE FUNCTIONS:

Destination branding and marketing communications planning
Consumer and travel trade promotion
Public relations
Industry 'trade ready' capability
Business event attraction
Industry/ membership support
Event marketing
Supporting TNZ activity
Website / information provision

ENABLING FUNCTIONS:

Fundraising and financial management
Human resources management
Campaign/ communications reporting
Health & safety
Advocacy for organisation



Destination Management Functions

CORE FUNCTIONS:

Destination Management planning
Destination marketing
Strategy (all p's and audiences)
Convenor between public and private partnership (PPP)
Advocate for tourism in major investment decisions
Advocate for Industry
Product & experience development
Visitor and resident sentiment / attitude research
Industry capability & skills development
Data, research & analysis
Industry capability and development
Quality assurance
Cruise management
i-SITE management
Partnership & stakeholder engagement
Access development - air, road, rail & sea
Amenities and infrastructure investment
Major event attraction / development
Venue management
Convention centre management
Workforce development

ENABLING FUNCTIONS:

Funding and fostering investment
Digital systems / tools implementation and management
Risk & crisis planning and management



Destination Stewardship Functions

CORE FUNCTIONS:

Destination Stewardship planning
Destination Stewardship Council convenor
Contributor to Place master planning/ placemaking
Convenor between public, private and community partnership (PPC)
Ongoing community participation and stakeholder engagement
Contributor to major place/ destination investment decisions
Biodiversity & resource measurement and management
Monitoring impacts on natural, built, and historical environments and cultural and social values
Digitalisation and innovation
Regenerative and climate change related activity
Policy development
Destination benchmarking dashboard for visitors and residents
Carrying capacity monitoring and management

ENABLING FUNCTIONS:

Holistic Tourism Data Information Systems / Dashboards

About Marlborough's visitor economy

The visitor economy is valuable to Marlborough – it is the region's fourth largest industry and is responsible for more than 6 per cent of Marlborough's total GDP (\$154.8M) and 2,461 jobs in 2023.

Visitors to Marlborough spent an estimated \$448 million in the year to June 2024 (Source: Infometrics). That equates to over \$1 million per day of new money injected into the Marlborough economy.

The mix of visitors to Marlborough is now 80 per cent domestic and 20 per cent international – before Covid it was 70/30 (Source: Infometrics).

This comparatively low dependence on international visitors helped protect the Marlborough visitor industry from the worst of the impacts of the pandemic period in 2020-22 experienced by other tourism regions, although significant effects were still felt here.

International spending recovered quickly in 2023 to pre-Covid levels and has continued

to be resilient and predictable. Domestic visitor spending and seasonality improved during Covid.

Top markets of visitor origin for Marlborough are Australia, US, UK, rest of Europe, Germany, Canada and rest of Asia. Locally, Canterbury, Wellington and Auckland are key drivers of domestic visitors.

Cruise remains a strong visitor source for the region. In 2023-24 there were 56 visiting cruise ships, 22 of which carried over 2,500 crew and passengers, bringing 112,000 passengers and 49,000 crew into Picton, with flow on effects for the wider region.

Seasonality is challenging for Marlborough visitor spending with mid-summer peaks and lows from May to September.



Why is change needed?

The ILM process investigated the need for change and identified the challenges facing Destination Marlborough as follows:

Inertia to change

Destination Marlborough has not adapted its strategic direction and delivery to match the changing tourism operating environment.

Opportunity to lead change

Dissolution of the Trust provides opportunities to embed leadership arrangements that will enhance the trust and confidence of key stakeholders, operators and funders.

Limited supply

Changing economic influences have resulted in business closures and a reduced supply of tourism products to sustain a thriving eco-system.

Over-reliance on ratepayers

Market conditions have reduced Destination Marlborough's industry-based income resulting in over-reliance on rates-based funding support.

The ILM process also set some aspirations around what Destination Marlborough needs to achieve and what needs to change as follows:

Appropriate eco-system leadership

To ensure leadership of the region's destination management, marketing, and visitor attraction delivery is well-structured and resourced.

Visitor economy growth

To grow Marlborough's visitor economy.

Sustainable eco-system funding

To increase and sustain community, industry and private sector participation and investment.

A range of options for the **function** of Destination Marlborough were considered with a description of each and the pros and cons outlined as follows:

Option 1:

Business as usual

Maintain existing operating model and resourcing, including:

- Marketing agency
- Custodianship of the Destination Management Plan

Pros

- rebuilds trust and confidence in the continuity of existing sector support
- continuity of existing team and relationships

Cons

- does not address current funding issues
- unlikely to be able to deliver on the aspirations and expectations of the Destination Management Plan
- reduced external funding unlikely to recover as tourism businesses are operating differently post Covid

Option 2:

RTO focused

Modify existing operating model and resourcing to focus on priority functions, including:

- Limited Destination Management Plan role and delivery
- Targeted/direct consumer marketing, partnerships

Pros

- a sharper focus on core “must have” functions and roles only
- less reliance on ratepayer support
- alternative interventions need to be used to achieve regenerative tourism goals

Cons

- reduced capacity and depth of resources
- less nimble and responsive
- signals a reduced commitment to the visitor sector

Option 3:

Discontinue RTO activity

Cease Council funding for all RTO activities:

- Regional tourism functions are removed from Council's stated levels of service as part of the Long Term Plan development
- The associated budgets are removed

Pros

— frees up rates revenue for other Council priorities

Cons

- not aligned with national and regional strategies
- risks to destination management planning and delivery
- risks of operator failures
- risks undermining the economic contribution of tourism to the economy

Option 4:

One-stop destination steward

Modify existing operating model and resourcing to lead, support and advocate for the tourism sector. Build critical mass and breadth of service delivery, including:

- Custodianship of the Destination Management Plan
- More extensive plan implementation responsibility

Pros

- more aspirational
- clustering achieves critical mass
- a credible voice at the table
- engaged more broadly in business partnering
- more capability and depth to respond to market changes
- space for relationship building
- can leverage new investment

Cons

- a clearly communicated value proposition for investment is required

A range of options for the **structure** of Destination Marlborough were considered with a description of each and the pros and cons outlined as follows:

Option 1:

Not-for-profit trust

Retain existing stand-alone trust model and resourcing:

- Council develops a new RTO Trust Deed
- Council appoints a new Board and Plan steering group
- Staff employed by RTO Trust

Pros

- nimble and proactive
- good destination marketing leadership
- Trust already created
- can reset the Trust Deed
- can establish service level agreements and improve performance information
- can improve clarity of purpose and accountability
- provides independence
- more likely to attract operator contributions (perception of independence)

Cons

- unfortunate history
- arms-length and lower trust by Council
- could be better leadership if the RTO had a seat at the table
- freedom to advocate for the sector does not necessarily attract new investors and funding

Option 2:

Incorporated society

The RTO is established as a new incorporated society:

- Council appoints a new Board and Plan steering group
- Staff employed by Incorporated Society

Pros

- enables a targeted rate to be levied on members
- inequitable member expectations and rights enables Society members to receive a higher level of service

Cons

- can become exclusive
- elected members rather than a skills-based governance board
- more appropriate for a small tourism eco-system?

Option 3:

Council-controlled organisation (CCO)

The RTO is established as a new CCO:

- Council establishes a new Limited Liability Company (LLC) under the Local Government Act
- Council appoints a new Board and Plan steering group
- Staff employed by CCO
- Letter of Expectation, Statement of Intent and annual reporting processes developed

Pros

- a common approach for existing RTOs
- statements of intent provide clarity of purpose and accountability for spending
- letters of expectation used by Council to provide direction
- able to sit within an existing CCO
- can be established as a subsidiary of the MDC Holdings LTD model, with Council-provided admin services

Cons

- unnecessarily complex for a small business
- insufficient critical mass if a stand-alone CCO
- costly although the costs of establishment, reporting and nominal board fees likely uniform across all options

Option 4:

Council business unit

Retain RTO staff within Council:

- Council appoints an Expert Advisory Board and Plan steering group
- Temporary staff employment contracts are formalised
- Any duplicated or unnecessary accommodation or administrative arrangements are discontinued and reallocated

Pros

- economies of scale
- physical co-location for internal partnerships
- gives tourism a 'seat at the table' with iwi and industry
- close to the funders, Economic Development Team and expert advice
- processes and management support
- training and development for Council staff
- reduces some current overheads (payroll, HR, facilities, IT) by using Council departments
- more resilient / less surprises
- can attract Government funding

Cons

- increased salary costs and Council overheads
- could be less nimble compared to an external organisation
- lack of Council awareness of tourism (at least initially)
- distance from operators
- RTO GM needs Council delegation / freedom to act

Key outcomes of the ILM process

The ILM process has identified several key outcomes as follows:

- A Regional Tourism Organisation needs to be retained in Marlborough
- Industry involvement needs to be retained via a governance / advisory group
- Funding is a challenge for Destination Marlborough with constrained Council funding via rates and dwindling operator contributions
- Opportunities for future industry funding need to be explored
- Funding requirements may change once Destination Marlborough is reviewed and priorities identified
- There should be more focus on the implementation and maintenance of a Destination Management Plan
- Any new entity should be closer to Council than the previous Trust model
- Any changes to Destination Marlborough's services need to be staged over the next 1-2 years including a review of existing activities and prioritisation of any additional activity
- The future role of isites in Marlborough needs further investigation as they were not included in this ILM process

What happens now?

Destination Marlborough will continue for the immediate future as part of Council - within its existing funding structure - to ensure the tourism marketing of Marlborough continues while its function and structure is reviewed.

Council wishes to consider feedback through this process and engagement with iwi, industry and other stakeholders before any decision is made. The goal for a decision is the end of 2024.

Any change to Council funding or structural changes of the organisation may require engagement with the community.

How can I give my feedback?

Council would like to hear your views on the future function and structure of Destination Marlborough.

We invite your comment here:
links.marlborough.govt.nz/haveyoursay

Thank you for your input.





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