



Presentation

by

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OGDEN INTERNATIONAL FACILITIES CORPORATION

TO

CEDA LUNCHEON

31st August, 2006

Events – A Global Business



Suncorp Stadium, Brisbane
 Convention Centre, Brisbane
 Entertainment Centre, Brisbane
 Convention Centre, Cairns
 Telstra Stadium, Sydney
 AcerArena, Sydney
 Entertainment Centre Newcastle
 Theatres (4), Perth
 Convention Centre,
 Kuala Lumpur
 Convention Centre, Darwin

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OGDEN International Facilities Corporation

- Stadia - Brisbane and Sydney
- Arenas - indoor - entertainment centres Brisbane Sydney, and Newcastle
- Convention & Exhibition Centres Brisbane, Cairns, Kuala Lumpur and Darwin
- Theatres - performing arts venues – Four in Perth

Plus, extensive consulting in Asia including the Beijing Olympic venues, Hong Kong Trade Development Council, in India, Indonesia and London. We are also now investigating opportunities in the Gulf states.

We operate the venues; which means we generally undertake all facets of the operation of the venue including full Facility Management, under contract for its owner - generally government.

Whilst we have a sizable challenge with this Asset Maintenance role, with assets we manage worth some \$1.6 billion, we win our appointments based on our ability to deliver events to our venues.

Over the past 30 years, we have presented thousands of events in our facilities.

All of these venues are built by governments or they are caused to be built by governments (we might return to the subject of PPPs later.) The reason for this is that such investment doesn't drive a direct commercial return on the capital investment.

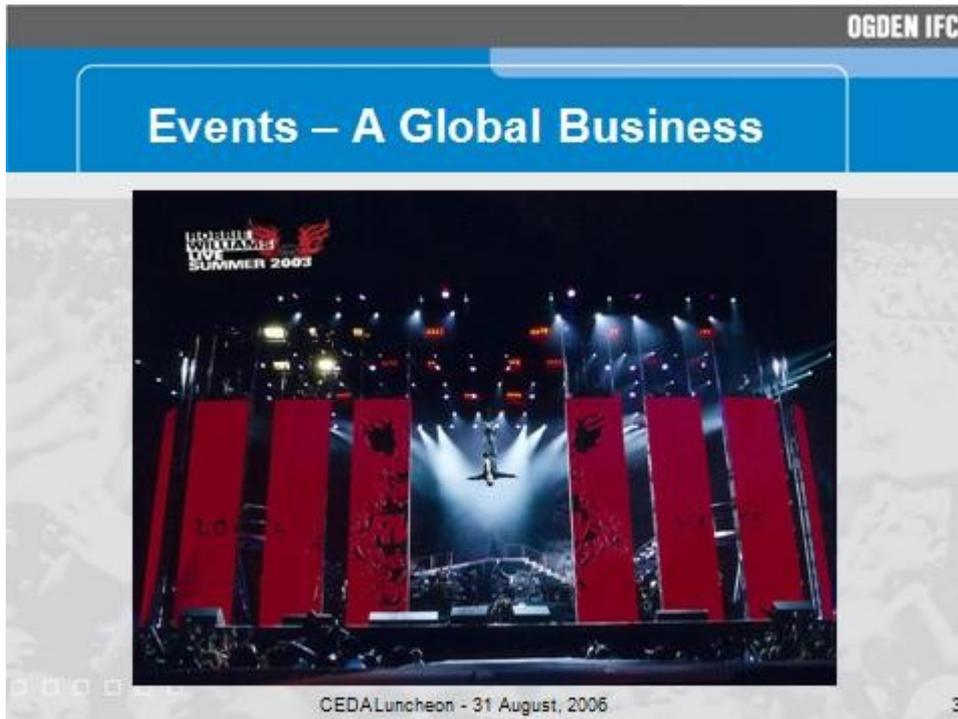
Fortunately, governments also consider the social capital associated with such public infrastructure. Whilst accountants have difficulty measuring a return-on-investment on this non-financial side of the community ledger, we all understand that without these facilities we don't get to enjoy the events they host.

Some multinational firms considering cities for regional location will look for quality local ballet, opera and drama companies amongst other local facilities, to assist in their ability to attract top executives and their partners to the new location.

Whilst there might be some complaint about the money spent on some sport and entertainment facilities, compared to the reaction to the building of dams they must be perceived more popularly! The West Australian government is developing plans for a new major sports stadium and a new indoor arena. They want to be sure that West Australians have the opportunity to enjoy international rugby, soccer and tennis, as well as more international concert artists. Current indications are that these will both be funded by the state government.

There is little doubt then that our communities and governments value the social return from these venues and the events which they host.

But we are here considering economic development, so I guess we should focus on more measurable contributions.



Major concert and sports events are regularly courted by cities around the globe. Whilst this competition itself tends to limit the direct financial reward, inspired negotiation can ensure some reasonable return to the entity taking the entrepreneurial risk, and to the venue. It's important to ensure that not only ticket sales revenue but associated ancillary revenues make their way into the pot.

These include enhanced viewing facilities, catering, car parking, commission on the sale of event-related merchandise, sponsorship, signage and naming rights.

Enhanced revenue streams have been developed in recent years by packaging some of these components, and wholesaling them to on-sellers like travel agents, airlines and credit card companies.

Whilst the actual direct returns for specific events are commercially confidential, they can range from multiple six figure sums for major concerts and international sports events to the millions that flow at Indy every year. Varying proportions of this revenue stay in our community. Obviously, Robbie Williams will take away a fee to assist with meeting his substantial personal grooming expenses, but during the marketing, set-up, presentation and clean up, quite a bit of money will stick in Brisbane.

For the record, I am happy to say that the three venues we operate in Brisbane for the Queensland Government make an operating profit, - before depreciation and other capital considerations. But the direct revenue contribution to our local community is surpassed by the indirect revenues delivered into Brisbane as a result of each event.

Not only is Robbie Williams (and his touring retinue of some 150) travelling into town and spending three or four days eating, drinking and sleeping in one of our major hotels. The information gathered on ticket purchasers indicates that 12,350 of them will come from outside Greater Brisbane, Toowoomba and the Gold and Sunshine Coasts, so they can't drive home. 6,650 will come from outside Queensland, and that's a reasonable number of hotel rooms, dinners and breakfasts. It also helps Brisbane Airport Corporation service its debt! No extensive research has been done on expenditure by these out-of-towners at concert events but it has for a number of major sports events like the Australian Open Tennis and the motor racing grand prix events. These are clearly part of Des Power's bailiwick. The *Courier Mail* yesterday quoted the estimated injection into southeast Queensland for the recent Bledisloe Cup game at Suncorp Stadium as \$17million.

Whilst there may be some debate about the calculation of the economic benefit flows, there can be little argument about first tier direct expenditure.

But it is also important to consider other consequences of the presentation of these major events which have an economic benefit.



For instance the presence of the motor racing industry has grown in the Gold Coast region since the government first signed up for the Indy event. The fact that AVESCO which controls the hugely successful Australian V8 series, is headquartered on the Gold Coast, is a consequence of people who came together in Queensland around the Indy race.

I could trace the decision by the Brisbane City Council to put the management of the Entertainment Centre out to private contract as the opportunity for my own company to establish and grow to where our annual revenue was \$130million last year.

Brisbane has also established itself as a base for specialist consultants in our field of venue development. It was the Brisbane firm Bligh Voller which designed the Sydney Olympic Stadium in partnership with London's Lobb Partnership, led by Brisbane boy Rod Sheard. Today, the firm he heads, HOK Sport is the world leader in major stadium design - with three globe-spanning offices, one of which is Brisbane, the centre for the Asia Pacific region.

KPMG's specialist unit for this industry sector has for many years been in Brisbane.

Mike Driscoll and Associates is a specialist catering consultancy which has grown from a local player to providing revolutionary thinking at the likes of Twickenham and Wembley.

We have specialist F.F.&E. consultants in Rob Greatrex and Associates and Audio/Visual consultants D.A.S. who have grown their business around Asia exporting local experience. Gold Coast engineers Weathered Howe, who make the Indy setup work, have become big players in the major event-overlay business.

All of our companies feed off each other, and the growth in this business and its coalescence in southeast Queensland is the sort of thing that warms Peter Beattie's heart. As well as the fees earned, it generates lots of plane flights in and out of Brisbane as well as hotel nights and consequential spending from visiting development teams.

But the major events sector I want to focus on today is Business Events by which I refer to meetings, conventions and exhibitions. Of this group, it is conventions specifically which drive the major cross-border economic impact for Queensland.

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Business Events

- Meetings
- Incentive Groups
- Conventions
- Exhibitions

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Compared to leisure tourists, the business tourists who come to Queensland spend four to five times as much while they are here. As well as the financial impact, successful hosting of conventions develops a reputation of capability for our community and contributes strongly to professional and commercial development in this state.

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Delegate Numbers by Event Type

Associations	8,300,000
Corporate	14,800,000
Government	5,300,000

National Business Events Study 2004
Sustainable Tourism Co-operative Research Centre

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These events fall into three general categories:

- Association meetings – medical and scientific education and commerce
- Corporate meetings – boards and councils, sales and incentive groups
- Government – APEC, CHOGM

In 2003, the total value of these business events to Australia was \$17.3 billion and the international portion of this was \$1.86 billion. These figures are taken from the *National Business Events Study* released last year, led by the Federal Government's Sustainable Tourism Co-operative Research Centre in association with industry groups under the umbrella of the Business Events Council of Australia.

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Although there has been substantial focus on events over the past decade, most of this has related to major events that tend to capture the imagination of the general public.

The business event sector, which is an ongoing and high yield component of the event sector, is the 'quiet achiever' of the sector and has not received adequate recognition for its contribution.

Sir Frank Moore AO
Chairman – Sustainable Tourism CRC

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The Study is the most comprehensive ever conducted, seeking the real data behind the event industry's claims for more credit.

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Event Types Attended

Meeting & Conference Delegates	19,900,000
Trade Visitors	2,400,000
Exhibitors	256,000
Incentive Delegates	274,000

National Business Events Study 2004
Sustainable Tourism Co-operative Research Centre



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In 2003, there were 316,000 business events with 22.8 million participants.



Altogether they spent an estimated \$17.3 billion



This was estimated to have been split up as \$1.86 billion from international and \$15.5 billion from domestic participants.

There is particularly big value to be gleaned from international business event delegates.

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Expenditure – All Visitors

	Av. Trip Spend	Av. Stay	Av. Per night
All Visitors	\$2,569	27.4 nights	\$ 93.76
Business Events Delegates	\$3,526	7.3 nights	\$483.00

* 2004 Tourism Australia

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One of the interesting groups to examine and which we are fostering is the Incentive Sector. Their average expenditure was:

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Expenditure – Incentive Delegates

29% Long Haul Delegates	\$2,560	Europe, Americas, Africa & Middle East
46% Short Haul Delegates	\$2,180	Oceania & East Asia
25% Australian Delegates	\$1,224	

* Average stay was 5 days

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Amway Korea brought 4,000 Incentive tourists to Cairns in three waves a couple of years ago and loved it so much that 2,000 more of them will be coming again later this year. Cairns hotels have grown accustomed to the smell of Kim-chee in the morning! (Pickled garlic cabbage!)

These visitors and the events they attend also deliver other benefits. They bolster the profile of the destination city and its reputation, as well as encouraging professional and commercial development through the contacts fostered during these events...provided we have a sophisticated strategy and program to ensure the links are closed whilst the targets are in town!

Universities and other research institutes can potentially benefit from the opportunity to introduce peers and potential “investors” to their facilities while they are in town at a meeting on their specialist area.

Where are these Business Events visitors spending their time and money?



An International Visitor Survey conducted by Tourism Research Australia showed that in 2005, 7.7% of delegates at Business events came in from overseas and 22% of them brought an accompanying partner. 45% of these international delegates made multiple stop-overs during their visits, which suggests a strong level of pre- and post-touring away from the host city.

Anecdotal evidence has been backed up by the National Business Events Study in which over 98,000 estimated international respondents indicated they were “very likely” to return to Australia in the next two years and another 63,000 suggested this would be “likely.” This is 161,000 of the 1,368,000 international visitors, or approximately 12%.

It can be seen clearly that the high daily expenditure levels of Business Events delegates makes them the gilt-edged target for tourism marketing around the world . . .except . . .

Investment in this market pales against the expenditure on straight leisure tourism. In some ways this is understandable. Australia generates more gross revenue from leisure tourists – Leisure marketing is more straightforward – a slick slogan, a photogenic representative and high production values supported by a big advertising spend and you've done your job.



Australia has a strong leisure-holiday image and interestingly, the long average length of stay for All International Visitors in the 2004 Survey, of 27.4 nights is caused by all the backpackers trekking across the continent, earning nearly as much as they spend here, but certainly making an economic contribution.

Business events are won through a hard slog, one-by-one.

They require research to identify potential targets, enrolment of local champions, bidding in a highly competitive market, all with a long-term view. We typically are working 3 to 4 years in advance on this business.

Australia has always punched well above its weight in the international events business. We have:

- A well known, desirable destination
 - World class infrastructure which is well maintained and expanding
 - A reputation for quality event presentation
- For example Sydney Olympics 2000, Rugby World Cup, World Rotary and Lions Conventions

But competition is increasing as the rest of the world and particularly Eastern Europe and Asia improve their offerings. We are a long distance from the world's major population centres and our position is fading! We are facing a slide in our SHARE of the international market.

Now, the raw number of events we are winning is increasing but the size of the events, the attendance, is declining.

	2001	2002	2003	2004	2005
Delegates	130,509	97,099	128,666	93,309	83,334
Meetings	143	151	141	160	164
Av. Attendance	912	640	912	583	505

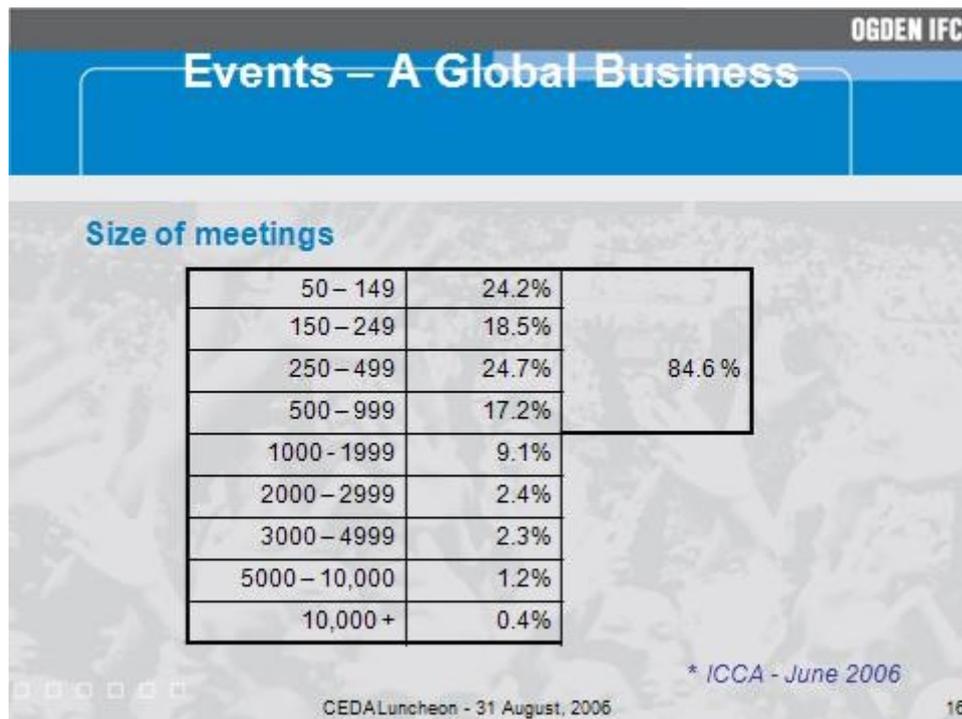
International Average - 2005 - 651

* ICCA - June 2006

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In 2005, the average attendance at international association meetings was 651, compared to the figure for those held in Australia of 505.

Now, it is important to properly understand the nature of the market regarding the attendances at these international business events.



Note:

94% of all events are < 2000 delegates
 85% of all events are < 1,000 delegates
 2/3 of all events are < 500 delegates

At the Brisbane Convention Centre, 74% of meetings are for no more than 600 people.

Remember the high value of the daily spend per international business event delegate. We must keep the overall attendance growing!

But there is a law of diminishing return at play. Hosting of the large-attendance events is hotly contested due to the big economic impact which can be delivered from a single event. But the number of these events is quite small and the competition very strong, so the deals which are offered by cities and governments to woo them means that the potential return on marketing investment pursuing them, is very low. Brisbane HAS won two of them with the Lions and Rotary Conventions, and it was a lot of hard work over a long period at considerable expense.

So, how are we planning to continue to grow Brisbane’s share of this international market, given that Australia’s Tourism Forecasting Committee projects growth in this sector of 5.3% per annum over the next decade?

Some of Australia’s Business Event venue destinations have strong branding but there is currently no national strategy for the pursuit of this market. We must and can do better. We need to be smart about this lucrative opportunity. We must have co-ordinated statistical analysis and an overall marketing strategy to raise international perceptions of Australia as a Business Event destination.

In Brisbane, we currently have some constraint on our ability to continue to increase our revenue from this sector.

The Brisbane Convention Centre has been an outstanding success in the ten years since it opened, but we have only one large plenary space. The international conference market is quite seasonal – focussed in the period from August through to November. Data from ICCA shows that 74% of international meetings occur in only six months of the year. The Brisbane Convention Centre is now in a stage of being very busy right through that time, every year, with average occupancy in excess of 85%.

The time remaining in our schedule during this “season” is not in adequate blocks to allow additional business. We are now focussed on optimising the yield that we drive out of events we host during this period ... and remember we are working three to five years ahead.

I showed before that the NUMBER of events won here is continuing to increase but that the average ATTENDANCE is falling, which runs counter to our effort to improve yield! It indicates that we need to be able to accept more events during the conference season to continue to increase our overall attendance figures and feed the local economy. The great opportunity is in the smaller end of the market.

We are currently finalising a proposal for an expansion of the Convention Centre to add two 500 seat plenary theatres together with the requisite facilities for break-out meeting rooms, exhibits and dining. These will service $\frac{2}{3}$ of the current international business event market.

The other major challenge we are currently facing in Brisbane is a shortage of hotel rooms. Whilst we share the joy of our brother operators, of their high occupancy rates, this has a tendency to play against the need for conference organisers to negotiate pricing competitive with other cities, and to hold blocks of rooms at these rates while delegates deliberate over their attendance.

This is an area where Brisbane’s growth has surpassed development of its commercial infrastructure. There are a couple of projects currently under consideration but investment in hotel development can be testing; this could also benefit from some government encouragement.

We are also supporting ongoing detailed research to provide a sound understanding of this business and, consequently, a better-co-ordinated national strategy for presenting Australia as a place for Business events, not just a beachside holiday in another cosmopolitan western city.

Compare Singapore:- Despite ranking as the No. 2 city in the world (and top Asian destination) for international conventions, the Singapore Government has insisted that both new Integrated Resort developments (aka Casinos), incorporate extensive new facilities for convention and exhibitions. The Singapore International Convention and Exhibition Centre (previously known as SunTec City) and its immediate environs have had a mega-refurbishment for the World Bank meetings about to get underway there, and SingExpo at the airport has an ongoing development program to take it to one hundred thousand square metres (Brisbane has 20,000 sqM.)

Earlier this month, Singapore’s Trade & Industry Minister announced that the Government has given the Singapore Tourism Board \$170 million to lure business event delegates to the city. Drawn from an existing \$2 billion tourism development fund, it is the largest sum ever set aside anywhere for this business sector. Remember Singapore’s population is 4 to 5 million!

They are going to be tough competition!!

END