

NB: Certain passages of this document have been withheld under section 9(b)(ii) of the Official Information Act 1982.

20 November 2008

Hon Murray McCully
Minister for Rugby World Cup

Hon Gerry Brownlee
Associate Minister for Rugby World Cup

Dear Ministers

RWC 2011 Ministerial Briefing

On behalf of the Board and staff of Rugby New Zealand 2011 Limited (RNZ 2011), congratulations on your appointment as Minister and Associate Minister for Rugby World Cup. RNZ 2011 looks forward to a healthy and robust relationship with you and your Government over the next three years.

Briefing purpose

The purpose of this letter is to provide you with a brief snapshot of the RWC 2011 project and to highlight a number of issues which are likely to be the subject of immediate / short term focus for you as you both settle in to this role.

Background

It is now **1098** days since the New Zealand Rugby Union (NZRU) secured the rights to host RWC 2011. It is now **1023** days until kickoff on 9 September 2011. Time is relentlessly ticking on.

The RWC 2011 Tournament, involving 20 teams playing a total of 48 matches, will take place between 9 September and 22/23 October 2011.

RNZ 2011 is a joint venture company established by the NZRU and the Crown to organise and deliver the core tournament in accordance with the terms of –

- The Host Union Agreement (HUA) between Rugby World Cup Limited (RWCL), the IRB subsidiary company which owns all rights attached to RWC, and the NZRU;



- a delivery services agreement with the NZRU;
- a Shareholders' Agreement between the NZRU and the Crown; and
- RNZ 2011's Strategic Plan (summary attached).

Pursuant to the HUA, RNZ 2011 is liable to pay all Tournament and team operational costs (estimated NZ\$160 million) and to pay RWCL a guaranteed fee (estimated NZ\$150 million).

RNZ 2011's only revenue generation rights are from match ticket sales (estimated NZ\$280 million).

Currently the core Tournament is forecast to be run by RNZ 2011 at a loss of NZ\$30 million.

Government / RNZ 2011 Interaction

There are many levels at which Government and its agencies have been interacting with RNZ 2011, including –

- Fortnightly meetings involving the Minister, Government RWC Office and RNZ 2011 (CEO and, periodically, Board Chairman);
- Periodic meetings involving the Prime Minister and the above group;
- Six-monthly RNZ 2011 shareholder workshops, chaired by RNZ 2011, involving the Minister and the leaders of RNZ 2011, the NZRU and relevant Government agencies;
- Quarterly meetings of the Government RWC Chief Executives Group, chaired by the Ministry of Economic Development (MED) and involving the relevant Government agency chief executives and the RNZ 2011 CEO;
- Bi-monthly meetings of the Government RWC Coordination Group, chaired by the Government RWC Office and involving senior managers (not CEs) of the relevant Government agencies and RNZ 2011;
- Very frequent day-to-day "business as usual" interaction between the Government RWC Office and RNZ 2011 both at senior and middle management levels; and
- Ad-hoc, reasonably frequent, interaction between relevant individual Government agencies and RNZ 2011.

RNZ 2011 is very appreciative of the effort that Government and its agencies have made to assist and support our preparations. The relationship with the Government RWC Office, led by its director Wayne Morgan, is going well. RNZ 2011 has also found

that the relevant Ministers and senior officials have been consistently accessible and helpful when required.

In short summary, this has (and no doubt will continue to be) a healthy and robust partnership.

Progress to Date

The following are some comments referenced against RNZ 2011's four key strategic goals –

Goal 1 - Delivering an operationally excellent Tournament

Good progress is being made –

- The key Tournament infrastructural projects (the redevelopments of Eden Park and AMI Stadium) are largely on track.
- The Match and Team Allocation (MTA) process is going well. There are 22 regional RWC Coordination Groups established nationwide, each such group involves representatives from local government, tourism, provincial rugby unions, venues and other key regional organisations. Venues for the knockout stage of the Tournament were confirmed in September 2008. A full playing schedule, including venues for all 40 pool group matches, will be confirmed in March 2009. Team bases for the 20 participating teams will be confirmed by the end of 2009.
- An Official Accommodation Bank (OAB) has been established to deal with the Tournament's operational accommodation needs and, to the extent that it is possible given New Zealand's limitations, the needs of those travelling to matches from overseas and other parts of New Zealand under the official travel and hospitality programme (estimated at 20-25,000). This initiative has received solid support so far from the accommodation industry, although this is, and will remain, a major challenge for all of us.
- RNZ 2011 is steadily creating a solid base for management of the project. The Strategic Plan now in place has strong key stakeholder support and is backed by robust project and risk management frameworks and annual business planning.
- RNZ 2011 is receiving excellent on-going core Tournament support from the Government RWC Office and the relevant Government agencies.

Goal 2 – Achieving capacity crowds and achieving the RNZ 2011 budgeted financial result or better

This is an incredibly challenging goal. Three factors combine to exacerbate this challenge, these being –

- The RWC 2011 financial model, where RNZ 2011's revenue generating opportunity is restricted to ticket sale proceeds but no other commercial rights including sponsorship and broadcasting;

- The rightsholder-friendly provisions of the HUA which gives RWCL unilateral power over all RWC 2011 decisions; and
- The potential impact of the worsening global economic crisis.

RNZ 2011's existing Tournament budget (last updated in September 2006) has been subjected to a major review during 2008, including cross-referencing against detailed financial information received from the organisers of RWC 2007.

Subject to the impact of the three factors above, the existing expenditure forecast seems sound.

The existing revenue forecast is a little bit more of a step into the unknown. The highest ticket sale revenue ever generated by a sporting event in New Zealand was \$32 million by the NZRU from the 2005 DHL New Zealand Lions Series. RNZ 2011 is budgeting to generate nine times that amount.

To achieve that forecast, the price of tickets for the knockout matches will be well in excess of anything previously seen before in New Zealand, whilst still being reasonably comparable with the ticket prices charged for RWC 2007 matches in France.

Ticket prices for most of the 40 pool group matches will be less, in some cases substantially less, than those currently charged for domestic All Blacks Test Series.

RNZ 2011 will complete preparation of its ticketing strategy in early 2009 once the Tournament playing schedule, including venues, has been confirmed. This strategy development is a major project which has involved considerable research of recent major events.

Goal 3 - Inspiring a nationwide Rugby World Cup festival

While rugby is at the heart and core of this event, for many excellent reasons it is necessary to widen the overall appeal by wrapping a nationwide RWC festival around that core.

This festival is a terrific opportunity for regions and local communities to unite and to showcase their best attributes in a way which will embellish the Tournament for the benefit of visitors and locals.

Through the MTA process, all potential host regions across New Zealand have confirmed huge widespread support for this concept, something that has been tangibly demonstrated by the significant financial commitments many such regions have made in their hosting proposals to the funding of the festival.

RNZ 2011 has no doubt that the RWC festival will be delivered brilliantly across our nation.

Goal 4 – Creating enduring benefits

There is a strong focus on using RWC 2011 to create enduring benefits for New Zealand which go well beyond the core rugby tournament.

RNZ 2011 will be (and, in some cases, is already) leading a small number of these legacy-type initiatives but, on the whole, we will be playing a supporting role to other key stakeholders, including Government and the NZRU, who are (or should be) leading legacy projects.

During 2008, the Government RWC Office has led some good work to create a strategic framework for Government's involvement in RWC 2011. That framework focuses not just on Government's support of the core Tournament but also on maximising the benefit to New Zealand from this hosting opportunity. [9 (b)(ii)].

From its inception, RNZ 2011 has adopted the philosophy that establishment and maintenance of key shareholder and stakeholder relationships is of paramount importance to the creation of this event.

That approach is working. All such key relationships are currently on a sound footing. RNZ 2011 is receiving excellent assistance and cooperation from all involved. There is a growing sense of strong unity within the "RWC 2011 stakeholder family".

It is possible that one of the most important enduring benefits from RWC 2011 will be the genuine and lasting improvement in the quality of these relationships because, after all, the stakeholders we are frequently dealing with are also regularly dealing with each other on a host of issues not related to RWC 2011.

Critical Risks

RNZ 2011, pursuant to its robust risk management framework first implemented in 2006, comprehensively reviews all actual or potential risks on an annual basis (such reviews being externally facilitated) categorising these into critical, high, medium and low as well as immediate, medium or long term.

These risks, with particular focus on critical and high risks, are then reviewed and reported on to RNZ 2011 Board on a quarterly basis, albeit that immediate critical risks are the subject of discussion at each Board meeting.

The most critical current risks are –

- Adequacy of New Zealand's tourism infrastructure to cope with international and domestic visitor demand during the final three weeks of the Tournament;
- Adequacy of other resources for the same period including, for example, skilled labour;

- Factors impacting on RNZ 2011's ability to generate budgeted ticketing revenue including the global financial crisis, high knockout match ticket prices and severe limitations on the availability of quality accommodation; and
- Shareholders and key stakeholders potentially not making the most of this unique opportunity to create enduring benefits.

Issues of immediate importance

There are a number of issues of immediate importance (some of which are reflective of the critical risks referred to above) which will, or may, need Government focus over the next two to six months. Briefly summarised, those issues are –

1. Government decision on its appetite for and its resourcing of the "maximising the benefits" RWC legacy initiative;
2. Environmental sustainability strategy;
3. Eden Park, most particularly the impending "wrap up" resource consent application (which will cover transport management, development of the West Stand concourse and all temporary facilities for RWC 2011);
4. [9 (b)(ii)]
5. [9(b)(ii)]; and
6. MTA – balancing ticket revenue generation against achieving the "stadium of four million" vision.

"Maximizing the benefits"

The Government's strategic framework is in place, is sound and, in RNZ 2011's view, does not need revisiting.

In a limited number of areas, and working within existing constraints, there has been some good initial work already undertaken. Tourism New Zealand's "giant rugby ball" initiative and SPARC's support of the RWC 2011 Volunteers Project are two excellent examples. There has also been some good cross-agency work.

[9(b)(ii)]

What is missing, but which is something now needed urgently, is a firm decision from Government as to its appetite for this legacy initiative and the extent to which it will resource this initiative. The creation of a legacy will not happen by chance. It requires dedicated resources, including beyond the Tournament.

Until such a resourcing decision is made, Government agencies are, understandably, not committing to the implementation of the "RWC 2011 maximizing the benefits" strategy beyond what they are capable of within their current baseline funding. The results to date reflect that.

Environmental Sustainability (ES)

ES forms part of both the core Tournament delivery and also the legacy strategy.

The comments made above, relating to "maximising the benefits", are equally applicable here. There has been some good foundation work undertaken but nothing further of any significance can be done until Government decides what it wants to achieve in this area and how it will resource the initiative.

Eden Park Resource Consent

There is still one more major resource consent needed. The Eden Park Redevelopment Board's application for this wrap up consent will shortly be lodged. It is likely to be hotly contested by small interest groups, primarily neighborhood associations. While sufficient time has been allowed for the consent application to go through "due process", the application (which allows the venue capacity to be increased, from the permanent/legacy capacity of 50,000, temporarily to 60,000 for the duration of RWC 2011) must not be delayed or fail. The consequences for all key stakeholders would be dire.

[9(b)(ii)]

[9(b)(ii)]

[9(b)(ii)]

Match and Team Allocation (MTA) Process– balancing finance v “stadium of four million”

RNZ 2011 successfully navigated the challenge of finding the right balance between financial return and “stadium of four million” when allocating the knockout match venues and, in doing so, received huge nationwide support for those decisions (except from Hamilton). The options chosen were not the most lucrative financial options available but did strike the right balance.

We face the same issue again as we now move towards finalising the playing schedule, including venue allocations, for the 40 pool group matches. This decision is expected to be finalised by the RNZ 2011 Board on 24 February 2009 and then ratified by the RWCL Board (which has the final say) on 10 March 2009.

[9(b)(ii)]

Conclusion

RNZ 2011, and its Shareholders, can be pleased with the solid progress made so far on the project. Strong foundations are steadily being laid for the delivery of both the core Tournament and the festival.

However, without doubt, there will continually be issues of a serious nature arising throughout the project and some of these will require Government assistance to resolve.

There can be no room for complacency in a project of this size and importance to New Zealand.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'msnedden', written in a cursive style.

Martin Snedden
Chief Executive

RNZ 2011's Strategy for the Delivery of RWC 2011

PHILOSOPHICAL PRINCIPLES DRIVING RNZ 2011's STRATEGY

The four key Philosophical Principles underpinning our Vision and Key Strategic Goals for RWC 2011 are –

- ***“a platform for superb rugby”***: rugby is at the heart and core of this major sporting event - our main priority is to provide the best possible organisational base for the players and the Tournament
- ***“a Rugby World Cup festival”***: leveraging off the huge interest in this rugby event to inspire a nationwide festival and celebration
- ***“a stadium of four million”***: delivering this event in a way which engages, embraces and unites all New Zealanders
- ***“uniquely New Zealand”***: leaving our country's unique thumbprint on this event.

RNZ 2011's VISION FOR RWC 2011

*RWC 2011 will be an outstanding **tournament** and **festival** creating enduring benefits for **Rugby** and for **New Zealand** as well as great memories for everyone involved.*

RNZ 2011's KEY STRATEGIC GOALS

- **Goal One** : Delivering an operationally excellent tournament
- **Goal Two** : Achieving capacity crowds and achieving the RNZ 2011 budgeted financial result or better
- **Goal Three** : Inspiring a nationwide Rugby World Cup festival
- **Goal Four** : Creating enduring benefits