

TO: Council

FROM: Manager, Dunedin Chinese Garden

MEETING DATE: January 2013

SUBJECT: **AN UPDATE ON THE DUNEDIN CHINESE GARDEN
INCLUDING POSSIBLE SYNERGIES AND COST SAVINGS**

SUMMARY

A review has been undertaken on the management and operation of the Dunedin Chinese Garden (DCG). The Chinese Garden is a cultural asset for the city, commemorating the contribution the Chinese made as well as in recognition of the growing sister city relationship between Dunedin and Shanghai. The leadership in developing the city and Council's relationship with Shanghai, given recent impetus through the Economic Development Strategy, has largely been funded through the Chinese Garden, perhaps unjustifiably, through work by the Garden's manager and through that of the Chinese Garden Trust.

Management and operational options are put forward for the Council's consideration including synergies with Toitū Otago Settlers Museum (T-OSM). Options for the repayment of the existing loan are put forward and the first stage of a report into commercial options is discussed.

IMPLICATIONS FOR:

- | | |
|--|-----|
| (i) Policy: | No |
| (ii) Approved Annual Budget: | Yes |
| (iii) LTP/Funding Policy: | No |
| (iv) Activity Management Plans: | No |
| (v) Community Boards: | No |
| (vi) Sustainability: | No |

RECOMMENDATIONS

- 1 Note that the 2012/2013 budget for the Dunedin Chinese Garden is \$845,000 in expenses and \$260,000 in revenue (not including rates funding), with \$585,000 funded by ratepayer contributions.
- 2 Note that a transition plan is being developed to move the day to day management of the Dunedin Chinese Garden to sit within management of Toitū Otago Settlers Museum and the Shanghai relationships part of the function be moved to sit with the Economic Development team.

RECOMMENDATIONS

- 3 Agree the suggested actions to address Council's \$1 million 'gift' to build the garden, which sits as a loan and repayment plan within the Dunedin Chinese Garden budget and, during budget deliberations, consider using surplus cash at the earliest opportunity to accelerate debt repayment so the 'gift' is no longer treated as a 'debt'.
- 4 Note as part of that transition, that Council give an undertaking to revisit its Deed of Agreement with the Dunedin Chinese Garden Trust so as to keep current the relationship and expectations of both parties.
- 5 Note the commercial options proposed, which have further potential to reduce Dunedin Chinese Garden costs and/or increase revenue, will continue to be explored over the coming months.

INTRODUCTION

At the Annual Plan hearing in 2011, sparked by a Deloitte report (see Attachment 1) that stated no real opportunities existed to increase revenue at this time, a motion was put and carried:

"That a short report be prepared on the ability of the community groups (Chinese Garden Trust, Otago Settlers Association and possibly the Shanghai Sister City Society) to co-operate on the possible operational savings that could be made from incorporating/assimilating the Chinese Garden into the Otago Settlers Museum and, if there is potential for operational savings, what the capital costs of doing this would be."

This report seeks to address the questions raised in that motion and to address other questions raised by Councillors concerning the financial operation of the Dunedin Chinese Garden.

BACKGROUND

The Dunedin Chinese Garden (DCG) has been open to the public for over four years. The Dunedin Chinese Gardens Trust responsible for its completion and gifting to the City of Dunedin had this vision for its purpose:

"To build an authentic classical Chinese Garden to commemorate the contribution the Chinese people have made to the City of Dunedin, the province of Otago, and all of New Zealand."

They go on to describe the Garden:

"The Dunedin Chinese Garden is a gift to the city for all New Zealand, honouring the past, celebrating the present, and providing enlightenment on our shared path to the future".

From this vision the Trust presented the city with the only authentic Chinese Scholars Garden in the southern hemisphere, and this statement holds true to today.

Relationship with Shanghai

The Garden sits amongst a number of high level contexts, including its relevance to the New Zealand China relationship and the Free Trade Agreement signed between the two countries in 2008. The Garden is seen to further cement this growing tie. This strong tie can also be documented by comments made by the Chinese Ambassador last year when he stated that the DCG is an "important cultural link between the two countries".

The growing importance of the city's relationship with Shanghai, mostly recently emphasised in the Dunedin Economic Development Strategy (see Attachment 2), is a key context to be

considered as the DCG's position within the Council's assets is discussed. Other New Zealand cities have tried to acquire the coveted Sister City relationship with Shanghai but Dunedin has it and there is a strong belief that the Council should work hard to keep and strengthen it. To this end, the Dunedin Chinese Garden needs to be viewed as a strategic asset to keep the relationship viable. For Shanghai City, it means a valuable cultural and educational tool in further helping New Zealanders to understand its heritage and philosophies. It is also seen as an enhancement to the high level relationships already established with the New Zealand Government (cemented by the Government's commitment of \$3.75 million to the Garden project and the then Prime Minister personally opening the Garden in 2008). A recent letter to the Mayor from the Consul General's Office refers to this (see Attachment 3).

The Garden also means a great deal to the Chinese community in New Zealand and in Dunedin, and we, as a city, do trade on our Chinese heritage.

Since the DCG has been in operation, approximately one quarter to one third of the Manager's time has been spent on activities which are primarily concerned with improving the DCC civic relationship. In this, the Manager has been assisted by members of the DCG Trust. This activity therefore has sat as a cost to the DCG, perhaps unjustifiably.

Deed of Agreement

There exists a Deed Of Agreement between the Dunedin City Council (DCC) and the Dunedin Chinese Gardens Trust (DCGT) which was committed to in 2006 as the construction of the Garden was about to commence (see Attachment 4).

Of particular relevance to this report are the following points in the document:

1. it sets out the giving of the car park space for the current site of the Garden, which remains the property of the DCC.
2. the DCC declares it will maintain and operate the DCG from the period when construction is complete.
3. the Trust will continue after the completion of construction with the purpose of ensuring the protection of the authenticity and character of the DCG
4. the Trust will contribute and assist where appropriate, possibly with the maintenance, future development and promotion of the DCG. "This may require an updating of this Heads of Agreement at that point in time".

No further documents relating to this Deed of Agreement exist at this time.

Consideration should be given to updating this Agreement to bring it more in line with the state of the current relationship and to look more to the future and the responsibilities of each party. The Deed should also reflect the DCC's desire to maximise revenue and to reach accord on how this can be achieved by the partnership between the two parties.

Current Tourism Market, Visitor Satisfaction and Marketing

In the latest report available, the Garden achieved a Visitor Satisfaction level of 96%. The report is attached for viewing (see Attachment 5).

In the latest figures to the end of September 2012 they show that Dunedin has a decline in visitor numbers on previous years. Anecdotal evidence would suggest that it is a quiet and unpredictable season again and most tourism activities are likely to be reporting lower visitor numbers. However early indications from December/January visitation and revenue numbers are that the DCG has performed better than corresponding figures last year, especially since the re-opening of T-OSM.

There is a plan for marketing of the DCG and other culture activities within Council to be scrutinised in the next 6 months. Two recent reports regarding the DCG (the People's Panel and a Polytechnic student project) have both highlighted the need for a more concerted effort

to make the profile of the DCG and its activities and events more visible, especially to the local population.

The following table shows how the Garden is tracking in terms of visitor numbers with a similar attraction in size (Olveston), one within close proximity (Taieri Gorge Railway) and the DCC Visitor Centre's numbers:

| | | Visitors Centre | Olveston | Taieri Gorge | Chinese Garden | |
|-----------|-------------------------|-----------------|-----------------|--------------|----------------|--|
| 2009/2010 | Actual | 220 754 | 31 533 | 79 931 | 38 531 | <i>First year of operation 2008/2009</i> |
| | Change on previous year | -75 353 | -1 766 | 3965 | -44 662 | |
| | % change | -25% | -5.60% | 6.90% | -53.70% | |
| 2010/2011 | Actual | 220 065 | 27 000 | 77 511 | 33 631 | |
| | Change on previous year | -689 | -4533 | -2621 | -4900 | |
| | % change | -0.003% | -13.20% | -4.30% | -13.40% | |
| 2011/2012 | Actual | 216 758 | 23 900 (approx) | 79 958 | 28 243 | |
| | Change on previous year | -3307 | -3100 (approx) | 2447 | -5388 | |
| | % change | -0.02% | -12.9% (approx) | 3% | -16% | |

Rates Comparison with other Culture Activities

The table below shows ratepayer funding for DCG and other cultural facilities in the city:

| Budget for 2012/13 Year \$000 | Art Gallery | OSM | Otago Museum | Libraries | Botanical Gardens | Chinese Garden |
|----------------------------------|-------------|---------|--------------|-----------|-------------------|----------------|
| Rates | 3,541.9 | 4,734.5 | 3,767.9 | 9,802.8 | 2,321.7 | 585.4 |
| Operating Revenue | 643.8 | 294.0 | | 624.7 | 45.9 | 260.0 |
| Internal Revenue | | 203.7 | | 129.5 | 37.0 | |
| Total Revenue | 4,185.7 | 5,232.2 | 3,767.9 | 10,557 | 2,404.6 | 845.4 |
| Rates as a % of Total Revenue | 81.9% | 90.4% | 100.0% | 92.9% | 96.5% | 69.2% |
| No of Expected Visitors (approx) | 190,000 | 180,000 | 460,000 | 1,111,798 | 600,000 | 40,000 |
| Rates paid per visitor | \$18.64 | \$26.30 | \$8.19 | \$8.82 | \$3.87 | \$14.63 |

DISCUSSION

Current Financial Position of the Garden

The budget signed off at the Annual Plan 2012/13 deliberations is now current for this financial year, (see Attachment 6) and is summarised below:

| | |
|--------------------|--------------------------|
| Expenditure | (Total \$845,000) |
| Staffing | \$264,000 |
| Maintenance | \$42,000 |
| Gardening/Cleaning | \$153,000 |
| Security | \$20,000 |
| Operating Costs | \$151,000 |
| Council Overheads | \$122,000 |
| Loan Interest | \$59,000 |
| Loan Payment | \$34,000 |

| | |
|-----------------------|--------------------------|
| Income Targets | (Total \$260,000) |
| Entry | \$190,000 |
| Gift/Tea Shop | \$60,000 |
| Venue Hire | \$10,000 |
| Fundraising | \$37,000 (in 11/12) |

Ratepayer Contribution \$585,000 (2012/13)¹

Efficiency Review

The funding ratio set out in the Annual Plan 2012/13 will remain unchanged at 60% ratepayer funding, 40% self-funding. At this time the Garden has not met that requirement and leading up to the draft Annual Plan for the coming year has the ratio sitting at 69% ratepayer funding/31% self-funding. However, the 60%/40% split set as the expectation in the Long Term Plan (LTP) is achievable with some changes as set out in this document.

Four areas for the Council's consideration are now set forth with regards to the questions raised concerning cost savings and synergies:

1 Management and efficiency savings; T-OSM integration

Consideration has been given to ways for the Garden to reduce costs and increase operational synergies with T-OSM as requested. Council note that Council officers intend to progress plans to merge the operational management of the DCG into that of Toitū Otago Settlers Museum. Such a change can be made without reducing the current levels of service, and will deliver savings of approximately \$50,000-\$70,000 per annum.

A transition plan is being developed for this change, and this will be implemented in two steps over the next few months. This process needs to include discussions with both the Otago Settlers Association and the Dunedin Chinese Garden Trust. The DCG Trust board and the T-OSM board chair are aware of this proposal.

Step One: Transfer of 50% of the Manager role

The supervision of the four Visitor Services Officers and their DCG areas of responsibility will become the responsibility of management staff at T-OSM who are already supervising staff in similar positions – primarily the Facilities and Services Manager, but also the Functions and Events Co-ordinator and Retail Co-ordinator.

The civic relationship with Shanghai will no longer be part of the DCG functions. The existing DCG Manager will continue to be responsible for the maintenance and high level relationships with institutions in Shanghai. This half-time Shanghai civic relationships role, which will include responsibility for overseeing the DCCs "Linkages Beyond Our Borders" work agreed to in the Economic Development Strategy and renewing the Dunedin Shanghai Sister City Memorandum of Understanding (now lapsed), will be funded through a fund within the Economic Development Unit.

These changes will occur in the current financial year.

Step Two: Disestablish DCG Manager position entirely, from 1 July 2013

The transition plan will develop a process to move responsibility for maintenance of the gardens to specialists within the Property Department. Property currently manages external maintenance of DCC buildings, and as the entire DCG is primarily 'outside' this is considered appropriate.

At this step in the transition, the day to day operation of the DCG will become the responsibility of T-OSM. This will include Relationships with other Chinese Gardens internationally, and preparation of Activity Plans, budgets, setting and monitoring of performance targets, working with the Communications team on marketing etc.

¹ There has been a rise in ratepayer funding from the previous financial year of \$15,700 which is down from the reported \$67,000 at the Annual Plan hearings. Changes to the DCG's charges for depreciation are the result of this.

Based on the current ratepayer funding estimate this will decrease the expenditure budget by approximately \$50,000 for the coming year. This arises from disestablishing the Manager's role, adding a part time position (at a lower grade) in the T-OSM budget to cover the additional workload, and allowing for maintenance costs from City Property. Council-wide overhead savings will also accrue but will take another year to flow through into the DCG budget.

To this end a transition report is being prepared. It is important to note that the budget for the DCG will continue to be provided as a complete, distinct budgetary activity within the T-OSM budget. It is important that this transition in no way serve to hide or obfuscate the costs of the DCG, and that the full costs of the DCG continue to be easily seen and understood, although in a new location in the Annual Plan. However, costs that do not rightly belong to the DCG, for example Shanghai Sister City costs will be removed from the DCG budget.

2 *Loan and Interest Payments*

These result from the "gift" of \$1 million that the Dunedin Chinese Gardens Trust received from the Dunedin City Council to help complete the required funding for the building of the Garden.

The gift was not given to the Trust until evidence could be shown that the project was able to be completed and that other funding was secured. Once this was shown, the DCC gifted the \$1 million from a loan they drew down.

There is some disquiet regarding this arrangement on two fronts. The first is that the \$92,800 in yearly repayments is placing a high level of financial burden on the DCG budget and with a 20 year repayment plan in place this would not be resolved until 2029. The second is that in giving the DCGT a gift there was not an expectation on the Trust's part that this would become a financial burden on the operational budget of the Garden. A degree of concern from DCGT exists regarding this arrangement.

After budget meetings in November 2012 it was agreed that part of this report form a request to Councillors for discussions to be had regarding a resolution to agree to repayment of the loan with any surplus monies raised for the purpose of debt reduction, including but not limited to cash available in the current financial year. If agreed the ratepayer contribution for the DCG would reduce to well under the \$500,000 mark.

Council are asked to consider using surplus cash to accelerate DCG debt repayment at the earliest opportunity.

3 *Commercial Options*

When the DCG was designed and then built, it was done with the explicit purpose of it being a traditional and authentic Chinese Scholars Garden. It was not designed with the purpose of maximising its commercial opportunities and some types of change to the commercial nature of the Garden could require major re-development of its structure, and if not done with great care, could risk jeopardising its Scholars Garden status. It is important this status not be jeopardised unwittingly.

Commercial options for consideration were put to the Garden's Advisory Board Meeting (18 June 2012).

These included:

- Move the Gift Shop in the Reception Hall (requires capital spend but reduces staffing requirement)
- Use of marquees for enhancing DCG's role as a venue hire, such as for weddings
- Establishment of Yum Char Restaurant close by
- Use the Scholars Study for its proper purpose (take Manager's office out of the space)
- Extend the Tower Room
- Explore temporary types of covers for the Main Courtyard
- Make the existing kitchen in to a commercial grade kitchen
- Build a semi-permanent structure for Events/Functions/Theatre.

Agreement was then reached that City Property should investigate options it thought more viable. The first stage in an assessment by City Property is complete.

Two options from those listed above were seen by City Property to merit further investigation – moving the Gift Shop to the front entrance of the Garden and building a function space at the back of the Garden to accommodate 100 people seated. Preliminary drawings by Parker Warburton Architects are attached. (See Attachment 7)

The benefits of the Gift Shop at the entrance are seen to be:

- Visitors have to go through this area both on their way in to the Garden and as they are exiting, thereby lifting the profile of the shop and the option to purchase
- The new space will be larger than the existing space and more stock can be displayed and in a better, more commercial way
- It will allow people to come and purchase merchandise from the shop without having to gain entry to the Garden and is likely to increase sales from locals

The benefits of a large function space are:

- Without a function space that can comfortably accommodate 100 people all under cover in one room the Garden is at a commercial disadvantage for bookings
- The proposed space would allow us to hold commercially viable conferences, lunches, dinners, weddings and other such events for up to 100 people with access to a unique and stunning setting as part of the package
- The Garden could also hold more substantial and commercially viable activities around festival events
- It would allow us to run regular restaurant dinners more comfortably and successfully (we have a current client base who would come if we ran these)
- The space could be used during the day to run a more substantial café style offering than is currently in operation.

These will be reported back when the cost/benefit investigations are complete. This work needs to be done in an integrated fashion with consideration of the T-OSM commercial activity.

4 *Extra Revenue Earning and Cost Savings*

Efforts have also been made over the past 18 months to increase the Garden's revenue and decrease its costs. Whilst small in nature at this time we will continue to review and to look for ways to increase revenue.

In the 2012/13 year we have:

- Signed up to Westpac's Currency Converter scheme which gives visitors a choice of currency when paying by EFTPOS/Visa, and each foreign currency transaction provides the Garden with a commission.
- Increased sales revenue in the Gift Shop and have met budget.
- Acquired funding from external sources including Asia NZ, SBS Bank, Otago Community Trust, and the Dunedin Chinese Gardens Trust for a range of activities and maintenance items to the value of \$40,000.
- Decreased our water charges over the past year from approximately \$2,000 each quarter to \$700 – this is sustainable going forward.
- Decreased our staffing levels in general and especially over the winter months without compromising service levels.
- Introduced winter operating hours for the second year running and increased the period of these from two months to three. This means we are not operating on Wednesday evenings from 7-9pm and can save on both operating and staffing costs.
- Will be introducing an audio tour option which we estimate will pay for itself and begin making a profit within 12 months.

CONCLUSION

Three options to reduce ratepayer contributions for the DCG have been explored.

The first is the implementation of a two-step approach to the integration of management of the DCG in to the T-OSM management which will reduce costs by approximately \$50,000 - \$70,000. This process includes removing the cost of civic relationship functions carried out the DCG Manager from the DCG budget, and instead funding that function using existing funding in the Economic Development area.

The second is consideration by Councillors to pay off the \$1 million loan using monies raised for the purpose of debt reduction would see the annual expenditure budget of the Garden reduce to under \$0.5 million by 2015/16.

The third relates to two commercial options that have been identified as possible ways for the garden to increase its revenue stream. These will be reported back to Council for consideration once detailed cost/benefit assessments are complete.

Finally, other smaller fundraising efforts are noted for Councillor's information.

Any changes that could be seen to affect the status of the Garden need to be carefully considered in light of the existing and growing relationship with Shanghai. As is set out in the Deed of Agreement with the Dunedin Chinese Gardens Trust, any decision making about the Garden should be done with the full knowledge and agreement of the Trust. We ask for consideration to be given in to updating this Agreement.

Prepared by:

Approved for submission by:

Margo Reid
**MANAGER, DUNEDIN CHINESE
GARDEN**

Sue Bidrose
**GENERAL MANAGER CITY STRATEGY AND
DEVELOPMENT**

Date report prepared: 14 January 2013

Attachments

- 1 Deloitte Report, December 2010
- 2 Extract from Dunedin's Economic Development Strategy
- 3 Letter to the Mayor from the Chinese Consul General, August 2012
- 4 Deed of Agreement
- 5 DCG Visitor Satisfaction Survey 2012 Results
- 6 High Level Budget 2012/2013
- 7 Parker Warburton Architects preliminary drawings

13 December 2010

Graeme Hall
Dunedin City Council
Octagon
DUNEDIN

Dear Graeme

The Dunedin City Council has requested Deloitte to review and comment on the financial performance of the Dunedin Chinese Garden and to recommend ways this could be improved.

1. Financial Performance

A summary of the actual results for the 2009 and 2010 financial years and the DCC approved budgets for the 2010, 2011 and draft budget for the 2012 financial year are as follows:

| | Actuals 2008/09 | Actuals 2009/10 | DCC Budget 2009/10 | DCC Budget 2010/11 | DCC Draft Budget 2011/12 |
|------------------------------|--------------------|--------------------|-----------------------|-----------------------|-----------------------------|
| Revenue | | | | | |
| General Rates Operations | 269,054 | 262,404 | 262,400 | 276,900 | 569,700 |
| External Operating Revenue | 516,717 | 252,138 | 677,000 | 669,000 | 380,000 |
| Total Revenue | 785,771 | 514,542 | 939,400 | 945,900 | 949,700 |
| Expenditure | | | | | |
| Staff Costs | 238,814 | 209,509 | 299,600 | 277,300 | 255,600 |
| Operating Costs | 143,727 | 163,530 | 250,400 | 245,100 | 205,600 |
| Internal Costs | 417,920 | 553,509 | 396,100 | 430,200 | 495,200 |
| Total Expenditure | 800,461 | 926,548 | 946,100 | 952,600 | 956,400 |
| Net Surplus/(Deficit) | (14,690) | (412,006) | (6,700) | (6,700) | (6,700) |

The revenue levels achieved in the 2010 financial year have fallen well short of what was estimated in the DCC approved budget (it is worth noting that the 2009/10 actual external operating revenues of \$252,138 were just above the draft budget included in the original operational assessment report). In the first year of operation the Dunedin Chinese Garden experienced a 'honeymoon' period where the novelty of a new experience attracted substantial visitor numbers. The revenue levels achieved in the first year gave the council inflated expectations of possible future visitor numbers. This is reflected in the high budgeted external operating revenue in the 2010 and 2011 financial years. As the novelty of the Garden wore off, and the economic recession set in, visitor numbers dropped off to what is likely to be a more realistic long term level.

A sound and active marketing plan may help increase visitor numbers somewhat, but based on statistics of similar tourist attractions in Dunedin, numbers are not likely to ever reach the budgeted figures for 2010 and 2011.

Total expenditure was below the DCC budget in 2010, with savings in staff and operating costs covering the over expenditure in internal costs. Internal costs are largely made up of repairs and maintenance of the gardens that are carried out by the Community and Recreation Services Department. Numerous unexpected maintenance requirements arose in the first couple of years of operation and have continued into the 2011 financial year. It is expected that the repairs and maintenance costs will drop back now that the Garden has settled into a regular maintenance routine and the majority of any initial one-off maintenance issues will have been dealt with. Significantly reducing or deferring the repairs and maintenance costs would only be to the detriment of the ongoing quality and unique aesthetics of the Garden.

Based on past performance of both the Dunedin Chinese Garden and similar tourist attractions in Dunedin the 2012 draft budget would appear to have been set at a more realistic level. The external revenue levels have been decreased to \$380,000 but are still a large step up in terms of visitor numbers. Reaching this target will be a challenge, but could be achievable with an effective marketing plan to ensure the right market is being targeted and reached. Internal costs have been increased which will allow for an appropriate level of maintenance to occur in order to ensure the quality and authenticity of the Garden continues.

2. Improvements

There are two areas where financial performance can be improved:

- **Decrease Costs**

The Dunedin Chinese Garden has a largely fixed cost base which makes it difficult for considerable cost savings to occur.

The largest expenditure item is repairs and maintenance which is vital to the longevity and sustainability of the Garden. We would not recommend cutting back on the maintenance costs as this only defers costs and is not a long term solution to profitability.

The second largest cost to the Garden is staffing costs. Currently there is an employee taking admission fees on the entrance, another employee staffing the shop and cafe and a volunteer assisting when required. We understand some consideration had been given to removing the admission fee in order to eliminate the need for a full time employee at the entrance. With the current level of admission fees for casual visits of around \$165,000 being significantly greater than the cost of having an employee on the entrance (\$40,000) we do not believe this is a viable option. It is also likely that the number of casual visits will increase in the future with the introduction of a comprehensive marketing plan.

- **Increase Revenues**

There are a number of opportunities for increasing revenues. However, most are not without their difficulties.

The largest risk for the Gardens is the risk of being considered a one visit destination. The Garden is a static attraction that does not change over time, so there is a very real risk that

local visitors will visit only once. There may be merit in carrying out a survey to obtain an understanding of how often locals believe they would visit the Garden. This knowledge would assist in where to focus marketing strategies and marketing spend.

Depending on the demand for frequent visits from the local market, focus could be placed on annual passes. Expanding on the local market's awareness of the Garden and turning a one-off visit into an annual pass will help build the profile and brand of the Garden. To assist in creating more repeat visits or increasing annual pass sales there may be some opportunities for providing entertainment in the Garden on occasions. This would help create a different experience in the Garden and increase the chances of locals re-visiting.

Like any business, the Dunedin Chinese Garden should have multiple channels to market. To hedge against reliance on the repeat visits and annual pass sales the tourist market should not be overlooked. Targeting the tourist market; hotels, cruise ships etc may be a lucrative revenue stream. However this would have to be weighed up with the potential 'political' issues associated with the council competing against, and possibly capturing market share from other local tourist activities.

Regardless of the options employed to increase visitor numbers and revenue, investment in creating an effective marketing plan (that considers target volumes and pricing) will assist in achieving the budgeted external revenue.

3. Non-financial Considerations

The focus of this letter is on understanding the financial performance of the Dunedin Chinese Garden, and ways this can be improved, but attention should not be completely drawn from the original vision of the Garden:

"To build an authentic classical Chinese Garden to commemorate the contribution the Chinese people have made to the city of Dunedin, the province of Otago, and all of New Zealand".

The Dunedin City Council needs to continue to consider the non-financial contributions the Garden makes to the city. Amongst other things, the Dunedin Chinese Garden is a good educational instrument, supports the city's relationship with Shanghai and gives recognition to the large Chinese population based in Dunedin. If visitor numbers cannot be increased to projected levels with the assistance of a marketing plan the resulting deficit may have to be considered a cost of enriching the cultural heritage of Dunedin.

4. Conclusion

The largely fixed cost nature of the Dunedin Chinese Gardens means there is no significant room for cost cutting in expenditure. Cutting back on the main cost of the Gardens; repairs and maintenance is not a viable option as this only defers the cost and puts the quality and sustainability of the Gardens at risk.

Various opportunities exist to increase visitor numbers and revenue however these need to be investigated and focused with a co-ordinated and well thought out marketing plan. The Dunedin Chinese Gardens face a risk of being considered a one visit destination. Carrying out a survey to gain knowledge of how often locals believe they would visit the Gardens will assist in where to focus marketing efforts. If repeat custom of local residents is likely to be

low, focus should be shifted from annual pass sales and moved to the tourism market by way of targeting cruise ships, hotels etc.

Yours sincerely
DELOITTE

pp:



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STRATEGIC THEME 4:

Establish linkages beyond our borders

Dunedin cannot reach its economic goals if it does not work with others. The first Action involves identifying ex-Dunedin people to act as ambassadors; the second proposes profiling Dunedin opportunities in sister city Shanghai; the third is focused on attracting business and investment to the city.

Dunedin is on the edge of the world, but that does not mean we have to isolate ourselves. Feedback tells us that our residents view “fostering stronger relationships with people who studied in Dunedin, so they invest in, return to, or support Dunedin” and “strengthen the links between industries and businesses across the Otago region” as high economic priorities.²⁹

Regional linkages

Dunedin is small, but there are opportunities to increase scale through working with our neighbours, as well as other cities in New Zealand. We are already working with Auckland, Hamilton, Tauranga, Wellington and Christchurch to better understand our complementary strengths and opportunities for working together. This could mean, for example, working with Auckland to examine a Dunedin presence within Auckland-based innovation precincts. The University of Otago already has significant campuses in Wellington and Christchurch; the University and Otago Polytechnic both have bases in Auckland. These “footholds” could be used to help Dunedin become more relevant to these cities.

On our doorstep are the Southland region, Queenstown Lakes and the wider Otago region. There is some healthy competition occurring, but we need to make sure that we collaborate to compete on the world stage, rather than compete amongst ourselves. Dunedin needs Otago, and Otago needs Dunedin. Tourism is one area where we can leverage each of our strengths to create competitive advantage. Queenstown is known for adventure tourism, Central Otago is wine country, Te Anau and Fiordland have World Heritage Status and the Great Walks, and Dunedin is a regular stop over for cruise ships. We can band together to give visitors, and potential residents, a tourism experience like no other.

Christchurch has suffered terribly in the September 2010 and February 2011 earthquakes. We need to identify tangible ways we can use our industrial strengths to support the earthquake recovery efforts. This could mean lending support through our experience with earthquake strengthening, partnering with Christchurch businesses on international sector marketing efforts, secondments in the niche manufacturing and engineering sector, formal relationships with the University of Canterbury Engineering School, and running business exchange programmes.

Diaspora

Our past residents and students take an active part in the international community, and they are an untapped source of talent, investment and international connections. They work in, own and manage large multinational companies. They are big investors in their own right and are at the forefront of new knowledge, science and research. (For example, University of Otago alumni hold senior positions in ANZ Banking Group, Pfizer Inc, Sangamo BioSciences, Lockheed Martin and KPMG San Francisco.)

The University of Otago alone has more than 78,000 registered alumni, with most living outside the South Island and large numbers based overseas. Research shows that alumni are positive about the city and keep up with its progress. However, their perception of a lack of well-paid jobs and the climate are barriers that prevent many from returning.

We need to engage our diaspora in a meaningful and targeted way. This may include alerting them to job opportunities and positive changes in Dunedin. Additionally, there is a role for diaspora to act as city ambassadors – championing the city, providing valuable business and market contacts, and making direct investments.

China

Dunedin also has formal international links through the sister cities' programme. Dunedin has four sister cities: Edinburgh (Scotland), Otaru (Japan), Shanghai (China) and Portsmouth (US). The Portsmouth relationship is largely dormant, but there are strong, mostly culturally-based linkages with the others. Given that Dunedin already has established relationships with other cities, there is an opportunity to further explore the extent to which greater economic value can be extracted. Dunedin's relationship with Shanghai is the most advanced and has the most potential to expand commercial opportunities. The Dunedin-Shanghai relationship was pivotal in the development of the Chinese Gardens, establishing a relationship with the Shanghai Museum and identifying and commissioning the appropriate China-based garden construction contractor.

Air linkages

A key enabler of international connections, other than ultra fast and quality broadband, is air links. The Dunedin International Airport has a daily schedule of flights to Auckland, Wellington and Christchurch (with onward connecting flights to other New Zealand destinations). There are some direct flights also available to Australia and long-haul international flights available via Auckland and Christchurch. Four airlines operate from Dunedin International Airport: Air New Zealand, Jetstar, Pacific Blue and Mainland Air. Passenger movements from and into Dunedin are much lower than in larger centres like Christchurch, Wellington and Auckland. While frequency is a continuing issue hampering our connectivity to the world, so too is cost. We must work with our airlines, airport, businesses (in tourism and other sectors) and residents to ensure air linkages meet our requirements.

Our ports and rail network also play a vital role in moving people and freight. The supporting road transport infrastructure needs to connect people and freight efficiently to these hubs.

Business and investment attraction

Other parts of this Strategy have discussed how we can create and support new businesses, and facilitate the sectors and businesses we already have to innovate and improve their performance. However, we can also encourage new and more businesses and investment to enter and stay in Dunedin.

We need to bring new opportunities into the city, through pro-active business and investment attraction. In doing so, it is timely to re-examine Dunedin's existing investment opportunities and develop a strategy for attracting international projects and investments consistent with our economic strategy.

ACTIONS

Dunedin Ambassadors programme

Identify ex-Dunedin residents to act as offshore champions, mentors and connectors. Actively connect champions with Dunedin businesses and organisations.

Lead agency: Dunedin City Council

Partner agencies: KEA (Kiwi Expats Association), New Zealand Trade and Enterprise, Otago Chamber of Commerce, Otago Southland Employers' Association, University of Otago

Project Shanghai

Identify specific business and investment opportunities in Dunedin that can be profiled in Shanghai.

Lead agency: Dunedin City Council

Partner agencies: New Zealand Trade and Enterprise, Ministry of Foreign Affairs, Otago Chamber of Commerce, business leaders, University of Otago

Business and investment attraction

Develop collateral that articulates Dunedin's value proposition to businesses and investors in New Zealand and offshore. Work with partners to identify specific investment opportunities and sources of likely investment.

Lead agency: Dunedin City Council

Partner agencies: New Zealand Trade and Enterprise, Kiwi Expats Association, Immigration NZ

Dunedin needs Otago, and Otago needs Dunedin.

中华人民共和国驻克赖斯特彻奇总领事馆

Consulate-General of the People's Republic of China in Christchurch

106 Hansons Lane, Christchurch, New Zealand. Tel: (03) 341 8536, Fax: (03) 3418071

13 August 2012

His Worship the Mayor
Mr. Dave Cull
Dunedin City Council
DUNEDIN

Your Worship Mayor Cull,

We note the negative tone of some recent comments in your local newspapers and wish to offer you our ongoing support for the Chinese Garden while at the same time acknowledging the financial support the Dunedin City Council continues to provide for this important cultural asset.

This year marks the 40th anniversary of diplomatic relations between China and New Zealand, and the importance of this relationship is shown by the Chinese Government opening a Consulate General in the South Island. The Consul-General, Madam Tan Xiutian, visited Dunedin earlier this year to introduce herself to Dunedin and at that time stated that Dunedin is an important link to this relationship given the significant role the early Chinese population played in the region's history.

Those links are important to both countries and your Chinese Scholar's Garden is seen very much as an important recognition of the lasting relationship between New Zealand and China and, just as importantly for Dunedin, as a symbol of the strength of your relationship with your sister city Shanghai.

There is clear evidence through your schools, Polytechnic and University, in the city's growing links with China and in your cultural institutions how highly we value these sister city links which are best expressed publicly by the value we place on this Garden.

Our combined efforts to maintain its authenticity serves to remind people of the Chinese culture and the place it holds in our shared histories, bringing about a better understanding of our cultures.

Yours truly

A handwritten signature in black ink, appearing to be '王新民' (Wang Xinmin), written in a cursive style.

WANG Xinmin
Acting Consul- General
Chinese Consulate
CHRISTCHURCH

BETWEEN
THE DUNEDIN CITY COUNCIL
AND
THE DUNEDIN CHINESE GARDEN TRUST

DEED OF AGREEMENT

BETWEEN THE DUNEDIN CITY COUNCIL ("the Council").

AND THE DUNEDIN CHINESE GARDEN TRUST ("the Trust").

BACKGROUND

- A. The parties are in discussion concerning the proposed development of a Chinese Garden facility at the corner of Rattray Street and Cumberland Street, Dunedin.
- B. The parties have earlier recorded their agreements by a series of letters and this Deed of Agreement is to progress those understandings in a more formal way.

NOW THEREFORE it is agreed:

1. Development Concept

The parties agree that the Development Concept for the Chinese Garden shall be as shown on the attached plans with the overall project to comprise of the elements 1 to 21 as per the legend on the attached plan. Any material departure from these elements needs to be agreed by the parties.

2. Commitment to Development of Chinese Garden

- 2.1 The parties, subject to appropriate Council and the Trust approvals, hereby mutually commit to continuing to co-operate with each other to bring about this development in accordance with the Development Concept plan and in accordance with the allocation of responsibilities hereunder.
- 2.2 The parties will avoid acting in any way which is inconsistent with carrying out the development concept, and in particular not to enter any agreements or otherwise deal with third parties in a way capable of frustrating the implementation of any aspect of the development concept.
- 2.3 The parties will continue to negotiate in good faith with each other, with the intent of concluding and documenting all matters, which may be necessary to give effect to the development concept.
- 2.4 For the avoidance of doubt, the land upon which the Chinese Garden is to be located, and the Garden itself, shall at all times be, and remain the property of the Council.

3. **Principal Agreements**

- 3.1 The Council will make available the land described in Appendix 2 for the Chinese Garden.
- 3.2 The Trust will engage consultants and contractors including the Shanghai Construction Company, to develop plans, contract documents and arrangements and the construction of the Chinese Garden on the above site.
- 3.3 The Council will contribute \$1 million exclusive of GST towards the construction of this project as well as making available the above land in clause 3.1. The Council will make its financial contribution upon receipt of appropriate signed construction contracts from the Trust.
- 3.4 The Trust will be responsible for all resource consents, building consents and the establishment of services required to the site. The Trust will be responsible for constructing and establishing the Chinese Garden up to the point where a code compliance certificate has been issued under the Building Act, and the Garden is completed and ready for use by the public.
- 3.5 The Council will require of the Trust confirmation that it has all the necessary funding and contracts in place for construction, etc, and the Council will need to be satisfied as to the ongoing maintenance requirements for the garden prior to the Council providing final approval for construction to commence on site.
- 3.6 The Council undertakes to maintain and operate the Chinese Garden from the period when construction is complete as described in clause 3.4 above. This undertaking is reliant on a maintenance manual being provided by the Trust and further agreement between the Trust and the Council in respect to the quality and quantity of the necessary operation and maintenance.
- 3.7 The issue of either free admittance or a charge for admittance or a charge for admittance has been discussed but it is noted within this agreement that there has been no decision on this. Such a decision will be made by the Council but with consultation first with the Trust.
- 3.8 The Trust is responsible for all fundraising towards the construction of the project but it is acknowledged that the Council, where possible, may assist by providing staff and resources to assist with any promotion for fundraising campaigns.
- 3.9 The Trust acknowledges the City may wish to erect further buildings in respect to the Otago Settlers Museum adjacent to the Chinese Garden but that it will consult with the Trust before utilising the area directly north of the Chinese Garden footprint. This is to ensure that this area is able to be considered for any planned expansion of the Chinese Garden at a future date. This is not to be a promise by the Council for this area to be used for any Chinese Garden or associated development, but an agreement that there will be appropriate discussions before any future of that area is established.
- 3.10 At the completion of construction the Trust will continue to function with the purpose as follows.
 - a. To ensure the protection of the authenticity and character of the Chinese Garden.

The Dunedin Chinese Garden Visitor Satisfaction Quarterly Report July - September 2012



Method and Response

Chinese Garden staff proactively handed out surveys to visitors at the Chinese Garden during the July to September quarter of 2012. By the end of September, 50 surveys were returned. Note that figures have been rounded and that not everyone chose to answer all questions.

Overall Satisfaction

| | No. | % |
|------------------------------------|-----------|-------------|
| Very Satisfied | 40 | 80% |
| Satisfied | 8 | 16% |
| Neither Satisfied nor Dissatisfied | 2 | 4% |
| Dissatisfied | 0 | 0 |
| Very Dissatisfied | 0 | 0 |
| TOTAL | 50 | 100% |

96% of visitors surveyed were very satisfied or satisfied with the Dunedin Chinese Garden overall this quarter. This is similar to the previous quarter (95%).

What Country do you Come From?

| Country | No. | % |
|--------------------------|-----------|-------------|
| New Zealand | 36 | 72% |
| Australia | 5 | 10% |
| United States of America | 2 | 4% |
| United Kingdom | 1 | 2% |
| Chile | 1 | 2% |
| China | 1 | 2% |
| India | 1 | 2% |
| Korea | 1 | 2% |
| Malaysia | 1 | 2% |
| South Africa | 1 | 2% |
| TOTAL | 50 | 100% |

What City or Town do you Come From?

| | |
|--------------------------|--|
| New Zealand | Dunedin (x14), Auckland (x7), Christchurch (x5), Cambridge, Geraldine, Hamilton, Kapiti Coast, Kerikeri, Matamata, Oamaru, Tauranga, Temuka, Timaru, Whanganui (x1 each) |
| Australia | Brisbane (x3), Melbourne, Sydney (x1 each) |
| United States of America | Los Angeles |
| United Kingdom | Yorkshire |
| China | Beijing |
| India | Jammu |
| Korea | Seoul |
| Malaysia | Penang |
| South Africa | Cape Town |

Method of Admission

| | No. | % |
|------------------------|-----------|-------------|
| Single admission pass: | 44 | 88% |
| Season ticket: | 6 | 12% |
| Guided tour | 0 | 0 |
| TOTAL | 50 | 100% |

Where did you hear about the Chinese Garden?

| | No. | % of 50 respondents |
|-------------------------------|-----------|---------------------|
| Friends/family | 16 | 32% |
| Newspaper | 12 | 24% |
| i-SITE | 9 | 18% |
| Internet | 9 | 18% |
| Saw it when passing/saw signs | 7 | 14% |
| Other | 1 | 2% |
| TOTAL | 54 | |

Note that some people chose more than one option.

Satisfaction with Aspects of the Dunedin Chinese Garden (CG)

| | Very Satisfied | Satisfied | Neither Satisfied nor Dissatisfied | Dissatisfied | Very Dissatisfied | Don't Know | Total |
|---|----------------|------------|------------------------------------|--------------|-------------------|------------|-------------|
| Appearance and layout: | 43 | 7 | 0 | 0 | 0 | 0 | 50 |
| | 86% | 14% | 0% | 0% | 0% | 0% | 100% |
| Hours CG is open each day: | 38 | 9 | 2 | 0 | 0 | 1 | 50 |
| | 76% | 18% | 4% | 0% | 0% | 2% | 100% |
| Friendliness and helpfulness of staff: | 36 | 11 | 3 | 0 | 0 | 0 | 50 |
| | 72% | 22% | 6% | 0% | 0% | 0% | 100% |
| Knowledge of staff: | 27 | 8 | 8 | 0 | 0 | 6 | 49 |
| | 55% | 16% | 16% | 0% | 0% | 12% | 100% |
| Information and understanding of background and cultural aspects of CG: | 25 | 12 | 8 | 2 | 0 | 2 | 49 |
| | 51% | 25% | 16% | 4% | 0% | 4% | 100% |
| Service at the Tea House: | 23 | 9 | 6 | 0 | 0 | 9 | 47 |
| | 49% | 19% | 13% | 0% | 0% | 19% | 100% |
| Price of admission: | 30 | 10 | 6 | 1 | 2 | 0 | 49 |
| | 61% | 20% | 12% | 2% | 4% | 0% | 100% |
| Availability of car parking for visitors to CG: | 29 | 6 | 7 | 0 | 0 | 5 | 47 |
| | 62% | 13% | 15% | 0% | 0% | 11% | 100% |
| Variety of gifts in Gift Shop: | 24 | 15 | 7 | 0 | 0 | 3 | 49 |
| | 49% | 31% | 14% | 0% | 0% | 6% | 100% |
| Overall satisfaction with the Dunedin Chinese Garden: | 40 | 8 | 2 | 0 | 0 | 0 | 50 |
| | 80% | 16% | 4% | 0% | 0% | 0% | 100% |

Other Comments or Suggestions on how to Improve the Chinese Garden

There were 27 positive comments and nine other suggestions which are listed in full below.

Positive Comments – a selection:

- Wonderful.
- No, but I want to come back sometime.
- Beautiful.
- Amazing.
- Had a great visit. Wonderful entertainment for the children.
- It's beautiful as it is.
- Beautiful place to come and visit.
- Fabulous - much better than I imagined.
- Very well we enjoyed it a lot. Thanks.
- Happy year of the Dragon. Beautiful place.
- Beautiful gardens.
- Very peaceful place - it's wonderful.
- Love it.
- Beautiful peaceful place.
- Beautiful.
- A wonderful tranquil space - a real tribute and asset for Dunedin - lovely.
- Very special.
- Would recommend to any visitors to Dunedin.

- It's a beautiful place.
- Excellent.
- This is a fabulous place. It is a great asset for Dunedin. Take care of it.
- Excellent.
- Simply wonderful!
- Well done - it's beautiful!
- Just beautiful, loved it.
- Amazing.
- Arrived at 4.30 pm, so didn't see it all, but very pleased anyway.

Other Suggestions:

- Have more information labels.
- \$6 is good - \$9 is too much.
- Do more weekend events for children/families.
- More seated areas for groups.
- Please provide more plants on the outside of the walls. Thank you.
- Have information about upcoming events available as text only and not PDF for us non-broadbanders.
- I didn't see any goldfish in the big pond.
- It should be free. Generate more income from coffee, tea - tai chi classes etc.
- Have free admission. Donation admission and coffee.

Report completed by:

Corporate Policy Team, Dunedin City Council,

Contact Anne Gray, agray@dcc.govt.nz , with any questions.

October 2012

Chinese Garden

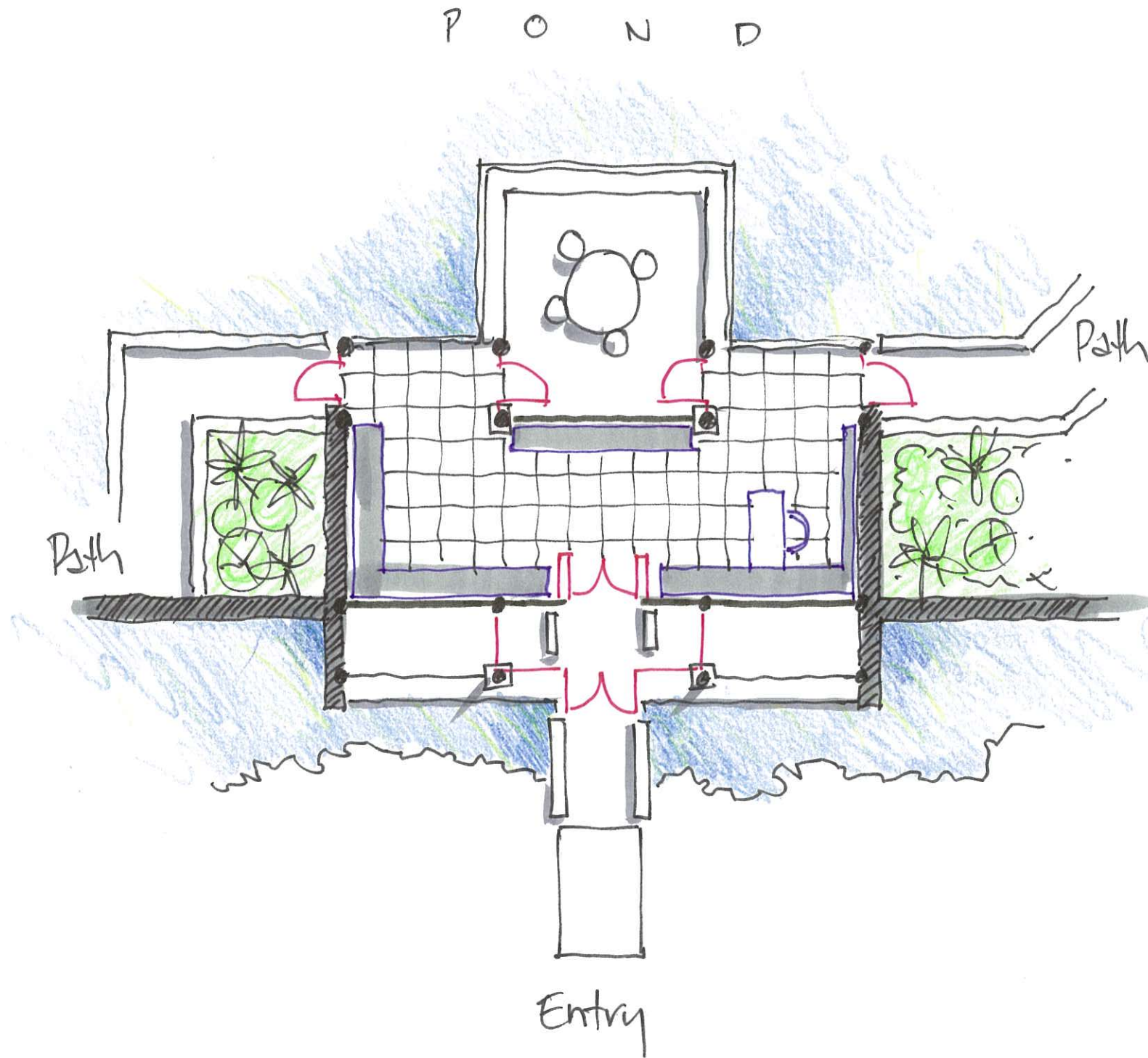
Dunedin City Council

22-Aug-2012 11:37 a.m.

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------------------------|---------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 30 June 2013 to 30 June 2022 | | Approved Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget | Draft Budget |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Income Statement

| | | | | | | | | | | | | |
|-----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | | | | | | | | | | | | |
| Rates | | | | | | | | | | | | |
| General Rate | 276.9 | 569.7 | 585.4 | 585.3 | 585.4 | 585.4 | 585.4 | 585.5 | 585.4 | 585.5 | 585.5 | 585.5 |
| External Revenue Operating | | | | | | | | | | | | |
| Chinese Garden | 224.0 | 380.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 | 260.0 |
| External Revenue Capital | | | | | | | | | | | | |
| Chinese Garden | 4.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 504.9 | 949.7 | 845.4 | 845.3 | 845.4 | 845.4 | 845.4 | 845.5 | 845.4 | 845.5 | 845.5 | 845.5 |
| Expenditure by Outputs | | | | | | | | | | | | |
| Chinese Garden | 949.1 | 956.4 | 845.4 | 845.3 | 845.4 | 845.4 | 845.4 | 845.5 | 845.4 | 845.5 | 845.5 | 845.5 |
| Total | 949.1 | 956.4 | 845.4 | 845.3 | 845.4 | 845.4 | 845.4 | 845.5 | 845.4 | 845.5 | 845.5 | 845.5 |
| Net Surplus(Deficit) | (444.2) | (6.7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditure by Inputs | | | | | | | | | | | | |
| Staff Costs | 264.7 | 255.6 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 | 264.0 |
| Operational Costs | 240.2 | 205.6 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 |
| Internal Costs | 444.2 | 488.5 | 430.1 | 430.0 | 430.1 | 430.1 | 430.1 | 430.2 | 430.1 | 430.2 | 430.2 | 430.2 |
| Interest Costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Depreciation | 0.0 | 6.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 949.1 | 956.4 | 845.4 | 845.3 | 845.4 | 845.4 | 845.4 | 845.5 | 845.4 | 845.5 | 845.5 | 845.5 |



 new glazed doors
 retail display.

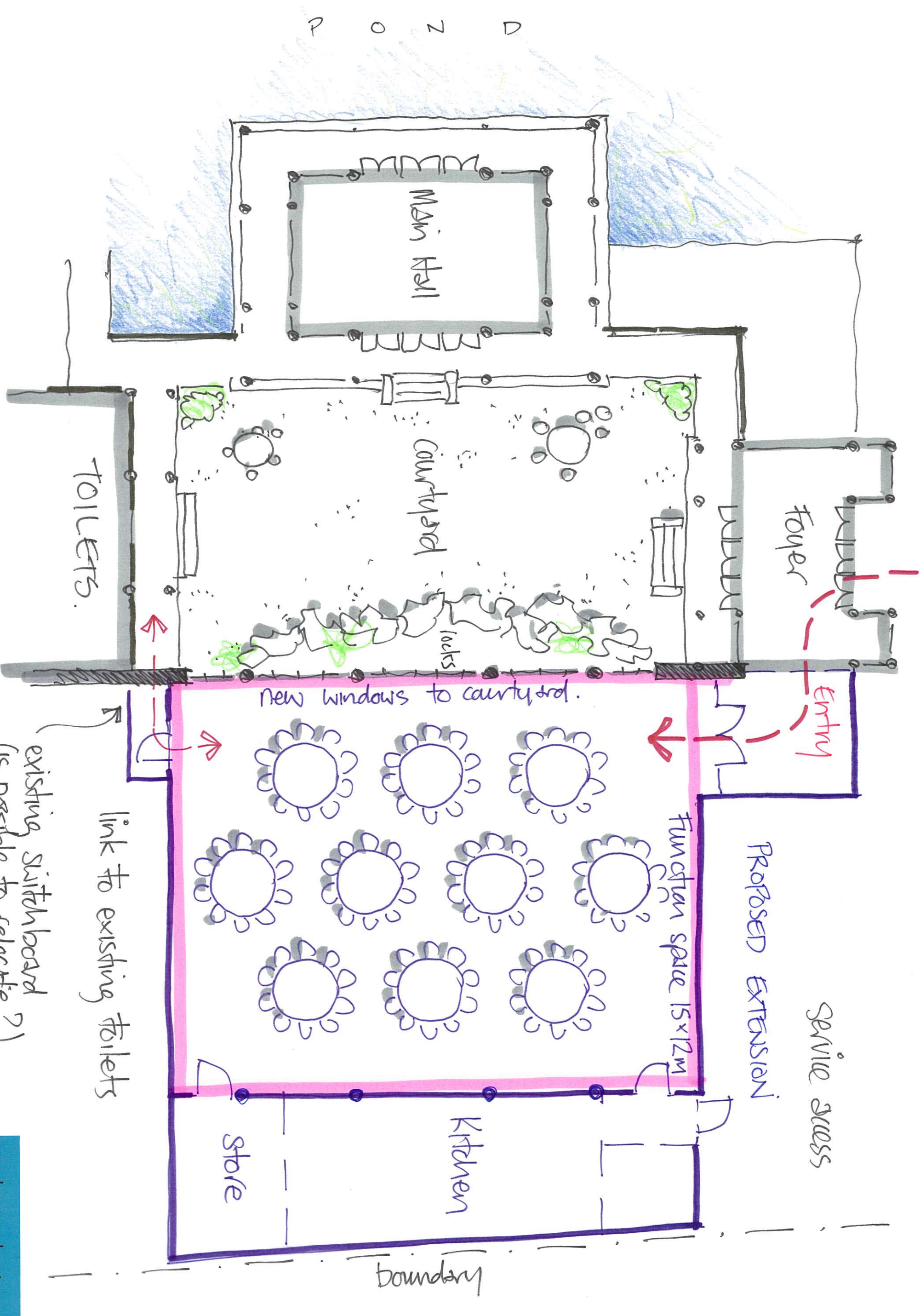
Chinese Garden Entrance / Shop *Proposed Plan*

1:100 @ A3

17.12.12

parker warburton
teamarchitects

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3 Frederick Street PO Box 680 Wanaka 9343 New Zealand
p.+64 3 4741825 (DN) p.+64 3 4431825 (WNK) www.pwta.co.nz



Chinese Garden Function Space Proposed Plan

1:100 @ A3 17.12.12.