
New Zealand Participation at Expo 2020 Dubai

Indicative Business Case

Prepared by:	EY
Prepared for:	MFAT
Date:	18 November 2016
Version:	1.8
Status:	Final

Expo 2020 Dubai Indicative Business Case

Document Control

Document Information

	Position
Document ID	MFAT to populate
Document Owner	MFAT to populate
Issue Date	MFAT to populate
Last Saved Date	MFAT to populate
File Name	MFAT to populate

Document History

Version	Issue Date	Changes
1	3 October	N/A
1.1	7 October	Changes made to reflect comments from the Dubai Expo 2020 Taskforce
1.2	17 October	Changes made to reflect comments from the Treasury End Point clinic
1.3	25 October	Changes made to reflect comments from an inter-agency Presentation
1.4	27 October	Changes made to reflect comments associated with the Budget Bid process
1.5	28 October	Changes made to reflect comments from the Dubai Expo 2020 Taskforce
1.6	14 November	Changes made following formal Peer Review feedback
1.7	18 November	Minor editorial changes made.
1.8	22 November	Minor editorial changes made.

Document Review

Role	Name	Review Status
Project Manager	TBC	

Document Sign-off

Role	Name	Sign-off Date
Project Manager	TBC	
Senior Responsible Owner/ Project Executive	TBC	

Contents

Contents	4
Strategic Case	6
Strategic Context	13
Investment Objectives, Existing Arrangements and Business Needs	23
Main Benefits and Risks	31
Conclusion	38
The Economic Case – Exploring the Preferred Way Forward	41
Critical Success Factors	41
Long-List Options and Initial Options Assessment	43
The Short-listed Options	49
Short- list Options Analysis	49
Recommended Option	62
Commercial Case	63
Financial Case	68
Management Case	72
Appendices	90
Appendix 1: Potential Expo Themes	91
Appendix 2: Dubai trade and airline connectivity	94
Appendix 3: Investment Logic Map	96
Appendix 4: Assessment of investment objectives against SMART criteria	97
Appendix 5: Short-list Summaries	100
Appendix 6: Do not attend Expo but apply mitigation strategy (CBA comparison)	99
Appendix 7: Summary of options analysis	101
Appendix 8: Cost Benefits Analysis Methodology	102
Appendix 9: CBA Scenario Analysis	129
Appendix 10: Incremental BCR concept and calculation	138
Appendix 11: Detailed Design Requirements	139
Appendix 12: Potential Procurement Models	143
Appendix 13: Appropriation Options	146

Glossary

Term	Description
BCR	Benefit Cost Ratio
BGA	Business Growth Agenda
CBA	Cost Benefit Analysis
CSF	Critical Success Factor
D+C	Design and Construct procurement model
DXB	Dubai International Airport
s9(2)(b)(ii)	
EOI	Expression of Interest phase of the procurement lifecycle
Expo 2020	World Expo event to be held in Dubai in 2020
FTA	Free Trade Agreement
G2G	Government to Government agreement
GCC	Gulf Cooperation Council, comprising the United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain, and Kuwait
IBC	Indicative Business Case
ILM	Investment Logic Map
KPI	Key performance indicators
MBIE	Ministry of Business, Innovation and Employment
MCA	Multi Criteria Analysis
MENA	Middle East and North Africa region
MFAT	Ministry of Foreign Affairs and Trade
MPI	Ministry of Primary Industry's
MYA	Multiyear appropriation
NPV	Net Present Value
NZTE	New Zealand Trade and Enterprise
RfP	Request for proposal phase of the procurement lifecycle
SME	Small and medium sized business
UAE	The United Arab Emirates
UNSC	United Nations Security Council

Strategic Case

The intention of this Indicative Business Case is to evaluate the opportunities and risks that New Zealand needs to consider following an invitation to attend the World Expo in Dubai in 2020 (Expo 2020).

What is World Expo 2020 Dubai?

The World Exposition is the largest gathering of people on the planet and is one of the oldest international events, dating back to the Great Exhibition of London in 1851. Held every five years, each World Expo carries a central theme of *"universal concern to all of humanity"*.

World Expos are the Olympic Games of the economic, scientific, and industrial world. They provide significant opportunities for individual countries (and the businesses from within those countries) to showcase economic and trade capabilities against a high-profile backdrop for raising a nation's international profile. Nations can enhance their reputation in particular fields of expertise, as well as build relationships of influence with leading international decision-makers and target opportunities to progress, or build support for, specific economic and diplomatic policy outcomes.

Expo 2020 is to be held in Dubai and is expected to bring together more than 180 nations and an international audience of 25 million visitors over a six month period. This will be the first World Expo to take place in the Middle Eastern, African, and South Asian region, an area consisting of 72 countries and a population of 2.8 billion.

Crucially for New Zealand exporters and the Tourism industry, 70-80% of Expo 2020 visitors are expected to be from offshore. The majority of the audience will be the global middle class, able to afford air travel as international visitors. These visitor numbers will include a high proportion of business people. The enhanced level of international business visitors is a major point of difference for Expo 2020.

Research undertaken by Expo 2020 organisers, and presented to a New Zealand delegation (including Hon. Todd McClay) in September 2016 forecasts that visitors from the UK, Germany, India, Iran and Russia will be amongst the top 10 visiting countries.

Contemporaneously with Expo 2020, Dubai will host its annual trade shows (many of which are amongst largest in the world) including Aviation, Construction, Health, Security, and Food & Beverage. New Zealand businesses already participate in these trade shows with support from New Zealand Trade and Enterprise (NZTE). Properly integrated, these trade shows will provide a natural synergy with Expo 2020.

Participation in Expo 2020, from an investment perspective, requires the construction and operation of a 'New Zealand pavilion' that showcases New Zealand's interests (such as business and tourism opportunities) under a consistent 'theme'.¹ The New Zealand pavilion should be supported by a leveraging programme designed to maximise the opportunity that

¹ Themes must sit under the following headings (with examples of specific themes in brackets): Opportunity (Education, Employment, New Industries); Sustainability (Sustainable Cities; Green Economy; Climate Change); Mobility (Digital Connectivity; Logistics). A full list of potential Expo themes is provided in Appendix 1.

Expo 2020 presents.² The need to develop an effective leveraging programme is equally, if not more, important than the construction and operation of a pavilion. The intention is that the pavilion would be open for visitors to actively engage with the exhibition as well as allow for mutual communication and relationship building at a business and political level in the lead-up to, during and after Expo 2020.

In total, event organisers have set aside a 200 hectare area for the Al Wasl Plaza—designed as a convening and meeting place for all participants, thought leaders, innovators, and policymakers from around the world. Al Wasl Plaza will enable attendees to connect and share ideas and best practices while engaging in creative dialogue on the next generation of innovation. Connectivity, partnership, and collaboration are embodied in a central physical space, from which three petal-shaped districts emerge dedicated to each of the subthemes as shown in Figure 1.

² More detail on the leveraging programme required can be found in the Management case.

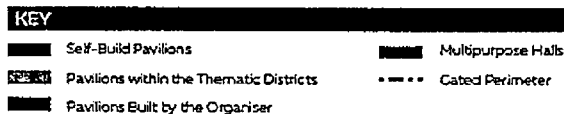
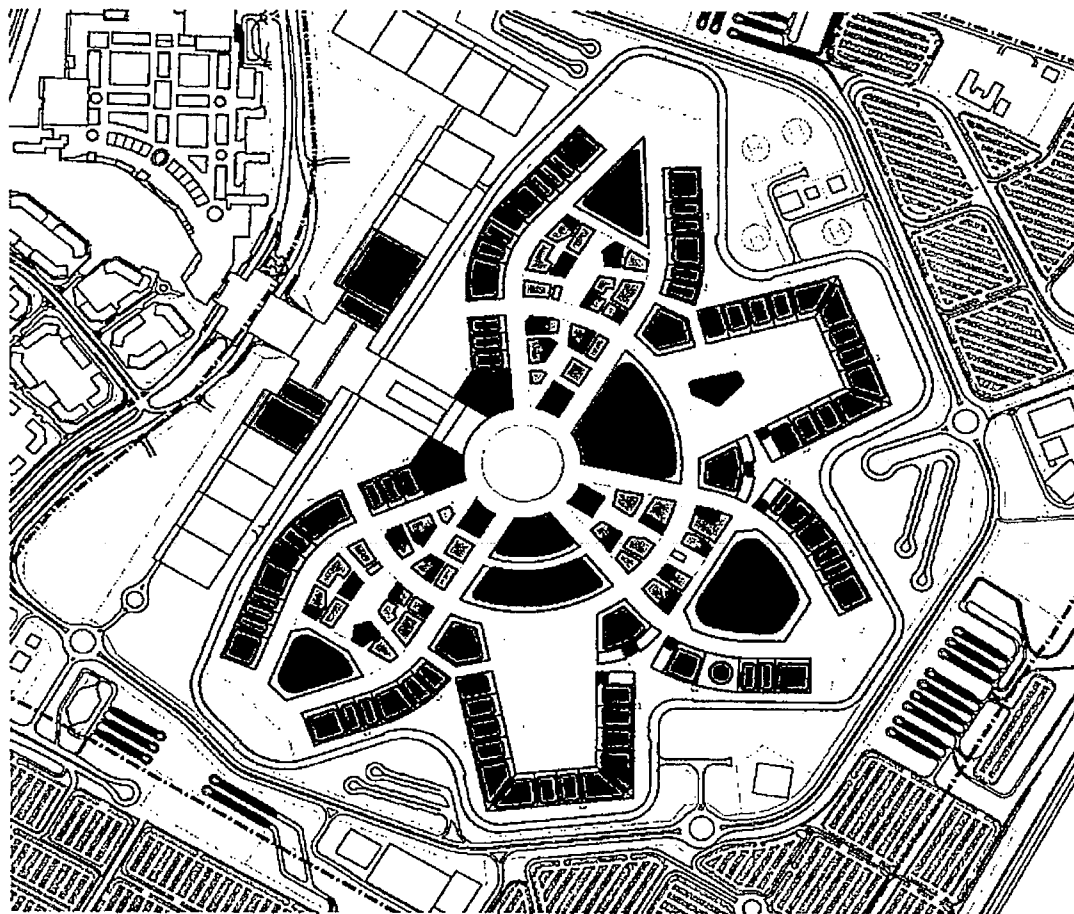


Figure 2.6 Building Typology Plan

Figure 1: Concept design of the Expo 2020 site

The specific location of the New Zealand pavilion would, to a large degree, be determined by the 'theme' New Zealand selects. However, the specific location of the New Zealand pavilion will ultimately be determined by Expo 2020 organisers on a 'first-in, first-served basis'.

Is the concept of a World Expo relevant in a digitally connected world?

In the 21st Century, there is nothing within a World Expo's intrinsic features that would naturally lead to an uplift in diplomatic relations and trade simply by exhibiting at the event in isolation from other activity. Rapid advances in cloud computing, connected devices, mobile, social media and data analytics are prompting many companies to reassess fundamental aspects of their business, including what products and services they sell, how they deliver these and how they need to organise to support their operations. This digital revolution is also forcing a rethink about how diplomatic relations are conducted. Digital technologies are facilitating the introduction of new products and services, and providing new ways to develop recurring revenue streams after an initial sale. In a narrow sense it is therefore arguable that the relevance of a World Expo as a means to showcase country and business opportunities

is actually diminishing in a world where information flows more freely and people are more connected.

The opportunity around World Expo attendance for New Zealand is more closely related to the geographic context within which the World Expo is set (and by extension its relationship to foreign policy and trade goals).³

The ongoing significance of face-to-face communication and relationship building within an increasingly digitally connected world is also important to consider. The theme of Expo 2020 '*Connecting Minds, Creating the Future*' supports a well-documented concept that relationships are key to long-term success in the Gulf. Moreover, anecdotal and physical evidence from existing interactions suggest that relationships need be amicable and reliant on physical presence, particularly when conducting trade or developing business relationships.

New Zealand has recognised the potential opportunity and the limitation posed by participating in World Expos and has taken a robust approach to evaluating participation on a case by case basis. For example, New Zealand participated in the Shanghai Expo in 2010 given the alignment to goals to build trading links with China, but did not participate in the Milan Expo in 2015. In both cases, the decision to participate was based on an assessment of the opportunities the Expo would provide to catalyse New Zealand activities in line with the foreign policy and economic strategy for the region where the World Expo was held, as opposed to the Expo itself.

If a decision is made to attend a World Expo, the ability to leverage the event is critical. Ensuring sufficient resources are dedicated to the development of a consistent 'New Zealand Story' and the development of pre-event, during-event and post-event strategies from a range of agencies (such as NZTE, ENZ, MPI, TNZ and MFAT) is essential.

The ability to leverage the benefits of physical proximity, with the connective power of digital platforms, is also essential. By way of example, it is notable that major digital companies (like Apple and Google) always accompany the online launch of their new programmes and products with a physical launch. This is explicitly in recognition of the mutually reinforcing power of digital and physical presence.

Does Expo 2020 offer an opportunity to advance New Zealand's goals?

The theme of Expo 2020: '*Connecting Minds, Creating the Future*' recognises that generating sustainable solutions to global problems demands collaboration across cultures, nations, and regions. Three sub-themes have been identified under which the Expo will be physically and conceptually organised:

- Sustainability – progress and prosperity without compromising the needs of future generations

³ The rationale for attendance for different countries may be different, however. For example, the UK may look to use this event as a cost-effective way of showcasing UK trade advantages and as a platform for negotiations with other likeminded countries, following Brexit.

- Mobility – unlocking new possibilities for people and communities to become successful contributors to the future
- Opportunity – creating smarter and more productive connections.

New Zealand is already successfully leveraging the UAE's growing confidence and regional leadership, and has established strong personal and political relationships with the nation (through enhanced trade relations and emerging commercial opportunities). Expo 2020 would provide a focus for institutionalising those relationships further and faster.

Notably, Dubai is a proven air and sea logistics hub for the region and beyond. Through Dubai in particular, the GCC⁴ is New Zealand's sixth largest trading partner and are a valuable market for high value food/beverage and tech companies. Expo 2020 will help solidify the gains currently being experienced in the region and also support the position of Dubai as a natural springboard for New Zealand companies to expand into the relatively lightly served Middle East, African, and South & Central Asian markets.

New Zealand is also successfully pursuing a number of Government to Government (G2G) opportunities, and attendance at Expo 2020 would support those hard fought gains.

Expo 2020 provides an opportunity to build upon existing strategies and increase investment already undertaken by this Government and New Zealand businesses in the region, specifically within the GCC, India, Iran, North African, Central Asia, the UK and Germany.

Additionally, the theme of the Expo 2020 provides an opportunity not only to showcase New Zealand's traditional core competitive advantages in food, food security, and tourism; but also diversify toward important new and emerging capabilities and industries (such as ICT, high-tech manufacturing, advanced healthcare), thereby supporting current policies aimed at growing and diversifying the New Zealand economy.

New Zealand's economic strategy – Business Growth Agenda

Three of the Business Growth Agenda's (BGA) six key objectives, and their respective initiatives for economic growth, are relevant to the question of whether New Zealand should participate in Expo 2020. These are demonstrated in Table 1.

Table 1: BGA Objectives as they relate to Expo 2020

Building Export Markets	
<ul style="list-style-type: none"> • <i>Increasing exports relies on adding value to volume and developing stronger international connections to provide New Zealand businesses with access to international skills, ideas, capital, and markets.</i> 	<p>Participation in Expo 2020:</p> <ul style="list-style-type: none"> • Supports this strategy by continuing to deepen and future-proof NZ's trade strategy and help firms grow internationally, providing the ability and know-how to take

⁴ Gulf Cooperation Council, comprising the UA , Saudi Arabia, Oman, Qatar, Bahrain, and Kuwait

<ul style="list-style-type: none"> <i>The BGA export growth target of 40% GDP by 2025 has been set, in effect doubling our exports from around \$60 billion when the goal was established in 2012 to \$120 billion by 2025.</i> 	<p>advantage of overseas opportunities.</p> <ul style="list-style-type: none"> Aligns with the 2025 target by opening new markets for existing exports and creating new demand for high value products. Provides a unique opportunity to pursue new market expansion and showcase high-value products cost effectively.
Building Innovation	
<ul style="list-style-type: none"> <i>Innovation enables firms to produce products and services more efficiently, ensuring that they are further up the value-chain that attracts a premium from our natural resources and industry know-how. Inherent in NZ's DNA is a 'can-do' attitude which inspires us to be innovators and global leaders in our chosen fields. We will encourage and enable business-led innovation (especially through R&D) to improve business productivity.</i> 	<ul style="list-style-type: none"> Under the theme of "Connecting Minds, Creating the Future", Expo 2020 provides a unique opportunity for New Zealand and specifically innovative "new economy companies" to showcase their capabilities and provide a catalyst to demonstrate New Zealand's growing culture of innovation and entrepreneurship.
Building Investment	
<ul style="list-style-type: none"> <i>Attracting high-quality business investment into all parts of NZ is critical in order to create economic growth and enhance productivity, and it is an essential ingredient for building an innovative and internationally-connected economy. By attracting the investment our economy needs, we can help build and grow the economy that we envisage – one that is agile, resourceful, innovative, and globally competitive.</i> 	<ul style="list-style-type: none"> Expo 2020 provides a unique forum to build on the existing relationships and present NZ as a low sovereign risk environment but also as a highly innovative and growing economy. The GCC accounts for some of the largest sovereign wealth funds with assets valued at USD \$1.7 trillion at the end of 2012. Targeting this investment pool raises the possibility of material benefits for the NZ economy.

World Expos expend significant financial and political capital – hosts are incentivised to make them succeed

World Expos have strong symbolic value for host nations. Host nations invest substantial amounts of financial and political capital in making sure that these events are a success and, arguably even more crucially, are *perceived* to be a success. As a symbol of this commitment, Expo 2020 will include construction of the world's largest airport; 500 new hotels; and new amusement parks. Ensuring that as many nations as possible attend the event is clearly a priority for organisers.

As a sign of their commitment to the success of Expo 2020, Dubai has already made significant progress toward completing the supporting infrastructure. The airport is already open; one theme park is open with two more due to open in the coming months. Preparations to get the World Expo site ready for construction are underway.

New Zealand has a decision whether to attend Expo 2020

The Prime Minister and Vice President of the United Arab Emirates has formally invited New Zealand to participate in Expo 2020. An invitation of this nature necessitates Government make an explicit choice, that will become public, to attend the event, or not.

s6(a)

Fundamentally, the decision whether to attend Expo 2020 carries with it a range of up-front and contingent costs and benefits, as well as risks and opportunities. Once a decision has been made to attend the event, or not, the focus then turns to how best to maximise the opportunities/benefits and minimise the costs/risks.

The purpose of this Indicative Business Case is to identify the costs, risks, opportunities and benefits associated with each option, to enable decision makers to make the choice in the best interests of all New Zealanders.⁵

⁵ At the time of writing this IBC, 50 other nations had accepted the invitation to attend Expo 2020.

Strategic Context

Attendance at Expo 2020 aligns with a range of New Zealand's strategic objectives. Fundamentally it supports the BGA through the progression of Building Export Markets, Building Innovation and Building Investment strategic objectives.

Moreover, maintenance and improvement of New Zealand's relationship with the UAE, the GCC and wider Middle East region is an important foreign policy objective.

New Zealand – UAE relations

The UAE has become one of New Zealand's most important partners in the GCC and Middle East region. Overall, the bilateral relationship rests on key pillars, including:

- A solid and warm political relationship, underscored by increased Ministerial interaction;
- Increasingly significant commercial engagement and trade (including through Government to Government Commercial Partnerships); and
- Growing defence cooperation.

The UAE is viewed as a generally pragmatic regional voice on key regional security issues, and has been a strong advocate for New Zealand to progress the GCC-NZ Free Trade Agreement (GCC-NZ FTA). At the same time, New Zealand is viewed as a reliable partner, from a food security, trade and economic and defence perspective. Our engagement with the UAE in the context of our seat on the United Nations Security Council (UNSC) has also further established our credibility on regional and security matters. Ministers of Foreign Affairs held the inaugural Joint Committee in New Zealand in March 2016, which demonstrated the growing breadth and depth of the relationship across economic, security, environmental, cultural and social spheres.

New Zealand established relations with the UAE in 1985, from our Embassy in Riyadh. An NZTE office opened in Dubai in 1993 before being upgraded to a Consulate in 2002. The New Zealand Consulate in Dubai is now a significant regional hub for NZ Inc. with 30+ staff representing a range of interests including NZTE, INZ, ENZ, MPI and consular activities.

The establishment of a New Zealand Embassy in Abu Dhabi in mid-2011 greatly increased engagement and underscored the potential of the relationship. Initially commercially focused, the Embassy now covers a much broader bilateral mandate. The regional Defence Attaché is now based in the Embassy. The UAE opened its Embassy in Wellington in January 2015.

A strong political relationship

The UAE is the primary entry point to the MENA and Central and South Asian region for New Zealand in terms of people, trade, s6(a)

New Zealand, through our commitment to the region, and current term as a non-permanent member of the UNSC, is seen as a credible and trusted partner.

s6(a)

New Zealand supported Dubai's successful bid to host Expo 2020.

The UAE is a firm believer in the importance of face-to-face engagement at the political level and the upswing in Ministerial engagement over the past few years has coincided with an overall lift in the level of the bilateral relationship.

Recent official visits include:

- To the UAE: The Minister of Trade in September 2016, Minister of Foreign Affairs in April 2016, Minister of Trade in February 2016, Minister of Trade in September 2015, Minister of Veterans Affairs in August 2015, Minister of Defence in June 2015, the Prime Minister and Minister of Trade in April 2015, Minister of Revenue, Minister for State Owned Enterprises, and Minister of Foreign Affairs, Hon Murray McCully, in December 2014.
- To New Zealand: Foreign Minister HH Sheikh Abdullah visited New Zealand in March 2016, February 2015, and for ten days in October 2011, during the Rugby World Cup. HH Sheikh Abdullah and Minister of State Reem Al Hashimy also visited New Zealand in February 2010.

An expanding trade and economic relationship

Despite a sharp drop in the global oil price which has correlated with a significant reduction in the value of two way trade over the past year (28%), the UAE remains New Zealand's largest market in the Middle East, and is our 10th largest export destination overall.

There remains strong demand for New Zealand goods and services in the UAE. Recent developments, including New Zealand's success in becoming the first country to be certified under the UAE's new halal regime, and the signing of two important instruments (during HH Sheikh Abdullah's visit to New Zealand in March this year) which help stabilise market access and the entry of New Zealand primary products to the UAE with minimum regulatory compliance. s6(a) both developments put New Zealand on solid footing to increase exports to the UAE and the GCC.

The UAE has also been a strong ally for New Zealand on the GCC-NZ FTA. s6(a)

While traditionally modest, investment linkages are also strengthening (e.g. the recent circa NZ\$100 million acquisition of Fastway Couriers by a UAE firm). The UAE's announcement of a Food Security Fund focused on New Zealand (currently in development) is significant, and has the potential to bring considerable capital into New Zealand. s9(2)(j)

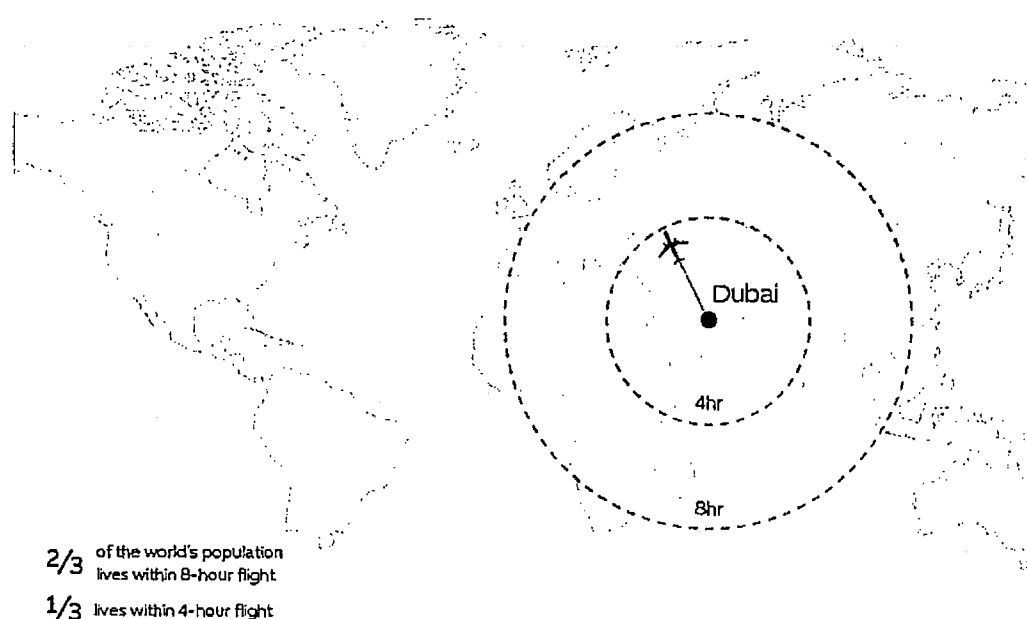
Also, the sponsorship of Team New Zealand by Emirates since 2004 has led to a range of technological and innovation benefits in the marine industry, alongside the benefits accruing to Team New Zealand

The commercialisation of public sector know-how, through G2G partnerships has become a main-stay in the economic relationship. In 2013, a milestone contract worth s9(2)(b)(ii)

The recent Joint Committee underscored the UAE's strong interests in advancing G2G in other areas, including education and healthcare.

Over the past two decades Dubai has risen to become a global financial, commercial shipping and aviation hub. Also it is strategically located at a junction between Europe, Africa and South Asia. As an example, one third of the world's population lives within a four hour flight of Dubai, while two thirds live within an eight hour flight as demonstrated in Figure 2.⁶

Figure 2: Dubai's connectivity



Dubai hosting Expo 2020 thereby presents extended opportunities for New Zealand to increase its international branding and footprint in trade volumes with the GCC, Europe, India, Africa, and Central and South Asia. The GCC recognises the need to increase economic diversification to reduce exposure to volatility and uncertainty in the global oil market. Expo 2020 offers a perfect opportunity for promoting international trade opportunities with the GCC for a diverse range of goods and services.

⁶ *Expo 2020 Participant Guide*. Appendix 2 provides further evidence of the extent of Dubai as a hub for trade and international connections.

Alignment with existing strategies

Participation at the Expo 2020 is consistent with, and in some cases directly applicable to, a range of strategic objectives.

Business Growth Agenda

The BGA is central to the Government's priority of building a more productive and competitive economy. Crucially, the BGA:

- fundamentally supports the policy of lifting productivity and competitiveness is critical to creating business opportunities, more jobs, higher wages, and ultimately the higher living standards to which New Zealanders aspire.
- is central to the goal of raising exports to 40% of GDP by 2025.

As articulated by MBIE's BGA policy statement and strategy papers, participation in Expo 2020 aligns and strongly supports three of the six key initiatives for economic growth:

1. Building Export Markets
2. Building Innovation
3. Building Investment

Building Export Markets

At a general level, increasing exports relies on adding value to volume and developing stronger international connections to provide New Zealand businesses with access to international skills, ideas, capital, and markets. Participation in Expo 2020 supports this strategy by continuing to deepen and future-proof New Zealand's trade strategy and help firms grow internationally, providing businesses with the ability and know-how to take advantage of overseas opportunities.

More specifically, the BGA export growth target of 40% GDP by 2025 has been set, in effect doubling our exports from around \$60 billion, when the goal was established in 2012 to \$120 billion by 2025. Participation in Expo 2020 clearly aligns with this target for 2025 by opening new markets for existing exports and creating new demand for high value products.

New Zealand will not achieve this export growth target through volume alone – new markets, high-value products and a focus on services exports are essential. Expo 2020 provides a unique opportunity to pursue both new market expansion and a showcase of high-value products to the global audience that will be present throughout the event.

Building Innovation

Innovation enables firms to produce products and services more efficiently, ensuring that they are further up the value-chain. Inherent in New Zealand's DNA is a 'can-do' attitude which inspires us to be innovators and global leaders in our chosen fields. The BGA encourages and enables business-led innovation (especially through R&D) to improve business productivity.

Amidst the theme of "*Connecting Minds, Creating the Future*", Expo 2020 provides an opportunity for New Zealand and specifically innovative "new economy companies" to

showcase their capabilities and provide a catalyst to demonstrate New Zealand's growing culture of innovation and entrepreneurship. The Expo's €100m Innovation Fund also clearly aligns with the objective to improve innovation outcomes for New Zealand businesses.

Building Investment

Attracting high-quality business investment into all parts of New Zealand is critical in order to create economic growth and enhance productivity. It is also an essential ingredient for building an innovative and internationally-connected economy. By attracting the investment our economy needs, we can help build and grow the economy that we envisage – one that is agile, resourceful, innovative, and globally competitive.

Expo 2020, again, provides a unique forum to build on the existing relationships and present New Zealand as a low sovereign risk environment and a highly innovative and growing economy. The GCC accounts for some of the largest sovereign wealth funds with assets valued at USD \$1.7 trillion at the end of 2012. Targeting this investment pool can raise the possibility of material benefits for the New Zealand economy.

Alignment with Ministry of Foreign Affairs and Trade's policies and strategies

The Ministry of Foreign Affairs and Trade (MFAT) has a global responsibility to make New Zealand safer and more prosperous. Its purpose is to create the international conditions and connections for New Zealand and its citizens to thrive. To meet this goal MFAT has identified seven objectives that it aims to achieve over the next four years. Each of these objectives includes a set of deliverables that provide the focus of its activity over this period:

1. Maximise the impact of New Zealand's membership of the UNSC.
2. Lead the export markets stream of the BGA to increase market access, regional economic integration, and improve the international performance of New Zealand business.
3. Embed New Zealand as an integral and trusted partner in the Asia-Pacific.
4. Maximise the impact of New Zealand's engagement in improving the prosperity, stability, and resilience of the Pacific Islands region and its people. What happens in the Pacific has a direct bearing on New Zealand's well-being.
5. Promote sound international solutions on climate change, natural resources, and environmental protection.
6. Protect and advance New Zealand's and New Zealanders' security.
7. Build robust and enduring organisational capability.

Participation in Expo 2020 aligns with Objective 2 and while there are a wide range of actions that MFAT progresses pursuant to this objective, relevant components which align with Expo 2020, include:

1. *Secure and improve access for a wider range of New Zealand exports by market and sector to support the BGA goal of lifting exports to 40% of GDP by 2025*

A key component of this goal, is the continuation of the FTA agenda. New Zealand's ability to prosper by utilising our natural comparative advantage is constrained by an often hostile and highly politicised global trading environment for agriculture/food.

As such, the FTAs under negotiation that are relevant to Expo 2020 include the GCC and Indian FTAs. The conclusion of these FTAs remains a priority.

2. *Help create the conditions in which a diverse range of high-value, internationally connected businesses are able to seize opportunities.*

A key role for the Ministry, both onshore and offshore, is to work with exporters and foreign government agencies to overcome challenges and ensure that trade flows can continue.

Another important role is to work with other agencies to support exporters, export opportunities, and the international connectedness of New Zealand firms more actively (given the small size New Zealand's export pool and most of the exporters within it). This work includes promoting and protecting the New Zealand brand, engaging with major exporters and sectors on an NZ Inc. basis, and ensuring domestic policy settings facilitate international trade.

Moreover, it is estimated that around 40-50% of the current global value add trade is services, and not just traditional services but also services embodied in goods. Reflecting this trend to services in the economy, the Ministry is looking for new ways to maximise the value of revenues derived from New Zealand's service sector in non-traditional areas.

At a more general level, the relevance of participation in Expo 2020 for MFAT is predicated on the fact that the GCC has, over the last decade, been New Zealand's fastest growing major market outside of China.

The six countries of the GCC are extremely wealthy, with economies almost entirely complementary to New Zealand. New Zealand's position as a global leader in halal food underpins traditional GCC demand for food commodities, whilst the 2013 NZ Inc. GCC strategy envisages stronger growth in transformed products, as well as services.

The GCC also remains an important source of students and, with the world's largest sovereign wealth funds, a priority source of greater investment.⁷

Alignment with New Zealand Trade and Enterprise's Policies and Strategy

NZTE is the Government's international business development agency, supporting companies to grow internationally. Its purpose clearly positions the agency within the internationalisation pillar, with its purpose to "Grow companies internationally – bigger, better, faster – for the benefit of New Zealand". Clearly identified in its Statement of Intent, the NZTE implements its strategy through four interlocking elements:

1. Growing individual companies by focusing on businesses that have the capacity and aspiration to grow internationally.

⁷ NZTE has a Regional Investment Manager based in the New Zealand Consulate for this purpose.

2. Growing groups of companies by bringing together go-to-market and business-led coalitions.
3. Providing companies with services matched to their business needs, delivered at the right time and right place.
4. Attracting and mobilising capital to support business growth.

Participation in Expo 2020 is fundamentally aligned with these core strategies. It is also consistent with NZTE's strategic promotional role which focuses specifically on the GCC and Indian markets through its NZ Inc. strategies, and the development of the Iran and Africa focus by the new appointments of a Country Manager to Iran and a Trade Commissioner: Africa. The MENA region has demonstrated significant growth in deals and international trade objectives over the past four years led by growth in the GCC. This growth has been reflected in the significant increase in people resource in the Dubai office and its position as a hub for the IMEA region.

The expectation from Expo 2020 officials for visitors from the UK, Germany and Russia also links in with NZTE's Europe strategy.

Alignment with Ministry of Education's Policies and Strategy

Education is a cornerstone of New Zealand's relationship with the GCC. In 2006 there were 2,143 GCC students in our country, and this figure grew to 6,343 in 2011. Like other markets, GCC student numbers slipped to 4,900 in 2012, most due to the Christchurch earthquake. Participation in Expo 2020 will clearly support the Ministry of Education's Priority 6 (a more outward focussed and engaged tertiary education system) with its focus on developing international connections.

In the recent report on economic impact of international education in New Zealand (2015/16), the contribution to Gross Domestic Product (GDP) is estimated at \$4 billion. International education accounts directly for 15,000 jobs and indirectly for up to 32,000 jobs.

The Government's Leadership Statement for International Education sets out goals aimed at ensuring New Zealand's quality education services are highly sought after internationally and expand our international, social, cultural, and economic engagement. This vision will support the Government's focus on shifting resources towards the tradeable part of the economy.

Participation in Expo 2020 will support the Ministry's objective to double the total value of international education to \$5 billion by 2025, as set out in the Export Markets work stream of the Government's BGA.

Alignment with Ministry of Primary Industries' Policies and Strategy

The Ministry of Primary Industries (MPI) has a significant role in delivering one of the Government's key priorities – to build a more productive and competitive economy. This priority manifests through the BGA and in particular the objective to increase exports as a percentage of GDP from 30% to 40%.

To deliver on this objective, MPI is continuing to transform itself into an economic development agency focused on developing the sustainable use of our natural resources.

The GCC is New Zealand's sixth largest export destination, and exported goods worth \$1.53 billion in the year to December 2012. Of this, almost 80% of these exports were agricultural. Participation in Expo 2020 will not only enable New Zealand to consolidate and build on this sound base but importantly will allow us to provide direct access to opportunities in new and growing markets of North Africa, Central Asia and, importantly, India. Despite their substantial wealth, GCC members all share a problem: the virtual absence of arable land. As a consequence, there is a strong demand for imported food and beverages that are high quality, healthy, and halal.

Future food security is therefore an important issue for GCC members, making New Zealand a natural partner. This backdrop supports the opportunity inherent in Expo 2020 for MPI to achieve its strategic objectives – provided the event is appropriately leveraged.

Tourism New Zealand

Tourism New Zealand's (TNZ) mandate is to market New Zealand as an international visitor destination for the long term benefit of New Zealand. Tourism New Zealand aims to improve tourism's contribution to economic growth in New Zealand by growing the value of international visitors.

TNZ has an important role to play in contributing to the Building Export Markets work stream and will work closely with NZ Inc. agencies, including Education New Zealand to drive growth in export services, so that the goal to increase the ratio of exports to GDP to 40 per cent by 2025 can be realised.

The high-level objective of TNZ is to increase the value of international visitors to New Zealand. They look to achieve this through five strategic priorities and several key activities grouped beneath these priorities. Attendance at Expo 2020 most relevantly sits under Strategic Priority One: *"Grow a portfolio of markets that drives current opportunities and creates future market positions"*

While GCC nations are not currently within TNZ's priority markets⁸, many priority 1 and 2 nations are expected by Expo 2020 officials to be well represented at Expo 2020. For example, China, UK and Germany are expected to be amongst the top-ten nations present at the event. Additionally, India is expected to be well represented, which represents a priority emerging market for TNZ.

Attendance at Expo 2020 will enable TNZ to showcase and leverage its existing strategy to target these established tourist markets, and also lay the groundwork for future exploration into more emerging markets.

It is also worth reflecting on the current levels of connectivity to global markets and tourism destinations that Emirates Airlines provides New Zealand. Attendance at Expo 2020 will help maintain and even grow the relationships between New Zealand and the UAE with flow on implications for the commercial operation of Emirates in New Zealand.

⁸ Australia, China and USA are Priority 1 core markets; UK, Germany and Japan are Priority 2 core markets; Peninsular South East Asia, France, Rest of Europe, Korea and Canada are Priority 3 core markets and India, Indonesia and Latin America are priority emerging markets.

Other Agencies

It is expected that a range of other agencies would also benefit from attendance at Expo 2020 with examples including Te Puni Kokiri and Callaghan Innovation. A full assessment of the strategic alignment of all agencies should occur in the Detailed Business Case.

Conclusion

Participation in Expo 2020 presents a number of opportunities to leverage our strengthening position with the UAE, and in the GCC, and can also serve as a springboard to growth in trade and investment in emerging economies that surround the strategically located region. It also helps to entrench our warming relationships with the region – which is partially supporting the growth in trade, investment and connectivity between New Zealand and the region in recent years. In this sense, participation at Expo 2020 squarely fits within the BGA and aligns most closely with the Growing Export markets strategic intention.

Expo 2020 also aligns with a number of existing policies and the strategic directions already being undertaken by the New Zealand Government. Participation at Expo 2020 can represent a catalyst to further align these potentially disperse strategies behind a coordinated event; for the next ten years. This can be a way of organising regionally focussed strategies, in particular. A summary of the relevant outcomes and policies this initiative supports are provided in Table 2.

The question therefore is, how much would attendance at Expo 2020 support BGA objectives, and is it worth the Government providing financial and political support to make sure it is a success?

Table 2: Alignment of Expo 2020 to existing Government policy (summary)

Ministry		Policy	Elements	Alignment	Reference
Business Growth Agenda			<ul style="list-style-type: none"> Building Export Markets Building Innovation Building Investment 	Strongly aligned – particularly with the Export Growth objective	The Business Growth Agenda 2015/16: Towards 2025
Ministry of Foreign Affairs and Trade	Objective 2 of the Ministry's strategic objectives	Lead the export markets stream of the Business Growth Agenda to increase market access, regional economic integration, and improve the international performance of New Zealand business		Strongly aligned	New Zealand Foreign Affairs and Trade Strategic Intentions 2015–2019
New Zealand Trade and Enterprise	Four elements of the NZTE's strategy	<ol style="list-style-type: none"> Growing individual companies, by focusing on businesses who have the capacity and aspiration to grow internationally. Growing groups of companies, by bringing together go-to-market, business-led coalitions. Providing companies with services matched to their business needs, delivered at the right time and right place. Attracting and mobilising capital to support business growth 		Strongly aligned	<ul style="list-style-type: none"> NZTE: statement of intent 2014–2018. The New Zealand Inc. Strategy- Opening doors to the GCC The New Zealand Inc. Strategy- Opening doors to India
Ministry of Education	Priority 6 of the Ministry's strategic priorities for Tertiary Education	Growing international linkages		Aligned	Tertiary Education Strategy 2014–2019
Ministry of Primary Industries	Focus area 1 of the Ministry's strategy	The goal is to double primary industry exports in real terms from \$32 billion in June 2012 to over \$64 billion by 2025		Strongly aligned	Our Strategy 2030 - growing and protecting New Zealand
Tourism New Zealand	Strategic Priority One:	Grow a portfolio of markets that drives current opportunities and creates future market positions		Aligned	TNZ Statement of Intent FY15 - FY18

Investment Objectives, Existing Arrangements and Business Needs

Investing in New Zealand's participation in Expo 2020 will potentially require a funding requirement of between \$44 and \$91m over a five-year period.⁹ This investment will be recorded as operating cost (i.e. there will be no capital expenditure even though the majority of the investment is capital expenditure-like) with this pattern of appropriation expenditure being in line with previous participation in other World Expos. This range includes the full cost of attending Expo 2020, plus leveraging activities pre and post the event.

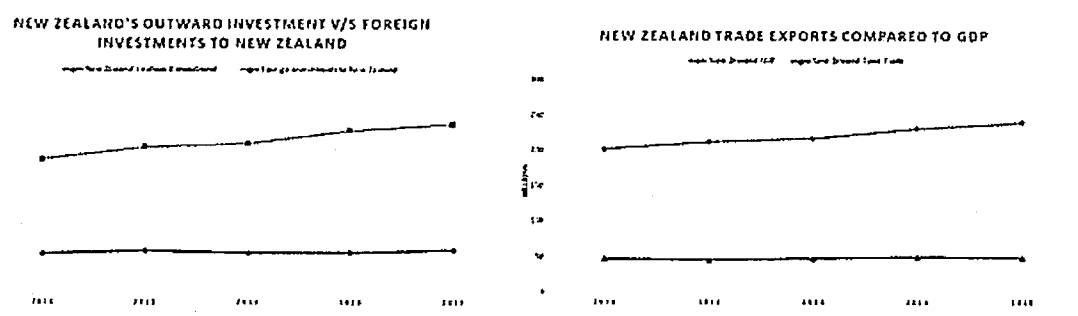
Effective leveraging of Expo 2020 has the potential to strongly support a wide range of Government objectives, most notably the objective to double New Zealand's exports to \$120 billion by 2025 as expressed in the BGA. This is a highly ambitious target given New Zealand's mature market status and our current levels of export growth, and New Zealand should take every opportunity available to achieve this goal.

New Zealand's economic challenges

As a small and isolated country, external trade is of significant importance to New Zealand. Primary sector goods and commodities are currently an important source of the country's export receipts (with dairy and meat sectors occupying 38% of the total export trade value of New Zealand over the last five years).¹⁰

Despite the importance of trade to the New Zealand economy, New Zealand currently has low levels of outward direct investment and a low ratio of trade to GDP as demonstrated in Figure 3

Figure 3: Composite chart of outward FDI and trade to GDP



These measures are in no small part related to our strong reliance on commodity exports which creates inherent challenges in the New Zealand market. These challenges, as they relate to the Building Exports chapter of the BGA, centre on:

- **Price over quality:** Commodity-based markets tend to be price sensitive as opposed to quality markets. As such, economic growth is largely through price competition in the existing market (on the assumption of price elasticity) which has fairly limited returns to scale, or through developing new markets which can be difficult for firms to break into.

⁹ This range represents the spread between the (lowest cost) small sized pavilion option and the (highest cost) mid-sized pavilion option.

¹⁰ These are New Zealand's two largest export sectors to the GCC.

- **Diversification inertia:** In order to sustain high-productivity growth, a common benchmark for the success of an economy, there is usually a need for an economy to diversify and transition to the production of more advanced goods and services. As such, sustained productivity growth requires an economy to upgrade continually and transition away from being a commodity-based economy towards being an advanced manufacturing and high value-based economy. However, strong commodity-based markets often result in 'Dutch Disease'¹¹ which can serve as a disincentive to diversify toward high-value manufacturing and international service provision – as exchange rate fluctuations make New Zealand firms less competitive.
- **Cyclical growth:** Prices are set by commodity markets and as such the New Zealand economy is a price taker and not a price maker. In a sense, the fortunes of New Zealand's economy are tied to commodity prices which go through cyclical variations. This can lead to significant swings in firm revenues and government revenues, resulting in uncertainty and challenging fiscal management.

The Government can help remedy several of these challenges by attendance at Expo 2020.

Role of government – business needs

There is a need for government to support (high-value and innovative) New Zealand firms to compete on a global stage through differentiation of products by quality and not price. This can enable and support a shift of economic resources into high productivity based industries, enabling the transition from the old economy into a new one.

The role for government in addressing the above challenges is broad and can include policy responses which, amongst other things:

- develop necessary skills and capabilities for a new economy;
- promote and support new start-ups;
- provide financial market incentives to support small and medium sized enterprises;
- support R&D growth and development.

These policy responses are outside the scope of this IBC.

Two specific areas where Expo 2020 can help address the above challenges, and which would ultimately form the basis for government intervention, surround:

- **Addressing information asymmetries:** One of the key challenges facing new industries and emerging, high-value manufacturers, is the simple fact that the 'market' does not understand their capability. Being a small, and emerging, firm or industry also often means that scarce resources are focused on product development rather than marketing. Expo 2020 can lower barriers to help these firms and businesses showcase their products and services to a broad and relevant direct potential audience of tens of millions in a cost-effective manner. This can have the effect of increasing demand for New Zealand products thus raising export receipts, as well as diversifying the economy with all of the benefits that come with this.

¹¹ An economic reliance on natural resources which raises the value of a nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports.

An example of the level of showcasing these types of events can facilitate is summed up by CEO s9(2)(a) who said about the VIP event at Shanghai 2010

"I was really keen to tell you what a great experience it was last Saturday...I think everyone was a bit overwhelmed. The experience of our Chinese business partners and the American consultants that we were hosting left them with a very positive impression and increased knowledge of our country and undoubtedly has enhanced our long term relationship. While it may be difficult to quantify the outcome in \$ terms I believe that they have been left with something that is more precious and will indirectly translate into bigger and better business in the long term"

- *Facilitating market access:* New Zealand is currently under represented in emerging global markets such as those in the MENA and South Asian region. Typically these markets have fairly strong political-business overlaps and it is critical to first establish political relationships before business opportunities can flourish. Dubai, and the wider GCC, is a key gateway to these markets – as well as the UAE being a key market itself – and therefore there is a specific role for the New Zealand government to maintain and improve these political relationships if economic expansion into these areas is to occur. Attendance at Expo 2020 is clearly a political priority for Dubai, and the UAE, and so attendance at the Expo will both help maintain and expand this relationship but also lay the platform for wider market access in the future.

An example of the level of market access these types of events can facilitate is summed up by CEO s9(2)(a) who said about the Shanghai 2010 ICT Mission

"Hats off to government agencies MFAT and NZTE for an outstanding mission, the best I have been involved with and this was supported by the views of other participants. The Minister Hon Steven Joyce provided excellent leadership and his presence opened doors everywhere we went, and ensured Chinese counterparts from the highest levels in the organisations we met".

A range of businesses benefitted directly from the Shanghai event including: s9(2)(b)(ii)

Addressing the above challenges, and the performance of the above roles, clearly aligns with the BGA Export Markets goal to¹²:

"Grow internationally connected businesses that are able to add value to volume and seize opportunities."

These challenges, and business needs, can of course be met through a range of ways. It is the role of this IBC to weigh up whether attendance at Expo 2020 delivers significantly greater net benefits consistent with the BGA, compared with not participating.

¹² The Business Growth Agenda: Towards 2025. <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-image-library/towards-2025/mb13078-1139-bga-report-00-intro-09sept-v9-fa-web.PDF>

Investment Objectives

Setting good investment objectives is a critical part of a business case and informs the later assessment of potential options. Investment objectives specify the desired outcomes for the proposed investment and successful investment objectives are SMART (specific, measurable, achievable, relevant, and time-bound).

A facilitated workshop was held on the 9th of August 2016 with key stakeholders from MFAT, MBIE, and NZTE to gain a better understanding of investment drivers and whether to invest in Expo 2020. This workshop, and subsequent discussions, has been the basis for the determination of the investment objectives for this IBC.

The main output of this workshop was an Investment Logic Map (ILM) which outlines the problems, conceptual benefits, strategic response and solutions inherent in this opportunity. A full description of the ILM is provided in Appendix 3.

Investment objectives, which will be used for option development in the Business Case, are as follows:

- **Investment objective one:** Increase the total value of exports for the New Zealand economy.
- **Investment objective two:** Increase the diversity of exports to global audiences by further building into other high value sectors than agriculture and tourism.
- **Investment objective three:** Increase the levels of trade and investment between NZ and the IMEA region.
- **Investment objective four:** Maintain and increase bilateral engagements on trade and non-trade issues between New Zealand and the IMEA region.
- **Investment objective five:** Raise New Zealand's profile amongst new trading partners and broaden understanding of capabilities amongst all partners.

One challenge in setting these investment objectives is that while they are all technically SMART – that is they are specific, measureable, achievable and relevant¹³ – they are, in the main, not likely to be time-bound in practice. Whatever attendance decision New Zealand makes will likely 're-base' New Zealand's relationship with the UAE and the wider GCC region, with a commensurate strengthening or deterioration in a range of benefits (and benefits at risk). This 're-basing' will likely occur over an indeterminate amount of time and so presents obvious challenges for measurement and comparison. Despite these challenges, benefits (and benefits at risk) have been explicitly time bound in the Economic Case to aid with better measurement across options.

Another clear challenge in setting these investment objectives is the extent to which Expo 2020 would be directly attributable to an increase or decrease in the relevant metric. For example, if export growth was to occur – to what extent can this be directly attributed to Expo 2020? This difficulty is compounded by the extent and effectiveness of the leveraging that wraps around the event (which is outside the scope of this IBC). It is therefore argued that such a direct level of attribution is neither possible nor desirable.

¹³ A full assessment of each objective to SMART criteria is included in Appendix 4.

To minimise the risk that there is no abstract linkage between the investment objectives and the Expo results, it is proposed that a post-event survey be issued to all businesses that participate in the event, which seeks their views (and is also evidenced with numbers) about the extent that the event will have achieved the investment objectives. This survey can be issued at multiple times (for example pre event, directly post event, three years after event) to ensure that the above metrics can be monitored over time. This will not only help determine whether Expo 2020 was a worthwhile investment, but can also help Ministers understand the value of attending the next World Expo in 2025, 2030 and beyond.

It is also proposed that a visitor survey for visitors to New Zealand's pavilion be devised that can seek out views on less quantifiable issues such as exploring what perceptions of New Zealand they have taken away and whether this has changed.

One final challenge is the relationship between the assessment criteria for this proposition and the options identification.

Options that support attendance at Expo 2020 are very different to options that do not support attendance. It is this distinction that creates tension around the level of specificity required for investment objectives for this IBC and critical success factors.

In general, investment objectives have been set at a high level to enable comparison between fundamentally distinct options whereas critical success factors have been set at a project level. This is an unconventional approach to an IBC, but is necessary given the nature of this proposition.

Existing Arrangements and Business Needs

The New Zealand Government has a significant footprint in the GCC having tripled its resource commitment over the last four years. It has representation via:

- The Ministry of Foreign Affairs and Trade (MFAT): Embassy's in Abu Dhabi, Riyadh and Tehran.
- New Zealand Trade and Enterprise: Consulate in Dubai and a Trade Commissioner (including Business Development Managers) in Riyadh, Tehran and Abu Dhabi. The Consulate is the regional link and comprises 30+ people (including NZTE, MPI, ENZ, and INZ).
- New Zealand Defence Force.

Achieving New Zealand's foreign and trade policy goals rests on building and leveraging the quality of relationships with other countries and ensuring its government footprint is flexible and responsive to changing priorities. These agencies continue to heavily contribute towards the BGA through work on FTAs, NZ Inc. strategies, market knowledge and connections and G2G. The agencies also actively become involved on the international stage to strengthen international rules-based system to secure New Zealand's interests through regional and multilateral engagement and effective international rules.

Achievement of the proposed investment objectives clearly aligns with business needs as well as enabling New Zealand to reach a future state that better aligns with strategic objectives.

Table 3 illustrates the current arrangements of the investment objectives elements and their desired future state. Figure 4 also provides an overview of the alignment of these investment objectives to BGA workstreams.

Table 3: Investment objectives and their relationship to existing arrangements and future state

Investment Objectives	Existing Arrangements	Future State
1. Increase the total value of exports for the New Zealand economy	<p>\$60 billion as at 2012 when the target was set.</p> <p>In 2015, NZ exports were \$67.5 billion (28.3% of NZ GDP).</p>	<p>Target of \$120 billion by 2025.</p> <p>To achieve this objective, NZ must pursue new markets, new products and move up the value chain in existing sectors (as well as continued development of sectors of strength).</p>
2. Increase the diversity of exports to global audiences by diversifying high value sectors	<p>NZ exports are heavily dependent on the following two sectors:</p> <ul style="list-style-type: none"> • Agriculture: \$12 billion (18% of total exports) • Tourism: \$11.7 billion (17% of total exports) 	<p>Diversify exports in sectors in addition to agriculture and tourism, which align with 'Building Export Markets' a key ingredient of Business Growth Agenda. The focus sectors include:</p> <ul style="list-style-type: none"> • ICT/Digital • International Education • Medium-high and High Tech manufacturing • Healthcare
3. Increase the levels of trade and investment between New Zealand and the GCC, Middle East, Africa, and Central and South Asia regions	<p>For the year ending September 2015, NZ goods and services exports to the GCC totalled NZ\$2 billion and total bilateral trade between the GCC and New Zealand totalled NZ\$4.1 billion.</p> <p>Goods trade with Africa totalled NZ\$2.28 billion in 2015, and with India, totalled NZ\$1.2 billion.</p> <p>The total 2014 GCC investment in NZ was NZ\$150 million; the UAE accounted for NZ\$110 million, followed by Saudi Arabia and Qatar. NZ total investment in the GCC was NZ\$20 million in 2014.</p> <p>The official statistics on bilateral investment flows between the UAE and NZ do not provide an accurate picture of the bilateral investment landscape. The UAE does not feature on global NZ investment statistics. However, there are well known cases of high value UAE investment in NZ, including by UAE Sovereign Wealth Funds.</p>	<p>The goal is to significantly grow both trade and investment with the GCC – as well as increase our trading profile with emerging markets in Africa and Central and Southern Asia.</p> <p>There are a number of sectors in which NZ has a strategic advantage and the UAE has signalled interest. These include; Primary Sector where talks are ongoing with regards to a food securities fund, Healthcare, Education and ICT/Digital.</p> <p>Infrastructure projects, specifically investment within the Tourism infrastructure space (hotels) are also showing early signs of interest with some large developers and owner/operators signalling early interest.</p>
4. Maintain and increase bilateral engagements on trade and non-trade issues between New Zealand and the MENA region	<p>New Zealand signed a Double Taxation Agreement with the UAE in 2003, the first with any country in the Middle East. This followed the start of Emirates Airlines operations into New Zealand.</p> <p>In 2014, 92.5% of New Zealand's trade faced a tariff when entering the GCC and it is estimated that New Zealand exporters paid NZ\$89.9 million in duties to GCC</p>	<p>Reduce or eliminate barriers to market entry for investment, including equity limits, sectoral limitations and national agent requirements.</p> <p>Target to have the GCC-NZ FTA implemented and generating benefits:</p> <p>s9(2)(j)</p>

Investment Objectives	Existing Arrangements	Future State
	<p>authorities.</p> <p>Current list of agreements and arrangements New Zealand has with the UAE (note that this is a draft list):</p> <ul style="list-style-type: none"> - Double Taxation Agreement - Air Services Agreement - Convention on the Creation of an International Office of Weights and Measures - Arrangement on educational cooperation - Arrangement to establish a Joint Committee on Foreign Affairs <p>Arrangement on Trade and Economic Cooperation</p>	<p>s9(2)(j)</p>
<p>5. Raise New Zealand's profile amongst new trading partners and broaden understanding of capabilities amongst all partners</p>	<p>NZ currently has a total of 224 trading partners as per the export trade transactions in 2015.</p> <p>New Zealand also has a small but growing presence in the region for 'non-primary sector' exports and investments – F+P Healthcare, Orion and Airways for example.</p>	<p>Aim to gain new trading partners to the extent it is practicable and to increase levels of trade with partners where we have relatively light levels of trade. For example, countries and regions with modest trade relationship with NZ such as Iran, Central and South Asia, North, West, and East Africa.</p> <p>Raising the profile of NZ's capabilities beyond primary sector exports will help in this respect. Particularly given the central location of Dubai combined with the expected number and nature of international visitors and tourists.</p>

Potential Business Scope and Key Service Requirements

A commitment to Expo 2020 would contain four critical dimensions:

1. The design and construction of a New Zealand pavilion. This includes the securing of the site in the Expo 2020 village, the development of a concept (including people management, size of plot and theme), detailed design, construction, management and decommissioning.
2. The operational components during Expo 2020 associated with the theme. This includes entertainment, hospitality and hosting/meetings.
3. Leveraging activities directly associated with the commitment to Expo 2020 both before and after. These are activities that would not otherwise occur, or occur to a much lesser extent, if New Zealand did not commit to Expo 2020. These leveraging

activities are critical and are as important, if not more important, than a physical presence at Expo 2020.¹⁴

4. The integration of Expo 2020, and New Zealand's commitment to it, with wider aligned New Zealand government activities. These are activities that are occurring irrespective of the commitment to Expo 2020, but should be amended or enhanced to align with the new commitment and activities 1-3 above.¹⁵

Historically, where New Zealand has committed to a World Expo, it has done so in a meaningful and comprehensive way. The commitment has been a quality approach at a physical scale that is neither out of proportion (i.e. larger than the host country and comparable to trade equivalents)) nor understated. This typically translates to an historical commitment from New Zealand in 2016 NZD of around \$30-50 million per Expo.

The economic case explores sizing, leveraging and strategic integration options in detail.

Main Benefits and Risks

Before a delineation of the expected benefits and risks of attendance are outlined, it is important to characterise several key strategic considerations, which frame the remainder of this IBC:

1. The UAE is a critical and proven global air and sea logistics hub. Moreover, the combined economic value to New Zealand of the five daily Emirates flights is understood to exceed \$700 million per annum. In particular, Dubai has developed as a regional and international logistics hub taking full advantage of its geographical positioning mid-way between Asia and Europe and characterised by its modern, state-of-the-art infrastructure and technology. Its key benefits include:
 - a. One third of the world's population lives within four hours' flight time from Dubai.
 - b. It is a key access point to emerging markets including North, East and West Africa, the rest of the Middle East, as well as Central and Southern Asia.
 - c. It has two major ports: Jebel Ali Port and Port Rashid, which are among the most active and efficient in the world. Jebel Ali Port has the 9th highest volume of freight globally in 2014 (15.25 million TEU) and is the largest port outside of Asia.
 - d. It has two large airports¹⁶:
 - i. Dubai International Airport (DXB) had the third highest number of passengers globally in 2015 (78,010,265 passengers) and was the 6th largest in terms of air freight throughput.

¹⁴ This activity inherently includes the need to prioritizing strategic business/trade opportunities and undertaking targeted relationship building.

¹⁵ The Management Case will discuss the ability to capture benefits over different time horizons. Identifying and monitoring these benefits over a consistent time period will help Ministry's monitor whether their efforts (with respect to Expo 2020) are making a positive contribution to wider economic objectives over time.

¹⁶ Dubai is also within driving distance of Abu Dhabi Airport – which serves over 20 million passengers every year.

- ii. Al Maktoum International (also known as Dubai World Central International) (DWC), which will be the world's largest passenger and cargo hub when completed. DWC is linked seamlessly through a Dubai Logistics Corridor to Jebel Ali Port and provides immediate access to an extensive trans-oceanic highway network. Currently, there is no other sea-land-air logistic hub with comparable performance, size and available surrounding space, nor is there one planned for in the foreseeable future.
- 2. The UAE is an influential member of the GCC, now our 6th largest export destination, after China, Australia, USA, Japan and the European Union;
- 3. The UAE is a critical supporter of the GCC-NZ FTA;

s6(a)

- 5. The UAE is committed to New Zealand, as evidenced by its increased engagement, including the collaborative Pacific renewable energy partnership, investment (e.g. Precinct Properties, Fastway Couriers, and the UAE-NZ Food Security Fund (under development)), and sponsorship of Emirates Team New Zealand since 2004 (a sponsorship that also promotes R&D); and
- 6. New Zealand supported the UAE's bid to host Expo s6(a)

The UAE has a strong basis for assuming New Zealand will also participate in Expo 2020.

Benefits

There are four critical considerations that frame the delineation of benefits for this IBC. The rationale behind the assumptions that underpin all of these benefits are explained in the Economic Case:

- **Timing:** New Zealand could be expected to accrue benefits to attendance across a long timeline from pre event, during event and post event. For example, one of the key findings of the post-evaluation report from Shanghai Expo 2010 was that there were significant benefits that accrued before the event even took place:

"New Zealand's prompt acceptance of the Chinese invitation to the Expo won immediate positive response from the Chinese, with benefits for the New Zealand-Chinese relationship"¹⁷

Issues relating to 'timing' are discussed extensively in the Economic Case and Appendix 8.

- **Attribution:** There is inherent difficulty in attributing benefits directly to Expo 2020; correlation may not always prove causation. Hence there are a number

¹⁷ Shanghai Expo 2010 Independent Quality Assurance Report, Post Implementation Review, July 2011, Independent Quality Assurance New Zealand.

of judgements that are made about the probability or likelihood of a benefit accruing, and these probabilities are not the same for every option.

- *Benefits at risk:* A number of benefits can actually be thought of as potential negative benefits s9(2)(d)
- *Monetisation:* Some benefits are able to be directly monetised, some are able to be monetised through proxies (or shadow prices) other benefits are not able to be quantified at all.

Risks

New Zealand's relationship with the UAE and the GCC is presently strong, and we enjoy growing levels of foreign direct investment and access as a result. Expo 2020 is a high priority for the UAE government, and non-participation is clearly not an outcome that would enhance New Zealand-UAE relations.

While much of the current New Zealand-UAE relationship is advanced and maintained based on sound commercial and economic grounds, New Zealand operates in an environment where it competes with other countries to attract services and investment, as well as gain access to markets. There is a material risk that the priority placed on New Zealand concerns, relative to those of other countries, would be impacted by a decision to not attend, especially if key trade competitors do participate.

While the New Zealand Government would not incur the substantial fiscal cost if we do not attend, many of the benefits expressed above are at risk (as noted in Table 4). Most notably:

- s6(a)

- s6(a)

- The risk of a reduction in inbound FDI.

s6(a)

For these reasons, these risks have been assigned probabilities in the Economic Case. These probabilities can shift depending on a wide range of circumstances (including what other actions the Government takes to mitigate or accelerate the risks and the response of our international partners to the invitation to participate). Additional risks associated with the project itself will be detailed in the Management Case.

The potential conceptual benefits of participation in Expo 2020, and risk of not participating, are outlined in Table 4 and Table 5. Figure 4 also shows alignment between these benefits, and risks, to the BGA.

These benefit categories have ultimately been developed through iterative discussions with a wide-range of stakeholders involved in developing this IBC.

Table 4: Benefits from attendance at Expo 2020

Benefits of participation	
Main Benefits	Description
Benefit 1: Economic benefits derived from increased inbound investment	<ul style="list-style-type: none"> Historically, New Zealand has not been a priority for GCC targeted investment. With the GCC being home to some of the world's largest sovereign wealth funds, there is opportunity for this to change. Participation in Expo 2020 will provide opportunities for increased investment collaboration that not only provides for capital inflows into New Zealand but skills and technology transfers to the GCC. Involvement in Expo 2020 can also encourage the extension of existing infrastructure investment opportunities (e.g. Hotel investment which will materially benefit the tourism market and help fill the 'critical shortage of hotels' which aligns with Project Palace).
Benefit 2: Economic benefits derived from increased inbound international students.	<ul style="list-style-type: none"> The GCC currently represents an average of 5,500 students per year. The opportunity to showcase New Zealand as an attractive destination, with strong tertiary institutions (all eight sit among the top 600), would increase the likelihood of students from the GCC coming to New Zealand. The GCC investment in education also presents a significant opportunity to export curricula, systems, qualifications frameworks, schools and universities.
Benefit 3: Economic benefits derived from increased inbound tourism	<ul style="list-style-type: none"> About 11,000 inbound tourists from the GCC travel to New Zealand every year. The opportunity to showcase New Zealand as an attractive destination would increase the likelihood of tourists from the GCC coming to New Zealand; as would targeting the high volume of UK, German and Indian visitors expected to attend.
Benefit 4: Economic benefits derived from increased exports of existing products to existing markets.	<ul style="list-style-type: none"> New Zealand currently exports NZ\$2 billion to the GCC. Expo 2020 provides an opportunity for New Zealand businesses to continue to demonstrate competitiveness in existing markets, and increase the volume and proportion of exports to these markets.
Benefit 5: Economic benefits derived from increased exports to new markets.	<ul style="list-style-type: none"> Expo 2020 themes (and securing a good site), allows New Zealand an opportunity to challenge traditional perceptions of our sectoral strengths in a compelling and integrated way. The development of a successful leveraging programme (including prioritising strategic business/trade opportunities and undertaking targeted relationship building) can assist New Zealand expand key African, Central and South Asian market opportunities. Expo 2020 is expecting a heavy presence from many new target markets for New Zealand, especially in the Middle

	<p>East/North Africa region. Unlike Shanghai (where the majority of visitors were domestic), Expo 2020 forecasts 75% of the 25 million visitors will be international.</p> <ul style="list-style-type: none"> Expo 2020 provides an opportunity to focus on these markets with the Expo itself a catalyst (but not solely responsible) for developing these relationships
<p>Benefit 6: Securing additional international flights into New Zealand.</p>	<ul style="list-style-type: none"> Securing increased flights would have major benefits for international connectivity, destination marketing and price competition. §9(2)(ba) Attendance at Expo 2020 would both showcase the attractiveness of New Zealand as a destination as well as raise the profile existing, new and emerging export trade volumes – all of which would help build the case for further investment by airlines in New Zealand. The timing of Expo 2020 also coincides with the expected completion date of the proposed Wellington runway extension. There is commercial sense in aligning these mutual incentives. There is strong precedent for the importance of growing political and personal relationships in the GCC. Strong relations with the region can ultimately lead to a range of political and economic objectives (such as greater bilateral trade and investment). Fundamentally, attendance at Expo 2020 enables 'the New Zealand Story' to be told on a global stage in a way that would be difficult to replicate beyond an event of this scale and magnitude.
<p>Benefit 7: Improved international relations with the UAE and other Gulf countries.</p>	
<p>Benefit 8: Improve opportunities to tell the New Zealand Story</p>	
<p>Benefit 9: Improved business connections</p>	<ul style="list-style-type: none"> Experience from Shanghai Expo 2010 showed that there are considerable opportunities for business connections to grow from attendance at such events. This then facilitates trade and investment growth.
<p>Benefit 10: Access to the Dubai Innovation Fund</p>	<ul style="list-style-type: none"> Expo 2020 includes an Innovation Fund, which provides grants to selected participants to attend the event and showcase their business offerings. There is a potential benefit for New Zealand business to receive this funding – which would represent a direct benefit to successful New Zealand business providing that there are no adverse terms and conditions.

Table 5: Benefits at risk from non-attendance (including dependencies)

Benefits at risk from non-attendance		
Benefits at risk	Description	General limitations and dependencies
Benefit 11: Reduction in economic benefits derived from inbound investment	<p>Total 2014 GCC investment in New Zealand was NZ\$150 million with the UAE accounted for NZ\$110 million.</p> <p>A decision not to attend Expo 2020 might jeopardise future levels of investment between GCC and New Zealand and in particular, between the UAE and New Zealand (given they are hosting Expo 2020).</p>	<p>The benefits of inbound FDI to NZ Inc centres on the effects that it has on the economy (soaking up spare capacity, improving labour and capital productivity, as well as resulting in a higher net sale price for assets). Understanding these specific linkages and dependencies is difficult to determine in aggregate.</p> <p>Any inbound FDI forgone (from the region) might be picked up by inbound FDI from other sources at marginal differences.</p>
Benefit 12: Reduction in economic benefits derived from exports of existing products to existing markets.	<p>For the year ending September 2015, NZ goods and services exports to the GCC totalled NZ\$2 billion and total bilateral trade between the GCC and New Zealand totalled NZ\$4.1 billion. A decision not to attend Expo 2020 might jeopardise the future levels of export activity between the region and New Zealand and in particular, between the UAE and New Zealand (given they are hosting Expo 2020).</p>	<p>The ability of the GCC region to demand more New Zealand goods, as well as the ability of the New Zealand economy to produce more goods is difficult to determine in aggregate.</p> <p>Any export growth forgone (from the region) might result in increases in exports to other regions.</p>
Benefit 13: Securing existing international flights into New Zealand.	<p>Dubai – Auckland, and connecting routes from Christchurch, Wellington (via Qantas) and Auckland via Australia, are an important route for tourists and New Zealanders travelling. Notably, there are more flights from Auckland to Dubai than Auckland to any other city in the world (bar Australian cities).</p> <p>s9(2)(d)</p>	<p>It is unclear what the dynamic response would be from the market if Emirates did withdraw one or more flights. There might be a dynamic response with other airlines filling the void left by Emirates.</p> <p>Similarly, it is difficult to predict what the response would be from all current users of these transport services. Exporters may be able to provide goods to foreign markets, albeit at a less competitive rate.</p>
	<p>Currently there are five A380 flights from Emirates to New Zealand – estimated to be worth \$700m to the New Zealand economy and leading to increased competition on the Trans-</p>	

<p>Tasman leg for passengers, with subsequent benefits of overall lower fares and extra capacity and choice.</p> <p>[s9(2)(d)]</p>	
<p>Benefit 14:</p> <p>[s9(2)(j)] implementation of the GCC-NZ FTA</p>	<ul style="list-style-type: none"> • The GCC-NZ FTA concluded in 2009. There is now momentum to complete FTA process. [s9(2)(j)] [s9(2)(j)]
<p>Benefit 15:</p> <p>[s9(2)(j)] the GCC-NZ FTA</p> <p>[s9(2)(j)]</p>	
<p>Benefit 16:</p> <p>[s9(2)(j)] GCC-NZ FTA</p> <p>[s9(2)(j)]</p>	<ul style="list-style-type: none"> • The completion of the FTA could be expected to lead to increased competitiveness of New Zealand exports and services in the region – and hence greater export receipts. <p>[s9(2)(j)]</p>

Conclusion

Five investment objectives have been developed for this IBC, which explicitly support various objectives of the BGA.

Ten benefits of attendance at Expo 2020 have been identified that will help achieve these investment objectives and will help achieve the objectives of the BGA. These can be considered to be 'offensive benefits' that primarily focus on opportunities to grow trade, tourism, education and investment in the GCC region as well as supporting the ability to lay a foundation for growth into emerging markets where New Zealand is underserved, such as North Africa and Central and South Asia.

Six benefits at risk have also been identified, which provide an indication of the areas of the BGA, and the New Zealand economy, that could suffer from a decision not to attend. These benefits at risk can be considered to be 'defensive benefits' and focus on s9(2)(d)

reductions in trade and investment s9(2)(j)

These investment objectives, benefits and risks have all been summarised in Figure 4, which provides a stylised overview of each concept grouped by relevant BGA heading.

Business Case Elements	
Investment Objectives	
A	Increase the total value of exports for the New Zealand economy
B	Increase the diversity of exports to global audiences by further building into other high value sectors than agriculture and tourism
C	Increase the levels of trade and investment between NZ and the MENA region
D	Maintain and increase bilateral engagements on trade and non-trade issues between NZ and the MENA region
E	Raise NZ's profile amongst new trading partners and broaden understanding of capabilities amongst all partners
Benefits	
1	Economic benefits derived from increased inbound investment
2	Economic benefits derived from increased inbound international students
3	Economic benefits derived from increased inbound tourists
4	Economic benefits derived from increased exports of existing products to existing markets
5	Economic benefits derived from increased exports of new products to new markets
6	Securification of additional international flights into New Zealand
7	Improved international relations with the UAE and other Gulf countries
8	Improve opportunities to tell the New Zealand Story
9	Improved business connections
10	Innovation Fund
Benefits at risk from non-attendance	
11	Reduction in economic benefits derived from inbound investment
12	Reduction economic benefits derived from exports of existing products to existing markets.
13	Securification of international flights into New Zealand

S9(2)(i)

Figure 4: Stylised alignment of investment objectives and benefits to the BGA

Business Growth Agenda											
Building Export Markets			Building Innovation			Building Investment					
A	B	C	B	D	E	C	D	E			
D	E										
2	3	4	2	5	7	1	2	7			
5	6	7	8	9	10	8	9				
8	9										
12	13	14	11								
14	15	16									

The Economic Case – Exploring the Preferred Way Forward

Purpose

The purpose of the Economic Case is to assess the potential options for New Zealand's participation in Expo 2020 by comparing the economic cost and benefits of alternative options of participation. This chapter uses qualitative and quantitative methods to test the range of viable options, in order to select the preferred option. The key components in this chapter include:

- Identifying critical success factors;
- Considering the key contextual elements that feed into option development;
- Identifying and developing the options;
- Assessing the options using probability weighted cost-benefit analysis (CBA) and multi-criteria analysis (MCA); and
- Selecting a preferred option.

Critical Success Factors

Critical success factors (CSFs) set out the criteria that are essential for the successful delivery of the Project and they necessarily complement, but are distinct from, the investment objectives set out in the Strategic Case.

In general terms, Investment Objectives describe *what* we want to achieve whereas CSFs describe *how best* to achieve it. Together, they form the "assessment framework" that all options are initially assessed against.

The development of CSFs have been informed by Treasury Better Business Case best practice, analysis of information supporting the case for change and partially informed through the Investment Logic Mapping workshop (with representatives from MFAT, MBIE, NZTE, MPI and Tourism New Zealand).

It is important to note that these CSF's are largely at a 'project' level, whereas the Investment objectives are at a higher 'programme level'. This disconnect is intentional owing to the nature of this project (and the different options that are considered in the Economic Case).

Each CSF has been weighted to reflect the relative importance of each factor in driving successful delivery of the Investment Objectives. The identified CSFs, their rationale and their respective weightings are set out in Table 6.

Table 6: Critical Success Factors

Critical Success Factors	Brief Description	Weighting
Effectiveness	A measure of how closely aligned an option is to all of the Investment Objectives. This is considered to be the equal most important critical success factor.	25%
Enhances bilateral relationships	Measures of whether an option will, or has the potential to, improve bilateral relationships with jurisdictions in the region. The primary relationship we are looking at preserving (and enhancing) is that with the United Arab	25%

	Emirates (including Dubai). However, the potential to improve or expand relationships with other jurisdictions is relevant too. This is considered to be the equal most important CSF owing to the direct opportunities that can be created from these relationships and, crucially, the political and economic risks that can flow from eroded relationships.	
Affordability	A measure of how well an option fits within the likely available funding rationale and delivers the optimal mix of benefits and costs. Affordability of options is always an important consideration, particularly given the Governments focus on Better Public Services and obtaining value for money from expenditure.	20%
Commerciality	A measure of how attractive an option will appear to the market – does New Zealand and/or Dubai firms possess the right skills to deliver this engagement and will there be a sufficient appetite from within the market.	10%
Achievability	A measure of how effectively an option can be delivered given available skills, resources and the ability to respond to the changes. A benchmark for this assessment is whether New Zealand has relevant experience in delivering an option. This CSF is weighted less than others because of the relationship it has with other CSFs – for example if it is difficult or complex to deliver an option then this will likely flow through into affordability rankings.	10%
Flexibility	A measure of whether an option provides New Zealand with sufficient flexibility to meet its investment objectives over time. This is a 'nice-to-have' which is why it is weighted least of the options. A benchmark for this assessment is whether an option creates the potential for an unduly large financial or political commitment to which there is no clear exit strategy.	10%

Long-List Options and Initial Options Assessment

Context for Options Development

The identification and development of a long-list of options provides choice to decision makers about the best way to meet the strategic objectives of this Project. It provides contestability of ideas and helps ensure that projects are not pursued without sufficient diligence.

The purpose of a long-list of options is to identify a wide range of possible interventions that meet the investment objectives, desired project outcomes, service requirements and deliver the benefits and opportunities identified in the Strategic Case.

This long-list then gets progressively narrowed down through an increasingly comprehensive filter of analysis until a preferred option is determined.

Long-list of Options

Options identification

A long-list of options was carefully considered by the Project Team. This list was informed through consultation by the Investment Logic Mapping workshop, participation in Treasury Better Business Case Clinics, past involvement in World Expos, the specific opportunities identified from participation in the Expo 2020 and consideration of the strategic objectives of several government agencies including MFAT, MBIE, Tourism New Zealand, NZTE and ENZ.

This longlist of options does not just consider binary options of attendance or not – the longlist considers a spectrum of levels of attendance, and also consider an option that is distinctly not Expo related – but nevertheless may have the possibility to achieve the wider investment objectives. This option broadly covers off non-attendance but with an as yet defined mitigation strategy employed. In this sense, it is indicative, rather than a concrete mitigation strategy.

In traditional business cases, 'Do Nothing' is the base case. This allows all options to be consistently measured. However, in this business case, the 'Do Nothing' option carries an expectation for range of benefits at risk, and therefore represents an option quite distinct from a traditional base case.

A defined base case has not been developed for this project given the wide range of benefits and benefits at risk considered, as well as the uniqueness of the options. Rather, a continuation of the status-quo is assumed for each benefit. In aggregate, this forms the 'base case'. A full description of assumptions for costs and benefits is provided in Appendix 8.

The long-list of Options is summarised in Table 7. For a concise assessment of all options, benefits and benefits at risk, refer to **Error! Reference source not found.**

Table 7: Long List Options¹⁸

Option Name	Brief description
Option 1: Do Nothing (Do not participate in the Expo 2020)	<p>This option represents a scenario where New Zealand does not participate in Expo 2020 and continues to pursue existing policies initiatives and programmes to build and further develop commercial international relationships with the UAE, and across the MENA region. Currently investment for MFAT and NZTE in the GCC is estimated to be around \$12.5m per annum.</p> <p>The Do Nothing Option does not incur any additional direct costs, nor does it create any unique benefits. However it does carry with it a higher risk that there will be a reduction in many of the existing benefits that New Zealand currently enjoys (or could be expected to enjoy).</p>
Option 2: Do not attend Expo 2020, but apply mitigation strategy	<p>This option may help mitigate the potential political and commercial risks of non-attendance. It would take the form of enhanced resourcing in the existing NZ Inc network in the region– with specific diplomatic activities directed at protecting bilateral trade and investment between GCC countries and New Zealand in the first instance.</p> <p>Importantly, a decision to further resource the NZ Inc Consulate and Embassy presence in the region to overcome short term political risk would likely commit New Zealand to long-term operating costs.¹⁹</p> <p>Staff responsible for additional Consulate/Embassy activity would also need a clear mandate and strategy and would need to be supported and developed domestically.</p> <p>This option would create a higher unique cost than the do nothing option, and could be expected to have a lower, albeit still present (and potentially even higher), risk of the reduction in many of the existing benefits that New Zealand currently enjoys (or could be expected to enjoy).</p>
Option 3: Pooled Pacific nations exhibition (minimal participation)	<p>This option represents minimal investment by the New Zealand government and requires a formal request to the UAE government to fund and build a small position in the Pacific Pavilion along with other Pacific Nations such as Tonga, Fiji, Samoa and Kiribati. Based on the 2010 Shanghai Expo, the total area provided would be approximately 600 m² and would be a basic stand within a large building, with limited facilities.</p> <p>Generally, this option would not progress our relationship with the GCC – but may push it backwards in a minor way, as it would be a considerably reduced level of involvement than currently anticipated by the Expo organisers. Therefore, the benefits and costs would be expected to be minimal.</p> <p>In previous years, this option has been allowed by Expo organisers, however Expo 2020 officials have indicated that this is not an option except for preselected countries of which New Zealand is not one. It has been excluded from all further analysis.</p>
Option 4: Attend	This option represents the minimalist independent approach that the New

¹⁸ Specific delineation of the costs of these options is provided in Appendix 8.

¹⁹ s6(a)

Option Name	Brief description
Expo, small-sized pavilion	<p>Zealand government can undertake to participate in Expo 2020. The smallest plot size available at the Expo 2020 will be 1,550 m² allowing for a maximum build area of 1,085 m². This is a relatively small pavilion that provides limited opportunity to undertake additional activities such as entertainment, in-house catering, cultural activities and a dedicated business development area. <i>Countries that had a pavilion of around 1000 sq. meters at the 2010 Shanghai Expo included Peru, Serbia and Brunei.</i></p> <p>Generally, this option would not progress our relationship with the GCC – but it would not push it backwards. Therefore, the benefits would be expected to be minimal, although some costs arising from construction and operational costs would be expected that would be unlikely to be affordable within baselines.</p>
Option 5: Attend Expo, modest-sized pavilion	<p>The option considers an option that enables the New Zealand pavilion to accommodate significant facilitation of in-house catering, business development areas and the ability to demonstrate a number of different characteristics of the country's economy. The tailored size pavilion will be around 2,000 m². <i>Countries that had pavilions at the 2010 Shanghai Expo of around 2,000 - 3,000 sq. meters size included Ireland, Sweden, Israel, Romania, New Zealand, Turkey, the Philippines, Hong Kong, and Pakistan.</i></p> <p>Generally, this option would be the minimum level of involvement to progress our relationship with the GCC. It would also enable New Zealand to adequately showcase new industries and allow existing industries to break into new markets. Therefore, the benefits and costs would be expected to be moderate.</p> <p>Crucially, this option would not be expected to raise the risk of us losing existing benefits that currently accrue to New Zealand.</p>
Option 6: Attend Expo, mid-sized pavilion	<p>This option considers a mid-sized multi-storey pavilion in excess of 4,000 – 6,000 m², capable of demonstrating a large number of themes throughout the expo in the in-house catering, entertainment and business development areas. <i>Countries that presented pavilions in excess of 4,000 - 6,000 sq. meters at the 2010 Shanghai Expo included Australia, India, Mexico, Indonesia and Korea.</i></p> <p>Generally, this option would progress our relationship with the GCC. It would also enable New Zealand to adequately showcase new industries and allow existing industries to break into new markets – but not to a material degree beyond a modest-sized site. Therefore, the benefits would be expected to be moderate but the costs could be high.</p> <p>Crucially, this option would not be expected to raise the risk of us losing existing benefits that currently accrue to New Zealand.</p>
Option 7: Attend Expo, G20 country size pavilion	<p>This option defines a pavilion equivalent to the size of most G20 nations based on the previous exhibitions. +The pavilions can be between 6,000 – 8,000 m². <i>Based on the 2010 Shanghai Expo this requires a pavilion in excess of 6,000 sq. meters up to 8,000 sq. meters.</i></p> <p>Generally, this option would progress our relationship with the GCC. It would also enable New Zealand to adequately showcase new industries and allow existing industries to break into new markets – but not to a material degree beyond a modest-sized site. Therefore, the benefits would be expected to be moderate but the costs could be very high.</p> <p>Crucially, this option would not be expected to raise the risk of us losing existing benefits that currently accrue to New Zealand.</p>

Long-list options assessment

The assessment of the long-list of options has gone through a complementary two-stage filtering process. This assessment has been carried out by the Project Team and discussed with representatives of stakeholder Ministries.

The purpose of this initial assessment is to derive a short-list of options that could be assessed through cost-benefit analysis and qualitative non-monetary assessments of the expectation of future benefits.

The first stage filtering process consists of:

1. Qualitative assessment against the Investment Objectives, to determine whether each option would meet the strategic objectives of the Project.

Each option has been ranked with a score of Exceeds (dark green), Meets (light green), Partially Meets (amber), or Does Not Meet (red) for each of the respective Investment Objectives. This is shown in Table 8.

Any option that includes a 'does not meet' score does not progress beyond the initial long-list assessment stage.

2. Qualitative and quantitative assessment against the CSFs to determine the options that would have the highest chance of success.

Each of the long-list options was awarded a score between -2 to +2 based on the extent to which the option is expected to achieve or contribute to each of the respective CSFs (-2 = Highly Does Not Achieve/Contribute, +2 = Highly Achieves/Contributes). Following the initial scorings, the weighting of each criterion were applied to the raw scores to arrive at a weighted percentage score for each option and an implied ranking. This is shown in Table 9.

The top three options (as well as the do nothing scenario) have been carried through to the Cost-Benefit Analysis stage.

Indicator Explanation

Does not meet the investment objective

Partially meets the investment objective

Meets the investment objective

Exceeds the investment objective

Table 8: Assessment of Long List of Options against Investment Objectives

Long List of Options	Investment Objectives	Option 1 Do Nothing (Do not participate in Expo 2020)	Option 2: Do not attend Expo 2020, but apply mitigation strategy	Option 4 Attend Expo, small- sized pavilion	Option 5 Attend Expo, modest-sized pavilion	Option 6 Attend Expo, mid- sized pavilion	Option 7 Attend Expo, G20 country size pavilion
1. Increase the total value of exports for the New Zealand economy			Meets	Partially meets	Meets	Meets	Meets
2. Increase the diversity of exports to global audiences by further building into other high value sectors than agriculture and tourism			Meets	Partially meets	Meets	Meets	Meets
3. Increase the levels of trade and investment between NZ and the MENA region			Meets	Partially meets	Meets	Meets	Meets
4. Maintain and increase bilateral engagements on trade and non-trade issues between NZ and the MENA region				Partially meets	Meets	Meets	Meets
5. Raise NZ's profile amongst new trading partners and broaden understanding of capabilities amongst all partners			Meets	Meets	Exceeds	Exceeds	Exceeds
Summary				Partially meets	Meets	Meets	Meets

Score	Interpretation	Score	Interpretation
-2	Very Poor	1	Good
-1	Poor	2	Excellent
0	Average		

Table 9: Assessment of long-list of options against CSFs²⁰

Critical Success Factors	Weighting	Option 1	Option 2	Option 4	Option 5	Option 6	Option 7
Effectiveness	25	-2	1	0	1	1	1
Bilateral relationships	25	-2	-2	1	1	1	1
Affordability	20	2	-1	-1	-1	-1	-2
Commerciality	10	0	1	1	1	1	1
Achievability	10	2	2	2	2	1	0
Flexibility	10	1	0	1	1	1	1
Total – unweighted		1	1	4	5	4	2
Total – weighted		-1.5	-0.75	2.25	3.5	3	1.5
Ranking (weighted)		7	5	3	1	2	4
Summary		Proceed to short list	Do not proceed	Proceed to shortlist	Proceed to shortlist	Proceed to shortlist	Do not proceed

²⁰ Note that Option Three has not progressed to this assessment because it is not permitted by Expo 2020 organisers.

The Short-listed Options

The following short-list was carried forward to further assessment.

- Option 1: Do Nothing – Do not attend Expo 2020²¹
- Option 4: Attend Expo 2020, small-sized pavilion
- Option 5: Attend Expo 2020, modest-sized pavilion
- Option 6: Attend Expo 2020, mid-sized pavilion.

For completeness, a cost-benefit assessment was also undertaken for Option 2: Do not attend Expo 2020, but apply mitigation strategy. This assessment is included in Appendix 6.

Short- list Options Analysis

A short-list options assessment has been undertaken in line with the Treasury's cost-benefit analysis (CBA) guidance, and is based on the combined performance of each option against the following elements:

- Monetised costs and benefits from the CBA using the Treasury CBAX model to ensure consistency of outputs.
- Non-Monetised costs and benefits and qualitative analysis

When assessing monetised CBA results, it should be noted that many of the non-monetised impacts described in the qualitative analysis contribute substantially towards achieving the Investment Objectives. While these non-monetised benefits are not quantitatively included in the Benefit-Cost Ratio (BCR), the relative importance of these benefits in considering the preferred option should not be discounted.

Monetisable costs and benefits

There are assumed to be a range of monetisable costs and benefits that accrue from each option. These monetisable costs and benefits are assessed to be additional to what is currently expected to accrue – i.e. these are additional costs and benefits to the 'base case'.

Estimates of the costs and benefits of the options are based on current available information and assumptions compiled by the Project Team, with assistance and validation from MFAT representatives, and the Expo 2020 Task Force team members.

Costs

In general, actual Shanghai Expo 2010 cost line items have been used as the basis for the calculation of the costs for the modest sized pavilion option for Dubai Expo 2020. It is acknowledged that there is a potential for the Shanghai event to 'look and feel' different to

²¹ This option has been carried through, despite being the lowest ranked option, because it demonstrates the consequence of a decision not to attend.

the Dubai event – but in the absence of detailed design assessments and the development of specific themes, this is considered to represent the best basis for assessment.²²

Factors applied to adjust the cost numbers in order to make them relevant to Expo 2020 are listed below:

- In all cases, Shanghai cost numbers have been inflated for CPI between 2012 and 2020.
- Individual line items have been further inflated/deflated depending on relevant factors (such as expectations around extra staff in Dubai, construction cost indexes and the need for higher operating costs)
- Additional line items have also been included owing to Dubai specific expectations. As an example, a standalone line item for air conditioning is included.

Costs of other options (small and mid-sized pavilion for example) have then been derived based on escalating or reducing these costs for the modest-sized pavilion. Specific assumptions used to derive these costs are explained in Appendix 8.

Benefits

All 'offensive' benefits and 'defensive' benefits at risk have been derived through the ILM process, conversations with officials with a strong subject area knowledge of the scope and magnitude of the benefit as well as our professional experience (including a former Australian Dubai Trade Commissioner). These have been tested with an independent peer reviewer with a strong background in trade economics.

There is an acute recognition of inherent complexities and uncertainties of proving these values accrue specifically to participation in Expo 2020 as correlation does not prove causation. Accordingly there is a strong probability-weighted approach to determining benefits throughout this cost-benefit analysis. Where appropriate, all of the inherent uncertainties and complexities have been discussed in Appendix 8 order to provide some initial guidance for the analytical requirements expected in the Detailed Business Case.

All benefits (and benefits at risk) identified can broadly be considered to be conservative for two primary reasons:

- Spatially-bound: All monetisable benefits are in relation to the GCC region – yet the value proposition for attendance at Expo 2020 often centres on the distinctly international focus of the event. In the interests of conservatism, these wider international benefits have not been monetised – although they have been partially captured through the qualitative analysis of exports to new markets.
- Time-bound: As noted in the Strategic Case, attendance at Expo 2020 is not like investment in other 'major events' where benefits accrue for a short period associated with the duration of the event. Whatever decision New Zealand makes in

²² The Participant Guide and Self-Build Pavilion guide provided by Expo organisers include cost assumptions that appear optimistic and largely have not been relied upon.

this instance, will 're-base' New Zealand's relationship with the UAE and the wider GCC region, with a commensurate strengthening or deterioration in a range of benefits (and benefits at risk). This 're-basing' will likely occur over an indeterminate amount of time. Despite these challenges, benefits (and benefits at risk) have been explicitly time bound in the Economic Case to aid with better measurement across options. It should be noted that by limiting these impacts to a set period of time, all benefits (and benefits at risk) are likely to be conservative.

Information has been obtained through a combination of desktop research of publicly available data and guidance from MFAT. These benefits have primarily been assessed where there is:

- Publicly available economic assessments of value
- A published market price
- A shadow market price, or presence of inputs acceptable for hedonic pricing.

A generic description of costs and benefits, as well as a translation of each cost and benefit to each option, is provided in

Table 10 and

Table 11. A detailed description of these calculations is provided in Appendix 8.

Non-Monetised benefits and qualitative analysis

Some costs and benefits cannot be quantified for a number of reasons, including:

- The lack of a market price
- The lack of a suitable shadow price

Nevertheless, information and assumptions regarding costs and benefits for non-monetisable factors has been gathered for each option to demonstrate the full range and scale of costs and benefits.

A generic description of these benefits, as well as a translation of each cost and benefit to each option, is also provided in

Table 10 and

Table 11.

It is noted that in many instances, these non-monetised cost and benefits can represent 'double counting' through the monetised benefit assessment. For example, improved bilateral relationships with the UAE (non-monetised benefit) help to a certain degree enable increased exports to the GCC region (a monetised benefit). This business case includes these non-monetised benefits for completeness because they are recognised as both means to ends (i.e. they help achieve monetised values) but they also are ends in of themselves.

A qualitative assessment of the non-monetisable benefits has been provided in Table 13. Non-monetised benefits have not been weighted nor quantitatively scored beyond this assessment summary – however, they have been aggregated to provide decision makers with an indication of the scale, magnitude and likelihood of non-monetisable benefits occurring.

Table 10: Monetisable and non-monetisable benefits

Benefits of attending		
Benefits	Applicable to	Monetisable?
Benefit 1: Economic benefits from increased FDI	Options 4, 5 and 6	✓
Benefit 2: Economic benefits derived from increased inbound international students	Options 4, 5 and 6	✓
Benefit 3: Economic benefits derived from increased inbound tourism	Options 4, 5 and 6	✓
Benefit 4: Economic benefits derived from increased exports of existing products to existing markets	Options 4, 5 and 6	✓
Benefit 5: Economic benefits derived from increased exports of products to new markets ²³	Options 4, 5 and 6	×
Benefit 6: Securitisation of additional international flights into New Zealand	Options 4, 5, and 6	✓
Benefit 7: Improved international relations with the UAE and other Gulf countries	Options 4, 5 and 6	×
Benefit 8: Improve opportunities to tell NZ Story	Options 4, 5 and 6	×
Benefit 9: Improved business connections	Options 4, 5 and 6	×
Benefits 10: Innovation Fund	Options 4, 5 and 6	✓
Benefits at risk from non-attendance		
Benefits	Applicable to	Monetisable?
Benefit 11: Reduction in economic benefits derived from inbound investment	Option 1	✓
Benefit 12: Reduction economic benefits derived from exports of existing products to existing markets.	Option 1	✓
Benefit 13: Securitisation of existing international flights into New Zealand	Option 1	✓
s9(2)(j) resolution of the GCC's Free Trade Agreement (FTA) s9(2)(j)	s9(2)(j)	

²³ It is difficult to predict, with any kind of certainty, the products, markets and timing of goods to be exported. Accordingly, a qualitative assessment of the likelihood of this benefit being achieved has been applied.

s9(2)(j)

s9(2)(j)

Table 11: Monetisable costs

Costs	Description	Applicable to
Expo project management	<p>These costs have been based on previous World Expo experience, in particular Shanghai in 2010, and updated to reflect Dubai-specific circumstances. Costs consist of:</p> <ul style="list-style-type: none"> • Personnel: Personnel present at the Expo over the six month period (including salary and per diems). • Travel: travel costs for all New Zealand staff who will travel to Dubai and be housed in accommodation. • Professionals: Professional service contracts for things like Expo management, security and chefs. • Business development and marketing activities: Expenditure to promote the event as well as showcase New Zealand during the event. • Currency fluctuations: Given this event will be held in 2020 there is significant currency risk – currency mitigation strategies to be employed (i.e. hedges). • Contingency: A 20% contingency budget is employed. • Insurance: Insurance costs for health, business continuity etc. 	Options 4, 5 and 6.
Pavilion Design, Build and Manage	<p>Costs associated to designing, constructing and managing the pavilion for the Expo (including a 20% contingency). In particular:</p> <ul style="list-style-type: none"> • ICT: A large digital component to this event requires commensurate expenditure in ICT. • Dubai specific costs, such as heightened air conditioning requirements have been considered. • Operational staffing requirements. 	Options 4, 5 and 6.
Whole of government cost – Leveraging	<p>Assumption of expenditure by Ministers/agencies in various sectors like Tourism, Education, Agriculture, and MFAT.</p> <p>These general, and largely indicative, leveraging costs are considered crucial to maximising the potential for benefits realisation.</p>	Options 4, 5 and 6.

Cost Benefit Analysis Results

This section presents the results of the probability-weighted CBA analysis whereby the monetary costs and benefits associated with the options proposed for this Project have been estimated using the benefits transfer approach explained in Appendix 8. A Benefit Cost Ratio (BCR) that is greater than one implies a positive Net Present Value (NPV). Conversely, a BCR of less than one implies a negative NPV.

Table 12 summarises the results of the economic assessment over a 5 year model period. This is different to what is required by Treasury's CBAX model but has been agreed with the Treasury owing to the nature of this investment. The non-monetised benefits of the options are noted in

Table 13. The specific information and assumptions underpinning this CBA is also provided in Appendix 8.

Scenario analysis showing the results of CBA modelling for different length of impacts from benefits over 3, 5, 10 and 15 year time horizons is also provided in Appendix 9.

Costs and benefits have been peer reviewed and have been deemed to be sufficient for the purposes of an IBC.

Table 12: Cost Benefit Analysis of short-list options

Monetised costs and benefits		Option 1	Option 4	Option 5	Option 6
Impacts for 5 years All values are NPV (\$m)		Do Nothing	Attend Expo, small-sized pavilion	Attend Expo, modest-sized pavilion	Attend Expo, mid-sized pavilion
Costs	Personnel	N/A	\$9(2)(1)		
	Travel	N/A			
	Professional and outsourced	N/A			
	Business Development	N/A			
	Marketing	N/A			
	ICT	N/A			
	Insurance	N/A			
	Other	N/A			
	Contingency	N/A			
	Foreign Exchange contingency	N/A			
	Expo Project Management costs	N/A			
	Occupancy costs	N/A			
	Contingency	N/A			
	Leveraging costs	N/A			
	Pavilion design, build and manage costs	N/A			
Total costs		0	37.89	49.91	78.36
Benefits	Benefit 1: Economic benefits derived from increased inbound investment	N/A	3.19	3.99	3.99
	Benefit 2: Economic benefits derived from increased inbound international students	N/A	2.15	3.58	3.58
	Benefit 3: Economic benefits derived from increased inbound tourists	N/A	0.51	1.02	1.02
	Benefit 4: Economic benefits derived from increased exports of existing exports to existing markets	N/A	22.53	33.79	33.79

Benefit 6: Securitisation of additional International flights into New Zealand	0.00	1.60	6.41	5.41
Benefit 10: Innovation Fund	0.00	1.46	1.46	1.46
Benefit 11: Reduction in economic benefits derived from inbound Investment	(5.99)	N/A	N/A	N/A
Benefit 12: Reduction in economic benefits derived from increased exports of existing exports to existing markets	(24.59)	N/A	N/A	N/A
Benefit 13: Securitisation of existing International flights into New Zealand	(91.36)	N/A	N/A	N/A
<div>s9(2)(j)</div> GCC's FTA <div>s9(2)(j)</div>	<div>s9(2)(j)</div>	N/A	N/A	N/A
<div>s9(2)(j)</div> GCC's FTA <div>s9(2)(j)</div>	<div>s9(2)(j)</div>	N/A	N/A	N/A
<div>s9(2)(j)</div> GCC's FTA <div>s9(2)(j)</div>	<div>s9(2)(j)</div>	N/A	0.00	0.00
Total Benefits	(224.47)	31.44	50.25	50.25
Net Monetised Benefit (Cost)	(224.47)	(6.45)	0.34	(28.12)
Monetised BCR	N/A	0.83	1.01	0.64
Ranking (based on BCR)	4	2	1	3

The qualitative assessment of the short-list options has been undertaken using the following indicators:

Score	Interpretation	Score	Interpretation
-------	----------------	-------	----------------

-2	Negative benefits likely	1	Positive benefits possible
-1	Negative benefits possible	2	Positive benefits likely
0	No additional benefits expected		

Table 13: Qualitative benefits of the short-list options

Qualitative costs and benefits		Option 1 Do Nothing - Not participating in the Expo 2020	Option 4 Attend Expo 2020, small-sized pavilion	Option 5 Attend Expo 2020, Modest-sized pavilion	Option 6 Attend Expo 2020, Mid-sized pavilion
Benefits	Benefit 5: Economic benefits derived from increased exports of products to new markets.	Negative benefits possible	Positive benefits possible	Positive benefits likely	Positive benefits likely
	Benefit 7: Improved international relations with the UAE and other Gulf countries.	Negative benefits likely	Positive benefits possible	Positive benefits likely	Positive benefits likely
	Benefit 8: Improve opportunities to tell the New Zealand Story	No additional benefits expected	Positive benefits possible	Positive benefits likely	Positive benefits likely
	Benefit 9: Improved business connections	Negative benefits likely	Positive benefits possible	Positive benefits likely	Positive benefits likely
Summary		Negative Benefits Possible	Positive Benefits Possible	Positive Benefits Likely	Positive Benefits Likely

Summary of Performance of Short List Options

The recommended option to progress to further stages of this business case has been identified following full consideration of all assessment criteria (CBA, qualitative assessment, and assessment against investment objectives and critical success factors).

A summary of the quantitative and qualitative analysis of the short-list options is presented in Table 14. A further one-page summary of each option is provided in Appendix 5.

Table 14: Summary of short list assessment

Option	Alignment with		Benefit Cost Ratio (5 year)	Non-monetary benefits	Rank
	Investment Objectives	Critical Success Factors			
Option1: Do Nothing – Do not attend Expo 2020	Does not meet	Average	(N/A)	Negative benefits Expected	4
Option 4: Attend Expo 2020, small-sized pavilion	Meets	Average	0.83	Positive Benefits Possible	2
Option 5: Attend Expo 2020, modest- sized pavilion	Meets	Good	1.01	Positive Benefits Expected	1
Option 6: Attend Expo 2020, mid-sized pavilion	Meets	Good	0.64	Positive Benefits Expected	3

Complementary analysis

In addition to CBA and assessment against investment objectives/critical success factor, there are other ways to investigate the relative performance of these options.

One measure is to consider the cumulative net benefits expected over time. This most clearly shows the large gap between a decision to attend and a decision not to attend Expo 2020 and is demonstrated in Figure 5.

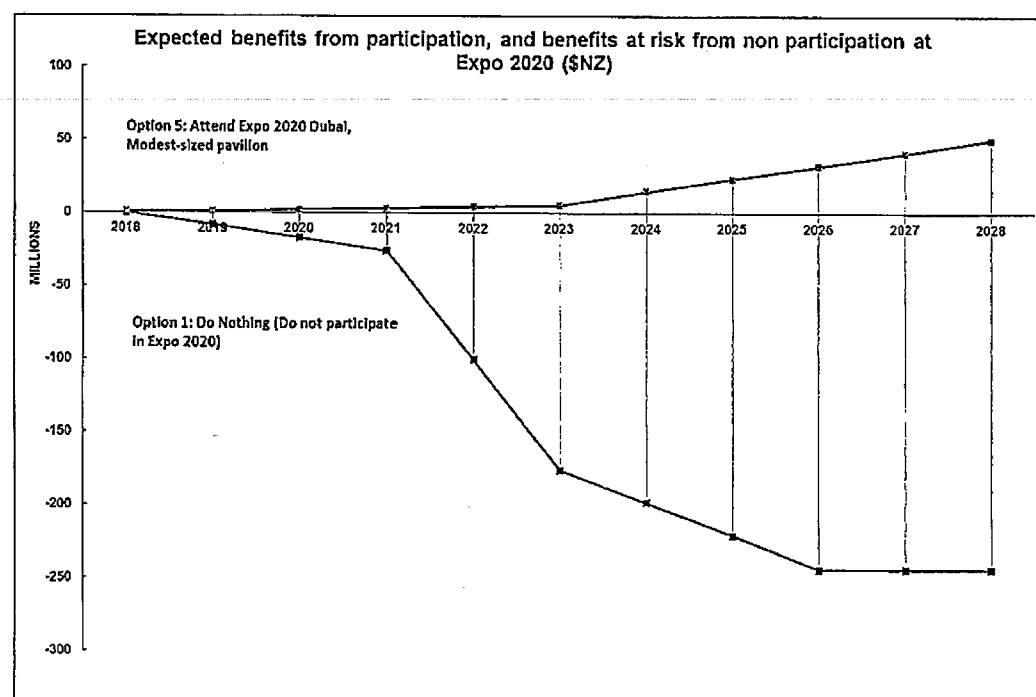
Another related way is to consider the 'incremental BCR'. Due to the nature of this project, all possible options considered will have impacts indicating a change in the 'status quo', that is, all options are mutually exclusive of each other. Where this is the case incremental cost-benefit analysis can be considered alongside the traditional approach to demonstrate option relativities.

Incremental cost-benefit analysis is used to identify the optimal economic solution. The incremental BCR indicates whether the incremental cost of the higher cost option is justified by the incremental benefits gained (all factors being equal). Conversely, incremental analysis will also identify whether a lower cost option is a more optimal solution if it realises proportionally more benefits.

Undertaking incremental analysis for our preferred option (Option 5 – Modest sized pavilion) compared to Option 1 (Do Nothing), gives us an incremental BCR of 5.89.

Both Figure 5 and the calculation of an incremental BCR further support the view that option five is the preferred option.²⁴

Figure 5: Cumulative benefits (at risk) over time (Expo 2020 options)



²⁴ Appendix 10 explains the basis for incremental BCR in more detail.

Recommended Option

Option 5: Attend Expo 2020, Modest-sized Pavilion

The option considers an option that enables the New Zealand pavilion to accommodate appropriate facilitation of in-house catering, business development areas and the ability to demonstrate a number of different characteristics of the country's economy.

This option would likely be the minimum level of involvement to progress our relationship with the GCC. It would also enable New Zealand to adequately showcase new industries and allow existing industries to break into new markets.

The estimated costs of this option centre on the expected one off cost of attendance at Expo 2020 – which equates to roughly \$48 million and \$10 million of leveraging costs (both nominal).

Crucially, this option would not be expected to raise the risk of losing existing benefits that currently accrue to New Zealand, i.e.:

- the benefits of early implementation of the GCC-NZ FTA

s9(2)(d)

However, it does raise the potential for us to pursue 'offensive' benefits such as:

- increased FDI,
- increased export growth (in both existing and emerging markets)
- improved bilateral relationships
- increased student numbers
- an ability to showcase the New Zealand Story
- an ability to increase business connections

s9(2)(ba)

Cost benefit Analysis

Costs	Value (\$ million NPV)
Costs	49.91
Benefits	50.25
Negative Benefits	N/A
Net monetised benefit	0.34
Monetised BCR	1.01

Non-monetary benefits assessment

Benefit 5: Economic benefits derived from increased exports of new products to new markets.	Positive benefits likely
Benefit 7: Improved international relations with the UAE and other Gulf countries.	Positive benefits likely
Benefit 8: Improve opportunities to tell the New Zealand Story	Positive benefits likely
Benefit 9: Improved business connections	Positive benefits likely

Investment Objectives

1. Increase the total value of exports for the New Zealand economy	Meets
2. Increase the diversity of exports to global audiences by further building into other high value sectors than agriculture and tourism	Meets
3. Increase the levels of trade and investment between NZ and the MENA region	Meets
4. Maintain and increase bilateral engagements on trade and non-trade issues between NZ and the MENA region	Meets
5. Raise NZ's profile amongst new trading partners and broaden understanding of capabilities amongst all partners	Exceeds

Commercial Case

This chapter provides an initial assessment of the commercial viability of the recommended option as described in the Economic Case (*Attend Expo 2020, with a modest-sized pavilion*). In doing so, this section:

- Sets out the required services
- Outlines the procurement options
- Assesses potential procurement options relative to the Programme characteristics and risks, applying an agreed qualitative evaluation criteria
- Outlines the process to be followed for market engagement with potential partnering universities, including outcomes from early market engagement
- Outlines some of the potential contractual issues.

It is expected that the level of detail at this stage will be high level and sufficient to provide decision-makers an early view of key factors that may affect the commercial viability of the proposal.

Required Services

There are two main commercial components to participation at Expo 2020:

- **Design, build and dismantle contracts for the pavilion.** Traditionally, the design, build and dismantle contract(s) will sit with New Zealand companies. In the case of Shanghai Expo 2010, this contract was given to a consortium consisting of Warren & Mahoney (architects), Story Inc. (visitor experience specialists), and Rider Levett Bucknall (quantity surveyors and cost controllers), along with a variety of subcontractors that were subsequently appointed both in New Zealand and China. Similar to Shanghai Expo 2010, it would be expected that these contracts will have some level of interface and involvement with Dubai-related expertise.
- **Operating contracts for services such as cooking, cleaning and event management.** Traditionally, these contracts will sit across both New Zealand and Dubai businesses.

Staffing, travel and accommodation costs are also a substantial component of the investment – but these are more likely to be provided in-house.²⁵

A full list of event costs (and hence services that need to be provided) under both commercial components) is provided in Appendices 10 and 11.

²⁵ There could be potential to think innovatively about how these costs are met however. This will be captured through the Detailed Business Case phase.

Outlining the procurement strategy

New Zealand participation at Expo 2020 could be delivered through a range of possible procurement options from traditional public sector development and delivery of services through to various third party and public-private partnership models.

The analysis that follows applies contextual assumptions to support a largely qualitative assessment of the applicable procurement options. A detailed procurement plan for each of the core components of the Programme will need to be developed following the approval of this business case, market sounding as detailed in the management case and an endorsement of the recommended option.

Procurement objectives

Procurement objectives act as the drivers for the characteristics, scope elements and desired risk outcomes of individual projects. The following factors form the broad framework for this assessment:

- **Timing:** There are specific timing constraints for this project – most notably the initial decision to attend Expo 2020 (in order to get the best position) and then in order to meet the construction deadlines outlined in this business case.
- **Price certainty:** It is likely that there will be a high-level budget for this procurement, and therefore having certainty of price – and hence a reduced risk of contract amendment - is important.
- **Value for money:** Looks beyond price to incorporate asset performance (quality), including environmental and social factors, into decision making.
- **Flexibility to change:** There will likely be a risk of change inherent in this process – particularly with respect to theme delivery. Some procurement models are designed to allow for more cost-effective changes.
- **Risk transfer:** As a general rule, it is not value for money to transfer a risk to a party that can neither manage nor price the risk efficiently or where the risks often cannot be identified and quantified with any great certainty. Some procurement models are more likely to deliver value for money under competitive tension where the risks can be readily identified and quantified.
- **Contractor's incentive (including innovation):** To what extent does a project lend itself to a competitive tender where significant value is likely to be gained from the process because the private sector can bring forward innovative solutions to gain competitive advantage?
- **Contestability:** Competition is an important driver in achieving the Government's strategic objective of getting better public services for less. As a general rule, procurement models that receive strong market interest generate value for money through competition.

By having a broadly consistent set of defined procurement objectives, it is possible to establish what type of procurement and delivery model is most likely to deliver the best outcome against the procurement objectives.

Procurement options

A full list of potential procurement options is provided in Appendix 12. A summary of the most realistic procurement options for attendance at Expo 2020 is identified in Table 15.

Table 15: Procurement Strategy (summary)

Procurement Strategy	Description	Advantages and	s9(2)(i)
s9(2)(i)			

Procurement Portal

It is also worth noting that Expo 2020 has established an online Procurement Portal that New Zealand will have the opportunity to use to perform all procurement-related activities, if they wish. This will be most relevant for Dubai-based procurement needs.

The online system allows corporations, as well as small and medium-sized enterprises (SMEs) and individuals from all over the world to register. The portal will be enabled to be used for procurement activities such as company review, vendor listing, tendering, evaluation and contracting. This will allow the Project Team to procure through the portal and will also provide opportunities for New Zealand businesses to access the expo market as suppliers.

Ensuring that all respondents to any procurement are aware of this portal, as well as also specific design and operating parameters (as outlined in Appendix 11) will be important.

Indicative market analysis and suggested market engagement

Design, build and dismantle contracts for the pavilion

Indicative market analysis of the likely scale of uptake for design, build and dismantle of the pavilion at Expo 2020 is difficult given the non-frequent nature of this investment and the difficulties in forecasting future demand out to 2020.

However, it is possible to reflect on the levels of interest that were generated through Shanghai Expo 2010 and use this as a proxy for likely future market interest.

For the design, build and dismantling main contract (the consortium contract) for Shanghai Expo 2010, a two stage procurement process was followed with an Expressions of Interest (EOI) and a Request for Proposal (RFP) stage. s9(2)(i)

It could therefore be expected that similar levels of interest for the design, build and dismantle of the pavilion would be received for Expo 2020 – s9(2)(i)

Operating contracts for services

There are a myriad of distinct operating contracts that could be pursued. These are difficult to pre-empt this far in advance. It would be expected that there would be strong market appetite both in New Zealand and within the Dubai market to provide all bespoke operating contracts.

Contract provisions

Specific contracting provisions will be in line with the scope of services noted above as well as the specific design and operating parameters (as outlined in Appendix 11).

Additionally, the Independent review of Shanghai Expo 2010 outlined the following three lessons which should be incorporated for any contracting.

1. A contracts management plan should be developed for material contracts, that at a minimum outlines:

- a. success / acceptance measures
- b. invoice payment process and terms
- c. milestone delivery dates
- d. liability and insurance terms
- e. intellectual property rights
- f. scope
- g. key personnel
- h. contract variation process
- i. back-to-back contract arrangements

2. A Contracts Register should be maintained, listing key documents such as the RFP response (if it has formed part of the contract), contract schedules, and contract variations.

3. A country briefing would have been useful for the subcontractors, to provide them insight and assist them to adapt to working in a different cultural environment.

s9(2)(i)

s9(2)(i)

This is a real commercial opportunity given the structural aspects of the buildings in Dubai will need to be significant given how long it need to stand up prior to being used.

Timing and sequencing

Timing and sequencing for procurement is provided in the Management Case.

Financial Case

This chapter provides an initial assessment of the potential financial arrangements of the recommended option as described in the Economic Case (Attend Expo 2020, with a modest-sized pavilion). In doing so, this section:

- Sets out the financial impact
- Outlines potential funding sources
- Discusses overall affordability of the option.

It is expected that the level of detail at this stage will be high level and sufficient to provide decision-makers an early view of key factors that may affect financial appropriateness of the proposal. Specific arrangements will be recommended through a Detailed Business Case.

The funding profile provided in this Financial Case is based on the timeframes and tranches of work as described in the Management Case. In compiling the cost profile over time, this framework has been translated to a per financial year basis.

For a detailed list of assumptions to the Financial Case see Appendix 8.

Financial Impact

The total project investment required to deliver this option is estimated to be \$58m (nominal) and is broken down into two discrete components:

- Operating expenditure of pavilion design, build and dismantle as well as the various operating contracts.²⁶
- Operating expenditure attributable to leveraging activities by relevant government agencies.

The total amount of new funding being sought is \$53m with \$5m expected to come from a reprioritisation of existing expenditure.

Pavilion design, build and dismantle and operating costs

The estimated financial impact of the design, build and dismantle of the New Zealand Pavilion as well as the operating contracts is estimated to be \$48m. This estimation is based on previous experience at Shanghai in 2010 and has been inflated to 2020 dollars alongside Dubai-specific cost estimations. A full description of cost estimates, and their basis is provided in Appendix 8.

²⁶ The construction of a New Zealand pavilion is expected to be recorded as operating expenditure in line with the approach taken for Shanghai Expo 2010

The main cost categories for Financial Component One are pavilion design, build and dismantle costs, leveraging costs (both new and reprioritised funding), personnel and travel as demonstrated by Figure 6. s9(2)(i)

s9(2)(i)

s9(2)(i)

s9(2)(i)

The extent to which these estimates will be able to be met will be dependent on a number of factors including the procurement method chosen and the timing of a decision to attend, or not.

Leveraging

Total leveraging costs are estimated to be \$10m. This reflects the success of the leverage expenditure in Shanghai in 2010 as well as the extent to which leveraging is assumed to represent the 'real' value of attendance – i.e. attendance at Expo is not about the construction of a pavilion, but rather about the supporting programmes that accompany it.

The \$10m outlay in financial component two represents:

- \$5m of reprioritised funding: Shanghai Expo 2010 included a \$1.3m funding outlay from NZTE. An increase in this expenditure is projected based on the number of agencies that could also look to leverage this event strategically as part of business as usual over the next 4 years.
- \$5m of new leverage specific funding delivered to agencies on a budget bid.

The Management Case provides more detail about the efficacy of previous leveraging programmes and the expected components of a leveraging programme for Expo 2020.

Funding Sources

Based on current estimates and leveraging the full solution (\$58m), the anticipated cash flows for the investment proposal over its intended life span are set out in Table 16.

Funds will be spent across six financial years with funding requirements ramping up from FY19 and FY 20 representing the design and construction of the pavilion alongside the physical attendance from New Zealand staff.

Table 16: Indicative cashflow forecast and funding requirements²⁷

\$ Millions	Total	2017-18	2018-19	2019-20	2020-21	2021-22
Project Opex	s9(2)(i)					
Project Capex						
Contingency						
Project Cost						
Operating cost						
Total Cost	58,239,076	5,258,728	9,041,112	32,354,142	10,585,094	1,000,000
Funded by						
Existing Revenue	-	-	-	-	-	-
Existing Capital	-	-	-	-	-	-
Existing Operating (leveraging)	5,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
New Operating (leveraging)	5,000,000	1,000,000	1,000,000	2,000,000	1,000,000	-
New Funding (project)	48,239,076	3,258,728	7,041,112	29,354,142	8,585,094	-

Appropriations

There is fundamental choice involved in how appropriations for this funding could be sought. These options reflect the inherent tensions and trade-offs between commitment to attend the event (and the benefits and risks associated with early response to Expo 2020 organisers),

²⁷ The general timing and sequencing of the above funding is predicated on the actuals from Shanghai Expo 2010. Only minor amendments have been made to reflect the nature of the expected investment for Expo 2020 and it is expected that the DBC will formalise expected cashflows.

the level of confidence that officials can have around cost estimates and alignment with budget process.

- Option 1 is premised on a full 4 year multi-year appropriation in Budget 2017. In other words, Budget 2017 carries the full financial commitment, no between budget bid/contingency (it's premised on a technical appropriations perspective that you can set an upper limit with an expectation of underspend as opposed to a target amount).
- Option 2 is a variant on option 1, but allows costs to be refined in the 17/18 year to arrive at a more robust view when the Multi-Year Appropriation (MYA) is actioned.
- Option 3 envisages everything in alignment including funding, with the full four year MYA.
- Option 4 is an option 3 variant similar to the way option 1 and 2 work.
- Option 5 is premised on the principle that decision to participate and funding are totally aligned. It requires a call on the Budget contingency mid 17/18.

An overview of these appropriation options is provided in Appendix 13.

It is ultimately the responsibility of Ministers to make a decision on what type of appropriation approach to pursue.

Sponsorship

This cashflow forecast does not include any sponsorship, either directly or in-kind, from New Zealand businesses.

The experience, from both Shanghai Expo 2010 and attempts to gain sponsorship revenue for other events (Americas Cup), is that the likelihood and magnitude will be low. Any sponsorship that is received will therefore be designed to make the event even more cost effective, rather than being the basis for making a decision to attend, or not.

Overall affordability

The total operating expenditure from attendance at Expo 2020 is expected to be \$58m (\$50 million on an NPV basis) with net benefits of \$0.34 million (with length of impacts from benefits being over five years).

The majority of these benefits are expected to accrue to New Zealand businesses and New Zealand consumers – rather than to the New Zealand Government. Any associated increase in GST, income tax and corporate tax has not been modelled for this IBC.

Given that there are estimated to be \$0.34 million worth of net monetised benefits (with length of impacts from benefits being over five years), there is a reasonable assumption that there would be a positive correlation between this investment and new government revenue (such as tax receipts).

Management Case

This chapter provides an initial assessment of the capacity and capability of MFAT and NZTE to implement the short-listed options taking into account their readiness, available resource and the timeframes necessary to meet the requirements of Expo 2020.

Introduction

As outlined in the strategic case, the proposed investment project is aligned with a number of objectives and priorities across a portfolio of ministries and, as a consequence, supports key government policies including the Building Export Markets strand of the BGA. This relies on adding value to export volumes and developing stronger international connections to provide New Zealand businesses with access to international skills, ideas, capital, and markets.

Participation in Expo 2020 would support this strategy by continuing to deepen and secure New Zealand's trade strategy and help firms to grow internationally by providing businesses with the ability and knowledge to take advantage of overseas opportunities.

In the event that this investment proposal receives formal approval, the responsibility for delivery of the project will fall across a number of ministries and agencies, which include:

1. The Ministry of Foreign Affairs and Trade (MFAT)
2. The Ministry of Business Innovation and Employment (MBIE)
3. New Zealand Trade and Enterprise (NZTE)

This is not the first time a project similar to Expo 2020 has been managed by Government, since we successfully participated in Shanghai Expo 2010 and Expo 2005 Aichi.

An independent post-evaluation review of Shanghai 2010 highly praised New Zealand's participation, finding that it was managed well, met all expectations and objectives, achieved its critical success factors and came in under budget. However, the review also noted that the Project was too under-resourced to maintain adequate documentation to a standard that would meet best practice project management requirements. The same ministries that undertook New Zealand's participation in Expo 2010 Shanghai will be responsible for managing Expo 2020 and will adopt many of the same governance structures, project management frameworks, risk management tools, and general policies and procedures.

The project will be established and the required activities delivered across four main phases, as set out in Figure 7 .

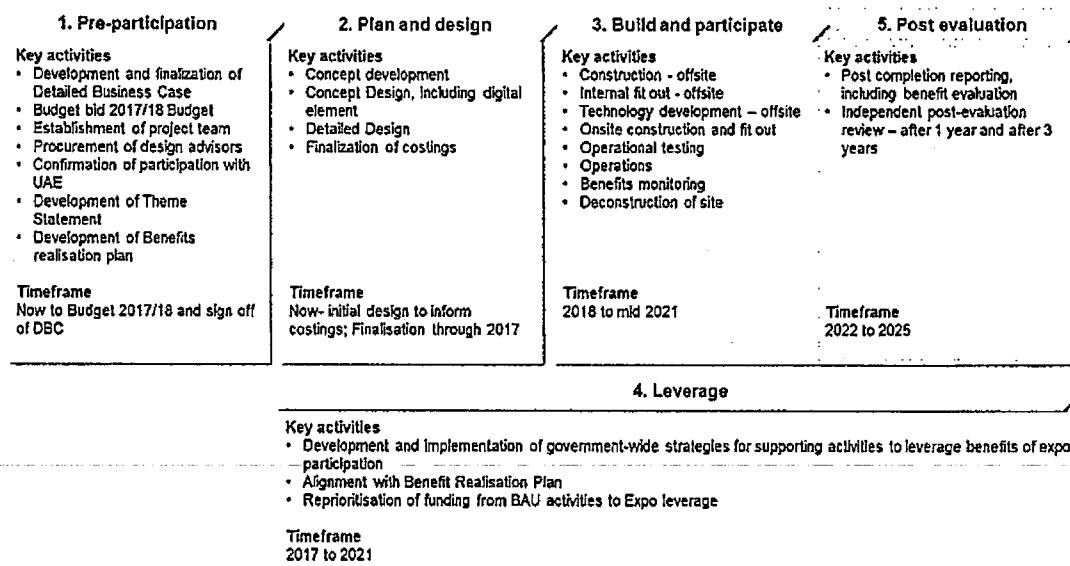


Figure 7: Expo 2020 project phases

Leveraging Programme

The construction of a New Zealand pavilion and the operations within it will be supported by a leveraging programme that is designed to maximise the opportunity that Expo 2020 presents. At a high-level, this leveraging programme is likely to consist of:

- The development of a consistent 'New Zealand Story, which compliments the chosen participation theme of Expo 2020.
- The development of GCC-specific, or sector-specific plans, from a range of agencies (such as Immigration New Zealand, Education New Zealand, Ministry of Primary Industries, New Zealand Trade and Enterprise and the Ministry of Foreign Affairs and Trade). These would set out the specific actions and sectors that should be the focus of activity in the lead up to Expo; during Expo; and in the years immediately following Expo and the expected benefits and Key Performance Indicators (KPIs). Consideration would need to be given to ensuring that these messages are coordinated – as a scattergun messaging approach would not aid New Zealand's interests.
- The strategies would be developed within the context of the Business Growth Agenda, with actions aligned and prioritised against the BGA objectives of building export markets, building innovation and building investment, as well as the Benefit Management Plan developed as part of the project sign-off for participation in the Expo.²⁸

²⁸ See the 'Benefits management and post-implementation review and reporting' chapter below for an Initial Benefit Management Plan.

- The strategies would be used to co-ordinate relevant government and business interests and ensure co-ordination of efforts across agencies.

It is appreciated that across all agencies, there will already be a focus on many of the objectives of this investment to a greater or lesser extent. Participation at Expo 2020 represents a catalyst to align these potentially diverse strategies behind a coordinated event. For the next ten years, this can be a way of organising regionally focussed strategies.

The expectation would be that the leveraging programmes would be a reprioritisation of existing funding within baselines, with any new funding subject to usual Budget processes.

The ability to best leverage the event will also extend to the major trade shows that are proposed to be held in and around Expo 2020 – focussing on air, food, construction, health, and security. New Zealand firms, supported by New Zealand agencies, will likely attend these trade fairs, and so the ability to leverage the synergies on offer between these bespoke events will be important. Attendance at these trade shows also adds weight to the preferred option to attend Expo 2020, as it is arguably incongruous that New Zealand attends these separate trade shows but not attend Expo 2020.

Shanghai Expo 2010 Leveraging Programme

The justification for a leveraging programme is predicated on the relative success of the Shanghai Expo 2010 programme.

The NZTE Board approved a project budget of \$1.3 million for the Shanghai Expo 2010 Leveraging programme in October 2009. Of this, \$900,000 was spent on leveraging activities up to 30 November 2010, with the remaining \$400,000 allocated to post-Expo legacy activity, including follow-up to Ministerial-led missions and development of ongoing sector strategies in these areas.

An independent review of the leveraging programme asserted that the *“project has gone extremely well.”* The performance measures for the programme were largely met as noted in Table 17.

Table 17: Shanghai Expo 2010 Leverage Programme performance

PERFORMANCE MEASURES	2010/2011 Performance Standard	ACTUAL
Ministerial-led missions	3 fully supported	Achieved - 5 missions
Companies using VIP hospitality at Pavilion	140 in 2010/11	Achieved – 316 companies in total
NZ business people attend events at NZ Central	450 individuals	Achieved – 3800 people attended 100 events at NZ Central
Seminars/workshops held	12	Not achieved – ten workshops
Support provided for non- Ministerial NZ delegations	16	Achieved - 24 delegations in total

Client satisfaction	80% satisfaction	Achieved
----------------------------	------------------	----------

Governance and Team Structure

Currently, MFAT is responsible for the Pre-Participation Phase and has subsequently received appropriation funding for the evaluation of New Zealand's potential participation.

Should approval for involvement be received, it is proposed that a Project Team be established to oversee the remaining phases of the project. As many of the remaining phases are largely operational, the emerging view is that this Project Team will be led by NZTE as noted in Table 18 and Figure 8.

Initially, this team should be located in New Zealand, with some Dubai presence, primarily through NZTE and MFAT staff already located in Dubai. From 2018, a Dubai-based project office should be established. This will be a key means of managing delivery risks effectively, and building the necessary relationships to maximise the benefits from the project.

As a common theme, NZTE will adopt the 'responsibility assignment' approach to project delivery, also known as the RACI (responsible, accountable, consulted, and informed), which describes the participation by various roles in completing tasks or deliverables for a project or business process, and is especially useful in clarifying roles and responsibilities in cross-functional/departmental projects and processes.

Project Team

The key functions to be undertaken by the NZTE-led Project Team will include:

- | | |
|----------------------------------|---|
| 1. Project Management | Ensure a robust operational project management framework is in place and administered for the duration of the project. |
| 2. Managing Procurement | Manage the procurement operations of the projects in accordance with government procedures and policies. |
| 3. Contract Management | Develop and apply sound contract management procedures, including suitable frameworks to deal with contract variations. |
| 4. Managing Risk | Employ a suitable risk management plan over the course of the project. |
| 5. Managing the Budget and Costs | Manage the budget and cost in accordance with government policies and procedures, particularly strategies to deal with foreign exchange exposure. |
| 6. Managing Resources | Manage the human capital resources to ensure that the project is delivered in accordance with expectations and applicable policies. |

7. Managing Scheduling and Logistics	Undertake appropriate scheduling and logistical management procedures to ensure the project is delivered on time and on budget.
8. Quality Management	Ensure that quality management and performance frameworks are in place to guarantee that the pavilion and New Zealand's participation meet the expected standards and that the identified benefits are realised.
9. Managing Communications and Reporting	Put in place an appropriate reporting framework to ensure that all relevant stakeholders are informed and that the Strategic Steering Committee is adequately informed on the progress and outcomes of the project.

To deliver on these functions, the project team will need roles in-house, as well as supporting technical advisors. The team structure will evolve over time (both in positions and location) reflecting the progression of the project through the key project stages. Continuity of team leadership (Director and Project Manager) will be a key means to mitigate the risk of knowledge loss through the project.

Table 18: Proposed Project Team roles

Position	Role	Location
Project Director/ Expo Commissioner	<ul style="list-style-type: none"> Responsible for delivery of project Interface with senior government and external stakeholders including Ministers and UAE dignitaries Ideally some working knowledge of Arabic and Middle East cultural understanding 	NZ initially Dubai from 2017-18 – although may be later depending on commercial arrangements
Project Manager <i>(temporary appointment until sign-off of DBC)</i>	<ul style="list-style-type: none"> Establish and administer project management processes Lead procurement of initial projects Support development of benefit realisation plan Needs experience of large-scale event management 	NZ initially Dubai from 2018.
Expo 2020 Office Manager	<ul style="list-style-type: none"> Manage all office functions and arrangements for those Dubai-based members of the project team. 	Dubai from 2018
Policy Advisor	<ul style="list-style-type: none"> Ministerial briefing; Cabinet paper preparation 	NZ

	<ul style="list-style-type: none"> • Business Case development • Benefit realisation planning 	
Creative Director	<ul style="list-style-type: none"> • It will be important to include someone with capabilities to challenge and validate the responses to the Design and Construct contractor – to avoid getting 'captured'. 	NZ
Commercial stakeholder engagement	<ul style="list-style-type: none"> • Commercial stakeholder engagement • Sponsorship negotiations • Identifying partnership opportunities 	NZ-based, working closely with NZTE Dubai/UAE team
Expo relationship manager	<ul style="list-style-type: none"> • Manage day-to-day relationship with Dubai 2020 team 	Dubai

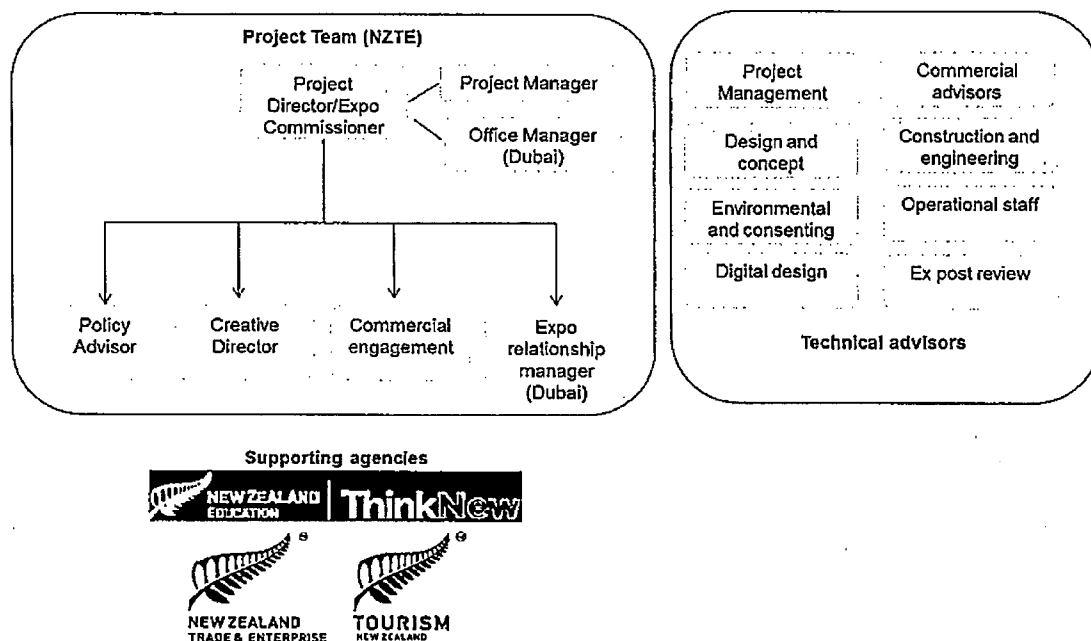


Figure 8: Proposed Project Team structure

It is envisaged the Project Team will be supported by a range of technical advisors. Initial assessment of commercial procurement options is set out in the Commercial Case. This will be finalised in the Detailed Business Case. Notably, the Project Team structure may need to change depending on the procurement option chosen.

Table 19 sets out the technical support identified and likely requirement for when it needs to be procured to meet the project delivery deadline.

Table 19: Proposed technical advisor requirements

Position	Role	Timing	Location
Project management (sit within project team)	<ul style="list-style-type: none"> • Develop and administer project management disciplines, including risk management, contract management, financial controls • Needs expertise in high-profile, large-scale event management, ideally with some experience in the Middle East. 	Asap	NZ initially Dubai-based from mid-2017
Commercial advisors	<ul style="list-style-type: none"> • Provide commercial and financial advice on procurement • Support cost analysis • Provide advice on any tax implications 	Post sign-off of DBC	NZ, with some Dubai presence
Legal advisors	<ul style="list-style-type: none"> • Provide legal support on procurement and contracting • Provide advice on legal requirements for UAE (construction; health and safety; visas etc.) 	Post sign-off of DBC	NZ with some expertise on UAE law
Design	<ul style="list-style-type: none"> • Develop pavilion design • Work with construction to ensure delivery reflects design 	ASAP to inform DBC	NZ
Environmental and consenting	<ul style="list-style-type: none"> • To advise on any issues to do with sustainability – as part of design requirements for pavilion – as well as consenting if any parts of pavilion returns to New Zealand 	ASAP to inform procurement	NZ
Concept	<ul style="list-style-type: none"> • Develops business and operational concept for pavilion to inform design 	ASAP to inform DBC	NZ
Digital design	<ul style="list-style-type: none"> • Provides technical input into design from digital perspective 	ASAP to inform DBC	NZ
Engineering and construction	<ul style="list-style-type: none"> • Leads/manages construction of pavilion in NZ and Dubai 	Post sign-off of DBC	NZ Dubai from 2018
Operational manager and operational staff	<ul style="list-style-type: none"> • TBC depending on concept and pavilion design • Includes operational manager to manage operations 	2020	Dubai Operations manager from 2018
Ex-post evaluation	<ul style="list-style-type: none"> • To review the project post-completion and identify lessons learned for future projects 	2021	NZ

As with Shanghai Expo 2010, appropriation funding for participation will likely be assigned to Vote Business, Science and Innovation, although initial Budget bids are likely to be through Vote Foreign Affairs and Trade. Responsibility for the delivery of the project will rest with NZTE, which will be accountable for the delivery of the second and third phases, with support from MFAT.

Governance

The project will likely be governed within the Business Growth Agenda – Export Track governance structures²⁹. The Project Director will report to the BGA governance structures, as well as regular reporting to the Board of NZTE.

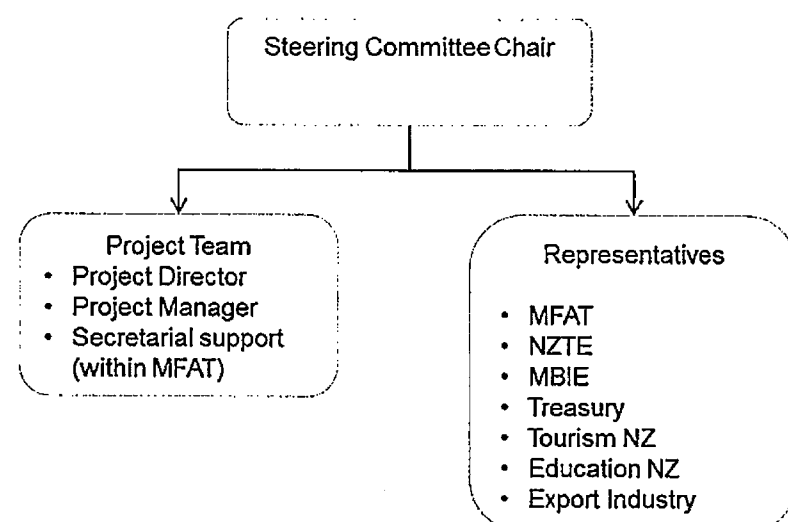
During the six months in which the Expo actually operates, an evaluation and monitoring framework will be put in place to measure performance regularly against key operational metrics (e.g. visitor numbers; wait times; sales targets etc.), report to the Steering Committee, and undertake remediation activities as required.

Regular reports will be provided by NZTE both internally to the Board of NZTE and externally to the Strategic Steering Committee on progress against all phases of the project. These updates will report against agreed Key Performance Indicators, including the Benefit Management Plan, and the overall objectives identified in the Investment Logic Map.

Steering Committee

A Steering Committee will be established as a key governance mechanism to supervise the implementation of the project from a strategic perspective. The potential composition of this committee is set out in Figure 9.

Figure 9: The Expo 2020 Steering Committee project organisation chart



²⁹ Current Ministerial portfolios include: Tourism, Finance, Economic Development, Tertiary Education Skills and Employment, State Services, Foreign Affairs, Primary Industries, Climate Change, Trade, Small Business, Immigration, Food Safety, Customs, Commerce and Consumer Affairs, Maori Development.

Strategic Steering Committee Role and Functions

Overall, the Steering Committee will have nine strategic functions:

- | | |
|--|---|
| 1. Governance | Ensure the total management of the project adheres to sound public policy principles and that each stakeholder has sufficient representation and input to achieve the identified objectives. |
| 2. Expo Theme | Ensure that the theme of New Zealand's pavilion at Expo 2020 is aligned with government policies and objectives. This will include liaison with the various ministries in order to coordinate diplomatic and official visits and ensure smooth participation by the relevant ministers at the Expo. |
| 3. Investment Objectives and Benefit Realisation | Monitor and measure progress against the Investment objectives identified in the strategic component of the business case and in the Benefit Realisation plan (to be developed). |
| 4. Risk Management | Ensure that adequate risk management strategies have been put in place. |
| 5. Procurement | Ensure all major procurement activities are undertaken in accordance with government procurement procedures and that value for money outcomes are achieved. |
| 6. Project Management | Ensure that adequate project management procedures have been put in place by NZTE and monitor the progress of the project. |
| 7. Alignment of Policies | Ensure that the project complies with all relevant government policies and procedures. |
| 8. Resource Management | Ensure that the project has been adequately resourced and that the relevant government ministries provide the necessary support to the project. |
| 9. Industry Stakeholder Management | Undertake initial promotion of New Zealand's participation with the private sector and identify and solicit relevant sponsorship, partnering, and support from the private sector. |

Benefits management and post-implementation review and reporting

If a decision to participate is made, a Benefit Management Plan (the "Plan") will need to be developed as soon as practicable (i.e. from the commencement of the project). The purpose of this Plan will be to:

- Maintain the link between the investment in participation at Expo 2020 and the expected benefits
- Provide focus for decisions around design concept and operations
- Provide focus for government entities' leveraging strategies and activity
- Provide the basis for post-implementation review and reporting on success.

The Plan will be developed alongside the Detailed Business Case and the development of the Concept Design to ensure that these are both developed to align with the desired benefits. Ideally this Plan would include consideration of benefits over a range of time periods including: pre event; 12 months after event; 36 months after event and 10 years after event. Monitoring these benefits over time would also aid accountability for those agencies that look to leverage the event.

It will then inform the development of 'Leveraging Strategies' and ongoing detailed design and operational issues to insure the implementation of the investment maximises the likelihood of achieving benefits.

Progress against the Plan will be reviewed annually both in the lead up to the Expo, as well as after the Expo and reported through the governance structure.

A post-implementation review will be scheduled to occur at the completion of the Expo. Similar to Shanghai Expo 2010, this will be undertaken by an independent party and will address all the areas of the project including achievement against objectives and an evaluation of value for money. A key input into the review will be the Benefit Management reporting. Given the medium and longer-term benefits targeted by the investment, current thinking is to measure the impacts 12 months and 36 months after Expo completion.

At this stage of the project development, an initial view on possible Key Performance Indicators (KPIs) has been developed. This will be reviewed and finalised in the Detailed Business Case. Consideration will also be given to the role that survey data can play in tracking the success and realisation of benefits, including surveys of New Zealand businesses who make use of the Expo 2020 facilities or who have participated in leverage activities, as well as international visitors to the New Zealand pavilion. Data on visitor numbers will also be made available by Expo 2020 organisers.

Table 20 outlines potential KPIs that could be included in an eventual benefits management plan.

Table 20: High-level benefits management plan KPIs

Benefit	Possible KPIs
Benefit 1: Economic benefits derived from increased inbound investment	KPI 1: Increase in FDI from GCC countries
Benefit 2: Economic benefits derived from increased inbound international students.	KPI 1: Increase in international students from GCC countries
Benefit 3: Economic benefits derived from increased inbound tourism	KPI 1: Increase in tourists from GCC countries KPI 2: Increase in tourist nights in NZ of GCC tourists KPI 3: Increase in expenditure of GCC tourists
Benefit 4: Economic benefits derived from increased exports of existing products to existing markets.	KPI 1: Increase in value of exports from NZ businesses who participated in Expo 2020 (<i>survey data</i>)
Benefit 5: Economic benefits derived from increased exports of products to new markets.	KPI 1: Increase in exports to new markets from NZ businesses who participated in Expo 2020 (<i>survey data</i>) KPI 2: Increase in share of new sectors and products
Benefit 6: Securitisation of additional international flights into New Zealand.	KPI 1: Increase in direct flights from GCC-based airlines KPI 2: Increase in one-stop flights from GCC-based airlines KPI 3: Increase in capacity on flights from GCC-based airlines
Benefit 7: Improved international relations with the UAE and other Gulf countries.	KPI1: Increased levels of bilateral engagement
Benefit 8: Improve opportunities to tell the New Zealand Story	KPI 1: Changes in perception in NZ as an exporting nation (<i>survey data – at expo and after expo</i>)
Benefit 9: Improved business connections	KPI 1: Survey data from New Zealand businesses engaged in trade programmes at Expo 2020.
Benefits 10: Innovation Fund	KPI 1: Number of successful applications from New Zealand businesses KPI 2: Value of successful applications from New Zealand businesses

Timeline: Expo 2020 dates provided by Expo organisers

Table 21 sets out the key dates and milestones for project delivery, as specified by Expo 2020 organisers. Many of these dates have been verbally indicated and are subject to change. Ongoing engagement with Expo 2020 team throughout the project, including the pre-implementation stage, is critical to ensure that the Project Team has access to the latest information that will often not be formally communicated. A Master Gantt Chart has been provided in Figure 10.

Table 21: Key dates and milestones for delivery

Project Phase	Key Dates	Activity	Source
Phase 1: Pre-implementation	December 2016/ January 2017	Recommended date for formal response with intention to participate (Note, this does not need to be a public announcement). Likely to be March – April 2017 following budget approval, however.	Meeting with Expo 2020 team
	2017: Any time after formal response	Submission of Theme Statement (20 days for approval). Nb. informal discussions can occur ahead of formal agreement to participate	Self-Build Pavilions Guide Meeting with Expo 2020 team
	2017: After Theme statement approved	Site Allocation confirmed after signing of Participation Contract	Meeting with Expo 2020 team
Phase 2: Plan and Design	2017: After Theme statement approved	Exhibition Proposal: Concept Design submission and approval (20 days for approval)	Self-Build Pavilions Guide
	2017: After Concept Design approved	Exhibition Proposal: Detailed Design submission and approval (20 days for approval)	Self-Build Pavilions Guide

Project Phase	Key Date	Activity	Source
Phase 3: Build and Operate	January 2018	Early access to the site: survey etc.	Meeting with Expo 2020 team
	February 2018	Handover of the plot to participants for site testing	Meeting with Expo 2020 team
	April 2018	Construction start date	Self-Build Pavilions Guide
	April 2020	Construction end date Pre-opening operational testing	Participant Guide
	October 2020	Expo opens and site operational	Participant Guide
	April 2021	Decommissioning of site	Participant Guide

Figure 10: Key dates and milestones for project delivery (Gantt chart)

