

# Annual Plan Submission 2023/24

## Peter K Chapman

### 1.0 Introduction:

This submission is made after 8-9 years of research and innumerable requests to the MDC District Secretary (treated by MDC as requests under the LGOIA)

It highlights the structural and financial irregularities and what ratepayer generally could rightly claim to be the gross **misappropriation of public funds**.

**To the extent of \$1.15 mill for the 2023/24 planning year.**

**I am informed this equates to approx. 1.5-2.00% on the projected rate increase for 2023/24 7.8%**

My request is that this appropriation and a complete independent review be undertaken of Destination Marlborough, its structure, Trust Board composition, funding model and performance against plans put forward for Council approval.

This information ought not to be a complete surprise to Councillors as a current Council member was, until elected to Council, on the DM Trust Board.

This submission calls for immediate action on all the following topics:

2. Legal structure
3. Board structure
4. Trust Board appointment process
5. DM Annual Plan & Funding
6. Q & A's with the MDC District Secretary (April 2023)
7. I Site operations
8. Employee entitlements (Salaries & wages)
9. Marlborough brand confusion
10. All Inclusive Tourism
11. Cruise ship ground transport

### 2. Legal Structure:

**Full name:** Destination Marlborough Trust Incorporated (1997)

**Registered Offices:** C/O MDC

**MDC is Trust Settlor:** You have the power to change things.

A charitable trust must be one of the following:

#### Definition:

*A charitable purpose means every purpose that in accordance with the law in New Zealand is charitable.*

*Charitable purposes may include:*

- *The relief of poverty*

- *Education*
- *Religious instruction*
- *Promotion of athletic sports*
- *Recreation*

Destination Marlborough does NOT meet any of these criteria.

**Recommendation:**

1. That DM be fully self-supporting from the industry it serves, or
2. It be made a Council Controlled Organisation (CCO) given the majority of its funding is via either a targeted rate against industry operators, or a general rate.

**3.0 Board Structure:**

DM has a Board of Trustees.

Two (2) are appointed by MDC as per the Trust Deed dated 1997.

Currently: Lesley Udy

Scott McKenzie

I imagine Councillors are familiar with these two appointees and have heard from them as independent parties appointed to ensure the investment by MDC is appropriately spent?

It was my understanding some years ago that neither Council appointee was responsible or accountable to Council which, in my opinion, makes a mockery of the appointments.

**4.0 Trust Board Appointments:**

Over the last few years there has seemingly been no advertising for Board members as current members are rotated off as called for in the Trust Deed.

Rather, DM Boards & management have sought to “co-opt” pro DM operators onto the Board making them full Trust Board Members after 12 months.

This process removes market contestability, objectivity of views and fresh ideas. Convenient?

**5.0 DM Annual Plan & Funding:**

DM typically present an annual plan to Councillors for approval during the MDC AP process.

For some 9 years I have tried without success to determine how it is any organisation can present a plan for approval and NOT request funding for the plan to be implemented.

**I now know.**

On June 9<sup>th</sup> 2014 (9 years ago) Council passed the following motion (after several dissenting voices and various iterations)

**That Destination Marlborough's core grant allocation be CPI adjusted in future years.**

**Carried on a show of hands 9 to 5**

**NB: Clrs Bagge, Dawson, Evans, and Shenfield requested that their vote against the above motion be recorded.**

**Confirmed this 26th day of June 2014**

A T SOWMAN

**MAYOR**

Record No. 14140223

Council actually use the rate of inflation (not entirely the same thing) but every year since 9<sup>th</sup> June 2014 DM's operating grant has been indexed upward to reflect the prevailing inflation rate irrespective of the plan or market circumstances. This is absurd in the extreme.

During the 2 year lockdown over Covid 19 when 40% of the visitor market (international visitors) were unable to enter the country the annual operating grant was still indexed up against this 9 year old decision.

Did Air NZ do this? I doubt it!!

During this period DM ought to have declared a sizeable profit. Did they?

It remains all but impossible to find a copy of their annual audited accounts, it is not on their website as it was some years ago. Why are operators denied this information?

A forensic audit is called for to determine where MDC was spent during this lockdown period.

Currently on DM's website:

***Visitors to Marlborough spent \$394 million to the year end March 2019, up 2% on the previous year.***

***That equates to over \$1 million per day of new money into the Marlborough economy from both domestic and international visitors.***

Information from 4 years ago??

## **6.0 Questions & answers to the MDC District Secretary April 2023:**

*My questions to the District Secretary MDC dated 5<sup>th</sup> April 2023*

1. For absolute clarity, can you confirm that this amount (\$1,147,538) will be able to be seen as a line item in the 2023/24 annual plan.
2. Please also confirm that this amount will be paid to DM irrespective of any plan they put to Council during the annual planning process. In other words, there is no need for them to present a plan or get approval of such a plan as they will receive \$1,147,538.00 of ratepayer's funds anyway.

*From the District Secretary:*

I refer to your request dated 24 March and respond as follows:

1. The funding for DM as proposed in the 2023/24 Annual Plan is \$1,147,538 based on the 2022/23 figure of \$1,099,849 x 7.5%.
2. The answer to your second question is yes.

NB: 7.5% is the official rate of inflation as per the RBNZ.

**DM will be paid by way of a grant a total of \$1,147,538.00 of ratepayers' funds irrespective of any plan they may put forward for your approval.**

**I understand this includes \$300,000.00 paid annually by way of the 1997 Funding Deed (of which I have a copy)**

**This funding methodology is akin to granting a roading contractor to MDC last years amount x 7.5% without knowing what is to be spent on!!!!**

**Recommendations:**

1. Exercise powers as Trust Settlor to completely review both the structure and funding basis for the 2023/24 period and beyond.
2. Rescind the motion passed on June 9<sup>th</sup> 2. 2014. (MDC Record No. 14140223)
3. All and any Annual Plans presented to Council for approval to show actions proposed to be taken, the cost of implementing those actions and a report each quarter showing results against planned actions and the budget expended to-date.
4. The total of the planned cost to implement the plan to be formally requested as follows:

“The Trustees of the Destination Trust Board and the General Manager of DM herby request the MDC approve funding of \$XYZ to implement the above plan”

Only after scrutiny and debate should the amount of funding be approved (if at all)

**8.1 The compounding effect:**

Assume an annual inflation rate of 5% for the next 5 years

Base funding as per 2023/24 of \$1,147,538

**End Balance After 5 Years**                      \$1,473,290.98

**ROI on Initial Investment**                      28.39%

**ROI on Initial Investment Per Year**                      \$65,150.60

**7.0 I Site operations:**

In 2022 both Nelson & Kaikoura have closed their I Site operations as they were losing money. Both have downsized their staffing levels because of Covid. DM has done neither and currently operates on approx. 20 people.

Press releases as follows:

**Kaikōura i-Site heading into 'hibernation'**

<https://www.stuff.co.nz/marlborough-express/300642633/kaikura-isite-heading-into-hibernation>

**Nelson i-SITE closing for two year 'pause'**

<https://www.stuff.co.nz/nelson-mail/128881409/nelson-isite-closing-for-two-year-pause>

Tourist no longer have a need for face-to-face bookings. They are doing this themselves on smart phones and obtaining better deals as they avoid the 12- 15%, I Site commission.

The future of I Sites as we knew them is highly questionable.

DM's premises current accommodates both the I Site and DM management.

**Recommendation: .**

1. Relocate I Site activities (if retained) to the now vacant Railway Station.
2. Leave DM management in the current building and have the Chamber of Commerce, Event Management activities, Business Trust Marlborough and activities of Councils Economic Development unit relocate to this building as well to improve common collaboration.
3. Sign-write the building:

***“Marlborough Economic Development Hub”***

**Make it obvious to SH1 traffic and locals that “Marlborough means Business”**

**Your one-stop-shop”**

**8.0 Employee Entitlements:**

In the last set of audited annual accounts there is no mention of salary & wages for DM staff in the expenses section of the accounts.

One imagines this significant expense item is pro rata'd across other items of expenditure thereby inflating the actual amount spent on core marketing functions.

A footnote to the accounts for the year ended June 2021 shows an item as “employee entitlements” The amount was \$795,000.00 – very nearly the amount in total of the annual MDC grant.

Whereas other RTO's reduced staffing levels during Covid, DM maintained similar staffing levels (18-20) throughout the period and, I believe, the retained services of a consultant, the then GM's partner.

The I Sites in Picton & Blenheim remained closed on weekends.

**Recommendation:**

1. **Immediately review required staffing levels in line with a fully costed plan.**

**11.0 Disclosure of Information:**

The Destination Marlborough website lacks full disclosure.

There is no access to:

Staff (& contact details)

Governance (& contact details)

Annual audited accounts

## **9.0 Marlborough Branding:**

What is Marlborough's brand?

What is our "positioning statement"?

What differentiates Marlborough from the rest of NZ as a "must do" place to visit?

OR: Are we just a thoroughfare from A to B as research would suggest?

## **9.1 Possible brands:**

**"Love Marlborough"** A trademark owned by the Chamber of Commerce.

Warm, international, distinctive and all it needed was a graphic refresh.

**"Only Marlborough"** Unliked by most. At best passive, at worst negative

DM commissioned a Wellington agency to come up with their own as they did not like Only Marlborough. They wore Marlborough – brilliant every day polo shirts to the official launch of Only Marlborough. A bit like wearing a Pepsi t-shirt to a Coke board meeting!!!!

**"Marlborough – brilliant every day"** Nothing unique or distinctive. Could apply to anyplace in NZ or overseas. Sounds like a weather forecast!

## **9.2 Food & Wine?**

Done as well if not better in many NZ locations

Cellar doors close at 4.40-5.00pm

### **Question:**

Where can you take friends, family or visitors for a convivial shared platter of local foods and wines in the balmy sunny afternoons?

Mussels, oysters, fresh blue cod, roast garlic, salmon, local cheeses, olives, fresh local lamb & be

How about the Blenheim CBD? Lebanese, Chinese, Thai, Indian, Pizza x 2, Fish & Chips, German, Cambodian, Vietnamese.....

The original Only Marlborough brand had merit if used as the agency intended it to be used. It was tampered with somewhere between Christchurch and Blenheim.

There was NEVER a written brief to the appointed agency that won the EOI to develop the brand. How then is it possible to hold them to account?

The brand only now appears as an afterthought on the side of Council vehicles.

**Recommendation:**

1. Kill Only Marlborough and have it removed from wherever it appears or is used
2. Undertake a comprehensive review of the whole issue of branding and positioning by an external party
3. Steal shamelessly. Look to other regions as to what they do, why and how. Stop reinventing wheels

**10.0 Making Trax:**



Workshop 18<sup>th</sup> April 2023

Inclusive & accessible tourism

Organised by Destination Marlborough and hosted by Tracey Green – Consultant to DM?

**Attendees:**

- 3 x DM employees
- 1 x DM Consultant
- 1 x International Hotel representative. No hotels in the Marlborough region
- 2 x Operators (same company)
- 1 x MDC employee (focus on mobility issues etc)

Am excellent presentation from a well-qualified and internationally travelled speak on NZ's progress to make tourism more inclusive for people with needs. (accessibility, sight related, any sort of physical impairment)

4 people. 50% of the audience!!!!

Lack of interest, apathy, know it all anyway or a distrust of DM?

#### 11.0 Cruise Season Debrief Workshop:

Well attended by approx. 80 people at Scenic Circle on 19<sup>th</sup> April.

Main issues were around ground transport (buses and coaches) and lack thereof. Fortunately, it is only a short commute from Shakespear Wharf to Picton so the use of school buses (Trusses) is not a major discomfort. There is, however, a lack of proper coaches (high back seats, carpet etc) in Blenheim with the all but demise of Ritchies now they have lost the school bus contract to Go Bus. Added to that is the lack of Class 4 drivers required for coach driving.

If a cruise ship arrives on a school day the problem of bus availability is compounded. I have offered to prepare a model for DM use once cruise schedules are known. They neither have the knowledge or resource to do this exercise.

#### 12.0 Summary & Conclusions:

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13. Board structure
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16. Q & A's with the MDC District Secretary (April 2023)
17. I Site operations
18. Employee entitlements and full disclosure of all operating expenses (Salaries & wages)
19. Marlborough brand confusion
20. All Inclusive Tourism
21. Cruise ship ground transport