MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

7 November 2024

Ref: DOIA-REQ-0005243-Mike Nelson

Mike Nelson
Email: fyi-request-28769-60aac71c@requests.fyi.org.nz

Tēnā koe Mike Nelson

Thank you for your email of 16 October 2024 to the Ministry of Business, Innovation and Employment (MBIE) requesting, under the Official Information Act 1982 (the Act), the following information:

> *Please tell me the formula currently used for CBAs for major events, including what factors are taken into account and how these are inputs are themselves calculated. Please also tell me what the mistake was or previous incorrect version of the formula.*
>
> *From RNZ:*
>
> *'More than just a one-off' - MBIE's incorrect calculations of benefits from taxpayer-funded events*
>
> *MBIE general manager of economic development and tourism Heather Kirkham said that discovery prompted further investigation into other applications to the Major Event Fund*

Please see the below response to your request.

MBIE conducts economic evaluations pre- and post-event. Pre-event, forecasts are used to inform decision making alongside a range of other factors and criteria. Post-event assessments are conducted to calculate outcomes. MBIE selected cost benefit analysis (CBA) as the economic evaluation methodology to conduct pre-event and post-event economic evaluation assessments as CBAs enable a wide range of costs and benefits to be considered.

Factors that are considered under the framework include: the type of event, it's duration and location, the number of international and domestic participants and attendees, the attendees' length of stay in a region/New Zealand, their spend (directly associated with the event and indirectly – tourism, business spend etc), time spent preparing for an event, direct event spend, offshore and onshore money flows.

CBAs consider the opportunity cost of resources consumed by an event which allow net benefit estimates to be produced.

MBIE's economic evaluation framework considerations:

	Cost	Benefit
Local government investment (includes 20% deadweight loss)	120%	0%
Central government investment (includes 20% deadweight loss)	120%	0%
Attendance fees paid by NZ resident consumers	100%	100% + Consumer Surplus
Value of NZ resident consumer time devoted to the event	100%	100% + Consumer Surplus
NZ resident consumer spend on event-related goods & services	100%	100% + Consumer Surplus
Value of NZ resident business time devoted to the event	100%	100% + Return on Investment
NZ resident business spend on event-related goods & services	100%	100% + Return on Investment
Attendance fees paid by NZ resident businesses	100%	100% + Return on Investment
New money spent in NZ through event budget	100% x (1-Producer Surplus)	100%
International consumption of NZ goods & services	100% x (1-Producer Surplus)	100%
Commercial sponsorship by NZ resident companies	100%	100% + Return on Investment
Other event income derived from NZ resident sources	100%	100%
Locally sourced event income spent in NZ through event budget*	0%	10%
Disruption to BAU activities	100%	0%
Other costs and benefits	As measured	As measured
Event profit accruing to NZ	0%	100%
Non-user benefits	0%	100%

*Included to make domestic expenditure more desirable than offshore expenditure.

Note – **consumer surplus** recognises the costs and benefits of activities that consumers engage in. These can be priced activities (e.g. buying a ticket to an event) or unpriced activities (e.g. the enjoyment derived from attending a community festival). Consumers incur costs to engage in the activity i.e. the price of the ticket, and/or the opportunity cost of the time they spend at the event. If the activity meets or exceeds the consumer's expectations, a benefit equal to or greater than the cost incurred is assumed. The amount by which the benefit exceeds the cost is defined as the consumer surplus. **Producer surplus** enables activities that producers (businesses) engage in to be recognised and valued. These are generally priced activities e.g. selling goods and services to event visitors. Producers generate revenue by selling products but incur costs in servicing demand e.g. cost of goods sold, staff costs, overheads. The difference between revenue and cost is defined as the producer surplus.

You have asked for the formulas used to conduct cost benefit analysis assessments. We are unable to provide the formulas as they contain third party intellectual property and are commercially sensitive. Therefore, we must refuse this part of your request under Section 9(2)(b)(ii) of the Act, as the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

You also asked what the mistake, or previous incorrect version of the formula was. The mistakes are attributed to human error (data inputting errors when entering values into a spreadsheet).

If you wish to discuss any aspect of your request or this response, or if you require any further assistance, please contact OIA@mbie.govt.nz.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Nāku noa, nā

Kylie Hawker Green
Manager Major Events
Economic Development and Tourism