

**BEFORE THE HEARINGS PANEL
FOR THE PROPOSED TE TAI O POUTINI PLAN**

UNDER the Resource Management Act 1991

IN THE MATTER of a submission in a Plan Change under
clause 6 of Schedule 1 of the Act

BETWEEN **SKYLINE ENTERPRISES LIMITED**

Submitter

STATEMENT OF EVIDENCE OF FRASER COLEGRAVE

Dated: 9 September 2024

Statement of evidence of Fraser Colegrave

Introduction

- [1] My full name is Fraser James Colegrave.
- [2] I am the founder and managing director of Insight Economics Limited, a boutique economics consultancy based in Auckland. Prior to that, I was the founding director of another economics consultancy, Covec Limited, for 12 years.
- [3] I hold a Bachelor of Commerce (First Class Honours) in economics from the University of Auckland.
- [4] I have 27 years commercial experience, the last 24 of which I have worked as an economics consultant. During that time, I have successfully completed more than 600 projects across a wide range of sectors.
- [5] I have helped gain planning permission for numerous projects and developments worth more than \$30 billion. These include tourism attractions, golf courses, cinemas, hotels, town centres, transport hubs, residential developments, religious centres, retirement villages, and New Zealand's first green hydrogen plant.
- [6] I also helped gain resource consent for the \$250 million upgrade of Skyline's gondola and luge attraction in Queenstown in 2017.
- [7] My main areas of expertise are resource management, property development, land-use, and economic impact. I have worked extensively in these areas for dozens of New Zealand's largest public and private sector organisations.
- [8] Current and recent clients include Auckland Airport, Calder Stewart, Christchurch City Council, Fletcher Building, Foodstuffs, Fulton Hogan, Harvey Norman, Infinity Group, Kāinga Ora, Kiwirail, Millbrook, Ngai Tahu Property, Sanderson, Tauranga City Council, Universal Homes, Wellington City Council, and Woolworths NZ.

[9] More generally, I have presented expert economic evidence at more than 120 hearings before Councils, Boards of Inquiry, Independent Hearing Panels, the Land Valuation Tribunal, the Environmental Protection Agency, the Environment Court, the Family Court, and the High Court.

Code of conduct for expert witnesses

[10] I confirm I have read the Code of Conduct for expert witnesses contained in the Environment Court of New Zealand Practice Note 2023 and that I have complied with it when preparing my evidence. Other than when I state I am relying on the advice of another person, this evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of evidence

[11] I have been engaged by Skyline Enterprises Limited (**SEL**) to provide expert economic evidence on the Te Tai o Poutini Plan (**TTPP**), which is the proposed combined District Plan for the Westland, Buller, and Grey District Councils.

[12] SEL seek the inclusion of a new Special Purposes Zone referred to as the Franz Josef Amenities Area Zone (**FJAAZ**) into the TTPP. The purpose of the FJAAZ is to identify and set aside an area that can appropriately facilitate the development of an aerial cableway through a future Discretionary Activity consent process and supported by associated objective and policy framework. Consequential amendments are also proposed to other chapters of the TTPP to facilitate future development within the proposed FRAAZ. These proposed amendments are detailed in the evidence of Mr Sean Dent.

[13] This evidence is prepared in advance of the hearing planned to be heard by the Commissioners on 8-9 October 2024 at 97 Cron Street, Franz Josef. It focusses on the need for, and likely economic effects of, the relief sought by SEL.

- [14] Specifically, my evidence addresses:
- (a) the economic and strategic context for the proposal, particularly tourism trends;
 - (b) a summary of my previous economic report supporting the proposal and the conclusions regarding the relief sought by SEL;
 - (c) overall conclusions as to the likely wider economic benefits of the SEL relief.

Executive summary

- [15] Tourism is very important to the local, district, and regional economies, but was hard hit by the Covid-19 pandemic (**the pandemic**). While recovery is now well underway, there is a consensus that the region also needs to reimagine its tourism future by reducing reliance on only a few key attractions, creating new experiences, and dispersing activity. In addition, there is a need to lift population growth to capitalise on, and maximise, the tourism opportunity.
- [16] The vital economic importance of tourism to the region is also captured by TTPP strategic objectives and policies aimed at ensuring its sustainable development while managing any adverse effects.
- [17] SEL's proposal is well aligned with this strategic direction because it will enable a new iconic attraction with widespread appeal that not only generates significant economic impacts itself, but which will also support other tourism operators by helping to sustainably grow visitor numbers.
- [18] Indeed, according to my previous assessment from 2019, the proposal will have significant one-off impacts during its construction/installation, plus it will sustain ongoing economic impacts via future operations.
- [19] Over time, the proposal will likely help to draw a different mix of visitors to the region, which will help meet strategic objectives to diversify its tourism products, and hence customer base, over time.

- [20] More generally, the proposal will improve (viewing) access to the glaciers and reduce reliance on helicopters, the noise pollution from which has been already identified as an ongoing issue.
- [21] However, the proposal would not fully displace helicopter access. Instead, the two options would complement one another, with the gondola also providing access when poor weather conditions preclude flights.
- [22] Despite some apparent concerns about potential crowding and impacts on the “untouched” nature of the local environment, which I understand can be fully managed through future planning provisions, the proposal’s overall economic benefits will likely be strong and enduring.

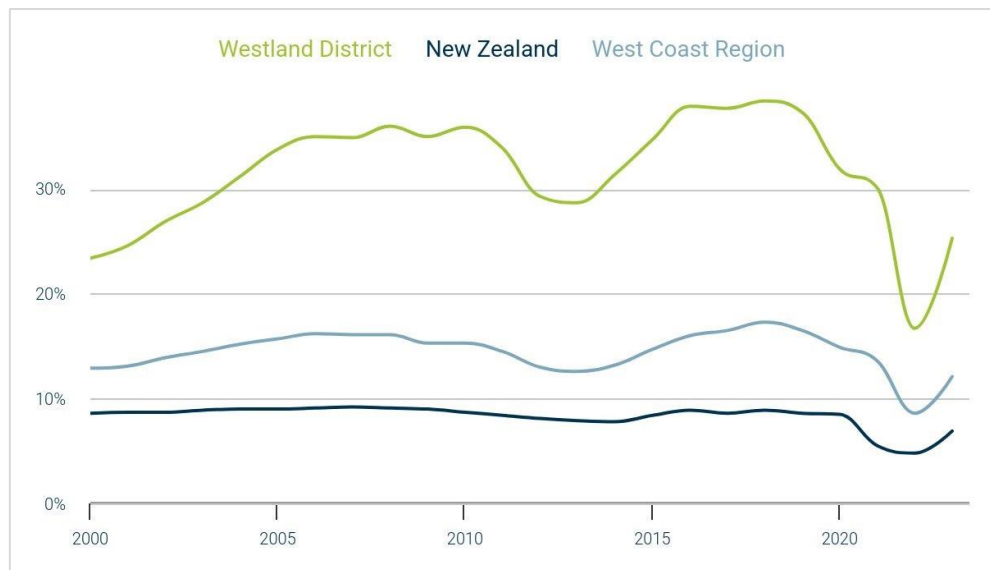
Economic and strategic context

Role and importance of tourism to the regional and district economies

- [23] The West Coast region spans three territorial authorities and stretches 550 kilometres from north to south. It is renowned for its rugged and untouched terrain, which has made it a “haven for outdoor enthusiasts, nature lovers, and those seeking unique and untouched landscapes”.¹
- [24] Despite accounting for 8.5% of New Zealand’s land mass, the region is currently home to only 0.6% of its population. Consequently, the West Coast is highly reliant on tourism to help sustain its economy.
- [25] This is demonstrated in Figure 1, which plots the shares of regional – and Westland District – employment in tourism-dependent industries alongside the national average. Clearly, tourism is vital not only to the region, but specifically to the Westland District, where it accounted for nearly 40% of total employment pre-pandemic.

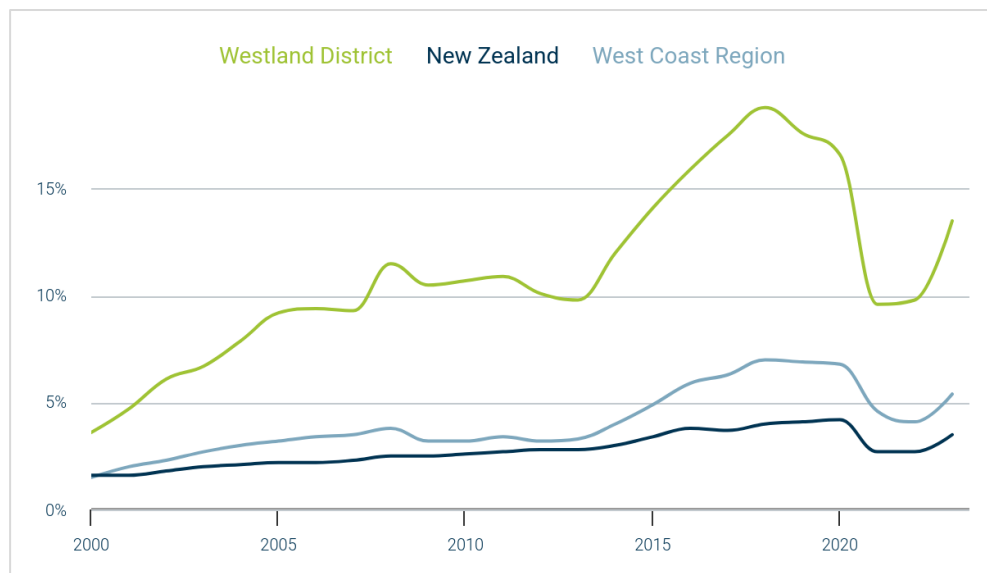
¹ Invest in the West Coast: Regional Investment Profile 2024/5.

Figure 1: Tourism Sector Shares of Total Employment (as at February)²



[26] This high tourism reliance is also naturally reflected in regional and district GDP figures, as summarised in the chart below. At its pre-pandemic peak, the district generated nearly 20% of GDP from tourism, while the region generated about 7%, compared to only 4% nationally.

Figure 2: Tourism Sector Shares of Total Employment (March Years)³



² <https://rep.infometrics.co.nz/westland-district/tourism/employment?compare=new-zealand>

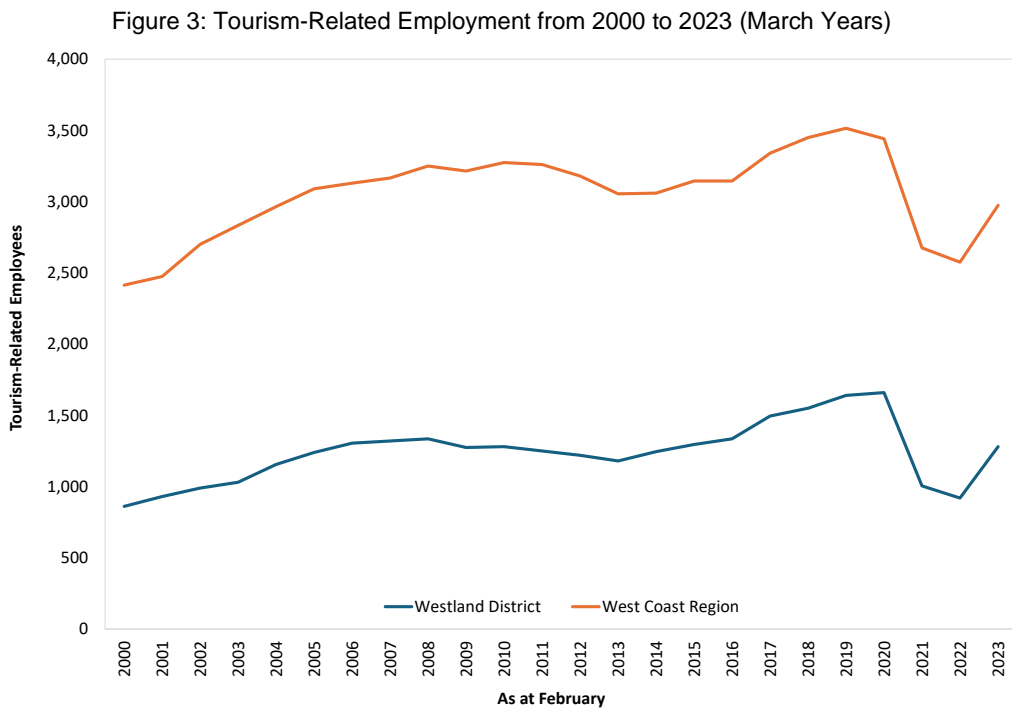
³ Ibid.

[27] Growth in district tourism-related GDP and employment has also outpaced the corresponding national averages over the last 20 years, which further underscores the vital importance of the sector to the area.⁴

Impacts of Covid-19

[28] The pandemic wrought unprecedented economic havoc, both nationally and globally. Tourism was the hardest hit sector due to the widespread and enduring travel bans imposed in most developed areas to limit the pandemic's spread.

[29] For tourism dependent areas like the West Coast region and the Westland District, the pandemic's effects were highly acute, causing wholesale drops in economic activity and employment. The latter is illustrated in figure 3 below, which plots regional and district tourism employment annually from 2000 to 2023 (as at February each year).



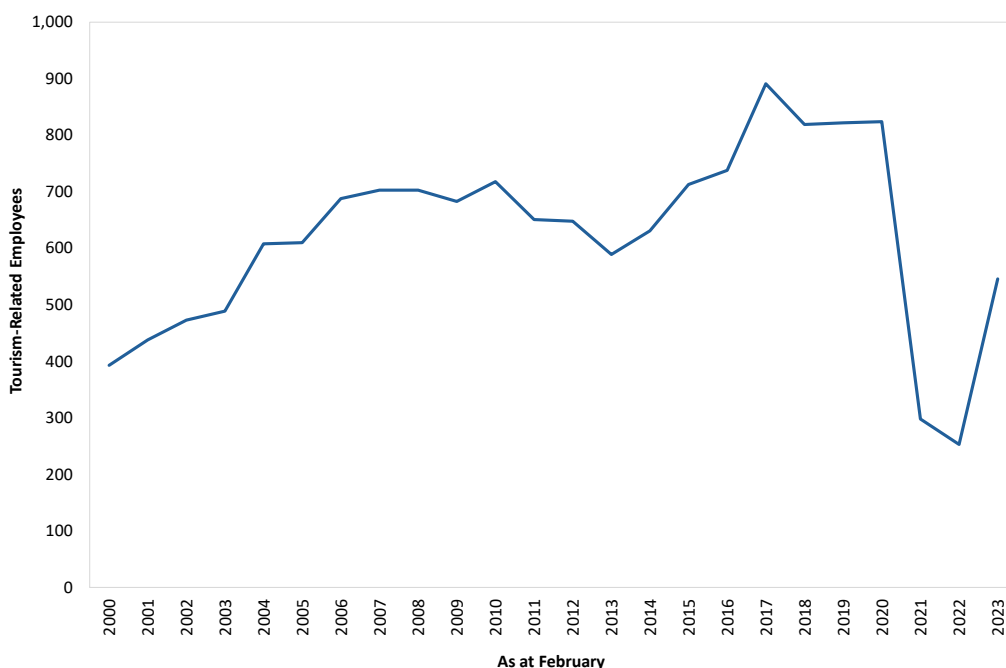
[30] Figure 3 shows that district and regional tourism employment have gradually trended up over time but fell abruptly due to the pandemic.

⁴ Specifically, district tourism-related employment has grown 2.8% annually since 2000, compared to 1.7% nationally, while district tourism-related GDP has grown 7.9% annually since 2000, compared to 6.5% nationally.

[31] In fact, regional tourism employment fell by 25% from February 2020 to February 2022, while Westland District tourism employment fell by 45%.

[32] The local impacts were even more severe, as per Figure 4 below, with tourism employment in Glacier Country⁵ falling from 824 people in February 2020 to 253 in February 2022 – a 69% decline.

Figure 4: Tourism-Related Employment in Glacier Country (as at February)



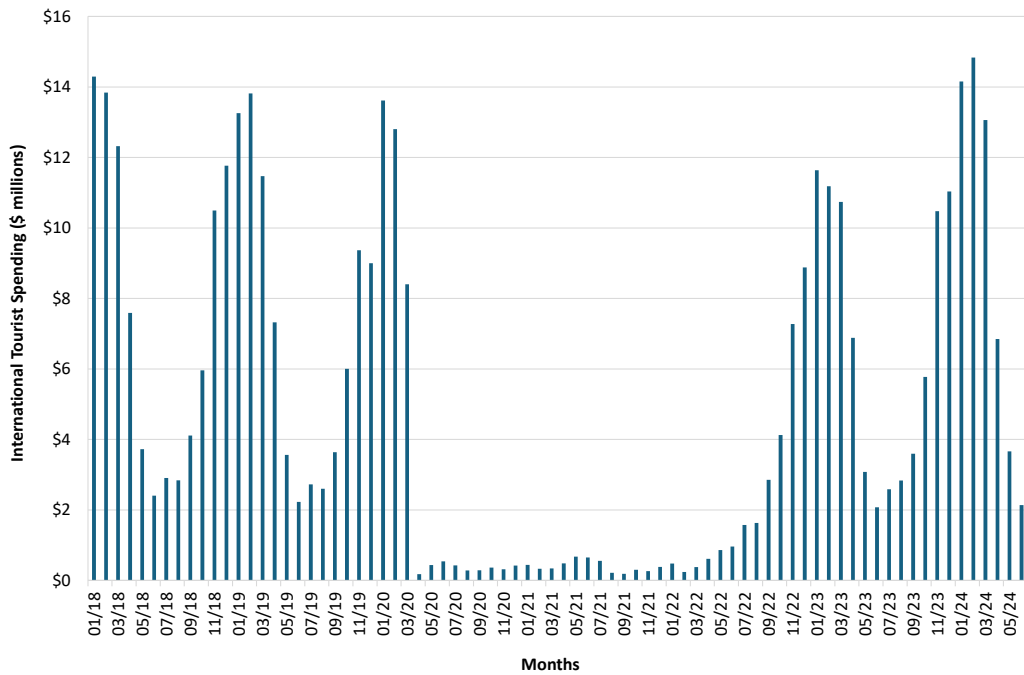
[33] Fortunately, the early signs of recovery illustrated in the various charts above (to early 2023) have continued well into 2024, with the latest monthly international tourist data revealing a strong resurgence in regional spending.⁶Figure 5: Monthly Regional Electronic Spending by International Tourists (\$ millions)

[34] plots that data from January 2018 to June 2024, where a full recovery is imminent, if not already achieved.

⁵ As defined by the Westland Glaciers-Bruce Bay Statistical Area 2 (SA2).

⁶ <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/tourism-electronic-card-transactions>

Figure 5: Monthly Regional Electronic Spending by International Tourists (\$ millions)



The 2022-2030 destination management plan (and the need to pivot)

[35] In the wake of the pandemic’s devastating economic impacts, particularly on tourism, various stakeholders collaborated to reimagine the region’s future tourism potential and identity. This culminated in the Te Tai Poutini Destination Management Plan 2022 – 2030 (**DMP**), which was subtitled “learning from the past, embracing the future, moving forward confidently.”

[36] The DMP recognises the intrinsic importance of tourism to the region, identifying it as “an important sector for Te Tai Poutini’s economy, and a contributor to the regional identity and regenerative economy. It enables communities, especially those with a low population base, to improve the quality of amenities for both residents and visitors...and is an integral part of attracting new residents”.⁷

[37] The DMP also acknowledges the much greater concentration of, and hence economic reliance on, tourism activity in the Westland District, and in Glacier Country specifically. It notes that Glacier Country contains

⁷ DMP, page 3.

64% of the region’s tourism activities and attractions, and that Covid-19 “wiped out” 97.5% of all tourism revenue in South Westland.⁸

[38] The DMP accordingly identifies a long-term need to diversify the region’s tourism offering, boost visitor yields, and improve resilience, all while balancing the four pillars of sustainable development – namely economic, cultural, social, and environmental outcomes.

[39] The DMP recommends a detailed action plan, which is split into five themes. The second theme addresses economic recovery and growth, and is further split into several focus areas. The screenshot below shows the first of those economic-related focus areas, which I consider to be the most relevant here.

Figure 6: DMP Recommended Actions to Grow Economic Resilience

The screenshot shows a slide with a blue gear icon containing a white dollar sign. The main title is 'Support economic recovery and growth' in large black font, with the Māori subtitle 'Te taumanu me te tipuranga' below it. A 'FOCUS AREA' label with a blue arrow points to the 'Growing resilience' section, which has the Māori subtitle 'Te whakakaha i te aumangeatanga'. Below this is a table with two columns: 'Actions' and 'Success measures'.

| Actions | Success measures |
|------------------------------------|---|
| Grow visitor yield | <ul style="list-style-type: none"> # higher yield per visitor |
| Attract new tourism businesses | <ul style="list-style-type: none"> # of new tourism businesses |
| Diversify experiences and segments | <ul style="list-style-type: none"> More diverse visitor base (domestic and international) New experiences created |
| Disperse visitors regionally | <ul style="list-style-type: none"> Higher visitor yield outside hotspots Greater awareness of remote areas Visitor numbers through occupancy providers |
| Implement regional events strategy | <ul style="list-style-type: none"> Implement regional events plan Support the development of 6 new events on Te Tai Poutini |

TTPP tourism strategic direction

[40] The TTPP recognises the importance of tourism to the local and regional economies and includes strategic provisions to ensure its sustainable

⁸ DMP, page 54.

development. For example, the figure below shows proposed Tourism Strategic Objective labelled TRM-01, which requires sustainable tourism development to be enabled while managing any adverse effects arising.

[41] In my view, this strategic objective provides important context for SEL’s submission, because it aims to grow the local and regional tourism markets via the sustainable creation of a new, iconic tourism attraction.

Figure 7: TTPP Strategic Tourism Objective (TRM-01)

| Tourism Strategic Objective | |
|-----------------------------|--|
| TRM - 01 | <p>To recognise the significance of tourism to the West Coast/Te Tai o Poutini economy by providing for sustainable tourism development while managing the adverse effects on the environment, communities and infrastructure. This includes:</p> <ol style="list-style-type: none"> 1. Supporting the development of visitor facilities and accommodation within and near existing settlements and communities and on public conservation land where appropriate; 2. Supporting the development of cycling and walking connections between tourism sites; 3. Providing for the development, maintenance and upgrading of supporting infrastructure; 4. Ensuring that visitor facilities are connected to existing services and infrastructure; 5. Managing the development and expansion of visitor activities and services so that the natural and cultural values, amenity and character of the West Coast/Te Tai o Poutini and its communities are maintained; 6. Promoting a sustainable approach to tourism and minimising the adverse effects, and in particular cumulative adverse effects, of visitor activities and services on cultural values and wāhi tapu, natural values, amenity and landscape; 7. Supporting Ngāti Waewae and Ngāti Māhaki o Makaawhio to exercise kaitiakitanga, and provide education about the cultural importance of maunga, other landforms, taonga and wāhi tapu to Poutini Ngāi Tahu and how to treat these areas with respect; and 8. Supporting Poutini Ngāi Tahu in expansion of their tourism and visitor activities to deliver better economic outcomes for the hapū. |

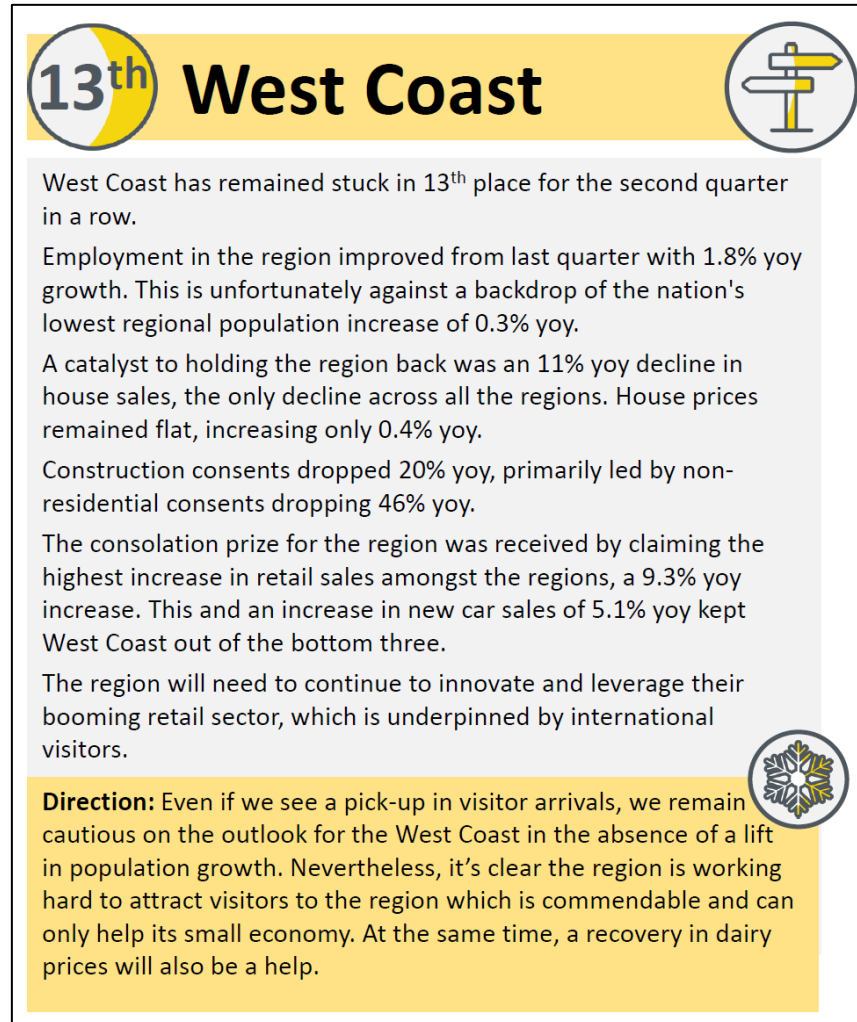
Current state of regional economy

[42] Finally, I looked for any other information to help better understand the broader regional economic context for SEL’s submission. However, most publicly available data is published after lengthy lags, which limits its timeliness.

[43] However, ASB Bank’s regional economic scorecards are published quarterly, with the latest edition covering the first quarter of 2024. The

screenshot below⁹ summarises that report's outlook for the West Coast region, which it ranked 13th out of 16 for the second quarter in a row. In short, ASB sees the West Coast's economic headwinds continuing even with visitation growth unless there is also a lift in population growth.

Figure 8: ASB Regional Scorecard for the West Coast: Q1 2024



[44] To summarise, tourism is very important to the local, district, and regional economies, but was hard hit by the Covid-19 pandemic. While recovery is now well underway, there is a consensus that the region also needs to reimagine its tourism future by reducing reliance on only a few key attractions, creating new experiences, and dispersing activity. In addition, there is a need to lift population growth to capitalise on, and maximise, the tourism opportunity.

⁹ <https://www.asb.co.nz/content/dam/asb/documents/reports/asb-regional-economic-scoreboard/asb-regional-scoreboard-q1-2024b.pdf>

Summary of 2019 economic assessment

Introduction

[45] In early 2019, I provided a high-level assessment of the SEL aerial cableway proposal's likely economic impacts, including the one-off impacts of construction, and the ongoing annual impacts of future operations. Below I summarise that earlier assessment, with a full copy provided in the appendix. While that report was prepared pre-Pandemic, the conclusions remain more valid than ever given the pressing need to diversify the sector and create new and engaging visitor experiences.¹⁰

[46] My 2019 report is attached to this brief as **Appendix A**.

Methodology

[47] My prior assessment focussed on the readily quantifiable impacts of the proposal in terms of regional GDP, jobs, and wages/salaries. It analysed financial projections provided to me by SEL, which covered both one-off capital costs to develop the attraction, plus an annual operating budget. Those financial flows were overlaid with so-called economic multipliers to calculate the proposal's likely one-off and annual impacts on regional GDP, jobs, and wages/salaries (including flow on effects).

[48] However, it did not seek to quantify the broader impacts of increased visitation to the region both due to information deficiencies, and to ensure that the assessment remained as conservative as possible. Consequently, my prior assessment likely understated the proposal's true economic value to the local, district, and regional economies.

Estimated one-off impacts

¹⁰ Please note that the employment impacts estimated herein remain valid, but the implied wages and salaries per worker would be higher now than shown due to ongoing wage and salary increases since my analysis was completed in early 2019.

[49] SEL estimated that construction and installation of the aerial cableway would cost nearly \$70 million, a share of which was expected to occur in the regional economy. That regional capital spending translated into the one-off impacts of the proposal as tabulated below.

Table 1: One-Off Impacts of Aerial Cableway and Terminal Construction (\$ millions)

| Impact Measures | Direct | Flow-on | Total |
|------------------------|--------|---------|--------|
| Regional GDP | \$5.2m | \$2.0m | \$7.2m |
| Employment (FTE-years) | 70 | 20 | 90 |
| Wages/Salaries paid | \$3.2m | \$1.0m | \$4.2m |

[50] In short, including flow-on effects, the proposal's one-off impacts were estimated to boost regional GDP by \$7.2 million, create employment for 90 FTE-years, and generate household wages/salaries of \$4.2 million. If construction was assumed to last three years, say, this translates to fulltime employment for 30 people.

Estimated annual impacts

[51] Next, Table 2 shows the estimated annual regional impacts of:

- (a) SEL's ongoing purchases of local supplies and services;
- (b) the employment of – and wages paid to – local residents by SEL and its suppliers; and
- (c) higher local spending by people who are employed by the proposal, either directly or indirectly.

Table 2: Annual Economic Impacts of Future Operations (\$millions)

| Impact Measures | Direct | Flow-on | Total |
|---------------------|---------|---------|---------|
| Regional GDP | \$1.41m | \$0.49m | \$1.90m |
| Employment (FTEs) | 25 | 6 | 31 |
| Wages/Salaries paid | \$1.21m | \$0.24m | \$1.45m |

[52] In summary, annual operations were estimated to boost regional GDP by \$1.9 million, provide permanent employment for 31 fulltime staff, and boost regional wages and salaries by \$1.45 million annually.

Broader economic impacts

[53] While the estimated one-off and ongoing impacts above are significant, they were just the readily quantifiable impacts of the proposal. In addition, as it became more popular, the proposal would attract more visitors to the region, including those that may not have come otherwise. Plus, the proposal may help to extend the average stay length of visitors generally, thereby helping boost tourism value in multiple ways.

Commentary on wider tourism impacts

[54] As just noted, my previous assessment only briefly considered the likely wider impacts of the proposal, which I consider will be significant. Accordingly, to best assist the panel, I now consider those wider impacts in a little more detail below.

[55] To begin, I first wish to observe that:

- (a) Customer feedback received during the DMP's formulation noted that some experiences were not what visitors expected, both before and after Covid-19, so there was room for improvement in service quality. Consequently, activity operators will need to adjust their product offering to meet customer demands.¹¹
- (b) Direct access to the glacier has not been possible on foot since 2014, when it was no longer deemed safe due to ongoing retreat. As a result, access is now only via helicopter.¹² According to one guide, this dependency on helicopters "increases cost, adds layers of risk, and makes trips more weather dependent." In addition, the change makes running a guiding company more expensive, less productive, and more logistically challenging.¹³
- (c) Paradoxically, the carbon emissions generated by helicopter travel, which facilitates access to the glacier, also contributes to

¹¹ DMP, page 23.

¹² However, for experienced hikers, an 8-hour walk on the Roberts Point or Alex Knob track offers direct views of the glacier (<https://westcoast.co.nz/visit/discover/regions/glacier-country/>)

¹³ <https://yaleclimateconnections.org/2021/07/the-end-of-glacier-guides-in-new-zealand/>

the climate change that has accelerated its decline (thereby driving the urgency for 'last chance tourism').

- (d) According to stakeholders during a community workshop earlier this year, the heliport is the busiest unmanned air space in the southern hemisphere.¹⁴
- (e) Unsurprisingly, industry feedback recorded in the DMP opines that this proliferation of helicopter movement is a direct threat to Westland District tourism due to its noise pollution.¹⁵
- (f) The proposal does not seek to emulate the Skyline gondola in Queenstown, which is an all-in-one visitor experience also offering food and beverages, plus other attractions (like bungy jumps and luge rides). Instead, this experience is focussed just on unlocking easy viewing access to the glacier itself.
- (g) While the DMP implores a reduced reliance on the glaciers over time, they will remain anchor attractions for the foreseeable future.

[56] In my view, these observations provide strong economic support for the proposal because it will significantly improve access to the glaciers and make them a viable option for people that are not experienced hikers. The proposal will create a new iconic activity that will attract visitors who may not have come otherwise, thereby increasing tourism activity and diversity.

[57] This is likely to help draw a different mix of visitors to the region, which will help meet the DMP's objectives to diversify its tourism products and hence customer base over time.

[58] Stakeholders seem to also unanimously agree that the proposal would be an iconic attraction and help slow down the customer journey for the benefit of other towns and operators.¹⁶ In other words, it would help increase length of stay and boost visitor yields.

¹⁴ As recorded in the appendices of Mr Greenaway's evidence.

¹⁵ DMP, page 55.

¹⁶ As recorded in the appendices of Mr Greenaway's evidence.

- [59] Consequently, Mr Greenaway's evidence records that there was "universal interest from tourism operators in seeing the development occur as soon as possible" and that "widespread support from the community exists."
- [60] Finally, I note that the proposal would not fully displace helicopter access and thus be a zero-sum game from a tourism activity perspective. Instead, the two options would complement one another, with the gondola also providing access when poor weather precludes flights.
- [61] Despite some apparent concerns about potential crowding and impacts on the "untouched" nature of the local environment, which I understand can be fully managed through future planning provisions, the proposal's overall economic benefits will likely be strong and enduring.

Fraser Colegrave
9 September 2024

Appendix A

INSIGHT | ECONOMICS



Draft Report: 3 February 2019

Regional Economic Impacts of a Proposed Aerial Cableway at Franz Josef Glacier

Prepared for:
Skyline Enterprises

Authorship

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1. Executive Summary

Skyline Enterprises Limited (Skyline) is a highly-regarded leisure and tourism operator, whose attractions include the iconic gondolas and luges in Rotorua and Queenstown. As part of its ongoing growth and expansion, Skyline is investigating the possible installation and operation of an aerial cableway near Franz Josef Glacier. To assist, this short report estimates the potential economic impacts of the proposal on the West Coast Region.

The analysis begins by describing the proposed development, which will comprise a custom-built aerial cableway system to provide unparalleled views of, and maybe also access to, the Franz Josef glacier. However, unlike Skyline’s existing attractions elsewhere, the proposal will not include a café or restaurant onsite. This will help minimise the proposal’s environmental footprint and also ensure that it supports – not competes with – existing businesses in the Franz Josef township.

Next, the analysis describes the methodology used to estimate regional economic impacts. In short, we used a technique called multiplier analysis to translate Skyline’s latest estimates of one-off and ongoing costs into measures of corresponding regional economic impacts. These impacts include both direct effects and flow-on effects, and are measured in terms of regional GDP, household incomes, and employment.

To advance the analysis, we assumed that half of all one-off and ongoing costs associated with the proposal would be spent in the region. There were two exceptions. First, we assumed that most (90%) of aerial cableway acquisition and installation costs would leak out of the region as the aerial cableway system itself will be sourced internationally. Second, we assumed that all employment and wages costs would fall within the region because, given the site’s relatively remote location, future employees are highly likely to live locally. Otherwise, the region was assumed to capture half of all future costs.

Applying these ‘regional capture’ assumptions to Skyline’s indicative one-off costs produced the following estimates of one-off impacts associated with proposal construction and installation.

Table 1: One-Off Impacts of Aerial Cableway and Terminal Construction \$M

| Impact Measures | Direct | Flow-on | Total |
|------------------------|--------|---------|--------|
| District GDP | \$5.2m | \$2.0m | \$7.2m |
| Employment (FTE-years) | 70 | 20 | 90 |
| Household Incomes | \$3.2m | \$1.0m | \$4.2m |

In short, the one-off costs of the proposal are estimated to boost regional GDP by \$7.2 million, including flow-on effects, and boost household incomes by \$4.2 million. In addition, they will create employment for 90 FTE-years, which could represent either 90 people employed for one year, or 45 people employed for two years.

Next, Table 2 presents our estimates of the annual regional impacts of operations. These capture the effects of (i) ongoing purchases of supplies and services from local businesses, (ii) the employment of – and wages paid – to local residents, plus (iii) increased local spending by people employed as a result of the project, either directly or indirectly.

Table 2: Overall Annual Economic Impacts of Aerial cableway Operations (\$k)

| Impact Measures | Direct | Flow-on | Total |
|-------------------|----------|---------|----------|
| District GDP | \$1,410k | \$490k | \$1,900k |
| Employment (FTEs) | 25 | 6 | 31 |
| Household Incomes | \$1,210k | \$240k | \$1,450k |

In summary: economic effects related to future operations of the proposed aerial cableway are estimated to boost regional GDP by \$1.9 million per annum, provide permanent employment for 31 staff, and boost regional household incomes by \$1.45 million per annum.

While the estimates of one-off and ongoing economic impacts presented above are clearly significant, they merely represent the readily-quantifiable impacts of the proposal. In addition, the proposal will have a range of wider and less tangible impacts. Of these, the most significant is likely to be its impacts on the region’s network of tourism attractions. As the proposed Aerial cableway becomes more popular, it will draw more visitors to the region. Further, it may help extend the average stay length of existing visitors. As a result, the proposal will help to gradually boost the region’s tourism offering.

As most readers will be aware, stimulating the region’s tourism sector is of great interest and importance to the West Coast, particularly given its fairly flat economic performance in recent times. Accordingly, coupled with the substantial regional economic impacts associated with the proposal’s future construction and operation, we support it on economic grounds.

2. Introduction

2.1. Context and Purpose of Report

Skyline Enterprises Limited (Skyline) is a highly-regarded leisure and tourism operator, whose attractions include the iconic gondolas and luges in Rotorua and Queenstown. As part of the company's ongoing growth and expansion, Skyline is investigating the possible installation and operation of an aerial cableway in Franz Josef Glacier. To assist, this short report estimates the potential one-off and ongoing economic impacts of the proposal on the West Coast Region.

2.2. Structure of Report

The remainder of this report is structured around the following key steps in our assessment:

1. Briefly describe the proposed development (**section 3**);
2. Explain the methodology used to estimate regional economic impacts (**section 4**);
3. Present the estimated one-off impacts of construction (**section 5**);
4. Summarise the likely ongoing impacts of future operations. (**section 6**); and
5. Briefly comment on possible wider economic effects. (**section 7**).

Each step is covered in a different section below.

3. About the Proposed Development

The proposed development comprises an aerial cableway system, which will be set within an amenity area on Department of Conservation land, near the Franz Josef Glacier. The aerial cableway itself will comprise three stations – bottom, mid and top – which will work together to provide a seamless visitor experience.

The bottom station will be used primarily for:

- ticket sales;
- boarding and alighting the cableway system;
- providing parking for staff and visitors;
- ‘back of house’ operations;
- photography; and
- souvenir sales and related retailing.

The mid station will be used mainly for operational requirements, such as staff rooms, power transformers and IT equipment, while the top station will provide a place for cableway users to exit the ride, take in the views, and possibly purchase light snacks/refreshments.

As noted in recent correspondence with the Department of Conservation, any future cableway development would be focussed on enjoyment of the natural environment, with only limited provision of ancillary services. Accordingly, the vision is to enable only small-scale photography and souvenir sales along with pre-packaged snacks. In other words, Skyline do not intend to provide a café or restaurant onsite (as they do elsewhere) both to minimise their environmental footprint, and to support existing businesses in the Franz Josef township.

4. Economic Impact Methodology

4.1. General Approach

Our analysis focusses on the regional economic impacts of expenditures that will be incurred during construction and operation of the proposed aerial cableway. While some of these expenditures will naturally leak out of the region, a significant proportion will be spent locally and thus generate regional economic impacts. Those regional impacts will flow via three related channels.

First, the project will employ numerous West Coast residents, either directly or indirectly via project partners and suppliers. This increased local employment will not only boost regional household incomes, but it will also directly increase regional GDP.¹

Second, a proportion of project expenditures will be spent locally via the purchase of supplies and services. These regional expenditures will also boost regional employment, household incomes, and GDP.

Finally, a proportion of project-related wages paid to regional employees (either directly or indirectly) will be spent locally, and thus create additional economic stimulus via the so-called 'induced effect'. For example, a proportion of wages paid locally will be spent on weekly groceries and other essentials, which increases the demand for other regional sectors. As a result, it creates an additional round of project-related impacts, which our analysis includes.

The overall regional economic impacts of aerial cableway construction and operation are the sum of the three effects described above.

4.2. Translating Financial Flows into Economic Impacts

Our analysis takes Skyline's latest indicative estimates of construction and operating costs and translates them to measures of economic impact via the following steps:

- For each cost item, first estimate the proportion that will likely be spent in the region;
- Map the resulting regional expenditures to industries of the regional economy;
- Overlay *Insight Economics*' regional input-output multipliers for the West Coast; and
- Estimate the resulting impacts on regional GDP, incomes and employment.

4.3. Introduction to Multiplier Analysis

As noted above, our analysis incorporates regional input-output multipliers. These, in turn, are based on detailed matrices called input-output tables, which describe the various supply chains that comprise the regional economy. As a result, they enable the wider economic impacts of a

¹ This is because GDP can be measured in several different ways, one of which is to sum the payments made to the various factors of production (one of which is labour).

change in one sector or industry to be traced through the regional economy to estimate the overall impacts.

Consider the following example. Suppose a local building company wins a large contract to develop dozens of new homes. In addition to additional staff, the company will also need to source a range of additional building products from its suppliers to complete the job. Those suppliers, in turn, will need to source various inputs from their suppliers, and so on. The input-output table traces all these interdependencies so that the wider economic impact of the new building work can be estimated. Specifically, the economic impacts estimated by multiplier analysis comprise two parts:

- **Direct Effects** – these are the direct economic effects of the entity (or entities) in question, plus the economic effects of their immediate suppliers.
- **Flow-On Effects** – these are the overall economic impacts of the wider supply chain that support the entity’s direct suppliers. In addition, they capture the effects of increased local spending by people employed due to the project.

The overall economic impact is the sum of the direct effects and flow-on effects, which are measured in terms of:

- Value added (GDP),
- Employment, and
- Household incomes

4.4. Multiplier Tables Used in the Assessment

This analysis incorporates multiplier tables that have been developed and sold by Insight Economics to a range of public and private sector organisations across New Zealand. They have been derived from the latest national input output tables, which were produced by Statistics New Zealand in 2016. Further details about our input output tables are available online.

4.5. Wider Tourism Effects

In addition to the direct impacts of cableway construction and operation, the proposal will also attract more tourists to the local area, and hence cause visitation to be higher than it would have been otherwise. Unfortunately, however, it is difficult to reliably estimate the size of this impact with any degree of accuracy, so we do not attempt to quantify it here. Instead, we briefly comment on the likely impact of the proposal on the region’s network of tourist attractions, and likely consequent effects on future tourism activity.

5. One-Off Construction Impacts

5.1. Likely Costs and Regional Shares

Skyline provided us with indicative estimates of likely construction costs for the proposal, which totalled nearly \$70 million excluding GST. While these figures are only preliminary and subject to change as plans evolve, they represent the best information currently available. Accordingly, we used them to estimate likely one-off regional impacts.

In the absence of better information and to advance our analysis, we assumed that half of cableway and terminal construction costs would occur within the West Coast region. The only exception was the cost of acquiring and installing the aerial cableway system itself. Given that this is likely to be sourced internationally, we assumed that only the installation costs would occur locally. Accordingly, we assumed that only 10% of cableway acquisition and installation costs accrue regionally. This is an important assumption, because the aerial cableway system represents the largest share of one-off costs by a significant margin.

5.2. Estimated One-Off Impacts

The following table translates the indicative one-off costs and estimated regional shares above into measures of economic impact on the West Coast region. They cover all activities associated with planning, consenting, design and construction/installation.

Table 3: One-Off Impacts of Aerial Cableway and Terminal Construction \$M

| Impact Measures | Direct | Flow-on | Total |
|------------------------|--------|---------|--------|
| District GDP | \$5.2m | \$2.0m | \$7.2m |
| Employment (FTE-years) | 70 | 20 | 90 |
| Household Incomes | \$3.2m | \$1.0m | \$4.2m |

Table 3 shows that the one-off costs of the proposal are estimated to boost regional GDP by \$7.2 million, including flow-on effects, and boost household incomes by \$4.2 million. In addition, it will create employment for 90 FTE-years. This could represent either 90 people employed for one year, 45 people employed for two years, or even 30 people for 3 years.

6. Ongoing Annual Impacts

6.1. Annual Operating Costs & Regional Shares

Once operational, the proposal will incur a range of ongoing costs, such as power, rates, insurance, cleaning, food and beverage supplies, photography costs, wages, and advertising. To inform our analysis, Skyline provided indicative estimates of future annual operating costs. Like our analysis of one-off costs, we assumed that half of all ongoing costs would be spent in the region, except for staff costs (which are assumed to all be spent in the region).

6.2. Impacts of Locally-Sourced Supplies & Services

The next step was to map future project expenditures on regionally-sourced supplies to sectors of the regional economy and overlay the corresponding multipliers to derive the annual regional impacts. The results are shown in the table below, and represent the regionwide impacts of ongoing purchases of local supplies and services.

Table 4: Annual Regional Impacts of Locally-Sourced Supplies (\$k)

| Impact Measures | Direct | Flow-on | Total |
|-------------------|--------|---------|----------|
| District GDP | \$790k | \$300k | \$1,090k |
| Employment (FTEs) | 11 | 3 | 14 |
| Household Incomes | \$590k | \$130k | \$720k |

Table 4 shows that the ongoing purchase of supplies and services from local businesses will boost regional GDP by \$1.1 million per annum, including flow-on effects, and boost household incomes by \$720,000 million. In addition, it will create ongoing employment for 14 people.

6.3. Impacts of Direct Employment & Local Spending

Along with ongoing supplies, the proposal will also require several permanent workers to maintain its operations. Given the relatively-remote location of the proposal, these staff are all assumed to be West Coast residents, and hence their employment and incomes represent direct injections to the regional economy.

In addition, a proportion of the wages paid to those staff will be spent locally (on a range of household goods and services) and hence create further flow-on impacts. The following table summarises the overall economic impacts of people employed by the proposal, including the flow-on effects of estimated local spending.

Table 5: Annual Impacts of Local Wages & Local Spending (\$k)

| Impact Measures | Direct | Flow-on | Total |
|-------------------|--------|---------|--------|
| District GDP | \$620k | \$190k | \$810k |
| Employment (FTEs) | 14 | 3 | 17 |
| Household Incomes | \$590k | \$130k | \$720k |

Table 5 shows that cableway operations and consequent local spending by cableway workers will boost district GDP by \$810,000 per annum, including flow-on effects, and boost household

incomes by \$720,000. In addition, it will create ongoing employment for 17 people (i.e. 14 at the proposal itself, and a further three across the region due to increased local spending).

6.4. Overall Ongoing Impacts of Cableway Operations

Finally, Table 6 combines the two sets of ongoing impact estimates above to show the total estimated regionwide ongoing impacts of aerial cableway operations.

Table 6: Overall Annual Economic Impacts of Aerial Cableway Operations

| Impact Measures | Direct | Flow-on | Total |
|-------------------|----------|---------|----------|
| District GDP | \$1,410k | \$490k | \$1,900k |
| Employment (FTEs) | 25 | 6 | 31 |
| Household Incomes | \$1,210k | \$240k | \$1,450k |

In summary: future operations of the proposed cableway are estimated to boost regional:

- GDP by \$1.9 million per annum;
- Employment by 31 full-time staff, and
- Household incomes by \$1.45 million per annum.

7. Wider Economic Effects

The analysis above shows that the proposed cableway will generate significant one-off and ongoing regional economic, specifically higher GDP, incomes, and employment. However, those estimates merely represent the proposal's readily-quantifiable economic effects, and thus are only part of the picture. In addition, there will be a range of other, less tangible economic effects.

Perhaps most importantly, the proposal will provide a significant boost to the region's network of tourism attractions which, over time, will help to attract additional tourists to the region, and also increase the average length of stay. Both, in turn, will boost regional tourism spending and provide a much-needed boost in regional economic activity

At the same time, the proposal will provide a strong signal of confidence in the region's tourism economy, which could help encourage other regional tourism operators to gradually improve and expand their offering. As they do so, the overall value of the network of attractions increases further, creating a virtuous cycle of investment and tourism growth.

As most readers will be aware, growing the region's tourism economy is a key plank of the regional economic development strategy. For example, a background report published in 2016 (the Tai Poutini West Coast Growth Study) described the tourism opportunity as follows:²

“The West Coast has excellent potential to sustainably grow the visitor economy. It has a large range of visitor attractions that include major natural assets, heritage assets, adventure-based attractions, and cycle and walking trails. These attractions span the entire length of the region.”

We agree with that sentiment and believe that the proposed cableway represents a significant step towards leveraging the region's unique and compelling tourism proposition.

² Retrieved from <https://www.mpi.govt.nz/dmsdocument/14098/loggedIn>