



Economic Impact of the proposed Queenstown Convention Centre

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Queenstown-Lakes District Economic Impact

Construction spend of \$45.3m

(over two years)

supporting **267 FTE** jobs and
generating **\$23m** in regional GDP.

Operations (annual over the first five years)

Operating spend of \$9.5m.

29,000 new visitors, spending

\$29.2m

supporting **466 FTE** jobs
and generating **\$30.9m** in
regional GDP.

New Zealand Economic Impact

Construction spend of \$45.3m

(over two years)

supporting **583 FTE** jobs and
generating **\$53.5m** in GDP
nationally.

Operations (annual over the first five years)

Operating spend of **\$9.5m.**

3,745 new visitors spending
\$9.8m

supporting **290 FTE** jobs
and generating **\$23.5m** in
GDP nationally.

The Economic Impact of the Queenstown Convention Centre

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1 Summary

A consortium led by Morrison & Co; Ngai Tahu Property; and Resource Coordination Partnership (RCP) Limited are negotiating to build an international standard convention centre in the Queenstown-Lakes District. It is envisioned that the convention centre will play a key role as an economic driver for the Queenstown-Lakes District and New Zealand.

It was recommended in the proposal, which looks into the cost of operating the convention centre, that the convention centre will need significant local or central government support in order for it to be sustainable operationally.

The Queenstown-Lakes District Council (QLDC) commissioned BERL to deliver an economic impact assessment which identifies the benefits that a convention centre will bring to the Queenstown-Lakes District and to New Zealand.

This economic impact assessment assessed the benefits to the Queenstown-Lakes District and New Zealand from the:

- construction of the convention centre
- on-going operations of the convention centre, in terms of:
 - its expenditure and
 - out-of-region visitors it attracts through conferences, exhibitions and events.

The expenditure incurred directly as a result of the construction and operation of the convention centre is used to derive the impact on the Queenstown-Lakes District and New Zealand economy in terms of value added (Gross Domestic Product (GDP)) and employment (Full Time Equivalents (FTEs)). This is done using regional input output tables. Regional and national multipliers are used to assess the flow-on impacts of this expenditure on the economy.



Impact on the Queenstown-Lakes District

The convention centre makes a significant impact on the Queenstown-Lakes District economy in terms of GDP and the jobs it creates. In total, the \$45.3 million spent on constructing the convention centre will:

- add GDP of \$23 million; and
- employ 267 people in the Queenstown-Lakes District.

Once the convention centre is operating, the convention centre is estimated to spend an average of \$9.8 million annually on its operations. It will also attract visitors to the District and from overseas through the exhibitions, conferences and events it holds. It is estimated that the out-of-region visitors will spend an average of \$29.2 million each year. Each year, for the first five years of operation, the convention centre is expected to:

- add GDP of \$30.9 million
- employ 466 FTEs.

Impact on the New Zealand economy

Similarly, the convention centre will contribute to the New Zealand economy through its construction and operation.

Construction will take two years at a total cost of \$45.3 million. Activity from constructing the convention centre will:

- add GDP of \$53.5 million
- employ 583 FTEs.

Once the convention centre is operating, the convention centre is estimated to spend an average of \$9.5 million annually on its operations. It will also attract international visitors to the country through the exhibitions, conferences and events it holds.

The estimated 3,745 international visitors attracted to New Zealand because of the convention centre will spend on average \$9.8 million annually. Combining operations and visitor spend, for each year over the first five years of operation, the convention centre is expected to:

- add GDP of \$23.5 million
- employ 290 FTEs.

2 Introduction

The QLDC is proposing to lead the development of a convention centre in Queenstown.

The convention centre will be of international quality, which will offer flexibility and functionality to attract a range of conferences, exhibitions and events to Queenstown.

It is envisioned that the convention centre will bring a broader economic benefit to the region and also to New Zealand.

A key recommendation from the consortium, which looked into the delivery of the convention centre, was to undertake an economic impact assessment of the convention centre. This is important in that the convention centre will require either local or central government funding to be sustainable. The economic impact assessment can then be assessed against the potential subsidies required based on the proposed funding structure and operational models.

The QLDC has commissioned BERL to conduct an economic impact assessment to capture and explain how the convention centre will benefit the Queenstown-Lakes District and New Zealand.

Overview of the proposed convention centre

The proposed convention centre has been the subject of debate for several years. The vision for the project is to provide an international quality convention facility for the people of Queenstown and its wider region. The convention centre will be designed in a way which offers flexibility and functionality so as to attract a range of conferences, exhibitions and events. It has been estimated that the convention centre, once fully operational will cater for around 170 events a year.

The convention centre will take two years to build and will have a capacity of 800 people. The preferred party to negotiate for the project proposes RCP as project managers; funding from HRL Morrison's PIP Investment Fund and Ngai Tahu Property and Sky City as operator.¹

The preferred location for the convention centre is the Lakeview site shown in Map 2.1.

¹ The consortium led by RCP consists of Woodward Infrastructure Ltd, Populous Design Pty Ltd, Fearon Hay Architects Ltd, Southern Planning Group, Naylor Love Construction Ltd, WTP New Zealand Limited, and Ngāi Tahu Property Limited.

Map 2.1. Location of the Queenstown convention centre– Lakeview Site



2.1 The Economic Impact Assessment

Our economic impact assessment measures the effects of the additional expenditure generated by the convention centre on the Queenstown-Lakes District and New Zealand. This includes:

- The one-off impact of constructing the convention centre. Construction will include costs such as consents and building materials, and labour such as builders, trades people, surveyors, and designers.
- On-going expenditure
 - operational expenditure
 - out-of-region visitor expenditure.

Looking at the wider benefits, the convention centre needs to be considered within the context of the importance of tourism to the Queenstown-Lakes economy and the importance of Queenstown-Lakes to tourism nationally. Further, there is the benefit to tourism

businesses from the ability of the convention Centre to attract additional visitors during the off-peak and shoulder seasons.

2.2 Approach to the economic impact assessment

To assess the economic contribution of the convention centre on the Queenstown-Lakes District and the New Zealand economy, expenditure as a result of the activity is inputted into a regional input-output model to determine the regional GDP and employment generated.

From this initial, or direct, activity (expenditure, GDP and employment), multiplier analysis is used to identify the upstream and downstream activity that is captured regionally by this initial activity. These are known as the indirect and induced impacts. These are combined to show the total economic impact of an initial injection of expenditure. To summarise, the:

- direct impact is the initial activity generated from constructing and operating the convention centre and providing goods and services to new visitors attracted as a result.
- indirect impact is the activity generated by those firms supplying goods or services to those involved in constructing or operating the convention centre and those providing goods and services to the businesses servicing the visitors.
- induced impact is the activity generated as a result of wages or business profits of those employed in constructing and operating the convention centre, as well as those employed in those businesses providing goods and services to the convention centre and visitors.

The sum of the direct, indirect and induced impacts is the total economic impact of the convention centre on the Queenstown-Lakes District and New Zealand.

2.3 Identifying the initial activity

To calculate GDP and employment initial expenditure was identified. Construction and operational costs were taken directly from the cost summary in the successful proposal whereas visitor expenditure was derived from two sources.

The total attendance was taken directly from the five-year financial operating plan in the successful proposal.² The split between international and national visitors, and the daily expenditure was taken from the feasibility study into a Queenstown Convention centre.³ Accompanying visitors and additional length of stay in the Queenstown-Lakes District and

² (Resource Coordination Partnership Ltd, 2012)

³ (Horwath HTL, 2012)

New Zealand was based on an earlier report into an international convention centre,⁴ and discussions with the operators on a likely profile of visitors to Queenstown.

This expenditure was then analysed using an input-output model of the Queenstown-Lakes District and the New Zealand economy.⁵ This model was used to calculate the direct impact on the economy in terms of Gross Domestic Product (GDP) and employment (FTEs).⁶

Multiplier analysis was then used to identify the indirect and induced activity generated as a result of the construction and operational expenditure.



More detailed discussion on how initial expenditures were identified is included in section 0.

2.4 Presentation of findings

Although construction is likely to take two years, the impacts are presented as a single year.

Operational and visitor impacts are calculated for the first five years of operation. Although operational and visitor expenditure increases each year over the first five years of operation, the economic impact is presented as an annual average for the first five years.

All values are in current or nominal values. Similarly, estimated visitor expenditure remains the same over the initial five year period of analysis.

Section 8 provides more information on the methodology used for this economic impact assessment.

⁴ (Horwarth HTL, 2009)

⁵ Input output models for the regional and national economy are for the 2006/07 period, and were provided by Butcher Partners Limited.

⁶ The volume of employment is usually expressed in Full-Time Equivalent jobs (FTEs). For a given year, Full Time Equivalents are calculated by counting the number of full-time employees, working proprietors and one-third of the number of part-time employee.

2.5 Report Structure

The remainder of this report is set out as follows: Section 3 measures the economic impact of constructing and operating the convention centre on the Queenstown-Lakes District and New Zealand. Section 4 discusses the wider benefits to the region. Section 5 summarises the key findings of the report. Section 6 through 8 contain the appendices, which include the bibliography, assumptions for calculating additional expenditure, economic impact analysis methodology and an alternative scenario.

3 The economic impact of the Queenstown convention centre

Economic impacts are calculated for the construction of the convention centre, and the operational and visitor activity for each of the first five years.

Over the two years of construction, it is estimated that \$45.3 million will be spent in the Queenstown economy. For the first five years of operation, it is estimated that \$38.8 million will be spent annually in the Queenstown economy.

During construction, the convention centre will result in the employment of 267 FTEs for one year, generating \$23 million in regional GDP.

On average for each of the first five years, the convention centre will result in the employment of 466 FTEs and generate \$30.9 million in regional GDP

This section details how the activity generated by its construction and operational (through attracting visitor expenditure and its operations) activities will impact the Queenstown-Lakes and New Zealand economies in terms of expenditure, GDP and employment. The direct, indirect and induced effects are identified to present the full impact of the initial investment through the regional economy.

All expenditure, construction and operation, are considered as new expenditure within Queenstown-Lakes, except for additional days spent by international visitors outside of the District. Similarly, expenditure by attendees to the convention centre who are from the Queenstown-Lakes district is not included.

For New Zealand, all expenditure is considered as new expenditure. However, expenditure by attendees and partners to the convention centre who are from New Zealand are not included. Inclusions and expenditure are presented in

Table 3.1. Additional expenditure captured by New Zealand and Queenstown

Additional expenditure used in EI calculations	New Zealand		Queenstown Lakes District	
construction expenditure (one year)	all	\$45.3m	all	\$45.3m
operational expenditure (annual average over 5 years)	all	\$9.5m	all	\$9.5m
visitor expenditure (annual average over 5 years)	international visitors only	\$9.8m	international and domestic ex QLDC	\$29.2m

Additional expenditure as a result of construction over two years and operation over the first five years is the same for both New Zealand and Queenstown-Lakes at \$45.3 million for construction and \$9.5 million annually for operations.

3.1 Queenstown-Lakes

The economic benefit to Queenstown-Lakes consists of \$45.3 million over two years to construct the convention centre. Once operational, expenditure generated from operating the centre and visitors to the region as a result of the convention centre will average \$38.8 million over the first five years.

3.1.1 Construction impact on Queenstown-Lakes District economy

The economic impact of the construction measures the activity generated in the process of building the convention centre. This construction activity includes preparing the site, and building the main facility buildings as well as the facilities outside such as car parking and landscaping.

Initial construction estimates from the successful tenderer state that the facility will take two year to construct and cost \$45.3 million.

Applying input output analysis to the direct expenditure determines the impact on GDP and employment. Multiplier analysis is then applied to identify the flow on activity (indirect and induced impacts) which is added to the direct impacts to determine the total impact.

Table 3.2 summarises the economic impact of constructing the convention centre on the Queenstown-Lakes District economy.

Table 3.2. Total economic Impact of constructing the convention centre to the Queenstown-Lakes District

Queenstown-Lakes District	Direct	Total
Expenditure (\$m)	45.3	74.9
GDP (\$m)	9.3	23.0
Employment (FTEs)	108	267

source: BERL

The \$45.3 million spent on constructing the convention centre will directly result in increased GDP of \$9.3 million and the employment of 108 FTEs. Adding indirect and induced effects will take total expenditure to \$74.9 million, generating GDP of \$23 million and employing 267 FTEs for one year.

3.1.2 On-going expenditure

Once the convention centre is operating, it will purchase materials and inputs to operate, such as catering, sales and marketing, staff, maintenance costs, and office costs. Variable costs for individual events will also be incurred. There will also be the benefits to the Queenstown-Lakes District economy from visitors attracted to the region to attend events at the convention centre.

Total on-going expenditure

Operational expenditure and visitor expenditure are combined to identify the total on-going expenditure. For the Queenstown-Lakes District, this expenditure is \$38.8 million on average over the first five years of operation. The economic impact of this expenditure is shown in Table 3.3.

Table 3.3. Average on-going economic impact on Queenstown-Lakes District, years 1 to 5

Queenstown-Lakes District	Direct	Total
Expenditure (\$m)	38.8	59.8
GDP (\$m)	19.5	30.9
Employment (FTEs)	366	466

source: BERL

The \$38.8 million spent as a result of on-going operations of the convention centre will directly result in increased GDP of \$19.5 million and the employment of 366 FTEs. Adding indirect and induced effects will take total expenditure to \$59.8 million, generating GDP of \$30.9 million and employing 466 FTEs. These benefits will be captured each year for the first five years of operation.

Convention centre operational expenditure

Expenditure to run the convention centre is expected to average \$9.5 million over the first five years of operation.

The total impact of the convention centre's operational expenditure is presented in Table 3.4 below.

Table 3.4. Average economic impact from operating the convention centre on Queenstown-Lakes District, years 1 to 5

Queenstown-Lakes District	Direct	Total
Expenditure (\$m)	9.5	14.5
GDP (\$m)	5.1	7.9
Employment (FTEs)	63	84

source: BERL

The \$9.5 million spent as a result of operating the convention centre will directly result in increased GDP of \$5.1 million and the employment of 63 FTEs. Adding indirect and induced effects will take total expenditure to \$14.5 million, generating GDP of \$7.9 million and employing 84 FTEs.

Visitor expenditure

Visitors from outside the region attending events at the convention centre are estimated to spend an average of \$29.2 million annually over the first five years. Table 3.5 shows the impacts of visitor expenditure on the Queenstown-Lakes District economy.

Table 3.5. Average economic impact from new visitors on Queenstown-Lakes District, years 1 to 5

Queenstown-Lakes District	Direct	Total
Expenditure (\$m)	29.2	45.3
GDP (\$m)	14.4	23.0
Employment (FTEs)	303	382

source: BERL

The \$29.2 million spent by visitors to the Queenstown-Lakes District will directly increase GDP by \$14.4 million and the employment of 303 FTEs. Adding indirect and induced effects will take total expenditure to \$45.3 million, generating GDP of \$23 million and employing 382 FTEs.

3.2 New Zealand Economic Impact

The economic benefit to New Zealand consists of \$45.3 million over two years to construct the convention centre. Once operational, annual expenditure generated from operating the centre and visitors to the region will average \$19.3 million over the first five years.

3.2.1 Construction impact on New Zealand economy

Table 3.6 summarises the economic impact of constructing the convention centre on the New Zealand economy.

Table 3.6. Total economic impact of constructing the convention centre to New Zealand

New Zealand	Direct	Total
Expenditure (\$m)	45.3	144.8
GDP (\$m)	9.3	53.5
Employment (FTEs)	108	583

source: BERL

The \$45.3 million spent on constructing the convention centre will directly result in increased GDP of \$9.3 million and the employment of 108 FTEs. Adding indirect and induced effects will take total expenditure to \$144.8 million, generate GDP of \$53.5 million and employ 583 FTEs for one year.

3.2.2 On-going operational impacts

Once the convention centre is operating, it will purchase materials and inputs such as catering, sales and marketing, staff, maintenance costs, and office costs. Variable costs for individual events will also be incurred. There will also be the benefits to the New Zealand economy from visitors attracted to the country to attend events at the convention centre.

Total on-going impact

Operational expenditure and visitor expenditure are combined to identify the total on-going expenditure. For New Zealand, this expenditure averages \$19.3 million over the first five years of operation. The economic impact of this expenditure is shown in Table 3.7

Table 3.7. Average on-going economic impact on New Zealand, years 1 to 5

New Zealand	Direct	Total
Expenditure (\$m)	19.3	47.4
GDP (\$m)	10.0	23.5
Employment (FTEs)	165	290

source: BERL

The \$19.3 million spent as a result of on-going operations of the convention centre will directly result in increased GDP of \$10 million and the employment of 165 FTEs. Adding indirect and induced effects will take total expenditure to \$47.4 million, generating GDP of \$23.5 million and employing 290 FTEs. These benefits will be captured each year for the first five years of operation.

Operational impact

Expenditure to run the convention centre is expected to average \$9.5 million over the first five years of operation.

The total impact of the convention centre's operational expenditure is presented in Table 3.8 below.

Table 3.8. Average economic impact from operating the convention centre on New Zealand, years 1 to 5

New Zealand	Direct	Total
Expenditure (\$m)	9.5	22.4
GDP (\$m)	5.1	11.4
Employment (FTEs)	63	120

source: BERL

The \$9.5 million spent as a result of operating the convention centre will directly result in increased GDP of \$5.1 million and the employment of 63 FTEs. Adding indirect and induced effects will take total expenditure to \$22.4 million, generating GDP of \$11.4 million and employing 120 FTEs each year for the first five years of operation.

Visitor impact

Of the \$29.2 million expected to be spent from visitors to the Queenstown-Lakes District, \$7.1 million is estimated to be spent by international visitors within the Queenstown-Lakes District. These international visitors spend an additional \$2.7 million outside of the Queenstown-Lakes District. These form the basis of the New Zealand visitor benefit.

The impact of international visitors spending on the New Zealand economy is shown in Table 3.9 below.

Table 3.9. Average economic impact from international visitors on New Zealand, years 1 to 5

New Zealand	Direct	Total
Expenditure (\$m)	9.8	25.1
GDP (\$m)	4.8	12.1
Employment (FTEs)	102	170

source: BERL

International visitor expenditure resulting from the convention centre will directly increase New Zealand GDP by \$4.8 million and employ 102 FTEs. Adding indirect and induced effects, expenditure increases to \$25.1 million. This results in total GDP of \$12.1 million and 170 FTEs each year for the first five years of operation.



4 Wider Benefits

A conference facility as proposed is not only relevant to supporting tourism activity in the Queenstown-Lakes District; it is relevant to supporting tourism activity for New Zealand.

The proposed convention centre could increase tourism activity by filling an identified gap in the market and by smoothing out the variability of visitors.

Tourism is important to the Queenstown-Lakes economy, accounting for over a third of all employment and a quarter of GDP.

Queenstown is important to tourism in New Zealand in that it is the major destination for international visitors to the South Island. Queenstown-Lakes accounted for close to 10 percent of guest nights in New Zealand in 2012, which is second only to Auckland.

Tourism is the major industry in the Queenstown-Lakes District. The Queenstown-Lakes District is a major component of New Zealand's tourism sector and is growing at a significantly faster rate than tourism activity in New Zealand.

4.1 The tourism sector

Tourism is Queenstown-Lakes main industry. As shown in Table 4.1 below, tourism accounts for over a third of all employment and a quarter of the GDP in the Queenstown-Lakes District.

Table 4.1. Queenstown-Lakes Tourism KPIs

Role of tourism in local economy	Employment	%	GDP (\$2012m)	%	Number of Business Units	%
Tourism-characteristic industries	4,569	30.1%	\$221.2	20.5%	687	63.5%
Tourism-related industries	452	3.0%	\$32.3	3.0%	103	1.6%
All non-tourism-related industries	151	1.0%	\$12.4	1.1%	93	1.5%
Queenstown-Lakes	5,171	34.1%	\$265.9	24.6%	883	14.0%
New Zealand	102,453	5.5%	\$7,458.5	4.2%	20,739	4.1%

Source: BERL Regional Database 2012

The proportion of activity related to tourism is extremely high relative to the rest of New Zealand, where employment and GDP related to tourism is 5.5 percent and 4.2 percent of total activity respectively. This value is further reflected in a comparison of employment related to tourism against the key industries in the Queenstown-Lakes District (Table 4.2).

Table 4.2. Queenstown-Lakes, employment by sector, 2012

Rank	Size of tourism and local industries	Employment
1	Tourism	5,171
2	Accommodation and Food Services	3,885
3	Construction	1,886
4	Retail Trade	1,789
5	Art and Recreational Services	1,013
6	Administrative and Support Services	982
7	Professional, Scientific and Technical Services	767
8	Education and Training	633
9	Transport, Postal and Warehousing	602
10	Rental, Hiring and Real Estate Services	530
11	Manufacturing	524
12	Agriculture, Forestry and Fishing	458
13	Public Administration and Safety	431
14	Health Care and Social Assistance	406
15	Other Services	398
16	Wholesale Trade	298
17	Financial and Insurance Services	288
18	Information Media and Telecommunications	191

Source: BERL

If tourism were a sector it would be the largest sector in Queenstown, employing close to 5,200 FTEs. However, from the table it is apparent that the top four industries, accommodation and food services, construction (to a degree), retail trade, and art and recreational services, are all heavily tied to tourism.

Within the tourism sector, accommodation accounts for 39 percent of employment, cafes and restaurants account for 22 percent. Pubs, taverns and bars account for five percent and scenic and sightseeing transport, and amusement and other recreation activities account for three percent each.

Relevance to national tourism

Queenstown is a major tourism destination in its own right and is a key part of the New Zealand tourist offering. Queenstown-Lakes District is a major destination for international tourist. In 2012, there were 1.8 international tourists for every domestic tourist. The next highest ratio in New Zealand is the West Coast, where there were 1.2 international tourists for every domestic tourist.

Comparing activity to nationally, while the Queenstown-Lakes District accounts for around less than one percent of New Zealand employment and just over half of one percent of New Zealand GDP, it accounts for five percent of national tourism employment and over 3.5 percent of national tourism GDP.

Further, tourism in Queenstown is growing significantly faster than nationally as shown in Figure 4.1. Over the five years to 2012, in tourism characteristic industries, employment has grown 3 times faster, GDP has grown 3.3 times faster and business units have grown 6.3 times faster than in New Zealand.

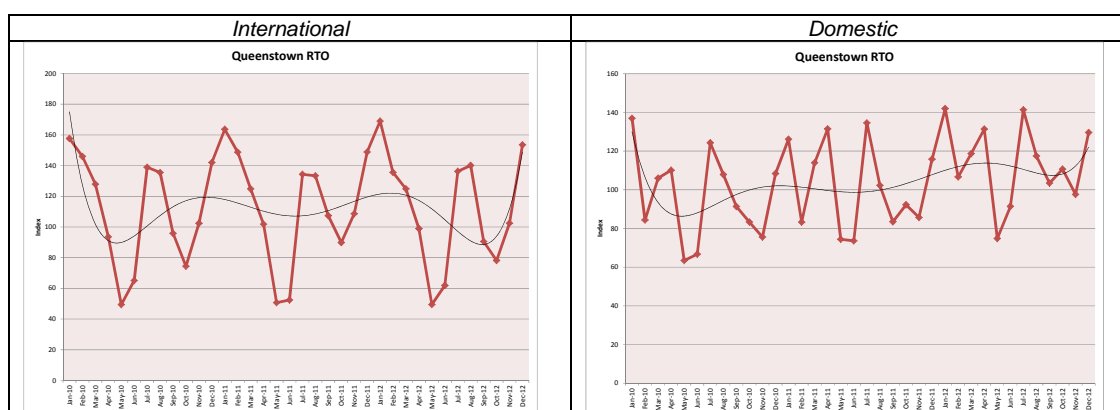
Figure 4.1. Growth in tourism characteristic industries, Queenstown and New Zealand, 2007-2012



Peaks and troughs

As in most regions, there are peak and off-peak seasons for tourism in Queenstown-Lakes. This is shown in Figure 4.2 which shows monthly tourist activity for the last three years in Queenstown for international and domestic visitors respectively.

Figure 4.2. Tourist activity, RTI, Queenstown, 2010 to 2012



For international tourists there are two definite peaks periods. The first peak is during December and January and then again in July and August. There is a large variance between the peaks and the troughs.

For domestic tourists, there are peaks in January and July, and then again in April (school holidays).

A large capacity conference facility can align within these patterns to encourage activity in the low periods.

Increased competitiveness

A large capacity convention centre has been identified by the tourism sector within Queenstown as a necessary piece of infrastructure, that will impact on its competitiveness relative to other centres with better conference and meeting facilities (such as Rotorua).

A convention centre would attract additional visitors to Queenstown, especially during the off-peak and shoulder leisure visitor seasons. By being able to target when visitors are attracted, improved utilisation of a significant proportion of the visitor infrastructure in Queenstown can be achieved. This includes operators such as the airport and transport providers, accommodation and hospitality businesses and tourism activity and attractions.

By increasing activity, particularly during the off-peak when there is excess capacity, tourist providers will be able to improve profitability and increase margins. This is likely to either attract new investments and operators, or improve the current offerings of existing operators.

Potential land value gains to the council

If the convention centre is built, Sky City has indicated an interest in building a 6-star hotel on adjacent land.

The land adjacent to the convention centre is owned by the Queenstown-Lakes District Council. As a result of the convention centre, the demand for this land will likely increase. It follows that this will result in an appreciation of the land's value, which will benefit the Queenstown-Lakes District Council.

5 Summary

For Queenstown Lakes, the convention centre will contribute:

- *\$23 million in GDP and employ 267 FTEs during the construction phase*
- *\$30.9 million in GDP and 466 FTEs each year for the first five years of operations.*

For New Zealand, the convention centre will contribute:

- *\$53.5 million and employ 583 FTEs during the construction phase*
- *\$23.5 million and employ 290 FTEs each year for the first five years of operations.*

The convention centre will support the competitiveness and performance of the tourism industry in both Queenstown-Lakes District and New Zealand.

This report identified the economic impacts of a convention centre in Queenstown-Lakes District on the regional and national economies.

The economic impacts were identified for the construction phase and the operational phase (first five years). The construction impacts consisted of the building of the convention centre. The operational impacts included the operation of the centre and the new visitors attracted as a result of the convention centre.

A summary of the impacts at a regional and national level are shown in Table 5.1.

Table 5.1. Summary of economic impacts

Total Economic Impacts	Queenstown Lakes	New Zealand
Construction (one year)		
expenditure	74.9	144.8
GDP (\$m)	23.0	53.5
employment (FTEs)	267	583
Operations (annual average)		
expenditure	14.5	22.4
GDP (\$m)	7.9	11.4
employment (FTEs)	84	120
Visitors (annual average)		
expenditure	45.3	25.1
GDP (\$m)	23.0	12.1
employment (FTEs)	382	170

source: BERL

Construction phase

For Queenstown-Lakes District, the convention centre is expected to generate new expenditure of \$74.9 million, employing 267 FTEs and contributing \$23 million to the region's GDP.

For New Zealand, the convention centre will generate \$144.8 million in new expenditure, employing 583 FTEs and adding \$53.5 million to New Zealand's GDP.

Operations

For the Queenstown-Lakes District, operating the convention centre will generate expenditure of \$14.5 million, employing 84 FTEs and adding \$7.9 million to regional GDP, on average, each year for the first five years.

For New Zealand, operating the convention centre will generate \$22.4 million in new expenditure, employing 120 FTEs and contributing \$11.4 million GDP to the New Zealand economy, on average, each year for the first five years.

Visitors

Visitors attracted to the Queenstown-Lakes District because of the convention centre will generate total expenditure of \$45.3 million, employing 382 FTEs and adding \$23 million to the region's GDP, on average, each year for the first five years.

Visitors attracted to New Zealand because of the convention centre will generate total expenditure of \$25.1 million, employing 170 FTEs and adding \$12.1 million to New Zealand GDP, on average, each year for the first five years.

The convention centre will provide key infrastructure for the Queenstown-Lakes District, improving the competitiveness of its tourism sector, which is the major sector in the region.

This benefits New Zealand as well, as Queenstown-Lakes is a major destination for international visitors, particularly in the South Island.



6 Bibliography

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7 Appendix – Assumptions and methods for calculating additional expenditure

The economic impacts identified are dependent upon the initial expenditure used. Therefore the assumptions and evidence used to identify that initial, additional expenditure is very important.

This section outlines the source and assumptions used to determine the three expenditure streams used for the economic impact analysis.

7.1 Construction Expenditure

Construction expenditure was based on detailed estimates provided by the consortium in their proposal to QLDC. The total cost, including contingency was \$45.3 million.

This amount was broken down into two industry groups – Non-residential building construction (87%) and Scientific research and technical services (13%).

The outputs were presented as the impacts in a single year. This was to ensure consistency with the presentation of operational impacts. If required, the outputs could be divided by two and presented as annual averages over the two year build period.

The construction expenditure used did not include GST, iconic building enhancements, finance costs, land costs, stand by generator and uniforms and general operators consumables.

It is likely that further expenditure will be incurred on iconic building enhancements. For example, an economic impact study into an Auckland conference centre on their waterfront suggested that iconic enhancement could be up to 30% of total expenditure.

7.2 Operational Impact

Operational impact was again taken from the consortium proposal to QLDC (appendix 8). The analysis used option 1 A (p. 105) which identified average operational expenditure at \$9.5 million.

The only difference across the various options was in fixed operation expenditures where the amount paid for the building lease varied. Variable operating costs increased each year as the number of events increased. To allow for a single economic impact number to be used

over the five year period, an annual average was used. Therefore, over the first five-year period, the actual economic impact is likely to be lower in the initial years, but higher in the later years.

For the economic impact analysis, expenditure was allocated into one of six industry groups – restaurants and bars (37%), real estate (41%), scientific research and technical services (1%), other business services (3%) and construction trade services (3%).

The outputs were presented as annual averages over the first five years. Variation in operational expenditure is likely depending upon the likelihood of event targets being met and the building lease expenditure actually incurred.

7.3 Visitor Impact

Visitor expenditure was calculated at an annual average of \$29.2 million within the Queenstown-Lakes District; and \$9.8 million in New Zealand for the first five years of operation.

Additional expenditure within the Queenstown-Lakes District was all expenditure by visitors from outside the District. For New Zealand, additional expenditure was limited to expenditure by international visitors.

Visitor numbers were derived from the consortium proposal and the Horwarth Feasibility Study. Partner and pre- and post-attendance was determined in consultation with the proposed operators and tested against similar studies.

The consortium proposal was used to set the baseline for total attendees. The Horwarth study was used to identify visitor expenditure (international, domestic, partners and pre and post), and the ratio of international to domestic visitors for each event type.

Partner attendance and pre- and post- conference length of stay was determined in consultation with the proposed operators (SkyCity) and tested against several studies including a 2009 study into an International Convention and Exhibition Centre and a report into a conference centre in Nelson.

The number of events and total attendance was based on the consortium Proposal and is shown in Table 0.1

Table 0.1. Estimate of events, event days and attendees

	yr1	yr2	yr3	yr4	yr5	ave yr1-yr5
number of events	96	120	137	166	173	138
number of event days	169	209	237	284	295	239
total attendee days	57,450	71,575	80,550	95,400	98,238	80,643

The number of events are expected to increase from 96 in year one to 173 in year five. Attendee days are expected to increase from 57,450 in year one to 98,238 in year five. The average number of events over the five years is 138 and the average number of attendee days is 80,643.

The key inputs and assumptions for the visitor expenditure are presented in Table 0.2.

Table 0.2. Visitor spend and number of visitors

	International	domestic
Delegates - during conference	\$525	\$325
Accompanying persons - during conference	\$200	\$120
Pre/Post conference (per person)	\$325	\$220
accompanying delegates %	15%	10%
additional days Queenstown	2	1
Additional days New Zealand	2	0
Delegates	3,022	23,178
accompanying delegates	453	2,318
total visitors	3,476	25,496

International delegates and accompanying persons are likely to spend more than domestic visitors. Similarly, international delegates are more likely to bring partners (15 percent vs. 10 percent) and stay longer in Queenstown (2 days vs. 1 day).

Applying these assumptions, there are likely to be an additional 3,476 international visitors and 25,496 domestic visitors.

8 Appendix - Multiplier analysis

This multiplier analysis uses multipliers derived from inter-industry input-output tables for the Queenstown-Lakes District and New Zealand. Input-output tables have been derived from the national input-output tables and other data by Butcher Partners, Canterbury - a recognised source for regional input-output tables and multipliers.⁷

Multipliers allowed us to identify the direct, indirect and induced effects in terms of gross output, value added (Gross Domestic Product), and Full-Time Equivalent (FTE) employment.

8.1.1 Measures

Gross Output Multipliers

Gross output is the value of production, built up through the national accounts as a measure, in most industries, of gross sales or turnover. This is expressed in \$ million at constant prices. Gross output is made up of the sum of:

- compensation of employees (i.e. salaries and wages)
- income from self-employment
- depreciation
- profits
- indirect taxes less subsidies
- intermediate purchases of goods (other than stock in trade)
- intermediate purchases of services.

Value Added (GDP) Multipliers

Value added multipliers measure the increase in output generated along the production chain, which, in aggregate, totals Gross Domestic Product (GDP). Value added is made up of the sum of:

- compensation of employees (i.e. salaries and wages)
- income from self-employment
- depreciation
- profits
- indirect taxes less subsidies.

⁷ For a discussion on regional input output tables and the validity and reliability of the Butcher input output tables see *Statistics New Zealand (2003) Regional Input Output Study*.

Employment Impact Multipliers

Employment impact multipliers determine the number of FTE roles that are created for every \$1 million spent in an industry for one year. It provides a measure of total labour demand associated with Gross Output.

An FTE is the percentage of time an employee works represented as a decimal. A full-time position is 1.00; a part-time position is 0.50.

8.2 Direct, indirect and induced effects

The underlying logic of multiplier analysis is relatively straightforward. An initial expenditure (**direct** effect) in an industry creates flows of expenditures that are magnified, or “multiplied”, as they flow on to the wider economy. This occurs in two ways:

- The industry purchases materials and services from supplier firms, who in turn make further purchases from their suppliers. This generates an **indirect** (upstream) effect.
- Persons employed in the direct development and in firms supplying services earn income (mostly from wages and salaries, but also from profits) which, after tax is deducted, is then spent on consumption. There is also an allowance for some savings. These are the **induced** (downstream) effects.

Hence, for any amount spent in an area (**direct** effect), the actual output generated from that spend is greater once the flow on activity generated (**indirect** and **induced** effects) is taken into account.

8.3 Leakages

Generally the more developed, or self-sufficient, an industry in a region is, the higher the multiplier effects. Conversely, the more reliant an industry is on supply inputs from outside the region, the lower the multipliers. These outside factors can be referred to as “leakages”.

To put this another way, if a house was purchased in Wellington City, and all the materials and labour were sourced in this region, and all the materials and labour that went into making the housing materials were made in this region and so forth, and then the labour spent their wages or salaries in this region, again on goods or services produced solely in Wellington City, then all the multiplier effects would be captured by the Wellington City. Where inputs or outputs come from outside of the city, leakages are said to exist, and the multiplier effect is reduced.

8.4 Limitations of multiplier analysis

Partial equilibrium analysis

Multiplier analysis is only a “partial equilibrium” analysis, assessing the direct and indirect effects of the development being considered, without analysing the effects of the resources used on the wider national and regional economy.

In particular, it assumes that the supply of capital, productive inputs and labour can expand to meet the additional demand called forth by the initial injection and the flow on multiplier effects, without leading to resource constraints in other industries. These constraints would lead to price rises and resulting changes in overall patterns of production between industries.

To assess inter-industry impacts in full would require economic modelling within a “general equilibrium” framework. Applying such models becomes more relevant where the particular development is considered significant within the overall economy.

Additionality

Related to partial equilibrium, using multipliers for economic impact assessments assumes that the event is something that would not have been undertaken anyway and that it will not displace existing activity. That is, the event is additional to existing activity. If it does either of the above, then the economic impact is less than that determined by the multiplier and it would be necessary to subtract both the activity that would have occurred anyway and the displacement effect.

Impact

Again related to “partial equilibrium”, multiplier analysis assumes that an event will not have an impact on relative prices. However, in a dynamic environment, it can be assumed that a large event would have an impact on demand and supply and hence prices. Hence, the larger the event and the more concentrated it is in a single industry or region, the more likely it is that the multipliers would give an inaccurate analysis of impacts. For example, if multiplier analysis was used to determine the effect of residential building construction nationally it would likely be inaccurate as residential building construction accounts for over 6 percent of GDP.

Aggregation

Industries outlined in input output tables are aggregates of smaller sub-industries. Each sub industry has unique inputs and outputs. The higher the level of aggregation the less

accurate these inputs and outputs become. Thus, if determining the multiplier effect of a very specific event using highly aggregated data, there will be a lower level of accuracy. Similarly, if an event encompasses a range of industries and multipliers from a single industry are applied the accuracy levels will diminish.

Regions and boundaries

The smaller or less defined a region and its boundaries, the less accurate the multiplier analysis will be. Similarly, the easier it is to move across boundaries, the less accurate the analysis will be. For example, at the national level, the multipliers will be very accurate as it is easy to determine the inputs and outputs crossing through the New Zealand borders.

Similarly, it would also be more accurate to determine a North Island/South Island split. As smaller regions without obvious geographic boundaries are selected, a higher level of assumptions needs to be made and the multipliers become less accurate. For example, an individual could work in the Auckland region but live in the Waikato region and spend a large proportion of his/her recreation money in the Bay of Plenty region.

For any regional analysis the level of accuracy will have to be accepted. As a rule of thumb, the larger and more defined the region, the more accurate the analysis will be.

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