

# SUBMISSION

I

Re: Scuttlebutt.

QUEENSTOWN CONVENTION CENTRE PROPOSAL

A Summary.

1. a) More than 60% of Qtn employees work on short-term visas ref: Qtn Chamber of Commerce 2013  
b) Because of Q.C.C. + we have all sector (even icecreams) oversupply after the 2000-2008 frenzy of development. We are in a plateau phase with traditional markets. Western world financial architecture is still fragile & in a perilous state even 5yrs of Central Bank intervention cannot alter.
2. The paragraph is waffle. Of course it must be international quality. It would offer, not guarantee anything.
3. i) 1000+ capacity 2012 \$43mill. 2013 \$50+mill 2016 ? \$60..\$70...  
ii) will be cannot be mistaken for "nothing is decided." It doesn't mean maybe, perhaps could, would.  
iii) will be ditto. A stand-alone C.C. is not a viable business entity, a fact known for a long time. Sky City want the Lakeview site to secure their future in Qtn. They will landbank & develop over decades the Glasgow, Thompson, Han St block. They are in an enviable position right now. — Q.L.D.C. will not accomplish this "think B.C." project unless Sky City is involved. Sky City will play hard-to-get until/unless they obtain a sweet "sweetheart deal." The site will then over time become a precinct in fact competing with present CBD, which is counterproductive to the whole exercise. Downtown has lost its heart to Frankton Flats & is fast losing its soul. This project at Lakeview has potential to be a disaster for downtown & leave it do the \$2 shops, liquor & 24hr dairy the chain stores & drunks. Sky City Casino & Conference Centre in Qtn @ Lakeview would then dominate the town. Sky City Mountain & Lakeview Casino in Qtn. Sky City Winter Festival in Qtn.  
Sky City Lakeview Conference Centre in Qtn " " Wakatipu Premiers Rugby  
" " Casino Cheerleaders. " " Remarkable Netball Team
- iv) sale &/or lease adjoining land. This is very significant. The implications are as above

QLDC

3 AUG 2013

QUEENSTOWN

4.

These numbers are old. They apply to the early 2000's. They are now irrelevant.

- a) Relatively conference events in NZ have been declining since Q2 2010 @ 7,000 events. Most recent + current stats. i.e. YE Dec 12 show that from a low Q2 ~~2011~~ — Q2 2012 period there was an increase for Q3 + Q4 2012 to ~ 6,200/6,300 conference events. (refer: MBIE) Still well below 2010 figures.

- i) obviously. Probably a rugby test season draws more internat. visitors to NZ. than conferences p.a.

- ii) 'typically higher than average spenders'. Confusing. Higher by how much? Based on average what spenders — person, local, tourist - domestic, international, NZ'er. Statements like this need quantifying. ~~this proposal~~ VISIA INTERNATIONAL GLOBAL TRAVEL INTENTIONS STUDY 2013, show visitors to NZ spend on average \$3270/visit. Future potential visitors intend to spend av. \$4950/visit (global av. \$3100/trip). Average tourist 75% > 35yrs., Av. = 14 day stay - (global av. 10 day stay). Australian 56% Germany, China, H.Kong 4% ea.

Spend - Retail 28%

Food 25%

Activity 20%

Female = 54% arrivals

" Spend \$3680/visit

Male " \$3050

International Tourist Decisions.

Landscape 47%

Weather. 37%

Friend + Family 30%

NZ - Friend + family 46%

Source NZ Herald August 2013.

- iii) There is, regarding overlapping capacity, the opinion of 'build more hotel rooms, it's all good.' We have now oversupply. The last thing the hotel sector in particular, but in fact all sectors here need, is more capacity. No Vacancies is the best sign to see in a town. Sorry, Sold out

| Total MICE Events NZ YE Dec. 2012 | Q1     | Q2     | July   | Aug. Sept | Oct Nov Dec |
|-----------------------------------|--------|--------|--------|-----------|-------------|
| (Source: MBIE)                    | 11,300 | 13,400 | Q3     | Q3        | Q4          |
|                                   |        |        | 13,800 | 13,800    | 13,600      |

- iv) Yes, so do many other things

v)

- b) vi) Very real risk with a project of this 1000+ capacity scale.

- vii) I believe the fundamental business model is flawed. This proposed scale is, considering our size + location, unrealistic optimism blinded by self-interest. The scheme, in these globally uncertain financial times, means the risk to public money is high + the social + cultural cost is way too high.

- viii) Qtn is reasonably well served in this respect. Other submitter will raise issues such as bus park

- ix) There is much Pacific Rims competition in > 600 market already.

- x) This is an extremely salient consideration + I submit that this proposal is a FAIL in this respect. These are times for fiscal prudence, business intelligence + a search



4 x) continued.

for a new knowledge based compatible economy for Qtn. This particular proposal does not accomplish these aims. "Build it & they will come." All development is good." These are simplistic phrases & from an era past & do not pertain to the present or future "We need thousands more jobs". Qtn doesn't need more "holiday visa" jobs. It needs smart, knowledge based jobs.

5.

There has certainly been much time & effort & ratepayers money, CEO time & effort & resources given to assessing & promoting the merits of this C.C. Most of these are non-specific to this scale but relate to C.C. in general. There is perfunctory effort given to any critical analysis of this proposal. The whole proposal has been unbalanced in its promotion. It needs a QADC funded independent critical analysis before any decisions

a) central govt — no guarantee except a nod & wink. Commercial development — see above, philanthropy — good luck on that. Sponsorship: — Welcome to: The SkyCity Casino, Convention Centre & Entertainment Precinct Queenstown.

6. i) Forget about single day events. Insignificant contribution over 12 months.

Multi day is the market for Qtn to target no matter what scale project but larger the scale the larger all the numbers including potential loss.

ii) So, there's the Memorial Centre & Events Centre. Therefore what event venue void would this expect to fill?

iii) 1000 per functions! Wow. How many per year? Very very few I'd predict.

iv) How much would a "community event" be charged? Also see above ii)

v) Over 12 months — no help to bottom line. — location, logistics, sparse local catchment, multi-day.

Qtn performs poorly in this sector presently @ 13/13 because of aforementioned.

(Source NZIE) We manage 3% of total NZ. Trade & Exhibitions YE Dec '12 > 201 visitors Qtn = 10/1.

7. i) ~~The~~ QADC commissioned & paid for these reports which was a bonus for SkyCity, even if the results are unhelpful, we paid.

ii) \$60 mill capital cost. C.C. Qtn NZ 2016 cash flow break even Year 3.

Year 3! Is this a misprint? Modest surplus thereafter — only if it doesn't rain! You don't believe this surely? Do they offer money back guarantee — no. Will Lloyd's of London insure these predictions — no. I think these consultants may be a trifle overoptimistic somehow.

8.

For this proposal Mixed-use is the only realistic development model.

For less grandiose schemes there are other options.

9.

"Expert" is a highly overused word. There's no expertise needed to recommend Lakeview as preferred.

a) It's the only site of the 3 but not necessarily the only site for a CC.

b) It's not actually the most delegate friendly at all. Most important is that the Conference is in Q'n.

They don't stare out the window during a conference. Views are enjoyed by attendees when they're away from Conference facilities. Even if the centre was in Gorge Rd they'd still come.

c) Very debatable. Why would Lakeview have a greater positive eco. impact on CBD than say Gorge Rd? Lakeview <sup>precinct</sup> actually has greatest potential for longterm negative impact on CBD, leaving it for the \$2 shops, 24hr alcohol & dairy shops, chainstores & drunks. It could devastate present CBD.

d) only with a casino.

10. 1/

More hotel beds! Last thing they need.

2/

Change the law - no problem a la Auckland. "The Law" is not for sale. The Govt. cannot confer privileges to SkyCity. They must change the Law for all. Integrity of Law is paramount. If there are new laws passed for this project then the proposal must be put out for competitive tender, under the new law, to ensure the ratepayers receive the best possible deal.

4/

Usual casino stuff.

5/

Good luck present CBD. Heads-up. - be afraid, be very afraid.

6/

ditto

7/

R.M.A.

11 i)

General Rate - Thank you Kingston, thanks Glenorchy & especially a huge Thankyou to Wanaka. Yeah!

ii)

Commercial ratepayer. - Target the Hotel sector & <sup>City</sup> Chamber of Commerce members. They're the protagonists of this whole exercise. Can't tax all commercial ratepayers.

iii)

Can't be flat rate - must be % - won't work, forget it.

add.

What has GLDC contributed so far to accumulate <sup>reports,</sup> host meetings & publish all the publications, in the way of money. \$100,000??



- a) It may be expected to reinvigorate downtown but it could all go wrong. You can expect all sorts of things for Xmas too.
- b) High spending tourists - greater number. Greater than what? How much greater? 5 more 50 more 327 more 1,003 more. How can you quantify any of this. What is a "high spender." This is just hype.
- c) It's not quite as simple as this statement sounds. When are our troughs exactly?
- d) There are other ways to do this that don't need a casino as a catalyst. The old knowledge economy.
- e) Applies to most new businesses. Surprising if it didn't with this.
- f) More jobs! For who Mr Feeley!! Working holiday visa jobs. We need quality jobs, knowledge based work, not more hospo.
- g) More population = more ratepayers. This thinking is partly to blame for G.F.C.. Continually trying to catch-up, it never ends & the environment at large is destroyed by overpopulation. Then what?
- h) It's all a lovely exercise & BERL receive their fees & the client gets the results they want but the reality is that it's bollocks. Look back at any of these types of economic impact reports & have a laugh, as a cry, & you'll see. Check out the 1998 Wharf Casino impact report, then Beech St Casino, then Frankton swimming pool, Domechi Stadium bla bla.

# GETTING SMARTER, NOT BIGGER

Never-ending growth is impossible

**The time has surely arrived when mankind must accept that perpetual growth as a model for the global future is simply unsustainable and that we must adopt a new creed if our descendants, fifty years hence, are to have a world fit to live in".**

Peter Austin, The Land Newspaper, 24/05/12

Never ending population growth means that we'll always be playing catch-up when it comes to raising extra taxes needed for infrastructure such as schools, hospitals, roads and railways. With a stable population, we can consolidate our wealth and improve existing infrastructure and our quality of life. It just makes sense.

**Economic dogma is on track to destroy the world with a misleading ideology. Why? Because all economics is based on the absurd myth of perpetual growth."**

Wall Street Journal, 12 June 2012

Thankyou for reading my submission  
EVAN JENKINS.





# Scuttlebutt

THE QUEENSTOWN LAKES DISTRICT COUNCIL NEWSLETTER • SPECIAL EDITION • AUGUST 2013

## QUEENSTOWN CONVENTION CENTRE PROPOSAL A SUMMARY



### INTRODUCTION

1. a) The Queenstown Lakes District is widely acknowledged as the premiere New Zealand tourist destination. We have approximately two million visitors annually which, with 29,000 residents, far exceeds any other city or district. 58%, or 9,500 of our 16,500 jobs <sup>1</sup>, are tourism related compared with the average of 6.2% across New Zealand <sup>2</sup>.

However, despite the centrality of tourism to our economy, there has been no new, major tourism development in the district for over two decades, and no major hotel development in the Queenstown Central Business District (CBD) for 10 years. The lack of significant investment in the tourism industry, coupled with the global financial crisis, has meant that for the period 2000-2011, international visitor nights in the Wakatipu Basin have increased at a significantly lesser rate than domestic visitor nights. (36% for domestic vs 14% for international visitors, other than Australia).

2. The development of an international quality convention centre offers us the opportunity not only to acquire a far greater percentage of the international convention market, but also to act as a wider catalyst for economic development in the district.

1 QLDC Economic Model, McDermott Miller 2013.

2 Statistics NZ 2012.



# STATEMENT OF PROPOSAL

## *It is proposed that:*

3. i) 1) QLDC leads the development of a convention centre with approximately 750 person capacity and at an estimated construction cost of \$50M.
- ii) 2) The location of the convention centre will be on approximately 1.4ha of the Lakeview site.
- iii) 3) The project will be part of a mixed-use development (the development models are explained on page 8), with remaining land (approximately 3.6ha) at Lakeview being developed, as market conditions allow, for a range of commercial (including retail, hospitality and/or hotel/casino developments); residential; and public/recreational purposes. The exact mix of the additional developments will be determined by the extent to which the Council contribution to development and operational costs of the convention centre can be best off-set by the sale or lease of the remaining Lakeview land.
- iv) 4) The Council's ongoing contribution to the development and operating costs would not exceed \$3.2M p.a. over 25 years, but the Council intends to reduce those costs to the greatest extent possible (estimated to be \$0.9 – 1.9M p.a.) by the sale and/or lease of adjoining Lakeview land for other commercial purposes.
- 5) The Council ongoing contribution to the development and operating costs will be met from the most effective mix of a number of funding mechanisms open to Council (see page 8).





# DOES QUEENSTOWN NEED A CONVENTION CENTRE?

Convention centres exist to provide a purpose-built facility for a range of large-scale conferences; exhibitions and events (e.g. concerts). Convention centres are a large and growing international market with an average annual increase of 6.7%<sup>3</sup> and the largest growth in the 500-999 and 1,000-1,999 delegate range. In September 2009, the Ministry of Economic Development published its research into the feasibility of convention centres in New Zealand<sup>4</sup>. It identified the benefits of a convention centre as being:

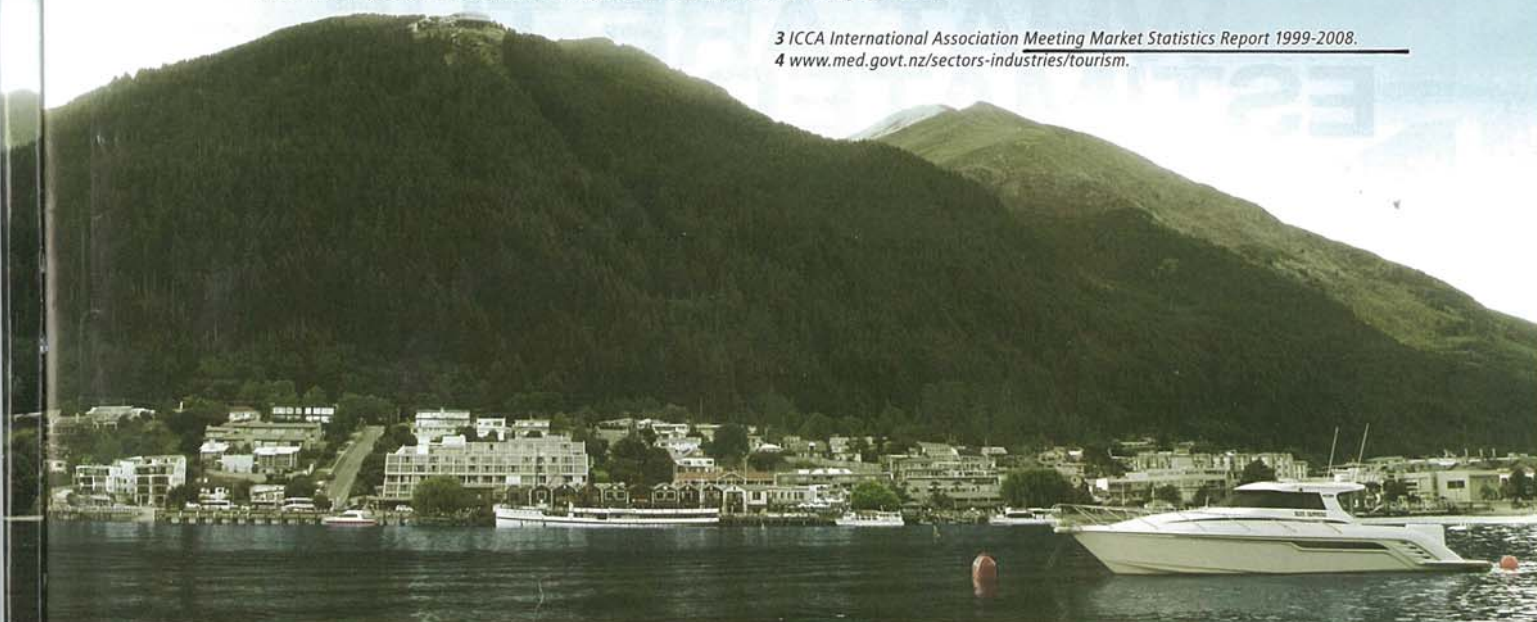
4. a)
- i) • Increasing international visitor numbers;
  - ii) • Increasing tourism expenditure, with visitors typically being higher than average spenders;
  - iii) • Improving off-peak and shoulder seasons;
  - iv) • Helping to foster commercial links between New Zealand and overseas businesses;
  - v) • Supporting innovation and knowledge transfer between visitors and New Zealanders.

- b)
- vi) • Equally, it recognised that there were risks in developing a convention centre. These risks include:
  - vii) • Failing to successfully attract sufficient conventions or other events to be financially viable;
  - viii) • Failing to develop an operating model that effectively limits public exposure to financial risk;
  - ix) • Failing to develop sufficient complementary infrastructure to service the convention centre (e.g. accommodation and hospitality facilities);
  - x) • Having potential revenue 'cannibalised' by competing cities offering incentives or discounts to conventions in order to win business; and
  - Failing to develop a facility of a scale and functionality that is appropriate to the types of conventions that the location will attract.

The case for a convention centre does not rest on the operating profit it can deliver. In practice the best managed convention centres make a modest operating profit which has to be re-invested into maintenance of the facility. Instead the main argument advanced for developing a convention centre is the wider positive economic impact it can have on a city or town.

<sup>3</sup> ICCA International Association Meeting Market Statistics Report 1999-2008.

<sup>4</sup> [www.med.govt.nz/sectors-industries/tourism](http://www.med.govt.nz/sectors-industries/tourism).





# HISTORY OF THE CURRENT PROJECT

In August 2011, QLDC established a Working Group which included membership from the Queenstown Chamber of Commerce, Destination Queenstown, the arts and the accommodation sector, to establish criteria with which to evaluate various options for a Queenstown Convention Centre. A feasibility study was commissioned by the group in March 2012.

Then in August 2012, a Request for Proposal was publicly issued seeking potential partners with the Council to develop a convention centre. In February 2013, a consortium including Ngai Tahu Property; Morrison & Co; and Sky City Entertainment Group were selected as the preferred party to enter into negotiations for a convention centre development.

These negotiations have not proceeded to a point where a firm proposal can be considered for Council approval. However, during this time QLDC has commissioned a number of reports to assess the merits of a convention centre which is funded or partially funded by Council. We now consider that there is sufficient detail around the costs and benefits of a convention centre project to consult the ratepayers of the district.

The proposal summarised in this document is intended to present a 'worst case' scenario, in terms of the funding which the Council could be expected to contribute to a convention centre development. It is anticipated that Council funding can be reduced by funding from other sources, including central government (\$10-15M); commercial developments; philanthropic donations; and sponsorship.

## WHAT EVENTS WOULD BE HOSTED AT THE CENTRE?

Although referred to as a 'convention centre', the proposed facility would be able to host a wide range of events for both residents and visitors to the district including:

- i • Single and multi-day conferences;
- ii • Concerts, theatre and other entertainment events;
- iii • Functions (weddings, banquets, cocktail parties etc) for up to 1,000 persons;
- iv • Local community events;
- v • Public and trade exhibitions.

## WHAT ARE THE ESTIMATED COSTS?

### 1. Construction costs

WT Partnership have made an initial estimate of \$50M for the construction of an 750 person convention centre.

<sup>5</sup> These figures included professional fees, consenting costs, cost escalation, and 5% contingency, but excluded land costs.<sup>6</sup>

### 2. Operating costs and revenue

QLDC commissioned a feasibility study from Horwath HTL and WHK in July 2012 which forecast the following financial performance of a convention centre in Queenstown over a five year period. The forecasts show that the convention centre is expected to break-even in Year 3, and make a modest surplus thereafter:

<sup>5</sup> The base build cost is virtually the same for all three sites, but it is assumed that additional parking and external works would be undertaken at Lakeview because of the larger area offered.

<sup>6</sup> The land values have been excluded from costings as they differ with each site. However they would have to be added to the final construction costs.

|  | YEAR 1    | YEAR 2    | YEAR 3    | YEAR 4    | YEAR 5    |
|--|-----------|-----------|-----------|-----------|-----------|
| Revenue  | 6,107,785 | 7,166,104 | 8,296,382 | 9,033,143 | 9,622,084 |
| Variable costs   | 3,710,500 | 4,327,235 | 4,962,920 | 5,364,209 | 5,669,123 |
| Fixed costs  | 3,150,000 | 3,240,250 | 3,333,312 | 3,429,277 | 3,528,250 |
| Operating Surplus*   | (752,715) | (401,381) | 150       | 239,658   | 424,711   |
| * (contingency, furniture & fittings replacement, and depreciation excluded) |           |           |           |           |           |

## WHAT ARE THE DEVELOPMENT MODELS?

*There are broadly three ways in which a convention centre can operate:*

**1) Public ownership** – Traditionally, purpose-built standalone convention centres have been built and operated under a public ownership and management model (i.e. developed, owned and operated by a public body). This model is justified on the basis that a convention centre delivers a disproportionately greater economic benefit to the community that owns it than the cost of operation.

**2) Public (full/partial) ownership/private management** – More recently public bodies have transferred responsibility for constructing and/or operating a convention centre to the private sector. This model enables greater expertise to be applied to both development and operation, but leaves all, or most, of the financial risk with the public.

**3) Mixed-use facility** – This model involves a convention centre being part of a wider commercial development where public assets are traded off for retail; hotel; real estate or other commercial development rights in order to finance the development and management of the convention centre. It enables public costs to be better managed while ensuring that an opportunity to develop a convention centre is not lost altogether. However, it does still involve some level of public funding, but offers flexibility in terms of whether it is up-front capital or an ongoing contribution to operating costs.

8.





# WHERE COULD IT BE SITED?



QLDC has considered three possible Council-owned sites to locate a convention centre – the Stanley Street car park; the G Road car park; and 'Lakeview' (the former Queenstown camping ground). The reason for considering publicly-owned sites is ownership gives certainty as to the ability to develop a convention centre without having to negotiate a private purchase acceptable price. Assessment criteria for each site have included:

- Adequacy of the site area;
- Proximity to the Central Business District (CBD);
- Location appeal to conference delegates;
- Economic impact (positive and negative) to the CBD.

9.

Expert advice <sup>7</sup> to QLDC unanimously recommends the Lakeview site as the preferred location because it:

- a. Is the only site of sufficient scale to meet the optimum functional requirements for a convention centre;
- b. Offers the most attractive location to conference delegates;
- c. Will have the greatest positive economic impact on Queenstown's CBD; and
- d. Has the greatest scope for wider development to minimise the scale of public contribution and maximise the level of private investment.

<sup>7</sup> Reference Populous/TCC report.





*GORGE ROAD*



*STANLEY STREET*



*LAKEVIEW*



# WHAT WOULD BE THE COUNCIL FUNDING CONTRIBUTION?

The possible scale of Council contribution depends on the development model adopted. Expert advice <sup>8</sup> to QLDC estimates that under a publicly-owned and managed model, or a publicly-owned but private managed model, the anticipated costs to Council would be in a range of \$2.6 - 3.2 M p.a. for 25 years. Under a mixed-use facility model, it is estimated that the costs to Council could range from \$1.3 - 2.3 M p.a. for 25 years.

# WHAT ADDITIONAL ACTIVITY COULD OCCUR ON THE LAKEVIEW SITE?

Approximately one-third of the available land at Lakeview would be required for the development of a convention centre. The remaining land could be used for a number of activities, both commercial and non-commercial. Activities which have been considered in developing a possible funding model include:

1. One or more 5 or 6 star hotels;
2. A casino <sup>9</sup> (legislative change required);
3. Residential accommodation;
4. Commercial recreational activities (e.g. hotpool);
5. A high-end retail precinct;
6. A dining/hospitality precinct;
7. Public open space;
8. Community housing.

Most of these activities could operate in conjunction with one or more of the other activities, and there is sufficient land available at Lakeview for multiple developments. However the decision as to whether land should be made available by way of sale or lease for each activity would depend on considerations such as:

- the revenue which could be generated from the activity;
- the applicable market conditions at the time; and
- the manner in which the activity might contribute to the wider economic development of the precinct and wider CBD.

<sup>8</sup> Reference CBRE report.

<sup>9</sup> A casino could not be established without the Government passing a law to transfer existing licences.

**Have your say**  
Convention Centre submissions  
online [www.qldc.govt.nz](http://www.qldc.govt.nz)

# HOW WOULD A COUNCIL CONTRIBUTION BE FUNDED?

A council contribution could be met from:

11. i. • A general rate on every rateable property in the community;
- ii. • A targeted rate on commercial ratepayers businesses who could be considered to be the persons that most directly benefit from the development of a convention centre; or
- iii. • A bed tax (no current legal basis).

The estimated charge under each option is set out below:

| FUNDING SOURCE                                | FULLY COUNCIL FUNDED | MIXED USE MODEL<br>(PREFERRED OPTION) |
|---|----------------------|---------------------------------------|
| General rate (per ratepayer) <sup>10</sup>    | \$136.00             | \$55.00                               |
| Commercial rate (per ratepayer) <sup>11</sup> | \$1,600.00           | \$650.00                              |
| Bed tax (per night) (no current legal basis)  | \$4.20               | \$1.70                                |

# WHAT ARE THE EXPECTED BENEFITS OF THE PROPOSAL?

12. In broad terms, the development of a convention centre is expected to:
  - a. • Reinvigorate the Queenstown CBD;
  - b. • Generate a greater number of high-spending tourists;
  - c. • Reduce seasonal peaks and troughs;
  - d. • Increase the size of the economy of the district;
  - e. • Act as a catalyst for new tourism developments;
  - f. • Create more jobs; and
  - g. • Increase the population of the district which will increase the overall rating base to fund Council services.

The QLDC has commissioned an economic impact report by BERL Economics. Below is a summary of the economic benefits both during and after construction in terms of additional jobs and revenue to the district and also New Zealand:

|  | DIRECT | TOTAL |
|--|--------|-------|
| <b>Economic impact of construction</b> |        |       |
| <b>Queenstown Lakes District</b>       |        |       |
| Employment (FTE's)                     | 108.0  | 267.0 |
| GDP (\$m)                              | 9.3    | 23.0  |
| <b>New Zealand</b>                     |        |       |
| Employment (FTE's)                     | 108.0  | 583.0 |
| GDP (\$m)                              | 9.3    | 53.5  |

|  | DIRECT | TOTAL |
|--|--------|-------|
| <b>Average ongoing economic impact</b> |        |       |
| <b>Queenstown Lakes District</b>       |        |       |
| Employment (FTE's)                     | 366.0  | 466.0 |
| GDP (\$m)                              | 19.5   | 30.9  |
| <b>New Zealand</b>                     |        |       |
| Employment (FTE's)                     | 165.0  | 290.0 |
| GDP (\$m)                              | 10.0   | 23.5  |

<sup>10</sup> This assumes an average cost per rateable property. If the cost attributed was proportionate to rates paid, the actual amount to individual ratepayers could be higher or lower.

<sup>11</sup> This also assumes an average cost per rateable property as footnote 8.