

ECONOMIC DEVELOPMENT STRATEGY

Queenstown Lakes District Council

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PREFACE

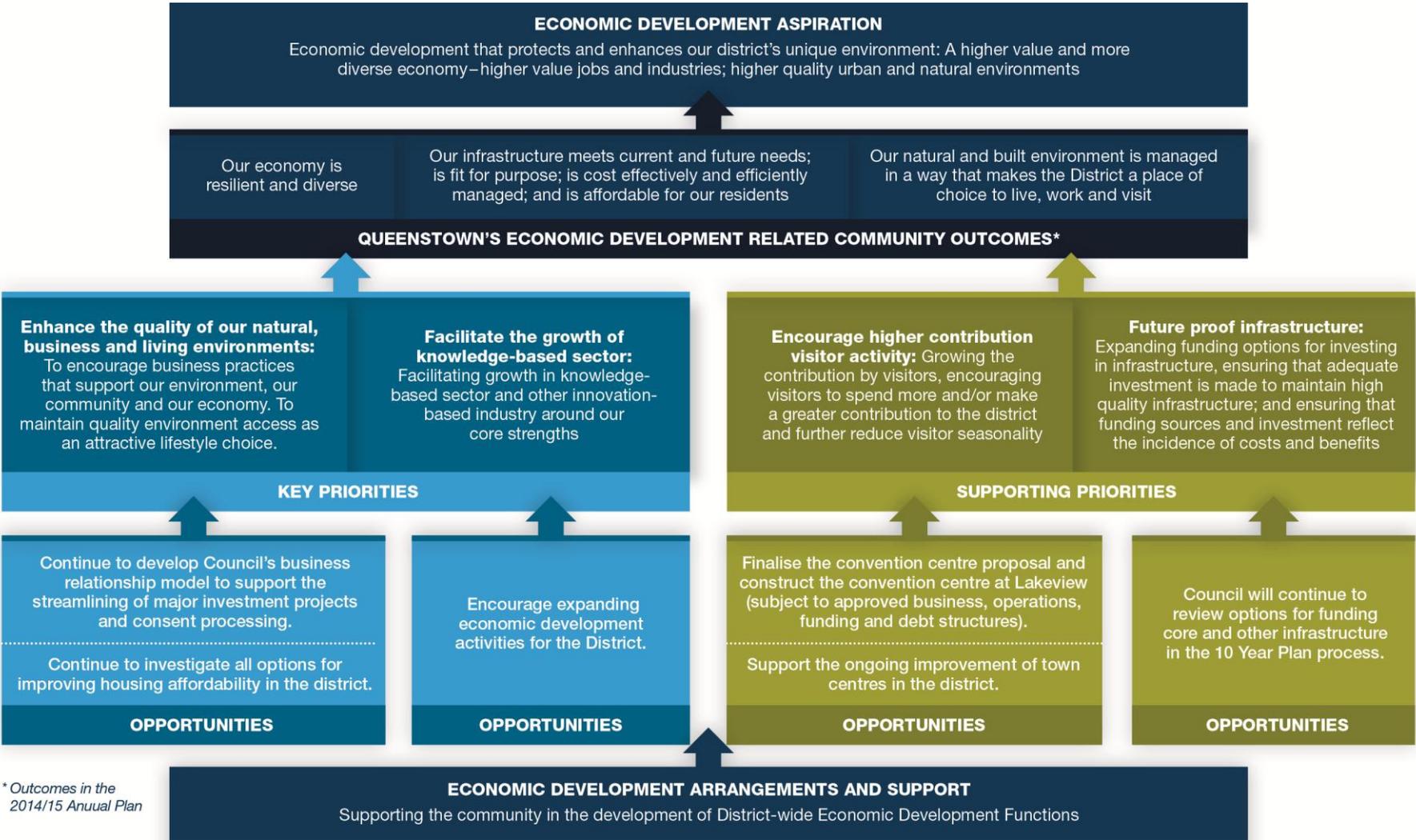
Background research for this strategy was provided for the Queenstown Lakes District Council by Stephen Knuckey and Ulf Schoefisch from MartinJenkins (Martin, Jenkins & Associates Limited). MartinJenkins is a privately owned New Zealand limited liability company, established in 1993, with offices in Wellington and Auckland.

Territorial authority and industry GDP and employment data were provided by Infometrics for use in this report. Infometrics specialises in providing economic and employment data from both an industry and regional perspective via a web-based system. Infometrics is a privately owned and operated company, based in Wellington and was founded in 1983.

A draft strategy was consulted widely with the community over 2014 resulting in amendments that are now captured in this final document, that was adopted by Council on 26 February 2015.



AN OVERVIEW OF THE STRATEGY



INTRODUCTION

The Queenstown Lakes District has enjoyed a long period of significant employment, visitor and population growth. This growth is forecast to continue and the District will face increasing pressure to manage the associated infrastructure and environmental demands. Questions have also been raised about whether the District's heavy reliance on traditional tourism, retail and construction is sustainable and whether further industry diversification – growth in industries beyond the traditional core and/or a shift within traditional industries to higher value activities – is required or possible.

The Queenstown Lakes District Council (QLDC) has recognised the need for a robust economic development strategy. In 2012, the Shaping Our Future Economic Futures Taskforce consulted the public on the economic direction of the Queenstown Lakes District. The Taskforce presented its report to Council and identified a range of desired outcomes for the District, including: an economic base that is diverse, prosperous and resilient; a focus on sustainability (environmental, social and economic); and a comfortable and affordable lifestyle for residents. The Taskforce recommended that the Council investigate a model for an economic futures agency or equivalent, to develop and deliver a detailed economic strategy in line with the economic vision.

This economic development strategy is a follow-up to the Economic Futures Taskforce report. This strategy builds on the Taskforce's public consultation process and its high level analysis of the District's economic situation and supplements this with a detailed and evidence-based assessment of Queenstown Lakes' economy, trends, issues and opportunities.

The focus of the strategy is to deliver practical and achievable actions that address the key economic development priorities that have been identified. The strategy will also enable informed decision-making on the economic capability and support that is required to implement the strategy.

Economic development and the purpose of the strategy

Economic development is the combination of policies, investments and actions that improve the ability of organisations and people in a community to more productively and effectively respond to opportunities. The aim is to achieve a high standard of living and quality of life for all residents.

Queenstown Lakes' economic development potential and performance depends on the quality of the resources that can be drawn on (people, infrastructure, natural environment, capital and institutions) and how effectively they are combined and used to generate value. These resources underpin the District's strengths and challenges. It is businesses, entrepreneurs, investors and employees that make these decisions (from within and outside the District). They respond to market signals and are influenced by the quality of the local environment that includes the quality of central and local policies, regulations and investments. These policies and investments affect their ability to access resources, the costs they incur, the rewards they receive, and the certainty they face in making decisions. It follows that economic development depends on the collective efforts of the private and non-government sector, local government and central government.

Although economic development is a collective effort, the Council, in conjunction with local business groups, can play an important role in this process.

The focus of an effective economic development strategy should be on a limited number of priorities so as not to dilute efforts or stretch the limited resources that are available. It also needs to be recognised that there is no single 'magic bullet' and that progress needs to be made across the priorities.



Process for developing the strategy

The development of the strategy involved:

- an in-depth analysis of District economic and industry data
- an extensive review of available research on economic issues and opportunities facing the District, including visitor trends, infrastructure, housing affordability, skills and enterprise
- interviews with a selection of stakeholders, including from the Shaping the Future steering group, Chambers of Commerce, senior business people and local representatives from industries such as tourism, education, health, ICT, film, wine and financial services
- a half-day workshop with a range of industry and stakeholder representatives
- two phases of consultation with the community to test whether the opportunities and challenges were the most significant and important for the District, and whether the right priorities and opportunities had been identified. The consultation resulted in amendments to the draft strategy.

It is important to note that the priorities and actions recommended in this strategy are based on those areas identified as high priority. Some opportunities have been identified by prior processes (e.g., to build self-sufficiency in energy) but in our view are currently not supported as a priority.

The strategy has been informed by and reflects: the Long-Term Plan 2012-2022, that articulates community outcomes, the big issues facing the District and the Council's activities to respond to these; the Shaping our Future Economic Futures Taskforce report and Events Taskforce report and resultant Events Strategy; and the District Plan, that outlines objectives and policies to address resource management issues in the District. It has also been informed by central government priorities as signalled in the Business Growth Agenda.

Strategy structure and content

This strategy document:

- summarises the District's economic performance
- highlights key opportunities and challenges facing the District
- articulates the proposed economic development objectives for the District
- identifies strategic economic development priorities for the District based on its economic performance and the identified opportunities and challenges
- recommends key opportunities and initiatives for addressing these priorities and delivering on the objectives.



THE ECONOMIC CONTEXT

Queenstown Lakes has experienced very strong economic (GDP) growth over the last decade (over double the New Zealand average), with population and visitor growth providing the main stimulus. Visitor and lifestyle-related industries (accommodation, food services, rental services and recreation services) and property and service industries (construction and construction services, general professional services, health services, real estate) have grown strongly. GDP per capita has not grown as fast. Employment has grown very strongly but estimated labour productivity in the District is well below the national level and earnings from salaries and wages are relatively low. Median income from all sources is, however, relatively high, likely reflecting that a high proportion of income is from investment and self-employment.

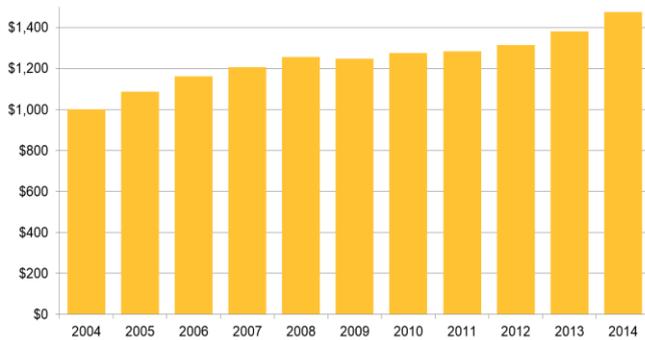
In 2014, the District's real GDP was estimated at \$1.48 billion and employment at 20,360. The population in 2014 was estimated at 30,900. Of New Zealand's districts, Queenstown Lakes ranks towards the middle (29 out of 66) in terms of its contribution to the New Zealand economy. Nationally, the District contributes about 0.7 percent of New Zealand's GDP, 0.9 percent of employment and 0.7 percent of the population. Regionally, the District contributes an estimated 16.7 percent of Otago's GDP and 18.5 percent of employment.

Queenstown Lakes has achieved very high levels of growth over the last five and ten years:

- GDP in the District has grown at 4.0 percent per annum in real terms on average over the last decade – more than double the national average.
- Although growth has slightly slowed over the last five years, the District has still achieved higher than average real GDP growth over that period (3.4 percent per annum compared to 1.6 percent nationally).
- Queenstown Lakes has had one of the fastest rates of population growth in New Zealand at 3.6 percent per annum over the last ten years (around 3.5 times the New Zealand average of 1 percent), that represents an increase of around 910 people on average per annum. However, growth slowed over 2004-2012, consistent with a slow-down in population growth nationally (Figure 2). For example, the District's population grew by 2.3 percent over 2008-2012 and 1.7 percent over 2011-2012. However, there has been renewed growth in population over the last two years. Based on Statistics New Zealand projections, the District is expected to continue to have lower but relatively high population growth over the next 20 years (2.2 percent per annum) compared to New Zealand as a whole (0.9 percent).
- Employment has grown at a higher rate than nationally over the last decade (3.4 percent per annum compared to 1.2 percent). Labour force participation and employment rates are well above national levels, with unemployment well below the New Zealand average.

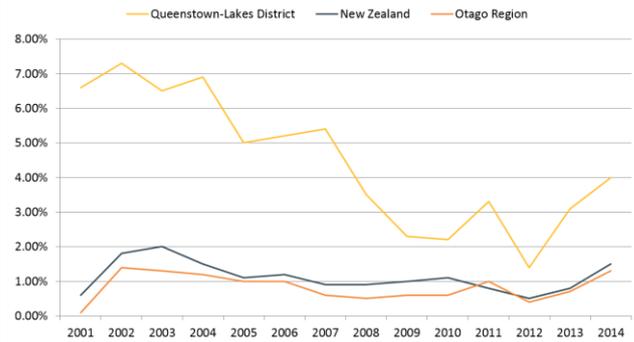


Figure 1. Queenstown Lakes estimated real GDP 2004-2014 (\$'000, \$2010)



Source: Infometrics regional database

Figure 2. Population growth, 2001–2014



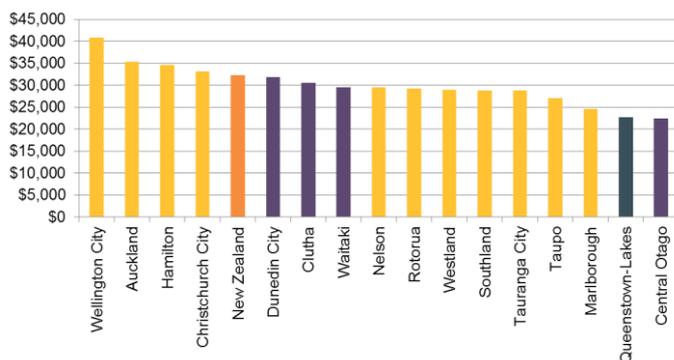
Source: Statistics New Zealand subnational population estimates

The District has achieved mixed results on other indicators of prosperity. Queenstown Lakes’ estimated real productivity level (around \$72,500 per FTE) is well below the New Zealand average (\$93,780 per FTE) and Otago average (\$80,420 per FTE), and this is consistent across most industries. The gap between the District’s estimated productivity and New Zealand’s has been growing slowly over time, with the District achieving relatively low productivity growth over 2002 to 2012 (0.4 percent per annum). Productivity growth has, however, been relatively high over the last two years (1.9 percent per annum compared to 1 percent nationally).

In line with this relative weak productivity performance, Queenstown Lakes’ median earnings from salary and wages is lower than New Zealand’s and one of the lowest of territorial authorities (at \$22,700 compared to around \$32,300 nationally) (Figure 3). Earnings levels have remained consistently below New Zealand’s over the last decade. However, annual median personal income from all sources is relatively high at \$35,200, that exceeds the New Zealand average (\$28,500). Similarly, annual median household income, that again includes income from all sources, is high at \$73,700 compared to the New Zealand average of \$63,800 (Figure 4).

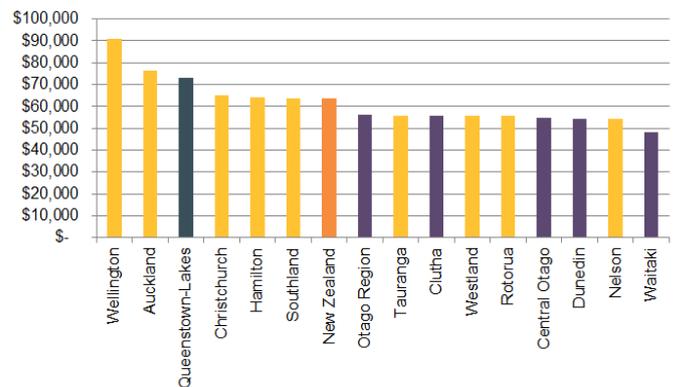
The District’s relatively high personal and household incomes but low earnings from salary and wages suggest that income from investments and self-employment will be relatively high in the District. Indeed, 54 percent of the working age population derive personal income from self-employment or business or investments, compared to 36 percent across New Zealand as a whole (Census 2013). The District also ranks relatively well on median earnings from self-employment.

Figure 3. Median earnings from salary and wages, Queenstown Lakes and comparator territorial authorities, 2012



Source: Statistics New Zealand

Figure 4. Median household income, 2013



Source: Statistics New Zealand, Census 2013



High overall incomes would suggest that there should be relatively high GDP per capita, assuming these incomes are the result of value being generated within the local economy. However, Queenstown Lakes' real GDP per capita is slightly above the national average (estimated at \$47,800 in 2014 compared to \$46,400 nationally) and below several other comparable Districts (e.g., Central Otago, Westland, Marlborough, Southland). Real GDP per capita has grown relatively slowly over the last decade (0.4 percent per annum compared to 0.8 percent nationally).

High income levels but moderate GDP per capita suggests that there are many people (likely quite wealthy) that are receiving investment and other income from outside of the District. The 2013 Census indicates that 27 percent of the Lakes District population derives income from dividends, interest or rents compared to 21 percent nationally (although the source location of this income is not known). Although these people will not make a 'direct' contribution to the local economy and GDP because they are not employed in the District, they will make an indirect contribution through their spending in the region.

Table 1. Key Economic Indicators and Trends for Queenstown Lakes

	Queenstown Lakes	Otago	New Zealand	Average growth rate Queenstown Lakes 2004-2014 (per annum)	Average growth rate in New Zealand 2004-2014 (per annum)	Performance relative to New Zealand
GDP in 2014 (\$2010 million)	\$1,480	\$8,850	\$208,090	4.0 percent (real)	1.8 percent (real)	+
GDP per capita in 2014 (\$2010)	\$47,770	\$41,800	\$46,360	0.4 percent (real)	0.8 percent (real)	-
Median Household income (2013)	\$73,700	\$56,400	\$63,800	2.0 percent (2006-2013)	3.1 percent (2006-2013)	+
Population (2014)	30,900	211,600	4,509,700	3.4 percent	1.2 percent	+
Employment (FTEs) (2014)	19,430	109,160	2,206,850	3.6 percent	1.0 percent	+
Productivity - GDP per FTE, 2014 (\$2010)	\$72,510	\$84,424	\$93,774	0.5 percent (real)	0.6 percent (real)	-

Sources: Statistics New Zealand; Infometrics regional database

The economy is very concentrated in and reliant on relatively few industries, more so than any other district in New Zealand. These are industries that are servicing visitors and the growing population. The accommodation and food services, construction, retail trade and arts and recreation sectors represent almost 55 percent of employment, and retail trade, rental and real estate services, construction and accommodation and food services represent an estimated 43 percent of the District's GDP.

It is important to emphasise that the District's low productivity performance cannot be simply attributed to the relatively high proportion of industries that have lower labour productivity, such as accommodation and food services, construction and retail trade. The District also has significant proportions of higher productivity industries, such as rental, hiring and real estate services, transport and professional services. Moreover, most of Queenstown Lakes' industries are estimated to have lower productivity than industry national averages (other than accommodation and food services, education and transport services). This is likely a result of the District's connectivity and scale constraints.



The following industries (and sub-sectors) have been particularly important in driving growth in the District over the long-term. The main growth impulses have been provided by the visitor economy and 'lifestyle immigration', with other sectors responding to the increased level of activity and population.

Table 2. Major industries in Queenstown Lakes

Industry	Key sub-sectors	Estimated GDP in 2014 (\$2010)	Employment in 2014	Employment growth over 2004-2014 (annual average)
Rental, hiring and real estate services	Real estate services*, Residential property operators*, Non-residential property services*, Passenger car rental and hiring*, Other goods and equipment rental and hiring*	\$201 million	970	4.6 percent
Construction	House construction*, Electrical services*, Painting and decorating services*, Plumbing services* Landscape construction services*, Non-residential building construction*, Air conditioning and heating services*, Plastering and ceiling services*, Bricklaying services*	\$171 million	2390	3.9 percent
Accommodation and food services	Accommodation* Cafes and restaurants* Pubs, taverns and bars*	\$169 million	4,700	3.1 percent
Transport, postal and warehousing services	Scenic and sightseeing transport*, Urban bus transport*, Airport operations and other air transport support services*	\$82 million	845	1.3 percent
Retail	Supermarket and grocery stores*, Clothing retailing*, Watch and jewellery retailing*, Hardware and building supplies retailing*, Sporting and camping equipment retailing*, Liquor retailing* Pharmaceutical and toiletry goods retailing, Electrical, electronic and gas appliance retailing, Other specialised food retailing, Other store based retailing, Non-store retailing	\$94 million	2,290	2.5 percent
Professional, scientific and technical services	Architectural services*, Other specialised design services* Management advice and consulting services, Accounting services, Engineering design, planning and engineering consulting services, Legal services, Corporate office management services, Veterinary services, Advertising services	\$90 million	1,440	6.3 percent
Arts and recreation services	Sports and physical recreation venues and facilities operation*, Amusement and other recreation activities*, Nature reserves and conservation parks operation*, Sports and physical recreation clubs and sports professionals*	\$86 million	1,510	2.9 percent

* Sectors that are relatively concentrated in the District (i.e., in which the District has a relatively high share of employment compared to national employment in those sectors) and hence are likely based on underlying advantages.

Source: Infometrics regional database

Beyond these, a few small industries have exhibited relatively strong medium or long-term growth, including:

- Manufacturing niches of bakery product manufacturing, ice cream production, confectionary manufacturing and aircraft manufacturing and repair services. These sectors are also quite strongly concentrated in the District (i.e., have a relatively high share of employment locally compared to their share of employment nationally).



- ICT segments of computer systems design and related services and internet access services. The latter segment is concentrated in the District.
- Information media segments of newspaper publishing and motion picture exhibition. Both sectors are strongly concentrated in the District.
- Health segments of general practice medical services, aged care residential services, physiotherapy services, other allied health services, specialist medical services and other social assistance services. However, only the physiotherapy services sector is concentrated in the District.

Some sectors for which Queenstown Lakes is well known and that are concentrated in the District have experienced a slight decline in employment over the last decade, such as the wine industry and motion picture and video production. However, employment figures do not capture a range of support sectors in the broader value chains of these industries (e.g., rental equipment or food services).



QUEENSTOWN LAKES' ECONOMIC STRENGTHS AND CHALLENGES

As noted earlier, Queenstown Lakes' economic development potential and performance depends on the quality of the resources that can be drawn on (people, infrastructure, natural environment, capital and institutions) and how effectively they are combined and used to generate value. These resources underpin the District's strengths and challenges.

Overall, Queenstown Lakes is a four season resort town economy with characteristics broadly similar to comparable places around the world: outstanding natural environment, remote location, high degree of business concentration in tourism activities and allied services, high living costs and a population that comprises a large proportion of visitors on any given day, that puts a strain on services and infrastructure. The District's major strengths and challenges are summarised below.

Key economic strengths

This District has several sources of current and potential economic advantage, that are unique in New Zealand. In identifying economic development priorities, it is important to consider ways in which the District can build on these sources of advantage.

Natural amenities

The environment is revered nationally and internationally and is considered by residents as the area's single biggest asset (Queenstown Lakes District Council, 2013). Key features include the three major lakes; mountain areas including the Remarkables, Coronet Peak, Snow Farm, Treble Cone and Cardrona; the Kawarau, Shotover and Clutha rivers; and Mount Aspiring National Park. The District is also a gateway to Fiordland National Park.

These natural amenities underpin tourism industries and enable a raft of recreation activities, such as skiing, jet-boating, rafting, tramping and nature walks, cruises, fishing and golf, to name a few. The outstanding scenery makes the District a highly sought after location as a place to live and visit.

Although the District's natural resources are a significant asset and source of economic strength, they are facing pressure from the growing visitor and resident population.

The visitor economy

Tourism underpins the District's economy, based on the outstanding natural amenities, and supports a range of industries including accommodation and food services, arts and recreation services, retail trade and rental services. Queenstown Lakes is a premier visitor location and accounted for 9.4 percent of national visitor expenditure in 2013/14 (year ended March). The District is a global destination, with a high proportion of international visitors. Queenstown Lakes experiences less seasonality in visitor expenditure than other tourism areas of New Zealand, having a winter and summer peak compared to a single peak for other areas.



The District has achieved enviable long-term growth in measures of visitor attraction. Visitor nights have grown at rates well above national levels over the last decade and the District has a high average length of visitor stays. This has translated into very high growth in visitor expenditure over the last decade (the visitor economy is considered in more detail later in this report).

Talent base

The District has a highly skilled population and workforce. Almost a quarter of the resident working age population has tertiary qualifications (compared to 20 percent nationally) and only 11 percent do not have a qualification (compared to 21 percent nationally). In 2012, the District had the fourth highest proportion of school leavers who met both the literacy and numeracy requirements for NCEA level 1 and, in 2013, the District had a very small proportion of youth not in employment, education or training (5 percent compared to 12.5 percent nationally). Queenstown Lakes also has the second highest proportion of the population enrolled in industry training.

Entrepreneurial culture

The District is well known for its history of innovative tourism developments, with the likes of bungy jumping, jet-boating, river surfing and tandem paragliding pioneered on a commercial basis in Queenstown Lakes. The District has a high proportion of working age people who derive personal income from self-employment or business at 28 percent, compared to the New Zealand average of 16 percent. The District also has a higher than average business entry rate (proportion of new businesses to existing businesses), higher than several cities in New Zealand, suggesting that a relatively high level of business opportunities are available and taken up.

In addition to the pool of entrepreneurs that have established businesses in the District, Queenstown Lakes also has a wealth of successful and experienced business people that have a second home in the District but who may manage businesses in other locations (either remotely or through travel) as well as retired (and semi-retired) high net worth individuals who have chosen the District as the place to settle in.

Major economic challenges

The District faces a number of challenges to improving its economic performance. Some of these are shared with other small districts in New Zealand. Several others are specific to the District, and reflect its resort town characteristics.

Size and location

In larger districts and cities, the concentration of people and businesses provides productivity benefits. Infrastructure and essential services can be shared over a larger range of users, there is a larger market for goods and services, there are larger and more specialised pools of labour, customers and suppliers, and there are greater opportunities for interaction and exchange of ideas. Smaller districts like Queenstown Lakes do not have the range of these opportunities and have to rely on the broader regional, national and international environment to provide resources, talent and investment.

The District is also distant from markets for goods and services and other urban centres. Distance increases transport and trade costs. When combined with the small local market, local businesses will struggle to achieve the same economies of scale as those in the same industries in larger markets, which constrains their productivity performance (and hence constrains profitability and incomes).



All of this means that having high quality connections, via air, road and telecommunications infrastructure, is vitally important for the District.

Concentration of industry

While the visitor economy is a strength, its dominance means that the District is one of the least diversified economies in New Zealand.¹ Industrial diversity allows for a greater variety of interactions between businesses of different types and can result in more radical innovation. A lack of diversity can also make the local economy vulnerable to shocks that impact on key sectors. Shocks that might impact on the visitor economy include: climate change, that may generate shorter and more volatile ski seasons; threats to global air travel (terrorism, disease, rising oil prices); weak growth in the global economy or another recession, that can significantly dampen travel; or a decline in the District's visitor experience as a result of increasing visitor numbers and environmental degradation (we do have the ability to impact on this).

Economic risk management suggests that a more diversified future growth path may be preferred. The potential for diversification is considered in more detail later in this report.

Housing affordability and cost of living

The District has relatively high house prices. This is due to a combination of population growth and the second home market that have pushed up demand; and higher building costs (due to location related higher transport cost for materials, as well as high demand for a limited supply of local construction labour) and higher land costs. The median house price in the District in January 2014 was \$512,500. This was the fourth highest median price after North Shore, Auckland City and Waitakere.

Although the median household income is high, the high median house price means the District rates as having some of the least affordable housing in the country. Affordability is a particular problem for those working in labour intensive tourism and related industries, as these industries have relatively low productivity and low earnings.²

Housing affordability is considered in more detail later in this report.

Other living costs are also comparatively high due to location related transport costs for goods and a lack of business competition due to the small population size. For example, it has been estimated that the cost of petrol and diesel is currently 3-5 percent higher in Queenstown and 4-8 percent higher in Wanaka than other centres.

Pressure on infrastructure

The growing resident and, in particular, the visitor population is placing pressure on infrastructure and the District's ability to adequately fund maintenance and improvements. The Economic Futures Taskforce report concluded that although current infrastructure is generally adequate for the existing population, the infrastructure network struggles at peak tourism periods. The Taskforce also noted

¹ The Tress index measures the degree of concentration on an industry basis. A tress index of zero represents a totally diversified economy, while an index close to 100 means the economy is highly concentrated in a particular sector or sectors. The Queenstown Lakes Tress index in 2012 was 68.4, which indicates that the economy is quite concentrated and reliant on relatively few sectors. This compares to New Zealand's index which was 47.6, which means that the economy at a national level is neither highly diversified nor highly concentrated.

² Average annual wages in food services in 2010 were \$30,700 and in accommodation were \$35,900, compared to the average wage of \$50,000 across all industries.



resilience issues related to electricity supply, single-lane bridges on key transport routes and the ability of the airport to enable reliable flights and handle higher volumes.

Although the local population is forecast to grow relatively strongly, visitor numbers are forecast to grow strongly too³ and the proportion of residents to visitors may decline over time. Hence parts of the rating base will continue to get stretched to cover infrastructure costs for the combined resident and visitor population. Infrastructure funding pressure is considered in more detail later in this report.

In addition, there are perceptions that some parts of Queenstown do not offer the upmarket ambience often experienced in other resort towns. There have been concerns from landlords and retailers that there is insufficient building maintenance, an increasing number of low-end-of-spectrum retail shops and restaurants, and non-optimal traffic routes in the town centre.

Challenges and opportunities faced by resort towns

Other resort towns and cities around the world face similar challenges and opportunities to Queenstown Lakes and are seeking to address these. These approaches have been considered in developing potential economic development priorities for the District.

Table 3. Comparator resort towns and cities – challenges and opportunities

Location	Population	Key industries	Challenges	Opportunities
City of Gold Coast, Australia	513,954 (2011)	Property, tourism and the retail sectors account for 34 percent of the Gold Coast's economy, but only 20 percent of Australia's	Over reliance on property, tourism and the retail sectors for growth. Declining housing affordability, especially for those on low incomes	The potential to shift the economy from a reliance on population growth and tourism to knowledge intensive industries
Alpine Shire, Victoria, Australia	11,881 (2011)	Unlike Queenstown Lakes, Alpine Shire has a relatively diverse industry base, that includes manufacturing and agriculture	Many businesses are being established for lifestyle reasons rather than growth	The potential to diversify the industrial base, and leverage proximity to regional centres and a logistics corridor
Whistler, Canada	9,824 (2011)	Tourism	Escalating living, housing and business costs, making Whistler unaffordable for many local people. Increasing pressure to grow and expand the physical size of Whistler	The potential to expand into ventures that complement tourism and that move the resort community toward sustainability
Aspen and Pitkin County, US	Pitkin County 17,148 (2010), including Aspen 6,680 (2012)	Tourism and outdoor recreation employs about almost half of all employment in the broader Rocky Mountain region, followed by health and wellness (with over ten percent of employment)	Affordable housing	The potential to attract new businesses and grow and retain existing businesses

³ The population of Queenstown Lakes is forecast to grow by an average 2.2 percent per annum over the next 20 years. Visitor arrivals are forecast to grow across New Zealand by around 3 percent per annum over the next six years, and Queenstown Lakes has traditionally experienced higher growth in visitors than New Zealand as a whole.



Location	Population	Key industries	Challenges	Opportunities
Park City, Utah, US	Summit County 37,208 (2011) Park City 7,810 (2011)	In addition to tourism, Park City is headquarters to a number of outdoor-focused businesses including Rossignol, Backcountry.com and Skullcandy. Is also a recognised winter sports training centre, and hosts entertainment and sports related events including the Sundance Film Festival. Non-tourism industries include health and aerospace.	Large transitory population, and approximately 50 percent of all homes are owned by secondary homeowners, with nearly one third of those owners living out of state	The potential to maintain a focus on tourism but to diversify away from its ski-dependent economy and develop a year-round tourism economy.

Sources: Alpine Shire Council, 2011; Office of Economic Development and International Trade, 2011; Park City Chamber of Commerce, 2013; Resort Municipality of Whistler, 2007; The Resort Municipality of Whistler, 2013



PROPOSED OBJECTIVES AND PRIORITIES

The Queenstown Lakes Long-term Plan 2012-2022 outlines the strategic intent for the District and key outcomes for the community. The community outcomes were the result of a two-year community workshop process and have significant buy-in, forming the basis of all functions of the Council. The outcomes, that were updated for the 2014/15 Annual Plan, are:

- Our infrastructure and service: meet current and future user needs and are fit for purpose; are cost-effectively & efficiently managed on a full life-cycle basis; are affordable for the District.
- Our parks, libraries, recreational and other community facilities are highly valued by the community.
- Our regulatory service: encourage compliance; are user friendly; protect the interests of the District; are cost effective; and achieve the regulatory objectives.
- Our natural and built environment is managed in a way that makes the District a place of choice to live, work and visit.
- Our economy is resilient and diverse.
- Our community is well-informed and engaged in the activities of Council.
- Our Council is trusted and respected for its customer service and stewardship of the District.
- Our expenditure is cost-effective and sustainable.

Many of these outcomes reflect economic development aspirations, particularly the desire for a resilient and diverse economy, infrastructure that meets current and future needs, and a natural and built environment that makes the District a place of choice to live, work and visit. The Council is committed to investing in and assisting and encouraging others to provide the diverse activities and services that are needed to achieve these outcomes.

The Council also supports the Shaping our Future process. As part of this process, the Economic Futures Taskforce developed a vision for economic development for the District: *to ensure a complementary, diversified, high value, knowledge-based, sustainable economy.*

This vision encapsulates a range of desired economic outcomes, including an economic base that is diverse, prosperous and resilient; a comfortable and affordable lifestyle for all residents; growth that is sustainable; and the development of higher value, knowledge-based economic activities to complement the District's core tourism offer.

It is clear that at the core of the community outcomes and the Taskforce vision is a strong desire for a *higher value economy* – higher value industries and jobs and higher quality urban and natural environments. From the review of the economic context it is also clear that the District should aspire to generating higher value from the strong population and visitor growth it has experienced.

A higher value economy, as measured overall by GDP per capita and the quality of life of residents, will require that the District generates higher incomes and hence achieves higher growth in productivity across a range of industries, while maintaining the quality of the environment. Labour productivity, or the value of output per hour worked, is a particularly important driver of income growth. Achieving higher productivity, or higher value from a more efficient and effective use of inputs, is consistent with the District's desire for sustainable growth. Higher incomes (including a stronger rating



base) will allow the community to afford the quality of infrastructure, services and urban environment it desires.

This strategy explicitly focuses on the economic development of the District and the key opportunities available in the District at this time. Although it reflects and takes account of some environmental and social concerns when discussing industry development, infrastructure and the visitor economy, it is not a 'sustainable development' strategy. If the Queenstown Lakes' community desires a broader approach, then an environmental and/or social strategy could be developed (note Council adopted the Social Wellbeing Policy in 2006, which is available on Council's website www.qldc.govt.nz).

It is also important to note that a higher value economy depends a great deal on factors that are often outside the control of the District, such as demand for the District's goods and services from customers across New Zealand and overseas. The global financial crisis clearly illustrated the impact that outside factors have on the local economy. So although the District should aspire to and track its progress against higher levels of GDP, income and productivity growth, it is more realistic and practical to focus on achieving key objectives that are more clearly able to be influenced by local interventions, but which will support the achievement of these aspirations and the vision.

It is proposed that these primary objectives be to:

- Enhance the quality of our natural, business and living environments.
- Facilitate the growth of knowledge-based sector that reflect the District's advantages.

In order to support the achievement of the primary objectives, the District will pursue the following additional objectives:

- Attract higher contributing visitors and generate a proportionately higher level of expenditure from visitors.
- Develop a long-term, sustainable approach to investing in infrastructure, that will support and enable future growth.

Consistent with these objectives, the Shaping our Future process and a detailed analysis of the economy, the following four priority areas are suggested as the focus for the District's economic development strategy:



Table 4. Proposed economic development priorities

	Key priorities		Supporting priorities	
	1. Enhance the quality of our natural, business and living environments	2. Facilitate the growth of knowledge-based sector	3. Encourage higher contribution visitor activity	4. Future proof infrastructure
What is this priority about?	Ensuring local policies and processes facilitate enterprise, the provision of sufficient land and quality office and industrial space for commercial endeavours, and affordable housing for residents. Ensuring quality environments and access maintained and enhanced.	This priority is about facilitating growth in knowledge-based industries in which Queenstown Lakes has some genuine advantages on which to build, particularly education, health, screen and some professional service industries.	This priority is about growing the proportion of higher value visitors, encouraging visitors to spend more in the District, diversifying our visitor offerings and ways they can contribute to our community, and further reducing seasonality in visitor expenditure. Note that Wanaka has capacity and needs longer stay visitors.	This priority is focused on expanding funding options for investing in infrastructure; ensuring that adequate investment is made to maintain high quality infrastructure; and ensuring that funding sources and investment reflect the incidence of costs and benefits.
Why is this priority important?	The priority will leverage the District's entrepreneurial culture and help to address the District's higher costs of living. In addition, having a local business environment that encourages enterprise and makes it easy to grow businesses can help to compensate for the challenges associated with the District's distance from markets. Maintaining quality environments. And access.	The priority will build on the District's natural resource and visitor economy strengths but helps extend these into related high value activities. It also leverages the District's talent base and entrepreneurial culture. It will help mitigate the challenge of the strongly concentrated economy.	The priority builds on the District's existing strengths in the visitor economy and leverages its natural amenities. Increasing the value derived from visitors rather than just visitor numbers can also reduce some of the pressure on infrastructure and the environment. The priority aligns with Destination Queenstown and Lake Wanaka Tourism strategies.	The priority will directly address the challenge of the increasing pressure the District is facing to provide for adequate investment in infrastructure and help to ensure high quality connectivity.
Alignment with Shaping our Future priorities	This priority is consistent with the following Shaping our Future priorities: <ul style="list-style-type: none"> • Community development • Town development • Environmental priority 	This priority is consistent with the following Shaping our Future priorities: <ul style="list-style-type: none"> • Diverse economy • Education 	This priority is consistent with the following Shaping our Future priorities: <ul style="list-style-type: none"> • Preserve and enhance the environment • Tourism - build high value, contributing tourism • History - value and retain heritage 	This priority is consistent with the following Shaping our Future priorities: <ul style="list-style-type: none"> • Infrastructure/facilities • Connectivity • Town development
How should progress against this priority be assessed in the long-term?	Progress could be assessed against: <ul style="list-style-type: none"> • Business perceptions about the quality of regulation in the District • Improvements in consent processing times • Lower cost housing that is made available in the District (e.g., through Plan Change 24 and the work of the Housing Trust) • Environment quality and access • Resident perceptions of quality of life 	Progress could be assessed against: <ul style="list-style-type: none"> • The number and impact of additional initiatives developed to support knowledge-based industries in the District as a result of facilitation efforts • Investment attracted in knowledge-based services industries in the District 	Progress could be assessed against: <ul style="list-style-type: none"> • Growth in visitors from high spending markets as a result of promotional efforts • Growth in the proportion and range of meetings and conventions held • Growth in visitors travelling for business purposes • change in perception of range of reasons for visitors to come to Queenstown, beyond scenery and adventure • Number of visitors and estimated spend resulting from new offers (e.g., new events) in shoulder seasons 	Progress could be assessed against: <ul style="list-style-type: none"> • Improved resident perceptions about the quality of infrastructure • Meeting financial strategy targets in the long-term plan (e.g., limits on rates, limits on borrowing) • Measures of accessibility and resilience of key infrastructure, e.g., Three Waters, road congestion times



The rationales for the objectives and priorities are discussed in more detail in the following sections. The objectives are broad, but measures such as those outlined above should be developed to assess and track performance against them and the implementation of the strategy once it has been adopted.⁴

However, it needs to be recognised that there is no ‘magic bullet’. Queenstown is already experiencing rapid economic growth and the key issue is about managing that growth to generate higher value and maintain and enhance natural living environs. Generating higher productivity and value will require progress on a number of fronts. Gains are likely to be incremental rather than radical.

⁴ The suggested progress measures are more directly related to actions that may be taken in the District than high level measures of industry or economy growth. Ultimately, the aim is to see increases in productivity, incomes, GDP per capita and quality of life but, as noted, these outcomes are impacted on by a large range of factors beyond the District’s influence. Improvement in the above measures should positively influence the desired outcomes beyond what would have occurred in the absence of any local interventions.



PRIORITY 1: ENHANCE THE QUALITY OF OUR NATURAL, BUSINESS AND LIVING ENVIRONMENTS

The quality of the local business and physical environment influences the decisions that businesses, employees and residents make about the effort they put in to ventures and where they want to live. The Council is a key shaper of this environment, through its role in district planning, providing amenities and services, and setting and administering regulation.

Context and analysis

Local business environment

A key area where the Council can encourage economic growth and activity is through effective and efficient regulation and service provision. The Council aims to process 80 percent of building consent, non-notified resource consent and land information memorandum (LIM) applications within statutory timeframes (20 days for building and non-notified resource consents and 10 days for LIMs) and that the average consent cost should not exceed \$3,500.

The Council is meeting these targets. In 2013/14, the average non-notified resource consent cost was around \$1400, the average building consent cost was around \$2,950 and the average working day timeframe for processing building consents was nine days. In the last year, 92.1 percent of building consents were processed within the statutory timeframes and 100 percent of resource consents have been processed on time since October 2011.

Residents' satisfaction with almost all regulatory services has improved over the last three years, although the quality of resource and building consent processes is an area of relatively high dissatisfaction in the latest residents and ratepayers opinion and satisfaction survey. Close to 30 percent of respondents were unsatisfied with resource consent service quality, and 26 percent were unsatisfied with building consent service quality (Carteblanche, 2014). A review of the Council's consent processes in 2013 identified that building consents were generally well-managed although it identified improvements that should be made to resource consent processes. The Council has introduced several efficiency improvements to resource consent processes, including introducing a quality management system, an audit and risk committee, improving the accessibility of key documents, and monthly reporting on customer satisfaction.

Dissatisfaction with consent processes is not unique to the District. For example, a Productivity Commission review of local government regulation found that 27 percent of businesses surveyed across New Zealand were dissatisfied with the regulatory services and approach of their local authority (New Zealand Productivity Commission, 2012). The level of dissatisfaction in the District may also reflect the significance of the local construction industry as that industry has a much higher level of contact with Councils on consenting issues.



Planning for growth

The District Plan establishes zones for alternative land use and hence where specific economic activity can occur within the District. The District Plan has been reviewed and a strategic direction chapter with six key goals to guide development has been proposed.

The District Plan currently provides for approximately 45 ha of land zoned industrial and 27 ha of land zoned business in total. Although this is less than future land requirements suggested by the previous growth management strategy (Queenstown Lakes District Council, 2007), that study is now several years out of date and recent analysis suggests that the projections of future land requirements for commercial use were significantly overstated.⁵ In addition, several Plan Changes underway and the District Plan review will assess commercial and industrial land supply and seek to optimise the policy framework for development. For example, Plan Change 19 is about rezoning Rural General land within the Frankton area to enable commercial, residential and industrial development. This Plan Change will provide for a further twenty years plus of industrial land. The District Plan review also proposes to extend the footprint of the central business district and increase height limits to facilitate the availability of commercial space.

Dwelling capacity work done by the QLDC indicates that, based on the maximum potential of current zoning, there is a considerable amount of land that is zoned for dwellings but not yet developed. It is estimated that the District has spare dwelling capacity for around 9,000-10,000 dwellings over the next five years and for around 13,000 dwellings over 15-20 years. However, much of this land will not be 'housing ready' and work is ongoing to determine how well matched that zoned land supply is relative to demand. There is much less capacity available in higher density zones, which is where demand is likely to be strong. Council has in 2014 entered into a Housing Accord with central government. This aims to increase the supply of residential dwellings / section through the promotion of an alternative approval process to the RMA.

Property demand and supply

Housing demand has been driven by a combination of population growth, demand for holiday homes and visitor growth. The strong fundamentals and performance of the housing market have also driven an increase in investors and speculators.

Residential business consents and the supply of residential dwellings in the District have kept up with population and dwelling growth in the District over the last decade:

- the number of households has increased by an average of 307 annually between 2006 and 2013 (3.25 percent per annum)
- on average an additional 394 new residential, country and mixed use dwellings have been established each year between 2006 and 2013
- there are currently more dwellings than households. In the 2012/13 period there were 11,204 residential dwellings, 2,034 country dwellings and 516 mixed use dwellings in the Queenstown Lakes District (a total of 13,754 dwellings) compared to 10,713 households in the 2013 Census.
- an average of 454 new residential consents have been approved each year between 2006 and 2012.

⁵ Colegrave (2014) calculated that future industrial land requirements in the commercial land needs study report of 2006 were over-estimated by 2-3 times.



Based on Statistics New Zealand's medium scenario population projections, Queenstown Lakes could have a total of 41,600 people by 2031. Applying the same ratio of population to households and households to dwellings as in 2013 suggests a total of 20,272 dwellings could be required by 2031 (an additional 6,518 dwellings in total or 362 dwellings each year). This suggests that, if trends continue, then the supply of dwellings should be able to meet demand in future. However, if there are supply constraints (including lack of suitable zoning, for example, for medium/high density dwellings near the town centres) or changes in household composition (even by a relatively small amount⁶), then future supply may not be able to meet demand.

Commercial property in Queenstown is held by relatively few landlords and is rarely presented to the market for sale (Colliers International, 2013). It is considered that there is a lack of industrial property available in the short-term and a lack of development sites for larger national type tenants (Colliers International, 2013). However, prime office rents have been steady and competitive compared to other markets. Similarly, industrial rents are about the midpoint of other comparable towns and cities, although rents for quality warehouse space are higher than in New Zealand cities.

Housing affordability

Housing affordability has been raised as an important issue impacting on the ability of the District to attract and retain workers and for local residents to stay.

The median house price in the District in January 2014 was \$512,500. This was the fourth highest median price for a district area after North Shore, Auckland City and Waitakere. The average median price over the 2013 year was \$539,600, compared to \$396,900 nationally. The median rental in January 2013 (for a 3 bedroom house) was \$380. This was the seventh highest, after Auckland, Waitakere, North Shore, Manukau, Wellington and Christchurch. On average, the weekly rental price across all accommodation types was \$378 in 2013.

The high median house price has been driven by a combination of a long period of strong demand, relatively high costs for building materials due to transport costs, higher labour costs resulting from constrained supply in the District and demands for the same skills following the Christchurch earthquake, and relatively high development costs in some areas due to geographic factors (e.g., steep slopes).

As noted earlier, median household income in Queenstown Lakes was \$73,300 in 2013. This was well above the New Zealand median household income of \$64,800 although it is below territorial authorities with similar high house and rental prices (Wellington City \$91,100, Auckland \$80,570). Although median household income is high, the high median house price actually means that Queenstown Lakes has some of the least affordable housing in the country, as shown in Table 5.

The *median multiple* is used internationally as a measure of housing affordability. It is the ratio between median house prices and median annual household income. A median multiple of three or less is generally considered a good marker for housing affordability internationally. Queenstown Lakes had a median multiple of 6.99 in January 2014, which was the fourth highest in New Zealand (only Auckland localities had a higher multiple) and suggests housing is severely unaffordable in Queenstown Lakes. This is consistent with other measures of affordability such as the Home Loan Affordability Index. However, the AMP Massey House Affordability index for Central Otago Lakes⁷ has

⁶ For example, if the average of persons per household falls from 2.63 to 2.55 over time, then around 400 dwellings will be required each year. A fall in the ratio of residents to dwellings has been suggested by estimates by Rationale (2011) in constructing growth projections for Queenstown Lakes. The ratio also fell between the 2006 and 2013 census (from 2.68 to 2.63).

⁷ Queenstown Lakes is combined with Central Otago, which will impact on the results.



generally reduced from 2006 suggesting that housing is becoming more affordable over time (the index was over 160 in February 2006).

Table 5. Affordability of housing in Queenstown Lakes versus Auckland, Wellington and New Zealand on different indices

Affordability Index	Description	Queenstown Lakes	Auckland	Wellington	New Zealand
Median Multiple (ownership) Jan 2014	The ratio of median house price to median annual household income	6.99	7.46	5.53	6.30
AMP Massey House Affordability Index Jan 2014	Average weekly earnings compared to the median dwelling price and the mortgage interest rate	121.7*	142.4	90.2	100
Home Loan Affordability Index Feb 2014	Proportion of one median income required to pay the mortgage on a median priced house	95.9	91.3	64.9	58.7
Median Multiple (rental) Jan 2014	The ratio of median annual rent to median annual household income	0.27	0.35	0.27	0.29

Sources: Median and rental multiples - MartinJenkins calculations using REINZ and Census data; AMP House Affordability Index; Home Loan Affordability Index – interest.co.nz. Note: *includes Central Otago

The District also rates better on rental affordability, with 27 percent of median household income currently required to cover rent. This is better than several districts and cities in New Zealand and is currently below the New Zealand average of 29 percent. While reasonably affordable, anecdotal and survey results suggest that the key issues in relation to rental accommodation are related more to the quality of the rental stock available (e.g., potential poorly insulated) and rental tenure (a lack of long-term rental options available as owners seek to maximise returns from the strong visitor economy).

The high house prices may contribute to a relatively low level of household ownership in the District. In 2013, only 35 percent of households owned or partly owned their own home. This compares to 50 percent nationally, and 46 percent in Auckland and Wellington. Including trusts, however, the percentage increases to 60 percent of households, which is closer to the national average of 65 percent but still lower than most other districts (although is higher than Wellington and Hamilton and close to Auckland on 61 percent) (Census 2013). It has also been reported that around 40 percent of homes in the District are holiday homes that are not permanently occupied, compared to 11 percent nationally (Economic Futures forum & Shaping our Future steering group, 2012).

Despite high house prices relative to incomes and relatively low levels of home ownership, it appears that individuals and families are willing to bear these costs to live in the District. As noted earlier, population, employment and business growth has been strong over the last decade. The evidence suggests that individuals and families are prepared to trade-off higher prices (or rental quality and tenure issues) against the outstanding natural amenities, recreation offers and other strengths of Queenstown Lakes. Indeed, high house prices are actually an outcome of the District's economic success.

There are anecdotal reports that there is a high churn of workers into and out of the District, and that a high proportion of recent migrants decide to move out of the District within 12-18 months due to housing costs. However, there is no hard evidence to confirm or refute whether this is the case. In addition, high turnover of workers will also naturally occur due to the seasonal nature of the dominant



tourism sector and also reflects the actual desire of a proportion of the workforce that comes into the District for further travel. Most industry representatives interviewed during the development of this strategy did not regard housing affordability as a major issue impacting on their ability to obtain or retain staff. Some even suggested that they could offer jobs at a discount to market rates as people were keen to move into the District.

Overall, it is not apparent that housing affordability is currently a major constraint on the District's economic development. However, high house prices and rents will and do impact on the housing aspirations of lower income households and this will impact on the quality of life of those residents, as well as on discretionary spending power. In addition, the forecast growth in housing supply required may struggle to meet demand, so housing affordability may have a larger impact in future.

In addition, an assessment of housing affordability should consider broader household costs. A house may be technically affordable but if it is poorly located relative to employment and services, and is poorly insulated, then the benefits of its affordability may be negated. Consideration of more centrally located medium and high density housing options to provide more options for "affordable living" will be considered as part of the District Plan review.

Current initiatives

Housing affordability issues were the subject of in-depth work and consultation in the District in the mid-2000s. This resulted in the development of the Housing our People in our Environment (HOPE) strategy (2005 and updated in 2007), that set out a range of Council and community actions related to increasing the supply of affordable and community housing. The Queenstown Lakes Community Housing Trust was also formed in 2007 to promote and provide affordable housing within the District.

The Trust, although independent, was initiated and has been supported by the Council. It provides, for eligible families with low incomes:

- Low-cost housing in master planned developments, with one at Nerin Square and future developments planned in Arrowtown and Shotover Country. The trust has also offered low interest loans through lending partners for properties at Nerin Square.
- A shared ownership programme to help people buy their first home, with the homeowner responsible for providing between 60-85 percent of the market value of the property through a deposit and mortgage, with the Trust acting as co-owner and providing between 15-40 percent of the remaining value of the property.
- A rent saver pilot programme, that encourages tenants to save for a deposit over a five-year period and to purchase a specified property. The Trust matches the household's savings up to a maximum amount of \$13,000 at the end of five years if the renter's saving goals are met.

The Trust has assisted more than 70 families into houses to date. It is supported by grants from Housing New Zealand and contributions of land, buildings and/or funds from private local developers who have committed support for community housing as part of their development agreement with the Council. The Council has also provided land for the development at Arrowtown. This was subject to some debate, with some locals seeking alternative uses of the land. However, the Trust is generally regarded as providing a helpful role in supporting families into housing. As with any significant initiative, the full impacts (costs and benefits) of the Trust should be evaluated in order to assess its overall effectiveness on affordable housing.

As a product of the HOPE strategy, in 2008 QLDC it initiated a change to its district plan which sought to introduce a formula based approach requiring affordable housing into the policies of the District Plan. The initial objective was to require a contribution of land / finished dwellings or a cash



equivalent from developers when plan changes / variations were proposed, as well as when resource consent applications for non-complying and discretionary activities were considered. This approach was ultimately unsuccessful.

The formula proposed at the time was complex, considered to be unworkable by a number of commentators and struck intense opposition by submitters. The plan change was appealed as far as the High Court, which granted leave to appeal to the Court of Appeal, the principal question being whether the plan change was within the scope of the RMA. A compromise was ultimately struck between the Council and opponents and confirmed by way of a consent order in 2013. The compromise position was to remove all prescriptive requirements, reference to retention mechanisms, and replace the initial proposal with a small number of provisions which require access to *“community housing or the provision of a range of residential activity”*. This was a move away from the prescriptive origins of PC24 to a market driven, developer promoted outcome. The lesson learned in Queenstown Lakes is that the prescriptive approach was not effective (and potentially legally questionable). Consequently, a range of incentives are currently being explored to promote increased supply of the right type of housing to meet the demands of the unique Queenstown market.

The opportunities

The following are the key opportunities for addressing this priority area:

- 1 Continue to develop Council’s business relationship model to support the streamlining of major investment projects and consent processing.
- 2 Continue to investigate all options for improving housing affordability in the District. This will include considering whether and how we can facilitate faster residential dwelling construction (over and above any improvement in consent processing) in order to avoid potential bottlenecks in the event of excess demand. For example, the Council could consider incentivising residential developments (e.g., time limits on consents, waiving of building and resource consent fees, reductions in development contributions) and may need to reassess the mix and type of housing that is suitable for the District over the long-term (e.g., more high density housing).

A first step will be to work with industry and central government to explore in detail factors that are impacting on overall housing costs and options to improve the supply side. The District has already been added to Schedule 1 of the Housing Accords and Special Housing Areas Act to initiate the process for developing and reaching agreement on a Housing Accord. The Housing Accord will focus on improving housing supply although it would be beneficial if the process also consider development and construction costs in the District and what, if anything, could be done to reduce these costs. QLDC is actively involved with the Productivity Commission’s “Using Land for Housing” exercise. These initiatives are underpinned by the current District Plan review, that will assess the potential to intensify existing urban areas and enable more well-located medium and high density housing that helps provide ‘affordable living’ options where housing costs, transport costs and energy costs are minimised.

The District is already doing more than others to directly provide for lower cost housing and to facilitate low income households into homes through the Community Housing Trust and its District Plan. The effectiveness of the Trust and its activities and the impacts of its far-reaching District Plan review on housing access and house prices should be evaluated within the next 3-5 years.



PRIORITY 2: FACILITATE THE GROWTH OF KNOWLEDGE-BASED SECTOR

The pool of specialist occupations and functions (such as ICT, marketing, finance, management, R&D, design, branding, consultancy, engineering and science) within a locality is recognised as an important driver of economic growth. Businesses that provide this expertise primarily capture value from intellectual property and can generate value from relatively limited resources. They can also apply their knowledge to other businesses and individuals, helping to grow the capability in and productivity of additional industries (e.g., online booking software applied to accommodation providers; training to improve customer service in restaurants; specialist medical care that improves the health and wellness of workers). This knowledge is also essentially 'weightless' and can be more readily exported from distant locations than physical goods.

As such, knowledge-based businesses and related industries can potentially be an important contributor to economic growth in Queenstown Lakes.

Context and analysis

The Economic Futures Taskforce emphasised that a key desired outcome for the community is to diversify the economy beyond traditional tourism and construction based industries. There may be some exceptions, but successful businesses that can drive diversified growth in Queenstown Lakes will:

- electronically deliver their product to the national or global economy; or
- be in the service sector, that also has comparatively low exposure to transport costs for production inputs; and
- operate in niche markets where the shallow labour market is not as important (usually operating with limited numbers of staff) and where a higher salary level can attract staff from outside the District.

Successful businesses with growth potential outside the tourism sector will often rely on scenery and lifestyle elements to differentiate their product from those on offer elsewhere in New Zealand or overseas and attract high quality staff.

Although the Taskforce did not assess the industries that might have potential in any detail, the Taskforce report did note that areas could include education, fitness, medical, R&D and IT related sectors, i.e., knowledge based industries.

Further analysis⁸ highlighted the following knowledge-based sectors as having potential for growth. Discussions with selected industry representatives also highlighted whether and how each sector

⁸ In order to assess whether industries beyond the 'traditional core' have potential to grow in Queenstown, the following factors were considered:

- Whether they were knowledge-intensive
- Scale, in terms of employment and contribution to GDP
- Employment and GDP growth trends
- Whether an industry was relatively concentrated in the District, which suggests it is based on some underlying advantages.



leverages identified advantages of the District (and hence has solid foundations on which to build), and the potential for and constraints to growth.

Education

Technical and vocational education and training, although current relatively small in scale (around 70 employees), has grown rapidly over the last five years. This is due to the establishment and expansion of Queenstown Resort College, the Southern Institute of Technology campus, Otago Polytechnic campus and several language schools.

The sector leverages both the natural amenities of the District and the strong visitor economy, while also lifting the standard of the workforce in the tourism industry. Language schools, such as the Southern Lakes English College and Language Schools New Zealand, draw in international students who are attracted to the environment and adventure activities, who want to test their language skills in tourism industries and to live in relatively safe place. The Queenstown Resort College (QRC) specialises in training students for hospitality and tourism management jobs. The Southern Institute of Technology campus in the District offers courses in barista training, business, construction, hotel and tourism management, personal training, IT and website design. The Otago Polytechnic campus offers sustainable business programmes. Flight training is offered at both Wanaka (flight school and jet park) and Queenstown.

Several of these institutions also offer high quality and innovative education offerings⁹, rating highly on New Zealand Qualifications Authority and student assessments. Some partner with New Zealand institutions to offer management and entrepreneurship programmes in the District (for example, the University of Otago teaches courses in entrepreneurship at the QRC campus). Some also partner with international educational institutions, so that students are able to go on to study overseas.

Bringing overseas agents to the District and marketing offshore is typically undertaken by individual institutions and can be relatively costly given the scale of the institutions. The institutions have collaborated to do some joint marketing (e.g., the Study Queenstown website) but joint efforts have been limited to date.

Existing institutions can continue to grow, and several have plans to do so. Growth potential exists in relation to outdoor education and specialised flight training. The recent Government policy changes to allow foreign students enrolled in an English language course to work part-time will also help to grow student numbers in that area.

There may be further opportunities to grow the education industry, for example, more tertiary institutions should be encouraged to set up satellites, block courses and summer programmes, to expand their offerings to domestic and international students. An Aspen Institute-like entity should be encouraged to establish, to make Queenstown a place for learning and thought leadership. Also, the development of an international boarding school or expanding the range of entrepreneurship and executive short courses, agriculture and elite sport programmes, or a full MBA programme, in partnership with internationally recognised tertiary institutions. Given the outstanding natural attractions, Queenstown Lakes' brand recognition, and the concentration of successful entrepreneurs and business people who can be exemplars for others, the District has some advantages on which it can grow executive training. It may also be possible for institutions to build on their successes in

⁹ QRC also received the New Zealand tertiary provider of the year award in 2012 from the New Zealand Association of Private Education providers. The Southern Lakes English College offers an innovative mix of English language Plus courses, with the opportunity to learn English while also developing other skills or experiencing the District's attractions, such as ski/snowboard instruction and work placements in hotels, restaurants, shops, bars and wineries.



hospitality and tourism management training to offer services offshore, for example in the Australian market.

Health

Beyond general practice and hospital care, that are dependent on national and health board policies and investment, several health sector niches are of reasonable scale in the District and have been growing strongly. These include aged care, specialist medical services, physiotherapy services and other allied health services.

There is potential for a larger base of specialist health enterprises to grow on the back of the District's reputation as an outstanding and scenic destination, its sport and recreational offerings, and its highly educated workforce. The Queenstown Centre for Regenerative Medicine, that provides specialist treatment for elite athletes and individuals with joint or back pain, is an example of a business that can capitalise on these advantages. Another example is the recent establishment of the Aro-Ha Wellness Retreat, that attracted offshore investment and offers high-end health treatments and also models environmental sustainability. There is also a growing base of appearance medicine and therapy providers in the District. The Southern District Health Board has also been investigating the potential to develop a health campus at the hospital with a combination of public and private providers, and to expand rest-home and carer services at the campus.

In sum, the District has the potential to develop into a centre for sport and appearance medicine and health tourism. Aspen is a comparable resort area that has achieved success in positioning itself as a health and wellness centre. It is not yet apparent how this could be facilitated in Queenstown Lakes or what constraints might exist. A key factor for the success of such a strategy would be a close collaboration between the public health system and private sector providers.

Screen production

The movie and screen production sector in the District has declined slightly over time and is relatively small scale (around 115 employees). As noted earlier, however, the broader screen production sector comprises a larger range of businesses and workers involved in activities such as equipment rental, transport and food services, so is likely to make a larger contribution to Queenstown Lakes than statistics suggest.

A large proportion of screen production activity in the District is for television commercial work (TVC) and television content (close to 70 percent in 2012/13). The majority of TVCs are overseas productions and hence the industry is largely a service exporter. TVCs offer an advantage over film productions as they tend to provide more consistent work over time. However, the volume of productions does fluctuate from year to year and the industry as a whole does not appear to have experienced long-term growth.

However, the potential for long-term growth exists as the District has a range of advantages as a centre of screen production. Some of these are common to New Zealand, but others are unique to the District. They include the outstanding vistas and locations; reverse seasonality with the northern hemisphere, that allows productions to be shot in their off-season; a concentration of television and film professionals with a reputation for quality and ability to deliver (leveraged off work on Lord of the Rings and the Hobbit); a good range of equipment available locally (e.g., digital cinematography cameras); reliable access to sites and land; and the good amenities available in Queenstown.

Further growth depends critically on marketing and developing relationships across New Zealand and overseas, in order to raise the profile of the District's advantages and to continue to attract



productions. Promotion, offshore representation and facilitation are provided by Film Otago Southland, that works closely with other regional film offices and Film New Zealand.

The absence of a screen production studio has been raised as a potential constraint to industry growth, and work has been undertaken on exploring the feasibility of and options for a studio. The need for a studio has not been clearly demonstrated and private investment has not been attracted to date. Other options suggested include a simpler facility to enable indoor shooting in the event of adverse weather or a creative centre to bring together experts from film, IT and other creative industries to encourage innovation and breakthrough ideas.

Specialist professional, technical and ICT services

As noted earlier, professional, technical and ICT services make a significant contribution to estimated GDP and employment in the District. Within these broad industries, several sectors have been growing rapidly over the last decade, including engineering, computer systems design, advertising, accounting, management consultancy, legal services and design services. Although several of these are based largely on servicing the growing resident population and local enterprises, some of these are or have the potential to be national or international in orientation and build off the District's reputation and advantages.

Professional, technical and ICT businesses that can grow internationally from within Queenstown Lakes need to be based on a business model that not only leverages distinctive capabilities within the District but that allows servicing of geographically dispersed customers from a distant location. There are several examples of these businesses in Queenstown Lakes, such as MedRecruit, Syrp, Magic Memories and Bookme. These businesses have leveraged one or more of the following: the District's reputation for a unique tourism experience, the pool of highly skilled people that are attracted to the environment, and/or a well-informed recreational, sporting and creative customer-base at their doorstep. They have been able to expand internationally from a head office in Queenstown Lakes as they develop the IP in the District while working with national and international partners to expand their reach.

The same arguments can apply to some niche manufacturing businesses, such as sporting, recreational and some food product manufacturers, as demonstrated by the likes of Mons Royale and Skinalive. Although they may be classified as manufacturers, the value of the product is typically based on brand, R&D and/or design. Again, this IP is developed and managed within the District, often with distribution and/or manufacturing arrangements offshore.

The question for the District is how to attract, build and retain more of these types of entrepreneurs and businesses within the District. The District may be known for its innovation in developing local tourism products, but it is not commonly thought of as a place to develop national, Australasian or global businesses. This may require broader promotion about the benefits of doing business in Queenstown Lakes beyond current visitor promotion. It may also require a different level of engagement between businesses, industry groups, investors, the Council and support organisations to identify enterprises, clusters or sectors with significant growth potential and to facilitate and remove obstacles to that growth.

Other considerations for these industries include the availability of Ultra-Fast Broadband and the ease of getting to and from the district (the introduction of night flights and the ability to overnight jets will improve access).



Current initiatives

The District currently supports the film sector through the Council providing \$84,000 of funding support annually for the activities of Film Otago Southland (an independent trust), in partnership with other local authorities in the region. Film Otago Southland puts production companies in touch with local expertise, hosts major industry influencers in the District, represents the screen production industry to the community, liaises with the Department of Conservation and Land Information New Zealand to ensure that productions have access to locations, and promotes the District's capability in New Zealand and overseas. A major part of promotional effort involves networking with other offices in New Zealand and offshore through an international network of film offices. One question for Queenstown Lakes is whether the current regional arrangement provides the best leverage for film promotion efforts in the District, whether more focused attention on the District is required and/or whether more formal partnerships with the other key screen production centres of Wellington and Auckland would be of value.

Other knowledge-based industries are not currently directly supported through Council funded economic development activity, although the argument can be made that the dominance and reach of the visitor economy indirectly adds value to a large range of industries. However, many other territorial authorities tend provide support for industry and investment facilitation activities in addition to their visitor promotion and marketing efforts.

Businesses in these industries can also receive support from national organisations such as New Zealand Trade and Enterprise (NZTE) and Callaghan Innovation. The Queenstown Chamber of Commerce is the regional partner for NZTE and Callaghan Innovation, providing support for business capability development and encouraging investment in R&D. However, the District captures a very small proportion of Callaghan Innovation investments and NZTE does not have any focus clients in the District. This may be due to difficulties that local businesses have in understanding or accessing the support available, and/or may mean that the profile of the District's growth enterprises and industries does not match well with available support.

The opportunities

There are a range of niche sectors in the education, health, screen production, professional, technical and ICT services that have a solid track record, are built on unique elements of the District's economy, and have the potential to grow further. However, many of the niches are currently small scale and it will take a significant change in the level of activity for knowledge-based enterprises and industries to account for a reasonable proportion of economic activity.

The following is the major opportunity identified for addressing this priority area:

- 1 Encourage expanding economic development activities for the District to include: industry development (for example, for knowledge-based industries), education and investment promotion alongside screen production promotion and facilitation.

Potential initiatives to accelerate growth in some industries have been identified by industry representatives (for example, as noted earlier, expanding the range of executive education offerings, developing a centre for creative industries and it should be noted that Wanaka has significant land capacity, in itself an economic opportunity) but they are relatively speculative at this stage and require further scoping and testing. There may well be different or additional initiatives to those identified to date that may make more of a difference. Indeed, the most promising may be 'below the radar' and not have been explored due to a lack of



information or awareness. An initial action would be to convene groups of interested representatives from each of the health, education, screen and professional and technical service industries, alongside representatives from the Chambers of Commerce, NZTE and Callaghan Innovation, to identify major opportunities for the District and to explore options for collaborative action to secure those opportunities or to remove any constraints. This could lead to the development of specific action agendas for these industries, if that is deemed worthwhile by the businesses and organisations involved. A positive example of such collaborative approach is the Urban Design Strategy and professional-based panel.

There are also likely to be options for the District to work in partnership with economic agencies in other centres on investment attraction and screen production and education promotion offshore, as well as with NZTE and Callaghan Innovation.

It was also apparent during the strategy development process that there is relatively limited information about the capabilities and potential of businesses and industries in the District. This includes industry level data and business intelligence about current growth or investment opportunities and obstacles to growth. Collecting and assessing such information tends to be a standard and specific role for local government or partners agencies as it enables the more effective development and monitoring of policies and processes. The provision of such advice should be supported in the District.



PRIORITY 3: ENCOURAGE HIGHER CONTRIBUTION VISITOR ACTIVITY

Queenstown Lake's natural amenities, image and ability to attract visitors will continue to be the foundation of its economy and growth. Considering the strength of the District's comparative advantage in this area, the tourism sector will always remain the dominant part of the local economy, irrespective of moves to facilitate a degree of industry diversification. The benefits of tourism also extend well beyond the direct industries involved. Tourism supports a range of service industries and helps the District to attract migrants, investment and build business relationships. Tourism also supports amenities and activities that locals would not be able to support on their own, contributing to quality of life.

Context and analysis

Visitor nights and expenditure

As noted earlier, the District has achieved strong performance on measures of visitor attraction over the last decade:

- Commercial accommodation guest nights have risen strongly at almost three times the national rate of growth over the last decade (3.4 percent compound annual growth compared to 1.2 percent nationally¹⁰), with both Queenstown and Wanaka regional tourism organisation (RTO) areas achieving relatively high growth. For the year ended June 2014, the District captured over 10 percent of all of New Zealand's commercial accommodation guest nights (compared to the 0.7 percent it represents of the national population).
- Across all accommodation types, estimated visitor nights also grew strongly at double the national rate over 2006-2011 (2.1 percent compound annual growth compared to 1 percent nationally), although this was driven by growth in Queenstown rather than Wanaka.
- The District also has a high estimated average length of visitor stays, with the Queenstown RTO having the highest average length of stays in commercial accommodation for the year ended June 2014 (2.64 days compared to 2 days on average nationally).
- Visitor expenditure in Queenstown Lakes was estimated to be over \$1.6 billion in 2014, around 9.4 percent of nationwide visitor expenditure, and the second highest level of expenditure in any territorial authority. Growth in nominal visitor expenditure over 2009-2014 in the District has been higher than growth in most other districts in New Zealand (6th highest growth) and the Queenstown RTO area experienced the fastest growth in visitor expenditure over the period out of all RTOs at 6.3 percent per annum (Wanaka experienced more moderate growth at around 2.8 percent per annum).

Origin of visitors and purpose of visit

Unlike most other areas of New Zealand, the majority of visitors to Queenstown Lakes are international (65 percent compared to the New Zealand average of 36 percent in 2013). Growth in international visitor nights has exceeded other areas of New Zealand. Similarly, the District achieved

¹⁰ Commercial Accommodation Monitor – years ended June 2004 to June 2014.



the highest growth in international visitor expenditure over 2009-2014 out of territorial authorities (5.6 percent per annum compared to -0.7 percent nationally). It's important to note, however, that the dominance of international visitor expenditure is driven by the Queenstown RTO area. Lake Wanaka RTO area's proportion of international visitor expenditure (38 percent) is much closer to the national average and growth in international expenditure in Wanaka has been more modest (at around 2 percent per annum). Wanaka is currently much more of a domestic tourism destination compared to Queenstown.

Australian visitors account for the greatest proportion of international expenditure in the District and this contribution has increased over the past few years, while expenditure from UK visitors has fallen considerably and expenditure from China visitors has increased rapidly, albeit from a low base. Australia has been a focus for marketing efforts and Destination Queenstown recently partnered with Tourism New Zealand to promote the District as a summer adventure location for visitors from New South Wales and Victoria.

Australian visitors are high average spenders in the Queenstown. The Visitor Insights Programme suggests that Australian visitors spend more on average per day in Queenstown than domestic and other international visitors¹¹. Nationally, visitors from China, Japan or Korea are high average spenders¹². While the focus on the Australian market is clearly consistent with increasing visitor expenditure, attracting a higher proportion of visitors from Asia and encouraging them to stay longer may help to grow visitor expenditure over the long-term and will also help diversify the market. This is consistent with Destination Queenstown's China market development strategy and focus on attracting more high spending free and independent visitors from major cities in China.

Around three quarters of international visitor nights are from visitors travelling to the District for a holiday, with just over ten percent visiting friends and relatives, and only small proportions travelling for business and education purposes.

Estimates suggest that visitors travelling for a holiday or for business purposes spend more on average per night than visitors travelling for other purposes (for international visitors, this is around three times the average spend of those visiting friends and family¹³). Business travellers tend to travel for fewer days, although tend to remain in the same place (i.e., have concentrated spending). The timing of business travel is less related to seasonality, meaning they can be attracted throughout the year. This suggests that securing a higher proportion of business visitors would also be beneficial.

It is clear from the evidence that the performance of the visitor economy differs across Wanaka and Queenstown, with Wanaka more reliant on domestic visitors and achieving lower growth in visitor expenditure. This reflects the somewhat different (but complementary) visitor value proposition in Wanaka compared to Queenstown, that is based on the Wanaka 'lifestyle reserve' story and reflects a more personal, open space and 'away from the crowds' experience.

Events

The District holds a large variety of national, regional and community events, such as Warbirds over Wanaka, the Winter Festival and the Arrowtown Autumn Festival, to name a few. The District has also been successful at securing national event funding for sporting events, such as the New Zealand Golf Open, Winter Games New Zealand and Challenge Wanaka Triathlon Festival.

¹¹ Sourced from Destination Queenstown.

¹² Based on the international trip characteristics model.

¹³ Ibid.



However, the Queenstown RTO area currently captures a relatively small proportion of business events (i.e., conferences, exhibitions, meetings) in New Zealand (3 percent of delegate days, compared to 4 percent in Rotorua and 5 percent in the Bay of Plenty, for example¹⁴). It has a low number of such events compared to other RTOs, although does get a better share of multi-day events (5 percent compared to 4 percent in Bay of Plenty and 5 percent in Rotorua). The small share may be due to accessibility and venue constraints, as although Queenstown Lakes can cater adequately for conferences up to 250 delegates there are constraints for larger conferences, with limited venues that can cater for larger numbers (Horwarth HTL and WHK, 2012).

The Shaping our Future Events Taskforce also previously identified several key issues impacting on event attraction and hosting, including a perception that the District is not events friendly and fragmentation of support.

Amenities

In addition to the District's diverse range of outstanding natural amenities and related attractions, there are a range of cultural, recreational and retail amenities in the area, such as museums, galleries, parks and reserves, the events centre, and shopping centres in the main towns of Queenstown and Wanaka and in Frankton. A number of areas have been identified for future expansion of retail activities and other amenity developments are in the pipeline such as the proposed establishment of hot pools by Ngai Tahu Tourism.

Local residents are clearly pleased with their locality overall, with 92 percent of respondents in a recent survey identifying themselves as at least 'proud' of their District (Carteblanche, 2014).

However, anecdotally there have been concerns expressed by landlords and retailers about the quality of the Queenstown and Wanaka town centres as a retail proposition for high value tourists (in addition to its role as the community centre for residents). The centre does not have many high-end retailers that are commonly found in other international resort towns and an increasing number of lower end souvenir, discount and convenience stores have been established, that cater for the backpacker and lower spend visitors. Opening hours also vary across retailers. It has been proposed that a downtown association be established to better plan and advocate for the Queenstown Town Centre while Wanaka Town Centre improvement is also underway. The recent announcement of the Skyline Enterprises proposal for a high-end retail development next to Eichardt's Private Hotel could also act as a catalyst.

Seasonality

Queenstown Lakes has less of a visitor seasonality issue than many other comparable territorial authorities in New Zealand. Queenstown Lakes has a more consistent international visitor profile, with two peak seasons in the year (summer and winter) instead of just the single peak for other major international destinations such as Auckland and Rotorua. The main trough occurs in the April (post Easter) to end of June period, with a second trough from September to November. Domestic visitor seasonality is also less of an issue than in other resort areas of New Zealand, and the variability between peaks and troughs is lower than for international visitors.

¹⁴ Convention Activity Survey, Year to December 2014 report.



Despite the relative low level of seasonality, reducing the size of the troughs would clearly help to increase visitor expenditure annually, while not putting additional pressure on infrastructure in peak periods.

Current initiatives

The District contributes about \$4.1 million per annum for visitor promotion, most of which is funded by commercial ratepayers via a targeted rate collected by the Council. The funding is allocated to the two RTOs of Destination Queenstown (\$3.3 million for 2014/15) and Lake Wanaka Tourism (\$738,000), as well as the Arrowtown Business Association (\$117,000). These agencies undertake a range of promotion and marketing activities for the District, including travel agent marketing, attendance at trade shows, facilitation of conventions, advertising, media releases and management of some events. Consistent with a desire for higher value visitor activity, the Council and the RTOs have agreed on prioritising marketing to develop the shoulder seasons, and to encourage longer stay and higher yield visitors.

As was noted by some stakeholders, it is unusual to have three promotional organisations for a district the size of Queenstown Lakes. Industry did, however, note that there are differences in the visitor offerings and source markets between Wanaka and Queenstown, and that Arrowtown has its own value proposition.

Following the recommendations of the Events Taskforce, the Council adopted an Events Strategy in 2013. This included new events funding arrangements to support commercial, major community and local community events and the establishment of an events office to help facilitate events through regulatory processes, assist with the public interface, and ensure major events continue to be attracted to the District. The Events Fund was \$700,000 in year 2013/14, increasing to \$800,000 in year 2014/15. Several major and community events have already received support.

The almost \$5 million of combined support for visitor promotion and events funded through rates is significant given the size of the District. This represents over \$750 of investment per business in the District, compared to other districts where less than half of that spend per business is more common. However, high visitor areas do tend to invest proportionately more¹⁵. A more important measure than the quantum of spend is the quality of and return from that investment. The RTOs measure performance against key performance indicators and have generally been meeting these, but measures tend to be based on activities rather than the additional outcomes achieved. An evaluation of the effectiveness of the District's overall visitor promotion and events investment has not been undertaken, although assessments have been made about the impacts of particular initiatives. Even though visitor numbers and expenditure have been growing strongly in the District, the extent to which the marketing and promotion activity funded by the District has contributed to that growth is unclear, compared to, for example, national promotional efforts. Identifying the direct impact of marketing activities on visitor outcomes is challenging, but there are ways of getting a better sense of attribution than through activity and output measures¹⁶ and a more rigorous performance measurement and evaluation framework may be desirable given the level of investment.

¹⁵ For example, estimated tourism and events spend per business spend via Councils and rates on visitor promotion is around \$600 in Taupo and Rotorua compared to around \$200 in Canterbury and Wellington and \$240 in Auckland.

¹⁶ See for example the Evaluation of International Tourism Marketing Joint Venture Partnerships (MED, 2011).



The Council has also proposed the development of a new purpose built convention centre at Lakeview, in conjunction with broader commercial, recreational and residential activities alongside the centre. The proposal is for the centre to cater for larger conferences of up to 800 people, hosting over 170 meetings and events and attracting an additional 29,000 visitors annually. The proposal has been the subject of much debate, particularly on the appropriate funding model. A feasibility study and impact assessment has articulated the potential demand and options for the centre and the possible impact on the economy, and the Council is considering a range of development and funding arrangements for the establishment and operation of the centre.

A sports facility for Wanaka is also being established, with stage 1 of the development (an indoor sports facility and hard court area) to be completed by 2016.

The Queenstown Town Centre Strategy was adopted by the Council in 2009. This was developed due to concerns about the pressure that rapid growth was placing on the town and its relevance to local people. The aim was to provide the community with clear expectations for the role and development of the centre and to create a work programme of actions. Issues about the quality of the Centre were identified in the strategy, for example, that incompatible activities and inadequate controls may result in adverse effects on the amenity of the town centre and concerns about traffic volumes. A range of priority areas and actions were recommended, related to enhancing the character of the centre, improving streetscape amenity, developing pedestrian links, reducing traffic and a range of other revitalisation initiatives. Some of the actions in the strategy were progressed but others were delayed or deferred, due to various factors such as budget constraints. Elements of the strategy (and the Wanaka town centre strategy) are also reflected in the District Plan and should be considered further in the District Plan Review, where consideration can be given to critical factors such as building heights, urban design requirements and development rights more generally.

A new group, Catalyst Trust, has initiated moves to make Queenstown a place where the brain as well as the body can be challenged - engaging with tertiary institutes, Centres of Research Excellence and our own international community rich in leaders of business, academia, politics and the arts to provide forums for discussion, education and debate. The recent development of TEDx conferences and Aspiring Conversations in the district are further illustrations of this evolution.

Longer term, Catalyst suggests Queenstown aims to create a regular Festival of Ideas, encourage the greater presence of tertiary institutes and the establishment of an Aspen Institute-like entity, and work towards the resort becoming a "Davos Downunder" destination.

This would bring together leaders from around the world to learn about, debate and progress issues towards action. Our dramatic landscapes and distance from the world's troubles provide the chance for clarity of mind and focus.

Davos, Jackson Hole and Aspen all work on variations of this think tank theme. There is not a similar destination in New Zealand. John Key attended a Davos conference earlier this year. Diversification into education, thought leadership and think tank arenas would contribute more broadly to the local community through opportunities to listen to and engage with experts and discuss and debate issues.

The opportunities

Overall, Queenstown Lakes is performing very well on a range of elements associated with the visitor economy. Consistent with the overall vision of a higher value economy and the agreed strategic focus between the Council and the RTOs, the main focus needs to be on growing visitor expenditure, not just on growing numbers. Although the District will always depend on a mix of visitors, including the large number of backpacker and budget tourists, achieving as high or higher growth in visitor



expenditure through lower proportional growth in visitors will help to alleviate pressure on infrastructure use and the impact of visitors on the natural environment.

In particular, the previous analysis suggests that the District should focus on:

- Increasing growth in higher expenditure visitors, for example from Australia and markets in Asia.
- Increasing the proportion of business visitors.
- Developing higher value offerings and offers to further reduce seasonality in visitor numbers and expenditure, particularly in the post-Easter to end of June period.
- Achieving higher growth in visitor arrivals in Wanaka. This, coupled with Lake Wanaka Tourism's plan to increase average length of stay, should result in an increase in guest nights and average visitor spend.
- Broadening the appeal of Queenstown Lakes as a place to come for intellectual as well as physical challenge.

The following are recommended as key opportunities for addressing this priority area:

1. Construction of the convention centre at Lakeview, in combination with a proposed hotel, retail shops and/or hot pools. Such a facility would be a major 'game-changer' for securing high value business visitors and reducing visitor seasonality in the District. Many potential conferences have reportedly had to be turned away from Queenstown Lakes due to capacity constraints (Tourism Industry Association of New Zealand, 2013). Research demonstrates that convention centres attract visitors that are typically higher than average spenders and can help to improve off-peak visitor numbers (Ministry of Economic Development, Ministry of Tourism and Auckland City Council 2009; Tourism Industry Association of New Zealand, 2013). Many conference visitors are also likely to spend a few days holidaying prior to or after a conference or to return to the location for a holiday (Tourism Industry Association of New Zealand, 2013). A centre is also likely to mainly attract additional visitors and spend rather than simply displacing existing visitor activity, given that the District currently secures a relatively low proportion of business visitors and the focus is on larger scale conferences than the District has the current capacity to host. An economic impact rep

Central government has signalled its willingness to contribute to the establishment costs and the Council has identified the potential capital cost for the centre and undertaken preliminary work on the ratings implications for District. Recent work has also outlined a range of operating projections for the centre (Horwarth HTL, 2014). The Council is developing a proposed master-plan for the Lakeview site, alternative design options and alternative rating options. The Council should give priority to completing a final proposal. This should ensure there is a clear and realistic articulation of the overall economic benefits and costs, the incidence of those costs and benefits on different stakeholders, and should ideally also be aligned with a broader approach to investing in economic development and infrastructure (see Opportunities under Priorities 2 and 4 discussed later in this strategy document).

2. Support the ongoing improvement of town centres in the District.
3. Encouraging engagement with tertiary institutes, Centres of Research Excellence and others to provide both community and visitors with opportunities for education, discussion, debate and think tanks.



PRIORITY 4: FUTURE PROOF INFRASTRUCTURE

Given Queenstown Lakes' location, quality infrastructure needs to be available to enable organisations and people to readily connect into, out of and within the District to exchange information and ideas, to travel, and to sell and buy goods and services. Efficient and effective road, air and communications infrastructure facilitates increased economic activity such as visitor attraction, investment and internationalisation. Well-functioning energy, water and waste infrastructure and a variety of recreational and community infrastructure helps to improve the environment for residents to live and work, contributing to quality of life and wellbeing.

In addition to what may be regarded as 'core infrastructure', that involves the provision of essential services, economic development can be enabled through other infrastructure that supports business and industry growth. Examples include incubators and innovation parks, convention centres, studio facilities, and centres of education and research excellence.

Context and analysis

Airport infrastructure and connectivity

The District has good quality airport infrastructure with Queenstown Airport upgrading its facilities recently and providing a variety of domestic and international air connections. Direct flights to Auckland, Wellington and Christchurch facilitate business connections, although the timing of flights is not always ideal (e.g., there are no direct early morning outbound flights for business travellers to Auckland). There are regular flights to Australia (Melbourne, Sydney and Brisbane) on Air New Zealand, Jetstar, Qantas and Virgin Australia. Direct flights to New Zealand's main centres also facilitate connections to other international destinations. Wanaka Airport adds to the mix through non-scheduled services and sightseeing flights.

The number of passengers using Queenstown Airport has been growing strongly by 15 percent per annum since 2009, while other regional airports have seen declines or little growth. Further investment to facilitate growth is planned, including a dedicated corporate jet terminal to cater for high value visitors and the proposed aviation precinct (recognised as a project of national significance).

A long standing utilisation and capacity issue has been the inability to extend flights to non-daylight times, particularly in winter. However, New Zealand and Australian civil aviation authorities have approved in principle the safety case for flights in hours of darkness. The airport must make 66 improvements to technology and infrastructure before night flights are allowed and the airport has signalled investment in the upgrades will require clear signals of commercial demand. Evening flights will not be introduced before 2016.

Internet and broadband connectivity

The District also enjoys good quality virtual connectivity. Queenstown Lakes' residents have one of the highest internet uptakes in New Zealand, with 88 percent of residents having internet access in 2013, compared to 77 percent nationally. Chorus, together with Crown Fibre Holdings, has been rolling out Ultra-Fast Broadband (UFB) in Queenstown central since September 2012. Although Wanaka was not



included in the UFB initiative, the Chamber of Commerce and business leaders, supported by the Council, negotiated with Chorus to jointly fund UFB roll-out in the Wanaka town centre during 2014.

Most industry representatives spoken to indicated that broadband roll-out and width was not a constraint to business except for heavy users (e.g. in screen production), although others noted that service is weak in areas outside of the main centres, that will impact on remote workers and students who do not live in the towns. More generally, however, internet speed in small communities was seen as a growth inhibitor.

Road network

Queenstown Lakes is very reliant on a few main road routes, particularly State Highway (SH) 6, that connects Queenstown to Frankton, Jack's Point, Lake Hayes, Cromwell and Wanaka. SH6 north through the Kawarau Gorge is vulnerable to slips in winter. A key bottleneck is the single lane Kawarau Falls Bridge, that can result in long traffic queues at certain times and also restricts the use of heavier trucks for freight. This is also a connectivity risk for the District as, in the event of any major disruption at the Bridge or SH6 south, the only alternative access to the south involves a detour of 380km. SH6 between Queenstown and Frankton (Frankton Road) experiences peak hour congestion, with traffic predicted to slow to about 20 km/h in 20 years without remedial measures. Wanaka does not experience significant congestion problems although will need to strengthen cross town routes as traffic increases due to population and visitor growth.

Despite road constraints, the percentage of residents satisfied with sealed roads has increased to almost 72 percent in 2014 from 53 percent in 2012, and the percentage of residents satisfied with unsealed roads increased from 37 percent in 2012 to 60 percent in 2014 (Carteblanche, 2014). However, roading was identified as the number one area requiring improvements in the same survey.

Current and expected constraints and risks are well recognised and plans are in place to alleviate them, building off the previous Wakatipu Transportation Strategy and Wanaka Transportation and Parking Strategy. For example, work is underway to provide the case for a modern two-lane bridge at Kawarau Falls and an Eastern Access Road to provide a circuit around Frankton Flats to the Remarkables Park Town Centre. Design work is being undertaken for the Inner Links project, a peripheral route around the Queenstown town centre that will be important in freeing up traffic through the centre, and the North Western Corridor for Wanaka. The Council is also updating its transport strategies in consultation with NZTA, Queenstown and Wanaka Chambers of Commerce and Otago Regional Council.

Roading is a significant cost for the Council, with around \$20 million spent on road-related capital improvements in 2012/13. The New Zealand Transport Agency (NZTA) has also recently determined a reduction in the transport subsidy for Queenstown Lakes (discussed below).

Water and waste water

Managing water use and quality has been an issue for Queenstown Lakes. The District has one of the highest levels of water usage per person in New Zealand, estimated at around 700 litres per resident per day compared to around 200-300 litres per day nationally (Queenstown Lakes District Council, 2014a). Contributing factors include leakages, resident and visitor population growth (and their perceptions that there is a significant supply of water from the lakes), irrigation and a dry summer climate. More significant issues arise at peak times in summer (with water use on a peak day around one and a half times the average day in winter). The Council has implemented an education campaign to reduce water use.



There has been an increase in the proportion of residents satisfied with the quality of water from around 64 percent to 74 percent between 2012 and 2014 (Carteblanche, 2014). The Council is currently considering whether to introduce volumetric charging through the introduction of water meters, subject to public consultation.

There have also been issues in the past in managing wastewater flows due to visitor growth, flood events and blockages. The Council has invested in a range of wastewater network enhancements over the last few years, including the major Project Pure waste water treatment plant and land disposal at Wanaka, and has recently expanded its preventative maintenance programme. The Cardrona Valley Pipeline project has also been proposed for piping Cardrona's wastewater to Wanaka for treatment and disposal, with further design work to be undertaken. Project Shotover, the proposal to upgrade the Wakatipu waste water treatment facility, is the most significant project in the Council's 10-year plan (costing around \$36 million) and is to be completed in 2025. The upgrade is needed to meet forecast increases in wastewater flows and to meet higher environmental standards. The Council has been testing options to identify the most affordable approach to stage the project.

There has been an increase in the proportion of residents that are satisfied with the waste water system from 58 percent to 77 percent between 2012 and 2014 (Carteblanche, 2014).

The 3 Waters Strategy (Queenstown Lakes District Council, 2011b) attempts to balance affordability against maintenance and improvement of the water network. The strategy has identified key issues and likely problems with the network based on an assessment of the aging of the network and growth demands. The Council has identified a long-term project of works in the ten-year plan but has also identified there will be funding constraints and has postponed some of the works as a result.

Other infrastructure

Beyond core-infrastructure, there are also demands for the District to invest in other forms of infrastructure to support the economy and improve the environment for residents, such as the growing track and trail network. Apart from the convention centre already discussed, other significant proposals are the development of the Wanaka Sports Facility, that is due for completion in 2016, and the extension of the Queenstown Events Centre over 2016/17 (at a cost of around \$17 million each).

Infrastructure funding

The overall message is that infrastructure is currently of reasonable quality and although several constraints and risks have been identified, work is well advanced on plans to rectify these. The most significant issue for the District is how it will fund existing infrastructure requirements, plus further enhancements that will be required to support population and visitor growth, especially if growth is higher than expected, and any proposals that are beyond 'business as usual'.

Three major issues will impact on the ability of the District to adequately fund infrastructure improvements in future:

- a The ability to support infrastructure demands and use by a growing and significant visitor population, largely from a small rateable base. Estimates indicate that although the resident population is around 30,900, on an average day the population is more than 46,000 (visitors accounting for 39 percent) and at peak times around 89,000 (visitors accounting for 68 percent).

Population, visitor and general economic growth will result in the increased use of, and requirements for, infrastructure (e.g., traffic flows on roads, water use). The proportion of ratepayers to visitors in the District may decline in future depending on the strength of visitor and



resident population growth. For example, there are forecasts that New Zealand will achieve 3 percent per annum visitor growth over the next 6 years, and visitor growth in Queenstown is likely to exceed national levels, compared to an estimated 2.2 percent growth in population over the long-term.

- b Changes in central government contributions to support local infrastructure. At the regional level, Crown operational and capital expenditure on transport and communications in Otago is near the bottom end of New Zealand regions on a per capita basis (\$698 per person compared to the national average of \$920 per person) (NZIER, 2013). Although relatively low, central government is still a significant investor in the region's and District's infrastructure. Any changes in this investment could have a major impact on the contribution required from the District.

As noted above, NZTA has recently reviewed the rates at which it subsidises local authority transport projects and programmes (Funding Assistance Rates or FARs). Over the long term, the effective FAR for the district is reducing from around 56 percent to 53 percent of project cost. These changes will put further pressure on the District to fund required road improvements.

- c Changes in the mechanisms available to local government to invest in infrastructure. The Local Government 2002 Amendment Act 2014 prevents Councils from charging development contributions to fund community facilities, such as art galleries and sport centres. The removal of this source of funding for community infrastructure means they will need to be funded through other mechanisms, such as rates.

Current initiatives

The Council has been considering different options for funding infrastructure and services to account for growth and to better reflect the incidence of costs and benefits. A significant rates review was undertaken over 2011/12. A major component of the review was to develop a method for recovering costs associated with visitors. This resulted in the targeted recreation and events rate, where all businesses contribute towards the costs of providing infrastructure and events for visitors.

A visitor levy or 'bed' tax has previously been proposed as an option and could be explored further. These are used in several tourist locations offshore (and more recently a variation has been adopted for Stewart Island), although the overall benefit of these mechanisms relative to costs is open to debate. Factors that would need to be considered include:

- Efficiency – administration of such a levy could be complex and costly depending on how it is implemented (for example, to differentiate between commercial and non-commercial accommodation; to monitor the levy and to comply with the levy).
- Equity and coverage – visitor levies are likely to be incurred only by a proportion of those that benefit from visitors (e.g., accommodation providers) and also only a proportion of visitors (e.g., not day visitors, not necessarily those staying in non-commercial accommodation).
- Impact – if passed on in the form of higher accommodation prices, demand for accommodation (including length of stay) may fall although this may be negligible if the levy is relatively small. Revenue generated by the levy would also fluctuate with the seasons and with changes in the global economy.



- Interaction with other charges – the current targeted levy on businesses already accounts for visitor growth to some degree and over a broader mix of industries and it may be difficult to justify an additional charge. In addition, it's important to note that visitors are already contributing in some ways through spending on goods and services (for example, through GST; and local charges for goods and services will also account for rates and hence infrastructure and other costs).

A strong case would also need to be made to Central Government before such a levy could be implemented (as empowering legislation would be required for the Council to use this mechanism).

The opportunities

1. Council to continue to review options for funding core and other infrastructure in the 10 Year Plan process.

For example, the Council will consider the feasibility, benefits and costs of a range of infrastructure funding options to identify the best long-term mix of mechanisms for different types of infrastructure and to better plan for forecast growth demands. This will include consideration of the mix and feasibility of different mechanisms, for example:

Mix of funding options to consider*:	Questions to consider in assessing feasibility
<ul style="list-style-type: none"> • Development contributions – can appropriately reflect funding pressures resulting from population, household and industry growth. As noted above, depending on the Local Government Amendment (No.3) Bill, they may no longer be able to be used to fund some types of infrastructure. • Rates, including: <ul style="list-style-type: none"> ▪ General rates – appropriate when all ratepayers should bear the cost of all or part of a type of infrastructure (attempting to account for value capture and their ability to pay). ▪ Targeted rates – appropriate when the cost of infrastructure should be met by a specific part of the community. • User charges (e.g., as is currently being considered for water, subject to consultation) – are appropriate when it is relatively straightforward to attribute the cost of infrastructure to individuals or organisations and when it is important to manage the allocation of scarce resources. A visitor levy mechanism could be considered as one option for user charges. • Assets/investment returns – the Council could reduce its ownership stake in some of its current investments and reinvest the proceeds in improved infrastructure or in a revolving infrastructure investment fund. This needs to be balanced against a desire for community control of these assets. • Central government contributions – central government already invests in core infrastructure, although there may be questions about whether some allocations reflect the District's unique features (e.g., transport funding noted above), and there may be cases for co-investment in non-core infrastructure where there are clear national benefits and/or when it is more efficient to access central government sources of revenue. • Visitor or bed tax (currently not supported by legislation). 	<ul style="list-style-type: none"> • Are benefits and beneficiaries of the infrastructure readily identifiable? • Can the costs be attributed clearly to the beneficiaries? • Are the beneficiaries able to pay sufficiently? • Is it there one-off, short-term or ongoing funding requirements? • Is the investment required associated with a specific new development? • Will the funding approach be understandable and acceptable to the community affected? • Will it create appropriate incentives on behaviour? Will it promote efficient investment in and use of infrastructure? • Will the benefits of raising additional funding outweigh the costs of implementing and administering the funding mechanism?

*Noting that debt and private/public partnerships are financing methods rather than funding options per se



Priority initiatives adopted by comparator resort towns

The proposed actions suggested in this strategy are consistent with approaches used in comparator resort towns although naturally the details of the actions differ. In particular, offshore visitor and resort locations have identified business and investment attraction, convention and event attraction, and supporting growth in industries that build on local advantages as key priorities.

Table 6. Initiatives adopted by comparator resort towns

Location	Priorities	Example initiatives
City of Gold Coast, Australia	<p>Wants to shift from the traditional economic drivers of population growth and tourism, towards attracting knowledge intensive industries based on intellectual capital.</p> <p>A target for the strategy is to increase non-population serving employment from 30 percent (2011) to 34 percent by 2023 (City of Gold Coast, 2013).</p> <p>The city's strategy highlights that diversification of business and industry is focused on not losing the traditional strengths, but in lifting the capacity of new emerging industries globally.</p>	<ul style="list-style-type: none"> • Citywide innovation and commercialisation network • Investment and business attraction programme, including attracting R&D, ICT and digital economy focused activity to the city • Research triangle between the three universities and business • Developing local skills and raising higher education aspirations • Incentive programme to actively promote the Gold Coast as a location for film investment • Targeted plan to attract high performance sport related business and recruit peak sporting bodies as a result of the 2018 Commonwealth Games • Gold Coast alumni network, expats abroad and ambassador programme • Competitive Business Programme – assist and support local high growth businesses through active engagement and business development programmes
Whistler, Canada	<p>Key priorities include:</p> <ul style="list-style-type: none"> • Support tourism product re-investment and development • Diversify resort products • Grow markets and segments • Improve guest experience 	<ul style="list-style-type: none"> • Expand weather-independent attractions • Expand cultural tourism products and programmes • Integrate complementary learning and education opportunities into resort product • Expand group and conference business • Continue to support animation, events and festival experiences
Park City, Utah, US	<p>Park City Municipal Corporation, Economic Development Plan 2011 has a vision of:</p> <ul style="list-style-type: none"> • To provide long-term economic health for the greater Park City region through a proper balance of tourism initiatives and sustainable community desires for those that live in and visit the area. As a guiding principle, all economic development initiatives will consistently strive to sustain a vibrant multi-seasonal destination resort community. <p>Community vision: Park City 2030 – Keep Park City “Park City”</p> <p>One of the priorities of Park City 2030 is a “world-class, multi-seasonal resort destination”.</p>	<ul style="list-style-type: none"> • Assist in business attraction/retention of both resort-based and year round businesses • Convention, multi-use event centre and high altitude destination feasibility analysis • Events – overhaul process and fee schedule; criteria to prioritize event calendar, review regulations of temporary uses during large master events/festivals • A Park City Tech Centre is under development – a 70 acre office and research technology park. The first building was completed in 2012, and aims to attract new business into the area.



Location	Priorities	Example initiatives
Aspen, US	Key priorities include: <ul style="list-style-type: none"> • Attract new businesses • Strengthen the tourism economy • Encourage business retention and expansion 	<ul style="list-style-type: none"> • Diversify and strengthen economic base. Establish baseline economic sectors and determine which wedges to grow or put into place; Host brainstorm of economic development experts to assist the region in creating and developing new businesses • Drive or increase tourism through special events and diversify tourism base. Recruit and attract special events for shoulder season; Expand heritage, historical, agricultural and cultural tourism; Support and develop summer recreation opportunities • Focus on projects that serve to bolster tourism. Mentoring programme for businesses; Branding the region; Create an asset map of current and existing businesses; stop competing with neighbouring communities



ECONOMIC DEVELOPMENT ARRANGEMENTS

Resources are required to further develop and coordinate the implementation of the actions in this strategy. This is about project managing implementation – not delivering the actions, as several actions will be more appropriately delivered through existing teams and other organisations. More generally, the Council needs to better inform its policies and plans from an economic development perspective and to anticipate and provide leadership on economic growth issues and opportunities rather than reacting to these. There is a need to improve the quality of economic intelligence that the Council receives. This should include:

- compiling and assessing detailed economic and industry data on the District on a regular basis
- collecting business intelligence about opportunities for and constraints to growth, intentions of businesses to grow and invest, and feedback from the private sector on proposed policies and developments
- keeping up-to-date with policies and initiatives of relevance in the wider region, in other regions and nationally. This would include maintaining a strong network of economic development contacts around New Zealand.

This is consistent with the intent of the recommendations of the Shaping our Future Economic Futures Taskforce. Capability is also required to monitor and report on progress against the actions in this strategy.

Expanding economic development activities

As discussed under priority 2, a key opportunity is for the District's economic development activities to be expanded to include broader industry and investment facilitation and promotion activities in addition to existing marketing and promotion activities.

There was strong feedback from consultation that such activities should be community led. In order to determine the appropriate arrangements, the following questions need to be considered:

- What governance and accountability arrangements are desirable (including oversight of the implementation of this strategy)?
- What is the purpose and what are the specific functions to be undertaken?
- What form is best for these functions and governance arrangements?
- What is the funding model?
- What industry and community liaison mechanisms may be required, such as an investment panel and/or a private sector advisory group (including health, education, knowledge-based industry representation etc)?

The Council will support the community in the development of District-wide economic development functions.



SUMMARY OF KEY OPPORTUNITIES

The table below summarises the proposed opportunities, highlighting initiatives associated with economic development arrangements and initiatives focused on specific opportunities/challenges.

Economic development arrangements	Timeframe	Priority area	Responsible
1 a. Encourage expanding economic development activities for the District to include: industry development (for example, for knowledge-based industries), education and investment promotion alongside screen production promotion and facilitation. b. Support the community in the development of District-wide Economic Development functions with a recommended focus on: Governance Structure (including options outside of Council), Purpose and Functions, Funding Model, Stakeholder Feedback, Potential Liaison Group structures including: Investment Panel, Private Sector Group (including health, education, knowledge-based, professional etc.).	Industry/Community dependent	Priority 2	Council and community

Initiatives to address specific opportunities and challenges	Timeframe	Priority area	Responsible
2 Continue to develop Council's business relationship model to support the streamlining of major investment projects and consent processing.	Ongoing	Priority 1	Council
3 Continue to investigate all options for improving housing affordability in the District.	Ongoing	Priority 1	Council and community
4 Finalise the convention centre proposal and construct the convention centre at Lakeview subject to approved business, operations, funding and debt structures. The final proposal should ensure there is a clear and realistic articulation of the overall economic and community benefits, costs and risks.	Finalise proposal within 6 months	Priority 3	Council
5 Support the ongoing improvement of town centres in the District.	Ongoing	Priority 3	Council and community
6 Council to continue to review options for funding core and other infrastructure in the 10 Year Plan process.	Ongoing	Priority 4	Council



STAKEHOLDERS CONSULTED

In addition to the two phases of community consultation, representatives from the following stakeholder groups and businesses provided perspectives on issues and opportunities impacting on the growth of the District, that helped inform the development of this strategy document:

- Shaping our Future steering group
- Queenstown Lakes District Chamber of Commerce & Industry
- Wanaka Chamber of Commerce
- Destination Queenstown
- Lake Wanaka Tourism
- Film Otago Southland
- Queenstown Lakes Community Housing Trust
- Amisfield
- Southern Institute of Technology
- Queenstown Resort College
- Southern Lakes English College
- Headquarters
- Gen-i
- Global Film Solutions
- Queenstown Centre for Regenerative Medicine
- Med Recruit
- Catalyst Trust



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