Before an Independent Hearings Panel

The Proposed Waikato District Plan (Stage 1)

IN THE MATTER OF	the Resource Management Act 1991 (**RMA**)
IN THE MATTER OF	hearing submissions and further submissions on the Proposed Waikato District Plan (Stage 1): **Topic 25 – Zone Extents**

HIGHLIGHTS PACKAGE
ADAM JEFFREY THOMPSON ON BEHALF OF TATA VALLEY LIMITED (ECONOMIC)

12 May 2021

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1. SUMMARY OF EVIDENCE

1.1 My full name is Adam Jeffrey Thompson. I am an urban economist and property market analyst.

1.2 I have provided economic evidence in relation to proposed rezoning sought by Tata Valley Ltd (**TVL**)[1] of land at 242 Bluff Road and 35 Trig Road, Pokeno (**Site**).

1.3 The main findings of my economic assessment are outlined as follows:

(a) Prior to the restrictions on international tourists created by the Covid-19 pandemic, tourist numbers were increasing and Auckland Airport was an important entry point:

(i) It is considered likely that international tourism demand will return to trend by 2030 though downside risks to international tourism spend Covid-19 remain. I have modelled a 'worst case' Covid-19 impact on international tourism spend in the low projection throughout the analysed period.

(ii) The number of international tourists per annum arriving via Auckland airport increased by 526,700 over the past ten years from 761,600 in 2010 to 1,288,300 in 2019, a growth rate of 58,520 or 7.7% per annum.

(iii) Auckland Airport is increasingly important as an entry point for international tourists growing its market share across the whole country from 63% to 66% over the past ten years.

(iv) In the order of 70-80% of international tourists entering via Auckland Airport, are likely to travel southward by car, campervan or bus past the proposal site. This would provide a large potential market for the proposed resort development.

(v) This is the primary method of entry for travellers into the country, with 99% of travellers of all types choosing to enter the country by air and only 1% of travellers choosing to enter via sea.

(vi) Hamilton and Rotorua do not have international tourists arriving through their respective airports.

(vii) Auckland's tourism spend grew from $4.8 billion in 2010 to $8.5 billion in 2019. Waikato District's tourism spend is only a small fraction of

[1] Submitter 862 and further submitter 1291.

Auckland's, however it grew from $70 million in 2010 to $120 million in 2019.

(b) International tourists spent the most in Auckland ($4.7b), Queenstown ($2.0b) and Christchurch ($1.0b).

(c) Areas that have high tourism spend but do not have an international airport must be receiving international tourists overland from one of the international airports or via a connecting domestic flight if available. In the case of Rotorua and Taupo, which both have high international tourism spend numbers, the closest international airport is Auckland. It is reasonable to infer that there is a large flow of tourists travelling overland from Auckland into the central north island via the Waikato district.

1.4 An opportunity exists for tourism operations in the Waikato district, to attract tourists en route to Rotorua, Taupo and elsewhere in the North Island, if a high enough value proposition is presented. The Auckland tourism sector is of a large scale and is continuing to experience rapid growth. It is however characterised by low cultural and recreational spend, indicating tourists are travelling to places such as Rotorua, and Queenstown for these activities. This suggests a large potential market to retain this type of expenditure in northern Waikato, however it would require facilities that are of a large scale that offer a unique New Zealand experience.

1.5 Guest night numbers have risen but, prior to Covid-19, there was a shortfall of quality hotels in the Waikato District and Southern Auckland Region:

(a) Guest nights have risen by 209,000 per annum on average for Auckland over the past ten years (2010 – 2019). Over the past 5 years (2015 – 2019) this rate has slowed to 83,000 per annum.

(b) Guest nights have risen by 7,000 per annum on average for the Waikato District over the past ten years (2010 – 2019). A slower rate of growth has been achieved over the past 5 years (2015 – 2019) of 5,000 per annum.

(c) Occupancy rates have increased from 53% - 66% in Auckland over the past ten years, achieving an average annual growth rate of 1.5% per annum. Occupancy rates have increased from 22% - 28% in the Waikato District over the past ten years, achieving an average annual growth rate of 0.6% per annum. This shows strong demand for a large traveller accommodation facility within the proposed resort.

(d) While the proposed traveller accommodation is intended to be a destination, it would provide additional supply in a location that has relatively few existing hotels. Most notably, it would provide the first large scale resort in the Waikato, as well as the lower south Auckland region.

(e) There are a range of similar facilities to the proposal in New Zealand and overseas that offer agricultural experiences range in size from small to large. Visitation at these facilities ranges from 200,000 – 3,000,000 per annum. In addition, there is often a wide range of ancillary recreational and service activities. This would increase length of stay and total spend per visitor.

(f) The proposed resort is estimated to be open to the public by 2030, achieving an estimated 4,700 – 7,800 guest nights per annum from the domestic tourism market, and an estimated 25,200 - 56,100 guest nights per annum from the international tourist market in its first year. In total there is demand for an estimated 29,900 – 63,900 guest nights per annum, or 80 – 170 guest nights per day.

1.6 I have assessed potential economic effects against a range of different scenarios (low, medium and high projections), each projection assumes international tourism returns by 2025. The low projection assumes a 'worst case' scenario, where international tourism numbers are significantly lower from developed markets in Europe and North America currently struggling with Covid-19. I have concluded there will be significant economic net benefits in all scenarios. I explain in my evidence the basis for these three scenarios:

(a) In the medium projection, the proposed resort would achieve an estimated total revenue of $97.3 million in 2030, comprised mostly of culture and recreation ($35.7 million) and food and beverage ($31.9 million). By 2040 this is forecast to increase to $164.0 million, and by 2050 this is forecast to increase to $218.3 million.

(b) In the medium projection, total revenue from domestic tourists alone is $13.0 million in 2030, comprised mostly of culture and recreation ($4.3 million) and food and beverage ($5.8 million). By 2040 this is forecast to increase to $18.6 million, and by 2050 this is forecast to increase to $23.8 million.

(c) The establishment and operation of businesses in accommodation, hospitality, cultural and recreational and retail trade, within the proposed resort, is expected to create around 220 FTE jobs per annum and 3,960 FTE jobs over a 20-year period.

(d) The proposal would result in the construction of 49,000m^2 – 71,000m^2 of facility floorspace over three years, at an estimated total cost of $198.0 - $282.0 million. This translates to a value added per annum figure of $11.6 - $16.5 million to the construction industry or a present value (PV) of $30.7 - $43.7 million.

(e) After traveller accommodation floorspace has been constructed, it will provide short-term accommodation services to visiting tourists. The value added to the accommodation industry from this activity is $5.4 - $11.4 million per annum or a PV of $17.6 - $37.1 million over the next twenty years.

(f) As well as accommodation floorspace, the proposal results in the construction of 45,000m^2 – 63,000m^2 of commercial floorspace. This floorspace will be used for the farm park, a health spa centre, an event space, food and beverage service, recreational activities, as well as retail of products in the Made in NZ Hub and other ancillary retail. The value added per annum from these activities is $37.3 – $96.0 million per annum or a net present value of $119.2 - $306.6 million.

(g) The proposal displaces 230 ha of beef farming farmland. This carries an estimated value added of $300,000 per annum, or a NPV over 23 years of $4.4 million.

(h) The PV of the benefits of the proposal is $167.6 - $387.4 million and the PV of the costs of the proposal is $4.6 million. The Net Present Value of the proposal is $163.0 - $382.8 million. The economic benefits in other sectors of the economy significantly outweigh the cost to the beef farming industry.

1.7 The proposal would result in substantial economic benefits relating to the provision of a high-quality agricultural tourism facility. It is important to note that these are net benefits, as the facility would potentially locate in another district, meaning these benefits occur elsewhere. By contrast, the proposal would only result in a minor economic cost associated with partially displacing an existing mid-size beef farm.

1.8 The proposal would have significant economic benefits and no notable economic costs and is recommended for approval.

Adam Thompson

12 May 2021