Silverlight Studios Fast Track Consent Application

Economic Assessment

12 July 2021 – FINAL

m.e consulting

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Executive Summary

This economic assessment examines the Silverlight Studios development, including its anticipated operational model, proposed on the outskirts of Wanaka in Queenstown Lakes District. The multi-purpose development is large in scale and will be unique in New Zealand and the world. It is designed to help meet the growing demand by international screen production companies for sound stages and related facilities, as well as popular film set locations (modelled on famous cities around the world as well as historical village scenes). The development would significantly increase New Zealand's sound stage capacity and its international market share of the screen production sector.

The main analysis uses an economic impact assessment approach, or EIA. The concept and key parameters of the development scenario have been supplied by the developer. A range of estimates and assumptions around gross and net direct expenditure associated with the development scenario by year, sector and location of supplier have been made by Market Economics and the developer. The EIA considers economic impacts over an 11-year period to fully capture the different construction and operational phases of the proposal, including the indicative term of the anticipated main screen production company's initial lease.

In an EIA, the upstream supply chain impacts arising from net additional expenditure are measured. This is the increase in economic activity needed to meet an increase in demand (direct and indirect spending) including from wages and salaries and returns/dividends paid to business owners or shareholders (induced spending). An EIA reports the gross domestic product (GDP) and employment impacts of a project. For this report, impacts are reported for Queenstown Lakes District, the rest of Otago Region and the rest of New Zealand as well as total New Zealand. This recognises that local investment can have local, regional and national economic impacts.

The results of the EIA (summarised in the table below) show that the proposed development, could conservatively contribute just over $1.7bn to New Zealand's GDP over the course of 11 years (undiscounted), with just under a billion felt within Queenstown Lakes District. In employment terms (annual jobs), the total impact could be over 6,000 jobs sustained nationally (driven by construction on the site) in the first year and an average of just under 2,300 jobs sustained annually over the medium term. Employment impacts in the local district will be significant. The economic impacts are large not just because of the nature of screen production spending, but because the funding is from offshore which means that nearly all of the direct expenditure is net additional to the New Zealand economy.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Total GDP Impacts ($$_{2016}$$m)												
Queesntown Lakes District	$ 249	$ 74	$ 89	$ 85	$ 67	$ 67	$ 68	$ 68	$ 68	$ 68	$ 68	$ 969
Rest of Otago Region	$ 48	$ 16	$ 19	$ 18	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15	$ 203
Rest of New Zealand	$ 131	$ 45	$ 53	$ 50	$ 41	$ 41	$ 41	$ 41	$ 41	$ 41	$ 41	$ 568
Total New Zealand	$ 427	$ 134	$ 160	$ 153	$ 123	$ 123	$ 124	$ 124	$ 124	$ 124	$ 124	$ 1,740
Total Employment Impacts (MECs$$_{2016}$$)												
Queesntown Lakes District	4,134	1,734	1,995	1,971	1,675	1,689	1,701	1,701	1,701	1,701	1,701	21,701
Rest of Otago Region	625	218	255	244	200	201	201	201	201	201	201	2,747
Rest of New Zealand	1,327	408	485	461	367	370	371	371	371	371	371	5,273
Total New Zealand	6,086	2,360	2,734	2,677	2,242	2,259	2,273	2,273	2,273	2,273	2,273	29,720

Source: M.E Silverlight Studios EIA Model 2021. Total economic impacts (including direct, indirect and induced). MEC is modified Employment Count (employees & working proprietors)

The proposed development will have a range of significant positive economic effects. There are very few negative economic effects. The main one - potential for increased pressure on the housing market in the short term – could also be further mitigated. This could be in the form of some provision of workers accommodation for example, although I understand that this is not within the scope of the current application. Any negative economic effects are considered to be significantly outweighed by the positive effects.

A key benefit of the application if approved under the Fast Track legislation is that it will sustain (in the near future) significant construction sector activity in Queenstown Lakes District, where the impact of Covid-19 on tourism has started to translate into a slow-down in construction related consents. The estimated contribution of the proposed development could have a material effect on the district's economic recovery and future growth, while diversifying employment in sectors not dependent on tourism – something that has fuelled strong economic growth in the district in recent years, but that has also left it vulnerable to shocks such as Covid-19.

1 Introduction

Silverlight Studios Limited (SSL) are seeking a consent under the COVID-19 Recovery (Fast Track) Consenting Act 2020 to develop phase one[1] of a multi-purpose internal and external filming and production facility in Wanaka, Queenstown Lakes District (QLD). The primary function of the facility is to attract an international screen production company to lease (long term) the facility (or parts thereof) to carry out film and television production activities here in New Zealand.

The facility will also deliver a range of other functions including opportunities for education (i.e., a film school), provision of production facilities for small-mid size productions (separate from the main lessee), a hub for film related businesses/suppliers, ancillary retail and service activity (i.e., hospitality), tourism attractions, and provision of facilities available to the Wanaka and district community, including spaces capable of hosting conferences and events. SSL have commissioned Market Economics Limited (M.E) to assess the economic impacts and effects (costs and benefits) of the proposed consent project, including the economic benefits that would be delivered to a district significantly impacted by COVID-19.

1.1 Objective and Scope

Opportunities for economic and employment growth are directly relevant to understanding the potential economic effects of a proposed development, as required for a resource consent application. The objective of this report is to present a high-level summary of the quantified and monetised economic impacts of the proposed Silverlight Studios development (and a scenario of its anticipated operational use). An Economic Impact Assessment (EIA) provides useful insight into the potential economic contribution that the proposed development will have on the local economy. It shows the size of the gross domestic product (GDP) and employment impacts that will be felt within QLD.

The assessment focuses on the local district, although impacts (effects) that accrue in the rest of New Zealand are included for completeness. The assessment estimates the expenditure and resources likely to be needed to deliver the goods and services (to satisfy the new/additional demand) of the proposed development scenario using best practice EIA methodologies.

Economic and employment growth, as estimated through an EIA, are not the only economic effects arising from the proposed development, although the EIA does capture direct and flow-on economic effects. This report also includes a brief overview of wider economic effects, including potential adverse economic effects and effects excluded from the scope of the EIA, to help inform the overarching Assessment of Effects (AEE).

This report does not consider the demand and supply situation of sound stages and outdoor film sets in New Zealand (or internationally). M.E have approached this economic assessment based on information provided by SSL that there is strong and rapidly increasing global demand for the sorts of spaces that SSL is seeking to provide, and a global shortage of capacity to meet that demand. M.E's own prior research on

[1] The consent application also seeks approval for planned expansions of Phase 1 development.

film production infrastructure is consistent with this view. The SSL proposal is a direct response to the current and growing demand-supply imbalance and represents a significant opportunity for New Zealand to capture a greater share of the international screen production market – building on its successful track record.

The existence or otherwise of alternative sites to meet the same demand is an issue directly relevant to the interpretation of the EIA results. M.E has not investigated the potential to develop the same or similar proposal elsewhere in the district or in the rest of New Zealand. However, to be commercially viable, sound stage facilities need to satisfy a range of locational attributes. It is our understanding that the proposed site meets all those criteria and that the opportunity provided by the proposed site is unlikely to be replicated elsewhere (even if alternative land was available for purchase). M.E is aware that SSL has considered a range of alternative sites and that Wanaka was considered the location with the most potential for success. We are of the view that this opportunity in Wanaka is unique, the timing is critical, and that there is no counterfactual scenario where the equivalent economic activity would be developed if not on the proposed site by SSL. As such, the significant majority of the forecast operating expenditure funded from offshore, is considered 'net additional' to the New Zealand economy and wholly facilitated by the proposed development. Further assumptions around this are discussed in the subsequent sections.

Last, it is outside the scope of this report to comment on the appropriateness of the site for the proposed activities in terms of urban form and other environmental effects. We understand these matters are considered in separate technical assessments accompanying the application.

1.2 The Site and Geographic Context

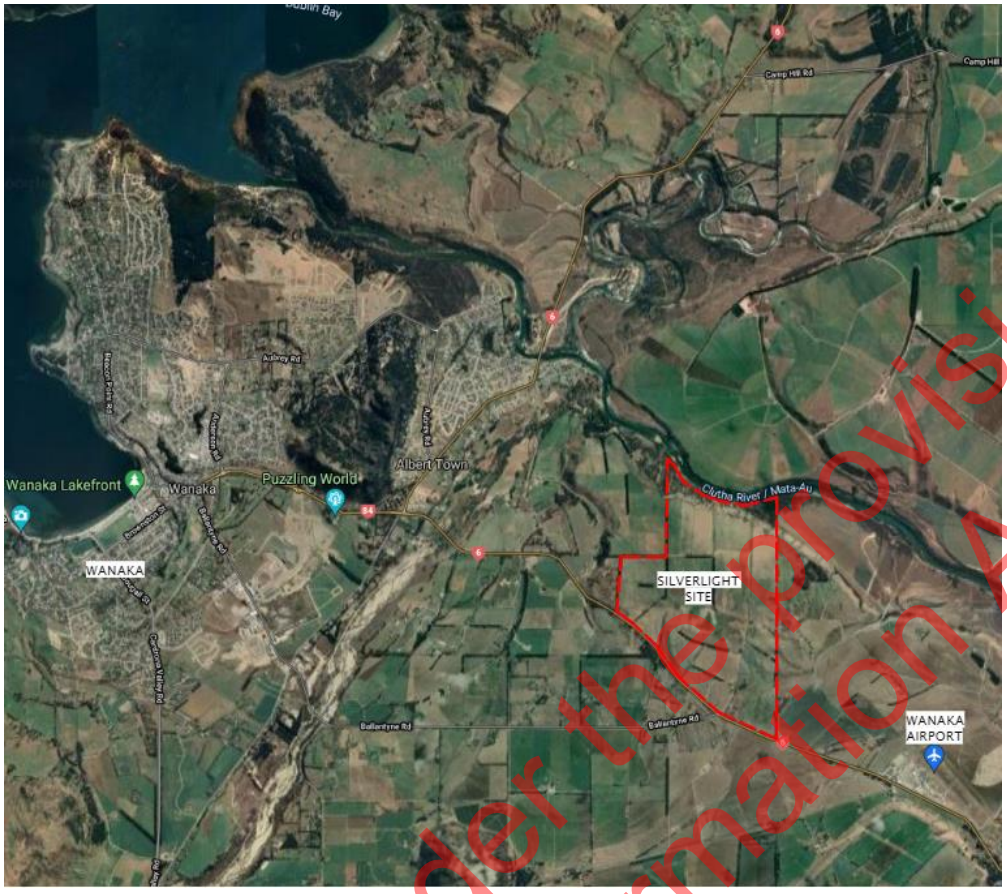
The proposed site of Silverlight Studios is located on the Wanaka-Luggate Highway (State Highway 6) in a rural area approximately 3.5km from the urban extent of Wanaka and 6.8km from Wanaka Town Centre (Figure 1.1).

The site extends from the Highway through to the Clutha River. It is a short distance from the Wanaka Airport and associated tourism activities co-located there. The surrounding rural area comprises a mix of productive rural properties and lifestyle blocks as well as some rural based commercial activities (vineyards with tasting rooms, equestrian centre, lodges, and lavender farm).

Wanaka is the main urban centre in the northern part of QLD (the Upper Clutha Valley). Wanaka is the functional heart of a wider urban environment in the Upper Clutha Valley that includes the satellite areas of Luggate, Hawea and Cardrona and the rural surrounds. The southern part of the district is home to the larger Queenstown urban environment which includes the main areas of Frankton, Jack's Point, Kelvin Heights, Sunshine Bay, Arthurs Point, Arrowtown and Lake Hayes Estate. Queenstown contains an international airport and is the main gateway to the district.

Appendix A shows the location of the site within the context of the district boundaries. It also shows the extent of the 'rest of Otago Region' and the 'rest of New Zealand'. These geographies are directly relevant to the EIA discussed below.

Figure 1.1 – Silverlight Studios Site and Local Context



1.3 Report Structure

Section 2 describes the proposed development in terms of the anticipated cost of construction, the indicative operational model, and the scale and nature of estimated operational expenditure arising from SSL and the main lessee of the facility over time. It includes discussion of the assumptions and limitations of data being used to model economic impacts, followed by a summary of gross and net direct expenditure over an initial 11 year period.

Section 3 contains a summary of the nature of outputs from the economic impact (what they mean and how to interpret them). This is followed by the estimated economic impact results – i.e., the contribution that the proposed development could make to the QLD and wider New Zealand economy.

Section 4 examines the impact of Covid-19 on QLD and how this is tracking over time. The potential impact of Silverlight Studios is illustrated relative to the current state of the economy. The benefit of approval under the Fast Track consenting pathway to deliver significant employment in the district in the near future, and sooner than other potential approval pathways, is then discussed.

Section 5 contains M.E's overall conclusions.

2 Proposed Development

This section provides an overview of the development and the economic activities that it will facilitate. The operational model of the development is then described at a high level as this helps identify the transfer of payments between operators on site and the origin of funding. Several assumptions then underpin the assessment of the estimated capital expenditure (CAPEX) and operational expenditure (OPEX) taking place on site by year.

2.1 Overview of the Facility

The nature of the proposed development is set out in detail in other aspects of the consent application and so is covered only briefly here, as relevant to the economic assessment. Figure 2.1 provides a plan of the physical developments on the site. It comprises several distinct elements located around a man-made lake (which enlarges an existing water storage pond on the property).

Figure 2.1 – Master Plan of Silverlight Studios

The key elements of the development can be described as:

- a complex of sound stages and associated workshops, dressing rooms and ancillary offices (including potential doubling of this capacity at a later time – not captured in this analysis);
- cast/trailer parking, staff parking, public parking and beach areas;
- a mock Italian village which will function as office / production spaces / workshops / storage / food and beverage areas / other complementary facilities[2] (including potential expansion of this area at a later time – not captured in this analysis);
- a mock seaside village with associated piers/jetties which will function as multi-purposes space as above;
- a mock Venice area which will function as multi-purposes space as above, but also include spaces for classrooms, a gym, retail, studio and theatre;
- a mock Paris area which will function as multi-purposes space as above, but also include spaces for smaller sound stages, green room, and warehousing;
- a mock New York area (inclusive of an area of Central Park) which will function as multi-purposes space as above, but also include spaces for a laundry, library, studio, retail and lecture theatre;
- a mock medieval village and great hall which will function as a tourist area and include spaces for on-site security;
- a mock lake village which will function as a tourist area;

Overall, the development will operate along the lines of a 'campus' with a mix of private and public spaces that are used permanently or intermittently as demand requires. The site will contain, at times, a significant work-force, and at others, a core base of employment. The construction relates to a mix of industrial style warehouses (although meeting the unique requirements of sound stages) and more typical commercial office, retail, workshop, and storage style developments and more specialist buildings such as theatres. The unique aspect of the development is the cladding of the buildings which gives the effect of the specified cities/village scenes[3] – making them suitable for outside film sets (referred to as 'back lots' in the film industry).

The facility provides the ability for multiple independent businesses to establish on site including those directly related to (suppliers of) the film sector as well as complementary businesses to service the on-site workforce and visitors (i.e., retail and food and beverage outlets).

The key physical feature of the development is the man-made lake which each element of the development surrounds or sits within. The work required to create the lake, as well as the general earthworks, engineering, infrastructure, and civil engineering required on site, is a key component of the anticipated CAPEX.

[2] The functional space inside the buildings will comprise leasable spaces for use by SSL, the master lessee(s), short term lessees, businesses related to film production, and facilities that may be used by the public or hired for commercial/community use.

[3] Including LED and green screens for specialist film effects work.

2.2 Operational Model

Figure 2.2 summarises how the business elements of the site would operate together. In short, SSL would own and operate the facility. It would utilise several office and other spaces in the development. SSL may also own and operate several services provided on site (where commercially viable to do so rather than tender out those opportunities). SSL would directly employ a range of staff/occupations.

The main lessee would be an international screen production company that would lease (from SSL and indicatively under an initial 10 year lease term) the group of proposed large sound stages and ancillary buildings on site. They would have access to a range of other buildings/spaces in the facility as part of that lease. The main lessee is expected to set up a New Zealand registered company through which all New Zealand transactions would be handled, with their funding coming from offshore. It is anticipated that the lessee would maximise the value of their lease by rotating back-to-back productions through the various spaces available to them. They are expected to employ staff (crew and talent) from overseas, within the district and throughout New Zealand. With potentially a regular cycle of projects, many of the crew are anticipated to move permanently to the district (i.e., to Wanaka and surrounding areas).

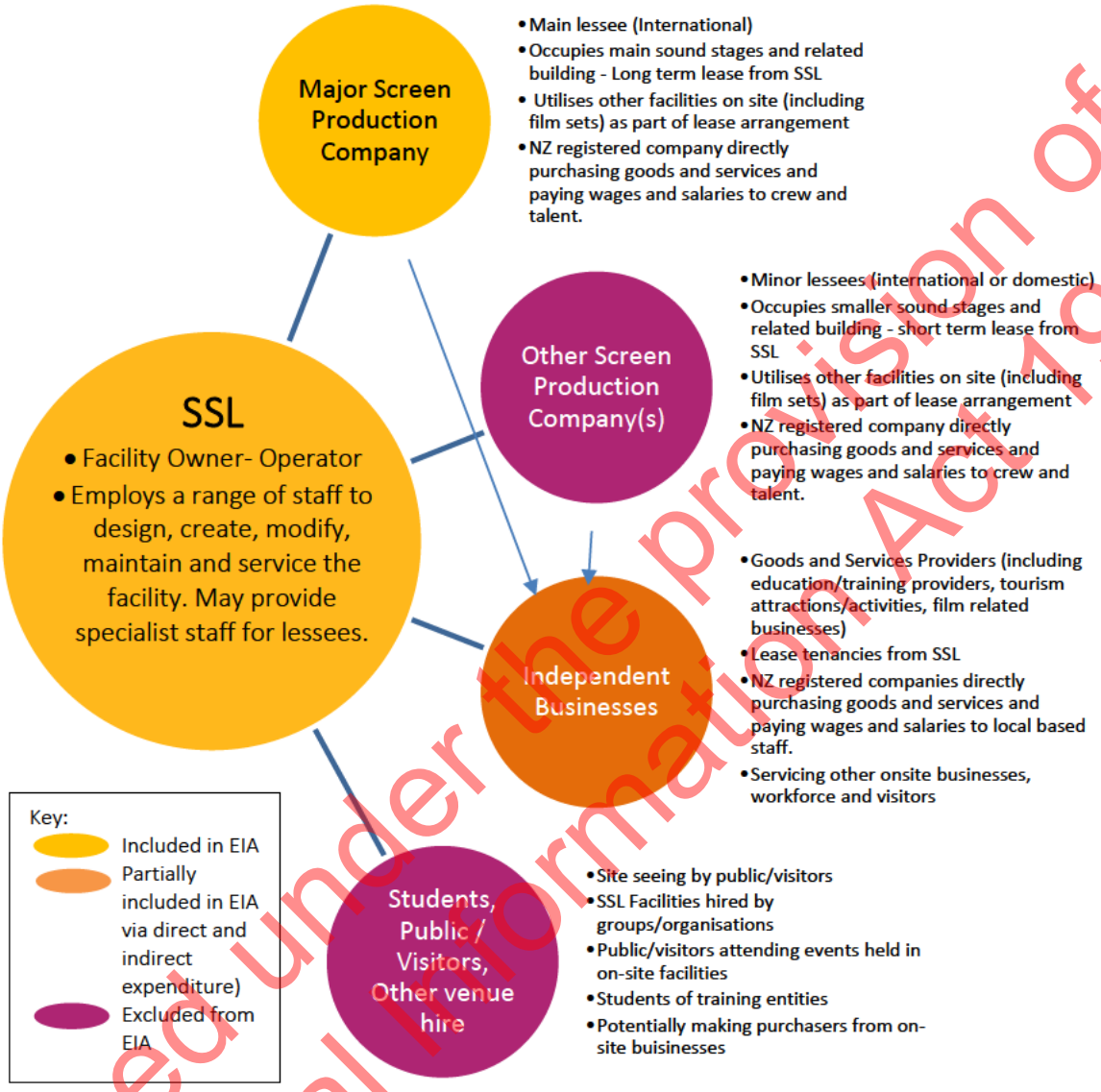
A range of other independent retail and service providers are anticipated to operate within the facility. This will include (but may not be limited to) retailers, food and beverage providers, caterers, and film related businesses. They are assumed, for the purpose of this assessment to lease their premises from SSL. Similarly, smaller production companies will be able to take out short term leases for 'Tier 2-4' sound stages/production spaces for the duration of specific projects.

We understand that parts of the campus will be available for the public/visitors. Certain areas are anticipated to operate as tourist attractions. Where events are held facilities hired from SSL, it is anticipated that the local community/visitors will come to the site to attend those events. The same would apply for conference attendees. Tertiary training will be provided on site and consequently the development will also attract a student population. Visitors and students on site will be able to spend money with retailers and food and beverage businesses within the facility.

The key in Figure 2.2 highlights what economic activity anticipated on the site is considered in the EIA. Only the gross direct expenditure by SSL (CAPEX and OPEX) and the main lessee (OPEX) have been captured. The net lift in final demand[4] created by the presence of other screen production companies and other businesses who establish on site is excluded, as is any net additional spend by tourists or students. That said, some of the direct spend by SSL and the main lessee is likely to be received by some of the other businesses established on site, and they may also experience a lift in demand as a result of indirect expenditure. As such their economic contribution is partially captured (but not explicitly quantified) even though they are part of the economic footprint of the site. By excluding the anticipated spend by these groups, the EIA takes a conservative approach to the likely economic impacts generated. As potential sources of SSL revenue from these businesses excluded from scope, any operating surplus for SSL is also under-represented and is another area where the EIA is conservative.

[4] Final demand is the total demand for final goods and services in an economy (i.e. purchasers by businesses, organisations, government or households as the consumer of those goods and services).

Figure 2-2: Indicative Operational Model of Silverlight Studios Development and Key Assumptions



2.3 Key Assumptions and Data Sources

- CAPEX and OPEX costs for SSL and the main lessee (and associated preferred timing) have been estimated / forecast by SSL and provided to M.E for this EIA. All figures are best estimates only. These estimates are not binding on SSL in any way. There may be as yet unknown practical reasons why timing of CAPEX spending, for example, differs from the schedule used for this report.

- All expenditure is expressed in dollars of the day ($\$_{2021}$) unless otherwise stated. The EIA does not inflate future costs. All figures include GST.

- CAPEX costs by SSL to develop the site and complete construction and landscaping (with associated professional fees, compliance costs and insurance) sums to an estimated total of

just under s 9(2)(b)(ii) in current dollars (gross[5]). Building construction costs are based on estimated costs per sqm applied to actual floor areas from architectural plans. Most of this expenditure is directed to local suppliers, with some likely to go to suppliers in the rest of Otago Region and the rest of New Zealand. A very small amount of expenditure is anticipated to go towards imported specialist equipment to complete the fit out of certain buildings. The CAPEX expenditure is spread over 14 main economic sectors[6] (including heavy and civil engineering construction, non-residential construction, construction services, professional services, insurance, and local government administration).

- CAPEX costs by SSL are spread over 4 years, although 84% is expected in year 1. Construction of the medieval village, great hall, central park, and lake village are deferred to years 2-4.

- While the consent application seeks approval of some expansion areas, the CAPEX (and OPEX implications) of that increased capacity is excluded from this EIA (and is therefore conservative). It follows however that if more off-shore funded activity can occur on site in any year, then the contribution to the economy will increase.

- It is important to note that the purchase of the land is excluded from the scope of this EIA. The EIA assumes the land is available and can be developed following approvals. The costs of approvals (land use consenting costs) are also outside scope. The cost of building consents are however part of CAPEX expenditure.

- There is insufficient information at the time of preparing this EIA to determine how the CAPEX costs will be funded, by whom, and from where (i.e., offshore, or domestic). We understand there are a range of potential options for this, including bringing on an equity partner, cash/finance provided by shareholders, or being financed via a finance/property development company. M.E has assumed (for the purposes of this EIA) that any repayment of capital will occur in the longer term, and beyond the scope of the timeframes of this EIA. The implication of this assumption is that we assume that the full value of CAPEX is net additional to the QLD and New Zealand economy in the short-medium term. While this assumption potentially overstates the economic impact of the CAPEX at the national level (as any potentially applicable transfer effects are not accounted for), we believe the net impact on QLD's economy is appropriate.

- SSL OPEX costs also begin in year 1, while construction is underway. This establishment year includes expected expenses relating to initial marketing, legal and accounting services, finance costs, transport, accommodation, security on site and wages and salary costs for a core team.

- In the absence of any revenue in year 1 from tenant leases or venue hire etc, it is expected that SSL will run at a loss in year 1. For this EIA, we have assumed that SSL would take out a

[5] Includes imported goods.

[6] The economic modelling divides the economy into 106 sectors.

loan to cover their costs in year 1[7]. Repayments of this loan come out of operating surplus until repaid.

- Once most of the construction is completed (i.e., estimated at this stage as being at the start of Year 2), the main lessee is expected to arrive and start operating. At that point, OPEX costs ramp up and SSL staff jumps from a core team of 7 to 60 staff. Once operational, OPEX includes additional costs for power, rubbish collection, motor vehicle purchases, insurance, telecommunications, repair and maintenance costs, and more. Most of the expenditure is with local businesses, with some going to suppliers in the rest of New Zealand and only some flights being with international airlines. SSL OPEX grows slowly between years 2-5 and is expected to stabilise in year 6 onwards. In year 5, the SSL staff count is projected to increase to 70, and then 80 in year 6, where it is assumed to hold steady.

- The main lessee's OPEX begins in year 2, when they can begin their lease. Expenses are spread over a range of industry sectors, with major costs estimated to be the lease to SSL, wages and salaries, accommodation (rental) expenses, insurance, construction (set building costs), travel expenses, security, catering. Most of the expenditure is with local businesses, with some going to suppliers in the rest of New Zealand and only some flights being with international airlines. Main lessee OPEX is not expected to change substantially over the 10 year lease (assuming no change in spaces leased) and is expected to stabilise in year 7 onwards.

- In the first year of their lease, the main lessee staff count is expected to build rapidly to 600. This is dominated by 'crew', but also includes 'talent'. By the third year of their lease, total staff employed by the main lessee is expected to increase to 650 and remain steady (and assuming not change in production space). While typically screen productions create peaks and troughs in employment numbers (related to what stage the production is at), this variability is not anticipated to be significant at Silverlight Studios given the long term lease arrangement. The international screen production company who ultimately leases the facility will manage their schedule to maximise the value and retain key crew in a highly competitive market. I.e., they will rotate shows and series to ensure the leased space is always fully operation or at least running at a very high capacity. For this reason, this EIA assumes that New Zealand based staff (see below) have full or part time jobs that last the duration of each year.

- It is estimated that 85% of the total staff count for the main lessee in any year will be from within QLD. The expectation is that many workers employed by the lessee may be based elsewhere in New Zealand but will move to QLD for the duration of their employment and hence spend in the same way as QLD households. An estimated 15% of the total staff for the main lessee in any year will be from overseas (specialist staff or talent). However, for the purpose of the EIA, we assume that 10% (i.e., two thirds of those on working visas) will be in the district long enough to spend like QLD households, and PAYE will need to be paid in the New Zealand tax regime. Only 5% of the wages and salaries costs for the main lessee is

[7] M.E has assumed a 5 year repayment period, modelled at 4.45%.

expected to leave the New Zealand economy (i.e., paid to short stay workers who then leave the country).

- For wages and salaries paid to New Zealand staff by SSL and the main lessee, we have estimated PAYE deductions based on the calculation of average earnings. PAYE is treated as a lift in the central government sector. Net earnings are treated as a lift in final demands by the household sector (i.e., spend in QLD according to average household spending patterns).

- This EIA has not made any assumptions around the facilitated effect of the development on net additional household growth. While we have captured the spending of the staff employed in QLD, we have not, for example, accounted for additional family members that may have moved to QLD with workers employed by SSL or the main lessee. Again, we have taken a conservative approach to assessing economic impacts.

- It is assumed for the purpose of this EIA that the main lessee's New Zealand registered business will not make a profit (with funds from offshore equalling their outgoing within New Zealand). This is a conservative position that assumes no company tax benefits accruing the government. As their funds come from offshore, all expenditure by the main lessee (which in turn covers all expenditure by SSL) is net additional to the New Zealand economy. This has a significant positive effect on the economic impact of the proposed development, not just for QLD for but the country overall.

- SSL is expected to return a profit from year 2 onwards. Repayments of the loan to cover their year 1 OPEX costs are deducted from the operating surplus. The balance is assumed to be issued as dividends to shareholders. Based on our understanding a portion of those shareholders will be QLD households, a portion will be rest of New Zealand households and a portion will be overseas households. For New Zealand based dividend recipients, we assume 50% of dividends is retained as savings and 50% is spent in the economy in the manner of average household spend in their location.

- In accordance with the Government's screen incentives scheme[8], we have assumed that the main lessee will qualify for a 25% subsidy of their New Zealand based spending[9]. This includes the 5% uplift that they are assumed to qualify for. This subsidy is a transfer effect in the New Zealand economy and is treated as a reduction in final demand by the central government sector. That reduction in demand is apportioned across New Zealand in accordance with central government spending patterns.

- There are a range of assumptions noted in this report which could be refined via additional research. M.E has used the most recent data as input into the assessment and where applicable, has also conducted its own background research. Care was taken to use a conservative position throughout the assessment.

[8] New Zealand Screen Production Grant and Post, Digital and Visual Effects Grant.

[9] Excludes outgoing flights and international freight/customs.

2.4 Gross Direct Expenditure Summary

In total, an estimated s 9(2)(b)(ii) of gross CAPEX will be spent in the New Zealand economy in years 1-4 by SSL (once approximate exclusion of international imports is made[10]). A significant 78% is expected to occur with suppliers in QLD s 9(2)(b)(ii) , and a further 14% is expected to occur with suppliers in the rest of Otago Region s 9(2)(b)(ii), and the remaining 8% with suppliers in the rest of New Zealand s 9(2)(b)(ii).

On top of this, there is an estimated s 9(2)(b)(ii) of OPEX (excluding wages and salaries) spent in the New Zealand economy in years 1-11 by a combination of SSL and the main lessee (in years 2-11 representing a full term of a 10 year lease). This takes into account the estimated revenue that SSL receives each year from the main lessee (lease costs) so that double counting is avoided and again accounts for the exclusion of expenditure on international imports. It includes the payment of the PAYE component of wages and salaries of qualifying staff (to central government). Over the total period, 49% is expected to occur with suppliers in QLD s 9(2)(b)(ii) , and a further 12% is expected to occur with suppliers in the rest of Otago Region s 9(2)(b)(ii), and the remaining 39% with suppliers in the rest of New Zealand s 9(2)(b)(ii) .

Combined across both SSL and the main lessee, direct wages and salaries and 50% of the indicative operating surplus of SSL (less finance costs) facilitates an estimated s 9(2)(b)(ii) of household final demand over the 11 year period. This excludes wages and salaries and dividends paid to those who reside overseas and allows for a share of wage and salary earnings to be retained as savings[11]. Nearly all (99%) is expected to occur as a result of additional household spend in QLD s 9(2)(b)(ii) , and the remaining 1% with additional household spend in the rest of New Zealand s 9(2)(b)(ii) .

[10] I.e., Directly imported equipment, as well a portion of retail goods purchased in New Zealand estimated to be manufactured off-shore. Estimated to account for 4% of gross CAPEX in Year 1, 0% in year 2, 5% in each of year 3 and 4.

[11] Set indicatively at 10% of after tax earnings from wages and salaries for this analysis.

s 9(2)(b)(ii)

This gross direct expenditure is summarised in Figure 2-3. It highlights that once construction in year 1 is completed, the main lessee's and SSL's OPEX and payment of wages and salaries is significant (and not impacted the ongoing CAPEX in years 2-4. By year 7 combined OPEX/wages and salaries stabilises at around s 9(2)(b)(ii) per annum. In $2021 (and not accounting for inflation), the total gross direct expenditure over 11 years arising from this development scenario is estimated at nearly s 9(2)(b)(ii) in the New Zealand economy (with s 9(2)(b)(ii) in the QLD economy).

2.5 Net Direct Expenditure Summary

As discussed above, we have assumed (in the absence of more detail) that there are no transfer effects or counterfactual scenarios that would offset the estimated funding of CAPEX for the Silverlight Studio development. As such, gross direct CAPEX is treated as net direct CAPEX in the New Zealand economy (at least within the time periods of this study). As the origin of OPEX funding by the main lessee is from offshore, this means that all of their direct OPEX in New Zealand is net additional, as is SSL's OPEX which is sustained by that offshore injection of money (via a lease channelled through the main lessee's New Zealand registered company).

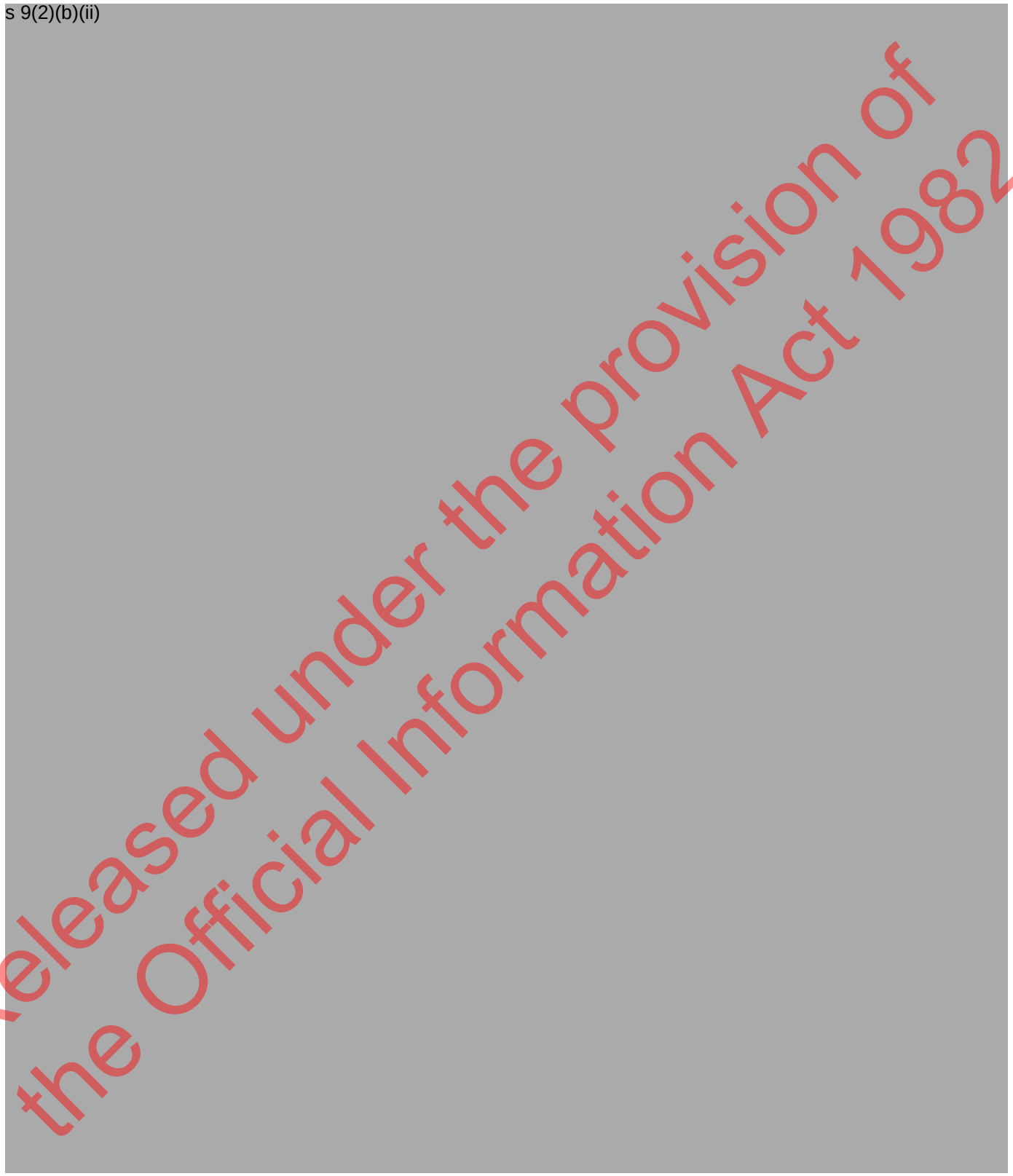
However, reducing the final demand of Central Government because of the subsidy (grant) given to the main lessee each year (years 2-11) offsets a moderate portion of the gross direct OPEX of the Silverlight Studios scenario. The subsidy is assumed to go back to the parent company of the main lessee (offshore) and is therefore a loss to the New Zealand economy, equivalent to around 25% of the main lessee's spend in New Zealand (including on their lease).

The reductions in final demand of Central Government (to the value of the subsidy) have a different sectoral and geographic profile than the much larger and QLD focussed increase in final demand associated with the combination of gross CAPEX, OPEX and wages and salaries and operating surplus paid to households. The reductions in final demand by Central Government are concentrated largely in the healthcare and social services sector, Central Government administration, defence and public safety, and education sector. By comparison, the increase in final demand is directed mainly at the construction sector, rental/hiring/real estate sector, professional services sector, central government sector, insurance sector, ownership of occupied dwellings sector, retail sector and accommodation and food services sector. This effect is shown in Figure 2-4 at the national level which shows the net change in direct expenditure, summarised according to 48 economic sectors and for the total 11 years.[12]

Net direct expenditure (i.e., the net additional lift in final demand) in QLD, the Rest of Otago and the rest of New Zealand is the aggregation of net expenditure outcomes in each economic sector, as applicable to each area.

[12] Only the health care and social assistance and education sectors show net reductions in net direct final demand (spending), although tax and GST revenue gained by Central Government as a result of the flow-on economic impacts arising from Silverlight Studios (discussed in Section 3) is expected balance this out over time.

Figure 2-4 – Summary of Net Direct Expenditure by Sector (Total NZ and Years 1-11)



Total net direct expenditure in New Zealand for the Silverlight Studios scenario over 11 years is estimated at s 9(2)(b)(ii) (down from s 9(2)(b)(ii) gross direct expenditure). The QLD economy would be better off than it is currently by s 9(2)(b)(ii) of final demand. QLD accounts for an estimated 68% share of total net

direct spend. The rest of Otago Region receives 14% of total net direct expenditure over the 11 years s 9(2)(b)(ii)). The rest of New Zealand receives the remaining 18% of total net direct expenditure s 9(2)(b)(ii) . This outcome is highlighted in Figure 2-5. QLD experiences a substantial net increase in final demand in the first year of the scenario then a moderately significant net increase from year 2 onwards.

Figure 2-5 - Net Direct Expenditure – Silverlight Studios by Year and Economic Region

3 Economic Impacts

This section contains the modelled economic impact results of the proposed Silverlight Studios development and estimated operational scenario. EIA modelling recognises that businesses within the local economy interact with each other and with other businesses throughout New Zealand. What happens in QLD can impact on the rest of the country and vice versa. The EIA estimates the change in the level of economic activity that will flow through the local and wider economy as a result of net increases in final demand in each economic region. These flow-on impacts are expressed in terms of GDP and employment.

The outputs of the EIA modelling are derived from a proprietary multi-regional input-output (MRIO) model. The basic operation of these IO models is described in Appendix B. The MRIO model used for this report includes all the upstream supply chain linkages across three regions (QLD, rest of Otago Region and rest of New Zealand) and over 106 economic sectors and the final demand sectors.

The net additional direct spending profiles (CAPEX, OPEX, wages and salaries and operating surplus spend by sector) and the associated spatial distribution of that net direct spending, make it possible to model how the spending would flow through the local and regional economies to generate a lift in GDP and employment.

GDP is a measure of economic production and reflects the value of the work completed after accounting for inputs (called intermediate consumption). The lift in activity would need labour to do the work. The employment impacts reported here are the number of workers[13] that would be needed to complete the work associated with the lift in final and intermediate demand. It is only an indicator of the scale of the impact because in some instances, people might work more hours to do the work. In other words, the employment created is not 'guaranteed new jobs'; it is an indication of how many workers would be needed to do the work.

The focus is on the spending that is 'new' to QLD, the rest of Otago region and the rest of New Zealand as a result of development of Silverlight Studios. This includes the one-off capital spending and the ongoing facilitated business spending. The economic impacts are presented at an annual level[14] (over an 11-year period) as well as a total/cumulative level[15]. The direct, indirect and induced impacts are estimated. These impacts are described as follows:

- Direct and indirect impacts: when an economic change occurs, the economy responds by firstly increasing (or decreasing) activities supplying the goods and services needed to address that shock. This initial response is the direct effect and is summarised in Section 2. All firms supplying the businesses responding to the direct effect, adjust their outputs,

[13] Employment is measured in MECs (Modified Employment Count). The MEC is an indicator which captures both employees and estimates of working proprietors who do not pay themselves a wage or salary. M.E calculates MECs based on Statistics New Zealand estimates of employee counts (ECs) and working proprietors (WPs) in each ANZSIC.

[14] The impacts are assumed to be felt in the same year in which the net direct expenditure occurred.

[15] This section does not express the total 11 year economic impacts in present value terms (refer Executive Summary).

stimulating further rounds of impacts, and so forth. Additional (flow-on) rounds of activity are needed to meet the extra demand and these rounds are called indirect impacts.

- Induced impacts: As firms respond to the economic change (the direct and indirect impacts explained above), they employ additional workers or increase staffing hours. This leads to a lift in salary and wage payments to households in return for their labour. Businesses also take additional profits as operating surpluses increase – this is partially returned to households through returns/dividends paid to business owners or investors. As households spend their returns and earnings, another round of effects is created. These are termed induced impacts.

- The 'total impact' reflects the sum of the direct, indirect, and induced economic impacts.

For simplicity, only the total impacts are reported. The following sub-sections show the quantum and distribution of GDP and employment impacts over time for the development scenario. As the economic model runs off a 2016 input-output table, the net direct final demand (section 2) is deflated to $\$_{2016}$ using the Producers Price Index (PPI) before entering the EIA model. As such, GDP and employment impacts are reported below in $\$_{2016}$ (i.e., are not re-inflated to dollars or employment of the day).

3.1 Caveat

This assessment relies heavily on the financial estimates (OPEX and CAPEX) prepared by SSL and M.E. For this report, a single scenario of expenditure has been developed - no sensitivity analysis around key assumptions has been applied at this time. The estimates of OPEX and CAPEX are projections of future costs to inform this EIA. They are broad order of magnitude estimates and should not be taken as a comprehensive financial summary of the development. There is always a degree of uncertainty associated with new projects, future conditions and the assumptions used. Changing any of the input costs, or the overall concept of the scenario will affect the results presented in this report. Not all aspects of the anticipated business model have been able to be captured in the EIA and as such, M.E consider that the economic impacts stated below are conservative.

3.2 GDP Impacts ($2016)

Based on assumptions applied by M.E and SSL, over 11 years, Silverlight Studios could deliver total estimated upstream GDP impacts of $\$_{2016}$1,740m, (undiscounted) to the New Zealand economy. Approximately 25% of this ($\$_{2016}$427m of GDP) could be delivered in year 1 as a direct result of the bulk of the estimated CAPEX.

This scenario could deliver an estimated $\$_{2016}$969m of upstream GDP to the QLD economy over that period. (an annual average total impact of $\$_{2016}$88m). It is the result of a net positive upstream GDP contribution in year 1 of $\$_{2016}$249m, followed by an annual impact of $\$_{2016}$74-89m in years 2-4, followed by an ongoing GDP impact of around $\$_{2016}$67-68m per annum in years 5-11. To put this in perspective, at its recent peak, total district GDP in the year ending March 2020 was estimated at $3,430m (in $2020) by Infometrics.[16] In

[16] https://ecoprofile.infometrics.co.nz/queenstown-lakes%2bdistrict/Gdp

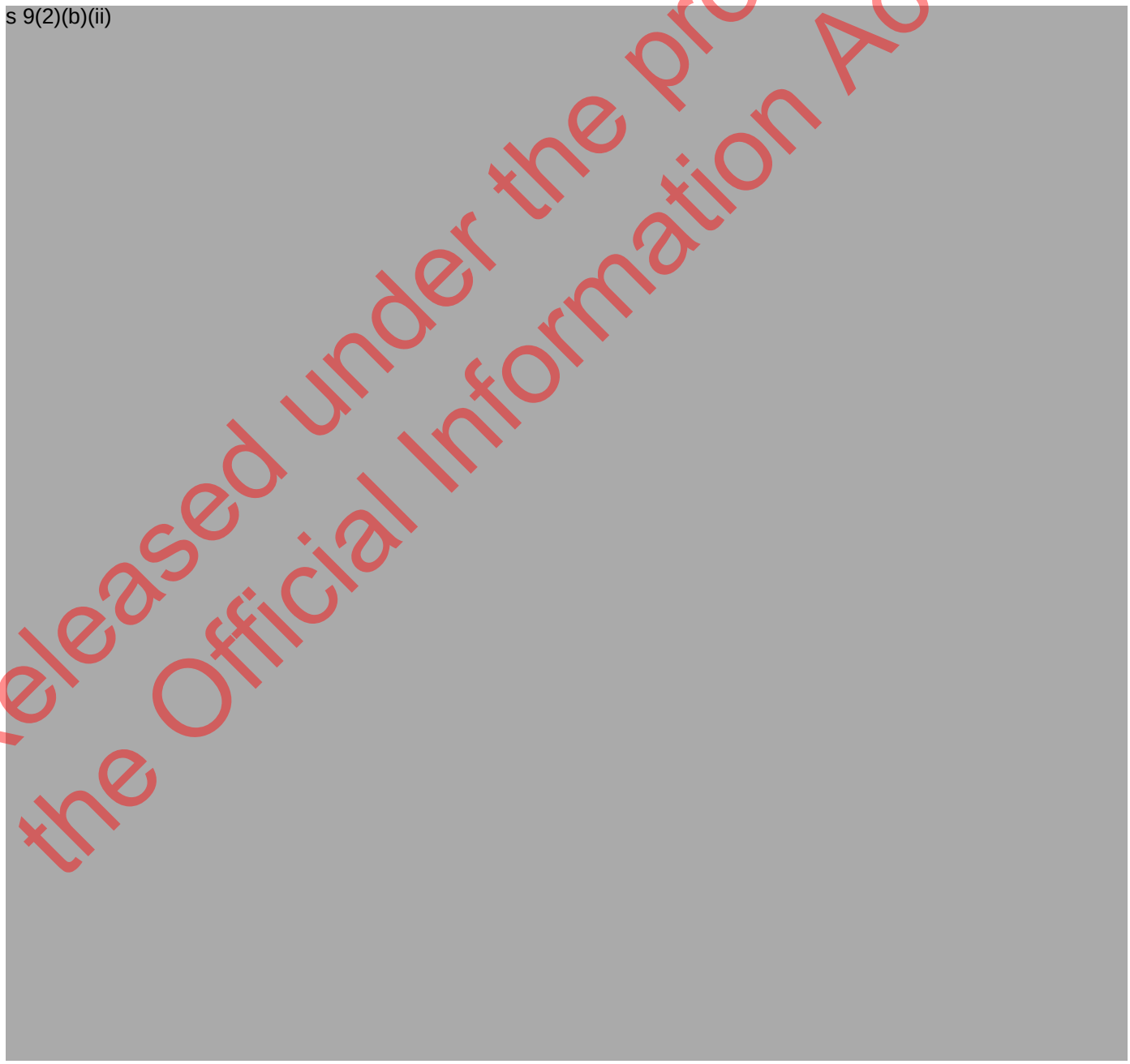
the year ending March 2021, this was provisionally estimated at $2,966m ($2021) – down $464m or -13.5% over the course of one year as a result of Covid-19. Silverlight Studios would make a material contribution to the district's GDP. By year 4 of the development, Silverlight Studios could offset the total loss of GDP experienced by the district as a result of Covid-19 between March 2020-2021.

Silverlight Studios could also deliver another $_{2016}$203m of GDP to the rest of Otago Region (through upstream supply linkages) over an 11-year period. The remaining $_{2016}$568m of GDP impact could be felt in the rest of New Zealand over that time (Figure 3-1).

These GDP impacts are considered conservative as they do not capture a range of other (potentially) net additional economic activity occurring on site. M.E's modelling does not quantify downstream economic impacts. These impacts would be in addition to those estimated here.

Figure 3-1 – Distribution of Total GDP Impacts for Years 1-11 – Silverlight Studios

s 9(2)(b)(ii)



3.3 Employment Impacts (2016 Employment Equivalents)

Figure 3-2 expresses the economic impact in terms of the average number of jobs[17] that could be supported in each economic region; this is the total (direct, indirect, and induced) average employment (per year) needed to meet the net final demand generated by Silverlight Studios.

As expected from such substantial GDP impacts, the proposed CAPEX could sustain around 6,062 jobs in New Zealand in year 1, with 4,117 of these jobs supported within QLD. In years 2-4, CAPEX could sustain between 185 and 545 jobs per annum nationally and 120-371 jobs per annum specifically within QLD.

The proposed OPEX (which includes final demands by households for the purpose of this summary) could sustain around 1,610 jobs in New Zealand in year 2 (once the main lessee arrives), with 1,044 of these jobs supported within QLD. This does not include the 570 local jobs created on-site by SSL and the main lessee year 2. In years 3-11, OPEX could sustain on average 1,634 jobs per annum nationally and 1,064 annually specifically within QLD. This does not include the significant 620 local jobs (annual average) created on-site by the ongoing operation of SSL and the main lessee[18].

Total employment impacts in QLD are therefore estimated at 4,134 in year 1, 1,734 in year 2, increasing to 1,995 in year 3 and stabilising at around 1,701 per annum in years 7-11 (inclusive of those local workers of SSL and the main lessee). To put this into perspective, at its recent peak, total district jobs in the year ending March 2020 was estimated at 23,396 by Infometrics.[19] In the year ending March 2021, this was provisionally estimated at 21,923 – down 1,473 or -6.3% over the course of one year as result of Covid-19. Silverlight Studios would make a significant contribution to the district's total employment. As above, these estimates are considered conservative and do not include downstream employment impacts.

[17] Measured as MECs – modified employment count (employees and working proprietors), in 2016 MEC terms.

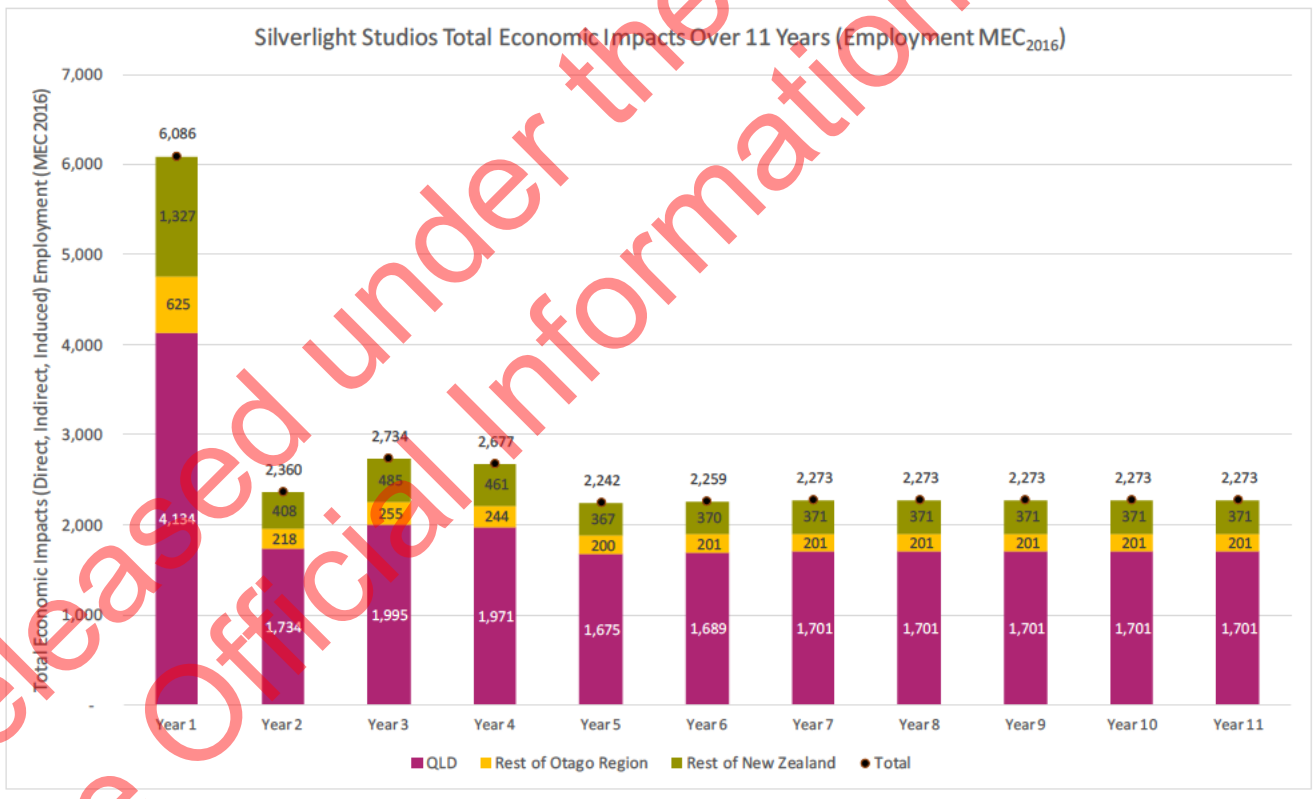
[18] Not all of those employed directly by SSL and the main lessee may be expected to be on-site on an average day. These figures relate to total jobs for the year.

[19] https://qem.infometrics.co.nz/queenstown-lakes-district/indicators/employment?compare=new-zealand

Figure 3-2 – Distribution of Total Employment Impacts for Years 1-11 – Silverlight Studios

Employment (MEC_{2016})	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
CAPEX Impacts												
QLD	4,117	120	371	304	-	-	-	-	-	-	-	4,912
Rest of Otago Region	624	21	55	45	-	-	-	-	-	-	-	745
Rest of New Zealand	1,321	39	119	98	-	-	-	-	-	-	-	1,577
Total CAPEX	6,062	180	545	447	-	-	-	-	-	-	-	7,234
OPEX & Household Impacts												
QLD	9	1,044	1,054	1,054	1,062	1,066	1,068	1,068	1,068	1,068	1,068	10,632
Rest of Otago Region	1	197	200	199	200	201	201	201	201	201	201	2,001
Rest of New Zealand	6	369	366	364	367	370	371	371	371	371	371	3,696
Total OPEX & Households	17	1,610	1,619	1,617	1,629	1,636	1,640	1,640	1,640	1,640	1,640	16,329
Workers Directly Employed by SSL and the Main Lessee on Site												
QLD	7	570	570	613	613	623	633	633	633	633	633	6,157
Rest of Otago Region	-	-	-	-	-	-	-	-	-	-	-	-
Rest of New Zealand	-	-	-	-	-	-	-	-	-	-	-	-
Total Studio Workers	7	570	570	613	613	623	633	633	633	633	633	6,157
Total Impacts												
QLD	4,134	1,734	1,995	1,971	1,675	1,689	1,701	1,701	1,701	1,701	1,701	21,701
Rest of Otago Region	625	218	255	244	200	201	201	201	201	201	201	2,747
Rest of New Zealand	1,327	408	485	461	367	370	371	371	371	371	371	5,273
Total	6,086	2,360	2,734	2,677	2,242	2,259	2,273	2,273	2,273	2,273	2,273	29,720

Source: M.E Silverlight Studios EIA Model 2021. Total economic impacts (including direct, indirect and induced). MEC is modified Employment Count (employees & working proprietors)



4 COVID-19 Impacts in QLD

As alluded to above with regards to total district GDP and employment, over the course of just one year (March 2020 to March 2021) QLD has suffered significant impacts as a result of Covid-19. This section briefly discusses a range of additional indicators that help to illustrate the scale and nature of those Covid-19 impacts. It then demonstrates the importance of the fast track approval pathway in delivering the economic benefits of the proposed Silverlight Studios sooner rather than later to help with economic recovery (and future growth).

4.1 Overview of Covid-19 Impacts

The following provides a concise overview of Covid-19's economic impact on QLD as at March 2021.

"Queenstown-Lakes' economy continues to be challenged by a loss of international visitors, with GDP in the March 2021 quarter 18.9% down from March 2020 quarter, according to Infometrics provisional estimates. The District's GDP is down 13.5% on an annual basis, making it the hardest hit territorial authority in the country. An uptick in domestic tourism has yielded Queenstown-Lakes an extra $58m over the peak December-February period, but this falls short of a $182m loss of international spending over the same period. The strength of the domestic tourism surge appears to be easing over time, with periods of strong domestic visitor spending increasingly confined to school and public holiday periods.

Employment of Queenstown Lakes residents has fallen 6.3% over the past year – a lesser decline than GDP – indicating that businesses have tried to hold onto staff anticipating an uptick in demand as international visitors return. However, this has still translated to a strong rise in the unemployment rate, from 2.7% to 3.8%. Such a low unemployment rate in the face of steep job losses reflects the mobility of the district's population – many redundant workers will have moved out of the district, particularly those ineligible for government support.

Business investment has fallen, with a strong decline in commercial vehicle registrations and non-residential building consents. Only $23m worth of non-residential buildings were consented in the March 2021 quarter, which was dominated by $10m worth of school buildings. Residential building consents have also fallen, but appear to be more resilient, with 211 new dwellings consented in the March 2021 quarter – on par with the Queenstown-Lakes' long-term average. Population growth, as measured by health enrolments, remains quite strong at 6.2% which may reflect Queenstown-Lakes' growing attractiveness as a remote working base." (Infometrics, March 2021).[20]

[20] https://qem.infometrics.co.nz/queenstown-lakes-district/overview

4.1.1 An Economy Driven by Tourism

Based on Infometrics data[21], the tourism sector (which is made up of several industries) contributed an estimated $1,499m to the QLD economy in 2020, up 4.6% on the year before and total growth of 665% since 2000 (Figure 4.1). It supported an estimated 17,758 jobs which accounted for 56% of total 2020 employment in the district (compared to around 5% nationally). In March 2020, aggregated tourism related activity dwarves all other industries in GDP terms. On its own, the Construction industry contributed GDP of $389.1m (11.3% of district GDP), itself fuelled by tourism growth.

Figure 4.1 – Tourism Contribution to GDP in QLD Pre-Covid-19 2000-2020

4.1.2 Impacts on Tourism in QLD

The MBIE COVID-19 Recovery Dashboard includes data on electronic spending on retail and services by domestic and international card holders by week and district[22]. Figure 4.2 shows the significant impact that various lockdown stages have had on total spending in QLD between late March and mid-May.

At its worst point, QLD total spending was down 80.4% compared to the same week the year before (the week ending April 26th). This is the second worst single weekly impact in the country (topped only by Mackenzie District which experienced one week at -82.0%). In contrast with Mackenzie District, QLD have had no weeks since late May that have had a net increase in spending compared to 2019. While retained overseas spending by New Zealanders and domestic tourism has gone some way to offset lost spending by international visitors (further graphs are provided in Appendix C), QLD's economy, so largely focussed on tourism (and international tourism) pre-Covid-19, is not likely to show a positive annual increase in tourism

[21] https://ecoprofile.infometrics.co.nz/Queenstown-Lakes%20District/Tourism/TourismEmployment and https://ecoprofile.infometrics.co.nz/Central%2bOtago%2bDistrict/Tourism/TourismEmployment

[22] Full details on the limitations of the data are available here: https://mbienz.shinyapps.io/card_spend_covid19/

sector GDP for the first time in decades. This impact is significant given the large number of jobs that were directly and indirectly sustained by tourism in both Queenstown and Wanaka.

Figure 4.2 (and Appendix B) shows that the opening of the trans-Tasman Travel bubble on April 19th had a positive impact on QLD tourism. However, total consumer spend is still below 2019 levels.

Figure 4.2 – QLD Retail and Service Spending February 2020 to March 2021 – Percentage Change cp. Same Week in 2019

4.1.3 Flow-on Impacts – Wider Economy

Given the significance of the tourism sector in the district, Covid-19 is causing flow-on effects to many in the wider community/economy. By way of example, Job Seeker Support data from the Ministry of Social Development (MSD) shows that counts are trending back down but are still high in QLD compared to pre-COVID-19 levels (Figure 4.3). While Job Seeker numbers are not the same as unemployment figures (as not all unemployed are eligible for MSD's Job Seeker Support), the numbers do help us understand how employment (and unemployment) is trending in the district. Figure 4.4 shows that applications for the Accommodation Supplement are also trending back down in QLD, but they are still more than double compared to the total pre-COVID-19 applications.

Figure 4.3 – Job Seeker Support Data by Month for QLD (Source: MSD)

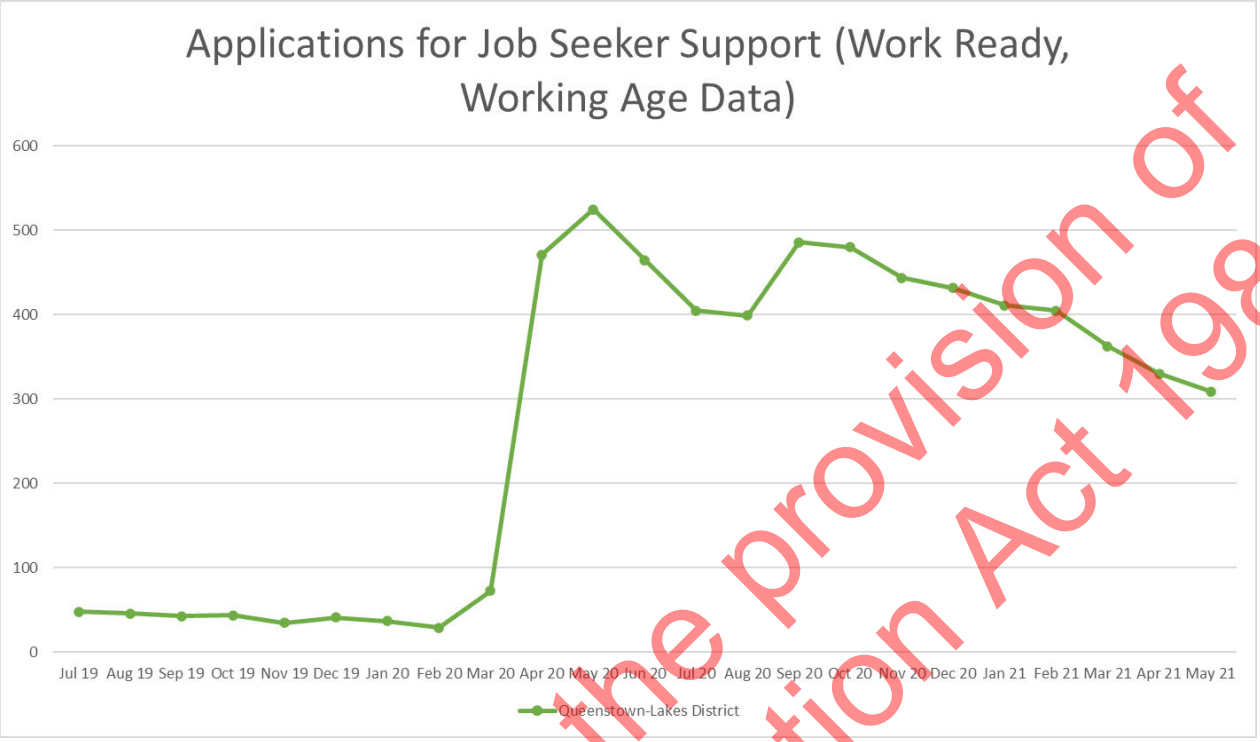
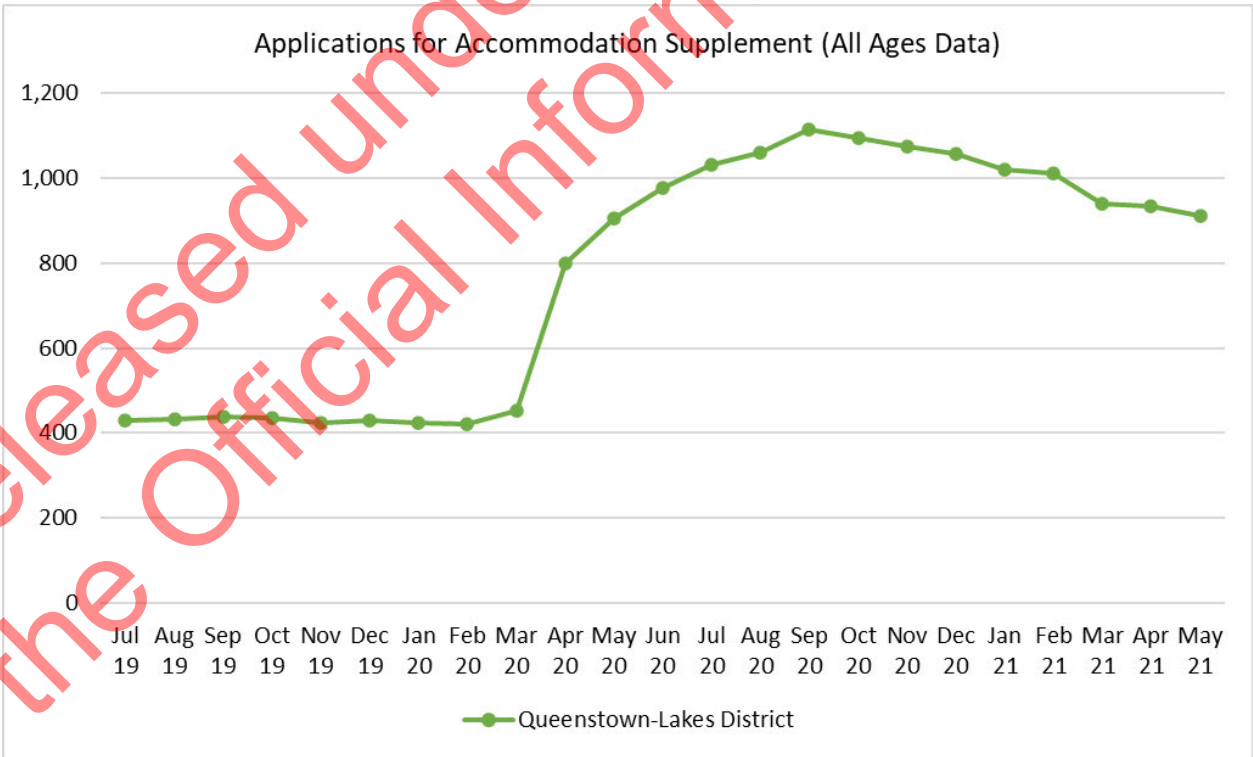


Figure 4.4 – Accommodation Supplement Applications by Month for QLD (Source: MSD)



The construction sector tends to grow commensurate with economic growth. As more jobs are sustained in the region the more households move to the area to take up those jobs and this drives demand for

dwelling and other commercial construction. Tourism has always been the key driver of economic growth in QLD. While efforts have stepped up to promote QLD to the domestic tourism market, there is nothing that can be done to recover international tourism activity until our international borders fully re-open (and international travel resumes). The significant downturn in the QLD tourism sector is now starting to translate into a slow-down in the construction sector in the district. The duration of this effect is not yet known.

Building consent data offers an ability to measure intended activity in the construction sector in the short-term future, particularly the next 12 months following consent. Figure 4.5 shows total construction consents by quarter for QLD. It shows that consent numbers fluctuate between quarters, but historically the trend has been increasing. Total construction consent numbers fell in the June 2020 in QLD (n = 438) and have continued to decline in subsequent three quarters.

Figure 4.5 – Total Construction Consents by Quarter in QLD

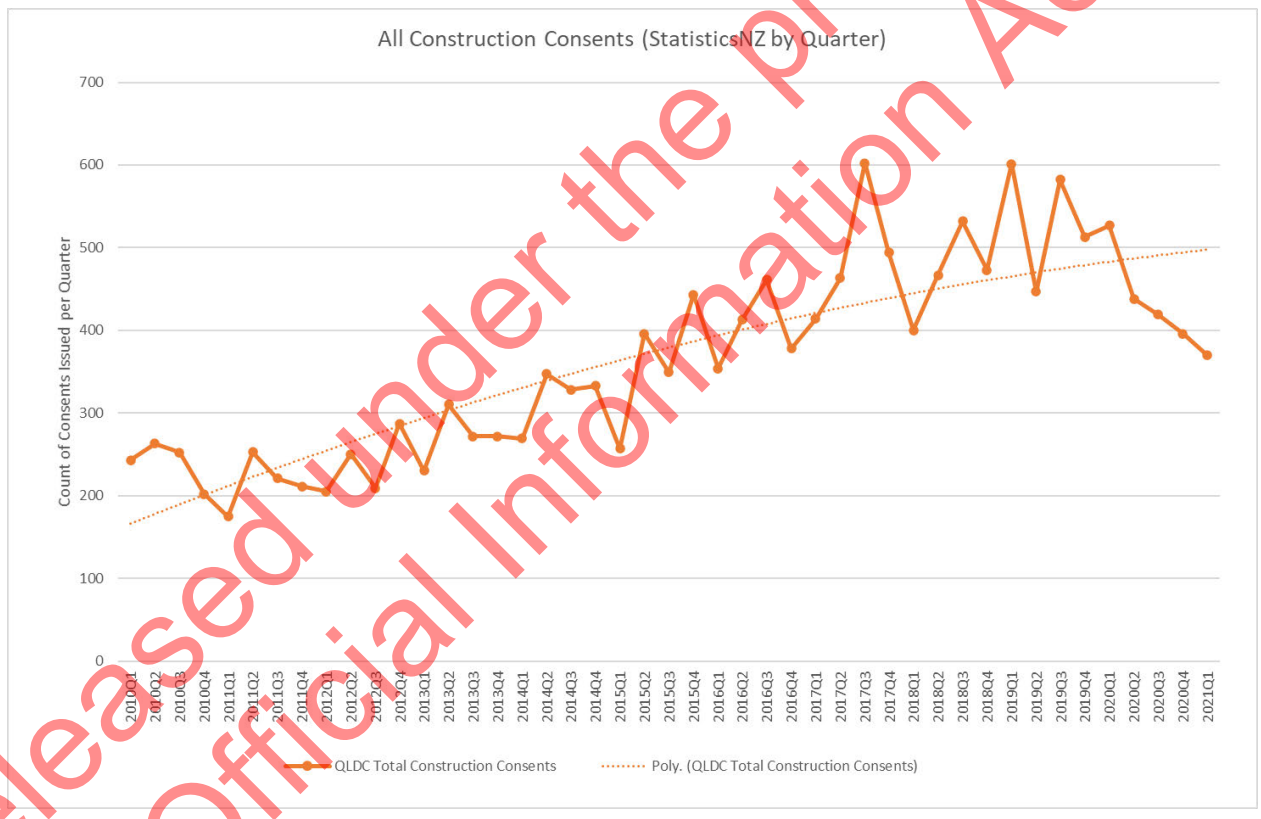


Figure 4.6 shows quarterly consents for new residential dwelling units (a subset of total construction consents). QLDC consented 211 new residential dwellings in first quarter of 2021, 42% less than the total consented in the same quarter of 2020. While this will sustain a large residential construction workforce, less new dwellings means less demand for staff in these sectors. There is considerable uncertainty on whether this trend of decline in residential activity will continue in the near future.

Figure 4.6 – Count of Residential Building Consents by Quarter in QLD

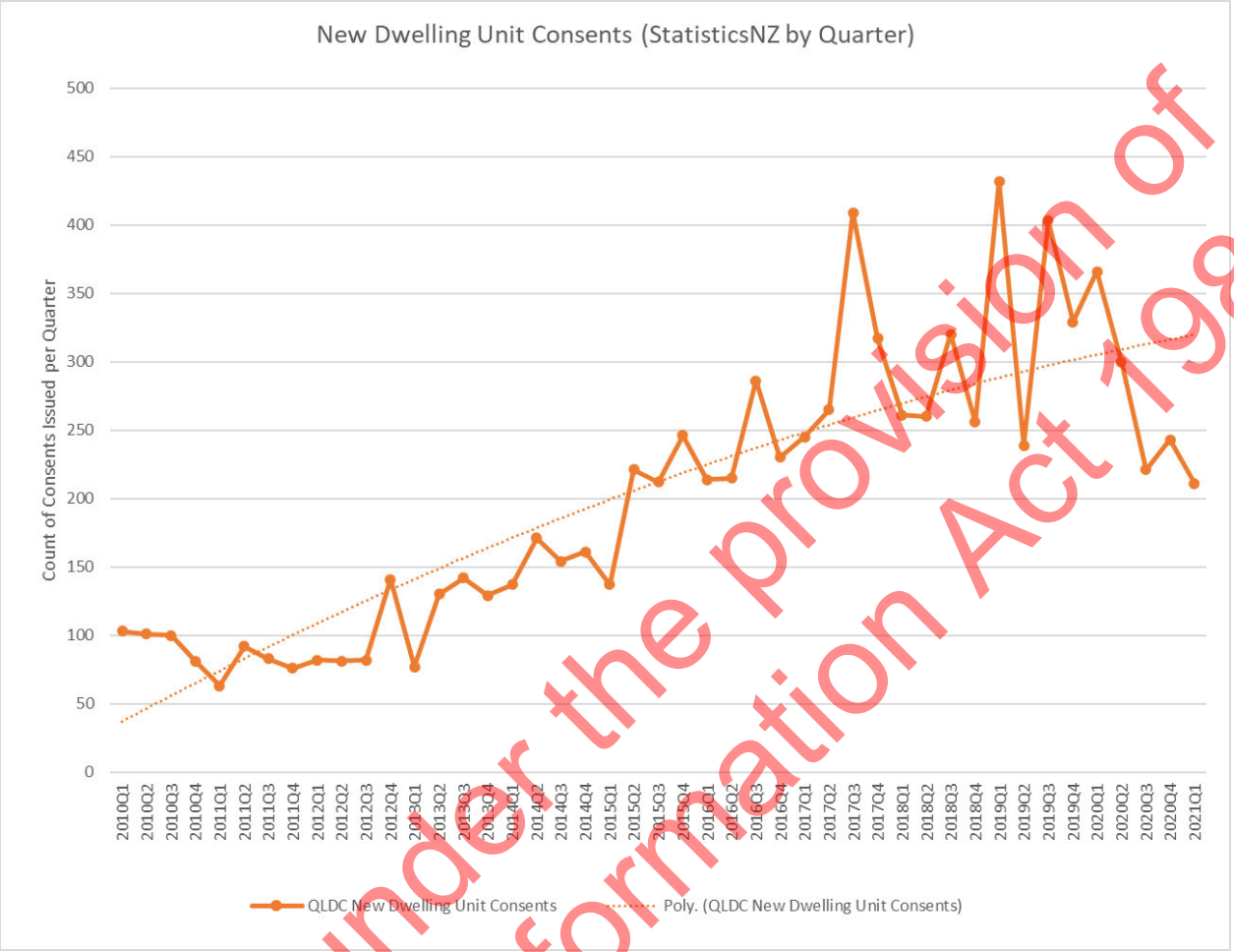


Figure 4.7 shows total quarterly consents for commercial buildings. The historic number of commercial building consents granted in QLD has fluctuated over time but shows a soft upward trend. QLD consented 18 commercial consents during the first quarter of 2021, slightly below the quarterly average of 19 in the period since 2010. However, the value of commercial consents is particularly relevant to employment sustained – i.e., fewer larger projects could sustain the same employment as many small projects. Figure 4.8 shows that the total value of non-residential construction consents in the March 2021 quarter was $155.5m. This is 55% down on the same period in 2020 ($345.9m) and still a strong drop compared to the December 2020 quarter. It is more similar to the value of non-residential construction activity experienced in the district between 2016 and 2018.

We have included the approximate value of CAPEX anticipated in the development of Silverlight Studios in years 1-4 alongside the non-residential consent value data in Figure 4.8 (inclusive of earthworks and other pre-construction costs and assuming they are split into four consent applications). While these figures are not necessarily directly comparable, it shows the relative significance of the year 1 construction activity at a district level. If this were to occur in addition to even a modest base quarter of commercial construction activity (and there was capacity in the sector to allow for that to be realised), then it is conceivable that the first year construction consent could create a new record high in quarterly non-residential consent values in the district.

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Figure 4.7 – Count of Commercial Building Consents by Quarter in QLD

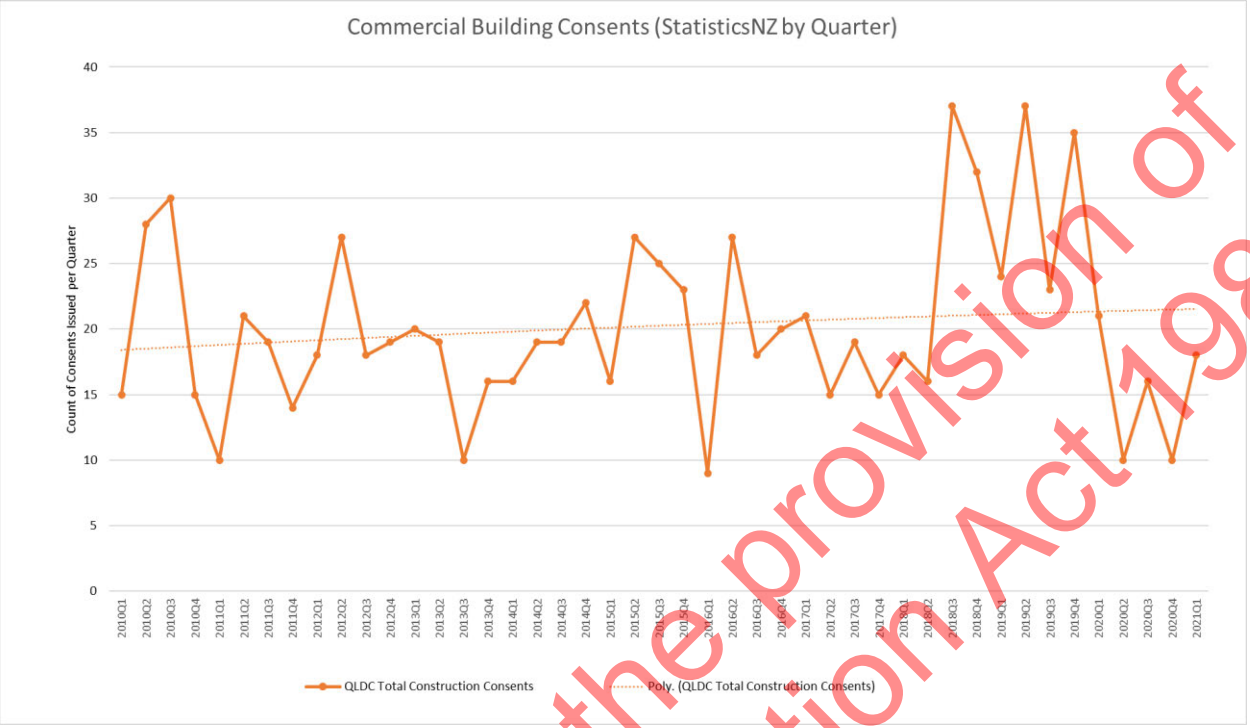
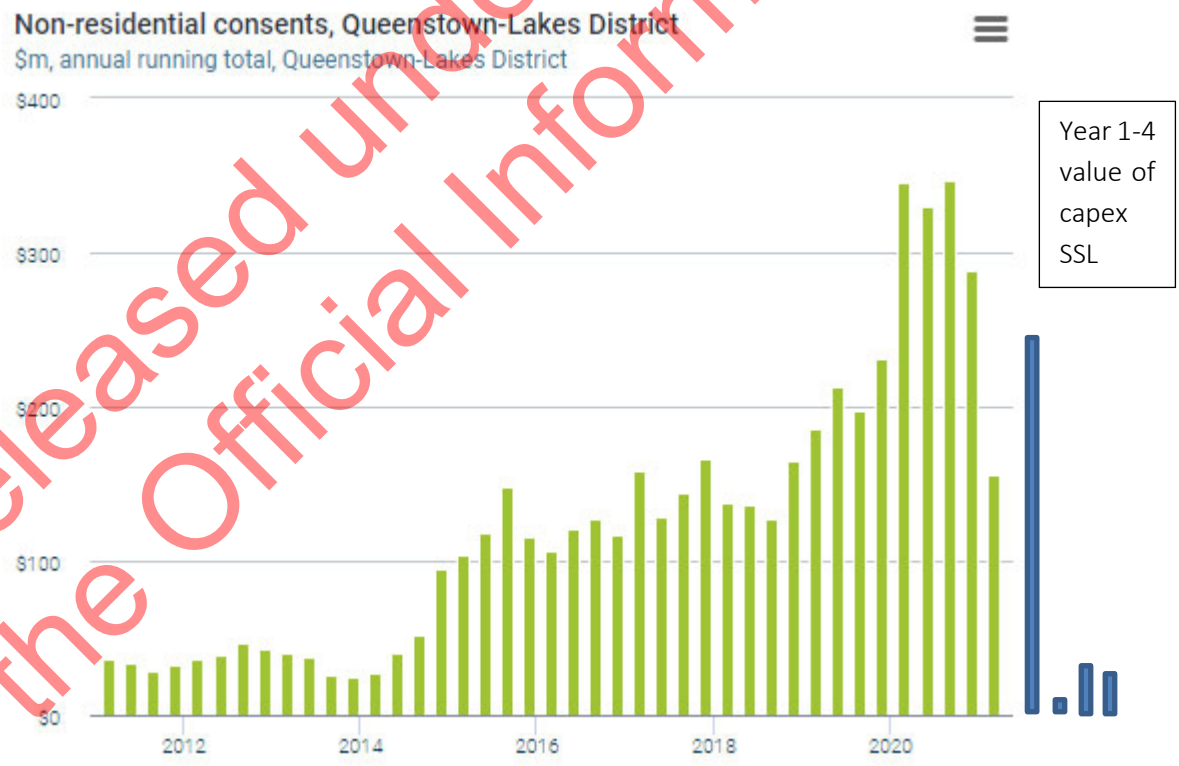


Figure 4.8 – Value of Commercial Building Consents by Quarter in QLD ($m)



In February 2020, the construction sector (1 digit ANZSIC) employed just over 4,750 workers in QLD according to the Statistics NZ Business Directory[23]. It is more Important than ever to keep this large construction workforce in jobs to avoid escalating unemployment and underemployment in the district already associated with the down-turn in tourism activity. If skilled labour households leave the district due to a lack of work (or business confidence) then this will slow the district's ability to recover post-COVID-19. The relative proximity of Queenstown to Wanaka means that large scale commercial construction projects in Wanaka are likely to provide opportunities for construction businesses throughout the district.

4.2 Employment Benefits of the Fast Track Pathway

This section takes a closer look at the way in which a Fast Track consent will deliver direct employment impacts to the district considerably sooner that would be the case with an alternative notified non-complying resource consent application pathway. The ability to sustain construction jobs in the near-term future is significant in a district where the economic and social impacts of COVID-19 have been substantial, and a very large construction sector has previously been sustained by tourism fuelled growth. If approved under the Fast Track Act, this project will provide many construction-related companies with a degree of certainty on upcoming revenue opportunities in a time when the future business outlook is increasingly uncertain (particularly for non-residential construction). This will be immediately followed by significant demand for a range of sectors and staff to satisfy the final demands of SSL and the main lessee.

4.2.1 Approach and Assumptions

This aspect of M.E's analysis relies on SSL cashflow associated with its application for consent, from the point at which it first embarked on their approval pathway under the Fast Track legislation (August 2020). It tracks that spending by month (on professional services) and includes a forecast of spending over the next few months to include the point at which the Fast Track decision is anticipated to be released (along with any estimated fees/charges associated with the final stages of the process). That end point is indicatively set at November 2021 for the purpose of this report.

For clarity, this 'approval' related spending is not included in the EIA discussed in previous sections, as the EIA is based on spending (starting with CAPEX) from the point of receiving approval to develop (should that be the outcome of the application). A monthly approach to the analysis is adopted as the approval timeframes are best measured in months rather that years (particularly under the Fast Track legislation).

To protect the confidentiality of SSL's consent-based spending to date, M.E have matched the spending for each service provider to 106 economic sectors and attributed it to the economic region of each supplier[24]. M.E's 2016 QLD-based MRIO table (relied on for the EIA model) contains data on annual gross output (turn over) for each sector which can be divided by 2016 employment[25] in each sector and economic region. This generates an annual average ratio of gross output per person employed in each sector and region (i.e., the

[23] Employment measured in MECs.

[24] QLD, rest of Otago Region and rest of New Zealand as per the EIA approach.

[25] M.E has used an employment count that includes employees as reported by the Statistics NZ Business Directory as well as estimated working proprietors in each sector. This is referred to by M.E as a 'modified employment count' or MEC.

amount of annual turnover in each sector required to sustain one staff member for a year).[26] This varies slightly depending on the economic region.

To retain our analysis at the monthly level, we have divided the annual ratio of gross output per person employed by 12 to generate estimated ratios of monthly gross output per person employed (i.e., the amount of monthly turnover needed to support one staff member for a month). By applying these ratios to the monthly approval spending by SSL in each sector, we have converted that (confidential) spending into employment (by sector and economic region) sustained each month as a result of SSL's approval experience (i.e., "job months"). For completeness, the equivalent permanent "job years" is also noted in the following text[27]. For example, $300,000 of turnover earned by the residential building industry in one month will support 12 workers for one month or 1 worker for a whole year.

The same process of converting direct spend to direct employment has been applied to the anticipated CAPEX and OPEX spend of the development (post approval),[28] in order to join that ongoing employment impact to the approval based employment and timing – using a common metric.

It is important to note that the employment sustained by the approval pathway is not the key objective of this analysis. That is included only for the purpose of demonstrating that the timing of the Fast Track approval pathway is based on actual and/or relatively certain data supplied by SSL. The primary purpose of this analysis it to give a reasonably accurate picture of when the employment impacts of the proposed development could potentially start to be felt in the QLD and wider economy if approved.

To put that timing into some useful context, M.E and SSL's planning expert have developed two alternative but hypothetical approval scenarios that assume that SSL would, in the absence of the Fast Track pathway, have needed to apply for a non-complying consent application with Queenstown Lakes District Council.[29]

For the consent approval pathway scenarios, assumptions were made on the likely and typical timing and associated costs of the consent application process (through initial discussions with council, lodgement, requests for further information, notification, submissions, council reporting, evidence preparation, hearing and decision stages). We have then considered the probability of an appeal with either successful mediated conditions of consent or a Court hearing outcome – these final outcomes forming the variation in the two consent pathway scenarios.

The model than attaches the same estimated CAPEX and OPEX direct employment by month to the end of those two consenting scenarios. The difference in when the employment impacts of the proposed development could potentially start to be felt in the QLD and wider economy by approval scenario is then

[26] The ratio is not limited to the staff members wages or salary for a year. This accounts for only a share of the ratio, with the balance covering all other intermediate inputs, taxes and operating surplus associated with the productivity of one worker.

[27] Job months can be converted to job years by dividing by 12. Note, job months and years can be a mix of full and part time permanent jobs. Job years should not be confused with Full Time Equivalents as the underlying employment count data (MECs) no longer distinguishes full and part time permanent jobs and is the sum of both.

[28] Some additional assumptions have been made to spread CAPEX in particular across the months of each construction year based on the logical sequencing of required work by sector.

[29] The other option would need to be inclusion of a bespoke zone as part of the rolling district plan review. This option was considered highly uncertain in terms of potential timing, and potential outcomes, and so has been discounted here.

clear. This highlights the benefit of the Fast Track approval pathway in supporting economies impacted by Covid-19.

4.2.2 Caveat

M.E acknowledge that the consenting scenarios in this analysis are hypothetical only. We are aware from communication with SSL that the opportunity for the proposed development on the planned site is time sensitive and is unlikely to be realised if approval for the development under the Resource Management Act was to take a slow, protracted and more expensive pathway.

Second, this analysis (and wider report) assumes that approval would be achieved under all scenarios (eventually). This assumption is necessary to quantify the potential positive economic impacts and benefits of the proposal. It follows that the same results can be used to understand the opportunity costs of the proposed development not going ahead.

Last, the direct employment numbers associated with the CAPEX and OPEX of the proposed development in this analysis are calculated using simple ratios of gross output per worker. They may differ from the direct employment calculated within an EIA model. The results are also not directly comparable with the EIA employment impacts, as they are report according to total economic impacts and include direct, indirect and induced employment sustained by the proposed development.

4.2.3 Timing Results

Figure 4.9 summarises estimated total monthly employment sustained by gross direct expenditure for the proposed development, inclusive of employment associated with the estimated wages and salaries paid by SSL and main tenant.[30] The analysis captures a shorter period of operation than the EIA model (first three years of operations under the Fast Track scenario only) as this is sufficient for the purpose of the analysis. The results include job months estimated to be sustained inside QLD, rest of Otago Region and the rest of New Zealand.

Under the Fast Track scenario, approval is assumed to be received in November 2021 and so we have assumed that the development phase (CAPEX) period can begin from December 2021. Ideally the construction of the project would be completed by November 2025, with more than half of the development ideally completed by November 2022 (based on data provided by SSL and assumptions made for this analysis). SSL could start leasing the site for screen production and other purposes by the end of 2022. Again, this timing is based on M.E assumptions and SSL estimates and represents a preferred scenario of development.

By the end of 2022, the Fast Tracked development could have directly sustained a cumulative total of around 10,600 job months (approximately 880 job years) across a range of sectors. By the end of 2023, this cumulative total could increase to nearly 22,200 job months (1,850 job years) sustained, increasing to nearly 34,370 job month (2,860 job years) and 46,900 job months (3,900 job years) respectively by the end of 2024 and 2025 (Figure 4.10). If approved by Fast Track consent, the development of the Silverlight Studios site as proposed could sustain a cumulative total of 12,500 job months (1,040 job years) during the Approvals and CAPEX stages and 34,400 job months (2,850 job years) as part of screen production and

[30] International jobs are excluded.

management operations by November 2025. Silverlight Studios anticipates that on average the management and use of the film studio would employ around 620 New Zealand based staff on wages or salaries per year. About 82% of the total direct job months/years sustained by the development by the end of 2025 are inside QLD, 8% inside the rest of Otago Region and 10% in the rest of New Zealand.

By comparison, under a Non-complying Consent Process with Appeal and Successful Mediation (Consent Order) and a Non-complying Consent Process with Appeal and Environment Court Hearing, there is a longer time period estimated for approval (Figure 4.11 – inset graph) (and greater associated costs). The start of development could be delayed by potentially 17 months (starting around May 2023) compared to the Fast Track scenario. If approved by the Non-complying Consent Process with Appeal and Successful Mediation, the construction of the project is not completed until April 2027 under this scenario. Under the Non-complying Consent Process with Appeal and Environment Court Hearing scenario, the start of the project could be delayed by potentially 21 months (starting around September 2023) compared to the Fast Track scenario and construction is potentially not complete until August2027.

Under the Consent pathway scenarios, the total cumulative monthly employment sustained is almost the same except for the approvals stage. If approved under the Fast Track scenario the peak month of employment activity is around July 2022 (approximately 1,280 jobs directly sustained that month, equivalent to 106 job years) compared to a peak of employment activity in December 2023 under the Non-complying Consent Process with Appeal and Successful Mediation scenario, and April 2024 under the Non-complying Consent Process with Appeal and Environment Court Hearing scenario (same number of jobs).

In summary, the Fast-Track consent pathway allows more jobs to be sustained sooner rather than later which maximises the positive impact of the development on the district and the national economy because the employment impact is occurring during the Covid-19 impact and recovery period (where job losses and economic downturn are being felt most keenly).

Figures 4.11 provides a comparison of just the direct job months estimated to be sustained in the New Zealand economy under the three approval pathway scenarios. The area shown in blue in the main (bottom) graph (not overlapped by orange or grey) highlights the significant benefit that approval under the Fast Track consent pathway delivers to the timing of district and national jobs estimated to be directly sustained by the proposed development and subsequent operations.

Figure 4.9 – Direct Monthly Jobs Sustained by Month/Year and Area – Fast Track Scenario

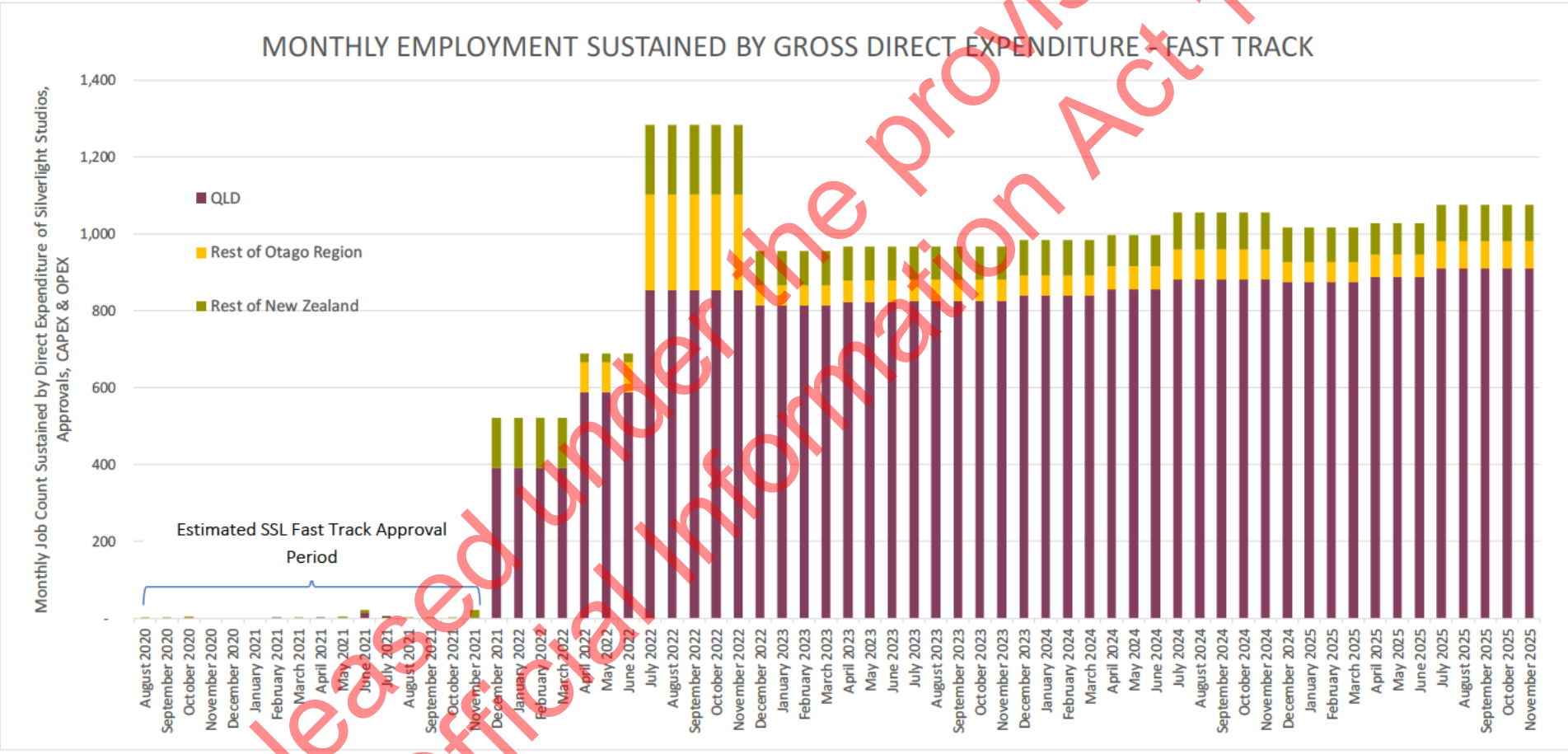


Figure 4.10 – Cumulative Direct Monthly Jobs Sustained by Month and Area – Fast Track Scenario

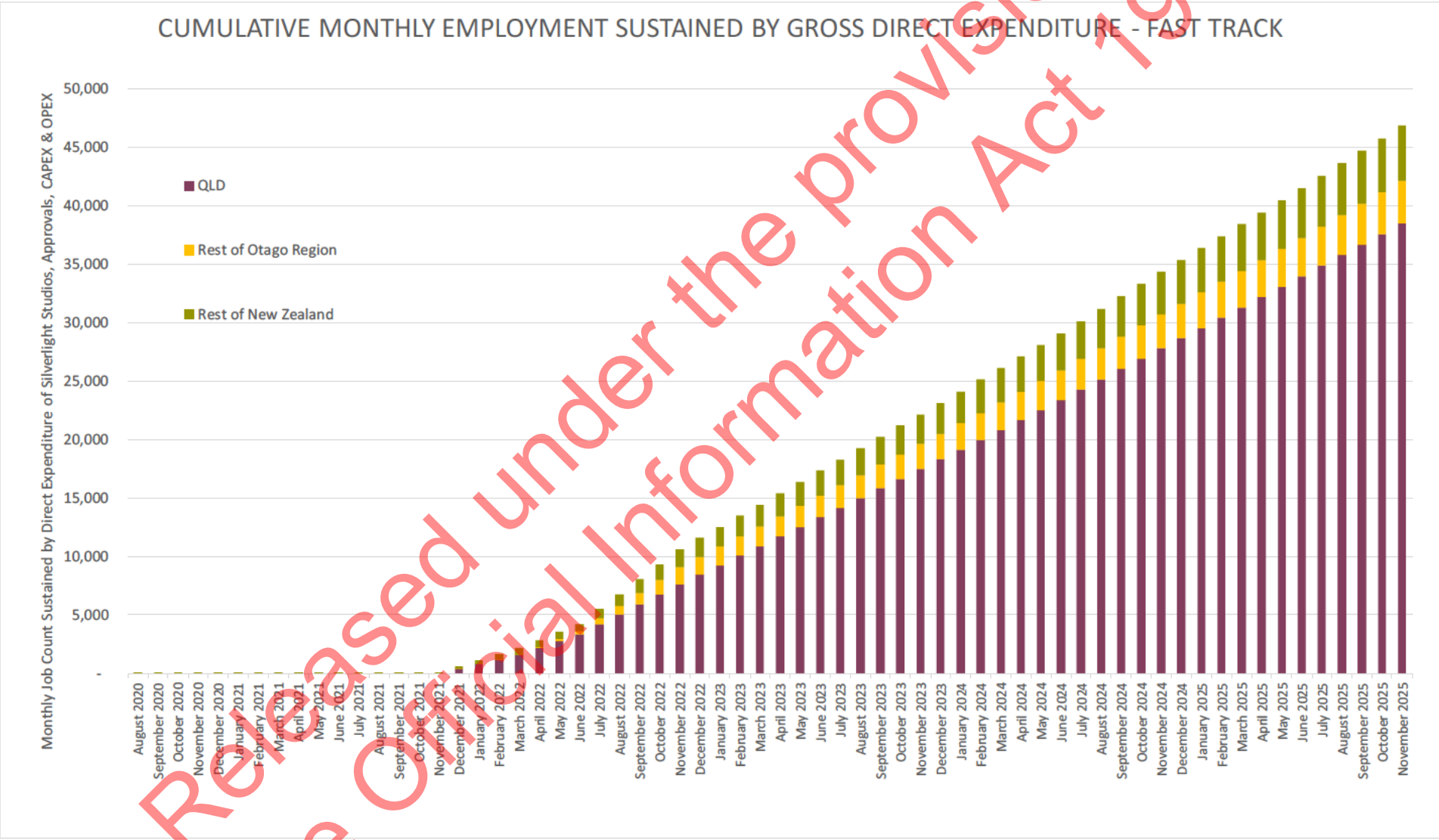
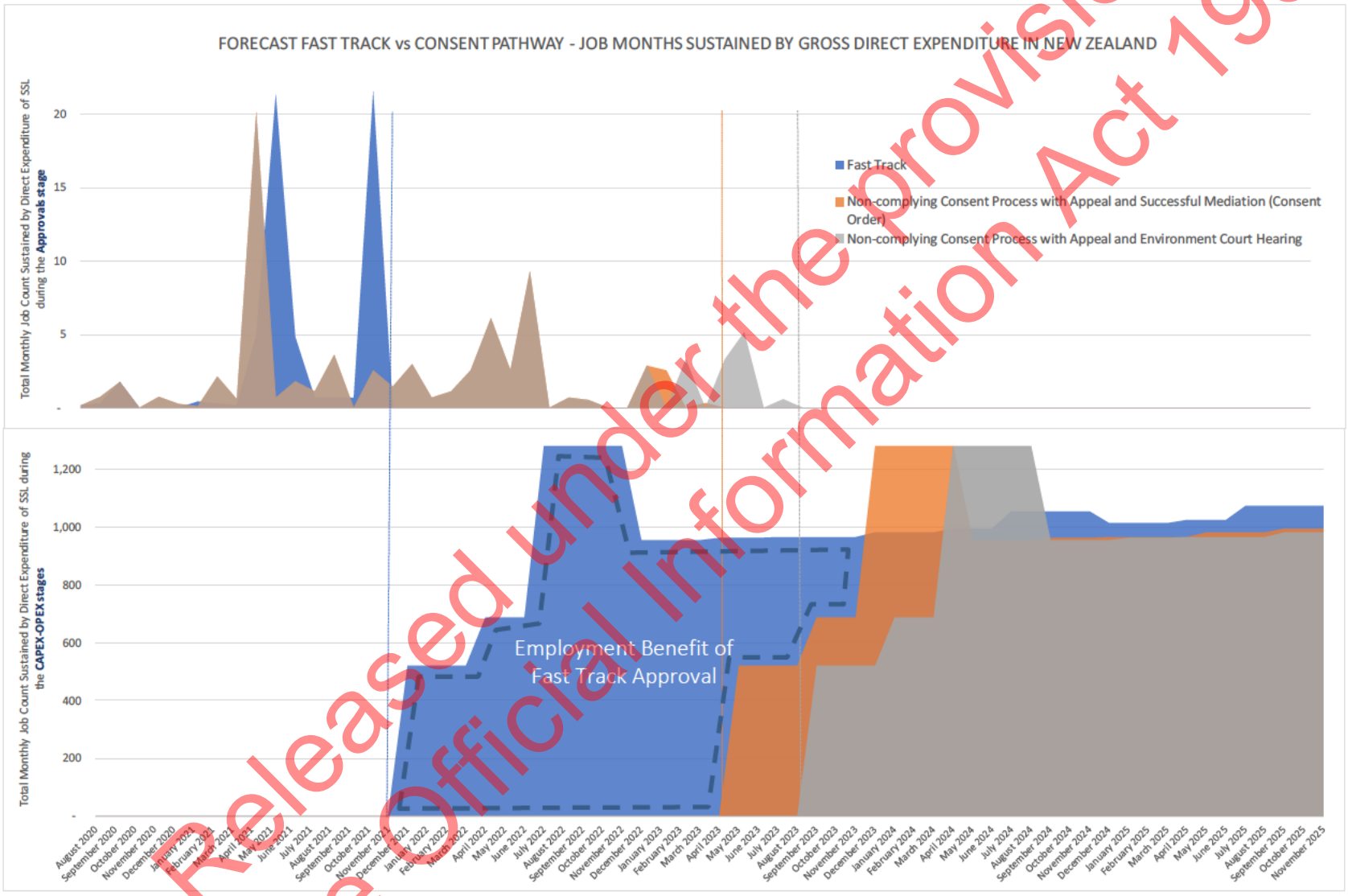


Figure 4.11 - Direct Monthly Jobs Sustained Nationally by Month – Fast Track vs Consent Pathway



5 Conclusions

The Silverlight Studio proposal could have a significant economic impact on the QLD economy in GDP and especially employment terms. It is a substantial capital project that would support the non-residential construction sector and those suppliers that provide inputs to that sector. Once operational, the presence of the main lessee (an international screen production company) will directly sustain a diverse range of businesses and indirectly sustain businesses across many more sectors throughout New Zealand. The employment it will create on site will be significant, as has been seen with other large film projects carried out in New Zealand. But that employment could potentially be sustained more consistently throughout each year and over the long term (i.e., over the term of their lease and potentially beyond if that lease is extended).

While the consent application seeks approval for expansion of the large sound stages available to the main lessee, this EIA does not capture the additional CAPEX associated with that or the lift in operational activity that the additional floorspace capacity could support. This EIA is also conservative in that it has not considered the net additional impact of a range of other economic activities that could be facilitated at the Silverlight Studio campus. This could include other screen production companies from overseas there for short term projects. We have made no assumptions around net additional tourism spend or net additional household growth. However, we have also not accounted for the funding mechanism of the CAPEX given the uncertainty of that at the time of drafting. We have assumed it is net additional to QLD and New Zealand within the time period assessed. However, if this proves not to be the case, there could be transfer effects that would reduce the economic impacts estimated in Years 1-11.

To be eligible under the COVID-19 Recovery (Fast Track) Consenting Act 2020, projects must meet several criteria set out in the Act. As discussed throughout this report, the proposed Silverlight Studios development will result in positive economic impacts for a community and economy significantly affected by COVID-19 and will assist in sustaining the large construction sector (and many other sectors) within the QLD (including upstream suppliers) suffering as a direct and indirect result of tourism decline. The benefit of the Fast Track consent pathway is clear. It means that a significant number of local (and national) jobs can be sustained sooner rather than later (or perhaps not at all).

Other positive economic effects of the proposed development include (but are not limited to):

- Diversification of QLD's economy away from tourism (albeit that the proposal offers some additional tourism attractions for Wanaka, but this is not the primary purpose of the facility). It provides a range of jobs in sectors not dependent on tourism. A diverse economic base increases the resilience of the QLD economy to weather future shocks.
- It builds and promotes the creative sector, nationally and within QLD. It provides a hub for film related businesses to agglomerate (allowing for the sharing of ideas and technology and greater efficiency and productivity through shared resources).

- International screen productions help promote New Zealand as a place to visit and do business. It could help build the reputation of New Zealand as a safe and well-resourced filming location.
- The Studios would provide skilled job opportunities for young adults in the Wanaka and QLD community, helping to retain this segment of the population, many of which might otherwise 'leave town' to establish their careers.
- The Studios would provide tertiary training opportunities that will attract students from elsewhere in New Zealand (and overseas), as well as providing greater tertiary training opportunities for the local community (again, many local students leave town to access tertiary education).
- The development could be expected to increase projected household growth rates, particularly in the Upper Clutha area. Positive effects of urban growth can include an ability to sustain a greater range of businesses and services, increased feasibility of some services (such as public transport), greater opportunities for households and businesses to generate income (increased demand).
- The facilities available for hire/use by the local community may enhance the cultural amenity and wellbeing of the Upper Clutha – i.e., enable more shows and events to be held, including bigger events that might not otherwise be possible in existing facilities.

Potential negative economic effects of the proposed development include (but are not limited to):

- Net additional demand for residential dwelling units (to own or rent) in the Upper Clutha (over and above existing dwelling growth projections). This may put upwards pressure on housing prices/rents in the short term, although the market may be expected to respond with greater supply in the medium and long term, mitigating the issue.
- Net additional demand on local infrastructure (including schooling) (over and above existing population and household growth projections), although new permanent households would (directly or indirectly) generate additional rates income for council that would help fund the growth of council infrastructure.
- Loss of primary production capacity on the rural site and any upstream and downstream reductions in economic activity associated with the current land use (if not offset elsewhere).

M.E considers that the proposed retail and hospitality activities within the site will not compete with existing centres as it will primarily serve the needs of the on-site work force rather than draw custom away from existing businesses (i.e., it will be sustained by growth rather than cause a redistribution of existing spend). Similarly, we consider that any tourism attractions on site will not adversely affect existing tourism activities but will complement them. They provide more for visitors to do while in Wanaka, which may mean that visitors stay longer and spend more during their stay.

Overall, while the scale of the activity would be significant in the context of the current Wanaka economy, it is not out of scale in the context of the total district economy. The positive economic impacts on the economy will be significant and sustained over time (with further potential for growth with expansion of some elements of the facility). M.E conclude that the positive economic effects are likely to significantly outweigh any potential negative economic effects.

Appendix A - Geographies Relevant to Economic Assessment

Appendix B – Input-Output (IO) Basics

At the core of any IO analysis is a set of data that measures, for a given year, the flows of money or goods among various sectors or industrial groups within an economy. These flows are recorded in a matrix or 'IO table' by arrays that summarize the purchases made by each industry (its inputs) and the sales of each industry (its outputs) from and to all other industries. By using the information contained within such a matrix, IO practitioners are able to calculate mathematical relationships for the economy in question. These relationships describe the interactions between industries, specifically, the way in which each industry's production requirements depend on the supply of goods and services from other industries.

With this information it is then possible to calculate, given a proposed change to a selected industry, all the necessary changes in production that are likely to occur throughout supporting industries within the wider economy. For example, if one of the changes anticipated for the Queenstown Lakes District were to be an increase in the amount of construction industry, the IO model would calculate all the increase in outputs required from industries supporting the construction industry (e.g., metal product manufacturing, wood product manufacturing, business services, road transport etc), as well as the industries that support these industries).

Typically, the variables that drive an IO model, in other words the variables that are used as inputs and which determine outcomes of all other variables, are the variables that are referred to as 'final demands'. Final demands constitute the value of each industry's output sold to final markets for consumption. These final markets are comprised primarily of consumption purchases by households, sales to government, private domestic investment, and exports. The value of milk solids sold by dairy farmers to the dairy processing industry, for example, does not constitute a sale to final demands, whereas the value of cheese that is produced from these milk solids by the dairy processing industry and sold as exports is recorded under final demands.

As with all modelling approaches, IO analysis relies on certain assumptions in its operation. Among the most important is the assumption that the input structures of industries (i.e., technical relationships) are fixed. In the real world, however, technical relationships will of course change over time as a result of new technologies, relative price shifts causing substitutions, and the introduction of new industries. For this reason, IO analysis is generally regarded as most suitable for short-run analysis, where economic systems are unlikely to change greatly from that which generated the initial data.

Queenstown Lakes District Input Output Table Creation

As already stated, at the core of an IO modelling framework is a matrix recording transactions between different actors within an economy. Each column of the matrix reports the monetary value of an industry's inputs, while each row represents the value of an industry's outputs. Sales by each industry to final demand categories (i.e., households, local and central Government, gross fixed capital formation, etc) are also recorded, along with each industry's expenditure on primary inputs (wages and salaries, consumption of fixed capital, gross operating surplus etc). Clearly the data requirements for constructing these IO matrices are enormous, and it is partly for this reason that IO tables are only produced in New Zealand on an infrequent basis. The latest available IO table for the New Zealand economy is based on data for the 2012-13 financial year (Statistics New Zealand, 2016). A supply-use table, which contains much of the

information required to generate an IO table, is also available for the 2012-13 financial year (Statistics New Zealand, 2016).

The first major step required for the assessment of economy-wide effects is to generate an appropriate IO table for use in the study. Essentially two major tasks were involved:

1. production of an updated IO table for New Zealand; and

2. regionalisation of the national table to produce an IO table for the Queenstown Lakes District.

In terms of the first task, M.E has produced an IO table for NZ for the year ending March 2016. This is the latest year for which all economic data required to produce an updated table is available. The New Zealand IO is essentially derived by updating the national IO table to 2015/16 using data contained within the National Accounts (i.e., gross output, value added and taxes by industry), as well as international merchandise (imports and exports of products classified according to the harmonized system) and Balance of Payments (imports and exports of services) data. Relationships between industries, or technical coefficients, are assumed to remain consistent with those in the 2012-13 table.

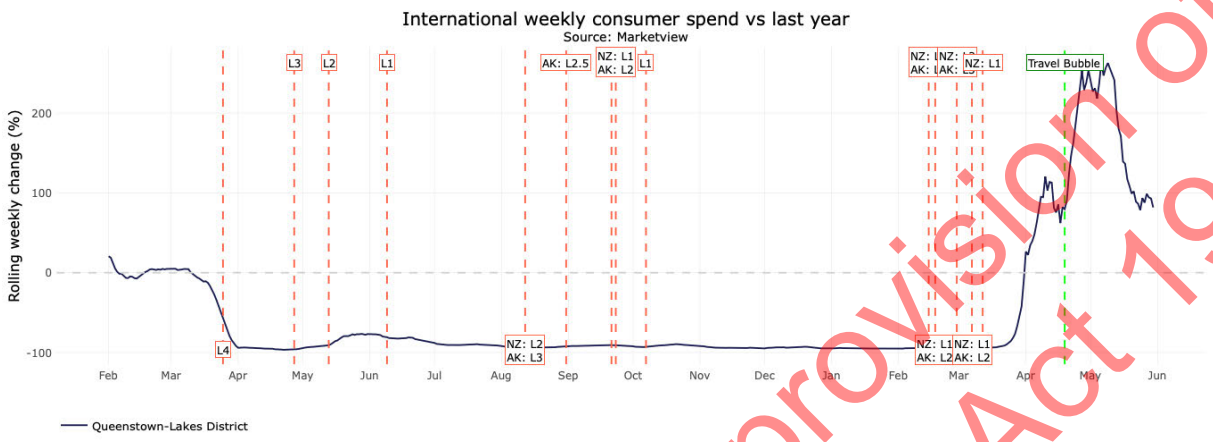
In terms of the second task, the Generating Regional Input-Output Tables (GRIT) procedure (Jansen et al., 1979; West et al., 1980, Smith, N. et al, 2015[31]) was relied on to produce a regional table from the 2015-16 national table. This method consists of a series of mechanical steps that reduce national input-output coefficients to sub-national (regional) equivalents with reference to available regional (and district) data. In this case reference was made particularly to employment by industry, population and household income data for the Queenstown Lakes District and wider Otago Region.

A final important point to note about the IO framework utilised in this study is that it is multi-regional. This means that the model considers not only the relationships between economic actors within the Queenstown Lakes District, but also the relationships between economic actors within Queenstown Lakes District and those in the rest of Otago Region and the rest of New Zealand. This multi-regional approach provides a means to evaluate the nation-wide implications of the proposed Silverlight Studios development scenario. The IO model utilised contains 106 different economic industries by the three different regions.

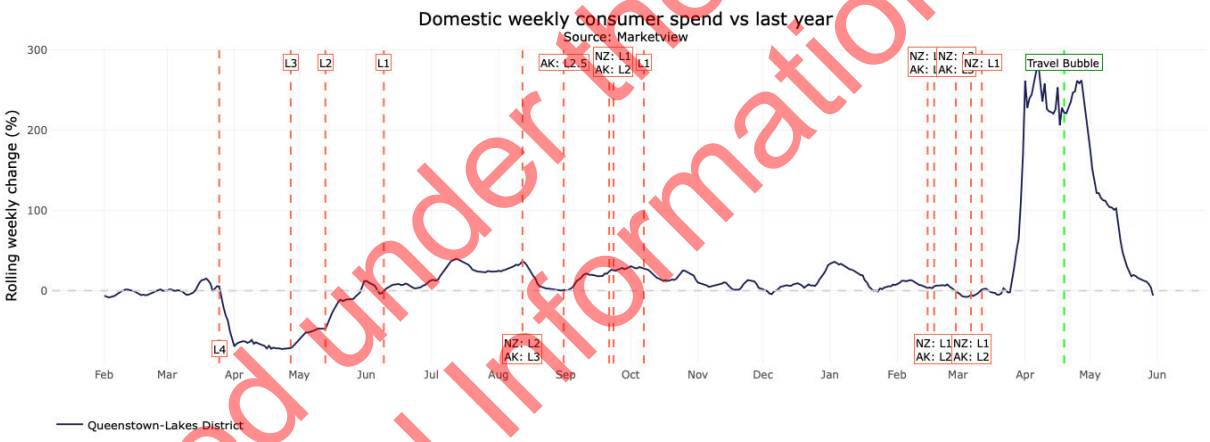
[31] Smith, N., Zhang, Y., Cardwell, R., McDonald, G., Kim, J-H., & Murray, C. (2015). Development of a Regional Social Accounting Framework for New Zealand, GNS Science Technical Report (In Press), GNS Science, Lower Hutt.

Appendix C – COVID-19 Spending Impacts

International Consumer Spend in QLD (Week vs. Same Week vs Last Year)



Domestic Consumer Spend in QLD (Week vs. Same Week vs Last Year)



International Consumer Spend in QLD (Week vs. Same Week 2 Years Previous)