

Preliminary Economic
Effects Commentary

Silverlight Studios - Wanaka

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1 Preliminary Assessment

The following provides preliminary commentary on the anticipated social and economic benefits and wider effects of the proposed Silverlight Studios development in Wanaka. If successful in being referred for a Fast Track consent, Market Economics (M.E) will prepare a comprehensive assessment that is expected to substantiate these preliminary comments through quantitative economic analysis.

1.1 A community and industries affected by COVID-19

Queenstown Lakes District (QLD) has an economy built on tourism and this has made it especially vulnerable to the impacts of COVID-19. In 2019, it was estimated that the tourism sector accounted for 63.5% of all jobs in the district (over 19,000 jobs) and contributed \$1,703m to district GDP. Tourism sector growth rates to-date have been significant with sector GDP up 10.3% on 2018 and 660% since 2000. The tourism sector has historically driven household growth in QLD and this in turn has driven demand for new dwellings and commercial development. This activity has sustained a large local construction sector (4,300 workers in 2019).

Electronic spending data has revealed the significant impact that COVID-19 is having on the QLD economy. While efforts have stepped up to promote the district to the domestic tourism market, there is nothing that can be done to recover international tourism activity until international borders re-open and global travel resumes. Given the district's reliance on tourism, this is causing adverse flow-on effects to many in the wider community. Applications for the Accommodation Supplement, for example, continue to trend upwards. Acknowledging the impending economic downturn, the Council has released new dwelling projection scenarios that now show a period of much slower (and in some cases minimal) dwelling growth in the short-medium term future.

The economic challenge for QLD is to stimulate investment and development in the district in the short-term to create jobs and sustain incomes, and diversify the economy in the medium-long term to make it less reliant on tourism and more resilient to future shocks. It is more Important than ever to keep the large construction workforce in jobs to avoid escalating unemployment and underemployment in the district 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 and will have compounding effects on those businesses that serve local residents.

1.2 A project that delivers social and economic benefits

The proposed development by Silverlight Studios could deliver significant economic and social benefits to the QLD community (and New Zealand as a whole). It comprises a large scale construction project followed by long-term job creation in a sustainable and resilient industry. It is an ideal fit for QLD in terms of sustaining short-term employment in the construction sector and creating skilled job opportunities (including tertiary education opportunities) in the creative sector that will help retain existing households and attract new households.

1.3 Why economic impacts will be substantial

To support the Fast Track consent evaluation, Market Economics will quantify the direct and flow-on economic impacts of the proposed film studio and multi-use 'Film Park' development on the QLD and rest of New Zealand economy using input-output modelling (i.e. a formal economic impact assessment or EIA). This will generate robust projections of total employment sustained by the development, including the value added to the economy. In the interim, there are several characteristics of the project that indicate that the positive economic impacts will be substantial. These are:

1. The funding for Phase 1 construction will come from outside of QLD. This means that the money spent on construction (TBC) would not likely have been spent in QLD if not for the proposed project. This is net additional investment in the district.
2. It is likely that a significant share of the expenditure on construction will be directed to district businesses meaning that most of the direct (and flow-on) employment impacts will be felt locally.
3. Once Phase 1 construction is complete, the intention is for the film studios and associated workspaces to be leased by an international screen production company. This means that all local/national direct expenditure (on goods, services and wages/salaries) is funded from offshore. This is net additional to the QLD and national economy.
4. The lease may be in the order of 10 years, with economic impacts generated year on year over that period.
5. The screen production company is expected to generate GST, company tax and PAYE revenue for New Zealand each year (although a portion may be able to be claimed back in accordance with the Government's screen incentives scheme).
6. Individual film/television projects carried out by the lease holder will create a mix of direct permanent and short-term employment opportunities (at its peak, the total 'crew' can number many hundreds, with some projects exceeding 1,000 workers). The screen production company can be expected to roll into a new project as a project ends to maximise the value of their lease and utilise the facility efficiently.
7. The employment (and proposed film school) opportunities are expected to attract net additional short-term and permanent households in the district. This will facilitate tourism and household spend with local businesses including demand for short-term accommodation and additional dwellings.
8. As the shareholders of the Film Park are New Zealanders, it is expected that operating surplus from the lease will be retained in the New Zealand economy. A portion of this may be used to finance future phases of development at the Film Park, further escalating economic impacts outlined above in the medium-long term, including potential development of new tourist attractions which will support future visitor spending in the district.

- 9. In addition to direct economic impacts, the lift in economic activity in QLD (and elsewhere in New Zealand) will sustain flow-on (indirect and induced) economic impacts through upstream supply chains each year. These will be spread across a wide range of economic sectors.

These factors will be taken into consideration in the development of an EIA which will accompany a comprehensive Fast Track consent application.

1.4 A Fast Track consent will deliver benefits sooner

The substantial economic impacts anticipated to be generated by the proposed project will begin to be felt in QLD as soon as planning approval is secured, and detailed design and construction can get underway in earnest. Broadly, the direct and flow-on economic impacts will be of a similar scale and duration whether the project is developed now, or later (market and investment opportunities and competitive effects notwithstanding). However, the value of the anticipated impacts to the QLD economy and community will be greatest if they can be realised in the near-term (i.e. starting in the next year), when the compounding effects of COVID-19 are projected to be even higher and local business sustainability and confidence is expected to be lower, particularly in the construction sector.

While scenarios of approval, construction and operational cashflow are in the process of being developed (and will be addressed in the full M.E report), M.E expects that a single-stage Fast Track consent could bring the employment benefits of the project forward by approximately two years relative to a two stage plan change and consent approval pathway. Those two years will make a significant difference to Wanaka and Queenstown households and business owners, helping to offset the decrease in spending sustained by tourism and accelerating the recovery and diversification of the district economy.

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Director

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