



**Estimate of Scale of Need for  
'Local and Mixed Use' Tourism  
Infrastructure**

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# Contents

Contents	1
Introduction	2
Identifying the Scale of the Issue	4
Summary	7

# Introduction

## Background

The tourism industry in New Zealand is developing a number of strategic initiatives to create value and maximise growth opportunities. Given the ambitious value growth targets set out in Tourism 2025, understanding existing requirements, and the impact of future growth on servicing tourist needs is critical to planning and delivering world class tourism infrastructure and capability. Without investment in tourism infrastructure, supply constraints will limit sector growth.

Tourism 2025 establishes an aspirational goal that tourism will contribute \$41 billion per annum by 2025. Given this, and escalating demands on tourism infrastructure capacity, the requirement for a coherent nationwide tourism infrastructure and investment plan is becoming increasingly urgent, in order to take advantage of these growth opportunities.

## National Tourism Infrastructure and Investment Assessment

Recognising this need, TIA engaged Deloitte to conduct an assessment of New Zealand's tourism infrastructure priorities.

The study provided an assessment of the broad types of infrastructure investment required nationally to support tourism growth, that have been evaluated in terms of priority based on criteria which considers both impact (economic growth from tourism) and the need for coordinated action to stimulate a response to the need.

As an additional module of work to address a specific sub-set of infrastructure types, Deloitte was commissioned by TIA to compile a list of 'actionable' local government projects. This additional module supports the analysis currently being undertaken by central government on developing a sustainable solution to local and mixed use infrastructure investment to support forecast tourism growth.

## Pipeline Projects Module

In order to address current capacity constraints for local government to respond to infrastructure needs, the scale and depth of the need has to be established.

Deloitte has been working with TIA and local government to bring together an initial long list of possible local and mixed use tourism infrastructure projects.

This list is referred to as the Project Pipeline. The study comprised a number of work streams:

- A survey was sent to all 78 local Councils in New Zealand; identifying 680 projects.
- Tourism industry participants also contributed; identifying 30 projects.
- Costing, as far as possible, of the projects to estimate the scale of the Project Pipeline.

This report presents the findings of the Project Pipeline exercise.

## Objectives

The purpose of the pipeline is to understand the scale and depth of local and mixed-use infrastructure requirements to meet forecasted tourism demand. It is an illustrative tool to inform central government's consideration on how to support the provision of local and mixed use infrastructure. In particular, the estimate of the size of the pipeline will help inform the type of

funding mechanisms that are best suited to addressing the requirements, as well as a rough estimate of the cost quantum involved.

### Limitations

The Project Pipeline is not an exhaustive list; it was developed for **illustrative purposes only** to provide evidence of the scale and depth of local and mixed-use infrastructure requirements.

The following limitations exist:

- The compressed timeframe for information gathering meant that there was considerable variability in the depth and detail of information provided.
- Although cost estimates were not requested, in some cases, respondents included an estimate of the project's cost, or referred to the Council's Long Term Plans (LTP). If a cost estimate was not provided, we have benchmarked a project's cost using information from similar projects. Real costs for projects would vary significantly and likely often on the upside.
- The Project Pipeline is **not** a prioritised investment plan. It is intended as a high-level validation exercise and should not be used for any other purpose.

# Identifying the Scale of the Issue

The Project Pipeline identified 673 Local and Mixed Use projects across New Zealand.

## Survey

We developed a survey that was sent to 78 local Councils asking them to provide a list of projects that might qualify for tourism infrastructure funding. Projects had to meet the definition of local and mixed-use tourism infrastructure. This is infrastructure that:

- supports tourism activity and is important to the visitor experience at individual locations (*local tourism infrastructure*)
- is typically used by both local resident communities and tourists, but tourism demand has impacted residents' ease of access (*mixed use infrastructure*)
- is typically funded by government, mostly local government but sometimes by central government (*public infrastructure*).

 Local Tourism Infrastructure	 Mixed Use Tourism Infrastructure	 Public Infrastructure
<ul style="list-style-type: none"><li>• Conference facilities</li><li>• Cruise facilities</li><li>• Freedom camping facilities</li></ul>	<ul style="list-style-type: none"><li>• Car parks</li><li>• Toilets</li><li>• Access ways and urban public spaces'</li><li>• Public transport</li><li>• Cycle ways</li><li>• Recreation and sport facilities</li><li>• Facilities on public conservation land</li><li>• Airport facilities</li></ul>	<ul style="list-style-type: none"><li>• Water</li><li>• Waste water</li><li>• Storm water</li><li>• Footpaths</li><li>• Public information</li><li>• Roads</li></ul>

## Council Responses

We received responses from 47 councils detailing 680 projects. These respondents cover regions responsible for approximately 95% of the total expenditure by visiting tourists in New Zealand. Nonetheless, it is accepted that many potential projects have not been included.

Councils were asked to put forward any projects that met the definition, regardless of whether they were included in their Long Term Plans (LTP). They were then additionally asked to flag those projects which do already feature in their LTPs.

In some cases, Councils consulted with their Economic Development Agency (EDA) or Regional Tourism Organisation (RTO) to understand projected or existing local tourism infrastructure pressure points in their area.

### Tourism industry responses

In addition to the Council projects, 30 projects were put forward by the tourism industry which were not included in Council responses. This brought the total number of projects submitted to 710.

### Sense Checking

Projects that did not meet the local and mixed use definition were removed. Additionally, projects were removed if they are likely to:

- Be funded through other sources due to their size and value, *e.g. Wellington airport runway extension, Christchurch town hall, provincial chambers.*
- Be the responsibility of government departments, *i.e. DOC or NZTA for state highways.*
- Be already funded, *i.e. through the mid-sized facilities fund.*
- Be in progress and will be completed in the 2016/17 year.

Applying this criteria we removed 37 projects. This left **673** local and mixed use projects. This is Project Pipeline which is summarised in the table below:

**Table 1.1: Local and Mixed Used Infrastructure Projects: summary by infrastructure type**

Infrastructure type	Number of projects	Number of projects in LTP
Toilets	107	31
Car parks	75	22
Recreation and sport facilities	73	37
Public information	57	19
Cycleways	46	15
Roads	40	16
Freedom camping facilities	40	8
Sewerage and water	39	25
Access ways and urban public spaces	32	19
Footpaths	31	11
Airports facilities	21	3
Facilities on public conservation lands	20	5
Public transport	18	4
Conference facilities	18	10
Cruise facilities	17	5
Storm water	5	4
All other	34	8
<b>Total projects</b>	<b>673</b>	<b>242</b>

## Cost Estimation

The 673 projects have been costed where possible. These costs provide a sense of scale.

- Although cost estimates were not requested, in some cases, respondents included an estimate of the project’s cost, or referred to the LTP.
- If a cost estimate was not provided (including for all tourism industry participants), we have benchmarked a project’s cost using information from similar projects.
- Otherwise, where a project’s scope and scale is not clear we have not costed the project. An example of this is “*continued investment to ensure all waste water drains in the network are resilient, and have sufficient capacity for future growth requirements*”.
- We contacted 13 councils to provide additional costing information; 8 responses were received.

Overall a rough order cost has been estimated for 525 (78%) of the 673 local and mixed use projects. The total value of costed local and mixed use projects calculated using this approach is \$1.46 billion.

Of note, only around one third of the 673 local and mixed use projects are in Councils’ LTPs meaning that there are not clear pathways for getting the non-LTP projects actioned, noting also that being in the LTP does not in itself guarantee that a project will be undertaken.

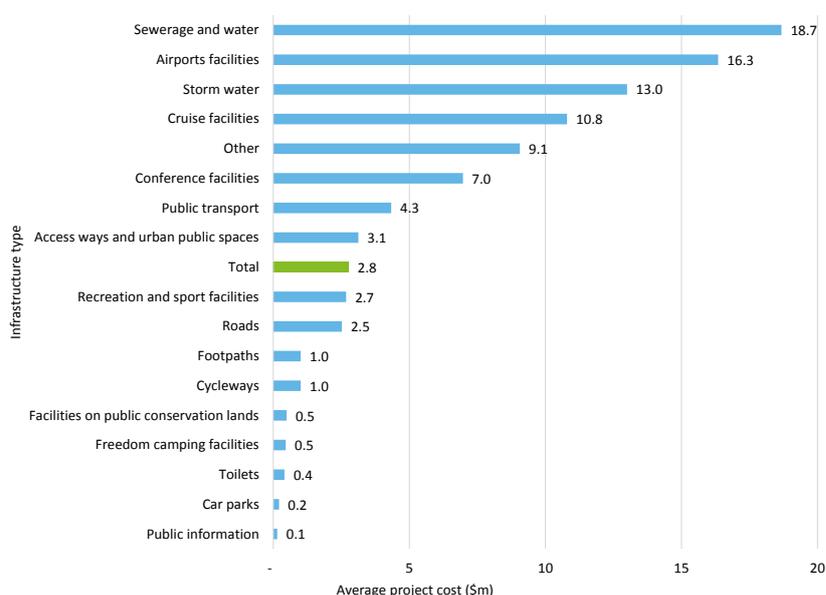
Of the 148 local and mixed use projects that were not able to be costed, these tended to be larger scale and more complex (and hence more difficult to determine even a rough order of cost unless already included in the LTP) suggesting that the \$1.46 billion estimate for the 525 costed projects will be significantly understating the total potential combined cost of all of the suggested projects.

On the other hand, as there is insufficient information to prioritise these projects currently, it may be that some of the costed projects would be assigned a relatively low priority ranking if they were subjected to a full evaluation process based on complete information against agreed criteria.

We note that our study assessing New Zealand’s tourism infrastructure priorities at a national level contained an assessment framework by category of infrastructure which we believe is a logical start-point for project-level evaluation.

Project costs by infrastructure type are summarised below:

**Chart 1.1: Average project cost by infrastructure type**



# Summary

The Local and Mixed Use tourism infrastructure Project Pipeline consists of 673 projects.

It has been possible to calculate a rough order of cost for 78% of these projects, totaling \$1.46 billion. It is important to note that this is not a wish-list of projects, but an indication of the scale of need for local and mixed use infrastructure. It is highly likely that this list understates the overall national requirements given that 148 projects could not be costed and with these tending to be larger scale projects.

This list is the first step in understanding the scale and depth of infrastructure requirements. Investment in these projects, and these types of projects, will be crucial to ensure that we have the infrastructure capacity to support the forecast growth in the tourism industry in line with the Tourism 2025 growth aspiration.

## Addressing the need

Tourism is New Zealand's largest export industry, with international tourism worth \$14.5 billion annually. In total, tourism expenditure is \$34.7 billion annually, well on track to reach \$41 billion earlier than the 2025 target. As established in the National Tourism Infrastructure Assessment, and in light of the current growth rates, current tourism infrastructure is not suitable to accommodate the forecast growth of the industry. Gaps are present across regions and infrastructure types.

This Project Pipeline exercise quantifies the size and scope of the investment need for local and mixed-use infrastructure, identifying 673 projects. These projects have been recognised by respondents as projects in their region that are required to address infrastructure shortfalls.

The infrastructure suggested in these projects will typically be used by both residents and tourists. This means that in areas where tourist volumes are high, residents cannot be solely responsible for funding additional infrastructure through their rates. This is particularly relevant in regional tourism hubs such as Franz Josef, for example, where a resident population of 441 services in excess of one million tourists each year.

Given the large number of projects and the importance of the tourism industry to the New Zealand economy, there is a need to address the issue now and over the long term. Neglecting these infrastructure requirements may lead to a negative visitor experience which will slow growth and ultimately halt growth if the capacity and quality is not there to service additional high value visitors.

## Next steps

Through this work, the scale and depth of local and mixed use tourism infrastructure has been identified. This information will be used to inform consideration of appropriate funding mechanisms needed to enable the delivery of the priorities within this Project Pipeline list. These funding mechanisms will need to take into consideration the optimal level of funding and the timeframe over which the funding mechanism is active.

Once a funding mechanism is established, a framework for deciding which projects to fund will be crucial to ensuring high impact projects are pursued.



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