

BEFORE THE QUEENSTOWN LAKES DISTRICT COUNCIL HEARINGS PANEL

UNDER the Resource Management Act 1991

IN THE MATTER of the review of parts of the Queenstown Lakes District Council's District Plan under the First Schedule of the Act

AND

IN THE MATTER of submissions and further submissions by **REMARKABLES PARK LIMITED AND QUEENSTOWN PARK LIMITED**

SUPPLEMENTARY STATEMENT OF EVIDENCE OF JOHN STACEY BALLINGALL ON BEHALF OF REMARKABLES PARK LIMITED AND QUEENSTOWN PARK LIMITED

(ECONOMICS)

STREAM 13 REZONING HEARINGS

28 August 2017

**BROOKFIELDS
LAWYERS**

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1. INTRODUCTION

- 1.1 My name is John Stacey Ballingall and I am the Deputy Chief Executive of the New Zealand Institute of Economic Research, an independent economic think-tank and consultancy. My qualifications and experience are set out in my evidence in chief dated 9 June 2017.
- 1.2 I have read and am familiar with the Code of Conduct for Expert Witnesses in the current Environment Court Practice Note 2014 as outlined in my evidence in chief.
- 1.3 My supplementary evidence is provided in response to the rebuttal evidence of Philip Osborne dated 7 July 2017.

2. SUMMARY

- 2.1 My main conclusions are as follows:
 - (a) Given the significant economic benefits estimated in my evidence in chief, for the proposed gondola to have a net negative impact on the Queenstown community's wellbeing, its economic, social, environmental or cultural costs would need to be enormous;
 - (b) I have seen no evidence from the Queenstown Lakes District Council that these costs would be large, and certainly nothing to indicate that they would come anywhere near the expected economic benefits that I have modelled; and
 - (c) I am therefore confident that that the proposed gondola would deliver significant net benefits for the regional economy.

3. THE NEED TO EXAMINE ECONOMIC COSTS AS WELL AS BENEFITS

- 3.1 When discussing how to maximise community wellbeing from using scarce resources, including land and areas of Outstanding Natural Landscape (**ONL**), Mr Osborne is correct to state in paragraph 5.2 that costs as well as benefits must be considered.
- 3.2 My economic modelling of the benefits of a gondola and its associated accommodation and other tourism services focused primarily on 'the size of the prize' for the regional economy. I found that:

- (a) The present value of the gondola construction over two years would be \$72 million, and the present value of the visitor accommodation construction over ten years would be \$84 million; and
 - (b) The gondola would create additional tourism spending over 35 years of \$1.43 billion (present value), even under conservative estimates of the additional per-day spending of visitors.
- 3.3 However, there are always trade-offs in an economy with scarce resources. Our economic modelling approach explicitly captures these opportunity costs. As the detailed modelling results in Appendices B and C of my evidence in chief show, when the tourism sector in Queenstown expands, this results in fewer resources being available for other industries.
- 3.4 During the construction phase, for example, Appendix A shows that many sectors experience very small decreases in output (less than \$1 million) as labour, land and capital flow towards the gondola construction project.
- 3.5 The exceptions are the larger decreases in residential construction and heavy and civil engineering output. Again, this is because workers and capital shift towards the non-residential construction and construction services sectors, which are expanding rapidly (and hence paying higher wages and returns to capital) to accommodate the gondola project.
- 3.6 During the operations phase of the gondola, when considerable additional tourism revenue is injected into the Queenstown economy, Appendix B shows that any output losses for other sectors are trivial. This is because the additional tourism spending supports extra flow-on spending throughout the economy that in general more than offsets any negative impacts from the redirection of resources.
- 3.7 Therefore, I am comfortable that our modelling has considered measurable economic costs as well as benefits.

4. WHAT ABOUT NON-ECONOMIC COSTS?

4.1 The supplementary question then is: how likely is it that the non-economic costs (environmental, societal, cultural, etc.) of the proposed gondola would be greater than the benefits I have quantified?

4.2 In my view, it is extremely unlikely, and I have seen no evidence to the contrary. There are no potential non-economic costs that I am aware of that could possibly offset the economic benefits I have identified. The evidence I have seen indicates that there are ecological benefits from the QPSZ (Mr Beale and Ms Dewes). There does not appear to be any suggestion of societal or cultural costs in any of the evidence.

5. THE NEED TO CONSIDER THE ECONOMIC RISKS ASSOCIATED WITH DEVELOPING AREAS OF ONL

5.1 Mr Osborne also notes in paragraph 5.3 that it is important “to understand the level of economic risk associated with developing in these ONL areas and the wider economic (primarily tourism based) value that is reliant on the quality and integrity of these natural assets”.

5.2 I interpret this to be about the risk that too much tourism development in areas of an ONL might detract from the very features of the region’s natural assets that attract tourists. That is, we need to be careful not to kill the goose that laid the golden egg.

5.3 This argument would make sense if there was any evidence that the number of tourists that would not come to Queenstown because they are concerned that the gondola would detract from the quality of the region’s ONLs is greater than the additional tourists that would decide to visit the region at least in part to enjoy actively engaging with the ONL through the gondola and its associated activities.

5.4 Unless we end up with so many tourism developments that a tipping point is reached where the marginal development generates more costs than benefits, then I do not see this as a problem.

5.5 I have seen no evidence on the extent to which the gondola might sully the attractiveness of Queenstown’s areas of ONL for tourists. I do not consider we are anywhere near any tipping point.

5.6 Therefore, I consider it very unlikely that these risks are material.

6. CONCLUSION

6.1 Mr Osborne is right to highlight the importance of considering the gondola's costs as well as benefits.

6.2 My evidence in chief demonstrated the considerable economic benefits of the proposal for the Queenstown region and I have seen no evidence to suggest that any potential costs would come close to outweighing these benefits.

John Stacey Ballingall

28 August 2017