

Queenstown Airport Economic Impact Assessment:

Estimated Passenger Impacts of Projected Traffic in 2037

Introduction

Market Economics Limited recently undertook an economic impact assessment of Queenstown Airport for the year ended June 2007. The following addendum uses the model developed for that study to estimate the passenger impacts of projected traffic movements for 2037. Accordingly, the results presented in this report are in constant 2007 dollars. A description of the underlying methodology can be found in the Queenstown Airport Economic Impact Assessment (2008) report.

In 2008, Airbiz produced airport traffic forecasts as part of the Master Plan for Queenstown Airport. Airbiz identified the following key drivers of airport traffic growth at Queenstown Airport:

- Regional tourism
- Industry, business
- Regional and national GDP
- World tourism
- Regional tourism marketing
- Local Council planning initiatives
- Airline marketing
- Airline competition
- Airline choices of fleet, aircraft size, schedule and frequency
- Currency competitiveness
- NZ viewed as “safe haven”
- Mode of transport choices – air versus surface
- Drivers are primarily regional and national

The Airbiz projections show that passenger movements on domestic aircraft will increase from 598,754 in 2007 to 1,899,173 in 2037, representing average annual growth of 3.9%. Similarly, the Airbiz projections show that passenger movements on international aircraft will increase from 53,548 in 2007 to 129,096 in 2037, representing average annual growth of 3.0%. It should be noted that international visitors arrive on both domestic and international aircraft and, therefore, these figures are not the same as the international and domestic passenger movements presented in the analysis of passenger impacts that follows.

For ease of comparison across a range of reports Queenstown Airport are producing, this paper adopts the Airbiz projections of future international and domestic passenger flows.

By way of comparison, the Ministry of Tourism (2008) forecasts show that international visits to Queenstown RTO will increase from 940,200 in 2007 to 1.2m in 2014, representing average annual growth of 3.2%. Likewise, the Ministry of Tourism forecasts show that domestic visits to Queenstown RTO will increase from 586,400 in 2007 to 602,400 in 2014, representing average annual growth of 0.4%. The growth underlying the Airbiz projections is somewhat higher than that

of the Ministry of Tourism forecasts, a likely indication that Airbiz expects Queenstown Airport to increase its share of the passenger transport market.

Passenger Impacts

The following analysis focuses on the economic impacts associated with passenger flows through Queenstown Airport. While QIA does not generate these impacts directly, it facilitates the movement of tourists and other visitors, and therefore the creation of economic activity in the national and regional economy. The facilitated economic activity calculated includes international visitor spend and New Zealand resident spend on travel.

International Passengers

In 2037, there will be a projected 1.2m international passenger movements through QIA, or the equivalent of 604,300 individual travellers. International visitors will make up the majority of passengers passing through the Airport (60%), and with significantly higher average spend per visitor night they contribute 73% of the total contribution to the Queenstown economy. International visitors that pass through QIA are projected to spend \$461.4m in the Queenstown economy, resulting in direct gross output of \$368.1m.

Table 1: International Passenger Detail (2037)

Type of Visit	Visitors using QIA	Average Spend per Visit (\$)	Total Spend (\$m)	Spend Facilitated by QIA (\$m)	Direct Gross Output (\$m)
Day	37,300	\$ 53	\$ 2.0		
Overnight	567,000	\$ 810	\$ 459.4		
Total	604,300	\$ 863	\$ 461.4	\$ 415.3	\$ 368.1

International passengers using QIA in 2037 are projected to create \$368.1m in direct gross output, and \$155.7m in direct value added. In total, including indirect and induced impacts, the gross output created will be \$787.3m, resulting in \$341.4m of value added, and 5,780 FTE years of employment.

Table 2: Economic Impact of International Passengers (2037)

	Otago Region	New Zealand
Direct		
Gross Output (\$m)	368.1	396.1
Value Added (\$m)	155.7	163.5
Employment (FTEs)	3,613	3,730
Indirect		
Gross Output (\$m)	244.3	378.1
Value Added (\$m)	99.2	155.6
Employment (FTEs)	1,241	1,893
Induced		
Gross Output (\$m)	174.9	305.0
Value Added (\$m)	86.5	145.2
Employment (FTEs)	926	1,563
Total		
Gross Output (\$m)	787.3	1,079.2
Value Added (\$m)	341.4	464.3
Employment (FTEs)	5,780	7,187

Domestic Passengers

In 2037, there are projected to be 819,600 domestic passenger movements through QIA, or the equivalent of 409,800 individual travellers. Domestic visitors will make up around 40% of total airport passengers, and most domestic visitors will stay at least one night in Queenstown – only 7% of domestic air travellers will be on day trips to Queenstown. In total, domestic visitors moving through QIA are projected to spend some \$172.1m in the region.

Table 3: Domestic Passenger Detail (2037)

Type of Visit	Visitors using QIA	Average Spend per Visit (\$)	Total Spend (\$m)	Spend Facilitated by QIA (\$m)	Direct Gross Output (\$m)
Day	26,900	\$ 61	\$ 1.6		
Overnight	383,000	\$ 445	\$ 170.5		
Total	409,800	\$ 506	\$ 172.1	\$ 154.9	\$ 154.9

Domestic passengers using QIA in 2037 will create \$154.9m in direct gross output. Of this, a total of \$70.3m will equate to direct value added. In total, once all of the flow-on effects are incorporated, the gross output facilitated by the airport will be \$325.1m, resulting in \$147.5m of value added, and sustaining employment equivalent to 2,471 full time workers for a year.

Table 4: Economic Impact of Domestic Passengers (2037)

	Otago Region
Direct	
Gross Output (\$m)	154.9
Value Added (\$m)	70.3
Employment (FTEs)	1,583
Indirect	
Gross Output (\$m)	95.0
Value Added (\$m)	40.1
Employment (FTEs)	490
Induced	
Gross Output (\$m)	75.2
Value Added (\$m)	37.2
Employment (FTEs)	398
Total	
Gross Output (\$m)	325.1
Value Added (\$m)	147.5
Employment (FTEs)	2,471

Travel Agent Margins

Queenstown Airport facilitates the operation of travel agents within Queenstown and the rest of Otago to a lesser extent. The service provided by travel agents within Queenstown adds value to the economy. The measurement of this value is estimated by the commission which would be charged on most tickets purchased within New Zealand.

In 2037, approximately \$97,000 in travel agency fees for New Zealanders flying out of Queenstown on international flights will be attributable to QIA. In the absence of any data on Queenstown residents outbound via QIA on domestic flights, we have estimated the travel agent fees for domestic flights based on the relationship between domestic and international flights from the study for Auckland International Airport. This indicated that domestic flights generated around four times more fees than international tickets. If this relationship holds for Queenstown, the fees generated will be in the range of \$388,000. Once run through the IO model, this generates an additional total value added of \$362,000 and sustains employment equivalent to four full time workers annually.

Investment Return on Business Travel

Airports not only facilitate the movement of people, they facilitate the economic activity that moving business people around the country and world generates. This section estimates the return from that investment on business travel by firms.

In 2037, it is estimated that 902 business travellers will fly out of Queenstown. These travellers will spend some \$811,000 on airfares to Australia, and approximately \$2.0m on other expenses. This means that in order to ensure the business travel was profitable they must generate a return of at

least \$324,000, giving a total international return on investment of some \$3.1m. On this basis it is estimated that domestic business will generate an additional \$1.6m return on investment.

Table 5: Value of Business Return by Business Travellers through QIA (2037)

	Spend (\$'000)	
International Business		
Airfares	\$	811
Other Travel Expenses	\$	1,984
Gross Return	\$	324
Total	\$	3,119
Domestic Business	\$	1,560

In 2037, business returns generated by business travel through QIA will contribute around \$4.7m in gross output, and \$1.7m in value added to the Queenstown economy. However, once the flow-on effects are incorporated, this increases to be equivalent to \$4.3m in regional GDP sustaining employment equivalent to some 57 full time jobs.

Table 6: Economic Impact of Business Return by Business Travellers through QIA (2037)

	Otago Region
Direct	
Gross Output (\$m)	4.7
Value Added (\$m)	1.7
Employment (FTEs)	24
Indirect	
Gross Output (\$m)	3.8
Value Added (\$m)	1.6
Employment (FTEs)	22
Induced	
Gross Output (\$m)	2.1
Value Added (\$m)	1.0
Employment (FTEs)	11
Total	
Gross Output (\$m)	10.6
Value Added (\$m)	4.3
Employment (FTEs)	57

Total Passenger Impacts

In total, passenger activity in Otago Region facilitated by the Queenstown Airport will result in direct expenditure of \$528.1m in 2037. This will translate to total GDP contribution of \$493.1m once the flow-on effects are incorporated. In total, passenger activity will sustain the employment equivalent of 8,312 full time workers.

At the national level the impacts will be slightly less. This is due to the neutral impact domestic tourism activity has at the national level. This is because it does not necessarily represent “new” spend in the national economy, it is assumed that if it wasn’t spent in Queenstown the money would be spent elsewhere in the national economy. Therefore it cannot be said that the airport facilitates impacts associated with that volume of spend.

Table 7: Queenstown Airport Passenger Impact Summary (2037)

	Facilitated (Passenger) Impact
Otago Region	
Output (\$m)	\$ 528.1
Direct Value Added (\$m)	\$ 227.8
Total Gross Output (\$m)	\$ 1,123.9
Total Value Added (\$m)	\$ 493.6
Employment (FTEs)	8,312
% of Otago Region Economy	7.5%
New Zealand	
Output (\$m)	\$ 401.3
Direct Value Added (\$m)	\$ 165.4
Total Gross Output (\$m)	\$ 1,090.7
Total Value Added (\$m)	\$ 468.8
Employment (FTEs)	7,248
% of NZ Economy	0.3%