

Full Council

1 August 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Strategy & Policy

Title | Taitara: Economic Diversification Plan

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to enable Council to consider endorsing the Economic Diversification Plan (Priority Initiative 18 of the Spatial Plan).

Executive Summary | Whakarāpopototaka Matua

The following key points are noted:

- Queenstown Lakes is one of the least economically diverse communities in New Zealand. This limits career and income opportunities for residents and makes the local economy vulnerable to tourism industry downturns.
- The current Economic Development Strategy was adopted in 2015 and is due to be replaced.
- The Grow Well Whaiora Spatial Plan committed to the development of a Destination Management Plan and an Economic Diversification Plan. In combination, both plans will replace the current Economic Development Strategy.
- The Economic Diversification Plan has been developed over two years and has been endorsed by 18 local organisations prior to the final version being presented to Council for endorsement.
- A range of projects are already underway, with a number being led by local organisations and businesses (see supporting operational document, Economic Diversification Plan Year 1 Action Plan).

Recommendation | Kā Tūtohuka

That the Council:

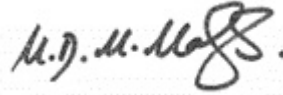
1. **Note** the contents of this report;
2. **Endorse** the Economic Diversification Plan for the District; and
3. **Revoke** the 2015 Economic Development Strategy.

Prepared by:



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11 July 2024

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11 July 2024

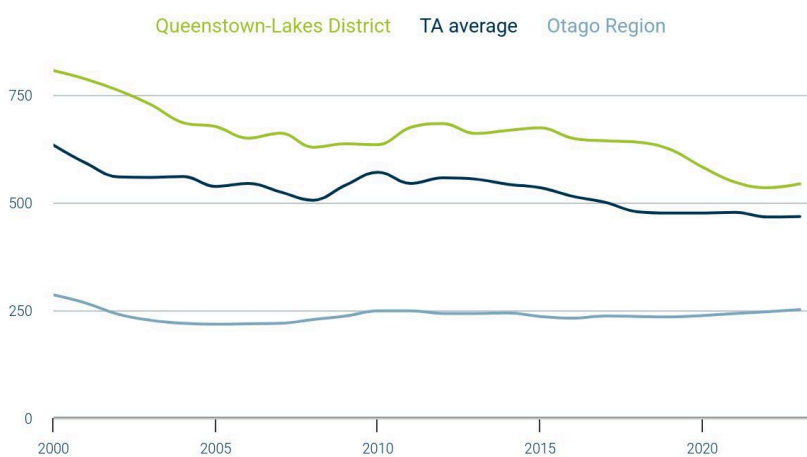
Context | Horopaki

The lack of diversity in our local economy has negative impacts on our community

1. Over 2013-2023 the Queenstown Lakes economy has averaged 53% of employment in tourism. A comparison of the industry diversity between Council areas shows that the district is less diverse than the Territorial Authority average and is significantly less diverse than the Otago region (higher numbers are less diverse).

HH Index

March years, higher numbers are less diverse



Source: Infometrics

2. Over 2013-2023 the overall productivity of each filled job in the district has created 11% less economic value than the national average and annual earnings per filled job have been 13.5% less.
3. The combination of lower pay rates, high cost of living and limited career choices has contributed to the 2023 Quality of Life survey result which shows that only 43% of the respondents believe there is a long-term career path for them in the district.

The need for a more diverse economy has been recognised for many years

4. The need to diversify the economy was recognised in the Economic Development Strategy adopted in 2015. *'Our economy is resilient and diverse'* is an outcome with a key priority being *'Facilitate the growth of knowledge-based sector'*.
5. There has been a wide range of initiatives undertaken in the district to support business and alternative industries in the past. One example is the formation of a film advisory group in 2004 which led to the establishment of the Film Otago Southland Trust (FOS) in 2008. Queenstown Lakes District Council (QLDC) hosted the employees of the trust until a local film office was created within the Economic Development team in 2020. FOS is the only example of an Otago Southland industry support organisation.

6. Support for startup businesses was sparked by the 2015 formation of the CUBE incubator, and The Cell shared workspace in Wānaka. The success of these initiatives led to the formation of Startup Queenstown Lakes, who offer support across the district.
7. More details of 20+ business and industry support initiatives that occurred prior to COVID-19 are listed on page 12 of the Economic Diversification Plan.
8. Alongside these initiatives the district has benefited from research and insights into how economic diversification has been fostered elsewhere. A (pre-COVID) 2020 report from Benje Patterson, an Arrowtown-based economist 'Diversification in Queenstown Lakes: Context and what others have done' highlighted *'the importance of sound policy process, evidence-based decision-making, collaboration and leadership. You need to stocktake what you have before you can identify current and potential opportunities.'*
9. His research revealed that diversification policies and mechanisms commonly implemented include: workforce skills and capacity, smart specialisations and clusters, supporting and encouraging entrepreneurship, infrastructure investment, recirculating local capital, innovation, new ways of living and doing business, an emphasis on the environment, and embracing diversity and youth.

Since 2020 the need for a more diverse economy has been highlighted

10. The outbreak of COVID-19 in 2020 highlighted the vulnerability of the local economy. Due to the severe downturn in tourism and the resultant job losses, there were over 7,000 individuals who required social welfare support via Council that included offering supermarket vouchers to those in need.
11. A recovery team was set up within Council and the Mayor formed a Regenerative Recovery Advisory Group (RRAG) to provide advice on how best to recover from the impact of the pandemic. Dr Leslie Van Gelder, a Glenorchy resident with an extensive background in academic research, conservation, strategy development and professional governance, undertook research on behalf of the RRAG to identify district characteristics that could help guide economic recovery efforts. This work coined the term 'love of place' as a uniting feature of those who choose to live in the district and recommendations included building clusters and supporting collaboration.
12. During COVID-19, Government recognised the need for a more diverse economy through a loan towards building a Research and Innovation Hub at Remarkables Park, and the establishment of the \$20m 'Queenstown Economic Transformation and Resilience Fund' in 2021. The fund invested in the establishment of a virtual production studio, and expansion of a hospitality-tech startup before the fund was closed in 2024.
13. Alongside public sector recognition of the need for a more diverse economy, there were private sector led diversification initiatives sparked by COVID-19 including:
 - a. Roger Sharp, a technology entrepreneur and professional director undertook a study tour of mountain towns in the USA to learn how they had built a technology sector. His findings in a

Linkedin post included the need for hard and soft infrastructure, talent, housing, startups, and collaboration.

(source:<https://www.linkedin.com/pulse/apostcard-from-america-mountain-tech-town-insights-/>).

From this work, Whakatipu Hangarau (now Technology Queenstown) was formed with support from the University of Otago, MBIE, QLDC and Accenture to create and deliver on a 20-year technology strategy.

- b. Queenstown Resort College was encouraged by technology experts residing in the district to launch machine learning courses as the first step to creating a suite of technology courses.
- c. Target3D, a Virtual Production Studio, committed to establishing a studio in Queenstown.
- d. The Porter Group began construction of the Research and Innovation Queenstown (RIQ) facility.

The Economic Diversification Plan has been developed alongside other strategic frameworks

14. The 2021 Grow Well Whaiora Spatial Plan was developed to help manage the forecasted growth of the district. *'A diverse economy where everyone can thrive'* is one of five outcomes and priority initiative 18 is the development of an Economic Diversification Plan.

15. The Climate and Biodiversity Plan 2022-2025 also supports businesses to transition to a low emission future with project 5.3 being *'Develop a diversification plan that includes climate action as a key principle'*.

16. Alongside development of the Economic Diversification Plan, a Destination Management Plan was developed that aims to create a regenerative tourism system. The Destination Management Plan recognises the need for diversification in Project 19 *'Innovation and Economic Development'*, stating that *'Adopting technological innovations will allow the district to diversify the economy while decarbonising tourism'*.

17. The combination of the Destination Management Plan and Economic Diversification Plan covers the four key priorities outlined in the 2015 Economic Development strategy:

- a. Enhance the quality of our natural, business and living environments
- b. Facilitate the growth of a knowledge-based sector
- c. Encourage higher contribution visitor activity
- d. Future proof infrastructure.

For this reason it is proposed that the two new plans combine to replace the existing 2015 Economic Development Strategy (available here <https://www.qldc.govt.nz/your-council/council-documents/strategies-and-publications/>)

The plan to foster diversification has had input from a wide range of stakeholders and experts

18. Following the research undertaken by Benje Patterson, a framework for diversification was developed to outline the approaches to diversification that would inform the plan. Kate Smith, an Arrowtown-based strategy consultant worked alongside an advisory group that included representatives from Startup Queenstown Lakes, NZ Trade and Enterprise, KEA (Kiwi Expats Abroad), Aukaha, Lake Wānaka Tourism, and the Climate Action advisory group. This work

developed the concept of fostering ‘high contributing’ individuals who are willing to share their experience and contacts. It also outlined the attributes of businesses most likely to foster diversification and provide wider community benefit (‘best-fit business’).

19. In March 2022 MartinJenkins was engaged to analyse the economic data to determine which sectors within the district are ‘opportunity industries that have the potential to grow’. They undertook 30 stakeholder interviews, four industry workshops and four advisory group meetings. Recommendations included a focus on the hard and soft infrastructure needed to attract and retain ‘best fit businesses’, leveraging the hosting expertise across the district to build niches adjacent to tourism, and fostering other opportunities in areas such as outdoor products and technology. Overall, the plan has benefited from input from over 70 individuals, many of whom put in hours of voluntary time helping refine and improve the final version. An outline of the plan development process is outlined on page 59 of the Economic Diversification Plan.

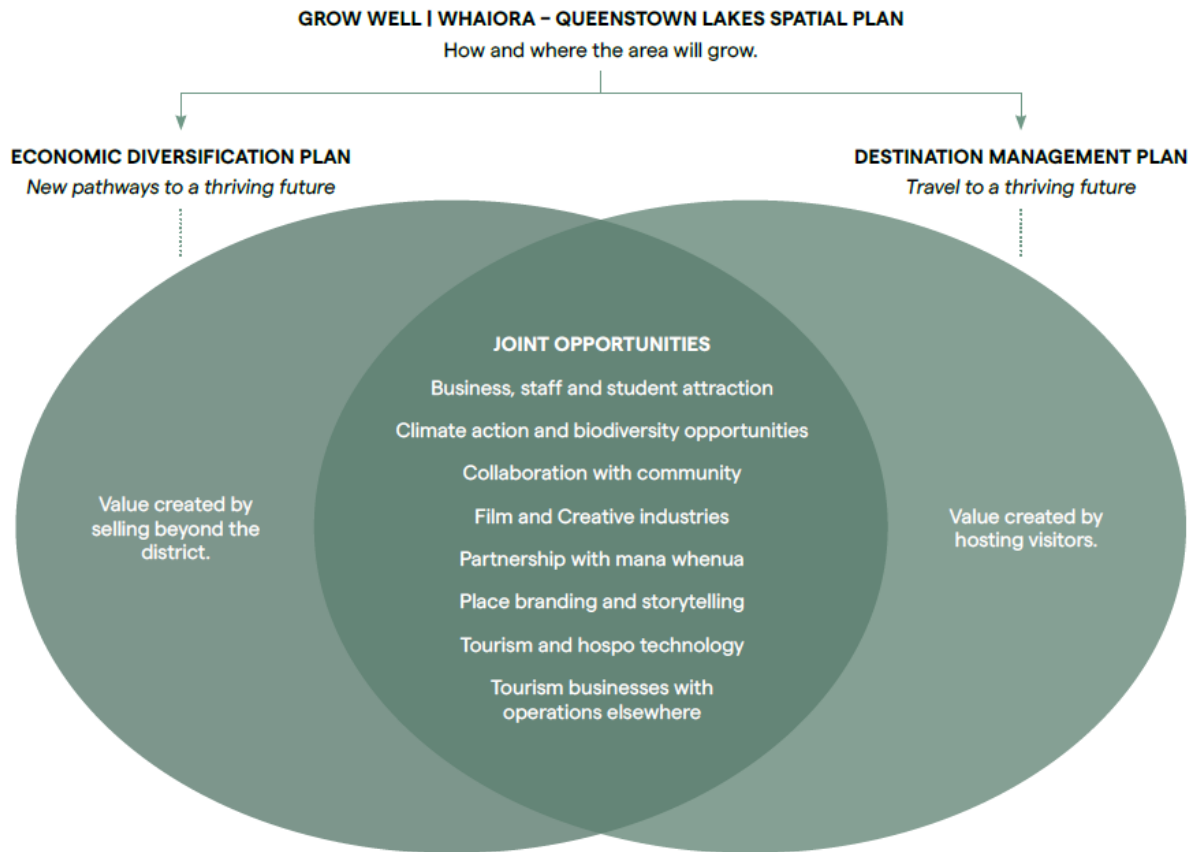
20. The framework and plan were then combined to create one document and Councillors agreed to the draft plan going out for public consultation. Consultation ran from 6 November to 15 December 2023. The website was visited by 282 users and the draft plan (or plan on a page) was downloaded 253 times, which was a high number of downloads compared to the number of responses.

Feedback was received via:

- Online survey (11 survey responses) plus comments from ten respondents
- Written feedback via online consultation (five submissions)
- Direct written feedback from stakeholders (three comments)
- Notes taken during plan discussions with key stakeholders (nine).

21. Key feedback themes included the need for a stronger statement about what a more diverse economy will offer the community, a clearer explanation of what synergies exist between tourism and diversification, and recognition for organisations and projects that preceded the plan that supported diversification.

22. An example of refinements made to the plan was the development of the following venn diagram, with Destination Southern Lakes, which helps describe the relationship between tourism and diversification.



23. A review panel evaluated the feedback and agreed on changes. The panel included representatives from the Queenstown Chamber of Commerce, Climate Reference Group, KUMA Southern Māori Business Network, Destination Southern Lakes, Startup Queenstown Lakes and QLDC. Versions of the draft plan were shared with elected members in March and June 2024. The 'plan on a page' summary is below.

NEW PATHWAYS TO A THRIVING FUTURE

Goal	A resilient and sustainable economy offering a diverse range of career and income opportunities by 2040		
Strategic pillars	PILLAR 1: Best-fit businesses have the infrastructure they need	PILLAR 2: Our hosting expertise supports diversification	PILLAR 3: Grow niche export industries
Objectives	<ul style="list-style-type: none"> › The housing and infrastructure needs of best-fit businesses are met › A strong pool of skilled staff is available › Businesses have the capability and resources to launch, innovate and grow 	<ul style="list-style-type: none"> › Exportable tourism and hospitality products and services grow › The value of creative industries rises › Training and education options increase 	<ul style="list-style-type: none"> › The potential for niche opportunities is understood › Businesses within the niche grow › New businesses are attracted because of the strength of the niche
Projects	<ul style="list-style-type: none"> 1.1: Future-Focussed Infrastructure 1.2: Build Diverse Skills 1.3: Innovate and Grow 	<ul style="list-style-type: none"> 2.1: Lifetime Value of the Visitor 2.2: Exportable Tourism 2.3: Film and Creative Industries 2.4: Learn Queenstown Lakes 	<ul style="list-style-type: none"> 3.1: Technology 3.2: Outdoor Products 3.3: Environmental Enterprise 3.4: Food and Beverage
Key enabler	World of Connections – globally connected, locally collaborative		
Foundations for success	Set the systems in place to realise the vision		
	Objectives <ul style="list-style-type: none"> › Establish prioritisation, reporting, and accountability › Work alongside Māori to support diversification › Align brand and marketing activities with diversification and regenerative tourism goals › Secure resources and build capacity to enable plan delivery 	Projects <ul style="list-style-type: none"> F.1: Collaboration and Oversight F.2: Support Māori Economic Diversification F.3: Update Queenstown Lakes Brand and Marketing Strategies F.4: Resources and Capacity 	

The plan and delivery of projects have received strong support across the community

24. The draft plan has been endorsed by the governance groups of 18 organisations across the community. Some of these are already leading projects supporting diversification, while others are supportive of the plan and may be involved in future projects.

25. There are a range of projects already underway, involving multiple stakeholders, that are referred to in the plan and operational year 1 action plan (Appendix B) including:

- ‘Host-tech 24’ was an event that brought together 32 technology companies that supply hospitality and tourism solutions. As well as offering expert speakers for the technology companies, the expo aspect of the event was open to tourism and hospitality operators with the goal of encouraging them to take up technology that can help streamline their businesses.
- Technology Queenstown raising sufficient private sector funding to recruit a CEO to lead the organisation.
- The University of Otago has actively been involved in a range of projects including supporting the development of the Technology Queenstown Strategy, and development of an MOU between QLDC and the University to support diversification initiatives.
- Clusters are being facilitated in ‘Host-tech’ and the design of outdoor products.
- The Study Queenstown website has been revamped to include a wider range of training options, that now includes Wānaka, with an emphasis on career orientated qualifications.

26. The operational Economic Diversification Year 1 Action Plan outlines priority projects and timeframes for the first year (see Attachment B). This document also highlights the collaborative nature of the work, as referenced by the number of different organisations leading projects.
27. Listed as a foundational project in the action plan, F.1 Collaboration and Oversight, will see the creation of a reference group and 3-Year Action Plan. These activities will include establishing KPIs, measures of success and reporting, and agreeing a longer-term collaborative operational workplan.

Diversification at scale will take considerable time and faces challenges, but there is early momentum that will build a ‘flywheel’ effect

28. Successful initiatives help build confidence that the economic mix can change, but for this to show up in economic statistics will take considerable time. For example, the Technology Queenstown strategy points out that the economic value technology adds nationally is 7.5%, but currently it is only 1.5% in the Queenstown Lakes District.
29. Despite the scale of the challenge there are early signs of a growing awareness of the potential for the district to be a hub for industries beyond those that currently dominate the economy. This will be aided by such initiatives as Technology Queenstown becoming established, the Research and Innovation Hub opening, the niche industry clusters gaining traction, and a wider range of training and research offerings becoming available.

Analysis and Advice | Tatāritaka me kā Tohutohu

30. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

Option 1: Endorse the Economic Diversification Plan and revoke the 2015 Economic Development Strategy.

Advantages:

- a) QLDC confirms its role in supporting economic wellbeing across the district, alongside a variety of other organisations across the community
- b) QLDC can realise its commitment to delivering Priority initiative 18 of the Spatial Plan
- c) QLDC can realise its commitment to delivering project 5.3 of the Climate and Biodiversity Plan 2022-2025
- d) The outdated Economic Development Strategy can be replaced by a combination of the Destination Management Plan and the Economic Diversification Plan.
- e) Aligns with the purpose of local government as defined in Section 3 of the Local Government Act 2002 to *‘play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities’*.

Disadvantages:

- a) No clear disadvantage.

31. Option 2: Do not endorse the Economic Diversification Plan

Advantages:

- a) The plan could be amended to resolve any issues with which the Council has concerns.

Disadvantages:

- a) The network may lose confidence that the wider community, as represented by QLDC, is behind the plan. This could place future private sector investment and volunteer commitment to diversification at risk.
- b) Changes to the plan would require contacting all the organisations again that have endorsed the current version to check whether they are still willing to support an amended plan.
- c) QLDC will delay realising its commitments to the Spatial Plan and the Climate and Biodiversity Plan.
- d) The outdated 2015 Economic Development Strategy would be retained.

32. This report recommends **Option 1** for addressing the matter because Council has an obligation to enhance the economic wellbeing of our community, and the ability of residents to build a future in the district will be improved by a broader range of career and income choices.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

33. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2021, due to the high level of research and community engagement in the project, and its status as a priority initiative in the Spatial Plan.

34. The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes District community, local and national business and industry support organisations, Spatial Plan partners, Destination Southern Lakes, and RTOs.

35. The Council has consulted publicly and directly with affected and interested organisations.

Māori Consultation | Iwi Rūnaka

36. As an output of the Spatial Plan, Kāi Tahu has had oversight of the plan through the formal governance structure at the Steering Group and Political Governance Group level. Aukaha has

been represented in the advisory group for the framework and plan. KUMA Southern Māori Business Network was represented on the review panel and has endorsed the draft plan.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

37. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10056 Ineffective provision for the future planning and development needs of the district within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.

38. The approval of the recommended option will allow Council to implement additional controls for this risk. This will be achieved by a mix of supporting other organisations to deliver diversification related projects and leading projects using internal resources within the Economic Futures team.

Financial Implications | Kā Riteka ā-Pūtea

39. There are no immediate financial implications from endorsement of the Diversification Plan for this financial year. As projects are scoped in detail this may require budget reviews and prioritisation of resources. This will be addressed through the Annual Plan and Long Term Plan processes as appropriate.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

40. The following Council policies, strategies and bylaws were considered:

- Vision Beyond 2050: Our Vision and Mission - QLDC
- Queenstown Lakes Spatial Plan
- Queenstown Lakes Destination Management Plan
- 2022-2025 Climate and Biodiversity Plan
- 2015 Economic Development Strategy.

41. The recommended option is consistent with the principles set out in the named policies.

42. This matter is included in the 2021-2031 Long Term Plan (page 140) and the draft 2024-2034 Long Term Plan (page 96)

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

43. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. This plan will support economic wellbeing while enhancing the other wellbeings wherever possible.

44. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and

- Would not significantly alter the intended level of service provision for any significant activity undertaken by, or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Queenstown Lakes Draft Economic Diversification Plan
B	Economic Development Plan Year 1 Action Plan