

ROTORUA REGIONAL AIRPORT

TRANS-TASMAN DEMAND AND ECONOMIC IMPACT ASSESSMENT

PREPARED FOR

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BY

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EXECUTIVE SUMMARY

This report presents information on the demand and impact of developing Rotorua Airport as trans-Tasman capable. It provides a market research based assessment of the demand for direct Rotorua trans-Tasman services and outlines the economic benefits of these potential services to Rotorua.

Rotorua Tourism Overview

- Rotorua is a major tourism destination in New Zealand. Tourism Research Council (TRCNZ) estimates of visitor activity in 2003 were that:
 - There were 1.5 million overnight visitors to the city, staying a total of 4.0 million nights.
 - Total tourism spend was in excess of \$567 million, of which \$201 million was spent by international visitors.
 - Overnight international visitors spent an average of \$157 per day (or \$346 per overnight visitor) compared to the average spend of \$79 per day by overnight domestic visitors.
- The number of guest nights per year spent by Australians in commercial accommodation in the Rotorua Regional Tourism Organisation area (RTO) has increased by 59.7% in the past four years and in 2003 there were a total of 241,500 Australian visitor nights. Tourism Research Council (TRCNZ) projections for the seven years to 2010 show Australian guest nights in the Rotorua RTO increasing by 76,000, or roughly 31.5%. This represents an annual average increase of 4.0%. New South Wales is the most important Australian market for New Zealand, followed by Queensland and Victoria. The average spend per night for Australian visitors was estimated at \$143 in 2003 rising to \$167 by 2010.

Rotorua Airport

- Much of the infrastructure at the Rotorua Regional Airport (Rotorua Airport) is currently in a phase of redevelopment. Airside parking and aircraft handling facilities have been upgraded to accommodate the jet aircraft types likely to be used on both domestic and trans-Tasman routes. Airport management have advised that the current airport runway length has the capacity to land inbound flights directly from Australia. The Rotorua District Council is seeking a change to the District Plan to allow for a runway extension to the South of the existing runway. The proposed total runway length will deliver take-off and landing performance equal to the other four regional international airports and Wellington Airport.

Estimates of Outbound Trans-Tasman Demand from Rotorua Airport

- An estimate of population related outbound demand has been undertaken based on the likelihood to travel¹ of residents in the Rotorua airport catchment, and the likely attractiveness of Rotorua as a departure point compared with other alternatives. Our estimate based on 2004 population gives 10,778 domestic outbound passengers from Rotorua Airport to one destination, or 21,776 passengers to two destinations, which is equivalent to 3.7 flights per week to one destination or 7.5 flights per week to two destinations (assuming 50% of the passengers were international).

¹ 23% of respondents in the 2005 survey had visited Australia in the past year.

- Similar analysis undertaken for 2010 shows that the local airport catchment will contain 8.0% of an aging population and factors in Tourism Research Council growth estimates. By 2010 this would give 25,775 domestic outbound passengers from Rotorua Airport to two destinations, or 36,479 passengers to three destinations, which is equivalent to 8.9 flights per week to two destinations or 12.5 flights per week to three destinations (assuming 50% of the passengers were international).
- Estimates for 2025 give 29,863 domestic outbound passengers to two destinations, or 42,274 passengers to three destinations, which is equivalent to 10.3 flights per week to two destinations or 14.5 flights per week to three destinations (assuming 50% of the passengers were international).
- In summary, estimates of population based outbound demand suggest enough passengers to support four flights per week to one destination (or possibly 7.5 flights to two destinations) in 2005, rising to eight flights a week to two destinations (or 11 flights to three destinations) by 2010. Later analysis of the inbound market gives sufficient international passengers, particularly by 2025, to increase the number of flights with slightly higher proportions of international passengers.
- A comparison with other regional international airports in the country (ie, Hamilton, Palmerston North, Dunedin and Queenstown) shows that these estimates are likely to be conservative and realistic. Rotorua's share of the outbound market is equivalent to 3.4% of the local population flying if there are 5 flights per week to one Australian destination and 6.9% flying if 8 flights per week to two destinations. Dunedin has the highest proportion of the population flying locally, with between 7.4% and 11.5% of the population catchment flying on international flights from the regional airport in 2004. The percentage is slightly lower in Hamilton and Palmerston North (5.1% to 7.4%) where more and closer international choices are available.
- Rotorua's domestic catchment (317,880) is larger than that of both Queenstown (66,650) and Dunedin (288,600) airports that averaged in 2004 2.8 flights and 8.8 return flights per week respectively. Rotorua's mix between outbound tourists and inbound tourists will lie somewhere between Queenstown's over 77% international proportion (an area with high international tourism and little local market) and the 28%-46% international proportion of other regional airports, given Rotorua's strong international tourist market and mid range local population catchment. The economic models of Section 7 are based on the international proportions of seats on flights being between 30% and 70%, with 50% to 60% being most likely and realistic, and the proportion increasing with time and the faster growing international market.

Estimates of Inbound Trans-Tasman Demand to Rotorua Airport

- The Australian inbound tourist market can be analysed in a similar manner to ascertain how many flight equivalents are currently visiting Rotorua and the adjacent regional area. Tourism Research Council estimates are that Australian international overnight visitors to Rotorua will grow from 115,300 in 2005 to 140,300 in 2010, an annual average rate of growth of 4%. No allowance was made for any other international visitors connecting in Australia and undertaking, for instance, a Brisbane, Queenstown, Rotorua round trip. Australian overnight visitors predicted to visit Rotorua in 2005 are equivalent to 1,029 flights that are 70% full, and this rises to 1,253 flights in 2010. Rotorua Airport is unlikely to gain total market share. If we assume a 10% to 25% market share of the total Australian overnight visitor market as being realistic, this is equivalent to 4 to 9.9 flights per week in 2005 rising to 4.8 to 12.1 flights per week in 2010, assuming a 50:50 domestic/international mix on the average. By 2025 the same market share of an estimated 188,800 Australian overnight visitors is equivalent to 6.5 to 16.2 flights per week assuming a 50:50

domestic/international mix on the average or up to 11.6 flights as flights become increasingly international. Other international visitors connecting to these flights in Australia will add to this number.

- Other international visitors connecting to other destinations in New Zealand will also add to these numbers. TRCNZ estimates show the Bay of Plenty receiving an additional 53% of Australian overnight visits in 2003 and 2010 over and above the visitors to Rotorua. Assuming a smaller market share of these visitors (5% to 10%), visitors to other parts of the Bay of Plenty would be sufficient to allow 1.1 to 2.2 extra flight per week in 2005, 1.3 to 2.6 extra flights in 2010 and 1.7 to 3.4 extra flights in 2025, assuming a 50% international proportion on flights. Overnight visitors to Taupo who do not visit the Bay of Plenty will add to these numbers.
- The analysis of the Australian inbound visitor market to Rotorua (Section 6.1) assumes that Rotorua Airport will achieve a 10% to 25% market share of the Rotorua RTO visitor arrival market. A comparison with other regional airports' local Australian visitor markets shows Rotorua lying somewhere between the two extremes, with a mix of VFR (18%) and holiday (72%) market. As adjoining markets such as Taupo and coastal Bay of Plenty will contribute further Australian passengers, it is considered that the 10% market share is conservative, and that higher market shares could be achievable with flights to two or more destinations and with more market penetration over time. The particular model considered, five flights to one destination (or 8 flights to two destinations) is equivalent to 17% for one destination (or 23% for two) of Australian visitors to Rotorua RTO only.
- New South Wales is the most important Australian market in Australia for New Zealand, followed by Queensland and Victoria, which are relatively equal in terms of arrivals for all purposes. A first destination for any trans-Tasman flight would therefore be Sydney with Brisbane the most likely second choice, particularly considering its desirability for New Zealand outbound holiday makers and its connection possibilities with more distant destinations.

Estimated Flights per Week

- It is estimated that in 2005, around five inbound flights and five outbound flights a week to one destination in Australia or eight flights to two destinations could be expected to be maintained².
- By 2010, Australian arrivals to Rotorua Airport in 2010 could conservatively sustain 10 flights per week to Australia between the two chosen destinations, or 14 flights to three destinations³. Inbound tourism to Rotorua from Australia in 2010 will have increased due to natural growth of the market as well as through extra inbound visitors to Rotorua due directly from the airport offering direct trans-Tasman flights.
- By 2025, it is estimated that Australian arrivals could sustain 14 flights per week to two destinations or 18 flights per week to three destinations with an increased level (60% to 63%) of international passengers in line with the higher growth rates in international tourism.⁴

² Based on the estimated outbound tourism market and the inbound Australian tourism market, a 70% load factor on flights, 63% to 1 destination or 53% to 2 destinations of the flights made up of international visitors, and Rotorua Airport capturing a market share of 15% to 20% of the Australian overnight visitor market to the city.

³ This estimate is based on Rotorua outbound tourism experiencing 17% growth since 2004 as predicted by TRCNZ, a 70% load factor and 56% (2 destinations) and 55% (3 destinations) of the passengers international.

⁴ This estimate is conservatively based on both inbound and outbound demand growing at half the rate predicted up to 2010.

Estimates of the Economic Impact of Trans-Tasman Flights on Rotorua District

- Various approaches have been taken in gauging the demand in the market and hence economic impacts. In a community, an airport provides a range of benefits directly associated both with the airport itself and with the visitors using the airport. In addition to the direct impacts there are also indirect and induced economic activity generated from airport and visitor activities impacting on the wider community. In addition, the benefits of the development of international capability at the Rotorua Airport will likely spread much wider than just the Rotorua District with increased visitors to other nearby centres. The total impact of trans-Tasman flights into Rotorua will depend on the number of flights, the number of destinations and the proportion of the economic activity that is considered to be additional to the current level.
- Around five to eight flights per week to one or two destinations would generate, directly through passenger spending alone, \$2.118-\$3.021 million in value added in the tourism sector and represents a 1% to 1.5% increase in tourism's contribution to Rotorua GDP, estimated to be \$214 million in 2002.
- Table A summarises the total impact on Rotorua District of both additional visitor spending and the extra revenues generated by the airport itself. In 2005, with five to eight flights to one or two destinations and assuming that 30% to 50% of the economic activity is considered additional, we would estimate an increase in annual total output of \$7.350-\$13.951 million, which equates to \$3.188-\$6.051 million of value added to the Rotorua economy, increased household income of \$2.008-\$3.810 million or 77.4-146.9 extra full-time equivalent employees.
- In 2010, allowing for Rotorua having ten to fourteen direct trans-Tasman flights per week to two or three destinations in Australia (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$15.060-\$27.480 million, which is equivalent to \$8.282-\$11.919 million in value added to the Rotorua economy, increased household spending of \$4.113-\$7.506 million or 158.6 to 289.4 extra full-time equivalent employees.
- In 2025, allowing for Rotorua having 14 to 18 direct trans-Tasman flights per week to two or three destinations (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$26.045-\$42.698 million, which is equivalent to \$11.296-\$18.519 million in value added to the Rotorua economy, increased household spending of \$7.114-\$11.662 million or 274.3-449.7 extra full-time equivalent employees, each flight having a greater impact through the increased (60% to 63%) proportion of international visitors.
- These estimates will be influenced by a variety of factors such as competitive action and marketing in the airline and airport industries, pricing, international visitors from other than Australia, and a possible increase in conference activity and visitor numbers generally generated entirely by the existence of the direct flight connections.

Table A: Total Additional Economic Impact on Rotorua of Five to Eight Flights per Week in 2005, Ten to Fourteen Flights per Week in 2010 and Fourteen to Eighteen Flights per Week in 2025

	2005		2010		2025	
Assuming 50% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 6,417	\$ 9,363	\$ 12,815	\$ 18,443	\$ 23,096	\$ 28,656
Value-added (\$ 000)	\$ 2,608	\$ 3,806	\$ 5,209	\$ 7,496	\$ 9,387	\$ 11,647
Household income (\$ 000)	\$ 1,718	\$ 2,507	\$ 3,431	\$ 4,938	\$ 6,184	\$ 7,672
Employment (FTE)	72.5	105.7	144.7	208.2	260.8	323.5
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 9,562	\$ 13,951	\$ 19,095	\$ 27,480	\$ 34,412	\$ 42,698
Value-added (\$ 000)	\$ 4,147	\$ 6,051	\$ 8,282	\$ 11,919	\$ 14,926	\$ 18,519
Household income (\$ 000)	\$ 2,612	\$ 3,810	\$ 5,215	\$ 7,506	\$ 9,399	\$ 11,662
Employment (FTE)	100.7	146.9	201.1	289.4	362.5	449.7
Assuming 30% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 4,933	\$ 7,203	\$ 10,107	\$ 14,083	\$ 17,480	\$ 21,681
Value-added (\$ 000)	\$ 2,005	\$ 2,928	\$ 4,108	\$ 5,724	\$ 7,105	\$ 8,812
Household income (\$ 000)	\$ 1,321	\$ 1,929	\$ 2,706	\$ 3,771	\$ 4,680	\$ 5,805
Employment (FTE)	55.7	81.3	114.1	159.0	197.3	244.8
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 7,350	\$ 10,733	\$ 15,060	\$ 20,983	\$ 26,045	\$ 32,305
Value-added (\$ 000)	\$ 3,188	\$ 4,655	\$ 6,532	\$ 9,101	\$ 11,296	\$ 14,012
Household income (\$ 000)	\$ 2,008	\$ 2,931	\$ 4,113	\$ 5,731	\$ 7,114	\$ 8,824
Employment (FTE)	77.4	113.0	158.6	221.0	274.3	340.3

Source: Rotorua Regional Airport Limited, TRC 2004, Butcher et al 2000, APR analysis.

Note: Fuel costs not included.

The departure tax of \$25 per person is assumed to be in addition to TRCNZ spending per visit rates used in the analysis.

In 2005, international visitors to Rotorua are assumed to spend \$360 per visit and others \$106 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2010, international visitors to Rotorua are assumed to spend \$405 per visit and others \$121 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2025, international visitors to Rotorua are assumed to spend \$481 per visit and others \$144 per visit.

Employment estimates may be up to 30% too high based on TRC spending to employment estimates.

For this analysis spending by 30% to 50% of passengers and 100% of the airport revenue summarised in Table 22 is assumed to be additional spending. The balance of international passengers who would have come anyway are assumed to spend another half day in Rotorua rather than in transit to connections outside the area.

Estimates of Regional Impacts in the period 2005 to 2025 (Appendix C model)

- This appendix outlines a parallel model of the **regional** impact of additional international visitors on the Bay of Plenty economy in 2005, 2010 and 2025. It allows for the spending of inbound tourists to regional destinations other than Rotorua (assumed to be around 15% of all international visitors), the slightly increased average time spent and therefore spending in the region as compared to Rotorua alone, and also assumes higher total impacts given the reduced leakages at a regional level. While the analysis has been based solely on Bay of Plenty tourism statistics, some regional impact will also occur in Taupo. (Note that Taupo is part of the Waikato Region which is outside the regional boundaries.)
- The total regional impact of trans-Tasman flights into Rotorua will also depend on the number of flights, the number of destinations and the proportion of the economic activity that is considered to be additional to the current level. Table B summarises the total impact on the wider regional economy of both additional visitor spending and the extra revenues generated by the airport itself.

Table B: Total Additional Economic Impact on the Regional Economy of Five to Eight Flights per Week in 2005, Ten to Fourteen Flights per Week in 2010 and Fourteen to Eighteen Flights per Week in 2025

	2005		2010		2025	
Assuming 50% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 7,608	\$ 10,974	\$ 15,624	\$ 21,757	\$ 27,613	\$ 34,124
Value-added (\$ 000)	\$ 3,092	\$ 4,460	\$ 6,351	\$ 8,843	\$ 11,223	\$ 13,870
Household income (\$ 000)	\$ 2,037	\$ 2,938	\$ 4,183	\$ 5,825	\$ 7,393	\$ 9,137
Employment (FTE)	85.9	123.9	176.4	245.6	311.8	385.3
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 14,455	\$ 20,851	\$ 29,686	\$ 41,338	\$ 52,464	\$ 64,836
Value-added (\$ 000)	\$ 6,185	\$ 8,921	\$ 12,701	\$ 17,686	\$ 22,446	\$ 27,740
Household income (\$ 000)	\$ 4,013	\$ 5,788	\$ 8,241	\$ 11,476	\$ 14,564	\$ 17,999
Employment (FTE)	160.6	231.7	329.9	459.3	583.0	720.5
Assuming 30% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 6,158	\$ 8,860	\$ 12,565	\$ 17,495	\$ 22,123	\$ 27,301
Value-added (\$ 000)	\$ 2,503	\$ 3,601	\$ 5,107	\$ 7,111	\$ 8,992	\$ 11,097
Household income (\$ 000)	\$ 1,649	\$ 2,372	\$ 3,364	\$ 4,684	\$ 5,923	\$ 7,310
Employment (FTE)	69.5	100.0	141.9	197.5	249.8	308.2
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 11,700	\$ 16,834	\$ 23,874	\$ 33,240	\$ 42,033	\$ 51,872
Value-added (\$ 000)	\$ 5,006	\$ 7,202	\$ 10,214	\$ 14,222	\$ 17,983	\$ 22,193
Household income (\$ 000)	\$ 3,248	\$ 4,673	\$ 6,628	\$ 9,228	\$ 11,669	\$ 14,400
Employment (FTE)	130.0	187.1	265.3	369.4	467.1	576.4

Source: Rotorua Regional Airport Limited, TRC 2004, APR analysis.

Note: Based on Table 21 reworked from a regional perspective.

Fuel costs not included.

In 2005, international visitors to Bay of Plenty are assumed to spend \$484 per visit and others \$106 per visit, the TRCNZ average for international visitors(BOP) and domestic day visitors(Rotorua) respectively.

In 2010, international visitors to Rotorua are assumed to spend \$546 per visit and others \$121 per visit, the TRCNZ averages as above.

In 2025, international visitors to Bay of Plenty are assumed to spend \$651 per visit and others \$144 per visit.

Employment estimates may be up to 30% too high based on TRC spending to employment estimates.

For this analysis spending by 30% to 50% of passengers and 100% of the airport revenue summarised in Table 22 is assumed to be additional spending. The balance of international passengers who would have come anyway are assumed to spend another day in the wider region rather than in transit to connections outside the area.

- In 2005, assuming that 30% to 50% of the economic activity is considered additional, we would estimate an increase in annual total output of \$11.700-\$20.851 million, which equates to \$5.006-\$8.921 million of value added to the wider regional economy, increased household income of \$3.248-\$5.788 million or 130.0-231.7 extra full-time equivalent employees.
- In 2010, allowing for Rotorua having ten to fourteen direct trans-Tasman flights per week to two or three destinations in Australia (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$23.874-\$41.338 million, which is equivalent to \$10.214-\$17.686 million in value added to the wider regional economy, increased household spending of \$6.628-\$11.476 million or 265.3 to 459.3 extra full-time equivalent employees.
- In 2025, allowing for Rotorua having 14 to 18 direct trans-Tasman flights per week to two or three destinations (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$42.033-\$64.836 million, which is equivalent to \$17.983-\$27.740 million in value added to the wider regional economy,

increased household spending of \$11.669-\$17.999 million or 467.1-720.5 extra full-time equivalent employees.

Other Factors Impacting on Development of Trans-Tasman Services

- Conferences and events have the potential to be a significant industry in terms of visitor arrivals to Rotorua. With the planned expansion of the Rotorua Energy Events Centre, targeting this market could be a positive strategy to encourage growth in tourism from Australia. Direct flights into Rotorua from Australia may help to grow this potentially lucrative market. Conferences and events have the added advantage of spreading a highly seasonal visitor market activity through the year, with national data showing 56% of two plus day conferences held over the slower April to September period.
- Latest international arrival data shows 53,692 international visitors came to New Zealand for conferences and conventions in 2004, 57% of them from Australia and staying on average 6.5 days. This market has grown substantially over the past 2 years with the Australian market growing at over 18% per annum. Currently national convention data shows that 4% of conference delegates came from Australia and 4% from other offshore markets (Rotorua figures are 6.0% and 3.5% respectively). Only Christchurch and Queenstown (both international destinations) attracted a higher proportion of international delegates, with Queenstown using its direct flights to Australia to attract the highest proportion of Australian delegates in the country. Rotorua however, performs well above Queenstown in all other conference market share indicators with Rotorua already attracting over double the number of conferences and delegates. Taupo is also a major conference destination, concentrating on the corporate market and utilising its central position between Wellington and Auckland. Other 2004 research on Rotorua conferences and events shows over 10% of both conference attendees (ie, 16,527 visitors) and event attendees (ie, 24,852 visitors) were already from overseas.
- Competition in the market has been a major factor driving the increase in capacity in the trans-Tasman market in recent years. Both Air New Zealand and Qantas have established routes and networks in New Zealand and Australia that are able to feed into the trans-Tasman market. In recent times, the established and growth of other regional trans-Tasman capable airports in New Zealand has been primarily orchestrated through Air New Zealand budget subsidiary Freedom Air. The more recent arrival of Virgin (through its derivatives) and the likely arrival of Qantas budget subsidiary Jetstar has introduced further competition in the market. As has happened recently, the increase in capacity may not necessarily be aligned to increased demand, which could lead to further price discounting or reduction in services. As an example of this, as recently as Friday 27 May 2005, Jetstar announced plans to fly into New Zealand by the end of 2005 and on the same day Freedom announced that it would more than double services between Hamilton and Sydney to five times a week from December 2005. Hamilton considers Rotorua as part of its catchment, although the focus of Freedom is not related to the outbound Australian market, which Rotorua would be targeting. Also Freedom is increasing capacity and at the start of the 2005/2006 summer will be introducing four new A320 aircraft. The potential arrival of Jetstar, along with moves to increase Virgin's activity in New Zealand, could provide key opportunities for Rotorua Airport to be included as part of these companies' New Zealand trans-Tasman connections.

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1.0 INTRODUCTION

This report was prepared by APR Consultants in response to a request by Rotorua District Council to assess the demand and impact of developing Rotorua Airport as trans-Tasman capable.

The major objective of this report was to undertake a market analysis of the potential demand for trans-Tasman flight activity through Rotorua Airport based on:

- a review of trans-Tasman visitor growth data and population data;
- a market research based assessment of the potential demand as perceived by key tourism attractions and accommodation operators, Rotorua residents and major airlines; and
- the experience of other regional airports.

A further objective of this report was to determine the likely additional spending and employment impact on the Rotorua District economy of increased visitor activity associated with this trans-Tasman capability, both directly and in total.

A parallel model from a regional perspective outlining the additional spending and employment impact on the Bay of Plenty regional economy has been developed in Appendix C.

The brief did not include any analysis of other alternatives to the expansion of Rotorua Airport or any evaluation of the likely costs involved in this airport expansion.

2.0 METHODOLOGY

The methodology used for this project involved reviewing information on other similar case studies of airports in New Zealand, contact with airlines, information on tourism growth in the Rotorua District, visitor growth from Australia, growth in travel out of New Zealand and previous research on Rotorua Airport.

Further market research was undertaken through a survey of key tourism attractions and accommodation operators to assess potential demand from specific market segments for trans-Tasman capability. The businesses surveyed included all major hotels, backpackers and the major visitor attractions. A survey was also undertaken of Rotorua residents to assess demand from residents. This was a follow-up survey to similar research undertaken in late 2000.

An assessment was also undertaken of the economic impacts developing trans-Tasman capability would have on the Rotorua District using established spending patterns. Note that economic impacts are related to the growth in net visitor activity and the impact of these visitors on the district. The model developed in the main body of this report is developed from a Rotorua District perspective and based on the economic impact on the Rotorua District only while a parallel model has been developed for the Bay of Plenty Region and this is presented in Appendix C.

While the model developed in the main body of this report is concerned with the impact of likely spending in 2005 and 2010, further analysis to 2025 has been completed based on the assumptions as outlined in Appendix B.

3.0 ROTORUA - TOURISM OVERVIEW

Rotorua is a unique tourism destination. Its distinctive environment, dominated by geothermal activity, makes it a key tourism destination in New Zealand, both for domestic and international tourists⁵.

Tourism is a dominant part of the Rotorua District economy. Tourism Research Council of New Zealand (TRCNZ) estimates of visitor activity in Rotorua RTO in 2003 were that:

- In total, international tourists to Rotorua spent \$201 million and domestic visitors spent \$366 million, giving Rotorua a total tourism spend of over \$567 million.
- Overall there were 1.5 million overnight visitors to Rotorua and these visitors stayed a total of 4.0 million nights⁶ (ie, an average of 2.6 nights).
 - The 1.5 million overnight visitors spent a total of \$411 million or an average \$267 per visitor, which equates to an average of \$103 per day.
 - The 964,000 overnight domestic visitors spent an average of \$79 per day, equating to \$220 per visitor for their stay in Rotorua, and stayed on average 2.8 nights.
 - The 573,000 overnight international visitors spent an average of \$157 per day or \$346 per overnight visitor and stayed on average 2.2 nights.
- The 1.688 million day visitors to Rotorua spent \$156 million or an average \$93 per day.
 - Day visitors spent on average \$95 (domestic) or \$35 (international).
- Overall daily spending for both day and overnight visitors averaged \$99.60 per day.
- Of the 573,000 international visitors, 106,600 (or 18.6%) were Australian and they stayed 241,500 visitor nights in Rotorua in 2003 (an average 2.3 nights) and spent an estimated \$34.5 million or \$142 per day.
 - Australians stayed slightly longer (0.1 days) and spent slightly less on a daily basis (\$15) than the average international visitor.
 - A further 14,900 Australians visited Rotorua for a day visit spending a further \$0.5 million.

3.1 Rotorua Commercial Accommodation

Statistics New Zealand's Accommodation Survey for the calendar year 2004 shows:

- Rotorua had an estimated 1,945,943 guest nights in commercial accommodation⁷ with visitors staying on average 1.83 nights in commercial accommodation.
- Guest nights in commercial accommodation in Rotorua grew by 6.8%, well above the 4.6% national average.
- In 2004, Rotorua experienced higher growth than other major international tourism destinations such as Queenstown, Taupo, Auckland and Wellington.

⁵ More than half of all "tourists" in New Zealand are visitors from other parts of the country, rather than international visitors.

⁶ This includes all forms of accommodation.

⁷ These figures only include those staying in commercial accommodation and not visiting friends and relations or staying in private accommodation.

- Although the number of accommodation establishments in Rotorua decreased slightly, capacity increased by 6.0% with 5,737 stay units available on a daily bases (Table 1). Occupancy rates have improved slightly (48.9%), as has the average length of stay (1.83 nights).

Table 1: Commercial Accommodation Statistics, Rotorua

Tourism Rotorua RTO	2004	2003	Annual % change	2000	4 year % change
Establishments at end of month	145	146	-0.7%	140	3.6%
Daily capacity / Average daily capacity	5,737	5,412	6.0%	5,339	7.5%
Monthly capacity / Yearly capacity	2,099,882	1,975,411	6.3%	1,953,809	7.5%
Occupancy rate (%)	48.9%	48.2%	1.5%	41.9%	16.7%
Visitor nights	1,945,943	1,821,458	6.8%	1,598,875	21.7%
Visitor arrivals	1,063,751	1,019,064	4.4%	923,591	15.2%
Length of stay	1.83	1.79	2.2%	1.73	5.8%

Source: Statistics New Zealand, Accommodation Survey
Data for year ended 31 December

Looking at four-year trends in commercial accommodation:

- Rotorua visitor night market has grown at an average of around 5.0% per annum (pa), the same as the average for New Zealand, with Rotorua maintaining its market share at 6.3% of this growing market (Table 2). Rotorua has maintained its market share better than other adjacent areas, and slightly better than Queenstown (down from 9.7% to 9.6%).
- There was an overall improvement in occupancy rates from 41.9% to 48.9% with stay length increasing by 5.8% and capacity increasing by 7.5%.

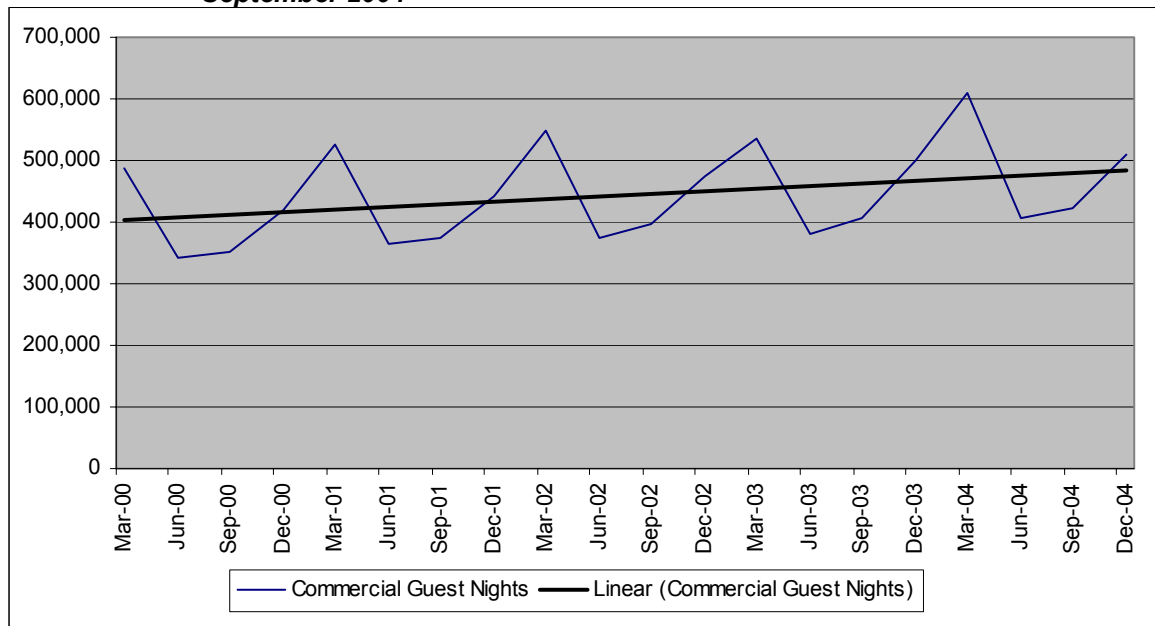
Table 2: Commercial Guest Nights, Rotorua Compared to Other RTOs.

RTO	2004	2003	Annual % change	2000	4 year % change
Tourism Rotorua	1,945,943	1,821,458	6.8%	1,598,875	21.7%
Destination Lake Taupo	1,093,577	1,075,037	1.7%	1,005,855	8.7%
Tourism Bay of Plenty	1,085,381	1,037,148	4.7%	977,589	11.0%
Destination Queenstown	2,958,007	2,812,345	5.2%	2,484,927	19.0%
Total New Zealand	30,948,667	29,577,076	4.6%	25,496,528	21.4%
Rotorua as a proportion of NZ	6.29%	6.16%		6.27%	

Source: Statistics New Zealand, Accommodation Survey
Data for year ended 31 December

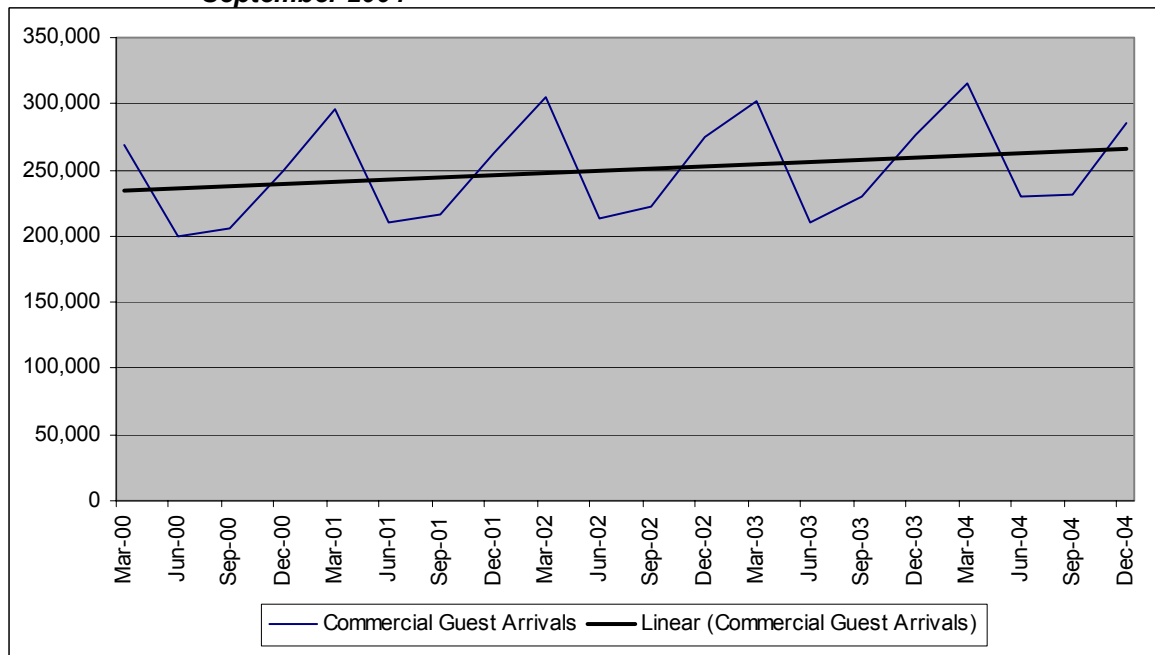
Over the past five years, both guest nights and arrivals for commercial accommodation have shown strong seasonal variations and long-term growth. Visitor nights increased from 1,598,875 to 1,945,943 over the 2000 to 2004 period, an increase of 21.7%. Visitor arrivals increased from 923,591 to 1,063,751 or 15.2% over the same period, with stay length increasing by 5.8%, against the national trend (down 1.2%).

Graph 1: Guest Nights in Commercial Accommodation in Rotorua, December 1999 – September 2004



Source: Statistics New Zealand, Accommodation Survey
 Guest nights are measured quarterly.

Graph 2: Guest Arrivals in Commercial Accommodation in Rotorua, December 1999 – September 2004



Source: Statistics New Zealand, Accommodation Survey
 Guest arrivals are measured quarterly.

3.2 Tourism Growth in the Rotorua District

Tourism growth trends over the past four years show visitor nights in commercial accommodation in Rotorua increasing by 21.7%, slightly ahead of the New Zealand average. When private accommodation estimates are added, a slightly different trend emerges with visitor nights increasing by only 7.8% (Table 3). This is because the growth rates of international and domestic visitors are quite different.

The market for international visitors has been growing very quickly (44.0% in the four years ending October 2004), while the domestic visitor market has had negative growth of 11.0% over the same period⁸. This has resulted in a major shift in the mix of international and domestic visitors, with international visitors now accounting for 45.7% of the Rotorua market, compared with 34.2% in 2000 (Table 3).

Table 3: Total Rotorua Visitor Nights by Origin of Visitor, October 2004

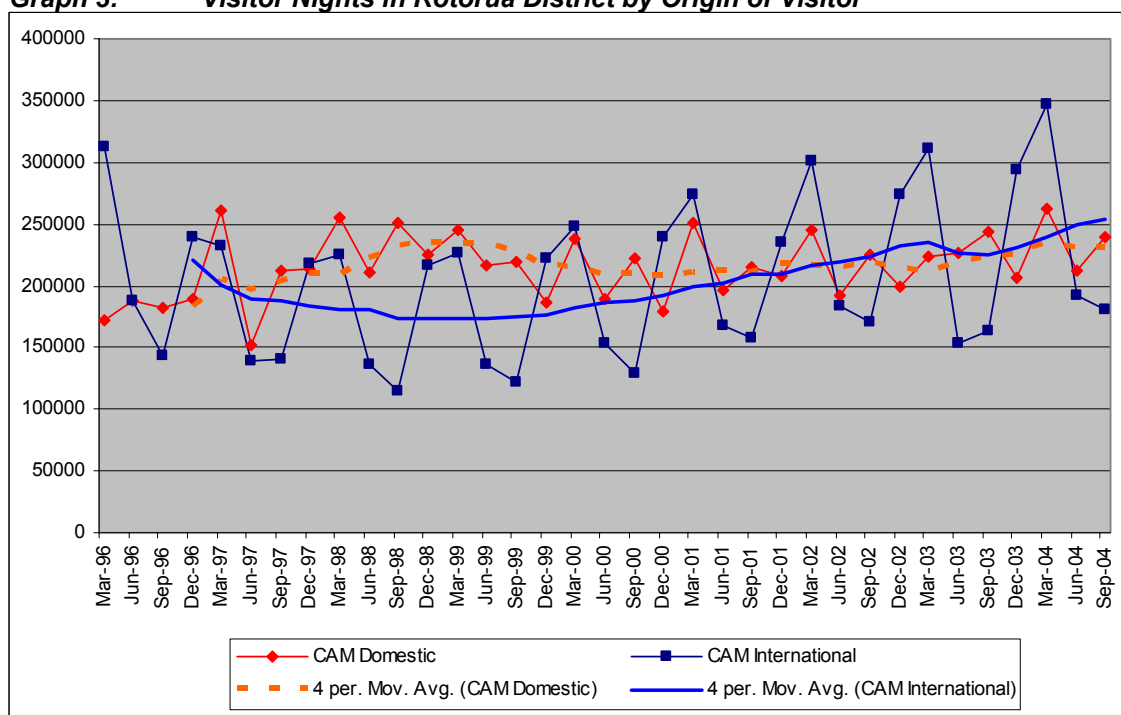
	YE Oct-04	YE Oct-03	% Change	YE Oct-00	4 year % change
Domestic	1,692,209	1,617,019	4.65%	1,900,508	-10.96%
International	1,423,885	1,279,017	11.33%	988,912	43.99%
Total	3,116,094	2,896,036	7.60%	2,889,420	7.84%
% of international visitors	45.70%	44.20%		34.20%	

Sources: Statistics New Zealand, Commercial Accommodation Monitor and APR Consultants, VFR Survey.

Even in commercial accommodation the change in mix towards more international visitors is obvious with over 52% of guest nights in commercial accommodation now international (48% in 2000), though the number of both international and domestic visitors staying in commercial accommodation have increased (Graph 3). From the quarterly fluctuations illustrated in Graph 3, it is clear that the international visitor market is much more seasonal than the domestic visitor market and the increased importance of international visitors will make methods of coping with seasonality more of an issue in the future.

⁸ This decrease has been in domestic VFR nights rather than domestic nights spent in commercial accommodation which have continued to grow.

Graph 3: Visitor Nights in Rotorua District by Origin of Visitor



Sources: Statistics New Zealand, Commercial Accommodation Monitor.

TRCNZ has forecast future growth to 2010 for all accommodation types (refer to Appendix 1 for details). Rotorua is primarily visited as a holiday destination, and this market is expected to increase in importance by 2010 (TRCNZ forecasts 60.3% of visitor nights to Rotorua in 2010 will be for the purpose of a holiday, compared with 59.6% in 2003). Business and education are other high growth markets.

The importance of the international market will increase further, with international visitor nights⁹ expected to average 5.9% growth per annum compared to 0.9% for domestic visitor nights. Australia is expected to remain the second largest international market behind the UK-Nordic region. In the seven years to 2010, Australian guest nights in the Rotorua RTO are projected to increase by 76,000, or roughly 31.5%. This represents an annual average increase of 4.0%.

3.3 Impacts of Tourism on the Rotorua District Economy

In May 2004, APR Consultants Ltd (APR) estimated the total tourism dependent expenditure in the Rotorua economy at between \$581 and \$655 million. Total direct tourism expenditure in 2003 was variously estimated at between \$361 and \$559 million, most likely in the \$390-\$440 million range.

While APR has an estimate of total expenditure by tourists in Rotorua in 2003 in the range \$390-440 million, GDP as an added value measure avoids the problems of double counting (the output of one firm may be the inputs of another) and is a better measure of economic activity. APR's estimate of direct value added by the tourism industry is around \$214 million which is 4.2% of tourism's contribution to New Zealand GDP and

⁹ Note: the figures provided by TRCNZ for guest nights are different from the figures provided by Statistics New Zealand due to differences in what is measured; for example the TRCNZ figures capture people from outside the region who stay in their own baches.

10.8% of Rotorua's GDP. The total value added impact to the Rotorua economy is around \$250-\$340 million.

The latest TRCNZ expenditure forecast for the period from 2004 to 2010 (refer to Appendix 1) predicts that:

- The total overnight visitor spend in the Rotorua RTO will increase from \$411 million in the year ending 2003¹⁰ to \$662 million in the year ending 2010. This is an increase of 61.1%, or equivalent to an annual average increase of 7.0%.
- By 2010, international overnight visitors will spend 53.4% of the \$661.6 million forecast (\$353 million). This is a significant increase over the 48.3% international spend (\$198 million) estimated for 2003 and represents 8.6% annual average growth.
- Spending by Australian visitors to Rotorua is expected to increase from \$34.5 to \$53 million, ie, by \$18.5 million by 2010. This 6.3% annual average growth is lower than the total tourism average annual growth (7.0%).
- The UK-Nordic region is the fastest growing market, with annual average growth of 14.4%, followed by North East Asia with 13.8%. Other markets forecast to grow above the total tourism average are the Americas (7.1% annual average growth), Japan (7.4%), Other Asia (10.7%), Other Europe (7.9%), and the Rest of the World (9.1%).
- Spending by the domestic market is forecast to grow by 5.5% per year.

The Rotorua Employment Skills Survey conducted in March 2003 estimated that tourism would generate a further 1,000 full time equivalent (FTE) employees within the Rotorua District over the three to four years from the survey date, and an increase of some 2,300 employees (an 8.6% increase in employment) over the entire period to 2010/11.

¹⁰ A further \$156.5 million spending by day visitors is also predicted, the majority of which (\$153.9 million) is by domestic day visitors. TRCNZ total expenditure estimates in 2003 are therefore \$567 million, well above the previously estimated 2003 tourism spending range.

4.0 ROTORUA AIRPORT

4.1 *Rotorua Airport Infrastructure*

Much of the infrastructure at the Rotorua Regional Airport (Rotorua Airport) is currently in a phase of redevelopment. A new terminal is currently in the final stage of construction (roads, ramps and airline services are currently being developed) with a formal opening expected in 2005. The opening of the new 2,000 square metre terminal will take total terminal space to 2,800 square metres.

The existing car park had a capacity of 170 cars, though with an extension to this, 402 public car parks will be available from April 2005. Parking charges are \$10 per day or \$45 per week.

The runway has a current length (available landing distance) of 1,562 metres, with a starter extension providing a further 60 metres for take-offs to the north, giving a total runway of 1,622 metres. Airport management have advised that the current runway length has the capacity to land inbound flights from Australia. Feasibility studies are currently underway examining the best course of action regarding extension of the runway from its current length. A resource consent application has been made to allow for possible future extension of the runway by up to 430 metres.

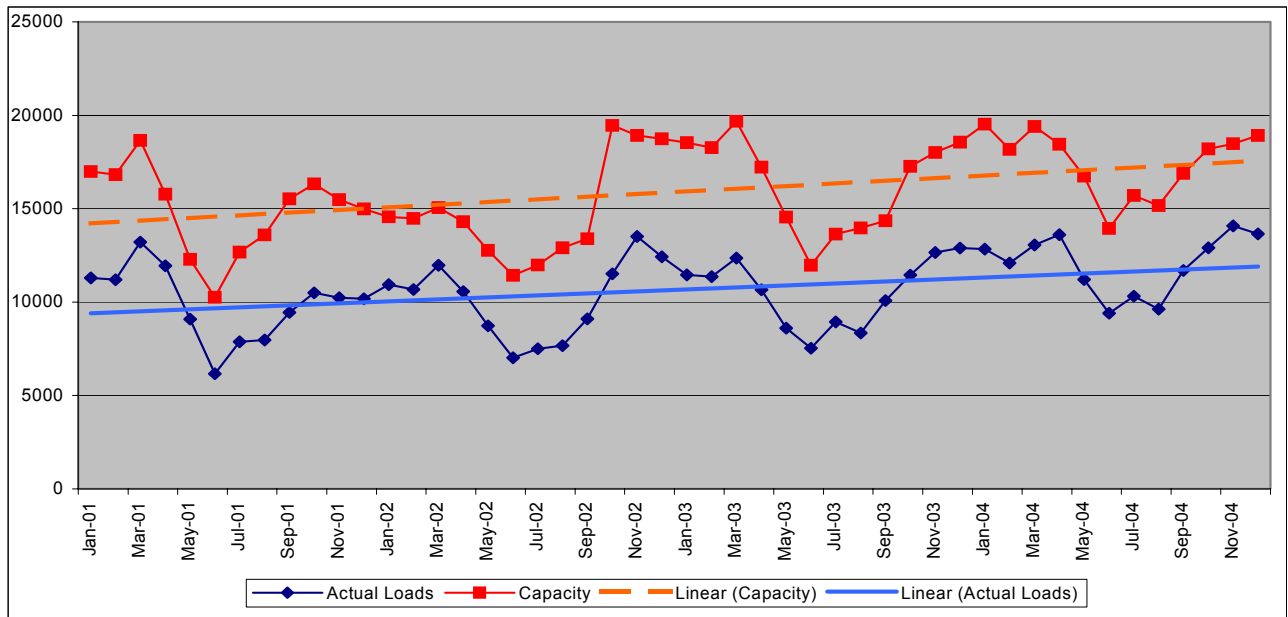
4.2 *Flight Trends and Load factors*

Rotorua Regional Airport is home to air services from Jetconnect (Qantas' New Zealand domestic carrier, flying 737-300's to and from Christchurch) and Air New Zealand, with Air New Zealand using all four of its domestic guises; Eagle Air (to and from Auckland with 19 seat Beechcraft planes), Mount Cook Airlines (to and from Christchurch with 66 seat ATR-72's), Air Nelson (to and from Wellington with 33 seat Saab 340's) and Air New Zealand (to and from Christchurch with Boeing 737-300's), in addition to smaller charter and private operations. Of the 482,085 IFR (largely commercial) flights in New Zealand in the latest period (2004), 12,717 flights were into and out of Rotorua; while of the 418,605 VFR (largely private) flights into and out of New Zealand airports, 11,995 were into and out of Rotorua. This gave Rotorua a market share of 2.6% of IFR flights and 2.9% of VFR flights in New Zealand.

All three airports in the Bay of Plenty (Rotorua, Tauranga and Whakatane) are domestic airports with direct Auckland flights. Rotorua and Tauranga both have direct flights to Wellington and Rotorua is unique with direct flights to Christchurch. This last point is reflective of the traditionally strong Auckland, Rotorua, Christchurch and Queenstown international visitor flows.

In the four year period from January 2001 to December 2004 there has been a strong upward trend in both capacity and load numbers at Rotorua Airport for domestic commercial flights as shown in the following graph. June was the slowest month for both capacity and load numbers for each of the four years, with each June busier than the previous (10,259 seats and 6,162 passengers in June 2001, compared with 13,943 and 9,408 in June 2004). The high for passenger numbers in the 48-month period was recorded in November 2004, with 14,072 passengers on domestic commercial flights, while for capacity, a high of 19,682 was recorded in March 2003.

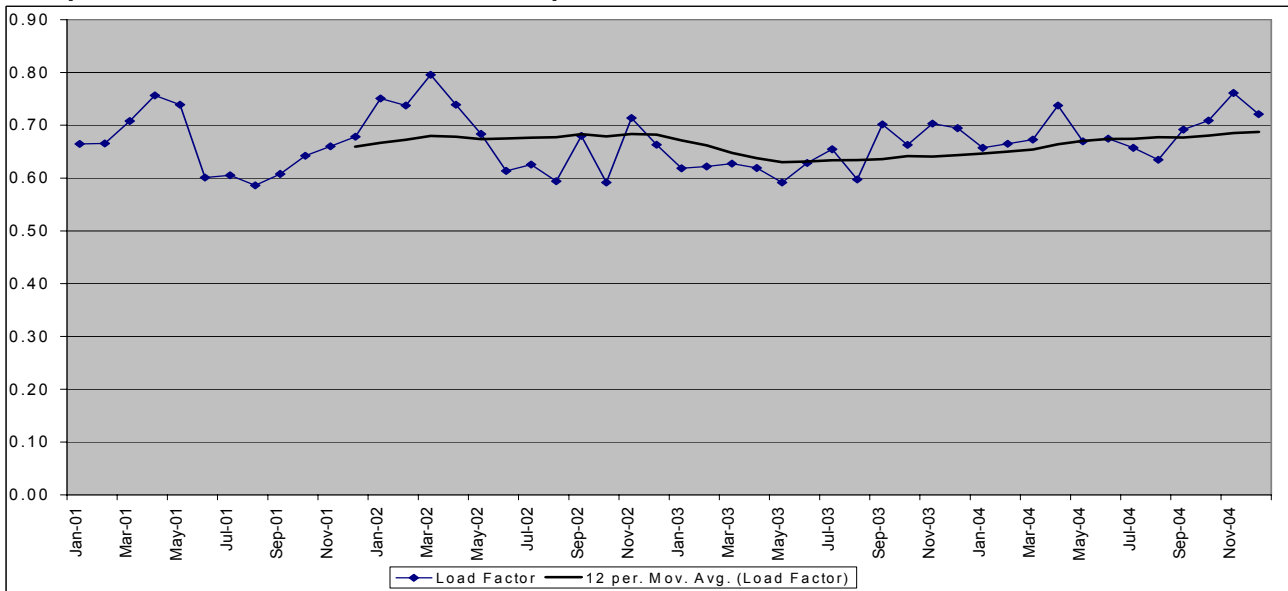
Graph 4: Commercial Passenger Numbers and Total Seats Available from Rotorua Airport, All Airlines, 2001 – 2004



Source: Rotorua Regional Airport Ltd

Over the same period the load factor on these flights has remained relatively level, except for a small decline during the beginning of 2003 (coinciding with the SARS outbreak). Since then the load factor has risen steadily to be at a similar level (slightly below 70%) to that experienced before the downturn (Graph 5).

Graph 5: Load Factor at Rotorua Airport, All Airlines, 2001 – 2004



Source: Rotorua Regional Airport Ltd

McGregor (2002), in their passenger forecasts for the period 2001 to 2021 note that Rotorua under low, medium and high projections could grow to cater for up to 409,376 passengers in 2021 based on the 236,400 passenger movements in 2001. The McGregor Report noted that Rotorua with its then passenger numbers catered for 62% of all passenger movements in the Bay of Plenty and under the high forecast would still cater for around 60% of all passengers in the Bay of Plenty Region. They projected that

growth out of Whakatane is likely to be minimal (maximum annual average growth of 1.2% to 34,848 passengers from 27,600 passengers).

4.3 Catchment Area

Previous work undertaken by APR in 2000 and 2001 with surveys of airport users confirmed the regional focus of the Rotorua Airport with 35.8% of the 318 visitors from Rotorua, 8.2% from Tauranga, 3.1% from Whakatane, 20.4% from overseas and 32.5% from other parts of New Zealand. Based on the previous use of the airport, Rotorua Airport already has a regional focus and therefore in a domestic setting has the possibility to attract passengers from other parts of the region. Also as the only airport in the region with direct flights to Christchurch there is strong potential to bring in passengers to use the airport for travel to that destination.

Figure 1: Map of catchment area of Rotorua Regional Airport



Source: TUMONZ, APR Consultants.

4.4 Possible Future Trans-Tasman Flights

The current development at the airport will provide most of the facilities required for any future trans-Tasman services. Customs services and the appropriate length of runway would be the major areas where future development is required.

Any future trans-Tasman service would likely be using Boeing 737-800 aircraft (Virgin Blue) or Airbus A320 aircraft. The likelihood is that jets on the Christchurch Rotorua direct flight will be upgraded in the near future and the runway will need to be extended to cater for the new generation domestic jets.

The models developed in the following sections of possible future demand and economic impact assume:

- flights having a capacity of 160 persons and averaging 70% capacity over the year;

- a local catchment that includes:
 - the entire Bay of Plenty Region, and
 - both Taupo and South Waikato districts in the Waikato Region.

Outbound travellers from both Gisborne and Hawkes' Bay regions have not been included in our analysis even though Rotorua would become the closest international airport to Gisborne and parts of Hawkes' Bay.

5.0 ESTIMATES OF OUTBOUND TRANS-TASMAN DEMAND FROM ROTORUA AIRPORT

Demand, both outbound and inbound, is influenced by a variety of factors such as price, the exchange rate influencing the price of competing destinations' total package, the number of people in the population and destination marketing. Any estimates of demand therefore are highly dependent on no unforeseen changes in these factors. For example, a literature search, undertaken by Treasury as part of its background document on passenger clearance charge, estimates that a \$30 increase in price through border charges (from 0.5% to 3% of the air travel cost) could reduce tourism arrivals by between 1.4% and 4.4%. International experience shows that the short-haul leisure market is more price sensitive than the long-haul market, where the airfare is a smaller proportion of the overall costs.

5.1 *Population Based Outbound Demand*

The Rotorua residents' survey undertaken in 2005 revealed that 23% of respondents (aged 15 and over) had visited Australia in the past year and 74.3% said they might travel to Australia, a similar proportion to the earlier 2000 survey (81.6%). Using the 23% of Rotorua residents (aged over 15) travelling each year as a benchmark, APR has assumed a similar proportion of residents of other local populations will travel, adjusting this percentage to take account of the socio-economic makeup of each district. APR has assumed that children will be half as likely to travel. Based on 2004 population estimates, the local airport catchment contains 7.8% of the population and we have assumed they will make 65,011 departures to Australia (Table 4), which is 7.5% of the short-term departures to Australia by New Zealand residents in the year to November 2004.

Research from the surveys shows that even if international flights were offered, there is no guarantee that all of these people will fly from Rotorua rather than Hamilton or Auckland. The choice of departure point will depend on:

- relative service and price including airport charges and parking charges;
- destinations offered;
- connections to other destinations;
- convenience of departure times; and
- travel time to the airport relative to others available.

We have assumed that with one destination offered (Sydney), 23% of the travelling Rotorua residents would use Rotorua Airport, if two destinations were offered 46% would

and if three destinations 65% would¹¹. This would give 10,778 domestic outbound passengers from Rotorua Airport to one destination, or 21,776 passengers to two destinations, which is equivalent to 3.7 flights per week to one destination or 7.5 flights per week to two destinations (assuming 50% of the passengers were international). This is equivalent to 1.25% or 2.5% respectively of the Australian short-term departure market. No allowance has been made for any connections to other destinations.

Table 4: Rotorua's Share of Local Short-Term Departures to Australia, 2005 and 2010

Estimated local outbound market 2005

	Population 2004	% population 15 and over	Proportion flying to Australia	Children flights	15 and over flights	Total flights	% Rotorua attracts 1 destination (30% market)	1 destination number flying from Rotorua	% Rotorua attracts 2 destination (60% market)	2 destinations number flying from Rotorua	% Rotorua attracts - 3 destination (85% market)	3 destinations number flying from Rotorua
Rotorua District	67,800	76.0%	0.23	1,913	11,943	13,856	23%	3,118	46%	6,374	65%	9,006
Taupo District	33,700	77.6%	0.23	863	6,016	6,878	20%	1,376	40%	2,751	57%	3,921
South Waikato	23,300	73.4%	0.20	620	3,420	4,040	15%	606	30%	1,212	42%	1,697
Western Bay of Plenty	41,400	78.2%	0.25	1,175	8,093	9,268	12%	1,112	24%	2,224	34%	3,151
Tauranga City	101,300	79.2%	0.25	2,800	20,068	22,868	12%	2,744	24%	5,488	34%	7,775
Whakatane District	34,000	75.4%	0.20	840	5,130	5,970	23%	1,343	46%	2,746	65%	3,880
Kawerau District	6,800	71.0%	0.15	150	724	874	23%	197	46%	402	65%	568
Opoitiki District	9,580	74.5%	0.15	188	1,070	1,258	23%	283	46%	579	65%	818
Total	317,880			8,548	56,464	65,011		10,778		21,776		30,816
								Flights per week (100% local passengers)			3.7	5.3
								Flights per week (50% international passengers)			3.7	10.6

Estimated local outbound market 2010 (no growth in propensity to travel)

	Population 2011	% population 15 and over	Proportion flying to Australia	Children flights	15 and over flights	Total flights	% Rotorua attracts 1 destination (30% market)	1 destination number flying from Rotorua	% Rotorua attracts 2 destination (60% market)	2 destinations number flying from Rotorua	% Rotorua attracts - 3 destination (85% market)	3 destinations number flying from Rotorua
Rotorua District	70,100	78.2%	0.23	1,774	12,704	14,478	23%	3,258	46%	6,660	65%	9,411
Taupo District	34,100	80.4%	0.23	771	6,302	7,073	20%	1,415	40%	2,829	57%	4,031
South Waikato	22,100	76.0%	0.20	530	3,360	3,890	15%	584	30%	1,167	42%	1,634
Western Bay of Plenty	46,700	80.3%	0.25	1,150	9,375	10,525	12%	1,263	24%	2,526	34%	3,579
Tauranga City	117,400	80.2%	0.25	2,900	23,550	26,450	12%	3,174	24%	6,348	34%	8,993
Whakatane District	34,000	77.9%	0.20	750	5,300	6,050	23%	1,361	46%	2,783	65%	3,933
Kawerau District	6,400	73.4%	0.15	128	705	833	23%	187	46%	383	65%	541
Opoitiki District	10,000	77.0%	0.15	173	1,155	1,328	23%	299	46%	611	65%	863
Total	340,800			8,174	62,451	70,626		11,540		23,306		32,984
								Flights per week (100% local passengers)			2.0	5.7
								Flights per week (50% international passengers)			4.0	11.3

Estimated local outbound market 2010 (building in growth as predicted by TRC)*

	Population 2011	% population 15 and over	Proportion flying to Australia	Children flights	15 and over flights	Total flights	% Rotorua attracts 1 destination (30% market)	1 destination number flying from Rotorua	% Rotorua attracts 2 destination (60% market)	2 destinations number flying from Rotorua	% Rotorua attracts - 3 destination (85% market)	3 destinations number flying from Rotorua
Rotorua District	70,100	78.2%	0.26	1,989	14,248	16,237	23%	3,653	46%	7,469	65%	10,554
Taupo District	34,100	80.4%	0.26	871	7,124	7,995	20%	1,599	40%	3,198	57%	4,557
South Waikato	22,100	76.0%	0.21	557	3,528	4,085	15%	613	30%	1,225	42%	1,715
Western Bay of Plenty	46,700	80.3%	0.28	1,265	10,313	11,578	12%	1,389	24%	2,779	34%	3,936
Tauranga City	117,400	80.2%	0.28	3,190	25,905	29,095	12%	3,491	24%	6,983	34%	9,892
Whakatane District	34,000	77.9%	0.22	825	5,830	6,655	23%	1,497	46%	3,061	65%	4,326
Kawerau District	6,400	73.4%	0.16	136	752	888	23%	200	46%	408	65%	577
Opoitiki District	10,000	77.0%	0.16	184	1,232	1,416	23%	319	46%	651	65%	920
Total	340,800			9,017	68,932	77,948		12,761		25,775		36,479
								Flights per week (100% local passengers)			2.2	6.3
								Flights per week (50% international passengers)			4.4	12.5

Note: Population estimates are from Statistics NZ.
The proportion flying to Australia from each district is based on 23% of those aged 15 and over in Rotorua and adjusted for socio-economic factors relevant to each district.
Children have been assumed to be half as likely to travel.
The proportion Rotorua attracts from each district is based on the ease of access to alternative airports.
Growth by 2010 for the Rotorua catchment is slightly higher than TRCNZ assumed growth, taking into account the increased share of the total New Zealand population.
Each flight would have a capacity of 160 persons and over the year would average 70% capacity.

Similar analysis undertaken for 2010 shows that the local airport catchment will contain a slightly increased 8.0% of an aging population and we have assumed they will make 70,626 departures to Australia (assuming only population growth) or 77,948 departures if we factor in Tourism Research Council growth factors. By 2010, the Tourism Research Council estimates that short-term departures to Australia will increase to 972,650, which is an annual growth rate over the 2003 to 2010 period of 4.6%. These 77,948 departures represent 8.0% of this market.

By 2010 this would give 25,775 domestic outbound passengers from Rotorua Airport to two destinations, or 36,479 passengers to three destinations, which is equivalent to 8.9 flights per week to two destinations or 12.5 flights per week to three destinations (assuming 50% of the passengers were international). This is equivalent to 2.6% or

¹¹ All other districts apart from the Eastern Bay of Plenty have been factored in at lower percentages (12% to 20%) for flights to one destination, reflecting the availability of easy to reach alternatives.

3.8% respectively of the Australian short-term departure market. The analyses in Section 6 show that there should be more than enough international visitors to fill the other 50% of this number of flights.

Appendix B estimates for 2025 (Table 30) give 29,863 domestic outbound passengers to two destinations, or 42,274 to three destinations which is equivalent to 10.3 flights per week to two destinations or 14.5 to three destinations (assuming 50% of the passengers were international)¹².

In summary, estimates of population-based demand suggest enough passengers for four flights per week to one destination (or 7.5 flights to two destinations) in 2005, rising to eight flights a week to two destinations (or 11 flights to 3 destinations) by 2010, assuming 50% of the passengers are international¹³. Later analysis of the inbound market (see Section 6) gives sufficient international passengers to increase the number of flights with slightly higher proportions of international passengers.

5.2 A comparison with other regional airports

A comparison with the other regional international airports in the country (ie, Hamilton, Palmerston North, Dunedin and Queenstown) can provide a comparative assessment of the size and growth assumptions made in Section 5.1.

Over the period 1996 to 2004, New Zealand has seen a 74.7% increase in international flights, with a 32.8% increase over the 2000 to 2004 period despite increased capacity of aircraft. Palmerston North and Hamilton, once established, and serving largely domestic provincial markets, have experienced relatively unchanged numbers of flights over the 2000 to 2004 period (Palmerston North flights decreased by 2% and Hamilton flights increased by 4.3%). In contrast, Queenstown has managed to take advantage of the increased international visitor arrivals and increased flights by 51% over this period (Table 5).

Table 5: International Commercial Flight Activity (Selected Airports 1996-2004)

Airport	1996	1997	1998	1999	2000	2001	2002	2003	2004	change (1996-2000)	change (2000-2004)	change (1996-2004)
Hamilton	1,056	758	667	666	1,117	1,155	1,136	1,109	1,165	5.8%	4.3%	10.3%
Palmerston North	234	211	253	339	906	808	753	736	888	287.2%	-2.0%	279.5%
Dunedin	405	285	283	324	451	549	701	750	915	11.4%	102.9%	125.9%
Queenstown	25	25	78	175	196	183	196	227	296	684.0%	51.0%	1084.0%
All NZ Airports	37,487	38,228	41,729	44,504	49,227	50,227	49,741	58,075	65,385	31.3%	32.8%	74.4%

Source: Airways Corporation New Zealand Ltd.

The number of international passengers by port of entry is commercially sensitive information and not readily available. This makes it difficult to establish the demand patterns at regional airports and the relative breakdown between domestic and international travellers. However international visitor arrivals by point of entry are available, as are 'historical average passenger numbers'¹⁴.

Table 6 shows an analysis of the population catchments of the regional airports against the number of flights, the number of international visitor arrivals and the historical

¹² Our economic analysis for 2025 has assumed 14 flights to 2 destinations or 18 flights to 3 destinations for 2025 with a higher percentage of international passengers (60% to 63%).

¹³ The analysis is complicated by the fact that the more flights per week offered, the increased convenience and the increased likelihood of passengers using Rotorua as their airport of choice.

¹⁴ Available in the recent Treasury passenger clearance discussion papers.

average passenger number. For comparison purposes, Rotorua has been included in the analysis, assuming a possible 5 flights to one destination or 8 flights to two destinations, the options determined by the analysis in Section 5.1 and Section 6 and assumed in the economic models in Section 7.

Table 6: A comparison of regional airports population catchments, flights and arrivals, 2004

2004	Catchment Population	Population over 15	Population as % of NZ	Total international flights	Flights in per week	International arrivals	Australian arrivals	Historic average PAX arrivals
Rotorua Airport 1 destination	317,880	245,027	7.83%	520	5.0	18,342	18,342	n/a
Rotorua Airport - 2 destinations	317,880	245,027	7.83%	832	8.0	24,816	24,816	n/a
Queenstown	66,650	54,009	1.64%	296	2.8	12,797	10,682	8,205
Dunedin	288,600	236,264	7.11%	915	8.8	18,178	16,566	39,423
Hamilton	639,400	495,317	15.75%	1165	11.2	20,445	18,451	57,461
Palmerston North	481,600	378,635	11.86%	888	8.5	13,970	12,468	38,309

Note:

Numbers in italics are based on domestic estimates from the model in Table 4 and the number of flights assumed in Section 7.

Rotorua airport's catchment and assumptions as to arrivals are further identified in Table 4. In fact the estimate is quite conservative as the only parts of the Waikato Region included are South Waikato and Taupo.

Queenstown catchment is assumed to include Queenstown Lakes District, Central Otago and Southland District.

Dunedin catchment is assumed to include all Otago and Southland regions.

Hamilton catchment is assumed to include all the Waikato and Bay of Plenty regions.

Palmerston North catchment is assumed to include all Manawatu/Wanganui, Hawkes Bay and Taranaki regions.

A minority of flights are to destinations other than Australia ie Fiji.

Source: Statistics New Zealand, Airways Corporation New Zealand Ltd, passenger clearance discussion papers.

Rotorua's domestic catchment (317,880) is larger than that of both Queenstown (66,650) and Dunedin (288,600), airports that averaged 2.8 flights and 8.8 return flights per week respectively in 2004.

By 2010, Statistics New Zealand population projections show the population catchments of Rotorua and Hamilton increasing while other regional airports are decreasing (Table 7).

Table 7: A comparison of regional airports population catchments, 2010

2010	Catchment Population	Population over 15	Population as % of NZ
Rotorua Airport	340,800	269,600	8.02%
Queenstown	66,200	54,900	1.56%
Dunedin	282,600	236,400	6.65%
Hamilton	674,500	535,200	15.88%
Palmerston North	477,400	386,000	11.24%

Source: Statistics New Zealand medium population projections

Estimates¹⁵ were made of the numbers of domestic travellers on flights into regional airports (Table 8) to identify:

- the likely proportions of domestic and international visitors that Rotorua can expect on trans-Tasman flights; and
- the likely proportion of the domestic market that will travel to/from any given regional airport.

¹⁵ Alternative estimates were based on the assumption that:

- the difference between the historic average number of arrivals and the international visitor arrivals in 2004 were New Zealand residents, and
- the number of arrivals were estimated by assuming all flights from regional airports were 160 seater planes loaded to 70% capacity, and the balance (after IVA were subtracted) were New Zealand residents.

We would expect the Rotorua mix between outbound tourists and inbound tourists to be somewhere between Queenstown's over 77% international proportion (an area with high international tourism and little local market) and the 28%-46% international proportion of other regional airports, given Rotorua's strong international tourist market and mid range local population catchment. The economic models of Section 7 are based on the international proportions of seats on flights being between 30% and 70%, with 50% to 70% being most likely and realistic.

Table 8: Estimates of regional airports' domestic arrivals, 2004

	Flights in per week	International arrivals	Estimated arrivals - 70% loading	Historic average PAX arrivals	Domestic Arrivals	Domestic as % of popu base	Domestic as % of over 15 population	% of arrivals that are international
Rotorua Airport 1 destination	5.0	18,342	29,120	<i>n/a</i>	10,778	3.4%	4.4%	63.0%
Rotorua Airport - 2 destinations	8.0	24,816	46,592	<i>n/a</i>	21,776	6.9%	8.9%	53.3%
Queenstown	2.8	12,797	16,576	8,205	up to 3,779	up to 5.7%	up to 7.0%	77.2%-100%
Dunedin	8.8	18,178	51,240	39,423	21,000-33,000	7.4%-11.5%	9.0%-14%	35.5%-46.1%
Hamilton	11.2	20,445	65,240	57,461	37,000-45,000	5.8%-7.0%	7.5%-9.0%	31.3%-35.6%
Palmerston North	8.5	13,970	49,728	38,309	24,000-36,000	5.1%-7.4%	6.4%-9.4%	28.1%-36.5%

A minority of flights are to destinations other than Australia ie Fiji.

Numbers in italics are based on domestic estimates from the model in Table 4 and the number of flights assumed in Section 7.

Source: Statistics New Zealand, Airways Corporation New Zealand Ltd, passenger clearance discussion papers

Estimates based on Table 8 show Dunedin having the highest proportion of the population flying, with between 7.4% and 11.5% of the population catchment flying on local international flights in 2004. The percentage is slightly lower in Hamilton and Palmerston North (5.1% to 7.4%) where more and closer international choices are available.

The estimates from Section 5.1 of Rotorua's share of the outbound market (3.4% flying if 5 flights per week to one Australian destination and 6.9% flying if 8.0 flights per week to two destinations) are conservative and realistic when compared to what is already happening at other regional airports.

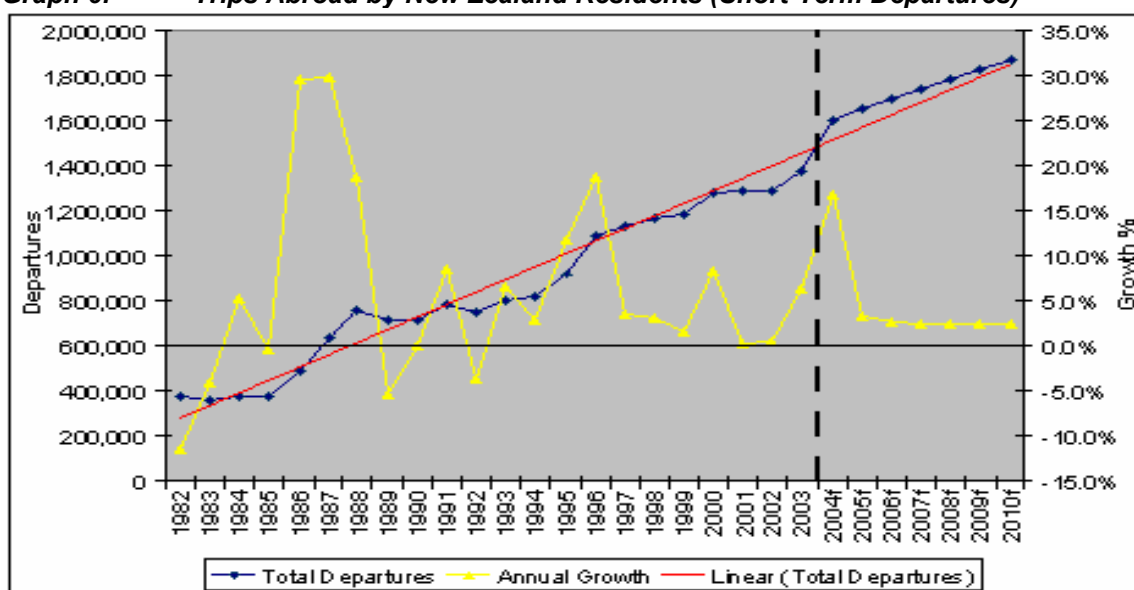
In comparison with Dunedin for instance, Rotorua has a slightly larger domestic catchment (but with more international airport choices) and a larger local international visitor market. Dunedin has averaged 8.8 flights per week.

5.3 National Trends in Outbound Demand

There has been a clear upward trend over the past 22 years in the number of trips abroad by New Zealand residents. Since 1982 the number of trips taken per year has increased by almost one million to 1.374 million in 2003, an average annual growth rate of over 6.3% for the 21-year period. In the last five years the number of trips taken has increased by 189,122, from 1,184,510 in 1999 to 1,373,632 trips in 2003.

Tourism Research Council of New Zealand (TRCNZ) forecasts for the number of trips abroad by New Zealand residents until 2010, predict a strong increase of 16.7% in the number of outbound trips in 2004, followed by a period of steady growth of between 2.4% and 3.2% over the next six years (refer to Graph 6).

Graph 6: Trips Abroad by New Zealand Residents (Short-Term Departures)



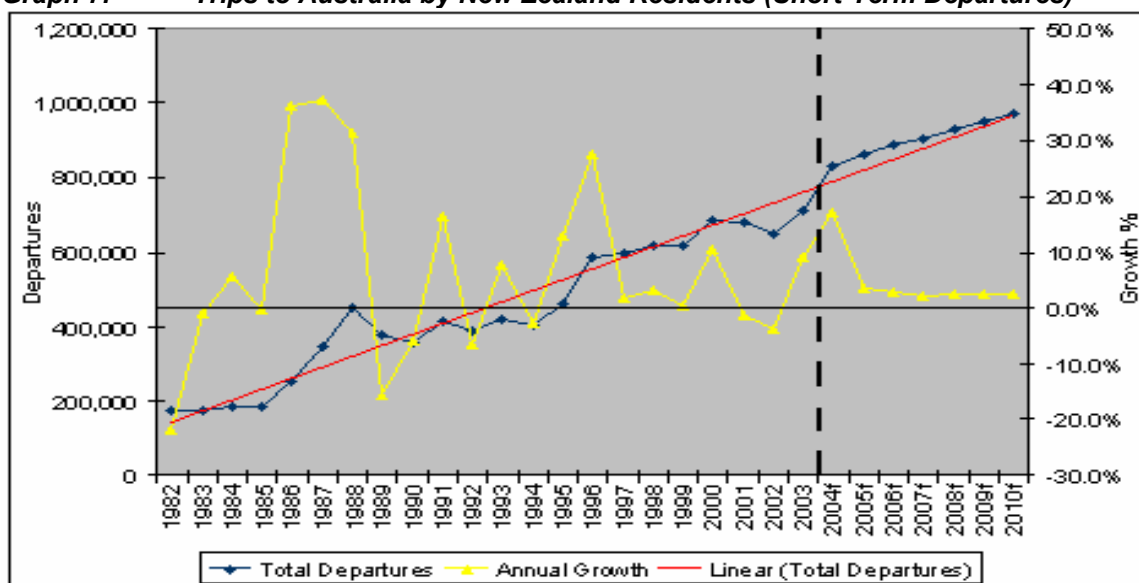
Source: TRCNZ New Zealand Outbound Tourism Forecasts, 2004-2010

Trips to Australia by New Zealanders each year follow similar trends, which is to be expected given that trips to Australia currently make up over 50 percent of the total number of trips taken abroad. Between 1982 and 2003 the annual number of trips to Australia has increased by over 300%, increasing from 176,615 in 1982 to 710,443 in 2003 (an average annual growth rate of about 6.85%). Since 1999 the number of trips to Australia has increased by 90,416.

The TRCNZ forecast for the number of trips to Australia for each year to 2010 is similar to the one made for the number of trips made to all locations. It is expected that 2004 will see a large increase of 17.3% in the number of trips made compared with 2003, while for the next six years the annual growth rate will range between 2.3% and 3.4% (refer to Graph 5) and total a further 17% growth over the period 2004 to 2010¹⁶.

¹⁶ Annual short-term departures are forecast to grow from 833,340 in 2004 to 972,650 in 2010. Our analysis in Section 5.1 assumes that the Rotorua catchment population will contribute around 8% of these departures, the same proportion as that of New Zealand's total population base.

Graph 7: Trips to Australia by New Zealand Residents (Short-Term Departures)



Source: TRCNZ New Zealand Outbound Tourism Forecasts, 2004-2010

The current battle for trans-Tasman airline market share is the most competitive in history, with 730,000 extra seats per annum in 2004 (24% above the number of seats available in the previous year), while the lowest airfares are at levels 30 to 50 per cent below those of just one year ago. These low fares have meant strong increases in total arrivals from Australia to New Zealand, 31% above holiday arrivals for 2003 and 25% above total levels for the same period. The lower airfares have also seen 28% more New Zealanders taking trips to Australia over the same period, much higher than the 17.3% forecast.

Correspondingly some New Zealand centres are experiencing a drop in domestic tourism, which is being attributed to the low airfares attracting people to holiday in Australia rather than domestically. The long-term future of the \$99 airfares would seem to be limited, as capacity increases have been based more on individual airline goals to establish market share and new networks, as opposed to being based on any science relating to forecast demand growth.

6.0 ESTIMATES OF INBOUND TRANS-TASMAN DEMAND TO ROTORUA AIRPORT

6.1 *Visitor Based Estimates of Inbound Demand*

The Australian tourist market can be analysed in a similar manner to Section 5.1 to ascertain how many flight equivalents are currently visiting Rotorua. In this section we will look at the likely market share of inbound Australian visitors to firstly Rotorua, and then adjacent areas, that could be captured by direct flights to Rotorua Airport, and the likely number of flights that could be sustained.

Tourism Research Council estimates are that international overnight visitors to Rotorua will grow from 664,000 in 2005 to 872,000 in 2010, an annual average rate of growth of 6.2%. Australian overnight visitors will increase from around 115,300 in 2005 to 140,300 in 2010, an annual average rate of growth of 4.0%. The following analysis calculates the flight equivalents of the Australian visitors only, assuming a standard 160 seat aircraft loaded to an average 70% of capacity. No allowance has been made for any other international visitors connecting in Australia and undertaking, for instance, a Brisbane, Queenstown, Rotorua round trip¹⁷.

The Australian overnight visitors predicted to visit Rotorua in 2005 are equivalent to 1,029 flights that are 70% full, rising to 1,253 flights in 2010. Rotorua is unlikely to gain total market share for a number of reasons:

- Australian visitors would not see Rotorua as their only destination, so even those using Rotorua Airport would not necessarily use it to travel both ways.
- Tourists are from a variety of states, not all serviced by Rotorua Airport.
- Tourists may want to visit more than one destination in New Zealand, travelling up or down the country.

If we assume a 10% to 25% market share of the total Australian overnight visitor market to Rotorua as being realistic, this is equivalent to 4 to 9.9 flights per week in 2005 rising to 4.8 to 12.1 flights per week on 2010, assuming a 50:50 domestic/international mix on the average flight (Table 9). Other international visitors to Rotorua connecting to these flights in Australia will add to this number.

For 2025, our analysis in Appendix B gives a 10% to 25% market share of 6.5 to 16.2 flights per week in 2025, assuming a 50:50 domestic/international mix on the average flight (Table 31). As international inbound demand is likely to grow faster than domestic outbound demand, we have assumed a higher international mix on the flights. By 2025, the Rotorua tourism market alone will allow trans-Tasman flights to increase to an average of 11.5 flights per week to two destinations with a higher (70%) proportion of international visitors.

¹⁷ In fact IVA statistics show that there are additional overseas visitors currently using regional airports, equivalent to an additional 8% on top of the number of Australian visitors.

Table 9: The Number of Flights Per Week Associated with a Possible Share of the Australian Overnight Visitor Market to Rotorua, 2005, 2010 and 2025.

	Number of flights per week to Rotorua Airport assuming the following international proportion of seats on each flight			
	30%	50%	70%	100%
Market share 2005				
100% market share	66.0	39.6	28.3	19.8
50% market share	33.0	19.8	14.2	9.9
25% market share	16.5	9.9	7.1	5.0
10% market share	6.6	4.0	2.8	2.0
Market share 2010				
100% market share	80.3	48.2	34.4	24.4
50% market share	40.2	24.1	17.2	12.2
25% market share	20.1	12.1	8.6	6.1
10% market share	8.0	4.8	3.4	2.4
Market share 2025				
100% market share	108.1	64.8	46.3	32.4
50% market share	54.1	32.4	23.2	16.2
25% market share	27.0	16.2	11.6	8.1
10% market share	10.8	6.5	4.6	3.2

Note: Each flight would have a capacity of 160 persons and would average 70% capacity over the year.

It is likely that Rotorua airport will attract visitors to the Bay of Plenty Region who will not necessarily visit Rotorua. TRCNZ estimates show the Bay of Plenty receiving an additional 53% of Australian overnight visits in 2003 and 2010 over and above the visitors to Rotorua¹⁸. Rotorua Airport is likely to attract a proportion (though likely to be a smaller proportion) of these visitors too. Assuming the same growth rate and a smaller market share of these visitors (5% to 10%), this is equivalent to 1.1 to 2.2 flights in 2005, 1.3 to 2.6 flights in 2010 and 1.7 to 3.4 flights in 2025 for a 50% international proportion on flights. Table 10 outlines details of the number of flights per week associated with a possible share of the Australian visitor market to the rest of the Bay of Plenty by 2025.

Table 11 summarises the likely flights required to satisfy both inbound (Table 9 and Table 10 combined) and outbound demand (Table 4), for 3 international/domestic mixes. If there is only one destination in Australia serviced, the flights required are likely to be in the lower end of the range. If two destinations are serviced the flights required are likely to be at the higher end of the range. Should three destinations be serviced, flights required could well be above this range.

It is likely that including inbound tourism to destinations other than Rotorua in the Bay of Plenty there should be sufficient passengers for 5 flights per week to one destination (or 8 flights to 2 destinations) in 2005 with slightly over 50% international visitors, rising to 10 flights per week to two destinations in 2010 (or 13 flights to three destinations) with an increased proportion of international visitors (around 60% to 70%). These estimates are also in line with the survey based demand estimates of Section 6.2.

¹⁸ In addition there were an estimated 64,400 Australian visitors to Taupo in 2003, rising to 85,100 in 2010. An unknown number will have also visited the Bay of Plenty and to avoid double counting these have been ignored in this analysis.

By 2025 it is projected that 14 flights per week to two destinations (or 17 or 18 flights to three destinations) would be required with 70% international visitors¹⁹.

Table 10: Number of flights per week to Rotorua based on a share of visitors from Australia to other Bay of Plenty destinations

Other BOP Australian visitors	Number of flights per week to Rotorua Airport			
	30%	50%	70%	100%
Market share 2005				
100% market share	36.6	21.9	15.7	11.0
50% market share	18.3	11.0	7.9	5.5
25% market share	9.2	5.5	3.9	2.8
10% market share	3.7	2.2	1.6	1.1
5% market share	1.8	1.1	0.8	0.6
Market share 2010				
100% market share	42.6	25.6	18.3	12.8
50% market share	21.3	12.8	9.2	6.4
25% market share	10.7	6.4	4.6	3.2
10% market share	4.3	2.6	1.8	1.3
5% market share	2.1	1.3	0.9	0.6
Market share 2025				
100% market share	57.4	34.4	24.6	17.2
50% market share	28.7	17.2	12.3	8.6
25% market share	14.4	8.6	6.2	4.3
10% market share	5.7	3.4	2.5	1.7
5% market share	2.9	1.7	1.2	0.9

Table 11: Number of flights per week to and from Rotorua based on various shares of international visitors Australia

	Number of flights per week to Rotorua Airport assuming the following international proportion of seats on each flight		
	30%	50%	70%
Total flights inbound demand			
2005	8.4-20.2	5.1-12.1	3.6-8.7
2010	10.1-24.4	6.1-14.7	4.3-10.4
2025	13.7-32.7	8.2-19.6	5.8-14.1
Domestic proportion			
	70%	50%	30%
Total flights outbound demand			
2005	2.6-5.3	3.7-7.5	6.2-12.5
2010	3.1-6.3	4.0-8.0	7.3-14.8
2025	3.6-7.3	4.4-8.9	8.5-17.1

Note: Inbound demand as estimated in this section. Three destinations could increase the flights for outbound demand past this range by around 3 flights in 2010 and 4 flights in 2025.

Outbound demand as estimated in Section 5.1. A third destination in 2010 could add around 3 flights in 2010 and 4 flights in 2025.

¹⁹ For up to 2 destinations, this is allowing 1 to 1.5 flights per week in 2005 and 2.5 flights per week in 2010 to cater for international visitors to places other than Rotorua eg, Tauranga, Whakatane and Taupo. The calculations have been based on the Bay of Plenty only which is conservative, given the size of the Taupo market.

6.2 Survey Based Estimates of Increased International Demand

An alternative approach to estimating Australian inbound demand to Rotorua is based on the surveys of tourism and accommodation businesses summarised in Section 8.

The following table (based on information from the Survey of Rotorua and Taupo tourism businesses) shows Rotorua RTO hotels' and backpackers' expectations of the number of extra visitor nights in the Rotorua District (for hotels and backpackers) in the year ending 2010, resulting from trans-Tasman flights into Rotorua Airport starting in 2005²⁰. These figures need to be examined carefully, as they are likely to be optimistic given the subjective nature of the respondents. Overall, it is expected that there will be 68,503 extra guest nights spent in Rotorua hotels and backpackers, the majority of which (50,383) are here for the purpose of holidaying.

Table 12: Expected Increase in Hotel and Backpacker Accommodation Numbers for the Year Ending 2010 Directly Due from Trans-Tasman Flights to Rotorua Airport

	Hotels	Backpackers	Total
Current Total Guest Nights	786,174	198,832	985,007
Proportion International#	0.66	0.8	0.69
International Visitor Numbers	518,875	159,066	677,941
<i>Business Proportion</i>	<i>13.7%</i>	<i>13.7%</i>	<i>13.7%</i>
Current Business Nights	71,086	17,978	89,064
Expected Increase in Business Nights*	6,025	1,847	7,873
<i>Holiday Proportion</i>	<i>65.3</i>	<i>65.3</i>	<i>65.3</i>
Current Holiday Nights	338,825	85,693	847,437
Expected increase in Holiday Nights*	38,562	11,821	50,383
<i>VFR Proportion</i>	<i>11.0%</i>	<i>11.0%</i>	<i>11.0%</i>
Current VFR Nights	57,076	14,435	71,511
Expected increase in VFR Nights*	3,914	1,200	5,114
<i>Conference Proportion</i>	<i>9.3%</i>	<i>9.3%</i>	<i>9.3%</i>
Current Conference Nights	48,255	12,204	60,460
Expected increase in Conference Nights*	3,929	1,205	5,134
Total Increase in Guest Nights	52,431	16,073	68,503

Sources: Statistics New Zealand Commercial Accommodation Monitor and APR Consultants.

*Expected increases are the annual amount of extra guest nights expected five years from Rotorua becoming trans-Tasman capable, and are determined by midpoint analysis of accommodation providers survey results.

Proportion International is an estimate based on the number of international guests for each type of accommodation provider.

For the year ended November 2004, the Rotorua Attraction Monitor Report shows visitors to Rotorua attractions were 64.3% international and 35.7% domestic. Information from the survey of Rotorua and Taupo tourism businesses (Table 13) shows the 12 main Rotorua tourism attractions' expectations of the number of extra customers in the year ending 2010 resulting from having trans-Tasman flights into Rotorua Airport starting in 2005. Once again, these figures need to be examined carefully given the subjective nature of the respondents. Overall, 77,591 extra visitors are expected in the year ending 2010 as a direct result of trans-Tasman flights coming into Rotorua Airport. Of these, the majority (64,386) are expected to be here for the purpose of a holiday.

²⁰ Hotels and backpackers were the only types of accommodation providers surveyed as they are the most common form of accommodation for international visitors.

The 77,591 extra customers that the attraction businesses expect equate to 5.1% of their current visitors. For accommodation businesses, the 68,503 extra customers are equivalent to 10.1% of their current 677,941 visitors. In order to make a conservative estimate, a middle value of 7.6% extra visitors will be used to determine the number of flights that would be needed for this number of visitors. This reduces the expected number of increased visitor nights to Rotorua from 68,503 to 51,524. This value has been chosen because the small sample of tourism attractions led to a relatively low expectation of extra growth, whereas the expectations of the hotels and backpackers were subjective and may be overstated.

Table 13: Expected Increase in Attraction Numbers for the Year Ending 2010 Directly Due from Trans-Tasman Flights at Rotorua Airport

Current Visitor Numbers	2,371,782
International Visitor Numbers	1,525,694
<i>Business Proportion</i>	4.40%
Current Business Visitor Numbers	67,131
Expected increase in Business Visitors*	610
<i>Holiday Proportion</i>	76.10%
Current Holiday Visitor Numbers	1,161,053
Expected increase in Holiday Visitors*	64,386
<i>VFR Proportion</i>	15.30%
Current VFR Visitor Numbers	233,431
Expected increase in VFR Visitors*	10,398
<i>Conference Proportion</i>	3.60%
Current Conference Visitor Numbers	54,925
Expected increase in Conference Visitors*	2,197
<i>Other Proportion</i>	0.60%
Current Other Visitor Numbers	9154.164
Expected increase in other Visitors*	42
Total Increase in Visitor Numbers	77,591

Source: APR Consultants

*Expected increases are the annual amount of extra guest nights expected five years from Rotorua becoming trans-Tasman capable, and are determined by midpoint analysis of accommodation providers' survey results.

The following table, which is based on the 51,524 extra guest nights spent in Rotorua hotels and backpackers from above, gives an indication of the number of flights that would be needed to bring the expected number of extra tourists to the district. Depending on the proportion of passengers that are international visitors, and whether these visitors are flying return to Rotorua or only one-way to or from the city, between 3.5 and 16.2 flights per week in 2010 would be needed to accommodate the extra arrivals.

Table 14: Trans-Tasman Flights per Week to Rotorua in 2010, Based on Extra Guest Arrivals to Backpackers and Hotels

International Proportion on Flights	30%	40%	50%	60%	70%
Total increase in Guest Nights	51,524	51,524	51,524	51,524	51,524
Length of Stay	1.82	1.82	1.82	1.82	1.82
Total increase in Guest Arrivals	28,310	28,310	28,310	28,310	28,310
Seats per Flight	160	160	160	160	160
Load Factor	70%	70%	70%	70%	70%
Passengers per Flight	112	112	112	112	112
International Visitors Per Flight	34	45	56	67	78
Annual number of Plane Loads	843	632	506	421	361
Flights Per Week Return Travel	16.2	12.2	9.7	8.1	6.9
Flights Per Week One-Way Travel	8.1	6.1	4.9	4.1	3.5

Source: APR Consultants

6.3 A comparison with other regional airports

Similar to the analysis in Section 5.2, we can calculate the proportion of inbound Australian visitors to regional tourist organisations (RTOs) areas that use direct flights to that point of entry. The analysis shows that for areas that are largely holiday destinations for Australians (Queenstown and Dunedin) around 11% to 12% of Australian travellers use direct flights (Table 15). For Palmerston North and Hamilton, areas where the tourist destinations are in adjoining areas and there are larger proportions of VFR (47% to 61%), the proportions on direct flights are higher suggesting both that VFR are more likely to use regional (largely Freedom Air) flights and some international travellers are travelling to tourist destinations outside the immediate area.

Table 15: Comparison of Australian visitors arrivals and direct entry at regional airports

	Australian Arrivals	Australian Visitor Arrivals RTO - TRCNZ 2003 estimate						Proportion fly direct
	Port of entry 2004	Total	Holiday	VFR	Business	Education	Other	
Rotorua - Rotorua RTO	18,342-24,816	106,600	76,800	19,200	6,300	600	3,600	17%-23%
Queenstown - Queenstown RTO	10,682	93,400	80,500	7,200	4,200	600	1,000	11.4%
Dunedin - Dunedin RTO	16,566	135,000	118,500	6,600	4,000	100	5,800	12.3%
Hamilton - Waikato RTO	18,451	55,100	33,700	15,800	3,500	1,200	1,000	33.5%
Palmerston North - Manawatu RTO	12,468	14,400	6,800	4,800	2,000	200	600	86.6%

An additional 8% of overseas passengers other than Australians also use these regional airports.

No allowance has been made for visitors to adjoining RTO areas within the airport catchment.

Source: Statistics New Zealand, Tourism Research Council of New Zealand

The analysis of the Australian inbound visitor market to Rotorua (Section 6.1) assumes that Rotorua Airport will achieve a 10% to 25% market share of the Rotorua RTO visitor arrival market while the model developed in Section 7 assumes that Australian arrivals will be equivalent to 17% to 23% of the Rotorua only visitor market. As Rotorua is somewhere between the two extremes with a mix of VFR (18%) and holiday (72%) market (Table 16), and adjoining markets such as Taupo and coastal Bay of Plenty will contribute further Australian passengers, it is considered that the 10% market share is conservative and that higher market shares could be achieved with flights to two or more destinations and with more market penetration over time.

Table 16: Profile of Australian visitors arrivals and direct entry at regional airports

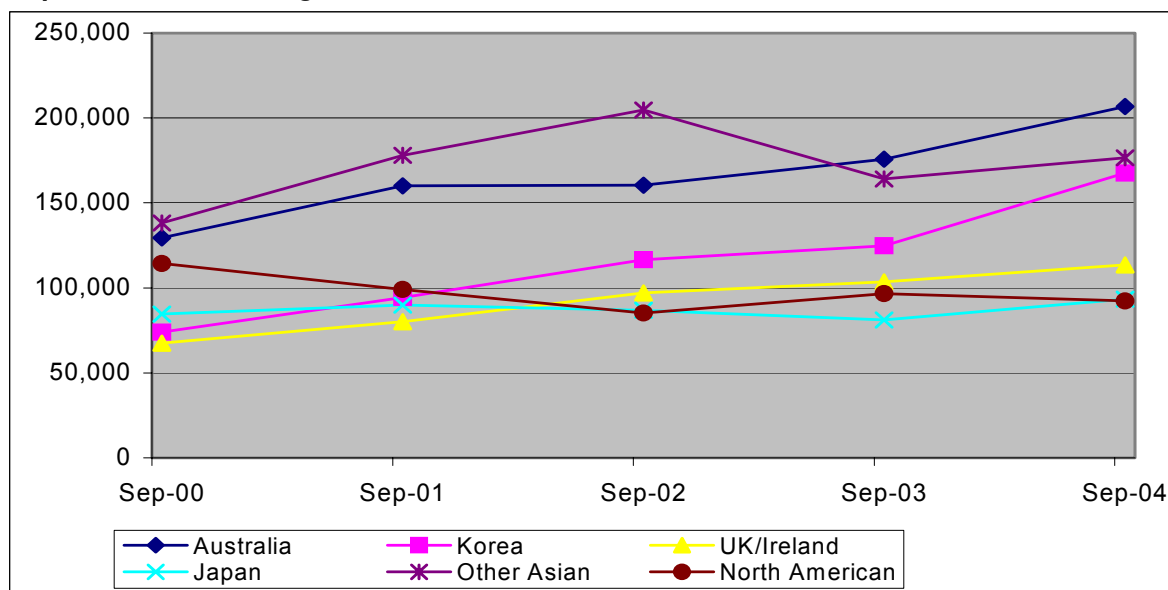
	Australian Arrivals	Australian Visitor Arrivals RTO - TRCNZ 2003 estimate					
	Port of entry 2004	Total	Holiday	VFR	Business	Education	Other
Rotorua - Rotorua RTO	18,342-24,816	106,600	72.0%	18.0%	5.9%	0.6%	3.4%
Queenstown - Queenstown RTO	10,682	93,400	86.2%	7.7%	4.5%	0.6%	1.1%
Dunedin - Dunedin RTO	16,566	135,000	87.8%	4.9%	3.0%	0.1%	4.3%
Hamilton - Waikato RTO	18,451	55,100	61.2%	28.7%	6.4%	2.2%	1.8%
Palmerston North - Manawatu RTO	12,468	14,400	47.2%	33.3%	13.9%	1.4%	4.2%

Source: Statistics New Zealand, Tourism Research Council of New Zealand

6.4 National Trends in Australian Visitor Activity

Visitor growth from Australia has been strong in recent years. The number of guest nights per year spent by Australians in commercial accommodation in the Rotorua RTO has increased by 59.7% in the past four years, from 129,540 in the year ending September 2000 to 206,850 in the year ending September 2004. This makes Australia the third fastest growing market after Korea, which has grown by 126.4% in the same period, and the UK and Ireland, which has grown by 68.2%. A further 137,853 Australians stayed in Rotorua with friends or relatives in the year to September 2004, compared with 110,730 in the year to September 2003. The following graph shows visitor nights in commercial accommodation in the Rotorua RTO for the last five September years, for the six largest visitor markets.

Graph 8: Guest Nights in Commercial Accommodation in Rotorua

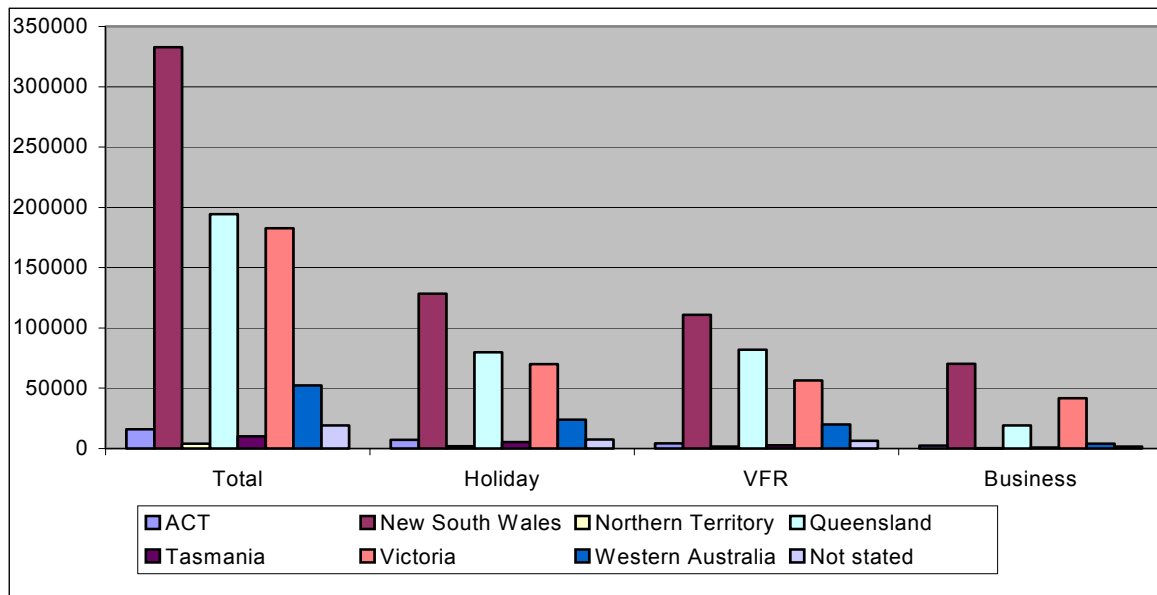


Source: Statistics New Zealand, Accommodation Survey

Graph 9 illustrates which states in Australia are the most significant in terms of arrivals into New Zealand. New South Wales is the most important market in Australia for New Zealand, followed by Queensland and Victoria, which are relatively equal in terms of arrivals for all purposes. The remaining four states all contribute significantly less to the total number of Australian arrivals, either due to the size of the state (Tasmania, ACT) or the fact that they are not on Australia's eastern seaboard (Northern Territory, Western Australia, South Australia) which makes travel to New Zealand more expensive.

A first destination for any trans-Tasman flights would therefore be Sydney with Brisbane the most likely second choice, particularly considering its desirability for New Zealand outbound holiday makers and its connection possibilities with more distant destinations.

Graph 9: Australian Visitor Arrivals by State for the Year Ending November 2004



Source: Statistics New Zealand, International Visitor Arrivals to New Zealand.

TRCNZ estimate of 241,500 visitor nights in Rotorua out of Australia (Appendix 1) are projected to increase to 317,500 visitor nights for the year ended 2010.

7.0 ESTIMATES OF THE ECONOMIC IMPACT OF TRANS-TASMAN FLIGHTS

Gauging the demand in the market and hence the economic impact is difficult so various approaches have been taken. Air travel is highly seasonal and no account has been taken of this in the model. APR has assumed that each flight would have a capacity of 160 persons and would average 70% capacity over a year.

7.1 The Impact on the Rotorua Economy of the Rotorua Airport

In a community, an airport provides benefits in several ways:

- Benefits for people who use the airport to obtain access to efficient and effective air transportation (this can lead to reduced travel times – such as to alternative airports, lower costs – travel to alternative airports, and increased efficiencies for business travellers such as through maintaining contact with non local markets);
- Economic activity directly associated with airport services (eg, jobs to service airport activities);
- Economic activity directly associated with providing services to visitors who utilise the airport (eg, hotels, restaurants, attractions, travel companies);
- Economic activity involved in servicing those companies that derive direct benefits from visitor, airline and airport services companies (eg, firms which sell products to those companies); and
- Taxation (GST, company tax) and the provision of local taxes (eg, rates).

In addition to direct impacts, there is also indirect and induced economic activity generated from airport activities. Increased purchases directly related to airport activity generate further flow-on effects as businesses with increased revenue spend more on further purchases and wages, and employees spend their increased wages. Multipliers are used for the various expenditure categories to assess the indirect and induced economic activity generated by the direct spending. For tourism related expenditure, these can range from 1.21 (for retail and other spending) up to 1.65 (for accommodation).

Also, economic research previously undertaken in Rotorua shows that every \$1 million of total annual spending increases employment directly by some 13.4 FTE employees.

In addition, the benefits of the development of international capability at the Rotorua Airport can be spread much wider than just the Rotorua District. International visitors coming directly into Rotorua may choose to use the city as a hub and focus on other nearby centres such as Tauranga, Whakatane and Taupo.

Studies on the impact of airports have shown that most individuals and industries in a community derive some benefit from having an airport in that community. These can range from flight access opportunities, freight, shortened travel times and economic activities as described above. Indirect and induced economic activity also stems from the direct economic activities.

In work undertaken on Palmerston North Airport, the data from 1996 showed that the airport had 153,660 visitors generating \$8.6 million in spending. There were total economic benefits within the region exceeding \$1 billion while value added was around

\$484 million. Overall direct benefits were estimated at \$497 million and indirect benefits were estimated at \$529 million.

In "Rotorua Regional Airport Master Report", the community and economic impact assessment of the Rotorua Regional Airport prepared by APR Consultants for the Rotorua Energy Charitable Trust in January 2001, it was found that a conservative estimate of the economic activity generated by the airport would be in excess of \$150 million. This compares to the service sector estimate for Palmerston North Airport of \$195 million and further indirect benefits of \$124 million through sales by local suppliers to airport dependent businesses.

Another approach to determine the significance of the airport was considered in the same 2001 report. This approach was an assessment of the economic impact of the airport through the relationship between passenger numbers and the amount of employment generated. Although no New Zealand or Australian models exist around which this estimate could be derived, studies from Europe have shown that one direct job is created for every 500 to 800 passengers, and one indirect job is created for every 400 to 700 passengers. Using this relationship, the 288,900 passengers that used the airport in the year ended December 2004 would generate between 361 and 578 direct jobs, and between 413 and 723 indirect jobs.

Our approach in this study is to identify the additional expenditure and the total economic impact associated with direct flights to Rotorua Airport, in particular:

- The extra spending in Rotorua generated by passengers on trans-Tasman flights who would not otherwise have visited Rotorua.
- The extra revenues generated by the airport itself.

7.2 Economic Impact on Rotorua per Flight

Tourism Research Council estimates are that in 2003 total spending by overnight international visitors to Rotorua was \$198 million and this is forecast to increase to \$239 million in 2005 and \$252 million in 2010. This is equivalent to the average international overnight visitor spending \$360 in 2005 and \$405 in 2010. Using the multipliers developed by Butcher et al. (2000) for Rotorua tourism we can analyse the direct and total impact of an additional international visitor coming through the airport because of the upgrade in facilities through the development of trans-Tasman services.

These multipliers are still likely to be the best estimates of Type 2 multipliers available for Rotorua, though Butcher et al. do make the point that tourism multipliers appear to have steadily declined over the previous decade, so these may now slightly overestimate the total impact of tourism on the economy. Type II multipliers show the relationship between the initial spending or employment impact on an economy and total impacts generated after further follow on spending has taken place.

The total impact calculated includes:

- the direct impact of visitors (their initial spending (ie, the dollars they actually spend). Note that with employment, the direct impact is the people employed producing and selling directly to visitors);
- the indirect effects from businesses as they spend on additional inputs to increase production to meet visitor demand; and
- the induced economic impact as the increased household income generated is re-spent in the economy.

In 2005 it is estimated that an average international tourist spending \$360 in the Rotorua economy will generate a total of \$536 of output (or sales) or \$233 of added value in the Rotorua economy. For each extra Rotorua visitor arriving as an international passenger at Rotorua Airport, household income will increase in total by \$147 and every 1,000 extra passengers will generate 3 to 5 extra full-time equivalent jobs. By 2010 an average international tourist spending \$405 in the Rotorua economy will generate a total of \$603 of output (or sales) or \$262 of added value in the Rotorua economy. For each extra Rotorua visitor arriving as an international passenger at Rotorua Airport, household income will increase in total by \$165 and every 1,000 extra passengers will generate 3 to 6 extra full-time equivalent jobs (refer to Table 17).²¹

From a Rotorua District perspective, by 2025 the estimated average international visitor spending of \$481 in the Rotorua economy will generate a total of \$717 of output (or sales) or \$311 of added value in the district's economy. (Refer to Table 34, Appendix B).

Table 17: The Impact of One Additional International Visitor on the Rotorua Economy, 2005 and 2010

	Direct Impact	Multiplier (Type II)	Total Impacts
2005			
Output/spending (\$)	\$360	1.49	\$536
Value-added (\$)	\$146	1.59	\$233
Household income (\$)	\$96	1.52	\$147
Employment (FTE)	0.00406	1.39	0.00565
2010			
Output/spending (\$)	\$405	1.49	\$603
Value-added (\$)	\$165	1.59	\$262
Household income (\$)	\$108	1.52	\$165
Employment (FTE)	0.00457	1.39	0.00636

Note: TRC figures implies lower employment per dollar spent and employment generated, ie, around 0.003 in 2005 and 0.0025 in 2010.

Source: Butcher et al 2000, TRC 2004, APR analysis

Should all the international passengers on board be Rotorua overnight visitors, each return flight at Rotorua Airport will generate \$20,406 to \$31,786 (in 2005) in spending by passengers in Rotorua, or \$1.06 to \$1.65 million per annum for each flight per week (refer Table 18). This assumes a range of 30% to 70% international passengers on board with an average flight having 160 seats loaded to 70% of capacity. We have assumed that each international passenger staying overnight in Rotorua spends the TRC average of \$360 per visit while the balance of people in the plane spend \$106 per day, the average TRC spend of domestic day visitors to Rotorua. This is not considered unrealistic considering passengers will spend at both ends of the journey on purchases such as parking, duty free, refreshments and transport to and from the airport.

By 2010, each return flight at Rotorua Airport could generate \$23,094 to \$35,818 in spending by passengers in Rotorua, or \$1.20 to \$1.86 million per annum for each flight per week (refer Table 18).

Flights with international passengers for elsewhere in the region, while contributing more to the destination area in the wider region, will contribute less to the local Rotorua economy as outlined in the second half of Table 18.

²¹ Some passengers are international visitors for regional areas outside Rotorua and will only contribute to the wider regional economy as outlined in the alternative model in Appendix C.

Table 18: Total Spending per Flight at Rotorua Airport, 2005 and 2010

Assuming all international visitors are Rotorua overnight visitors

International proportion of seats on flights	30%	40%	50%	60%	70%
2005					
International numbers	34	45	56	67	78
International Spend (\$360 each)	\$12,096	\$16,128	\$20,160	\$24,192	\$28,224
Domestic Numbers	78	67	56	45	34
Domestic spend (\$106 each)	\$8,310	\$7,123	\$5,936	\$4,749	\$3,562
Total spend per flight 2005	\$20,406	\$23,251	\$26,096	\$28,941	\$31,786
Total spending per annum of 1 flight per week	\$1,061,133	\$1,209,062	\$1,356,992	\$1,504,922	\$1,652,851
2010					
International numbers	34	45	56	67	78
International Spend (\$405 each)	\$13,608	\$18,144	\$22,680	\$27,216	\$31,752
Domestic Numbers	78	67	56	45	34
Domestic spend (\$121 each)	\$9,486	\$8,131	\$6,776	\$5,421	\$4,066
Total spend per flight 2005	\$23,094	\$26,275	\$29,456	\$32,637	\$35,818
Total spending per annum of 1 flight per week	\$1,200,909	\$1,366,310	\$1,531,712	\$1,697,114	\$1,862,515
2025					
International numbers	34	45	56	67	78
International Spend (\$481 each)	\$16,162	\$21,549	\$26,936	\$32,323	\$37,710
Domestic Numbers	78	67	56	45	34
Domestic spend (\$144 each)	\$11,290	\$9,677	\$8,064	\$6,451	\$4,838
Total spend per flight 2005	\$27,451	\$31,226	\$35,000	\$38,774	\$42,549
Total spending per annum of 1 flight per week	\$1,427,462	\$1,623,731	\$1,820,000	\$2,016,269	\$2,212,538

Assuming all international visitors are Rotorua day visitors and staying overnight elsewhere in region

International proportion of seats on flights	30%	40%	50%	60%	70%
2005					
International numbers	34	45	56	67	78
International Day Spend (\$35 each)	\$1,176	\$1,568	\$1,960	\$2,352	\$2,744
Domestic Numbers	78	67	56	45	34
Domestic spend (\$106 each)	\$8,310	\$7,123	\$5,936	\$4,749	\$3,562
Total spend per flight 2005	\$9,486	\$8,691	\$7,896	\$7,101	\$6,306
Total spending per annum of 1 flight per week	\$493,293	\$451,942	\$410,592	\$369,242	\$327,891
2010					
International numbers	34	45	56	67	78
International Day Spend (\$41 each)	\$1,378	\$1,837	\$2,296	\$2,755	\$3,214
Domestic Numbers	78	67	56	45	34
Domestic spend (\$121 each)	\$9,486	\$8,131	\$6,776	\$5,421	\$4,066
Total spend per flight 2005	\$10,864	\$9,968	\$9,072	\$8,176	\$7,280
Total spending per annum of 1 flight per week	\$564,928	\$518,336	\$471,744	\$425,152	\$378,560
2025					
International numbers	34	45	56	67	78
International Spend (\$50 each)	\$1,680	\$2,240	\$2,800	\$3,360	\$3,920
Domestic Numbers	78	67	56	45	34
Domestic spend (\$144 each)	\$11,290	\$9,677	\$8,064	\$6,451	\$4,838
Total spend per flight 2005	\$12,970	\$11,917	\$10,864	\$9,811	\$8,758
Total spending per annum of 1 flight per week	\$674,419	\$619,674	\$564,928	\$510,182	\$455,437

Note: International visitors are assumed to spend the average overnight spend as per TRC figures. Domestic visitors are assumed to spend the average domestic day spend.

Source: TRC spending data, APR analysis

There is also the issue that much of this spending is not additional and will be undertaken regardless, as many international visitors would have come to Rotorua anyway using other means of transport or connecting flights. This study needs to identify the *additional* economic impact of adding trans-Tasman capability to Rotorua Airport as outlined in the following analysis.

The model presented to the New Zealand Commerce Commission in their investigation of the impact of a possible Qantas acquisition of Air New Zealand commented on possible market growth. Market growth was assumed to be associated with the entry of a lower cost competitor (ie, Virgin Blue) causing the market to expand. A capacity elasticity factor of 0.125 was used for the incumbents (Qantas and Air New Zealand) and 0.535 for a lower cost competitor. A capacity elasticity of 0.535 implies that a 10% increase in capacity would lead to a 5.35% increase in demand.

The following table looks at the economic impacts of one flight into and out of Rotorua Airport, assuming between 30% and 100% of the flight are additional passengers that would not have travelled otherwise and are a result of additional capacity²². At least initially, it would be reasonable to assume that 50% of the demand and therefore 50% of the spending is additional to that which would otherwise occur.

Table 19: The Additional Impact of One Flight on Spending, Value Added, Household Incomes and Employment in the Rotorua Economy

Proportion of impact assumed additional to current impact	2005			
	30%	50%	70%	100%
Annual Direct Impact 2005				
Output / spending (\$ 000)	\$318-\$496	\$531-\$826	\$742-\$1157	\$1061-\$1653
Value-added (\$000)	\$129-\$202	\$215-\$336	\$302-\$471	\$431-\$672
Household income (\$000)	\$85-\$133	\$142-\$221	\$199-\$310	\$284-\$443
Employment (FTE)	3.6-5.6	6.0-9.3	8.4-13.1	12.0-18.7
Annual Total Impacts 2005				
Output / spending (\$ 000)	\$474-\$739	\$791-\$1231	\$1,107-\$1724	\$1581-\$2462
Value-added (\$000)	\$206-\$320	\$343-\$534	\$480-\$748	\$686-\$1068
Household income (\$000)	\$130-\$202	\$216-\$336	\$302-\$471	\$432-\$673
Employment (FTE)	5.0-7.8	8.3-13.0	11.7-18.2	16.7-25.9
Proportion of impact assumed additional to current impact	2010			
	30%	50%	70%	100%
Annual Direct Impact 2010				
Output / spending (\$ 000)	\$360-\$559	\$600-\$931	\$841-\$1304	\$1200-\$1863
Value-added (\$000)	\$446-\$227	\$244-\$379	\$342-\$530	\$488-\$757
Household income (\$000)	\$96-\$150	\$161-\$249	\$225-\$349	\$322-\$499
Employment (FTE)	4.1-6.3	6.8-10.5	9.5-14.7	13.6-21.0
Annual Total Impacts 2010				
Output / spending (\$ 000)	\$537-\$833	\$895-1388	\$1253-\$1943	\$1789-\$2775
Value-added (\$000)	\$233-\$361	\$388-602	\$543-\$843	\$776-\$1204
Household income (\$000)	\$147-227	\$244-379	\$342-531	\$489-\$758
Employment (FTE)	5.7-8.8	9.4-14.6	13.2-20.5	18.8-29.2

Note: In 2005, international visitors to Rotorua are assumed to spend \$360 per visit and others \$106 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2010, international visitors to Rotorua are assumed to spend \$405 per visit and others \$121 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

Employment estimates may be up to 30% too high based on TRC spending to employment estimates.

For simplicity, all international visitors are assumed to be Rotorua visitors.

Source: TRC 2004, Butcher et al 2000, APR analysis

Each flight per week out of Rotorua in 2005 could generate \$531,000-\$826,000 annually in additional spending and \$215,000 to \$336,000 in added value (refer to Table 19). In total (taking into account all direct, indirect and induced impacts) each flight per week

²² For simplicity it assumes that all international passengers are Rotorua overnight visitors.

would likely add around \$800,000 to \$1,200,000 annual spending to the Rotorua economy, and contribute \$340,000 to \$530,000 to the value added in Gross Domestic Product locally. Household income would be increased by \$220,000 to \$340,000 and employment will increase by 6 to 11 full-time equivalent jobs.

7.3 Expected Flights per Week

Based on the analysis in Section 5 (estimated outbound tourism market) and Section 6 (inbound Australian tourism demand to Rotorua and the wider region), in 2005 around five flights²³ a week could be expected to be maintained to one destination in Australia, or eight flights to two destinations,²⁴ assuming a 70% load factor on flights and between 50% and 65% of the flights made up of international visitors. For one or two destinations, Rotorua Airport would need to capture a market share of 15% to 20% respectively of the Australian overnight visitor market to the city and 3.4% and 6.9% of the local population catchment using the airport for international flights annually, both targets met by other international airports.

By 2010 it would be expected that there would be more flights to more than one destination in Australia and the impact of each flight will be greater, given the TRCNZ based assumptions of an annual increase in average international visitor spend of 2.3% over this time, an annual increase in Rotorua inbound Australian tourism of 4.0% and a total increase in Rotorua outbound tourism of nearly 20% between 2005 and 2010.

By 2010 around 10 flights per week to two Australian destinations could be expected to be maintained from Rotorua, or 14 flights to two destinations, assuming a 70% load factor and between 50% and 65% of the flights made up of international visitors. For two or three destinations, Rotorua Airport would need to capture a market share of 20% to 27% respectively of the TRCNZ's estimate of the Australian overnight visitor market to the city (more achievable with two or three destinations and five years market presence and experience) and 7.6% to 10.7% of the local population catchment using the airport for international flights annually, currently at the top end of the range at regional airports but more achievable by 2010 given the expected increased propensity to travel overseas and the aging population.

By 2025, assuming the market will continue as envisaged in Appendix B, around 14 flights to two Australian destinations or 18 flights to three destinations could be expected, assuming a 70% load factor and between 60% and 70% of the flights made up of international visitors. This is 23% to 28% of the estimated Australian visitor market to the city and 8.7% to 11.3% of the local population catchment using the airport for international flights annually.

TRCNZ estimates expect inbound tourism to Rotorua and the rest of the region to increase over levels experienced in 2005 due to natural growth. Our estimates of 5 flights to one destination or 8 flights to two destinations would maintain 15% to 20% market share of this estimate. In addition there will be extra inbound visitors to Rotorua due directly to the airport offering direct trans-Tasman flights. Our analysis assumes that 50% of passengers are additional who would not have come to Rotorua otherwise. Supporting this increased usage by 2010 is the survey based analysis which found that 9.7 flights per week could be maintained by 2010 (at 50% international) through extra tourist numbers expected by Rotorua hotels, backpackers and attractions and due solely

²³ The equivalent of one of these flights would be generated by inbound demand in the wider region.

²⁴ The equivalent of 1.5 of these flights would be generated by inbound demand in the wider region.

to Rotorua having a trans-Tasman capable airport. Our estimate is that by including visitors to elsewhere in the region an estimated 10 flights per week to two destinations or 14 flights per week to three destinations is more likely in 2010.

An international facility at Rotorua Airport could well increase international visitor numbers above the increased levels assumed by TRCNZ estimates. Associated with this growth will be the growth of the increased conference market both in Rotorua and Taupo.

7.4 Economic Impact of the Additional Passenger Spend on the Rotorua Economy

Based on the assumptions of five (or eight) flights per week in 2005 and ten (or 14) flights per week in 2010, the total spending per annum in Rotorua District by *all* passengers using trans-Tasman flights is estimated at \$8.912 to \$12.821 million in 2005, increasing to \$18.634 to \$25.947 million in 2010 for 10 to 14 flights to two or three destinations (Table 20).

By 2025, the higher growth of international as compared to domestic visitors will allow trans-Tasman flights to increase to an average of 14 to 18 flights per week to two or three destinations with a higher proportion (over 60%) of international visitors. The increased flights and the higher proportion of international passengers give an estimated total spend of \$33,738 to \$41.727 million in 2025.

Table 20: Total Annual Spending of all passengers on trans-Tasman flights at Rotorua Airport, 2005, 2010 and 2025

	2005 (1 dest)	2005 (2 dest)	2010 (2 dest)	2010 (3 dest)	2025 (2 dest)	2025 (3 dest)
Flights per week	5	8	10	14	14	18
Total passengers per year	29,120	46,592	58,240	81,536	81,536	104,832
Domestic passengers per year	10,778	21,776	25,775	36,479	29,863	42,274
Domestic spend per year	\$ 1,142,468	\$ 2,308,256	\$ 3,118,775	\$ 4,413,959	\$ 4,300,272	\$ 6,087,456
International Passengers per year	18,342	24,816	32,465	45,057	51,673	62,558
Visitors to Rotorua	15,591	21,094	27,595	38,298	43,922	53,174
Visitors to elsewhere in region	2,751	3,722	4,870	6,759	7,751	9,384
International spend per year	\$ 7,770,130	\$ 10,512,678	\$ 15,515,024	\$ 21,532,740	\$ 29,438,108	\$ 35,639,293
Total spending per annum	\$ 8,912,598	\$ 12,820,934	\$ 18,633,799	\$ 25,946,699	\$ 33,738,380	\$ 41,726,749
Proportion of pasengers international	63%	53%	56%	55%	63%	60%
Total Australian visitors -Rotorua	106,600	106,600	140,300	140,300	189,000	189,000
Market share Australian market	15%	20%	20%	27%	23%	28%
Total Australian visitors rest of BOP	56,300	56,300	74,500	74,500	100,000	100,000
Market share Australian market	5%	7%	7%	9%	8%	9%

Note: Assumes domestic numbers of passengers on flights as in Table 4.
The balance of passengers are international, with 85% visitors to Rotorua.
International visitors to Rotorua are assumed to spend the average overnight spend as per TRCNZ figures.
Domestic visitors are assumed to spend the average domestic day spend.
International visitors to elsewhere in the region are assumed to spend half a daily overnight spend in Rotorua , given that some may now stay or visit attractions and will likely hire rental cars or other transport in Rotorua.

Source: TRCNZ spending data, APR analysis

However, not all of these passengers are additional, as many would have come to Rotorua using other means of transport.

The following table shows the overall *additional* economic impact of passenger spending of five or eight trans-Tasman flights into Rotorua per week in 2005, 10 to 14

trans-Tasman flights into Rotorua per week in 2010 and 14 to 18 flights by 2025. We have also assumed in our analysis that those international visitors that would have come anyway will spend an extra half day in Rotorua rather than spending it in transit to connections in areas outside the region.

Around five to eight flights per week to one or two destination would generate directly through passenger spending only \$2.118-\$3.021 million in value added in the tourism sector and represents a 1% to 1.5% increase in tourism's contribution to Rotorua GDP, estimated to be \$214 million in 2002.

Assuming 50% of the visitor numbers are additional to what would occur if there were no trans-Tasman flights into Rotorua Airport, the annual total impacts of passenger spending on the Rotorua economy in 2005 would be \$7.754-\$11.058 million in spending, \$3.368-\$4.803 million in value added to the Rotorua economy, \$2.215-3.030 million in household income or 81.6-116.4 extra full-time equivalent employees.

Under the same circumstances in 2010, but with increased flights per week to two or three destinations, the annual total impacts on the Rotorua economy would be \$15.479-\$22.418 million in spending, \$6.723-\$9.737 million in added value to the Rotorua economy, \$4.241-\$6.143 million in household income or 162.9-235.9 extra full-time equivalent employees (Table 21).

Under the same circumstances in 2025, but with increased flights per week to two or three destinations with an increased proportion of higher income generating international passengers, the annual total impacts on the Rotorua economy would be \$29.350-\$36.190 million in spending, \$12.748-\$15.719 million in added value to the Rotorua economy, \$6.524-\$9.916 million in household income or 274.0-380.9 extra full-time equivalent employees (Table 21).

Table 21: The Additional Impact of Passenger Spending on Spending, Value Added, Household Spending and Employment in the Rotorua Economy given five or eight flights per week in 2005, 10 or 14 flights per week in 2010 and 14 or 18 flights per week in 2025.

	2005 - five flights, one destination			
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2005				
Output / Spending (\$ 000)	\$ 3,720	\$ 5,204	\$ 6,687	\$ 8,913
Value-added (\$ 000)	\$ 1,514	\$ 2,118	\$ 2,722	\$ 3,628
Household income (\$ 000)	\$ 999	\$ 1,398	\$ 1,796	\$ 2,394
Employment (FTE)	42.0	58.7	75.4	100.5
Annual Total Impacts 2005				
Output / Spending (\$ 000)	\$ 5,543	\$ 7,754	\$ 9,964	\$ 13,280
Value-added (\$ 000)	\$ 2,408	\$ 3,368	\$ 4,328	\$ 5,768
Household income (\$ 000)	\$ 1,519	\$ 2,125	\$ 2,730	\$ 3,639
Employment (FTE)	58.3	81.6	104.9	139.8
	2005 - 8 flights, two destinations			
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2005				
Output / Spending (\$ 000)	\$ 5,262	\$ 7,422	\$ 9,581	\$ 12,821
Value-added (\$ 000)	\$ 2,142	\$ 3,021	\$ 3,900	\$ 5,218
Household income (\$ 000)	\$ 1,413	\$ 1,993	\$ 2,574	\$ 3,444
Employment (FTE)	59.4	83.7	108.1	144.6
Annual Total Impacts 2005				
Output / Spending (\$ 000)	\$ 7,840	\$ 11,058	\$ 14,276	\$ 19,103
Value-added (\$ 000)	\$ 3,405	\$ 4,803	\$ 6,201	\$ 8,297
Household income (\$ 000)	\$ 2,148	\$ 3,030	\$ 3,912	\$ 5,234
Employment (FTE)	82.5	116.4	150.2	201.0

2010 - 10 flights two destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2010				
Output / Spending (\$ 000)	\$ 7,681	\$ 10,389	\$ 13,687	\$ 18,634
Value-added (\$ 000)	\$ 3,126	\$ 4,228	\$ 5,571	\$ 7,584
Household income (\$ 000)	\$ 2,063	\$ 2,790	\$ 3,676	\$ 5,005
Employment (FTE)	86.6	117.2	154.4	210.2
Annual Total Impacts 2010				
Output / Spending (\$ 000)	\$ 11,445	\$ 15,479	\$ 20,393	\$ 27,764
Value-added (\$ 000)	\$ 4,971	\$ 6,723	\$ 8,858	\$ 12,059
Household income (\$ 000)	\$ 3,136	\$ 4,241	\$ 5,588	\$ 7,608
Employment (FTE)	120.4	162.9	214.6	292.2
2010 - 14 flights three destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2010				
Output / Spending (\$ 000)	\$ 10,686	\$ 15,046	\$ 19,406	\$ 25,947
Value-added (\$ 000)	\$ 4,349	\$ 6,124	\$ 7,899	\$ 10,561
Household income (\$ 000)	\$ 2,870	\$ 4,041	\$ 5,212	\$ 6,969
Employment (FTE)	120.5	169.7	218.9	292.7
Annual Total Impacts 2010				
Output / Spending (\$ 000)	\$ 15,922	\$ 22,418	\$ 28,915	\$ 38,661
Value-added (\$ 000)	\$ 6,915	\$ 9,737	\$ 12,559	\$ 16,792
Household income (\$ 000)	\$ 4,363	\$ 6,143	\$ 7,923	\$ 10,593
Employment (FTE)	167.6	235.9	304.3	406.9
2025 - 14 flights, two destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2025				
Output / Spending (\$ 000)	\$ 14,082	\$ 19,698	\$ 25,314	\$ 33,738
Value-added (\$ 000)	\$ 5,732	\$ 8,018	\$ 10,304	\$ 13,732
Household income (\$ 000)	\$ 3,782	\$ 5,291	\$ 6,799	\$ 9,062
Employment (FTE)	158.9	222.2	285.6	380.6
Annual Total Impacts 2025				
Output / Spending (\$ 000)	\$ 20,983	\$ 29,350	\$ 37,718	\$ 50,270
Value-added (\$ 000)	\$ 9,114	\$ 12,748	\$ 16,383	\$ 21,834
Household income (\$ 000)	\$ 5,749	\$ 8,042	\$ 10,335	\$ 13,774
Employment (FTE)	220.8	308.9	396.9	529.0
2025 - 18 flights, three destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2025				
Output / Spending (\$ 000)	\$ 17,313	\$ 24,288	\$ 31,264	\$ 41,727
Value-added (\$ 000)	\$ 7,047	\$ 9,886	\$ 12,725	\$ 16,984
Household income (\$ 000)	\$ 4,650	\$ 6,524	\$ 8,397	\$ 11,208
Employment (FTE)	195.3	274.0	352.7	470.7
Annual Total Impacts 2025				
Output / Spending (\$ 000)	\$ 25,797	\$ 36,190	\$ 46,583	\$ 62,173
Value-added (\$ 000)	\$ 11,205	\$ 15,719	\$ 20,233	\$ 27,004
Household income (\$ 000)	\$ 7,068	\$ 9,916	\$ 12,764	\$ 17,036
Employment (FTE)	271.5	380.9	490.2	654.3

Note: In 2005, international visitors to Rotorua are assumed to spend \$360 per visit and others \$106 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.
In 2010, international visitors to Rotorua are assumed to spend \$405 per visit and others \$121 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.
In 2025, international visitors to Rotorua are assumed to spend \$481 per visit and others \$144 per visit.
Employment estimates may be up to 30% too high based on TRC spending to employment estimates.
International visitors spending half a day longer in Rotorua are assumed to spend \$81.50 in 2005, \$92 in 2010 and \$109 in 2025.

Source: TRC 2004, Butcher et al 2000, APR analysis

7.5 Economic Impact of Landing Charges and Service Fees

The above economic impacts will be in addition to the extra revenues generated by the airport itself in landing and departure fees, and the multiplier effect of these on the whole Rotorua District economy.

Table 22: Economic Impact of Service Costs for Flights into Rotorua Airport, 2005, 2010 and 2025

	2005		2010		2025	
Departure tax (\$25 per person)						
Total departure tax per flight	\$2,800		\$2,800		\$2,800	
Charge per Person	\$5.34		\$5.34		\$5.34	
People per Flight	112		112		112	
Total charges for passengers	\$598		\$598		\$598	
Charge per kilogram MCTOW*	\$0.003798		\$0.003798		\$1.003798	
Max Takeoff weight	70,535		70,535		70,536	
Total charges for weight	\$268		\$268		\$269	
Airways New Zealand Charges	\$500		\$500		\$500	
Ground Handling Costs	\$500		\$500		\$500	
Total Charges/Tax per Flight	\$4,666	\$4,666	\$4,666	\$4,666	\$4,667	\$4,667
Total Flights Per Year 1 dest	260					
Total Flights Per Year 2 dest		416	520		728	
Total Flights Per Year 3 dest				728		936
Total Annual charges	\$1,213,153	\$1,941,044	\$2,426,305	\$3,396,828	\$3,397,556	\$4,368,286
Annual Direct impact						
Output / Spending	\$ 1,213,153	\$ 1,941,044	\$ 2,426,305	\$ 3,396,828	\$ 3,397,556	\$ 4,368,286
Value-added	\$ 493,088	\$ 788,941	\$ 986,176	\$ 1,380,646	\$ 1,380,942	\$ 1,775,497
Household income	\$ 324,812	\$ 519,699	\$ 649,624	\$ 909,473	\$ 909,668	\$ 1,169,573
Employment (FTE)	13.7	21.9	27.4	38.4	38.4	49.3
Annual Total Impacts						
Output / Spending	\$ 1,807,598	\$ 2,892,156	\$ 3,615,195	\$ 5,061,273	\$ 5,062,358	\$ 6,508,746
Value-added	\$ 784,010	\$ 1,254,416	\$ 1,568,019	\$ 2,195,227	\$ 2,195,698	\$ 2,823,040
Household income	\$ 493,714	\$ 789,942	\$ 987,428	\$ 1,382,399	\$ 1,382,696	\$ 1,777,751
Employment (FTE)	19.0	30.5	38.1	53.3	53.3	68.6

Source: Rotorua Regional Airport Limited, Butcher et al 2000, APR analysis.

Note: Fuel costs not included.

Departure tax of \$25 per head is assumed to be additional to the daily spend estimates used in the previous tables.

Airways New Zealand and ground handling costs approximate.

No allowance has been made for these costs to increase with inflation.

* MCTOW means maximum certified take-off weight.

Charge per kilogram MCTOW taken as the current charge for aircraft with MCTOW of under 44,999 kg and above 11,999 kg.

Table 22 shows the annual economic impacts of services provided at the airport for any trans-Tasman carrier. These take into account the \$5.34 that is charged to each passenger airline for every person on board and the charge of \$0.003798 per kilogram for the maximum certified take-off weight of the aircraft (MCTOW, although the figure of \$0.003798 is likely to be low as it applies to aircraft up to 44,999 kg, while a 737-800 has a MCTOW of 70,535 kg). Other charges included are the \$500 (approximately) per flight that is charged by Airways New Zealand and another \$500 that it is estimated to cost the airline for ground handling including check-in, baggage handling and fuel handling. A departure tax levy of \$25 per passenger is included and assumed to be in addition to estimates of passenger spend as calculated in the previous section. The cost of fuel itself has been omitted. This makes an average of \$4,666 per flight into Rotorua Airport.

With five (or eight) flights to Australia per week that are predicted in 2005, the annual total impact of spending is estimated at \$1.808-\$2.892 million, which equates to value-added of \$0.784-\$1.254 million, household income of \$0.494-\$0.790 million or 19.0-30.5 full-time equivalent employees. With 10 (or 14) flights per week in 2010, the annual total impact of spending is estimated at \$3.615-\$5.061 million, which is equivalent to \$1.568-\$2.195 million in value-added, \$0.987-\$1.382 million in household income or 38.1-53.3 full-time equivalent employees.

Estimates by the Rotorua Regional Airport suggest that four trans-Tasman flights would conservatively generate around \$1,220 million in revenue per annum and each additional flight would add to this figure by \$275,000, ie, \$1.495 to \$2.320 million for five to eight flights. As well as the revenues summarised in Table 22, this figure would also include revenue from parking, commercial vehicle charges and retail as well as an estimated derived increase of 3% in domestic travel, spending already included as direct or total spending attributable to passengers. To avoid double counting only the revenues as outlined in Table 22 have been included.

Rotorua Regional Airport estimates that Customs, MAF and AVSEC would require at least 10 full-time equivalent staff for four flights per week.

7.6 Total Economic Impact of Trans-Tasman Flights

Table 23 summarises the total impact on Rotorua District of both additional visitor spending and the extra revenues generated by the airport itself.

The total impact of trans-Tasman flights into Rotorua will depend on the number of flights, the number of destinations and the proportion of the economic activity that is considered to be additional to the current level. Alternative scenarios have been developed taking into account the differing number of flights (depending on the number of destinations serviced), and the proportion of the passengers assumed to be additional to those that would have come to Rotorua anyway even if there was no international airport.

In 2005, assuming that 30% to 50% of the economic activity is considered additional, we would estimate an increase in annual total output of \$7.350-\$13.951 million, which equates to \$3.188-\$6.051 million of value added to the Rotorua economy, increased household income of \$2.008-\$3.810 million or 77.4-146.9 extra full-time equivalent employees.

In 2010, allowing for Rotorua having 10 to 14 direct trans-Tasman flights per week to two or three destinations in Australia (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$15.060-\$27.480 million, which is equivalent to \$6.532-\$11.919 million in value added to the Rotorua economy, increased household spending of \$4.113-\$7.506 million or 158.6 to 289.4 extra full-time equivalent employees.

In 2025, allowing for Rotorua having 14 to 18 direct trans-Tasman flights per week to two or three destinations (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$26.045-\$42.698 million, which is equivalent to \$11.296-\$18.519 million in value added to the Rotorua economy, increased household spending of \$7.114-\$11.662 million or 274.3-449.7 extra full-time equivalent employees.

Table 23: Total Additional Economic Impact on Rotorua of Five to Eight Flights per Week in 2005, 10 to 14 Flights per Week in 2010 and 14 to 18 Flights per Week in 2025

	2005		2010		2025	
Assuming 50% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 6,417	\$ 9,363	\$ 12,815	\$ 18,443	\$ 23,096	\$ 28,656
Value-added (\$ 000)	\$ 2,608	\$ 3,806	\$ 5,209	\$ 7,496	\$ 9,387	\$ 11,647
Household income (\$ 000)	\$ 1,718	\$ 2,507	\$ 3,431	\$ 4,938	\$ 6,184	\$ 7,672
Employment (FTE)	72.5	105.7	144.7	208.2	260.8	323.5
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 9,562	\$ 13,951	\$ 19,095	\$ 27,480	\$ 34,412	\$ 42,698
Value-added (\$ 000)	\$ 4,147	\$ 6,051	\$ 8,282	\$ 11,919	\$ 14,926	\$ 18,519
Household income (\$ 000)	\$ 2,612	\$ 3,810	\$ 5,215	\$ 7,506	\$ 9,399	\$ 11,662
Employment (FTE)	100.7	146.9	201.1	289.4	362.5	449.7
Assuming 30% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 4,933	\$ 7,203	\$ 10,107	\$ 14,083	\$ 17,480	\$ 21,681
Value-added (\$ 000)	\$ 2,005	\$ 2,928	\$ 4,108	\$ 5,724	\$ 7,105	\$ 8,812
Household income (\$ 000)	\$ 1,321	\$ 1,929	\$ 2,706	\$ 3,771	\$ 4,680	\$ 5,805
Employment (FTE)	55.7	81.3	114.1	159.0	197.3	244.8
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 7,350	\$ 10,733	\$ 15,060	\$ 20,983	\$ 26,045	\$ 32,305
Value-added (\$ 000)	\$ 3,188	\$ 4,655	\$ 6,532	\$ 9,101	\$ 11,296	\$ 14,012
Household income (\$ 000)	\$ 2,008	\$ 2,931	\$ 4,113	\$ 5,731	\$ 7,114	\$ 8,824
Employment (FTE)	77.4	113.0	158.6	221.0	274.3	340.3

Source: Rotorua Regional Airport Limited, TRC 2004, Butcher et al 2000, APR analysis.

Note: Fuel costs not included.

The departure tax of \$25 per person is assumed to be in addition to TRCNZ spending per visit rates used in the analysis.

In 2005, international visitors to Rotorua are assumed to spend \$360 per visit and others \$106 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2010, international visitors to Rotorua are assumed to spend \$405 per visit and others \$121 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2025, international visitors to Rotorua are assumed to spend \$481 per visit and others \$144 per visit.

Employment estimates may be up to 30% too high based on TRC spending to employment estimates.

For this analysis spending by 30% to 50% of passengers and 100% of the airport revenue summarised in Table 22 is assumed to be additional spending. The balance of international passengers who would have come anyway are assumed to spend another half day in Rotorua rather than in transit to connections outside the area.

These estimates will be influenced by a variety of factors such as competitive action and marketing in the airline and airport industries, pricing, international visitors from other than Australia, and any possible increase in conference activity and visitor numbers generally generated entirely by the existence of the direct flight connections.

8.0 RESULTS OF SURVEYS OF RESIDENTS AND BUSINESSES ABOUT A ROTORUA TRANS-TASMAN AIRPORT

In a survey conducted in October and November 2000 by APR Consultants, 321 Rotorua residents were asked about the strategic, economic and community benefits that are derived from the Rotorua Airport, and specifically, if they would use the airport for trans-Tasman flights if the service were to become available. In total 81.6% of the sample stated that they would use this service while 16.8% said that they would not use the service. It should be noted that the overall availability of flights, trans-Tasman destinations, appropriate fares and other travel parameters would impact upon the 81.6% of respondents who said that they would use the service. A further 1.6% were uncertain about the use of trans-Tasman flights if they were available.

This result was in line with the response of the Rotorua business community. Of the 274 Rotorua businesses surveyed, 75.2% of companies reported that they would be likely to use this service, while 22.3% stated that they would not. Overall 2.6% of the sample did not specify an answer.

8.1 Rotorua Residents Survey 2005

In January 2005, a further survey of 289 residents was undertaken to assess their use of and benefits associated with having trans-Tasman flights from Rotorua Airport. Full details of the survey results are outlined in Appendix One.

The 2000 study (321 residents) revealed 61.7% of the sample had visited the Rotorua Airport in the past year while the 2004 study revealed that 56.7% had visited in the past year.

The survey revealed that 18 (11%) of the 164 people in the sample who used the airport in the past year had used it to connect with a trans-Tasman service, while 49 people had used trans-Tasman services out of Hamilton or Auckland through road connections. Other key findings from the research (with comparisons with the 2000 research in brackets) were as follows:

- Overall, 20.1% (21.2%) had visited the airport once, 25% (24.7%) twice, 14.6% (14.6%) three times and 15.9% (14.1%) visited four times in the past year.
- Of those that used the airport in the past year, the main reasons for visiting the airport were domestic air travel – holiday - 39% (31.3%); domestic air travel – business – 29.3% (18.2%); domestic air travel – other – 4.3% (5.6%); and to pick up and drop people off at the airport – 58.5% (76.3%).
- Overall, only 25.6% of the total sample of 289 estimated that they would not travel from New Zealand to Australia. This means that 74.4% might travel to Australia, which is similar to the proportion in the earlier 2000 survey of 81.6%.
- Those travelling to Australia would generally use either Hamilton (45.6%) or Auckland (58.1%).
- Overall, 57.1% (53.3%) rate the airport as extremely important to the future of Rotorua District while 22.1% (29.6%) rate it as important. The key reasons that the airport was identified as being important were:
 - bring tourists to the region – 85.5% (86.9%);

- convenient access to other destinations – 73.7% (56.7%);
 - local economic benefits – 56.1% (39.3%);
 - central government and local authority benefits – 16.6% (0.6%); and
 - other reasons – 2.1% (25.2%).
- If the airport ceased to exist, only 19.7% (26.2%) believed that Rotorua would still have the same number of tourists to the district.

8.2 Rotorua And Taupo Businesses Survey 2005

Rotorua Tourism businesses were surveyed to assess their relationship to the potential of trans-Tasman flights from Rotorua Airport. The full results of the survey are outlined in Appendix Two.

Rotorua Results

A total of 21 accommodation operators representing all major hotels and backpacker accommodation providers were surveyed in 2005 along with 11 major visitor attractions in the district. Key findings from the 21 accommodation surveys (and 11 attraction surveys in brackets) were as follows:

- All businesses (100%) had international visitors.
- Overall, 81% (100%) stated that the availability of trans-Tasman flights would increase their business activity.
- The major area of increased activity would be in holiday visitors where 85.7% (45.5%) reported that their accommodation business would increase the number of holiday visitors within a five-year period, while 61.9% (18.2%) stated that business visitors would increase over a five-year period. Also, 57.1% (45.5%) of accommodation businesses stated that VFR visitors would increase over a five-year period while 57.1% (36.4%) would increase conference activity.
- The most common market to increase would be Australia with 90.5% (90.9%) reporting an increase within 5 years followed by European visitors - 76.2% (72.7%), Asian visitors – 71.4% (81.8%) and North American visitors 61.9% (63.6%).
- Overall, 57.1% (90.9%) of businesses used the Rotorua Airport in the past year and 76.2% (100%) of businesses stated that they would use trans-Tasman services if they were available at the Rotorua Airport, with the preferred destinations being Sydney – 71.4% (81.8%), followed by Brisbane – 57.1% (54.5%) and Melbourne – 42.9% (63.6%).

Taupo Results

A total of 16 accommodation operators representing hotels and backpacker accommodation providers were surveyed along with five major visitor attractions in the district. Key findings from the 16 accommodation surveys (and five attraction surveys in brackets) were as follows:

- All accommodation businesses (62.5% of attractions) had international visitors.
- Overall, 87.5% (50%) stated that the availability of trans-Tasman flights would increase their business activity.

- The major area of increased activity would be in holiday visitors where 93.8% (80%) reported that their accommodation business would increase the number of holiday visitors within a five-year period, while 56.3% (20%) stated that business visitors would increase over a five-year period. Also 81.3% (60%) of accommodation businesses stated that VFR visitors would increase over a five-year period while 62.5% (60%) would increase conference activity.
- The most common market to increase would be Australia with 100% (62.5%) reporting an increase within five years followed by Asian visitors – 93.8% (37.5%), European visitors - 87.5% (25%) and North American visitors 93.8% (25%).
- Overall 18.8% (37.5%) of businesses used the Rotorua Airport in the past year and 50% (50%) of businesses stated that they would use trans-Tasman services if they were available at the Rotorua Airport, with the preferred destinations being Sydney –56.3% (37.8%) followed by Brisbane – 43.8% (25%) and Melbourne – 43.8% (50%).

9.0 OTHER FACTORS IMPACTING DEVELOPMENT OF TRANS-TASMAN SERVICES

9.1 *The conference and events market*

The conference and events market has the potential to be a significant industry in terms of visitor arrivals to Rotorua. With the planned expansion of the Rotorua Energy Events Centre, targeting this market could be a positive strategy to encourage growth in tourism from Australia. Past experience and industry commentators show that events such as these are unlikely to be taken to a destination that requires another flight after the initial flight into the country. With this in mind, direct flights into Rotorua from Australia may help to grow this potentially lucrative market.

Conferences and events have the added advantage of spreading a highly seasonal visitor market through the year, with national data showing 56% of two plus day conferences held over the slower April to September period.

Latest international arrival data shows 53,692 international visitors came to New Zealand for conferences and conventions in 2004 and 57% of them came from Australia. Those from Australia stayed on average 6.5 days while those from further a field stayed longer, 8.8 days on average. This market has grown substantially over the last two years with the Australian market growing at over 18% annually (Table 24).

Table 24 : Total international participants at NZ Conferences and Conventions

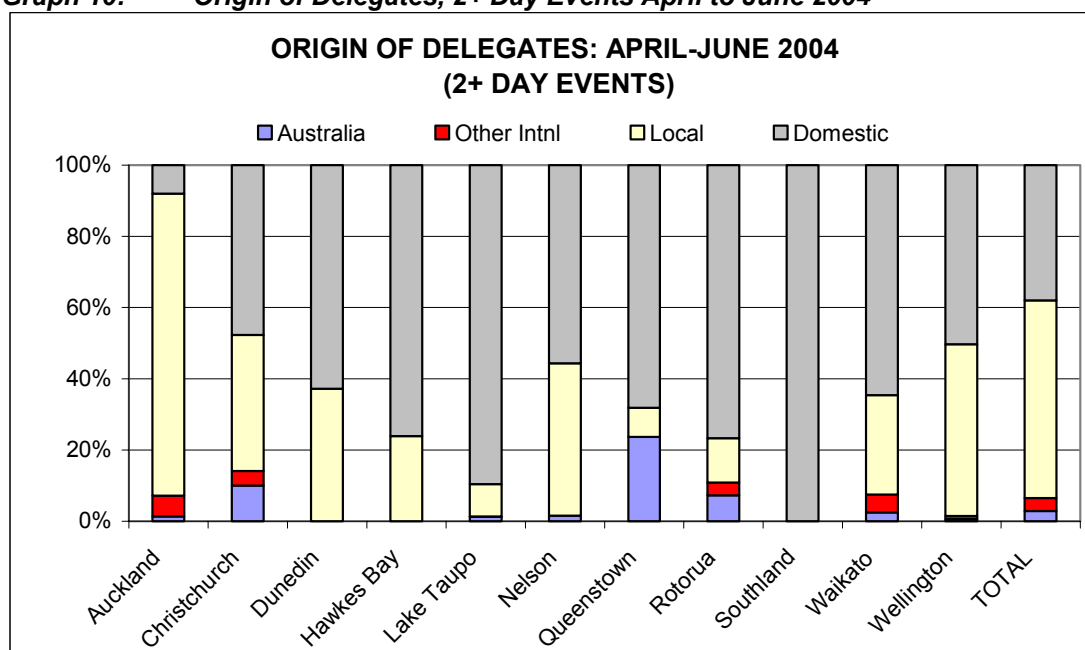
	2004	% change	2003	% change	2002	% change
Total arrivals						
Australia	30,529	18.1%	25,852	19.7%	21,596	-7.7%
Total international	53,692	21.3%	44,253	17.3%	37,739	-5.2%
Average length of stay						
Australia	6.54	-8.2%	7.12	7.1%	6.65	-4.7%
Total international	8.79	1.1%	8.70	6.3%	8.18	-3.5%

Data for years ended December

Source: International Visitor Arrivals, Statistics NZ

Currently national convention data²⁵ shows while more than 90% of conference delegates are from the domestic market, 4% came from Australia and 4% from other offshore markets (Rotorua figures are 6.0% and 3.5% respectively). Only Christchurch and Queenstown (both international destinations) attracted a higher proportion of international delegates. Well over 20% of conference delegates in Queenstown are Australian (cf. 6% in Rotorua), the direct flights to Australia enabling Queenstown to attract the highest proportion of Australian delegates in the country.

Graph 10: Origin of Delegates, 2+ Day Events April to June 2004



Source: Angus & Associates 2004 National Convention Activity.

Rotorua however performs well above Queenstown in all other conference market share indicators (refer Table 25) with Rotorua already attracting over double the number of conferences and delegates. Queenstown concentrates more on corporate conferences with conferences tending to be longer than the average. Taupo is also a major conference destination, concentrating on the corporate market and utilising its central position between Wellington and Auckland though attracting minimal overseas delegates given its current poor connections with international entry points.

Table 25: Market Share of 2+ day conferences, year ended June 2004

	Conferences			Conference Days			Delegates		
	All	Association	Corporate	All	Association	Corporate	All	Association	Corporate
Queenstown	3%	2%	4%	4%	3%	5%	3%	2%	3%
Rotorua	6%	8%	6%	7%	8%	6%	7%	9%	5%
Taupo	9%	3%	11%	9%	4%	12%	7%	2%	9%

Source: Angus & Associates 2004 National Convention Activity.

Direct flights to Australia would allow Rotorua to take advantage of a growing Australian market (growth at over 18% per annum), with the added benefit of these visitors possibly staying longer (the current average is 6.5 days) and experiencing other New Zealand

²⁵ Angus and Associates national convention data is survey based and does not have full coverage. Their data reports 333,662 delegates to 2+ day conferences of which 8%, ie, 266,693 are from overseas. This compares to 48,344 for the June 2004 year from the IVA statistics.

tourist experiences. Taupo would also benefit from direct flights to Rotorua potentially contributing conference delegate passengers of a similar nature to Queenstown.

Other research undertaken in Rotorua in 2004 by APR Consultants on conferences and events shows over 10% of both conference attendees (ie, 16,527 visitors) and event attendees (ie, 24,852 visitors) were already from overseas. The survey indicated that there were 2,446 conferences in Rotorua in the year to March 2004 of various sizes and a total of 12,123 conference attendees could be catered for across the sampled businesses (an average of 606) at any one time.

Events are also of major importance in both Rotorua and Taupo. The survey shows 3,649 events in Rotorua in the year to March 2004 of various sizes with 21 major events listed on the Rotorua Events database for 2004. A total of 11,585 event attendees could be catered for across the sampled businesses (an average of 610) at any one time. Mountain biking, for example, will be a major source of international visitors with the world championships scheduled to be held in Rotorua in 2006. Taupo has also positioned itself as being a leading events destination, aiming to spread events evenly through the year and achieve further tourism as a spin-off from this market.

The expansion of the Rotorua Energy Events Centre extensions will add to Rotorua's already substantial capability to cater for indoor events and larger conventions as the expansion includes a new 3,000 m² sports hall space capable of accommodating four full size netball courts, retractable seating for approximately 2,400 spectators and a flexible auditorium space capable of accommodating 800 to 1,000 persons.

9.2 Hamilton Airport

Hamilton International Airport was considered more closely due to the close proximity of Hamilton to Rotorua. The actions of Hamilton International Airport will most affect Rotorua Regional Airport and vice versa.

Airport management provided much of the information about Hamilton Airport. Where possible, this information was subsequently checked through reviewing other information that was available.

Management advise that Hamilton International Airport currently has Freedom Air flying an average of 12 flights per week to destinations on the eastern seaboard of Australia (Melbourne, Sydney and Gold Coast) and Nadi in Fiji. They also advised that passenger numbers on these flights are generally at 70% capacity, which is about industry standard and that each year around 10,000 Australians fly into Hamilton International Airport, which roughly equates to only 15 passengers per flight. The reason given for this low number of Australians in the makeup of the total passenger activity is the difficulty of marketing effectively in Australia, mainly due to the prohibitive cost of doing so. For Rotorua to have a viable trans-Tasman airport, the number of Australians who come into the city directly must be higher than currently experienced in Hamilton, because the current domestic demand for trans-Tasman flights in the central North Island could not support two international airports in the region.

International Visitor Arrival Statistics show a slightly different picture. For the 2004 calendar year 20,445 visitors came into New Zealand through the Hamilton Airport. Most (90.2%) were Australian with the balance being small proportions from UK, USA, Germany, Canada, Japan, Hong Kong and other countries. Freedom Air (wholly owned by Air New Zealand) is the only international carrier to fly into and out of Hamilton

through scheduled services. Current schedules for Freedom Air are outlined in Table 26 and show 10 scheduled flights per week (in addition to the scheduled Sunday flight to Nadi).

Table 26: Freedom Air Outbound Flights from Hamilton Airport

Destination	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Brisbane	Y	Y	Y			Y	
Gold Coast		Y			Y		
Sydney	Y				Y		
Melbourne				Y			Y

Source: Freedom Air Website

Freedom Air currently has 5 aircraft (note that its 5th aircraft only commenced service in December 2004). The 142 seat 737 is the standard aircraft used by Freedom Air although the airline has publicly stated that it is moving to Airbus A320 aircraft from June 2005, which have a capacity of 168 passengers. It is anticipated that by mid 2006 at least three of the 737s would be replaced by Airbus A320 aircraft. This will give Freedom Air an 18.3% increase in capacity on existing scheduled services.

Based on the information above, 10 outbound flights per week with 142 seats available on each flight (note that may be reduced through load restrictions through atmospheric conditions and runway length factors), would give Freedom Air a maximum outbound capacity of 73,840 passengers. In the Commerce Commission enquiry into the Air NZ/Qantas merger proposal, a capacity elasticity of 0.535 was applied to value-based airlines. This meant that for a value-based airline a 20% increase in capacity would translate into a 10.7% increase in demand. This means that the 18.3% increase in seat capacity provided by the switch from 737s to A320 would provide a 9.8% increase in demand. In the 2004 calendar year there were 32,415 international passengers out of Hamilton. With the capacity increased by 18.3%, it can be expected that this number would increase to 35,589. This would suggest that there is still plenty of capacity out of Hamilton and the 18.3% increase in load capacity from Freedom Air will likely cater for anticipated demand in the short to medium term without any change in services. This would also confirm comments from airport management that airlines such as Freedom Air have been struggling with increased seat capacity out of Auckland.

Hamilton International Airport currently accounts for between 60 and 70 employees, and 40 to 50 businesses. The operating profit of the airport is around \$400,000 per year. The airport is owned by the five territorial authorities in the Waikato Region, and is currently reinvesting all of its return into redevelopment as opposed to paying dividends to the stakeholders.

The current redevelopments include the lengthening of the runway to 2,500m from the current 1,960m. The runway will be at 2,200m by April 2005, and it is understood that the Airport has the land to be able to extend the runway to 3,400m in the future. The other major development at Hamilton International Airport is the upgrade of the terminal, which will cost around \$10 to \$15 million.

There are a number of limitations in relation to Hamilton Airport for trans-Tasman activity including:

- It only has one international carrier and therefore runs a significant risk if the carrier were to reduce services or withdraw.

- The limited runway and lower levels of demand and lack of interest by the trans-Tasman carrier have led to virtually no exports from the airport.
- Passenger numbers are mainly domestic outbound and returning. Reliance on local passengers leaves the airline exposed, and changes in this market could have a significant influence on airport activity.
- It has a limited number of flights per week and no daily services to any trans-Tasman destinations. Note that industry commentators observe that to have effective airline destination linkages there should be a daily service provided.
- The airport is very exposed to the activities of Auckland International Airport. As outlined earlier in this report, there has been a significant increase in trans-Tasman airline capacity in recent years. This increase has led to significant reductions in the real cost of trans-Tasman travel. Budget carriers such as Freedom Air have therefore likely lost some competitive advantage in recent years given their relatively narrow niche (ie, largely New Zealanders travelling to and from Australia) and increase in trans-Tasman capacity.
- Related to the points above, the airport does not have international services through Qantas or Virgin Blue/Pacific Blue, the other major airlines offering services via airports other than Auckland. This leaves other airports open to approaches from these airlines.

The advantages that Hamilton airport has in trans-Tasman flight activity is that:

- The shareholders are five local authorities and understand that the returns from the airport may be marginal but there are significant business and community advantages in having a domestic and international airport.
- It has a reasonable population catchment of around 1 million people within 1 to 1.5 hours from the airport (ie, a relatively short commute).
- It is understood that the airport has around 100 ha of land, which it is looking to develop for airport and aviation related companies (eg, aircraft servicing and manufacturing, retail, accommodation and transport).
- After Auckland (34,278 flights), Christchurch (7,976 flights) and Wellington (5,463 flights), Hamilton is the next busiest international airport with 1,109 flights in the latest period (calendar year 2004).
- With Freedom Air as a company wholly owned by Air New Zealand and given the catchment area within which Freedom Air operates (ie Hamilton – Waikato, Bay of Plenty; Palmerston North – Taranaki, Wanganui, Hawkes Bay, Horowhenua and Manawatu; Dunedin – South Canterbury, Otago and Southland), there is little chance that Freedom Air or Air New Zealand will set up a competing operation in any of these regions.

9.3 Palmerston North Airport

It is useful to look at Palmerston North Airport because it is part of the Freedom Airline network in New Zealand. Freedom Air (wholly owned by Air New Zealand) is the only international carrier to fly into and out of Palmerston North through scheduled services.

Current schedules for Freedom Air are outlined in Table 27 and show 8 scheduled flights per week (in addition to the scheduled Saturday flight to Nadi).

Table 27: Freedom Air Outbound Flights from Palmerston North Airport

Destination	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Brisbane		Y	Y	Y			Y
Sydney			Y		Y		
Melbourne		Y				Y	

Source: Freedom Air Website

While airline services grew rapidly between 1996 and 2000 (ie, 234 flights to 906 flights), in the past four years flights out of Palmerston North have stabilised and actually declined by 2.4%.

Evaluating all Freedom Air international air services at Palmerston North, Hamilton and Dunedin, it is clear that Freedom Air use the three airports in a complementary way to maximize utilisation of their five aircraft.

Dunedin Airport has a similar pattern of international flights with direct flights to Brisbane (3 per week), Gold Coast (2 per week), Sydney (3 per week) and Melbourne (3 per week).

9.4 The Impact of Cargo Carrying Capability

The capability to carry cargo from the airport would be of major significance for Rotorua industry. The ability for local companies to directly export their goods from the Rotorua Airport would increase the efficiency of their distribution networks, as well as allowing businesses to maintain effective contacts with suppliers. The ability of the airport to be an effective port for cargo depends almost entirely on having a large enough runway and an airline(s) committed to carrying freight. For planes to safely take-off and land when fully loaded with cargo, significant extensions are required to the current runway.

9.5 The Impact of Passenger Clearance Fees

A recent announcement by Government that passenger service costs would be split around 50:50 between the government and industry and equally among passengers has averted a major threat to trans-Tasman capability at Rotorua Airport and removed a major barrier to the introduction of flights. Although Rotorua will still have to carry their full passenger clearance costs for a period of one year, provided it can meet the threshold of 9,000 departing international passengers per year Rotorua will be brought in to the funding regime. Four flights per week is equivalent to around 23,000 passengers, well above the threshold.

The previously proposed new passenger clearance services fee to meet international standards for security and health risks at all international airports in New Zealand would have impacted unfairly on Rotorua, with the seven airports currently running international flights having half the costs of this fee subsidised by the government, and any other airport wishing to start trans-Tasman travel paying the entire fee themselves. This would have had the effect of making flights from Rotorua Airport to Australia or any other international destination more expensive than from the already established airports.

9.6 Airlines

There are a range of factors that will influence the development of direct trans-Tasman services at Rotorua Airport, such as the development of capability of infrastructure like runway length (and base and width to handle jets), terminals, flight paths (eg, no restrictions on approach and departure flight paths) jet aprons, jet servicing (eg, fuel) border control (eg, MAF and customs), retail, parking and other factors. In addition to passenger demand, these factors will influence the ability of an airline to establish services at an airport. In the case of existing international airports (eg, Auckland, Hamilton, Palmerston North, Wellington, Christchurch, Dunedin and Queenstown) the infrastructure is present, as there are existing trans-Tasman services. Therefore the costs of establishing infrastructure to support additional trans-Tasman capacity by the airlines of airport companies are generally marginal costs given that much of the infrastructure is likely to be in place. This would also mean that should trans-Tasman services be established out of Rotorua, there could likely be significant competition from Hamilton Airport.

In Rotorua's case, airlines looking to set up will take into account all of these factors including the provision of existing services from other airlines.

In this section, potential airlines that could offer trans-Tasman services out of Rotorua are analysed in terms of the commercial likelihood of establishing these services.

Air New Zealand is the dominant airline in New Zealand. It has established domestic services into and out of Rotorua through subsidiaries Air Nelson, Eagle Air, Mount Cook Airlines and its own Air New Zealand service to Christchurch. Through wholly owned subsidiary Freedom Air it has international services at Hamilton Airport. While Air New Zealand has a number of services into the eastern seaboard of Australia, it has no Australian domestic services. The advantage of having an Air New Zealand international connection into Rotorua is that it would provide an established marketing network into Australia for trans-Tasman services. The disadvantage is that a Rotorua service would compete directly with the Freedom Air Services into Hamilton and particularly the Bay of Plenty and Waikato domestic markets. Freedom Air would not likely provide a service for an already existing competitive market for reasons as outlined earlier, which would leave Freedom Air and Air New Zealand competing with their existing services. Possibly the main reason to establish services in Rotorua would be to generate new markets or to protect existing markets through the existing networks.

In addition to Air New Zealand and Freedom Air, the other major potential airlines for trans-Tasman services for Rotorua would be Qantas (or through budget subsidiary Jetstar) or Virgin (through derivative Pacific Blue).

Rotorua is shown on the Qantas website as being part of their domestic and international services. That is, it is possible to obtain an international flight into and out of Rotorua through the services to Christchurch. Flights to Australia therefore are inherently more expensive than direct flights from other existing trans-Tasman direct air services. Qantas has an extensive Australian domestic route schedule and offers services to Brisbane, Sydney and Melbourne from Christchurch in addition to services to the same destinations from Auckland and Wellington and services direct from Auckland to Adelaide. Qantas also offers services from Queenstown to Brisbane and Sydney. With its established Australian domestic services and existing flight network there would be significant advantages for Rotorua for a direct service to Brisbane and Sydney (similar to Queenstown) with Qantas. This would provide direct competition for Freedom Air in

Hamilton and link Qantas into Australian and other international visitor flows into New Zealand.

The other airline where there may be benefits for trans-Tasman services is Pacific Blue. Pacific Blue is operated in tandem with Virgin Blue out of Australia. With the demise of Ansett Australia there has been a gap in the market for an effective competitor to Qantas. Virgin Blue took that market niche and extended the competitive forces in the Australian market, with an aggressive pricing policy and extensive services particularly on the Australian eastern seaboard. Pacific Blue and Virgin Blue operate services from the same website which enables integrated services into Australia to Brisbane and Sydney from Christchurch and Wellington. Other services into Gold Coast and Melbourne are available through a Sydney hub. Pacific Blue and Virgin Blue both offer Boeing 737 800 and 700 series aircraft with either 177 to 180 seats (800 series) or 144 seats (700 series). These aircraft capacities are in between the A320 Airbus with 168 seats offered through Freedom Air and Air New Zealand and are larger than the 300 series 737 with 142 seats offered by Freedom Air.

The possibility of an alliance between Qantas and Air New Zealand is another factor that could have significant implications for the Rotorua Regional Airport and the possibility of trans-Tasman flights from the airport. While the New Zealand Commerce Commission rejected the initial application for an alliance, it is possible that Air New Zealand and Qantas could reapply for authorisation for the alliance in a few years' time, especially due to the fact that the Australian competitive authority, the ACCC, approved the merger. With the introduction of Pacific Blue into the trans-Tasman market since the rejection of the application for the alliance, the chances of the alliance being authorised have greatly increased. The effects of low cost airlines and the competitive constraints they place on full serve airlines (FSAs) are significant and widely acknowledged, with economic analysis showing that competition between a value based airline (VBA) and an FSA leads to fares significantly below those that result from competition between two or more FSAs.

In February 2005 APR contacted the four main Airlines in the trans-Tasman market (ie, Air New Zealand, Qantas, Freedom Air and Pacific Blue), as well as one potential newcomer, Jetstar. The questions asked were as follows:

- Are you able to comment on trends in trans-Tasman activity in recent years?
- Is your airline contemplating any trans-Tasman services out of Rotorua?
- If not, why not and what do you see as the barriers to such a service?
- Are there any barriers that if they were removed you would contemplate trans-Tasman services into and out of Rotorua?
- If yes why (are there any barriers to such a service)?
- If yes where would you fly to in Australia (and why)?
- Are there any additional comments you might wish to make in terms of the development of a trans-Tasman service?

The response from Pacific Blue was positive, with the only criteria for trans-Tasman services from an airport being the ability to accommodate Boeing 737-800 aircraft, and a population base of over 50,000 people in the city. While Pacific Blue would not comment on specific locations, they did state they are interested in taking advantage of growth in the market and are planning to expand their routes into New Zealand. They also stated they are contemplating trans-Tasman services out of Rotorua, while of the four main international airports on Australia's eastern seaboard (Brisbane, Sydney, Melbourne and

Gold Coast), Brisbane and Sydney have the most potential. An article in the travel industry publication, *Travel Today*, cited in the *New Zealand Herald*, claimed Pacific Blue had plans for two flights a week between Auckland and the Gold Coast, with another four flights a week planned between Auckland and Brisbane, with services to commence by May 15th.

Being a low cost carrier, Pacific Blue cited landing charges as an important operational issue. It was also noted that Pacific Blues' commercial growth strategy focused on leisure and strategic growth in the holiday market, which is in line with Rotorua's visitor market.

Assumptions by the New Zealand Commerce Commission that Virgin Blue would only be interested in offering services between the three main Australian airports (Sydney, Brisbane and Melbourne) and the three main New Zealand ports (Auckland, Wellington and Christchurch) may be incorrect, as a common entry strategy of new competitors, particularly low cost airlines, is to target under-serviced routes between secondary cities.

At the stage of the preparation of this report responses had not been received from Air New Zealand, Freedom Air, Jetstar and Qantas.

More recently (Friday 27 May 2005), Jetstar announced plans to fly into New Zealand by the end of 2005 and on the same day Freedom announced that it would more than double services between Hamilton and Sydney to five times a week from December 2005. Hamilton considers Rotorua as part of its catchment, although the focus of Freedom is not related to the outbound Australian market which Rotorua would be targeting. Also Freedom is increasing capacity and at the start of summer 2005 will be introducing four new A320 aircraft. The potential arrival of Jetstar along with moves to increase Virgin's activity in New Zealand could provide key opportunities for Rotorua Airport to be included as part of these companies' New Zealand trans-Tasman connections.

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APPENDIX A TRCNZ ESTIMATES OF ROTORUA OVERNIGHT VISITS, VISITOR NIGHTS AND OVERNIGHT VISITOR EXPENDITURE

Table 28: Visitor Nights Spent in Rotorua RTO by Origin and Purpose

Market Region	Purpose	Nights ('000s)		Share of Total		Growth 2003-2010			Share of Growth
		2003	2010f	2003	2010f	'000s	Total	Ann. Av	
Australia	Holiday	144.1	191.0	3.6%	4.0%	46.9	32.6%	4.1%	5.8%
	VFR	69.3	92.4	1.7%	1.9%	23.1	33.4%	4.2%	2.8%
	Business	13.8	17.1	0.3%	0.4%	3.3	24.1%	3.1%	0.4%
	Education	4.6	5.3	0.1%	0.1%	0.7	14.9%	2.0%	0.1%
	Other	9.7	11.6	0.2%	0.2%	1.9	19.6%	2.6%	0.2%
	TOTAL		241.5	317.5	6.0%	6.6%	76.0	31.5%	4.0%
Americas	Holiday	142.0	199.0	3.5%	4.1%	57.0	40.1%	4.9%	7.0%
	VFR	21.3	29.9	0.5%	0.6%	8.6	40.4%	5.0%	1.1%
	Business	6.5	7.9	0.2%	0.2%	1.5	22.8%	3.0%	0.2%
	Education	9.7	14.3	0.2%	0.3%	4.6	47.5%	5.7%	0.6%
	Other	7.9	9.8	0.2%	0.2%	1.9	23.5%	3.1%	0.2%
	TOTAL		187.4	260.9	4.7%	5.4%	73.5	39.2%	4.8%
Japan	Holiday	60.8	86.7	1.5%	1.8%	25.9	42.5%	5.2%	3.2%
	VFR	3.1	5.4	0.1%	0.1%	2.3	73.6%	8.2%	0.3%
	Business	3.4	5.4	0.1%	0.1%	2.0	59.8%	6.9%	0.3%
	Education	24.2	29.9	0.6%	0.6%	5.8	23.9%	3.1%	0.7%
	Other	2.7	3.5	0.1%	0.1%	0.9	33.6%	4.2%	0.1%
	TOTAL		94.1	130.9	2.4%	2.7%	36.8	39.1%	4.8%
NE Asia	Holiday	77.7	152.4	1.9%	3.2%	74.7	96.2%	10.1%	9.2%
	VFR	11.6	18.7	0.3%	0.4%	7.1	61.8%	7.1%	0.9%
	Business	14.3	26.9	0.4%	0.6%	12.6	88.5%	9.5%	1.6%
	Education	8.6	14.2	0.2%	0.3%	5.6	65.5%	7.5%	0.7%
	Other	8.0	18.5	0.2%	0.4%	10.5	131.1%	12.7%	1.3%
	TOTAL		120.1	230.7	3.0%	4.8%	110.6	92.1%	9.8%
Other Asia	Holiday	33.4	66.5	0.8%	1.4%	33.1	99.1%	10.3%	4.1%
	VFR	9.0	18.9	0.2%	0.4%	9.9	110.1%	11.2%	1.2%
	Business	1.6	2.4	0.0%	0.0%	0.7	45.4%	5.5%	0.1%
	Education	6.6	8.4	0.2%	0.2%	1.8	27.4%	3.5%	0.2%
	Other	0.8	1.3	0.0%	0.0%	0.5	60.4%	7.0%	0.1%
	TOTAL		51.4	97.5	1.3%	2.0%	46.1	89.5%	9.6%
UK-Nordic	Holiday	206.5	343.2	5.2%	7.1%	136.7	66.2%	7.5%	16.8%
	VFR	67.5	106.8	1.7%	2.2%	39.3	58.3%	6.8%	4.8%
	Business	15.0	19.7	0.4%	0.4%	4.6	30.8%	3.9%	0.6%
	Education	1.1	1.3	0.0%	0.0%	0.2	20.9%	2.8%	0.0%
	Other	6.8	9.1	0.2%	0.2%	2.4	35.1%	4.4%	0.3%
	TOTAL		296.9	480.2	7.4%	10.0%	183.3	61.7%	7.1%
Other Europe	Holiday	129.7	177.5	3.2%	3.7%	47.8	36.8%	4.6%	5.9%
	VFR	24.4	33.5	0.6%	0.7%	9.1	37.2%	4.6%	1.1%
	Business	4.4	6.0	0.1%	0.1%	1.6	36.0%	4.5%	0.2%
	Education	16.6	22.2	0.4%	0.5%	5.5	33.3%	4.2%	0.7%
	Other	2.9	3.8	0.1%	0.1%	0.9	31.4%	4.0%	0.1%
	TOTAL		178.1	243.0	4.5%	5.0%	64.9	36.4%	4.5%
Rest of World	Holiday	41.5	59.0	1.0%	1.2%	17.5	42.1%	5.1%	2.2%
	VFR	52.4	73.7	1.3%	1.5%	21.3	40.7%	5.0%	2.6%
	Business	3.8	5.0	0.1%	0.1%	1.2	31.5%	4.0%	0.1%
	Education	7.5	9.3	0.2%	0.2%	1.8	23.4%	3.1%	0.2%
	Other	5.1	6.5	0.1%	0.1%	1.4	27.9%	3.6%	0.2%
	TOTAL		110.3	153.5	2.8%	3.2%	43.2	39.1%	4.8%
Total International	Holiday	835.8	1,275.4	20.9%	26.5%	439.6	52.6%	6.2%	54.2%
	VFR	258.6	379.4	6.5%	7.9%	120.8	46.7%	5.6%	14.9%
	Business	62.8	90.5	1.6%	1.9%	27.6	44.0%	5.3%	3.4%
	Education	78.9	104.9	2.0%	2.2%	26.0	33.0%	4.2%	3.2%
	Other	43.8	64.2	1.1%	1.3%	20.3	46.4%	5.6%	2.5%
	TOTAL		1,279.9	1,914.3	32.0%	39.8%	634.4	49.6%	5.9%
Domestic	Holiday	1,550.0	1,625.7	38.7%	33.8%	75.7	4.9%	0.7%	9.3%
	VFR	645.0	682.7	16.1%	14.2%	37.7	5.8%	0.8%	4.6%
	Business	301.5	347.7	7.5%	7.2%	46.3	15.3%	2.1%	5.7%
	Education	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0%	0.0%
	Other	225.5	242.9	5.6%	5.0%	17.4	7.7%	1.1%	2.1%
	TOTAL		2,722.0	2,899.1	68.0%	60.2%	177.1	6.5%	0.9%
Total Tourism	Holiday	2,385.8	2,901.1	59.6%	60.3%	515.3	21.6%	2.8%	63.5%
	VFR	903.6	1,062.1	22.6%	22.1%	158.5	17.5%	2.3%	19.5%
	Business	364.3	438.2	9.1%	9.1%	73.9	20.3%	2.7%	9.1%
	Education	78.9	104.9	2.0%	2.2%	26.0	33.0%	4.2%	3.2%
	Other	269.3	307.1	6.7%	6.4%	37.8	14.0%	1.9%	4.7%
	TOTAL		4,001.9	4,813.4	100.0%	100.0%	811.5	20.3%	2.7%

Source: TRCNZ, 2004: New Zealand Regional Tourism Forecasts 2004-2010, Rotorua RTO.

Table 29: Overnight Visits to Rotorua RTO by Origin and Purpose

Market Region	Purpose	Overnight Visits ('000s)		Share of Total		Growth 2003-2010			Share of Growth
		2003	2010f	2003	2010f	'000s	Total	Ann. Av	
Australia	Holiday	76.8	101.9	5.0%	5.4%	25.0	32.6%	4.1%	6.9%
	VFR	19.2	25.6	1.2%	1.3%	6.4	33.4%	4.2%	1.8%
	Business	6.3	7.8	0.4%	0.4%	1.5	24.1%	3.1%	0.4%
	Education	0.6	0.7	0.0%	0.0%	0.1	14.9%	2.0%	0.0%
	Other	3.6	4.4	0.2%	0.2%	0.7	19.6%	2.6%	0.2%
	TOTAL	106.6	140.3	6.9%	7.4%	33.8	31.7%	4.0%	9.3%
Americas	Holiday	76.4	107.1	5.0%	5.6%	30.7	40.1%	4.9%	8.5%
	VFR	6.6	9.3	0.4%	0.5%	2.7	40.4%	5.0%	0.7%
	Business	3.0	3.6	0.2%	0.2%	0.7	22.8%	3.0%	0.2%
	Education	4.1	6.1	0.3%	0.3%	2.0	47.5%	5.7%	0.5%
	Other	3.0	3.7	0.2%	0.2%	0.7	23.5%	3.1%	0.2%
	TOTAL	93.2	129.8	6.1%	6.8%	36.7	39.4%	4.9%	10.1%
Japan	Holiday	46.6	66.4	3.0%	3.5%	19.8	42.5%	5.2%	5.5%
	VFR	0.9	1.6	0.1%	0.1%	0.7	73.6%	8.2%	0.2%
	Business	2.6	4.2	0.2%	0.2%	1.6	59.8%	6.9%	0.4%
	Education	3.0	3.7	0.2%	0.2%	0.7	23.9%	3.1%	0.2%
	Other	0.2	0.3	0.0%	0.0%	0.1	33.6%	4.2%	0.0%
	TOTAL	53.4	76.3	3.5%	4.0%	22.9	42.8%	5.2%	6.3%
NE Asia	Holiday	48.9	95.9	3.2%	5.0%	47.0	96.2%	10.1%	13.0%
	VFR	4.7	7.7	0.3%	0.4%	2.9	61.8%	7.1%	0.8%
	Business	9.7	18.2	0.6%	1.0%	8.6	88.5%	9.5%	2.4%
	Education	1.0	1.7	0.1%	0.1%	0.7	65.5%	7.5%	0.2%
	Other	4.2	9.8	0.3%	0.5%	5.6	131.1%	12.7%	1.5%
	TOTAL	68.5	133.2	4.5%	7.0%	64.7	94.4%	10.0%	17.8%
Other Asia	Holiday	17.9	35.6	1.2%	1.9%	17.7	99.1%	10.3%	4.9%
	VFR	5.1	10.8	0.3%	0.6%	5.6	110.1%	11.2%	1.6%
	Business	0.7	1.0	0.0%	0.1%	0.3	45.4%	5.5%	0.1%
	Education	0.8	1.0	0.1%	0.1%	0.2	27.4%	3.5%	0.1%
	Other	0.4	0.7	0.0%	0.0%	0.3	60.4%	7.0%	0.1%
	TOTAL	25.0	49.1	1.6%	2.6%	24.2	96.9%	10.2%	6.7%
UK-Nordic	Holiday	101.1	168.1	6.6%	8.8%	66.9	66.2%	7.5%	18.5%
	VFR	21.0	33.2	1.4%	1.7%	12.2	58.3%	6.8%	3.4%
	Business	6.1	8.0	0.4%	0.4%	1.9	30.8%	3.9%	0.5%
	Education	0.4	0.5	0.0%	0.0%	0.1	20.9%	2.8%	0.0%
	Other	1.6	2.1	0.1%	0.1%	0.6	35.1%	4.4%	0.2%
	TOTAL	130.2	211.9	8.5%	11.2%	81.7	62.7%	7.2%	22.5%
Other Europe	Holiday	62.7	85.8	4.1%	4.5%	23.1	36.8%	4.6%	6.4%
	VFR	4.2	5.8	0.3%	0.3%	1.6	37.2%	4.6%	0.4%
	Business	2.0	2.7	0.1%	0.1%	0.7	36.0%	4.5%	0.2%
	Education	1.6	2.1	0.1%	0.1%	0.5	33.3%	4.2%	0.1%
	Other	1.4	1.8	0.1%	0.1%	0.4	31.4%	4.0%	0.1%
	TOTAL	71.9	98.2	4.7%	5.2%	26.3	36.6%	4.6%	7.3%
Rest of World	Holiday	10.6	15.1	0.7%	0.8%	4.5	42.1%	5.1%	1.2%
	VFR	9.8	13.8	0.6%	0.7%	4.0	40.7%	5.0%	1.1%
	Business	1.3	1.7	0.1%	0.1%	0.4	31.5%	4.0%	0.1%
	Education	1.0	1.2	0.1%	0.1%	0.2	23.4%	3.1%	0.1%
	Other	1.2	1.6	0.1%	0.1%	0.3	27.9%	3.6%	0.1%
	TOTAL	24.0	33.4	1.6%	1.8%	9.4	39.4%	4.9%	2.6%
Total International	Holiday	441.1	675.8	28.7%	35.6%	234.7	53.2%	6.3%	64.7%
	VFR	71.6	107.8	4.7%	5.7%	36.1	50.4%	6.0%	10.0%
	Business	31.6	47.2	2.1%	2.5%	15.6	49.4%	5.9%	4.3%
	Education	12.6	17.1	0.8%	0.9%	4.5	35.8%	4.5%	1.2%
	Other	15.8	24.4	1.0%	1.3%	8.7	54.9%	6.5%	2.4%
	TOTAL	572.7	872.4	37.3%	45.9%	299.7	52.3%	6.2%	82.6%
Domestic	Holiday	547.5	574.2	35.6%	30.2%	26.7	4.9%	0.7%	7.4%
	VFR	216.4	229.0	14.1%	12.1%	12.6	5.8%	0.8%	3.5%
	Business	106.0	122.3	6.9%	6.4%	16.3	15.3%	2.1%	4.5%
	Education	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0%	0.0%
	Other	94.3	101.6	6.1%	5.3%	7.3	7.7%	1.1%	2.0%
	TOTAL	964.1	1,027.1	62.7%	54.1%	62.9	6.5%	0.9%	17.4%
Total Tourism	Holiday	988.5	1,250.0	64.3%	65.8%	261.5	26.5%	3.4%	72.1%
	VFR	288.0	336.8	18.7%	17.7%	48.8	16.9%	2.3%	13.5%
	Business	137.6	169.5	9.0%	8.9%	31.9	23.2%	3.0%	8.8%
	Education	12.6	17.1	0.8%	0.9%	4.5	35.8%	4.5%	1.2%
	Other	110.1	126.0	7.2%	6.6%	16.0	14.5%	2.0%	4.4%
	TOTAL	1,536.8	1,899.4	100.0%	100.0%	362.6	23.6%	3.1%	100.0%

Source: TRCNZ, 2004: New Zealand Regional Tourism Forecasts 2004-2010, Rotorua RTO.

Table 30: Overnight Visit Expenditure in Rotorua RTO by Origin and Purpose

Market Region	Purpose	Overnight Spend (\$M)		Share of Total		Growth 2003-2010			Share of Growth
		2003	2010f	2003	2010f	Millions	Total	Ann. Av	
Australia	Holiday	22.9	34.9	5.6%	5.3%	12.0	52.6%	6.2%	4.8%
	VFR	5.4	8.8	1.3%	1.3%	3.4	64.4%	7.4%	1.4%
	Business	5.2	7.6	1.3%	1.2%	2.4	47.0%	5.7%	1.0%
	Education	0.3	0.4	0.1%	0.1%	0.1	38.6%	4.8%	0.0%
	Other	0.8	1.2	0.2%	0.2%	0.4	55.1%	6.5%	0.2%
	TOTAL	34.5	53.0	8.4%	8.0%	18.5	53.5%	6.3%	7.4%
Americas	Holiday	27.4	44.4	6.7%	6.7%	17.0	62.0%	7.1%	6.8%
	VFR	1.4	2.5	0.3%	0.4%	1.1	82.3%	9.0%	0.5%
	Business	2.0	2.6	0.5%	0.4%	0.6	28.9%	3.7%	0.2%
	Education	0.8	1.7	0.2%	0.3%	0.8	98.2%	10.3%	0.3%
	Other	1.2	1.8	0.3%	0.3%	0.6	49.4%	5.9%	0.2%
	TOTAL	32.9	53.1	8.0%	8.0%	20.2	61.3%	7.1%	8.0%
Japan	Holiday	12.2	19.8	3.0%	3.0%	7.6	62.7%	7.2%	3.0%
	VFR	1.1	1.9	0.3%	0.3%	0.8	77.0%	8.5%	0.3%
	Business	1.7	3.4	0.4%	0.5%	1.7	97.8%	10.2%	0.7%
	Education	6.6	10.4	1.6%	1.6%	3.8	57.3%	6.7%	1.5%
	Other	0.4	0.6	0.1%	0.1%	0.2	57.3%	6.7%	0.1%
	TOTAL	22.0	36.1	5.4%	5.5%	14.2	64.4%	7.4%	5.6%
NE Asia	Holiday	22.6	45.7	5.5%	6.9%	23.2	102.6%	10.6%	9.2%
	VFR	1.7	3.7	0.4%	0.6%	2.0	115.8%	11.6%	0.8%
	Business	5.4	11.3	1.3%	1.7%	5.9	108.8%	11.1%	2.3%
	Education	2.6	4.3	0.6%	0.7%	1.8	69.8%	7.9%	0.7%
	Other	1.3	3.2	0.3%	0.5%	1.8	137.7%	13.2%	0.7%
	TOTAL	33.6	68.2	8.2%	10.3%	34.7	103.2%	10.7%	13.8%
Other Asia	Holiday	5.2	11.1	1.3%	1.7%	5.9	113.9%	11.5%	2.3%
	VFR	0.5	1.2	0.1%	0.2%	0.7	135.0%	13.0%	0.3%
	Business	0.7	1.3	0.2%	0.2%	0.5	72.9%	8.1%	0.2%
	Education	1.5	2.5	0.4%	0.4%	1.0	69.9%	7.9%	0.4%
	Other	0.1	0.3	0.0%	0.0%	0.1	102.5%	10.6%	0.1%
	TOTAL	8.0	16.3	2.0%	2.5%	8.3	103.1%	10.7%	3.3%
UK-Nordic	Holiday	25.5	53.0	6.2%	8.0%	27.5	107.6%	11.0%	10.9%
	VFR	4.9	9.7	1.2%	1.5%	4.8	98.9%	10.3%	1.9%
	Business	4.4	7.3	1.1%	1.1%	2.9	66.8%	7.6%	1.2%
	Education	0.1	0.1	0.0%	0.0%	0.0	38.8%	4.8%	0.0%
	Other	1.5	2.5	0.4%	0.4%	1.0	67.7%	7.7%	0.4%
	TOTAL	36.3	72.5	8.8%	11.0%	36.2	99.8%	10.4%	14.4%
Other Europe	Holiday	18.1	30.5	4.4%	4.6%	12.4	68.8%	7.8%	5.0%
	VFR	0.9	1.6	0.2%	0.2%	0.6	70.3%	7.9%	0.3%
	Business	0.7	1.1	0.2%	0.2%	0.4	66.0%	7.5%	0.2%
	Education	1.5	2.8	0.4%	0.4%	1.3	85.8%	9.3%	0.5%
	Other	0.2	0.3	0.0%	0.0%	0.1	57.3%	6.7%	0.0%
	TOTAL	21.3	36.2	5.2%	5.5%	14.9	69.9%	7.9%	5.9%
Rest of World	Holiday	4.8	9.0	1.2%	1.4%	4.2	87.3%	9.4%	1.7%
	VFR	2.7	5.2	0.6%	0.8%	2.5	95.5%	10.0%	1.0%
	Business	1.3	2.2	0.3%	0.3%	1.0	75.0%	8.3%	0.4%
	Education	0.2	0.4	0.1%	0.1%	0.2	81.9%	8.9%	0.1%
	Other	0.6	0.7	0.1%	0.1%	0.1	22.5%	2.9%	0.1%
	TOTAL	9.6	17.6	2.3%	2.7%	8.0	83.7%	9.1%	3.2%
Total International	Holiday	138.6	248.5	33.8%	37.6%	109.8	79.2%	8.7%	43.8%
	VFR	18.5	34.6	4.5%	5.2%	16.1	87.0%	9.4%	6.4%
	Business	21.3	36.8	5.2%	5.6%	15.4	72.2%	8.1%	6.1%
	Education	13.6	22.7	3.3%	3.4%	9.1	66.7%	7.6%	3.6%
	Other	6.2	10.7	1.5%	1.6%	4.5	72.9%	8.1%	1.8%
	TOTAL	198.3	353.1	48.3%	53.4%	154.9	78.1%	8.6%	61.7%
Domestic	Holiday	110.8	165.1	27.0%	25.0%	54.2	48.9%	5.9%	21.6%
	VFR	43.3	59.9	10.5%	9.1%	16.7	38.6%	4.8%	6.7%
	Business	42.0	60.8	10.2%	9.2%	18.8	44.7%	5.4%	7.5%
	Education	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0%	0.0%
	Other	16.5	22.7	4.0%	3.4%	6.3	38.0%	4.7%	2.5%
	TOTAL	212.5	308.5	51.7%	46.6%	96.0	45.1%	5.5%	38.3%
Total Tourism	Holiday	249.5	413.5	60.7%	62.5%	164.1	65.8%	7.5%	65.4%
	VFR	61.8	94.5	15.0%	14.3%	32.8	53.1%	6.3%	13.1%
	Business	63.3	97.5	15.4%	14.7%	34.2	54.0%	6.4%	13.6%
	Education	13.6	22.7	3.3%	3.4%	9.1	66.7%	7.6%	3.6%
	Other	22.6	33.4	5.5%	5.0%	10.8	47.5%	5.7%	4.3%
	TOTAL	410.8	661.6	100.0%	100.0%	250.8	61.1%	7.0%	100.0%

Source: TRCNZ, 2004: New Zealand Regional Tourism Forecasts 2004-2010, Rotorua RTO.

APPENDIX B DEMAND ESTIMATES TO 2025

The year 2025 is well into the future and demand estimates are best estimates based on known information and projected trends. Future changes in technology, availability of fuel, growth in alternative destinations, geo political relationships and even the concept of virtual travel will likely make major impacts on the travel industry. A further global major impact will be the aging population and their propensity to travel based on discretionary expenditure, alternatives to travel and travel preferences.

NZIER undertakes projections of growth in New Zealand's real GDP and the accommodation and transport industries. These are outlined in Table 31, which shows annual growth reducing by up to half between the years 2010 and 2025.

Table 31: Forecast growth in the NZ economy to 2025

Average annual percent change March year	1999-2004	2004-2009f	2009-2014p	2014-2021p	2019-2024p
Accommodation, cafes and restaurants	3.3%	3.4%	2.8%	2.3%	1.9%
Transport and storage	4.2%	3.2%	2.3%	1.9%	1.6%
Total GDP	3.8%	2.6%	2.1%	1.8%	1.5%

Source: NZIER Quarterly Predictions June 2005

Their prediction for the first five years includes the impact of the current economic cycle, while after that it merely represents underlying trends, particularly slower population growth within the labour force and in demand for household goods and services. Rotorua's share of local short-term departures can be extrapolated based on these underlying trends as outlined in Table 32.

Table 32: Rotorua's Share of Local Short-Term Departures to Australia 2025

Estimated local outbound market 2025 (based on 2026 population estimates, no further growth in propensity to travel after 2010)

	Population 2026	% population 15 and over	Proportion flying to Australia	Children flights	15 and over flights	Total flights	% Rotorua attracts 1 destination (30% market)	1 destination number flying from Rotorua	% Rotorua attracts 2 destination (60% market)	2 destinations number flying from Rotorua	% Rotorua attracts 3 destination (85% market)	3 destinations number flying from Rotorua
Rotorua District	72,800	80.9%	0.28	1,807	15,314	17,121	23%	3,852	46%	7,876	65%	11,129
Taupo District	36,600	82.8%	0.26	819	7,878	8,697	20%	1,739	40%	3,479	57%	4,957
South Waikato	19,000	79.5%	0.21	410	3,171	3,581	15%	537	30%	1,074	42%	1,504
Western Bay of Plenty	57,000	82.5%	0.28	1,375	12,925	14,300	12%	1,716	24%	3,432	34%	4,862
Tauranga City	139,800	82.8%	0.28	3,314	31,818	35,131	12%	4,216	24%	8,432	34%	11,945
Whakatane District	33,600	80.4%	0.22	726	5,940	6,666	23%	1,500	46%	3,066	65%	4,333
Kawerau District	5,300	75.5%	0.16	104	640	744	23%	167	46%	342	65%	484
Opoitiki District	10,100	79.2%	0.16	168	1,280	1,448	23%	326	46%	666	65%	941
Total	374,200			8,722	78,966	87,688		14,054		28,367		40,154
								Flights per week (100% local passengers)		2.4		6.9
								Flights per week (50% international passengers)		4.8		13.8

Estimated local outbound market 2025 (based on 2026 population estimates, 17% growth 2010 to 2025)

	Population 2026	% population 15 and over	Proportion flying to Australia	Children flights	15 and over flights	Total flights	% Rotorua attracts 1 destination (30% market)	1 destination number flying from Rotorua	% Rotorua attracts 2 destination (60% market)	2 destinations number flying from Rotorua	% Rotorua attracts 3 destination (85% market)	3 destinations number flying from Rotorua
Rotorua District	72,800	80.9%	0.27	1,877	15,903	17,780	23%	4,000	46%	8,179	65%	11,557
Taupo District	36,600	82.8%	0.28	882	8,484	9,366	20%	1,873	40%	3,746	57%	5,339
South Waikato	19,000	79.5%	0.21	410	3,171	3,581	15%	537	30%	1,074	42%	1,504
Western Bay of Plenty	57,000	82.5%	0.29	1,450	13,630	15,080	12%	1,810	24%	3,619	34%	5,127
Tauranga City	139,800	82.8%	0.29	3,495	33,553	37,048	12%	4,446	24%	8,891	34%	12,596
Whakatane District	33,600	80.4%	0.24	792	6,480	7,272	23%	1,636	46%	3,345	65%	4,727
Kawerau District	5,300	75.5%	0.16	104	640	744	23%	167	46%	342	65%	484
Opoitiki District	10,100	79.2%	0.16	168	1,280	1,448	23%	326	46%	666	65%	941
Total	374,200			9,177	83,141	92,318		14,795		29,863		42,274
								Flights per week (100% local passengers)		2.5		7.3
								Flights per week (50% international passengers)		5.1		14.5

Note: Population estimates are from Statistics NZ.

Children have been assumed to be half as likely to travel.

The proportion Rotorua attracts from each district is based on the ease of access to alternative airports.

NZ wide growth from 2010 to 2025 is estimated to be 17%, around half the growth from 2004 to 2010. Growth by 2025 for the Rotorua catchment is slightly more than 17%, taking into account the increased share of the total New Zealand population.

Each flight would have a capacity of 160 persons and over the year would average 70% capacity.

The Australian inbound visitor market is forecast to grow by 4% per annum on average over the 2005 to 2010 year period. Assuming a growth rate of 2% (half this value) over the period 2010 to 2025 and a 10% to 25% market share of the total Australian visitor market as being realistic, this is equivalent to 6.5 to 16.2 flights per week in 2025, assuming a 50:50 domestic/international mix on the average flight (Table 33). This

shows the number of flights per week associated with a possible share of the Australian visitor market to Rotorua by 2025. We have assumed that by 2025, the Rotorua tourism market alone will allow trans-Tasman flights to increase to an average of 11.5 per week to two destinations with a higher proportion of international visitors.

Table 33: The number of flights per week associated with a possible share of the Australian Overnight visitor market to Rotorua, 2005, 2010 and 2025

	Number of flights per week to Rotorua Airport assuming the following international proportion of seats on each flight			
	30%	50%	70%	100%
Market share 2005				
100% market share	66.0	39.6	28.3	19.8
50% market share	33.0	19.8	14.2	9.9
25% market share	16.5	9.9	7.1	5.0
10% market share	6.6	4.0	2.8	2.0
Market share 2010				
100% market share	80.3	48.2	34.4	24.4
50% market share	40.2	24.1	17.2	12.2
25% market share	20.1	12.1	8.6	6.1
10% market share	8.0	4.8	3.4	2.4
Market share 2025				
100% market share	108.1	64.8	46.3	32.4
50% market share	54.1	32.4	23.2	16.2
25% market share	27.0	16.2	11.6	8.1
10% market share	10.8	6.5	4.6	3.2

To be conservative, it has been assumed that inbound tourism spending increases from 2010 to 2025 by half of the annual rate assumed in the period 2005 to 2010. From a Rotorua District perspective, by 2025 the average international visitor spending of \$481 in the Rotorua economy will generate a total of \$717 of output (or sales) or \$311 of added value in the district's economy. The impact of one additional international visitor on the Rotorua economy is outlined in Table 34 to the year 2025.

Table 34: The Impact of one additional International Visitor on the Rotorua economy (2005 to 2025)

	Direct Impact	Multiplier (Type II)	Total Impacts
2005			
Output/spending (\$)	\$360	1.49	\$536
Value-added (\$)	\$146	1.59	\$233
Household income (\$)	\$96	1.52	\$147
Employment (FTE)	0.00406	1.39	0.00565
2010			
Output/spending (\$)	\$405	1.49	\$603
Value-added (\$)	\$165	1.59	\$262
Household income (\$)	\$108	1.52	\$165
Employment (FTE)	0.00457	1.39	0.00636
2025			
Output/spending (\$)	\$481	1.49	\$717
Value-added (\$)	\$195	1.59	\$311
Household income (\$)	\$129	1.52	\$196
Employment (FTE)	0.00543	1.39	0.00755

APPENDIX C BAY OF PLENTY REGIONAL IMPACTS MODEL

The main body of the report outlines the economic impact on Rotorua District only and the model only allows for visitor spending in the Rotorua District economy. This appendix outlines a parallel model of the **regional** impact of these additional international visitors on the Bay of Plenty economy in 2005, 2010 and 2025. It allows for the spending of inbound tourists to regional destinations other than Rotorua (assumed to be around 15% of all international visitors), the slightly increased average time spent and therefore spending in the region as compared to Rotorua alone, and also assumes higher total impacts given the reduced leakages at a regional level. While the analysis has been based solely on Bay of Plenty tourism statistics, some regional impact will also be felt in Taupo, outside the regional boundaries.

This regional perspective analysis is based on Tourism Research Council figures showing the average international tourist staying longer (3.2 days) and spending more in total (\$484 in 2005 and \$546 in 2010). From a Bay of Plenty regional perspective, by 2025 it is estimated that an average international visitor will spend \$651 in the Bay of Plenty economy, generating a total of \$1,237 of output (or sales) or \$529 of added value in the Bay of Plenty economy (Table 35).

A literature search of regional multipliers (Table 36) shows regional multipliers to be larger, reflecting the reduced leakage at a regional level. The regional multipliers used in Table 35 to generate the total spending, value added, household income and employment have therefore been scaled up from those used in the body of the report in line with the values in Table 36.

Table 35: Impact of an International Visitor to Bay of Plenty Region (2005 to 2025)

	Direct Impact	Multiplier (Type II)	Total Impacts
2005			
Output/spending (\$)	\$484	1.9	\$920
Value-added (\$)	\$197	2	\$393
Household income (\$)	\$130	1.97	\$255
Employment (FTE)	0.00546	1.87	0.01022
2010			
Output/spending (\$)	\$546	1.9	\$1,037
Value-added (\$)	\$222	2	\$444
Household income (\$)	\$146	1.97	\$288
Employment (FTE)	0.00616	1.87	0.01153
2025			
Output/spending (\$)	\$651	1.9	\$1,237
Value-added (\$)	\$265	2	\$529
Household income (\$)	\$174	1.97	\$343
Employment (FTE)	0.00735	1.87	0.01374

Table 36: Multipliers used to Generate Regional Economic Impacts

	Output Type 2	Value added Type 2	Household Income Type 2	Employment
Rotorua	1.49	1.59	1.52	1.39
Auckland Region		2.3		
Canterbury Region		2.31		
Otago Region		2.17		
Southland Region		2.04		
New Zealand		2.5		
Bay of Plenty				
Accommodation	2.4	2.1		1.41
Restaurants	2.8	3.1		1.6
Sports & recreational	2.5	2.7		1.9
Air transport	2.7	2.9		2.7

Source: Auckland and NZ multipliers - comparison of America's cup impacts, based on inputoutput updated since 1996, South Island - Southerner Rail Passenger Service: Viability Study MED, Bay of Plenty - NZIER pers com based on 1996 IO tables

From a regional perspective, each return flight at Rotorua Airport will generate \$24,572 to \$41,508 (in 2005) in spending by passengers in the wider region, or \$1.28 to \$2.16 million per annum for each flight per week (refer Table 16 for district level comparatives). This assumes a range of 30% to 70% international passengers on board with an average flight having 160 seats loaded to 70% of capacity. By 2010, each return flight at Rotorua Airport will generate \$27,832 to \$46,872 in spending by passengers in the wider region, or \$1.45 to \$2.45 million per annum for each flight per week (refer Table 37). By 2025 this will have increased to \$33,163 to \$55,877 per flight or \$1.72 to \$2.90 million per annum for each flight per week.

Table 37: Total regional spending per flight at Rotorua Airport, 2005, 2010 and 2025

International proportion of seats on flights	30%	40%	50%	60%	70%
2005					
International numbers	34	45	56	67	78
International Spend (\$484 each)	\$16,262	\$21,683	\$27,104	\$32,525	\$37,946
Domestic Numbers	78	67	56	45	34
Domestic spend (\$106 each)	\$8,310	\$7,123	\$5,936	\$4,749	\$3,562
Total spend per flight 2005	\$24,572	\$28,806	\$33,040	\$37,274	\$41,508
Total spending per annum of 1 flight per week	\$1,277,765	\$1,497,922	\$1,718,080	\$1,938,238	\$2,158,395
2010					
International numbers	34	45	56	67	78
International Spend (\$546 each)	\$18,346	\$24,461	\$30,576	\$36,691	\$42,806
Domestic Numbers	78	67	56	45	34
Domestic spend (\$121 each)	\$9,486	\$8,131	\$6,776	\$5,421	\$4,066
Total spend per flight 2010	\$27,832	\$32,592	\$37,352	\$42,112	\$46,872
Total spending per annum of 1 flight per week	\$1,447,264	\$1,694,784	\$1,942,304	\$2,189,824	\$2,437,344
2025					
International numbers	34	45	56	67	78
International Spend (\$651 each)	\$21,874	\$29,165	\$36,456	\$43,747	\$51,038
Domestic Numbers	78	67	56	45	34
Domestic spend (\$144 each)	\$11,290	\$9,677	\$8,064	\$6,451	\$4,838
Total spend per flight 2025	\$33,163	\$38,842	\$44,520	\$50,198	\$55,877
Total spending per annum of 1 flight per week	\$1,724,486	\$2,019,763	\$2,315,040	\$2,610,317	\$2,905,594

Note: International visitors are assumed to spend the average overnight regional spend as per TRC figures. Domestic visitors are assumed to spend the average Rotorua domestic day spend.

This is Table 18 reworked from a regional perspective

Source: TRC spending data, APR analysis

Much of this spending is not additional and will be undertaken regardless, as many international visitors would have come to Rotorua anyway using other means of transport or connecting flights. This study identifies the **additional** regional economic impact of adding trans-Tasman capability to Rotorua Airport as outlined in the following analysis.

Based on the assumptions of the Section 7 model of five (or eight) flights per week in 2005, ten (or fourteen) flights per week in 2010 and fourteen (or eighteen) flights per week in 2025, the total spending per annum in the wider Bay of Plenty Region by **all** passengers using trans-Tasman flights is estimated at \$10.020 million in 2005 (or \$14.319 when a second destination is added), increasing to \$20.845 million by 2010 (or \$29.015 when a third destination is added) and \$37.939 to \$46.813 million by 2025 depending on the number of destinations (Table 38).

Table 38: Total Annual Spending of all passengers on trans-Tasman flights at Rotorua Airport, 2005 and 2010

	2005 (1 dest)	2005 (2 dest)	2010 (2 dest)	2010 (3 dest)	2025 (2 dest)	2025 (3 dest)
Flights per week	5	8	10	14	14	18
Total passengers per year	29,120	46,592	58,240	81,536	81,536	104,832
Domestic passengers per year	10,778	21,776	25,775	36,479	29,863	42,274
Domestic spend per year	\$ 1,142,468	\$ 2,308,256	\$ 3,118,775	\$ 4,413,959	\$ 4,300,272	\$ 6,087,456
International Passengers per year	18,342	24,816	32,465	45,057	51,673	62,558
International spend per year	\$ 8,877,528	\$ 12,010,944	\$ 17,725,890	\$ 24,601,122	\$ 33,639,123	\$ 40,725,258
Total spending per annum	\$ 10,019,996	\$ 14,319,200	\$ 20,844,665	\$ 29,015,081	\$ 37,939,395	\$ 46,812,714

Note: Based on Table 20 reworked from a regional perspective.

International visitors are assumed to spend the average Bay of Plenty regional overnight spend as per TRCNZ figures. Domestic visitors are assumed to spend the average domestic day spend for Rotorua.

Source: TRCNZ spending data, APR analysis

However not all of these passengers are additional, as many would have come to Rotorua using other means of transport.

The following table shows the overall **additional** economic impact of passenger spending of five (or eight) trans-Tasman flights into Rotorua per week in 2005 and 10 (or 14) trans-Tasman flights into Rotorua per week in 2010 and 14 (or 18) in 2025. We have also assumed in our analysis that those international visitors that would have come anyway will spend an extra day in the region (or Taupo) rather than spending it in transit to connections in areas outside the region. Given in effect a further day of sightseeing, it is likely this would be spent taking in further attractions, possibly at a distance to Rotorua.

Assuming 50% of the visitor numbers are additional to what would occur if there were no trans-Tasman flights into Rotorua Airport, the annual total impacts of on the wider regional economy in 2005 would be \$12.150-\$17.163 million in spending, \$5.206-\$7.353 million in value added to the regional economy, \$3.384-\$4.780 million in household income or 134.9-190.6 extra full-time equivalent employees. Under the same circumstances in 2010, but with increased flights to two or three destinations, the annual total impacts on the wider regional economy would be \$25.076-\$34.884 million in spending, \$10.744-\$14.946 million in added value to the regional economy, \$6.984-\$9.715 million in household income or 278.4-387.3 extra full-time equivalent employees. By 2025, assuming 14 to 18 flights per week, the annual total impacts on the wider regional economy would be \$46.008-\$56.536 million in spending, \$19.712-\$24.223 million in added value to the regional economy, \$12.813-\$15.745 million in household income or 510.8-627.7 extra full-time equivalent employees (Table 39).

Table 39: The Additional Impact of Passenger Spending on Spending, Value Added, Household Spending and Employment in the Regional Economy given five (or eight) flights per week in 2005, 10 (or 14) flights per week in 2010 and 14 (or 18) flights per week in 2025.

2005 - five flights, one destination				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2005				
Output / Spending (\$ 000)	\$ 4,945	\$ 6,395	\$ 7,845	\$ 10,020
Value-added (\$ 000)	\$ 2,013	\$ 2,603	\$ 3,193	\$ 4,078
Household income (\$ 000)	\$ 1,328	\$ 1,718	\$ 2,107	\$ 2,691
Employment (FTE)	55.8	72.1	88.5	113.0
Annual Total Impacts 2005				
Output / Spending (\$ 000)	\$ 9,395	\$ 12,150	\$ 14,905	\$ 19,038
Value-added (\$ 000)	\$ 4,025	\$ 5,206	\$ 6,386	\$ 8,157
Household income (\$ 000)	\$ 2,616	\$ 3,384	\$ 4,151	\$ 5,302
Employment (FTE)	104.3	134.9	165.5	211.4
2005 - 8 flights, two destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2005				
Output / Spending (\$ 000)	\$ 6,919	\$ 9,033	\$ 11,148	\$ 14,319
Value-added (\$ 000)	\$ 2,816	\$ 3,677	\$ 4,537	\$ 5,828
Household income (\$ 000)	\$ 1,858	\$ 2,426	\$ 2,994	\$ 3,846
Employment (FTE)	78.1	101.9	125.8	161.5
Annual Total Impacts 2005				
Output / Spending (\$ 000)	\$ 13,146	\$ 17,163	\$ 21,180	\$ 27,206
Value-added (\$ 000)	\$ 5,632	\$ 7,353	\$ 9,075	\$ 11,657
Household income (\$ 000)	\$ 3,661	\$ 4,780	\$ 5,899	\$ 7,577
Employment (FTE)	146.0	190.6	235.2	302.1
2010 - 10 flights two destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2010				
Output / Spending (\$ 000)	\$ 10,139	\$ 13,198	\$ 16,257	\$ 20,845
Value-added (\$ 000)	\$ 4,127	\$ 5,372	\$ 6,617	\$ 8,484
Household income (\$ 000)	\$ 2,723	\$ 3,545	\$ 4,366	\$ 5,599
Employment (FTE)	114.4	148.9	183.4	235.1
Annual Total Impacts 2010				
Output / Spending (\$ 000)	\$ 19,265	\$ 25,076	\$ 30,888	\$ 39,605
Value-added (\$ 000)	\$ 8,254	\$ 10,744	\$ 13,234	\$ 16,969
Household income (\$ 000)	\$ 5,365	\$ 6,984	\$ 8,602	\$ 11,030
Employment (FTE)	213.9	278.4	342.9	439.7
2010 - 14 flights three destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2010				
Output / Spending (\$ 000)	\$ 14,098	\$ 18,360	\$ 22,622	\$ 29,015
Value-added (\$ 000)	\$ 5,738	\$ 7,473	\$ 9,208	\$ 11,810
Household income (\$ 000)	\$ 3,787	\$ 4,931	\$ 6,076	\$ 7,793
Employment (FTE)	159.0	207.1	255.2	327.3
Annual Total Impacts 2010				
Output / Spending (\$ 000)	\$ 26,786	\$ 34,884	\$ 42,982	\$ 55,129
Value-added (\$ 000)	\$ 11,476	\$ 14,946	\$ 18,415	\$ 23,620
Household income (\$ 000)	\$ 7,460	\$ 9,715	\$ 11,970	\$ 15,353
Employment (FTE)	297.4	387.3	477.2	612.1

2025 - 14 flights, two destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2025				
Output / Spending (\$ 000)	\$ 18,725	\$ 24,215	\$ 29,704	\$ 37,939
Value-added (\$ 000)	\$ 7,621	\$ 9,856	\$ 12,090	\$ 15,442
Household income (\$ 000)	\$ 5,029	\$ 6,504	\$ 7,978	\$ 10,190
Employment (FTE)	211.2	273.2	335.1	428.0
Annual Total Impacts 2025				
Output / Spending (\$ 000)	\$ 35,577	\$ 46,008	\$ 56,438	\$ 72,085
Value-added (\$ 000)	\$ 15,243	\$ 19,712	\$ 24,181	\$ 30,885
Household income (\$ 000)	\$ 9,908	\$ 12,813	\$ 15,718	\$ 20,075
Employment (FTE)	395.0	510.8	626.6	800.3
2025 - 18 flights, three destinations				
Proportion of Impact assumed additional to current impact	30%	50%	70%	100%
Annual Direct impact 2025				
Output / Spending (\$ 000)	\$ 22,933	\$ 29,756	\$ 36,579	\$ 46,813
Value-added (\$ 000)	\$ 9,334	\$ 12,111	\$ 14,888	\$ 19,054
Household income (\$ 000)	\$ 6,160	\$ 7,992	\$ 9,825	\$ 12,574
Employment (FTE)	258.7	335.7	412.6	528.1
Annual Total Impacts 2025				
Output / Spending (\$ 000)	\$ 43,573	\$ 56,536	\$ 69,499	\$ 88,944
Value-added (\$ 000)	\$ 18,669	\$ 24,223	\$ 29,777	\$ 38,108
Household income (\$ 000)	\$ 12,135	\$ 15,745	\$ 19,355	\$ 24,770
Employment (FTE)	483.8	627.7	771.6	987.5

Note: Based on Table 21 reworked from a regional perspective.

In 2005, international visitors to the Bay of Plenty are assumed to spend \$484 per visit and others \$106 per visit, the TRCNZ average for international visitors (BOP) and domestic day visitors (Rotorua) respectively.

In 2010, international visitors to Rotorua are assumed to spend \$546 per visit and others \$121 per visit, the TRCNZ average for international visitors and domestic day visitors respectively.

In 2025, international visitors to Rotorua are assumed to spend \$651 per visit and others \$144 per visit.

International visitors who were not additional are now able to spend another day in the wider region, spending on average \$151, \$171 and \$203 in 2005, 2010 and 2025 respectively.

Source: TRC 2004, APR analysis

While the regional, as compared to district, direct impacts of the airport revenues will be unaltered (see Table 22), our wider regional analysis has assumed higher multipliers through less leakages at a regional level, so the total impact of this spending will increase in line with the calculations of Table 40.

Table 40: Regional Economic Impact of Service Costs for Flights

	2005		2010		2025	
Total Charges/Tax per Flight	\$4,666	\$4,666	\$4,666	\$4,666	\$4,667	\$4,667
Total Flights Per Year 1 dest	260					
Total Flights Per Year 2 dest		416	520		728	
Total Flights Per Year 3 dest				728		936
Total Annual charges	\$1,213,153	\$1,941,044	\$2,426,305	\$3,396,828	\$3,397,556	\$4,368,286
Annual Direct impact						
Output / Spending	\$ 1,213,153	\$ 1,941,044	\$ 2,426,305	\$ 3,396,828	\$ 3,397,556	\$ 4,368,286
Value-added	\$ 493,088	\$ 788,941	\$ 986,176	\$ 1,380,646	\$ 1,380,942	\$ 1,775,497
Household income	\$ 324,812	\$ 519,699	\$ 649,624	\$ 909,473	\$ 909,668	\$ 1,169,573
Employment (FTE)	13.7	21.9	27.4	38.4	38.4	49.3
Annual Total Impacts						
Output / Spending	\$ 2,304,990	\$ 3,687,984	\$ 4,609,980	\$ 6,453,972	\$ 6,455,356	\$ 8,299,743
Value-added	\$ 986,176	\$ 1,577,881	\$ 1,972,351	\$ 2,761,292	\$ 2,761,884	\$ 3,550,994
Household income	\$ 639,879	\$ 1,023,807	\$ 1,279,759	\$ 1,791,662	\$ 1,792,046	\$ 2,304,059
Employment (FTE)	25.6	41.0	51.2	71.7	71.7	92.2

Note: Based on Table 21 reworked from a regional perspective.

Table 41 summarises the total **regional** impact of both additional visitor spending and the extra revenues generated by the airport itself (see Table 23 for a district level comparison).

The total impact of trans-Tasman flights into Rotorua will depend on the number of flights, the number of destinations and the proportion of the economic activity that is considered to be additional to the current level. Alternative scenarios have been developed taking into account the differing number of flights (depending on the number of destinations serviced), and the proportion of the passengers assumed to be additional to those that would have come to Rotorua anyway even if there was no international airport.

In 2005, assuming that 30% to 50% of the economic activity is considered additional, we would estimate an increase in annual total output of \$11.700-\$20.851 million, which equates to \$5.006-\$8.921 million of value added to the wider regional economy, increased household income of \$3.248-\$5.788 million or 130.0-231.7 extra full-time equivalent employees.

In 2010, allowing for Rotorua having 10 to 14 direct trans-Tasman flights per week to two or three destinations in Australia (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$23.874-\$41.338 million, which is equivalent to \$10.214-\$17.686 million in value added to the wider regional economy, increased household spending of \$6.628-\$11.476 million or 265.3 to 459.3 extra full-time equivalent employees.

In 2025, allowing for Rotorua having 14 to 18 direct trans-Tasman flights per week to two or three destinations (assuming 30% to 50% of the economic activity is additional), total additional output is estimated at \$42.033-\$64.836 million, which is equivalent to \$17.983-\$27.740 million in value added to the wider regional economy, increased household spending of \$11.669-\$17.999 million or 467.1-720.5 extra full-time equivalent employees.

Table 41: Total Additional Economic Impact on the Regional Economy of Five to Eight Flights per Week in 2005, Ten to Fourteen Flights per Week in 2010 and Fourteen to Eighteen Flights per Week in 2025

	2005		2010		2025	
Assuming 50% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 7,608	\$ 10,974	\$ 15,624	\$ 21,757	\$ 27,613	\$ 34,124
Value-added (\$ 000)	\$ 3,092	\$ 4,460	\$ 6,351	\$ 8,843	\$ 11,223	\$ 13,870
Household income (\$ 000)	\$ 2,037	\$ 2,938	\$ 4,183	\$ 5,825	\$ 7,393	\$ 9,137
Employment (FTE)	85.9	123.9	176.4	245.6	311.8	385.3
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 14,455	\$ 20,851	\$ 29,686	\$ 41,338	\$ 52,464	\$ 64,836
Value-added (\$ 000)	\$ 6,185	\$ 8,921	\$ 12,701	\$ 17,686	\$ 22,446	\$ 27,740
Household income (\$ 000)	\$ 4,013	\$ 5,788	\$ 8,241	\$ 11,476	\$ 14,564	\$ 17,999
Employment (FTE)	160.6	231.7	329.9	459.3	583.0	720.5
Assuming 30% of passengers additional						
	5 flights (1 dest)	8 flights (2 dest)	10 flights (2 dest)	14 flights (3 dest)	14 flights (2 dest)	18 flights (3 dest)
Annual Direct impact						
Output / Spending (\$ 000)	\$ 6,158	\$ 8,860	\$ 12,565	\$ 17,495	\$ 22,123	\$ 27,301
Value-added (\$ 000)	\$ 2,503	\$ 3,601	\$ 5,107	\$ 7,111	\$ 8,992	\$ 11,097
Household income (\$ 000)	\$ 1,649	\$ 2,372	\$ 3,364	\$ 4,684	\$ 5,923	\$ 7,310
Employment (FTE)	69.5	100.0	141.9	197.5	249.8	308.2
Annual Total Impacts						
Output / Spending (\$ 000)	\$ 11,700	\$ 16,834	\$ 23,874	\$ 33,240	\$ 42,033	\$ 51,872
Value-added (\$ 000)	\$ 5,006	\$ 7,202	\$ 10,214	\$ 14,222	\$ 17,983	\$ 22,193
Household income (\$ 000)	\$ 3,248	\$ 4,673	\$ 6,628	\$ 9,228	\$ 11,669	\$ 14,400
Employment (FTE)	130.0	187.1	265.3	369.4	467.1	576.4

Source: Rotorua Regional Airport Limited, TRC 2004, APR analysis.

Note: Based on Table 21 reworked from a regional perspective.

Fuel costs not included.

In 2005, international visitors to Bay of Plenty are assumed to spend \$484 per visit and others \$106 per visit, the TRCNZ average for international visitors(BOP) and domestic day visitors(Rotorua) respectively.

In 2010, international visitors to Rotorua are assumed to spend \$546 per visit and others \$121 per visit, the TRCNZ averages as above.

In 2025, international visitors to Bay of Plenty are assumed to spend \$651 per visit and others \$144 per visit.

Employment estimates may be up to 30% too high based on TRC spending to employment estimates.

For this analysis spending by 30% to 50% of passengers and 100% of the airport revenue summarised in Table 22 is assumed to be additional spending. The balance of international passengers who would have come anyway are assumed to spend another day in the wider region rather than in transit to connections outside the area.

Important Disclaimer

This report was prepared for the Rotorua District Council. The contents of this report are necessarily forecast based and provides APR Consultants' best estimates, based on Statistics New Zealand and Tourism Research Council of New Zealand forecasts and statistics available at the time of publication.

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