

**CENTRAL OTAGO ECONOMIC
DEVELOPMENT ADVISORY GROUP**

DISCUSSION PAPER

**CENTRAL OTAGO IN 2010 AND 2020:
SCENARIOS, ISSUES AND
RECOMMENDATIONS**

October 2002

Contents

1. Purpose of the exercise	3
2. Scene-setting	3
3. Central Otago in 2010 and 2020	4
• 2010 scenario	5
• 2020 scenario	8
4. Common themes and issues	10
5. Draft recommendations	13

1. Purpose of the exercise

This paper arose out of a series of three workshops convened by the Central Otago Economic Development Advisory Group over the period July to October 2002.

The purpose of the workshops was to sketch a picture of Central Otago in 2010 and 2020. This, in turn, would enable judgements to be made about the possible social and economic impacts of continued strong growth, as well as likely skill and resource requirements. It would also help identify potential community issues that could affect the Central Otago quality of life.

The envisioning workshop approach was seen as particularly useful in a planning and strategy formulation context because:

- it would provide an insight to the possible future shape of the Central Otago economy;
- it would help identify major trends relevant to the Central Otago economy; and
- the positive and negative aspects of the Central Otago of the future could be more readily identified, and appropriate promotional and mitigating strategies defined and recommended to the Council's Economic Development Committee.

2. Scene-setting

After a decade of low growth and declining population, Central Otago is showing strong signs of sustained growth. The growth is being driven mainly by:

- higher farm incomes over the last three seasons which have generated correspondingly high levels of on-farm investment;
- record levels of investment in winegrowing and cherries;
- strong consumer spending (which, in turn, has been driven by high farm incomes), and
- the economic stimulus arising from strong growth in Queenstown and Wanaka.

This surge in economic growth is manifested by:

- rising employment and declining unemployment rates;
- new arrivals in Central Otago balancing departures (previously there has been a net outflow of people);
- record levels of building permits issued by the CODC (by value and number); and
- rising rental and house prices.

The only significant negative factors at this stage are:

- a continued slow decline in Central Otago's population;
- an aging population with a disproportionate number of people aged over 65 (compared with the national average), and a continued loss of people in the 20 - 40 years age group;
- acute shortages of skilled labour, especially in the horticulture and building and contracting industries;
- an emerging shortage of housing stock, especially in Cromwell and Alexandra;
- a serious shortage of accommodation for seasonal fruit pickers; and
- poor rural telecommunications networks that limit the gains to be made from the internet.

3. Central Otago in 2010 and 2020

With these factors in mind the advisory group attempted to build a picture of what Central Otago would look like in 2010 and 2020, respectively. The resulting scenarios are not based on any formal forecasting methodology OR analysis; rather they represent a series of imaginative guesses that reflect present trends, together with some group views of what continued economic growth in Central Otago might yield. The view is unabashedly pro-growth and does not attempt to put forward a 'green' or low-growth alternative. The ideas in the paper have been put forward to promote discussion and do not necessarily represent the view of all members of the advisory group.

2010 scenario

- Central Otago will have 15 percent more population than at present (up to 17,000) with the bulk of the growth in Cromwell and, to a lesser extent, Alexandra. Some 150 new jobs will be created annually.
- Central Otago will be confirmed as the premier ‘new world’ pinot noir-producing region in the world. Seven new wineries (two of which will be situated between Clyde and Omakau) will be producing world-class wines.
- There will be a sizeable community of ‘expatriate’ business investors living in Central Otago and managing/owning businesses outside the region. This will have been made possible by the major telecommunications (broadbanding) upgrade carried out across Central Otago in 2003.
- Luxury houses and larger building lots will be much more in evidence. The success of the Old Golf Course subdivision in Alexandra will have provided a major impetus to this trend. Most of the new building lots will have been purchased by new arrivals (including returning ‘Central exiles’) to Central Otago.
- Lake Dunstan will be regarded and maintained as a prime recreational amenity. Lakeside facilities will be upgraded, including the construction of several new beaches and a mountain bike track around the Cromwell Gorge part of the lake. In addition, two housing subdivisions overlooking Lake Dunstan will have been created.
- Total economic integration of Queenstown, Wanaka and Cromwell will have been achieved (this area will be known locally as the ‘golden triangle’).
- Maternity services will have been restored to Dunstan and Maniototo hospitals. Outpatient services will be paid for by a full cost-recovery regime on all sports-related injuries. Dunstan Hospital will have been extended again following the major upgrade and building programme carried out in 2003.
- A new private hospital will have been established in Alexandra capable of meeting the increased demands of the two new retirement communities (The Pines and Mountainview).
- The Roxburgh health camp will have evolved into a specialist institution aimed at interventionist family care and retreat facilities. This facility will be carrying out groundbreaking work and attracting international attention.

- The QLDC and CODC will have been amalgamated (into the Central-Lakes District Council) with its new headquarters in Cromwell. The new building will have won a major architectural award.
- New industries based on the servicing of horticulture, tourism, education and care of the elderly, will have been established in Alexandra. Two hundred new jobs will have been created as a result.
- A national shortage of electricity, and sharply increased electricity prices, will render the proximity of the Clyde generating facility a prime competitive strength for Central Otago industry. Contact Energy will encourage energy-intensive industries to locate close to the dam so that they can be supplied direct (via their own power lines) on a long term contract basis aimed at keeping electricity prices as low and stable as possible.
- A new small-scale cheese factory will have been built at Patearoa. Other major Maniototo developments will include the new curling lodge at Naseby and the establishment of a furniture components plant alongside the present Naseby forest sawmill.
- Several new food processing industries will have been established near Roxburgh. These will be based on new freeze drying techniques that preserve the fresh fruit character of the processed product. The present Roxdale plant will have developed several new high-tech food products aimed specifically at the Japanese market.
- Forestry will be a major new growth area in the Teviot Valley. The main varieties grown will be Douglas fir and pinus radiata.
- A small, but very profitable, specialist cheese factory will have commenced operations in Ettrick.
- The skilled labour recruitment strategy implemented in 2002 will have resulted in several hundred new people making their home in Central Otago. The ethnic mix arising from the new arrivals will add considerably to the variety of new restaurants in Alexandra and Cromwell.
- Apprenticeship schemes – with particular emphasis on horticulture, the building and transport industries - will again be an integral part of the occupational training scene. The Otago Polytechnic will offer much of the formal classroom instruction. Tuition costs will be partially paid for by local businesses which have been largely responsible for the rejuvenation and promotion of the apprenticeship scheme in Central Otago.

- The process for transferring appropriate parcels of high country crown lease land to the DOC estate will have been completed. Several new tourism businesses, supported by DOC and Ngai Tahu, and based on access to the high country will have been established.
- In addition, a good proportion of current grazing land will have been retired or used for other purposes. Multiple land-use strategies will be the norm in Central Otago. Valley floor use will be given over to horticulture, feed and specialist crops and livestock finishing.
- A new snow-farm facility for winter testing of new vehicles and tyres will have been established close to St Bathans (on the St Bathans – Omarama road). A substantial base facility will be situated close to St Bathans.
- Construction of one major new irrigation scheme in the lower Manuherikia Valley will have been commenced. This is expected to produce a further 2,000ha of new arable land. It is expected that the greater proportion of this land will be planted in grapes.
- Foreign tourists (especially Chinese interested in their gold-mining heritage) will be much more in evidence in Central Otago, with a commensurate rise in the number of tourism related businesses. Cromwell will be the centre of this tourism growth, given its situation on the main bus route from Christchurch to Queenstown. Cromwell’s emergence as a new destination (and the base of the famous Nevis and Lake Dunstan mountain bike trails) will encourage the flow of tourists into the Manuherikia Valley.
- In addition to the recently expanded Stadium Tavern and Conference Centre there will be one new hotel in Alexandra (the ‘New Bendigo’). This will be situated next to the golf course. In addition, several new, purpose-built accommodation facilities to meet the demands of the rail trail will have been built.
- Markedly improved telecommunications facilities will support innovative entrepreneurs managing businesses within, and out of, Central Otago. Among these businesses will be several servicing rapidly growing export markets.
- The district’s high schools and REAP will have grown significantly, with a wider range of subjects on offer, and many more foreign students in evidence. Courses based on leisure education and re-education of semi-retired ‘baby boomers’ will be particularly popular. Business relationships with a number of Queenstown-based language schools will have been concluded.

- Retention rates of young people will be higher because of the greatly improved career development and training prospects available locally, and because Central Otago will be seen by younger people as an attractive place to live.
- The Otago Polytechnic campus in Cromwell will be significantly expanded with world-class hospitality, horticulture and oenological training and research facilities. In addition, the polytechnic will have established a popular and highly regarded visual arts and photography school.
- Otago University will open a limited course campus between Alexandra and Clyde close to Dunstan hospital. This will be known as the 'Dunstan campus' and will offer undergraduate courses in arts, tourism and agricultural science.
- There will be a much greater emphasis on heritage issues and heritage tourism. The old bridge at Alexandra will have been restored as a pedestrian/cycle bridge linking the rail trail with the Millennium Track to Clyde.
- Goldfield heritage-based tourism will be given a big impetus with the commissioning of a working replica gold dredge operating between Clyde and Earnsclough and the very successful new museum and cultural centre in Alexandra.
- A new mountain bike track will link Clyde with Bannockburn/Cromwell (linking the Cairnmuir and power line tracks). A network of new mountain bike tracks will be planned.
- Alexandra airport will be capable of taking Boeing 737 aircraft (or similar) with chilled freight facilities. Private commuter aircraft will be a common sight. During winter, there will be weekly ski charter flights from Australia.

2020 scenario

An extrapolation of the items described above, together with a degree of guesswork and imagination, makes following scenario reasonably credible.

- Central Otago will have double its present population (about 30,000). Cromwell, with a population of about 18,000, will be about twice the size of Alexandra. Some 200 new jobs a year will be generated.

- Central Otago will support a much wider business base, including ‘knowledge-based’ industries such as film and video animation, horticulture management software, and a world-class horticulture research facility.
- The extra penstock on the Clyde dam will have been brought into use with a consequent 20% increase in generating capacity to meet the demands of several, high tech industries situated just downstream from the dam. The hydroelectric power shortage identified back in 2002 will have given Central Otago industry a strong competitive advantage (because of its close proximity to the Clyde Dam generating facility). New Central Otago industries will tend to be energy intensive and environmentally friendly.
- Further advances in irrigation technology and efficiency, and the discovery of new groundwater sources, will result in 25% more horticultural land being brought into production than at present. The area of land given over to old-style pastoral farming will continue to decline and will have practically disappeared from the valley floors. The trend established in the early 2000s for valley floors to be used mainly for intensive livestock finishing and specialist crops will be well established.
- The lower Manuherikia Valley will rival Cromwell/Bannockburn in terms of area planted in grapes. Several large wineries will be a feature of the landscape. Omakau will be a significant vineyard-servicing centre.
- Both Alexandra and Cromwell will have traffic lights and parking meters. The Conroys Gully bypass route will have been upgraded again.
- Unfortunately, petty crime will be more in evidence in Alexandra and Cromwell. The police establishment in both centres will have been expanded again.
- Alexandra and Cromwell will have several luxury housing developments, with more developments on the drawing board. The new Galloway planned community and township will be regarded as a model of its type.
- Alexandra will have the largest and best-equipped retirement communities in New Zealand, with medical, educational and leisure facilities to match. These will be ‘balanced’ communities where there is a good age spread and care has been taken not to isolate retirees from the rest of the community.
- Alexandra’s Tarbert Street, Clyde’s Sunderland Street, and Ophir, Naseby and St Bathans will be fully protected townscape heritage areas with all significant old buildings restored to heritage standards. Tarbert Street between Rivers Road and the war memorial will be a pedestrian mall.

- Tourism will be a major industry. A feasibility study into the establishment of a ski field on the Dunstan Range will have been completed. Nordic ski facilities in the basin between the Old Man and Old Woman Ranges will have been extended and the access road improved. Clyde's future as a ski-field and mountain biking town looks assured.
- The Central Otago Rail Trail will be linked with the Millennium Trail (Millers Flat to Beaumont). Roxburgh will have two more purpose-built backpacking lodges catering to trail bikers.
- An additional 200-room hotel with conference facilities will be opened in Cromwell.
- Additional high schools will be established in Cromwell and Alexandra. Alexandra will have a new, residential English language academy with a roll of 200 overseas students.
- Otago University will extend its Dunstan campus with the addition of courses in hydrology and microbiology.
- Scheduled feeder air services between Alexandra, Dunedin, Christchurch and Queenstown will have been established.
- The St Bathans/Omarama road will have been upgraded, making access to the Central Otago Rail Trail easier. Tour buses will be a common sight between St Bathans and Alexandra.

4. Common themes and issues

While some elements of the scenarios outlined above may appear a bit fanciful, the overall picture for 2010 and 2020 is entirely credible (notwithstanding the fact that the 'developments' described may not be supported by all).

In this context we need to acknowledge the influence that new arrivals (and Central Otago returnees) will have on the Central Otago economy and way of life. However, in the short term it is clear that if Central Otago is to attract more people, and develop broadly along the lines described, the following issues will need to be addressed.

- The present District Plan will probably need revisiting to ensure that the Council can facilitate and accommodate the pace and scope of anticipated economic growth, and avoid being in the situation of reacting to proposals that are increasingly at odds with a static and prescriptive plan. The District Plan will also need to be sufficiently flexible to accommodate likely

urban/rural tensions and to protect existing rural industries in the face of increasing demands for rural-residential housing land. The District Plan will also need to place a much greater emphasis on the preservation and accessibility of the district's heritage sites.

- In this context, the CODC's role will be to provide a business-friendly and business-facilitative environment, and to plan well ahead in terms of making land available for industrial, community, residential and agricultural purposes. Resource consent and planning processes may also need to be reviewed and streamlined where possible.
- The attraction and retention of skilled labour will likely be the most pressing issue over the next two decades. Without access to this resource, Central Otago's growth will be severely constrained. It is doubtful whether skilled labour, in the numbers required, is available in New Zealand. The work of the recently formed Central Employment Trust will be crucial in this respect.
- Provision of local education and training will become increasingly important to the Central Otago economy. Efforts by current providers to develop new curricula should be encouraged and supported by whatever means possible. Similarly, new apprenticeship schemes should be promoted as a matter of priority.
- The amount of industrial land available to new businesses (Alexandra and Cromwell) and residential land will also need to be significantly extended. This is already a constraint on growth.
- Electricity supplies – and prices - for industrial purposes will become increasingly critical as national demand continues to outstrip existing and planned generating capacity. Contact Energy's Clyde generating facility should be regarded positively, and as a strategic resource of renewable energy, rather than just a possible source of flood risk.
- A greater variety of housing and building sections will need to be made available. While there will always be a demand for basic housing, there is an emerging demand for properties in the \$500k - \$1 million bracket. Housing standards and styles typical of the Wakatipu Basin (rural residential zoning) will become more common around Alexandra/Clyde, Cromwell/Bannockburn and possibly Naseby.
- Regional hospital facilities will need to be significantly expanded, especially if wealthy retired and near retired people are to be attracted to the area. As well as making increasing demands on the public health system, higher expectations of health services may well mean the development of

some private hospital facilities, most likely as part of retirement community developments.

- Current telecommunications facilities will need substantial upgrading if Central Otago businesses (rural and town-based) are to realise the benefits of the internet and new communications technology. This is a priority issue. We may need to follow Southland's example and initiate our own solution rather than waiting for the government or current providers to improve the network.
- Substantial amounts of capital will be needed to fund new irrigation schemes if the projected expansion of irrigated horticulture land is to happen. In this context it is axiomatic that new irrigation schemes will incorporate new technology. Flood irrigation will be confined to existing schemes. Even existing schemes will be under pressure to make a more efficient use of water and accommodate likely mandated low-flow regimes.
- A significant improvement in civic amenities (e.g. better hospital facilities, movie theatres, wider range of shopping facilities, more varied dining facilities, better sporting amenities and a wider range of accommodation facilities) will be required over the next decade or so. While this can be expected to happen naturally as population grows, the present level of facilities may prove a short-term barrier to attracting new people if they feel that, in moving to Central Otago, they are sacrificing a level of amenity that is important to their lifestyle.
- While Central Otago's roads are the envy of many (mainly because of their low traffic volumes), improvements will be required over the next 10 years as the traffic volumes – especially trucks and buses – grows. Priority areas are the Kawarau Gorge, State Highway 8 between Roxburgh and Alexandra and the Conroys Gully road. Ultimately, the upgrading of roads such as Thompson's Track and the Nevis Valley road, and the construction of new roads (e.g. St Bathans to Omarama) will also be required to enable Central Otago to realise its full tourism potential.
- In the context of a regional transport network, the potential to develop Alexandra's airport – either as a backup to Queenstown airport or as a feeder and airfreight hub, should be actively pursued.
- Ngai Tahu is now a significant player in regional economic development and their input should be routinely sought when considering the issues described above.

5. Draft recommendations

The following recommendations are put forward for consideration.

1. This paper is presented to a joint meeting of the advisory group and Council's Economic Development Committee for discussion and comment, after which the issues raised would be open for public comment and input.
2. That subsequent effort on the part of the Council, Economic Development Committee and Economic Development Advisory Group be directed to:
 - revising the District Plan to reflect the strategic priorities identified by the advisory group, accommodating the anticipated economic growth in the district, preserving the district's heritage and enabling emerging urban/rural industry tensions to be resolved;
 - amending, where necessary, the Council's planning and compliance processes and procedures so as to facilitate economic growth in the desired direction and enhance the Council's reputation as 'business friendly';
 - involving education and training providers in the economic development and planning process and supporting their efforts to develop new courses aimed at meeting projected educational and vocational training needs;
 - reaffirming the importance of attracting new skills and resources to Central Otago, gaining an understanding of what brings new people to the district and framing an appropriate inward migration strategy. Such a strategy should include the provision of new arrival information pack and some appropriate supporting services;
 - assessing the need for land for industrial and housing needs and initiating the planning and administrative processes required. In this context, Ngai Tahu and local iwi will be increasingly important partners and stakeholders;
 - involving Contact Energy in the district's strategising and planning processes with a view to taking advantage of Contact Energy's local generating capacity and potential contribution to the district's economic growth.
 - supporting and encouraging the development of regional medical services (particularly Dunstan hospital) in whatever appropriate manner.

At the least, this would involve dialogue with the Otago Health Board and the Central Otago Health Trust with a view to achieving a common understanding of the region's health services needs;

- supporting the telecommunications broadbanding initiatives currently being carried out under the aegis of the Otago Regional Economic Development Board and the Ministry of Education (Project Probe), as well as investigating the scope for a local solution (the Southland model);
- encouraging new irrigation proposals and finding the optimal technology, engineering, business and funding model for Central Otago. Current proposals in North Otago and South Canterbury could provide useful models for Central Otago; and
- initiating a regional transport strategy that would identify the district's future roads needs. This would cover the upgrading of some existing roads and the development of possible new tourist routes. The future role of Alexandra airport could also be assessed as part of this exercise. Dialogue with Transit New Zealand would be an integral part of this process.