

# Review of the Tourism Aspects of the Fiordland Link Experience Project Application

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## Executive Summary

### Introduction

This report reviews the tourism material associated with the Fiordland Link Experience being submitted for consent to the Department of Conservation by Riverstone Holdings Limited.

This report reviews the tourism information and assumptions in two documents submitted with the application. The first is a tourism assessment report completed in October 2009, and the second is the Business Plan completed in October 2013. Other information reviewed includes the Concession Application Overview prepared in November 2009.

### Key Findings

A review of the tourism information associated with the application indicates that the proposal is based on assumptions that may have been valid in 2008 but now require revision in the light of actual visitor arrivals and travel patterns that have been identified since this time.

The reports suffer from assumptions about visitor numbers and trends made in 2007 to 2009 that have not resulted in the intervening years. As a consequence many of the assumptions and information about visitor numbers and trends are overstated. Future forecasts to 2022, the length of the business case forecasts, are therefore also overestimated.

The tourism assessment report presents a comprehensive view of the implications of the project from a commercial and social perspective. No environmental aspects are considered as these are reported elsewhere in the application. The report covers many commercial issues but does not address the competition implications of the proposal. As a result the report presents a somewhat optimistic view of the benefits of the proposal. For example, the report indicates that much of the projected visitor numbers will be achieved by capturing market share in the existing market. The report carries out an assessment of the employment consequences of the project without addressing the potential loss of employment from competitors. As a result a number of the benefits appear to be overstated.

The Business case, while presented in October 2013 draws on material and makes assumptions that date from 2009 and earlier. The result is that the assumptions are optimistic in the 2014 tourism market. Optimistic assumptions are made about the achievable ticket price, revenue increases, start-up time and the overall size of the market that might utilise the Fiordland Link Experience.

## **Recommendations**

It is recommended that the Tourism Assessment report be updated to include current visitor arrivals information and the consequent effects on future visitor forecasts to the Queenstown and Fiordland regions. A revision of the likely visitation to Milford is also warranted. A review of the benefits of the proposal taking into account a more comprehensive view of the consequences of competitor behaviour is also warranted.

The business case requires substantial updating of the assumptions using the latest information about visitor numbers and their willingness to pay. Specifically revision of the following assumptions in the business case is required:

- Market size of visitors to Milford Sound
- Growth rate of the visitor market to Milford Sound
- Travel modes of visitors to Milford Sound (relative proportions of self-drive vs coach)
- Departure point of visitors to Milford Sound
- Achievable market share able to be captured by the Fiordland Link Experience
- Product pricing and increases over time
- Start-up timing and visitor numbers over the initial phase of product operation
- Ability of the product to operate 360 days per year.