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12 September 2014

Our Ref: 6968

Queenstown Lakes District Council
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QUEENSTOWN

Attention: Matthew Paetz

Dear Matthew

**RE: PLAN CHANGE 50 – TOWN CENTRE EXTENSION – MCDERMOTT
ECONOMIC REPORT**

Please find attached a further report to be included in the Plan Change 50 documentation, which we understand will be notified shortly by Council. The report addresses the merits or justification of the plan change from an economic perspective and was prepared by Phil McDermott of McDermott Consultants Limited.

Please contact us should you have any queries.

Yours sincerely,

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The Case for Zoning Additional Commercial Space in Queenstown Town Centre

Report to Queenstown Lakes District Council

McDermott Consultants Ltd

in association with

Insight Economics Ltd

12 September 2014

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Summary

The objective of this study was to confirm (or otherwise) the rationale for expanding Queenstown Town Centre (QTC) as provided for under Proposed Plan Change 50 despite significant surplus land zoned for commercial purposes in the Frankton area on the north eastern edge of the town. It examined whether functional differences between these two areas are sufficient to justify planning for the expansion of QTC regardless of commercial land capacity available in Frankton. It is based on analysis of employment, demographic, accommodation, and building consent data covering the period 2006 to 2013.

While each centre is heavily dependent on consumer oriented services (58% of employees in QTC and surrounding commercial areas and 39% in Frankton) there are significant differences among them. QTC and surrounds (“central Queenstown”) have an emphasis on business services, while Frankton still has a significant industrial base (manufacturing, construction, transport and storage).

Retailing in Frankton has been growing more rapidly than elsewhere. This is based mainly on large format stores and household goods categories, in contrast with the town centre where the retail emphasis is on personal goods categories, including clothing and footwear.

QTC accounted for 52% of business services in 2013 and the balance of the central area for 24%, compared with Frankton’s 13% share. What business services there are in Frankton are be oriented towards industrial uses or general administrative services. QTC is marked by professional (legal and accounting), financial, and employment services, and computer and communications activities.

It can be concluded that the centres fulfil different functions. Frankton remains the focus of light industry and is developing as a significant shopping centre in its own right with an emphasis on goods and services for households. QTC and the rest of central Queenstown still dominate total retail figures, but with a greater emphasis on sales of goods and services to individuals and on service employment which has a district-wide orientation.

The mix of occupations that can be established from the 2013 census generally supports this differentiation. The majority of managers and professional are located in QTC and surrounds, while more machinery operators and drivers work in in Frankton. Sales and clerical workers are a little more evenly split although still favour the centre. Frankton operates essentially as a large suburban or small subregional shopping precinct while QTC provides specialist services to a wider catchment.

Even more significant than differences based on sectors and occupations is the concentration of tourism-oriented activities in QTC. These include cafes and restaurants, specialist retailing, and tourism activity generally. This role – with Queenstown at the heart of regional if not South Island tourism – is highly distinctive, and the quality of the town centre plays an important part in securing this role. This is evident in the concentration of accommodation in and around the town centre.

The different roles of Frankton and the town centre mean that Plan Change 50 has integrity regardless of the current state of commercial land supply in Frankton. There is substantially more economic activity in and around QTC. It is more diverse and more focused on the visitor facilities and services which underpin Queenstown’s growth. It also remains the centre of high order business and community services.

A slow-down in tourism growth may reflect the difficulty of expanding in the centre over the past few years (as well as the impact of the GFC on arrival numbers). Increasing capacity in the QTC Plan Change 50 should lift confidence and investment in QTC and provide a platform for continuing growth in tourism generally. In this way it should help to secure the long-term residential growth necessary to sustain retailing and associated commercial investment in Frankton.

1. Background

McDermott Miller Strategies (MMS) reviewed the supply of business land in Queenstown Lakes District¹ (QLDC) and concluded that the outcome of recent planning practice in a strong growth environment has been:

“an oversupply of commercial and retail zoned land on the basis of a relatively dispersed pattern, particularly in the Frankton area, which may threaten the vitality of the Queenstown town centre by competing for the type of top-end activities which provide the underpinning of the District’s economic wellbeing” (p.104).

A Peer Review² endorsed the approach adopted by MMS to estimating business supply and demand prospects, but suggested that the proposed response to oversupply – *“managing the District’s centres on the basis of a hierarchical policy”* – could be modified to a simple centres-based policy which would *“treat each centre on its own merits with respect to its current and possible future functions”*. Among other things, *“this would highlight the district-wide role played by Queenstown town centre and its national significance as the heart of the alpine and adventure tourism product in New Zealand”* (p.i). This role was emphasised in the MMS report which demonstrated the significance of a strong tourism sector by projecting alternative rates of tourism development and associated employment growth.

MMS also identified the limited capacity of the town centre for further development as a constraint on tourism and economic development. Different approaches were identified for *“regaining a high-growth path”* in QLDC. Among these:

“The first involves focusing development on the industry in which the District has a clear competitive advantage – tourism. The tourism product would be intensified and new products (eg conference centres) would be concentrated in and around first Queenstown Town Centre and later Wanaka Town Centre” (p.64).

Consequently, QLDC has prepared a Plan Change (Proposed Plan Change 50) to rezone around 13.2 hectares, comprising the sum of the Lakeview site and adjoining Isle St and Brecon Rd sites on the north-western side of the CBD. The Proposed Plan Change is justified as follows:

The Queenstown economy is based around tourism, and the Queenstown town centre is widely acknowledged to be the key tourist centre of the District. It contains the majority of commercial accommodation facilities, restaurants, cafes and bars, casinos, major tourist attractions such as the Skyline Gondola and the “Earnslaw” steamer with strong connections to other principal tourist attractions of the District’s ski-fields, golf courses, internationally recognised scenic walks and cycle tracks.

....

Queenstown town centre is also the administrative centre of the District, containing the headquarters of the Queenstown Lakes District Council, the District

¹ McDermott Miller (November 2013) *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* Report to Queenstown Lakes District Council

² McDermott Consultants (January 2014) *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* Peer Review undertaken for Queenstown Lakes District Council

Court, Queenstown Police Station, primary and tertiary education schools and a range of other central and local government activities and agencies. It is also the commercial centre of the District where the majority of professional services (legal, accounting, insurance etc) are located, as well as most of the District's commercial and retail businesses. It is the largest centre of employment in the District. It is therefore an important centre for the local residents of Queenstown and its surrounds, and the distinctive feature of Queenstown is its walkability, both for visitors and residents" (p.ii).

With land in the town centre “*at or near capacity*” the Council has some concern that the existence of vacant business zoned land in the Frankton area is a threat to the town centre and consequently to tourism prospects, among other things. The grounds for this concern include the risk that more favourable conditions for investment in Frankton will attract retailing from the town centre and that this will prejudice its development, thereby undermining the tourism offering in the town. Conversely, it might be argued that the existence of surplus commercial land in Frankton means that there is no need to extend the town centre.

Consequently, the analysis reported here was commissioned to examine the proposition that the two centres – the town centre and the centres making up Frankton – can be differentiated in functional terms and are subject to different drivers of growth. If this is the case – and the analysis indicates that it is – the notion that land in Frankton can simply be substituted for land in the centre of Queenstown does not hold up and the extension of the town centre in the face of an apparent surplus of commercial land in and around Frankton can be justified.

2. Objective

The analysis reported here was undertaken to confirm (or otherwise) the rationale for expanding Queenstown Town Centre (QTC) through proposed Plan Change 50 by describing in some detail the functional differences between it and Frankton and to assess whether these are sufficient to justify treating their development independently.

3. Data and Definitions

Spatial Definition

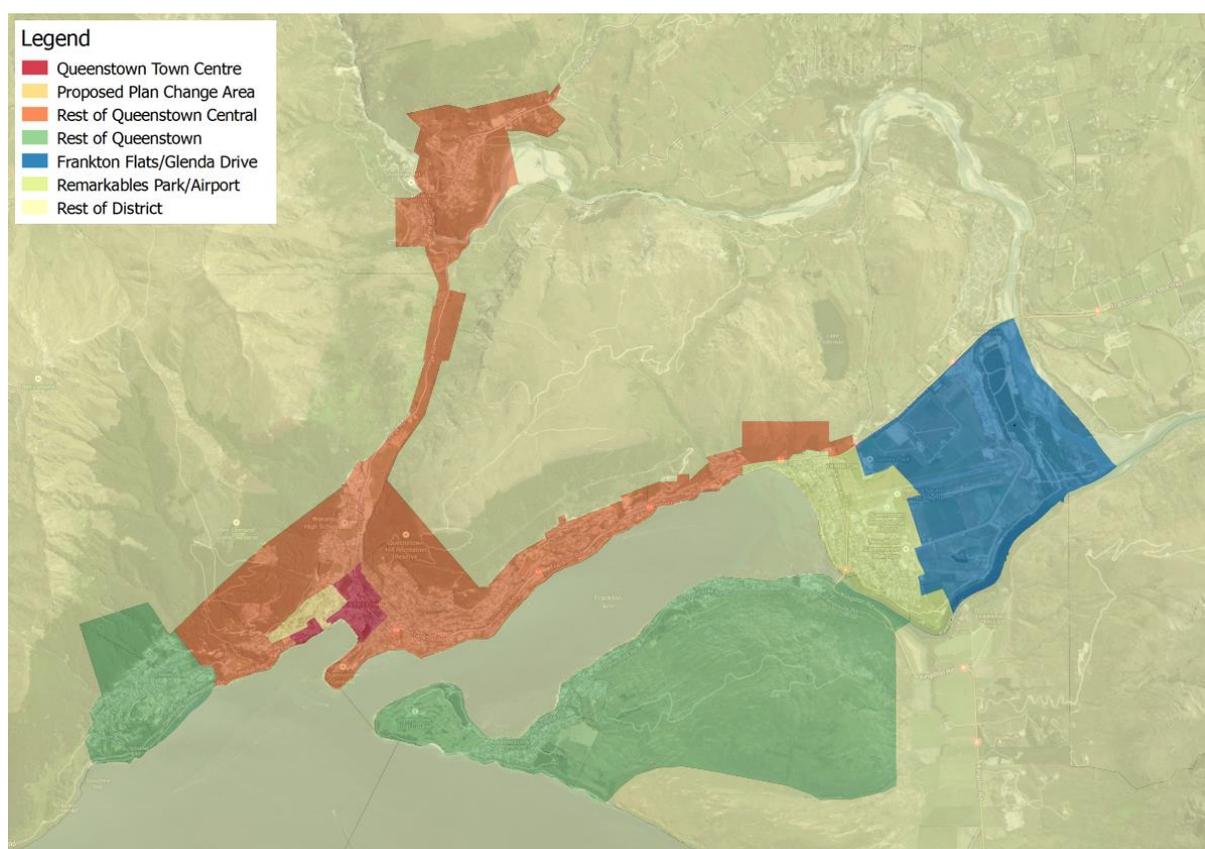
This is a desk study based on secondary sources.

The analysis is based on the comparison of development in and around Queenstown Town Centre and Frankton. It does not include the District outside Queenstown. The two commercial areas of interest can be represented for analysis as combinations of mesh blocks falling within the Queenstown and Frankton Census Area Units (CAU, Table 1). Two sub-areas (Flats-Glenview Park and Airport- Remarkables Park) are combined as “*Frankton*” for descriptive purposes, while the Plan Change Area is also identified in the following spatial schema (Figure 1). The composition of the focal areas and subdivisions by meshblock is provided in Appendix 1.

Table 1 Area Definition

District	Focus of this Study	Subdivisions	Census Area Units
Queenstown	Queenstown Central	Queenstown Town Centre (QTC)	Queenstown Bay Queenstown Hill
		Proposed Plan Change Area	Queenstown Bay
		Rest of Central Queenstown	Queenstown Bay Queenstown Hill Sunshine Bay
	Frankton	Rest of Queenstown Frankton Flats/Glenda Drive	Kelvin Heights Wakatipu

Figure 1 Town Centre and Frankton Commercial Areas - Spatial Reference



Data and Classification

The comparison between areas within Queenstown is based mainly on employment data from two sources. Jobs held by place of work from the 2013 and 2006 Censuses covering both sector of activity (Australia New Zealand Standard Industrial Classification 2006, ANZSIC) and occupation using the NZ Standard Occupational Classification (NZSOC). More detailed annual data by sector is available by workplace using the Statistics New Zealand Business Frame using the Australia New Zealand Standard Industrial Classification 2006 (ANZIC). This covers the period 2000 to 2013 (February counts).

Sector information is subject to several levels of subdivision within an overall (high order) categorisation of activity based for present purposes on aggregating single digit ANZSIC categories (0). The allocation of ANZSIC categories to the higher order sectors is based upon a mix of activity type and market orientation in the case of the various service sectors, although does involve cross-over between them. For example, financial and insurance services may equally the consumer (final

demand) and business (intermediate demand) markets. Similarly, real estate services serve primarily the household sector, but may also serve business.

Table 2 Definition of High Order Sectors

High Order Sectors...	... include Single Digit ANZSIC06 Categories:
Primary Industries	Agriculture, Forestry and Fishing Mining
Secondary Industries	Construction Electricity, Gas, Water and Waste Services Manufacturing
Distribution	Transport, Postal and Warehousing Wholesale Trade
Business Services	Administrative and Support Services Financial and Insurance Services Information Media and Telecommunications Professional, Scientific and Technical Services
Consumer Services	Accommodation and Food Services Arts and Recreation Services Rental, Hiring and Real Estate Services Retail Trade
Government Services	Education and Training Health Care and Social Assistance Public Administration and Safety
Other Services	Other Services

The primary sector and Other Services were omitted from analysis on the basis of very low numbers within Queenstown.

Further analysis was undertaken at the three digit level of classification within those higher order categories which have significant numbers of employees.

4. Differentiating Economic Activity

The initial comparison is between the five principal sectors of activity described in Table 2: secondary industries (covering manufacturing, construction and utility services); distribution (storage and transport); business-oriented services; public services; and consumption activities (retailing, hospitality, recreation, arts, and culture, real estate and rentals). This highlights both differences and similarities among the centres.

On the similarities side, consumer services comprise the main activities in both the centre and in Frankton. 1,220 jobs in consumer services in Frankton in 2013 made up 39% of employment there (3,120 jobs) and contributed 17% to the Queenstown total (7,330 jobs; Table 3). The 2,910 jobs in consumer activities in QTC comprise 58% of jobs there and 40% of the Queenstown total, while 2,630 in the rest of central Queenstown make up similar proportions.

Table 3 Employment Distribution, 2013

2013	Town Centre	Rest of Central Queenstown	Frankton	Rest of Queenstown	TOTAL
Employees					
Secondary Industries	140	470	550	130	1,290
Distribution	160	220	500	50	930
Business Services	1,320	610	320	280	2,530
Consumer Services	2,910	2,630	1,220	570	7,330
Government Services	390	440	400	30	1,260
Other Services	90	140	130	10	370
Total	5,010	4,510	3,120	1,070	13,710
Shares of Employment within Areas					
Secondary Industries	3%	10%	18%	12%	9%
Distribution	3%	5%	16%	5%	7%
Business Services	26%	14%	10%	26%	18%
Consumer Services	58%	58%	39%	53%	53%
Government Services	8%	10%	13%	3%	9%
Other Services	2%	3%	4%	1%	3%
Total	100%	100%	100%	100%	100%
Shares of Queenstown Employment					
Secondary Industries	11%	36%	43%	10%	100%
Distribution	17%	24%	54%	5%	100%
Business Services	52%	24%	13%	11%	100%
Consumer Services	40%	36%	17%	8%	100%
Government Services	31%	35%	32%	2%	100%
Other Services	24%	38%	35%	3%	100%
Total	37%	33%	23%	8%	100%

On the differences side, industrial activity accounts for the second largest employment activity in Frankton with the secondary sector and distribution jointly accounting for 34% of jobs there. These activities are negligible in the town centre (6% of jobs) where the second sector is business services, accounting for 26% of local jobs and 52% of the town's total in that category.

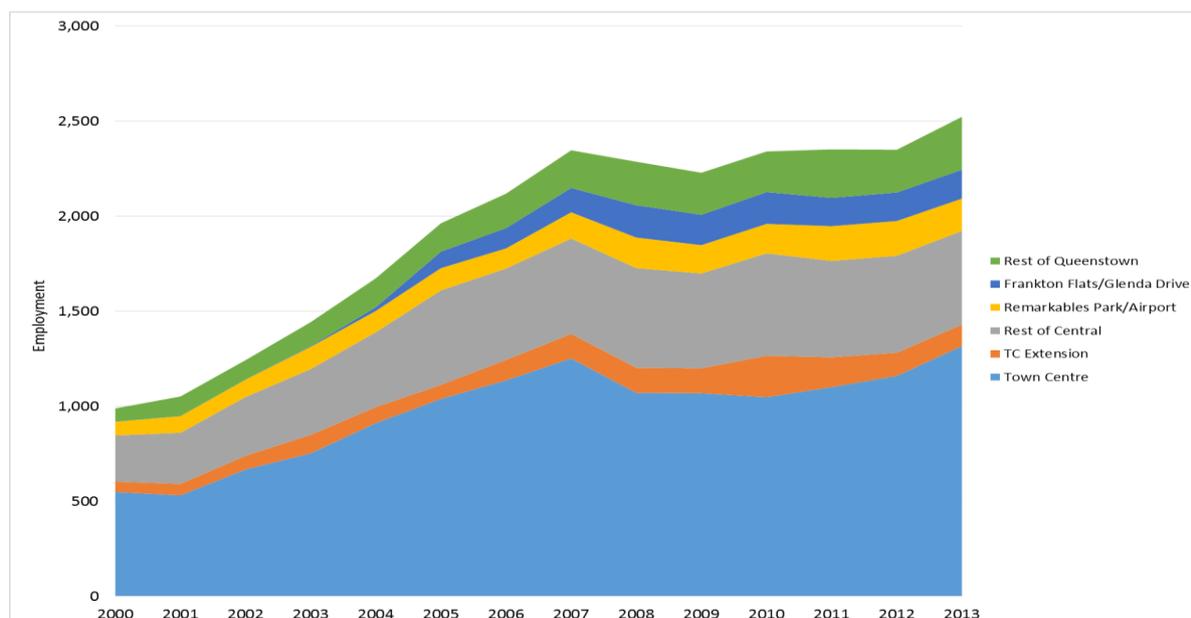
While Frankton dominates industrial employment the town centre dominates commercial and community employment. Central Queenstown as a whole accounted for 76% of the town's employment in business services, 76% of its consumer activities, and 66% of public services

The following sections looks at changes between 2006 and 2013 in the principle high order activities -- consumer, public, and business services -- and the distribution of subsectors within each.

Business Services

Employment in business services in Queenstown grew by 140% between 2001 and 2013. However, this growth was uneven over the period, running at 5.4% per year between 2001 and 2006 and a much slower 2.7% per year between 2006 and 2013. 44% of that growth took place in QTC, 5% in the rest of Central Queenstown, and 27% in Frankton (Figure 2).

Figure 2 The Growth of Business Services



The distribution of business services defined at the 3-digit ANZSIC level confirms the dominance of QTC, where employment services (mainly labour placement), financial, professional (legal and accounting), and communication services (including publishing) are concentrated (Table 4).³ This concentration is supplemented by activities in the balance of the central Queenstown, particularly in advisory and professional services.

The only service activity in which Frankton dominates is equipment hire, an activity oriented to industrial activity and of limited size and growth. There are also significant numbers in architectural and engineering services (50 employees) and administrative services (40 employees) in Frankton.

There is a clear difference between QTC and Frankton in terms of service mix, the former being the focus of more specialised professional and business services, the latter housing services that supplement the industrial base. There is also a range of service activities located around QTC in the rest of central Queenstown.

³ For the detailed analysis of subsectors libraries and archives, real estate, and travel agencies are omitted from Business Services and included in the Consumer Services analysis.

Table 4 Distribution of Business Services

	Employment		Shares of Queenstown Total, 2013		
	2013	2006-13	Town Centre	Rest Central Queenstown	Frankton
Employment Services	381	80%	85%	9%	5%
Building Cleaning, Pest Control & Gardening	267	26%	0%	42%	6%
Architectural, Engineering & Technical	251	2%	35%	36%	21%
Management & Other Consulting	250	80%	44%	30%	12%
Financial Asset Investing	199	62%	39%	26%	22%
Legal & Accounting Services	173	9%	83%	12%	5%
Depository Financial Intermediation	147	24%	82%	5%	14%
Other Administrative Services	146	-21%	47%	17%	27%
Computer Systems Design & Related	96	153%	71%	7%	13%
Newspaper, Periodical, Book Publishing	72	-27%	85%	6%	10%
Motion Picture & Video Activities	60	2%	55%	13%	12%
Auxiliary Finance and Investment Services	37	48%	38%	46%	16%
Auxiliary Insurance Services	35	75%	66%	29%	3%
Other Professional, Scientific & Tech Services	33	-43%	30%	55%	9%
Other Goods & Equipment Rental	33	-6%	13%	13%	74%
Advertising	26	100%	42%	8%	42%
Radio Broadcasting	12	-65%	92%	0%	8%
Internet Service Providers	11	-59%	45%	45%	0%
Grand Total	2,229	24%	53%	-53%	13%

Public Services

Public services have grown more rapidly than business services (up 147% over the decade), but involve fewer employees in total (1,200 compared with 2,230). Unlike business services, growth appeared to accelerate over the decade, with employment apparently increasing by 7.6% a year between 2001 and 2006, and then by 11.3% through to 2013 (Figure 3).⁴

Public services are less geographically concentrated, reflecting the greater orientation of health and education services to population distribution. There are substantial shares in the Queenstown CAU, as well as significant growth in the Frankton area (Table 5).

The rapidly growing local government sector is concentrated entirely in QTC (Table 5) and was critical to sustaining employment growth there. Childcare services are also oriented towards the centre, and the entire but minor (in employment terms) justice sector is located there.

The balance of public services is widely distributed across the town. The exception is central government activity, which is concentrated in Frankton, in large part reflecting the role of government agencies in aviation.

⁴ The Local Government employee count for 2006 is unreasonably low (at 40 employees) so these figures need to be treated with caution

Figure 3 The Growth of Public Services, 2000-2013

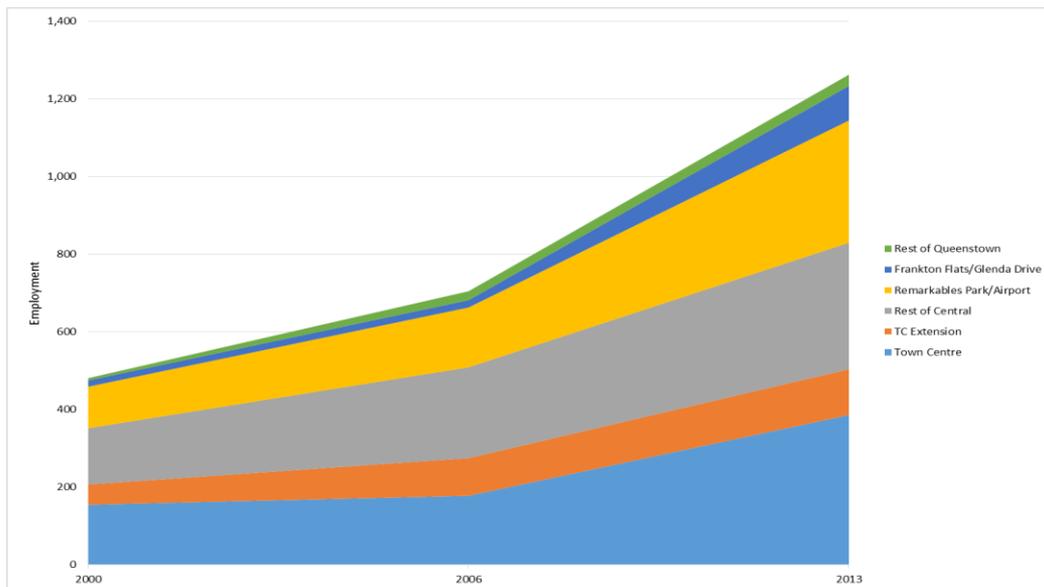


Table 5 Distribution of Public Services

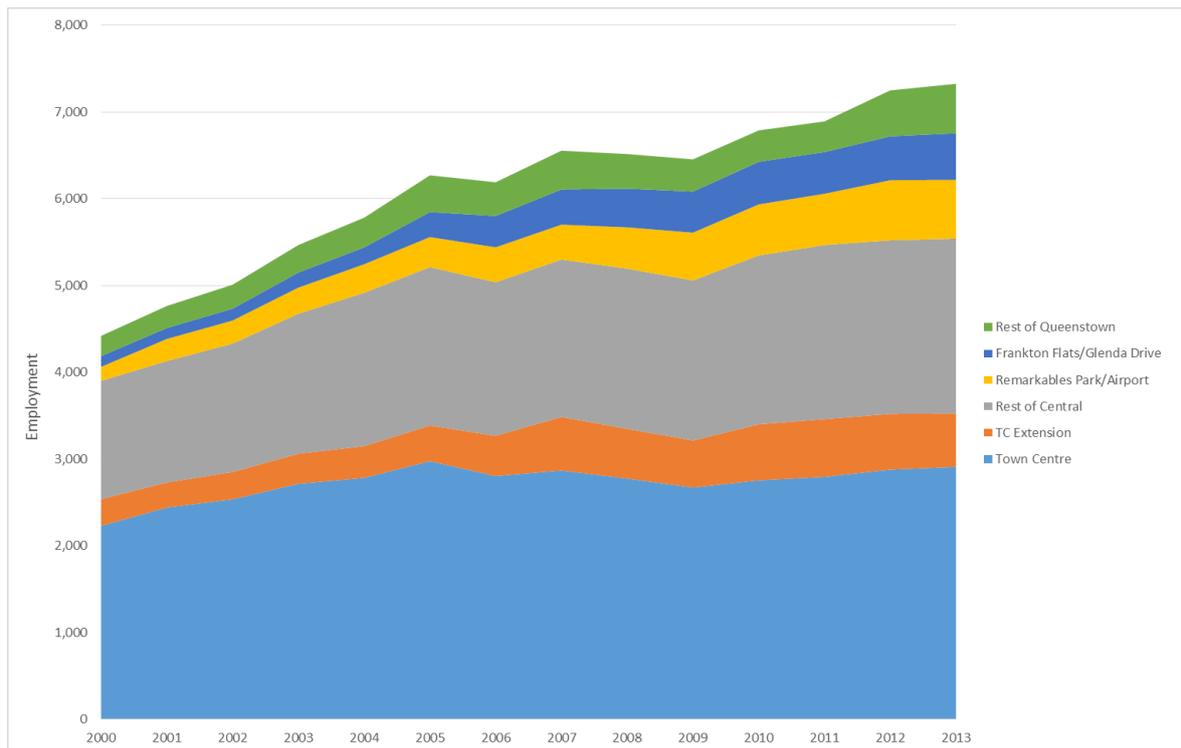
	Employment		Shares of Queenstown Total		
	2013	2006-13	Town Centre	Rest Queenstown CAU	Frankton
School Education	201	26%	3%	75%	21%
Public Order and Safety Services	178	154%	34%	34%	31%
Local Government Administration	158	276%	99%	1%	0%
Allied Health Services	118	55%	25%	33%	34%
Preschool Education	89	112%	20%	49%	30%
Hospitals	76	36%	0%	0%	100%
Adult, Community and Other Education	75	47%	12%	77%	9%
Medical Services	74	12%	0%	74%	24%
Other Social Assistance Services	55	450%	38%	42%	20%
Central Government Administration	53	212%	0%	0%	100%
Residential Care Services	41	32%	10%	0%	90%
Child Care Services	39	290%	49%	0%	10%
Other Health Care Services	15	-29%	0%	7%	93%
Regulatory Services	14	-13%	0%	29%	71%
Justice	10	900%	100%	0%	0%
Pathology and Diagnostic Imaging Services	8	-27%	0%	88%	13%
Total	1,206	78%	28%	37%	33%

Consumer Services

This category covers activities oriented towards final demand, many of them typically concentrated in shopping centres, although by no means all of them involve retailing. They grew rapidly through to 2006 but growth slowed after that, especially in QTC (Figure 4).

Some 40% of employment in these activities is located in the town centre, although only 23% of growth between 2000 and 2013 took place there. Another 11% took place in Proposed Plan Change area, and 22% across the balance of central Queenstown. 32% took place in Frankton, of which 18% was in the Remarkables Park/Airport zone and 14% in Frankton Flats/Glenda Drive.

Figure 4 The Growth of Consumer Services, 2000-2013



Very little growth took place in QTC after 2006, the café, restaurant and takeaway food sector being the exception.

Retailing

A closer look at the retail sector, omitting those categories with fewer than 10 employees in 2013, demonstrates the continuing dominance of QTC in most categories.

Table 6 highlights (in yellow) where each particular category was most concentrated in 2013. In addition, the area receiving the most growth in each subsector between 2006 and 2013 (which was limited in most categories) is highlighted (in grey).

Retailing employment in Frankton was based primarily on supermarkets, although clearly there is the capacity to develop significant additional personal and household retail categories around these anchor shops. While limited, Frankton also led growth in sports equipment, furniture, electrical and electronic goods, and appliances, categories based mainly on large format stores.

QTC increased its dominance in clothing and footwear retailing, though, while the balance of the central Queenstown increased its share of employees in hardware and building supplies, and retained its dominance of furniture (although that is a small category).

In summary, the retail profiles of QTC and Frankton differ in significant ways. The figures suggest that the difference is increasing. The centre retains its dominance of retailing generally. However, Frankton is making inroads in the large format categories which tend to be oriented towards household demand. In this respect Frankton is assuming a strong suburban retail function oriented to household needs, while QTC retains its presence in sectors with a focus on the individual. This focus suggests a more specialist form of retailing, favouring smaller, often higher added value stores which sit comfortably alongside cafes and restaurants, recreational, and entertainment venues.

Table 6 Distribution of Retailing

	Q'town Town Centre		Rest Central Queenstown		Frankton		Total		Share 2013			
	2013	2006 -13	2013	2006 -13	2013	2006 -13	2013	2006 -13	Town Centre	Rest Centra l	Frank- ton	Rest Q'tow n
Supermarket & Grocery Stores	81	17	71	-24	171	20	325	13	25%	22%	53%	1%
Clothing Retailing	222	73	18	-15	31	23	271	80	82%	7%	11%	0%
Sport & Camping Equipment	87	6	38	19	56	35	181	59	48%	21%	31%	0%
Other Store-Based Retailing	134	-9	19	-8	20	12	176	-8	76%	11%	11%	2%
Hardware & Building Supplies	0	0	65	26	61	-20	126	6	0%	52%	48%	0%
Specialised Food Retailing	48	14	35	0	33	22	116	29	41%	30%	28%	0%
Department Stores	0	-19	0	0	83	-4	83	-23	0%	0%	100%	0%
Pharmaceuticals & Cosmetics	37	0	7	-3	21	-2	66	-4	56%	11%	32%	2%
Furniture, Floor Coverings, Houseware	1	-6	36	-21	17	16	54	-12	2%	67%	31%	0%
Electrical & Electronic Goods	15	-12	1	0	36	19	53	7	28%	2%	68%	2%
Watches & Jewellery	43	-3	2	1	4	0	49	-2	88%	4%	8%	0%
Electrical/ Electronic & Gas Appliances	15	3	0	-1	32	15	48	17	31%	0%	67%	2%
Footwear Retailing	22	22	0	0	11	3	33	25	67%	0%	33%	0%
Newspaper & Book Retailing	17	-12	1	1	8	6	26	-5	65%	4%	31%	0%
Non-Store Retailing	11	11	1	0	1	1	15	9	73%	7%	7%	13%
Other Personal Accessory Retailing	12	-6	1	1	0	0	13	-5	92%	8%	0%	0%
Stationery Goods Retailing	8	8	0	0	4	4	13	13	62%	0%	31%	8%
Automotive:												
Fuel Retailing	1	0	42	-2	4	4	47	2	2%	89%	9%	0%
Motor Vehicle Parts Retailing	0	0	21	0	4	4	25	4	0%	84%	16%	0%
Motor Vehicle Retailing	0	0	18	4	2	2	20	6	0%	90%	10%	0%

Occupations

The Census records principal occupations according to workplace. Not surprisingly the central areas dominated the major occupations, covering management, professional, and service jobs in 2013. The largest concentration of sales jobs continues to be in QTC, but Frankton has experienced the strongest growth since 2006. Interestingly, labouring employment, a relatively small sector overall, was dominated by the rest of central Queenstown, while industrial occupations – machinery operators and drivers, are most concentrated in Frankton. However, the white collar jobs led growth in Frankton between 2006 and 2013, suggesting a broadening of activity there.

Table 7 The Distribution of Employment by Occupation

	Town Centre		Rest Central Q'town		Frankton		Total		Shares 2013		
	2013	2006-13	2013	2006-13	2013	2006-13	2013	2006-13	Town Centre	Rest Central	Frankton
Managers	537	69	489	39	324	114	1,440	240	37%	34%	23%
Professionals	384	51	393	87	333	150	1,155	318	33%	34%	29%
Community, Personal Service Workers	366	27	261	54	165	105	855	225	43%	31%	19%
Sales Workers	348	12	189	18	270	108	822	144	42%	23%	33%
Clerical & Admin.	267	-48	252	45	222	93	765	99	35%	33%	29%
Technicians & Trades	243	48	261	12	264	57	798	126	30%	33%	33%
Labourers	138	27	207	48	114	33	516	147	27%	40%	22%
Machinery Operators & Drivers	51	9	63	0	96	18	219	27	23%	29%	44%
Total Stated	2,343	195	2,322	306	1,839	669	6,996	1,299	33%	33%	26%

While the differentiation between the two areas is not as strong for occupations as it is for functions (at least not at the limited level of disaggregation available), it is consistent with the conclusions drawn from the sector data. QTC focuses more on higher order management, professional and administrative activities, while Frankton contributes most within the sales, technical and trades, and industrial (machinery operators and drivers) categories.

5. Comparing Retail Catchments

This section considers the characteristics of the population dwelling in the “natural catchments” of QTC and Frankton based on the 2013 Census. This draws on data using the 2013 Census Area Unit data. The 2013 CAUs differ from the earlier boundaries used for the employment data above (and building consents data, below). Arthurs Point was separated from Queenstown Hill. For present purposes the data for Queenstown Hill, as defined in 2013, was allocated according to meshblocks between those closest to QTC and those closest to Frankton. In addition, the rural areas and small towns to the north of Queenstown are identified as they are likely to patronise Frankton shops for household goods and groceries, although no formal modelling has been undertaken to verify this.

Population Distribution

The effective in-town catchment for QTC is nearly 50% bigger than that surrounding Frankton, and gained more residents between censuses (although at a slightly lower rate of growth). Frankton has the advantage of access to the non-urban catchment that lies mainly to the north of the town which, through the development of the Lake Hayes settlement grew the most rapidly (Table 8). However, there is likely to be significant capture of retail spending from these areas by QTC also, given that the difference in distance between Frankton and the town centre is likely to be less significant for people traveling from further afield. In addition, there is greater likelihood that such households will combine visits for personal services, entertainment, and eating out with visits for retail purposes, adding to the attraction of the town centre.

Table 8 Population Growth 2006-13, Town Centre and Frankton Catchments

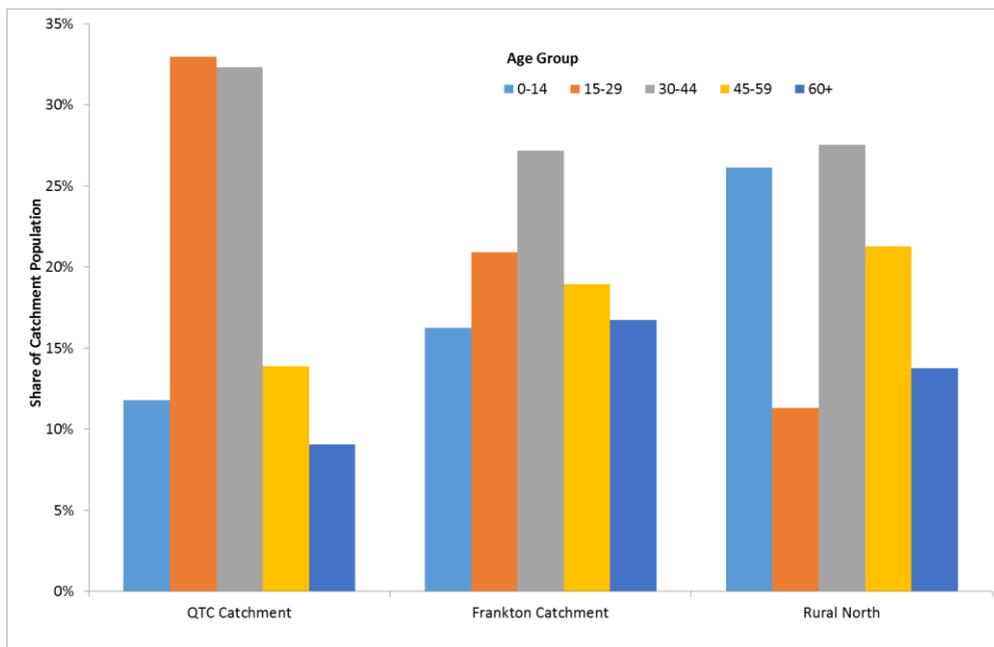
	Usually Resident Population			2006-2013	
	2006	2013	2013 Share	Number	%
Sunshine Bay	2,253	2,355	13%	102	5%
Arthurs Point	411	810	5%	399	97%
Queenstown Bay	1,878	1,962	11%	84	4%
Queenstown Hill					
QTC Component	1,977	2,100	12%	123	6%
QTC Catchment Total	6,519	7,227	41%	708	11%
Queenstown Hill					
Frankton Component	1,185	1,437	8%	252	21%
Frankton	1,785	1,827	10%	42	2%
Frankton East	396	639	4%	243	61%
Kelvin Heights	963	1,011	6%	48	5%
Frankton Catchment Total	4,329	4,914	28%	585	14%
Wakatipu Basin	963	1,104	6%	141	15%
Lake Hayes South	615	1,638	9%	1,023	166%
Jacks Point	189	297	2%	108	57%
Arrowtown	2,151	2,445	14%	294	14%
Rural North Total	3,918	5,484	31%	1,566	40%
Queenstown Catchment	14,766	17,625	100%	2,859	19%

In summary, as well as offering an environment amenable to the establishment of large format stores, retailing in Frankton will have benefited from the recent focus of residential growth on rural settlement, and in Lake Hayes and Arrowtown, the latter some 15km to the north.

Demographic Characteristics

Several demographic variables were examined to determine any possible differences in the nature of the catchments. For example, there is a significant difference in age structures. QTC catchment is dominated by young adults (Figure 5). More of the adults in Frankton are in the retirement and pre-retirement age group. The Rural North combines both family ages (the adults 30 to 44 and children categories) and the older adult pre-retirement and retirement age groups.

Figure 5 Age Structure of the Catchment Populations, 2013



Not surprisingly these age structures are reflected in family status. There are relatively more couples without children in the QTC catchment and families with children in the Frankton catchment (Figure 8). The difference is even more pronounced in the rural areas, where couples with children are the majority family category.

These contrasts point to a more mobile or transient population in the centre of Queenstown. This is confirmed by Census information regarding how long people have dwelt at their current (2013) address (Figure 7). A high 43% of Census respondents living in the QTC catchment had been there for less than a year. In fact, a high level of residential mobility generally is indicated by the numbers who have lived at their current address for between one and five years. A longer duration was most likely in the north. Nevertheless, the figures indicate that in an area of relatively rapid recent growth, the QTC catchment stands out as most transient. This is confirmed by the high share of the population there that had been living overseas five years earlier: 35% in the QTC catchment, 17% in Frankton, and 8% in the rural north.

Figure 6 Family Status of Catchment Populations, 2013

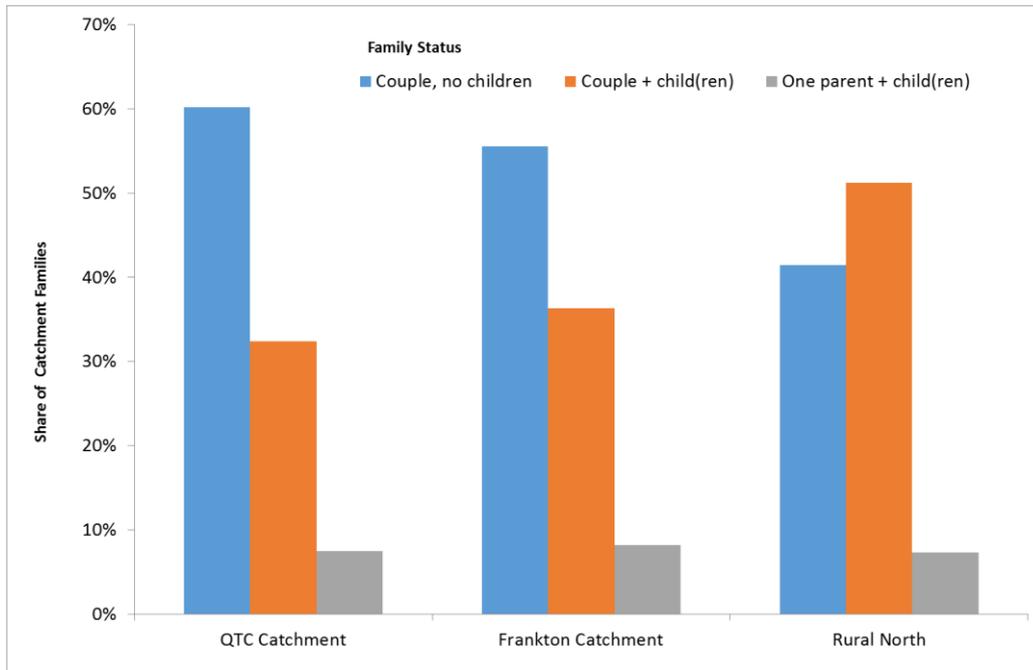
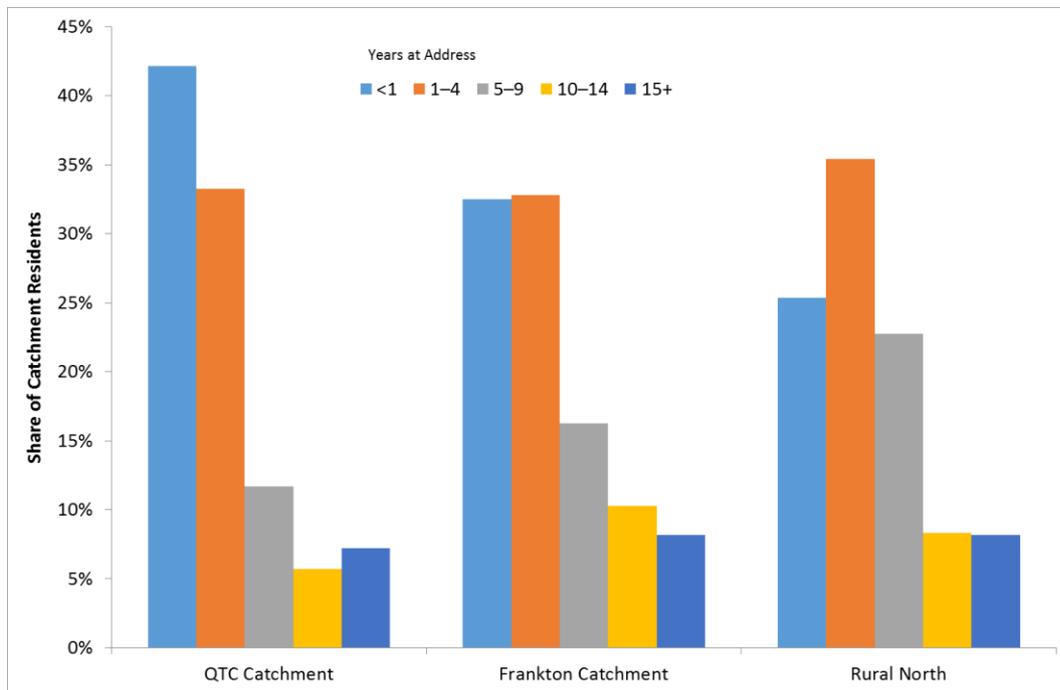
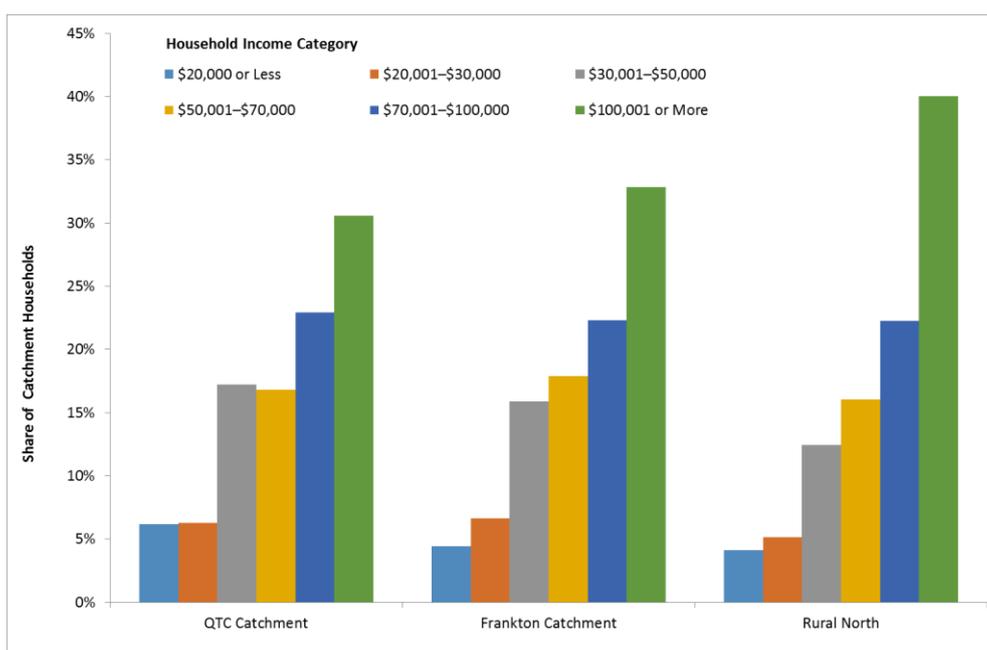


Figure 7 Years Dwelt at the Usual 2013 Address



Analysis of household income distribution within catchments reveals limited but significant differences (Figure 8). The rural north and, to a lesser extent, Frankton catchments have a larger share of households in the top income category (over \$100,000 a year). This is reflected in estimated median household incomes: \$75,400 in the QTC catchment compared with \$80,000 in the town centre catchment and \$88,000 in the Rural North.

Figure 8 Household Income Distribution by Catchment, 2013



It can be concluded that at the catchment wide level retailing in Frankton the greater presence of families and older households (in relative terms) reflects a more settled population with generally higher incomes. These characteristics appear even stronger in the rural catchment to the north.

By contrast, the QTC catchment is marked by a relatively more transient population, a higher share of younger adults, fewer families with children, and fewer high income households in the residential mix. These differences and the concentration of tourism accommodation in and around the town centre are likely to shape a quite different retail and service mix in each centre.

Residential Distribution

The pattern of recent residential development can be seen in the distribution of new dwellings. This is based on analysis of building consents issued between 2006 and 2013, again divided by CAU between those which fall into a “Frankton” catchment and those that are closer to the town centre (Table 9).⁵ There have been almost twice as many houses consented in the Frankton catchment, almost two thirds of the total.

At the same time, a large share of the gain in the Frankton catchment comes from the predominantly rural Wakatipu CAU and Arrowtown, confirming the likely reliance of retailing there on the rural and small town households north of Queenstown. Nevertheless, this pattern of development helps explain the more rapid growth of retailing in Frankton, and its focus on categories dependent on household purchasing.

At the same time, the data indicate a tendency towards larger dwellings in Frankton over the period (230sqm average, compared with 180sqm in the town centre catchment). However, the average value of construction per square metre is higher in the town centre area at \$1,975 compared with \$1,770 in Frankton. Again, this is consistent with relatively more family homes built in the Frankton catchment.

⁵ The figures underestimate the Frankton catchment and overestimate the town centre catchment figures because the northern most dwellings in Queenstown Bay are closer to the former than the latter. The consents data cannot be divided between the two, however. However, population growth suggests this could be 67% of consents issues in the CAU.

Table 9 The Distribution of New Dwellings, 2006-2013

New Dwellings	2006-13	Share	Ave Sqm	\$/Sqm
Wakatipu	872	45%	256	1,739
Arrowtown	123	6%	225	1,629
Lake Hayes	46	2%	353	2,085
Kelvin Heights	128	7%	232	2,039
Frankton	67	3%	230	1,549
Frankton Catchment	1,236	64%	253	1,767
Queenstown Bay	256	13%	157	1,622
Queenstown Hill	355	18%	188	2,150
Sunshine Bay	76	4%	219	2,130
Town Centre Catchment	687	36%	180	1,975
Total	1,923	100%	227	1,826

6. Tourism

This section addresses the relative significance of tourism demand within Queenstown through reference to the distribution of tourism-related investment.

The Hospitality Sector

An analysis of the distribution of employment in hospitality demonstrates a stronger contrast between Frankton and the town centre (Table 10) than evident in the retail sector (Table 6). This contrast is reinforced if the town centre and surrounding central area are considered together, demonstrating the distribution of accommodation around the central “core” (Figure 8).

Frankton does offer some accommodation, though there was a slight decline in jobs there between 2006 and 2013. This was more than offset by the strong growth in the balance of Queenstown.

Frankton recorded growth in catering services, but the town centre still dominates cafes and restaurants and has experienced the strongest growth in that category since 2006, confirming its role as a key destination for visitors (and locals) for entertainment and recreation purposes.

Table 10 The Distribution of Hospitality Employment, 2013

	Queenstown Town Centre		Rest Central Queenstown		Frankton		Rest of Queenstown		Share 2013			
	2013	2006-2013	2013	2006-2013	2013	2006-2013	2013	2006-2013	Town Centre	Rest Central Q'town	Frankton	Rest Q'town
Accommodation	497	-59	1,171	218	17	-7	301	102	25%	59%	1%	15%
Cafes, Restaurants	719	86	278	67	130	41	19	-8	63%	24%	11%	2%
Catering	0	0	22	21	33	16	39	13	0%	23%	35%	41%
Pubs/Taverns	219	67	85	11	48	38	21	21	59%	23%	13%	6%
Takeaways	159	56	19	11	8	-3	1	0	85%	10%	4%	1%
Total	1,594	150	1,575	328	236	85	381	128	42%	42%	6%	10%

The relatively widespread distribution of accommodation is demonstrated in Figure 9 which, as well as a concentration in and around the town centre, reflects a preference for lake-side and lake-view sites close to the centre. This distribution of accommodation is consistent with a town centre retail profile that leans towards categories that cater for individuals more than households.

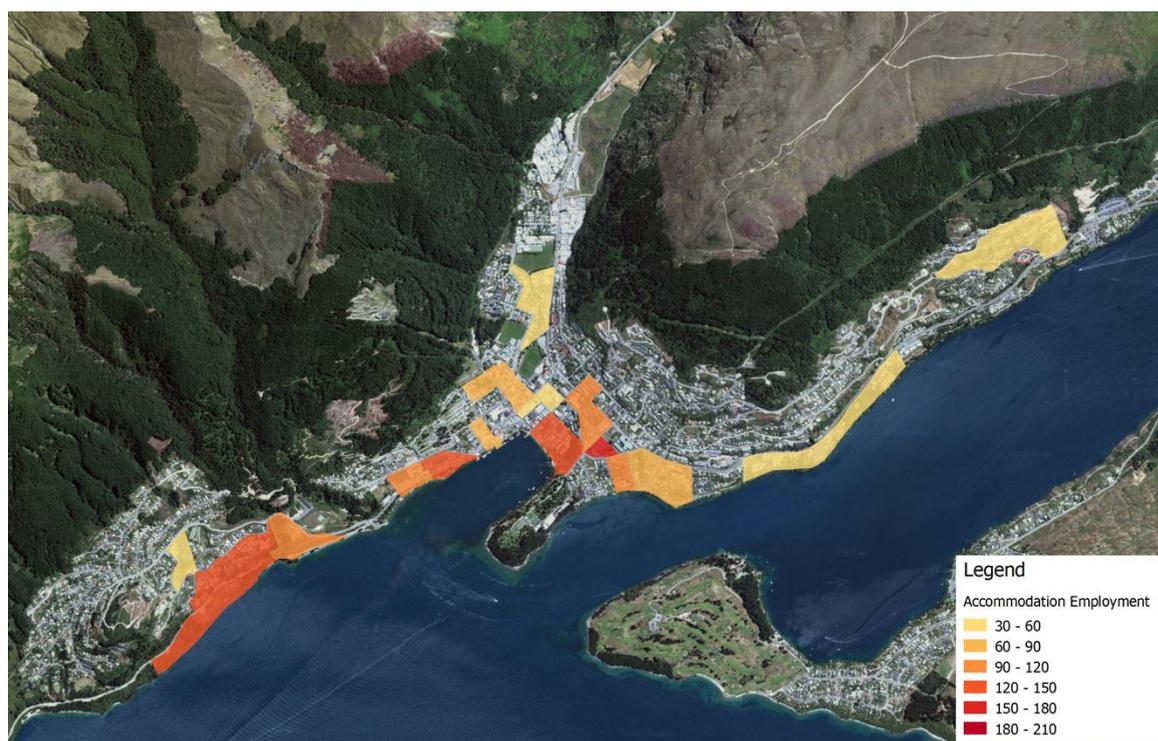
Visitor Facilities

This tourism focus is confirmed by analysis of the distribution of other visitor oriented activities. These have been defined on the basis of activities other than retailing and accommodation that distribute to or interact directly with visitors at the point of delivery.

(They do not account for indirect income or employment effects covered by the Tourism Satellite Accounts prepared by Statistics New Zealand. These record the intermediate demand generated among suppliers to the tourism sector and the demand from the expenditure by tourism employees. These indirect and induced effects can take place outside the catchments under consideration and are subject to leakage beyond QLDC and Central Otago).

Those ANZIC06 categories that reflect activities dealing directly with tourists have been identified and the distribution of Geographic Units (business units) derived from the Statistics New Zealand Business Demography tables.

Figure 9 The Distribution of Employees in Accommodation, Queenstown 2013



Jointly the town centre and the rest of Queenstown Central dominate (Table 11), although there are nevertheless activities spread throughout the town. Unsurprisingly, with the airport and its transport and storage functions, Frankton does have a range of vehicle hire and sightseeing outlets although in 2013 only 17% of all jobs in this group of activities were located there compared with 39% in the town centre and 34% in the rest of Queenstown Central.

Table 11 The Distribution of Tourism Oriented Business Units

	Town Centre		Rest Central Q'town		Rest Q'town		Frankton	
	2006	2013	2006	2013	2006	2013	2006	2013
Employment'								
Amusement & Other Recreation	13%	28%	13%	10%	70%	53%	3%	9%
Creative Performing Arts	6%	50%	18%	15%	74%	30%	3%	4%
Motor Vehicle Rental	39%	59%	1%	2%	4%	7%	56%	33%
Museum Operation	100%	100%	0%	0%	0%	0%	0%	0%
Road Passenger Transport	12%	12%	13%	19%	51%	32%	24%	37%
Scenic & Sightseeing Transport	45%	48%	5%	9%	19%	30%	30%	13%
Sport & Physical Recreation	1%	61%	14%	11%	17%	19%	68%	9%
Share of Queenstown	23%	39%	9%	10%	36%	34%	31%	17%
Total Employees	250	365	99	96	385	315	333	156
Business Units								
Amusement & Other Recreation	11%	16%	27%	21%	49%	53%	13%	9%
Creative Performing Arts	12%	9%	27%	27%	54%	59%	8%	5%
Motor Vehicle Rental	42%	23%	10%	7%	19%	27%	29%	43%
Museum Operation	100%	100%	0%	0%	0%	0%	0%	0%
Road Passenger Transport	25%	50%	0%	0%	75%	50%	0%	0%
Scenic & Sightseeing Transport	8%	26%	21%	17%	33%	26%	38%	30%
Sport & Physical Recreation	22%	8%	22%	17%	43%	58%	13%	17%
Share of Queenstown	20%	18%	21%	17%	41%	45%	19%	21%
Total Business Units	31	26	32	25	63	65	29	30
Average Employment/ Unit	8	14	3	4	6	5	11	5

Comparing the distribution of business units and employees indicates the larger average establishment size there than in other parts of the town, confirming its more substantive nature.

Accommodation

While employment numbers indicate the broad distribution of accommodation, the Commercial Accommodation Survey conducted by Statistics New Zealand enables monitoring of capacity in terms of unit capacity. The figures across the year ending June 2014 confirm the dominance of the central Queenstown (Table 12). Some 82% of hotel capacity and 97% of motel capacity in the area covered by Queenstown and the surrounding Wakatipu area is found in the centre, with the majority in Queenstown Hill CAU.⁶

Table 12 Distribution of Accommodation Capacity, 2014

	Hotels				Motels			
	No.	Stay Units*	Share	Ave Size* *	No.	Stay Units*	Share	Ave Size**
Queenstown Bay	131	12,434	33%	95	197	4,716	33%	24
Queenstown Hill	131	15,418	41%	118	306	9,273	64%	30
Sunshine Bay	36	2,952	8%	82	24	24	0%	1
Central	298	30,804	82%	103	527	14,013	97%	27
Kelvin Heights	24	3,816	10%	159	0	0	0%	0
Frankton	0	0	0%	0	24	384	3%	16
Frankton	24	3,816	10%	159	24	384	3%	16
Total Queenstown	322	34,620	93%	108	551	14,397	99%	26
Wakatipu	48	2,766	7%	58	12	48	0%	4
Arrowtown	24	0	0%	0	60	60	0%	1
Total	370	37,386	100%	101	623	14,505	100%	23

Note: * Stay Units comprise the total number of rooms available.

** Average size is stay units per establishment

The distribution of recent investment in accommodation has been examined using building consent data covering the period 2006 to 2013. While this does not account for the numbers of units in new developments, the area and value of investment indicate where the greatest increments or enhancements of capacity have taken place.

The construction of the Kawarau Hilton Hotel in the Kelvin Heights area dominates the value of new construction during a period where little capacity was otherwise added outside the traditional Queenstown Hill centre of tourist accommodation (Table 13). At an assumed average of 60sqm per room (including common areas) this would be the equivalent of around additional 700 units in Frankton (Kelvin Heights) and 600 in Queenstown Central. The impact on the distribution of overall capacity (34,620 hotel stay units) is slight.

Refurbishment and extensions (represented by building consents for additions and alterations) were greater in the central area where, consequently, a slight majority of investment in tourism took place between 2006 and 2013. The relatively high level of alterations in the centre relative to new construction may reflect both the age of much of the existing tourism accommodation and the limited number of sites available for new development. The latter is an issue that the Proposed Plan Change should correct, at least for the immediate future.

⁶ The accommodation data is not available by mesh block so a further refinement of areas is not possible.

Table 13 Investment in Accommodation, Building Consents 2006-13

	New			Value \$m	Alterations			Total Investment	
	No.	Area Sqm	% Share		No.	Value \$m	% Share	\$m	% Share
Wakatipu	5	858	1%	\$2.18	11	\$4.4	18%	\$6.55	5%
Arrowtown	3	1,227	2%	\$1.68	8	\$0.6	2%	\$2.24	2%
Kelvin Heights	10	36,201	46%	\$38.13	12	\$4.5	19%	\$42.65	35%
Frankton	1	4,500	6%	\$6.50		\$0.0		\$6.50	5%
Frankton Catchment	19	42,786	54%	\$48.50	31	\$9.4	40%	\$57.94	48%
Queenstown Bay	7	4,344	6%	\$7.14	29	\$8.1	34%	\$15.24	13%
Queenstown Hill	9	31,426	40%	\$41.65	24	\$6.1	26%	\$47.79	39%
Sunshine Bay	0		0%	0.00	1	\$0.1	0%	\$0.10	0%
Town Centre Catchment	16	35,770	46%	\$48.79	54	\$14.3	60%	\$63.13	52%
Total	35	78,556	100%	\$97.29	85	\$23.8	100%	\$121.07	100%

In conclusion, this review of tourism activity and investment demonstrates a strong orientation to central Queenstown and a focus on QTC. While there has been some investment as a result of the development at Kawarau to the east, this is limited in the number of units added relative to current capacity and does little to shift the strong focus on the town centre.

7. Conclusion

The evidence in this report supports Proposed Plan Change 50 by demonstrating the different roles of Frankton compared to QTC and central Queenstown generally. There is substantially more economic activity in and around the centre. It is more diverse and more focused on visitor facilities and services. It remains the centre of high order business and community services for the District.

The Changing Nature of Retailing

The town centre remains at the heart of Queenstown retailing, although there is clearly a shift in the balance between the centre and Frankton: 75% of the net gain in retail jobs between 2006 and 2013 occurred in Frankton. Some of this may have come at the cost of the rest of central Queenstown, although retailing in the town centre continued to expand.

The growth of retailing in Frankton is unsurprising, especially as it has been distinguished by larger stores geared towards household demand. There are two obvious drivers of this.

First, the patterns of population growth in and around Queenstown have been supportive. Although recent growth has remained stronger in the QTC catchment area than in the Frankton catchment, the latter has been favoured by expansion to the north of the town. Growth there will also have been shaped by the greater preponderance of family households and slightly higher income mix of both the northern and eastern parts of Queenstown itself and the rural north.

Second, recent changes in retailing reflect more generally the dynamics of contemporary retail investment. These are based on two parallel developments in the retail business model. The move towards decentralised, integrated retail centres accommodates branded stores that no longer need rely on centrality as the basis for access to their suburban customers. At the same time, changes in the economics of production and distribution (underpinned largely by internationalisation) have seen the proliferation over the past two decades of large format retailing in suburban and urban edge sites. Both business models favour suburban localities based on a lower price of entry, the economics of assembly and distribution of goods at larger integrated sites, and customer convenience associated with multiple stores and brands in a confined and easily accessed area.

These population and retail investment trends will no doubt see the further expansion of retailing in Frankton, although this will be subject to the vagaries of residential growth in the eastern part of Queenstown and in rural and small settlements to the north.

On the other hand, the town centre will continue to be favoured by the distribution of the existing population, the concentration of tourist accommodation and focus of tourism activity there, and by the capacity to sustain higher value retailing of personal and fashion items.

Competition between Frankton and the Town Centre?

If there has been an over-estimation of the rate of population growth and retail demand in the zoning of commercial land in Frankton the investment provided for there may be some time coming, as suggested by the MMS report. In that case, local investors and landowners may choose to challenge Proposed Plan Change 50 in the hope of diverting more specialised retailing, services and tourism investment to commercial land in Frankton from a town centre that because of development constraints currently offers limited opportunities for new investment.

However, the analysis described above illustrates fundamental differences in the role of central Queenstown and QTC relative to Frankton. Apart from differences in the mix and form of retailing and services, the town centre stands out as the heart of tourist activity, activity that has spilled into the surrounding areas.

Those areas are important for the tourism accommodation they offer and the demands this makes on visitor activities in the town centre. As the accommodation sector develops – through

refurbishment and redevelopment, as well as new ventures in and around the centre – ancillary tourist services, entertainment, retail, and hospitality functions will continue to seek out and expand in sites in the town centre provided the capacity is there.

Given the distinctive role of the town centre there is thus no guarantee that prospective investment in tourism-related ventures in the centre of Queenstown, if frustrated by the absence of suitable available land there, will substitute a location in Frankton.

There has been some, albeit limited, growth of visitor oriented activity in Frankton. This is dominated by a major hotel, the Kawarau Hilton on the eastern side of the lake. Other visitor activity is very much centred on the presence of the airport and associated ground services. (In 2013 there were around 150 people involved in the airport and air transport sector).

The Future of the Town Centre

Provided the opportunities are available for investment in and around the town centre there are no obvious reasons to expect the expansion of tourism in Frankton to match, rival, or substitute for the centre in the foreseeable future. If implemented, Plan Change 50 will ensure that the capacity exists in the part of the town most favoured by and favourable for tourism development.

An apparent slow-down in tourism growth in central Queenstown in the past decade may reflect the difficulty of expanding there (as well as the impact of the GFC on arrival numbers generally). The proposed Plan Change should boost growth by increasing confidence and promoting new investment in QTC. Given that Frankton retailing is most likely to respond to demand associated with local population growth the prospects for any surplus commercial land there will be enhanced to the extent that investment in the centre sustains tourism as the town's principal income earning activity and thereby provide the foundation for continuing population growth generally.

At the same time there is no reason to expect the growth of retailing in Frankton will be to the long-term detriment of the town centre. For a start, the centre will remain the retail destination of choice for many households. For a majority of residents it is still closer than Frankton. The central retail offering is likely to continue to be distinctive in its focus on the individual, including personal goods, apparel, and accessories, categories that also attract visitor spending.

Any contraction in central retailing is likely to be from categories requiring more space rather than higher value retailing. In any case, a contraction in retail floorspace, especially in lower productivity stores or stores occupying extensive, high value sites, creates opportunities for higher value activities to occupy the space, often following the sort of refurbishment necessary to sustain a buoyant centre. The issue is not therefore about competition for finite investment in a "zero sum" game. Rather, it is a matter of creating an environment that will stimulate a new round of investment in tourism activity generally.

The resulting retail, service and entertainment mix should continue to make the town centre a preferred destination for out-of-town QLDC (and Central Otago) residents as well as for domestic and international visitors. And the slightly younger and more transient component of the local population – which tends to be concentrated in the centre – will continue to be attracted to and support the density of eating and entertainment venues in QTC which make it attractive to visitors.

The Role of the Proposed Plan Change

Any challenge to Plan Change 50 that might be contemplated by investors with interests in Frankton is more likely to reflect issues around oversupply of retail capacity there and a search for alternative uses rather than the preferences of investors in commercial services and tourism for a Frankton site. From the point of view of the uptake of that land, however, it is likely to be counter-productive if Plan Change 50 is not implemented because the currently limited capacity of the town centre is likely to constrain tourism growth and consequently impede the growth of Queenstown generally.

In conclusion, the main economic impact of Plan Change 50 will be to boost to the town centre by facilitating further accommodation and associated tourism investment. It will also provide additional residential capacity for a local community in support of that growth. This is likely to include young people in non-family households or families without children attracted to the opportunities to work in tourism as well as to the wider service sector in an attractive town centre.

Appendix: Spatial Reference

District	Focus of this Study	Subdivisions	Census Area Units	Mesh Blocks
Queenstown	Queenstown Central	Queenstown Town Centre	Queenstown Bay Queenstown Hill	3032701, 3032800, 3032900, 3033301, 3033400, 3033500, 3033600 3033700, 3033800, 3033900
		Extended QTC	Queenstown Bay	3032501, 3032502, 3032702, 3033000, 3033100
		Rest of Queenstown Central	Queenstown Bay Queenstown Hill Sunshine Bay	3032502, 3032502, 3033000, 3033100, 3032300, 3032400, 3032600, 3033201, 3033302, 3038102, 3038202, 3038209, 3038224, 3038225, 3038226, 3038211, 3039402, 3039504 3033203, 3033204, 3033205, 3034000, 3034100, 3034201, 3034202, 3034300, 3034401, 3034402, 3034500, 3034600, 3034700, 3034800, 3038207, 3038222, 3038223, 3038213, 3038214, 3038215, 3038216, 3038217, 3038218, 3038221 3039523, 3039524, 3039525, 3039508, 3039510, 3039511, 3039512, 3039514, 3039518, 3039519, 3039520, 3039521, 3039522
	Frankton	Rest of Queenstown Frankton Flats/Glenda Drive	Kelvin Heights Wakatipu	3040104, 3040105, 3040106, 3040107, 3040111, 3040112, 3040113, 3040114, 3040115, 3040116, 3040117, 3040109, 3040110 3038309
Rest of District			Wakatipu Lake Hayes Arrowtown Glenorchy Wanaka Matukituki Hawea Inland Water-Lake Hawea Inland Water-Lake Wanaka Inland Water-Lake Wakatipu	Balance