

## Review of Draft Masterplan Document - Milford Opportunities Project

19 March 2021 (Revised 15 April 2021)

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### Mandate

This report is an independent review of the Milford Opportunities Project – a Masterplan for Piopiotahi. The opinions in this report have been provided to consider how well the masterplan meet the following objectives and what improvement opportunities exist:

1. That the assumptions in the plan are reasonable for implementation or recommendation purposes
2. That the information in the background reports support the masterplan recommendations in a reasonable manner
3. To highlight any potential fatal flaws of the plan, noting that this plan does not strictly work within the current legislative constraints
4. That what is proposed in the Masterplan will result in a world-class experience that truly is fitting of Kipling's assertion that it is the "8<sup>th</sup> wonder of the world"

### Peer Reviewer Bio

This peer review was completed through a partnership between:

- **Gavin Flynn from AR & Associates** – focusing on planning, tourism, mana whenua and infrastructure advisory.
- **Vaughn Crowther from Utility** – focusing on infrastructure, transport, governance, finance, investment, and asset management advisory
- **Ben Smith from Popamono** – focusing on communications, engagement, branding, investment proposal development.

***AR & Associates is a high-end multidisciplinary planning, civil and environmental engineering design consultancy.***

**Gavin Flynn** is a spatial and infrastructure project leader who has helped coordinate multiple place-based and high-profile public realm, transport and strategic planning projects. Often described as the integrator or the grease for the chain, this role is vitally important to bring a high performing team together to achieve ambitious outcomes within project management parameters.

***Utility is a management consultancy specialising in infrastructure, asset management and finance.***

**Vaughn Crowther** is highly regarded throughout the sector as a thought-leader, with his passion to make a real difference with well-considered infrastructure investment. Vaughn is an engineer with post graduate qualifications in finance and infrastructure management. He offers over 15 years of experience working with government and private sector infrastructure owners. His predominant focus is on building decision making capability and identifying sustainable solutions. He has a bold vision for our community and is dedicated to making it a reality.

***Popamono is a communications and strategy consultancy that specialises in development of strategies, plans and investment proposals that solve wicked problems and shape regions.***

**Ben Smith** is a highly accomplished leader with a deep understanding of how to bring people and information together to solve complex problems.

Through a Planetary Health lens, Ben applies a holistic approach to seek out the best outcome for people, place, and planet. He brings together a broad range of skills to mobilise people and information to create successful strategies, bids, business cases and planning proposals. These skills include strategy facilitation, professional writing, business case management, stakeholder engagement, team leadership and project management.

By guiding leaders and project teams through smart planning and development of powerful stories, Ben has played a lead role in guiding organisations and regions through significant challenges. Over the last 20 years, Ben has supported more than 100 significant projects, including some of Australia's largest transport and water infrastructure projects, regional activation strategies and many large enterprise-wide transformations.

## Executive Summary

The Masterplan sets out a compelling and aspirational vision for Piopiotahi Milford Sound. It provides a signal to the plan's stakeholders of the intended strategic direction and the proposed steps to realise the vision.

The Masterplan itself is presented in a visually rich way, with excellent use of diagrams and imagery to demonstrate its intent and alignment with the project pillars.

Strong narrative and a useful sequence of information establish the case for change, the interventions that have been considered and the preferred programme to deliver the desired tourism experiences.

It is evident that a significant amount of work has occurred to explore the issues affecting the area and many options have been considered in the development of the preferred programme.

As outlined below, we see opportunities to refine the Masterplan by better demonstrating a robust decision-making process, a simplified, yet compelling story, and the process of how it will be delivered.

### Key observations and opportunities to strengthen the Masterplan

Through our collective observations, we see several opportunities to strengthen the Masterplan in both its presentation and its robustness as an investment proposal.

It is critical that the Masterplan is given every chance to succeed, and we have noted several opportunities to strengthen its underlying assumptions, its presentation as an investment proposal, and its delivery as a programme.

Our primary observations are summarised briefly under the four mandated scope objectives below and outlined in more detail in the subsequent sections. Our recommendations are also included below for consideration.

### **Objective 1 – The Assumptions in the Masterplan are reasonable for implementation or recommendation purposes**

#### Reader assumptions:

- The Masterplan assumes knowledge of the problems and the process for the plan development and implementation that can be addressed through clearer evidence and strong visuals.
- The role of the Masterplan and subsequent implementation plans can be better explained to manage expectations and provide a sense of when and how the plan's actions will be executed.
- The Masterplan assumes a level of knowledge around the interfaces between the many strategic elements within the programme, which may lead to confusion.
- While the Masterplan and supporting reports demonstrate a rich engagement process, the Masterplan itself could do more to share the voices of the stakeholder groups that support the plan and its proposed actions, particularly tourism industry leaders.

#### Technical and broader assumptions:

- The access cost modelling and cost estimate assumptions applied require further consideration, including applying targeted sensitivity analysis for greater assurance.

**Objective 2 – The information provided in background reports support the Masterplan recommendations in a reasonable manner**

- It is currently unclear how the technical investigations and resulting reports relate to each other and how they feed into the programme options analysis for the Masterplan overall.
- The problem with the existing situation, and more importantly, its key causes, is unclear. This means that the preferred way forward proposed in the Masterplan cannot be readily validated.
- The decision-making process is not clear, particularly in relation to significant transport changes, including repurposing of the aerodrome and the management of Milford Road.
- The benefits resulting from investing in the Masterplan, how they will be monitored and realised over time, have not been clearly defined.
- There is opportunity to strengthen the cost benefit analysis through more detailed assessments and testing the sensitivity of the key assumptions.
- More analysis and clearer explanation is required around transport access options and their discounting.
- The process applied to develop the rebranding proposal is well informed.

**Objective 3 – Are there any fatal flaws to the plan?**

Primary considerations

- As a strategic and visionary statement for Piopiotahi Milford Sound, we believe the Masterplan will provide great value. However, it will require more analysis and demonstration of robust decision making as part of the implementation plan and Detailed Business Case development.
- The lack of clarity on the commercial, financial and management aspects of the programme may constrain its ability to progress to the detailed business case (DBC) phase let alone gain investment and successfully establish the required delivery entity.
- At this stage, there is no clear pathway forward for project implementation or transition of existing arrangements. While we understand that a DBC will be developed to inform delivery, this was not clear in our review of the documents. This could be better explained in terms of the role of the Masterplan versus an ensuing business case.
- The way that the governance considerations and potential models are presented in the Masterplan is confusing and may benefit from simplification.

Secondary considerations

- The decision to restrict campervans from Cascade Creek onwards apart from those going to Milford Sound Lodge appears untested.
- It is unclear why there is not an opportunity to connect a new cycle trail on the other side of the Homer Tunnel into Milford Sound.

**Objective 4 – What is proposed in the Masterplan will result in a world-class experience.**

- It is not clear exactly how much the experiential ratings would need to change, or what KPIs would be attached to measuring a future world class experience.
- The use of robust urban design and international National Park and UNESCO destination best practice is evident and commendable in the Masterplan.
- There has obviously been significant consideration and evaluation on the configuration of the arrival, travel to the visitor centre and departure at the ferry and gondola terminal(s).
- In summary, the delivery of a world class experience is contingent upon the successful management of many significant changes, including gaining a range of investment support, unravelling the commercial model that the current operation was built on, and creating a potentially unprecedented governance model.

- When the Implementation Plan is developed, it will be important to ensure the commercial and governance model created is flexible enough to respond to tourism trends while providing an authentic experience.
- Given the tourism forecasts indicate significant growth in a post COVID environment, it will be important to understand what Masterplan implementation safeguards are in place to ensure delivery continues in the face of an upswing in demand.

### Summary of recommendations

The observations above have led to the following recommendations:

- Clarify the scope and role of the Masterplan in relation to the implementation steps, to manage expectations and help the reader understand when and how it will be delivered.
- Develop or add visuals to the Masterplan to demonstrate integration between the workstreams, the extent of the problems, the process completed to date and the next steps (through a simple timeline).
- Provide a document hierarchy demonstrating how the Masterplan will relate to other documents such as the Implementation Plan.
- Incorporate statements of support from stakeholders into the Masterplan and the key concepts.
- Rationalise the use of strategic elements when communicating the Masterplan to broader audiences to avoid confusion.
- Revisit the access cost modelling and cost estimate assumptions, including applying targeted sensitivity analysis for greater assurance.
- Strengthen the reasoning to ensure the decision making and supporting analysis is robust and well explained.
- Provide a clearer explanation around transport access options and their discounting, particularly in relation to repurposing of the Milford aerodrome and the management of Milford Road.
- Complete further analysis to substantiate the commercial, financial and management feasibility of the preferred way forward.
- Complete further analysis to define the benefits resulting from investing in the Masterplan, and how they will be monitored and realised over time.
- As noted on page 66 of the Masterplan, develop a transition and implementation plan that focuses on enabling the changes that need to occur while minimising delivery risks.
- Ensure the commercial model selected is flexible enough to respond to tourism trends while providing an authentic experience.
- Simplify the explanation of the governance models using the summary from the technical report.
- Define the desired customer experience to inform the programme delivery and benefits management.

## Masterplan Comments by objective

### Objective 1 – The Assumptions in the Masterplan are reasonable for implementation or recommendation purposes

Our primary observations on the assumptions applied in the Masterplan are outlined below.

#### **Reader assumptions**

##### **Assumed knowledge of problems and supporting evidence**

From a communications perspective, we recognise that a lot of work has occurred to explain the underlying issues that have led to the Masterplan's development. This is no small task, and the summary does a good job of bringing the various investigations together.

There is an opportunity to make this more compelling by incorporating evidence that will provide clearer rationale for investment. In the context of how the Masterplan is presented, it would be useful to provide more imagery that reinforces the problems rather than simply conveying this in words. In its current form, the Masterplan lacks visual aids that appeal to varied audiences that support a better understanding of the issues in the actual environment.

Specifically, it may be useful to mention the congestion, hazard risk, the effect of uncoordinated management on the visitor experience and in investment/efficiency terms, and the specific environmental impacts that we are wishing to avoid.

The quantification and qualification of cultural and environmental impacts is important. There are useful descriptions of the cultural issues with the current state for Ngai Tahu, and this is also relevant for consideration of the environment. But, it is unclear in the Masterplan how much environmental impact the current arrangements are having in quantifiable terms such as air/water quality, biodiversity, ecology, etc. While the vision is not part of this review, by saying "Piopiotahi, as it was forever", we need to understand what the impacts have been on the natural and cultural assets and why there is a need to act quickly through the actions outlined in the Masterplan.

##### **Assumed understanding of the process to date and next steps**

The Masterplan appears to assume that the reader will understand what has occurred to date and what the next steps are. The broad timelines outlined in previous communications gave a solid understanding of where the plan is at in the development process and while this is explained in some sections within the narrative, it would be useful to use a smart diagram to confirm this up front.

##### **Balancing content and visuals**

The Masterplan contains beautiful visuals that are very much in keeping with the natural feel of the location and its Mana Whenua aspirations. However, in some cases, they are hemmed in with a lot of words, which constrains their ability to convey a message as a standalone item. Equally, we need to be careful when using sketches that we are not just catering for the urban designers and architects of the world who are very comfortable with this type of view.

We appreciate that the Masterplan contains a range of visual styles (sketches, stylised maps, etc), and we encourage you to consider providing a bit more space for your more powerful visuals in further communications. As a rule of thumb, if a diagram requires a lot of text near it to explain it, it is not working, and it needs to be simplified.

### Masterplan positioning

Overall, the masterplan strategic visionary document founded on great principles and sound analysis. However, it also moves into an operational realm through outlining key concepts and an 'action plan', without providing clarity on how and when the key actions will occur.

The crossover between strategic and operational realms, without a clear handover to a more operational document or programme, can be confusing for the reader.

Many readers will be looking to understand when and how the proposed actions will occur and what it will mean for them. At this stage, the Masterplan does not clarify these details and in a way leaves the reader hanging. The statements on implementation and a delivery framework made ahead of the action plan on page 66 are confusing and need to be simplified:

*"All actions are subject to confirmation of priority and acceptance by the government. Therefore, actions are subject to detailed interrogation and the formulation of an implementation plan as this would likely be a framework in order to monitor progress through the strategic direction provided by the Masterplan. After the government support for the Masterplan objectives has been gained the required actions can then further be validated and codified some of which could include:"*

This narrative can be easily simplified and captured in a timeline in line with the 3-stage process outlined on the project website.

We assume that once endorsed as a strategic vision for Piopiotahi, this plan will be made a reality through the development of a transition and implementation plan that will be managed by the agreed governance arrangement (one of the two shortlisted).

Clarifying the next steps in this way, with an indicative timeline for the primary steps (such as approval, entity formation, programme refinement through more detailed analysis, development of the implementation plans and commencing delivery).

We recommend outlining this arrangement upfront in an infographic that quickly establishes the role of the Masterplan in relation to implementation steps, in addition to a high-level sense of when things will happen (with the usual caveats).

### Strategic stacking

The Masterplan assumes a level of knowledge around the interfaces between the many strategic elements within the programme.

In fact, there are so many strategic elements, that readers could easily become confused, while also convoluting the decision-making process.

The Masterplan Introduces several strategic elements, including a vision, pillars, outcomes, principles, and concepts, all within the first ten pages. This sits on top of the critical Mana Whenua aspirations for Piopiotahi Milford Sound. Notably, the project outcomes at the start of the document are also somewhat different to those on page 65, and each of the workstreams speak to their own outcomes.

While this may have been useful for guiding the work to date, multiple strategic elements can create confusion, in addition to complicating a decision-making process where so many elements need to be considered when developing and evaluating options. Furthermore, the pillars, which appear to have also been used as investment objectives, do not include tangible baselines and smart targets to align activities with, and measure success against.



So, we recommend that when the Masterplan is communicated, consideration is given to how many layers of strategic elements are used and whether the message is being overly complicated.

### **Technical assumptions**

#### **The setting and modelling of access prices**

The report identifies the likely reduction in visitor demand through placing a price on access.

The assumptions around price elasticity of demand are reasonable. Price elasticity of demand has been set at -0.44 despite the range from research being between -0.3 to -2.8. Given the range of values possible, and its significance to the funding model, we would expect this variable to be modelled in the sensitivity analysis, not just access prices.

For assurance, sensitivity analysis on this variable would be valuable rather than on the price charged. The access price will most likely be determined through consultation with operators who have an intimate knowledge of the market. Communicating clearly with international visitors who are being charged on what their user charge is going to would also assist in the implementation phase.

#### **Construction Cost estimates**

The initial cost estimates of the Masterplan implementation are at circa \$400 million. A construction cost premium of 10% has been applied on top of 10% Preliminary and General and 20% for scope uncertainty. It is encouraging that a premium has been included that considers in Milford Sound Piopiotahi's remoteness, physical and geographic constraints and hazard risks.

However, given the direct impact that this assumption has on the cost-benefit of the Masterplan, we believe this requires much further understanding and sensitivity analysis.

Otherwise recognising it is an estimate by applying a realistic level of uncertainty (i.e. +/- 40%) as well applying this to the cost-benefit analysis results.

### **Broader assumptions**

#### **Assumptions around industry, government and investor support**

The level of engagement to develop the Masterplan appears to be extensive, however it is not clear how supportive the commercial stakeholder groups are and whether they will be willing to make the required changes and investments to make the Masterplan a reality.

Critically, the Masterplan document appears to assume strong stakeholder and support; however, this has not been tested through funding investigations, commercial analysis, change management analysis and a confirmation that delivering the proposed delivery entity is feasible.

Purely from a reader's perspective, an indication of stakeholder support would provide increased confidence in its ability to be successfully delivered. To this end, it would be useful to include quotes from such stakeholders in the Masterplan document and video to demonstrate buy in and confidence in the direction outlined. We recognise that these messages may be qualified based on the stakeholder interests, but they would still add value.



We also recognise that this is a matter for the future, but it is worth noting its importance as the plan moves into its approval stage. From a communications perspective this may demonstrate a stronger, united voice.

## **Objective 2 – The information provided in background reports support the Masterplan recommendations in a reasonable manner**

Our primary observations on the way the background reports support the Masterplan recommendations are outlined below.

### **Integration of analysis**

It is currently unclear how the technical investigations and resulting reports relate to each other and how they feed into the programme options analysis for the Masterplan overall.

Through our review, we have noted that only the Tourism workstream takes an integrated approach that demonstrates a holistic consideration of problems, interventions, and options analysis.

For the reader and investors benefit, further demonstration of how the analysis is integrated to inform holistic decision making would be useful. A flowchart of document hierarchy and purpose would be helpful to guide the reader through the process and assist with interpretation.

### **Clear connection between the problems and the proposed solutions**

To the uninitiated, the linkage between the supporting reports and the Masterplan is not intuitive.

The problem with the existing situation, and more importantly, its key causes, is unclear. While the problems are described in narrative, their impacts and the evidence of these impacts could be strengthened. Without this baseline of empirical evidence, it is difficult to validate the selection of the preferred way forward as the best means of 'fixing' the current problem or in a way that optimises value for money.

What became clear from reading the underlying reports was that there are essentially two primary problems with the current situation, that are arguably creating most of the issues identified. These are:

1. **Excessive Demand has Consumed Capacity** - The carrying capacity of the physical, natural, and cultural capital at Milford Sound / Piopiotahi has been consumed by the sudden and rapid demand growth in the past 10 years. Arguably, this has served to highlight existing, long standing issues and amplify the potential consequence of already known risks / hazards in the area.
2. **The Commercial and Governance arrangements are no longer fit for purpose**- The existing commercial and governance model does not enable parties to invest appropriately in risk mitigations or in maximising value for all stakeholders. The inability for the Department of Conservation (DoC) and concession holders to self-manage the historical and new risks, and the desires of all stakeholders has been further exposed by excessive demand growth.

We would expect to see the evidence behind these issues presented clearly and concisely within the transportation, infrastructure, governance and associated reports.

It will then become much clearer to the reader, how the preferred approach of 'Managing Demand' by using pricing signals was arrived at.

We note the 'idea generation' process outlined in the Masterplan (p.25), which may actually be better titled as 'Creating the Masterplan Programme'. This demonstrates how the ideas were generated in each workstream, longlist/shortlists were created, refined, and evaluated through a range of interactive discussions between the project team, Mana Whenua, the PWG and the Governance Group. This is a healthy process, but it is not always clear what the basis for decision making was. It will be important to be able to confirm to the community what trade-offs were considered and what criteria were used to compare and contrast options, particularly at the PWG and Governance Group levels.

The MCA provided does not demonstrate how this comparative analysis occurred and we believe it will be important to be able to clearly outline the decision-making process both through narrative and more user-friendly visuals for the upcoming cabinet, industry and funding meetings.

### Benefits analysis and management planning

The benefits resulting from investing in the Masterplan, how they will be monitored and realised over time, have not been clearly defined. This creates a delivery and investment risk.

For an investment proposal of upward of \$400 million, we would expect to see a clear set of benefits (tangible and intangible, direct and indirect) resulting from this investment, and how their realisation will be monitored. This will be critical for;

- **Securing investment:** the benefits of this programme are multi-faceted and provide positive impact across the whole spectrum of well-being. Being able to define, monitor and realise these benefits opens many more avenues for funding / investment from potential parties, beyond just tourism. For example, conservation or educational benefits could attract investment from research or philanthropic organisations who normally may not seek to invest in such a programme because they cannot see the benefit. The viability of the Masterplan is premised on generating revenues from charging for access, yet there is little guarantee that the initial investment will be forthcoming or where it will come from.
- **Cabinet approval:** an investment of this magnitude and of this risk, will require cabinet approval using their investment management system. NZ Treasury administers this process on behalf of the cabinet; thus, any proposed investment would need to meet their benefits management and business case expectations.

### Cost Benefit and Sensitivity Analysis

Considering the significant whole of life costs of the Masterplan (circa \$400 million) and income projections upward of \$500 million, it will be critical to complete a much more thorough cost-benefit analysis and thorough testing of sensitivity of the key assumptions. This needs to be a key focus of the DBC/implementation plan to provide investor confidence and also indicate what the priorities are, in case the scale of the plan has to be reduced.

This analysis would need to include cost-benefit analysis excludes costs associated with the transfer or compensation of existing concession holders. This is a critical assumption that carries financial and implementation risk and should have been factored into the analysis. The additional input assumptions we would expect to see modelled are:

- **For demand and revenue assumptions:** We would expect to see sensitivity analysis on range of price elasticity variables. So, from -2.4 to -0.3 as a minimum.
- **For costs:** Sensitivity analysis of a range from 20 to 80% as a minimum.

- **For timing:** Phasing the preferred option over time, as to minimise delivery and funding risks.
- **For scope:** Phasing the scope of initiatives in the Masterplan that generate the most benefits while minimising risk.

#### **Milford Aerodrome future use**

The recommendation to repurpose the runway is a significant change to the mix of access, visitor options and economic opportunity of the wider region. The supporting evidence to justify this recommendation within the decision-making process could be strengthened, including covering off the following analysis:

- A whole of life cost analysis, such as a discounted cash flow for NPV analysis of the aerodrome assets.
- An indicative economic impact assessment to the wider region (Otago & Southland) of removing the aerodrome.
- The change in lifeline risks, operating and construction risks from removing fixed wing access
- The strategic alignment with the aerodrome owners, the Ministry of Transport and of those utilising it now.

We recommend making the information that validates this decision very clear so that when it is interrogated by investors and industry it can be clearly explained.

#### **Project Risk**

There is also a considerable project risk that the media may take the side of the aviation businesses and campaign against implementing the wider Masterplan initiatives.

It may be useful to pre-empt this occurring by including wording that the transition phase would include the implementation group working alongside concessionaires to explore alternative landing options, new routes and first option on delivering other business opportunities.

#### **Te Anau Airport Expansion**

The long list gives consideration towards expansions of Te Anau airport to receive domestic and international passengers.

Anecdotally, this would serve to address the identified problem of arduous journeys between Queenstown and Milford, improve the overall visitor experience and boost economic activity for Southland, West Coast, Mackenzie and Queenstown Lakes Districts.

However, there is no clear understanding of how or why this has been discounted from the Masterplan other than through a project group preference. This serves to create doubt on the consistency and objectivity of the short-listing process.

We would recommend that future analysis includes opening up discussions with the aviation industry to explore potential domestic flight opportunities that investigate maximising the existing Southland District Council investment in the Te Anau airport and seek to better connect other smaller tourism destinations such as Mount Cook / Lake Tekapo and Glacier Country. The business case for developing Tarras airport is strong enough for investing in land acquisition for a new airport development. Future analysis should compare the merits and

potential of both airport opportunities to establish whether there is potential to make Te Anau airport a regular service route.

### **Milford Road**

This asset is the primary enabler of Milford Sound Piopiotahi. It also carries the largest geographical and operational risk to the visitor experience. Considering the already high annual operating costs and the significant road safety risks, we would expect to have seen greater understanding of Waka Kotahi / NZTA's strategic intentions for the corridor and how these align with the Milford Opportunities Project.

This may have been already captured in the node interventions, but a recognition that the levels of service including pavement rehabilitation / replacement and flood mitigation measures, along the corridor will increase in cost with the new transport model of more heavy vehicles. Testing of the current assumption is that international visitor user fees will contribute to this increased cost.

### **Scope of Access Solutions**

Of note, is that despite the 13-hour return journey, 45% of all visitors still choose to travel to Milford Sound Piopiotahi from Queenstown instead of staying overnight in Te Anau. This seems to have been considered a problem, as opposed to an opportunity to improve access to Queenstown.

Several proposals have been made to increase access to Milford Sound from Queenstown and from the West Coast. Arguably, this reflects a strong elasticity of demand for Queenstown and other areas as a desirable place to base journeys from. Likewise, the Westland District Council-driven suggestion to connect the Jackson Road with the Hollyford Road appears to be not covered off as a connection option, either as a new walking and cycling route, or other transport method.

So, we would recommend outlining more analysis of transport access options to reflect this and stronger explanation of their discounting.

### **Rebranding**

We note that the investigations supporting and the justification for the renaming of Milford Sound, starting with a transitional approach, are well asserted. The analysis completed with similar destinations and the celebration of their Indigenous connections demonstrates the value of this step.

We recommend continuing to tell the story around the significance of this change as part of a broader effort to articulate connections to Ngai Tahu celestial, primordial and historical events.

### **Objective 3 – Are there any fatal flaws to the plan?**

As a strategic and visionary statement for Piopiotahi Milford Sound, we believe the Masterplan will provide great value. However, it will need to be strengthened through the DBC to ensure its decisions and recommendations stack up for investors. While we understand the Masterplan was not intended to be an investment proposal, it carries significant assumptions about costs and benefits that will be scrutinised by decision makers (approvers and potential funders). Hence, our advice below is about creating confidence in these readers.

We recognise that there is an opportunity to capture and outline these elements through the project's next steps as part of a transition and implementation plan. The following primary and secondary considerations should be addressed through this next phase:

#### **The Commercial Case**

The commercial feasibility of the Masterplan has not been adequately canvassed or considered, which creates a critical delivery risk from existing operators and concession owners.

The masterplan proposes significant changes to the existing operations at Milford Sound / Piopiotahi including the repurposing of the aerodrome, the re-arrangement of concessions, development of a 100-bed hotel and 300 bed residential accommodation, cable car & viewing platforms and potential management of infrastructure services.

We would recommend testing these proposals against their commercial reality when it comes to implementation. Not doing so at the early stages, simply allows this risk to grow into a potential 'deal breaker', which could only be managed by a stakeholder of significant influence and delegated authority, most likely Ministry of Business Innovation and Employment (MBIE) or the Government.

#### **The Financial Case**

The financial feasibility of the Masterplan has also not been adequately considered.

It identifies the indicative costs and proposes a new revenue stream to assist in funding. However, significant up-front investment is still required, from several parties, to realise these benefits and justify charging visitors.

We would expect to see financial feasibility considered much earlier in the process than it currently has. We would also expect to see financial models developed to test the sensitivity of cost estimates, income sources and income timing (as has been suggested earlier).

We recommend that this is prioritised as part of the next steps to increase the likelihood of the programme's success.

#### **The Management Case**

At this stage, there is no clear pathway forward for project implementation or transition of existing arrangements. Considering the precedence of the masterplan proposals, it needs to consider the management of the programme, the changes required to make it successful, in addition to the management of ongoing risks, communications and benefits.

We assume that this will be addressed through the implementation plan flagged on page 66.

As a general summary, we see the items below as critical steps within the implementation plan:

1. Tackling the current dysfunctional concessions system.
2. Establishing an entity that is akin to an Urban Development Authority in its powers that can plan, fund, negotiate, procure, develop and operate key destination management areas to be the key interface points for the majority of visitors in the future.
3. Changing legislation to cut through the legal minefield that governs the National Park, State Highway road tolling and establishment of a development and operational governance entity.
4. Genuinely partnering with Mana Whenua to deliver on cultural initiatives that they are passionate about and are sensitive to Tikanga Māori.
5. Utilising the MOP Masterplan Te Anau interventions (including airport, visitor centre, transport hub) as a catalyst for a wider and more detailed spatial plan for Te Anau and Manapouri, that seeks to encourage community buy in, and economic development opportunities.
6. Developing a transparent, performance-based commercial model to lift the quality standards of the hospitality, transportation and outdoor activities so that they are considered NZ best practice.
7. Gaining and maintaining political support to ensure that whatever party is in power understands the importance of this area from a world class visitor experience, UNESCO World Heritage site and NZ Inc brand perspective.
8. Delivering the required infrastructure and operational changes through a well-managed programme, guided by a clear transition plan.

We recommend the further development of the commercial, financial and management cases for the Masterplan are prioritised to aid the upcoming approval steps, in addition to the transition and implementation planning.

### **Governance and legislation**

Presenting the governance analysis and recommendations is challenging given its complexity. We recognise that the Masterplan tries to attempt this in a simplified way through outlining the challenges on page 23, the opportunities on page 24, key concepts on page 32 and an outline of legislative implications.

However, given there is much left to do to make a selection between the two selected models, the information provided in the Masterplan is enduringly vague. While most readers would recognise the challenges that exist today and the unprecedented nature of the new governance model, it is likely that many will not understand what the model will look like and what it means for them.

As reviewers, we found the executive summary snapshot from the technical report to be more useful than the Masterplan itself for explaining the governance options being tabled with the government. It may be worth extracting/using this content to explain the current considerations to give the Masterplan governance discussion better context.

## **Secondary considerations**

### **Campervan restrictions**

The decision to restrict campervans from Cascade Creek onwards apart from those going to Milford Sound Lodge appears untested.

Campervans make up 10% of the corridor road traffic numbers. Milford Sound Lodge's future is silent in the Masterplan, but it is within a known hazard zone. There is a growing trend for more New Zealand residents to own campervans, as a value for money way to combine transport and accommodation.

Testing whether the relocated Milford Sound car park could double as an overnight commercial campervan site could be an idea that is worth exploring. The main merits are that it could deliver more visitors in the morning and afternoon cruise slots (i.e. through price discounting) and are the type of visitor who would tend to linger more enroute and experience more activities, thereby spending more dollars in the Southland region.

### **Cycleway connections**

The cycleway from Te Anau to Cascade Creek is a great alternative to travel by vehicle to the Milford Corridor.

It is unclear why the trail stops here and there are no more opportunities to connect a new cycle trail on the other side of the Homer Tunnel into Milford Sound. This would give the bus transport another market to cater for and increase their commercial viability. It could also offer a loop cycle trail excursion from the Milford Sound Village to various attractions including the Chasm. With electric bikes becoming very popular for visitors at tourism destinations, this activity could be another option to keep visitors staying longer at Milford Sound Village.



## **Objective 4 – What is proposed in the Masterplan will result in a world-class experience.**

We see many positives that can contribute to sustained world class visitor experiences, while maintaining and protecting the extraordinary cultural and natural values of the area. We also see some opportunities to manage risks and future proof the Masterplan actions through embedding flexibility and a culture of sustainability and innovation.

Our primary observations in relation to the Masterplan's ability to deliver a world class experience are summarised below.

### **Defining and measuring a world class experience**

It is worth recognising that according to the data gathered in the Tourism workstreams report, the rating of the Milford Sound experience continues to be high, despite the pressures on the asset pre-COVID-19. It's not clear exactly how much the experiential ratings would need to change, or what KPIs would be attached to measuring a future world class experience.

So, we assume that the Masterplan seeks to sustain the experience while preserving the many values of Piopiotahi and enhancing the targeted corridor.

Given there is a lot of emphasis placed on avoiding the rigours of a 12–13-hour trip in a bus from Queenstown, it would be useful to provide evidence in the Masterplan of dissatisfaction with this, or a desire to engage more meaningfully with the corridor/ Te Anau to support the rationale for change.

It would also be worth adding some narrative and potential regarding the value in authenticity of the experience.

We understand that current tourism data indicates that tourism ratings for New Zealand in general are very high and a common issue flagged is actually the cost. With this in mind, it will be important to ensure the implementation of a visitor levy is not in itself a detractor from the targeted world class experience. This will come down to demonstrating value for money in the improved experiences.

### **Improved form and function**

The ten key concepts list the interventions clearly and describe the rationale briefly under each heading. The Milford Corridor hubs and nodes plan from transport, access, safety and visitor experience seeks to enhance the existing settings in a legible and optimises their special characteristics. Breaking up the accommodation and activities offerings into different standards and price points will increase the diversity of experiences and enable more people to spend time exploring new outdoor options along the Milford Corridor.

The increased walking tracks around the Milford foreshore, new tracks at Cascade Creek, Whakatipu Trails Head and all abilities access to Bowen Falls achieve multiple pillar objectives and add a new richness to the Milford visitor experience.

The addition of new indoor wet weather alternatives such as the new marine and cultural interpretation and diversity of food and catering options is a definite need in Milford Sound and one that will be welcomed by most visitors to the destination.

### **Applying robust urban design principles**

The use of robust urban design and international National Park and UNESCO destination best practice is evident and commendable in the Masterplan.

The proposed accommodation and visitor centre looks to create a compact built/urban form which in turn creates a vibrant and interesting visitor experience if it is designed sensitively and well curated. The creation of shelters for weather and tsunami evacuation starts to recognise the elements and incorporate structures in a major emergency event.

For the next stage of the feasibility analysis, it would pay to explore whether there is any possibility of future proofing options to build higher to allow for growth of the accommodation offering. There appears to be limited built development alternatives in the Milford Village that do not contain high hazard considerations, so this area seems the best of the possible alternatives.

### **A well configured experience**

There has obviously been significant consideration and evaluation on the configuration of the arrival, travel to the visitor centre and departure at the ferry and gondola terminal(s).

These interventions put the visitor experience at the forefront to enable options to spread people out and manage capacity at the key transiting times. Equally, the development of existing nodes of activity along the corridor have considered the competing tensions of the workstreams.

These smart and sensitive design responses have limited expansion on the environmental footprint but showcase the unique qualities that the corridor nodes have, and in themselves are part of a package of reasons to stop and enjoy the trip.

The enhancement of these nodes and adding additional activities/accommodation options is prudent in utilising existing infrastructure and allowing new businesses to venture into these spaces. It also allows for increased investment in resilience of the facilities and measures to manage extreme events such as flooding and earthquakes.

The increase of activities, especially to areas that are currently not accessible to provide a range of walking and cycle options is a big change to the status quo, and one that would be welcomed by different visitor markets. As noted elsewhere in our report, we see value in continuing to expand this offering to spread the way that people move around the area and to capitalise on the growth in sustainable cycling and walking tourism.

### **A world class experience built on a world class challenge**

There is definitely the potential to deliver a world class visitor experience in Milford Sound, the corridor, Te Anau and the journeys to these destinations. The Masterplan has provided the visual representation of this potential for the Milford Sound and the Corridor.

But, successful delivery of the Masterplan actions will require a great deal of collaboration, investment confidence and commitment.

In summary, the delivery of a world class experience is contingent upon the successful management of many significant changes, including gaining a range of investment support, unravelling the commercial model that the current operation was built on, and creating a potentially unprecedented governance model.

For this reason, we see the commercial, financial and management analysis leading into a detailed implementation plan recommended above as being critical to the delivery of the desired world class experience.

### **Sustainable Tourism Trends**

One positive impact of COVID-19 is the greater awareness of the value of our environments, and this has translated into a growing interest in sustainable tourism.

We are happy to see significant emphasis on the end-to-end sustainability of the experience the Masterplan aims to deliver through its interventions.

We believe it will be important to tell the story of the proposed changes to zero emissions transport, the spread of transport activity and the reduction in long journeys as means to reduce impacts and improve the connections with the environment throughout the corridor.

Another relevant trend to recognise across Australasia is the growth in walking and cycling tourism. These experiences are often combined with cultural experiences that create a stronger sense of connection with places while exploring with a light footprint.

In keeping with the Tiaki Promise and the Mahu Whenua aspirations, the sustainable tourism story and the sense of guardianship of Piopiotahi should play a big role in supporting the shift proposed in the Masterplan and attracting visitors that embrace this vision.

### **An Ecosystem of Innovation**

The current arrangements for Milford Sound Piopiotahi have demonstrated an inability to be flexible to change in response to demand.

We believe it will be important for the Masterplan in its delivery to ensure that there is opportunity to work collaboratively to identify and respond to sustainable tourism opportunities.

When the Implementation Plan is developed, it will be important to ensure the commercial and governance model created is flexible enough to respond to tourism trends while providing an authentic experience. This includes avoiding over-prescribing the function of the activities in the area to ensure people can be responsible but are free to invest to pursue diverse opportunities.

### **Avoiding history repeating**

Given the tourism forecasts indicate significant growth in a post COVID environment, it will be important to understand what Masterplan safeguards are in place to ensure that in the face of an upswing in demand.

If the level of visitation returned to or above pre-COVID levels, the ability for the operational aspects of Piopiotahi to change may be strained. For this reason, it will be important to move at pace during the current lull and have safeguards in place to ensure the transition can continue despite potential operational pressures.

## Recommendations

Based on the observations outlined above, we present the following recommendations

- Clarify the scope and role of the Masterplan in relation to the implementation steps, to manage expectations and help the reader understand when and how it will be delivered.
- Develop or add visuals to the Masterplan to demonstrate integration between the workstreams, the extent of the problems, the process completed to date and the next steps (through a simple timeline).
- Provide a document hierarchy demonstrating how the Masterplan will relate to other documents such as the Implementation Plan.
- Incorporate statements of support from stakeholders into the Masterplan and the key concepts.
- Rationalise the use of strategic elements when communicating the Masterplan to broader audiences to avoid confusion.
- Revisit the access cost modelling and cost estimate assumptions, including applying targeted sensitivity analysis for greater assurance.
- Strengthen the reasoning to ensure the decision making and supporting analysis is robust and well explained.
- Provide a clearer explanation around transport access options and their discounting, particularly in relation to repurposing of the aerodrome and the management of Milford Road.
- Complete further analysis to substantiate the commercial, financial and management feasibility of the preferred way forward.
- Complete further analysis to define the benefits resulting from investing in the Masterplan, and how they will be monitored and realised over time.
- As noted on page 66 of the Masterplan, develop a transition and implementation plan that focuses on enabling the changes that need to occur while minimising delivery risks.
- Ensure the commercial model selected is flexible enough to respond to tourism trends while providing an authentic experience.
- Simplify the explanation of the governance models using the summary from the technical report.
- Define the desired customer experience to inform the programme delivery and benefits management.

## Limitations and constraints

This peer review was completed in a compressed timeframe. Opportunities to engage with the team developing the plan and the technical reports were comparatively limited as a result. Focus was placed on interviewing those people we considered of significant influence to the desired outcomes of the Milford Opportunities Project.