



A Waka Hourua for the Tairawhiti region

An economic assessment for Turanganui A Kiwa Voyaging Trust

Turanganui A Kiwa Voyaging Trust have engaged BERL to consider the economic impact of a Waka Hourua (voyaging canoe) operating in the Tairawhiti region.

BERL has been provided with data and information on the number and type of programmes that will be offered by the Waka Hourua. This has allowed us to determine what activity will result in new spending in the region and what activity will redistribute spending.

The expected revenue sources for the Waka Hourua include fees derived from education programmes, school holiday programmes, tourism programmes, an ocean sailing programme and an event sailing programme. Also revenue from grants that they successfully apply for annually, and the sale of merchandise.

Overall, for every \$1 spent in operating the Waka Hourua in the Tairawhiti region, \$1.80 will be added to a range of businesses across the local economy. This is due to the multiplier effect of the operation of the Waka Hourua, including the impact of the education programmes that will be offered and the additional spending by visitors who stay longer in Tairawhiti to enjoy this new experience. However, it does not include the longer-term impacts on the economic and social well-being of youth on the East Coast, nor the benefits that could accrue to these individuals and their whanau as a result of undertaking the proposed education programmes. These longer-term impacts are almost certainly considerable in magnitude and significance, but are inherently extremely difficult to robustly quantify without a more in-depth research exercise.

The direct expenditure required to operate the Waka Hourua will generate total expenditure of approximately \$748,000 each year in the region. This includes direct expenditure to operate the Waka Hourua and an additional \$288,000 in expenditure generated by the additional economic activity that will result.

Approximately \$74,000 of this \$288,000 is expected to be generated by visitors coming from outside of the region to experience the Waka Hourua, while the remainder will be due to the purchase of goods and services by Waka Hourua staff and their service providers.

	Direct	Total
Expenditure (2015\$)	460,000	748,000
GDP (2015\$)	428,000	718,000
Employment	7	11

Source: BERL

As a result of this spending impact an additional 11 Full-Time Equivalents (FTEs) will be employed per year in the region as a result of the Waka Hourua, including the direct employment of seven FTEs by Turanga Ararau. An estimated \$718,000 in Gross Domestic Product per annum will be also generated for the Tairawhiti Region as a result of this employment and the operation of the Waka Hourua programmes and voyages.

Background information

A Waka Hourua is a Polynesian style double hulled voyaging canoe. The Waka Hourua will principally be used to educate and train young people from the Tairawhiti region in Polynesian seafaring history and traditions.

Turanga Ararau will design and operate a training programme for their taiohi that includes life, vocational and seafaring skills - underpinned by tikanga-a-iwi - and the Waka Hourua will be used as a floating classroom.

The Waka Hourua will principally:

- be used as a vehicle to strengthen the links of all the iwi and hapu in the Tairawhiti region
- symbolically depict the ancient waka and ancestors that originally settled in the region and therefore create an appropriate platform to teach Polynesian seafaring history and traditions.
- be an appropriate and relevant vehicle for the delivery of sea-based histories, stories and concepts.

However, the Waka Hourua will also be used by all age groups from the region for social, cultural, environmental and recreational purposes, including chartered cruises for team building exercises and as a tourist activity.

Education programmes

The Waka Hourua is intended to operate on a similar model as the Spirit of New Zealand, it therefore has the potential to influence significant change for youth development in terms of their cultural awareness, personal enhancement and pride. It is also hoped that the Waka Hourua will provide youth with life skills and vocational opportunities as well as an alternative education platform.

The provision of education programmes through the Waka Hourua is likely to have a significant positive impact on the economic and social well-being of youth on the East Coast, and be a benefit to individuals and their whanau.

This is because the success of the schools programme, particularly for at risk youth, may have a positive effect on others. These externality benefits could include having a positive impact on the well-being of other family and community members, and improved social infrastructure. However, it is difficult to attach a monetary value to these positive externalities without a more sizable research effort.

The Treasury has recently released a document on *Youth At Risk*. This discussion uses the Integrated Data Infrastructure (IDI) at Statistics New Zealand to identify young people in New Zealand who are most at risk of poor long-term outcomes. The IDI draws on administrative data from various government ministries to identify the risk factors most associated with an outcome for youth aged 15-19 and 20-24 years old. This discussion document defines poor long-term outcomes, namely, receiving a benefit; receiving a custodial or community sentence; not achieving NCEA Level 2; and the use of mental health or addiction services.

If we were to use the Treasury discussion document as a framework, and assume that the Waka Hourua education programmes contribute to the original goal or objective of the Voyaging Trust, then the opportunity costs avoided could include

- reduced safety and security as a higher number of people between 25 and 34 years old receive a custodial or community sentence
- increase costs to the Government due to greater numbers of people aged between 25 and 34 years old receiving a benefit or accessing mental health or addiction services
- a decrease in engagement in the labour market and lower average wages or salaries due to lower qualification levels among those aged 25 to 34 years old.

To be clear, these 'opportunity costs avoided' are the range of costs that whanau, community, and government would incur if the Waka Hourua programme were not to proceed. Alternatively, these 'avoided costs' can be seen as benefits arising from the implementation of the education programme. Again, however, providing robust estimates for these benefits (given this Treasury framework) is unfortunately not a trivial research exercise.

Conventional spending multiplier impacts

From an economic point of view, the presence of the Waka Hourua will generate economic activity and result in expenditure in the local economy. This will occur through Turanganui A Kiwa Voyaging Trust spending money to operate as a venture, including the purchase of goods and services from other businesses, and through their staff spending and saving their income.

This activity includes:

- Turanga Ararau will provide the land for the Waka Hourua programme to operate, this will include classroom facilities, marae style accommodation when required for wānanga, and some administrative support
- The Gisborne Primary Schools Principal Association and Tairawhiti Area & Secondary Schools Principals' Association (TASSPA) will provide education expertise through their professional staff and through promoting fundraising. Two full-time teachers will also be committed to the project over time.
- There is a commitment from primary and secondary schools in the region to contributing whatever is needed for the Waka Hourua programme to be effective in engaging students in high-quality curriculum centred voyaging connected to local, national and Pacific heritage.
- The Waka Hourua programme will aim to enhance curriculum delivery for priority learners – Maori, Pasifika, children from lower socio-economic backgrounds, and children with special learnings needs. However, there will be something of high value for everyone as the programme is rolled out.

The Waka Hourua will take approximately six months to construct, but it will be constructed outside of the Region. This means the economic impact of the construction of the Waka Hourua cannot be included as part of our discussion.

Notes on our calculation method

Turanganui A Kiwa Voyaging Trust provided BERL with their forecast operating expenses for the first three years of their operations. We note that these forecasts may change, but in year 1 approximately \$440,000 is expected to be spent in Tairawhiti, while in years 2 and 3 this is expected to increase to \$518,500. With operating expenses stable in year 2 and 3, we estimated the economic impact of the operations of the Waka Hourua on the Tairawhiti economy based on the operating expenses in these two years.

For the economic impact calculations we excluded the \$59,000 put aside to account for depreciation on the Waka Hourua assets. This leaves \$460,000 of operational expenditure, of which almost \$390,000 covers the direct employment of seven Full-Time Equivalents (FTEs).

Tourism and public sailings

Tourism Eastland, as the Regional Tourism Organisation, supports the proposal for the Waka Hourua. They believe the waka has good tourism potential and that the activities offered by a Waka Hourua would be a major draw-card to attract more visitors to the region and to encourage them to stay longer.

Tourism Eastland also supports the venture as they believe voyages of the Waka Hourua offered to visitors will provide young hospitality and tourism trainees in the Region to ‘practice their hospitality/manaakitanga skills’.

Tourism Eastland has an inside-out marketing approach and encourages locals and visitors to spread the word about the region. They would therefore further engage with this marketing campaign, as well as encourage the conference market to consider the Waka Hourua as a possible on-board team building experience.

Using the key assumptions listed below regarding visitors to the region, we have determined that:

Approximately 400 people will visit from Gisborne from outside of the region and stay an extra night because of the operations of the Waka Hourua.

Visitors staying one extra night will generate an estimated \$45,000 for the region.

As a reference point, Regional Tourism Estimates released by Statistics New Zealand estimate that over the 2012, 2013 and 2014 years on average domestic and international visitors have spent \$70 million in Gisborne.

Key assumptions regarding visitors

- The Waka Hourua programme will aim to offer 40 public sailings a year and these public sailings will have an average of 11 passengers.
- The Waka Hourua programme will aim to offer 11 charter sailings, five cruise ship charters and six corporate charters and these charters will be fully booked with a maximum of 20 passengers.
- Our assessment assumes that 75 percent of passengers on the public sailings are visitors from out of the region
- Our assessment assumes that 50 percent of passengers on the charter sailings are visitors from out of the region
- Our assessment assumes that the school programmes (including the school holiday and five day programme) go ahead, but because this is a regional redistribution of expenditure it is not included in the economic impact assessment calculations. This is the same for special event sailings.
- Our assessment used a three year average (2012, 2013 and 2014) for total guest nights and regional expenditure by visitors (international and domestic) to Tairawhiti, this gave an average spend of \$114 per night for visitors.
- This visitor expenditure is split across the various expenditure categories, the same as the regional tourism expenditure estimates.
- Our assessment assumes that 90 percent of visitors will stay an extra night in Gisborne to experience the Waka Hourua sailing.

School programme

30 classes @ 17 students = 510 students per year

If assume distribution of risk is as per national average (from Treasury IDI estimations) then

**projected corrections and welfare cost
while they are 25-34**

number of students in risk category	\$ per individual	total \$	total \$ per annum
85% at least risk	433.5	16,600	7,196,100
10% at high risk	51	74,400	3,794,400
5% at extreme risk	25.5	131,000	3,340,500
	510	14,331,000	1,433,100

If the programme is successful in averting negative long-term outcomes for 510 students per year then the fiscal benefit to the government, in terms of corrections and welfare costs saved, would be up to \$1.4m per annum. That is, if the programme was successful in ensuring all 510 students did not require welfare benefits and were kept out of correction centres then savings to government would total \$1.4m per annum.

Note, however, these may be conservative estimates given the risk profile of the population is based on national averages; that is, regional specific information (or indeed specific information on the students who would potentially participated in this programme) may enable a more refined (and robust) estimate.