

***Tairawhiti Development Partnership:
Regional Economic Development
Strategy 2009***

**McDermott Miller *Strategies*
Final Report
22 January 2009**

TABLE OF CONTENTS

1.	PRELIMINARIES	5
1.1	Salutation to Tairawhiti development partners	6
1.2	Preamble	7
1.3	Our brief and kaupapa	11
1.4	Format of this report	15
2.	SITUATION REVIEW	17
2.1	The Partnership Today	18
2.1.1	Purpose , Role and Structure	18
2.1.2	Strategic Plan Vision	20
2.1.3	Evolution of TDP	22
2.1.4	Elaboration of Strategy Planning	23
2.1.5	Significant Economic Development Achievements	25
2.1.6	Achievements and Challenges of Existing Regional Development Strategy Planning	28
2.1.7	New Strategic Direction Needed	29
2.2	Stakeholder Views	30
2.2.1	Wide-spread Consultation	30
2.2.2	Iwi Consultation	30
2.2.3	Investor and Other Stakeholder Consultation	31
2.2.4	Views on Development Opportunities	31
2.2.5	Views on Development Issues	31
2.2.6	Implications	31
2.2.7	Influence on Strategy Formulation	32
2.3	Regional economic situation	33
2.3.1	Regional Economic Situation	33
2.3.2	Strengths and Weaknesses of Current Regional Economic Portfolio	33
2.3.3	Economic Outlook	34
2.3.4	Selection of Key Sectors	35
2.3.5	Strategic Focus Found	36
3.	STRATEGY	37
3.1	FRESH APPROACH TO TAIRAWHITI STRATEGY	38
3.2	Strategy Principles	40
3.3	Proposed Economic Development Strategy	44
3.3.1	Vision	44
3.3.2	High Level Goals	44
3.3.3	Strategic Objectives	45
3.3.4	Meshing Strategy Goals and Objectives with Development Priorities	48
3.3.5	Sector Objectives	50
3.4	Benefits of the refreshed Tairawhiti Economic Development Strategy	54
3.4.1	Regional GDP Benefits	54
3.4.2	Employment Benefits	55
3.5	Monitoring Strategy Performance	58
4.	STRATEGY IMPLEMENTATION	60
4.1	Investment Issues	61
4.1.1	Importance of Investment	61
4.1.2	Stakeholder Investors	62
4.1.3	How to Stimulate Investment in Tairawhiti	64

4.2	Structural Issues	66
4.2.1	Need for New Structure	66
4.2.2	Proposed New Functions and Structure	67
4.3	Implementation Plan	71
4.3.1	Scope of TDP Strategy Implementation	71
4.3.2	TDP Implementation Roles	76
4.3.3	Implementation Also Requires Improving TDP's Capability to Lead	81
4.3.4	Resources Required	81
4.3.5	TDP Lead and Support Agencies	82
4.3.6	Proposed Programme Priorities	85

APPENDICES

Appendix 1	Tairawhiti Regional Economic Outlook
Appendix 2	Sectoral Reviews
Appendix 3	Technical Paper on Stakeholder Consultation: <ul style="list-style-type: none">• Parties Consulted• Opportunities and issues identified by stakeholders
Appendix 4	Strategic Workshop Participants and Full List of Contacts
Appendix 5	Bibliography

McDermott Miller *Strategies* Limited
CPO PO Box 629 Wellington New Zealand
2nd Floor 90 The Terrace Wellington
Telephone (04) 471-8500
Email strategies@mcdermottmiller.co.nz
www.mcdermottmiller.co.nz

LIST OF EXHIBITS

Figure 2.1 Structure of Tairawhiti Development Partnership	19
Table 2.1 Counts of Tairawhiti Development Partnership Objectives	24
Figure 3.1 Proposed Tairawhiti Economic Strategy: Vision, Goals and Strategic Objectives ...	47
Figure 3.2: Directional Change in Tairawhiti Regional Portfolio of Base Sectors 2007 -2017	50
Figure 3.3: Tairawhiti Regional GDP with and without Strategy	55
Figure 3.4: Tairawhiti Employment Growth With and Without Strategy	56
Figure 4.1: Proposed Tairawhiti Development Partnership Structure, 2009	69
Figure 4.2: Proposed Partners for Tairawhiti Development Partnership, 2009	70
Table 4.1 Regional Implementation Programmes and Projects	78
Table 4.2 Roles for Agencies in Implementing the Strategy	84

1. PRELIMINARIES

Section 1 presents our salutations, followed by a preamble by our Team Leader, Colin Knox, which expresses the philosophy underlying the Tairawhiti Regional Economic Development Strategy report. We then present our brief and an outline of this report.

1.1

SALUTATION TO TAIRAWHITI DEVELOPMENT PARTNERS

E nga mana, e nga reo, rau rangatira ma, tena koutou. Tenei te mihi atu ki a koutou e noho mai na i te whenua o Tairawhiti.

Haere e tatou mate, haere, haere kua ea. Ki a tatou te hunga ora, ko te tumanako i roto i nga whakaaro, kei te mihi ki a tatou katoa.

Greetings to this distinguished group. Greetings to you who live here in Tairawhiti.

Farewell to those of our marae who have passed on. To we who are living, eagerly awaiting these thoughts and suggestions, greetings to us all.

1.2

PREAMBLE

Grounds for Optimism

When this report on an economic development strategy for the Tairāwhiti Region was commissioned there was little hint that it would be overtaken by a major international economic recession. The impact of controversial international investment practises is only beginning to be felt in New Zealand, with significant staff reductions in the financial sector and other sectors which depend directly on it such as building construction. Predictions regarding the depth and duration of a recession in the New Zealand economy vary, and the Reserve Bank has taken unusual action in the extent to which it is encouraging a lower interest rate regime to promote consumer spending.

However, there is good reason to be optimistic about Tairāwhiti. Business and community leaders we invited to attend a workshop to discuss the region's economy agreed that the advantages of the region include a variety of land types which enjoy an excellent growing climate for both plants and animals, and which is comparatively well priced. There is stability of land ownership, particularly owned Māori land, which allows a long term view of the regional economy. Processing plants are well placed in relation to growing areas, and there is an excellent engineering industry to support both pastoral and industrial businesses. Planning for further development of transport infrastructure is reportedly in hand, with the possibility of an extension to coastal shipping operations.

The impact of the global economic crisis on the Tairāwhiti region is likely to vary according to sector, and while there may be a pause in the growth seen in recent years, we believe that the assumptions and trends which inform this report will remain a good basis for shaping the economic development of the region.

The mainstay of the regional economy will continue to be food production and processing, and a clear focus must remain on assessing new opportunities for developing the value of products leaving the region so

as to increase their value in relation to the costs of transport which are relatively high. These activities are mainly in the hands of existing businesses, and there is evidence of promising plans to improve their profitability through significant investment, particularly in forestry and food processing.

Determination and Progress

Our strategy planning team consulted very widely within Tairāwhiti and met with many interest groups and individuals who had come to the attention of their community as having something to contribute. Consultation with Māori was made through representative organisations such as the Runanga, and also with individuals living within the region as well as in Wellington and Auckland, who have maintained close links with their whānau and hapū. From these consultations it became clear that Māori asset owners are ensuring that opportunities are being taken as they arise to modify traditional practises and structures in order to build sustainable businesses based on their land and culture. The Māori way is traditionally consultative and relationships with other business and government organisations are highly valued.

Conversion of land to more profitable use has reportedly been slow, but particularly in regard to Māori owned land there have been significant initiatives to encourage diversity and improve returns to shareholders. Māori owners have the dual responsibility of continuously improving returns while maintaining their distinctive traditions. Te Runanga o Ngāti Porou, Te Runanga o Turanganui a Kiwa and Kahungunu ki te Wairoa can all point to initiatives which take advantage of advances in management and operations, together with a clear vision for the future of the Māori economy in the region. Some groups have established relationships with overseas parties whose commercial interests include agriculture and energy projects, and where the indigenous aspect is a distinct advantage in attracting potential investment partners.

Uncertainty with respect to farming and industrial carbon emission constraints or taxes, while the new

Government considers its policies, will have mixed consequences. There is evidence that farming interests, including Māori farmers, have begun to investigate converting erosion prone land into continuing cash streams through the Emissions Trading Scheme, responding to issues identified in regional planning protocols.

The possibility of an alternative fuels industry in the region has attracted small scale pilot operations which are either at or approaching the stage of requiring commercial development, and with the imminent cancellation of legislation requiring oil companies to offer a bio-fuel alternative, investment funding may be difficult to locate. The success of these initiatives will depend on the costs of transporting feed stock to the energy production plants, and the relative cost of traditional fuels.

A number of people and groups who took part in the consultative process, including Maori groups, have identified the need for a source of capital to assist in the feasibility stages of new regional opportunities, as well as start-up capital. Some iwi groups have established relationships with overseas parties whose commercial interests include agriculture and energy projects, and where the indigenous aspect is a distinct advantage.

Innovation and Investment

Innovative projects in tourism, energy, water use and regional marketing have been promoted, and if they are to proceed will require investment in research and development. Where this support will come from is not immediately clear. It became apparent during the consultation workshop that there is not the forum for fellowship among senior business interests in the region which is active in many other regions. This may be due to the outward looking nature of the major businesses whose focus is on sales outside the region. It may also relate to the relative 'newness' of many senior executives to the region. The consultation workshop recognised this issue, but was unable to suggest a solution.

The Gisborne District Council and the Wairoa District Council have both earned reputations for being helpful, but their resources for investment are limited. While government funding is entirely appropriate for the development of infrastructure to support the regional economy, government agencies often do not make comfortable investment partners, and there is often a high risk of underfunding or short term expectations.

The Tairawhiti Development Partnership has fostered a number of projects which address different aspects of the economic, and accompanying social, development of the region, but its purpose is not to act as an investment agency. It was pointed out to us that initial interest from major business organisations in contributing to the work of the TDP had recently fallen away. The development of the Tairawhiti economy outside its traditional economic drivers will require an effective connection between investment funds and new business opportunities. We consider that the TDP has a very significant role with respect to the economic development of the region, and could become the centre of economic influence in the region. However, in order to fulfil this role the Partnership will need to focus almost solely on the creation of jobs and prosperity in the region. It will also need to expand its membership to include the Eastland Community Trust.

The Eastland Community Trust owns major infrastructure investments in the Gisborne region and is publicly owned. It has indicated in its Statement of Intent for 2009 that it will take a more active role in identifying and supporting business innovation within the Gisborne region and its budget for this purpose is \$12.7 million over five years. We consider that the inclusion of the Trust in the TDP would result in the largest group of asset and investment managers in the region, able to provide significant economic leadership and direction.

**Colin Knox, Leader, McDermott Miller Strategy Team
22 January 2009**

1.3

OUR BRIEF AND KAUPAPA

Tairawhiti Region

Tairawhiti Region consists of land represented by the Gisborne and Wairoa District Councils, includes the Ngati Porou, Te Aitanga a Mahaki, Rongowhakaata, Ngai Tamanuhiri, and Ngati Kahungunu ki te Wairoa iwi.

The region has a land area of 12,474 sq km (source: Dept of Internal Affairs, www.localcouncils.govt.nz) running from Potaka in the north, west to Matawai, and south to Mohaka and east to the Pacific Ocean. Wairoa District constitutes 33% of the land area, and Gisborne District 67%.

The region's current population (2007) is around 53,000, almost 90% of whom live in the two principal urban areas of Gisborne City and Wairoa Town. Outside these urban centres, the region is thinly populated with an extended transport infrastructure.

Tairawhiti Development Partnership

The Tairawhiti Development Partnership ("TDP") has its origins in the Tairawhiti Development Taskforce. This was established in May 2000 as a result of an initiative by the Mayors of Gisborne and Wairoa. The principal objective was to improve prospects for jobs and businesses in the Tairawhiti region. It undertook to:

- Review the opportunities and impediments to the region's development
- Positively assist the ongoing development of the Tairawhiti region
- Provide leadership to establish a direction for regional development
- Engage "all of government" to ensure government programmes worked in Tairawhiti

The TDP is now a partnership of the Gisborne and Wairoa District Councils, Te Runanga o Ngati Porou, Te Runanga o Turanganui a Kiwa, and Kahungunu ki te Wairoa with the Ministers for Economic Development and Maori Affairs, Members of Parliament and

community and business sector representatives from the Tairāwhiti Region.

Tairāwhiti Development Partnership is recognised by the government as the agency responsible for the promotion, development and implementation of a regional economic development strategy for the Tairāwhiti region.

For Tairāwhiti Development Partnership, the key areas in which it now contributes to the region's development are:

- Cultural relevance and revitalisation;
- Economic growth and prosperity;
- Environmental sustainability; and,
- Social responsibility and responsiveness.

Tairāwhiti Development Partnership delivers its contribution to these key areas in the capacity of a sponsor, catalyst and facilitator of development projects within the Tairāwhiti Region. Projects to date range from the first regional strategy in 2002, to securing government funding under its *Major Regional Initiatives* scheme in 2004 for development of under utilised land in the Tairāwhiti region with a focus on Māori land and developing a Regional Energy Strategy (2005).

Some of the strategic objectives of Tairāwhiti Development Partnership's first regional strategy, developed in 2002, have been achieved. In 2006, the government decided to invest further in regional policy development and provided funding for renewal of regional economic development strategies through its Regional Strategy Fund.

In the light of both these circumstances, Tairāwhiti Development Partnership embarked on the preparation of a new regional economic development strategy and sought external assistance in doing so.

The Commission

Tairawhiti Development Partnership commissioned McDermott Miller Limited to formulate a Regional Economic Development Strategy, through a refresh of the economic aspects of its existing Strategic Plan. The brief required the following:

- Tairawhiti regional economic outlook
- A review of the current economic development vision and vision elements
- Development of strategic economic development objectives, sector action groups and
- action areas and outcomes
- Outline all roles for the key economic development players including;
 - the Tairawhiti Development Partnership Management Trust
 - the Gisborne and Wairoa District Councils
 - and the three iwi partners: Te Runanga o Ngati Porou, Te Runanga o Turanganui a Kiwa and Kahungunu ki te Wairoa

Our team

The McDermott Miller team deployed in preparing the Regional Economic Strategy is:

- **Colin Knox**, Team leadership
- **Richard Miller**, Project management
- **Robert Philpott**, Financial and economic analysis
- **John McDougall**, Regional Analysis
- **Harriet Miller**, Business research
- **Heeni Collins**, Community research

Approach

The methodology we applied to meet Tairawhiti Development Partnership's requirements was a mix of: stakeholder consultation (including a Strategy Workshop to generate ideas and opinions); data and information collection; desktop technical analysis and review; and application of the McDermott Miller team's extensive economic and strategic evaluation consulting experience

and skills, together with internal peer review to provide quality assurance.

Work Programme

Application of these resources to Tairawhiti Development Partnership involved the following staged work programme:

- Inception and Reconnaissance.
- Preparation of Economic Outlook and Vision Review.
- Stakeholder Consultation.
- Development of Strategic Economic Objectives.
- Identification and Evaluation of Potential Economic Development Strategies.
- Business Stakeholder Strategy Workshop.
- Preparation and reporting Draft Strategy and Action Plan to Tairawhiti Development Partnership.
- Completion of Final Economic Development Strategy.

1.4

FORMAT OF THIS REPORT

Outline

The remainder of this Tairawhiti report consists of three sections:

- **Section 2** is a **Situation Review**: We review the economic aspects of Tairawhiti Development Partnership's existing Strategic Plan and the achievements under this. We then review the economic situation in the region and identify the key sectors on which the Tairawhiti Regional Economic Development strategy should focus.
- **Section 3 Strategy** sets out a "refreshed" regional economic development strategy for Tairawhiti Region. We discuss guiding principles, before proposing a new Vision, together with Goals, and Strategic Objectives. We then outline the types of strategic actions and initiatives which could stimulate economic growth of key sectors and suggest priorities for the region. We conclude by indicating how actual future performance of the regional economy can be monitored in relation to the strategy and objectives proposed.
- **Section 4 Strategy Implementation** discusses the importance of investment in Tairawhiti's economy, and how investment could be stimulated. We then indicate some of the implications implementation of the refreshed Regional Economic Development Strategy might have for Tairawhiti Development Partnership's structure. Finally, we set out an Action (implementation) Plan for the Tairawhiti Development Partnership.

The distinction between Section 3 and Section 4 is that Section 3 outlines an economic development strategy for the Tairawhiti region as a whole, while Section 4 presents initiatives and actions the TDP can take itself to foster economic development in the region in accordance with the regional strategy.

Disclaimer

McDermott Miller has made every endeavour to ensure the information contained in this report is accurate and up to date. However, McDermott Miller, its officers, consultants and associates shall not be liable for any loss suffered through the use, directly or indirectly of any information contained in this report, or any opinion or recommendation made in this report.

2.

SITUATION REVIEW

Section 2 is a Situation Review of the economic aspects of Tairawhiti Development Partnership's existing structure and Strategic Plan and its development achievements. It conveys the flavour of stakeholder views on Tairawhiti development opportunities and issues, expressed during our consultation. The economic situation in the region is then reviewed, and the key sectors on which a refreshed Regional Economic Development strategy should focus are identified.

2.1 THE PARTNERSHIP TODAY

2.1.1 Purpose , Role and Structure

Purpose

The TDP provides a forum for co-operative and collective activity between the various sectors and communities in Tairawhiti to **promote and enhance the economic, cultural, environmental and social development of the region.**

Partners

The membership of the **Tairawhiti Development Partnership** consists of five TDP Partners:

- Mayor of Gisborne District
- Mayor of Wairoa District
- Chairman - Te Runanga o Ngati Porou
- Chairman – Te Runanga o Turanganui a Kiwa
- Kahungunu ki te Wairoa

together with the Sector Partners:

- Business Representatives (2)
- Community Representatives (2)

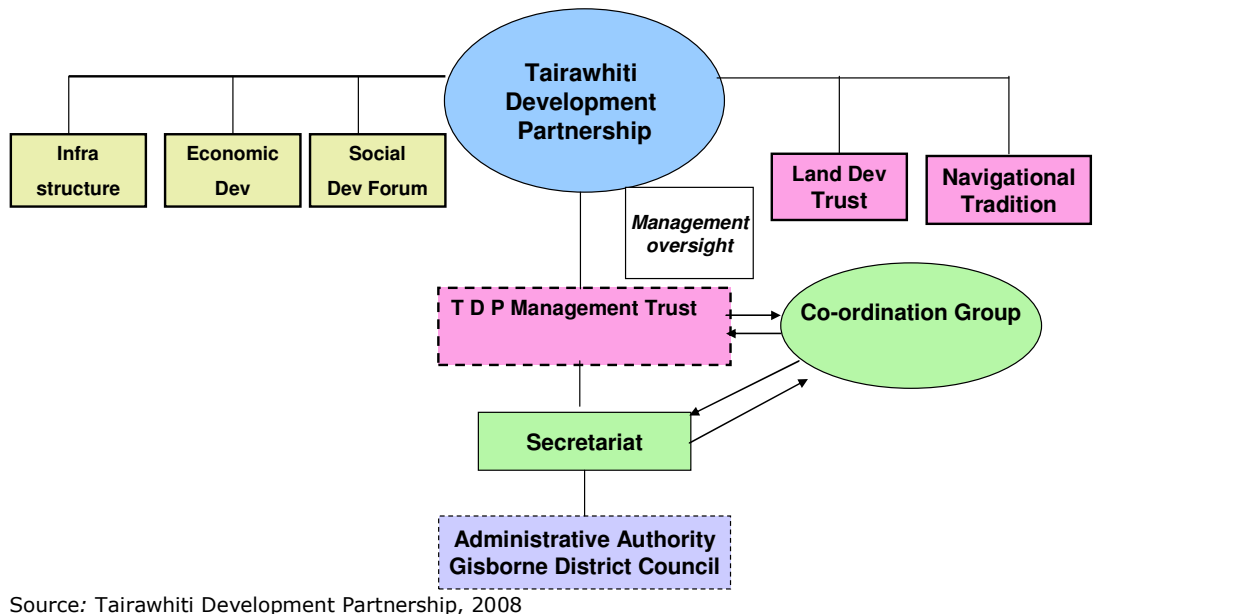
Role

In all, the TDP sees its role as a **catalyst and facilitator of projects** and since its inception it has initiated, coordinated, sponsored and advocated for a number of initiatives, programmes and developments that have occurred within the Tairawhiti Region.

Structure

The TDP structure has several operational management and consultative elements as illustrated in **Figure 2.1** over:

Figure 2.1 Structure of Tairawhiti Development Partnership



Directly under the TDP is the **Tairawhiti Development Management Trust**. It comprises:

- Michael Muir, Chairman – Currently Business Representative on TDP
- Amohaere Houkamau, CEO – Te Runanga o Ngati Porou
- Ronald Nepe, CEO – Runanga o Turanganui a Kiwa
- Chris Insley, Consultant
- Brian McKinnon, Wairoa District Councillor
- Brian Wilson, Gisborne District Councillor
- Rangī Manuel, Kahungunu ki te Wairoa

The **Coordination Group** (working group) comprises the:

- CEO, Te Runanga o Turanganui a Kiwa
- CEO, Te Runanga o Ngati Porou
- CEO, Kahungunu ki te Wairoa
- Chief Executive, Gisborne District Council
- Chief Executive, Wairoa District Council
- Economic Development Officer (GDC)

and Representatives of the following Government Departments:

- Ministry of Economic Development
- Te Puni Kōkiri
- Ministry of Social Development
- New Zealand Trade & Enterprise
- REAP (Rural Education Activities Programme).

Several subsidiary Trusts and Working parties of TDP report directly to the TDP. These are the:

- TDP Land Development Trust (established in 2004 to administer the Land Development MRI).
- Navigational Traditions (Project) Working Party (superseding Tourism Group)
- TDP Social Development Group, which has an Education and Training sub-group.
- Infrastructure Group (only active occasionally)
- Economic Development Group (now moribund)

Originally the Coordination Group was the operational group and reported to the TDP. Since the establishment of the Management Trust this Coordination Group has exercised an oversight only, and eventually will be phased out.

In all, some 54 people are involved directly in the Tairāwhiti Development Partnership organisation (some members are involved in more than one element) and all except the part-time Secretariat provide time on a pro-bono, cooperating "partner pays" or voluntary basis.

2.1.2

Strategic Plan Vision

The *Tairāwhiti Development Taskforce Strategic Plan (2002)* states the following vision:

All sectors and communities in Tairāwhiti working cooperatively to achieve the full potential for

sustainable social and economic growth for the region.

Eight Action groups contributed to the 2002 Strategic Plan over a period of some seven months.

- Iwi/Crown/Community Partnerships and Leadership
- Infrastructure:
- Education and Training:
- Health, Housing and Social Services
- Forestry and Wood Processing:
- Land Development
- Tourism:
- Business Development

The Iwi/Crown/Community Partnerships and Leadership Acton Group appendix to the Strategic plan states:

It is our contention that every action group should identify the key stakeholder groups in their sector, and determine appropriate strategies to engage and Taskforce's overarching values, protocols and direction.

Action groups should then determine their priorities and specify performance targets that would be ratified by the Taskforce through the overarching strategic planning process.

The role of the Taskforce would be to:

- *create the environment that would enable action groups to implement their strategies;*
- *monitor the achievement of performance targets; and*
- *lobby for the necessary resources and added value from the Crown and/or private sector.*

A cooperative vision remains TDP's aspiration. In a letter to the Tertiary Education Commission (TEC) dated – April 08, it stated:

The TDP has a non negotiable bottom line of:

- *Cultural Relevance and Revitalisation*
- *Economic Growth and prosperity*
- *Environmental sustainability*
- *Social responsibility and Responsiveness*

Tairawhiti is a region of huge potential and also great need. The Tairawhiti Development Partnership process has provided an opportunity for people of all backgrounds to come together:

- *To review the opportunities and impediments to the region's development.*
- *Positively assist the ongoing development of the Tairawhiti region.*
- *Engage "all of government" to ensure government policies and programmes worked in Tairawhiti.*
- *Achieve better outcomes by working together.*
- *Provide leadership to establish a direction for regional development that celebrates and respects the region's quadruple bottom-line.*

2.1.3

Evolution of TDP

The Tairawhiti Development Taskforce was formed in May 2000. For the first six months it was chaired by the then Deputy Prime Minister and Minister of Economic Development, Hon Jim Anderton, who stated its purpose as:

"The Taskforce represents a new partnership between Government and local authorities, Maori and non-Maori and community and industry...the Taskforce (will) ensure that all government agencies work together and develop local solutions for local problems. This 'whole-of-government' approach is a new way of dealing with the issues of social, environmental and economic development in Tairawhiti."

The regional economic development activity of TDP has evolved through three overlapping phases:

Phase 1

From the formation of the ad hoc Tairawhiti Development Taskforce in May 2000 through to the publication of its *Strategic Plan* in March 2002. This period was dominated by preparation of the *Tairawhiti Integrated Transport Study* (October 2001), securing funding under the Government Regional Development Rooding programme and the activities of the eight action groups in preparing the Strategic Plan. The emphasis in this phase was very much on regional coordination of central and local government forestry and tourism related infrastructure, and wide-ranging engagement with community groups to identify social needs. It ends in early 2002 with the Minister of

Economic Development “handing over the public service reins” to the Mayors of Gisborne and Wairoa, Te Runanga o Ngati Porou, Te Runanga o Turanganui a Kiwa and Kahungunu ki te Wairoa.

Phase 2

Formation and operation of the TD Partnerships from March 2002 through to the review of the Strategy in 2007, initially TDP initiatives to advance the 2007 Strategic Plan dominated by securing the Land Development MRI, establishing the Tairawhiti Land Development Trust to administer it, and implementing the MRI. This phase ends with the RPP-Capability Proposal, project name “Tourism Tairawhiti” (otherwise known as the “Navigation Tradition” project) of February 2007 (subsequently declined by NZTE), and the 2006/07 review of Strategy.

Phase 3

From 2007 to present, with the establishment of a TDP legal entity, the Tairawhiti Development Management Trust; the establishment of the Navigational Traditions Working Party in June 2007; and the preparation of a refreshed Regional Economic Development Strategy 2006/2007.

This phase of structural development coincides with a proliferation of social development concerns and plans and corresponding decline in economic planning emphasis and business participation. At the same time, TDP strategy planning becomes increasingly process-driven and diffuse.

2.1.4

Elaboration of Strategy Planning

An enumeration of the *Tairawhiti Development Taskforce Strategic Plan* (2002) and TDP Strategic Plan (2006) “Action Areas” “Visions/Goals” “Strategic Objectives” and “Performance Indicators” is presented in **Table 2.1**.

By our count, Tairawhiti Development Partnership now has 62 goals, 121 Strategic Objectives, and 124 Performance Indicators.

Table 2.1 Counts of Tairawhiti Development Partnership Objectives

	Goals/ Outcomes	Objectives	Performance Indicators
2002 Strategic Plan (Main Text)			
Iwi/Crown/Community Partnerships & Leadership	2	4	4
Infrastructure	1	4	4
Education & Training	1	3	3
Health, Housing & Social Services	1	4	4
Forestry & Wood Processing	1	3	3
Land Development	1	4	4
Maori Land Development	1	3	3
Environment	1	2	2
Tourism	1	6	6
Business Development	1	2	2
Total 2002	11	35	35
2007 Strategy			
Iwi/Crown/Community Partnerships and Leadership	5	5	8
Infrastructure			
Assets	7	10	10
Environment	3	4	2
<i>Subtotal Infrastructure</i>	<i>10</i>	<i>14</i>	<i>12</i>
Social Development	1	1	1
Health	8	16	16
Housing	8	16	16
Employment	1	2	10
Justice	5	5	8
Education & Training	12	36	26
<i>Subtotal Social Development</i>	<i>35</i>	<i>76</i>	<i>77</i>
Economic Development			
Forestry & Wood processing	1	2	3
Land Development	2	4	4
Maori Land Development	6	16	16
Tourism	2	2	2
Business Development	1	2	2
<i>Subtotal Economic Development</i>	<i>12</i>	<i>26</i>	<i>27</i>
Total 2007	62	121	124

Source: *Tairawhiti Development Taskforce Strategic Plan (2002)* Appendices
© McDermott Miller, January 2009

2.1.5

Significant Economic Development Achievements

The main economic development achievements of the Tairawhiti Development Partnership and its evolving Development Strategy are:

- 1 The development of roads to support the forestry industry, fully funded by government under the Regional Development Roding funding. Government investment was over \$43 million in Tairawhiti. This funding allocation was facilitated by the involvement of Tairawhiti Development Task Force through its Forestry and Wood Processing Action Group.
- 2 The Land Development MRI; the Tairawhiti Development Task Force's applied for, prepared the business case for, and won funding under the Major Regional Initiatives Scheme (2004). According to the business case document *Tairawhiti MRI Revised Business Case* (November 2003):

The objective is to transform the regional economy by improving the utilization and productivity of Maori owned land. To achieve this a new entity will be established, the Tairawhiti Land Development Trust (TLDT). The Trust will lead the establishment of flagship land development joint ventures between Maori landowners and corporate exporters. These commercially focused partnerships will develop and strengthen linkages between Maori landowners and the export market and help match demand and supply of land to promote overall economic growth.

The Trust will play a pivotal role in overcoming the perennial challenges of communal Maori ownership by accelerating existing commercial opportunities and identifying others to the benefit of all.

Some \$1.72 million of MRI funding was made available from NZTE (contract signed December 2004). Additional funding of \$1 million has been raised locally by TLDT for a total of \$2.7 million (as at September 2006). That is, some 38% of total funds raised locally including the land owners participating in each project. The MRI was originally scheduled to be complete by June 2007 but has been extended to June 2009.

The original four projects funded by TLDT under the MRI were:

- The Tapuaeroa Project lamb finishing project, a joint venture with Bernard Mathews
- Te Taumata Monitor farm program, involving six farms in Wairoa originally, others have since joined
- The Cedenco Horticultural Land Development Joint Venture (Sweet corn)
- Monitoring of atmospheric and soil conditions at Raupanga to evaluate suitability for conversion to Kiwifruit.

Other projects added to the MRI programme, due to cost savings on the original four. These are:

- Bernard Mathews Sheep for Profit Joint venture *"to assist farm managers identify issues that might be holding back their sheep production systems"*.
- Aromatawai monitor farm project
- Hikuwai – Uawa monitor farm project

AgResearch were employed by the Trust to evaluate the programs. According to extracts from the AgResearch report quoted in the June 2008 quarterly report of the TLDT:

"The programs show good progress in farm manager confidence and engagement, not only among themselves, but with other farmers from their districts."

"Reports of increasing stock weight gains, better pasture management and investigations into cropping or dairy grazing are positives identified by managers and other participants. Barriers to change include getting approval for change or investment from governance or farm supervisors, financial restrictions, labour availability and farm development limitations."

"The presence and participation of farm governance people is a feature of three of the programs and is more limited in the remaining two. Farm governance participation is highly valued by all participants. This participation is important to governance people due to the increased understanding of actions undertaken on farm, especially where recommendations for change are made. Those farm governance people attending meetings report learning a lot about their property. Problematic, is the low presence of farm governance people at most of these events."

The benefits claimed for this initiative include increased production on some under-utilised, multiple-owned,

Māori Land and improved commercial relationships between owners and processors. Unfortunately, we cannot confirm the benefits of the MRI without viewing the unpublished AgResearch report. This has been withheld on the grounds it is commercially confidential. We understand NZTE is to carry out a review of the MRI outcomes, for completion in early 2009. This should determine whether the national and regional economic benefits warrant further Government funding support.

- 3 TDP Established the Navigational Traditions Working Party (supersedes Tourism Group) in June 2007 to lead the "Navigation Traditions Project". This project has its origins some eight years ago, following Tairawhiti's celebrations of the millennium. It arose from a perception that a tourism theme is required that expresses the unique, physical cultural and historical elements of Tairawhiti. The Navigations Traditions concept is now viewed as an over-arching theme that all cultures of Tairawhiti can relate to.

On the basis of our interviewing and Tourism Tairawhiti RPP Capability Proposal to NZTE (February 2007) we understand the "Navigation Traditions Project" consists of two elements:

- An installation (located on a restored landing site in Turanganui river mouth) designed by Derek Lardelli, based on Te Toka a Taiau, a rock which once stood in Turanganui river mouth. This installation would represent the mooring place of all the waka "that have converged on Tairawhiti", including the *Endeavour*;
- The complementary navigation traditions stories and initiatives interpreting the link to other ports on the coast. Turanganui river mouth would serve as the touchstone for histories of other destinations and ports (Tolaga Bay, Mahia, Awapuni Lagoon). From the restored Te Toka a Taiau there would be tours to marae and other sites around Gisborne and the wide East Coast.

- 4 The Tairawhiti Regional Statement of Tertiary Education Needs, Gaps and Priorities (December

2007) document produced for the Tertiary Education Commission (TEC) by Tairawhiti Polytechnic jointly with TDP. This Regional Needs Statement arose from a facilitation process with the objectives:

- *building shared understanding of regional tertiary needs, gaps and priorities*
- *developing system capability at regional level through collaborative relationships*
- *achieving better outcomes for learners and stakeholders; and*
- *enabling efficiency benefits and capability development for tertiary education organisations and stakeholders.*

2.1.6 Achievements and Challenges of Existing Regional Development Strategy Planning

Achievements

The Tairawhiti Development Partnership has:

- Brought Pakeha business and community and iwi / Runanga into a mutually rewarding partnership addressing the strategic development issues confronting the region.
- Achieved buy-in among diverse community interest groups on the social aspects of a broad development strategy for Tairawhiti Region.
- Has been a single point of high-level contact between the Tairawhiti region and Government.
- Has had varying success in modifying central government agency national policies and priorities to align with regional needs.
- Helped secure funding by central government for a major forestry roading investment programme in Tairawhiti Region, which was administered by Wairoa and Gisborne District Councils
- Has developed an effective ongoing working relationship with NZTE, the Government's regional economic development agency. In the process, it has won and successfully managed a "Major Regional

Initiative” grant for a innovative land-development programme

Challenges

Tairawhiti Development Partnership needs to:

- simplify its Strategy, both reducing the number of goals, objectives and performance measures and making them more realistic and practical;
- re-focus on economic growth and development;
- regain the interest and confidence of commercial businesses and investors in Tairawhiti;
- undertake more projects itself and rely less on voluntary participation in its strategic planning and working-party processes;
- gain the financial resources and operational strength to facilitate and undertake the implementation of its Strategy for Tairawhiti region.

2.1.7

New Strategic Direction Needed

In our opinion, TDP needs to refocus the Tairawhiti strategy on economic development objectives, engage with the business community of the region, selectively promote investment in development of the key ‘driver’ sectors of the regional economy, and more strictly tailor its own research and development programme to the technical and financial resources available to it directly through its constituent Partners.

2.2 STAKEHOLDER VIEWS

2.2.1 Wide-spread Consultation

McDermott Miller carried out a series of stakeholder interviews to obtain views about the health of the regional economy and how changes could or should be made to industry development to improve the economic performance; and, to identify development opportunities and initiatives underway which could stimulate growth and development of the Tairawhiti economy in the future.

A summary assessment of the Stakeholder Consultation is found in **Appendix 3, Technical Paper on Stakeholder Consultation**. It covers development opportunities and issues identified by stakeholders categorised by industry sectors. (also see **Appendix 4 Strategic Workshop Participants and Full List of Contacts**).

The stakeholder consultation has been undertaken in two parallel streams: consultation with iwi; and, consultation with other stakeholders. as outlined below.

2.2.2 Iwi Consultation

Runanga and other iwi leaders have been consulted to gain their views on the future direction of the regional economy, with particular emphasis on Maori owned assets and their development. We are confident those leaders consulted are representative and their views authoritative. See **Appendix 4, Strategic Workshop Participants and Full List of Contacts**.

This process of consultation has identified any issues which stand in the way of development and will build consensus in addressing them.

Hui have be conducted with Chairs and CEOs from Te Runanga o Ngati Porou, Te Runanga o Turanganui a Kiwa and Kahungunu ki te Wairoa. Other significant iwi leaders were also consulted.

2.2.3 Investor and Other Stakeholder Consultation

Face-to-face, in-depth telephone interviews or group discussions have been conducted with a range of key stakeholders, listed in **Appendix 3**.

2.2.4 Views on Development Opportunities

There is a strong desire by economic base sector interviewees and service sector interviewees from Tairawhiti region to see 'Investment in start-up projects'. Six sectors mentioned this as a development opportunity during our stakeholder consultation.

There is also a common belief amongst interviewees from six economic base sectors and service sectors that the Tairawhiti region has a strong competitive advantage with its natural resources.

Economic base sectors and service sectors interviewees indicated that 'Forestry and forest products' (five), 'Horticultural Production/processing' (four) and 'Tourism' (four) are the areas with the most development potential in the Tairawhiti region.

2.2.5 Views on Development Issues

Management Issues, including: 'Lack of collaboration/coordination', 'Lack of leadership/poor leadership' and 'iwi management', are the main issues for economic base sectors and service sectors in the Tairawhiti region. These are followed by Labour Force Issues, including 'Lack of skilled labour', 'Employment/labour issues' and 'Education needs unmet'. Infrastructure, including 'Electricity' and 'Transport' is also seen as an impediment to development both by base economic and service sectors. See **Appendix 3** for details on themes and issues arising from our consultation, and **Appendix 4** for list of parties consulted.

2.2.6 Implications

There is a strong desire by base economic and service sector interviewees to invest in the Tairawhiti region. However, they recognise that management and labour

force issues are standing in the way of investment and hence economic development of Tairawhiti region.

Consultation revealed that many economic stakeholders were aware of realistic development opportunities for the Tairawhiti economy. Many were taking independent initiatives to realise these opportunities, but were indifferent to the strategic development role that TDP has or might have in future. Interestingly, a significant number of stakeholders were also concerned with what they see as an apparent lack of leadership and co-ordination at the regional level.

Refer to **Appendix 3** (pages 32-35) for the range and intensity of stakeholder's views.

2.2.7

Influence on Strategy Formulation

The views of the stakeholders informed the Strategy Team's analysis of growth prospects and potential of the Tairawhiti regional economy, which is presented in **Section 3**. They also informed the team in its formulation of the refreshed Strategy goals, objectives and implementation initiatives as presented in **Sections 4 and 5**.

2.3

REGIONAL ECONOMIC SITUATION

2.3.1

Regional Economic Situation

To help regain a more explicit economic focus to the Strategy Planning process, we summarise our review of the Tairawhiti economy, and identify the key sectors a refreshed Tairawhiti Regional Economic Development strategy should focus on.

The economy of Tairawhiti remains firmly based on the produce of the region's land. While employment in the service industries has expanded, the growth and prosperity of the region continues to be driven by its export oriented industries.

Our assessment of the Tairawhiti economy is founded on the theory of the regional economic base. This theory holds that the primary factor determining the overall level of economic activity in a region is the level of production in those sectors which are sustained by demand from outside the region - either from elsewhere in New Zealand or overseas. The growth of a region depends upon the growth of its export industries, implying that expansion in demand external to the region is the crucial initiating determinant of growth within the region.

See **Appendix 1, Tairawhiti Regional Economic Outlook**, and **Appendix 2, Sectoral Reviews** for further information on the Tairawhiti's regional economy.

2.3.2

Strengths and Weaknesses of Current Regional Economic Portfolio

The economy of Tairawhiti has grown over recent years but it remains a low-income region; it has the second to lowest GDP per capita of New Zealand's regions and its two constituent districts rank low in terms of median household income.

The economy of the Tairawhiti region is based on primary resources. Meat and wool production and processing is the largest sector in the economy,

accounting for around 20% of regional GDP. Forestry and Wood processing accounts for a further 11%. However, in spite of growth in log exports, there has been a decline in forestry and forest products employment.

Out to 2016, the labour force is projected to increase by around 250-300 workers a year under the “medium” projection (see Sections 5.3 and 5.4 of *Appendix 1: Tairawhiti Regional Economic Outlook*). This means there will be a labour force available to support expanding industries.

The general conclusion is that Tairawhiti does not have a strong portfolio of industries: it has only one (Meat and Wool Production/Processing) classified as a “star” in terms of employment growth and share of national employment; but, forestry and forest products is emerging as a rising “star” and together with more problematic development of the “question mark” dairy and tourism sectors, has potential to both diversify and strengthen the regional economy.

2.3.3

Economic Outlook

If Tairawhiti region’s economy is driven predominantly by national growth in exports of agriculture and forestry based products, modest growth can be expected. Including induced effects, under the continuation scenario jobs in the Tairawhiti region would be added at a rate of 80-100 jobs per year (see Sections 7.3 of *Appendix 1*).

Under the “Conservative” economic growth scenario there will be a shortfall of around 150-200 jobs per year. Under more optimistic assumptions, economic base industries in Tairawhiti continuing to expand, supply of jobs could exceed the growth in the labour supply by around 100-150 positions per year (see Sections 7.5 of *Appendix 1*).

The economic growth scenarios for Tairawhiti region encompass the possibilities of a continued but declining

short-fall in jobs relative to labour supply through to a modest surplus of jobs relative to labour supply.

2.3.4

Selection of Key Sectors

We identify **sectors as priorities for development:**

- Meat and wool production and processing;
- Forestry and wood processing;
- Horticulture production and processing;
- Viticulture;
- Tourism; and,
- Transport

The rationale for their selection is:

- Meat and wool production and processing is already large but has potential for further added value output which is attracting investment (eg new investment by AFFCO in Wairoa and Bernard Mathews in Gisborne). There is considerable potential for increased production from under-utilised land. With investment, the sector could generate employment on both the land and in processing.
- Forestry and wood processing also already is a substantial exporter from the region. Due to expanding wood supply it has substantial potential for further added value outputs and is already attracting investment (eg Hikurangi Forest Farms new mill). With investment it could generate substantial employment growth.
- Horticulture is already a strong sector in the region. Some businesses have major shares of the New Zealand market (eg corn for processed foods such as cornflakes) and overseas (eg pumpkins exported to Japan). New investment by existing businesses is already occurring (eg Cedenco in growing vegetables in the Ruatoria area), and substantial opportunities for expansion have been identified.
- Viticulture and wine production; this sector is mature in Gisborne but has potential for growth in value added through product differentiation and branding.

- Tourism is a relatively undeveloped sector with considerable potential, provided a well rounded portfolio of tourism products continues to be developed and marketed effectively to potential visitors.
- Transport is a key “connecting” sector. Almost all other sectors in the economy rely on some form of transport for the delivery of their goods and services. Transport efficiency (eg collection of livestock from farms and delivery to the works) and transport costs (currently up to 60% of the FOB cost of export logs) are critical factors in the performance of other sectors. Improving the performance of the transport sector will therefore contribute to the performance of all the other key sectors.

2.3.5

Strategic Focus Found

The key economic sectors are the drivers of Tairawhiti’s future development and should be the focus of TDP’s economic development strategy. In the following section, we propose a strategy which we believe achieves this.

3.

STRATEGY

This section sets out a “refreshed” regional economic development strategy for Tairāwhiti Region. We discuss some guiding principles, before proposing a new Vision, together with Goals, and Strategic Objectives. We then outline activity programmes and suggest priorities for the region.

3.1

FRESH APPROACH TO TAIRAWHITI STRATEGY

There are two substantive parts to our strategy and report; this first part (**Section 3**) contains an economic development strategy for the Tairawhiti region as a whole – what is best for the region. Tairawhiti Development Partnership can evoke this region-wide strategy and encourage all private and public investors to implement all of it.

The second part (**Section 4**) presents implementation initiatives the TDP can take itself to foster economic development in the region.

In the case of major projects which TDP cannot realistically contribute to financially (for example a major processing plant), TDP would play a supportive, facilitating role rather than a formative role. It would take a strategic development planning role, including facilitation and co-ordination of public sector and private sector investment.

At the same time, the regional economic development strategy we propose should give more certainty and encouragement to private sector investors over the future direction of economic development in the region.

However, for TDP to lead the region's economic development it must command significant resources of its own. If it cannot raise funds for its own operations to be effective, it will lose the attention of both government agencies and the private sector it seeks to influence.

If TDP has inadequate funds it will have little influence. On the other hand, if there is a clear economic strategy for the Region (rather than simply a plan for TDP) then there will be a need for a single recognised regional development facilitator to co-ordinate the activities of all players on a spatial basis. TDP should play this role.

In our view, the existing Tairawhiti Development Strategy is so broad there is a risk that TDP's limited

resources will continue to be dispersed over such a wide range of activities that little tangible progress is made.

The Government continues to support regional development initiatives through its Enterprising Partnerships Fund (EPF) making grants for projects which are commercially driven, generate substantial economic benefits for the region and align with national economic transformation goals (MED website January 2009). EPF grants to individual projects can exceed those under the old MRI programme, however the annual contestable funding available for all New Zealand regions is limited to \$10.5million total in 2008/2009 year which means any project in Tairāwhiti is likely to face a highly competitive process to access a share of these funds.

Further Government support is available to Tairāwhiti region through the Regional Strategy Fund which provides \$750,000 over three years to develop, communicate, monitor and support implementation of the enterprise and innovation elements of its regional strategy.

While this support is valuable and welcome in the region, it is unlikely to go far towards achieving the very broad based objectives of the existing TDP strategy.

There is, therefore, an essential need to focus on the sectors and industries that have the greatest potential to generate growth and prosperity in Tairāwhiti.

In summary, TDP should play a strategic development planning and co-ordination role in the economy of the region; and, only selectively, take a more active participatory role in some "leading" or pilot projects which it initiates and funds.

With this in mind, we present our vision for Tairāwhiti Region and then present a set of goals and objectives which, if met, will fulfil the vision.

3.2

STRATEGY PRINCIPLES

Several guiding principles underlie the proposed Tairawhiti Economic Development Strategy.

Strategy Principle 1: Show economic leadership in Tairawhiti's development

The large number of non-economic objectives in the existing Tairawhiti Strategic Plan (**Section 2.1.4**) obscures its economic direction. The Tairawhiti regional development strategy should be much more focused on economic growth and investment initiatives and specifically address the major economic development issues confronting Tairawhiti Region.

The only "social development" objectives in the Strategic Plan which should remain in the refreshed Tairawhiti economic development strategy are employment and training objectives, as these are necessary for the benefits of economic activity to accrue to the region's existing residents. Pursuit of wider social development goals should be the provenance of local government through its Long Term Community Plans and central government through delivery of social services.

Likewise, while environmental impact criteria are clearly important when assessing economic development projects, the pursuit of environmental goals is primarily a matter for the district and regional councils under the RMA, not the Tairawhiti Economic Development Strategy.

Strategy Principle 2: Promote Sustainable Economic Development

Economic development in Tairawhiti region must be sustainable. The Ministry of Economic Development defines sustainable economic development as:

*"The Government's overarching economic goal is to grow an inclusive, innovative economy for the benefit of all. This goal is closely related to the Government's other social and environmental goals... The concept of **sustainable economic development** is*

*central to the achievement of these key goals. It can be thought of in terms **of policies and programmes designed to meet the needs of present generations without compromising the ability of future generations to meet their own needs.***

Strategy Principle 3: Focus on key driver sectors to optimise Tairawhiti's industry portfolio

The refreshed Regional Economic Development Strategy should focus on realising the development potential of industries in its core, land-based economic sectors – forestry, meat and wool, horticulture/viticulture, and tourism – if it is to achieve or (preferably) exceed past trends in regional output and employment growth.

While this may seem a prosaic strategic principle, a “high-tech” path such as development of a cluster of biologically based technology enhanced industries over time to form a new “silicon valley” of the land at best can be regarded only as a very long term prospect. Tairawhiti can aspire to become a home for innovative entrepreneurs and venture capital providers utilising crops grown in the region as the source of physical development for new industries, but progress towards this will be gradual.

Tairawhiti does have one major sophisticated manufacturing enterprise that is not dependent on the land, but its presence in Gisborne arises from its founder's family reasons. The enterprise gains no competitive advantage from locating in Gisborne, and recruits managerial/technical staff largely from outside the region.

Any manufacturing plant that is not part of the land-based value chain(s) is at risk of relocation to elsewhere in NZ or out-source manufacturing to overseas (China etc).

A land-based, value chain oriented strategy need not preclude advanced approaches to production and processing.

Nor does it preclude small-scale/working proprietor IT or other knowledge-based businesses who may choose

to locate in Gisborne for lifestyle reasons, and serve clients in the rest of New Zealand and the world from home or small offices. But Tairāwhiti has no specific competitive locational advantage for such business and it is difficult to see how TDP could stimulate such business to locate in Tairāwhiti.

In summary, expanding added-value processing in the primary-production based value chain(s) is a practical opportunity and should be a high development priority.

Strategy Principle 4: Add value through the value chain

Maximise the value added to key land-based sector production through Tairāwhiti Value Chain. It is clear from our consultation that this is a well-understood principle in the region. Clearly, producing high value wood products from the region's growing supply of logs will create jobs and wealth for the region, compared to the alternative of increasing log exports.

Strategy Principle 5: Manage Sectoral Growth through Strategic Development Planning

Strategic development planning is concerned with coordinating and programming the temporal and spatial aspects of sectoral development in accordance with objectives agreed by public and private investors.

Planning for growth through time is essential; processing industrial developments require the raw materials to be available in sufficient quantity when they come on stream and supporting infrastructure and commercial/industrial services also need to be available when needed. In the case of Tairāwhiti, there needs to be a trained workforce available when the industrial plant opens.

The other dimension of development planning is spatial and industrial development. Essentially, the question is whether processing (particularly of wood, meat and horticultural products), should be concentrated or dispersed across the region.

For example in wood products, there is a choice between processing close to the forests, compared to processing close to a port. The former implies an industrial “dispersal” strategy, the latter a “concentration” strategy. The advantage of dispersion is lower transport costs – high volume logs do not have to be transported as far and lower volume, higher value products can be trucked to ports at lower cost (relative to value of the commodity). The advantage of concentration of processing near ports is that an industry cluster can develop, and employees can live in an existing city/town rather than in a rural town.

The location of the proposed Hikurangi Forest Farms (HFF) mill near Gisborne indicates that commercial investors are adopting a “concentration” approach, but the question where logs from the north of the East Cape will be processed (if anywhere) remains. In Wairoa District, wood processing is concentrated in Wairoa township, but a major development issue is upgrading SH2 between Wairoa and Napier to facilitate processing at Whirinaki and elsewhere in Hawkes Bay, and export of logs and wood products from Port of Napier.

The regional economic and commercial costs and benefits of development options should be evaluated and compared before TDP endorses specific industry locations.

Strategy Principle 6: Apply quadruple-bottom line evaluation to economic development proposals.

Development Plans and Proposals should be evaluated in terms of quadruple – bottom line effect of alternatives, including social, environmental, cultural and economic performance criteria.

This approach to evaluation is based on the concept of sustainability inherent in the Local Government Act which requires:

“a local authority must, in making significant decisions, assess whether the benefits in terms of the social, economic, environmental, and cultural well-being of the community are sustainable”

3.3 PROPOSED ECONOMIC DEVELOPMENT STRATEGY

The Strategy will have four elements:

- Vision
- Goals
- Objectives
- Implementation Initiatives

3.3.1 Vision

The vision stated in the 2002 Tairawhiti Development Taskforce Strategic Plan and subsequently adopted by the TDP (cited in **Section 2.1.2** above) is process-oriented.

We propose a modified, more economic outcome-oriented vision for the Regional Economic Development Strategy. We propose the vision be:

"The creation of a strong, locally-directed and sustainable economy in Tairawhiti which generates jobs and opportunities and meets the economic, social and environmental needs of its community"

3.3.2 High Level Goals

According to MED guidance:

*The vision can be underpinned by a set of **high level** goals or key areas of focus... goals will be factors which are implicit in the vision but due to their importance need to be emphasised outside of the vision. ... Generally, the high level goals are subsets of the vision to give it more specificity... These goals will point to the general direction the region is willing to go in to achieve its vision.*

In our view, the high level goals, or outcomes, that the Tairawhiti Region should seek from economic development are:

- **Increasing employment opportunities**
- **Increasing per-capita income**

- **Wide career choices and opportunities, spread as equitably as possible throughout the region**
- **Increasing financial returns from utilisation of the Region's resources.**

If the Tairawhiti region can achieve these economic outcomes it will have fulfilled the vision.

The Tairawhiti economic development strategy we propose is focussed on new investment in the factors of production and distribution in the Tairawhiti region. It differs from the original 2002 Strategy and the revised 2006/2007 Strategy in that it is more focused on investment in economic development and "management" of an optimum industry portfolio mix. While it may appear less "holistic" than the previous Tairawhiti strategies, it still supports the "quadruple bottom line" approach (ie environmental, social, and cultural objectives as well as economic objectives). We would expect TDP to apply the full range of "quadruple bottom line" objectives in evaluating proposed economic development investments and initiatives promoted under the refreshed economic development strategy.

The challenge facing the region is to ensure the appropriate investment occurs in those sectors that will generate, both directly and through multiplier effects, the most business and household income and jobs, and to ensure development of the necessary physical infrastructure and workforce skills occurs at a rate that supports investment in production.

3.3.3

Strategic Objectives

The following are broad, measurable, strategic objectives for the economy of the Tairawhiti Region. It is not appropriate to set objectives as specific as, say, volume of production of particular agricultural crop because increasing production of this crop might mean reduced production of another, and the relative values of the two can change quickly from year to year in ways that cannot be accurately predicted.

Rather, we propose a limited set of measurable objectives which will indicate, overall, the health of the

region's economy. These include objectives for both the supply-side and demand-side of the labour market. The demand side objectives are indicators that businesses will continue to operate, and invest, in Tairāwhiti. The supply side objectives will indicate whether Tairāwhiti's households are becoming more prosperous, an essential requirement if social benefits are to flow from economic activity.

Demand (business) side objectives

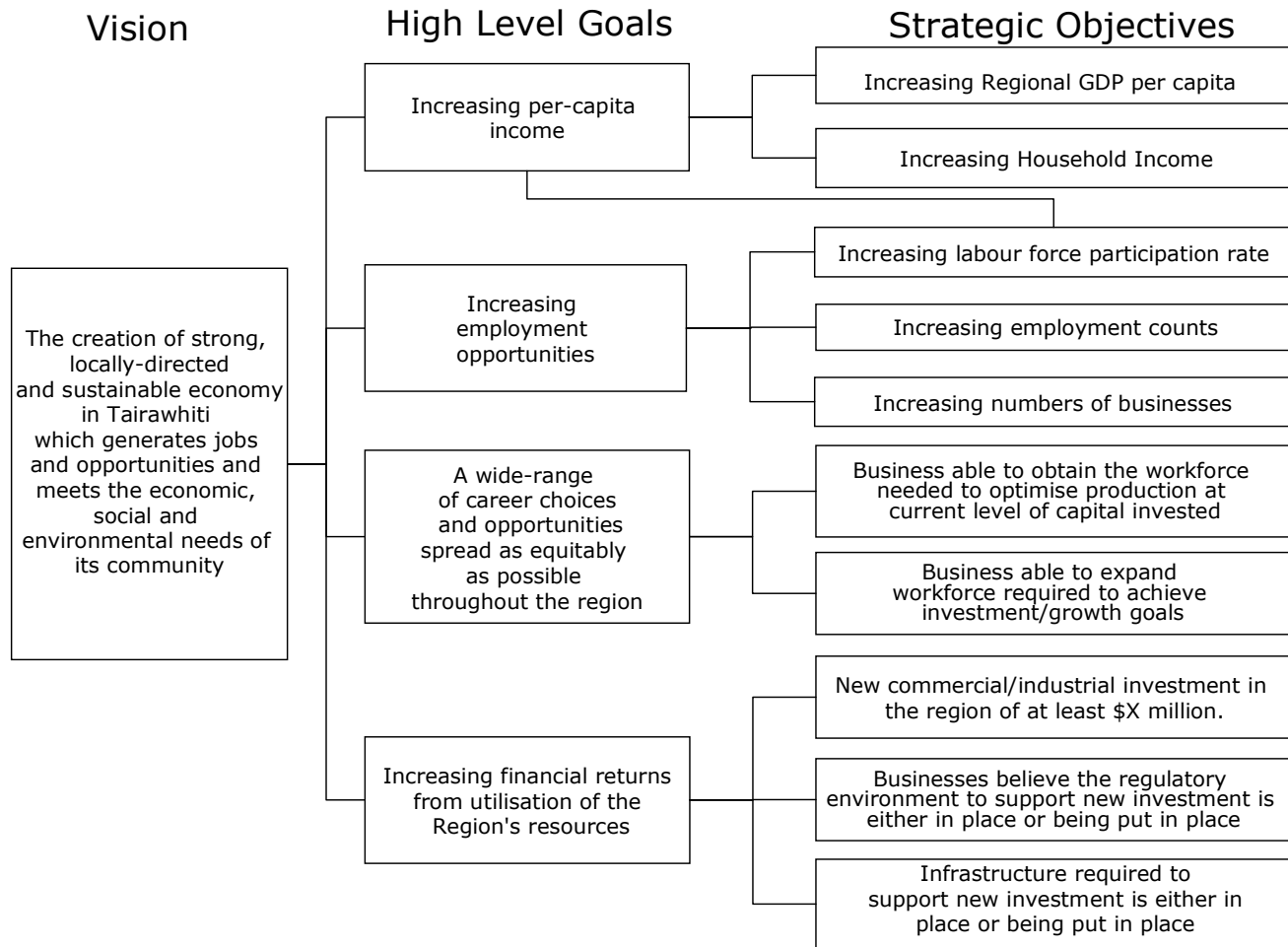
- Increasing numbers of businesses.
- Businesses are able to obtain the quality and quantity of employees they require to optimise production at current level of capital invested.
- Businesses are confident they will be able to recruit the quality and quantity of employees they require to make them willing to invest.
- New commercial/industrial investment in the region.
- Businesses believe the (local/regional) regulatory environment they require supports rather than impedes new investment.
- Businesses believe the infrastructure they require to make them willing to invest is either in place or being put in place.

Supply side (household side) objectives

- Increasing regional GDP per capita
- Increasing Household Income
- Increasing labour force participation rates (Note: MED cites NZIER as saying "*Regional labour force participation rates are strongly correlated with regional GDP per capita*")
- Increasing employment counts

Some of these objectives will require a custom survey of major businesses in the Tairāwhiti region. This survey would be distributed to business six-monthly. All responses would be in strict confidence. Measurement issues are discussed in **Section 3.3.7.**

Figure 3.1 Proposed Tairawhiti Economic Strategy: Vision, Goals and Strategic Objectives



Source: McDermott Miller Limited January 2009

3.3.4

Meshing Strategy Goals and Objectives with Development Priorities

Portfolio Management Approach

TDP needs a **dynamic mechanism** to ensure its sector development initiatives will help meet the strategic goals and objectives in **Figure 3.1**. We recommend a "Portfolio Management" approach to planning development of key driver sectors of the Tairawhiti economy. In other words, Tairawhiti Development Partnership should adopt the perspective of an investment manager overseeing a regional development investment portfolio.

TDP can identify those sectors in Tairawhiti, which, if invested in, have most potential to achieve TDP's strategic objectives by undertaking regular regional industry portfolio analysis. The Tairawhiti Portfolio Analysis matrix (**Figure 3.2** below) segments industries into four groups:

- "Stars" are the Tairawhiti industries which have a share of total provincial employment greater than the area's overall share of total provincial employment and have average annual growth rate higher than the average for other provincial regions (across all industries in the portfolio).
- "Cash Cows" are the Tairawhiti industries which are growing only slowly, or declining, in terms of employment, but in which Tairawhiti has a greater than average share of total provincial employment.
- "Question Marks" are those industries in which Tairawhiti has a low share but are growing relatively strongly in terms of employment;
- "Dogs" are industries in which Tairawhiti has a low share of employment and employment is static or falling.

From a portfolio management perspective, the Tairawhiti region should be divesting from the industry "Dogs" and reinvesting in the industry "Stars". It

should also be watching closely the performance of the “Question Mark” industries and perhaps investing in overcoming production and distribution constraints on their expansion.

Figure 3.2 below contains an analysis of the “key driver” vertically integrated sectors. The figure shows that:

Tairawhiti “*Star*” economic base sectors are:

- Meat and Wool Production/Processing

Tairawhiti “*Question marks*” economic base sectors are:

- Tourism
- Dairy Production
- Chemical & mineral manufacturing
- Metal products & machinery manufacturing

Tairawhiti “*Cash Cow*” economic base sectors are:

- Horticulture Production/Processing
- Forestry and Forest Products
- Viticulture/Wine

Tairawhiti “*Dog*” economic base sectors are:

- Transport and Storage
- Other food/beverage manufacturing
- Other manufacturing
- Textile/clothing manufacturing
- Fishing

The essence of the proposed Regional Economic Development Strategy is therefore to:

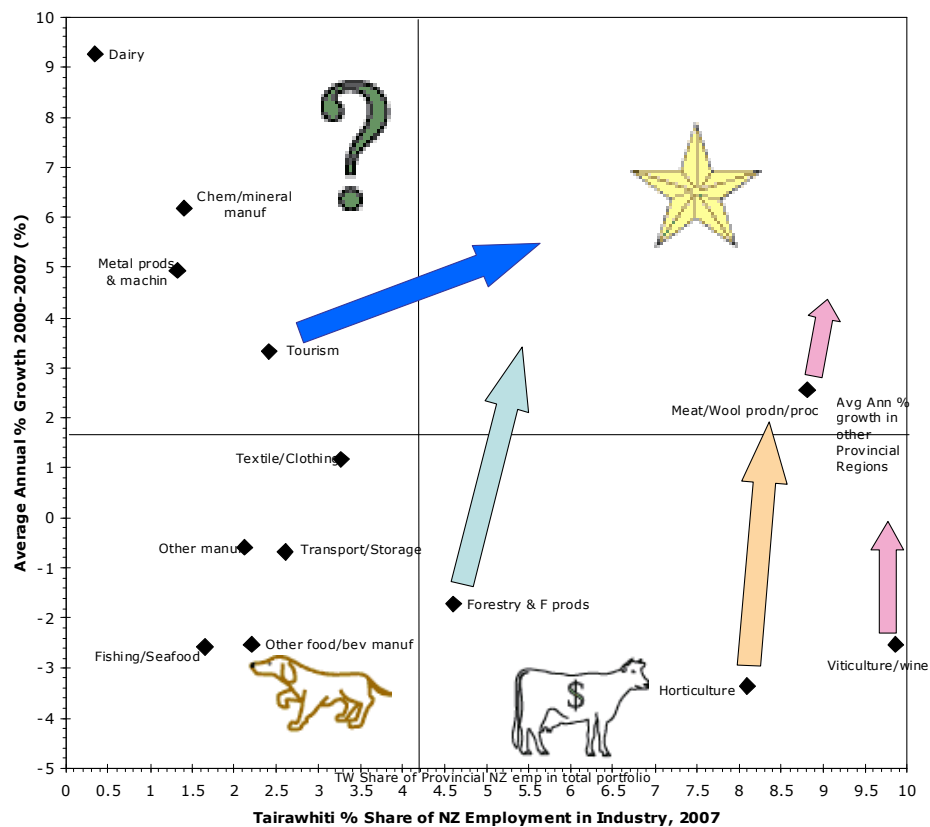
- further upgrade the performance of Tairawhiti’s sole “star” sector, Meat and Wool Production/ Processing;
- Evaluate the potential for shifting the “question mark” sectors into “cash cows”, if this is positive then invest in improving their performance (as is the case with the Tourism sector) so that they develop into “stars”;
- stimulate growth in a selection of “cash cow” sectors to move them into “star” status; these are Forestry

and Wood Products, Horticulture Production and Processing, and Viticulture/Wine.

- Keep a watching brief only on “dog” sectors.

The resulting change is illustrated in the **Figure 3.2** below, where “diamonds” indicate the performance position of the respective Tairawhiti sectors in 2007, and “arrows” represent the long term direction of improvement performance sought from each sector.

Figure 3.2: Directional Change in Tairawhiti Regional Portfolio of Base Sectors 2007 -2017



Source: McDermott Miller Estimates
© McDermott Miller, January 2009

3.3.5 Sector Objectives

In this section we identify tactical objectives for selected “driver” sectors of Tairawhiti Region’s economy. These supplement the strategic objectives set out in **Section 3.3.3**. The sector objectives presented here arise from

the consultation and analysis we undertook. Many, but not all, of these objectives are measurable in quantitative terms; others can only be assessed qualitatively.

1. Land-Based Production Objectives

- Increase production on low-productivity (under-utilised) land.
- Intensify production on mid-level productivity land.
- Contractual arrangements between processors and primary producers give the latter more incentive to invest in increasing the quality and quantity of their produce.
- Farmers/growers have the capability to shift production from one product to another in response to market demands/opportunities.
- Processors invest in capacity to produce higher-value products.
- There is a free flow of knowledge from high-producing farms/businesses to others.
- Maximum value is added to produce, through Tairawhiti's value chain.
- More people are interested in careers in agriculture/horticulture production and/or processing.
- The training required is available and provided locally.
- The contracting services required by farms/orchards are available locally.

2. Forestry Objectives

- All forest land is replanted after harvesting.
- Maximum value is added to wood through Tairawhiti's value chain.
- More people are interested in careers in wood production and/or processing.
- The training required is available and provided locally.

3. Tourism Objectives

- Develop a Tairawhiti brand to promote investment, in-migration and visitation .
- Develop and market new, attractive visitor attractions.
- Improve existing visitors attractions
- Develop and market new, attractive events.
- Improve existing events.
- Develop marketing relationships of Tourism Eastland with Hawkes Bay Inc, as well as with the other "Pacific Coast Highway" regional tourism organisations.
- Increase visitor spend in Tairawhiti.
- Increase commercial accommodation guest-nights in Tairawhiti.
- Increase VFR visitor-nights in Tairawhiti.
- Increase cruise-ship visits to the region.

4. Transport Objectives

- Further roading upgrades required to support wood harvesting and processing are undertaken.
- Newly-developed/upgraded roads are well-maintained .
- Port capacity upgrades are made to support regional economic activity.
- Coastal shipping/barging is introduced if commercially feasible.
- Rail remains open at least until coastal shipping/barging replaces it as a lower-emissions alternative to road transport.

5. Other Infrastructure Objectives

- Electricity supply/reliability and relative cost improves so that it enables economic development.
- Broadband of sufficient capacity and speed is available to all businesses that need it, in particular farms.

- Council provided waste water treatment capacity enables economic development.

6. Climate Change Objectives

- Investigate benefits and potential for water storage (harvesting), as climate change may involve more frequent and prolonged droughts in eastern NZ. Water storage could result in a substantial expansion of agricultural production in the region.
- Maximise net income to the Tairāwhiti region arising from the Emissions Trading Scheme.
- Extend the “Carbon Neutral Wairoa” analysis (Landcare Research 2008) to Tairāwhiti Region as a whole, and apply this framework in the “quadruple-bottom line” evaluation of economic development proposals (cf Strategy Principle 6, **Section 3.2**).

3.4 **BENEFITS OF THE REFRESHED TAIRAWHITI ECONOMIC DEVELOPMENT STRATEGY**

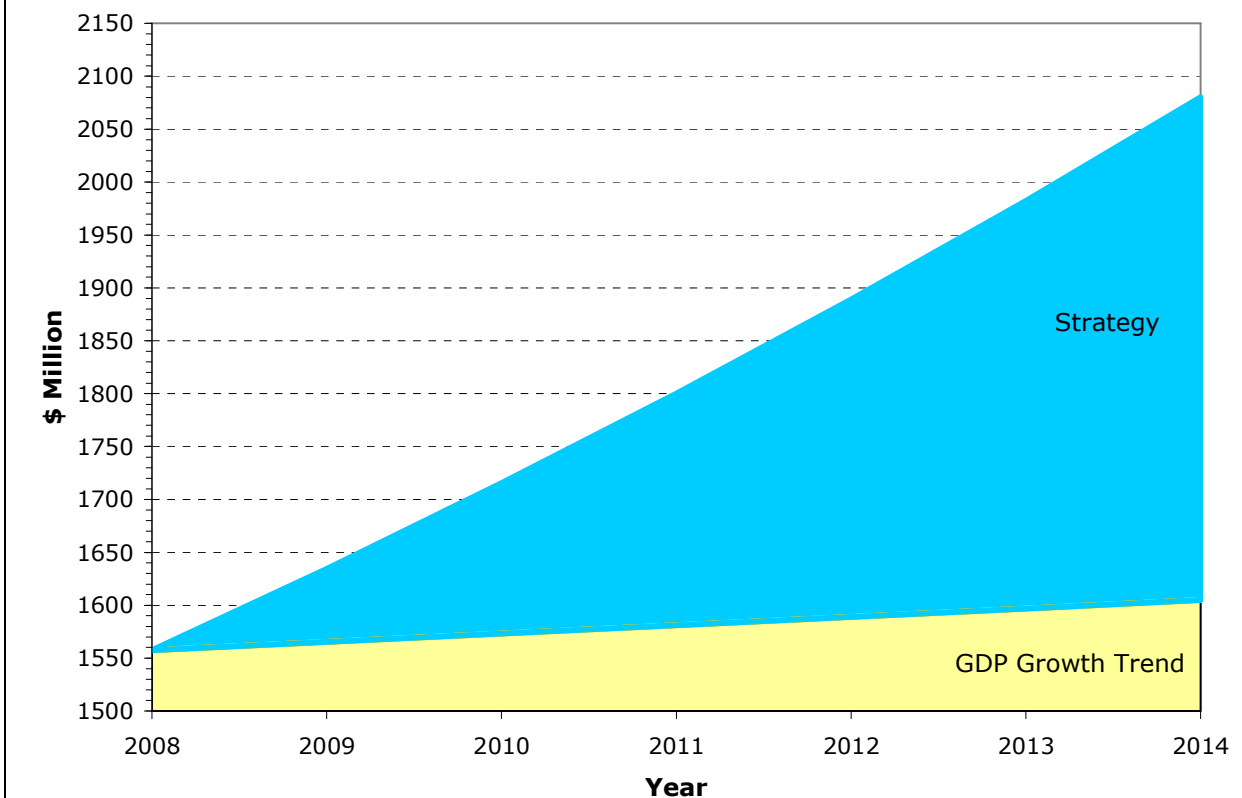
We now indicate the potential GDP and employment benefits that could ensue for Tairawhiti if the “refreshed” economic development strategy is adopted by TDP. We compare this with growth in GDP and employment that will occur if growth continues at current rates.

3.4.1 **Regional GDP Benefits**

We estimate regional GDP of the Tairawhiti region in 2007 to be \$1550 million (Section 3.3 of **Appendix 1**) If recent GDP growth rates continue, we project GDP in 2014 would be around \$1600 million (**Figure 3.3**). We estimate under a “refreshed” economic development strategy, regional GDP could be up to \$2100 million – some 30% higher than without the strategy.

Regional GDP growth under the Strategy is estimated on the basis of growth in gross output. As discussed in Section 7.2 of **Appendix 1 Tairawhiti Regional Economic Outlook** used an input-output model of the Tairawhiti regional economy to estimate the changes in output and employment resulting from expansion of industry under the economic development strategy. This model enabled us to estimate the output implications of expansion in several industries simultaneously. The simplistic approach of applying multipliers to output expansion of industries one at a time would have resulted in double counting of indirect and induced output and employment growth. However, the output and employment multipliers tabulated Section 6.2 of **Appendix 1** multipliers helped us identify priority sectors (see **Section 6.4 Appendix 1**).

Figure 3.3: Tairawhiti Regional GDP with and without Strategy



Source: McDermott Miller projections
© McDermott Miller, January 2009

3.4.2

Employment Benefits

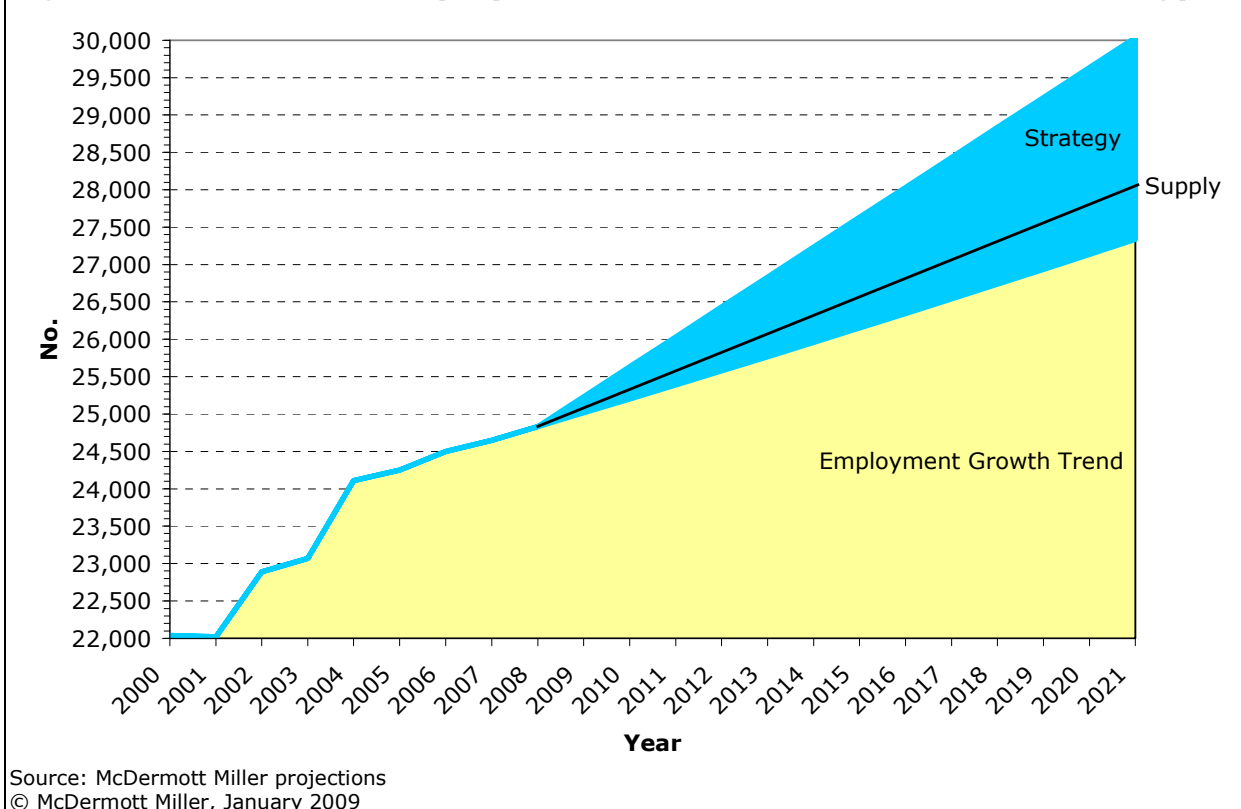
Figure 3.4 shows how Tairawhiti employment will grow if it continues at its recent rate of around 0.7% per year. By 2014 there would be around 1100 more jobs than in 2008, and by 2020 there would be 2500 more than in 2008.

In contrast, if the Strategy Objectives are pursued vigorously there could be up to 2400 more jobs in 2014 than in 2008, and in 2020 there would be 4800 more.

Figure 3.4 also shows the projected growth in the labour force, assuming participation rates stay the same. The increase in available labour by 2014 of 1750 is greater than the supply of jobs under current growth trends, but less than the supply under the Strategy.

Our consultation has indicated that inward migration cannot be relied on to meet labour demand in Tairawhiti. This suggests that full realisation of the benefits of the “refreshed” economic development strategy is dependent upon growth in labour force participation in the region. If this is to eventuate, appropriate skills training will have to be available for those returning to the paid workforce or entering it for the first time.

Figure 3.4: Tairawhiti Employment Growth With and Without Strategy



If the strategy is implemented, we estimate that:

- Some 36% of new jobs created under the strategy would be in the Meat and Wool production and Processing sector
- some 27% would be in Horticulture production and processing;
- a further 18% would be in Forestry and Wood processing;

- some 4% would be construction
- and 4% in education.

The skills training implications of these sector employment changes could be estimated, but this was not required in our brief and was not feasible within the resources available to this Regional Economic Development Strategy project.

3.5

MONITORING STRATEGY PERFORMANCE

TDP should monitor the Tairawhiti Region economy and report the results of its monitoring on a six monthly basis.

There are two levels of strategy performance monitoring that should be distinguished:

- Monitoring the performance of the regional economy as a whole, and of its major sectors; and,
- Monitoring individual implementation programmes and projects. For example, the increase in production achieved from individual farms that are in a farm monitoring programme.

The TDP should monitor the performance of the region's economy in relation to the Tairawhiti Economic Development Economic Strategy Goals and Strategic Objectives (refer **Figure 3.1**). Where practical it should extend the monitoring to measurable achievements of the Sector Objectives (refer **Section 3.3.5 and Figure 3.2**)

Measures used to monitor the regional economy would include:

- Six monthly regional surveys of **business activity**, including investment levels, which should show how businesses are faring;
- **Consumer Confidence** Indexation which would show strength of consumer optimism in the Tairawhiti regional economy compared with Hawkes Bay Region and New Zealand as a whole.
- **Labour market** data; principally numbers employed, and participation rates.
- Changes in **regional household income**; and,
- Changes in **regional GDP per capita**.

With the exception of a Tairawhiti business activity survey, most of this data is available. Some will only be available at intervals greater than six months and the changes in some of the data over short periods may be misleading, however sufficient useful data should be available at six monthly intervals to show a reasonable picture of changes in the regional economy.

With the exception of the business survey results, these measures could be compared with the same measures for the Hawkes Bay Region, enabling Tairawhiti to compare its economic development with that of one of its most closely connected neighbours.

Reporting could be in the form of a summary paper showing the output of these measures and interpreting them, which would be considered at a bi-annual business and investor forum.

We now turn, in **Section 4**, to implementation of the refreshed Tairawhiti economic development strategy.

4.

STRATEGY IMPLEMENTATION

This section discusses the importance of investment in Tairawhiti's economy, and how investment could be stimulated. We then indicate the structural implications for Tairawhiti Development Partnership of implementation of the refreshed Regional Economic Development Strategy. Finally, we set out an Implementation (action) Plan for TDP.

4.1 INVESTMENT ISSUES

4.1.1 Importance of Investment

The Tairāwhiti Region will not significantly improve its economic growth rate unless investors fund maintenance and expansion of existing activities, development of new activities, improved productivity, product research, marketing, and people's technical and managerial skills and capabilities. Without ongoing new investment economic activity will decline, businesses decay and the region's relative standard of living fall further.

This means new investment is a critical issue for the region's future.

Investors invest to obtain a return on their invested capital consistent with their perceptions of, and willingness to take, financial risk. **In the key economic driving sectors, investors in Tairāwhiti have increased profitability and expanded their businesses by investing in:**

- Vertical integration- developing from a commodity base to establishing/enlarging processing functions to add value to their products (e.g. Forestry –Juken New Zealand and Earnslaw One already undertake processing, Hikurangi Forest Farms should bring its new processing plant on stream in 2010/2011). In Tairāwhiti the potential for large investments in vertical integration lies mainly in forestry and pastoral farming.
- Horizontal diversification, - where existing businesses invest in activities not directly related to their principal activities (such as Leaderbrand, diversifying into wine production because it is reaching market saturation in its current main horticulture product lines).
- Exporting capital by building or acquiring production plants elsewhere in New Zealand or overseas (for example Corson Grain's purchase in Queensland, which had the effect of "shifting" exports of corn

product from New Zealand to Asia to exporting from Queensland to Asia. The result of this move was to improve Corson Grain's profitability, but decrease Tairawhiti region economic output). This export of capital from the region has not been unusual (other businesses doing so include Integrated Foods Limited, Leaderbrand and Pultron Composites and Eastland Group could well continue to do so if a suitable opportunity arose).

The key issue for investors is opportunity and relative returns from investing in Tairawhiti compared with investing elsewhere. Tairawhiti has a very limited "domestic" market for products, so opportunities likely to attract further investment in productive businesses will mainly be confined to those securing a competitive advantage in terms of innovative or niche market products (high value add) and markets "exporting" to the rest of New Zealand and overseas. Without these investment opportunities the flow of new capital into the region will be limited, and export of capital will continue, thereby depriving the region of growth.

4.1.2

Stakeholder Investors

Investors in the Tairawhiti Region can be classified as one or more of:

- Existing businesses in the region.
- Runanga and their associated business units.
- International business and individuals.
- Residents, including "angel investors".
- Eastland Community Trust.
- Businesses and individuals from elsewhere in New Zealand.
- Local government.
- Central government.

The region contains some very successful businesses (e.g. Pultron Composites, Corson Grains, Leaderbrand, First Fresh, AFFCO, Bernard Mathews), which continue to invest both within the region and outside it.

Tairawhiti has a significant, but relatively unrealised, advantage as the beneficiary of inter-generational Maori investment in the land, and, potentially, in associated businesses as a result of runanga and iwi investing Waitangi claims settlement proceeds now coming to hand.

Tairawhiti is also the beneficiary of a culture of inter-generational family investment (e.g. Corson family, Holdsworth family) in the region. In a number of important cases, sons and daughters leave the region to obtain tertiary qualifications and national and international work experience and then return to run their family businesses, seeking to make their own mark by expanding operations or building new businesses under the umbrella of the old ones.

In recent times new investment in Tairawhiti region is mainly coming from:

- Foreign investors (Ingelby purchasing and developing farmland, Cedenco developing land for cropping, Juken New Zealand, Ernslaw One and Hikurangi Forest Farms in forestry and wood processing):
 - Foreign capital is needed because there is little capital investment from the rest of New Zealand. Examples include forestry (Juken, Hikurangi, Ernslaw One), viticulture (vinoptima, Bulmer/Fosters, Pernod-Ricard), pastoral farming (Ingelby, Americans).
 - Even when investment is made from elsewhere in New Zealand, it is effectively foreign sourced (e.g. Pernod-Ricard investing in its Montana operation).
- The largest locally owned business, Eastland Group, which is owned by the Eastland Community Trust.
- Some existing businesses investing in vertical integration and horizontal diversification.

There is a sizeable pool of investors in the region, some untapped, (e.g. angel investors), others who look outside the region to invest and others who are already investing in the region.

Investment capital is more readily available for larger sized businesses within the region, but is much more difficult for small business and start-ups to source. On the other hand, regional businesses' attitudes to financing new investment by borrowing are conservative. They are not enthusiastic about "leverage" and are apparently keen to maintain low debt/equity ratios. While this is prudent financial management, it could also reflect a lack of confidence in the region's prospects and their own ability to derive satisfactory financial returns from even low risk investment.

Potential increase in investment could come from within the region (Eastland Community Trust, Runanga utilising Waitangi claims settlement proceeds, "angel" investors and existing, particularly foreign owned, businesses). Already some "cluster" (syndicates or multiple shareholders) investment has been made by local investors, and potentially this could also increase.

However, it is unlikely significant new investment in business opportunities will come from central or local government, or from elsewhere in New Zealand in the medium term. In other words the region must look to its own resources as investors and in attracting investment if economic growth is to improve the region's relative position in the New Zealand economy.

4.1.3

How to Stimulate Investment in Tairāwhiti

As noted in **Section 4.1.1** above the **first key investment issue is identifying better investment opportunities in Tairāwhiti region than elsewhere in New Zealand and overseas.**

Having identified the opportunities the **second key issue is evaluating them (benefits and costs) and bringing together potential investors who may consider investment (structure of investment).** Often this process will be internalised by existing businesses and investors looking to grow their own business. But other investment opportunities may lapse without assistance from an external party.

Business decisions to invest will not be made by TDP as it is not an asset owner or investor. However, it can help create a positive investment climate in the region and so stimulate investment through a range of actions, such as:

- Preparing a regional development plan as a guideline for businesses and investors;
- identifying opportunities and bringing them to the attention of investors and business operators;
- promoting inward investment;
- establishing a 'register' of angel investors in the region, and convening forums bringing together investors and those with ideas and opportunities for investment;
- acting as a champion of investment ideas, or a facilitator amongst interest groups (investors, operators local government and others), and;
- helping to fund feasibility studies.

TDP could expand this role as a catalyst by forming an "investment partnership" with Eastland Community Trust. While TDP may have only limited financial resource, it does have skills, connections, time and energy. These are its "investment capital". Maximising the value and usefulness of this capital could be achieved by TDP forming an "investment partnership" with Eastland Community Trust where the Trust may provide funding for investment projects initiated by TDP and jointly evaluated by TDP and Eastland Community Trust.

This "investment partnership" should view the region as a portfolio of businesses, some of which need encouragement, some need specialist help, some need nothing and others are facing stagnation and decay. The partnership should identify which parts of this portfolio are worth investment of its time and energy.

4.2

STRUCTURAL ISSUES

4.2.1

Need for New Structure

Apparently TDP's original establishment as a taskforce was highly effective in bringing the partners together and, with the considerable help from the then Minister of Economic Development, delivered short term economic support to the region.

However, since then it seems to have lost focus on economic development to the point where:

- The partnership is unrepresentative of the economic drivers in the region (only one currently active business representative).
- TDP's organisational activities and role is unclear to the regional constituency.
- TDP has no power to deliver outcomes. It relies entirely on its partners to act individually, (and sometimes collectively), in pursuit of any agreed action.
- TDP has no substantial ongoing funding to enable it to deliver outcomes.
- It has no single cohesive executive function (GDC, WDC, Land Development Trust and TDP Management Trust all carry out various separate executive or administrative functions). The result of this multiplicity of parties is a fragmented and ineffective effort, compounding the impression of a "do nothing" entity.

Our consultation revealed that the TDP is thought of by many businesses as a "talkshop" rather than as an effective leader of positive economic development in Tairāwhiti. The low level of direct involvement of business people, other than Runanga CEOs, in the TDP and its various trusts, working parties and groups other than the TDP Land Development Trust is both a symptom and a cause of this impression.

Effective implementation of the proposed regional economic development strategy requires TDP to have

credibility with its regional constituency, sufficient funding and a cohesive executive equipped to deliver the outcomes endorsed by the partnership.

The present model clearly does not do this and therefore a new structure that can do so is needed. The new structure should build on the strengths of the existing structure, and equip the partnership to play a pro-active role in the economic development of the Tairawhiti Region. McDermott Miller's proposed new structure for this purpose is outlined in the following sections of this report.

4.2.2

Proposed New Functions and Structure

Here we propose structural modification for TDP, but first outline the functions we envisage for it. These functions include some currently carried out by TDP.

Functions

TDP would:

- Adopt economic development as its primary active role in Tairawhiti Region;
- Identify key economic production sectors for targeting its efforts;
- Develop regional plans for each of these targeted sectors;
- Undertake strategic marketing and other research to help quantify potential for each sector and development opportunities within these sectors;
- Help identify and evaluate individual investment opportunities within the targeted sectors, in conjunction with relevant/interested private sector players. TDP would use its own funding resource for sharing costs of feasibility studies for this purpose;
- Develop a record of "angel investors" in the region, and establish and run a forum putting angel investors and investment opportunities together on an ongoing basis;
- Champion regional development projects with central government and its agencies;

- Possibly provide “seed capital” in conjunction with business investors for start-up projects within each of the targeted sectors;
- Develop a partnership with Eastland Community Trust to fund and develop the region’s economic initiatives. This partnership would help undertake and fund feasibility studies for new projects, thereby ensuring both economic and financial assessments are available to investors, producers and marketers. Where appropriate, TDP would support Eastland Community Trust’s investment in particular regional economic initiatives.
- Over the long term this partnership could eventually become a merger of TDP Trust and ECT to maximise benefits of co-operation and eliminate duplication of functions.

TDP would not be a long term investor in its own right in any business project. Its purpose is to facilitate investment by businesses in the region’s key economic driving sectors over time to improve regional employment and GDP.

Structural Changes

Structural changes would include:

- Restructuring TDP Management Trust to become the TDP Trust as the principal formal entity of the Tairawhiti Development Partnership. The present members of the partnership would become Trustees of the TDP Trust
- Expanding the TDP Trust Board by adding, say, 2-3 business leaders;
- Making Eastland Community Trust a partner. This step, together with the addition of further business partners proposed in the previous bullet point, would create a strong relationship with Tairawhiti businesses and investors, overcoming a weakness of the present structure of TDP.
- TDP Land Development Trust would become a sub-trust of TDP Trust and responsible to it for the delivery of its programme;

- Appointment of an Executive Officer, responsible to the TDP Trust Board through the Chairperson for the execution of TDP Trust's ongoing programmes. Given TDP's role in supporting and developing regional economic initiatives, this executive officer should have a strong capability in project management.

Figure 4.1 below shows the proposed structure for Tairawhiti Development Partnership.

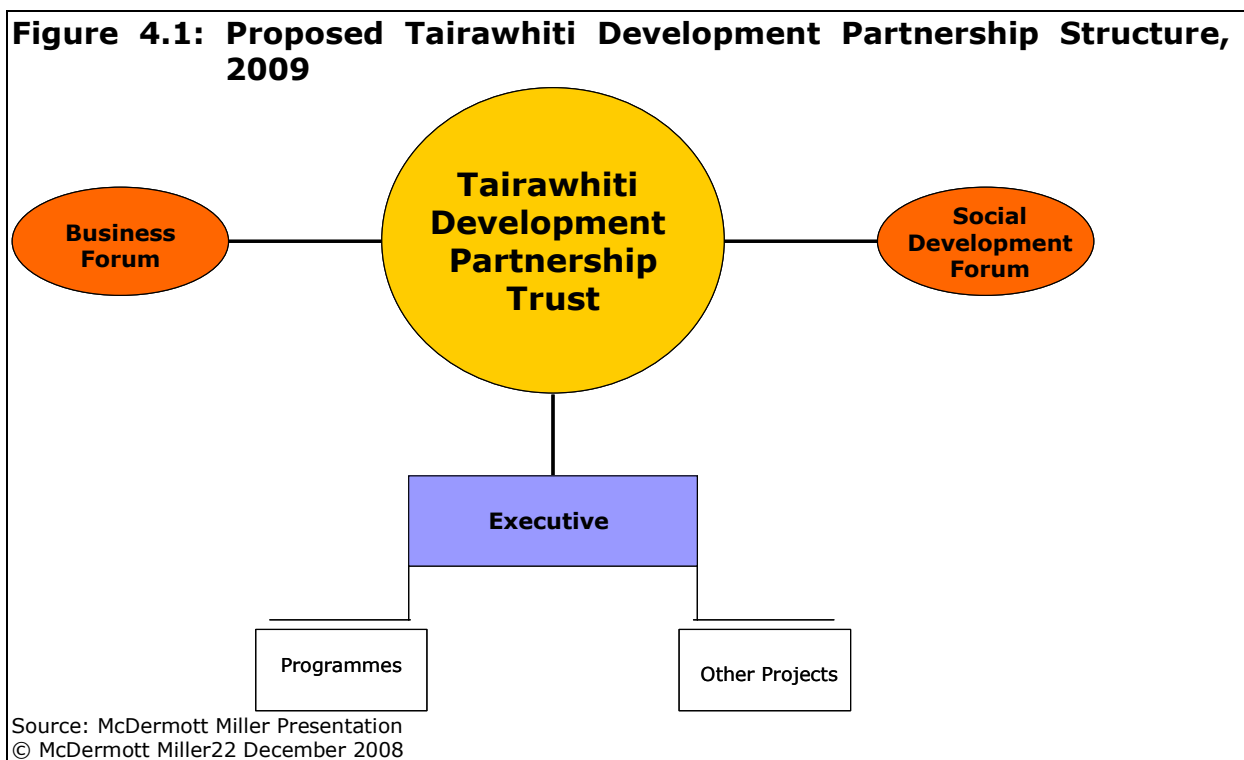
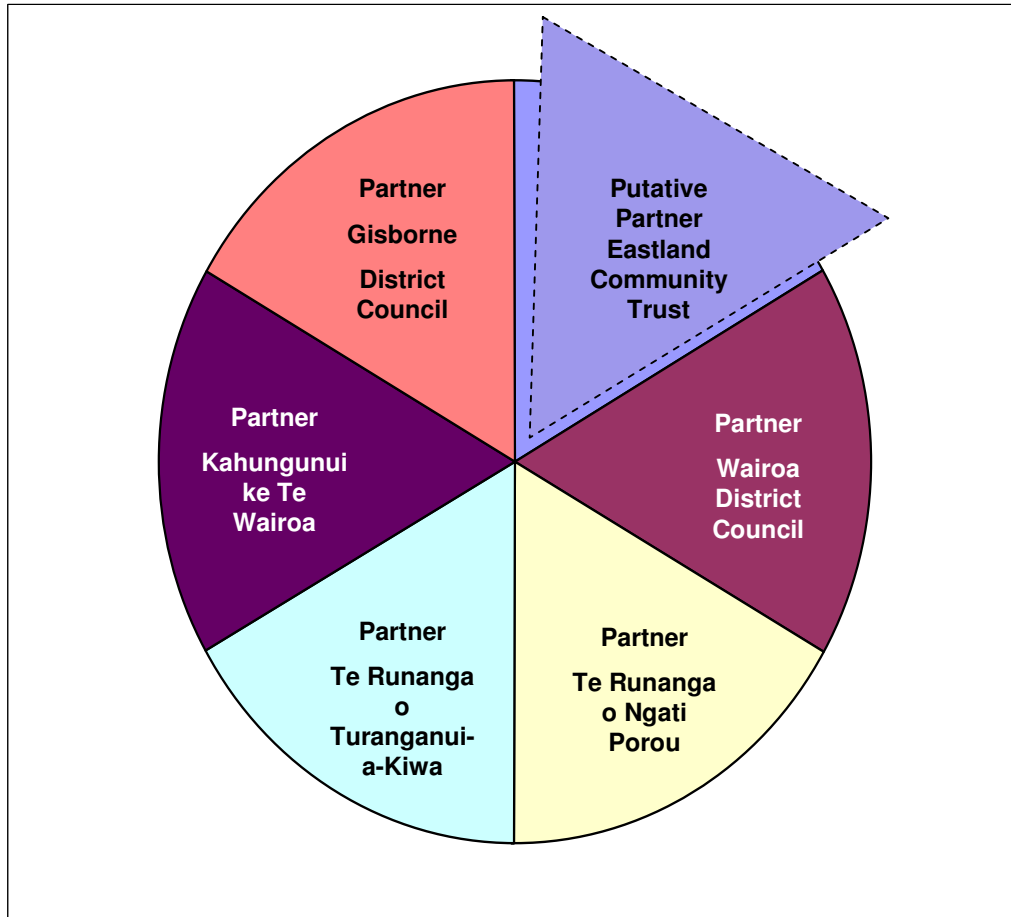


Figure 4.2 below shows the proposed partners for Tairawhiti Development Partnership.

Figure 4.2: Proposed Partners for Tairawhiti Development Partnership, 2009



Source: McDermott Miller Presentation
© McDermott Miller, 22 December 2008

4.3 IMPLEMENTATION PLAN

This section outlines a plan for TDP to implement the regional economic development strategy.

4.3.1 Scope of TDP Strategy Implementation

The benefits of the regional economic development strategy will only be realised by successful implementation.

In this section we present a range of potential programmes and projects below that the region could put its effort into. These are briefly described below and the roles of TDP, its partners and lead agencies in implementing them is illustrated in **Table 4.1** below and **Section 4.3.5**. The implementation plan concludes with a selection of priority programmes and projects we recommend TDP undertake over the next three years in **Section 4.3.6**.

The range of potential programmes spans:

- Regional Branding
- Sector Product Development
- Training
- Biannual Regional Business Forum
- Small-business Incubation
- Energy.

1 Regional Branding

An overall programme for the benefit of all sectors is regional branding. There should be a strategy to develop a regional identity and associated values which customers will, in the future, be willing to pay for ie which will reflect the value of investing in, migrating to, or visiting Tairawhiti Region.

This programme of regional “place” marketing would be based around Gisborne District Council’s “First to see the light of the new day” branding to emphasise Tairawhiti’s location advantages.

There have been a number of uncoordinated branding initiatives in Tairāwhiti. As well as the Gisborne DC “First to see the light” is the “The Leading Edge” (www.edgenz.com). TDP should lead development of a single regional brand would concentrate marketing spend in Tairāwhiti.

2 Sector Product Development

Forestry and Wood Processing

- 2.1 The emerging wood processing cluster in Gisborne Hikurangi Farm Forests Limited has obtained resource consent to build its new mill in Gisborne District Council’s rural industrial area near Gisborne (Dunstan Road), adjacent to the existing Prime Sawmill. The Gisborne District Plan provides for future forestry processing mills to be located in this rural industrial area, and supports relocation of other industrial activities currently “within the City environs” (GDC Long Term Community Plan Section 3.10) to this area.
- 2.2 The industry should develop new high value products from forestry and saw-milling wastes. Two examples of this are:
 - co-generation of electricity and heat from wood wastes to energy; the co-generation plant planned for the Hikurangi Forest Farms mill is an example of this
 - conversion of wood wastes to charcoal for export to international market
- 2.3 Realise the opportunity to earn NZ Units under the Emission Trading Scheme:
- 2.4 Intensify land use by developing complementary products from forest land. An example of this already in operation is the harvesting and marketing mushrooms grown under the forest canopy.
- 2.5 Another development planning issue is where the forestry resources in the north of East Cape are to be processed (if they are not exported as logs). Issues which arise:
 - Identifying feasible industry location options

- Roading requirement in north of East Coast
 - How the logs are to be transported to Gisborne (if processed there)
- 2.6 A development planning issue for Wairoa is how and when to upgrade SH2 between Wairoa and Napier to facilitate transport of logs to Whirinaki and Port of Napier, while at the same time maximising the potential for expanding processing of the logs cut from the forests of Wairoa District within the District. This needs to be assessed.

Meat and Wool Production

- 2.7 Intensify land use: Multi-use land management
- 2.8 Increase output of higher value added product. For example, encourage and support AFFCO in Wairoa and Bernard Matthews in Gisborne to increase their output of processed and pre-cut chilled meat products
- 2.9 Expand on-farm capabilities and capacities of farmers, farm managers, contractors and workers by continuing the current Maori Land Development programme initiated by TDP's 2004 MRI and extending it to other farmers.
- 2.10 Career and training schemes for students to attract more young people onto the land and upgrade their competencies.

Horticulture

- 2.11 Intensify land use: expand land used in production of crops. A current example of this is Cedenco investing in developing and increasing crop growing lands at Ruatoria.
- 2.12 Develop and market high value-added niche products. An example of this is honey manufacture and export-consolidate industry and market internationally under regional brand.
- 2.13 Investigate potential for bio-fuel production from crops.

Transport

- 2.14 Improve transport links and reduce transport costs through coastal shipping. Interregional economic cost/benefits such as cost benefit of barging wood products from Gisborne to Napier and from Hicks Bay to Gisborne or Napier could arise. Other products, not only logs, could be barged.

Tourism

- 2.15 A business case, including a commercial pre-feasibility assessment, needs to be prepared to get industry support and New Zealand Lottery Grants Board funding for product planning and marketing strategy development for the "Navigation Traditions" project. The project would consist of both the restoration of Te Toka a Taiau and linking this to other sites in Tairawhiti.
- 2.16 Inter-regional marketing of Tairawhiti with neighbouring regions
- 2.17 Developing short stay market based on events, such building on Rhythm and Vines.
- 2.18 Develop active adventures/experiences product, building on Lake to Lighthouse race.
- 2.19 Expand cruise ship market, and integrate with other tourist product in the region and east coast
- 2.20 Continue urban waterfront development at Gisborne.

3 Training

There is a need to attract people to work in the expanding industries, at the primary production level and in processing. Confidence in the availability of a skilled workforce is also an essential precondition for businesses to invest in the region. The TDP would have a role in indicating what the needs are, in terms of numbers required in skill/occupation groups and where they will be needed in the region. It would work closely with Tairawhiti Polytechnic and other training providers, to help them secure the necessary funding.

The TDP should continue to advocate that customised land-based training programmes, which employers and Department of Labour invest in are implemented across Tairawhiti.

The way in which Māori land based businesses communicate plans and results is more exacting than the non-Māori training model, and includes cultural imperatives which, if ignored, may lead to projects failing through lack of shareholder support. All three iwi groups in Tairawhiti have been active in enhancing the capabilities of Governors and Managers of major land owning groups, indicating a greater focus on improving profitability and returns to shareholders. However, it is also important that shareholders are aware of their responsibilities as investors with responsibilities to the future, and the same information which is made available to governors and managers through education seminars should also be available to shareholders in a focused programme.

4 Biannual Regional Business Forum

This would consist of a regular biannual (six-monthly) forum of business, TDP and local government leaders to assess the region's economic performance compared to other regions and discuss how to improve performance further.

The TDP would regularly monitor the performance of the Tairawhiti regional economy against objectives. TDP would carry out a survey of regional businesses, and present its findings to a forum of business, TDP and local government leaders, assess the region's economic performance compared to other regions and discuss strategic initiatives to improve performance further.

5 Small-business Incubation

An incubator programme would involve funding small-scale business pre-feasibility/feasibility studies. These could be in any industry within the driver sectors. Business feasibility assessments of development opportunities would be funded and investment

encouraged in those with high potential to contribute to Tairawhiti's goals and objectives.

6 Energy

If oil and gas exploration is a success and there is production, there will be spin-off development opportunities in Gisborne and/or Wairoa etc, as in Taranaki. The region should seek to ensure services (such as engineering) are provided locally, to the extent possible.

4.3.2

TDP Implementation Roles

In **Table 4.1** below we show a range of potential implementation programmes and projects drawn from the descriptions in **Section 4.3.1** above and indicate a role for TDP in implementing each of them over time. In **Section 4.3.6** we propose programme priorities.

Table 4.1 shows three principal implementation roles for TDP – development planning; facilitation and investment. These broad classifications cover wide ranges of activity. For example, “facilitation” includes bi-annual regional economic forums as well as bringing together investors and project promoters to form investment partnerships. Similarly, for example, “investment” does not mean TDP will invest financial capital in business projects, but will assist project development through feasibility studies and product and brand marketing. TDP's roles in each programme are more fully explained in the text of **Table 4.1**.

Not all of these programmes and projects may proceed as they have yet to be fully evaluated, and nor would they proceed simultaneously.

TDP of course cannot implement all these programmes on its own. It can only do so with the active support and involvement of its partners, especially Eastland Community Trust, and allied agencies. In **Section 4.3.5** below we summarise the roles of TDP's partners and allied agencies in implementing programmes and

projects to generate the benefits of the regional economic development strategy.

Sector	Table 4.1 Regional Implementation Programmes and Projects	TDP Role		
		Development Planning	Facilitation	Investment
All	An overall programme for the benefit of all sectors is regional branding. There should be a strategy to develop a regional identity and associated values which customers will, in the future, be willing to pay for ie which will reflect the value of investing in, migrating to, or visiting Tairawhiti Region.	*	*	*
All	Prepare regional sector development plans, including developing initial plans for key economic driving sectors, monitoring performance against those plans, intervening where possible and appropriate to give effect to their implementation, and reviewing the plans over time.	*		
All	Researching and evaluating regional economic development opportunities at the macro level (eg case for regional wine branding) and, in partnership with private sector interests, researching market demand and opportunity for particular investment proposals within the identified key economic driving sectors	*		
All	Supporting workforce education and skill enhancing initiatives undertaken by Tairawhiti Polytech, schools and other appropriate institutions (eg Waipaoa Cadet School), in the region through a mentoring programme for staff and students.		*	
All	Convening a forum of private and public sector players to review economic development issues and progress and to use their influence and advice to help resolve issues within the region that may be beyond the capability of individual parties.		*	
Meat/Wool Production	Initiating and operating an investor's forum to bring together investors of all types with available research and investment opportunities. Such investors/partners could include tertiary education institutions and Crown Research Institutes etc as well as private sector investors/partners.		*	

Sector	Table 4.1 Regional Implementation Programmes and Projects	TDP Role		
		Development Planning	Facilitation	Investment
Meat/Wool Production	Championing regional projects by bringing together, and managing, groups of regional leaders to undertake specific lobbying of central government and its agencies in support of agreed regional investment initiatives.		*	
Meat/Wool Production	Expansion/upgrade of Bernard Mathews plant: TDP could have a role as facilitator of a suitable partnership between Bernard Mathews and regional business interests for this purpose.		*	
Meat/Wool Production	Programme to market careers in farming to regional students and establishing training schools: TDP could have a role here bringing together various parties to achieve these objectives.		*	
Meat/Wool Production	Continuing the work of the TDP Land Development Trust in increasing productivity of multiple-ownership Maori land by: <ul style="list-style-type: none"> • developing skills and capabilities of farm managers and workers • building commercial relationships between owners and processing companies. 		*	*
Tourism	Product planning of "Navigation Project"; design, market analysis and interregional marketing		*	*
Forestry and Wood Processing	Manufacture and export of charcoal from forestry offcuts: TDP could have a role in evaluating the feasibility of this product.			*
Forestry and Wood Processing	Maximise positive cash flow potential from the introduction of ETS (carbon trading): TDP could act as a clearing house for trading carbon credits in partnership with an appropriate funding party		*	*
Forestry and Wood Processing	Development and marketing of complementary products: product development is most likely to be undertaken by existing forestry companies, but TDP may have a role in marketing these products.		*	*
Horticulture	Bio-fuels production from crops: Here TDP could be involved in feasibility studies and initiating investment partnerships for the production of bio-fuels if the feasibility studies prove positive.		*	*

Sector	Table 4.1 Regional Implementation Programmes and Projects	TDP Role		
		Development Planning	Facilitation	Investment
Horticulture	Expanding marketing and production of high value crops: TDP could be involved in bringing together industry participants and investors to develop and market new "Tairawhiti" products. TDP's roles could range from market research, feasibility evaluation, brand strategising and linking of investors, marketers and producers.		*	*
Horticulture	Expanded contract growing of vegetables and fruit: Here TDP would need to bring together runanga, iwi and producers such as Cedenco to develop and implement a plan not only for runanga leasing land to growers, but iwi and hapu taking part as both landholders and growers in meeting growing demand for vegetables and fruit from the region to develop more successful businesses beyond the Poverty Bay "flats".		*	*
Horticulture	Regional product branding: TDP could take the lead in developing a region-wide brand.		*	*
Horticulture	Establishment of new tourism adventures/ experiences products: TDP could have a role in sorting these ideas and carrying out an assessment to identify the most promising ones consistent with the regional tourism development plan put together in its regional economic planning programme. Further development will depend upon the outcome of this assessment.		*	*
Transport	Coastal shipping joint venture between Eastland Group and Port of Napier: TDP could play role in broadening the existing feasibility study to evaluate the national benefits and costs of the proposal to make a broader based case (ie beyond the financial issues of concern for Eastland Port and Port of Napier) for national support for such a project.		*	*

4.3.3 Implementation Also Requires Improving TDP's Capability to Lead

In **Section 4.2.2** we outlined structural changes we believe will improve TDP's effectiveness and ability to successfully lead implementation of the regional economic development strategy. TDP should implement these structural changes by taking the following steps:

- Adopt the regional economic development strategy;
- Restructure TDP Management Trust into the "TDP Trust" and appoint the current partners as Trustees;
- Appoint three more business representatives as Trustees, including at least one from Eastland Community Trust;
- Establish a partnership with Eastland Community Trust, including agreeing respective roles and responsibilities and resourcing;
- Secure funding from partners; and,
- Appoint an Executive Officer and establish an office.

4.3.4 Resources Required

Resources required could include:

- Active involvement of business leaders;
- Funding for executive office (1 FTE);
- Executive Officer, office and office systems;
- Funding for continuation of TDP Land Development Trust programme;
- Funding for research and evaluation programme;
- Funding for regional planning programme.

In the absence of any other estimate being made available to us, we estimate funding for an office and full time staff, as briefly summarised above, could require around \$100,000-\$125,000 per annum. Funding TDP's role in other elements of the regional economic development strategy will depend upon the scope of the programmes and the depth of its involvement, and could therefore range widely. For example continuation of the Maori Land Development programme (initiated by the 2004 MRI grant) could require \$250,000-\$500,000 per annum alone. Other programmes, such as a bi-annual business forum (including monitoring the regions economy for the forum), may only require \$10,000 per annum.

A more detailed evaluation, beyond the scope of McDermott Miller's commission, would be required to produce firm funding estimates for an active TDP leading implementation of the regional economic development strategy.

Although NZTE is likely to be a source of a substantial part of funding for some of the strategic activity programmes, TDP will also need to look to its own resources and other sources of funding for programmes not eligible for, or beyond the scope of, NZTE funding.

Continuity of annual operations will require contributions from parties other than NZTE. In the first place funds should be sought from the partners for this purpose.

4.3.5

TDP Lead and Support Agencies

Implementation of the regional economic development strategy should be led by TDP.

However, TDP does not have access on its own to resources sufficient to support the whole, or even a substantial part of, the development activity of all the key sectors identified in the regional economic development strategy (refer **Section 3.3** above). As noted earlier, TDP is not a business asset owner or investor. Ultimately decisions to invest in pursuit of the objectives of the strategy, the sums to be invested, and

the terms and conditions of any investment will be determined by investors, not TDP.

This means TDP's leadership role in implementing the strategy therefore relies on "showing the way" and on actions it can take in each sector that can make a difference.

A key element in successfully implementing the economic development strategy is the active support of the TDP partners and key agencies in doing so.

Without the support of its partners: Te Runanga o Ngati Porou, Te Runanga o Turanganui a Kiwa, Kahungunu ki te Wairoa, Gisborne and Wairoa District Councils; its putative partner Eastland Community Trust, regional businesses, NZTE, and the adjoining Hawkes Bay Regional Council the full benefit of the regional economic development strategy is unlikely to be realised.

The particular roles envisaged for these parties in implementing the strategy are shown in **Table 4.2.** over:

Agency	Table 4.2 Roles for Agencies in Implementing the Strategy
Iwi partners	<ul style="list-style-type: none"> • Championing projects amongst iwi, hapu and other relevant parties. • Investing in appropriate regional economic development initiatives (source of investment capital). • Funding TDP. • Assisting TDP in evaluating particular projects.
Gisborne District Council partner	<ul style="list-style-type: none"> • Funding TDP. • Helping provide appropriate regional infrastructure. • Helping reduce the impact of regulatory hurdles on regional economic development initiatives. • Helping manage the impact of political issues on regional economic development initiatives. • Providing an interface between the regional economic development strategy and regional social, cultural and environmental strategies developed and implemented by the Council
Wairoa District Council partner	<ul style="list-style-type: none"> • Funding TDP. • Helping provide appropriate regional infrastructure. • Helping reduce the impact of regulatory hurdles on regional economic development initiatives. • Helping manage the impact of political issues on regional economic development initiatives. • Providing an interface between the regional economic development strategy and regional social, cultural and environmental strategies developed and implemented by the Council.
NZTE	<ul style="list-style-type: none"> • Prime channel to Government. • Funding regional projects led or supported by TDP. • Advising TDP on implementation issues and tactics. • Advising TDP on particular projects.
Eastland Community Trust, putative "business" partner	<ul style="list-style-type: none"> • Co-funding project assessments and feasibility studies. • Joint regional economic project development.
Central Government	<ul style="list-style-type: none"> • Helping provide appropriate regional infrastructure.
Hawkes Bay Regional Council	<ul style="list-style-type: none"> • Interregional Tourism marketing and development planning. • Interregional evaluation of transport options, including coastal shipping. • Co-funding Wairoa District marketing and development planning.

4.3.6

Proposed Programme Priorities

This section proposes priorities for implementing selected key programmes and projects drawn from **Table 4.1** above.

These programmes are ranked in order of priority below, as are the proposed TDP initiatives within each programme. We also indicate “TDP parties” (see **Section 4.3.5** above) likely to play major roles in implementing each programme and suggest possible timetables for their completion.

First Priority: Strengthen TDP Capability

Initiative 1. Adopt refreshed Tairawhiti Economic Development Strategy
(refer **Section 3**).

Initiative 2. Establish a partnership between the TDP and the Eastland Community Trust.

The partnership would enable TDP to undertake and fund more feasibility studies for new projects and, in turn, where appropriate, support ECT’s investment in regional economic development initiatives. This will involve all TDP Trust partners, Gisborne District Council and Eastland Community Trust, and should be completed by 31 March 2009.

Initiative 3. Transform TDP into a legal entity by incorporating it as a trust and subsequently establishing an independent Executive and office (refer **Section 4.2.2** above). Restructuring TDP Management Trust should achieve this. This will involve all the partners including ECT and NZTE and should be completed by 30 June 2009.

Initiative 4. Monitor Economic Development Strategy performance in bi-annual regional business forums: a meeting of business, TDP and local government leaders for a presentation on regional economic performance followed by a discussion on how to improve performance further. The forum would use information collected from

TDP's monitoring of the economy, including a brief email survey of the region's businesses covering matters such as views on the region's economic outlook and the regional labour market, their investment intentions, and other matters constraining current output and future expansion, and how these can be overcome. TDP Trust will undertake the monitoring role and all parties could participate in the forum, but especially the business partners (including Eastland Community Trust). First forum should take place by 30 June 2009.

Second Priority: Complete current TDP Projects

Initiative 1. Navigational Traditions, Tourism Development.

Undertake product planning and marketing evaluation of the "Navigational Traditions": project. The project would consist of both the restoration of Te Toka a Taiau and thematic linking of it with other sites in Tairāwhiti; and, inter-regional marketing of the Navigational Traditions product by Tairāwhiti and Eastland/Hawkes Bay tourism bodies. Initiate by adopting Mr Lardelli's concept, market test it, further develop it, make land available at the port, and present a coherent and compelling proposal for funding with a united voice to New Zealand Lottery Grants Board (which could consider grants for the Navigational Traditions under several headings including Lottery Significant Projects Fund or Lottery Environment and Heritage). Ideally the proposal should recommend carrying out a pre-feasibility study to examine optimum product planning and marketing strategies for the Navigational Traditions product as the next step in this project. It is possible NZTE could assist by funding the pre-feasibility study, although it would be unlikely to fund the development of the project beyond that stage. Or give up. Business case and decision by 31 December 2009.

Initiative 2. Continue Maori Land Development.

Subject to a positive outcome of NZTE's planned February 2009 review of the 2004 Maori multiple-ownership land development MRI, this programme should be continued for, say, another three years (to 31 December 2011) and reviewed for effectiveness at that date.

Initiative 3. Enhance Maori Land Development through improved Governance and Management of Maori Land.

Encourage landowners and farmers to match on-farm productivity improvement by improved governance and management structures by providing specialised advice through targeted seminars and courses. This programme will principally involve iwi partners and TDP Trust and could be completed by 31 December 2009.

Third Priority: Choose New TDP Projects

Initiative 1. Improve transport sector efficiency.

Support the proposed feasibility study of coastal shipping in conjunction with Eastland Port, Port of Napier and Hawkes Bay Regional Council. TDP Trust's role in the study would be to focus on economic considerations (leaving financial evaluation to the respective ports) and evaluate relative costs and benefits of alternative transport (road and rail) and likely impacts on processing and location of processing plants for industry. This study could be completed by 30 June 2009.

Initiative 2. Forestry and Wood Processing Development Planning.

Review the regional development implications of current and emerging forest production and processing options for the available future forestry resource throughout Tairāwhiti region (including solid wood, processed wood products and energy conversion); identify their infrastructure investment requirements; and, evaluate the regional economic

costs and benefits of alternative locations for future wood processing. Review and evaluation scoped by 30 June 2009 and undertaken by 30 June 2010.

Initiative 3. Primary Industry Development.

Feasibility Study of charcoal manufacturing using the results of the present Rayonier trial. Feasibility study would need to evaluate market demand and pricing as well as technical and other capabilities for producing high volumes of charcoal in the region. This would involve TDP Trust and businesses and could be completed by 31 December 2009.

Initiative 4. Widen Land Development to all farmers

with a parallel programme of increasing productivity and output of “mid-level productivity” land through diversification of use and improved farming techniques. Here TDP should keep a “watching brief” on Meat and Wool NZ’s Farm Monitor Programme to judge when and how it may assist farmers in this programme.

Initiative 5. Support and build on the events marketing and development programmes of Tourism Eastland and Wairoa District Council

designed to draw visitors to the region. This would also involve GDC, iwi partners, and businesses.

Initiative 6. Promote Gisborne coastal harbour edge development.

Support new development to create an area of tourist attractions, enabling events to be presented in suitable sites. An ongoing programme involving GDC and businesses.

Fourth Priority: Widen TDP Operations

Initiative 1. Regional branding and marketing.

Developing a regional brand to market Tairāwhiti internationally and nationally as a place to invest in, migrate to and visit. Also use it to help 1market products of the Tairāwhiti Region. Key players are TDP Trust research and develop brand, GDC and

WDC for marketing the brand. Complete by: 30 June 2010.

Initiative 2. Promote inward investment in the region.

Encouraging investors from outside the region (overseas and elsewhere in New Zealand) to invest in regional development projects. This is an ongoing long term project, led by TDP Trust and assisted by business Eastland Community Trust and NZTE.

Initiative 3. Strengthen regional access to investment funds

by establishing a forum of investors from the region, and elsewhere, to help fund future projects. This forum should bring together those who want to invest with those who have projects to invest in, and hopefully reduce the export of capital from the region. This forum should be established by TDP Trust by 31 December 2009.

Initiative 4. Champion regional projects.

Involves supporting (“championing”) key regional development projects with local and central government and their agencies. This is an ongoing project and will involve all parties.

[END]

McDermott Miller *Strategies*, 22 January 2009