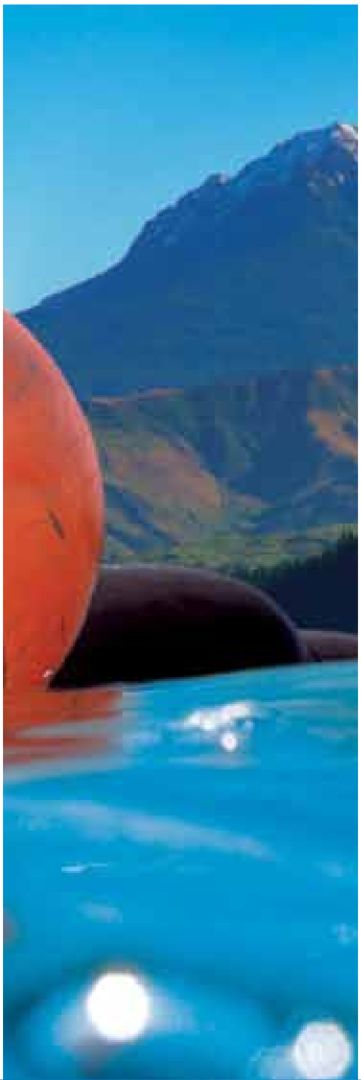





BAY OF CONNECTIONS GROWTH STRATEGY

BAY OF PLENTY - A WORLD CLASS REGION

One **Region.** *One* **Goal.** *One* **Future.**

BAY OF CONNECTIONS REGIONAL ECONOMIC GROWTH STRATEGY

A Strategy to generate and encourage growth and employment in sustainable world class sectors in the Bay of Plenty.




ACROSS THE BAY OF PLENTY OUR MANY RIVERS INTERLINK AND CONNECT, AND THEY EACH SHARE A COMMON GOAL – TO REACH THE SEA.

LIKE OUR RIVERS, OUR PEOPLE ARE ALSO CONNECTED TOWARDS A COMMON GOAL – GROWTH AND DEVELOPMENT OF OUR REGION AND WELLBEING OF OUR PEOPLE.

ONE REGION.
ONE GOAL.
ONE FUTURE.

ACTION PLAN

THE BAY OF CONNECTIONS ACTIONS ARE HIGH LEVEL AND STRATEGIC.

THE SPECIFIC DETAIL IS APPLIED TO EACH SECTOR STRATEGY. BAY OF CONNECTIONS IS ABOUT SETTING THE DIRECTION AND BEING A CATALYST FOR LOCAL, CENTRAL, INDUSTRY, IWI, RESEARCH AND EDUCATION PARTNERSHIPS.

1

MAINTAIN STRONG GOVERNANCE

The Bay of Connections Governance Group has been in place since late 2007. It has been instrumental in providing credibility, industry input and relevance to the Regional Strategy. The Bay of Connections Management Group ensures the strategies and action plans come alive. Both groups have Bay of Plenty Regional Council membership, and are supported by the Regional Council.

ACTION: ONGOING

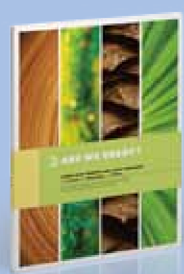
2

IDENTIFY OPPORTUNITIES AND SUPPORT SECTOR STRATEGIES

Since its launch in 2008, Bay of Connections has supported a Food and Beverage report for the region, and a feasibility study for the Harbour Central Marine Precinct. Four sector strategies for the region have also been launched:

ACTION: WORK WITH SECTORS AS OPPORTUNITIES AND NEEDS ARE IDENTIFIED

Aquaculture



Forestry and Wood Processing

Freight Logistics

Energy

DURING THE LIFE OF THIS STRATEGY, THE KEY ACTIONS IMPORTANT TO THE SUCCESS OF BAY OF CONNECTIONS ARE:

3

MONITOR AND REVIEW STRATEGY PROGRESS

Monitoring and evaluation is crucial. It allows us to see if progress is being achieved in line with expectations. Evaluation is a comprehensive appraisal that looks at the long-term impacts of the strategy and exposes what worked, what didn't, and what should be done differently in the future.

ACTION: ANNUAL REPORT TO MONITOR PROGRESS OF BAY OF CONNECTIONS, WHICH INCLUDES ALL THE SECTOR STRATEGIES AND PROJECTS

ACTION: REVIEW AND REVISE SECTOR STRATEGIES - EVERY 2 YEARS

ACTION: REVIEW THE OVERALL STRATEGY FRAMEWORK - 2015

"If you don't care about how well you are doing or about what impact you are having, why bother to do it at all? Monitoring and evaluation enable you to assess the quality and impact of your work, against your action plans and your strategic plan."

Janet Shapiro
World Alliance for Citizen Participation

4

COMMUNICATIONS AND LEADERSHIP

Ongoing collaborative leadership and advocacy at governance and operational level is essential for the relevance and effectiveness of Bay of Connections.

ACTION: STRONG COMMUNICATIONS PLAN - REVISED ANNUALLY

ACTION: COMMUNICATE STRATEGY DEVELOPMENT AND REPORT ON PROGRESS AND RESULTS TO STAKEHOLDERS - ANNUALLY

FUTURE

WHAT IS THE FUTURE OF BAY OF CONNECTIONS?

IT IS ABOUT CONSTANTLY IMPROVING.

IT IS ABOUT COLLABORATION AND PARTNERSHIPS.

IT IS ABOUT CONNECTIONS…

Connecting our people to opportunities, connecting the region together, connecting our region with other regions, building national connections, and connecting our export sectors offshore.

Collaboration and partnerships are an increasingly important part of sustainable and resilient businesses and communities. Bay of Connections is about creating the right environment for sustainable development, building key relationships and influencing positive outcomes.

Our world class strategies identify opportunities in our region to integrate technology, infrastructure and communications that will assist businesses in finding collaborative solutions.

The result will be a better ability to meet environmental, growth, development, and organisational challenges in our economy.

We strive to be first movers, identifying new and exciting opportunities.

"We are not creatures of circumstance; we are creators of circumstance."

– BENJAMIN DISRAELI

"Alone we can do so little; together we can do so much."

– HELEN KELLER

KEY FACTS

PROMOTING A PROSPEROUS FUTURE FOR THE BAY OF PLENTY

The Bay of Connections area accounts for just over 7 percent of New Zealand's population.

300,000 PEOPLE

The Bay of Connections area generates 6.5 percent of all full-time equivalent jobs in New Zealand.

118,000 FTES

CON·NEC·TION [KUH-**NEK**-SHUHN]

noun

1. THE ACT OR STATE OF CONNECTING.
2. THE STATE OF BEING CONNECTED: THE CONNECTION BETWEEN CAUSE AND EFFECT.
3. ANYTHING THAT CONNECTS; CONNECTING PART; LINK; BOND.
4. ASSOCIATION; RELATIONSHIP
5. A CIRCLE OF FRIENDS OR ASSOCIATES OR A MEMBER OF SUCH A CIRCLE.

The Bay of Connections area contributes just over 6 percent to New Zealand's economy as measured by gross domestic product.

$11.5 BILLION GDP

The Bay of Connections area accounts for 7 percent of all businesses in New Zealand.

38,700 BUSINESSES

TE PUIA

SUCCESS STORY

Initially established to protect and perpetuate Māori arts and crafts, the New Zealand Māori Arts and Crafts Institute (NZMACI) has two foci: Te Puia, New Zealand's largest cultural tourism entity; and the self-titled New Zealand Māori Arts and Crafts Institute, an Institute responsible for delivering on the fuller obligations of the New Zealand Māori Arts and Crafts Institute Act (1963).

As part of its responsibilities, NZMACI funds and operates the national wood carving, pounamu carving and weaving schools from Rotorua and will be launching a new canoe building and non-instrument navigation school in early 2012 in Doubtless Bay, Northland.

– Karl Johnstone, Director, NZMACI

1.0 OUR PURPOSE

VISION

Bay of Plenty - A prosperous region supported by sustainable sectors

MISSION

To deliver sector based strategies and action plans that generate and encourage additional sustainable employment for the Bay of Plenty

VALUES

We will collaborate in our community with integrity, respect, and transparency, and in a friendly manner

1.2 HIGH LEVEL OUTCOMES

THE BAY OF CONNECTIONS IS A REGIONAL ECONOMIC DEVELOPMENT FRAMEWORK. IT SUPPORTS SECTOR STRATEGIES THAT ENCOURAGE ECONOMIC GROWTH IN THE BAY OF PLENTY REGION.

The sectors of focus will:

- be based on a regional capability or comparative advantage
- be aligned with nationally competitive sectors
- have strong sector buy-in, and leadership capability and commitment
- have potential for transformational growth and employment opportunity.

The focus of the strategy framework is on clarity and simplicity, with clear outcomes and a primary measure of success, which is employment.

1.1.1 OUTCOMES

- An increase in employment beyond a business as usual scenario
- Growth in sustainable sectors where the Bay of Plenty has a comparative advantage or regional capability
- A strong and vibrant community facilitating wellbeing and encouraging innovation and leadership
- Enhancement of the environment, underpinning the region as **the Green Window of New Zealand**.

1.1.2 OUTPUTS

- Design, implementation and monitoring of sector strategies
- Identification of sector/industry opportunities and issues
- Monitoring, measuring and reviewing of strategy performance
- Reporting and information on regional performance
- Active partnership with the variety of focus sectors – especially through the advisory groups
- Champion economic growth in the Bay of Plenty region.

1.1.3 GUIDING PRINCIPLES

- Commitment to a sustainable economic development approach
- Commitment to a collaborative and partnership approach to strategy implementation
- Recognition that successful economic development outcomes require the support and contribution of a range of central and local government agencies, community organisations and the business sector
- Commitment to encourage innovative development initiatives throughout the region
- Recognition that the attractive environment within the region provides a strong foundation for the Bay of Plenty brand.

EMPLOYMENT GROWTH

Taking a business as usual scenario, employment in the Bay of Connections area is projected to grow at 1.5 percent per annum, which is 1.5 times the expected national rate of 0.97 percent per annum. This level of employment growth would mean an increase of almost 2,000 FTEs annually, with the Bay of Connections area having almost 150,000 FTEs by 2026.

FACT

NEWNHAM PARK

SUCCESS STORY

Newnham Park Horticulture Innovation Centre is a group of companies specialising in horticulture and food processing. Established by a local group of entrepreneurs, Newnham Park is a $100 million enterprise comprising synergistic, innovative and export-focused horticulture and food processing businesses. The companies in the group are experiencing strong growth:

- The Plus Group has wide interests in the kiwifruit industry through orchard management (GroPlus), pollination (PollenPlus) and soil and plant testing (BioSoil & Crop). It also has RoboticsPlus which is trialling a robotic kiwifruit picker in the orchards.
- Southern Produce markets kiwifruit, avocados and related products, and supplies them to Australia, Asia and the United States. Team Avocado is the cornerstone of the avocado business, with a focus on retail supply partnerships throughout Australasia. Southern Produce sells kiwifruit on the east coast of the United States under a collaborative marketing arrangement.
- Kiwifruit Processing Company Ltd (Kiwifruitz) takes process grade kiwifruit and turns them into tasty purees for fruit juices, salad dressings, ice cream, jams and yoghurt. Kiwifruitz has a global supply focus to the food, beverage and pharmaceutical markets. The company is both a Bay of Plenty Export and Westpac Business award winner. Subsidiary Kiwicoolz provides cool storage for fruit and vegetables and dairy products at the Newnham Rd site.
- Reunion Foods, which markets its products under Heilala Vanilla, exports to Australia, Singapore, Malaysia and the United States and has won many awards and accolades since establishment, including the overall runner up award at the Cuisine 2011 Artisan Awards.

- Steve Saunders, Director.

2.0 OUR REGION

GEOGRAPHY/CLIMATE

THE BAY OF PLENTY REGION COVERS 34,000 SQUARE KILOMETRES OF LAND AND SEA, INCLUDING 18 ISLANDS, FROM LOTTIN POINT NEAR CAPE RUNAWAY IN THE EAST TO THE SOUTHERN END OF HOMUNGA BAY NORTH OF WAIHI BEACH IN THE WEST.

Figure 2.1 Bay of Plenty Region

The Region has a land area of around 17,000 square kilometres. There is a 688 kilometre coastal perimeter, 259 kilometres of open coast and 369 kilometres of estuary, and Lake Taupō covers 616 square kilometres.

The Region has a climate with warm humid summers and mild winters. Typical summer daytime temperatures range from 22 to 26 degrees centigrade, while in the winter, daytime temperatures drop to between 9 and 16 degrees. The Region has one of the sunniest climates in the country, averaging about 2,000 sunshine hours annually.

Around two thirds of the land is forested, with one fifth of all land in production forest. A further 20 percent of the land is in pasture. Soils are largely volcanic in origin. There are large areas capable of supporting crops with highly developed production systems such as kiwifruit, citrus and avocados.

There are extensive geothermal resources, which provide a significant source of energy as well as a base for a cluster of industries that re-use downstream geothermal heat.

2.2 INFRASTRUCTURE

The Bay of Connections region has good infrastructure, with high levels of access by road and rail, a major port and several airports (Rotorua has international capability). Major improvements to the state highway network are either underway or planned.

There has been significant progress in upgrading the telecommunications network, particularly around cell-phone coverage and ultra-fast broadband.

2.2.1 TRANSPORT

The transport system is critical to enhancing the performance of the regional (and national) economy as the Bay of Connections region is both a producer of primary and value-added products and services, and a gateway for international exports and imports through the Port of Tauranga and Rotorua airport.

The following are the key features of the Bay of Connections transport system:

- Port of Tauranga
- State Highway and local road network providing inter and intra-regional connections and an off-highway network of forestry routes[1]
- Airports at Rotorua (international), Tauranga, Whakatane and Taupō (domestic)
- East Coast Main Trunk rail line linking Auckland, Hamilton and Tauranga, and east to forestry hubs in Kawerau and Murupara.

The strategic direction for the Bay of Plenty's land transport system for the next 30 years is set out in the Bay of Plenty Regional Land Transport Strategy 2011-2041.

2.2.2 TELECOMMUNICATIONS

Tauranga is ahead of the national averages for telephone, mobile phone, and fax machine access. Of note is the substantial percentage of households still without any telecommunications access in the Eastern sub-region, in particular the Ōpōtiki and Kawerau districts (9.5 and 7.1 percent respectively).

Some parts of Whakatane and Ōpōtiki districts have limited mobile phone cover.

2.2.3 BROADBAND

Fewer than 70 percent of households in the Bay of Plenty had internet access in 2009[2]. The proportion of these households with broadband access has doubled since 2006 to 54 percent. While this still sits below the national average of 63 percent of households with broadband access in 2009, both internet access and access via broadband have risen faster in the Bay than the national average between 2006 and 2009.

Main centres in the Bay of Plenty are included in the Ultrafast Broadband (UFB) initiative[3], through either Ultrafast Fibre Limited (Tauranga) or Chorus (Rotorua and Whakatāne).

The rural areas of the Bay of Plenty are a part of the Rural Broadband Initiative (RBI). The Government has reached agreements with Telecom and Vodafone for a $285 million infrastructure roll out expected to commence in late 2011, which will bring increased and faster broadband to rural areas over the next six years.

There are substantial benefits to be gained through further access to high speed broadband. Some organisations and residents already have access to fast broadband. For example, GOnet provides wireless services in Whakatane and FXNetworks put in fibre specifically for BOPLASS (Bay of Plenty Local Authority Shared Services) to provide local government agencies with a shared fast broadband platform.

The provision of appropriate levels of broadband access to allow business and community development in the main centres and around the Bay of Plenty is a cornerstone to attracting leading businesses and people.

A recent study on the benefits of broadband, (BERL, 2011) identified substantial opportunities and demand for faster broadband to lift productivity in several key sectors in the Bay of Plenty.

[1] *The Bay of Plenty region has 4,593 km of roads. Taupō has a further 763 km of roads. State Highways account for 747 km, with local roads making up the remaining 3,846 km.*

[2] *Statistics New Zealand (2009). Household Use of ICT. Wellington.*

[3] *Crown Fibre Holdings was established to manage the Crown's investment in ultra-fast broadband (UFB) infrastructure over a ten year period. The government's objective for the UFB initiative is to accelerate the roll-out of ultra-fast broadband. Fibre optic infrastructure will be deployed to 75 percent of New Zealanders by the end of 2019 across 33 urban centres ("Candidate Areas").*

2.3

ECONOMY - SIZE

IN 2010, THE BAY OF CONNECTIONS REGION HAD AN ESTIMATED POPULATION OF 303,400, WHICH ACCOUNTED FOR 7.2 PERCENT OF NEW ZEALAND'S POPULATION.

In 2010, the Bay of Connections region generated $11.5 billion in GDP, or 6.1 percent of New Zealand's total GDP. With 118,000 FTEs, it accounts for 6.5 percent of New Zealand's employment. There are around 38,700 businesses in the Bay of Connections region, accounting for seven percent of all businesses in New Zealand.

The Bay of Connections region includes seven districts, grouped into three sub-regions. These groupings are of shown in Figure 2.1.

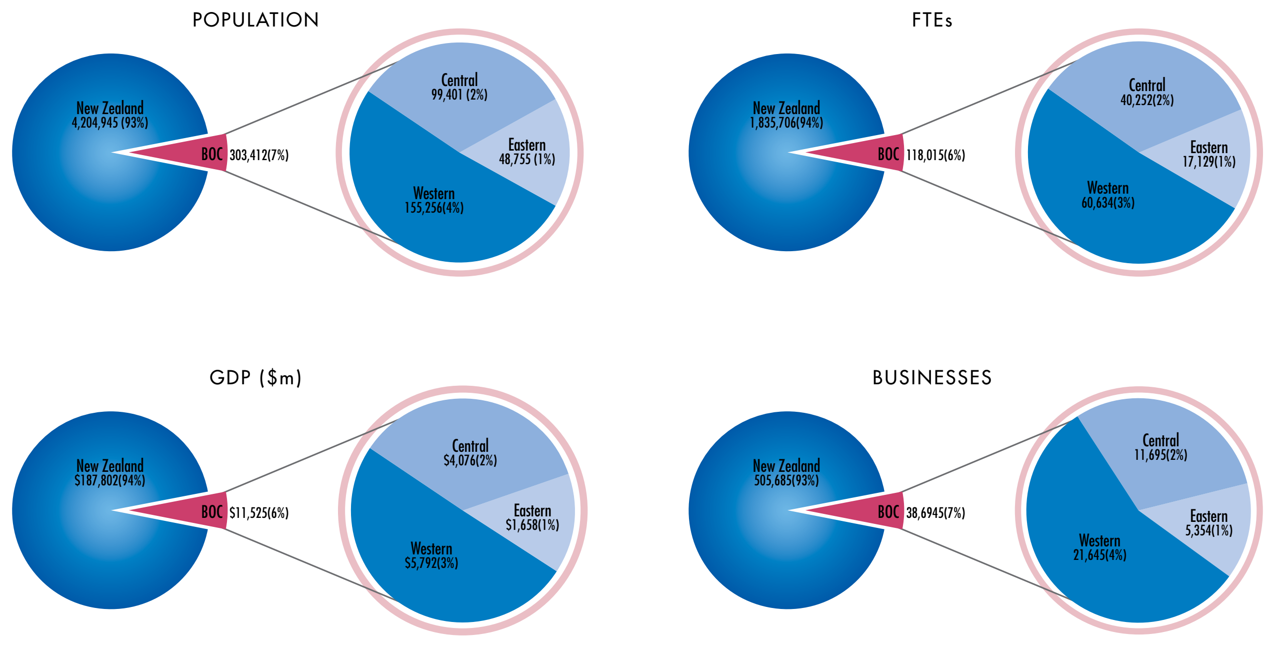
Figure 2.1 Regional Structure

REGION	SUB-REGION	DISTRICT
Bay of Connections Region	Western	Tauranga
		Western Bay of Plenty
	Central	Rotorua
		Taupō
	Eastern	Whakatane
		Kawerau
		Ōpōtiki

While localised issues are relevant and considered within the individual strategy actions, the Bay of Connection's focus is on the region. For the Bay of Connections region to compete successfully and grow, it needs to draw on the collective strengths of all the people and resources within the area.

Of the three sub-regions (see Figure 2.1), the Western sub-region accounts for 51 percent of the Bay of Connection's population; 50 percent of GDP; and 51 percent of its employment. Central accounts for 33 percent of the Bay of Connection's population; 35 percent of its GDP; and 34 percent of its employment. The Eastern sub-region accounts for 16 percent of the Bay of Connection's population; 14 percent of its GDP; and 15 percent of its employment.

Figure 2.2 The Bay of Plenty Economy, 2010



Source: BERL Regional Database 2010

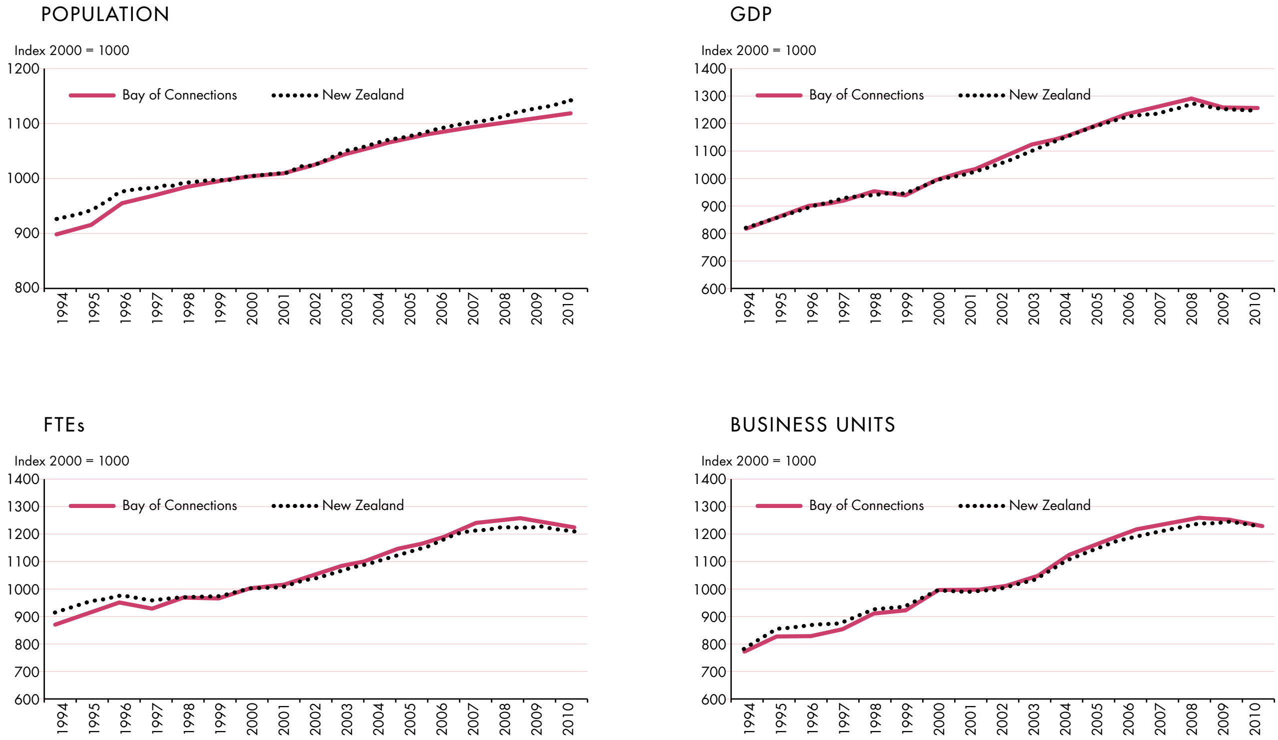
ECONOMY - PERFORMANCE

IN GENERAL GDP IN THE BAY OF CONNECTIONS AREA HAS PERFORMED SLIGHTLY BETTER THAN THE NATIONAL AVERAGE OVER THE LONGER TERM (10 AND 15 YEARS). ALTHOUGH, OVERALL CHANGE HAS BEEN RELATIVELY CONSISTENT WITH THE NATIONAL OUTCOMES IN KEY ECONOMIC INDICATORS.

A key driver of growth has been population, which has grown at a rate slightly faster than the national average over the last 15 years. The performance in the Bay of Connections relative to New Zealand in the areas of population, GDP, employment and business growth between 1994 and 2010 is shown in Figure 2.3.

While the region has performed at a rate above the national average in the past, this does not guarantee that it will continue to do so into the future. The Bay of Connections is an aspirational growth strategy, where we are aiming to achieve growth beyond what would be expected.

Figure 2.3 Population, GDP, Employment and Businesses Growth, 1994 - 2010



Source: BERL Regional Database 2010

POPULATION GROWTH

Averaging 1.3 percent per annum growth over the last 15 years, population in the Bay of Connections area has grown slightly faster than nationally (1.26 percent per annum). Most of this growth has occurred in Tauranga and the Western Bay of Plenty.

FACT

2.5 ECONOMY - STRENGTHS AND OPPORTUNITIES

The Bay of Connections region is blessed with an attractive location, diverse resources, and a natural and built environment that gives it a comparative advantage in a number of sectors. The key strengths and opportunities for the region are shown in Figure 2.4.

This wealth of opportunity within the Bay of Connections region changes the focus from “what can we do?” to “what should we do?” The focus is on maximising the opportunities for growth based on both the comparative strengths and the potential of the Region.

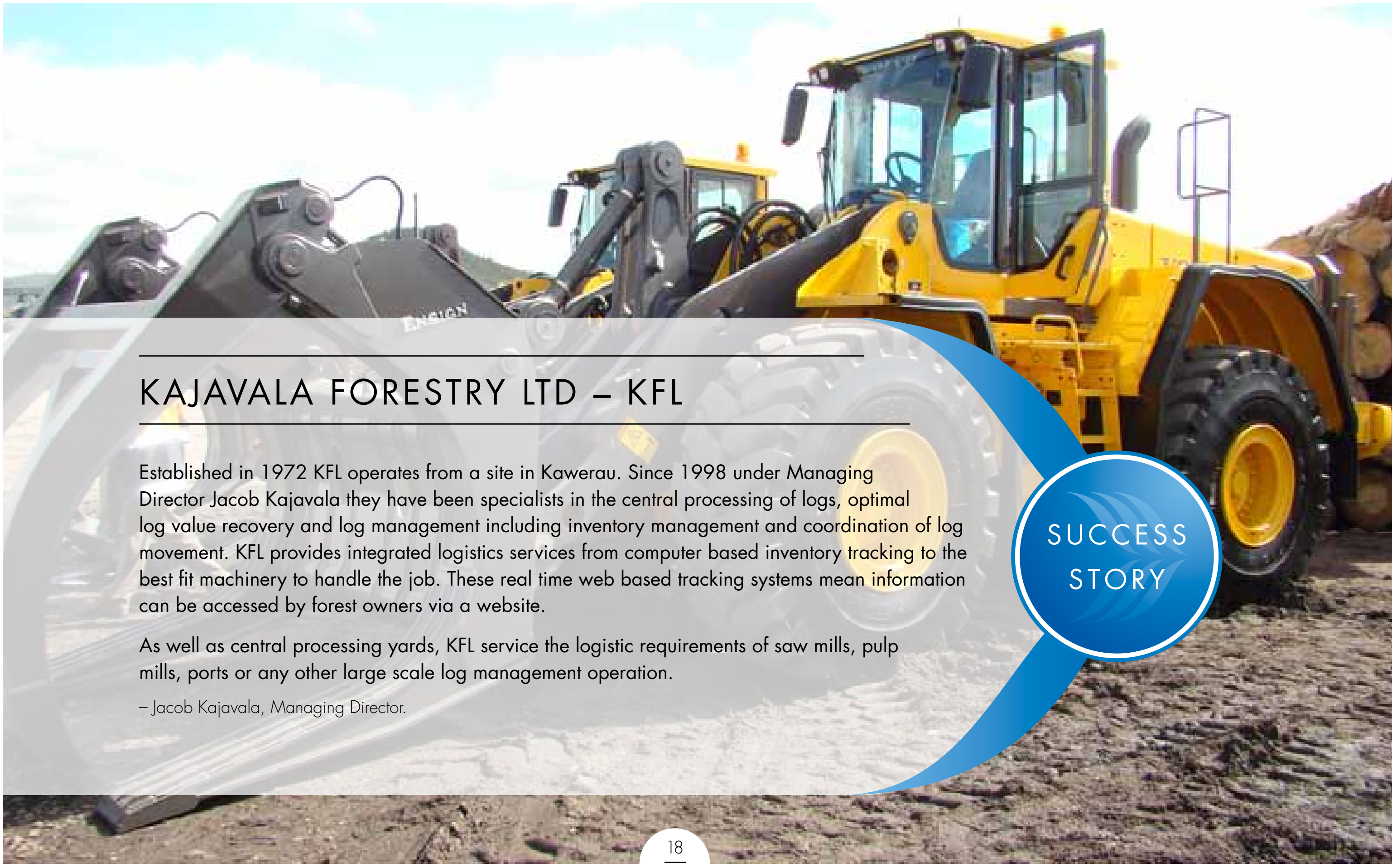
Figure 2.4 Bay of Plenty Strengths and Opportunities

STRENGTHS

- Growing population
- Proximity and accessibility to major domestic markets (Auckland, Waikato) and the Upper North Island
- A major tourism area
- Excellent infrastructure
- Largest export port in New Zealand with direct rail links to Auckland, and deep water to cater for new generation ships and the cruise market
- Rich in natural resources
- A strong base of innovative entrepreneurial action
- Major timber growing and processing area
- Strong brand and recognition in fruit growing especially Kiwifruit
- Deep phase volcanic soil and high-tech infrastructure to support horticulture

OPPORTUNITIES

- Become **the Green Window for New Zealand** via economic growth from renewable and sustainable resources
- Meet sector demand for skilled people through education, training and internal migration
- Aquaculture
- Geothermal development for primary energy and downstream users
- Attracting foreign investment and manufacturing developments
- Growth in high-tech manufacturing exports
- Harnessing marine resources for future economic development
- Location/distribution of population growth
- Develop tourism offering beyond main international attractions and become a hub for inbound tourism
- Implementation of a tertiary education partnership that includes University of Waikato, Bay of Plenty Polytechnic and Te Whare Wānanga o Awanuiārangi that provides seamless delivery and research capability
- Development opportunities around energy generation, particularly geothermal and clean energy
- Further processing of primary production
- Transport infrastructure improvements to assist Upper North Island linkages



KAJAVALA FORESTRY LTD – KFL

SUCCESS STORY

Established in 1972 KFL operates from a site in Kawerau. Since 1998 under Managing Director Jacob Kajavala they have been specialists in the central processing of logs, optimal log value recovery and log management including inventory management and coordination of log movement. KFL provides integrated logistics services from computer based inventory tracking to the best fit machinery to handle the job. These real time web based tracking systems mean information can be accessed by forest owners via a website.

As well as central processing yards, KFL service the logistic requirements of saw mills, pulp mills, ports or any other large scale log management operation.

– *Jacob Kajavala, Managing Director.*

3.0 ECONOMIC ENVIRONMENT

Sector strategies and interventions need to be considered in light of the local, regional, national and international economic environment; and global megatrends that will affect what is demanded and how it is produced in the future.

The New Zealand economy will continue to focus on export-based sectors, with primary production being the mainstay, along with continued development of the successful value added manufacturing sector. The international market will remain uncertain and volatile over the next decade. In terms of global trends, people are ageing, becoming more mobile (nationally and internationally) and demanding more in terms of the quality and quantity of goods and services.

The environment and resources will matter more in terms of increasing demand, as well as what is demanded. Sustainability is a key concept and it is within this context that the strategy has been formulated.

3.1 INTERNATIONAL ECONOMY

OVER THE SHORT AND MEDIUM TERM, THE INTERNATIONAL ENVIRONMENT WILL BE VOLATILE AND CHARACTERISED BY UNCERTAINTY AS THE FINANCIAL SYSTEMS ARE RE-INVENTED AND THE HUGE EMERGING GLOBAL MIDDLE-CLASS ENTERS THE INTERNATIONAL MARKET.

While the Global Financial Crisis is no longer the main dictator of economic activity in developed countries there is still on-going fallout. Key challenges are: dealing with high unemployment and preventing it from becoming entrenched; sustaining growth and avoiding stagnation; progressing fiscal consolidation; and managing global imbalances.

More recently, issues around the United States economy and European debt has seen global share market falls similar to 2008.

The consensus for the future is for solid growth, which will be led by developing countries – including China and India. Downside risks are posed by high food prices, further oil-price spikes and lingering post-crisis difficulties in developed economies.

The latest GDP forecasts from the World Bank suggest global GDP growth will decline slightly over 2011 to 3.2 percent before rising again to 3.6 percent in 2012 and 2013. Growth in developing countries, however, is expected to be around 6.3 percent to 2013. The OECD expects GDP growth in the OECD area to be 2.3 percent in 2011, increasing to 2.8 percent in 2012.

This Bay of Connections strategy assumes that global GDP growth will average 2.9 percent per annum to 2026. This is consistent with the above forecasts, but slightly down on the world historical growth performance.

The reason a conservative estimate of world growth has been applied is the above-mentioned downside risks of the fallout from the global financial crisis, possibility of further spikes in oil prices, and rapidly rising commodity and food prices.

3.2 NATIONAL ECONOMY

THE TWO KEY FACTORS AFFECTING NEW ZEALAND'S GROWTH OPPORTUNITIES ARE GLOBAL GROWTH AND ACCESS TO MARKETS - ESPECIALLY BECAUSE NEW ZEALAND IS PRIMARILY AN EXPORT-FOCUSED FOOD-PRODUCING ECONOMY, RELIANT ON INTERNATIONAL DEMAND AND MARKET ACCESS FOR GROWTH.

Strong demand for food and commodities is necessary for higher growth. Exchange rate volatility impacts on New Zealand's ability to compete, particularly in the price-driven commodity market.

Issues arise around sustainability and environmental issues, with resources such as water, minerals, energy and resource management being potential opportunities or threats to growth.

In terms of New Zealand's economy, the Strategy expects real GDP growth to average 2.6 percent to 2026. This is slightly lower than the average growth over the last 15 years of 2.75 percent but is predicated on having to recover from the recent recession.

3.3 UPPER NORTH ISLAND

The Upper North Island of New Zealand accounts for approximately 53 percent of the nation's population and 52 percent of New Zealand's total GDP[4]. This area has been signalled as important by government and is the focus of a range of government policy initiatives that involve growing the economy and improving, for example, the transport infrastructure.

The continued improvement of effective inter-regional transport connections, the development of geothermal energy, the establishment of downstream geothermal business clusters, the re-vitalisation of the horticultural industry, and the expansion of the vibrant added value manufacturing base will support regional development in the Bay of Plenty area.

3.4 GLOBAL MEGATRENDS

THERE ARE A NUMBER OF TRENDS THAT ARE OCCURRING GLOBALLY THAT WILL IMPACT ON HOW THINGS ARE CURRENTLY DONE AND WHAT WILL BE DEMANDED BY PEOPLE IN THE FUTURE. IN SEVERAL CASES THESE TRENDS SUPPORT KEY SECTORS IN THE BAY OF CONNECTIONS REGION SUCH AS AQUACULTURE, ENERGY, AND FORESTRY.

More importantly, these megatrends provide focus for sector strategies. In particular, the impact of an ageing population, demand for skilled people, a desire by people to live in areas of high amenity and have access to the latest technology are all matters that require consideration within the Bay of Connections strategy. Global megatrends can be summarised into two areas:

1. **People – are ageing, on the move, and demanding more.**
2. **Environment – it matters more.**

PEOPLE ARE AGEING, ON THE MOVE, AND DEMANDING MORE

The world's population is getting older, increasing its demand for food and consumables, and becoming more mobile. Populations of OECD countries are ageing and experiencing lifestyle and diet related health challenges. At the same time there are high fertility rates and inadequate food supplies for millions in the developing countries.

These factors create issues around how we support an ageing population, but also provide opportunities in terms of how we interact and benefit from an older population, which can continue to operate effectively and contribute to a knowledge-based economy.

The workforce is becoming increasingly mobile. People are changing jobs and careers more often, moving house more often, commuting further to work and travelling the world more often[5].

Within this is a desire to live in high amenity value communities where people can enjoy experiences. This is driven by people becoming increasingly resource rich but time poor, and where the type of jobs and technologies are enabling work and life to overlap. Consumers are also becoming more sophisticated, demanding more personalised products and services. Growth of the services sector of western economies is being followed by a second wave of innovation aimed at tailoring and targeting services.

There is a continuing trend towards Mega Cities, Regions, and Corridors; with accelerating technological change and E-Mobility. With all these changes in technology and the more sophisticated, mobile worker/consumer there is a need for cities to be smart and connected globally.

THE ENVIRONMENT MATTERS MORE

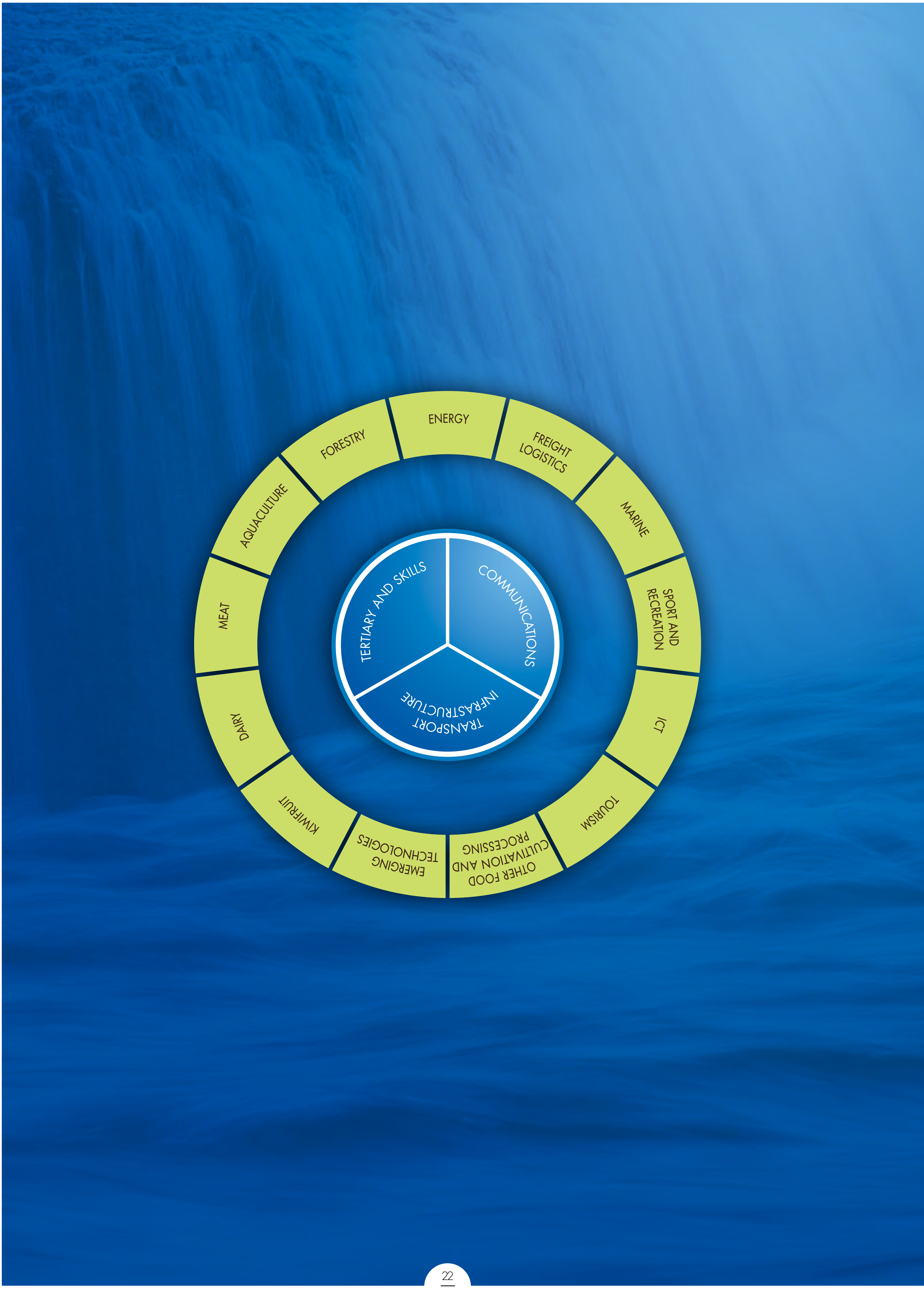
There are increasingly severe consequences of climate change and (arguably) an increasing number (or impact due to increasing built environment) of natural disasters – earthquakes, tsunamis, flooding, volcanic eruptions, etc. There is also an increasing environmental pollution load because of increased population, consumption and waste. This can create opportunities for the smart use of sustainable resources and building materials (such as wood products).

Globally, natural resources are being used unsustainably, led by increasing demand through rapid economic and population growth. The coming decades will see an increasing focus on efficient resource use. This creates demand for green energy (such as geothermal) and more efficient and innovative food production such as farmed seafood and traceability.

Water is becoming increasingly scarce and will continue to be an important commodity. Sustainable water use, storage, allocation and application will be important issues for New Zealand.

[4] *The upper North Island includes the regions of Northland, Auckland, Waikato, the Bay of Plenty and Gisborne. BERL Regional Database 2010*

[5] *Commonwealth Scientific and Industrial Research Organisation (CSIRO)*


ENERGY
FREIGHT LOGISTICS
MARINE
SPORT AND RECREATION
ICT
TOURISM
OTHER FOOD CULTIVATION AND PROCESSING
EMERGING TECHNOLOGIES
KIWIFRUIT
DAIRY
MEAT
AQUACULTURE
FORESTRY
TERTIARY AND SKILLS
COMMUNICATIONS
TRANSPORT INFRASTRUCTURE

3.5 SECTOR PRIORITIES

A REVIEW OF SECTORS ACROSS THE KEY SUCCESS CRITERIA HELPS US TO PRIORITISE SECTOR STRATEGIES. ASSESSING THE SECTORS AGAINST THE CRITERIA, WHERE 1 IS LOW AND 3 IS HIGH, PROVIDES THE FOLLOWING RESULTS:

CURRENT	AQUACULTURE	FORESTRY	ENERGY	MARINE	FREIGHT LOGISTICS	SPORT & RECREATION	ICT	TERTIARY EDUCATION	TOURISM
Building on existing and collective regional capability and or comparative advantage	3	3	3	2	3	2	2	1	2
Aligned with national sectors that are globally competitive	3	3	3	3	3	3	3	2	2
Strong sector buy-in and leadership	3	3	3	3	2	3	3	3	2
Strategy interventions/ actions can support transformative growth	3	2	2	2	3	2	3	3	2
SUB-TOTAL	12	11	11	10	11	10	11	9	8
OTHER CONSIDERATIONS									
Enabling (supports growth in other sectors)			Y		Y		Y	Y	Y
Dependencies (reliant on minimal external factors e.g, legislation, central government funding)		Y	Y	Y	Y	Y	Y	Y	Y

THE FORESTRY SECTOR

Forestry is a key sector in the Bay of Connections area. If you met someone who worked in the Bay of Connections area they are three times more likely to work in the forestry sector than a worker nationally. If you met someone who worked in Kawerau District, they are 23 times more likely to work in the Forestry sector than a worker nationally.

FACT

AGRODOME

SUCCESS STORY

After forty years and millions of visitors through the farm gate to experience the World Famous Sheep Show and Organic Farm Tour, you would think the Agrodome has done it all. But we are just warming up, and although the iconic product will not be tampered with too much, we are now developing new products that are constantly improving our current offering.

The Agrodome's organic orchard is investigating joint venture export opportunities for organic Kiwifruit as well as adding complementary off-season produce to showcase. The future will include onsite premium food and beverage production and manufacturing for export, primarily to Asia. There will also be a food and beverage showcase and educational group tour offering.

We are serious about sustainable growth in the Bay of Plenty and look forward to contributing on a number of fronts that complement the Bay of Connections Strategy.

Grant Kilby, General Manager

4.0 A BIT OF BACKGROUND

The Bay of Connections Strategy is driven by the Bay of Connections Governance Group in partnership with the Bay of Plenty Regional Council, New Zealand Trade & Enterprise, and the region's economic development agencies.

4.1 BACKGROUND

A LARGE AMOUNT OF CONSIDERATION AND CONSULTATION WENT INTO THE DEVELOPMENT OF THE INITIAL 2008 STRATEGY.

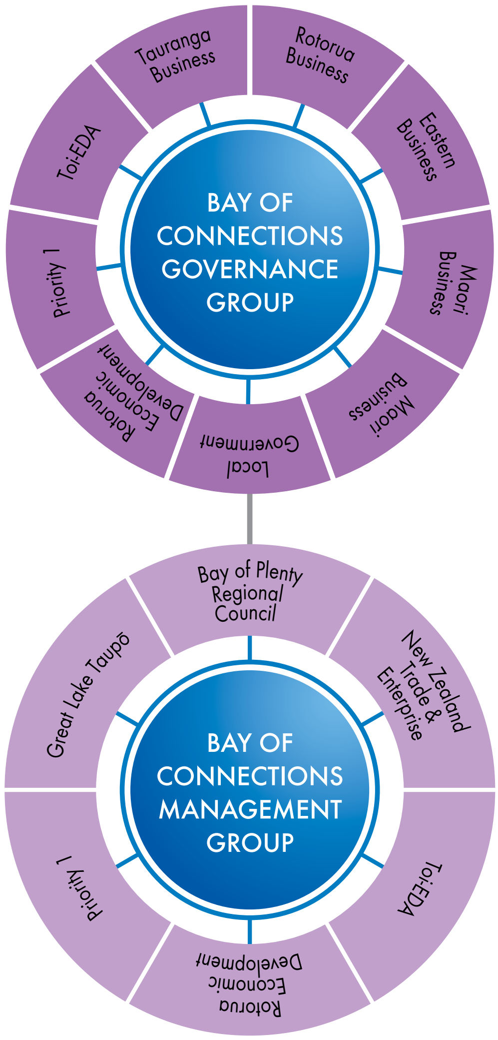
The Strategy had a clear purpose – a vision, mission, and values to guide activity. It identified six high level outcomes, ten economic opportunities, and nine guiding principles for strategy implementation. It revolved around four themes based on globally competitive firms, world class infrastructure and skills, environmental sustainability and innovation and productivity.

It was always planned to have the Strategy updated after three years. Following a review of the existing Strategy in early 2011, BERL was commissioned to update the Bay of Connections.

This new version incorporates the learning and progress over the last three years, existing and new sector strategies, input from a regional forum held in Tauranga in September 2011, and verbal and written feedback received in October 2011.

4.2 ORGANISATIONAL STRUCTURE

THE BAY OF CONNECTIONS GOVERNANCE GROUP CONSISTS OF NINE REPRESENTATIVES: THREE REGIONAL BUSINESS REPRESENTATIVES; ONE REPRESENTATIVE FROM EACH OF THE THREE ECONOMIC DEVELOPMENT AGENCIES; A LOCAL GOVERNMENT REPRESENTATIVE; AND TWO MĀORI BUSINESS REPRESENTATIVES.



The Bay of Connections Management Group consists of representatives from the Bay of Plenty Regional Council, New Zealand Trade & Enterprise, and the economic development agencies. This team implements the decisions and actions resolved by the Governance Group as well as providing advice to the Governance Group. The Bay of Plenty Regional Council facilitates and supports the Governance and Management Groups.

4.3 MĀORI ECONOMIC DEVELOPMENT

MĀORI ARE MAJOR STAKEHOLDERS AND CONTRIBUTORS TO ECONOMIC GROWTH IN THE BAY OF CONNECTIONS REGION.

The value and potential contributions of Māori have been identified in a number of studies but also in engagement with the Bay of Connections Strategy to date.

The contribution and role for Māori is across all sectors and areas of engagement. Ongoing engagement will be assisted by two new positions - Māori Business Representatives - on the Governance Group. This will ensure involvement in all aspects of the Strategy.

4.4 FUNDING

THE FUNDING OF THE ACTIONS IN THIS STRATEGY WILL BE CRITICAL. FUNDING NEEDS TO COME FROM A VARIETY OF PUBLIC AND PRIVATE SOURCES.

The region has experience in attracting investors, working with industry clusters and assisting relevant parties to obtain funding form government programmes. To successfully attract funding we will need to demonstrate the need, value and capability.

Up to this point, funding for Bay of Connections' work has come from New Zealand Trade & Enterprise, Energy Efficiency and Conservation Authority, and from within the region.

As we progress and work on a variety of sectors, funding sources will differ. The Bay of Plenty Regional Council is committed to continuing its role in regional economic development, and working alongside the economic development agencies, local and central government, iwi and industry to ensure Bay of Connections success.

4.5 ALIGNMENT ACROSS THE REGION

THERE ARE A NUMBER OF STRATEGIES AND AGENCIES ENCOURAGING ECONOMIC DEVELOPMENT IN THE BAY OF CONNECTIONS REGION.

There are five economic development agencies covering the seven districts. Priority One in Tauranga/Western Bay of Plenty, Rotorua Economic Development, Toi EDA in Whakatane, Kawerau and Ōpōtiki, KEA in Kawerau, and Enterprise Great Lake Taupō in Taupō.

The Rotorua District and Tauranga / Western Bay of Plenty SmartGrowth economic growth strategies are also currently operating within the Bay of Plenty Region. These are focused at the district or sub-regional level. The Bay of Connections strategy is aligned and consistent with these other strategies.

Care has been taken in this update to ensure that the Bay of Connections strategy does not undermine or replicate what is already being done but rather supports and complements these other strategies. There are both governance and management arrangements in place to assist with this.

4.5.1 ECONOMIC DEVELOPMENT AGENCIES

PRIORITY ONE

Priority One is the Western Bay of Plenty's economic development organisation. It was established in 2001 by the Tauranga and Western Bay of Plenty business community in partnership with the sub-region's local authorities. Priority One is unique because it was initiated by the business community and run along business principles of action and results.

Priority One's job is to grow the economy of the Western Bay of Plenty. It works with local authorities to ensure local government and business needs and aspirations are aligned. It actively encourages Bay of Plenty businesses to grow through removing roadblocks, ensuring the skills and experience required by industry are available locally, and actively targeting offshore businesses into the Western Bay of Plenty market.

Priority One has built up strong networks and valuable experience dealing with business migration and investment.

TOI-EDA

Toi-EDA is the Eastern Bay of Plenty Economic Development Agency set up by the three territorial authorities (Kawerau, Ōpōtiki and Whakatane) and the Bay of Plenty Regional Council, working together with local iwi.

Toi-EDA has a strong focus on enhancing the Eastern Bay of Plenty's economic growth and wealth for its people. Toi-EDA plays an important role in the Bay of Plenty regional partnership representing the Eastern Bay of Plenty. The focus is on projects relating to energy, forestry, aquaculture, transport and logistics, and marine industry.

KEA

KEA is the Kawerau Enterprise Agency. It has a focus on enhancing the Kawerau community's wealth through: maximising the use of resources; growing existing, and attracting new businesses; youth development; governance; and viability.

DESTINATION ROTORUA

Rotorua Economic Development is a Council business unit that works to encourage and stimulate economic growth in the Rotorua district:

- providing relevant economic and business information
- facilitating interaction between businesses and Government
- marketing the benefits of living, working, investing and doing business in Rotorua
- managing strategic level economic development projects.

ENTERPRISE GREAT LAKE TAUPŌ

Enterprise Great Lake Taupō is the economic development agency for the Taupō district. Its role is to develop new businesses and support existing businesses to provide employment and opportunities for its district's people.

4.5.2 SUB-REGIONAL GROWTH STRATEGIES

There are three sub-regional growth strategies and a fourth regional strategy being developed.

SMARTECONOMY

SmartEconomy is the Western Bay of Plenty sub-region's economic development strategy. The sub-region includes Tauranga City and Western Bay of Plenty District.

The Strategy aims to make the sub-region the business location of choice, resulting in a highly productive, competitive and export-based economy. It recognises the growing importance of work/life balance and an evolving business environment which respects the natural values of its location.

ROTORUA SUSTAINABLE ECONOMIC GROWTH STRATEGY

Rotorua has recently refreshed its economic growth strategy and approach to regional development. The Strategy aims to lift the economic performance of the Rotorua District through a range of principles, drivers and focus areas. These are compatible with those applied and identified through the Bay of Connections Strategy.

The Strategy is underpinned by a focus on the four main drivers of the Rotorua economy – forest and wood processing, tourism, geothermal, and agriculture.

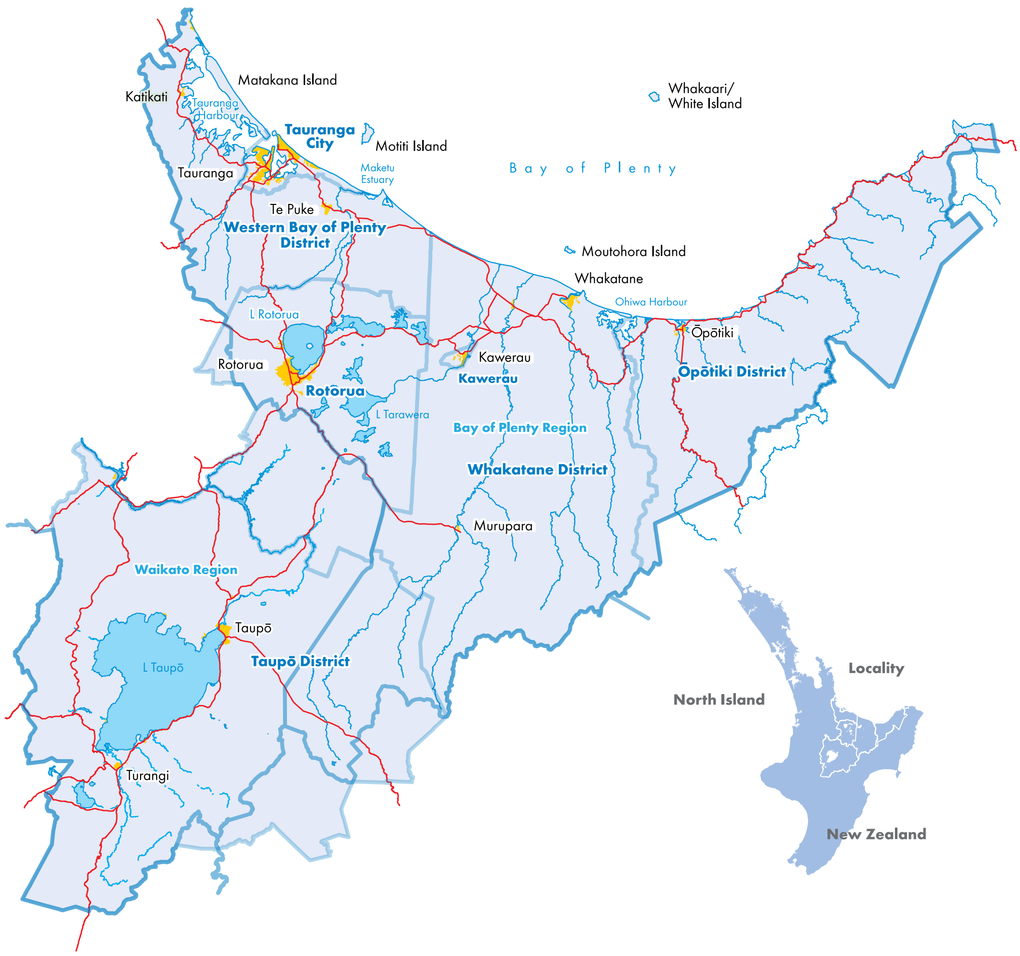
GREAT LAKE TAUPŌ

Taupō District has an economic development strategy that aims to grow the economy and create more employment. The key sectors are energy, forestry, tourism, agriculture and people - and the intersections between these. Great Lake Taupō is focused on building strong partnerships with the private and public sector through collaborating with international, national, regional and local interests. Taupō District has close working relationships with the Bay of Plenty Region and shares economic resources.

TOI-EDA ECONOMIC DEVELOPMENT STRATEGY

The Toi-EDA area of Whakatane, Ōpōtiki and Kawerau has an economic development strategy that is currently being reviewed. The reviewed strategy will be aligned to the Bay of Connections Strategy.

Figure 4.1 EDAs and Bay of Plenty Regional Council in the Bay of Connections Region



5.0 STRATEGY FRAMEWORK

The Bay of Connections Strategy provides a framework that is simple, aspirational and measurable strategy framework.

Simple

The Strategy framework is **simple** in that it has a sector focus and employment is the primary measure of success.

Aspirational

The Strategy framework is **aspirational** in that it sets a stretch target for economic growth in the region.

Measurable

The Strategy is **measurable** in that it identifies a benchmark and sets targets based on employment that can be collated and measured annually.

5.1 IDENTIFY, IMPLEMENT AND SUPPORT SECTOR STRATEGIES

THE BAY OF CONNECTIONS FRAMEWORK IDENTIFIES AND SUPPORTS REGIONAL SECTOR STRATEGIES.

Strategies that have already been launched include Aquaculture, Forestry and Wood Processing, Energy, Freight Logistics, a feasibility study for the Harbour Central Marine Precinct, and a Food and Beverage report.

Other sectors, including Tertiary Education, the Māori Asset Base in the Waiariki region, Sport and Recreation, and ICT, are in various stages of development. They will be developed and assessed based on the success criteria, and the ability of Bay of Connections to support them.

WHY EMPLOYMENT AS THE MEASURE?

Employment is the most relevant measure of economic progress at a regional level.

For a region to grow and prosper it needs to provide employment to attract and retain residents.

As a measure, it allows for consistent comparison and aggregation across sectors and across regions and can also be converted to incomes and GDP if necessary.

Employment is a publicly collected measure. This ensures that quality data will always be available in a timely fashion and to a high level of accuracy.

EMPLOYMENT GROWTH

'Business as usual' employment in the Bay of Connections key sectors is forecast to grow by 1.8% per annum to 2026. This is 1.4 times faster than forecast employment growth in the non-key sectors. GDP growth in the key sectors is forecast to grow 1.8 times faster than the other sectors.

FACT

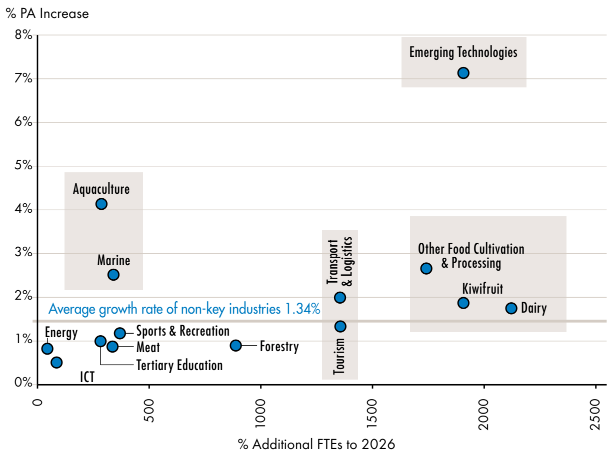
5.2 SET ASPIRATIONAL TARGETS

A BUSINESS AS USUAL PROJECTION OF EMPLOYMENT GROWTH IS SET FOR EACH OF THE SECTOR STRATEGIES IN THE BAY OF CONNECTIONS REGION.

A projection of national employment growth by sector to 2026 has been calculated with long term growth assumptions based on the earlier environmental analysis. The Strategy then uses industry employment growth in the region's districts relative to New Zealand over the last 15 years to project employment growth to 2026 in the Bay of Connections sectors.

Thus the business as usual (BAU) estimate of projected employment growth by sector in the Bay of Connections region assumes that the relative growth in the past will be consistent into the future. This is shown in Figure 5.1 below.

Figure 5.1 Business as Usual Sector Employment Projections



Source: BERL CGE Forecast to 2026

The goal of the Strategy is to grow employment at a faster rate than what would be achieved without a strategy. This aspirational rate is determined by the vision and actions linked to the Strategy, and is set in consultation with the sector and stakeholders.

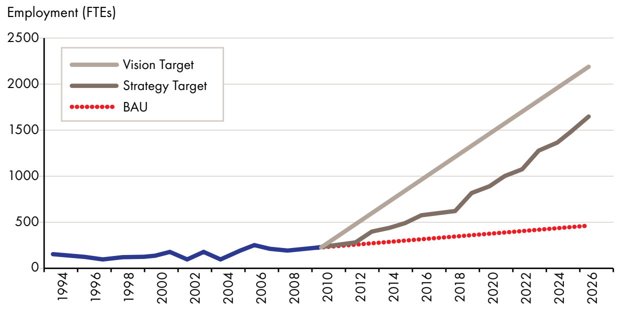
Each sector strategy has a set of actions aimed at achieving the vision for that sector. For example, the vision for the Bay of Plenty Aquaculture Strategy is to contribute a quarter of New Zealand's aquaculture exports by 2025. This is achieved through eight specific sets of actions delivered over a defined time frame.

- Action1 — Implementation
- Action2 — Partnerships and Integration
- Action3 — Research and Development
- Action4 — Education and Training
- Action5 — Infrastructure
- Action6 — Regulatory Regime
- Action7 — Market Development
- Action8 — Māori Development

Based on the actions and the vision of sector strategies, an aspirational target in terms of employment is agreed. For example, if the aquaculture strategy met its goal, it would account for a quarter of all aquaculture exports and employ 2000 people by 2025.

Employment likely to be generated by each action and approximate timeframes can also be estimated. This is represented in Figure 5.2 below.

Figure 5.2 Aquaculture Strategy Employment Target and Projections



The stretch target is the expected employment if the vision were to be achieved. The 'business as usual' target is the expected employment in the absence of the Strategy. The Strategy target is the expected employment based on the Strategy actions.

5.3 MONITOR AND REVIEW PROGRESS OF STRATEGIES

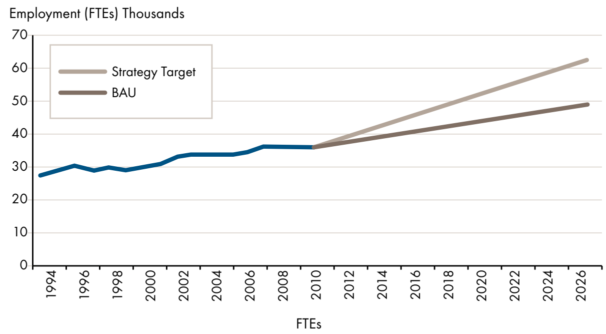
THE BAY OF CONNECTIONS STRATEGY WILL MONITOR AND REVIEW THE PROGRESS OF SECTOR STRATEGIES ON THEIR DELIVERY OF ACTIONS AND THE MEASUREMENT OF EMPLOYMENT GROWTH IN THAT SECTOR.

Individual sector strategies are aggregated to identify the net contribution of the Bay of Connections Strategy to employment growth in the Bay of Plenty region. Actual growth will be collected and measured against both the BAU estimate and strategy targets to determine the success of the Strategy.

Individual sector strategies will be reviewed one to two yearly against their actions to identify their deliverables and relate this to actual employment growth in the sector. Actions and expected growth targets can be revised accordingly.

As employment does not differentiate between the type or quality of jobs created, the Bay of Connections Strategy will also monitor a range of other key performance indicators including GDP (value added) and GDP per FTE (a measure of labour productivity). These indicators can identify the value of the employment as well as productivity improvements. Where possible, these will be collected at the key sector level.

Figure 5.3 Projected Business as Usual and Strategy Employment Growth in Key Sectors



ALLIED INDUSTRIAL ENGINEERING LTD

SUCCESS STORY

Allied Industrial Engineering Ltd is a privately owned company offering a complete range of engineering services both nationally and internationally for various heavy industries.

We specialise in heavy machining, manufacturing, repair and refurbishment for many industries. Our services include: machining, balancing, fabrication, fitting, design, project management, and maintenance work.

Our world class workshops are equipped with modern machinery and innovative technology. Our Quality Management System meets the requirements of ISO 9001:2008 and we place a high emphasis on documented systems and procedures. This means we are able to guarantee high quality products and services at all times.

Stephen Hayes, General Manager

6.0 SECTOR STRATEGIES

Based on the Bay of Connections vision, functions, resources, and sphere of influence, the sector level is where the Strategy can have the greatest impact on economic growth.

6.1 SECTOR SELECTION CRITERIA

The Bay of Connections Strategy applies a sector-based approach. There are four criteria required for a successful regional sector strategy. These criteria are shown in Figure 6.1.

To ensure that engagement results in economic growth, sectors engaged by the Strategy are assessed in relation to these criteria.

Figure 6.1 Sector Selection Criteria

6.2 PRIORITY SECTORS

THIRTEEN SECTORS HAVE BEEN IDENTIFIED THAT MEET THE SUCCESS CRITERIA.

It is across these sectors that the Bay of Connections will focus its efforts. As resourcing allows, the Strategy will explore these sectors to determine the appropriate approach to maximising employment opportunities and growth potential to the Bay of Connections region.

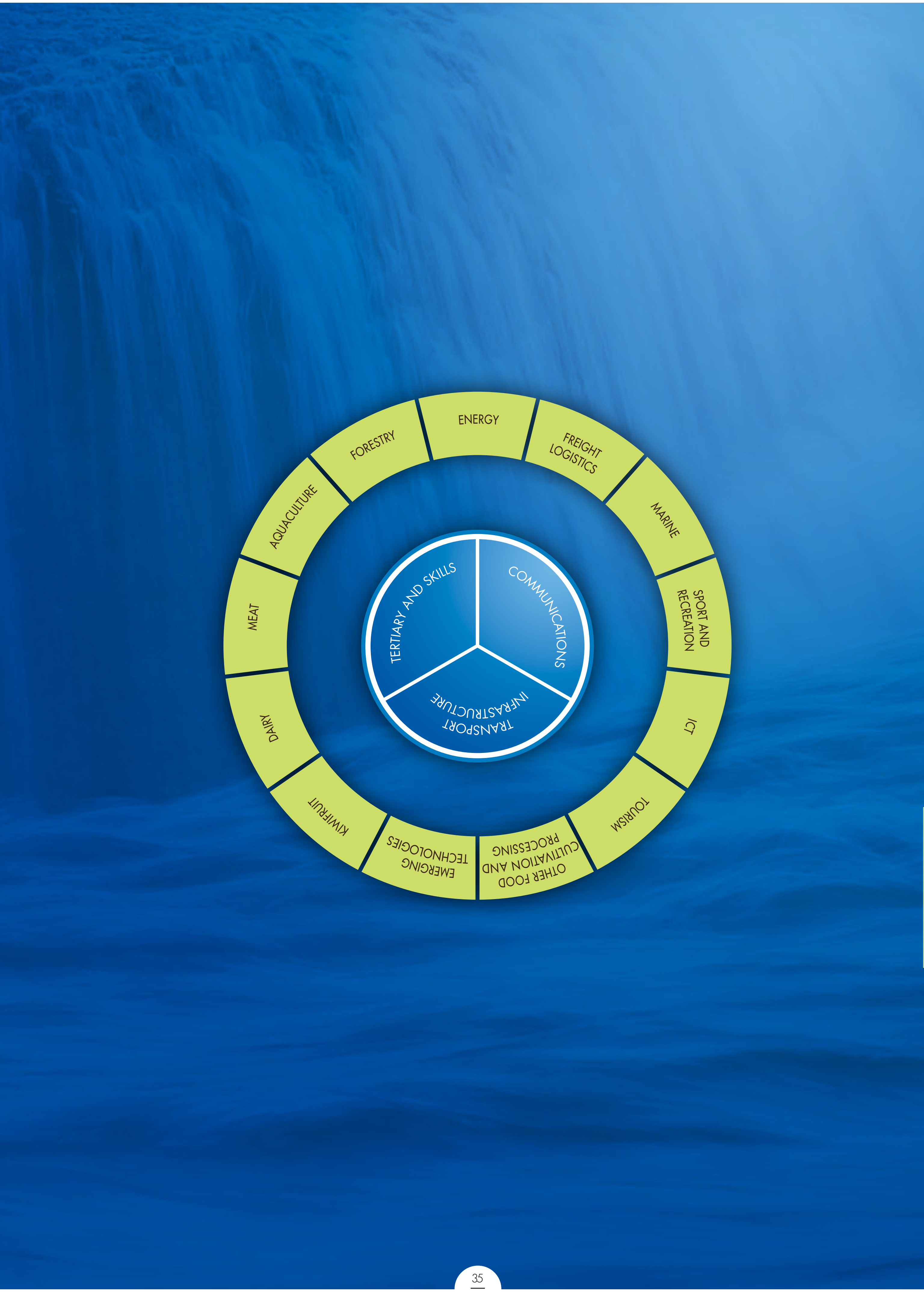
The Strategy now has an inner wheel for enabling areas – these are areas that cut across all or most of the 13 key sectors.

The defining of priority sectors does not suggest that sectors outside the thirteen will not be considered as the Strategy progresses. If other sectors meet the criteria, have issues that can be addressed within the Bay of Connections framework, and can realise significant growth outcomes, then they could also be explored. The Bay of Connections Management Team will recommend appropriate actions to the Governance Group should the need arise.

Similarly, the order of sectors is not a clockwise progression of the thirteen sectors. It will be driven by need, the availability of resources and an understanding of what is achievable.

The process is that, as the Bay of Connections Strategy progresses, additional sector strategies will be developed and existing strategies will be reviewed.

As each sector strategy has its own set of outcomes and action plans, the role of Bay of Connections in that strategy will change, with sector strategy outcomes and actions being redefined, or sectors graduated out of the process when support from the Bay of Connections is no longer required.


ENERGY
FREIGHT LOGISTICS
MARINE
SPORT AND RECREATION
ICT
TOURISM
OTHER FOOD CULTIVATION AND PROCESSING
EMERGING TECHNOLOGIES
KIWIFRUIT
DAIRY
MEAT
AQUACULTURE
FORESTRY
TERTIARY AND SKILLS
COMMUNICATIONS
TRANSPORT INFRASTRUCTURE

PORT OF TAURANGA

SUCCESS STORY

Port of Tauranga is the natural gateway to and from international markets for many of New Zealand's businesses.

The Port's location is central to key export commodity sources. We have direct and dedicated access to New Zealand's largest import market, the capacity to expand our infrastructure, and unrivalled sea, road and rail connections.

The Port of Tauranga is no longer striving simply to be New Zealand's preferred cargo gateway. We aim to be recognised as New Zealand's port for the future by offering a range of services and shipping solutions that include and transcend the boundaries of our historic base in the Bay of Plenty.

The Port's key strength lies in its ability to grow to meet customer requirements and market demands. We have the land holdings to expand, and the integrity, innovation and commitment to meet our customers' future needs.

The key to this success is a focus on maintaining our core business at Tauranga, while also expanding into new ventures that are reshaping the traditions of service delivery in New Zealand's port sector.

Graeme Marshall, Commercial Manager

7.0 CURRENT SECTOR STRATEGIES

The five current sector strategies are – Aquaculture, Forestry and Wood Processing, Energy, Harbour Central Marine Precinct, and Freight Logistics. As the Bay of Connections economic strategy progresses, additional sector strategies will be developed, and existing sector strategies will be reviewed.

This section provides an overview of five sector strategies supported by the Bay of Connections. Detailed strategy documents have been developed for each of these sectors and are available at www.bayofconnections.com

7.1 AQUACULTURE

NZ Exports (Dec 2010)	Aquaculture - $274.6m; green lipped mussels - $171.4m; Oysters - $17.5m; Salmon - $85.7m
Employment (2010) BOP/NZ	228/3,214
Employment Location Quotient (2010)	1.8
GDP (2010) BOP/NZ	$27m/354m
GDP Location Quotient	1.2
Number of businesses (2010)	23
Growth 2000 - 2010 (FTEs) BOP/NZ	4.1%/-0.8% *(average annual)*
Growth 2000 - 2010 (GDP) BOP/NZ	4.2%/-1.4% *(average annual)*

THE BAY OF PLENTY IS POISED TO BE A MAJOR PLAYER IN THE AQUACULTURE INDUSTRY IN NEW ZEALAND.

Growth in aquaculture will be driven by world population increases and a growing preference for seafood as a protein source. The aquaculture share of the seafood market is likely to increase given that there is already considerable pressure on wild fisheries and so the global market will be dependent on aquaculture to supply greater amounts of seafood.

Research has found that the Bay of Plenty's water are among the best in New Zealand for aquaculture purposes. Given low competition for water space in the eastern Bay of Plenty, the region is in a prime position to take advantage of its natural resources.

Aquaculture export species are currently greenshell mussels, salmon and oysters. In the year to December 2010, the aquaculture industry brought in $275 million in export earnings. Of this, mussels accounted for 64 percent; salmon accounted for 31 percent, and oysters five percent (Ministry of Fisheries, 2011).

The industry in the Bay of Plenty Region currently revolves around North Island Mussel Processors Limited, which boasts the world's largest capacity for half-shell production.

The largest aquaculture water space in New Zealand has recently been approved in the Bay of Plenty Region. Eastern Seafarms Limited, a joint venture between Te Whakatōhea Māori Trust Board, Sealord and New Zealand Seafarms Limited, holds resource consent to farm greenshell mussels over 3,900 hectares of water space, off the Ōpōtiki coast. A second, 4,009 hectare farm located in Otamarakau is also in the process of being approved. When fully operational, these two farms would represent around a third of total aquaculture space in New Zealand.

In November 2009, Bay of Connections released the Bay of Plenty Aquaculture Strategy where the mission is:

To grow an integrated and sustainable aquaculture industry in the Bay of Plenty with export sales of $250 million by 2025.

This is influenced by the New Zealand Aquaculture Strategy, which has a goal of $1 billion exports by 2025. So, the Bay of Plenty is aiming to be responsible for around a quarter of the aquaculture industry's sales by 2025.

7.2 FORESTRY AND WOOD PROCESSING

NZ Exports (Dec 2010)	$4,195m
Employment (2010) BOP/NZ	4,391/27,121
Employment Location Quotient (2010)	3.1
GDP (2010) BOP/NZ	$1,193m/$5,555m
GDP Location Quotient	3.5
Number of businesses (2010)	819
Growth 2000 - 2010 (FTEs) BOP/NZ	-2.6%/-2.5% *(average annual)*
Growth 2000 - 2010 (GDP) BOP/NZ	1.1%/1.0% *(average annual)*
Land area in forest	372,700ha

PRODUCTION FORESTS OCCUPY 20 PER CENT OF THE LAND IN THE BAY OF PLENTY REGION.

The Central North Island makes up the largest portion of production forests in New Zealand (30 percent of total forest area). The Bay of Connections region makes up 72 percent of Central North Island forests.

Production forests require land to be committed for a long term and returns - under a commodity product production model - are ultimately dependent on international demand within the harvesting window. Currently, there are alternative uses being developed for land previously committed to production forests, and some regulatory uncertainty regarding carbon taxes.

Production forests are unlikely to provide dynamic economic growth in the short-term, but may be the optimal long-term use for significant areas of the region. Securing regulatory certainty about the future of forestry would provide greater confidence for investment in processing and training facilities and infrastructure. Furthermore there is recognition that a change to a market-led high value wood product industry model is necessary to improve industry returns.

There is significant capital invested in processing facilities, and a large number of people are employed in the forests or the processing facilities.

A number of large wood processors operate in the region. As well, there is excellent forest infrastructure (transport and logistics, and suppliers/support services); while Scion, Future Forests Research, and Solid Wood Innovation provide quality research capabilities in the forestry area.

Forestry is a key focus area within the Bay of Connections theme of developing globally competitive firms. Two forums were held in 2011 to develop the Strategy and Action Plan to support Forestry. The Strategy was released in September 2011.

The strategic vision is for the Bay of Plenty to be a world class Forestry and Wood Processing region, with the goal being to add value to over 70 percent of the logs harvested in the region by 2020.

7.3 ENERGY

Exports (Dec 2010)	n/a
Employment (2010) BOP/NZ	559/6,244
Employment Location Quotient (2010)	1.4
GDP (2010) BOP/NZ	$313m/3,491m
GDP Location Quotient	1.5
Number of businesses (2010)	37/269
Growth 2000 - 2010 (FTEs) BOP/NZ	1.5%/1.8% *(average annual)*
Growth 2000 - 2010 (GDP) BOP/NZ	0.9%/1.3% *(average annual)*

THE DEMAND FOR ENERGY AND, IN PARTICULAR, RENEWABLE AND CLEAN ENERGY IS INCREASING NATIONALLY AND GLOBALLY.

The Bay of Plenty has a comparative advantage (nationally and globally) in renewable and clean energy including geothermal, bio-waste (wood), and solar.

The energy sector, as currently defined, employs 559 people and contributes around $313 million to the regional economy[6]. There are significant opportunities for growth when considering the amount and type of energy that will be demanded in the future. There are opportunities to develop businesses and technology around clean energy solutions, and the region can be a leader in effective energy use practices.

The goal of the Energy Strategy is:

By 2030 the Bay of Plenty has additional energy investments of $3 billion and 13,000 new jobs. And by 2040 we have an extra $4 billion investment and 24,000 new jobs.

The vision is *wealth and wellbeing via energy,* as well as being recognised internationally as the sustainable energy region of New Zealand.

This will be achieved across three areas:

1. Energy as an enabler of other industries (enabler focus) - encourage further development of existing comparative advantage areas (geothermal and biofuel) and ensure that the infrastructure/regulation is in place to generate cheaper, more sustainable energy sources that will improve the productivity of existing businesses and attract new businesses
2. Energy as a business (energy sector focus) - support and encourage businesses to a) generate cheaper/better energy and sell it, and b) develop energy based solutions/products that can be sold globally
3. Energy for wellbeing (consumer focus) - efficient and effective energy use practices and energy conservation to encourage behaviour change that will reduce expenditure on energy and improve health.

[6]*Note that the industry composition currently includes only energy generators and suppliers, which is unlikely to be the main focus area for growth in the sector.*

7.4 MARINE

NZ Exports (Dec 2010)	$720m
Employment (2010) BOP/NZ	537/9,483
Employment Location Quotient (2010)	0.9
GDP (2010) BOP/NZ	$42m/$770m
GDP Location Quotient	0.9
Number of businesses (2010)	168
Growth 2000 - 2010 (FTEs) BOP/NZ	1.5%/0.3% *(average annual)*
Growth 2000 - 2010 (GDP) BOP/NZ	1.5%/0.1% *(average annual)*

THE DEVELOPMENT OF TAURANGA CITY'S HARBOUR CENTRAL MARINE PRECINCT WILL SUPPORT AND BOOST AN INDUSTRY ALREADY LEADING THE WAY INTERNATIONALLY IN CRAFTSMANSHIP, COMPOSITES AND ESPECIALLY INNOVATION

With the assistance of Bay of Connections, Priority One commissioned a comprehensive study aimed at identifying a market for a robust new-build and refit cluster based on a Tauranga City Council owned site next to the former slipway in Tauranga Harbour.

The study also recommended appropriate berthage, haul-out and hard-stand infrastructure to support a cluster based on the site.

An economic impact study, commissioned in tandem with the report, identified the following economic benefits to the wider Bay of Plenty Region as a result of the development of the Harbour Central Marine Precinct:

- Revenue - $102.9 million
- Increase in net household income - $18.1 million
- Employment - 525 FTEs
- Value added - $39.6 million
- Sustainable competitive advantage for expanded marine services in an acknowledged maritime centre.

7.5 FREIGHT LOGISTICS

NZ Exports (Dec 2010)	n/a
Employment (2010) BOP/NZ	3,478/44,438
Employment Location Quotient (2010)	1.2
GDP (2010) BOP/NZ	$454m/$6,957m
GDP Location Quotient	1.1
Number of businesses (2010)	810/9,619
Growth 2000 - 2010 (FTEs) BOP/NZ	0.4%/1.0% *(average annual)*
Growth 2000 - 2010 (GDP) BOP/NZ	1.7%/3.0%

THE BAY OF PLENTY REGION IS ALREADY AN IMPORTANT LINK IN NEW ZEALAND'S NATIONAL AND INTERNATIONAL SUPPLY CHAIN WITH THE PORT OF TAURANGA BEING NEW ZEALAND'S LARGEST EXPORT PORT BY VOLUME[6].

Recent research by the Ministry of Transport confirmed Tauranga is the most productive container port in Australasia and ranked as achieving upper decile crane productivity globally.

The unique geographic location and proximity to many of New Zealand's key agricultural, forestry, horticultural and aquaculture sectors means the Bay of Plenty has the potential to be a critical hub for freight moving into, out of, and within, the North Island.

The Freight Logistics Strategy and Action plan sets the direction for supply chain and logistics within the Bay of Plenty, and identifies the key areas of focus over the next three to five years. A regional Freight Logistics Action Group will guide the development of the Strategy and Action plan.

The goal of the Freight Logistics Strategy is:

Lift New Zealand's ranking in freight performance

The Strategy aims to:

- Inform and influence regional infrastructure plans
- Encourage more cost effective management of freight and drive business efficiency
- Establish the Bay of Plenty as the leading New Zealand region for excellence in supply chain distribution and logistics for freight by 2020.

[6] *Total trade volumes through Port of Tauranga reached 15.4 million tonnes in 2010.*

WE ACKNOWLEDGE

THE CONTRIBUTION OF TIME AND ENERGY FROM THE FOLLOWING INDIVIDUALS AND GROUPS TO THE DEVELOPMENT OF THE STRATEGY IS GRATEFULLY ACKNOWLEDGED.

Special thanks goes to Jason Leung-Wai BERL who developed the background economic analysis (full report at www.bayofconnections.com), as well as being the lead writer for this Strategy. His dedication and effort have been outstanding.

Thanks also goes to the three peer reviewers for each sub-region – Bill Wasley (Western Bay of Plenty), Deryck Shaw (Rotorua), and Rawinia Kamau (Eastern Bay of Plenty).

Valuable input and feedback was provided from a wide variety of people and groups at the Bay of Connections forum on 15 September 2011. Further feedback was also received – written and verbally – during October 2011.

The support, advice and project leadership for this strategy development was provided by co-author Cheryl MacGregor, Senior Advisor, Bay of Plenty Regional Council.

THE LEADERSHIP BEHIND THE UPDATING OF THIS STRATEGY HAS BEEN THE BAY OF CONNECTIONS GOVERNANCE AND MANAGEMENT GROUPS.

GOVERNANCE GROUP

John Cronin	Chair of Governance Group and Chair of Bay of Plenty Regional Council
Anthony Olsen	Toi-EDA
Sandra Kai Fong	Rotorua Economic Development
Murray Davies *(to 9/2011)*	Priority One
Hemi Rolleston	Priority One
Tony Hawken	EastPack Ltd
Bryce Heard	Lockwood
Graeme Marshall	Port of Tauranga
Dickie Farrar	GM Whakatōhea
Richard Jones	Poutama Trust

MANAGEMENT GROUP

Miles McConway	Chair of Management Group and Bay of Plenty Regional Council
Andrew Coker	Priority One
Mark Rawson	Rotorua Economic Development
Mary Hermanson	Toi-EDA
Will Samuels	Taupō District Council
Lionel Crawley	New Zealand Trade & Enterprise

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