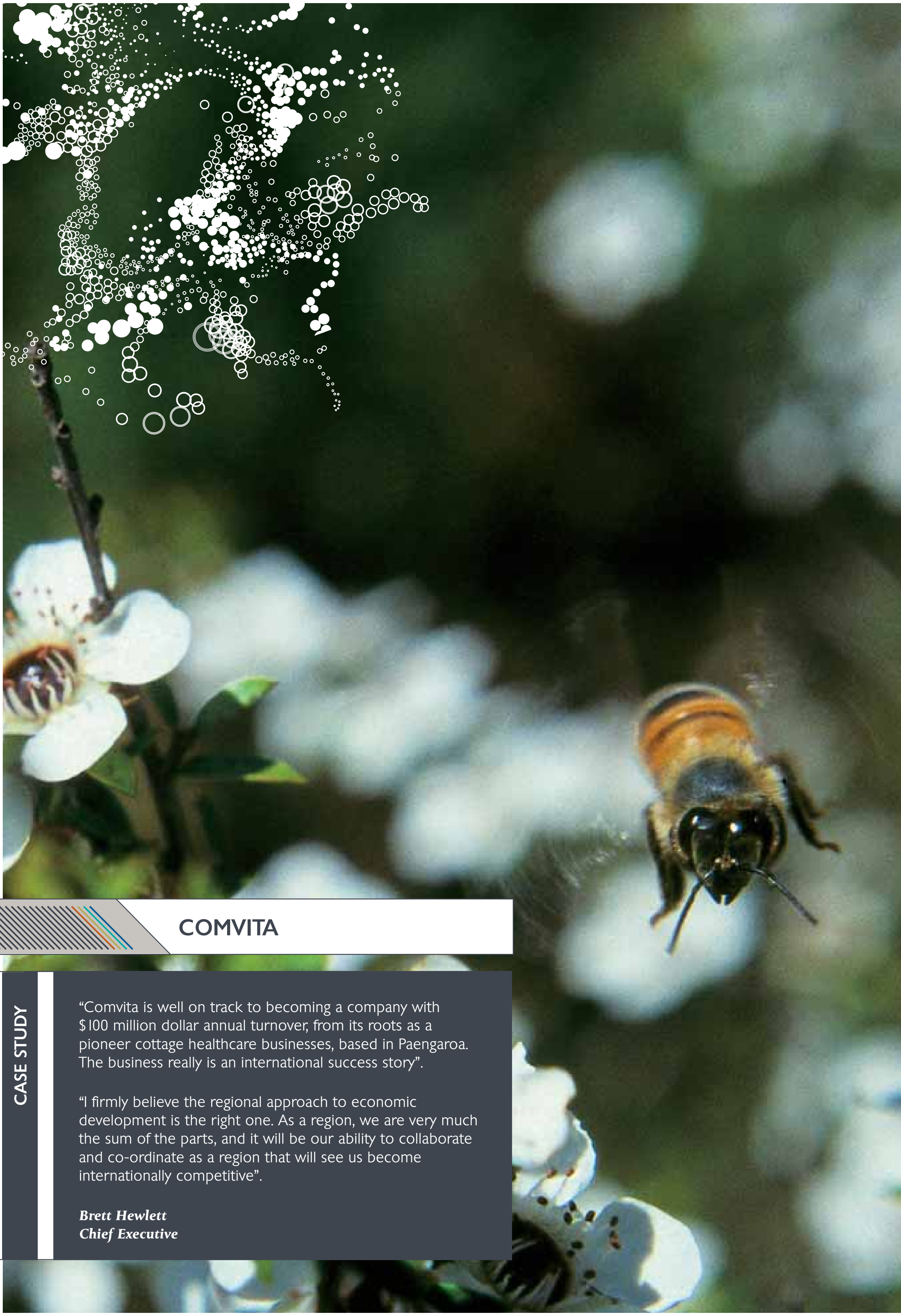


COMVITA

CASE STUDY

"Comvita is well on track to becoming a company with $100 million dollar annual turnover, from its roots as a pioneer cottage healthcare businesses, based in Paengaroa. The business really is an international success story".

"I firmly believe the regional approach to economic development is the right one. As a region, we are very much the sum of the parts, and it will be our ability to collaborate and co-ordinate as a region that will see us become internationally competitive".

Brett Hewlett
Chief Executive

This section provides an overview of the Bay of Plenty region, its people and the regional economy.

Key Regional Facts

Area

The Bay of Plenty Region covers 27,072 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. The land area is 16,962 square kilometres.

The area includes the territorial authorities of Western Bay District, Tauranga City, Kawerau District, Opotiki District, Whakatane District, Rotorua and parts of the Taupo Districts.

The map contained in the strategy summary section shows regional and territorial authority boundaries and the main geographic features of the region.

Resources

Soils

Soils are largely volcanic in origin, and light and friable. They are vulnerable to erosion because of their low density and low clay content. However, there are large areas capable of supporting crops with highly-developed production systems, such as kiwifruit, citrus and avocados.

Geothermal

Extensive geothermal resources provide:

- significant sources of energy; and
- a base for tourism.

Coast

The offshore boundary of the region extends to the outer limits of New Zealand's territorial sea being 12 nautical miles. Approximately 37 per cent of the region is coastal. The coastal perimeter is 688 kilometres long, with 259 kilometres of open coast and 369 kilometres of estuary. Almost all this area is included in the Coastal Management Zone, with most activities subject to controls under the Bay of Plenty Regional Policy Statement.

Climate

The region has a climate with warm humid summers and mild winters. Typical summer daytime maximum air temperatures range from 22°C to 26°C. Winter daytime maximum air temperatures range from 9°C to 16°C. The sea influences air temperatures considerably in the coastal areas and sea surface temperatures on the east coast are the warmest in New Zealand. The region has one of the sunniest climates in the country with about 2000 sunshine hours average per annum. In summer and autumn storms from the tropics bring high winds and heavy rainfall from the east or northeast.

Land Use

Approximately 67 per cent of the land in the region is forested, with approximately 20 per cent in pasture. Table 1 shows significant land uses in the region.

TABLE 1: SIGNIFICANT LAND COVER/USE: BAY OF PLENTY REGION

LAND COVER/LAND USE	%
Indigenous forest	47.3
Exotic pasture	23.8
Production forests	20.1
Mixed scrub	4.1
Water	1.8
Horticulture	1.0
Urban areas	0.8

Population

The total population of the wider Bay of Plenty region (including parts of districts within the Waikato region) is 315,864 of which 27 per cent describe themselves as Maori. By comparison, over New Zealand as a whole, 13 per cent of people describe themselves as Maori. The proportions are even higher in Eastern Bay of Plenty sub-region (41 per cent). In Kawerau District, over 50 per cent of the population identify as Maori and in Opotiki District the figure is 50 per cent. Maori population growth rates and age distribution suggests they will continue to form an increasing part of the region's population.

The total population of the Western Bay sub-region grew almost 30 per cent over the 10 years from 1996 – 2006. The Taupo district grew by 5 per cent, Rotorua district grew 2 per cent the Eastern Bay declined by 2 per cent.

Table 2 shows a breakdown of the population by sub-region and territorial authority.

TABLE 2: POPULATION: BAY OF PLENTY REGION

	1991	1996	2001	2006
WIDER BAY OF PLENTY REGION TOTAL	**235,245**	**258,273**	**274,122**	**293,223**
Western BOP Sub-region	*96,609*	*112,746*	*129,138*	*145,710*
Tauranga City District	66,738	77,778	90,906	103,635
Western BOP District	29,871	34,968	38,232	42,075
Eastern BOP Sub-region	*49,098*	*50,328*	*48,990*	*49,194*
Opotiki District	8,667	9,375	9,201	8,973
Kawerau District	*8,337*	*7,830*	*6,975*	*6,921*
Whakatane District	32,094	33,123	32,814	33,300
Southern BOP Sub-region	*89,538*	*95,199*	*95,994*	*98,319*
Rotorua District	61,560	64,509	64,473	65,901
Taupo District	27,978	30,690	31,521	32,418

The usually resident population count of the four major urban settlements from the 2006 Census:

URBAN AREA	POPULATION
Tauranga	108,882
Rotorua	53,766
Taupo	21,291
Whakatane	18,204

Over the same period, the region as a whole experienced significant growth in the population over 45 years (particularly in the Western sub-region where there was a 49 per cent increase in the 45 -64 age range), but little or no growth in the population under 45. Although the Western sub-region also experienced growth well above the national averages in all age ranges under 45 years, in both the Eastern sub-region and Rotorua district the population under 45 years fell.

Infrastructure

Roads

There are 4,460 kilometres of roads in the region, most of which are sealed. The key roading projects planned for the region are set out in the Regional Land Transport Strategy 2007 (RLTS 2007). It should be noted, however, that due to limited funds, and competition for Transit New Zealand funding, these projects will not necessarily be completed on-time. The BERL Report notes that spending on roads in the region is 14.6 per cent below the national average per capita.

Port

The Port of Tauranga is New Zealand's largest export port by volume, and the second largest container port. 70 per cent of container traffic to Sulphur Point is serviced by rail, but 75 per cent of traffic in bulk products (mainly logs) on the Mount Maunganui side is serviced by road.

Rail

The rail network totals 229 kilometres, linking the port to the Waikato and Auckland and the major forestry centres to the east and south. Rail plays a crucial role in the regional economy as it is the means of transporting imports from the Port of Tauranga to the MetroPort in South Auckland as well as the means for much of the exports sent to the Port of Tauranga for shipping.

Airports

Commercial airports operate in Rotorua, Tauranga and Whakatane. A recent study concluded it was not financially viable to establish a new regional airport.

Energy

There is significant potential for geothermal and hydro electric power generation in the region. A potential constraint on the development and use of electricity in the region is the capacity of the national grid, and there are major concerns about the security of supply.

Telecommunications

Tauranga is higher than the national averages for telephone and mobile access, but mobile coverage is limited in parts of the east. Environment Bay of Plenty is leading investigations for the Bay of Plenty Broadband Initiative in partnership with the Bay of Plenty territorial authorities. Investigations are examining the role of local authorities in the provision of broadband infrastructure within the Bay of Plenty.

Economic Indicators

Employment

The 2006 Census shows the region had a higher proportion of people who were either unemployed or not in the work force than across New Zealand as a whole. Table 3 shows the labour force status of the population over 15 (a total of 198,108), with a national comparison:

TABLE 3: LABOUR FORCE STATUS OF POPULATION OVER 15 IN THE BAY OF PLENTY REGION

STATUS	NUMBER	%	NATIONAL %
Employed full time	89,892	45.4	48.4
Employed part time	28,578	14.4	14.4
Unemployed	7,722	3.9	3.4
Not in work force	64,950	32.8	30.4

Incomes

While middle-income levels in the region are relatively similar to the national average, the region as a whole has a lower proportion of high income (>$70,000) and a higher proportion of low income (<$25,000) people. This trend is especially marked in the Eastern sub-region.

Regional GDP

Regional GDP in 2006 was $10.45 billion. The most important contributors to regional GDP and employment are shown in Table 4.

Labour Productivity

Labour productivity in the region is slightly lower than nationally ($83,680 versus $86,170) and productivity growth in the region has been slower than in New Zealand over the past 10 years (0.7% per annum versus 1.1% per annum).

Manufacturing

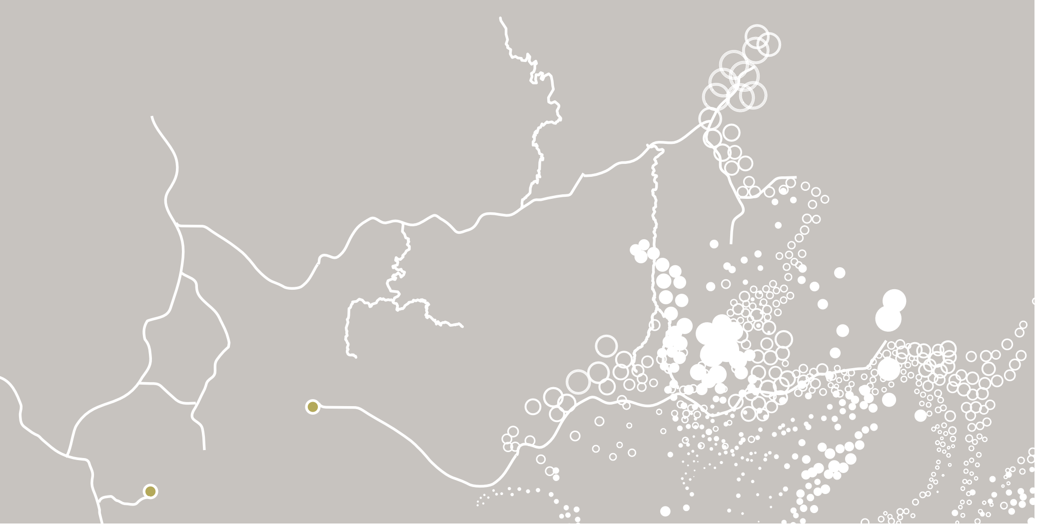
Manufacturing (including primary processing) is the most significant employer in the region accounting for 14 per cent of employment. This is slightly slower than the national average. Manufacturing is not the biggest contributor to GDP however (behind business and property services) and the sector is exhibiting very weak growth (only 2.5 per cent from 1996 to 2006). Also of concern is the average size of Bay of Plenty business. The average Bay of Plenty manufacturer employed 9.2 staff in 2006, which is lower than the 1996 figure, and below the national average.

Export Dependence

The Bay of Plenty region is very reliant on export industry with over 30 per cent of employment deriving from export based activity, compared to 25 per cent nationally. This is particularly evident in the rural regions (where more than 50 per cent of employment is export related).

TABLE 4: KEY MEASURES

SECTORS (2006)	FTES	%	GDP ($M)	%	BUSINESS UNITS	%
Agriculture	13,838	11.1%	729	7.0%	8,019	22.0%
Forestry	2,105	1.7%	533	5.1%	665	1.8%
Fishing	303	0.2%	24	0.2%	135	0.4%
Mining	298	0.2%	39	0.4%	33	0.1%
Utilities	547	0.4%	246	2.4%	54	0.1%
Manufacturing	17,490	14.0%	1,775	17.0%	1,901	5.2%
Construction	12,191	9.8%	682	6.5%	3,983	10.9%
Wholesale trade	6,293	5.0%	711	6.8%	1,335	3.7%
Retail trade	15,948	12.8%	781	7.5%	3,552	9.7%
Hospitality	7,306	5.9%	228	2.2%	1,155	3.2%
Transport, storage	4,928	3.9%	482	4.6%	1,124	3.1%
Communications	1,166	0.9%	373	3.6%	208	0.6%
Finance & insurance	1,907	1.5%	345	3.3%	749	2.1%
Business property services	12,474	10.0%	1,874	17.9%	9,299	25.5%
Government administration	2,773	2.2%	324	3.1%	150	0.4%
Education	7,532	6.0%	389	3.7%	721	2.0%
Health & community services	10,240	8.2%	583	5.6%	1,364	3.7%
Cultural & recreational services	3,131	2.5%	199	1.9%	823	2.3%
Personal services	4,342	3.5%	128	1.2%	1,175	3.2%
TOTALS	**124,813**	**100.0%**	**10,445**	**100.0%**	**36,445**	**100.0%**



Regional Strengths, Weaknesses, Opportunities and Threats

This identifies regional (rather than local) strengths and weaknesses and common opportunities and threats that are key competitive advantages and disadvantages compared to other regions and international markets.

TABLE 5: REGIONAL SWOT ANALYSIS

STRENGTHS	WEAKNESSES
1. Proximity and accessibility to Auckland, including direct rail links. 2. Satisfactory hard (transport and energy) and soft (social institutions) infrastructure. 3. Largest export sea port in New Zealand, with capacity for expansion. 4. Main New Zealand timber growing and processing area, with associated Crown Research Institute. 5. Strong brand and recognition in fruit growing, especially Kiwi-fruit. 6. Internationally known tourist destination largely attributed to unique natural resources. 7. Long and accessible coastline. 8. Maori retain strong links to land and culture. 9. Generally perceived as an attractive place to live.	1. Population decline in a number of rural areas and smaller towns. Significant aging population and region is attractive to New Zealand's aged people who are not economically active. 2. Lower than national average workforce participation rates, particularly in rural areas. 3. Vulnerable economic structure with high reliance on narrow sector base. Results in high level of dependence on welfare in rural areas. 4. Low waged economy, poor number and range of career opportunities outside main centres together with disproportionate number of secondary schools in lowest deciles (12 of 13 eastern Bay of Plenty sub-region secondary schools in bottom four deciles) and lower proportion of student enrolments than nationally. 5. Poor access to international airport. 6. Pockets of low telecomm use and lower access to broadband and internet. 7. Lack of complex manufacturing activity that is high value adding and lack of tertiary based research. 8. Restricted economic activity due to the region's Local Air Management Area.

OPPORTUNITIES	THREATS
1. Increasing number of qualified older population living locally. 2. Leverage Rotorua's tourism base and Tauranga's increasing cruise ship visits to spread tourists throughout the region. 3. Partnerships with local Maori seeking sustainable investment opportunities. 4. Use of hydro and geothermal resources for development of energy and other economic activities. 5. Harnessing marine resources for future economic development, such as aquaculture. 6. Improving intra-regional rail links. 7. Large natural resource base to benefit from Kyoto Protocol and carbon credits. 8. Encouraging research and development of existing and emerging key regional industries with existing Crown Research Institutes. 9. Proximity of industrial land to deep water. 10. Productive deep water for aquaculture.	1. Main industries and significant employers are directly affected by decisions offshore or in the global economy where there is little that can be done locally to influence. 2. Declining provision of health care, particularly in rural areas. 3. Increasing land prices threaten some primary industries. 4. Regulatory uncertainty for forestry, energy and aquaculture industries. 5. Potential future labour shortage under a 'do nothing' approach (additional 55,000 FTEs between 2001 and 2031 of which 74 per cent of jobs will be paying less than $40,000). The Western and Eastern Bay of Plenty sub-regions will require up to 5,100 additional affordable dwellings (both purchasing and rentals).

In considering the SWOT analysis the following observations can be made:

- Strengths include proximity to Auckland and associated markets, and that over half of the nation's population is north of Taupo
- Desirable lifestyle area in which to live, work and play
- Improving transport linkages to adjacent regions
- Opportunities include building on accessibility of region to deep water both for port and marine activities
- Low wage economy and need for enhanced tertiary education provision and skills
- Diversity of the three sub-regions and opportunity to build on and utilise the different sub-regional strengths and opportunities.