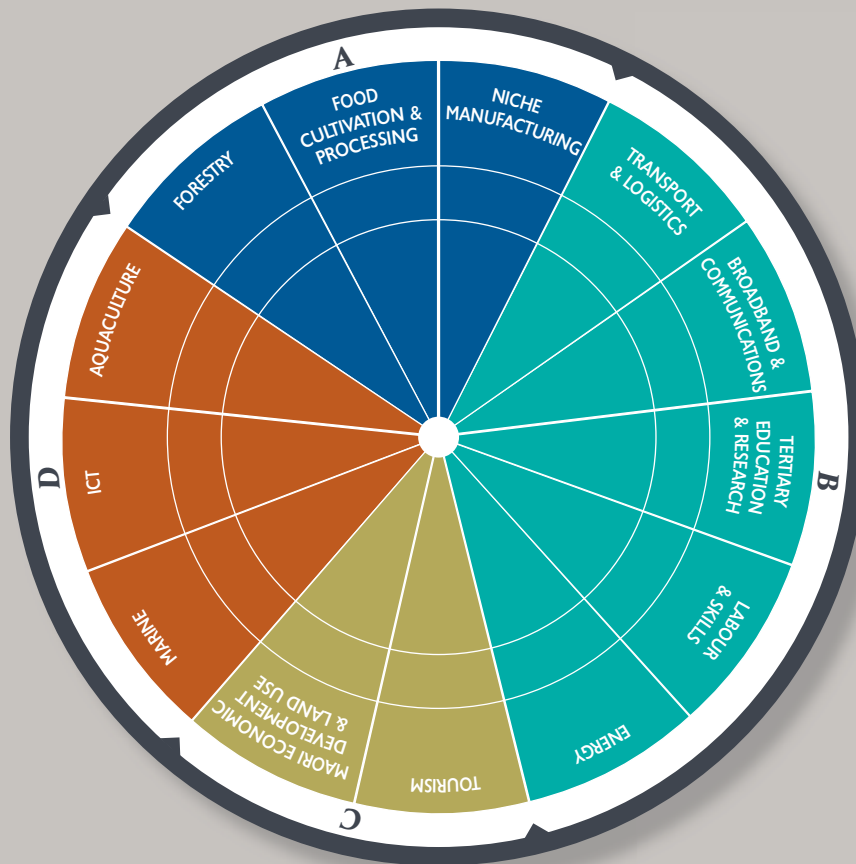




Key Areas of Focus for Regional Economic Development

This section identifies 13 key areas of focus areas that will have the greatest impact on the region's economic development over the short to long term.

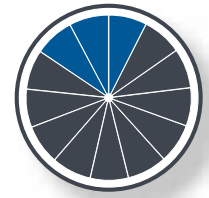


The critical driver in the region achieving greater economic growth is a collaborative approach across the region. This means local government, economic development agencies, industry, iwi, central government, industry and other key groups within the region working together for a common purpose.

A key foundation of strategy implementation will involve businesses, industry, clusters and implementation agencies working to develop sustainable competitive advantages to retain and strengthen the region's business base.

Underpinning this will be a need to foster, support and, where appropriate, lead industry clusters comprising businesses that are innovative, export-oriented and sustainability focused.





Forestry

Context

Production forests occupy 20 per cent of the land in the region, there is significant capital invested in processing facilities, and a large number of people are employed in the forests or the processing facilities. Production forests require land to be committed for a long term, but 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 certainty about the future of forestry would provide greater confidence for investment in processing and training facilities and infrastructure. Also important, is a change to a market-led high value wood product industry model, to improve industry returns.

Future Opportunities

- An emerging project is the Natural Materials Innovation Centre (NMIC) which is a three stage project to ultimately develop a business case for the development of a NMIC in collaboration with both private and Enterprise Partnership funding. The NMIC will focus on both research and development and commercialisation of innovative solutions/usage for forestry and indigenous plant and agriculture (animal fibre). The focus of the NMIC proposal is to accelerate research and commercialise innovation in natural materials
- The objective is to establish Rotorua as the Australasian hub, and ultimately the global centre for research and development and commercialisation of natural materials initiatives
- 'i-Grow' has been commissioned to scope out the business case proposal to target funding from the EPF have engaged many industry stakeholders with conclusive support to date. Crop and Food, Ag Research and IRL (around super critical extraction technology) are two entities that are enthusiastically supporting a Nationwide Innovation Centre Approach feeding into an open access "Innovation Network". Corporates such as Fletcher's, Lockwood's are already talking about what they need the centre to help them source /develop and Petrochemical Industries are fully supportive of alternatives to petrochemical based alternatives. Further discussion is needed explore potentials
- The aim is to develop plant-based natural material substitutes for products that are currently derived from non-renewable resources. These new materials (and their associated commercial opportunities) will help reduce society's reliance on petroleum-based plastics and fibres and other non-renewable materials such as glass and steel. At the same time, the goal is to develop products that biodegrade naturally at the end of their life without contributing to landfill or waste accumulation
- The wider vision is to transform renewable biological resources into new industrial products by leveraging natural products research & development expertise (Scion and other research organisations) in conjunction with the region's substantial forestry and wood processing experience/assets

Actions

- Support the establishment of a Biomaterials – Natural Materials Innovation Centre: research and development and commercialisation of innovative solutions/usage for forestry and indigenous plant and agriculture (animal fibre)
- Develop a business case for the development of a NMIC in collaboration with both private and Enterprise Partnership funding through Central Government
- Promote the establishment of Rotorua and the Bay of Plenty as the Australasian hub, and ultimately the global centre for research and development and commercialisation of natural materials initiatives.

Food Cultivation and Processing

Context

Food and beverage is New Zealand's largest manufacturing sector by total output.

- Exports, which represent half of all merchandise exports by value, have doubled since 1990, to \$15 billion per annum
- The sector contributes around 10 per cent of New Zealand's GDP
- There are over 80,000 businesses in the sector nationally.

In the Bay of Plenty, the food and beverage industry is the second largest in the region in terms of total output and the largest in terms of total international exports from the region. The Bay of Plenty food industry currently employs more than 9,000 people. In recent years the industry has grown by 175 per cent in value of sales, 10 per cent in employment and 49 per cent in exports.

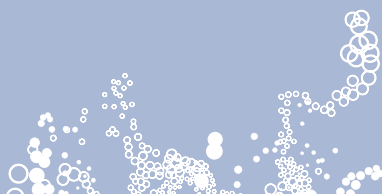
The food processing sector is closely related to an innovative and cost efficient agricultural sector, which produces substantially more than is required to meet domestic consumption. The competitiveness of the agricultural sector is a major factor helping to secure productivity, competitiveness and profitability in the food processing sector.

The 2007 Agricultural Production Census noted that 37 per cent of New Zealand's total hectares utilised for outdoor fruit, vegetables and other crops is in the Bay of Plenty.

More than 80 per cent of the country's largest horticultural export value product – kiwifruit – (\$1.1 billion in sales), 74 per cent of the avocado crop and 30 per cent of the national citrus crop is grown in the region as are a wide selection of vegetables and increasing quantities of berry fruits and nuts. Other potential new niche products like truffles and the largest plantings of ginseng in the southern hemisphere have been established and in the future may offer further diversified produce from the region.

It is also acknowledged that the high quality, nutritional value and healthcare benefits inherent in Bay of Plenty produce (eg., kiwifruit, honey, avocados, etc) has excellent value added product extension potential.

There is independent international research about the health attributes of kiwifruit and given the volume grown in the Western and Eastern sub-regions, added value product/manufacturing options are being explored. Investigations undertaken by the University of Waikato and other international bodies have identified the UMF Manuka honey, produced in New Zealand by Comvita,



Key Areas of Focus for Regional Economic Development

a local manufacturer and international marketer, as being a product superior to other honeys for assisting natural wound care.

Avocado has a high content of the beneficial form of cholesterol and avocado oil usage in food preparation receives increasing consumer support. It is also possible that research could develop specific biochemical fractions with high-value outlets from avocado, in much the same way that Fonterra has generated a range of markets for fractions of milk protein and milk fat.

The region needs to expand the range of products it grows, capture a greater portion of the value chain from creating and processing high value added innovative products and marketing them internationally.

Future Opportunities

To re-establish the Bay of Plenty's traditional position as the leading food producing region in New Zealand, it needs to be positioned as progressive, innovative and sustainability focused. In doing so, Food Bay of Plenty will provide strong representation for the Bay of Plenty food sector.

Key issues for the progression of the cluster include:

- Ongoing development of initiatives to increase member aspiration and capability
- The development of export focused collaborative opportunities
- Capability development
- Sustainability
- Growth of global relationships.

Food Manufacturing and Innovation Park

Food Bay of Plenty supports the establishment of a 'green' food park in Te Puke. Approximately 15 Food Bay of Plenty food processing members need to relocate in the near to medium term due to pressures on their current sites.

Strategy Review & Implementation

The vision is to re-establish the Bay of Plenty as the leading food producing region of New Zealand, being seen as a progressive, innovative and sustainability focused food producing region.

Core strategies include:

- Building strong industry links
- Delivering clear value proposition to members
- Raising the profile of the Bay of Plenty food producing sector
- Enhanced member events
- Organisational sustainability
- Good governance.

This concept could be extended across the region.

Enhance Member Collaboration

A survey of members was conducted to determine what they wanted from member events. The survey resulted in 90 submissions with two clear imperatives:

- Industry focused learning
- Industry relevant case studies (sharing success).

An annual events plan has been developed and member events take place on the first Thursday of each month. There is opportunity to extend this concept regionally.

Website

A new website for Food Bay of Plenty was launched in April 2008. The design allows for information sharing amongst cluster members and other businesses. It contains information on relevant events, industry links, news items, commercial opportunities and employment opportunities.

This can become a valuable communications medium and could be extended to across the region.

Specific Areas

Food Bay of Plenty Cluster

Food Bay of Plenty was established in 1998 to represent the interests of the region's food processing sector and provide members with opportunities to share information, collaborate on projects and access technical expertise and information. In 2007, Food Bay of Plenty approached Priority One for assistance in taking the cluster to a level beyond simply networking and to help facilitate implementation of the clusters strategic plan. A partnership agreement was signed between the two organizations in January 2008.

The cluster has a current membership base of 55 food processing companies or food related service providers and aims to assist members grow by promoting learning and best practice within the industry to ensure the Bay of Plenty food sector remains a significant and sustainable economic contributor within the community.

Waste 2 Gold

The Bay of Plenty's food and horticulture processors have been working with Environment Bay of Plenty, Priority One, NZTE, Zespri, and Scion Research (previously Forest Research) to progress the Waste 2 Gold initiative. Waste 2 Gold targets key food and horticulture waste streams with the aim of reducing waste and developing added value biomaterials from what is left.

A key area of focus initially is the 40,000 tonnes of waste kiwifruit generated in the Western Bay of Plenty each year which may have the potential to not only be used for biofuels but also other products including bioplastics adhesives and polymers.

This project is in its early stages but it is linked to science within Scion that has potential across a number of industry sectors across the region.

Tertiary Partnerships

Training in the food industry is a key achievement of the cluster; through establishing courses for basic food technology for untrained employees and providing tertiary scholarships to Massey University to provide future qualified staff.

The Bay of Plenty Polytechnic has developed a National Certificate in Food Safety and Hygiene targeted at the food sector. The programme, which started in March 2008, has been well received by industry and will be evaluated in 2009.



ICT Partnerships

In 2006 the Western Bay of Plenty ICT Cluster partnered with Food Bay of Plenty and Export New Zealand Bay of Plenty and ran a series of workshops which focused on defining areas of co-operation and synergy. A model for collaboration that identifies ways in which the ICT sector can play a wider role as an enabler has been developed and is currently being implemented.

A potential project may be working with individuals to develop local emerging industries such as the berry and other fledging industries.

Issues and Challenges

National research in the food and beverage sector shows the key challenges include:

Skilled labour shortages

There is evidence that the Food and Beverage industry is short of skilled labour (food technologists) and is likely to face increasing shortages of semi and unskilled workers over the next 10 years.

Low research and development intensity

Low level of research and development expenditure compared with other key developed countries' Food and Beverage sectors. New Zealand is well placed to build on its biotechnology science base, and the government has signalled its desire to back this key area of economic activity.

There is likely to be scope to accelerate the engagement between the government and the Food and Beverage sector to translate biotechnology strategies into higher industry research and development.

Trade access and regulations

Harmonisation with other countries' Food and Beverage sectors and Australia, in particular, will have significant pay-offs for Food and Beverage businesses. Ensure compliance with necessary regulations is practical and cost effective and that the regulatory environment is balanced to meet economic, social and environmental objectives. This extends to trade negotiations where environmental lobbyists are using distance from markets as a reason for excluding imports because of the use of fossil fuels in transport.

Consolidation of industry and resulting global supply chain

The aim should be to participate in consolidation either through investments or international marketing. For investments, this means identifying opportunities either for inward or outward investments with the end goal of strengthening the competitive position in the global supply chain. For marketing, this means creating capacity for control of international marketing and distribution with the end goal of becoming a specialist global supplier.

International branding and differentiation

New Zealand has few opportunities to have world scale industries. Therefore it needs to develop industries that produce differentiated products in niche markets around the world such as in the healthy food segment.

Management aspiration and capability

Research shows the sector to have a lack of aspiration and capability to internationalise. The lack of aspiration may be explained by risk aversion, export fatigue, and is a negative consequence of the tall poppy syndrome prevalent in New Zealand.

The lack of capability was thought to be a result of poor resources (scale and finances) and management capability (market understanding, skills and time constraints).

Management capability within the sector is a key driver of accelerated growth and that the best way to provide support to help enhance management capability is through facilitating networking and mentoring and sharing success stories.

Actions

- Develop a database of all food producers and processors, identifying those with export and competitive capabilities and existing collaborative arrangements
- Identify product development opportunities and avenues to improve industry competitiveness and efficiency capability profile of the food sector
- Prioritise new regional initiatives for export market development opportunities as identified by the strategy.
- Identify and promote joint product manufacturing for export
- Identify and assess collaborative routes to identified export markets
- Develop additional food sector profile and events aimed at highlighting the food sector potential of the Bay of Plenty.
- Establish export opportunities.



Niche Manufacturing

Context

Manufacturing is the region's biggest employer, but the sector is not growing and has a small company size profile. The Bay of Plenty has very few manufacturing businesses with turnover exceeding \$30 million. Another feature of the sector is its diversity with a wide range of companies located in the region. Several pockets of innovation are worthy of note (outside of food and wood processing):

- **Heavy Engineering** – the region has some pockets of expertise that include the Kawerau Engineering cluster, tank building and power projects
- **Specialised Engineering** – includes municipal mowing, steel profile machinery, tank building, and some automotive engineering
- **Medical Devices and Health Products**
- **Environmental Engineering** – includes waste water systems and energy
- **Powder Metallurgy** – Titanox Development Ltd is a Tauranga based company that is developing world class technology to produce titanium alloys, This is world leading technology and has the potential to generate over \$1 billion in indirect export earnings. A world leading testing and certification centre is being proposed for the Bay of Plenty which would attract leading international metallurgists. Already this project has attracted a number of significant multinational companies interested in a range of joint ventures, technology transfers, product supply and research and development and commercial collaborations.

This is a very significant project for the region and for New Zealand. Advanced materials are a key way in which the New Zealand manufacturing sector will be able to add significant value to its products through both product differentiation from competitors and new product development initiatives which would not be achievable with existing materials.

The world is quickly entering what is being termed the titanium age. As material costs decrease the uptake increases. Titanium is a material which has a broad application field due to its outstanding mix and light weight, temperature resistance, corrosion resistance, chemical resistance, bio compatibility, and many other attributes.

Powder metallurgy as a manufacturing technology has been used globally for 40 years. However, its use with titanium is quite new. Powder metallurgy can remove a large portion of manufacturing costs out of a product through lower raw material inputs and less machine time. An independent assessment of titanium powder metallurgy has highlighted the potential to involve over 400 companies and create an industry worth NZ\$1 billion in 10 years. The potential is national – but the powder manufacturing process has significant Bay of Plenty investment and is being established in the Bay of Plenty. The first level of consolidators are also in the Bay of Plenty.

The titanium project falls under the trilateral process (New Zealand Trade & Enterprise/Foundation for Research Science and Technology, and Tertiary Education Commission), and has been earmarked for special Government attention given its national significance.

The Bay of Plenty is set to become the centre of excellence for metallurgy. This would see the establishment of an applied powder metallurgy centre with associated training facilities – likely to be established at the Bay of Plenty Polytechnic.

Transportation and Logistics

Context

The Port of Tauranga is a vital part of the infrastructure of the region. It is well connected by road and rail to Auckland, the Waikato and the productive areas of the region. Although it is New Zealand's largest export port by volume, most imported containers arrive in Auckland. If the port were to capture a larger share of the imported container trade, this would stimulate the development of distribution and light industries, and other services, in the region.

Discussions on the potential of a merger between Ports of Auckland and Port of Tauranga highlighted further opportunities to develop the Bay of Plenty as New Zealand's key transportation, distribution and logistics hub. Unlike Ports of Auckland, Port of Tauranga has sufficient land available to sustain considerable growth without the need for additional capital investment. Port of Tauranga aims to be recognised as New Zealand's leading port by offering a range of preferred cargo gateways and shipping solutions that include and transcend the boundaries of their historic base in the Bay of Plenty.

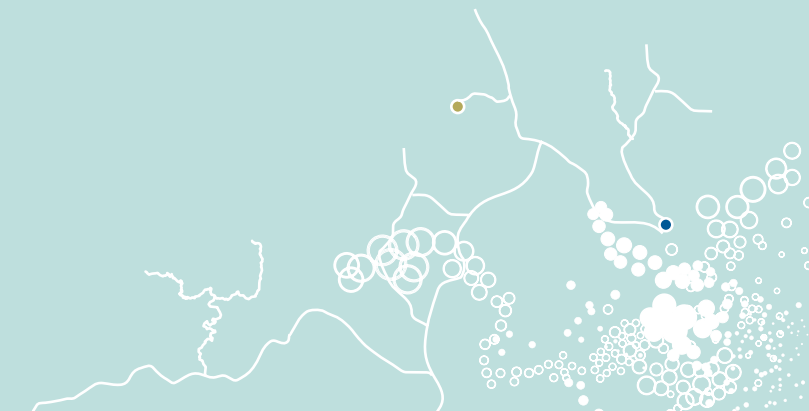
Future Opportunities

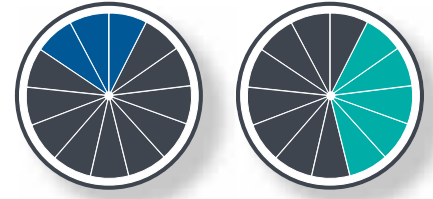
The Western Bay of Plenty ICT Cluster is focusing on initiatives to grow the sector, particularly in relation to the horticulture and distribution/logistics sectors. Software development houses in the region have developed leading edge distribution and logistics software to support these sectors and also as export products in their own right. Another advantage for the region as New Zealand's distribution and logistics hub is Smart Transport Corridors, which has been specifically designed to facilitate the smooth movement of traffic to and from the port, both within the region and between the region and other major centres.

In addition, discussions are being undertaken with key employers in the distribution, storage and logistics sector on the feasibility of an integrated logistics park. Strong interest in developing the concept is apparent, particularly as land costs soar in Mount Maunganui forcing logistics-based businesses to consider relocating further from the Port of Tauranga.

Actions

- Advocate and encouragement infrastructure improvement to ensure there is route security in respect of the road and rail transportation network between the three sub-regions in the Bay of Plenty.





▾ Broadband/Communications

Context

Supporting and driving the Bay of Plenty broadband initiative will be critical. This includes the development of an implementation plan to facilitate the introduction of broadband across the three sub-regions - with speed and capacity which will enable competitive and efficient fibre based broadband capability to meet the needs of business, research institutions, education providers and others.

Actions

- Advocate for, and support, the Bay of Plenty broadband initiative. This includes developing an implementation plan to facilitate the introduction of broadband across the three sub-regions with speed and capacity which will enable competitive and efficient fibre based broadband capability to meet the needs of business, research institutions, education providers and others.

▾ Tertiary Education and Research

Context

“Populations with higher qualification levels tend to lead more prosperous regions”

Critical to the region's economic growth is the advancement of strong relationships with tertiary education and research institutions, to not only provide direct training for those employed in key regional industries, but more importantly to provide the intellectual input to drive innovation and entrepreneurialism. These are the cornerstones of new product development, efficiency and 'value-added' productivity.

While growth has been well above the national average and will continue to be so, the region's economic base is essentially low skill and low income. To become more certain of a prosperous future, the economy needs to be transformed into one that is high value, high income, innovative and export-led. This means enhanced investment is needed in tertiary education, research and development, as well as a focus on basic numeracy and literacy to up-skill the whole workforce.

Future Opportunities

The importance of tertiary education to the future of the region has been strongly integrated into major regional strategies. Through these processes, collaborative relationships have been developed comprising education providers, key industry sectors, business support organisations and local government.

Issues and Challenges

- The critical need for research and development to support the region's primary sectors (eg., horticulture, wood processing)
- Statistics show that those living in the Western Bay of Plenty are close to average in their educational and vocational qualifications, with the exception of university qualifications, where they lag behind

- The under-provision of tertiary education is reflected in the outward migration of people in the 18-25 demographic. There is a strong community desire to retain and attract young people to the region
- There is a low level of participation in education
- Ongoing skill shortages indicate there is a need to further align tertiary programmes with business needs
- The region's economy is predominantly low skill level/low wage
- There are a high proportion of “micro” businesses in the region without the resources to invest in up-skilling and re-training staff
- Maori males in the region experience low levels of engagement in tertiary studies.

Actions

- Support the development of a co-ordinated statement of regional tertiary education needs and a collaborative regional tertiary education strategy and provision for the region, including all tertiary providers
- Promote sector-focused tertiary education and research (currently cross border restrictions and poor alignment)
- Maintain collaborative relationships between education providers, key industry sectors, business support organisations and local government.

▾ Labour and Skills

Context

The number of FTEs employed in the Bay of Plenty has increased 2.2% per annum between 1996 and 2006 to 124,800 (2.0% per annum compound growth for New Zealand). The region's biggest employing industries are manufacturing (17,490), retail trade (15,948), agriculture (13,838) and business and property services (12,474).

On average, labour productivity in the Bay of Plenty region is slightly lower than nationally (\$83,680 versus \$86,170). The greatest gains in productivity growth over the last ten years have been in the communications industry (7.3% per annum) followed by utilities (4.8% per annum) and forestry (4.4% per annum). Productivity has declined in several industries over the last ten years (business and property services, mining, cultural and recreational services, hospitality, health and community services).

Hourly rates in the Bay of Plenty are consistently lower than the national average. Because of this it is difficult attracting skilled people. There is a need to encourage more productive/value added industries to move to a high value economy that pays higher wages.

The development of the National Skills Strategy by the Department of Labour will provide an opportunity for alignment and will result in efficiencies across the country as a whole. More enabling immigration policy could also assist with increased opportunities and support to access seasonal workers from offshore.



Key Areas of Focus for Regional Economic Development

Specific Areas

There are a number of initiatives underway in the region and these include the following:

Industry On Orchard Training Programme

This practically-based horticultural training programme for on orchard workers commenced in June 2005 and is delivered by the Bay of Plenty Polytechnic. It provides kiwifruit orchard workers with NZQA-approved qualifications in picking, pruning, spraying, forklift-driving, chainsaw use and safety practices. The On Orchard Worker Certification raises worker's skill levels and provides formal acknowledgment of their achievement.

Industry Relationship Coordinator

New Zealand Kiwifruit Growers Inc (NZKGI), Priority One and NZTE partnered to develop and deliver the region-wide Industry Relationship Coordinator programme. An industry relationship coordinator has been employed to build kiwifruit industry capability by up-skilling employers and employees; actively promote a 100 per cent legal kiwifruit labour force; and ensure continued economic returns to the region from the kiwifruit sector.

Instep

INSTEP is Priority One's industry and schools training enterprise partnership, which connects local businesses with students and teachers from the sub-region's secondary schools to highlight career opportunities and pathways. Since it commenced in 2003 it has completed a number of specific initiatives to highlight opportunities in the horticulture and food processing sectors.

There would be great advantage to the region if this initiative was rolled out to the entire Bay of Plenty, and even nationally.

Skilled Migrant Placement Programme

Since 2004, Priority One has travelled to the United Kingdom and Europe each year to exhibit at the Opportunities New Zealand jobs expos to attract skilled migrants to the Bay of Plenty, including those with horticultural expertise.

There is opportunity to provide this service to help fill skill gaps in other sub-regions of the Bay of Plenty.

MaintainNZ

MaintainNZ's role is to assist New Zealand's manufacturing industry to improve productivity by working directly with industry to develop targeted training courses and services designed to effectively implement maintenance excellence and reliability principles. The programmes have been specifically developed to provide advanced skills and knowledge about maintenance and reliability behaviours, concepts and practices.

MaintainNZ has developed strategic alliances with Industry Training Organisations and the Auckland University of Technology to ensure all training courses are able to be linked to nationally recognised qualifications such as AUT's Certificate, Diploma and Degree programmes, and unit standards off the New Zealand Qualifications Framework.

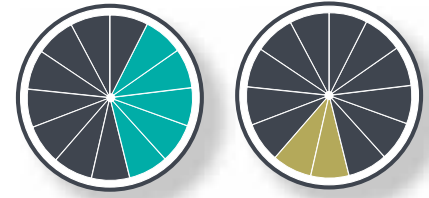
Wairiki Institute of Technology

Wairiki Institute of Technology has a range of industry specific programmes including the 'School of Forestry, Wood Processing and Biotechnology courses. It has recently announced the Forestry Industry Training School Initiative. Wairiki Institute of Technology plans to look into expanding the programme to become a dedicated industry training school for the forest and wood manufacturing industry.

Actions

- Encourage the sub-region EDAs and others to work together and deliver collaboratively in respect of international and national career expos
- Collaborate with central government and the economic development agencies to form a Bay of Plenty Skills working group and agree on a terms of reference for how to work together on regional skills issues, agree on priority areas, and integrate the regional strategy with the New Zealand Skills Strategy
 - a) Develop a business case that outlines the elements of developing a Bay of Plenty labour market skills action plan, that includes;
 - Completing a review of current sub-regional employment and skills action plans
 - Completion of research into the future skill needs of industry in the Bay of Plenty as a basis for a Bay of Plenty skills action plan
 - Developing a labour market skills action plan for the Bay of Plenty and to scope its implementation requirements
 - b) Support the Workforce/Workplace Productivity agenda, that includes the up skilling of workers through potential numeracy and literacy projects in the Bay of Plenty
 - c) Raise awareness of effective skill programmes across the Bay of Plenty
 - d) Improved skilled migrant utilisation
 - e) Workforce under-utilisation (mature workers, returning mothers, unemployed, youth)
- Assist the Horticulture/Kiwifruit industry meet their significant labour shortage needs in the Bay of Plenty, by sourcing New Zealand workers first and skilled migrants through the DoL Recognised Seasonal Employer scheme
- Assist with health initiatives in the region that work towards increasing the region's productivity. Encourage the uptake of workers into the health sector – eg., via the Clinical School, and through programmes such as the INSTEP and Skilled Migrant programmes.





Energy

Context

Electricity is currently generated from two resources in the region, water and geothermal energy. Some major industries also have the capacity to generate electricity from wood via furnaces and steam boilers. Geothermal steam is a major energy source for the major wood processing industries.

The Western and Eastern sub-regions have to import other forms of energy, such as electricity, petroleum and coal from outside the region to meet demand. The Southern sub-region is able to directly utilise hydro and geothermal sources and natural gas is imported and reticulated throughout the region and transmitted beyond.

The importance of the region's hydrological and geothermal resources has long been recognised nationally and by local electric power suppliers. Five geothermal fields in the Bay of Plenty provide heat and water for variety of uses. The main user group is industry, accounting for 62 per cent of total use; 20 per cent is for commercial use with 10 per cent for domestic and 8 per cent municipal.

Future Opportunities

The EDAs in Rotorua and Western Bay of Plenty have identified natural comparative advantages of sustainable energy options. They agree that the next stage is to validate potential cross-regional capability and develop a collaborative sustainable energy implementation strategy.

Issues and Challenges

Despite those natural resource capacities, there is major concern throughout the region to have greater reliability and surety of supply. Key urban, commercial and industry areas suffer from outages and inconsistent supply. Outlying rural areas also suffer from the same problems. Consistent and surety of supply to domestic, commercial and industry sector needs is paramount. Communities demand and expect to have this most fundamental aspect of core infrastructure. Currently, energy supply and transmission methods are not meeting current requirements let alone being able to cater for future needs.

Whereas regional hydro and geothermal energy sources are available within specific districts and being utilised, there is opportunity to extend such capabilities for wider cross-regional and potentially national benefit. Extensive geothermal resources provide a source of energy development particularly in and around Taupo, Rotorua and Kawerau and those natural resources have further development potential.

In the past there has been a tendency for each sub-region to address its economic/infrastructural challenges at a local level and with central governmental agencies. Recent regional collaboration has demonstrated more synergistic approaches to such challenges can be achieved for mutual benefit.

Actions

- Facilitate the development of a regional energy strategy that addresses regional security of supply, increased local generation and energy use efficiency.

Tourism

Context

Rotorua is an internationally renowned tourism centre with world class infrastructure including the Rotorua International Airport. The Port of Tauranga is a significant international cruise ship destination, and the Eastern Bay of Plenty has White Island as an international tourist attraction. Both Tauranga and Rotorua have well established Regional Tourism Organisations (RTOs) with the Taupo, Kawerau, Whakatane, and Opotiki being serviced through their respective district councils. The Opotiki district is also part of Tourism Eastland.

Future Opportunities

Eastern Bay of Plenty is more fragmented without its own RTO. Rotorua already receives a large number of international tourists and the BERL report notes that the region could benefit significantly if international and domestic visitors extended their stay to include visits to other parts of the region. The potential attractions include:

- The strong and varied Maori culture in different parts of the region
- Natural attractions such as forests, thermal springs, lakes, coast, and an off-shore volcano
- The built environment and adventure tourism.

Tourism has the potential to lift employment and income in the region. No specific regional projects at this time have yet been identified. However, there are opportunities for joint marketing, leveraging Rotorua's infrastructure and the Tauranga cruise ship market for the whole region as well as joint event bidding and regional tourism promotion.

It has been proposed that the existing RTO's should continue to strengthen their planning and consultation processes and to seek to leverage tourism activities for mutual benefit.

Future opportunity might be to consider the benefits of one fully integrated and coordinated Bay of Plenty RTO, rather than the four completely separate entities that currently exist. Perhaps a combined entity could better ensure that at a regional level, tourism initiatives, strategies and products can be built around the natural Bay of Plenty environment – lakes, mountains, forests and sea, geothermal, fresh water springs, the culture and spirit of Maori history and the built attractions and infrastructure, current and planned. It could oversee and plan tourism product development and the ensure optimization of regional tourism marketing investments.

Actions

- Facilitate the development of an integrated regional tourism strategy and implementation plan that includes the three sub regions but recognises the strengths and direction of each.

Key Areas of Focus for Regional Economic Development

Maori Economic Development

Context

Maori constitute 25 per cent of the region's population and have extensive land holdings and strong cultural and economic ties to the region. Population forecasts show a trebling of the Maori population over the next 50 years. This growth will lead to increased need to provide housing, employment and social services. Resources such as kaimoana, marae and urupa will be subject to increasing demands. The development of strong hapu communities is seen as an important outcome and a means of withstanding the pressure which will be exerted by growth in the long term.

There are considerable tracts of Maori land in the wider Bay of Plenty. The development of Maori land has the potential to be a significant economic driver in the region as well as providing for the environmental, cultural and social well-being of Tangata Whenua. A key to unlocking this potential is enabling Tangata Whenua to utilise this land by the removal of barriers and development of funding arrangements, tools/methodologies which can be applied and replicated across the sub-region.

In addition, the settlement of Treaty claims will provide iwi with additional capital to invest in productive enterprises. Maori are actively involved in tourism, forestry, food cultivation and processing throughout the region and have a key role in ensuring the economic potential of the region is fully developed.

Future Opportunities

Actions currently underway to encourage Maori economic development:

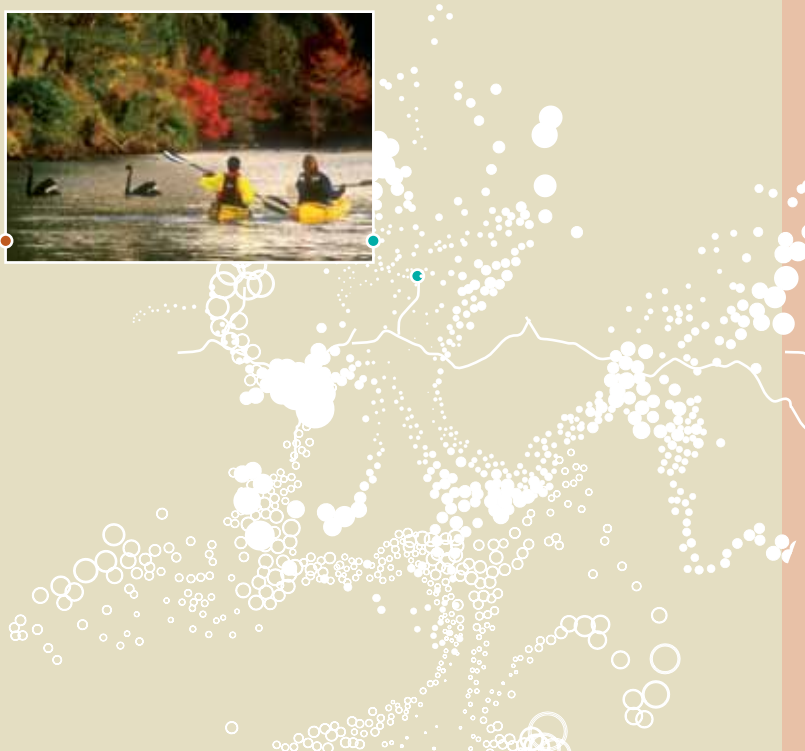
- Te Awanui Huka Pak is working with key Maori trusts to establish systems and processes to leverage economic and investment opportunities. There are also opportunities to identify roadblocks to the utilisation of land resources and work to mitigate these to maximise the potential of Maori land
- Through SmartGrowth, a toolkit (including tangata whenua management plan templates) is being prepared to enable hapu to manage significant resources and to participate in long term planning with local government. A clear policy framework and processes are being developed alongside the toolkit to assist in the preparation and implementation of these plans
- Opportunities to cluster hapu and iwi are being investigated to progress the development of tangata whenua management plans. In addition there are opportunities for cluster planning for adjoining or closely located land ownings
- A study is being undertaken to understand the current barriers to the development of housing on multiple owned Maori lands and to identify local collaborative solutions that would address these barriers. This is also to include Maori land held under Te Ture Whenua Act title
- The Kaitemako Land Development cluster project, identifying a number of land development options, has been successfully completed. A commercial development manager is assisting the lead Trust with implementing their initiative
- Western Bay of Plenty District Council has completed a comprehensive development plan for Maketu and Waihi Beach, including specific actions to increase economic development opportunities for Maori in those areas
- Te Puni Kokiri has funded a project involving four large local land Trusts that have come under Te Awanui Huka Pak Co-operative

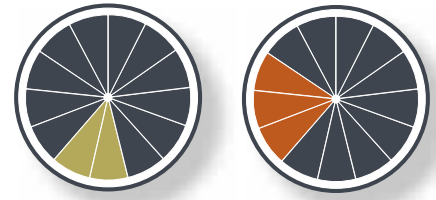
to implement the 'Strengthening Management and Governance Development Project'. This initiative targets identified areas of remediation, using the Co-operative as a vehicle to facilitate further development. Currently the Trusts have a combined net asset base worth over \$70 million

- With funding from Te Puni Kokiri, Ngaiterangi, Ngati Ranginui and Ngati Pukenga iwi have identified and recruited a number of young and upcoming leaders to participate in the Institute of Directors programme. Te Puni Kokiri saw an opportunity for iwi runanga to identify, up-skill and appoint skilled directors within an investment company to effectively manage/administer their assets, monies and resources.

Actions

- Co-ordinate partnerships between public agencies and iwi to foster economic development opportunities. Potential projects could include tools to enable Maori to diversify land use, skills and succession planning, and commercial leadership.





Marine

Context

A report titled “Current Situation and Future Prospects” completed in 2006 by Market Economics Limited for the New Zealand Marine Industry Association (MIA) provides an excellent overview of the state of the country’s marine sector, identifies growth targets and key success factors necessary to achieving them.

The New Zealand marine industry (excluding large ship building) is diverse and highly interlinked. Approximately 10,000 full time equivalents are employed by over 1,300 companies engaged in boatbuilding and supplying marine goods and services, including refit work. Current turnover of the recreational boating sector is estimated at \$1,545 million, of which \$535 million is exported (year end March 2005). Market Economics Limited’s preliminary research indicates that in addition to this figure, the large ship building and work boat sector produces approximately \$270 million in turnover.

Marine industry export success was traditionally built on excellence in grand-prix race yacht and super yacht design and construction, as well as sporting success in international yachting regattas from the Olympics to the America’s Cup. Today success is based on quality and flexibility. The New Zealand marine industry “brand”, synonymous with achievement, flexibility and technologically advanced and innovative production processes, is a strong international marketing tool.

This is supported by high quality products and competitive costs of production. The export success of the industry, in addition to a strong domestic market, has made it one of New Zealand’s largest non-primary based manufacturing sectors. The industry effectively imports raw material, adds technology (with its sound training base) and exports approximately 35 per cent of production, providing additional jobs and increased foreign exchange earnings for New Zealand.

With the loss of the America’s Cup and its associated marine sector activity, combined with renewed competition from marine clusters in Australia, the study notes the industry has entered a new era. To build on recent momentum and ensure continued growth, the report identifies the need to consolidate gains, identify new opportunities and deal with competitive threats.

To put New Zealand’s recreational marine sector in perspective, annual turnover of NZ\$1.5 billion is equivalent to 1.7 per cent of total global demand (NZ\$87 billion). However, within the superyacht sector (both motorised and sailing), New Zealand ranks sixth, attaining 4.6 per cent market share by length. Within the global market, New Zealand is the second or third largest sailing superyacht producer.

The Bay of Plenty is home to a number of internationally recognised leaders in boat design and construction. There are more than 18 commercial boat builders based within the region, with over 170 organisations having some contact with the marine industry. It is estimated that 80 per cent of the new boatbuilding revenue in the region comes from the export of large boats.

Until the closure of the 600 tonne slipway at Sulphur Point in March 2007, Tauranga had a position in the domestic and export refit sector, providing refit services to a wide range of commercial vessels such as ferries, tugs recreational and superyachts. Businesses involved in this sector provided a range of diverse services including engineering, electrical, joinery, cabinet-making and upholstery. While most firms tended to be based in proximity to the slipway, a number were spread across the wider Bay of Plenty region. Most of these firms have diversified into other areas of activity.

Due to the closure of the slipway to make way for Tauranga’s second harbour bridge, Priority One commissioned and funded a comprehensive study aimed at identifying a market for a robust new-build and refit cluster based on the Tauranga City Council owned site next to the former slipway. The study also recommended appropriate berthage, haul-out and hard-stand infrastructure to support a cluster based on the site.

Strong input to the report was provided by the Westhaven Refit Group and MIA, who see the standard-setting cluster at Sulphur Point contributing to the establishment of a “Destination New Zealand” refit capability that would contribute to the attraction of an increased number of vessels to New Zealand seeking refit services.

The resulting study has been peer-reviewed by a number of key stakeholders, including industry, and is expected to be progressed to a full business case in the second half of 2008.

An economic impact study commissioned in tandem with the report, and completed by Professor Warren Hughes of the University of Waikato, identified the following economic benefits to the wider Bay of Plenty 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 FTE’s
- Value added - \$39.6 million
- Sustainable competitive advantage for expanded marine services in an acknowledged maritime centre.

The proposed Harbour Central Marine Precinct aligns strongly with the goals and key success factors outlined in the Market Economics Ltd report commissioned for MIA. Appropriate sites for marine activity in New Zealand, in proximity to deep water, such as Harbour Central, are limited. For the industry to double its turnover by 2020, the identification and development of sites such as Harbour Central will be critical.

Development of the site, branded Harbour Central Marine Precinct, could commence in early 2009.

Key Areas of Focus for Regional Economic Development

Future Opportunities

The Market Economics Limited report identifies several “achievable industry targets”, which have been picked up by the Marine Industry Association and supported with a number of measures that need consideration by key organisations, including central and local government and trade organisations:

- Strong leadership from organisations such as the MIA
- Continued investment in the Boating Industry Training Organisation
- Continued investment in the international market
- Retention and attraction of international boating events
- Acquisition of land with close proximity to deep water access
- Further development of a marine centre at the Westhaven/ Viaduct Harbour Precinct.

The last two points are particularly relevant to the development of a strong marine sector in the Bay of Plenty, with consideration being given to developing a marine precinct in proximity to deep water at Sulphur Point, Tauranga.

Actions

- Support the development of a business case to establish a harbour precinct in the western Bay of Plenty
- Subsequent to approval and sign off of business case, advocate and support the identification of investment funding sources to allow construction to commence
- Support ongoing development of the precinct including development of the re-fit aspect of the activity.

Information and Communications Technology

Context

ICT is an integral part of the New Zealand economy, contributing \$6.2 billion, or 5.1 per cent, to GDP. The ICT sector provides the equivalent of 36,300 full-time jobs and includes around 8,800 companies, of which 8.5 per cent have annual revenues of more than \$1 million.

ICT offers a high-value opportunity to help grow the New Zealand economy. It is a key enabler and driver of productivity in the economy as well as providing links in global value chains. It has been identified by central government as a key sector in New Zealand’s wellbeing because of its ability to lift productivity and its status as a powerhouse of economic growth in its own right, creating high value revenue opportunities.

The Western Bay of Plenty ICT Cluster was established in 2003 to bring together businesses that are keen to create commercial opportunities and contribute their experience and expertise to the development of an IT rich region. The cluster now has over 330 members from 172 ICT and related businesses. A number of niche software houses have developed products to support key sectors such as horticulture and transportation, distribution and logistics, and several manufacturers have entered the export market in the last three years.

Through the regional economic development strategy, there is an opportunity to link ICT businesses throughout the region to maximise collaborative opportunities and stimulate business growth. The sharing of information helps solve common problems and build knowledge. In addition, there are opportunities for businesses to share resources and collaborate on tenders for national and international projects. Increasingly the sector is focusing on the growth of software development companies. The aim is to encourage the exporting of ICT products and generate collaborative opportunities with other sectors using ICT as an export enabler. The long-term objective is to create an environment in which local ICT companies can become world-class businesses, while also increasing ICT uptake to lift productivity throughout the economy.

Work is currently underway which could see the establishment of a technology centre of excellence in the region. Businesses in the ICT sector are experiencing high growth rates, which provides the opportunity for a number of businesses to relocate to purpose designed facilities. The technology park would be heavily technology-enabled and contain like-minded and complementary businesses. This is seen as an attractive proposition to local businesses, those outside the region, and businesses overseas considering relocating.

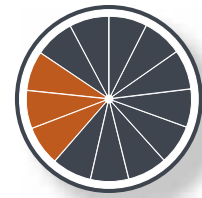
The “Technology for Smarter Business” expo is held in Tauranga each year, providing an opportunity for local ICT companies to showcase their products and services to businesses in the wider Bay of Plenty region. In particular, the expo encourages large companies that currently access ICT goods and services from outside the region to give local suppliers a chance to provide the same. The support of the region’s larger companies will increase the opportunities for local ICT businesses to grow. The 2008 expo saw the 25 exhibitor stands fully subscribed within a week of expressions of interest opening. Over 400 business people visited the expo, with all stands having a strong focus on showcasing products and services to increase productivity and maximise business potential. The programme also contained five speakers throughout the day and a keynote speaker in the evening slot.

The ICT Cluster’s website was launched in 2008. It has been designed to facilitate information sharing among cluster members and other businesses. The website contains information on commercial opportunities, upcoming events, the latest news, contact details and core strengths of cluster members, including expertise in specific systems and languages, job vacancies and IT professionals looking for work.

Future Opportunities

Key areas of focus to stimulate growth of the sector include:

- Ongoing development of initiatives to increase ICT professionals in the region to alleviate growing skill shortages
- The development of collaborative opportunities within the sector and with other sectors (eg., export and manufacturing)
- Capability improvement in product development, commercialisation and exporting
- The identification of niche market opportunities
- The growth of global relationships
- Identification and delivery of projects that generate revenue streams to ensure cluster sustainability.



Issues and Challenges

Key challenges being faced by the sector are:

- Obtaining access to skilled staff, particularly in the areas of software development/programming and technical people with business and communication skills (ie account managers, business analysts, project managers). An employee with ability to communicate and sell business solutions but also be technically savvy is a difficult combination to secure
- Getting opportunities to deliver projects into large companies/corporates. This issue has two aspects: Corporates usually want to deal with companies that are large and have a proven track record; and the difficulty in accessing skilled ICT staff means smaller companies struggle to develop the capability to deliver on big projects. Smaller companies also lack the processes to secure tenders issued by larger companies
- The region is a very price sensitive market in the delivery of ICT solutions. Frequently the price is driven down to a level that is not sustainable.

Actions

- Encourage the exporting of ICT products and generate collaborative opportunities with other sectors using ICT as an export enabler with the long-term objective to create an environment in which local ICT companies can become world-class businesses, while also increasing ICT uptake to lift productivity throughout the economy
- Promote the establishment of a technology centre of excellence in the region
- Develop initiatives to increase ICT professionals in the region to alleviate growing skill shortages
- Develop collaborative opportunities within the sector and with other sectors (eg export and manufacturing)
- Promote capability improvement in product development, commercialisation and exporting
- Support the Identification of niche market opportunities
- Promote the establishment of global relationships
- Identify and deliver projects that generate revenue streams to ensure cluster sustainability.

▾ Aquaculture

Context

Globally the demand for seafood is increasing. The world's wild catch fisheries are under severe pressure and an uncertain future because of over exploitation and other impacts, such as environmental and species protection regimes. Despite increasing cultured marine species production, demand still exceeds supply. A driving force for this global consumption is the increasing awareness of the health benefits associated with seafood.

Mussels are increasingly popular in Japanese, European and North American cuisine. Discerning consumers demand high product quality, traceability and for some markets organic and natural product certification. Those demands create the opportunity for niche marketing based on the very same attributes other New Zealand produce is world famous.

Traditional thinking around fish and marine farming tended to centre on fresh or processed marine products such as wet fish and

crustaceans. There is growing scientific, medical and commercial interest in creating other marine based product derivatives. Health benefits have been attributed to the New Zealand Green Shell mussel which has not been demonstrated in other mussel species. Liprinol is a unique, highly purified and stabilized marine lipid, beneficial for respiration, enhanced joint mobility, inflammation reduction and other medical benefits. Science and product innovation may uncover further nutraceutical benefits from mussels and/or extracts from other marine species.

Environment Bay of Plenty has carried out substantial research, including two national forums, into the potential for developing the aquaculture industry in the Bay of Plenty. Research has found that the Bay of Plenty waters are among the most productive in New Zealand. Opportunities exist for large scale mussel farms off the coast and other aquaculture ventures using the districts waterways and lakes to farm eels and other species for processing and export. In addition to existing aquaculture ventures in the Ohiwa Harbour, Whakatane, there are 8,000 hectares of aquaculture potential in the Eastern Bay of Plenty, including a marine farm of 3,800 hectares off Opotiki.

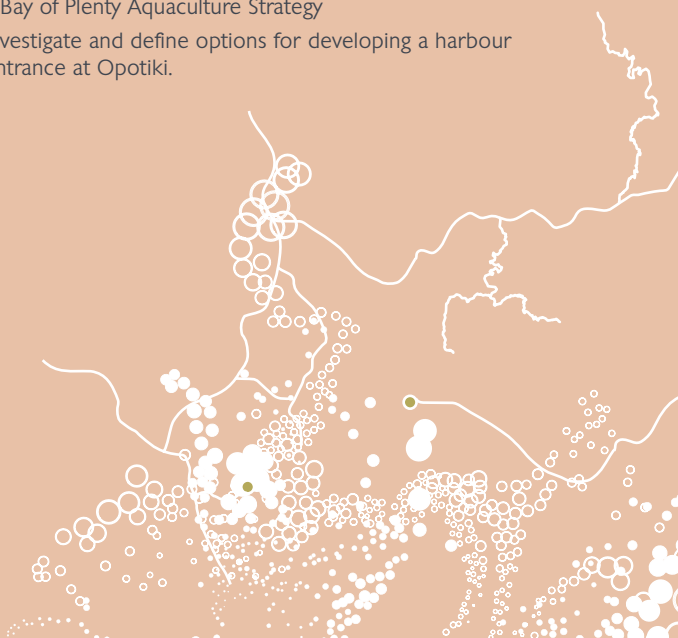
The potential benefits of aquaculture for the Bay of Plenty await discovery and commercialisation. With care to protect the sustainability of the resource, new ventures can be established. However, for the Eastern Bay in particular, where there is a great need to create economic and societal advancement, the potential of the aquaculture opportunity will not be fully realised unless there is the ability to bring the harvest ashore for processing. In order to create such ventures in the Eastern Bay an all weather harbour entrance needs to be created or marine farmed produce will be taken elsewhere for processing with the consequent loss of potential employment and income.

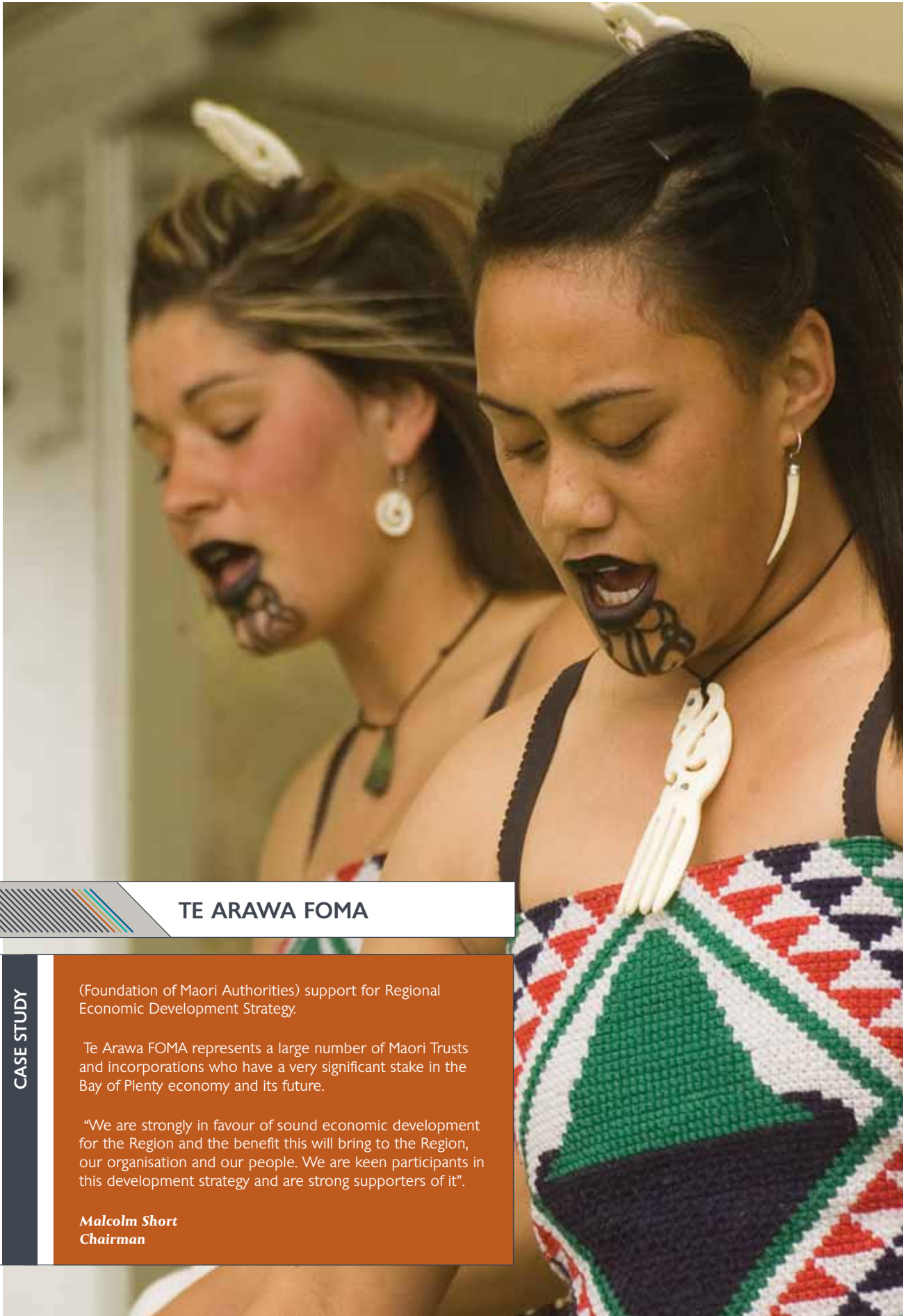
Future Opportunities

Regulatory uncertainty and delays further frustrate the progress of such ventures and must be resolved if the economic potential and the community benefits for the region are to be captured.

Actions

- Work with all key stakeholders including industry, science and research, iwi, local and central government to establish a Bay of Plenty Aquaculture Strategy
- Investigate and define options for developing a harbour entrance at Opotiki.





TE ARAWA FOMA

CASE STUDY

(Foundation of Maori Authorities) support for Regional Economic Development Strategy.

Te Arawa FOMA represents a large number of Maori Trusts and incorporations who have a very significant stake in the Bay of Plenty economy and its future.

"We are strongly in favour of sound economic development for the Region and the benefit this will bring to the Region, our organisation and our people. We are keen participants in this development strategy and are strong supporters of it".

Malcolm Short
Chairman

▾ **Monitoring and Review Arrangements**

A range of stakeholders and agencies will be key to effective strategy implementation. The Action Plan will be the tool to define what is required to be done, by whom and when and what is to be achieved, with appropriate measures.

The Regional Governance Group will be responsible for overseeing the implementation of strategy and the associated action plan. The Regional Management Group will be responsible for ensuring the planned actions are undertaken and reporting on issues arising and progress being made. The Group will also be responsible for measuring progress and achievement of actions.

Accordingly the Regional Management Group will ensure that annual reporting is undertaken to the Governance Group with subsequent reporting to all stakeholders and implementation agencies.

The Action Plan will be revised and updated annually and the Regional Management Group will undertake this task with subsequent reporting to the Regional Governance Group.

It is proposed that the strategy will be reviewed every three years.

▾ **Communications**

In accordance with the Vision and Mission described in this document, there is the commitment as stated in the Values that:

As a region we will work in our communities with integrity, respect, honesty and transparency and in a friendly and inclusive manner.

An ongoing communications strategy will be developed and adopted by the Regional Governance Group to ensure all stakeholders and implementation agencies are informed about and will continue to have the opportunity to contribute to the implementation of the Regional Economic Development Strategy.

