

DRAFT FOR DISCUSSION



WAIKATO MEANS BUSINESS: AN ECONOMIC DEVELOPMENT STRATEGY FOR THE WAIKATO REGION

A discussion paper to help shape the next phase of the region's economic development and prosperity

Foreword

It is a pleasure to present this discussion paper on behalf of the Waikato Economic Strategy Governance Group.

While the Waikato region has a range of strengths, it needs a collaborative and integrated approach to further stimulate regional economic growth. This will be vitally important if the region is to meet the challenges posed in coming decades. Developing an economic strategy will help move the Waikato economy forward and facilitate more effective partnerships between business and industry, iwi, local government and central government.

The Governance Group recognises that a number of groups, including business and sector groups, Māori business and others have already contributed to some of the ideas, opportunities and challenges outlined in this document. But we also recognise that there is significantly more work to do.

This discussion paper is deliberately high level because we do not want to predetermine what should be in the economic development strategy. The purpose of this paper is to elicit detailed feedback and suggestions from you.

We look forward to your input and thank you for taking the time to help us shape the next phase of the region's economic development and prosperity.



Hon John Luxton

Chair

The Waikato regional economic development strategy is overseen by the Waikato economic strategy governance group:

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- Peter Buckley
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Introduction

The Waikato region's economic performance has been solid in recent years and on most measures we perform close to the New Zealand average.

However, when we consider our advantageous location, the quality of our businesses, people and our natural assets, we should not be content with this performance. Our residents and our businesses deserve better. We should not be following other regions, but leading the way.

Looking 20 years out, it is also apparent that we are facing natural resource and labour supply constraints. These will challenge our ability to maintain current levels of performance, and to grow. We need to add more value to our primary resources and improve labour productivity.

In order for the region to realise its potential, concerted effort is required from businesses, education and research organisations, iwi, local and government agencies and the community. We are seeking your views as to what is required to embark on this change.

This document sets out the issues, challenges and opportunities that face the Waikato region. We identify potential strategic priorities and areas of focus to transform the region. These are proposals at this stage. This is an

opportunity for you to shape regional economic development policy, investment and activities.

This document has 6 sections

Section 1: The economic context

Section 2: Proposed goals and objectives

Section 3: Opportunities and challenges

Section 4: Potential strategic priorities and areas of focus

Section 5: Potential flagship initiatives

Section 6: Have your say

A supporting background report is available on www.mpdc.govt.nz/waikatomayoralforum which provides in more detail the economic and regional analysis on which this document is based. The background report brings together economic data, and outlines how the region fares on determinants of regional economic growth and prosperity, forming the evidence base for this discussion paper. The report includes sections on the region's industrial economy, innovation, the region's pull-factors, infrastructure, skills, and the business and built environment.

Economic growth and development

Higher standards of living and incomes result from improvements in labour productivity and the use of resources. Businesses (entrepreneurs, employers, workers) are the engines of this growth as they make productive investments, create jobs and new and better ways of doing things.

Businesses need adequate and quality supplies of natural resources, labour, capital, infrastructure, and the know-how about how to combine these together in pursuit of economic opportunities. They are also influenced by the business environment, which includes the quality of institutions, policy settings and regulation.

Regional economic development is the combination of policies, investments and actions that are designed to improve the ability of people and businesses to more productively and effectively use the resources available in our region and to respond to opportunities.

Section 1: The economic context

The region's economic story is one of unrealised potential.

Of New Zealand's regions, Waikato makes the fourth largest contribution to the New Zealand economy, behind Auckland, Canterbury and Wellington and represents around 9 percent of the population. However, our economic performance has been mixed over the last 5-10 years:

- GDP growth has been lower than national levels over the last ten years, but slightly faster over the last five. Likely due to being not as hard hit by the global financial crisis than other regions, with its strengths in primary and food production.
- Our GDP per capita is slightly lower than the national average and has been growing slowly over the last decade.
- Employment has grown slightly faster than the national average over the last ten years. Our labour force participation and employment rates are around the national average, although our unemployment rate is better than the national average.
- The region's median weekly household income is close to the national level.
- Our estimated productivity is slightly higher than the New Zealand average but has also only grown slowly over the last decade.



Economic growth has been uneven across territorial authorities in the region. There are areas of high performance, but also areas of underperformance. The region's major urban areas, in particular, are driving growth but several rural areas are not performing as well.

On key economic indicators and measures of prosperity, Hamilton, Waipa and Waikato often perform better than other areas, due in part to industrial structure and population growth. In contrast, Hauraki, Thames-Coromandel and South Waikato have not performed well on several measures and the latter two areas have experienced a decline in real GDP per capita over the last decade.

We want economic growth in the region to raise the living standards and well-being of all residents and economies, not just a select few.

Having higher standards of living in our region is not just about economic growth. We want our residents to be happy with the quality of life and the environment in the region. Our region derives a lot of economic advantage from our land and water assets. The ability of our region to manage these resource demands, understanding how environmental constraints may limit growth, and the environmental impacts from growth in our land-based industries will be critical to our overall success.

Section 2: Proposed goals and objectives¹

We want to improve standards of living in the Waikato region through quality employment, where all communities and businesses reach their potential.

In 20 years:

Focus goal

Value added per capita will grow by 2.8% per annum so that the Waikato region will be in the upper third of regions in New Zealand for economic performance

Potential subsidiary goals

Productivity growth is 1% pa

Proportion of residents with tertiary education increases from 12% to 20%

Lift value added in key sectors by 80%

Lift the value of international exports by 1.5% pa

Major objectives

Leverage value from our location and connections to the upper north

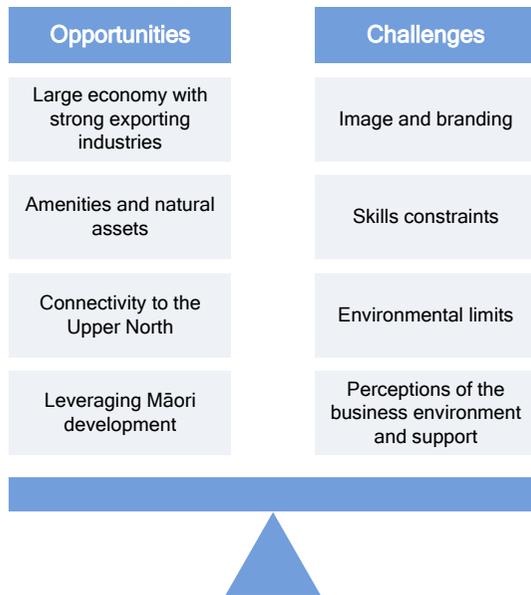
Be New Zealand's premier engineering and manufacturing hub

Be known for excellence in sustainable food production and agri-business



¹ These goals do not capture the potential growth limits that environmental and ecological resources may impose. These goals should be read in conjunction with the *Growth Goals Assessment* report (www.mpdc.govt.nz/waikatomayoralforum).

Section 3: Opportunities and challenges



Opportunity: Large economy with strengths in nationally significant and exporting industries

The region has a significant proportion of New Zealand’s export-facing industries. Dairy, meat, forestry, aquaculture, agri-business, tourism, education, energy and mining/quarrying are already the largest contributors to economic growth, but further value could be extracted by adding value through manufacturing and provision of services.

Although key sectors are concentrated in certain areas, broader value chains operate across the region. For example, while major logging and sawmilling operations are in Rotorua, Taupo and South Waikato, further processing occurs mainly in the South Waikato

and related service businesses tend to be based in Hamilton.

Primary and related processing	Infrastructure-related
<p>Highest milk production and largest dairy processor in New Zealand. Significant Fonterra presence</p> <p>Largest processing region for cattle meat exports</p> <p>Largest proportion of plantation forests and significant proportion of major wood processors</p> <p>Second only to Marlborough Sounds for number of aquaculture farms and farmed area</p>	<p>Largest generator of electricity</p> <p>Largest producer of bituminous coal</p> <p>Multiple energy sources- Waikato River (hydro), geothermal, biofuels, coal</p> <p>Long history of gold and silver mining, and aggregate quarries and sand mines</p>
Advanced manufacturing	Internationally-oriented services
<p>Wide range of materials, machinery and equipment manufacturing businesses built off the back of strengths in dairy, forestry and food production</p>	<p>University of Waikato and Wintec offer degree-conferring joint programmes with partner institutions in China</p> <p>Nationally significant attractions including Waitomo Caves, Cathedral Cove and Lake Taupo</p>

Opportunity: High quality amenities and natural assets

The region has a range of amenities which make it attractive for visitors (the region is a strong domestic visitor location), businesses, and current and potential residents. These include the longest river in New Zealand (Waikato River) which is a major source of energy generation, water supply and tourism activity; the largest lake (Lake Taupo); internationally significant wetlands; most of the

country’s geothermal resource, including spectacular surface features and rare habitats; extensive native and exotic forests and part of the Tongariro National Park, which is a World Heritage site; and 1,150 kilometres of open coast and estuarine shoreline.

We also have a range of parks and recreational facilities, excellent health services and schools, and a variety of affordable residential options from high density apartments and townhouses to lifestyle farm blocks.

Opportunity: Connectivity to the upper North and gateway to the South

Location is at the heart of the Waikato’s advantage. The region is a nationally significant juncture for freight and transport, and has good connections to large and growing populations in Auckland and Tauranga.

The region works with and complements activity in the Upper North. Freight between Waikato, Auckland and the Bay of Plenty represents over half of New Zealand’s freight movements. Our region has excellent transport links to Auckland International Airport and the Ports of Auckland and Tauranga for imports and exports.

Waikato has the highest per capita central government capital investment in transport and communications, a good quality road transport network, two of the busiest rail lines in New Zealand, Hamilton airport and many smaller airports in the region.

Opportunity: Leveraging Māori development

The region has a higher proportion of residents who identify themselves as Māori (20%, NZ 14%). The principle iwi groups in the region are Waikato/Tainui, Maniapoto, Raukawa, Hauraki, Tūwharetoa and Te Arawa.

Waikato iwi are active investors in the region, including in property and finance, geothermal energy, aquaculture, dairy and tourism, which offers significant potential for our region. Tūwharetoa have investments in horticulture, geothermal power generation, sustainable farming and broadband internet (Tuaropaki), forestry (Lake Taupo Forest Trust) and fisheries. Waikato-Tainui has a major share of investment in Hamilton's commercial and retail space, including the Airport Hotel, Ruakura estate, Novotel and the Base in Te Rapa.

Challenge: Image and branding

While local businesses and residents on the whole have a positive image of our region, we have not yet been able to project this nationally and internationally.

Our region is well known as a centre for dairy and beef, but less well for other key sectors such as advanced manufacturing and services. Our competitive advantage is not well known, agreed or consistently articulated.

Although our region is estimated to secure 10 percent of national visitor expenditure (a similar proportion to comparable regions), we have low average visitor nights across all regional tourism organisation areas. We have also only

been slowly growing the number of international students.

Challenge: Skills constraints

We need to improve the levels of education achievement and skills in our region if we are to improve standards of living:

- Waikato region has a relatively low proportion of the population with tertiary qualifications (12%, NZ 16%), and a high proportion of school leavers without a formal qualification (almost 29%, NZ 25%)
- We have lower proportions of the adult population with higher literacy or numeracy (around 6% lower than the national level and lower than most New Zealand regions)
- We have a high proportion of youth not in employment, education or training (around 18%, NZ 12%)
- Higher proportions of Māori than non-Māori leave school with lower levels of qualifications. This is of particular concern given our relatively large Māori population, which is projected to continue to grow at a faster rate than other ethnic groups.

Several Waikato employers have told us that they have difficulty attracting, developing and retaining people across the skill/occupation spectrum.

Challenge: Environmental limits

Water, and the marine environment and coastline, are critical to our economic base.

Nitrogen in waterways, increased demand for freshwater for irrigation and to meet population growth, and the potential for increased droughts, means that water quality and quantity are significant issues for the region. Soil quality is also under threat due to sub-division and intensification of land use, which could impact on the potential of our agricultural industries.

Any industry growth must consider environmental impacts and constraints. Growth in existing primary industries needs to come from increasing the value of processed products (manufacturing) and services.

Challenge: Perceptions of the business environment and support for innovation

Businesses in the Waikato have identified areas where the regulatory environment could be improved, including improving council engagement with industry when developing or applying regulation (for example, through 'key account' services), improving consistency in consent processing across councils, and pooling of capability when significant developments are being assessed. Several councils have already identified and are working on such improvements.

Our region has a wide range of organisations that aim to support business development and innovation. But in some industries, such as agri-technology and manufacturing, it is perceived that research, education and support organisations could do more to work with business to help solve their technical and innovation problems.

Section 4: Potential strategic priorities and areas of focus

Strategic priorities are the key areas our region needs to address or leverage to achieve our goals

Maintaining and building our location advantage

This priority is about:

- continuing to maintain good international connections through Auckland and Tauranga
- continuing to improve the quality of our local transport network
- building links between industries across the region, traversing territorial boundaries

Potential areas of focus:

- Ruakura Hub (see Potential flagship initiatives)
- Continued investment in infrastructure
- Upper North Island Strategic Alliance
- Waikato region spatial plan

Building, attracting and retaining skills and talent

This priority is about:

- increasing levels of literacy and numeracy and educational attainment in our youth and workforce
- ensuring businesses can attract, develop and retain the skills they need to grow

Potential areas of focus:

- Better coordination of skills initiatives through a regional labour market strategy (see Potential flagship initiatives)
- Scaling up local skills initiatives

Growing global industries

This priority about:

- encouraging greater value added from our natural resource-based and related industries
- encouraging improved linkages between business and innovation support

Potential areas of focus:

- Maximising value from primary production (see Potential flagship initiatives)
- Building linkages between and within research and industry, including through the proposed Waikato Agricultural Research Hub and Callaghan Innovation
- Joint Waikato-Bay of Connections aquaculture strategy
- Māori co-investment and economic development
- Leveraging our energy resources

Making business easier

This priority is about:

- ensuring business support is well targeted and value for money
- providing a consistent approach to local government regulation and relationship management with businesses across the region

Potential areas of focus:

- Regional coordination of business support
- Key account management within each council, consistency in planning and regulatory processes across the region, and better council and industry engagement.

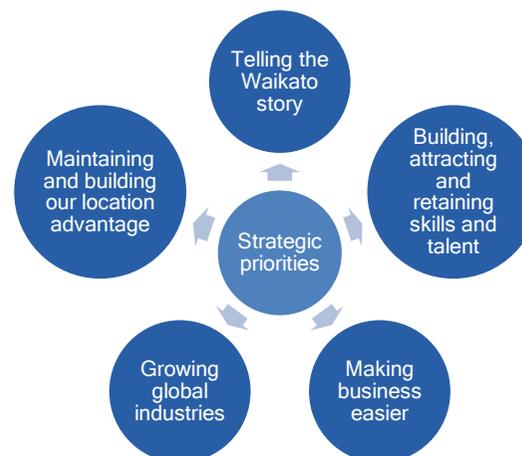
Telling the Waikato story

This priority is about:

- articulating the Waikato region's value proposition as a place to live, work, study in, visit and invest
- promoting our region's spectacular natural assets, business successes, strong events calendar and good infrastructure

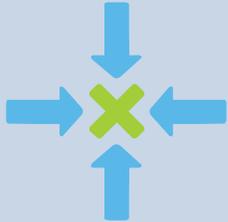
Potential areas of focus:

- Developing a credible visitor and investment offer (see Potential flagship initiatives)
- Regional tourism strategy
- A regional approach to business and investment attraction and retention



Section 5: Potential flagship initiatives

Support the development of the Ruakura hub



The proposed inland port at Ruakura, which utilises the East Coast Main Trunk line and the proposed Waikato Expressway, will complement the Fonterra hub, and generate further business investment activity by leveraging Waikato's central location. The Ruakura area covers over 800 hectares. Tainui Group Holdings (TGH) owns almost 500 hectares of the land to be developed and Chedworth-Park Limited (CPL) owns 116 hectares, which will be developed specifically for residential use. Some of the land included in the project is already in use by AgResearch and Waikato Innovation Park. The initial stages - the inland port and freight logistics hub will cover 80 hectares. It has been estimated that the proposed hub could create an additional 11,000 jobs for the region, contribute an additional \$1 billion in GDP by 2061, and increase exports by 2 percent, with other assessments suggesting the benefits could be even higher. TGH and CPL have sought a private plan change to the Hamilton District Plan. The Environmental Protection Authority has determined the development and plan change is part of a proposal of national significance. The plan change has been referred to an independent Board of Inquiry for a decision.

Tests for flagship initiatives

- Potential impact**
is likely to have sizable impact on the economy and achieving the economic goals
- Practical and manageable**
is realistically able to be implemented
- International orientation**
has the potential to increase export earnings, overseas investment and/or attract skills
- Collaborative**
involves a number of partners
- Leverages existing investment**
builds on current work and investments
- Consistency with national priorities**

Establishing and implementing a regional labour market strategy



The region has workforce gaps, and skills issues. Despite a strong research and education sector (primary through to tertiary, including University of Waikato and Wintec) our businesses struggle to attract, develop and retain the right people. The main challenges identified include: weak linkages between industry and secondary education (so that good and relevant careers information is provided and that literacy, language and numeracy issues are addressed), the lack of regionally consistent labour and skills data and knowledge, monitoring and evaluation of the success of career pathway initiatives and coordination of current initiatives to ensure limited resources are targeted at priority areas. Support is required to develop a regional skills/labour market strategy and forum to address these issues.

Develop a clear visitor and investment offer to accelerate export earnings



The Waikato is in a prime position to attract visitors, international students, workers, businesses and investment. The region forms two points of the international tourism triangle of Auckland, Waitomo and Rotorua; we have good infrastructure, relatively affordable housing and plentiful land supply. Thames-Coromandel and Taupo are strong domestic visitor locations; we have nationally significant attractions such as the Waitomo Caves, Cathedral Cove and Lake Taupo. The region has significant events (including sporting and equine-related events) and good quality event infrastructure. The region would benefit from a clear, co-ordinated business and talent attraction strategy and offer that clearly articulates these points of difference and which is tailored to key target markets.

Maximise value from primary production



The Waikato advantage includes natural resources, major businesses involved in primary production and related processing and a strong base of science and research in the primary sectors. However, more value could be extracted from our forestry, meat, dairy, aquaculture and materials sectors through further processing and innovation. Waikato Innovation Park, Crown research institutes, private researchers, tertiary education and a vibrant manufacturing sector all reside in the region, but the connections are not as strong as they could be. Bringing these strengths together could secure the region's reputation as New Zealand's centre of production, engineering and manufacturing.

Section 6: Have your say

Proposed goals and objectives

Are the draft goals the right ones? What goals should be added or deleted?
Do the broad objectives appropriately describe what the Waikato region should be known for in 20 years?
What does the region mean to you and what would you like the region to be known for?

Opportunities and challenges

Are the opportunities listed the most significant the Waikato region faces? What other opportunities are there?
Are the challenges identified the significant ones the Waikato region faces? What other challenges are there?

Potential strategic priorities

Are "maintaining and building our location advantage", "telling the Waikato story", "building, attracting and retaining skills and talent", "making business easier" and "growing global industries" the right strategic priorities for the region?
What are your suggested changes to the strategic priorities and why?

Potential areas of focus

Are the current and potential areas of focus the key areas we need to work on as a region to improve economic growth and standards of living?
What current and potential areas of focus are you aware of that should be added to the strategy, and why?
What (new) project or activity would make the biggest difference to innovation, productivity, exporting and incomes in the region?

Flagship initiatives

Are these initiatives the most likely to generate significant economic growth in the region? Why? If not, why not?
What other suggestions do you have for flagship initiatives?

Overall

What are your views on the proposed strategy as a whole?
Do you think it is important that we have a strategy and some common priorities for economic development across the region as a whole? Why or why not?