Review of Central Hawke's Bay District District Plan

District Economic Assessment

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Executive Summary

1. This report provides an economic assessment of the historical, current and forecast future situation of the Central Hawke’s Bay district, for the purposes of the review of the District Plan for the area that is now being undertaken by the Central Hawke’s Bay District Council. The report is also intended to inform the formulation and implementation of the Council’s important Economic Development Strategy.

2. The specific economic matters that are addressed in the assessment include the current demographic and economic profile of the district, trends in key economic indicators for the district over the past decade or so, the main drivers of economic and social/community development in the area, forecast future demographic and economic growth in the area over the longer-term, district advantages and strengths for additional industrial development, implications of the analysis for the District Plan review and also future economic development policy, and associated recommendations.

3. District Profile – the main findings of the report in respect of this matter are as follows:

   - The main demographic characteristics of the district include its relatively small population base, limited population growth, majority rural population, ageing population, significant Maori population, household growth significantly ahead of population growth and an increasing number of single-person households.

   - Rural economic activity accounts for the vast majority of the total district land area and pastoral farming and associated cropping account for most of the total rural production land. Horticultural land uses have grown considerably over the past decade but nevertheless still account for a relatively small proportion of the total rural production land area. The total rural land area under irrigation is currently in the order of 7,500ha or 3% of the total pastoral/cropping/horticultural land area in the district.

   - Primary production and commercial/business services account for over 80% of all businesses in the district, with sheep/beef/grain farming accounting for the highest proportion of total agricultural sector business numbers. The district has a limited base of manufacturing businesses. Grape-growing, mixed sheep/beef and dairying enterprises have increased in number noticeably during the past ten years. The dominant manufacturing activity is meat processing, followed well behind by log sawmilling, and the manufacturing of fabricated metal products and plant and equipment. The district also has a predominantly small business profile.

   - The direct wealth-creating sectors of primary production and processing-manufacturing collectively account for about 55% of total economic activity and employment in the district. Changing external market conditions impacting these sectors result in a considerably fluctuating economic growth track in the area. As with the rest of the Hawke’s Bay region, overall earnings levels and the standard of living in the district are noticeably below the overall national situation. Tourism adds to the much needed economic diversification of the district.

   - Over the past decade, annual employment in the district has generally been in the range 6,000-7,000. Unemployment has been increasing since 2006/2007 and the annualised rate of unemployment in 2012 stood at 8.3%. Employment seasonality is a particular feature of the district, as it is across the Hawke’s Bay region as a whole.
4. **Economic and Social Development ‘Drivers’** – the detailed report identifies the main ‘drivers’ over time of economic and social development in the district as including:

- Historically, the economic state of the dominant primary production sector (especially sheep and beef farming) and the related primary processing and rural servicing sectors.

- The primary production and processing sectors have in turn been significantly influenced over time by a range of internal and external factors such as climatic vagaries, livestock numbers, international market conditions, exchange rate levels, labour availability, processing capacity, farm management and farming practices, degree of land use intensification and technology change (including irrigation).

- Population and household growth, and the availability of employment opportunities.

5. **Future Population and Household Growth** – the main findings of the analysis in the report on this matter, are as follows:

- Both population and household growth in the district are currently tracking Statistics New Zealand ‘Medium’ or ‘middle of the road’ growth projections for these two indicators, which indicate total population decline of close to 8% over 2013-2031 accompanied by limited total household growth of under 3%. The population of both the 0-14 and 15-64 (traditional working-age cohort) age-groups is projected to fall significantly whilst the 65+ population is projected to double. The district’s Maori population is projected to increase by 10% over the period.

- The amount of zoned and serviced land currently available in the district for additional housing is considerably in excess of even the Statistics New Zealand most optimistic household growth projection for the area.

- The proposed Ruataniwha Water Storage Scheme, if implemented, will result in a considerable additional labour requirement for the district.

- Whilst the analysis in the report infers, on the basis of prevailing and projected population growth trends, a good case for the formulation and implementation of a focused population growth and attraction strategy in the district, nevertheless, it is considered that this should await the provision by Statistics New Zealand of the detailed population results for the area from the 2013 Census and a detailed analysis of the results and their implications for the future development of the district.

- It is also considered that a future population growth strategy in the district should also be closely linked to, amongst other factors, addressing specific development requirements and opportunities in the area (such as the proposed major water storage project), in order that the strategy contributes to sustainable population, residential and economic growth and development in Central Hawke’s Bay.

6. **Ruataniwha Water Storage Scheme** – the main points to note from the analysis on this matter are as follows:

- One of the objectives of the Scheme, which is now being assessed by the Government’s Environmental Protection Authority, is to provide a major and secure supply of irrigation water for future rural land use in its catchment. Current planning is that the Scheme could potentially irrigate 20,000 to 30,000ha of farmland with associated productivity gains extending to a
greater area. As with other significant irrigation initiatives in New Zealand, the Scheme should facilitate a wider range of and more intensive agricultural land uses in the district (e.g. grazing, mixed use/cropping, vegetable growing, dairying, pipfruit and viticulture), resulting in a currently estimated $160 million annual increase in farm-gate production in the area.

- The total multiplied or flow-on regional GDP and employment impacts of the Scheme are currently respectively assessed at, at the present time: construction ($350 million GDP spread over 12 years and a total employment impact of 4000 job-years or the equivalent of 4000 people each working on a particular job for one year), increased farm production (an annual GDP gain of $127 million and an associated total fulltime equivalent employment impact of 1,160) and allied additional processing activity (potential maximum annual impacts of GDP $108 million and employment 1,090).

- The multiplied or flow-on impacts cover the business activity required to service the total construction stage for the Scheme (construction of the dam and the irrigation network), agricultural activity once the network is operational, any allied ‘processing’ activity and the household spending of personnel involved in some capacity with the construction and ongoing operation (including additional agricultural activity) of the Scheme. The impacts therefore represent a significant additional or new commercial opportunity for local and regional businesses, as well as providing further employment opportunities in the district and region.

- The detailed report identifies a range of other socio-economic gains potentially arising for the district/region from the Scheme’s construction and operation, as well as the positive on-farm and off-farm financial and economic gains generated by other major irrigation initiatives in the South Island.

7. District Growth and Employment Outlook – for the purposes of the District Plan review, Chapter 4 of the report provides an assessment of the long-term economic growth outlook for the Central Hawke’s Bay district using three different but interrelated growth scenarios. The first scenario, based on a continuation of the district’s historical long-term annual average real GDP growth record of approximately 1%, results in overall GDP growth of $113 million or 32% for the period 2012-2040. The second scenario, incorporating the above GDP impact and also a 10% lift in pastoral farming production in the district due to non-irrigation related on-farm productivity improvements, results in a total GDP gain over the period of $164 million or 47%. The third scenario, building on the previous two scenarios and also incorporating the water storage project, results in a total GDP gain for the period of $330 million or 94%. The first scenario results in an overall small fall in total district employment for the period whilst the second and third scenarios result in 4% and 38% (+2,400) gains respectively in district employment.

8. Accommodating New Business/Industry Development – the report was requested to consider, amongst a number of related matters, the advantages afforded by the Central Hawke’s Bay district for potential further industrial and business development in the area, whether originating from the water storage project or for other reasons, and the capacity of the district to cater for this development in the future. The key points to note from the detailed commentary in the report on these matters are as follows:

- Approximately 45% of the existing zoned and serviced Business Zone 2 industrial/commercial Takapau Rd area land in Waipukurau is still available for further appropriate business and
industrial development (ESL understands that there is currently no Business Zone 2 land readily available for development within the main Waipawa urban area).

- It is understood that the Central Hawke’s Bay District Council is considering upgrading and extending infrastructural services in the Takapau Rd industrial-commercial area, as the situation warrants this.

- Other business and industrial location attributes of the district include possible use of suitable land in rural centres in the district, potential use of some of the existing building stock in the industrial zones, ready access to major state highway and rail networks, relatively central location vis-à-vis the Napier-Hastings (including the Port of Napier) and Tararua/Manawatu areas/markets-supply sources, the potential additional labour supply in these areas for Central Hawke’s Bay based enterprises, close proximity of the district’s primary production sector for industries and business services closely linked to the sector, and lower business operation costs (e.g. land purchase and building purchase/rental costs, and labour costs).

- Potential industrial local disadvantages of the district include transport costs to market or overseas shipping facilities, local labour supply limitations and the limited local industrial infrastructure.

- The Council is in the process of implementing a more proactive, structured and strategic economic development approach/plan for the district, in order to address requirements associated with new business development and attraction including those associated with the proposed water storage project, future district labour and skill/skill training needs in relation to the project and other district developments, further tourism and events sector development in the district, and the provision of residential accommodation and community services to meet the needs of the water storage project construction workforce.

- It is suggested that if the Central Hawke’s Bay District Council, following the recommended analysis of the detailed population results for the district from the 2013 Census, decides to proceed with a focused population and residential population growth strategy for the area, then this should be incorporated within the Council’s overall focused Economic Development Plan for the district.

9. **Recommendations** – Section 6.3 of the detailed report contains some recommendations arising from the report’s analysis, for Council consideration as part of the District Plan Review and/or implementation of the Economic Development Plan. The recommendations are as follows:

i) The main findings of the report be reflected as appropriate in the District Plan Review including, as appropriate, an initial base commentary profiling the district at the present time and commenting on its future growth outlook;

ii) The importance of sustained economic growth and development of the district should be one of the key themes underpinning the District Plan Review;

iii) The Council implements a proactive and strategic economic development approach in the district via the proposed Economic Development Strategy and that this approach includes a dedicated resource to lead the ‘on the ground’ work with the implementation of the Strategy, ongoing close liaison with regional economic development entities and the development of a structured Council industry support package;
iv) As part of the implementation of the Strategy, major emphasis be placed on addressing future district requirements associated with the proposed Ruataniwha Water Storage Project, including implications of the project for the District Plan Review and the future availability of serviced industrial land;

v) Close consideration be given by the Council to the need for a focused and proactive population growth and urban land development strategy in the district, and its linkages to the Economic Development Strategy; and

vi) As part of v) above, a suitably detailed analysis of the 2013 Census demographic results for the district and their local community and economic development implications, should be undertaken.
1- Introduction

1.1 The Central Hawke’s Bay District Council is undertaking a review of its District Plan and as part of and informing the review, has requested this specific Economic Assessment of the Central Hawke’s Bay district.

1.2 The review of the District Plan has three main components, comprising reviews of the district’s major and minor urban centres, the Coastal Zone of the district and the area’s rural sector. It is intended that the Economic Assessment be relevant to all of these aspects. It is also intended to be important for the Council’s Economic Development Strategy and associated initiatives.

1.3 Consistent with the Council’s brief for the Assessment, it comprises the following specific elements:

i) A profile of the demographic, residential/urban, physical/land, business/industry, growth and labourforce basis of the Central Hawke’s Bay district and its economy;

ii) An analysis of the main historical longer-term trends occurring within these aspects of the district economy since around Year 2000;

iii) An assessment of the key ‘drivers’ or influences on the social/community and economic/industry development of the district historically and in the future;

iv) Future population and household growth in the district;

v) An assessment of the longer-term economic and industry growth outlook for the district under different growth and development scenarios (including agricultural sector impacts of the potential Ruataniwha Water Storage Project) and the associated economic implications for the district;

vi) An assessment of the economic advantages and opportunities for the Central Hawke’s Bay district in terms of additional/new industrial development in the area in the future, relative to other parts of the Hawke’s Bay region;

vii) An assessment of the main implications of the analysis undertaken in parts i) to vi) above in relation to planning for future urban and economic growth and development in the Central Hawke’s Bay district; and

viii) In light of the results of the overall analysis and assessment of key policy implications, broad recommendations for future District Plan attention to the district’s economy, urban centres and industry sectors.

1.4 The above matters are addressed in the following main sections of the report, either on their own or as part of an interrelated analysis.

1.5 It is noted that the long-term planning horizon for the District Plan review is in the order of 35-40 years. As far as possible, the Economic Assessment is also broadly consistent with this time-frame.

1.6 The main information sources used for the analysis include Statistics New Zealand, Central Hawke’s Bay District Council, local consultation with Council representatives and community/business personnel, New Zealand Institute of Economic Research, Hawke’s Bay Regional Council documentation, Ministry of Primary Industries and the Ministry of Social Development.
2- Economic Profile and Trends

2.1 This chapter provides a detailed analysis of the current profile of the Central Hawke’s Bay district community and economy, and key trends in the area since Year 2000. The commentary provides the basis for the rest of the analysis in the report.

Population

2.2 In June 2012, the estimated population of the Central Hawke’s Bay district stood at 13,350. This represented approximately 9% of the total Hawke’s Bay regional population. Since 2000, the annual district population has remained relatively stable, within the range 13,150 to 13,500. The latter figure was recorded in both 2010 and 2011; last year, the district’s population fell by 150 or -1.1%. The total population change of 200 over the long-term period 2000-2012 has comprised natural population increase (births-deaths) of 1,016 and a total net migration loss of -816. This loss comprised a net internal population migration loss to other New Zealand localities of -446 and a net migration loss to overseas destinations of -370. Since 2000, the years for most net external (overseas) migration loss have been 2002, 2009, 2011 and 2012.

2.3 Since 2000, Central Hawke’s Bay district’s population has increased overall by 1.5%. In comparison, throughout the rest of the Hawke’s Bay region Wairoa district’s population has fallen by 14.6% whilst the Napier City and Hastings district populations have risen by 4.5% and 8.9% respectively. The total regional population has increased by 5.2%, in comparison to 14.9% nationally.

2.4 Table 1 indicates the population changes that have occurred inside the district at the ‘Census Area Unit’ level since 2000 and also the current locational profile of the population. Appendix 1 contains a map of the areas listed in the table. The information source is Statistics New Zealand.

### Table 1: Central Hawke’s Bay District Population Location Profile 2000-2012

<table>
<thead>
<tr>
<th>Area</th>
<th>Resident Population</th>
<th>Population Share % 2013</th>
<th>Population Change (%) 2000-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>Waipawa</td>
<td>1,925</td>
<td>2,040</td>
<td>15.3</td>
</tr>
<tr>
<td>Waipukurau</td>
<td>4,010</td>
<td>4,070</td>
<td>30.5</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>5,935</td>
<td>6,110</td>
<td>45.8</td>
</tr>
<tr>
<td>Elsthorpe-Flemington</td>
<td>3,010</td>
<td>3,260</td>
<td>24.4</td>
</tr>
<tr>
<td>Otane</td>
<td>560</td>
<td>560</td>
<td>4.2</td>
</tr>
<tr>
<td>Porangahau</td>
<td>270</td>
<td>220</td>
<td>1.6</td>
</tr>
<tr>
<td>Takapau</td>
<td>595</td>
<td>490</td>
<td>3.7</td>
</tr>
<tr>
<td>Tikokino</td>
<td>2,780</td>
<td>2,710</td>
<td>20.3</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>7,215</td>
<td>7,240</td>
<td>54.2</td>
</tr>
<tr>
<td>TOTAL DISTRICT</td>
<td>13,150</td>
<td>13,350</td>
<td>-</td>
</tr>
</tbody>
</table>

Last year, the combined main urban area of Waipawa-Waipukurau accounted for approximately 46% of the total district population and the remaining primarily rural parts of the district the balance of 54%. Population growth within the district has been highest over the 2000-2012 period in the Elsthorpe-Flemington, Waipawa and Waipukurau areas, in this order. The population of the remaining (rural) centres as a group, has fallen by 5.4%.
2.5 In 2012, the broad age-group profile of the Central Hawke's Bay district population was 0-14 years (21% of the total population), 15-39 years (27%), 40-64 years (36%) and 65 years plus (16%). In 2001, the respective proportions were 0-14 years (24%), 15-39 years (31%), 40-64 years (33%) and 65+ years (12%). The proportions for the first two age-groups have thus fallen over the period, whilst the proportions for the last two groups have increased. The median or ‘middle’ age of the district population was estimated at 41 years in 2011, compared to 39 years in 2006. The Hawke's Bay region figure in 2011 was 39 years.

2.6 Based on Statistics New Zealand ethnic group population projections, the Maori population of Central Hawke's Bay district currently stands at an estimated 3,140 or 24% of its total population. This represents a gain of 240 or 8.3% since 2001, compared to the European/Other Ethnicities gain of 1.8%.

Households

2.7 The total number of households/dwellings in the district currently stands at an estimated 5,360 and has increased by an estimated 420 or 8.5% since Year 2000, compared to the population gain of 1.5%.

2.8 At the same time, average household occupancy (average number of persons per household) in the district has fallen from 2.66 to 2.49. This is due to social factors occurring in the community such as the ageing population, changing marriage and family structures, and changing housing preferences.

2.9 Table 2 indicates the Census Area Unit profile of household growth within the Central Hawke's Bay district since Year 2000. Over the period, the total number of households in the combined main Waipukurau-Waipawa urban area, which currently accounts for 46% of all households in the district, has risen by 122 or 5.2%. Total households in the remainder of the district as a whole, which account for 54% of all district households, have increased by 298 or 11.6%. Within the general rural area of the district, the fastest growing areas in terms of household numbers have been, in order, Porangahau, Elsthorpe-Flemington, Tikokino and Otane. Elsthorp-Flemington and Tikokino together currently account for just over 80% of all households in the rural part of the district. The information source is Statistics New Zealand.

<table>
<thead>
<tr>
<th>Area</th>
<th>Household Growth</th>
<th>Household Share %</th>
<th>Household Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waipawa</td>
<td>777</td>
<td>815</td>
<td>15.2</td>
</tr>
<tr>
<td>Waipukurau</td>
<td>1,586</td>
<td>1,670</td>
<td>31.2</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>2,363</strong></td>
<td><strong>2,485</strong></td>
<td><strong>46.4</strong></td>
</tr>
<tr>
<td>Elsthorpe-Flemington</td>
<td>1,123</td>
<td>1,280</td>
<td>23.9</td>
</tr>
<tr>
<td>Otane</td>
<td>190</td>
<td>205</td>
<td>3.8</td>
</tr>
<tr>
<td>Porangahau</td>
<td>105</td>
<td>120</td>
<td>2.2</td>
</tr>
<tr>
<td>Takapau</td>
<td>209</td>
<td>215</td>
<td>4.0</td>
</tr>
<tr>
<td>Tikokino</td>
<td>950</td>
<td>1,055</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>2,577</strong></td>
<td><strong>2,875</strong></td>
<td><strong>53.6</strong></td>
</tr>
<tr>
<td><strong>TOTAL DISTRICT</strong></td>
<td><strong>4,940</strong></td>
<td><strong>5,360</strong></td>
<td>-</td>
</tr>
</tbody>
</table>
2.10 Within the district, family-based households comprise 72% of all households, single-person 26% and other household types 2%. The comparative national figures are 71%, 24% and 5% respectively. Over the next 20 years, the number of ‘family’ households in Central Hawke’s Bay is projected to fall by about 8% whilst the number of single-person households is projected to rise by almost 30%. ‘Couple without children’ families are projected to increase in number by 10% with the number of single and two-parent families declining significantly.

**Economic**

**Land Use**

2.11 The total land area of the Central Hawke’s Bay district is approximately 332,800 hectares, of which the area in rural land use comprises the vast majority at 87%. The remainder comprises the major and minor urban centres in the district including their commercial, industrial, community and other parts, and other non-rural land uses.

2.12 According to the results of the Statistics New Zealand 2012 Agricultural Production Census, pastoral farming and associated cropping land accounts for 88% of the total district land area in rural production/land use, followed well behind by native bush/scrub 5%, exotic forest land 4%, horticultural land 1% and other rural land the balance of 2%.

2.13 **Figure 1** below indicates the area changes over the 2002-2012 period for the different rural land use categories in the district. Those categories recording an increased area are pastoral cropping land +20%, horticultural land +191% and land in native bush and scrub +41%. Pastoral/grassland land declined in land area by 5.4% and the area in exotic forest land by 26.2%. The area in all other rural land use increased by 15%. Over the period, the total rural land use area in the district fell by 3.3%.

![Figure 1: Central Hawkes Bay Rural Land Use Change 2002-2012](image)

2.14 In 2012, Central Hawke’s Bay district accounted for a third of the total rural land use area in the Hawke’s Bay region, compared to 40% for Hastings district, 26% for Wairoa district and 1% for Napier City. Central Hawke’s Bay also accounted for 40% of the total pastoral and associated cropping land in the region, slightly ahead of Hastings district at 38%. Central Hawke’s Bay district also accounted for 14% of total regional horticultural land, 9% of exotic forest land, 29% of all native bush/scrub land and 19% of all the other regional rural land.
2.15 In February 2012, Statistics New Zealand figures show that the total number of businesses in Central Hawke's Bay district was recorded at 2,254. Figure 2 indicates the broad industry/business profile of the district. The dominant categories are rural/land based production and commercial/business services, which account for 41% and 40% respectively of total district business numbers. Secondary industry (manufacturing, utility services and construction) accounts for 9%, public-community services 5% and ‘other’ industry activities the balance of 5%. Appendix 2 provides more detailed information on industry business numbers in the district at the Census Area Unit level. The leading individual industries in the district in terms of business numbers are, in order, pastoral farming; leasing of residential and non-residential property and equipment; construction; retailing; financial and insurance services, rural servicing, professional, scientific and technical services; wholesaling; health care/social services; transport/storage and horticulture/fruit production.

Figure 2:

The firms that are most likely to be found in the rural parts of the district currently account for approximately 40% of all businesses in the area. Those industries traditionally located within defined industrial/business ‘zones’ within or close to main urban centres account for an estimated 25%. The balance of 35% are located in more central business parts of the district.

2.16 Total business numbers in the district increased overall by 9% between 2000 and 2012. However, there has been a gradual fall in the number of businesses from 2007, overall by approximately 6%. Since 2000, the total number of rural production businesses has fallen by 14.3%. Manufacturing business numbers have been relatively stable. The combined number of utility (power, gas, water, drainage services) and construction industry businesses has increased by 47%. The total number of commercial services enterprises has risen by 51%. The number of community-based public and services industries has risen by 11%.

2.17 Within the broad rural production sector, the largest industries in the district in terms of business numbers are currently, in order, agriculture (which accounts for almost 85% of all businesses within the sector), followed a long way behind by rural industry support services, horticultural activity and forestry/logging. Sheep/beef/grain farming accounts for almost 80% of all agricultural businesses
in the district and 87% of all pastoral farming enterprises. Other significant agricultural industries in terms of business numbers include dairy cattle farming, pipfruit and grape growing, deer farming, vegetable growing and a range of crop growing.

2.18 Additional relevant results for the district from the 2012 Statistics New Zealand Agricultural Production Census include as follows:

- In terms of farm numbers, the leading farming activities are mixed sheep/beef, specialised beef cattle farming and specialised sheep farming, in this order. These farming activities account for 80% of total pastoral livestock farming. The district accounts for almost 40% of all Hawke’s Bay pastoral farms within these three categories (2007 Census).
- Sheep account for 84% of total livestock numbers in Central Hawke’s Bay, beef cattle 10%, dairy cattle 3%, deer 2% and all other livestock 1%.
- The range of livestock and other feed crops grown in the district includes hay, silage, balage, maize, forage brassicas, wheat, barley, oats, cereal and maize grains, peas and seeds/seed crops.
- Fruit crops grown in the district include wine grapes, pipfruit, summerfruit, cherries and plums, olives and nuts.
- Horticultural crops grown in the area include peas, squash and a range of other basic vegetables.
- The total land area under an irrigation system is approximately 7,500ha or approximately 3% of the total land area currently in pastoral farming, associated cropping and horticulture.

2.19 The latest Statistics New Zealand Agricultural Census also indicates a total forestry area in the Central Hawke’s Bay district of some 10,600 hectares, representing approximately 9% of the regional total. In 2012, there were some 28 forestry and logging enterprises in the Central Hawke’s Bay district, accounting for 9.6% of the Hawke’s Bay total. The number of such enterprises has been relatively stable in the district over the past decade.

2.20 In the western ranges and foothills area of the district, pastoral farming activity includes breeding and the finishing of lambs and cattle. The middle part of the district and lower rolling to flat country is mainly finishing with some breeding. The coastal hill country in the district is predominantly breeding with some finishing when the season allows. Dairying is located primarily in the Tikokino area of Central Hawke’s Bay. Horticultural activity is also centred on the Tikokino area and to a lesser extent the Elsthorp-Flemington area.

2.21 Within the agricultural sector in the district, there has been an overall noticeable increase in business numbers since 2000 in the rural support service industries, grape growing, mixed sheep-beef farming, grain and other crop growing, dairy cattle farming and horse farming. At the same time, business numbers have fallen significantly in nursery and floricultural production, outdoor vegetable production, pipfruit growing, specialised sheep and specialised beef farming, deer farming and pig farming. It is noted that business numbers in the district’s rural sector have generally fallen since the 2006-2008 period, as a result of, amongst a range of factors, the impact of the major international and domestic economic downturn.

2.22 Business numbers for the manufacturing sector are currently highest in the district for the meat and bakery product processing industries, log sawmilling and the manufacturing of fabricated metal
products, machinery/equipment and furniture items. Either small gains or declines in business numbers have been the order of the day for the main manufacturing categories in the district, since 2000. The major meat processing firm in the district, Silver Fern Farms, is based in Takapau township and employs up to 700 staff at the peak of the season.

2.23 Individual service industries in Central Hawke’s Bay district containing the highest number of businesses at the present time are, in order, rental/hiring/real estate services, construction, retailing, financial and insurance services, professional/scientific/technical services, education and training, wholesaling, visitor accommodation and food services, health care and social assistance, and transport/postal/warehousing services. Those industries that have recorded a significant increase in business numbers over the past twelve years include construction; financial and insurance services; rental, hiring, real estate services; professional, scientific, technical services; and administrative and support services.

2.24 Appendix 2 also indicates the Census Area Unit based distribution of business activity across the Central Hawke’s Bay district. Last year, the Elsthorpe-Flemington area accounted for the highest proportion (37%) of total business numbers across the district, followed by Tikokino (29%), Waipukurau (21%) and Waipawa (8%). Otane/Porangahau/Takapau combined accounted for the balance of 5%. The largest business categories in Elsthorpe-Flemington are pastoral farming and property/equipment leasing services; similarly in Tikokino; Waipukurau – property/equipment leasing services, construction services, retailing and financial/insurance services; and Waipawa-property/equipment leasing services and construction services. For the combined Otane/Takapau/Porangahau area, the leading business categories are pastoral farming, construction services, retailing, food services and property/equipment leasing services.

2.25 Figure 3 illustrates the current industry employment size profile for Central Hawke's Bay district. As indicated, businesses/industries employing no staff account for the majority of employers in the district; these include, for example, contractors and the self-employed. Businesses employing 1-5 staff are the next largest group, accounting for 25% of all businesses in the district.
Economic Activity and Growth

2.26 This section indicates the current contribution of the different broad industry groups in Central Hawke's Bay to total nominal (current dollar terms) GDP (Gross Domestic Product) in the district. Statistics New Zealand industry based GDP and employment estimates for the Hawke's Bay region, have been used as the base for the analysis. Table 3 details the respective industry contributions to district GDP in both value and percentage terms, along with their employment contributions. The latter aspect is examined in the next section of this chapter.

Table 3: Central Hawke's Bay District Industry GDP and Employment Profile 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Gross Domestic Product (GDP)</th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>% of Total</td>
</tr>
<tr>
<td>Rural Production</td>
<td>119</td>
<td>25.8</td>
</tr>
<tr>
<td>Processing/Manufacturing</td>
<td>130</td>
<td>28.2</td>
</tr>
<tr>
<td>Utilities &amp; Construction</td>
<td>37</td>
<td>8.0</td>
</tr>
<tr>
<td>Trade &amp; Hospitality Services 1</td>
<td>34</td>
<td>7.4</td>
</tr>
<tr>
<td>Transport/Storage/Coms</td>
<td>18</td>
<td>3.9</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>32</td>
<td>6.9</td>
</tr>
<tr>
<td>Community Services 2</td>
<td>43</td>
<td>9.1</td>
</tr>
<tr>
<td>Public Administration</td>
<td>9</td>
<td>2.0</td>
</tr>
<tr>
<td>Other Industry</td>
<td>10</td>
<td>2.2</td>
</tr>
<tr>
<td>Owner Occupied Dwellings 3</td>
<td>29</td>
<td>6.5</td>
</tr>
<tr>
<td>GST On Production &amp; Taxes</td>
<td>39</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>500</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
1. Comprises wholesale trade, retailing, visitor accommodation and cafes/restaurants
2. Comprises health, education, welfare, recreational, arts and household services
3. Consistent with national income accounting process

2.27 Rural production and processing/manufacturing together account for 54% of total Central Hawke's Bay GDP. This is followed by, in order, community services, utilities/construction services, trade and hospitality services and commercial services.

2.28 Figure 4 tracks the trend in annual economic growth as a whole for the Central Hawke's Bay district, since 2002. The comparative growth trend for the full Hawke's Bay region is also shown. Economic growth in the district has fluctuated considerably during the period; significant positive growth was experienced over 2002-2004, followed by economic decline over the next four years; however, positive annual growth rates have mostly been recorded since 2009 although to varying degrees. The fluctuating pattern of growth in the district over the past decade or so is reflective of its relatively small overall economy, heavy reliance on rural/sheep-beef production and industries servicing this sector, and resulting major exposure to changing external forces such as climatic conditions, exchange rates and commodity price levels.
‘GDP Per Capita’ is a formal measure of the economic standard of living within a particular community jurisdiction. The current level for the Central Hawke’s Bay district is approximately $37,453 in nominal terms. This compares to $37,683 for the full Hawke’s Bay region and $47,076 for the country as a whole. The district has a slightly lower overall standard of living compared to the regional level and both areas are well below the national level for this indicator.

The Central Hawke’s Bay district makes a valuable contribution to the Hawke’s Bay region’s export performance via its fruit-growing, sheep/beef farming, dairying and meat processing industries.

Table 4 provides annual results for the period since 2000 for different categories of consented new building activity in the district and also consented building alterations. The data source is Statistics New Zealand. This information provides a valuable additional indication of the performance of the district economy over time.

Table 4: Central Hawke’s Bay District Consented New Building Activity and Building Alterations 2000-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>New Dwellings</th>
<th>New Comm-Ind Bldgs</th>
<th>New Farm Buildings</th>
<th>New Buildgs Total</th>
<th>Building Alterations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>57</td>
<td>7</td>
<td>42</td>
<td>106</td>
<td>194</td>
</tr>
<tr>
<td>2001</td>
<td>51</td>
<td>16</td>
<td>57</td>
<td>124</td>
<td>233</td>
</tr>
<tr>
<td>2002</td>
<td>43</td>
<td>9</td>
<td>45</td>
<td>97</td>
<td>220</td>
</tr>
<tr>
<td>2003</td>
<td>32</td>
<td>9</td>
<td>39</td>
<td>80</td>
<td>231</td>
</tr>
<tr>
<td>2004</td>
<td>81</td>
<td>9</td>
<td>82</td>
<td>172</td>
<td>261</td>
</tr>
<tr>
<td>2005</td>
<td>70</td>
<td>4</td>
<td>79</td>
<td>153</td>
<td>294</td>
</tr>
<tr>
<td>2006</td>
<td>93</td>
<td>9</td>
<td>61</td>
<td>163</td>
<td>267</td>
</tr>
<tr>
<td>2007</td>
<td>80</td>
<td>10</td>
<td>46</td>
<td>136</td>
<td>240</td>
</tr>
<tr>
<td>2008</td>
<td>58</td>
<td>2</td>
<td>43</td>
<td>103</td>
<td>208</td>
</tr>
<tr>
<td>2009</td>
<td>33</td>
<td>7</td>
<td>33</td>
<td>73</td>
<td>140</td>
</tr>
<tr>
<td>2010</td>
<td>46</td>
<td>9</td>
<td>30</td>
<td>85</td>
<td>163</td>
</tr>
<tr>
<td>2011</td>
<td>38</td>
<td>2</td>
<td>35</td>
<td>75</td>
<td>114</td>
</tr>
<tr>
<td>2012</td>
<td>19</td>
<td>2</td>
<td>32</td>
<td>53</td>
<td>104</td>
</tr>
</tbody>
</table>
New home building peaked over 2004 until 2007 but has fallen quite noticeably since then, particularly last year. New commercial/industrial building fell noticeably in 2002, 2005, 2008 and 2011-2012. New farm building has been steady at a significantly lower level from 2009. Across these three building sectors, there has been a gradual decline in activity from the peak years of 2004-2006. Consented building alterations have followed a similar trend. However, despite this, the period since 2006 has still seen a total of 274 new dwellings consented, 32 new commercial/industrial buildings and 219 new farm buildings.

2.32 **Tourism** – despite its relatively small overall contribution to the district economy (estimated at 5% of total district employment from a broad visitor industry perspective), this sector is nevertheless still a valuable component of the Central Hawke’s Bay district economy, from the point of view of adding to the diversity of the local economy beyond its heavy reliance on rural production. In 2012, Statistics New Zealand information indicates that a total of 8,636 visitors stayed in commercial accommodation in the district, with a total night-stays impact of approximately 13,510. **Figure 5** shows the annual trend in total commercial accommodation night-stays in the district, since 2003. This indicator increased steadily over 2003-2006. It was then steady at a lower level over 2007/2008. Visitor-nights dropped sharply in 2009 but recovered a little in 2010. Since then, they have again fallen steadily.

**Figure 5:**

![Central Hawkes Bay District Annual Commercial Visitor Nights Stayed 2003-2013 March Years](image)

### Labour Market

2.33 **Table 2** on page 3 also provides a Year 2012 industry based employment profile of Central Hawke’s Bay district. Last year, total full and part-time employment in the district was recorded at 6,365. The largest employing industry groups were, in order, rural production, processing and manufacturing, community services and trade/hospitality services. Together, these industries accounted for 84% of total district employment. The largest individual employing activities in the district are currently meat processing, sheep and beef farming, pipfruit growing, specialised sheep farming, dairying, supermarkets, primary education, the ‘caring’ industry, shearing services and road freight services, in this order.
2.34 **Figure 6** indicates the trend since 2002 in total full/part-time employment and unemployment in Central Hawke's Bay district. Employment rose steadily over 2001-2004, fell back from then until 2008, increased the following two years and has stabilised since then. It is noted in this context that the closure of the major Ovation New Zealand meat processing plant in Waipukurau in mid 2011 resulted in a total local job loss of over 300 staff, although not all of these would have resided in the district.

![Figure 6](image)

Unemployment has fluctuated throughout the period and has ranged from a low of 301 in 2007 to a high of 583 in 2009. Over the monitoring period, the annualised rate of unemployment in the district has also fluctuated noticeably, within the range 4.8% to the peak figure of 8.3% recorded in 2009 and again in 2012. The combined Hawke’s Bay-Gisborne figure for 2012 was 8.1%. The rate of unemployment in the district generally fell over 2001-2006 but has since increased. Ministry of Social Development figures indicate a total of 198 Central Hawke’s Bay residents receiving the unemployment benefit in June 2012, 237 in September 2012, 177 in December last year and 97 in March 2013. The figure for the March quarters since 2009 has been increasing steadily, peaking at 186 in March last year. These results are also indicative of the significant seasonality of the labour-market in an area such as Central Hawke’s Bay with a strong rural production orientation. It is noted that the profile of unemployment benefit recipients in the district in March this year included 55% male, 41% Maori and 67% in the 40-64 age-range.

2.35 **Earnings Levels** – the annual median earnings figure for continuing jobs in Central Hawke's Bay district in 2011, was approximately $40,000 in nominal terms. The comparable Hawke’s Bay region and national figures were $41,300 and $45,440 respectively. At the regional level, the sectors with the highest annual median earnings levels in that year were, in order, education and training, finance/insurance/hiring/rental services, mining/utility services/construction, manufacturing, public administration/arts and recreation services and wholesaling. The median earnings level for these sectors was above the $45,000 mark; the level for the overall rural production sector was $37,720. As Table 2 indicates, this sector accounts for over a quarter of total employment in Central Hawke's Bay. The four sectors with the lowest median earnings levels in Hawke’s Bay (rural production, retailing, visitor accommodation and health care/social assistance) account for 56% of total employment in Central Hawke's Bay. In June this year, the number of Central Hawke’s Bay people receiving a Government benefit stood at 876, including unemployment benefit 155, domestic purposes benefit 287, sickness benefit 126 and invalids benefit 243.
2.36 **Income Distribution**—**Figure 7** indicates the comparative Central Hawke’s Bay district, total Hawke’s Bay region and national personal income profiles in the full year preceding the 2006 Census. This is the latest information available. The graph indicates a number of noticeable differences between the incomes profiles of the three areas. The full Hawke’s Bay region has a greater proportion of income-earners in the $1-10,000 category than the other two areas. The district and region have significantly higher proportions of income-earners in the next three categories, than at the national level. The district and region have noticeably lower proportions of income-earners compared to the national level, in the $40,000+ income groups. Central Hawke’s Bay district has a higher proportion of income-earners in the $10,001-40,000 categories than at the regional level and a lower proportion than that regionally for the other income categories above this income range.

**Figure 7:**

![Comparative Central HB District Personal Income Profile 2006 Census](image)

It is noted that in 2005/06, approximately 70% of Central Hawke’s Bay district income-earners had an annual personal income level below $40,000, compared to 66% for the Hawke’s Bay case and 60% for the country as a whole.

The Ministry of Social Development’s national Social Report 2010 indicated that in 2006, the latest date for which this information is available, 20.2% of the Central Hawke’s Bay district population lived in low-income households, compared to the 20.4% figure for the whole Hawke’s Bay region and the national figure of 18.1%. The lowest regional figures in the country were Wellington at 14.1%, Auckland at 15.6% and Marlborough at 18%. The Central Hawke’s Bay district figure in 1991 was 32.3%. The proportion for the district has therefore declined considerably since that time.
3- Growth ‘Drivers’ and Development Opportunities

3.1 This section indicates the key ‘drivers’/influences on economic growth and development in Central Hawke's Bay district and the considered main development opportunities for the area over the longer-term.

Rural Sector

3.2 Chapter 2 of the report indicated amongst other things the major economic importance to the district of the primary production industries and related processing and servicing industries. Together, they account for an estimated 45% of all businesses in the district and 55-60% of total employment in the area.

3.3 The broad agricultural industry in turn accounts for approximately 90% of all businesses and employment in the total rural production/processing/services sectors.

3.4 The sheep and beef farming industry within agriculture in turn accounts for over 80% of all agricultural production sector businesses in the district and 56% of total employment in the sector. Sheep and beef farming also accounts for 87% of all pastoral farming businesses in Central Hawke's Bay and 81% of total pastoral farming employment.

3.5 Since 2000, the contribution of the rural production and related processing sectors to total sector employment in the district has generally remained in the range 50-60%. Last year saw a noticeable increase in the proportion from around 50% to 55%.

3.6 Thus, the rural sector generally and the pastoral (in particular, sheep and beef) farming industry has historically been and continues to be, a key driver and influence on overall economic growth and development in the district. Given this situation and also the natural resource base and physical profile of the district, ongoing international export demand for New Zealand rural/food production and continuing initiatives to increase productivity and financial returns in the country’s primary production sector generally, the critical influence of the rural sector on the district’s overall economic performance over the longer-term is expected to continue.

3.7 One of the implications of this is that the district will continue to be significantly exposed to (and need to manage) the effects of significant internal and external changes impacting the local primary production sector, such as climatic conditions, livestock supply, international market conditions, international commodity price levels, exchange rate levels, local processing capacity and labour availability. A number of these factors are referred to in Section 3.9 below which indicates most recent Ministry of Primary Industries medium-term growth forecasts for New Zealand rural industries.

3.8 It is noted that the NZ Institute of Economic Research is presently forecasting annual average growth for the national agricultural production sector of around 2% over the next decade.

3.9 The Ministry of Primary Industries latest (2013) SONZAF ‘Situation and Outlook for New Zealand Agriculture and Forestry’ report indicates the following national outlook to 2017 for those
industries that also have a presence in the Central Hawke’s Bay district. The impacts of this year’s major drought in the North Island are incorporated in the forecasts:

- **Sheep**: sheep breeding numbers are forecast to increase slightly this year, drop back a little in 2014/2015 and fall further over 2016/2017. The lamb schedule price is forecast to increase over the next four years, following this year’s expected significant decline. Sheep meat export volumes are forecast to decline significantly during the coming year but then lift in 2015 and stabilise from that point. The value of sheep meat exports is also forecast to decline sharply this coming year but then lift gradually from 2015.

- **Wool**: total sheep numbers are forecast to fall gradually over the next four years. The average sale price for wool is expected to fall sharply this year but then increase steadily over 2014-2017. Export volumes for wool are forecast to fall next year, recover in 2015 and fall back slightly in 2016/2017. Export values are forecast to increase steadily over the next four years.

- **Beef**: total beef cattle numbers are forecast to continue to decline over the next five years. The price of schedule prime beef is forecast to fall further this year but then pick-up from 2015. Beef meat export volumes are forecast to drop sharply in 2014 and then stabilise from that point. Export values are also forecast to fall over the coming year but then lift gradually over 2015-2017.

- **Dairying and Venison**: following the fall this year in the dairy price, it is forecast to rise again in 2014 and continue to increase further from that point. Consequently, the value of exports is also expected to increase. Venison export values are forecast to fall over the next two years due to reduced production levels; they are then expected to recover over 2016/2017 due to increased prices.

- **Horticulture**: wine exports are forecast to increase in value terms over the next three years due to increased production and prices. Pipfruit production is forecast to be relatively stable over the next four years; prices are forecast to increase slightly during the period whilst export returns increase significantly overall.

- **Forestry and Logging**: both log prices and export volumes are forecast to increase gradually over the medium-term; timber prices are forecast to rise steadily over the period but export volumes are forecast to remain unchanged.

3.10 It is noted that the SONZAF report also comments that ‘An increase in irrigable land could facilitate an expansion in New Zealand’s vegetable growing capacity and hence potential investment in vegetable growing capacity’ (P44).

3.11 With regards to pastoral farming in the Central Hawke’s Bay district, opportunities for further growth and development of the sector are considered to include:

- Greater alignment and integration of supply chains from on-farm to processors and to consumers.
- Active farmer participation in the national ‘Red Meat Sector’ development strategy (greater in-market coordination, more efficient and aligned procurement, and implementation of sector ‘best practice’ systems).
- Improved livestock and environmental management practices.
- Greater technology application.
- Continuing conversion to mixed sheep-beef farming systems.
• Further farm aggregation.
• Participation in the Government’s Primary Growth Partnership funding programme.
• More intensive farming practices encouraged by, amongst other things, increased use of irrigation.

3.12 Processing/Manufacturing

Processing activity in Central Hawke’s Bay is dominated by the food sector and within this meat processing. The latter is currently represented by, for example, the Silver Fern Farms Company based in Takapau which processes lamb and mutton and employs some 700 staff at the peak of the season, and the Ovation operation in Waipukurau. Reference has been made earlier in the report to the closure in 2011 of the major 26 year-old Bernard Matthews meat processing operation at the facility now owned by Ovation. It is noted that the reasons given at that time for the closure of the Waipukurau enterprise included changing consumer tastes in the marketplace, significant decline in lamb kill numbers and the relatively isolated plant location. It is understood that a small pet food operation is currently being run at the facility.

Other processing and manufacturing industries operating in the district include small bakery, timber product/sawmill, printing, chemical, metal fabrication and machinery/equipment operations. As most of these activities are orientated to the rural or local community sectors, their future growth is essentially dependent on activity in these sectors. Much the same can be said for many of the commercial and community based services operating in the district. Within both the generally light industrial and commercial services base in the district, the opportunity may continue to exist for specialised business activity servicing national or possibly international markets.

3.13 Population Growth and Residential Development

The district’s population is currently tracking between the current Statistics New Zealand ‘Low’ and ‘Medium’ projection population growth scenarios.

On this basis, the projected population figure in 2021 is approximately 13,000, down on the current level (13,350). The figure in 2031 is projected at 12,300, representing a further fall from the Year 2021 figure. Statistics NZ’s ‘High’ most optimistic projection results in a Year 2031 population figure for the district of 15,150, a gain of 1,800 or 13.5% on the current level.

Under the Medium ‘middle of the road’ projection, the district’s 0-14 population is projected to fall by 14% between 2011 and 2031, the 15-39 population by 16% and the 40-64 population by 24%, whilst the 65+ population is projected to almost double. The traditional 15-64 working-age population is projected to fall by 21% whilst the population of the broader working-age 15+ group is projected to increase only slightly. The Maori population of the district is projected to increase by approximately 10% during the 2011-2021 period.

On the basis of the number of households currently estimated for the district, as indicated in Table 2, this indicator is currently tracking the Statistics New Zealand ‘Medium’ growth projection for the district. Household growth over the period 2013-2031 is projected to range from -560 for the ‘Low’ projection to +1,040 for the ‘High’ most optimistic projection, with the ‘Medium’ projection resulting in a total of 140 additional households in the district. Figure 8 indicates the projected household growth trend for the long-term period under the different projection scenarios.
Assuming a continuation of the pattern of household growth that occurred within the district over the past decade or so, approximately 30% of the ‘Medium’ projected household growth will occur in the combined Waipawa-Waipukurau urban area and the balance in the rural parts of the district.

In terms of the capacity of the district to accommodate additional housing demand in the future, information provided by the Central Hawke’s Bay District Council indicates that across Waipawa-Waipukurau combined, 25% (approximately 150 hectares) of the currently zoned residential area is potentially available for new housing development (there is also considerable ‘infill’ housing potential in the area). In addition, the combined Onga Onga/Otane/ Takapau/Tikokino zoned residential area presently has available additional housing capacity of some 58 hectares or approximately 20% of the total zoned residential area. This available housing capacity (208 hectares) is considerably in excess of even the ‘High’ household demand projection for the 2013-2031 period referred to in the previous paragraph. In addition to the above residential areas, future housing growth in the district could possibly be met in part by lifestyle/rural-residential/coastal land availability.

In respect of the related matter of the possible need for a focused population and residential expansion strategy in the district, which ESL has been requested to comment on in this report, there are a number of relevant considerations including as follows:

- The district has recorded a relatively stable population base historically, in spite of a number of major economic events impacting its key pastoral farming industry over time, such as climatic vagaries (eg droughts), Government agricultural policy changes, agricultural industry and rural community trends, industry closures, international economic downturns, exchange rate fluctuations and international commodity price changes. This suggests a significant degree of inbuilt resilience in the district, borne out of its strong rural history and community pride in the area, and its general advantages and physical attractiveness for residential living.

- Fundamental questions that should be considered in relation to future residential development in the district include whether the area’s current population is appropriate for future community needs and development in the area and the extent to which general
community sustainability will be enhanced or compromised by additional population and residential growth. Specific questions concern, for example, the ability at approximately the existing population level to ensure the continued provision of key community services, the ability of the existing rating base to fund further public infrastructural upgrading and development in the area, the continued viability of the smaller rural centres throughout the district and the extent to which further urban growth could adversely impact the overall physical environment and ‘quality of life’. It is understood that the existing roading and utility services infrastructure within the two main urban centres in the district is able to support further residential development within the established urban boundaries.

- The projected declines in the district’s total population over the next decade and the younger-age, youth/families and traditional working-age population cohorts, provide cause for some concern in terms of, for example, future community sustainability, loss of community vitality/diversity, business operation, labour-force availability and efficient use of available resources.

- The projected sharp rise in the 65+ population of the district raises important associated issues such as the workforce implications (e.g. ageing workforce, employment opportunities for younger people, productivity levels, workforce succession), availability of suitable housing for this population segment and the local provision of health, welfare and recreational services for this age-group.

- In the context of the proposed Ruataniwha Water Storage Project, it is noted that if it proceeds its construction will require in the range of 100-150 directly employed staff. In addition to this, personnel will be required for the ongoing operation and maintenance of the water storage facility, the construction and maintenance of the associated off and on farm irrigation infrastructure and to meet future district labour needs arising directly and indirectly from the anticipated significantly increased farm production within the water storage catchment. This all raises significant challenges for the district in terms of the local availability of labour and skills and also the availability of residential accommodation for the construction workforce and other personnel. The construction period is understood to be approximately 3.5 years. (ESL understands that these issues and others associated with the construction phase are already being actively addressed in the district).

Aside from the resource needs associated with the water storage project itself, whilst the other considerations mentioned in the preceding section infer that there is a good case for the Central Hawke’s Bay District Council leading the implementation of a focused district population growth and attraction strategy, nevertheless, it is considered that this should await the provision by Statistics New Zealand of the final population results from the 2013 Census and a suitably detailed analysis of the results and their local implications. The results are due by early 2014.

It is also considered that a long-term sustainable population and residential growth strategy should be closely linked to addressing specific economic requirements and development opportunities in the district such as available residential subdivisions, increased rating base/upgrading of Council-community infrastructures, availability of specific employment opportunities, land availability for new industry and significant development projects on the horizon such as the proposed Ruataniwha Water Storage Scheme.
If the Council and community are of a mind to work towards particular population growth targets for the district, it is suggested that a suitable shorter-term (Year 2016) target could be around the 14,000 mark, compared to the current figure of 13,350. This incorporates the impacts of the Scheme’s construction stage and a proactive district population and workforce growth strategy. By the end of the following decade (2026), an appropriate population target could be in the order of 15,000-16,000 also incorporating the (business and employment) impacts of the Scheme’s actual operation and continued proactive district population growth policy. It is noted that at the present time, Statistics New Zealand’s most optimistic ‘High’ population projection for the district for Year 2026 is 14,850; the ‘Medium’ projection is 13,450. A suggested considerably challenging longer-term (eg Year 2040) population growth target for the district may be in the order of 20,000. (It is noted that since 1996 the population of Ashburton district in the South Island, which it is understood has benefited significantly from major irrigation initiatives in the area, has recorded a population gain of approximately 5,000 or almost 20%. Information provided by the Hawke’s Bay Regional Council also indicates significant population gains for more localised areas e.g. lower Waitaki and Amuiri in the South Island, within which major irrigation initiatives have occurred).

Potential direct population growth strategies for the district include active external marketing of the general appeal of the area for residential, business and visitor sector development, ongoing research and information provision in relation to the district community and economy, and external promotion of ‘investment’ and business development opportunities occurring within the district. Ongoing upgrading of the district’s public services and infrastructures with a view to improving the quality of its residential and business ‘environment’ is a further important strategy.

3.14 Tourism

Section 2.26 indicated the significant overall fall in commercial accommodation based visitor-nights and arrival numbers that has occurred in the district since the mid 2000s. This has also occurred at the Hawke’s Bay region level and in a number of other tourism destinations in the country. The impacts of the major international and domestic economic and financial downturn on tourism have been felt fairly widely in New Zealand. Although the commercial accommodation sector is only a partial indicator of overall visitor activity levels in the district, nevertheless, the area faces an ongoing challenge in building and maintaining visitor arrival numbers to the area.

It is considered that this can be achieved in a number of different ways including the district maintaining a close alignment with the work and tourism sector development strategies of the Tourism Hawke’s Bay RTO; strengthening the district’s tourism product portfolio based around specific attractions and activities (eg Settlers Museum, OngaOnga Historic Village and Museum, walking and cycling opportunities, marine reserves and beaches, longest place name, lake skiing, national aerobatics competition and annual Lamb Country festival); development of the district’s supporting visitor amenities sector; encouragement of increased day visitation from the Napier-Hastings community; and increased external marketing of the district’s tourism sector.

The proposed water storage project itself may provide additional valuable tourism opportunities in the form of, for example, visiting construction staff and their families/friends during the building period for the project, visitation to the water storage site once in operation and visitor participation in potential recreational pursuits at the site.
As part of a programme to significantly improve the overall management of water resources in the Tukituki River Catchment, the Hawke’s Bay Regional Council is proposing to construct a major water storage reservoir in the upper Makaroro River in Central Hawke’s Bay district. The project is known as the ‘Ruataniwha Water Storage Scheme’ (RWS Scheme). The Council’s regional investment Company HBRIC Ltd, which is handling the project, has recently lodged resource consent applications and a Notice of Requirement for the Scheme with the national Environmental Protection Authority, as directed by Central Government. The Authority has a period of nine months in which to make a decision on the proposal.

The objectives of the proposal include improving river flows particularly during the summer period for aquatic life and other river users, helping address sustainability issues in the catchment and wider district and ensuring the provision of a robust and secure supply of water for irrigation in the catchment area. In terms of the latter point, the project is also a direct response to the water access issues regularly faced by farmers and other land users in Central Hawke’s Bay district as a result of drought conditions. At this stage, it is estimated that the Scheme could potentially irrigate 20,000-30,000 ha of farmland in the catchment area, with productivity gains extending to an area of approximately 42,000 ha.

The more direct economic impacts and other gains from the Scheme estimated to date for the Central Hawke’s Bay district and wider Hawke’s Bay region, include as follows:

- A study completed by Butcher Partners Ltd economic consultants for HBRIC in May 2013 indicates that the initial estimated total cost ($602 million) of constructing both the water reservoir/associated facilities and all the necessary on-farm irrigation facilities, will result in a one-off additional multiplied GDP impact at the Hawke’s Bay region level, of $350,000 million over a 12-year period. The other regional economic impacts are an additional 4,000 job-years of work and additional net household income generated in the region of $230 million.

- A second source of multiplied economic impact is due to increased agricultural production resulting from the use of irrigation water from the new reservoir. The increased farm production arises in turn via a number of land use changes/more intensive farming activity associated with irrigation, such as grazing (sheep and beef, finishing and dairy support), mixed use/cropping, vegetable production, dairying, pipfruit and viticulture. It is noted that these are only potential land-use options at this time and that the final land-use pattern will depend on the degree and range of farmer participation in the project and the forecast economics of the different farming types once the project gets underway. The current approximated land-use profile of the newly irrigated land is dairying 37%, other grazing/fruit-growing/viticulture 30% and mixed use/cropping/vegetables 33%. The annual total regional-level direct and multiplier impacts of the increased farm production have been assessed at additional GDP/economic activity of $127 million, net household income $52 million and a total employment impact of 1,160. The multiplier effects occur through various on-farm and off-farm support industries.

- A third source of multiplied economic impact arises from the potential processing within the Hawke’s Bay region of the increased farm production. Butcher Partners Ltd has quantified the economic impacts at: additional GDP generated in the regional economy of $108 million, additional net household income of $58 million and a total employment
impact of 1,090. These impacts assume that all additional vegetable/grape production and 50% of the additional dairy/meat production is processed in the Hawke's Bay region.

- Butcher Partners has also calculated the total multiplied economic impacts arising from the increased farm production on the newly irrigated land as representing 4% of Hawke's Bay GDP and 3.5% of employment.

3.18 A Social Impact Assessment finalised in May 2013 by Taylor Baines and Associates Consultants for HBRIC Ltd indicates a number of other potential socio-economic effects arising from the operation of the RWS Scheme. These include:

- A lower average age of farmers and new families coming into the area.
- Some of the new farm workers are likely to live in the small rural centres and main townships and some seasonal workers in on-farm accommodation.
- A turnaround from the limited growth in population evident in the district over recent years, in both rural areas and the main towns.
- Positive flow-on effects in terms of additional population and an increased workforce for any new processing plant(s) associated with new or increased farm outputs.
- A change in the composition of the population, especially in rural areas, with younger families and children and consequent increases in school rolls.
- Increased population turnover and overseas worker numbers, with more ethnic diversity and a need to provide social support to newcomers.
- Increased participation in sport, recreation and community activities and an increased demand for social services (including health services).

3.19 It is instructive here to consider the impacts of other significant irrigation initiatives in New Zealand. Two particular studies are referred to in this regard, namely a report prepared in 2004 by the Ministry of Primary Industries (MPI) on the national economic value of irrigation and a report prepared in 2006 on the local economic and community impacts of the operation of the Opuha Dam in South Canterbury.

The findings of the MPI report include as follows:

- Over time, the role of irrigation in New Zealand has changed from drought-proofing to facilitating agricultural diversification and the ability of rural producers to meet changing market requirements in terms of product quality, quantity and composition in niche markets.
- The main agricultural benefit of irrigation is the increased range of land uses that can potentially be undertaken on any particular piece of land.
- The net contribution of irrigation to national GDP at the ‘farmgate’ is estimated at $920 million in 2002/03 or 11% of total ‘farmgate’ GDP.
- At some point, a constriction on irrigation development will limit further growth of process vegetables and vegetable seed production in New Zealand.
- Without increased community irrigation development, economic growth in many parts of the country will be less than optimal.
The social benefits of irrigation include additional employment opportunities from increased and more intensive production, increased local business diversity and economic ‘security’, and stronger localised rural communities.

The main findings of the ‘Harris Consulting’ Company August 2006 report, prepared for the Ministry of Economic Development and the Aoraki Development Trust, on the local economic and community impacts of the Opuha Dam located in the South Canterbury area and commissioned in 1999, are as follows:

- The report analysis relates to the 2002/03 and 2003/04 financial years, that is, some five years after the facility began operation.
- The impact of irrigation occurs through increased production on existing farming systems and changes in farming systems to higher intensity land uses such as dairying and cropping which are possible with more reliable irrigation.
- Surveys of both irrigated and dryland farms within the general catchment area of the dam and having similar soil and climatic features, indicated that the irrigated farms had significantly lower proportions of sheep and beef livestock, a significant dairy input (35% of all stock units compared to 0% for the surveyed dryland farms), similar deer proportions and considerably higher cropping area proportions for feed crops for sale and processed vegetables. The irrigated farms had an overall higher proportion of cropping land (25% compared to 15% for dryland farms) and horticultural/viticultural land-use accounted for 15% of the total cropping area (compared to 0% for dryland farms).
- Irrigated farms had significantly higher production yields than dryland farms in relation to lambing percentages, feed crops and processed vegetables. In general, productivity for the irrigated farms is 2.4 times that of the dryland farms.
- Changes in farming systems occasioned by irrigation had included major changes to the system of farming, change to dairying, increased stock numbers, better finishing and increased scale.
- The financial impacts to date of irrigation had included much higher farm revenue per hectare for irrigated farms, significantly increased revenue from cropping (especially processed vegetable cropping) for irrigated farms as well as on a revenue per hectare basis, a cash farm surplus on the irrigated farms double that of the dryland farms on a per hectare basis and a net trading profit (after tax) for the irrigated farms of $86 per hectare compared to -$5 per hectare for the dryland farms.
- The employment impact on irrigated farms was twice that of dryland farms whilst the GDP farmgate contribution of the former group was 2.3 times that of the latter group of farms. Taking into account the multiplier and flow-on effects of the increased farm production resulting from irrigation, the overall regional economic impacts associated with irrigated farming were about 2.5 times those of dryland farming.
- The local business impacts of the Opuha irrigation project had included increased business and investment confidence, further growth and development of dairy and vegetable processing, infrastructural development and increased capacity utilisation in processing.

3.20 These studies indicate that major irrigation initiatives such as the proposed Ruataniwha Scheme in Central Hawke’s Bay have the potential, if well planned and developed, to make a major
contribution to improving the economic performance of both the agricultural sector and the wider economy of the areas where the initiatives are located. In terms of the latter aspect, one of the opportunities for economic gain is the range of businesses and organisations required to service the construction and ongoing operation of the Scheme, as well as the ongoing operations of ‘farming’ enterprises participating in the Scheme.

3.21 Other related opportunities include potential processing enterprises and businesses servicing the household spending of project construction and operational/maintenance personnel, as well as farm employees. As regards the RWS Scheme, the Central Hawke’s Bay district should aim to maximise the economic benefits for the district from the Scheme by ensuring that as far as possible local resources, businesses/organisations and skills are available to be used for the Scheme. It is noted that there already appears to be a willingness from the firms potentially involved in the construction of the Scheme to use local personnel and other resources wherever possible. This report also endorses the already proactive approach of the district and region to prepare for this possible outcome.

3.22 Two particular concerns expressed to ESL about the water storage proposal in the process of researching information for and preparing the report, relate to the affordability (to farmers) of the irrigated water from the dam and the suitability of certain physical features of the Central Hawke’s Bay district (eg climate and topography) for some of the currently proposed new land-uses in the water storage catchment area (e.g. certain horticultural production activities and dairying). These concerns will need to be addressed as further planning and developmental work in relation to the project is undertaken.
4- Economic Growth Outlook

4.1 This chapter provides an indicative assessment of the economic growth outlook for the Central Hawke's Bay district economy under three different growth scenarios and therefore provides an indication of the possible economic growth environment prevailing in the district over the longer-term.

4.2 Three options have been used for this purpose, namely, a continuation of the underlying historical long-term annual growth performance of the district; an estimated 10% increase in annual output from the district’s sheep and beef farming industry in the district due to non-irrigation related productivity improvements resulting from a combination of, for example, improved management practices, greater science/technology application, etc (this figure follows discussion on the matter with the Hawke’s Bay office of the national ‘Beef and Lamb New Zealand’ organisation); and implementation of the RWS Scheme.

4.3 The GDP growth results for these options are indicated in Table 5 below. The base year for the analysis is 2012, with the real GDP level for that year being sourced from NZ Institute of Economic Research estimates for the district. The Column 2 figures in the table incorporate the Column 1 results and the productivity gain impacts which are assumed to ‘kick in’ at year 2015 in order to allow some time for the new methods and approaches to be ‘bedded down’ throughout the sheep and beef sector. The figures in Column 3 are based on the formal economic impact analysis results contained in the study undertaken by Butcher Partners Ltd for HBRIC Ltd, as referred to earlier in the report in Section 3.17. The figures in the column also reflect the project construction and commissioning timing indicated in that study. The GDP impacts of the project also incorporate the Column 2 GDP impacts.

Table 5: Forecast Economic Growth in Central Hawke’s Bay District 2012-2040 Under Different Scenarios

<table>
<thead>
<tr>
<th>Year</th>
<th>Total District Real GDP Growth Scenarios ($M)</th>
<th>1% Annual Average Growth Reflecting Historical Situation</th>
<th>10% Annual Pastoral Farming Output Gain due to Productivity Improvements</th>
<th>Ruataniwha Water Storage Project</th>
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<td>2040</td>
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<tr>
<td>Year</td>
<td>Total District Real GDP Growth Scenarios ($M)</td>
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<td></td>
<td>1% Annual Average Growth Reflecting Historical Situation</td>
<td>10% Annual Pastoral Farming Output Gain due to Productivity Improvements</td>
<td>Ruataniwha Water Storage Project</td>
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<td>%</td>
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</table>

Notes:
1. Base year for the forecast period.
2. Start of the dam construction period and farm investment in irrigation infrastructure.
3. End of dam construction period.
4. Start of GDP impacts from increased farm production from irrigation and local processing of this production.
5. End of farm irrigation investment and higher levels of GDP associated with higher levels of farm production and processing.

4.4 The key results indicated in the table are as follows:

- Assuming a continuation of the historical long-term annual growth record of the district, total GDP is forecast to increase in real terms to $464 million by Year 2040, that is, a gain of $113 million or almost a third from the 2012 figure.

- Assuming on top of this a 10% lift maintained throughout the period in sheep and beef farming output due to productivity gains, total district GDP is forecast to increase from the 2012 level of $351 million to $515 million in 2040, an increase of $164 million or in excess of 47%. Over the period, this result is also $51 million or 45% above that for the above forecast scenario.

- Together with the historical growth continuation and sheep/beef farming productivity gain scenarios, the major water storage project proposal results in a total district real GDP increase over the forecast period of some $330 million or 94%. This gain is approximately three times that with the first growth forecast and just over two times the estimated gain with the productivity improvement forecast.

4.5 In terms of the long-term growth outlook for industries and sectors in the district given the growth scenarios contained in Table 5 above, the following points are made:

i) Under the ‘business as usual’ (Column 1) scenario, the historical pattern of industry growth suggests that the leading growth industries in the district will continue to include primary production and commercial services closely linked to this sector, construction and utility services combined, financial and insurance services, and the public administration/community (health/welfare/education) services. The ageing population will be a key factor for the health and welfare sectors;

ii) The above industries are also relevant in the context of the second (Column 2) scenario which should also see a further gain in activity within the district’s sheep and beef industry in particular and in local businesses servicing the industry including, for example, agricultural organisations and specialists;

iii) In terms of the proposed RWS Scheme, the construction stage of the project should see significantly enhanced business opportunity for the district’s construction, engineering, irrigation/other equipment, transport/roading/storage, housing/accommodation,
community services and retailing industries. The ongoing annual operation of the Scheme should encourage further growth in the district’s pastoral farming, horticultural, farm servicing/rural supplies, agricultural advisory, real estate, financial services, community services and retailing industries.

4.6 In terms of the employment growth outlook for the district under the three scenarios presented in Table 5, following evaluation of the impact of a number of different labour productivity (real GDP per employee) growth forecasts for the area in relation to the GDP forecasts provided in Table 5 above, overall employment in the district is anticipated to fall a little under Scenario 1 in the table. Under Scenario 2, total district employment is forecast to increase by about 4% over the long-term period. Under Scenario 3, with the water storage proposal, total district employment is forecast to increase by about 2,400 or 38% overall between 2012 and 2040.
5- Accommodating Additional Business/Industry Development

5.1 This report has also been requested to comment on the matter of the suitability of the Central Hawke’s Bay district as a potential location within the Hawke’s Bay regional context for significant ‘new’ industrial and business development in the future. This includes the capacity of the district’s land resource to accommodate further business and industry development, some of which may stem from the Ruataniwha Water Storage project, and the range of business and industry that is best suited to district conditions. Comment has also been requested by the Council concerning the key advantages and disadvantages of the district as a potential regional business/industry location compared to other parts of the Hawke’s Bay area, and Council support and encouragement of further industry development in the district. An understanding of these matters should assist the district and wider region’s future business and industry development, marketing and attraction policies.

5.2 Table 4 on page 9 of the report indicates that over the period 2000-2012, a total of 95 new commercial and industrial buildings were consented in the district. These comprised 3 accommodation outlets, 14 retail and food/hospitality outlets, 11 office/administration buildings, 24 storage buildings and 42 factories/other industrial buildings. These results indicate a significant amount of new commercial activity occurring in the district over the period, particularly prior to 2009. The median building floorspace for the different sectors was accommodation approximately 1000m², retail/hospitality 200m², offices 90m², storage 190m² and factories 525m².

5.3 Appendix 2 indicates the current locational profile of business activity in the district. ‘Industrial’ activity (processing, manufacturing, construction, utility services, transport and storage) accounts for approximately 10% of all businesses (but over 30% of total employment) across the district and is located mainly in Waipawa, Waipukurau, Elsthorpe-Flemington and Tikokino. The combined Waipawa-Waipukura area accounts for almost 60% of all the industrial enterprises in the district.

5.4 Within the district’s industrial sector, the leading broad activities in terms of business numbers are construction, manufacturing and transport/storage. In terms of employment, processing-manufacturing is dominant at 75% of total industrial employment. Within the processing-manufacturing sector, the range of individual industry activity includes food processing (meat processing accounts for 96% of employment in this industry), textiles, wood, printing, fabricated metal products and machinery/equipment manufacturing.

5.5 In summary, the previous three points indicate that the Central Hawke’s Bay district has an industrial base that, whilst it has recorded quite noticeable growth and development over the past decade or so, is overall still relatively limited in extent although somewhat diverse, predominantly small-scale, of a light industrial nature, dominated by food (meat) processing in employment terms and orientated to servicing local district needs and the requirements of the primary production sector. This situation provides both a rationale and an opportunity to strengthen considerably the economic contribution of the industrial sector to the district.

5.6 In terms of facilitating the future growth and development of the wealth-creating industrial or secondary sector (along with the primary production sector) in the district and, as part of this, promoting the area for industrial attraction, it should be noted that individual businesses will each have their own particular set of locational requirements depending on the nature of their
operations. A Central Hawke’s Bay location may not necessarily suit all businesses once they have evaluated their requirements and the cost of different locations in light of these. In respect of different location possibilities within the wider Hawke’s Bay area, it should also be noted that the district ‘is in competition’ generally with the considerably larger, deeper, more diverse and accessible (relative to, for example, Port of Napier/HB Airport/northern roading links) Hastings and Napier business areas.

5.7 Land availability is a key factor in relation to promoting industrial (and commercial) expansion in an area. In this regard, it is noted that Business Zone 2 of the current District Plan provides for commercial and industrial activity outside of the central business districts of both Waipawa and Waipukurau (Business Zone 1 covers these areas and it is noted that in both cases the available space is well utilised). This activity can include “large-scale retailing and service activities that require larger site areas for car-parking, and also to provide for industry. The zone offers accessible services and retail outlets and opportunities for small business” (Part 7.4.2 of the District Plan). Information provided by Council staff indicates that Business Zone 2 in the Waipawa area comprises a total of 9.02 hectares all of which is currently used. In Waipukurau, the Zone covers some 92.7 hectares in total, of which approximately 41.4 hectares or about 45% is still available for use. This area straddles both sides of the main state highway running south from Waipukurau. Thus, there is still a significant amount of zoned and serviced land within the latter community available for further industrial development, along with the possible use of some of the existing building stock (and potentially the use of suitable land in rural centres/parts of the wider district, as with the Takapau/Silver Fern Farms example).

5.8 In respect of other industrial location attributes of the Central Hawke’s Bay district, these potentially include as follows:

- The Waipukurau Business Zone 2 area is located adjacent to the major State Highway 2 road transport route which provides immediate access for inwards and outwards freight movement to both the north and south. The Zone is also located in close proximity to the main rail connection between Palmerston North and Hastings/Napier/Port of Napier. These major transport access advantages for the Zone (and the wider district) are reinforced by the district’s relatively central and close location vis-à-vis the southern Hawke’s Bay/Manawatu and Napier-Hastings areas. The district also has an internal network of good quality roads for freight and commuter traffic.

- The district’s close proximity to the major Napier-Hastings population centre in particular and to the Tararua district area to the south means that larger industries locating in Central Hawke’s Bay are able to, if necessary, source some of their labour requirements from these centres, including their need for certain labour skills that may not be available locally. The former Bernard Matthews meat processing operation in Waipukurau, current Takapau based meat processing operation and the ‘Mr Apple’ packhouse operation in Waipawa are examples of this advantage.

- The district’s strong pastoral farming/primary production focus means that it is a ‘natural fit’ for industrial activities closely linked to this focus such as, for example, processing/‘added value’, specialist manufacturers of machinery and equipment items, specialist service providers such as stock transport and farm maintenance/development and providers of farm supplies/inputs.
• In general terms, land purchase and building purchase/rental costs in Central Hawke’s Bay district are considerably lower than in the Napier-Hastings area for example. New build costs are similar. House prices and rentals are also significantly lower - over the past year, the monthly median house sale price in Waipawa/Waipukurau was generally in the $100,000-$200,000 range, Hawke’s Bay rural areas similarly, Napier $250,000-$300,000 and Hastings $200,000-$300,000. In respect of labour costs, Statistics New Zealand information indicates that labour earnings generally in the Central Hawke’s Bay district are noticeably lower than those of the Hastings district in particular and to a lesser extent those in Napier City. It is also noted that construction industry earnings in Hawke’s Bay are presently 94% of the national level, manufacturing 96%, wholesaling 90% and transport/storage 88%; total industry earnings are currently 91% of the national figure.

• In deciding whether or not to locate in the Central Hawke’s Bay district, prospective new industries will take into account, to varying degrees, not only the above and other relevant attributes of the district but also potential ‘downside’ factors such as transport costs to market or overseas shipping facilities, local labour supply limitations and the limited local industrial support infrastructure.

5.9 As has been noted earlier in the report, the proposed Ruataniwha Water Storage Scheme, once operational, has the potential to generate significant additional business activity on an ongoing basis which could lead to expanded operations from existing firms in the district involved with the project and the intensified and more diverse farming activity, and the establishment of new commercial/industrial businesses as a result of the Scheme. Both situations will need to be accommodated in the district. Specific examples of the business and industrial activity that may arise from the Scheme include suppliers of specialist services and equipment for the ongoing operation of the facility; suppliers of irrigation equipment, general farm merchandise and rural services; processing or pre-processing operations (including possibly satellite operations), storage operations, freight transport services, specialist horticultural supplies (eg seeds) and residential construction.

5.10 In respect of Central Hawke’s Bay District Council encouragement, support and promotion of further industrial development in the district in the future, the following points are made:

• It is understood that the Council has up to the present time adopted a relatively flexible policy/regulatory approach as its main means of assisting existing business expansion and new business development in the district.

• It is also understood that the Council, particularly in light of the possible water storage project, is in the process of implementing a more proactive and structured approach to facilitating further economic and business development in the district through the formulation and implementation of a district economic development plan. The sector foci of the plan include the major water storage proposal and the implications of this (eg labour, housing, business and community support), employment generally (including youth employment and training), new business/industry development and attraction, and tourism and events. Work is already underway in terms of preparing for the water storage project.

• The Plan also indicates an intention for the district to work closely in the future with the ‘Business Hawke’s Bay’ regional economic development organisation and the ‘Hawke’s Bay Tourism’ RTO, in the context of encouraging further economic and tourism sector
development generally in the district and also to maximise the gains for the district from the water storage project.

- All the above approaches are fully endorsed by this report which is also of the view that the future economic development work of the Council would be significantly enhanced by the application of a dedicated personnel resource to actively lead the work. This is particularly important in the context of the water storage project, new industry development and attraction, and ongoing liaison with Business Hawke’s Bay and Hawke’s Bay Tourism.

- The report also fully endorses the Council giving close consideration to upgrading the services networks in the Takapau Rd industrial area of Waipukurau in response to identified need, as it is considered that this will significantly assist the district in terms of both responding to and encouraging further industrial development in the area, as a result of the water storage project and other initiatives.
6- Conclusion and Recommendations

6.1 This final section draws out from the analysis contained in the earlier sections of the report the key economic considerations concerning the historical, current and future economic environment facing the Central Hawke’s Bay district as the Council prepares to review its District Plan and also finalises its new Economic Development Strategy for the district, and also presents some recommendations arising from these and the underlying analysis, for Council consideration.

6.2 The key interrelated considerations include:

a) Need for Growth and Development – a relatively small, strongly pastoral production/processing orientated and ‘exposed’ district economy currently providing limited economic opportunities and development incentive. There is a major need to strengthen, deepen and diversify the local economy, including greater industrial development;

b) Population and Household Growth – a projected declining and ageing population with a significant Maori population component, accompanied by projected limited new household growth overall. There is a need to grow the district’s working-age population in particular in order to ensure efficient utilisation of available urban infrastructure, provide for future business/employment needs in the district and contribute to the maintenance of community services. There is also a need to maintain and enhance the overall ‘quality of life’ of the district for existing and prospective new residents;

c) Small Business Focus – a primarily small-business economy with a significant self-employed/contractor element;

d) Current Rural Outlook – a mixed outlook nationally for the primary sector over the medium-term with dairying, wine, pip-fruit and forestry most positive. Some growth opportunities for Central Hawke’s Bay pastoral farmers in the shorter-term through productivity enhancement. Processing is currently dominated by meat production;

e) Tourism Growth – a need to strengthen the district economic contribution of the tourism sector and thereby add to the diversity of the local economy;

f) Water Storage Project Key – the proposed Ruataniwha Water Storage Scheme is intended to promote much greater land-use intensification in the district, resulting in significantly increased agricultural production from a wider range of pastoral farming and horticultural activity. It is anticipated that the Scheme will also result in a much wider range of on-farm and off-farm supporting and complementary business activity in the district. The provision of residential accommodation for the project construction workforce and for the increased agricultural workforce resulting from land-use change will need to be addressed by the district. The Scheme has the potential to make a major contribution to the economic and employment performance of the district over the long-term;
g) Land Availability Important — land availability will be a key consideration for the district in terms of strengthening its industrial sector and maximising the new industry spin-offs from the water storage project. The Waipukurau-Takapau Road industrial area is a key business location with considerable spare capacity at present for additional industry development. The District Council is currently considering the future upgrading and extension of the services networks in the area, as warranted by additional business developments wishing to locate there; and

h) Economic Development Strategy/ Plan Important — in general terms, a proactive, coordinated, structured and strategic Council economic and business development approach is required in the future if the Central Hawke’s Bay district is to improve its ongoing economic performance to a significant degree and also maximise the local economic benefits of the water storage project.

6.3 Recommendations

In light of the above considerations and the detailed analysis in the report, it is recommended to the Council that:

i) The main findings of the report be reflected as appropriate in the District Plan Review including, as appropriate, an initial base commentary profiling the district at the present time and commenting on its future growth outlook;

ii) The importance of sustained economic growth and development of the district be one of the key themes underpinning the District Plan Review;

iii) The Council implements a proactive and strategic economic development approach in the district via the proposed Economic Development Strategy and that this approach includes a dedicated resource to lead the ‘on the ground’ work with the Strategy, ongoing close liaison with regional economic development entities and the development of a structured Council industry support package;

iv) As part of the implementation of the Strategy, major emphasis be placed on addressing future district requirements associated with the proposed Ruataniwha Water Storage Project, including implications of the project for the District Plan Review and the future availability of serviced industrial land;

v) Close consideration be given by the Council to the need for a focused and proactive population growth and urban land development strategy in the district, and its linkages to the Economic Development Strategy; and

vi) As part of v) above, a suitably detailed analysis of the 2013 Census demographic results for the district and their local implications, should be undertaken.
## Central Hawke’s Bay District Business Locational Profile 2012

### Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Waipawa</th>
<th>Waipukurau</th>
<th>Elsthorpe-Flemington</th>
<th>Otane</th>
<th>Porangahau</th>
<th>Takapau</th>
<th>Tikokino</th>
<th>Total</th>
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