

Region forges ahead...

- increased tourist numbers
- more telecommunications investment
- growth in IT
- escalating niche industries

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executive summary

Wellington's economy continued to forge ahead over 2000, due to:

- *Increased tourist numbers*
- *More telecommunications investment*
- *Growth in the IT sector*
- *Some mushrooming niche industries, such as film production*

Wellington was hurt by the Kiwi dollar's dive over 2000, because of the effect of rising prices on the service sector and a lack of offsetting rises in export sales. However, growth has been only marginally lower than the national average as a result of ongoing expansion in "new economy" industries.

The expanding industries highlight Wellington's strength in businesses where state-of-the-art knowledge, innovation, and creativity are important. In coming years these are expected to remain the drivers of growth in the regional economy.

IT and telecommunications, despite recent ructions in share markets, will continue to provide the tangible productivity benefits they have over the last decade, providing businesses with the incentive to invest in them.

Tourism – Wellington's main export industry – will enjoy growth as a result of a rapidly growing world market and more attractions in the region (the stadium has contracted matches from soccer and rugby league teams, for instance).

At the same time, a traditional industry – government activity – will benefit from more spending and from the establishment of new government functions.

These strongly performing areas of the economy mean that regional economic growth will just about keep pace with the national average in the short term, despite relatively slow population growth in the region and the cost pressures faced by most businesses as a result of rising import prices.

The Region At A Glance

Indicator	Period	Wellington	New Zealand
GDP (\$m)	Year ended March 2000	13,300	103,680
Population	As at June 2000	429,700	3,831,000
Official employment	Average, year ended September 2000	226,000	1,770,000
Number of businesses	As at February 2000 (excl agriculture)	38,556	313,461
Retail sales (\$m)	Year ended October 2000	5,207	43,149
Median house price (\$)	As at November 2000	190,000	170,500

the outlook for the Wellington region

Over the last four years, Wellington has grown faster than the rest of the country. Wellington is expected to continue growing at a moderate rate over the next two years (2% per annum), although slow population growth, a lack of participation in the fast-growing export sector, and cost pressures in industry will be limiting factors.

Since last year's Regional Outlook was published, the underlying characteristics of the Wellington economy have not changed. To repeat, those are:

- a highly qualified population
- well-developed education and research sectors
- efficient transport and communications networks
- a relatively wealthy population, on average

These are conducive to participation in the much-vaunted "knowledge economy", parts of which we expect to continue growing quickly.

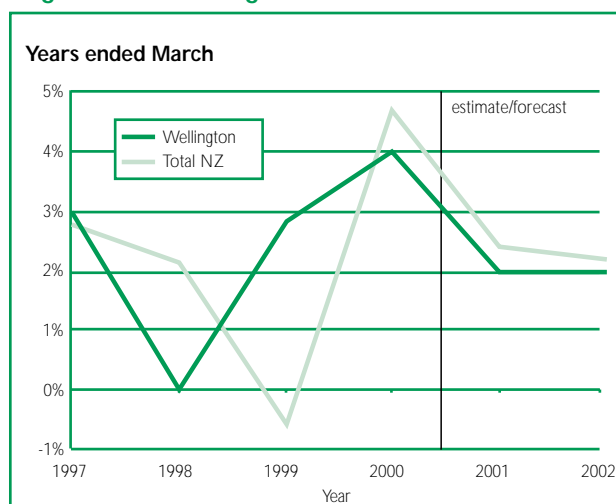
However, the last year has seen an unusually large depreciation of the New Zealand dollar, which in the absence of other influences will tend to shift resources from domestically-oriented businesses to the export sector. It will do this by raising the cost of imports (which are used in the service sector – computers, petrol etc.) and raising the return from exports (most of which do not come from the service sector).

Outside a few growth areas, the service sector is likely to slow its pace of expansion over the short term. With Wellington so dependent on the sector, it will find it hard to maintain the pace of regions with, for instance, a large agricultural base.

That said, the drop in the exchange rate is very much a "one-off" event. Some recovery of the dollar is expected, and for exporters the current weakness does not provide the sustainable competitive advantage of, for example, technological innovation.

While exchange rate fluctuations may have a negative effect on the regional economy's prospects in the short term, longer-term prospects for economic growth in Wellington remain positive.

Regional real GDP growth



Source: Infometrics estimates/forecasts, based on Statistics New Zealand Annual Business Directory Update and national GDP data

the region

in context

The national and international environments are important determinants of economic growth in the Wellington region. Wellington is more sheltered than most regions from developments in the international economy, but changes in world economic growth and prices still have a direct effect on tourism, and on the agriculture and forestry producers that are prevalent in the Wairarapa and Kapiti. The region is also affected indirectly, as earnings from the export sector flow through to the rest of the economy.

Over the last year, the world economy grew strongly. The U.S. in particular pumped up output growth, due to productivity gains and a steady flow of international investment funds.

In New Zealand, times were tougher. There was a collapse in business and investor confidence in the middle of 2000, and a consequent dive in the value of the New Zealand dollar. The weaker dollar was good for exporters but

pushed up costs and squeezed profits for the majority of businesses. Employment growth was weak until the end of the year and real wages fell.

Over the next year, the outlook is for a reversal of recent trends. A slump in U.S. sharemarkets has convinced officials there to cut interest rates, indicating slower growth is expected. This will have a flow-on effect for other countries, including our biggest trading partner, Australia.

Meanwhile, consumer and business confidence has recovered in New Zealand and the consensus is that economic growth of 2.5-3.0% is likely over the next few years. Export growth is likely to slow as time goes on, particularly if the world economy slows, but will still provide the grunt behind growth this year.

the Wellington

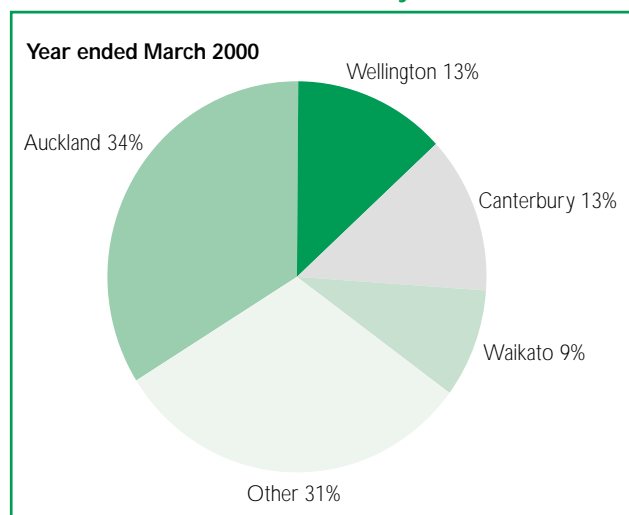
regional economy

The Region's Share of the National Economy

In the year ended March 2000, Wellington's businesses produced 13% of New Zealand's gross domestic product, or \$13.3 billion worth of value-added goods and services. This makes it the second largest regional economy in the country, behind Auckland (34%), but just ahead of Canterbury.

On a per-capita basis Wellington generates \$27,700 of gross regional product each year. Of all the regional economies, only Nelson (\$28,400) is more productive.

Estimated share of the economy



Source: Infometrics estimates, based on Statistics New Zealand Annual Business Directory Update and national GDP data

Water Availability is Key to Wairarapa Growth

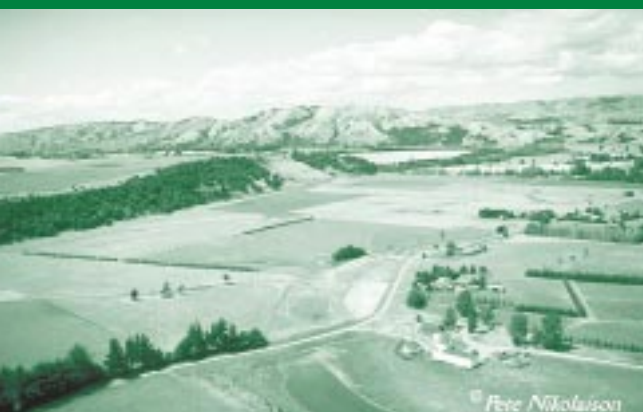
Driving around the Wairarapa on a hot summer's day you can see the effects of water shortage – and the potential if better irrigation was available. Drought is a frequent occurrence in the Wairarapa and this is limiting the rate of development of land for high value horticulture and agricultural uses. Dairy farming is water intensive and grape growing also requires a good water source. Another potential group that could benefit from a reliable water source is seed crop growers.

Limited water supply, uneven rainfall patterns and difficulties in accessing sources of irrigation water are the driving forces behind a project examining the water resources of the Wairarapa Valley. The study, due to report in May 2001, will determine water demand in different areas by crop and season and then identify areas where there is potential for community irrigation schemes. A preliminary assessment will also be made on the feasibility of any such schemes.

Masterton Business Enterprise is co-ordinating the project. "Land based industry people have told us that water is a limiting factor to their growth. Community irrigation schemes have the potential to increase the volume of water taken sustainably and to improve distribution, and the more land that can be brought into production the better for the local economy," says Masterton Business Enterprise co-ordinator Geoff Capps.

Funding for the \$100,000 project has come through a grant from the Agricultural and Marketing Development Trust (AGMARDT) with the balance provided by Wellington Regional Council and Masterton, Carterton and South Wairarapa district councils. Industry group representatives also make up the project steering group.

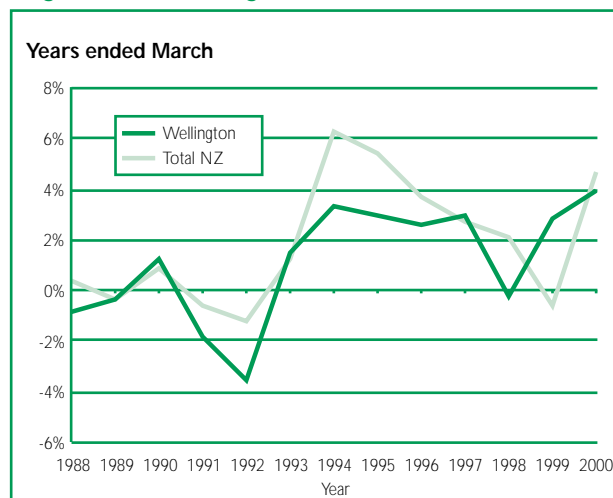
Wellington Regional Council is supplying much of the water resource data including rainfall, river flows and ground water resources; its Wairarapa Divisional Manager, Colin Wright, is the project leader. Colin Wright says, "This project is a significant step towards improving the productive capacity and profitability of local land. We are pleased to have the opportunity to use our data and expertise to assist economic development in the Wairarapa."



Wairarapa river valley

Economic Growth in the Region

Regional real GDP growth



Source: Infometrics estimates, based on Statistics New Zealand Annual Business Directory Update and national GDP data

Since 1996, Wellington's economy has grown by 9.8%, faster than the national 9.3% growth rate.

In the late 1980s and early 1990s the economy contracted due to public and financial sector restructuring and tough times for exporters (manufacturers were centralising in Auckland and Christchurch).

But as we noted last year, those left unemployed were generally highly skilled and quickly reinvented themselves as consultants and entrepreneurs, driving growth in business activity. The rise of a café and arts sector, which has a complementary relationship with tourism businesses, accompanied the resumption in economic growth. The construction of the national museum, Te Papa, further increased tourist numbers and tourism is now an important part of the local economy.

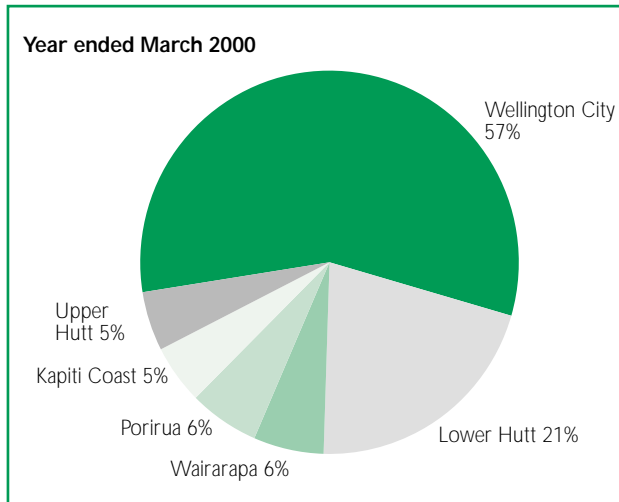
More recently, an expanding communications sector has contributed to growth, while the region's lack of exporting industries has sheltered it from turmoil in international markets.

Throughout the 1990s the major limiting influence on Wellington's economic expansion has been population growth. During the mid-1990s immigration boom, most migrants chose to settle in the Auckland Region and there was also a general northward drift of the existing population. This means that while business activity has increased steadily in Wellington, the 1994-1996 boom did not reach the heights here as it did at the top of the country.

the local economies

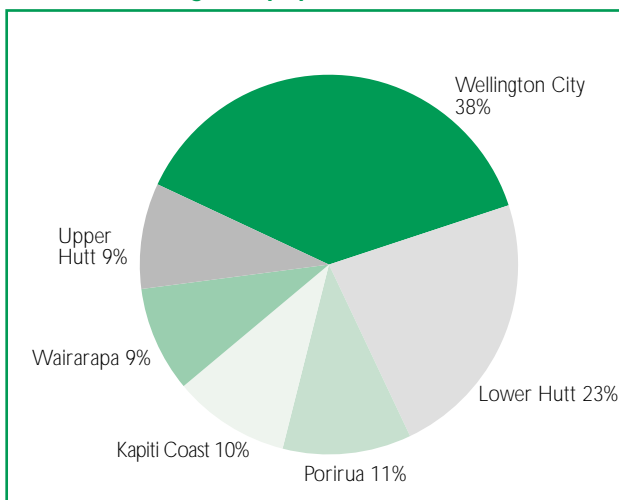
of the Wellington region

Share of the region's GDP



Source: Infometrics estimates, based on Statistics New Zealand Annual Business Directory Update and national GDP data

Share of the region's population



Source: Statistics New Zealand Population Estimates, June 2000

Note: The estimates of economic growth (calculations of GDP share and movements) and population growth for local economies in this section, are indicative only. Official data at sub-regional level is less robust than regional data because of the small population base. Therefore, this data may not match locally sourced information. Local economic development agencies or city and district councils can be a good source of other information on local economies.

Wellington City

Wellington City is the largest of the local economies. It has the only tertiary hospital and the only universities in the Wellington region, and is also the base for most of the region's financial institutions, business service providers and government departments.

The city economy is service-based, with little manufacturing and almost no farming or forestry. Business service providers, financial institutions and central government form the core of the service sector, which employs a skilled and highly paid workforce.

The city's economy grew by 3.1% over the year to March 2000 because of steady growth in all major service industries. There was a lull in growth over the middle of 2000 as a falling dollar took its toll on non-export industries but a rebound was evident by December.

The number of people residing in the city is estimated to have risen by 0.4% over the year to June 2000, to 167,400. The rate of population growth is marginally lower than the national average but is higher than anywhere else in the region, except Kapiti.

Further information on the Wellington City economy is contained in the publication *Capital Commerce*. This is available from the Wellington City Council or on the internet at <http://www.wcc.govt.nz/business>

Middle Earth puts Region on Movie Map

With the upcoming release of the first of the *Lord of the Rings* film trilogy in December the world's eyes will again turn to New Zealand.

Peter Jackson's movie uses the cream of New Zealand's scenic locations to depict Middle Earth, a fantasy world of Hobbits, elves, dwarves, wizards and men.

But while Jackson will present the world's movie-goers with a spectacle of breathtaking proportions, a more modest behind-the-scenes look at what the Greater Wellington Region has to offer movie-makers is being officially released in April.

Called *Here and Now - Film and TV Locations in Greater Wellington*, the 12-minute video was produced by Wellington Regional Council as a tool to market locations to moviemakers both here and overseas.

The video features *Rings* (and *The Matrix*) producer Barrie Osborne, who sings the praises of the local landscapes. "In New Zealand we have found Middle Earth," he says. Osborne also says he was particularly pleased with the close proximity of several key locations to Wellington and local production facilities. WRC officially launches *Here and Now* in April.

The Lord of the Rings uses many different regional locations, including two of the WRC's regional parks, plus scenes shot along the Hutt River. For seven months the *Rings* crew used Kaitoke Regional Park, which doubled as the magical elven valley of Rivendell, while Queen Elizabeth Park has also been used as a backdrop.

"We're delighted that Peter Jackson found the locations he needed so close to home," says Wellington Regional Council Landcare Divisional Manager Andrew Annakin. "Our parks and forests have long been used by other production companies, such as Palana Productions, Cloud Nine, Flying Fish, the Gibson Group and TVNZ, and the video we've made shows why. But to have some of *The Lord of the Rings* filmed here has been the icing on the cake."

Palana Productions filming Dark Knight at Kaitoke Regional Park

Lower Hutt City

The second biggest economy in the region, Lower Hutt is home to a sizeable manufacturing sector. Indeed, it is one of only two local authorities in the region where manufacturing's share of the economy is greater than the national average (Carterton is the other).

There is also a good deal of supporting industry, including a number of road distribution companies.

The economy grew by an estimated 6.4% over the year to March 2000, due in large part to more transport and communications activity in the city.

The city's population fell by an estimated 0.3% over the year to June 2000, to 97,800. Population peaked at 98,600 in June 1997.

Further information is contained in the publication *Hutt City Outlook*, available from Hutt City Council.

Kapiti Coast District

Kapiti Coast District has the fastest growing population of the region's local economies. Over the year to June 2000, the number of Kapiti residents increased by 1.7% to 41,900.

Population growth has brought increases in retail sales and new construction over recent years. The annual number of housing consents rose from 295 in 1996 to 542 in the year 2000.

The district remains relatively dependent on primary production however, reflecting its rural history. The primary production sector accounts for around 10% of regional GDP in Kapiti (compared to 7% nationally).

Rising farm and forestry output was primarily responsible for economic growth of 7.9% in the year ended March 2000 – the highest in the region. This growth was in spite of limited opportunities for physical expansion, due to competition for land from conservation and urban development.

Further information on the Kapiti Coast economy is available from the Kapiti Coast District Council.

Wairarapa

The Wairarapa is the most rural part of the Wellington Region and the most geographically isolated. Comprising three local government authorities (Masterton, Carterton and South Wairarapa), Wairarapa accounts for three quarters of the region's land area.

Agriculture and forestry, along with related manufacturing, are the most prevalent forms of business in Wairarapa. A strong performance in all these areas over the year to March 2000 contributed to overall economic growth of 5.2%.

Masterton provides most of the essential services for the area, while Carterton provides a large number of manufacturing jobs, and South Wairarapa is predominantly rural with some tourism businesses.

Population has gradually shrunk in all parts of the Wairarapa over the last five years, consistent with trends in other rural areas. However, the decline slowed in the year to June 2000. A lift in the profitability of land-based export industries over this period is a likely reason, as is the popularity of lifestyle-block developments.

Further information on the Wairarapa economy may be obtained from the Masterton Business Enterprise.

Porirua City

Porirua City has a large community service sector, due to the presence of health services (Kenepuru hospital), educational institutions (Whitireia polytechnic), research organisations (Environmental Science and Research Ltd, and Building Research Association of New Zealand) and some government operations. These services cater to a young population (by national standards) of 47,400 people.

Other important industries in Porirua are retail trade (which attracts business from the south of the Wellington region as well as from local residents), property and business services and manufacturing. The scale of manufacturing has declined since the closure of vehicle assembly lines in the city, but a substantial presence remains, particularly in the plastics/chemicals and electronics areas.

Economic growth in the city over the year to March 2000 was an estimated 0.8%, with declining manufacturing employment partly offsetting a steep rise in retail sales.

Porirua's population has been essentially static since 1996 although there was a small increase in the previous five-year period.

Further information on the Porirua City economy is contained in the publication *Porirua City Economic Profile* available from the Porirua City Council or on the internet at www.pcc.govt.nz/plans/cityprofile/cityprofile.htm

Regional Economic Development Agency

A new initiative on the regional business scene is the Regional Economic Development Agency (REDA) whose role is to grow existing businesses in the Wellington region, and attract new business and investment. REDA will also focus on attracting migrants to the city, both from outside the region and outside New Zealand.

Wellington City Council's Director of Capability Development Ray Lind says his council is a keen supporter of REDA because its success will support economic initiatives the council is already pursuing for Wellington.

"Wellington City's success in economic development is inextricably tied up with the success of the region. As a city we have strengths which are complemented by our surrounding cities. The reality is we are far more attractive as a regional entity than as simply a small city.

"This new organisation will help the region's businesses make better contacts, provide them with business guidance and will put them in touch with the right opportunities and funding nationally and overseas."

Wellington City Council, Porirua City Council and Hutt City Council are working together to establish the agency. Other local councils have indicated they are interested in co-operating on a project basis.

Aotea Block Offers Opportunities for Work and Play

Visitors to Porirua City will soon be able to enjoy a range of adventure activities including a luge, golf driving range and an artificial ski slope. Greater Wellington Attractions is in the final stage of gaining consent to construct a leisure park over 69 hectares of an area known locally as the Aotea Block. Porirua City Council's Business Marketing Officer Colin Drew says the leisure park will add to the attraction of the city as a visitor destination. "Some like to shop, some like to play," Mr Drew says.

The 246 hectare Aotea Block represents one of the few remaining large undeveloped parcels of land near a New Zealand metropolitan area. Porirua City Council recently purchased the site so it could influence its development.

The council is now negotiating with a syndicate of developers headed by the Land Equity Group to progressively develop the Aotea Block with a mix of quality commercial, recreational and medium density residential construction. The commercial part of the development near the Mungavin Interchange will provide for high profile distribution-type businesses looking for excellent transportation links and purpose-built premises.

Colin Drew says, "This strategic site will ensure the continued rapid but controlled development of Porirua for the next 10 to 15 years." Mr Drew believes that it also demonstrates the confidence that the Land Equity Group has in the future of the city following their development of the Mega Centre.

New Technology Centre in the Heart of Porirua

Another prime business location in the heart of Porirua City is the Todd Park Business Centre, formerly the site of the Mitsubishi Motors car assembly plant. The new owners, St James Group Holdings Ltd, have subdivided the 26 hectare site. Mitsubishi Motors NZ Ltd still lease a significant portion of Todd Park for their head office, national parts department and vehicle distribution. The existing cafeteria and hall building has been converted to accommodate Deltec Telesystems Ltd head office and R & D facility which will employ 50 people.

The Porirua City Council is working with industry to attract further technology-based business such as contact centres, data processing and specialised electronics manufacturing.

Colin Drew believes Porirua City has both regional and national advantages for such business development because of its industry training capabilities, local labour pool, lower operating costs and the availability of prime locations.

Upper Hutt City

Upper Hutt's economy is characterised by a high concentration of community service providers. The education sector provides 10% of the jobs in the city (the Central Institute of Technology is a major contributor) while the Armed Forces base at Trentham is responsible for a high number of jobs in government administration (employment has increased at the base).

Data processing is another major industry, with EDS having increased its presence substantially in the city over the last year. The IRD also has data processing operations in Upper Hutt.

It is estimated that the economy shrank by 2.4% over the year to March 2000, due in part to a decline in manufacturing employment. However, since that time, increases in data processing activity and a new Countdown supermarket have increased GDP.

Statistics New Zealand estimates that the population has changed little in Upper Hutt since 1991, although the number of new houses built has been rising steadily over the last three years.

Further information on the Upper Hutt economy is available from the Upper Hutt Economic Development Agency, Upper Hutt City Council.



Todd Park Business Centre, Porirua City

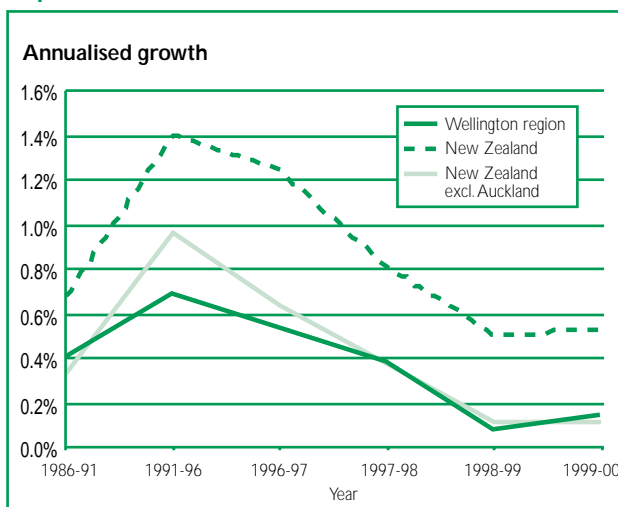
the people

population and employment

Population Movements

There were 429,700 people, or 11% of all New Zealanders, living in the Wellington region in June 2000. Wellington is the third-most populous region in the country, after Auckland and Canterbury.

Population



Source: Statistics New Zealand Population Estimates

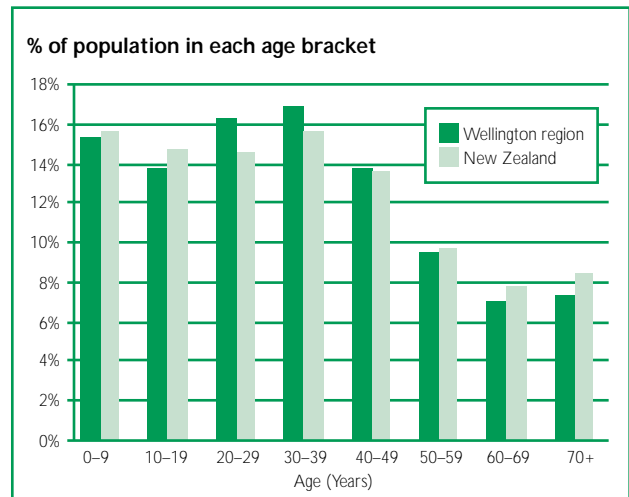
Statistics New Zealand estimate that the population increased by 600 people over the year to June, or 0.1%. Wellington's population growth rate has been well below the national average for the last two decades, although that finding is slightly misleading because of the disproportionate influence of Auckland in the figures. Indeed, Wellington is in about the middle of the population table – it had the ninth highest population growth rate of sixteen regions over the period 1981-2000.

Within the region, some areas have had faster population growth, notably the Kapiti Coast and Wellington City.

Age and Ethnicity

Wellington has the highest working-age-to-dependent population ratio of any region. There are 1.51 people of working age (20-64 years) for every person under 20 or over 65. In other regions, the working-age-to-dependent ratio ranges from 1.18 in Gisborne to 1.47 in Auckland.

Age structure



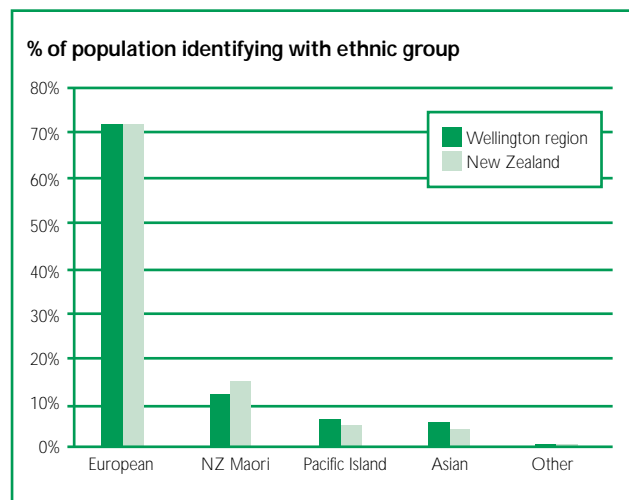
Source: Statistics New Zealand Census of Population and Dwellings

Reasons for the high proportion of working-age people include the availability of employment and the high cost of housing in the region.

Age dependency ratios are much higher in the employment centres of Wellington City and Lower Hutt than in the north of the region. Masterton and the Kapiti Coast in particular have significant retired populations.

The ethnic mix in the Wellington region is much the same as in the rest of the country, although Wellington is home to a slightly lower percentage of Maori and a slightly higher percentage of Asians and Africans.

Ethnic mix



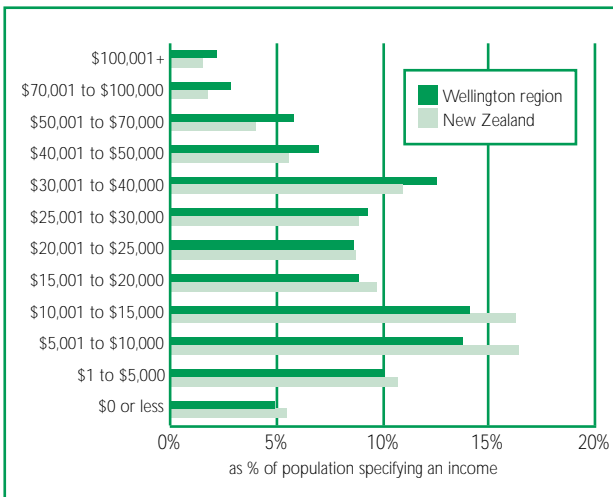
Source: Statistics New Zealand Census of Population and Dwellings

Income

As a result of the high proportion of educated, working age people in the region, Wellington has the highest average household income in the country. In the three months to June 2000, average weekly income from paid employment or benefits was \$515, compared to \$447 for New Zealand as a whole (the average hourly wage in Wellington is \$20.50, and just \$17.88 for New Zealand).

However, income from these sources has increased by only 6.4% in Wellington since 1997, compared to a 9.6% increase for New Zealand. The loss of some financial sector jobs in recent years and a shift to lower-wage industries (tourism, for example) have probably influenced Wellington's slower income growth.

Income distribution



Source: Statistics New Zealand Census of Population and Dwellings

As might be expected, there is a greater percentage of high-income individuals in Wellington than nationally, and a lower percentage of low-income individuals.

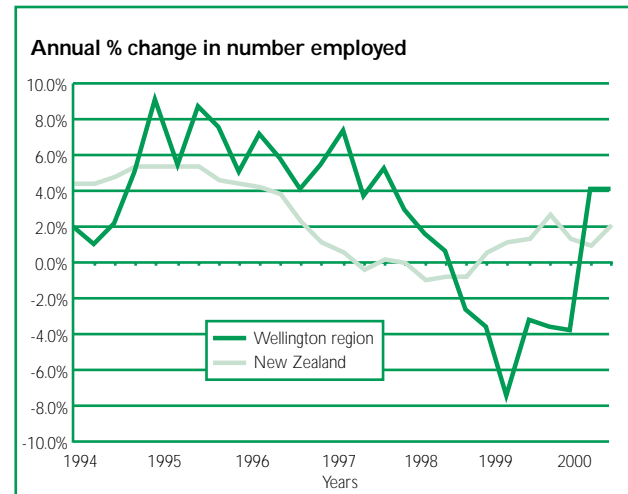
Within the region, Wellington City residents have the highest incomes, while there is a greater percentage of residents in the low-income brackets in Wairarapa and on the Kapiti Coast.

The Labour Market

Strong employment growth was apparent in Wellington over the year to September 2000, following declines in the previous two years. Most new jobs were generated in the business and financial services sector, which includes Information Technology (a recent employment intentions survey from Morgan and Banks New Zealand Ltd showed strong demand by lower North Island businesses for IT professionals). Jobs were also created in the hospitality and construction sectors.

The region had experienced a loss of jobs in the financial sector over 1998 and 1999, due to the departure of a number of banking and insurance operations for Auckland. But the northward drift of such organisations seems now to have slowed – the only major company departure announced in recent times is that of the Tranz Rail head office.

Employment growth



Source: Statistics New Zealand Household Labour Force Survey

Despite the greater stability of major employers in the region, the near-term outlook is for the rate of new job creation to slow, if only for a short time.

The ANZ Job Advertisements survey showed a declining number of advertised positions in the *Evening Post* over October and November 2000. Service businesses faced cost pressures prior to this period as a result of higher import prices, and were unwilling to hire much more labour. Service businesses dominate the regional economy.

There were signs that the costs of doing business were falling again by late December (petrol prices, for example) but it often takes several months for improved business sentiment to translate into increased employment.

important industries

in the Wellington region

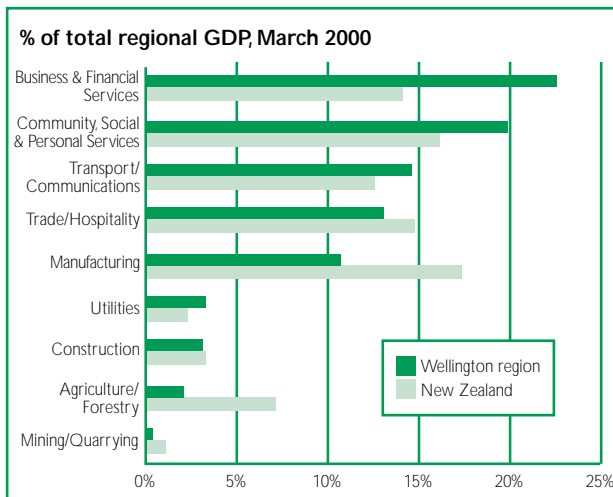
Wellington's biggest industry is financial and business services. This industry includes historical stalwarts of the regional economy – banking and insurance – but also the fast growing areas of IT, management consulting and legal and accounting services.

The government sector contributes to a substantial presence in the community, social and personal services industry.

The third major industry in the region is transport and communications, which has benefited from strong growth in recent years.

These three industries each account for a greater share of Wellington regional GDP than they do of national GDP.

Industry share of regional economy



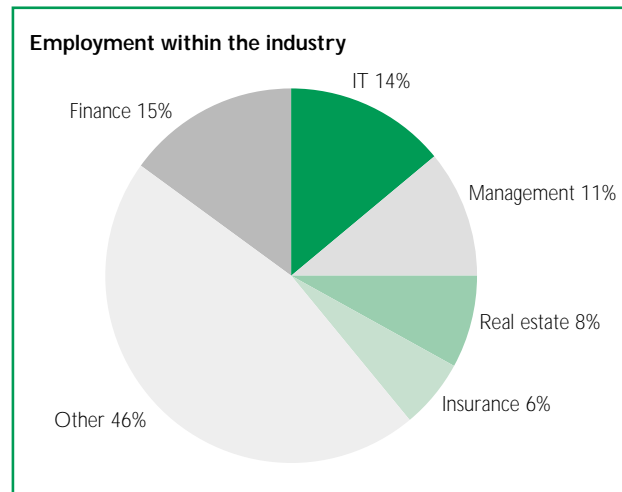
Source: Infometrics estimates, based on Statistics New Zealand Annual Business Directory Update and national GDP data

Note: A change in the classification of industries by Statistics New Zealand means that sub-industrial shares of employment may differ from previous years.

There are of course many other types of businesses in Wellington. Indeed, in some parts of the region, retail sales, manufacturing or agriculture are dominant. But across the region as a whole they account for a relatively small part of the economy.

Business and Financial Services

Business/Financial Services Employment



Source: Statistics New Zealand Annual Business Directory Update

The business and financial services sector is the linchpin of the Wellington regional economy, accounting for 23% of gross domestic product and 25% of employment. Three-quarters of the value added in this sector takes place in Wellington City, with half of the remainder in Lower Hutt.

Trends

This sector's contribution to gross regional product grew by an estimated 0.8% over the year to March 2000.

Growth in business services, which accounts for most of the employment in the sector, was partly offset by a continued decline in the employment in banking and insurance industries, which have been reducing their branch presence and centralising head office functions in recent years.

In the business services area, Information Technology output has been increasing rapidly – national sales rose 7.2% over the 1999 financial year and there is anecdotal evidence of continued growth in 2000. The Information Technology Association of New Zealand (ITANZ), whose members account for the bulk of industry turnover and employment, estimates that around half its members are based in Wellington, so the national growth rate is likely to be representative of developments within the region. Computer consultancy is now the biggest contributor to employment in the business services area in Wellington, providing 4,780 jobs.

Wellington's not only Absolutely Positive, it's Smart!

Wellington City Council, in partnership with the business and education communities, has a vision to develop Wellington as a vibrant, international smart city.

Wellington is a wired city producing high-quality graduates, with a sophisticated workforce and businesses continually achieving international success.

"Wellington already possesses the components of a smart city," says Mayor Mark Blumsky. "But to really reap the benefits and attract more business to the city, we need to promote our business capability.

"Smart also sums up the business environment we're building. It's an environment set firmly in the knowledge economy and it's the key to our economic future. Wellington's infrastructure has to revolve around strong information and communication technology industries, and we've got to create a climate that makes high-tech businesses want to be here – which is what we're doing."

The council undertook research with the business community and discovered there was a need for a business-focused brand to help sell the city's business success stories to the world.

Launched in July, the brand – 'Smart Wellington' – defines Wellington as a centre for innovation and technology. 'Smart Wellington' has already started to appear around town, on billboards, at conferences, on the back of buses and shortly in print advertising. With plans to leverage the brand off major events both locally and internationally it will be increasingly visible. The council believes the branding and positioning will attract more business and migrants to the region.

With partners like Synergy International Ltd, Ericsson Communications Ltd. and Robert Walters, 'Smart Wellington' will promote the high quality, world class employment prospects and opportunities that exist in Wellington, and attempt to attract young New Zealanders back from overseas through job fairs, initially in the UK.



Smart City billboard at Wellington Airport

There was also some growth in real estate-related employment over the year to March 2000, although there has been a decline in house sales in Wellington since that time, which suggests some of the new jobs were short-lived.

The business services sector as a whole has been growing strongly since the restructuring of the public sector in the 1980s, which encouraged many highly skilled workers to move into self-employed consulting roles.

Prospects

Prospects for the business services sector are positive. A recent Morgan and Banks New Zealand Ltd. survey showed that a majority of employers in the lower North Island intend to increase employment in the sector over the next six months. IT employers in this part of the country are the most optimistic anywhere, although the rest of the finance and business sector is more cautious.

The IT industry is expected to continue growing, despite a meltdown in technology stocks in the United States over recent months. The fact that technology shares have become over-valued does not take away from the productivity gains that are to be had from adopting improved computer hardware, software and telecommunications. These will ensure that businesses continue to buy from the IT sector.

Wellington has the highest per-capita presence of IT experts in the country, and the concentration makes the region attractive to new "start-ups" or foreign companies looking to set up operations in this country. The major constraint for the IT sector over the near-term is skilled labour and Wellington has plenty of qualified workers.

As in the IT sector, legal and accounting experts are also likely to experience some increase in business over the next year, owing to the introduction of new government policies. (There are some untested laws in the labour relations area, and there is anecdotal evidence that higher personal tax rates have encouraged tax avoidance activities.)

On a more negative note, the weak exchange rate (US\$0.44 at the time of writing) has increased costs for the business sector across the country. This suggests that while positive, the rate of expansion of the business services sector may be lower than in previous years. This is also the case in finance and insurance, where fierce competition and a weakening mortgage market are adding to cost-cutting pressures.

Community, Social and Personal Services

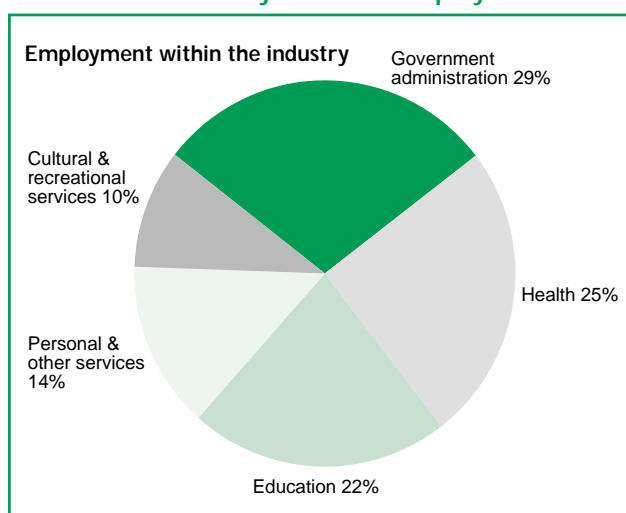
The community, social and personal services sector is dominated by government administration, health and education.

The size of the government sector in Wellington has been reduced radically since the 1980s, owing to the sale of some government enterprises and the corporatisation of others. However, although government employment in areas such as rail transport and telecommunications has decreased, employment in the core departments has not. Indeed, employment in Wellington in government administration and defence is almost the same now as it was in 1987.

Outside the core departments, there are hospitals in Wellington City, Lower Hutt, Porirua and Masterton. There are two universities in Wellington City (Victoria and Massey), and polytechnics in Lower Hutt, Upper Hutt, Wairarapa and Porirua (the latter has an outpost on the Kapiti Coast). To put this in perspective, the Auckland region has only four major tertiary education institutions, albeit large ones.

The community, social and personal services sector also includes some research organisations (particularly in Lower Hutt but also in Wellington, Upper Hutt and Porirua) and a number of professional associations and lobby groups (mainly in Wellington City). Film production, a rapidly growing industry in Wellington, also forms part of the sector.

Personal/Community Services Employment



Source: Statistics New Zealand Annual Business Directory Update

Trends

Over the last two years, national health expenditure has risen by 7.0% per year and national spending on education by 5.1% per year (this compares to a nominal GDP growth rate of 3.6%). But despite the rise in spending on the two key social services, the community, social and personal services industry in Wellington has not experienced growth.

A likely explanation is that health and education expenditure has been spread across New Zealand, rather than being captured by Wellington-based administration. Areas with large numbers of young people – South Auckland and Waikato for instance – are likely to have gained a greater share of such spending.

In addition, Wellington's tertiary institutions lost market share over the last half of the 1990s.

Despite the slow growth of the sector overall, there are some areas which are expanding. Film and video production is one of those. The film industry in Wellington is small at present, officially employing 580 workers as at February 2000 (0.3% of total employment) but in New Zealand terms, the Wellington industry has critical mass – 23% of the industry is here. In addition, The film industry employs many casual workers, who are often not picked up in official surveys.

Growth in film production activity over recent years has come partly from the widely-publicised *Lord of the Rings* project, but Wellington has also secured advertisement shoots and television series. More filming in the region not only generates jobs directly for actors, crew and the like, but also lifts demand for goods and services in other industries, such as accommodation and retailing.

Prospects

The size of the core government departments is set to expand. Industry New Zealand, a new Crown entity set up with the aim of promoting business growth, has recently been established in Wellington and already has 57 staff. Further recruitment is likely.

Spending on health and education is forecast by The Treasury to increase by 2.1% per year and 3.0% per year respectively, over the next five years. This is likely to translate into some growth in Wellington employment in these areas, although regions with particularly young populations are likely to benefit most.

In the research sector, the government has issued a discussion paper which proposes making all research expenditure and most development expenditure eligible for tax deductions. This, on top of direct research funding announced in the last Budget, will boost work for research organisations across the country, although it may be 2003 before tax concessions are actually in place.

In the film sector, the conclusion of the *Lord of the Rings* will leave a hole, but some of the benefits of such a large project are expected to be lasting. The project developed the skills of cast and crew, and there is now a significant base of expertise and infrastructure in place in New Zealand.

Furthermore, the costs of filming in New Zealand remain low relative to those in other developed countries (partly because of the weak New Zealand dollar but also because labour costs here are traditionally low).

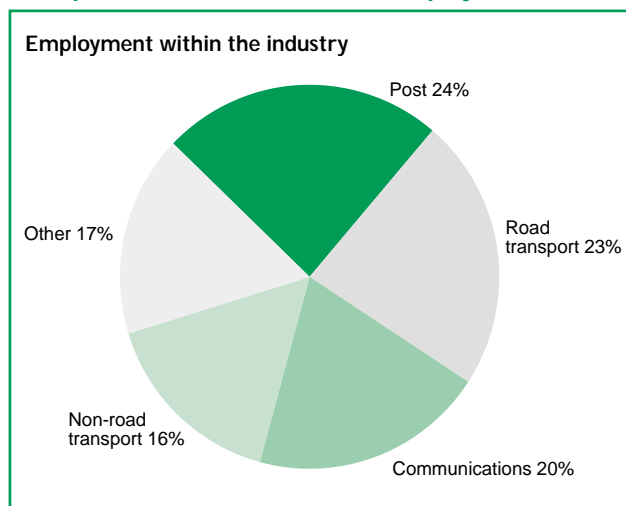
The challenge for Wellington will be to maintain or extend its market share in the face of competition from other parts of the country. Auckland remains the biggest employer in the film industry and Queenstown has served as a base for a number of projects in recent years. But the presence of Weta Digital Effects in Miramar and the launch in 2000 of effects company October, bode well for the ability of Wellington to compete for high-budget projects.

Transport and Communications

Transport companies and associated businesses provide the majority of employment in this sector. Road freight is the dominant form of transport, but Tranz Rail also has a significant presence and CentrePort is also important to the regional economy.

In the communications sector, postal services employ 3,500 people and telecommunications companies – Telecom New Zealand Ltd, Clear Communications Ltd and Telstra Saturn Ltd are the major ones – employ another 2,750.

Transport and Communications Employment



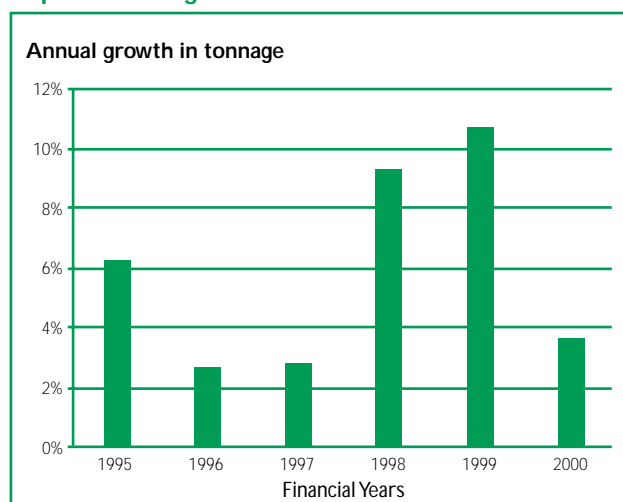
Source: Statistics New Zealand Annual Business Directory Update

Trends

Real value added by the Wellington transport and communications sector grew 7% over the year to March 2000 (national growth reached nearly 11%). Indeed the size of the sector has virtually doubled since the end of the last major economic recession in 1992. The introduction of new technologies such as the Internet and digital mobile phones have promoted growth in the sector. The introduction of competition in postal services has also had a positive effect on the range of services available.

CentrePort reported a 4% increase in cargo tonnage over the 2000 financial year, following increases of around 10% in previous years. Dairy products, meat and wood products form the bulk of the cargo exported through the port, with much of this brought in by road or rail from other parts of the North Island – Wairarapa, Ohakune and the Manawatu. Wood processor Juken Nissho Ltd (based in Carterton) and Lever Rexona (in Lower Hutt) put a significant volume of manufactured goods through the port.

Exports through CentrePort



Source: CentrePort

In the telecommunications industry, Telecom remains the largest company but it now faces significant competition in traditional and mobile markets from Clear Communications and relatively recent arrival Telstra Saturn. The latter has been a major contributor to growth in telecommunications employment and output in the region recently.

Originating on the Kapiti Coast as a cable TV company, Telstra Saturn has expanded rapidly in recent years and now has overseas capital backing. With its head office in Wellington, Telstra Saturn currently employs more than 600 people nation-wide and has invested over \$280 million in new infrastructure over the last three years, laying local networks in Kapiti, Lower Hutt and Wellington City. The company claims 32% market share for households able to be connected to its network. Its share of the business market is much smaller, but as a new entrant it has enjoyed strong growth over the last year.

Prospects

As in the business and financial services sector, information technology is a key determinant of growth prospects in the transport and telecommunications industries.

Internet sales – complete transactions on-line, which many on-line businesses are not yet geared up for – are expected to be a strong source of Internet traffic growth throughout the country over coming years. Competitive pressures will force companies to offer such a complete on-line service, in the same way that most businesses now offer EFTPOS to stop customers going to competitors without the technology.

Also in the telecommunications sector, and more specific to Wellington, Telstra Saturn plans to invest approximately \$1.2 billion over the next five years extending its service to other metropolitan areas around the country. This might be expected to result in increased employment at its head office in Wellington.

On a more sombre note, Wellington is vulnerable to the loss of the head office operations of telecommunications companies. The largest market for voice and data services is Auckland and some New Zealand companies now have sizeable overseas customer bases. Such head office relocations are rare and difficult to predict, but this is one of the major risks to the positive outlook for activity in the local telecommunications sector.

In the transport sector, prospects for the tourism and export industries are important. The outlook for tourism is for moderate growth, while exporters in the lower North Island have benefited to a great extent from the depreciation in the New Zealand dollar since 1997. Exports of wood products, dairy products and meat are expected to be the driving force for national growth over the next year, and volumes of those goods along the region's roads and through the port are expected to increase strongly.

Base Isolators – earthquake engineering technology developed by cluster member Dr Bill Robinson

New Business Clusters for Wellington

Two new clusters have joined the Wellington City Council's cluster line-up. They are education and natural hazards – two further areas the council sees as having major business potential for the city.

"The clusters concept works well and is part of the council's economic development strategy," says Wellington Mayor Mark Blumsky. "The idea that organisations will interact, collaborate and knowledge-share to win work is one that I applaud."

The education cluster is the first education cluster in New Zealand and has the blessing of Associate Minister of Education (Tertiary Education) Steve Maharey.

The cluster will bring together education bodies – Wellington City Council, Massey University (Wellington), Victoria University, the Central Institute of Technology, Whitireia Polytechnic, Hutt Valley Polytechnic and Education Wellington International – to market and promote Wellington internationally as an education destination.

"The City Council recognises that for the local economy to reap the benefits from the education industry we need to work together and bring the key players on board. By collaborating we believe we can extend the reach of Wellington's education industry," Mayor Blumsky said.

A study by economic consultancy Infometrics found that education of overseas students contributed \$38.9m per annum to the region.

The Natural Hazards New Zealand cluster is another first for New Zealand – a group of more than twenty specialist businesses, they will work together to attract overseas funding and contracts on natural hazard risk management.

The focus of the cluster is to win project assignments through organisations such as the Asian Development Bank and World Bank

"Because New Zealand has experienced almost all types of natural hazard, we have developed world-class expertise to manage, predict and provide engineering and economic solutions to deal with natural hazards," says Tan Pham, Co-Chair of Natural Hazards New Zealand. "By coming together as a cluster we can offer this expertise to the world and generate work for New Zealanders."

Wellington City Council has been supporting business clusters in the city since 1997. The council provides facilitation and other support services. The other clusters are film/TV, earthquake engineering, creative multimedia, e-business and software (including mobile internet).

Upper Hutt – Location of Choice

Unibag Packaging Ltd and the Joint Force Headquarters are two major employers who have recently chosen to locate key operations in Upper Hutt. Unibag, a manufacturer of paper bags, is relocating from Porirua to a four hectare site which was previously the premises of Coca Cola. The New Zealand Army, Navy and Airforce will be establishing a combined headquarters at the army base at Trentham from July 2001.

Upper Hutt Economic Development Agency chief executive Michael Baines says "Unibag was looking to expand and we're delighted that they have recognised the benefits of locating in Upper Hutt. Unibag's products can be seen everywhere – from shopping bags at exclusive stores to putting out the rubbish."

Mr Baines says, "The New Zealand Army has been a major employer in Upper Hutt, as well as an important part of the community and we're looking forward to this continuing with the combined services. The central location of the Trentham army base makes it a sound choice."

"Upper Hutt has a reputation as a good place to do business, with its quality commercial buildings, well-educated population and good transport links."

Lifestyle Housing for Upper Hutt

The prospect of owning a new house and enjoying an outdoor lifestyle is attracting many people to new subdivisions in Upper Hutt. The new subdivisions include Riverstone Terraces, Slyvan Heights and Mount Maruia.

Upper Hutt Economic Development Agency chief executive Michael Baines says the building activity at the new subdivisions is injecting cash into the local economy.

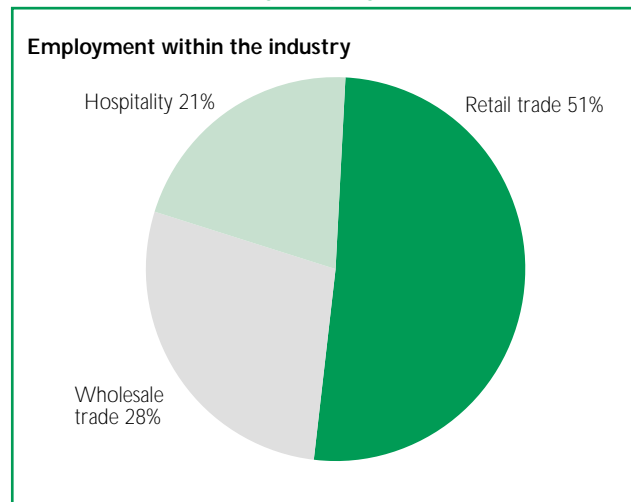
Mr Baines says, "The housing market in Upper Hutt is buoyant for both new and existing homes. The average time from listing to selling is only 27 days."

"More and more people are discovering that Upper Hutt is a great place to live. The shopping and schools are good and the bush and river are close by for recreation."

Retail and Wholesale Trade

Retail trade dominates the distribution sector in Wellington, accounting for half of all value added. The retail trade industry is particularly important in Porirua, Upper Hutt and on the Kapiti Coast. The retail and wholesale trade sector also includes hospitality businesses, but their prospects are covered in more detail in the following section on tourism.

Trade and Hospitality Employment



Source: Statistics New Zealand Annual Business Directory Update

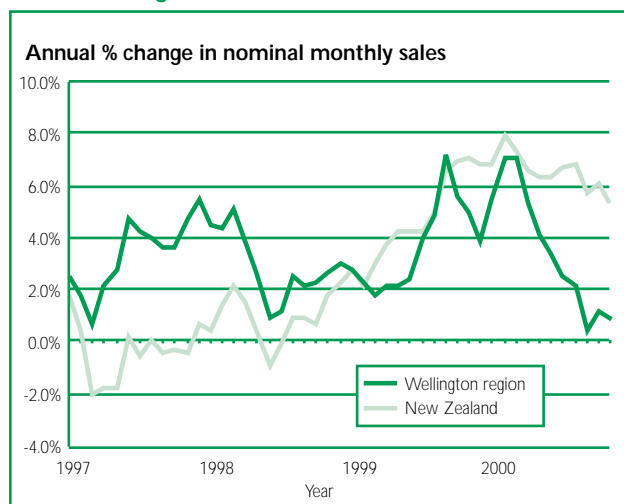


The Riverstone Terraces subdivision, Upper Hutt

Trends

In the last *Regional Outlook* we reported that retail trade growth for the Wellington region had dipped below the national average after a two-year surge. The bad news is that the decline relative to New Zealand has continued. Over the three months to November 2000, Wellington's retailers made \$1.3 billion in sales, only 1% more than in the same period of 1999. Nationally, the growth rate was 5%.

Retail sales growth



Source: Statistics New Zealand Retail Trade Survey

The easing in Wellington sales growth comes at the same time as an increase in international visitor numbers to the region, and a pick-up in employment. So it seems that expectations of weak economic growth, rather than the actual conditions of the time, reduced the willingness of households to spend (either that or spending took place outside the region).

Prospects

The Retail Merchants Association reported a rise in national retail sales over December. It seems logical to assume that retail sales movement in Wellington rose too.

The question is therefore whether or not the recent pick-up will persist. At this stage, the outlook for the spending of locals is rather pessimistic, at least for the current year. The large fall in the New Zealand dollar has reduced the spending power of households, although the high average incomes of Wellingtonians make this less of a problem than elsewhere.

The outlook for spending by tourists is better, since the weak dollar makes our hotels and goods cheaper for foreigners. Tourism (both domestic and international) accounts for around 5% of retail spending at a national level and 40% of spending on accommodation, cafés and restaurants.

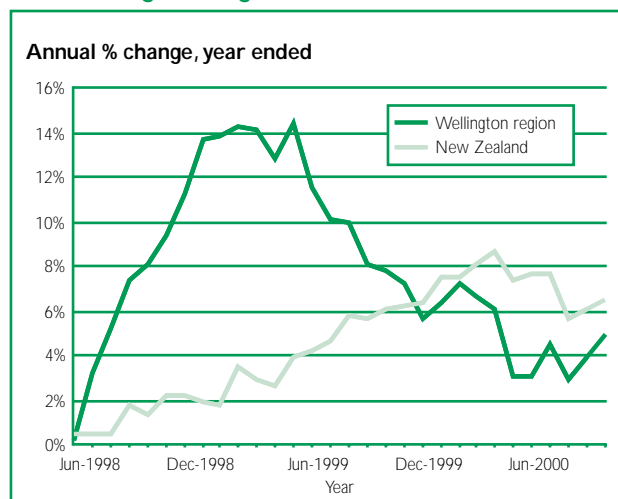
Tourism

The majority (around 55%) of those staying in Wellington hotels and motels are New Zealanders. Data for Wellington City suggests that most New Zealand guests are from the North Island, but south of Auckland. Australia and the UK are the biggest overseas markets for Wellington accommodation providers, with relatively low penetration in Asian and North American markets. The mix of international visitors is explained by the fact that most international flights into Wellington airport originate from Australia.

Trends

Over the year to November 2000, the number of hotel and motel guests in the Wellington region rose by 11%, which was greater than national growth of 9%. However, shorter stays in Wellington meant the number of guest nights spent in Wellington Region hotels rose by a slightly less spectacular 5%.

Growth in guest nights



Source: Totally Wellington Tourism

Growth in international visitor nights was partly offset by a sluggish domestic market over the year to October – there was virtually no increase in domestic visitor nights. Falling real incomes and pessimism about economic prospects were not conducive to either business or holiday travel by New Zealanders over that period. However, November results indicate an upswing in the domestic market, suggesting the downturn in domestic-sector growth has run its course.

Another source of tourism information is Te Papa. Over the year to September 2000, Te Papa counted 1.1 million visitors. A third of those visitors were foreigners, with another 40% from New Zealand but not from the Wellington region. Three-quarters of visitors responding to a random survey said they had stayed in Wellington for more than one night. While in Wellington to visit Te Papa, around half of the visitors questioned said they had visited a restaurant or a café, while around a third had visited other attractions such as the Cable Car.

Prospects

Wellington recently hosted the Tour of Wellington cycling event and is playing host to the BT Challenge flotilla. A number of events at the stadium are also expected to boost the tourism industry. Notably, the stadium has contracted the Australian-based Canterbury Bulldogs rugby league team to play one of its home matches at the stadium in each of the next four years, possibly against the New Zealand Warriors. And the Football Kingz soccer club is playing some of its home matches at the stadium this year.

In addition, the currently low level of the New Zealand dollar and relatively low accommodation costs compared to the mid-1990s make New Zealand an attractive destination for international tourists.

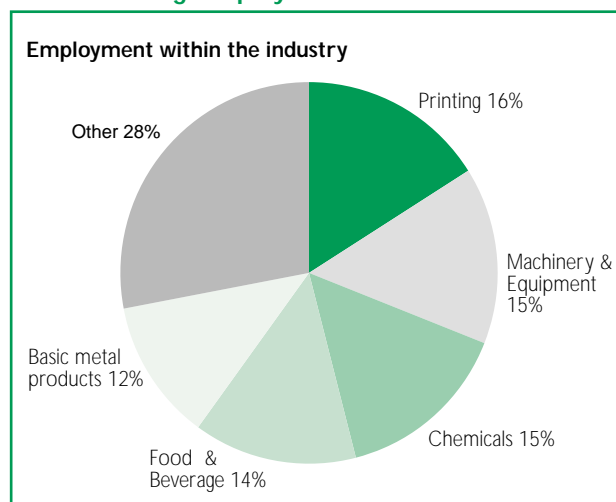
A recent McDermott Fairgray Group Ltd report forecasts 7% annual growth in the number of international tourist visitors to New Zealand over the period to 2006.

Growth is expected in all markets, although it will likely be greatest from Asian markets, with tourist numbers there coming off a low base due to the after-effects of the Asian financial crisis in 1998.

The holiday market is predicted to be the fastest growing, although business tourism will expand almost as fast.

Manufacturing

Manufacturing Employment



Source: Statistics New Zealand Annual Business Directory Update

The manufacturing sector accounts for just 11% of value added in the region, compared to 17% of national GDP. Wellington's manufacturing presence has gradually declined since the late-1980s due to a combination of deregulation, centralisation of manufacturing operations in Auckland and Christchurch, and an unfavourable exchange rate environment for exporters over the mid-1990s.

Nevertheless, the sector remains important in some parts of the region, particularly in Lower Hutt and Carterton, and a few types of manufacturing are more prevalent in Wellington than elsewhere.

The biggest employers in the manufacturing sector are chemical manufacturing businesses (including plastics manufacturers), printers and publishers, and machinery and equipment manufacturers.

Trends

Value added by Wellington's manufacturing sector rose 0.1% in the year ended March 2000, following declines in each of the three preceding years. A low exchange rate provided more favourable conditions for exporters (such as Wairarapa wood processor Juken Nissho Limited), although the domestic market for manufactured goods was reported to be relatively weak over this period.

While manufacturing output in the Wellington region expanded over the year ended March 2000, it didn't grow as fast as national manufacturing production.

Prospects

The low exchange rate provides a one-off boost to export prospects. By making New Zealand exports cheaper to foreigners, more can be sold at the same New Zealand dollar price and/or New Zealand dollar prices can be lifted. This may allow some marginal exporters to become profitable. This applies to exporting manufacturers throughout the country.

However, the low dollar does not boost competitiveness in any real sense – exchange rate movements do not directly influence productivity. And the fact remains that low-wage economies in Asia and elsewhere can still produce many goods at lower cost than New Zealand.

Wellington manufacturers have the further disadvantages that they are a long way from the main consumer market in Auckland, and that unskilled labour is relatively scarce here.

Therefore, we expect to see a general decline in the share of the gross regional product accounted for by manufacturing activity, at least once the effect of the exchange rate devaluation wears off. Partly offsetting this will be an increase in activity in areas such as business services, reflecting an increased focus on design, management and marketing.



The new Seaview/Gracefield banners

Seaview Gracefield – a Golden Location

Prospectors may not have had a lot of luck in the Seaview/Gracefield area during the gold rush days, but clearly there's something golden about the area now. Two businesses have struck gold recently: recent resident Masterpet Corporation Ltd won the Rising Gold award in the Wellington Region Gold Awards 2000, and long time resident Formway Furniture Ltd took out a prestigious product award for the second year running at the North American Neocon Commercial Furniture Fair in Chicago.

Seaview/Gracefield is one of the key industrial areas in the Wellington Region, with more than 200 businesses located there. Retention of these businesses, and attracting new enterprises is crucial to the future economic health of Lower Hutt City and surrounding region.

To achieve this, and ensure the smooth co-ordination of all initiatives, Hutt City Council has established a project team of private sector business leaders predominantly from the Seaview/Gracefield area. They have been meeting on a regular basis with Council's Economic Initiatives Manager, Clare Hadley, on an ongoing improvement project.

The first step has been addressing the physical environment. Banners which reflect the history and future of the area have been erected, and welcome signs are soon to be installed to establish a sense of place (see picture below).

The results of a recent business intention survey demonstrate that the council's investment in the area is already paying dividends. Almost 95% of the businesses in the area intend to either stay in their current location or move to another site within the Seaview/Gracefield area.

Rick Wells, Managing Director of Formway Furniture, is one of the project team members, and a strong advocate for positioning the area as a prime business location for the 21st century.

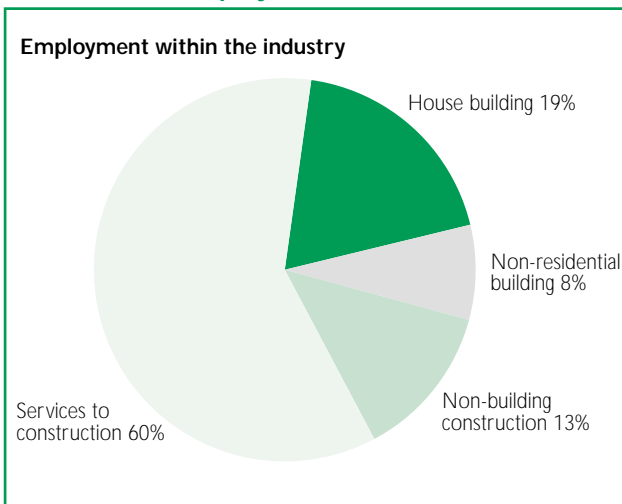
United Networks recently chose the Seaview/Gracefield area as its new business base, and management has been thrilled at the way their new location offers ease of movement throughout the region.

Wayne Wootton, Managing Director of Masterpet, says that their choice of Seaview/Gracefield as a base to expand their activities has been very beneficial. The central location offers good distribution throughout New Zealand, and the close proximity of an excellent port facility is critical.

The Building and Property Sectors

The construction sector contributes 3.0% of Wellington's value added and 3.4% of New Zealand's value added. The relatively small size of the industry in Wellington partly reflects lower population growth (therefore requiring fewer new houses).

Construction Employment



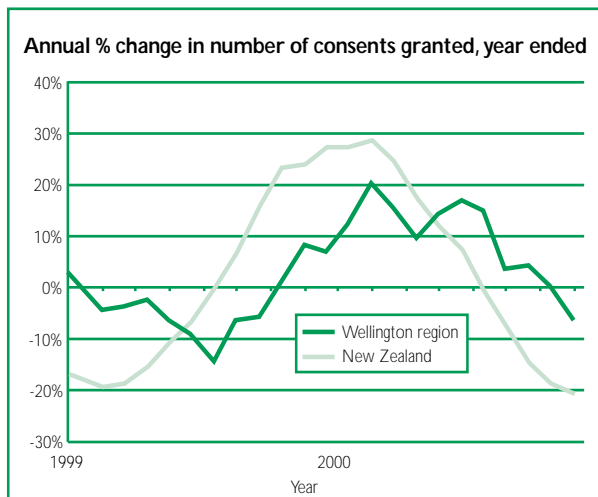
Source: Statistics New Zealand Annual Business Directory Update

Trends

The construction sector in Wellington grew by 8.6% over the year to March 2000, about the same as the national growth rate.

Good economic growth in Wellington over the previous three years sustained house building activity in spite of relatively low population growth, although higher interest rates and a drop in consumer confidence reduced the number of new consents granted over the last half of 2000.

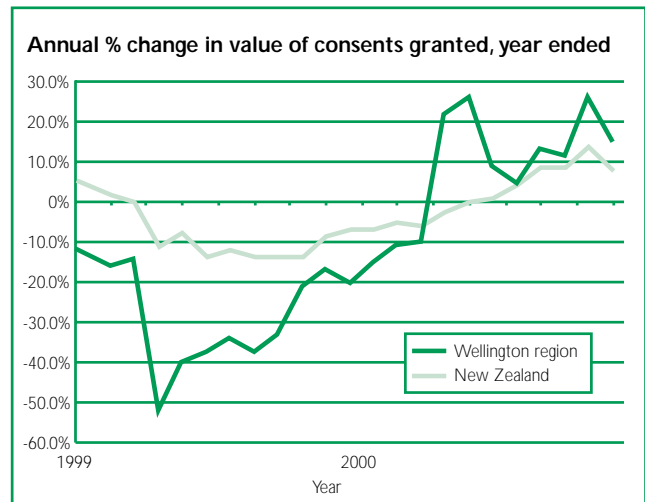
New housing approvals



Source: Statistics New Zealand Building Consent Data

Commercial building activity behaved in exactly the opposite manner. There had been a lull in new projects in the year to March 2000 as the Regional Stadium was completed, and office rents fell. But by November, building activity was on the up again. A major new office building on Lambton Quay was begun, although this reflected a demand for high-quality, contiguous office space, rather than a general recovery in the office real estate market.

More commercial building



Source: Statistics New Zealand Building Consent Data

At a sub-regional level, Wellington City, Lower Hutt and Upper Hutt had some growth in house building activity over the last year, with other areas experiencing some decline. There was an end-of-year rush of building in Wellington City, but this has to be seen in the context of a dull year overall.

Where's the action?

Building permit activity by local authority, three months to November 2000

	Number of housing permits		Contribution to region's growth in permits	
	Seasonally adjusted	Actual	Quarterly	Annual
Wellington City	324	339	20%	1%
Kapiti District	116	120	1%	-4%
Lower Hutt City	50	46	2%	2%
Upper Hutt City	37	42	0%	2%
Wairarapa	34	34	-2%	-3%
Porirua City	32	38	-2%	-3%
Total Wellington region	593	619	20%	-6%

Source: Statistics New Zealand New Dwelling Consents

Prospects

The Quotable Value (formerly Valuation New Zealand) house price index for the Wellington urban area rose 3.5% over the year to September, despite the decline in demand for new houses and a sharp drop-off in sales of existing ones. However, there was a small quarterly drop in prices in September. This seems likely to continue over the short term, as home owners are clearly finding it difficult to sell at current values.

By the second half of this year, property values should stabilise. Relatively high inflation over the last year has added to nominal price falls to reduce the *real* value of houses (that is, a house no longer equates to the same volume of goods and services it would buy previously). Building activity will follow, although it may take some months.

In the commercial sector, office rents have continued to be relatively weak in Wellington. Vacancy rates have been reduced by the conversion of some office buildings to apartments or hotels, but the new buildings currently under construction will increase spare capacity.

Demand is clearly highest for top-quality space, of which there is not much in the region. This may see some further new building projects or refurbishment of existing buildings, despite higher vacancy rates at the low end of the market, although we expect some decline in activity in the short term due to slower growth in service industries.

Arts Festival Worth \$39.7 Million to Wellington

New Zealand Festival 2000, which took place in Wellington from March 3 – March 26 2000, generated \$39.7million of new money for the Capital, according to an Economic Impact Report commissioned by Totally Wellington and the New Zealand International Festival of the Arts.

Totally Wellington Chief Executive, Rob MacIntyre says the result is an impressive indication of the economic benefits major events can contribute. "The Festival is not only a major icon for Wellington but a revenue driver for the city."

The research shows Wellington to be hugely popular as the home to the Festival in a number of ways.

Firstly, Wellington's special atmosphere during Festival time rated in the top three reasons why the audience enjoyed the Festival, along with the high quality and variety of events to see.

Secondly, Wellington's nightlife, restaurants and café scene was considered a main attraction (besides the Festival itself) by 25% of visitors. This was higher than Te Papa and art galleries/exhibitions and followed only other performing arts events (eg opera and live theatre) at 53%.

Thirdly, the lure of Wellington's restaurants: 47% of the total Festival spend (over and above money spent on tickets to Festival events) was soaked up in restaurants and cafes in the city. Retailing snapped up 21%, followed by accommodation at 20% with 9% going on transport.

And last but not least, the Festival audience is keen to keep coming back. 97% of New Zealand visitors rated their visit to Wellington very good or good. 74% of visitors had visited in the past year just for leisure, with 54% of Festival goers expecting to come back again for leisure within the next year. Significantly, 26% of those expecting to visit within two years will visit more than five times over that period. This is an even larger amount than those intending to visit once (22%).

Taking into account the influence of other attractions and the proportion of spending that flowed out of Wellington again, the total net value that the Festival 2000 added to the Wellington city economy was \$23.5 million.

The research was conducted by McDermott Miller and involved telephone interviews with 1002 people who attended the Festival as well as a further 453 who attended the Edinburgh Military Tattoo.

Kapiti Cheeses to Treble Production

Award winning Kapiti Cheeses has shown its faith in the potential of the district by announcing plans to treble its current production at its existing Lindale, Paraparaumu site.

In December the company announced plans for a \$3.5 million expansion of production facilities supported by a \$2.2 million injection of equity capital from Wellington-based investment company, Rangitira Ltd.

The agreement with Rangitira and the expanded plant will strengthen Kapiti Cheeses' position as New Zealand's pre-eminent independent producer of speciality cheeses and super premium ice creams, the company's chairman, John Butterfield said.

Managing director, Ross McCallum, says the company is enjoying strong domestic growth and, with much greater capacity in 2001, is looking forward to continuing to build its export markets and expand its share of the portion pack business with international airlines.

Kapiti Cheeses exports to the Asia-Pacific region including Japan, China, Singapore, Malaysia, Bali, Fiji, Australia, Tahiti and the USA.

Feeding the Families of Kapiti

At 54,000 square feet, (5022 sq metres) Kapiti's greatly expanded Coastland's Pak' N Save is the largest supermarket in the Kapiti district and one of the largest in the Wellington region.

The highly visible expansion carried out over the past few months has added about 33 percent to the store's floor area and given an extra 40 percent retail space, the store's owner and visionary Mike Olsen says.

Seven days a week from six in the morning to midnight the store caters to the food and fast moving consumer goods needs of many of Kapiti's population.

With 300 staff, Pak' N Save makes a major contribution to the local Kapiti economy with a wages bill of more than \$4.5 million a year.

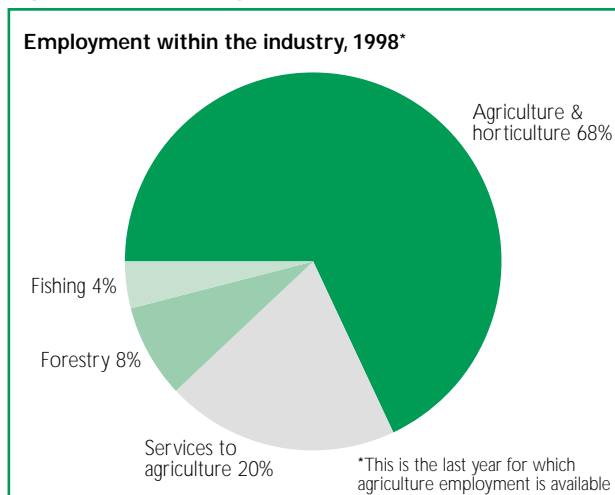
Computers are the key to the overall profitability of today's supermarkets, Mike Olsen says. All the electronic weigh scales throughout the store are linked. Around 80 to 90 percent of product ordering is carried out automatically by computer based on information fed in directly from hand-held stocktaking devices.

"Profit is not a dirty word," Mike Olsen says. "It means people get promotion, make progress and improve standards. It's how we improve the shopping environment."

Agriculture & Forestry

Agriculture and forestry are concentrated in the north of the region, predominantly in the Wairarapa. In the agricultural sector, sheep farming is the most prominent business, although dairy production is rising fast. There is also a small but vibrant grape-growing industry in and around Martinborough.

Agriculture Employment



Source: Statistics New Zealand Annual Business Directory Update



Cheese maker at Kapiti Cheeses, Paraparaumu

Trends

Value added by this industry rose by an estimated 10% in the Wellington region over the year to March 2000. For New Zealand, the rise was 7%.

The 1999/2000 year was a good one for farmers in the region (and nationally). Favourable weather ensured good grass growth and improved stock condition, which improved dairy production, as well as lifting calving and lambing percentages.

At the same time, the low value of the New Zealand dollar lifted export earnings and there were generally improved world prices for farm products. Revenue and on-farm profits soared, except for some pip-fruit and vegetable growers.

Prices for wood products also rose, although this was mostly due to the exchange rate rather than a combination of currency depreciation and rising world prices. Harvest volumes are rising gradually as the plantations of the 1970s and 1980s mature.



Forestry in Wairarapa

Forestry Opportunities In Wairarapa

Forestry could be the key to future economic growth in the Wairarapa. Available wood flow is expected to double over the next ten years and more than double again over the following ten years and beyond. This will require significant growth in the capacity of processing facilities if the benefits are to be retained within Wairarapa.

A prospectus titled *An Opportunity For Involvement in the Forestry and Wood Processing Industry of Wairarapa* was launched in September 2000 by the Masterton Business Enterprise, to attract further forest processing industry to the area. Masterton Business Enterprise co-ordinator Geoff Copps says, "Forestry has enormous potential for the Wairarapa if we can add value by processing the logs here. Additional processing facilities are needed if we are to fully utilise the timber projected to mature within the next 25 years."

Wellington Regional Council Senior Conservation Forester, Tom Ward, estimates that the total Wairarapa forest estate is over 50,000 hectares, predominantly *pinus radiata*. "The forestry industry in the Wairarapa began with the Forest Service planting uneconomic farming land from 1947. Progressively, land that suffered erosion problems has been planted. Then from the early 1970s major investment forests were established with another significant upsurge in interest in the mid 1990s."

Since the late 1980s a number of sawmills have been built to process the maturing wood. Key players in the Wairarapa wood processing sector include Juken Nissho Limited, Renall Limited, Davis Sawmill, East Taratahi Sawmill and Green Crow Pacific.

Mr Ward says as the timber resource matures, further employment opportunities will be created in the forestry industry with spin-off benefits for the Wairarapa economy and the wider region.

"Already there is a shortfall of skilled contractors to carry out silviculture and to harvest the forests and there is potential to increase the log cartage fleet. Upgrading of roading within forests provides further opportunities for local contractors, as does the construction of processing facilities. Once constructed, these facilities require significant numbers of operators. The supply and servicing of chainsaws, roading machinery, harvesting machinery, logging trucks, saws and other milling machinery provide further benefits to the local economy."

The forestry prospectus is available at www.wairarapa.gen.nz/opportunities

Profitable Business can be Good for the Environment

Can business be profitable, *and* good for the environment? Wellington Regional Council thinks so and is keen to find ways to help businesses get involved.

The Council has recently appointed Romae Duns as the region's Sustainable Business Facilitator, and the **Business Bridges** programme – which aims to help businesses be more environmentally aware – is beginning to pick up momentum.

“While large organisations out there may have an environmental adviser or employee, many small- to medium-sized businesses do not have the time or money to devote to such a position. That is where the **Business Bridges** programme steps in.” says Romae.

Romae is developing the programme to offer practical advice on environmental management for small- to medium-sized businesses. Pollution prevention will be a key part of this, but it will also be looking at ways of minimising waste, recycling, and saving energy.

The programme is intended to help businesses identify areas of their operations that may cause pollution or where the risk of a pollution incident is high. By improving site awareness and production processes, and practising pollution prevention, a business may be able to achieve cost savings and protect the environment.

“We plan to target problem or polluted areas, industries that have an impact on the environment and, of course, any business that wants to take part. By acting with the environment in mind as well as the bottom line, the business sector can make a big contribution to the Wellington Environment.” says Romae.

Look out for Romae and the members of the Regional Council's pollution response team who will be bringing this initiative to you, or call the Council if you want to take part as it sets up the programme.

“We are seeking input from businesses so that we provide the assistance that they need.”

Romae Duns can be contacted at the Wellington Regional Council on 04 384 5708

Prospects

MAF predicts that the next year will see rises in the prices of beef, wool and dairy products, helping farmers to build on the profit gains of the last year. The major concern is that the good weather conditions of previous years will not be repeated but it seems that the current farm year will be a good one.

Beyond this year, a slightly less optimistic outlook for international economic growth and some lift in the New Zealand dollar means that agricultural growth will once again be largely reliant on productivity growth. Nationwide, production growth is expected to wane.

However, there will be exceptions in some niche industries. For example, the Wine Institute of New Zealand predicts that the area planted in grapes in the Wairarapa will increase from 301 hectares in 2000 to 383 hectares in 2002.

Meanwhile in the forestry sector, the sheer volume of wood to be harvested from the Wellington region is growing, but is unlikely to have a major effect on economic growth within the period of this forecast.



WRC Sustainable Business Facilitator, Romae Duns, discussing production processes with Rowland Ward, Managing Director of Spartan Engineering in Rongotai – one of the companies in the pilot study area.