# Rotorua Economic Profile


Prepared for:

## Destination Rotorua Economic Development Unit

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This Report is designed to assist intending investors, residents and business to make an informed decision about locating to the Rotorua District

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# FOREWORD

More than six centuries ago the Te Arawa people moved inland from the Bay of Plenty coast and settled in the Rotorua area near the centre of the North Island. Today, Rotorua is a multi-cultural District of 68,000 people (estimate as at June 2007). The District is centred around a thriving city on the southern shore of Lake Rotorua, and extends to include a number of rural and lakeside communities. Residents and visitors enjoy the area's many natural attractions, including geothermal activity, forests, beautiful parks and reserves, and 14 freshwater lakes. Rotorua's people take pride in their District, their sense of hospitality, and their sporting and cultural achievements.

Rotorua's economy encompasses tourism, agriculture, forestry, manufacturing, retail, business services, education, health, and other services. Employment has increased substantially over the past decade, and a sustained period of public and private investment has established the infrastructure for continued growth. Collaboration and commitment between central and local government, business, and the community, has resulted in economic progress that has been the envy of many larger centres.

Rotorua's economic base has been changing at a rapid pace, with considerable innovation in the traditional sectors of tourism, forestry and agriculture. In sectors such as education, manufacturing, and retailing, Rotorua's competitive local environment has enabled many businesses and organisations to excel. There is also an internationally recognised depth of local expertise in the transport and engineering sectors. Emerging industries in Rotorua include spa and wellness, biotechnology, and television and media. Career opportunities exist across a wide range of sectors.

The Rotorua District is recognised by Government as an Economic Region in its own right, and has been an active partner in Industry New Zealand's Regional Partnership Programme since 2000. In 2002 Rotorua became the first region in New Zealand to receive INZ funding for a Major Regional Initiative, the National Centre of Excellence in Wood Processing.

Residents in Rotorua share a commitment to creating a welcoming environment to visitors and new residents alike. Council has invested significantly in improving public infrastructure in the District, including a $30 million upgrade of the CBD, a major new 634 $m^2$ conference, sport and event centre and a major upgrade of the Rotorua Regional Airport. The main urban area of Rotorua has an increasingly cosmopolitan feel, and the bi-cultural strength of the District plays a key role in the fabric of the community.

The publication of this updated Economic Profile will assist intending residents and investors to make an informed decision about locating in the Rotorua District. The information is also a valuable resource for existing businesses seeking ways to expand and develop. The Economic Development Unit of Rotorua District Council is committed to maximising inward investment and new employment opportunities, as well as assisting new and existing businesses to prosper. I hope this will be an active document to help plan for Rotorua's continued prosperity.

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Published in September 2008 by
Destination Rotorua Economic Development Unit
Rotorua District Council
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# EXECUTIVE SUMMARY

- This document presents information and data on the Rotorua District economy. It includes a broad overview as well as details for specific industries and sectors. Other reports available from Council provide information on social and environmental trends which provide a wider picture of the improving quality of life of Rotorua citizens.

- The Rotorua District has an estimated aggregate output of around $2,900 million per annum with forestry and agriculture and their associated processing as well as tourism making the largest contributions.

- Labour force participation in the District has increased substantially over the past decade, and unemployment has fallen. Rotorua's occupational profile is gradually changing, with fewer agricultural workers and increased numbers of manufacturers, professionals, teachers, and other service occupations.

- In Rotorua District, primary production (including farming and forestry but excluding related processing and manufacturing) generates 7.2% of total employment compared with 6.0% nationally and in 2008 contributed an estimated $482 million (17%) towards Rotorua's total economic output. Many manufacturers, service industries and contractors in Rotorua are directly affected by progress in the District's primary sector. Rotorua's soils are well suited for pastoral farming and forestry, and the District's average annual rainfall of 1,400mm is distributed evenly throughout the year. Rotorua also has a sunny climate and relatively little wind.

- Farming and its associated processing are estimated to contribute around 8% of Rotorua's total economic output in 2008. Most of the agricultural land in Rotorua is dedicated to dairy, beef, sheep and deer farming. There is an increasing number of smaller lifestyle blocks in the District, as well as rationalisation and more intensive use of larger farming blocks. Dairy and deer farming have shown strong profitability in recent years.

- Rotorua is at the heart of the dominant wood supply region in New Zealand. The Central North Island supply area produces nearly 50% of New Zealand's annual wood harvest, and is projected to remain the dominant wood-producing region in New Zealand. Rotorua is located in close proximity to vast plantation forestry resources, including the extensive Kaingaroa Forest. Rotorua is also located halfway between Kawerau and Tokoroa, which have the two largest forestry processing sites in New Zealand, and is less than one hour's drive from the major forestry export port, Port of Tauranga. Red Stag's Waipa mill, located on the outskirts of Rotorua's main urban area, is currently the largest sawmill in Australasia. Rotorua is the home of the internationally renowned New Zealand Crown Research Institute, Scion (formally New Zealand Forest Research Institute Ltd). Scion has expanded its research capabilities to meet the growing consumer demand for renewable materials and products from plants offering wide ranging technical and scientific capability to anyone in the business of producing materials or creating products using renewable plant resources.

- Rotorua's forestry sector directly and indirectly employs around 3,000 people, with forestry and first stage processing alone employing 2,275 people in 2007. Organisations based within the Rotorua District make a significant contribution to all aspects of national forestry, including industry training and research. A depth of experience and expertise exists within the numerous engineering, manufacturing, harvesting, transport, and professional service businesses involved with forestry-related activities in Rotorua. Many of these regularly service the Kawerau and Tokoroa based pulp and paper mills.

- Although horticulture remains a relatively minor industry in the Rotorua District (around 500 ha. and employing 120 in 42 business locations), there may be scope for introducing new crops based on specific soils and microclimates. There are also opportunities for the increased development of smaller lifestyle-type blocks involved in intensive horticulture and hydroponics.

- The manufacturing and construction sectors jointly account for 5,600 jobs in the Rotorua District. Around 40% of all manufacturing employment in Rotorua relates to wood and paper products manufacturing. Machinery and equipment manufacturing and food and beverage processing are also significant local employers.

- The construction sector includes residential, non-residential and civil construction, as well as building-related services such as plumbing and roofing. Around 56% of jobs in this sector in Rotorua are in construction trade services with the remainder in general construction. The fortunes of this sector are subject to greater variation in market activity then many other industry sectors. The combined construction sector employs around 1,820 people in Rotorua District, up from 1,200 in 2002.

- The transport sector includes road freight, bus transport, taxis, rail transport, air transport, and services to the transport industry. As at February 2007 Rotorua's transport sector accounted for around 879 jobs in the District. The sector in Rotorua is dominated by road transport and related services, collectively accounting for around 820 jobs. This is a reflection of the strategic central North Island location of the Rotorua District, as well as the dominance of agriculture, forestry and tourism and the road cartage associated with these industries. The route from Rotorua to the Port of Tauranga is used intensively to carry wood and wood products, dairy industry products, and manufactured goods.

- Rotorua Airport is in a stage of redevelopment to future-proof Rotorua's position as a premier visitor destination. Much of the infrastructure at the Rotorua Regional Airport (Rotorua Airport) has recently undergone a phase of redevelopment and the airport is planned to be fully trans-Tasman capable during 2009.

- Collectively the wholesale and retail sectors in Rotorua account for over 5,480 jobs. Major categories of wholesale and retail trade include personal and household goods, as well as machinery and motor vehicles. Rotorua has a diverse trade base, and is influenced by both domestic household spending and overseas visitors.

- In recent years, the upgrade of the central business district (CBD) and the arrival of Rotorua Central has had a profound effect on some retail businesses, particularly around the City Focus and at the northern end of the city near the lakefront. The opening of major chains such as Rebel Sport, Glassons, Countdown, Harvey Norman and many national and international fast food chains, has also increased the attractiveness of the city for both residents and out-of-town shoppers.

- Tourism is New Zealand's largest foreign exchange earner, and Rotorua is one of the leading tourism centres in New Zealand. Tourism Research Council estimates show that in 2006 Rotorua RTO Region attracted 1.5 million overnight visitors and 1.4 million day visitors, and this generated 3.4 million visitor nights and $470 million in tourism expenditure. Statistics show that 644,000 overnight visits were spent in Rotorua in 2006 while there as 2.42 million visitor arrivals to New Zealand in 2006. This implies that around one third (27%) of all international visitors to New Zealand visited Rotorua for least one night in the year ended December 2006.

- Direct employment in the tourism industry in Rotorua stands at least 5,000 people and around 7,000 are generated in total by the tourism industry. As at February 2007 the accommodation, cafés and restaurants sector alone employed 3,250 people in the District.

- Major tourism attractions in the District include the Agrodome Farm Show, Te Puia (formerly the New Zealand Maori Arts and Crafts Institute), Polynesian Spa, Rainbow Springs Ltd, Skyline Skyrides (luge, gondola and restaurant), The Buried Village, Waimangu Volcanic Valley Ltd, Wai-o-Tapu Thermal Wonderland, Hell's Gate Volcanic Park, Whakarewarewa Thermal Village, and many others. Accommodation providers include a broad range of motels, backpackers and lodges, as well as major hotels such as the Royal Lakeside Novotel, Millennium Hotel Rotorua, Princes Gate Hotel, Quality Hotel Rotorua, Centra Rotorua Hotel, Distinction Hotel, Sudima Rotorua Hotel, Rydges Rotorua Hotel, the new Hotel Ibis Rotorua and others.

- As at 2007, the finance, insurance and property and business service sector employed around 3,300 people in Rotorua. The sector covers a wide range of activities, including accounting, marketing, engineering, scientific and other consultancy services, insurance, share-broking, real estate, computing, and legal services. Considerable expertise exists within Rotorua's professional services sector in relation to the District's key industry types (e.g. tourism, forestry and farming).

- Real GDP growth in the business services sector tends to follow the business cycle and according to NZIER, the sector's GDP has averaged 5.0% per annum nationally from 2003 to 2008 and is forecast to grow at an annual average rate of 3.4% from 2008 to 2013. Employment in this sector has been growing steadily in Rotorua, with 730 more employed in Rotorua in 2007 than there were in 2002.

- The Rotorua District has 36 primary schools, three intermediate/middle schools, five composite Kura Kaupapa Maori schools, one special school, seven high/secondary schools, and a number of tertiary education and industry training providers. Employment in the education sector, including both part-time and full-time jobs, increased from 2,480 in 2002 to 2,720 in 2007. Waiariki Institute of Technology based in Rotorua offers more than 100 degree, diploma, certificate and short courses. It also has a campuses located in Whakatane, Taupo and Tokoroa.

*Table 1: Value added to the Rotorua economy by industry ($ millions)*

| Industry | Estimate 2008 | Projection 2013 | 2018 |
|---|---|---|---|
| Agriculture | 239.1 | 286.1 | 338.4 |
| Forestry and logging | 243.3 | 260.3 | 273.6 |
| Fishing | 0 | 0 | 0 |
| Mining | 6.5 | 6.9 | 7.2 |
| Food, beverage and tobacco manufacturing | 57.2 | 62.5 | 67.2 |
| Textiles and apparel manufacturing | 2.5 | 2.4 | 2.3 |
| Wood and paper product manufacturing | 192.7 | 212.8 | 219.6 |
| Printing, publishing and recorded media | 24.1 | 27 | 28.6 |
| Chemicals manufacturing | 23.4 | 25.8 | 27.4 |
| Non-metallic mineral product manufacturing | 6.2 | 7 | 7.3 |
| Metal product manufacturing | 44.4 | 52.4 | 56.7 |
| Machinery and equipment manufacturing | 70.6 | 85.6 | 92.1 |
| Furniture and other manufacturing | 8 | 8.8 | 9.4 |
| Electricity, gas and water supply | 76.3 | 83 | 86.6 |
| Construction | 107 | 116.9 | 121.4 |
| Wholesale trade | 145.5 | 169.4 | 185.1 |
| Retail trade | 163.5 | 189.7 | 208.8 |
| Accommodation cafes and restaurants | 134.8 | 155.6 | 171.9 |
| Transport and storage | 107 | 124.5 | 136.6 |
| Communication services | 55.2 | 74.6 | 90.1 |
| Finance and insurance | 74.4 | 86.4 | 94.3 |
| Property services | 90.8 | 95.4 | 96.3 |
| Business services | 175.7 | 207.4 | 231.1 |
| Central government administration and defence | 63.8 | 72.2 | 77.7 |
| Local government administration | 55.1 | 61.5 | 66 |
| Education | 140.9 | 170.2 | 194.9 |
| Health and community services | 202.6 | 243.6 | 277.2 |
| Cultural and recreational services | 128.7 | 147.3 | 160.7 |
| Personal and other community services | 60.9 | 69.1 | 75.1 |
| Total GDP | 2,883.9 | 3,312.9 | 3,618.5 |

Source: Compiled from APR analysis and Tables A24 and A25 (NZIER Quarterly Predictions, September 2008)

Notes: (1) Individual sectors will not sum to the total as this also includes value added attributable to ownership of owner occupied dwellings.

*Table 2: Employment by industry, Rotorua District*

| Industry | Actual 2002 | Actual 2007 | Forecast 2013 |
|---|---|---|---|
| Agriculture | 1,060 | 1,090 | 1,103 |
| Services to agriculture; hunting and trapping | 240 | 310 | 346 |
| Forestry and logging | 1,360 | 820 | 668 |
| Commercial fishing | 3 | 6 | 8 |
| Other mining | 12 | 25 | 34 |
| Services to mining | - | 9 | 9 |
| Food, beverage and tobacco | 580 | 600 | 609 |
| Textile, clothing, footwear and leather manufacturing | 55 | 50 | 48 |
| Wood and paper product manufacturing | 1,620 | 1,450 | 1,385 |
| Printing, publishing and recorded media | 340 | 180 | 139 |
| Petroleum, coal, chemical and associated product manufacturing | 280 | 360 | 401 |
| Non-metallic mineral product manufacturing | 50 | 40 | 36 |
| Metal product manufacturing | 310 | 340 | 353 |
| Machinery and equipment manufacturing | 620 | 580 | 564 |
| Other manufacturing | 210 | 230 | 239 |
| Electricity and gas supply | 12 | 6 | 5 |
| Water supply, sewerage and drainage services | 55 | 60 | 62 |
| General construction | 510 | 810 | 989 |
| Construction trade services | 690 | 1,020 | 1,206 |
| Basic material wholesaling | 470 | 500 | 513 |
| Machinery and motor vehicle wholesaling | 490 | 580 | 623 |
| Personal and household good wholesaling | 430 | 510 | 548 |
| Food retailing | 1,330 | 1,350 | 1,358 |
| Personal and household good retailing | 1,470 | 1,640 | 1,717 |
| Motor vehicle retailing and services | 820 | 910 | 951 |
| Accommodation, cafes and restaurants | 2,910 | 3,250 | 3,405 |
| Road transport | 740 | 650 | 616 |
| Air and space transport | 40 | 50 | 55 |
| Other transport | 3 | 9 | 15 |
| Services to transport | 190 | 170 | 162 |
| Storage | - | 3 | 3 |
| Communication services | 480 | 200 | 142 |
| Finance | 220 | 320 | 376 |
| Insurance | 65 | 60 | 58 |
| Services to finance and insurance | 80 | 100 | 110 |
| Property services | 320 | 470 | 554 |
| Business services | 1,870 | 2,360 | 2,605 |
| Government administration | 870 | 940 | 971 |
| Education | 2,480 | 2,720 | 2,828 |
| Health services | 2,120 | 2,340 | 2,439 |
| Community services | 920 | 1,000 | 1,036 |
| Motion picture, radio and television services | 85 | 75 | 71 |
| Libraries, museums and the arts | 420 | 570 | 649 |
| Sport and recreation | 900 | 950 | 972 |
| Personal services | 300 | 410 | 468 |
| Other services | 600 | 550 | 530 |
| Total Industry | 28,590 | 30,620 | 31,515 |

Source: Compiled from APR analysis, *Table 1: Summary of Medium-Term Prospects* presented in NZIER's Quarterly Predictions, September 2008 and Statistics New Zealand Business Directory

Notes: (1) Employment in individual sectors will not sum to the total industry employment.
(2) Sectors with no employment over 2002-2007 have been excluded from the analysis and those with no employment as at 2002 but with some employment in 2007 have employment predictions set to the level of employment recorded in 2007.
(3) Employment forecasts are indicative only as they represent an extrapolation of the *status quo.*
(4) Employment is measured in numbers employed (either part or full-time) and only includes the self-employed if they receive salary and wages.

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# INTRODUCTION

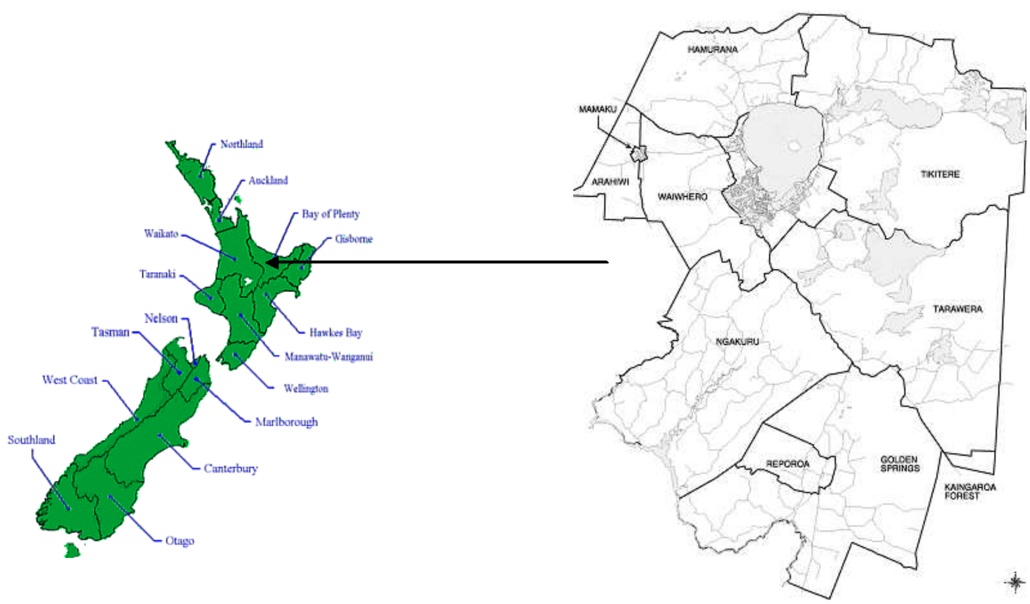
This document presents information and data on the Rotorua District economy. It includes a broad overview as well as details for specific industries and sectors. Primary sources of information include Statistics New Zealand and the New Zealand Institute of Economic Research. Other reports available from Rotorua District Council provide information on social and environmental trends which provide a wider picture of the improving quality of life of Rotorua citizens.

**Key statistics:**

Latitude 38.07 south
Longitude 176.19 east
Total area: 270,800 hectares
District population: 68,000 (June 2007)
City population (urban): 55,500 (June 2007)

*Location*

Rotorua's central North Island location provides efficient road and air access to most parts of New Zealand. It provides an excellent base for visitors touring the North Island, and is centrally located in terms of attractions in surrounding regions. The District is 230 km by road to Auckland, 450 km to Wellington, and within 150 km of popular coastal areas, snowfields, national parks, and urban centres such as Hamilton, Tauranga, Taupo, and Whakatane. Major state highway networks pass through the District and make travelling by road straightforward. Bus and coach companies travel to and from Rotorua on a daily basis. Rotorua Regional Airport provides connecting flights to and from other domestic airports around New Zealand, as well as direct flights to Auckland, Wellington and Christchurch international airports. The airport is currently completing a major upgrade, with the view to commencing trans-Tasman flights in 2009.



*Natural environment*

The Rotorua District is centred around a thriving city on the southern shore of Lake Rotorua, and extends to include a number of rural and lakeside communities. Almost one in five residents live outside the main city area, and there is continued demand for semi-rural lifestyle blocks and lakeside living. Located on the Central Volcanic Plateau, Rotorua averages around 300 metres above sea level. The geothermal fields around Rotorua are the source of Rotorua's fame as a spa resort. The volcanic history of the area has also created soils that are well suited for pastoral farming and forestry. Rotorua's extensive natural features create an environment where outdoor activities are readily accessible by residents and visitors. The forest-clad hills surrounding Rotorua are ideal for tramping and biking, and the District's many lakes provide opportunities for swimming, water skiing, kayaking, sailing, trout fishing, picnicking and other pursuits.

*Cultural heritage*

The earliest Maori villages in the area were situated within close proximity of geothermal sites, including Ohinemutu and Whakarewarewa. Modern urban Rotorua is based around the sites of these early villages, and many of Rotorua's renowned parks and public areas were gifted to the community by the Te Arawa people. Today, 36% of Rotorua residents are of Maori descent. The District has established itself as the heartland of New Zealand's Maori culture, and has held an unrivalled position as a leading tourism destination for the last 100 years. The Te Arawa people of the Rotorua area are renowned for their hospitality, humour, community spirit and sense of history. They were New Zealand's first visitor guides, leading the way to the natural wonders that have been part of their home for more than 600 years. Their tradition of hospitality has been carried on from generation to generation, and is conveyed in the contemporary Rotorua slogan – "Manaakitanga" – "Feel the Spirit". There are many opportunities in Rotorua to come face-to-face with Maori culture, including performances of traditional Maori arts. For further information about Rotorua's cultural heritage refer to www.rotoruanz.com.

*Lifestyle*

The cost of living in Rotorua is similar to other provincial areas in New Zealand, with the median price in Rotorua as at July 2008 standing at $271,250 compared to $340,000 for New Zealand as a whole. Housing costs (both rental costs and purchase prices) are generally more affordable than the New Zealand average. According to Statistics New Zealand, the average weekly personal income for residents of the Bay of Plenty Region as at the June 2007 quarter was $615 compared with $667 nationally. This translates into an average yearly income of $31,980 for Bay of Plenty residents, compared to $34,684 nationally. Hourly wage rates as at March 2008 in Rotorua averaged $22.61 for males and $20.68 for females compared to national averages of $25.04 and $21.91 respectively. Rotorua's large tourism base means that Rotorua has many more social and recreational opportunities than in other cities of similar size. For further detail about lifestyle, educational opportunities, health services, cultural and social facilities, and recreational opportunities in the Rotorua District refer to www.rotorua-living.com.

*Demographic profile*

The communities of the Rotorua District are unique, diverse and constantly changing as a result of migration and other factors. Key demographic features include a relatively high level of labour mobility, an increasing number of Maori residents, and a young but ageing population. The average level of formal educational attainment in Rotorua has historically been low, but has improved markedly in recent years.

The percentage of people aged 15 and over in the Rotorua District with at least a high school qualification increased from 68.9% in 2001 to 71.5% in 2006. In addition, around 38.2% of all Rotorua residents aged 15 and over have a post-school qualification. For further information, refer to the Rotorua District Demographic Profile at www.rotoruanz.com/downloads.

*Frameworks for growth*

A comprehensive and well-supported Economic Development Strategic Plan underpins continued economic growth in the Rotorua District. This recently updated plan, known as the Rotorua *BrightEconomy* strategy, was launched in 2005 with an economic forum attended by 120 of the region's top business leaders. This plan was developed on the basis of a strategic community vision formed through key stakeholder consultation. Working groups drawn from a range of industry and community backgrounds contributed to the process and the continued success and implementation of the strategy, and the resulting economic growth, is being overseen by a board of Rotorua business people. The plan includes five specific strategy themes and associated key result areas that are currently being undertaken (for details refer to www.rotorua-business.com/brighteconomy.asp and the summary in Appendix 1). In addition, Rotorua's visitor industry is underpinned by a broad-ranging Tourism Strategic Plan that ensures the local tourism sector is 'flying in formation'.

# ECONOMIC OVERVIEW

*Industry overview*

In 2008, Rotorua District had an estimated aggregate output of $2.9 billion per annum, approximately 1.6% of total New Zealand GDP, representing $42,411 per capita (compared to $42,006 nationally). Table 1 provides a snapshot of the Rotorua District economy. The district contributes 32.1% of the Bay of Plenty's economy.

*Table 3: Key measures of the Rotorua economy*

| Key Measure | Rotorua | Bay of Plenty Region | New Zealand | Rotorua share of Bay of Plenty | Rotorua Share of New Zealand |
|---|---|---|---|---|---|
| Population 2007 | 68,000 | 267,600 | 4,228,000 | 25.4% | 1.6% |
| Employment 2007 | 30,000 | 108,100 | 2,187,800 | 27.8% | 1.4% |
| Business Units 2007[1] | 6,482 | 28,693 | 432,615 | 21.8% | 1.5% |
| Regional Product ($bn)[2] 2008 | 2.9 | 9.0 | 177.6 | 32.1% | 1.6% |

Source: Compiled from Donnelly 2003, Statistics New Zealand's Business Demographic Statistics, Sub-national population estimates, and APR analysis

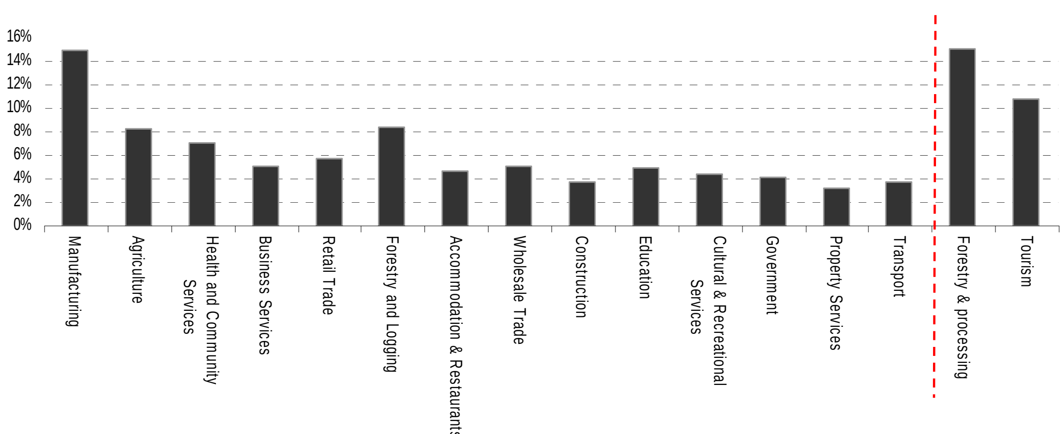
Notes:
(1) Employment in 2007 is based upon the Statistics New Zealand's Household Labour Force Survey (HLFS) as at the December 2007 quarter.
(2) Donnelly (2003) gives an estimate of Rotorua GDP for 2002 of $2.0 billion when adjusted to 2002 prices. APR Consultants Ltd estimate that by 2008, Regional Product would have grown to $2.9 billion, taking into account average output growth and price level changes in each industry.
(3) Population estimates are taken from Statistics New Zealand's estimates of resident population as at June 2007 (2006 base).

The economy in the Rotorua District is based on four broad activity groupings.

1. Tourism
2. Pastoral Agriculture
3. Forestry, Logging and Wood Processing
4. Service Industries (particularly those related to the above sectors, eg, retail trade, financial and professional services).

Their contribution to Rotorua's GDP is illustrated in Figure 1.

*Figure 1: Estimated contribution to Rotorua 2008 GDP of the main industry groupings*




Source: Compiled from Donnelly (2003) and APR estimates.

Notes: (1) Industries to the right of the line are amalgams of other industries already included.
(2) APR Consultants Ltd have estimated Regional Product in 2008 by growing Donnelly's 2002 estimate by the national average output growth and price level changes in each industry.

Table 4 shows that each of these activity groups (highlighted in bold) is of greater importance in the Rotorua District than they are in New Zealand as a whole.

Table 4: *Contribution of Industries to the Rotorua Economy, 2008 (2008 prices)*

| | Rotorua | | | |
|---|---|---|---|---|
| Industry | Contribution to GDP | % of Rotorua gross output | % of NZ industry output | Relative importance in Rotorua |
| | $ millions | % | % | |
| **Agriculture[1]** | 239 | 8.3% | 2.5% | 1.5 |
| **Forestry and logging** | 243 | 8.4% | 14.5% | 8.9 |
| Fishing | 0 | 0.0% | 0.0% | 0.0 |
| Mining | 6 | 0.2% | 0.3% | 0.2 |
| Food, beverage and tobacco manufacturing | 57 | 2.0% | 0.6% | 0.4 |
| Textiles and apparel manufacturing | 2 | 0.1% | 0.3% | 0.2 |
| **Wood and paper product manufacturing*** | 193 | 6.7% | 6.4% | 3.9 |
| Printing, publishing and recorded media | 24 | 0.8% | 1.0% | 0.6 |
| Chemicals manufacturing | 23 | 0.8% | 0.8% | 0.5 |
| Non-metallic mineral product manufacturing | 6 | 0.2% | 0.6% | 0.4 |
| Metal product manufacturing | 44 | 1.5% | 1.4% | 0.9 |
| **Machinery and equipment manufacturing** | 71 | 2.4% | 1.9% | 1.1 |
| Furniture and other manufacturing | 8 | 0.3% | 0.8% | 0.5 |
| **Electricity, gas and water supply** | 76 | 2.6% | 1.6% | 1.0 |
| Construction | 107 | 3.7% | 1.4% | 0.9 |
| Wholesale trade | 146 | 5.0% | 1.2% | 0.7 |
| **Retail trade#** | 163 | 5.7% | 1.6% | 1.0 |
| **Accommodation cafés and restaurants#** | 135 | 4.7% | 4.2% | 2.6 |
| Transport and storage | 107 | 3.7% | 1.4% | 0.9 |
| Communication services | 55 | 1.9% | 0.9% | 0.6 |
| Finance and insurance | 74 | 2.6% | 0.7% | 0.4 |
| Property services | 91 | 3.1% | 1.0% | 0.6 |
| Ownership of owner-occupied dwellings | 184 | 6.4% | 1.5% | 0.9 |
| Business services | 176 | 6.1% | 1.2% | 0.7 |
| Central government administration and defence | 64 | 2.2% | 1.1% | 0.7 |
| **Local government administration** | 55 | 1.9% | 2.7% | 1.7 |
| **Education** | 141 | 4.9% | 1.9% | 1.2 |
| **Health and community services** | 203 | 7.0% | 2.1% | 1.3 |
| **Cultural and recreational services** | 129 | 4.5% | 3.1% | 1.9 |
| **Personal and other community services#** | 61 | 2.1% | 2.2% | 1.3 |
| Unallocated | - | 0.0% | - | - |
| TOTAL | 2,884 | 100% | 1.6% | |

Source: Compiled from Donnelly 2003 (Rotorua estimates), NZIER 2003 (national GDP) and APR analysis.

Notes:
(1) Dairy farming and wood product manufacturing are the sub categories contributing to the over representation in these categories.
(2) Any industry with relative importance greater than 1 is of greater importance in Rotorua than in New Zealand as a whole and have been bolded in the table.
(3) "#" denotes industries with a high Tourism content .
(4 ) APR Consultants Ltd have estimated Regional Product in 2008 by growing Donnelly's 2002 estimate by the national average output growth and price level changes in each industry

Table 5 shows the figures for employment by industry for the Rotorua District for the years 1996 and 2001 and 2006. The largest sectors in Rotorua in terms of employment numbers are retail trade (14.3%), manufacturing (11.7%), health and community services (11.0%), property and business services (10.7%) and education (8.2%), health and community services (10.1%), education (9.1%) and accommodation, cafes and restaurants (9.0%).

The 2007 figures for Rotorua employment (Appendix 2) are not comparable to the previous Census data however, because they measure the number employed as opposed to full-time equivalents and does not include people who are self-employed unless they receive salary and wages. However, it does give an indication of the industries in Rotorua that are of major importance. The dominance of Rotorua's tourism industry is reflected in the fact that in 2007, 10.6% of the local workforce was employed in the accommodation, cafés and restaurants sector, compared with 6.2% for New Zealand as a whole.

*Table 5: Employment by industry, Rotorua District and New Zealand, 1996 – 2006*

| Industry sector | 1996 | | 2001 | | 2006 | |
|---|---|---|---|---|---|---|
| | Rotorua | New Zealand | Rotorua | New Zealand | Rotorua | New Zealand |
| Agriculture, forestry and fishing | 11.0% | 9.8% | 9.0% | 8.7% | 7.5% | 7.1% |
| Mining | 0.1% | 0.3% | 0.1% | 0.2% | 0.1% | 0.2% |
| Manufacturing | 12.0% | 15.2% | 13.1% | 13.7% | 11.7% | 12.4% |
| Electricity, gas and water supply | 0.5% | 0.6% | 0.4% | 0.4% | 0.4% | 0.3% |
| Construction | 5.9% | 6.1% | 5.7% | 6.3% | 5.7% | 5.9% |
| Wholesale trade | 5.7% | 6.2% | 5.5% | 6.1% | 5.0% | 6.0% |
| Retail trade | 13.8% | 13.1% | 13.2% | 12.7% | 14.3% | 13.2% |
| Accommodation, cafés and restaurants | 8.9% | 4.5% | 8.7% | 4.9% | 9.0% | 5.2% |
| Transport and storage | 3.4% | 4.1% | 3.7% | 4.1% | 2.9% | 3.4% |
| Communication services | 1.1% | 1.6% | 0.9% | 1.4% | 0.9% | 1.3% |
| Finance and insurance | 2.2% | 3.4% | 2.0% | 3.2% | 1.9% | 3.7% |
| Property and business services | 9.3% | 10.5% | 9.5% | 11.9% | 10.7% | 14.0% |
| Government administration and defence | 3.9% | 4.4% | 3.1% | 3.6% | 2.8% | 3.7% |
| Education | 7.3% | 6.9% | 8.6% | 7.7% | 9.1% | 8.0% |
| Health and community services | 7.9% | 7.1% | 9.4% | 8.6% | 10.1% | 8.8% |
| Cultural and recreational services | 3.1% | 2.2% | 3.4% | 2.5% | 4.2% | 2.8% |
| Personal and other services | 3.9% | 4.0% | 3.6% | 3.9% | 3.8% | 4.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Compiled from Statistics New Zealand, 1996, 2001 and 2006 Census data and APR analysis
Notes:
(1) The "Not Elsewhere Included" category was omitted prior to calculation.

## *Labour force*

According to the Household Labour Force Survey for the December 2007 quarter, 52.76% of Rotorua residents aged 15 years and over are employed full-time, 13.47% are employed part-time and 29.58% are not in the labour force. Around 1,900 are unemployed in the Rotorua District, equivalent to an unemployment rate of 5.96%. Because the 2007 data is from the Household Labour Force Survey, it is not strictly comparable to the Census data from 1996 and 2001 as it is a sample as opposed to a population survey. However, the trends in the data are compatible with other data collected over this period.

*Table 6: Labour force status, Rotorua District and New Zealand*

| | 1996 | | 2001 | | 2005 | | 2007 | |
|---|---|---|---|---|---|---|---|---|
| | Rotorua | New Zealand | Rotorua | New Zealand | Rotorua | New Zealand | Rotorua | New Zealand |
| Employed full-time | 46.8% | 46.4% | 47.5% | 47.4% | 53.8% | 51.5% | 52.8% | 51.9% |
| Employed part-time | 14.1% | 14.0% | 14.8% | 14.2% | 14.4% | 14.5% | 13.5% | 15.0% |
| Unemployed | 6.5% | 5.1% | 6.1% | 5.0% | 3.1% | 2.4% | 4.2% | 2.2% |
| Not in the labour force | 32.6% | 34.6% | 31.7% | 33.3% | 28.6% | 31.6% | 29.6% | 30.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Compiled from Statistics New Zealand, 1996, 2001 Census data, 2005 and 2007 Household Labour Force Survey and APR analysis

Notes: (1)For 1996 and 2001, the "Unidentifiable" category was omitted prior to calculation. This includes responses that were illegible, contradictory or ambiguous. (2) Percentages shown are for selected variables in terms of the number of people aged over 15 years old.

The distribution of occupations in the Rotorua District is similar to the overall New Zealand occupational groupings. However, there are some significant differences with regard to Legislators, Administrators, Managers (10.3% of Rotorua's workforce compared to 13.3% for the whole of New Zealand), Clerks (9.33% of the workforce compared to 12.33% for New Zealand) and Trades Workers (9.33% for Rotorua compared to 10.14% for New Zealand). The Rotorua District occupational profile is gradually changing, with fewer agricultural workers and increasing proportions in other categories such as legislative and professional occupations and service and sales workers.

*Table 7: Occupation, Rotorua District and New Zealand, 2007*

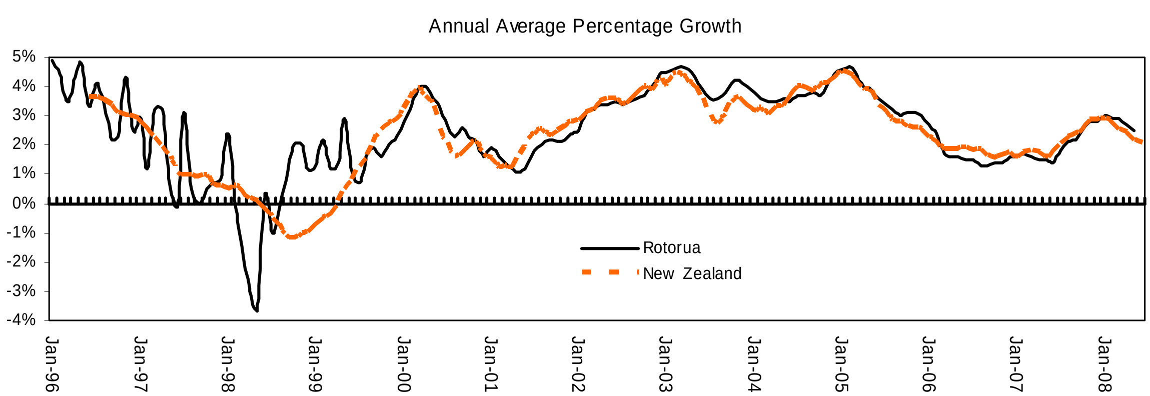
| Occupation | Rotorua District (000's) | Rotorua District (%) | Total New Zealand (000's) | Total New Zealand (%) |
|---|---|---|---|---|
| Legislators, administrators, managers | 3.0 | 10.0% | 291.0 | 13.3% |
| Professionals | 4.7 | 15.7% | 360.2 | 16.5% |
| Technicians & associate professionals | 2.5 | 8.3% | 257.8 | 11.8% |
| Clerks | 2.8 | 9.3% | 269.7 | 12.3% |
| Service & sales workers | 6.6 | 22.0% | 333.9 | 15.3% |
| Agriculture & fishery workers | 2.7 | 9.0% | 153.1 | 7.0% |
| Trades workers | 2.8 | 9.3% | 221.8 | 10.1% |
| Plant & machine operators & assemblers | 2.6 | 8.7% | 177.2 | 8.1% |
| Elementary occupations incl. not specified | 2.2 | 7.3% | 122.9 | 5.6% |
| Total | 30.0 | 100.0% | 2,187.8 | 100.0% |

Source: Statistics New Zealand, Household Labour Force Survey, December 2007
Notes: (1) Owing to rounding, individual figures may not sum to give the stated totals.
(2) Figures have been rounded to the nearest thousand.

## *Economic growth*

Rotorua District Council tracks the performance of the local economy on a monthly basis by means of a weighted average of key economic indicators. These include tourism statistics, building consents, new car registrations, residential real estate activity, and local unemployment. The results (Figure 2) show that the Rotorua District economy typically mirrors national economic performance, and regularly out-performs many other areas in New Zealand. Details of the individual indicators that make up these growth estimates are included at the end of this report.

*Figure 2: Rotorua District and New Zealand economic growth estimates, 1996-2008*




Source: APR Consultants

According to the NZIER quarterly predictions as at September 2008, real national economic growth is forecast to continue to slow from 2.6% in the year to March 2008 to a trough of 0.5% in the March 2009 year. Growth is expected to increase again and average 3.4% per year over the following March years between 2010 and 2013.

National forecasts of growth for key industry sectors in the Rotorua District are shown in Table 8. The labour-intensive trade, accommodation, health and community services, cultural and recreational services and personal services sectors are forecast to grow faster than national GDP growth over the coming years. Stand out performers over the forecast horizon from 2008 to 2023 are projected to be the agriculture, education and health and community services sectors while slow-growing sectors are projected to be forestry and logging and Wood and paper products manufacturing.

*Table 8: Key sector forecasts to 2023 (annual average real GDP growth), New Zealand*

| Industry sector | 2003-2008 | 2008-2013 f | 2013-2018 p | 2018-2023 p |
|---|---|---|---|---|
| Agriculture | 2.9 | 3.7 | 3.4 | 3.2 |
| Forestry and logging | -1.4 | 1.4 | 1.0 | 1.1 |
| Wood and paper products manufacturing | -0.1 | 2.0 | 0.6 | 0.6 |
| Machinery and equipment manufacturing | 0.9 | 3.9 | 1.5 | 1.4 |
| Electricity, gas and water supply | -0.2 | 1.7 | 0.9 | 0.7 |
| Retail trade (including motor vehicle repairs)# | 5.0 | 3.0 | 1.9 | 1.9 |
| Accommodation, cafes and restaurants# | 2.2 | 2.9 | 2.0 | 2.0 |
| Local government admin. | 5.3 | 2.2 | 1.4 | 1.4 |
| Education | 0.5 | 3.9 | 2.7 | 2.8 |
| Health and community services | 4.4 | 3.8 | 2.6 | 2.8 |
| Cultural and recreational services# | 3.3 | 2.7 | 1.8 | 1.8 |
| Personal and other community services | 2.8 | 2.5 | 1.7 | 1.7 |
| Total GDP (average) | 3.0 | 2.8 | 1.8 | 1.7 |
| Bay of Plenty Growth | 0.8 | 3.3 | 1.7 | 1.7 |

Source: Statistics New Zealand, NZIER estimates and projections, Table A24 Quarterly Predictions September 2008

Notes: (1) "#" denotes industries with a high tourism content.

(2) "p" stands for projection and "f" stands for forecast.

*Business support services*

- The Business Development Unit of Rotorua District Council is a first point of contact for new businesses and investors. The Unit maintains a website, www.rotorua-business.com, that includes a database of Rotorua businesses in various industry sectors and sub-sectors, as well as details on business clusters. Although the Council does not provide direct financial incentives to new investors, it encourages early discussion on any aspect of a project with investors or developers. The Council endeavours to minimise any potential barriers to business by providing assistance, consultation and facilitation procedures, and personnel to streamline the process of approval for town planning, engineering requirements and environmental impacts. Also, if certain requirements are met regarding the nature and scale of the project and the background of the investor, a joint approach to a Feasibility Study can be adopted with Council.

- The Business Development Unit is located at the Business Hub at 1209 Hinemaru Street. This 'one stop shop' is also the home of the Rotorua Chamber of Commerce and Industry and various consultants and other agencies who can offer support for business development initiatives.

Additional support services available in the Rotorua District include the following:

- BIZinfo Rotorua
- Destination Rotorua Tourism Marketing
- Employers and Manufacturers Association, New Zealand
- Federated Farmers.
- Ministry of Economic Development.
- Ministry of Agriculture and Forestry.
- New Zealand Forestry Industry Engineers Association.
- New Zealand Trade & Enterprise.
- Rotorua Chamber of Commerce and Industry.
- Rotorua Health-Spa Cluster.
- Rotorua Tourism Cluster.
- Scion (formerly Forest Research) and associated research organisations
- Skill New Zealand.
- Te Arawa Lakes Trust.
- A wide base of Mäori business support networks such as Te Puni Kokiri and the Mäori Tourism Federation.
- Waiariki Institute of Technology.
- Work and Income (a service of the Ministry of Social Development).
- A broad base of services directed toward business development by professional groups such as accountants, lawyers, surveyors, architects and engineers.

*Business costs and infrastructure*

Labour costs in Rotorua are very competitive on both a world scale and in relation to New Zealand's major metropolitan centres. Rental costs in the Rotorua District are comparable to most other North Island provincial cities, and are far more affordable than rental costs in larger cities.

Rotorua's CBD is well served with fast broadband Internet access. Utilities such as electricity, gas, water, and sewerage and waste disposal are all competitively priced. New businesses are able to negotiate with TrustPower and Unison in relation to line and energy charges. The Natural Gas Corporation pipes natural gas to Rotorua's industrial areas (potential investors should contact Natural Gas Corporation directly for details). Water supply in the Rotorua urban area costs 82 cents per cubic metre. Waste disposal is currently $40 per tonne with substantial rebates if recyclable greenwaste/timber or concrete/asphalt.

New business ventures involving the change of use or the discharge of fluids or gases into the environment are subject to the Resource Management Act 1991, the Local Government Act and other legislation. The cost of obtaining resource consent for a new venture is often relatively small, but can be up to around 10% of total project costs for large-scale, complex applications. Building consent charges also vary according to the size of the particular project. For further details on resource consents, building consents and other compliance issues, visit the Rotorua District Council website www.rdc.govt.nz, or contact the staff at Planning and Building Consents (ph 64 7 348 4199).

# PRIMARY INDUSTRIES

In the District, primary production (including farming, forestry and fishing but excluding related processing and manufacturing) generates 7.2% of total employment compared with 6.0% nationally and in 2008 contributed an estimated $482 million (17%) towards Rotorua's total economic output. Many manufacturers, service industries and contractors in Rotorua are directly affected by progress in the District's primary sector. Rotorua's soils are well suited for pastoral farming and forestry, and the District's average annual rainfall of 1,400mm is distributed evenly throughout the year. Rotorua also has a sunny climate and relatively little wind.

### *Agriculture*

Agriculture is a mainstay of the New Zealand economy. Including processing and industry support, agriculture contributed over 14 percent of national GDP. Agricultural production in the Rotorua District began in earnest in the mid 1880s, based almost solely around dairy farming. Early attempts at dairy farming were frustrated by "bush sickness", but by the 1920s it was recognised that the central North Island's volcanic soils could be enhanced with extra cobalt. Between the 1930s and 1960s sheep farming also showed a substantial increase, to the extent that there are now as many mixed farms as dairy units. The Rotorua area is also important for the farming of deer, emus, and other less traditional species. New Zealand is amongst the world's major suppliers of venison and deer velvet, and production is expected to continue increasing. Major agricultural processing facilities in the Rotorua area include Duncan Processors Ltd, Venison Rotorua Ltd, and Fonterra Reporoa.

The 2007/08 season saw the worst drought on record, which significantly affected most parts of the region. Despite the drought and the consequential drop in production compared to 2006/07, farm profit before tax lifted by around 400 percent due to the record payout for milk-solids. Profitability is forecast to drop back in 2008/09, with farm profit before tax expected to be down 43 percent; the forecast higher production being offset by a lower payout. Despite this, profitability is still very strong compared with two to three years earlier.

Table 9 shows key statistics relating to Waikato/Bay of Plenty sheep and beef farms and dairy farms over the period 2004-2009.

*Table 9: Key statistics, hill country and dairy farms*

| | 2004/05 | 2005/06 | 2006/07[2] | 2007/08 | 2008/09 forecast |
|---|---|---|---|---|---|
| Stocking rate – sheep and beef (su/ha) | 11.7 | 11.7 | 10.8 | 10.7 | 11.2 |
| Stocking rate – dairy (cows/ha) | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Ewe lambing (%) | 132 | 129 | 132 | 126 | 111 |
| Average lamb price (NZ$/hd) | 63.40 | 58.47 | 56.37 | 56.51 | 74.89 |
| Average wool price (NZ$/kg) | 2.74 | 2.35 | 2.45 | 2.24 | 2.61 |
| Wool production (kg/ssu) | 4.81 | 4.09 | 4.45 | 4.34 | 4.91 |
| Average R2yr steer (NZ$/hd) | 1 020 | 812 | 840 | 682 | 1, 011 |
| Milksolids (kg/ha) | 873 | 922 | 953 | 839 | 906 |
| KgMS/cow milked | 331 | 325 | 337 | 296 | 320 |
| MS advance to end June (NZ$/kg) | 3.95 | 3.60 | 3.65 | 6.62 | 5.41 |

*Source: Ministry of Agriculture & Forestry, http://www.maf.govt.nz/mafnet/rural-nz/statistics-and-forecasts/farm-monitoring/2008/sheep-and-beef/waikato-bop/ and http://www.maf.govt.nz/mafnet/rural-nz/statistics-and-forecasts/farm-monitoring/2008/waikato-bop-dairy/*

The conversion of land from sheep farming to more profitable uses such as dairy and dairy support is expected to contribute to a falling adult sheep flock in the future. The outlook for lamb prices in New Zealand's export markets is good as all major lamb-producing countries (New Zealand included), are expected to produce less lamb over the next few years. This reduction in supply is larger than declines in demand in the key markets. The assumed depreciation in the New Zealand dollar means that lamb schedule prices in New Zealand are expected to increase significantly over the next four years.

Beef exports for the year ended 31 March 2008 were 4.1 percent down at 352 000 tonnes. Export earnings dropped by 14 percent to $1.6 billion due to the combination of a strong New Zealand dollar, lower beef prices and less volume exported. As a result, this was the lowest level of beef export earnings since 2001. Increased competition and higher beef supplies in our key prime beef export markets will see downward pressure on in-market prices in 2009 and 2010. However, the assumed fall in the New Zealand dollar means that improvements in New Zealand prime beef schedules are expected.

New Zealand's dairy industry is prospering. In inflation-adjusted terms, payouts have reached a 43-year high and a portion of these gains is likely to persist into the future. The number of cows and heifers in milk is increasing and steady growth in the number of dairy cows and the yield of milk per cow is expected over the next four years. However, growth is entirely in the South Island and at the expense of lamb finishing. In contrast, the number of dairy cattle in the North Island is falling due to competition for the land from other non-pastoral and lifestyle uses. As a result, land in the North Island has been sought for conversion to dairying.

The conversion of established plantation forest to pasture, mainly dairying, has become relatively common and the rate and scale of the change is likely to increase markedly in the future. Over the past few years Carter Holt Harvey has sold about 5,000 hectares of the Kinleith estate near Tokoroa and most was converted to dairy pasture. In the Tauhara and Tahorakuri forests, between Rotorua and Taupo, more than 25,000 hectares is being rapidly converted into large scale farms - the majority for dairying. The forest has been sold to a group of private investors with Landcorp contracted to undertake the conversion on behalf of the company.

There are a host of environmental issues that result from the conversion of forests to pastoral farming. Even if all of the land use changes were to a very high standard, including protection of watercourses, conversion would result in a significant loss of nutrients which would reduce water quality in groundwater and tributary streams, such as the Waikato River and the hydro lakes. Conversion will also impact upon the level of greenhouse gas emissions by way of increased methane produced by grazing farm animals and nitrous oxide from farm land management, and reduced carbon dioxide absorbson by forests that have been removed. The New Zealand Government is making significant investments in partnership with land-based sectors, Maori and local government to fund research and deliver policy around the challenge of mitigating methane and nitrous oxide, and developing cost-effective and practical solutions for agriculture.

With the rapid expansion of dairy farming there is evidence of shortages of skilled labour in agriculture and agricultural services, and farmers have become increasingly dependent on migrant labour and are using casual labour for stock work and farm improvement projects. Dairy farmers have been paying higher wages and offering improved working conditions, such as more time off work, to attract farm staff, while shearing rates and the availability of shearers have become more of a problem for farmers each year. As a response, increased collaboration between central and local government, the training sector and the agricultural industry has been taking place to address these skill shortages. The Waiariki Institute of Technology offers agricultural training, including National Certificates in Agriculture (Dairy, Sheep, Beef) and Agribusiness Management (Production Management) and the National Diploma in Agribusiness Management.

Employment in Rotorua's agricultural sector increased to 1,390 people employed in 2007 from the 1,357 recorded in 2005. For 2007 there were however, less geographic business units in Rotorua's agricultural sector than there were in 2005. Dairying remains the largest source of employment in Rotorua's agricultural sector.

*Table 10: Employment in agriculture*

| | 2005 | | 2007 | |
|---|---|---|---|---|
| Agricultural sector | Geographic Units | Employee Count | Geographic Units | Employee Count |
| Horticulture and fruit growing | 45 | 85 | 42 | 120 |
| Grain, sheep and beef cattle farming | 280 | 260 | 279 | 230 |
| Dairy cattle farming | 477 | 590 | 464 | 620 |
| Poultry farming | 2 | 0 | 1 | 0 |
| Other livestock farming | 147 | 130 | 128 | 110 |
| Other crop growing | 12 | 12 | 5 | 0 |
| Services to agriculture; hunting and trapping | 115 | 280 | 122 | 310 |
| Total agriculture and agricultural services | 1,078 | 1,357 | 1,041 | 1,390 |

Source: Compiled from Statistics New Zealand, Business Demographics and APR analysis

Notes: (1) Employment is measured in numbers employed (either part or full-time) and only includes the self-employed if they receive salary and wages.

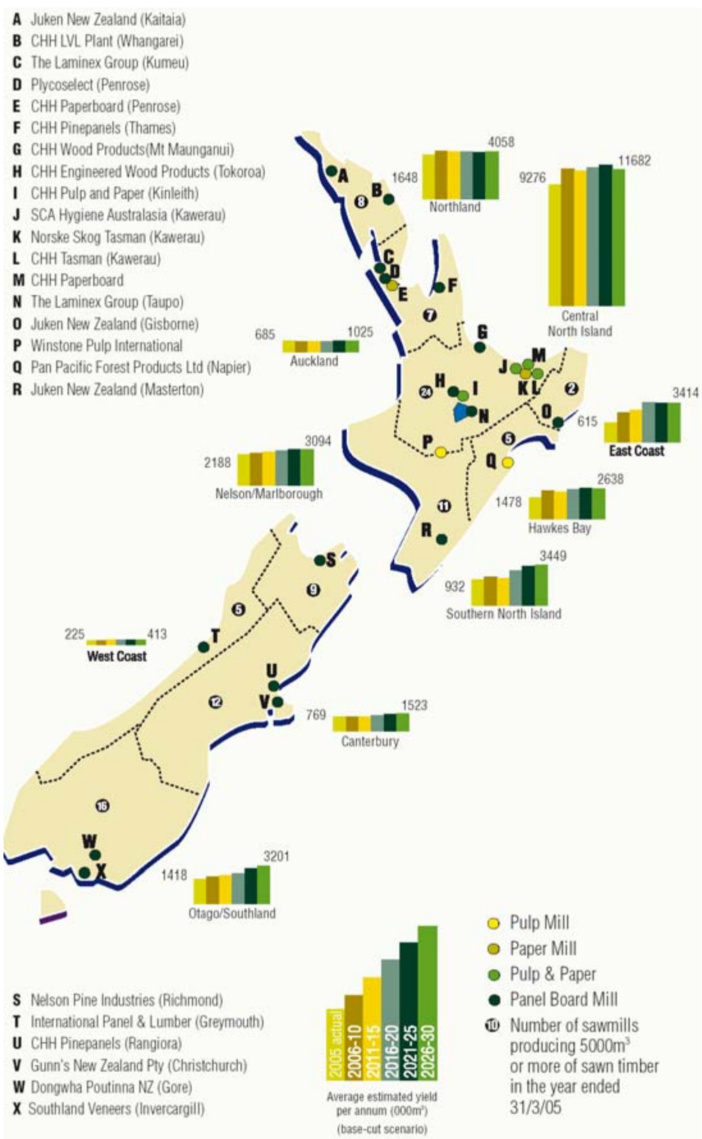
## *Forestry*

Railway construction in the 1880s gave impetus to the development of the timber industry in the Central North Island. Stands of native timber were cleared for export in the Rotorua area, and the National Timber Company was established at Ngongotaha in the 1910s. The National Timber Company closed in 1946 due to an inability to obtain band-saw blades, but Fletcher Challenge began a new Ngongotaha mill operation in the early 1950s that was to become the most diverse timber processing site in the southern hemisphere. The Ngongotaha mill was eventually closed down in the early 1990s when Fletcher Challenge rationalised its operations, but forestry and related production and services are still major contributors to the Rotorua economy.

Rotorua is located in close proximity to vast plantation forestry resources, including the extensive Kaingaroa Forest. Rotorua is also located halfway between Kawerau and Tokoroa, which have the two largest forestry processing sites in New Zealand, and is less than one hour's drive from the major forestry export port, Port of Tauranga. Red Stag's Waipa mill, located on the outskirts of Rotorua's main urban area, is currently the largest sawmill in Australasia. Smaller milling operations exist throughout the District, including McAlpines Rotorua Ltd, Rotorua Sawmill Ltd (previously Carter Holt Harvey), KLC Ltd in the township of Kaingaroa Forest, Donelley Sawmillers Ltd in Reporoa and Mamaku Sawmills in the township of Mamaku. Forestry development in Rotorua has undergone significant change with the establishment of further major processing facilities (e.g. the Japanese-owned Tachikawa mill, which is one of the biggest single-site sawmills in New Zealand) and the upgrade of existing processing facilities. The changes in ownership of the sawmills in the District brings with it change and opportunities for growth and innovation.

Forest products are currently New Zealand's fourth largest export income earner. New Zealand's wood industry is based on plantation exotic forests, predominantly *Pinus Radiata*. This species grows quickly under New Zealand conditions, with an average time from planting to harvest of around 25 to 30 years. Much of the existing planted forest area is still young, and the national wood supply is expected to increase steadily.

*Figure 3: Regional wood supply forecasts, 2006-2030*

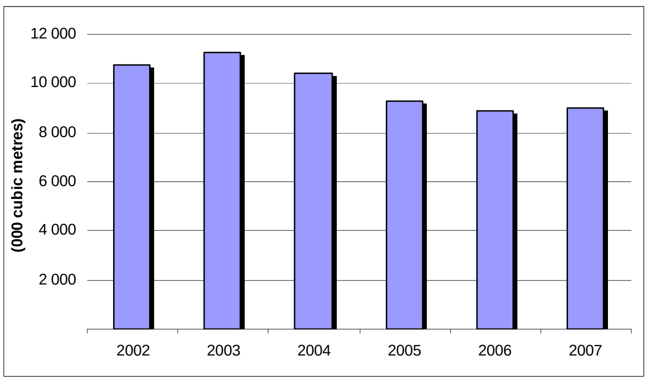



*Source: Ministry of Agriculture and Forestry, New Zealand Forest Industry Facts and Figures Statistics 2006/07*

Rotorua is at the heart of the dominant wood supply region in New Zealand (refer Figure 3). The Central North Island supply area produces nearly 50% of New Zealand's annual wood harvest, and is projected to remain the dominant wood-producing region in New Zealand. While there have been recent major changes in the ownership of this resource with the Central North Island Iwi Collective Forestry settlement, its management is still Rotorua-based with Timberlands Limited managing the major forests around Rotorua with PF Olsen and Co Ltd also managing forestry estate in the area.

Despite a reduction in roundwood removals over recent years (as shown in Figure 4), wood availability forecasts published by the Ministry of Agriculture and Forestry (MAF) indicate that the availability of Radiata pine from the Central North Island forest estate will steadily increase over the next 12 years. Between 2008 and 2016 there is forecast to be a gradual increase in the Central North Island regional harvest from 7.5 million cubic metres to around 10.2 million cubic metres per year. After 2016 increases in wood availability are expected to result in increased log supply with the potential for significant volume increases to around 12.7 million cubic metres per year after 2020.

*Figure 4: Roundwood removals from Central North Island forests, 2002-2007*




*Source: Monitoring and Evaluation, Innovation & Research Policy, Ministry of Agriculture and Forestry*
*Notes: (1) Estimates have been presented rounded to the nearest 20 000 cubic metres because of the estimation methodology used in preparing them. The estimates in this table may be subject to revision as further information becomes available.*
*(2) As these estimates are indirectly derived from wood processing and log exporting activities, wood moving between wood supply regions may mean that actual log harvest levels within a wood supply region are different from what is shown.*

Almost a quarter of the Rotorua District's land area (56,513 ha.) is currently devoted to plantation forestry and this proportion has been relatively static for some time. It is estimated that a further 26,000 ha of Rotorua District's total land base is potentially suitable for growing *Pinus Radiata*.

*Table 11: Employment in Forestry and first stage processing in Rotorua District*

| | 2002 | | | 2007 | | |
|---|---|---|---|---|---|---|
| Business/Employment in Forestry | Geographic Units | Employee Count | Employment (%) | Geographic Units | Employee Count | Employment (%) |
| Forestry and logging | 216 | 1,360 | 45.8% | 182 | 820 | 36.0% |
| Log sawmilling | 25 | 1,020 | 34.3% | 17 | 760 | 33.4% |
| Wood chipping | 1 | 0 | 0.0% | 1 | 0 | 0.0% |
| Timber re-sawing and dressing | 11 | 290 | 9.8% | 15 | 440 | 19.3% |
| Plywood and veneer manufacturing | - | - | | - | - | |
| Fabricated wood manufacturing | 1 | 6 | 0.2% | - | - | |
| Wooden structural component manufacturing | 19 | 270 | 9.1% | 21 | 200 | 8.8% |
| Wood product manufacturing nec | 11 | 25 | 0.8% | 10 | 55 | 2.4% |
| Paper and paper product manufacturing | - | - | | - | - | |
| Total forestry & first-stage processing | 284 | 2,971 | 100% | 246 | 2,275 | 100% |

Source: Compiled from Statistics New Zealand, Business Demographics and APR analysis
Notes: (1) Employment is measured in numbers employed (either part or full-time) and only includes the self-employed if they receive salary and wages.

Rotorua's forestry sector directly and indirectly employs around 3,000 people, with forestry and first stage processing alone employing 2,275 in 2007 (refer Table 11). Organisations based within the Rotorua District make a significant contribution to all aspects of national forestry, including industry training and research. A depth of experience and expertise exists within the numerous engineering, manufacturing, harvesting, transport, and professional service businesses involved with forestry-related activities in Rotorua. Many of these regularly service the Kawerau and Tokoroa based pulp and paper mills.

Rotorua is the home of the internationally renowned New Zealand Crown Research Institute, Scion (formally New Zealand Forest Research Institute Ltd). Scion has expanded its research capabilities to meet the growing consumer demand for renewable materials and products from plants offering wide ranging technical and scientific capability to anyone in the business of producing materials or creating products using renewable plant resources. For example, Scion is currently exploring bio-energy options for New Zealand including the production of woody biomass to energy where the potential exists to substantially increase the nation's woody resource by using purpose grown forest crops to meet future energy needs.

The Central North Island region is the leader in forestry industry training in New Zealand. The Waiariki Institute of Technology is New Zealand's Centre of Excellence in Wood Processing Education and Training. Waiariki's Timber Technology Campus offers certificate courses in saw doctoring, timber grading, timber machining, sawmilling, remanufacturing, and wood processing and the National Diploma in Wood Manufacturing (Level 5 and 6). It also offers courses in forest management including the National Diploma in Forestry (Forest Management) at Level 6. In addition, Waiariki offers courses to enhance the skills of those already in the industry, working with firms from all over New Zealand, both on location and at the Rotorua campus.

There is a well-developed state highway roading network available for transportation. Private roads on and off-highway system in forests near Rotorua allow larger payloads, up to 36 tonnes dependent on log type and configuration of truck and trailer. This is a capacity increase of 6 - 8 tonnes over public highway payloads providing significant savings to forest owners.

Maintenance, engineering and material supply services are provided by a well-established local industry base, together with a strong local and regional infrastructure. Many existing industries routinely operate 24 hours per day, 7 days per week. There is a well-developed Forest Industry Cluster group in Rotorua representing all sectors in the wider industry. This group was developed in 1996 through cooperation between the Business Development Unit of Council and key forest industry players. In 2002, Rotorua also became the National Centre of Excellence in Wood Processing. This involves a partnership with wood industry players, Industry Training Organisations, Scion, training and education providers, local government, Industry New Zealand, and the Auckland University School of Engineering.

There are opportunities to invest in both planted production forestry and timber processing in the Rotorua area. Opportunities for direct investment in processing include sawmills, roundwood treatment plants, panel and paper manufacturing, secondary processing such as kiln drying, machining, finger jointing, plywood manufacture, waste disposal and by-product processing. Indirect investment opportunities also exist in terms of such activities as chemical and packaging supply, and services in engineering, consulting, research and education. Research and development investment opportunities exist, particularly in the field of bio-materials research, as well as commercialisation of bio-material technologies.

*Horticulture*

In the Bay of Plenty Region, around 12,500 hectares is now dedicated to fruit and vegetable growing, including kiwifruit, avocados, asparagus, mandarins, tamarillos, feijoas, oranges, apples, melons and other crops, as well as indoor tomatoes, capsicums and nursery crops. The horticulture industry is generally characterised by small owner-operated enterprises.

Although horticulture remains a relatively minor industry in the Rotorua District (around 500 hectares and employing 120 in 42 business locations), there may be scope for introducing new crops based on specific soils and microclimates. Rapid growth around demand for biofuels and other food crops could generate demand for land within the District. There are also opportunities for the increased development of smaller lifestyle-type blocks involved in intensive horticulture and hydroponics.

*Table 12: Horticulture Production in Bay of Plenty Region*

| Horticulture | As at June 30 1994 | As at June 30 2002 | As at June 30 2007 |
|---|---|---|---|
| Total apples (hectares) | 132 | 137 | 8 |
| Total kiwifruit (hectares) | 8,101 | 8,488 | 10,249 |
| Total avocados (hectares) | 774 | 1,608 | 2,210 |
| Total wine grapes (hectares) | 22 | 10 | 25 |
| Total olives (hectares) | U | 96 | 56 |
| Total onions (hectares) | 11 | 50 | ..C |
| Total potatoes (hectares) | 71 | 139 | ..C |
| Total squash (hectares) | 525 | ..S | ..C |
| Total Horticulture (Hectares) | 9,636 | 10,528 | 12,548 |

Source: Ministry of Agriculture and Forestry

Notes:
(1) U = unavailable, S = suppressed and C = confidential

# PRODUCTION INDUSTRIES

This section describes the significance of Rotorua's production industries, including food processing, wood and paper product manufacturing, machinery and equipment manufacturing, and construction. The manufacturing and construction sectors jointly account for more than 5,600 jobs in the Rotorua District.

*Manufacturing*

Table 13 shows figures for business units, employment (in terms of full-time equivalents) and employment as a percentage of the industry as a whole for the nine main manufacturing sub-sectors in the Rotorua District. Food beverage and tobacco manufacturing is the leading contributor to employment in the sector. Textile, clothing, footwear and leather manufacturing is another significant contributor towards employment, closely followed by wood and paper product manufacturing which underlines the importance of forestry in the local economy.

*Table 13: Employment in manufacturing, Rotorua District*

| | 2002 | | | 2007 | | |
|---|---|---|---|---|---|---|
| Manufacturing Sector | Business units | Employment Count | Employment (%) | Business units | Employment Count | Employment (%) |
| Wood and paper product manufacturing | 68 | 1,620 | 39.9% | 64 | 1,450 | 37.8% |
| Food, beverage and tobacco | 22 | 580 | 14.3% | 22 | 600 | 15.6% |
| Machinery and equipment manufacturing | 117 | 620 | 15.3% | 108 | 580 | 15.1% |
| Petroleum, coal, chemical and associated product manufacturing | 18 | 280 | 6.9% | 20 | 360 | 9.4% |
| Metal product manufacturing | 75 | 310 | 7.6% | 90 | 340 | 8.9% |
| Other manufacturing | 34 | 210 | 5.2% | 33 | 230 | 6.0% |
| Printing, publishing and recorded media | 19 | 340 | 8.4% | 22 | 180 | 4.7% |
| Textile, clothing, footwear and leather manufacturing | 24 | 55 | 1.4% | 22 | 50 | 1.3% |
| Non-metallic mineral product manufacturing | 9 | 50 | 1.2% | 9 | 40 | 1.0% |
| Total manufacturing | 386 | 4,060 | 100.0% | 390 | 3,840 | 100.0% |

Source: Compiled from Statistics New Zealand, Business Demographics and APR analysis

Notes: (1) Employment is measured in numbers employed (either part or full-time) and only includes the self employed if they receive salary and wages.

In the period 2002 to 2007, employment in wood and paper product manufacturing in Rotorua decreased by 40 full-time equivalents. Major Rotorua businesses in this sub-sector include Tachikawa Forest Products (NZ) Ltd (packaging and construction lumber), Hume Pine (NZ) Ltd. (timber mouldings manufacture), Claymark Industries Ltd (dressed boards and mouldings), and Global Timbers Ltd (timber component manufacture). According to NZIER projections the wood and paper products manufacturing sector will experience average annual growth rate of 2.0 percent over the period 2008 to 2013 (refer Table 8), associated with increased wood supply and improving international market conditions.

Major Rotorua businesses in the other manufacturing sub-sectors include Cryovac Sealed Air (NZ) Ltd (bags and packaging), Hayes International (rollforming machinery), Rotorua Electrostatic Painters (powder coatings, aluminium), Mills-Tui Ltd (heavy trailers), Damar Industries NZ Ltd (paint and industrial coatings), Checkmate Precision Cutting Tools (saw blades), Peterson Portable Sawing Systems (saw systems), Morbark (NZ) Ltd (forestry machinery) and Fonterra Reporoa (milk processing). National industry forecasts by the New Zealand Institute of Economic Research (NZIER) indicate accelerated average annual GDP growth in various manufacturing sub-sectors from 2008 to 2013.

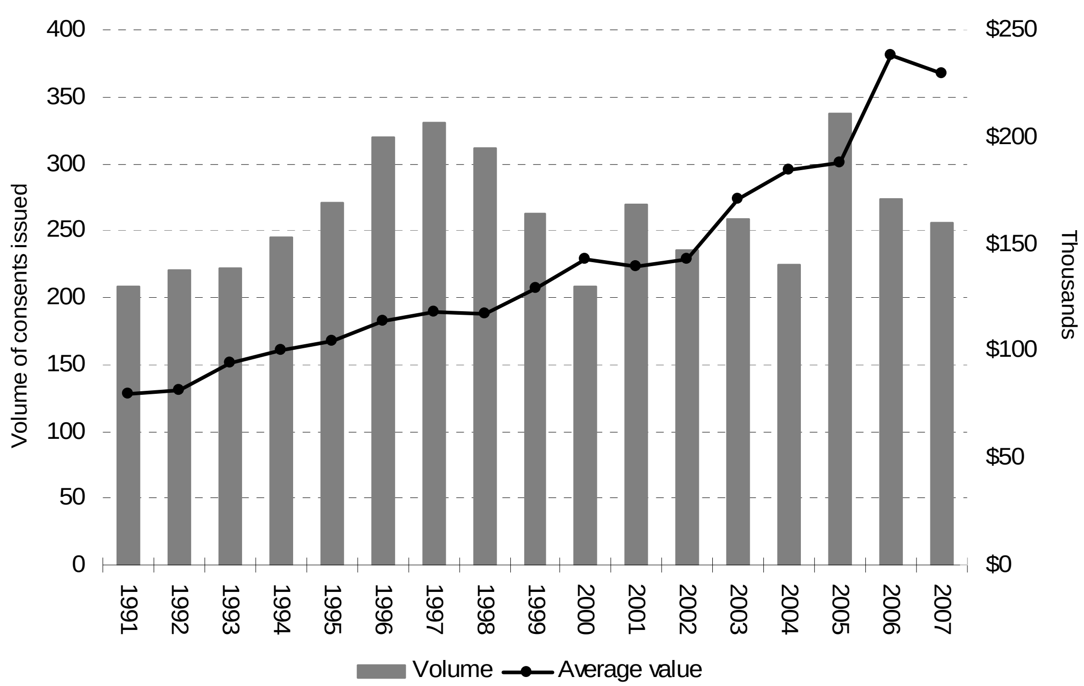
There are a number of available developed sites for new investment in the Rotorua District, particularly for light industry. Light industrial activity is presently concentrated around Waterford Estate on Old Taupo Road in the main urban area. Available undeveloped sites suitable for heavy or forestry-related industries include the Peka Block to the south of Rotorua's main urban area, and the Mamaku area to the west. Rainbow Mountain, Waipa, and some industrial zoned land at Reporoa also offer opportunities for industrial and commercial development. Eastgate Business Park, a 22.5 hectare commercial park, has been developed on the eastern side of Rotorua's urban area on State Highway 30 opposite Rotorua Airport. Approximately half of the Park's sites remain vacant with adjoining land also suitable for future development.

*Construction*

The construction sector includes residential, non-residential and civil construction, as well as building-related services such as plumbing and roofing. Around 56% of jobs in this sector in Rotorua are in construction trade services with the remainder in general construction. The fortunes of this sector are subject to greater variation in market activity then many other industry sectors. The combined construction sector employs around 1,820 people in the Rotorua District, up from 1,200 in 2002.

Residential building activity is relatively low in Rotorua, with a stable population base and limited numbers of new dwellings being built, although the average value of new houses has been increasing (refer to *Figure 5*). Key trends include a move towards design-and-build packages, further subdivision development (eg, Pukehangi and Lynmore areas) and a trend towards lifestyle blocks with new house constructed on small holdings located close to the Rotorua urban area (eg, Eastside and Hamurana areas). The continued development of tourism and other business activity will be a key driver of commercial construction growth in the future. The latest trends in residential building consents are summarised in 'Key Economic Indicators' at the rear of this report.

*Figure 5: Rotorua residential building activity, years ended December 1991-2007*




*Source: Rotorua District Council Building consent data and APR analysis*

# DISTRIBUTION INDUSTRIES

This section describes the significance of Rotorua's distribution industries, including the transport, wholesale and retail sectors.

*Transport*

The transport sector includes road freight, bus transport, taxis, rail transport, air transport, and services to the transport industry. As at February 2007 Rotorua's transport sector accounted for around 879 jobs in the District. The sector in Rotorua is dominated by road transport and related services, collectively accounting for around 820 jobs. This is a reflection of the strategic central North Island location of the Rotorua District, as well as the dominance of agriculture, forestry and tourism and the road cartage associated with these industries. The route from Rotorua to the Port of Tauranga is used intensively to carry wood, and wood products; dairy industry products; and manufactured goods.

There is potential for growth in Rotorua's road transport services, given the area's central location as well as the projected national growth in this sector. Forecast average annual growth in the transport sector at a national level is around 3.1% per annum in the period 2008 to 2013, driven by primary product exports and increased visitor numbers. Roads within and around Rotorua are constantly being upgraded and improved to cater for future growth in road transport.

Rotorua Airport is in a stage of redevelopment to future-proof Rotorua's position as a premier visitor destination. Much of the infrastructure at the Rotorua Regional Airport (Rotorua Airport) has recently undergone a phase of redevelopment and the airport is planned to be fully trans-Tasman capable during 2009. Over the past few years infrastructure completed has included a new jet-aircraft terminal/international arrival and departure lounge; expanded car parking capacity with hot mix reseal; boarder agency offices and screening areas; security fencing that complies with all requirements of a security designated airport; and an apron up-grade that provides two new hardstands and a new taxiway suitable for current and future jet traffic.

*Wholesale and Retail*

*Table 14: Employment in wholesale and retail, Rotorua District*

| | 2002 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Business units | Employment Count | Employment (%) | Business units | Employment Count | Employment (%) |
| Basic material wholesaling | 75 | 470 | 33.8% | 71 | 500 | 31.4% |
| Machinery and motor vehicle wholesaling | 108 | 490 | 35.3% | 110 | 580 | 36.5% |
| Personal and household good wholesaling | 85 | 430 | 30.9% | 97 | 510 | 32.1% |
| TOTAL WHOLESALE TRADE | 268 | 1,390 | 100.0% | 278 | 1,590 | 100.0% |
| Food retailing | 173 | 1,330 | 36.8% | 170 | 1,350 | 34.7% |
| Personal and household good retailing | 348 | 1,470 | 40.7% | 359 | 1,640 | 42.2% |
| Motor vehicle retailing and services | 223 | 820 | 22.7% | 231 | 910 | 23.4% |
| TOTAL RETAIL TRADE | 744 | 3,610 | 100.0% | 760 | 3,890 | 100.0% |

Source: Compiled from Statistics New Zealand, Business Demographics and APR analysis

Notes: (1) Employment is measured in numbers employed (either part or full-time) and only includes the self-employed if they receive salary and wages.
(2) Totals may not add.

Collectively the wholesale and retail sectors in Rotorua account for over 5,480 jobs. Major categories of wholesale and retail trade include personal and household goods, as well as machinery and motor vehicles. Rotorua has a diverse trade base, and is influenced by both domestic household spending and overseas visitors. Looking at Table 13 between the years ended September 2006 and September 2007, Rotorua's nominal retail growth stood at 6.6%. Over the two past September years Rotorua's retail growth has been faster than Bay of Plenty's growth over the same period. Rotorua's growth over this period exceeded headline inflation implying that the area has a sufficiently diversified demand base to withstand a moderate slowing of growth in the economy. Increased rural incomes and visitor numbers have been major drivers of growth in wholesale and retail trade in the Rotorua area over recent years. There is scope to further accelerate retail growth through increased opening hours, more intensive "clustering", and more coordinated regional promotion.

In recent years, the upgrade of the central business district and the arrival of Rotorua Central has had a profound effect on some retail businesses, particularly around the City Focus and at the northern end of the city near the lakefront. The opening of major chains such as Rebel Sport, Glassons, Countdown, Harvey Norman and many national and international fast food chains, has also increased the attractiveness of the city for both residents and out-of-town shoppers.

Data for the year to September 2007 show nominal retail sales in the Rotorua urban area totalling $1,153.3 million and growing 6.6% from the previous September year (Table 15).

*Table 15: Retail sales[1], Bay of Plenty Region and New Zealand*

| Period | Actual retail sales ($ million) | | | Annual growth rate | | |
|---|---|---|---|---|---|---|
| | Bay of Plenty Region | Rotorua District | New Zealand | Bay of Plenty Region | Rotorua District | New Zealand |
| Year ended Sep-04 | 3,801.5 | 964.3 | 54,237 | | | |
| Year ended Sep-05 | 3,977.6 | 1,003.2 | 58,015 | 4.6% | 4.0% | 7.0% |
| Year ended Sep-06 | 4,240.8 | 1,082.2 | 60,539 | 6.6% | 7.9% | 4.4% |
| Year ended Sep-07 | 4,335.4 | 1,153.3 | 64,029 | 2.2% | 6.6% | 5.8% |

Source: Compiled from Statistics New Zealand, Retail Trade Survey and APR analysis
Notes:
(1) Retail sales includes spending on motor vehicles and accommodation and restaurants.
(2) These statistics are of a lower standard than published figures Statistics New Zealand releases. The Retail Trade Survey sample is selected and weighted at the retail industry group level nationally, and the release of this data is below that design level. This data is subject to sample, non-sample and modelling errors and is indicative only.
(3) Data from October 2003 to the current month is based on the redesigned Retail Trade Survey, and therefore caution should be taken when making comparisons with previous months
(4) Figures are exclusive of GST.

# SERVICE INDUSTRIES

This section describes the significance of Rotorua's service industries, including tourism and hospitality, finance, insurance, property and business services, education, training, health, and community services. The service sector has been growing in economic significance in Rotorua as in the rest of New Zealand, and most of the future high growth industries are part of the service sector.

*Tourism and hospitality*

Tourism is New Zealand's largest foreign exchange earner, and Rotorua is one of the leading tourism centres in New Zealand. Tourism Research Council estimates show that in 2006 Rotorua RTO Region attracted 1.5 million overnight visitors and 1.4 million day visitors, and this generated 3.4 million visitor nights and $470 million in tourism expenditure. Statistics show that 644,000 overnight visits were spent in Rotorua in 2006 while there as 2.42 million visitor arrivals to New Zealand in 2006. This implies that around one third (27%) of all international visitors to New Zealand visited Rotorua for least one night in the year ended December 2006.

*Table 16: Rotorua RTO Tourism Forecasts*

| Market | Calendar Year | Overnight Visits ('000s) | Day Visits ('000s) | Total Visits ('000s) | Visitor Nights ('000s) | Average Nights per Overnight Visit | Overnight Spend ($NZm) | Day Spend ($NZm) | Total Spend ($NZm) | Average Spend per Overnight Visit | Average Spend per Day Visit ($NZ) | Average Spend per Night ($NZ) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Domestic | 2000 | 1,002 | 2,036 | 3,038 | 2,180 | 2.18 | 136 | 80 | 216 | 136 | 39 | 63 |
| | 2001 | 1,068 | 1,261 | 2,329 | 2,102 | 1.97 | 150 | 64 | 214 | 141 | 50 | 71 |
| | 2002 | 993 | 2,050 | 3,043 | 2,368 | 2.38 | 170 | 115 | 286 | 172 | 56 | 72 |
| | 2003 | 894 | 1,556 | 2,450 | 1,946 | 2.18 | 153 | 106 | 259 | 171 | 68 | 79 |
| | 2004 | 700 | 1,090 | 1,789 | 1,488 | 2.13 | 118 | 76 | 194 | 169 | 69 | 79 |
| | 2005 | 686 | 1,042 | 1,728 | 1,528 | 2.23 | 124 | 66 | 190 | 180 | 63 | 81 |
| | 2006 | 840 | 1,258 | 2,098 | 2,008 | 2.39 | 174 | 74 | 247 | 207 | 59 | 87 |
| | 2007f | 841 | 1,266 | 2,108 | 2,011 | 2.39 | 177 | 75 | 253 | 211 | 59 | 88 |
| | 2008f | 854 | 1,300 | 2,155 | 2,062 | 2.41 | 185 | 79 | 264 | 217 | 61 | 90 |
| | 2009f | 857 | 1,309 | 2,166 | 2,069 | 2.41 | 190 | 81 | 271 | 221 | 62 | 92 |
| | 2010f | 864 | 1,317 | 2,182 | 2,086 | 2.41 | 195 | 83 | 278 | 225 | 63 | 93 |
| | 2011f | 871 | 1,326 | 2,197 | 2,102 | 2.41 | 200 | 85 | 285 | 230 | 64 | 95 |
| | 2012f | 879 | 1,335 | 2,214 | 2,120 | 2.41 | 206 | 87 | 293 | 234 | 66 | 97 |
| | 2013f | 887 | 1,344 | 2,231 | 2,140 | 2.41 | 212 | 90 | 302 | 239 | 67 | 99 |
| International | 2000 | 589 | 80 | 669 | 1,199 | 2.03 | 203 | 4 | 207 | 344 | 53 | 169 |
| | 2001 | 579 | 76 | 655 | 1,280 | 2.21 | 202 | 4 | 206 | 349 | 54 | 158 |
| | 2002 | 645 | 100 | 745 | 1,672 | 2.59 | 259 | 5 | 264 | 401 | 54 | 155 |
| | 2003 | 603 | 134 | 738 | 1,214 | 2.01 | 176 | 7 | 183 | 292 | 50 | 145 |
| | 2004 | 675 | 176 | 851 | 1,203 | 1.78 | 173 | 9 | 182 | 257 | 51 | 144 |
| | 2005 | 727 | 183 | 909 | 1,592 | 2.19 | 227 | 9 | 236 | 313 | 47 | 143 |
| | 2006 | 644 | 151 | 795 | 1,425 | 2.21 | 215 | 7 | 222 | 334 | 48 | 151 |
| | 2007f | 671 | 155 | 826 | 1,456 | 2.17 | 224 | 7 | 231 | 333 | 48 | 154 |
| | 2008f | 701 | 160 | 861 | 1,510 | 2.16 | 244 | 8 | 252 | 348 | 49 | 161 |
| | 2009f | 737 | 167 | 904 | 1,574 | 2.14 | 268 | 8 | 276 | 364 | 49 | 170 |
| | 2010f | 773 | 174 | 947 | 1,641 | 2.12 | 294 | 9 | 303 | 381 | 50 | 179 |
| | 2011f | 833 | 185 | 1,018 | 1,753 | 2.10 | 329 | 9 | 338 | 395 | 50 | 188 |
| | 2012f | 860 | 190 | 1,050 | 1,803 | 2.10 | 354 | 10 | 363 | 411 | 51 | 196 |
| | 2013f | 903 | 198 | 1,101 | 1,884 | 2.09 | 387 | 10 | 397 | 428 | 51 | 205 |
| Total | 2000 | 1,591 | 2,116 | 3,707 | 3,379 | 2.12 | 339 | 84 | 423 | 213 | 40 | 100 |
| | 2001 | 1,646 | 1,337 | 2,983 | 3,382 | 2.05 | 352 | 68 | 420 | 214 | 51 | 104 |
| | 2002 | 1,638 | 2,150 | 3,788 | 4,040 | 2.47 | 429 | 121 | 550 | 262 | 56 | 106 |
| | 2003 | 1,498 | 1,690 | 3,188 | 3,161 | 2.11 | 330 | 113 | 442 | 220 | 67 | 104 |
| | 2004 | 1,375 | 1,266 | 2,641 | 2,691 | 1.96 | 292 | 85 | 376 | 212 | 67 | 108 |
| | 2005 | 1,413 | 1,224 | 2,637 | 3,120 | 2.21 | 351 | 75 | 426 | 248 | 61 | 113 |
| | 2006 | 1,484 | 1,409 | 2,893 | 3,434 | 2.31 | 389 | 81 | 470 | 262 | 57 | 113 |
| | 2007f | 1,512 | 1,421 | 2,933 | 3,467 | 2.29 | 401 | 83 | 484 | 265 | 58 | 116 |
| | 2008f | 1,555 | 1,460 | 3,015 | 3,572 | 2.30 | 429 | 87 | 516 | 276 | 59 | 120 |
| | 2009f | 1,594 | 1,476 | 3,070 | 3,644 | 2.29 | 458 | 89 | 547 | 287 | 60 | 126 |
| | 2010f | 1,638 | 1,491 | 3,129 | 3,726 | 2.28 | 489 | 92 | 581 | 299 | 61 | 131 |
| | 2011f | 1,704 | 1,511 | 3,215 | 3,854 | 2.26 | 529 | 94 | 623 | 310 | 63 | 137 |
| | 2012f | 1,739 | 1,525 | 3,264 | 3,923 | 2.26 | 559 | 97 | 657 | 322 | 64 | 143 |
| | 2013f | 1,790 | 1,542 | 3,332 | 4,024 | 2.25 | 598 | 100 | 698 | 334 | 65 | 149 |
| Growth 2006-2013 | | | | | | | | | | | | |
| Domestic | Change | 47 | 86 | 133 | 132 | 0.02 | 38 | 16 | 54 | 32 | 8 | 12 |
| | Total | 5.6% | 6.8% | 6.3% | 6.6% | 0.9% | 21.9% | 21.9% | 21.9% | 15.4% | 14.1% | 14.4% |
| | Annual | 0.8% | 0.9% | 0.9% | 0.9% | 0.1% | 2.9% | 2.9% | 2.9% | 2.1% | 1.9% | 1.9% |
| International | Change | 259 | 48 | 306 | 459 | -0.13 | 172 | 3 | 175 | 95 | 3 | 54 |
| | Total | 40.1% | 31.6% | 38.5% | 32.2% | -5.7% | 79.8% | 39.6% | 78.5% | 28.3% | 6.1% | 36.1% |
| | Annual | 4.9% | 4.0% | 4.8% | 4.1% | -0.8% | 8.7% | 4.9% | 8.6% | 3.6% | 0.8% | 4.5% |
| Total | Change | 305 | 133 | 439 | 590 | -0.06 | 210 | 19 | 229 | 72 | 7 | 36 |
| | Total | 20.6% | 9.5% | 15.2% | 17.2% | -2.8% | 53.9% | 23.5% | 48.7% | 27.7% | 12.8% | 31.4% |
| | Annual | 2.7% | 1.3% | 2.0% | 2.3% | -0.4% | 6.4% | 3.1% | 5.8% | 3.6% | 1.7% | 4.0% |
| Share of Total | | | | | | | | | | | | |
| Domestic | 2006 | 57% | 89% | 73% | 58% | | 45% | 91% | 53% | | | |
| | 2013f | 50% | 87% | 67% | 53% | | 35% | 90% | 43% | | | |
| International | 2006 | 43% | 11% | 27% | 42% | | 55% | 9% | 47% | | | |
| | 2013f | 50% | 13% | 33% | 47% | | 65% | 10% | 57% | | | |

Source: TRC, 2007: New Zealand Regional Tourism Forecasts 2006-2013, Rotorua RTO.

Visitors and visitor nights are expected to increase on average by 2.0% and 2.3% per annum respectively over the period 2006 to 2013, while their spending in the Rotorua RTO region is forecast to increase by 5.8% per annum. Assuming Rotorua maintains its expected share of international visitors, by 2013 the District will be hosting over 1.1 million overseas visitors per year in addition to the domestic tourism market (around 2.2 million domestic visitors per year of which over half are day visitors) and will have a total of 4.0 million guest nights annually.

Geothermal attractions and associated experiences remain an important part of the Rotorua tourism industry, but the range of tourism products has been greatly increased in recent decades to include further dimensions of Maori culture and history, ecological and agriculture-related tourism, lake and helicopter tours, and more recently "adventure" products such as rafting, jet boating, parachuting and bungy ventures. Domestic visitors still account for a large slice of the New Zealand tourism mix, but in the Rotorua District for the year ending December 2005, 51% of all nights spent by guests in commercial accommodation were international tourists. This proportion is expected to increase as the rate of growth of international tourists far exceeds the growth rate of domestic tourists. Rotorua's visitor mix contains a greater proportion of higher value visitors than is the case for the nation as a whole.

Major tourism attractions in the District include the Agrodome Farm Show, Te Puia (formerly the New Zealand Maori Arts and Crafts Institute), Polynesian Spa, Rainbow Springs Ltd, Skyline Skyrides (luge, gondola and restaurant), The Buried Village, Waimangu Volcanic Valley Ltd, Wai-o-Tapu Thermal Wonderland, Hell's Gate Volcanic Park, Whakarewarewa Thermal Village, and many others. Accommodation providers include a broad range of motels, backpackers and lodges, as well as major hotels such as the Royal Lakeside Novotel, Millennium Hotel Rotorua, Princes Gate Hotel, Quality Hotel Rotorua, Centra Rotorua Hotel, Distinction Hotel, Sudima Rotorua Hotel, Rydges Rotorua Hotel, the new Hotel Ibis Rotorua and others. The local visitor industry is supported by a comprehensive Tourism Strategic Plan and backed by the Tourism Rotorua Centre (for bookings and information), Destination Rotorua Tourism Marketing, and the official Rotorua website, www.rotoruanz.com .

Direct employment in the tourism industry in Rotorua is at least 5,000 people and around 7,000 are generated in total by the tourism industry. As at February 2007 the accommodation, cafés and restaurants sector alone employed 3,250 people in the District. Research undertaken by APR consultants in March 2004 estimated direct tourism expenditure in Rotorua for 2003 was likely to be between $390 million and $440 million, with total tourism dependent expenditure in the Rotorua economy likely to be between $581and $655 million. A sustained rise in visitor numbers has resulted in strong growth in the accommodation industry in recent years, with the number of guest nights in commercial accommodation in Rotorua increasing by 4.7% between the years ended December 2002 and 2007. In the year to December 2007, guest nights in commercial accommodation in Rotorua totalled 1.90 million.

Aside from Rotorua's tourism industry, the Waiariki Institute of Technology is recognised as a national leader in tourism and hospitality training. It offers degree, diploma and certificate programmes in all areas of hospitality, adventure tourism, tourist guiding and tourism management. Waiariki boasts a purpose-built tourism and hospitality centre designed to meet the needs of training for the hospitality industry.

### *Finance, insurance, property and business services*

As of 2007, the finance, insurance and property and business service sector employed around 3,300 people in Rotorua. The sector covers a wide range of activities, including accounting, marketing, engineering, scientific and other consultancy services, insurance, share-broking, real estate, computing, and legal services. Considerable expertise exists within Rotorua's professional services sector in relation to the District's key industry types (e.g. tourism, forestry and farming).

Real GDP growth in the business services sector tends to follow the business cycle and according to NZIER, the sector's GDP has averaged 5.0% per annum nationally from 2003 to 2008 and is forecast to grow at an annual average rate of 3.4% from 2008 to 2013. Employment in this sector has been growing steadily in Rotorua, with 730 more employed in Rotorua in 2007 than there were in 2002.

*Education and training*

The Rotorua District has 36 primary schools, three intermediate/middle schools, five composite Kura Kaupapa Maori schools, one special school, seven high/secondary schools, and a number of tertiary education and industry training providers. Employment in the education sector, including both part-time and full-time jobs, increased from 2,480 in 2002 to 2,720 in 2007.

Pre-school education is readily available in the Rotorua District through 89 early childhood services, which encompass kindergartens, day-care centres, pre-school groups and Kohanga Reo. Rotorua secondary school students regularly achieve national and international standing in academic, sporting and cultural activities. A growing number of international students have also been choosing Rotorua for their secondary and tertiary education, as well as for English language tuition. Tertiary education provider, Waiariki Institute of Technology, is a major provider of courses for international students. In 2007, Waiariki's international student numbers increased, due to a stronger focus on marketing strategies.

Rotorua's educational institutions are at the forefront of New Zealand in terms of the use of information and communications technologies. The Rotorua Principals' Association has received funding from the Rotorua Energy Charitable Trust to support a number of additional technology initiatives, including a private network to connect all schools in the Rotorua District with fast Internet access.

Opportunities for tertiary education in Rotorua are available at the Waiariki Institute of Technology, Te Wananga o Aotearoa and through Christchurch College of Education teacher training courses based at Waiariki Institute of Technology. Waiariki is one of the larger tertiary institutions outside the university centres, with nearly 3,000 equivalent fulltime students. The main campus is in Rotorua, with satellite operations in the South Waikato, Taupo, and Whakatane districts. The Waiariki Institute of Technology offers full-time, part-time, adult education and block course tuition in a wide range of subjects. It offers degree courses in tourism, Maori, nursing, applied social sciences and information technology. The Institute is affiliated with both Auckland and Waikato universities. Professional courses include commerce, industry, health, forestry, tourism, arts, and Maori culture. A range of apprenticeship courses are also available.

Other education organisations in the Rotorua District range from specialists in industry training for forestry and tourism, to organisations specifically targeting Maori training needs.

*Health, community, and personal services*

This sector covers a diverse range of services, including private and public health services, community services, cultural and recreational services, and personal services such as landscaping, hairdressing, and dry cleaning. Employment in these sectors in the Rotorua District has increased rapidly in recent years, with employment, both full-time and part-time, increasing from 5,340 in 2002 to 5,880 in 2007. With the exception of hospitals, most organisations in this sector are relatively small. According to NZIER the outlook for this sector is favourable, with above average annual growth for all parts of the sector, and health and community services forecast to grow at 3.8% over the period 2008 to 2013.

# KEY ECONOMIC INDICATORS

## Updated July 2008

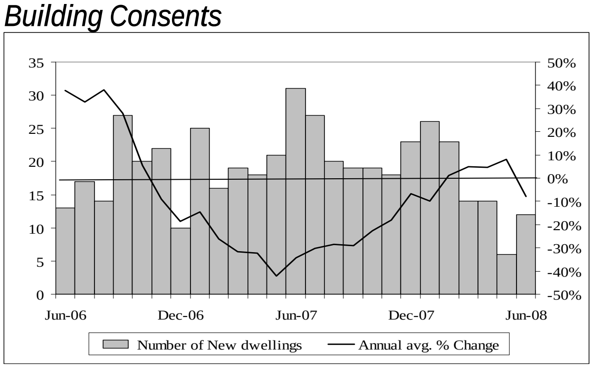
An important function of Rotorua District Council is to promote social, economic, cultural and environmental well-being in the local community. Part of this function involves monitoring key indicators to gauge the District's overall progress.

This section presents information and graphs on key economic trends in the Rotorua District. The economic indicators shown here were selected primarily on the basis of availability and timeliness, and are regularly monitored by Council. Together with Council's State of the Environment report and Social Monitoring programme, these indicators help paint a picture of changes in the overall well being of Rotorua residents. Refer to www.rdc.govt.nz for further details.

*Building Consents*

There were 12 consents valued at around $2.6 million issued for new dwellings during June 2008. This doubled the level issued in May 2008, but was well below the 31 recorded in June 2007. The annual average growth rate in the number of new building consents issued for residential dwellings was negative 7.9% for the year ended June 2008.

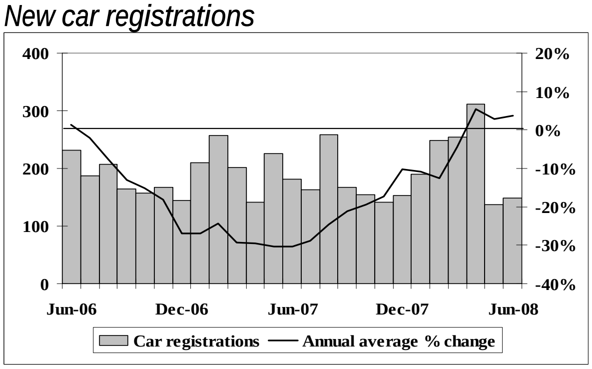
*Building Consents*




Source: Rotorua District Council

There were 149 cars (including both new and ex-overseas car types) registered in local postal offices during June 2008, which was marginally better than the 137 cars registered in May 2008, but less than the 182 cars registered in June 2007. The annual average growth rate in the number of new and ex-overseas cars registered in Rotorua was 3.7% for the year ended June 2008.

*New car registrations*




Source: Land Transport Authority

## *Recipients of benefits*

Between June 2003 and June 2008 the number of working age recipients of benefits in Rotorua Service Centre declined by at an average annual 5.7% compared to 6.4% per annum for Bay of Plenty recipients as a whole. Between June 2007 and June 2008 the number of Rotorua service centre recipients increased by 3.6% compared to 2.5% for Bay of Plenty service centres as a whole.

*Numbers of working aged recipients of main benefits in Bay of Plenty (aged 18–64 years) by WINZ service centre*

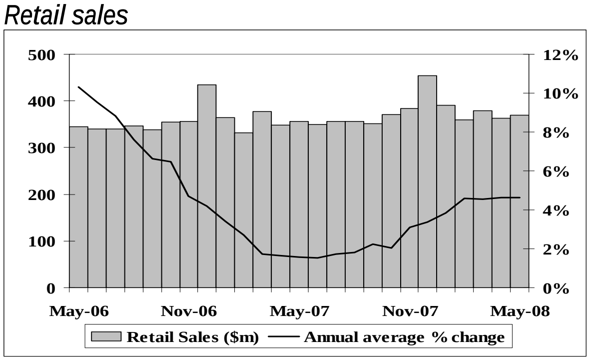
| Number of recipients who were registered in: | Jun-03 | Jun-07 | Jun-08 | Av ann. % change 03-08 | % change 07-08 |
|---|---|---|---|---|---|
| Greerton | 2,925 | 2,062 | 2,177 | -5.7% | 5.6% |
| Kawerau | 1,754 | 1,219 | 1,298 | -5.8% | 6.5% |
| Mount Maunganui | 2,699 | 2,036 | 2,058 | -5.3% | 1.1% |
| Opotiki | 1,744 | 935 | 836 | -13.7% | -10.6% |
| Rotorua | 8,301 | 5,985 | 6,198 | -5.7% | 3.6% |
| Taupo | 1,783 | 1,200 | 1,278 | -6.4% | 6.5% |
| Tauranga and Tauranga Super Centre | 3,938 | 2,746 | 2,772 | -6.8% | 0.9% |
| Te Puke | 1,247 | 933 | 956 | -5.2% | 2.5% |
| Tokoroa | 2,851 | 2,045 | 2,174 | -5.3% | 6.3% |
| Turangi | 575 | 421 | 425 | -5.9% | 1.0% |
| Whakatane | 3,400 | 2,249 | 2,203 | -8.3% | -2.0% |
| Number of working aged recipients (aged 18–64 years) of a main benefit | 31,217 | 21,831 | 22,375 | -6.4% | 2.5% |

Source: Compiled from Ministry of Social Development and APR analysis

## *Retail sales*

The total nominal value of retail sales recorded in Bay of Plenty Region totalled $368.7 million during May 2008, an increase of $5.9 million compared to the value recorded in April 2008 and an increase of $12.7 million (or 3.6%) compared to the value recorded in May 2007. The annual average growth rate in the (total) nominal value of Bay of Plenty Region's retail sales was 4.6% for the year ended May 2008.

*Retail sales*

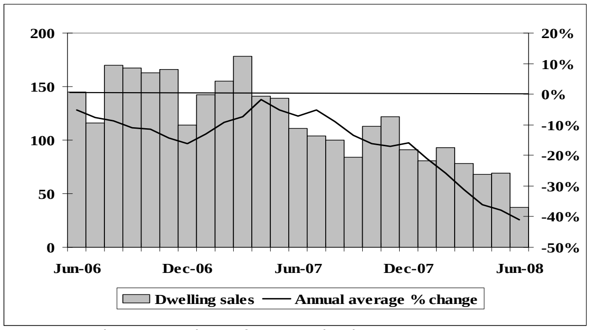



Source: Statistics New Zealand

## *Residential Real Estate Sales*

Only 37 houses were sold during June 2008, with a median sales price of around $255,000. This was the lowest monthly number of houses sold over the past 14 years. The annual average growth rate in the number of houses sold in Rotorua was negative 41.0% for the year ended June 2008.

*Residential Real Estate Sales*

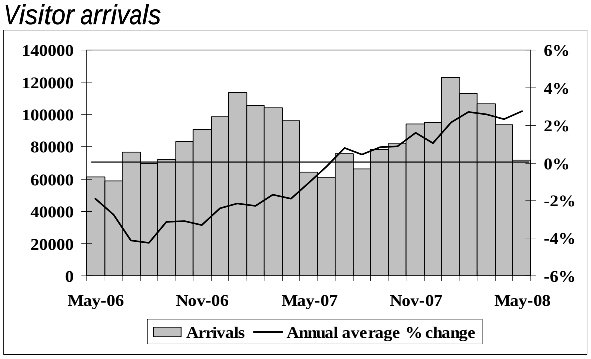



*Source: Real Estate Institute of New Zealand*

## *Visitor arrivals*

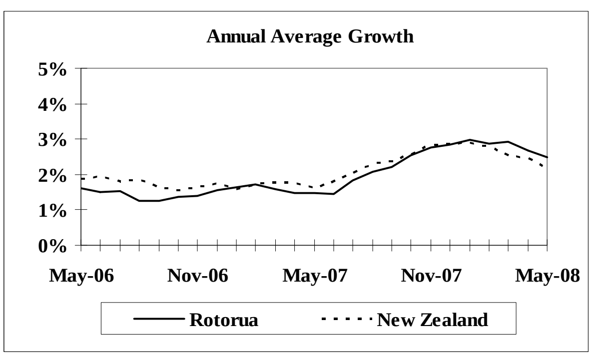
There was a total of 71,931 visitors to Rotorua commercial accommodation providers in May 2008 which was the lowest level recorded over the past 11 months. However, this still exceeded the 64,369 recorded in May 2007. The annual average growth rate in the number of visitors to Rotorua commercial accommodation providers was 2.7% for the year ended May 2008.

*Visitor arrivals*




*Source: Statistics New Zealand*

The annual average growth rate in Rotorua's index was 2.5% for the year to May 2008, in comparison to the national annual average growth rate of 2.2% over the same period.




*Source: APR Consultants*

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## APPENDIX 1: ROTORUA DISTRICT ECONOMIC STRATEGIC PLAN (EDS) (SUMMARY OF STRATEGY THEMES AND ACTIONS)

Adding Value to the Economy: Broadening and deepening the economy to extend opportunities, particularly in the tourism, forestry and agriculture sectors.

- Encourage and promote tourism/retailing to increase share of visitor expenditure
- Develop value added forestry and wood processing opportunities
- Support emerging economic activities
- Encourage sustainable land uses and reflect this in other strategies, so economic and environmentally appropriate uses occur
- Promote and support innovation and entrepreneurship
- Promote the concept of wealth creation" and create an environment that encourages this
- Establish and maintain successful relationships between the business community and the media, with the collaborative focus on building the Rotorua community
- Optimise the sustainable use and value of geothermal resources
- Maximise economic contribution of cultural and recreational attractions and events

Dynamic Place: Creating a dynamic environment to attract and retain visitors and residents.

- Enhance competitive edge as a visitor destination
- Continue to offer high quality community facilities, recreational opportunities etc
- Continue to revitalize the central business district
- Attract and retain skilled labour by offering a unique mix of lifestyle opportunities

Business Environment: Establishing an environment in which sustainable economic development can occur.

- Take advantage of the significant level of growth occurring in the western Bay of Plenty by capitalising on the opportunities it provides
- Upgrade transport links between Rotorua, adjacent areas and other regions
- Ensure EDS is supported in both the district plan and RDC's rating policy
- Promote private investment in commercial areas
- Support and work with Tangata Whenua landowners so they can appropriately, use land in multiple ownership and realise its potential
- Provide coordinated and co-located business support services and training, access to venture capital and other incubation services
- Encourage research and development

Education and Skills: Encouraging skilled workers to remain in the region and adopting methods to 'up-skill' and educate the local community.

- Develop partnership to address skill requirements
- Improve qualification levels and literacy/numeracy of school leavers
- Facilitate youth transition to the workforce
- Encourage industry to support work place training
- Use destination marketing to attract and retain skilled people and assimilation of people into the Rotorua community
- Expand tertiary opportunities

- Assist people involved in business start-ups to acquire necessary skills to enable successful commercialisation of innovative ideas
- Mentor secondary school students in business practices, work ethics and attitudes

Building Networks and Growing Capacity: developing the structures, partnerships and networks that will produce results across the entire strategy.

- Ensure agencies in place, with agreed resources and responsibilities to implement the strategies
- Rotorua District Council and business community provide leadership in economic development
- Encourage business networks and clusters and interagency linkages
- Ensure effective advocacy to central government so that it responds to the needs and priorities of the district
- Work with Taupo, Whakatane, Waikato, Eastern and Western Bay to expand and optimise economic opportunities
- Investigate the use of economic analysis tools for evaluating dynamic community initiatives"

## APPENDIX 2: EMPLOYMENT BY INDUSTRY, ROTORUA DISTRICT AND NEW ZEALAND

| Year | 2002 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| Area | Rotorua | | New Zealand | | Rotorua | | New Zealand | |
| Industry sector /employment measure | Employment count | Employment % | Employment count | Employment % | Employment count | Employment % | Employment count | Employment % |
| Agriculture, Forestry and Fishing | 2,660 | 9.3% | 116,330 | 7.0% | 2,210 | 7.2% | 115,760 | 6.0% |
| Mining | 12 | 0.0% | 3,890 | 0.2% | 30 | 0.1% | 5,020 | 0.3% |
| Manufacturing | 4,060 | 14.2% | 259,170 | 15.6% | 3,840 | 12.5% | 258,370 | 13.4% |
| Electricity, Gas and Water Supply | 65 | 0.2% | 6,520 | 0.4% | 65 | 0.2% | 7,680 | 0.4% |
| Construction | 1,200 | 4.2% | 78,460 | 4.7% | 1,820 | 5.9% | 121,840 | 6.3% |
| Wholesale Trade | 1,390 | 4.9% | 103,240 | 6.2% | 1,590 | 5.2% | 116,970 | 6.1% |
| Retail Trade | 3,610 | 12.6% | 206,230 | 12.4% | 3,890 | 12.7% | 240,000 | 12.5% |
| Accommodation, Cafes and Restaurants | 2,910 | 10.2% | 99,710 | 6.0% | 3,250 | 10.6% | 119,010 | 6.2% |
| Transport and Storage | 970 | 3.4% | 66,690 | 4.0% | 880 | 2.9% | 76,080 | 4.0% |
| Communication Services | 480 | 1.7% | 28,410 | 1.7% | 200 | 0.7% | 24,660 | 1.3% |
| Finance and Insurance | 370 | 1.3% | 44,710 | 2.7% | 480 | 1.6% | 54,920 | 2.9% |
| Property and Business Services | 2,200 | 7.7% | 185,700 | 11.2% | 2,820 | 9.2% | 245,990 | 12.8% |
| Government Administration and Defence | 870 | 3.0% | 59,780 | 3.6% | 940 | 3.1% | 72,880 | 3.8% |
| Education | 2,480 | 8.7% | 138,000 | 8.3% | 2,720 | 8.9% | 155,620 | 8.1% |
| Health and Community Services | 3,040 | 10.6% | 164,680 | 9.9% | 3,330 | 10.9% | 187,070 | 9.7% |
| Cultural and Recreational Services | 1,400 | 4.9% | 44,120 | 2.7% | 1,590 | 5.2% | 52,080 | 2.7% |
| Personal and Other Services | 900 | 3.1% | 55,950 | 3.4% | 960 | 3.1% | 69,250 | 3.6% |
| Total Industry | 28,590 | 100.0% | 1,661,580 | 100.0% | 30,620 | 100.0% | 1,923,190 | 100.0% |

Source: Business Demographic Statistics, Statistics New Zealand

Notes: Employment is measured in numbers employed (either part or full-time) and only includes the self-employed if they receive salary and wages.