



ECONOMIC AND BUSINESS DEVELOPMENT STRATEGY

2013 – 2016



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CENTRAL OTAGO ECONOMIC AND BUSINESS DEVELOPMENT STRATEGY

2013 – 2016

1 Introduction

The purpose of this document is to help the Central Otago community focus on issues that impact on our economic and social well-being, and to suggest some of the actions we can take over the next few years to address them.

It derives its mandate from the Central Otago District Council Long Term Plan 2012 – 2022 (LTP), which outlines how planning outcomes are to be achieved. Sustainability and Affordability are two key principles that underpin the LTP with the definition of sustainability being "... development that meets the needs of the present without compromising the ability of future generations to meet their own needs."¹The LTP signals the importance of establishing a productive economy for the community which will aid in the economic growth of the district, and contains a high level Community Outcome that seeks to create a thriving economy that will be attractive to business and residents alike.

Fostering economic and business development is a core objective of the Central Otago District Council as it strives to make Central Otago an even better place to live, work and do business. Commensurate with its legislative mandate Council policies aim to keep barriers to the establishment and operation of business to a minimum, and promote the adoption by Council staff and local body members of a "can do" team approach that ensures the fast and efficient implementation of projects and the delivery of services.

Other District Council plans with which this Strategy also aligns include the Central Otago Tourism Strategy, Towards Better Heritage Outcomes for Central Otago, the Central Otago Arts Strategy, and the various Community Plans.

What happens in Central Otago is also important in growing the New Zealand economy. A growing national economy needs strong local economies that are linked through an efficient and effective system to produce the final output of New Zealand Inc. Changes in technology and the global economy have actually increased the importance of regions, and local activity. Because it is now possible to undertake many activities anywhere; the mobility of the workforce; and the localisation of innovation, the importance of local communities has become even greater².

2 Economic Development and Business Development: "Two sides of the coin"

Economic development and business development are two different but complementary and mutually dependent concepts.

¹ World Commission on Environment and Development

² BERL 2013. BERL Regional Rankings 2012

Economic development in its broadest terms is about raising the standard of living of the population of a specific geographical area. Its scope includes the process and policies by which the people living in an area – in this case the Central Otago district – improve their economic and social well-being. Economic development is a community driven process originating in the public sector. Its mission is to facilitate economic activity and attract businesses so as to create jobs and increase the ratepayer base.

Business development on the other hand originates in the private sector and has as its focus the identification of business opportunities in the market place. The goals are generally to generate profits by creating businesses to take advantage of market and business opportunities and, important for many self-employed Central Otago residents, to create jobs. The location of businesses is driven by where the best place to generate profits is. And because the beneficiaries of business are usually individual owners and/or investors, business development usually originates in the private sector.

The two concepts of economic development and business development are mutually dependent – one is unlikely to succeed without the other. Economic development in a community needs successful businesses that are providing jobs, paying rates and making profits. If businesses are not successful everyone – the owners, the employees and the wider community suffers. But for businesses to succeed they need a positive economic development environment in which to operate.³ The policy framework the community creates via its local authority, in this case the Central Otago District Council, must be supportive and attractive to business.

If we can get our economic policy framework right our district and everyone who lives in it will benefit.

3 Social Indicators

“The gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.”

Robert F Kennedy, 1968

Economic indicators measure economic well-being and wealth. Gross Domestic Product (GDP), the primary indicator of economic production used in this report, derives from conventional economics. We need to bear in mind that this measure doesn't take into account social and environmental costs of growth nor does it attempt to put a value on contributors to social well-being such as raising families, caring for the elderly, quality of environment, environmental sustainability and so on.

When thinking about a strategy for economic and business development it is important to keep in mind that the overarching objective is to increase well-being, both individually and collectively of the members of our community, which is a much broader concept that includes non-economic aspects such as personal relationships, health conditions and environmental concerns.

³ 'Business vs Economic Development', Don Hofstrand, Ag Marketing Resource Center, Iowa State University Extension, Revised August 2009

In other words economic and business development is just one part of the bigger picture that is our ultimate goal.

4 Guiding Principles

The Central Otago District Council's approach to economic and business development issues is guided by the following principles:

- the potential or expected costs, weighed against the potential or expected benefits to the district
- whether or to what extent any 'externalities' (positive or negative) justify Council action
- whether the concern or issue to be addressed is a District issue, or is instead a regional or national issue
- as a result, what roles the Council may play (facilitator, advocate, provider, funder)
- other agencies responsible or able to provide for development, and the roles these agencies play
- there should be a direct linkage between funding and the area of direct benefit particularly in the event ratepayer funding is used for business development

5 Key Priorities Identified by the Community

- Growing our **population** is key to Central Otago's future economic well-being. Groups we should target include people with businesses or jobs that are free to locate anywhere who might be attracted to live in Central Otago for the lifestyle we enjoy here; retirees; people including those with young families who could help address the skill shortages in the region; and young people – provided education and training opportunities can be offered that will encourage them to stay in the district.
- The **accommodation and support needs of older retirees** need more attention. Smaller, well built, insulated and heated homes close to the central business districts of our towns would be attractive to those no longer interested in or capable of maintaining larger properties. And modern fully equipped retirement village facilities offering a range of care options that would enable older people, who for the most part currently have to move outside the district for this type of support, to continue their lives in Central Otago.
- **Telecommunications including ultra-fast broadband** is essential infrastructure – for existing and future businesses, for the education of our young people, and socially – and Central Otago should be proactive in seeking the best possible access as the Government funded fiber optic cable and Rural Broadband Initiative are rolled out across the district. As tourists increasingly expect free Wi-Fi access we should aim for this to be available in our town CBDs.
- More **education options** both for members of our community and for students from elsewhere in New Zealand and internationally who might be attracted to study in Central Otago. Ultra-fast broadband will make it possible for a wider range of courses to be offered.

Skill requirements of existing and potential new business activities need to be considered as do “Life Long Learning’ options that will be of interest to all age groups in our community. Specialist courses structured around e.g. curling, golf, food preparation and health need to be explored.

- **Investment** including from elsewhere in New Zealand and internationally will be necessary for many possible new businesses in Central Otago to become reality, and it should be actively sought. Preparation of a portfolio of projects that could be offered to prospective investors is a project the CODC should consider facilitating.
- **Tourism** is a priority growth opportunity for Central Otago. New products such as the Clutha cycle/walking trails and Highlands Motorsport Park will put the national and international spotlight on Central Otago as a place to visit. This will open up new business opportunities. Challenges to be overcome if the district is to derive maximum benefit from tourism activity include creating (better) infrastructure to serve visitors, attraction of capital and staff with the necessary skills, promotion of Central Otago as a destination for specialist tourist activities such as cycling and curling, and how to extend and/or mitigate the seasonality of many of our tourist activities. The Central Otago tourist sector also needs to prepare to cater for visitors from new source countries, particularly in Asia.
- **Water** is a key resource in Central Otago which if used wisely and sustainably offers the prospect of a significant lift in the economic well-being of our community. New irrigation schemes, and activities based on them, should be supported and considered for inclusion in a portfolio of investment ready projects.
- The **small scale and limited resources** of many businesses in Central Otago constrain their ability to produce, market and grow. For those where there is potential to grow and business owners are keen to do so opportunities to collaborate e.g. to develop the Central Otago domestic market and in marketing ventures overseas, and also initiatives to bring in additional resources and expertise, should be vigorously explored.
- **Heritage** is both a major asset and challenge for Central Otago. The buildings, landscape and history of Central Otago from the gold mining days are highly valued by residents and visitors alike. The challenge for the Central Otago community is how to protect, maintain and fund this key asset while ensuring the developments essential for the district to move forward take place.
- **Lifestyle and recreation opportunities** made possible by Central Otago’s superb climate, generous endowment of rivers and lakes and some of the most spectacular mountains in the country are highly valued by our community and are a major motivator behind why many of us chose to live here. They are also very attractive to visitors. There is potential for some tension between their value as assets that can be used to drive economic development and business profit and the need to conserve and protect for present and future generations.
- **External factors:** Trends outside Central Otago, which will affect business into the 21st century, include increased online retail, wise resource use, shared ownership of resources, peak oil, climate change, resource scarcity, the global financial situation, trade pacts and other global factors. Developing an understanding of the risks and opportunities

these factors pose to Central Otago is important to the development of a resilient and future focused strategy.

6 Central Otago: “A World of Difference”

6.1 Central Otago Regional Identity

The term “regional identity” is about having a unique story that celebrates that special difference of a region. Developing the regional identity for Central Otago is about defining how we want our region to be now and the years ahead. It is about creating a blueprint that supports change of the right kind. It also provides a story that differentiates us from other places and a definition of the character of Central Otago and the kind of economic reforms best suited to meet the regional vision whilst preserving the local culture and environment.

6.2 Central Otago’s Points of Distinctiveness

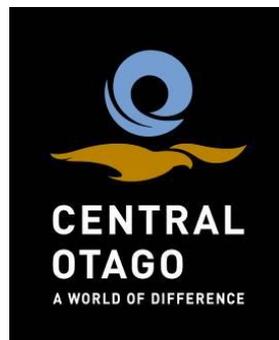
Central Otago has probably the most distinctively different set of natural circumstances in New Zealand with features such as our rich history, wide open spaces, distinctive seasons, block-mountains, schist soils, powerful river, silence and knee-high flora being just some.

These attributes shape the way we live and make a living, and the kind of people we are – down to earth, strong, resilient, stoic, proud, inspirational, and the list goes on. The personality of this place and its people help to shape the Central Otago story.

6.3 A Regional Expression

The essence chosen for Central Otago was ‘A World of Difference’. It captures the concept of different in a landscape sense, in a community sense (fiercely different and proud of it) and to the visitor – it must be experienced.

The Regional Identity is represented in the following brand mark:



This unique mark reflects that as local people we enjoy the most generous environmental footprint of all New Zealanders, a unique world like no other and a different world of discovery, enterprise and magical lifestyles.

To represent this, and our values, the upper part of the symbol's circular form represents a solitary cloud whisked upward against a vast deep blue sky. The lower form represents both the landscape and the New Zealand native falcon, the Karearea. In symbolic language, the falcon is associated with noble natured people, strength, bravery, ingenuity and high spirits, evoking freedom and pride as it soars above the golden, contoured land. We too can soar here.

People can become registered brand partners if they live in the region and are able to aspire to the brand values stated below.

6.4 Shared Values

The Central Otago regional identity brand, unlike many, is based on a shared set of values. These values will help us to create the kind of place that we can be proud of.

- Making a difference – we will inspire and lead others with our special point of difference.
- Respecting others – we will respect our cultural and personal differences.
- Embracing diversity – we will recognise differences and embrace diversity.
- Adding value – we will always ask ourselves if there is a better way – one that achieves a premium status.
- Having integrity – we will seek to be open and honest.
- Learning from the past – we will learn from past experiences with future generations in mind.
- Making a sustainable difference – we will make decisions in business with the community in mind and in harmony with the natural environment.
- Protecting our rich heritage – we will protect and celebrate our rich heritage in landscapes, architecture, flora and fauna and different cultural origins.
- Meeting obligations – we will meet our legal obligations at local and national level.

The brand is an expression of our long-term regional vision.

6.5 Regional Identity and Economic and Business Development - Living the Brand

The success of the regional identity will be how it resonates with the people of Central Otago and their enthusiasm for embracing it. Showing people how they can get involved is key to achieving this.

The brand and the values it espouses underpins economic development in our district by providing a platform for Central Otago business people to benchmark, take strategic positions, and develop cultures within their firms that encourage their people to strive for premium status and to be leading edge in their fields. It is an asset that Central Otago business people can draw on to add value to the bottom line.

6.6 Linkages

The brand values provide links to how we in Central Otago think, act, value and respect each other and our diversity. They also note that we will respect our surroundings, our environment and make

decisions with future generations in mind. The values give us a template for operating a business with our community in mind.

7 The Business Growth Agenda

The Government's Business Growth Agenda aims to create jobs and boost incomes. Through the Building Export Markets stream of the programme the Government has committed to the high-level goal of increasing the ratio of GDP to exports to 40% by 2025. Currently New Zealand's total exports of goods and services are around \$61 billion. This equates to 30% of GDP. If exports were 40% of GDP today that would mean they would be about \$20 billion larger which, to provide context, is more than 50% larger than all of our current dairy exports (\$12 billion) or equal to a further 200 knowledge intensive manufacturing or services companies each earning \$100 million per year. To meet the target of 40% of GDP by 2025 the value of New Zealand's exports needs to double in real terms. Put another way real export growth will need to average between 5.5% and 7.5% each year from 2016 to 2025.

To achieve this target there will need to be a shift of investment away from production of goods and services for the domestic economy towards international markets. Investment will need to flow to opportunities in the export sector and our people will need the ability and skills to shift in response to changing demand.

We need to consider how Central Otago can contribute to the achievement of this goal. While already focused on providing goods and services to consumers outside our district Central Otago does have the capacity to lift its contribution to the 40% of GDP export target. Looking at the existing drivers of our economy tourism is still largely domestically focused. Mining, particularly for gold, could be increased. Central Otago wineries already have an enviable international reputation for their pinot noirs but there is room to grow the share of production that is exported including of white varieties such as riesling, for which there is a growing demand in Asian markets. The extension of irrigation will open up exciting opportunities in the pastoral, cropping, fruit, vegetable, and stone and pip fruit sectors provided investment can be attracted to make them happen. And initiatives such as the roll-out of ultra-fast broadband will create new opportunities for both existing and new Central Otago businesses to generate high-value services exports, which as a result of the expansion of global supply chains is a sector that is increasingly important to international trade.

8 The Central Otago Economy

8.1 Current Conditions

Between 1999 and 2008 Central Otago experienced a period of significant growth. Indeed the District economy performed exceptionally. This was probably unprecedented as it was not the result of a single main driver such as gold or hydro but the result of significant population growth that affected all sectors of the economy. These 10 years transformed the Central Otago economy and added considerably to the number and wealth of residents.

The years from 2008 to 2011 were less rosy, as was the case for the rest of New Zealand, and while the District economy was anchored by strong medium term business unit and population growth, in

2010 it slipped into recession. Some commercial activities are now at levels last experienced in the early part of last decade.

Fortunately the recession phase appears to have drawn to a close and the Central Otago economy is now back to a positive growth path. The district was ranked 13th of New Zealand's 72 local authority areas for economic performance in 2012. Gross Domestic Product (GDP) jumped 8% on the previous year driven by Primary Sector GDP up 40.3% (\$72 million) and Manufacturing GDP up 6% (\$4 million). Construction and Business services however both registered declines of 8.5% (\$8 million) and 4.1% (\$6 million) respectively driven by falls in Building Construction industries and Professional Scientific and Technical Services.

Central Otago has always been a high employment economy and this was not significantly affected by the recession. Although unemployment varies by season it remains low and is falling. Filling vacancies is a challenge across the district, particularly for the seasonal horticulture, viticulture and hospitality industries. The Recognised Seasonal Employment (RSE) scheme has been a boon for horticulture and viticulture businesses. Returning workers bring skills and work habits gained in previous visits and are highly valued for their productivity.

Central Otago wage rates have traditionally lagged the national average and given the large number of seasonal jobs, most of which pay basic rates, there is some truth in the perception that Central Otago is a low wage economy. Intangibles such as lifestyle are thought to "make up" for any disparity but particularly by those on low incomes Central Otago is seen as a relatively expensive place to live. There is a view that low wage rates are a factor behind the shortage of labour in some sectors.

The Global Financial Crisis had a major impact on Central Otago house values and sale volumes. The median house price peaked at \$320,000 in 2008⁴, fell back to \$265,000 in 2011 and then rose to \$280,000 in 2012. The variation in volume of sales was even more dramatic with a peak of 468 units sold in 2007, then down 50 percent to 230 units in 2010, and a recovery to 363 sales in 2012.

Overall, the challenge we as the Central Otago community have is one of coping with variable local growth while macro trends impact significantly on the cost of living in our small provincial area; while at the same time not compromising the special character of Central Otago and its environment, and why we wish to live and work here.

8.2 Sector Comment

Central Otago is asset rich when it comes to the resources required to build a thriving economy. It has wide expanses of productive land under which lie valuable mineral deposits, a "continental" type climate well suited to many forms of primary sector production and outdoor recreation activities, and magnificent mountains, lakes and landscapes that attract inter alia visitors from around the globe and international film producers. The district has an excellent network of roads, a domestic airport at Alexandra plus easy access to the international airports at Queenstown and Dunedin, good basic telecommunications that are being rapidly improved with the roll-out of the ultra-fast broadband Rural Broadband Initiative, excellent education, recreation and health services including the Dunstan Hospital at Clyde, and an affordable housing stock. Though the driest part of New Zealand the district

⁴ Figures supplied by REINZ

is a major producer of hydro-electricity from the Clyde and Roxburgh dams on the Clutha river which, together with its Manuherikia tributary, is also an important source of water for irrigation purposes.

8.2.1 Primary Production

The Primary Production Sector includes agriculture (pastoral farming, horticulture and fruit growing, viticulture and winemaking); aquaculture; services to agriculture (including hunting and trapping); forestry and logging; and mining. It is the largest contributor to the Central Otago economy accounting in 2012 for 31 percent of employment, 31 percent of GDP, and 29 percent of business units. Agriculture is the major industry within this sector which with agriculture services (including hunting and trapping) accounts for 98 percent of employment and 96 percent of GDP.

In 2012 the Primary Production Sector contributed \$250 million to the Central Otago District economy, up 40 percent on the previous year.

Sheep and beef farming remains the dominant form of pastoral farming, but dairy conversions are occurring in the Upper Taieri, Upper Clutha, Teviot and Manuherikia catchments, and an increasing amount of land is being used for dairy winter grazing. This in turn has placed the spotlight on the availability and management of water resources in the district. With the associated expiration of mining privileges in 2021, the next few years are likely to see major changes in the intensity of farming on the valley floor areas in Central Otago.

After a number of poor years the returns from sheep farming improved dramatically in the 2010-11 and 2011-12 seasons but have since fallen back. Initiatives being taken nationally to improve farmers' returns by restructuring aspects of the industry should, if successful, benefit Central Otago farmers. Agricultural returns however remain subject to international commodity price cycles and international exchange rates.

8.2.1.1 Horticulture and Fruit Growing

This sector is dominated by stone and pip fruit growing. Over the 10 years to 2012 the number of business units fell almost 30 percent to 114. Full-time employment over the same period also fell dramatically in the apple and pear sector but rose in the stone fruit sector particularly in 2012 when Full Time Equivalents (FTEs) jumped 12.3 percent.

The stone fruit sector is dominated by cherry and apricot production, which while highly weather dependent produced sufficiently attractive returns in recent years to encourage sizeable new plantings. Growers coming together to form marketing consortia that give them greater control over the distribution chain to export markets offer the prospect of greater returns to this sector.

Research commissioned as part of the Food and Beverage Information Project⁵ has identified onions, honey, peas, berries, and beet sugar as among 25 high potential emerging growth opportunities some

⁵ 'Investors Guide to emerging growth opportunities in New Zealand food and beverage exports' part of the Food and Beverage Information Project, August 2012; v1.02a, www.foodandbeverage.govt.nz, Coriolis Research.

of which are potentially suitable in terms of climate and soils for production in Central Otago. The availability of more irrigated land in Central Otago if coupled with the necessary investment offers the prospect of significant additional export oriented economic activity in the horticulture sector.

8.2.1.2 Viticulture and Wine Making

The Central Otago wine industry is a major source of export earnings for both the regional and national economy and is a driver of tourism within the district and wider Otago region. Central Otago pinot noir continues to win awards and accolades in key overseas markets and a number of white varieties led by pinot gris and riesling are gaining solid international reputations. 1,355 ha of the district's 1,750 ha vineyard are planted in pinot noir – 27% of the total New Zealand plantings of this variety. Central Otago currently has 175 vineyards and around 20 wineries. Employment is around 580 FTEs but swells to 1,750 FTEs at harvest time. At current prices the value of grapes produced in Central Otago is about \$31.5 million, which when converted to wine at current selling prices and before costs generates a gross income of around \$247 million.

Viticulture and winemaking in Central Otago along with the wider New Zealand industry has experienced a number of difficult years as production from new plantings came on stream just as sales were hit by the Global Financial Crisis. Supply/demand is now essentially back in balance and while international markets remain challenging New Zealand Winegrowers "Strategic Review 2011" gives a positive outlook for the industry. The Review suggests that all else being equal the supply/demand tightening now taking place should lead to higher prices for New Zealand wine.

8.2.2 Tourism

Tourism plays a more important role in the Central Otago economy than the official statistics suggest. Much of the economic data in this Strategy is drawn from the BERL "Otago Economic Overview 2012", which in turn is sourced from Statistics New Zealand. Tourism in Central Otago in 2012, according to the Overview, consisted of 172 business establishments that employed 516 FTEs and made a contribution of \$30.1 million to the Central Otago GDP. As percentages of the Central Otago District economy tourism accounted for 5.1% of employment, 3.7% of the district's GDP and 5.2% of business units.

These figures understate the position primarily by using a narrow definition of, for example, business establishments. Contrary to the BERL report the Tourism Central Otago database lists 411 business establishments in the district. The difference is explained by many establishments engaging in tourism activity as an adjunct to their main business focus – a good example is farmers that also provide bed and breakfast accommodation.

The official employment and contribution to GNP figures are similarly understated, the more so as they ignore the important multiplier effect on overall economic activity in Central Otago that results from the tourism spend here.

That said, recent years have been difficult for tourism in Central Otago and New Zealand. Total tourism expenditure in New Zealand was virtually flat from 2008 to 2011 and key indicators for Central Otago actually declined over this period. The Christchurch earthquake has been a significant contributor to the Central Otago situation, disrupting travel plans of Christchurch and Canterbury

residents who traditionally have been major sources of visitors to the district. And the disruption of international flights into Christchurch airport impacted similarly on international visitor flows.

Some 2012 statistics suggest tourism in Central Otago is growing again. Guest occupancy nights in the district increased 5.5 percent last year to 300,886, with international guest nights, domestic guest nights and average length of stay all up on the previous year. As international visitors return to the South Island and the Christchurch rebuild picks up pace, the flow of visitors to Central Otago is expected to track upwards once more, stimulated by a number of new visitor attractions such as the cycle/walking trails along the Clutha and the Highlands Motorsport Park at Cromwell, all of which will open in 2013.

Increased Government funding for targeted Tourism New Zealand initiatives focused on international business events, emerging markets, high-value premium travel, and up-scaling specific activity in core markets will also help. Central Otago is well positioned to take advantage of niche marketing activity. Along with cycling, there is considerable undeveloped potential in the district for wine tourism and golf. Along with Queenstown and Southern Lakes the district is home to an increasing number of high end as well as exceptional second tier golf courses, and the Central Otago wine/viticulture industry has established itself in the valleys and around the lakes of the two districts that as well as being key tourist destinations host the special micro-climates essential for premium wine production. Wine tourism opportunities are also enhanced by Central Otago's reputation for the production and preparation of specialty gourmet foods.

Central Otago includes a very significant Department of Conservation (DOC) estate that continues to increase as a result of the land tenure review process. A large area in the lower Nevis Valley will be added in 2013. The Otago Central Rail Trail is possibly the best known of the DOC managed assets in the district but new high country parks such as the Oteake Recreation Area (on the Hawkdun Range) offer increasing recreational outdoor based tourism activities. In combination with the Outdoor Recreation Strategy this confirms the importance of the outdoor recreation environment to Central Otago. Imminent operational changes associated with DOC restructuring including the change of focus to a delivery arm and partnership arm present possible opportunities but also challenges for the district.

8.2.3 Mining

The discovery of gold 150 years ago put Central Otago on the international map. Fabulous wealth was extracted from the district, which funded much of the early development of the Otago Province. Central Otago today is still rich in minerals – primarily gold, silver and coal, though only gold is being mined in any quantity using alluvial and dredging techniques. Lignite coal deposits of world scale proportions have been confirmed relatively recently in the St Bathans (Home Hills and Hawkdun deposits) and Roxburgh fields, which together with fields in other parts of Otago and Southland represent New Zealand's largest known fossil energy resource. While much of the lignite in the St Bathans and Roxburgh fields is recoverable using opencast mining methods and is of a quality suitable for electricity generation and as a chemical feedstock it should be seen as a resource for the future awaiting appropriate technology.

8.2.4 Construction

Construction activity was a key driver behind the exceptional economic performance of Central Otago in the earlier part of the last decade but has been hit hard by the depression triggered by the Global Economic Crisis. While averaging 3.6% per annum growth over the period 2002 to 2012 Construction's contribution to the district GDP fell 8.5% to \$86 million in 2012, driven by a 15.4% fall in building construction activity.

8.2.5 Retail, Wholesale and Distribution

Retail and distribution account for 21% of FTE employment in Central Otago and in 2012 contributed \$169 million (18%) to the Central Otago district GDP. Like Construction this sector was hard hit by the recent recession but 2012 statistics suggest the corner might have been turned with strong 11% plus growth in fuel, accommodation and personal service retailing driving overall 4.1% GDP growth for the sector. FTE employment and the number of business units have however remained virtually static.

8.2.6 Business Services

Pre the Global Financial Crisis Business Services was the largest contributor to the Central Otago GDP but by 2012 had been overtaken by the Primary Sector. In 2012 Business Services contributed \$134 million (14.5%) to the Central Otago GDP. Its contribution of 13 percent of FTE employment has remained virtually constant. The sector includes electricity, gas and water supply, financial services, property and real estate, professional scientific and technical services, and computer system design and related services.

8.2.7 Emerging Business Models

There are a number of new and emerging business models including web based business, the rise of local food supply for example via farmers markets, peer to peer business, the use of technology sharing, and social and community enterprise, some of which are already making themselves felt that will influence economic growth in Central Otago and business activity in years ahead.

9 Opportunities and Challenges to Economic Growth in Central Otago

9.1 Population and Community Demographics

Central Otago currently has around 18,000 people and is one of the most sparsely populated districts in New Zealand. Many of us who live here and also those who come to visit value our wide open, relatively unpopulated landscapes. But we also value and need thriving, growing communities as otherwise all but core players in our retail sector will gradually fade away, some schools will close and education opportunities for our young people will become more limited, some of our smaller communities will cease to be viable, and many of the aspects of social life that we all value and enjoy won't continue to exist.

The demographic make-up of Central Otago differs from New Zealand as a whole in that we have a much smaller percentage of people in the 18 to 30 age group and a much higher percentage of older folk. In a nutshell our young people tend to leave once they finish school, some returning in their 30s to raise families, while for the unusually large post WWII “baby boom” generation now approaching retirement, many members of which are relatively much better off financially than earlier generations, the Central Otago lifestyle is often an attractive and sought after option.

In 2011 the CODC engaged Rationale Ltd to develop population growth estimates for the District⁶. The Rationale forecast predicts the overall Central Otago population will continue to grow, but at a rate slowing from 1.4% to 0.8% per annum by 2031. Within its communities Cromwell and Dunstan are projected to grow at the fastest rates while the population of the Teviot Valley and Maniototo will be relatively static.

It's clear that population growth has been the key driver behind the excellent economic progress that Central Otago has made over the last decade. There is strong support in our community for this to continue. Natural increase aside, much of the population growth has been the result of people from elsewhere in New Zealand and from overseas settling here, drawn by our special Central Otago lifestyle. We can expect that to increase in the years ahead.

9.2 Labour Supply and Demand

Closely related to population is the labour supply and demand situation in Central Otago. Our district is lucky and rather unusual in New Zealand in that we have virtually no unemployment. Employment in Central Otago grew 3.4% per annum over the 10 years 2002 to 2012, a rate considerably greater than the national increase of 1.8% per annum over the same period. Labour availability, particularly skilled, is a potential constraint on the development of businesses in all of Central Otago's key economic sectors and may be exacerbated by the Christchurch rebuild. In particular peak demands of labour in the horticulture, viticulture, and possibly in the future tourism sectors coupled with the capacity of the district to attract, retain and accommodate an adequate supply of workers is becoming increasingly difficult and could stymie future growth of these sectors.

9.3 Seasonality

The seasonal nature of many key economic activities is one factor behind the district's tight labour market and is a major challenge for business and the community. Farming, horticulture, viticulture and wine making, and tourism are all highly seasonal activities in Central Otago. Seasonality impacts on the financial viability of businesses, many of which have to earn enough over their relevant “season” to sustain them through the year. Another consequence is low productivity with expensive plant and equipment being used at less than optimum rates. Seasonal workers have special challenges in meeting bank lending requirements to buy a home.

⁶ Rationale Ltd, 2011. Update of CODC Growth Projections

9.4 Irrigation

Water is sometimes described as the “white gold” of Central Otago. In many ways water is our most valuable resource. Continued and improved access to water will affect our future prosperity and quality of life.

In 2007 the Central Otago District Council commissioned the economic researcher BERL to prepare a report on the value of water to the Central Otago economy and our community. The report found the direct and indirect impact of irrigation was to increase the Central Otago GDP by approximately \$93 million per annum and that hydro-electric generation added a further \$15 to \$20 million per annum i.e. a total of around \$110 million per annum. In 2007 the total GDP of Central Otago was estimated to be \$664 million so the commercial impact of water was therefore estimated to be a contribution of at least 16 percent.

Looked at from the perspective of jobs, the commercial use of water in 2007 contributed 1,156 FTEs in the agriculture/horticulture/viticulture related industries and a further 140 FTEs in hydro-electricity generation, giving a total number of jobs of about 1,300 or 15 percent of those employed in the district in 2007. The multiplier effect – additional jobs providing private and public services to those employed directly in commercial water dependent businesses – increased the total number of jobs by 20 percent to around 1,560 FTEs.

Major new irrigation projects now being worked up have the potential to significantly grow the Central Otago economy, provide new job and business opportunities, and increase the tempo of business activity. The potential is also there to help reverse population decline in some of our smaller communities by bringing in new people, who will in turn lead to an expansion of schools, health and community services. Another positive outcome from these projects if implemented will be the improvement of some river, stream and wetland environments, providing a healthier and more productive habitat for indigenous species as well as sport fish and enhanced recreational opportunities for our community.

9.5 Digital Broadband

Digital Otago is an initiative by the Central Otago, Dunedin City, Clutha and Waitaki councils to maximize the value to Otago residents and businesses of the Government’s ultra-fast and Rural Broadband initiatives. Research suggests that ultra-fast broadband has benefits in the economic context – increased efficiency, productivity and economic growth; in the social context – better quality of life by providing better healthcare, expanded education opportunities, and increased responsiveness of governments to citizens’ needs; and in the political context – enables e-democracy and promotes a democratic forum in cyberspace⁷.

Given our relative isolation in Central Otago – within the region, nationally and internationally – access to ultra-fast broadband offers the opportunity for our residents and businesses to overcome the barrier of distance. A challenge is to work with companies across all sections of the district economy to ensure the rate of uptake of new web-based technologies is not a restraint on business

⁷ Ferro et al (2007). Broadband and eGovernment Diffusion. HICCS-40 Conference, 2-5 January, Kona (USA).

growth. Many in our community think that gaining access to ultra-fast broadband should be identified as our number one economic development action.

9.6 Investment

It is likely capital from outside our community will be required to fund many of the new business ventures that infrastructure developments such as digital broadband, irrigation and the new cycle/walking trails will make possible.

10 Integrated Approach

It is recognised that for economic and business development to be successful in Central Otago it will need to work in tandem with other Central Otago community strategies and plans including the Tourism Strategy, Towards Better Heritage Outcomes, the Arts Strategy and the various Community Plans.

11 Action Plan

To take forward the priorities that have been identified by the Central Otago community against the background of a well performing but nevertheless cyclical Central Otago economy vulnerable to primary product commodity cycles, international monetary and trading conditions and imported energy prices, the three-year strategy should continue to aim to:

- Maintain business confidence;
- Support economic diversification that results in a robust local economy;
- Be business-friendly by way of a simple and efficient compliance and consents process, and ready access to current statistics and economic analyses. The maintenance of close links with business groups and industry leaders is very important;
- Encourage new migrants and inward investment;
- Support thinking and planning to assist economic development in the 21st century;
- Provide leadership to our community on how rural Otago might recognize and adapt to the elements of our changing environment (energy, transport, resource use, peak oil, Climate Change);
- Advocate on behalf of business with relevant government and business agencies that can provide funding and policy advice;
- Focus the Council's limited economic and business development resources in areas that are the most effective.

The resource available to facilitate implementation of the Action Plan, for which Council will take responsibility, is one FTE and a budget for FY 2013/14 of \$158,590.

Elements of the plan, which have been grouped to help identify those best placed to take the lead in their implementation are:

11.1 Business Development

11.1.1 Grow the Central Otago Population

Target groups include those with jobs or businesses that can locate anywhere and also retirees, who are attracted by the Central Otago lifestyle; people including those with young families who could help address the skill shortages in the region; and young people seeking education opportunities.

Who is involved?

- The community, businesses, business groups, education and training providers, business service providers
- Central Otago Labour Market Governance Group
- Central Otago District Council

Key Actions

- Promote Central Otago to target groups as a place to do business and to live.
- Develop a labour supply/workforce plan for Central Otago

Tangible Outcomes

- Population growth in Central Otago at least of the same order as the national rate of population increase
- Central Otago has a labour supply/workforce plan that addresses the labour/workforce needs of the district going forward

11.1.2 Housing

Older residents need different accommodation options if they are to be able to continue to live in Central Otago. These include smaller homes close to the CBDs of our towns and retirement village type accommodation that offers the full range of support options for those that need them. The accommodation needs of other sections of the community such as young families on lower incomes and those in seasonal work who have difficulty meeting financial institution lending criteria also need attention if the labour needs of the Central Otago economy are to be met.

Who is involved?

- Older members of the community
- Organisations providing support to the elderly
- Central Otago Labour Market Governance Group
- Employers of seasonal labour

- Members of the construction and real estate sectors
- Central Government agencies
- Central Otago District Council

Key Actions

- Conduct a survey to establish the size of potential demand for various accommodation options
- Communicate results of survey to property developers, retirement village operators and others with the potential ability to address in some way the identified demand
- Encourage and if necessary facilitate appropriate business responses

Tangible Outcomes

- At least one modern well-resourced retirement village in Central Otago by 2016, a supply new housing options close to town CBDs suitable for our older residents, and better housing options for lower income bracket members of the Central Otago workforce.

11.1.3 Investment to support growth of Central Otago economy

Investment from outside the district is likely to be required if maximum value to the Central Otago community from new projects such as the cycle ways/walkways along the Clutha and irrigation in the Manuherikia catchment and Tarras is to be captured.

Who is involved?

- Project promoters
- Existing Central Otago businesses
- Business associations
- Business service providers
- Central Government agencies including MPI, Investment New Zealand, NZTE and MFAT
- Central Otago District Council

Key Actions

- Survey Central Otago businesses, project promoters, and business service providers to identify projects in the district requiring investment
- Coordinate development of a portfolio of significant investment ready opportunities and engage with appropriate agencies that can help introduce prospective investors.

Tangible Outcomes

- A portfolio of Central Otago investment ready opportunities

11.1.4 Collaboration

The majority of Central Otago businesses are small. Some chose to remain so for lifestyle reasons. Others would like to grow but are held back by limited resources and expertise. The Central Otago community will benefit if firms in this category can be helped to overcome these limitations. Some may be able to take advantage of the investment attraction initiative outlined above. More collaboration particularly in marketing such as members of the Arts community have demonstrated through their shared retail outlet in Old Cromwell Town and development of the Central Otago Arts Trail may also be helpful.

Who is involved?

- Businesses
- Business groups, business advisors, business service providers and business support organisations
- Central Government agencies including MBIE and NZTE
- Central Otago District Council

Key Actions

- Check with Central Government agencies regarding support and associated conditions now available for promotion and operation of industry clusters
- Survey Central Otago business to establish interest in joining clusters and as appropriate facilitate their establishment and operation

Tangible Outcomes

- Cooperative marketing programmes have been created for small businesses operating in all key sectors of the Central Otago economy.

11.2 Education

Seek a broader range of education options for the Central Otago community that will inter alia support growth of key sections of the district economy, and attract students from other parts of New Zealand and from overseas to come to study here.

Who is involved?

- Central Otago education providers including ITOs

- Central government agencies
- Education New Zealand
- Dunedin City Council Shanghai project team
- Central Otago community planning groups
- The community
- Central Otago District Council

Key Actions

- Survey Central Otago education providers to establish education options currently available to the Central Otago community and their interest in being part of this project
- Establish a working party of stakeholders that should include both providers of formal education and non-formal learning, charged with promotion of Central Otago as a study option to New Zealand and international students including for “Life Long Learning” opportunities.

Tangible Outcomes

- A discernible increase in the range of course options available through Central Otago education institutions including for the retired age group, people interested in the adventure/outdoor areas, the life-long learning arena, and alongside tourism e.g. the photography school held annually at Wedderburn
- Central Otago a destination of choice for national and international students

11.3 Visitors and Recreation

11.3.1 Cycle/Walk Ways

Cycling is sometimes described as the new golf and Central Otago is ideally placed to capitalise on the rapidly growing international and domestic interest in this recreation activity. As the Otago Central Rail Trail, regarded by many as New Zealand’s flagship venture in this space, has demonstrated cycling/walking trails have the potential to inject new economic life and revitalise communities. It is important given the many other cycle/walking trail opportunities being developed around the country that Central Otago capitalises on the success of the Otago Central Trail and continues to grow this exciting new strand of our economy.

Who is involved?

- Project promoters
- Private landowners
- Central government agencies including DOC, MBIE and Tourism New Zealand

- Central Otago community planning groups
- Businesses groups
- Individual businesses
- Central Otago District Council

Key Actions

- Facilitate promoter group initiatives to establish new cycle/walkways

Tangible Outcomes

- A growing network of cycle/walkways across Central Otago
- New business activity and job opportunities
- An increased flow of visitors from elsewhere in New Zealand and overseas to the district
- Revitalised communities

11.3.2 Support Growth of Visitor Sector

The Central Otago Tourism Strategy has been devised to direct the development of this key pillar of the Central Otago economy. Implementation of the Strategy is primarily the responsibility of Tourism Central Otago working with tourist operators and services providers here in the district, elsewhere in New Zealand and overseas. Work-streams necessary for tourism to maximise its contribution to the Central Otago community include facilitation of new infrastructure, attraction of capital and skilled staff, and the promotion of Central Otago including as a specialist activity destination. The broader Central Otago Economic and Business Development Strategy is intended to complement and support the Tourism Strategy.

Who is involved?

- Tourism Central Otago
- Tourist operators
- Education providers, investors, business advisors and business service providers

Key Actions

- Support Tourism Central Otago initiatives to grow the district's visitor arrivals

Tangible Outcomes

- Tourism's contribution to the Central Otago GDP over the period of this plan achieves at least the same average growth rate as the district's overall GDP.

11.3.3 Heritage

Central Otago's heritage is a key economic asset. How the community maintains the balance between its maintenance and protection and use to support economic development is both an opportunity and a challenge.

Who is involved?

- Central Otago Heritage Trust
- Central Otago Goldfields Heritage Trust
- Central Otago District Arts Trust
- Central Otago community trusts
- Tourism Agencies
- New Zealand Historic Places Trust
- Central Government agencies
- The community
- Central Otago District Council

Key Actions

- Facilitate an understanding of the "Towards Better Heritage Outcomes for Central Otago" recommendations amongst the business community, particularly when new business projects are being formulated.

Tangible Outcomes

- Central Otago businesses have a good knowledge of the "Towards Better Heritage Outcomes" report and are incorporating the heritage outcomes contained in it into their operation and development plans.

11.3.4 Lifestyle and Recreation Opportunities

Central Otago's physical environment is an asset that can be called on to help develop the economy but one that also must be conserved and preserved for current and future generations. Management of the physical environment is a key function of the Central Otago District Plan.

Who is involved?

- The community
- Groups interested in the environment

- Business, business advisors, and business support organisations
- Central Government agencies including DOC
- Central Otago District Council

Key Actions

- Encourage business to participate in the District Plan review

Tangible Outcomes

- A heightened appreciation of the value Central Otago's physical assets for economic and business development
- Active involvement by members of the Central Otago business community in the District Planning process.

11.4 Infrastructure and Business Support

11.4.1 Telecommunications including ultra-fast broadband

Work to achieve the best possible access for Central Otago residents and businesses to the Government funded Ultra-Fast Broadband and Rural Broadband Initiatives; and free WI-FI access at key locations throughout the District that will support the tourist sector.

Who is involved?

- Otago Digital Office
- Otago local government sector
- Chorus, Vodafone and other telecommunications sector companies/providers
- Businesses, business groups, business support organisations
- Education providers
- The community including community groups
- Central Government agencies
- Central Otago District Council

Key Actions

- Support roll-out plans for the Ultra-Fast Broadband and Rural Broadband Initiatives to ensure as comprehensive as possible coverage of Central Otago
- Contribute to the implementation phase of the Digital Otago strategy

- Advocate with internet service providers on behalf of the Central Otago community for cost effective access
- Facilitate initiatives to provide free WI-FI access for visitors to Central Otago

Tangible Outcomes

- Infrastructure is in place to deliver ultra-fast broadband to most of Central Otago
- Most Central Otago residents and businesses have access to and are using ultra-fast broadband

11.4.2 Irrigation

The Primary sector production in Central Otago, provided access to sufficient water is available in the right places and at the right times, has considerable growth potential with flow on benefits to the Central Otago community.

Who is involved?

- Project promoters
- Otago Regional Council
- Community interest groups
- Investors
- Central Otago District Council

Key Actions

- Support initiatives to develop new irrigation schemes and extend existing ones, and the range of activities that can be based on them.

Tangible Outcomes

- More of the land in Central Otago that is suitable for irrigation has access to sufficient, reliable supplies of water
- Primary sector activity in the district based on irrigation is increased with the associated flow on benefits to the Central Otago community

11.4.3 Business Inquiries

Many inquiries are received by people interested in setting up business in Central Otago. Others are received from those already in business here who need up-to-date information to guide their business decision making. Meeting this need provides an opportunity to promote and encourage the Central

Otago regional identity, regard for heritage, environmental and other issues, and demonstrate the Council's interest in meeting businesses' needs.

Who is involved?

- Council
- Business groups
- Otago Chamber of Commerce
- Otago Southland Employers Association
- Statistics New Zealand
- BERL

Key Actions

- Maintain and promote a community/business profile for the Central Otago District.
- Collate business indicator statistics and provide this information on the Council's website.
- Maintain and improve the business directory and website.
- Monitor national and local business conditions and ensure Council and business are kept up to date on current trends.
- Develop a co-ordinated response to start-up and other enquiries. Create networks of business contacts e.g. real estate, business advisors, marketing, accounting, law and associated businesses, so that when enquires are received the appropriate information is readily available.

Tangible Results

- A stock of up-to-date information that is available for public and business enquiries.
- A website that contains all appropriate information for business inquiries.
- Improved relationships and information sharing with various sectors in the community.

11.4.4 Networking, Liaison and Communication

It is essential to understand the issues facing local business and to develop easy and productive working relationships with business groups and community agencies. There is a critical need for Council to understand the issues and concerns local businesses are dealing with so that Council can advocate, or take actions on behalf of the business sector. Understanding regional and national trends, being knowledgeable about national government programmes and funding opportunities of interest to business, and reporting these to the business community will ensure good relations with business and the creation of an environment conducive to the creation of new businesses. This is as much based around conversations as it is around formal communication or consultation processes.

Who is involved?

- Council
- Government agencies – Ministry of Social Development, Ministry of Business, Innovation and Employment
- Sector groups and organisations - Seasonal Solutions, primary industry associations
- Regional and national agencies – EDANZ, New Zealand Trade and Enterprise
- Business community
- Media

Key Actions

- Create and maintain networks with local businesses to understand what services are available locally and what the issues are for these businesses.
- Create and maintain networking opportunities with regional and national agencies such as EDANZ, and NZ Trade and Enterprise.
- Act as an advocate for local businesses and the community.
- Communicate with the business and general community through visits, presentations, radio interviews, media releases and newsletters.
- Organise and/or promote annual awards that celebrate best practice.

Tangible Results

- High awareness of the importance of economic and business development in the district.
- Articulation of the opportunities and issues associated with Central Otago business.
- Creation of close relationships with national and regional economic development agencies and groups.
- Community recognition of business best practice and top performers in the community.

12 Strategy Commencement and Duration

This Strategy is effective from the time of its endorsement by the Central Otago District Council.

A subsequent strategy will be developed and adopted no later than November 2016.