

Connect

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Regionally Engaged - Nationally Effective

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Photo: Rob Tucker



Taranaki hub for oil and gas collaboration

Since the region's first oil discovery and commercial mining attempt in the 1860s, and the first major commercial find at Kapuni in 1959, Taranaki has been at the forefront of New Zealand's oil and gas supply. All commercially produced oil and gas mined in New Zealand today is found in or around Taranaki.

While the majority of oil is exported (oil was New Zealand's third largest export earner in 2008 and fourth largest in 2009), gas is all initially consumed in the domestic market. Gas is converted into electricity, used directly as an energy source by industry and residents, or used as feedstock in the production of methanol and fertiliser.

A diverse range of businesses have sprung up to support this cornerstone oil and gas (O&G) industry, with extensive links to the broader New Zealand energy and engineering sectors and the global oil and gas community.

The Government's economic transformation programme seeks to

maximise the value and potential of the oil and gas industry as both an economic and a skills and innovation driver. Few other industries offer similar potential for substantial growth for the New Zealand economy – a major new commercial discovery in Taranaki could translate to significant growth prospects for all New Zealanders.

Fostering national growth

The positioning of exploration and production activity and the nucleus of its supply chain, along with the growth potential, have fostered the partnership between Venture Taranaki and the government to develop a hub-and-spoke model

for the industry nationwide, based in Taranaki.

A core tenet of this hub-and-spoke model is a government focus on attracting new exploration throughout New Zealand. This model will maximise the capabilities already in the region, and see their extension into other regions and industries, sharing knowledge and expertise to foster national growth.

Venture Taranaki is also advocating greater awareness of the full oil and gas value and

supply chain, and the opportunities of working collaboratively – a natural foil to the challenge of scale and distance.

The hub-and-spoke collaboration model is driven by Venture Taranaki, the regional economic development agency (EDA), in partnership with New Zealand Trade and Enterprise. The concept of an inter-regional hub-and-spoke model radiating out from Taranaki evolved as an action within the NZTE Regional Strategy Fund project.

Leveraging EDA connections

The EDAs in Taranaki, Southland, Nelson and Dunedin form the basis of the hub-and-spoke model. The strong relationship between these organisations has driven the early stages of the project, attracting growing interest from EDAs in other emerging O&G regions.

The first meeting between these EDAs, in September last year, focused on sharing knowledge about activity within each of their regions to build a comprehensive picture of what's happening and where the opportunities lie.

Given that there is, at an industry level at least, competition amongst the regions, there were some initial challenges to overcome in terms of open information sharing. However, teaming up the hub-and-spoke model with a focus on opportunities through collaboration helped to overcome this.

The next meeting in December coincided with release of the landmark report **The Wealth Beneath Our Feet: The value of the oil and gas industry to New Zealand and the Taranaki region.**

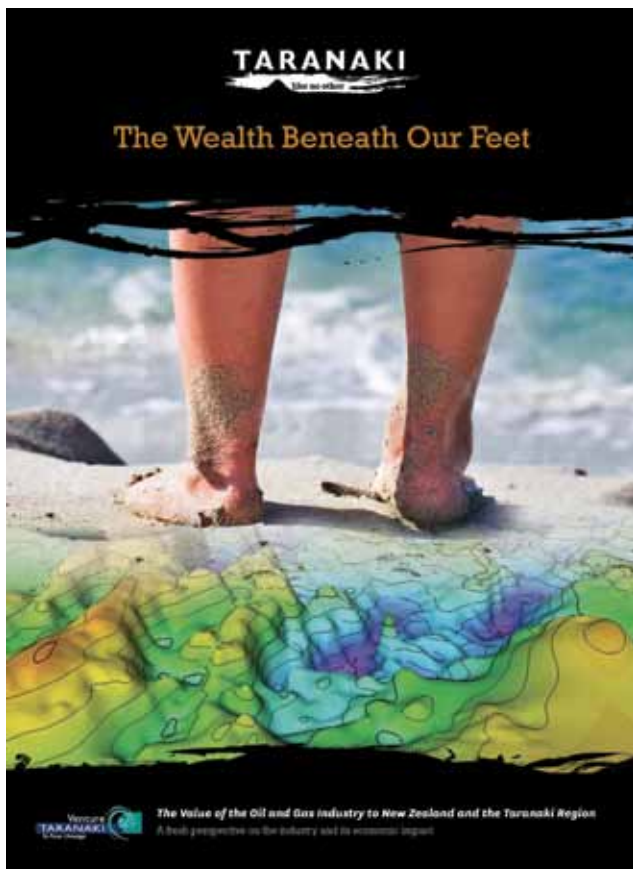


Photo: Rob Tucker

The report was prepared by Venture Taranaki, in partnership with New Zealand Trade and Enterprise and a range of industry stakeholders.

The most comprehensive analysis of the sector and its supply chains ever conducted, the report repositions oil and gas as a cornerstone of the New Zealand economy. It also reinforces the value of a collaborative model for growing the sector.

At its Parliamentary launch – well attended by government officials, politicians and industry leaders – the report was welcomed as highlighting the industry's significant contribution to the New Zealand economy. The publication can be downloaded free from www.energystream.co.nz.

Spinoffs – clusters and capability

Hub-and-spoke stakeholder meetings have so far provided strategic avenues for the relevant EDAs to discuss mutual initiatives that will benefit the oil and gas industry and broader regional economies. These have included

increased and shared promotional activities, and efficient use of supply chain/infrastructure.

At a local government level, Venture Taranaki has been actively involved with the region's councils, and is working with council planners in other regions to learn more about district planning implications and environmental effects of the industry. (A recent RMA forum, held in New Plymouth, was well attended by councils in the emerging O&G regions.)

At business level, Taranaki businesses are already assisting and discussing collaborative possibilities. These have included offering technical expertise as well as infrastructure support to emerging O&G regions.

Collaboration between companies occurs through the O&G support industry clusters. These have emerged within regions, and, in the case of Taranaki, attracts national affiliates.

A group of around 20 multi-disciplined companies, Oil and Gas Specialist Technologies (OGST),

Oil and gas stats

At a minimum, the oil and gas industry directly employs 3,730 full time equivalents (FTEs), and contributes \$1.9 billion to the New Zealand economy.

Adding indirect effects, employment increases to 7,700 FTEs and the contribution to GDP increases to \$2.5 billion.

While the oil and gas sector employs fewer than half as many people as the dairy industry in Taranaki, it contributes almost 2.5 times more to regional GDP.

This is largely due to the industry's capital intensity, which results in high labour productivity of over \$525,000 a year per FTE.

provides a range of specialist services to the oil and gas sector. The cluster enables New Zealand companies to work together collectively.

Members of OGST have world-class capability in a dynamic range of specialist technical services. They provide a one-stop shop for 'upstream' (oil and gas exploration and production) and 'downstream' (petrochemical, refining, oil and gas wholesaling and retailing) services to the marketplace.

The cluster also allows those operating in the sector to gain access to a broad range of expertise and technical services via a single port of call. Combining resources for stands on trade missions, sharing of market intelligence, and general support are all important factors, especially for the highly specialist nature of these firms, when growing domestic and export markets.

Venture Taranaki played an integral role in establishing the cluster and continues to deliver marketing and administration support to the group.

Growing local capability

Another significant spinoff is the development of local capability.

Shell's continuous presence in the industry (in New Zealand since 1955, as part of the joint venture Shell Todd Oil Services) has provided an invaluable opportunity for local service industries to learn and develop O&G capability. Shell brought with it internal technical capability in international oil industry systems and standards, from which Taranaki has benefited.

Working alongside the international companies, Taranaki companies grew on the back of the oil and gas industry, not only as the result of growth stemming from additional work, but from developing skills

acquired from participation in the industry and exposure to sophisticated international systems.

Arguably the most exacting global industry (high risk/high rewards), O&G has provided an opportunity for local contractors to up-skill from other industrial sectors.

In the earlier development phase of the industry, in the late 1970s and early 1980s, many other sectors benefitted too, such as metal and roading contractors, trucking firms, construction, engineering and specialist servicing industries.

The specialist and stringent requirements of the O & G industry have seen the capability of individuals, businesses and industries improve, resulting in innovation and expansion.

There are also clear synergies for O & G service providers to locate in close proximity to each other and key clients.

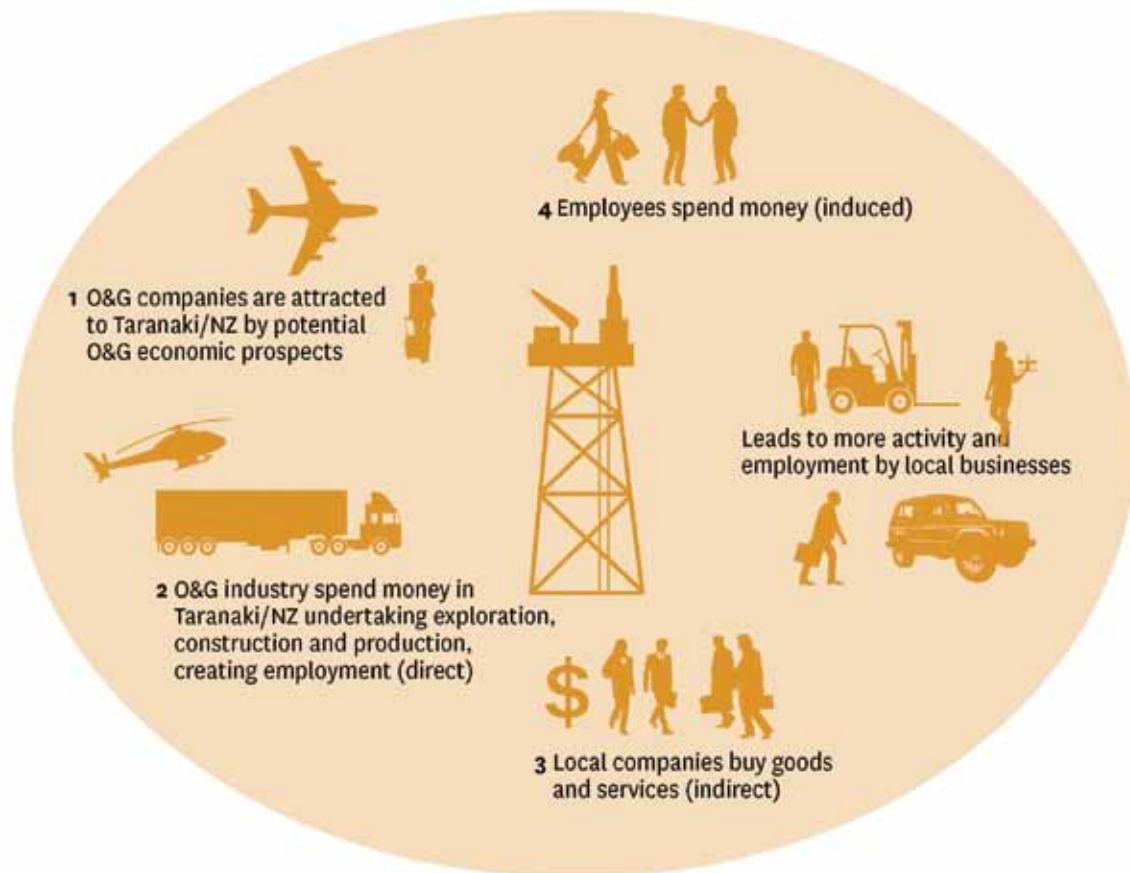




Photo: Rob Tucker

Growing up with oil and gas

Hooker Pacific have been heavily involved in the O&G industry since the first major discovery of the Kapuni field by Shell Todd Oil Service back in the 1950s (although this Taranaki-based transport company can trace its roots back to 1869).

Since the 50s, they have grown with the industry, providing a 24/7 transport, storage and logistics

service. The most significant growth within the group over the last decade has been the Fuel Haulage division, taking over the nationwide distribution for Rockgas, Chevron, and Shell products.

In this industry, which demands high standards of technology, monitoring, training, health and safety, Hooker Pacific Fuel Haulage is now one of the major players.

Integrated supply chain

Looking to the future, the last word should go to Venture Taranaki Chief Executive Stuart Trundle: "Expanding thinking to embrace the entire supply chain can only be achieved through a fully integrated industry model.

"This is not to say that companies don't compete, but rather, that in a 'collegial' supply chain, there is an acknowledgement that the collective capability is greater than the individual parts.

"This collaborative approach to industry growth, is necessary not only to meet the challenges facing the sector, but to ensure that it can maximise future opportunities."

Venture Taranaki Trust, the Taranaki region's development agency, exists to help grow the region and help its businesses and people reach their full potential. www.taranaki.info





The big picture – A man with a plan, Jamie Kett, CEO of Hampton Downs

Study tour shows off stand-out initiatives

The second EDANZ study tour – held over three days last November in and around Hamilton, Rotorua and Tauranga – was again packed with some fantastic opportunities for the lucky 13 participants. This article looks at different economic development initiatives that have evolved by working with regional strengths, interests and natural advantages.

This 2010 tour continued the initiative begun in 2009 (with a lower South Island tour), the intention being to hold one every year in a different region.

The tour provides an opportunity to see how EDAs operate in other regions and within different structures, and to learn from others how to make a difference – quickly.

Participants gain insights into how others deal with common issues, bring in investment and initiate projects – sharing good practice ideas and building cross-regional relationships.

On the morning of 24 November, there were greetings and an overview from Sandra Perry (in the very cool Opportunity Hamilton offices) to put the first leg of the tour in its economic development context. Waikato has a diversified economy with important contributions from the dairy sector, energy, forestry, manufacturing, tourism and research and tertiary education sectors.

Cars were pooled and the show was on the road. In keeping with the road trip theme, the first stop, appropriately, was the **Hampton Downs Motorsport Park** and Convention/Events centre, which

lies halfway between Hamilton and Auckland, just south of Mercer. Branded simply as Hampton Downs, this multi-purpose complex is a destination in itself – not just a place for petrol heads.

Hampton Downs is based on the idea of a synergistic activity cluster (interrelated businesses and activities that mutually support each other) giving impetus for economic and employment growth. Jamie Kett showed the group how this value-adding cluster works over different parts of the facility (once a 450 acre dairy farm before the private company bought it).



The complex encompasses, and is expanding, in the areas of motorsport engineering, track time testing, business development with industrial units and facilities on site, driver safety and training via the track and purpose-built skid pan, along with links to educational institutions (eg MIT motorsport training courses).

Added to this are all the opportunities for corporate entertainment and hosting a range of domestic and international events (licensed to manage 25,000 people per day). There's also a convention centre and 80 two-bedroom track-side apartments (which all sold within five weeks of going on sale).

And there's more to come with Hampton Downs' extensive development plans. Other areas include: New Zealand's first Motorsport Village/Business Development Park; 15,000 square metres of automotive showrooms; a Motorsport Museum: a retail village and tavern; and a Formula Challenge building – a specialised motorsport training facility, with access to the track for testing and training.

The next two stops on the tour gave the group a chance to explore two major regional initiatives.

One of these was to establish Waikato as the Australasian centre for light aircraft manufacture, maintenance and airline pilot training – research shows the aviation sector has potential export earnings over \$9.2 billion over 20 years.

Driving south, the group headed back towards Hamilton, to the locality of Te Kowhai, where **Micro Aviation** is based. The group were firstly updated on the Aviation sector, then introduced to microlight aircraft by the Manager of Micro Aviation (NZ) Ltd, Maxine Sutton.

Maxine is on the board of the Aviation Industry Cluster which has 77 members; among these are over 30 from outside Waikato region. The cluster is a great example of cross-regional collaboration.

However, the regional hub around Hamilton international airport, where the cluster started, is still humming – with core businesses being aircraft



Pilot and EDANZ Executive Director Samantha Seath gets ready to extend her horizons

manufacturing and pilot training, along with aviation services, maintenance, flight operators and supply chain providers.

But it was out of the region's agricultural heritage that Waikato's aviation industry was born, with crop-dusting aircraft first manufactured south of Hamilton.



The group also met Max Clear, the inventor, founder and CEO of Micro Aviation, one of the most successful microlight aircraft manufacturing businesses in the southern hemisphere.

Back in 1983, Max realised the need for an aircraft that was not only affordable, but one where the owner could do a lot of the routine maintenance. So the Bantam was born – a 2-seater, constructed out of alloy for light weight and engineered for strength and durability. (Max also noted that in this highly regulated industry the weight of paperwork involved equals the weight of one of his planes.) With a cruising speed of 65 knots, it can fly 4 hours before refuelling.

The plane can be assembled in 2-3 weeks if all the parts are to hand, and the company uses local suppliers where they can. Whereas previously each part of the process was undertaken in-house, they now try to get as much done in outwork as possible, and apply the principles of efficiency or 'lean manufacturing'.

Micro Aviation is currently exporting to seven countries – among these South Africa, which has taken over 100 planes. They are not only used in agricultural applications or leisure, but also for police surveillance, to help prevent poaching in national game parks, and for coastguarding and shark patrolling in Sydney.



Inventor and innovator – Max Clear

The company is also looking forward to the FLAIR air expo (supported by NZTE) which they are hosting at the airfield in October during the Rugby World Cup semi-final weekend.

By now, some of the tour group were itching to spread their wings. Those whose names were drawn, took off in turns for a quick flight and a memorable thrill.

Next whistle-stop on the tour was the **Waikato Innovation Park**, established to lead New Zealand in taking technology based ag-bio commercial opportunities to global markets.

Again, the agricultural tradition (as with microlight aircraft) has influenced development – in this case, of Agri-tech – in a region where "grass is its greatest asset".

Peter Maxwell, Innovation Waikato Ltd deputy CEO, described his role as "honest broker" between the Crown Research Institutes, the universities and companies. The science park model supports new start-ups as a "friendly landlord". It also gives business support to international companies looking to set up in New Zealand.

It's also a hub where people from different industries and research institutions (eg ICT, bio-tech, manufacturing) can come together using common facilities, like the central café where ideas can brew along with the coffee.

The next stop was for **SODA** – a creative sector cluster and business incubator aimed at growing and nurturing creative entrepreneurs in the region. The presentation was by Cheryl Reynolds who with five others launched SODA in 2008 in partnership with Hamilton City Council. They recognised the value of developing Hamilton as a vibrant creative centre, drawing on places like Wintec's School of Media Arts and the music industry.

SODA also supports high intensity innovation projects – and Soda's first so-called hothouse project was a Digital Industry Forum for the region's digital sector and business leaders interested in accelerating this industry.



The Bantam, especially in 'All Black' livery is a hit in the domestic and export market





No trouble at' mill – Red Stag Timber is geared for growth and profitability

DAY TWO of the tour allowed the group to combine a bit of pleasure with business – as they arrived in Rotorua mid-morning for a **Pure Cruise**, on Lake Rotoiti.

A relatively new business, Pure Cruise has managed to capture an international tourist market early on in its lifetime, by offering an outstanding experience and service. Deservedly, Pure Cruise were winners of the 2010 Westpac Emerging Business of the Year.

The 53-foot luxury yacht visits places on the lake which would normally be inaccessible – hot pools and private beaches for fishing or walking or swimming –and offers fine cuisine and wines.

Moving on from luxury tourist offerings, the tour visited the site of **Red Stag Timber** – an independent, privately owned company based in Rotorua, with an annual turnover of around \$100 million, and employing over 200 staff.

Forestry is New Zealand's third biggest export earner, and Red

Stag is a significant player – selling 20 percent of its production to Asian and Middle East countries, 20 percent to Australia, and around five percent to the Pacific Islands, with the remaining 55 percent on the domestic market.

Forestry is New Zealand's third biggest export earner, and Red Stag is a significant player.

The original Waipa mill was established by the government in 1939 and had been in public and corporate ownership since then, but its fortunes were flagging. Bought privately in 2003, Red Stag is a classic example of how a company can dedicate itself to both staff and production enhancement, working these seamlessly together

to develop a business model geared for growth and profitability.

While focussing on structural lumber, Red Stag also produces outdoor, industrial and furniture grade lumber, and is committed to further developing products and upgrade.

It helps, of course, that the company has its own capital raising base. Through a sister company, it invests in other companies both inside the timber sector and beyond.

The next initiative on display, the **Rotorua Night Market**, benefits both locals and tourists alike. Developed by the EDA to enhance the vibrancy of the night economy for visitors and locals alike, this initiative is now coming up to its first full year of operation. It provided a good example for of how to give small businesses opportunities and bring both people and new business to the CBD on weekday evenings – closing off traffic and allowing a range of food, produce, clothing and craft stalls to set up.

An 'indigenous evening experience' followed at **Te Puia**, New Zealand's leading Maori cultural centre. This included the Te Po cultural show, preceded by a visit to the **National Carving School**, housed in the same complex, where local kids can learn traditional craft (rather than hanging out on the streets). Last year's Shanghai Expo Maori carving, later presented to the Chinese Government, came from Te Puia master carvers.

The EDANZ delegation was wooed by the final starlight performance of Pohutu Geyser as she performed spectacularly gushing 100 plus metres into the night sky, before heading back to the boutique accommodation of the Regent Hotel in Rotorua to relive the day's experience in New Zealand's thermal wonderland.



Pots of liquid gold... and the laboratory that ensures its worth



En route to Tauranga for the final day, the group took in a visit to **Comvita** at Paengaroa. This company, like Red Stag the previous day, is another high earning exporter (around \$85 million turnover last year).

But unlike Red Stag's high volume (which is 300,000 m³ of lumber per annum), Comvita, by contrast, is a company producing a high value product with a scientific focus.

Many of these quality health and skin care products contain the unique antibacterial properties of manuka honey. Comvita is one of the world's largest manufacturers of premium quality UMF (unique manuka factor) honey.

The UMF trademark can only be used by licensed users who meet set criteria and quality audits. It also identifies the potency of the antibacterial activity in the product.





Mover and shaker, mega port Tauranga – New Zealand’s biggest shifter of cargo

High volume was evident again in the tour of **Port of Tauranga**, a huge enterprise in this sub-region. The natural harbour has been developed over the last few decades as one of the country’s major import-export hubs.

Port of Tauranga has announced after-tax earnings of over \$49m for the year ended 30 June 2010 – a record profit and a 9.3 percent increase on last year. The figure was earned on revenue of \$148m, up \$4.4m on the previous year, following the company’s decision to defer an increase in tariffs during the year. Total trade for the year was up 2.4 percent to 13.748m tonnes, with exports increasing more than 8 percent to 9.19m tonnes.

Port of Tauranga significantly increased its market share in total cargo volumes to cement its position as New Zealand’s largest

port, handling 80 percent more than nearest competitor Port of Auckland.

Suitably wowed by Port of Tauranga, the tour wound up in the Priority One offices for a regional round-up. According to CEO Andrew Coker, the region looks to build on its competitive advantages, with specific initiatives that will retain and attract highly productive and largely export-focused business.

The sectors targeted for building competitive advantage include food processing and production; research information and communications technology; marine refit and boatbuilding; and chemicals manufacturing and distribution.

But it is the level of collaboration that is crucial in building a stronger economy.

For example, the three local authorities (Tauranga City, Western

Bay of Plenty and Bay of Plenty Regional Council) all work on delivering SmartGrowth, the sub-region’s growth management strategy. The planning covers business land development and affordable housing options, energy generation opportunities, strengthening the Tauranga city centre and sub-regional town centres (including art and cultural facilities), developing a marine research facility, and looking at the impact of an ageing population and projected skill shortages in the health sector.

It seems that, wherever economic development is happening, collaboration is the key to growth.



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