



TAI POUTINI WEST COAST GROWTH STUDY

SUMMARY REPORT
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**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry for Primary Industries
Manatū Ahu Matua



MINISTERS' FOREWORD

Maximising New Zealand's economic prosperity and social wellbeing means ensuring there are employment opportunities and improving quality of life for the people in all of our regions.

We know that the economic and social performance of regions varies significantly. Through the Regional Growth Programme, the Government is working to build more resilient regions, recognising and capitalising on the investment opportunities and strengths of each area.

The Regional Growth Programme complements the Government's Business Growth Agenda, which is the framework for our efforts to support business growth, create jobs and improve the standard of living for all New Zealanders.

The Tai Poutini West Coast Growth Study follows three previous reports released in 2015 on the Northland, Bay of Plenty and Manawatū-Whanganui regions, and the East Coast Economic Potential Study, which was released in 2014.

The Tai Poutini West Coast Growth Study has been independently conducted and compiled as part of the Regional Growth Programme and explores opportunities to achieve growth in investment, incomes and employment in the region.

The West Coast performed well over the 2000-2012 period on the back of key sectors such as mining, dairying, construction and tourism. Reliance on a few key sectors has exposed the region to sharp drops in the global prices for minerals and milk powder. This downturn since 2012 has not been experienced equally across the region, with Buller being hardest hit.

Regardless, there continues to be strong growth in international visitor numbers, particularly in Westland.

This report asks which sectors drive the West Coast economy. It examines the challenges and looks at how the region can stimulate further investment in these sectors and others.

West Coasters are known for their ingenuity, creativity and commitment to place. The region scores highly on measures of wellbeing related to education, environment, safety and life satisfaction. These are sound platforms from which to attract business to the region.

The establishment of the EPIC Westport Innovation Centre reflects a desire to take advantage of broadband infrastructure to run global businesses, while enjoying the local lifestyle. The Coast's natural environment and outdoor education specialty also lend themselves to international education possibilities, for example, in building world-class management experience programmes.

Building resilience is critical to stabilising the local economy and sustaining a skilled workforce, so that future growth can be supported.

The Government is committed to raising Māori economic performance through He kai kei aku ringa: the Crown-Māori Economic Growth Partnership and the Regional Growth Programme.

The principle of providing the food you need with your own hands (the literal meaning of He kai kei aku ringa) already underpins Māori economic activity in Tai Poutini.

Māori have significant land holdings in Greymouth and Westport and interests in forestry, dairy, resources (rivers and pounamu) and tourism. Ngāi Tahu has

MINISTERS' FOREWORD continued

been operating successful ventures on the West Coast for some time and can contribute to lifting the region's ability to build and grow successful enterprises. Regional businesses can and should see Māori as natural partners in developing economic activity on the West Coast.

This report identifies in detail the economic opportunities on the Coast. The job now is to develop a Regional Economic Action Plan to successfully realise the opportunities identified here. We will work with government agencies and regional leaders to put together that plan with urgency.

Success on the West Coast is dependent on all stakeholders pulling together to do what is right for the region – not just for individual sub-regions or sectors. This study will need to inform and inspire industry, iwi and Māori, and central and local government to act individually and collectively to turn opportunities into realities.

We welcome this report and its findings.



Hon Steven Joyce

Minister for Economic
Development

Minister of Science and
Innovation

Minister for Tertiary Education,
Skills and Employment

Minister for Regulatory Reform

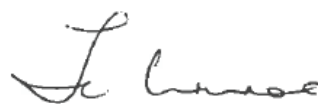
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CONTENTS

Introduction	1
Objective	7
Scope	7
Approach	9
The West Coast economy	17
Tourism	25
Minerals and related processing	32
Creative and ICT	40
Forestry and wood processing	44
Horticulture, food and beverage	50
Education	55
Fishing and aquaculture	60
Other sectors of importance	64
Transport	69
Access to natural resources	78
Telecommunications	83
Energy	87
Skills and talent	91
Economic development arrangements	96
Māori engagement	101
Priorities for action	105
Next steps	109



TABLES

Table 1.	Criteria for assessing proposals	12
Table 2.	Assessment of the tourism strategy and action plan proposal	31
Table 3.	Assessment of proposal to identify low conservation value stewardship land	36
Table 4.	Assessment of single window for regulatory approvals proposal	37
Table 5.	Assessment of Buller Coalfield collaborative process proposal	38
Table 6.	Assessment of the digital economy action plan proposal	43
Table 7.	Assessment of the extension of wind-blown timber on conservation land proposal	48
Table 8.	Assessment of the review of market barriers to growth in the indigenous timber industry proposal	49
Table 9.	Assessment of the initiatives to support growth in the horticulture, food & beverage sector	54
Table 10.	Assessment of proposal to expand experiential leadership programmes	59
Table 11.	Assessment of the proposal to support the development of a sustainable wild whitebait fishery	63
Table 12.	Assessment of the road resilience and key visitor route upgrade proposal	73
Table 13.	Assessment of the feasibility and business case work for the proposed major road projects	77
Table 14.	Assessment of the regional spatial plan proposal	81
Table 15.	Assessment of the accelerated roll-out of digital technology proposal	86
Table 16.	Assessment of the Waste to Energy proposal	89
Table 17.	Assessment of the applied research centre proposal	95
Table 18.	Assessment of the proposals to review economic development arrangements and the role and investment approach of DWC	100
Table 19.	Key economic development opportunities	106



FIGURES

Figure 1.	Our broad approach for the West Coast Regional Growth Study	9
Figure 2.	GDP and employment by West Coast District, 2015	17
Figure 3.	GDP by sector, West Coast, 2015	18
Figure 4.	Employment change, West Coast districts and New Zealand, 2000–2015	18
Figure 5.	Population change, West Coast districts and New Zealand, 2000–2015	20
Figure 6.	Employment change and forecast, West Coast districts, 2000–2020	22
Figure 7.	Summary of the tourism opportunity	25
Figure 8.	Tourism employment, 2015	26
Figure 9.	Tourism, growth rates of key indicators, 5yr and 10yr	26
Figure 10.	Visitor expenditure on the West Coast, 2009–2016	26
Figure 11.	Summary of the minerals and related processing opportunity	32
Figure 12.	Minerals & related processing employment, 2015	33
Figure 13.	Minerals & related processing, growth rates of key indicators, 5yr and 10yr	33
Figure 14.	Summary of the creative and ICT opportunity	40
Figure 15.	Creative & ICT employment, 2015	41
Figure 16.	Creative & ICT, growth rates of key indicators, 5yr and 10yr	41
Figure 17.	Summary of the forestry and wood processing opportunity	44
Figure 18.	Forestry & related processing, employment, 2015	45
Figure 19.	Forestry & related processing, growth rates of key indicators, 5yr and 10yr	45
Figure 20.	Production of sawn timber on the West Coast, 2010–2015	45
Figure 21.	Summary of the horticulture, food & beverage opportunity	50
Figure 22.	Horticulture, food and beverage, employment, 2015	51
Figure 23.	Horticulture food and beverage, growth rates of key indicators, 5yr and 10yr	51
Figure 24.	Summary of the education opportunity	55
Figure 25.	Education employment, 2015	56
Figure 26.	Education, growth rates of key indicators, 5yr and 10yr	56
Figure 27.	Summary of the fishing, aquaculture and related processing opportunity	60
Figure 28.	Fishing & aquaculture employment, 2015	61
Figure 29.	Fishing & aquaculture, growth rates of key indicators, 5yr and 10yr	61
Figure 30.	Summary of the transport opportunity	69
Figure 31.	Key features of the West Coast transport network	70
Figure 32.	Proposed Wangapeka Road Link	74



Figure 33. Proposed Haast to Hollyford Road	74
Figure 34. Summary of the access to natural resources opportunity	78
Figure 35. Conservation estate on the West Coast	79
Figure 36. Summary of the telecommunications opportunity	83
Figure 37. Summary of the energy opportunity	87
Figure 38. Summary of the skills and talent opportunity	91
Figure 39. Proportion of the population aged 15 years and over whose highest qualification is a Bachelors Degree or higher, 2006 and 2013	92
Figure 40. Proportion of the population aged 15 years and over with no qualification, 2006 and 2013	92
Figure 41. Summary of the economic development arrangements opportunity	96



INTRODUCTION



INTRODUCTION

The West Coast region has resourceful people, a rich history, a spectacular natural environment, and abundant resources. The same factors that have shaped its history and its people are what make the West Coast a challenging place to live and work.

The West Coast is sparsely populated and is isolated from the rest of New Zealand. It covers a large land area, a significant proportion of which is in the conservation estate. With a strong dependence on two commodity sectors – minerals and dairy – the fortunes of the West Coast rise and fall with international prices for coal, gold or dairy. A third key sector, tourism, is highly dependent on the flow of international travellers to New Zealand visiting the West Coast as part of their experience.

The West Coast experienced solid growth for many years but is currently facing the double threat of low coal and dairy prices. Tourism has grown over the last few years, although this has largely been limited to the south of the region.

This study identifies opportunities to address the challenges and leverage the underlying strengths of the West Coast. Using these opportunities to support jobs and incomes will help the region thrive and contribute positively to New Zealand.

Key messages

1. **Tourism is the major immediate opportunity to grow jobs on the West Coast.** Growth is currently driven by international visitor spending in Westland. The region can generate significantly more jobs and higher incomes from tourism by attracting more domestic visitors, developing a stronger set of iconic attractions and products that encourage visitors to travel across the region and stay longer, and by commercialising more experiences. Capturing this value depends on improving a) marketing, b) tourism product development and maintenance, and c) the quality of infrastructure and amenities at key locations, with an initial focus on Franz Josef. This will require a revamped tourism plan, promotion entity and funding mix.
2. **Effective road and telecommunications networks are absolutely critical** to address the West Coast's isolation, size and distance from markets. Further investment in road resilience, ultra-fast broadband and mobile coverage will underpin growth in tourism, ICT and health services, and support the future recovery of the minerals and dairy industries.



3. **The minerals sector will continue to be a large-scale and high-productivity industry.**

Although coal is unlikely to be as significant again on the West Coast, gold continues to be a mainstay and a range of other minerals have real development potential. The aim is to create the conditions that allow those developments to proceed and that will encourage new investment in response to pricing signals. Improving access to low value conservation land and streamlining application and consent processes will help to create these conditions.

4. The region has a range of niche sectors that, although small-scale, collectively can provide many job opportunities.

- EPIC Westport is proving that **the region can attract and grow ICT enterprises**. Small investments in extending EPIC's services on the West Coast could ensure that the number of enterprises and jobs increase quite quickly.
- **The indigenous wood processing industry has demonstrated it can create value and jobs** through the careful extraction of windblown timber from the conservation estate. Continuing to allow this extraction will ensure the value and jobs are maintained.
- Several **horticulture and food and beverage entrepreneurs** are exporting nationally or internationally (or both) off the back of what are often lifestyle businesses on the West Coast. This includes exports of tea tree oil, sphagnum moss, meat products, cranberries, blueberries, honey and vegetables. Expansion of the sector could be achieved by implementing a social enterprise programme to encourage individuals or teams to explore new prospects for the sector, such as a food cluster and brand, in communities such as Karamea.
- In addition to fishing, the region has a strong reputation and capability in whitebaiting. The opportunity is to **develop a sustainable wild whitebait fishery**. Such a programme would develop, restore, monitor and protect more spawning sites, supported by research on whitebait stocks and habitats.
- There is **potential to grow international education services** focused on outdoor recreation, environmental management and eco-tourism. Demand for experiential leadership courses in these areas currently exceeds supply.

5. **Enhancing some policy and regulatory processes could significantly encourage investment** in key industries, including minerals, tourism and dairy. This includes:

- proactively identifying low-value stewardship land on the conservation estate that could be used more productively
- allowing for user charges to access experiences on conservation land
- developing a 'single window' for dealing with permitting, land access and resource consent applications.



6. Three proposals could have a significant impact on jobs and economic development in the region. However, these proposals require feasibility assessments and business cases to assess their technical and commercial feasibility and the full range of costs and benefits. These proposals are:

- a waste-to-energy facility in Buller
- the Haast to Hollyford road
- the Wangapeka road link.

Given the significance of the proposals and the likely divergent views on their merits, the feasibility studies and business cases need to be robust, using resources, advice and information from a combination of industry, local government and central government.

7. The execution of economic development projects has been hindered in the past by a lack of capability in regional economic development and lack of clarity about local authority and Development West Coast (DWC) roles, investment priorities and processes. Economic development functions are fragmented across several organisations and will not enable the effective implementation of the actions from this study. **New economic development arrangements need to be put in place** and the investment approach and priorities of DWC need to be clarified and aligned with the outcomes of the study and action plan.

8. **Through its two rūnanga on the West Coast, Ngāti Waewae and Makaawhio, Ngāi Tahu can play an important partner role in supporting growth opportunities in key sectors.** Ngāi Tahu has commercial investments on the West Coast, including major businesses in tourism, forestry and fishing. Māwhera Incorporation also has significant local resources and assets, and is focused on supporting and enabling economic growth on the West Coast region.



PURPOSE, SCOPE AND APPROACH



OBJECTIVE

The purpose of the Tai Poutini West Coast Regional Growth Study is to identify significant economic opportunities and related actions in the region that have the greatest opportunity to sustainably grow employment and incomes.

Regional growth studies are based on the recognition that regional context and economic make-up matters for growing local economies. Population, geographical features, resources, industries and institutions affect the ability of regions to attract, retain and grow businesses and entrepreneurs. National policies and interventions can affect different regions in different ways.

This study aims to help the West Coast region to better understand how it differs to other regions and, based on this understanding, identify opportunities that can increase jobs and incomes over the next decade. The study identifies two types of opportunities:

- sector based – opportunities that relate to specific major or emerging sectors
- cross-cutting – opportunities that affect a range of sectors and relate to skills, innovation, infrastructure, natural resources and investment.

SCOPE

The study covers the economic region of the West Coast in the South Island. The West Coast region is split for administrative purposes across three districts - Buller, Grey and Westland. The West Coast Regional Council (WCRC) covers the entire West Coast region. Analysis is presented for the region as a whole with more detailed analysis at a district level where relevant.

MartinJenkins and Crowe Horwath were asked to do the following four things in undertaking the study:

1. Identify, challenge and validate opportunities.

We uncovered a large range of opportunities through the study process. A key part of the study was to determine which opportunities could be practically implemented and which would have the largest impact.

2. Prioritise actions that will catalyse the opportunities or remove constraints to growth.

Resources are always limited, so it was important to identify a small number of actions to implement well, rather than stretching resources across every conceivable action.



3. Focus on raising the growth of the region as a whole.

The opportunities we identified had different levels of relevance to and impact on the Buller, Grey and Westland districts. However, we focused on identifying opportunities that would be regionally significant.

4. Identify opportunities to coordinate business, iwi, central government and local government efforts and resources.

The study was not focused on identifying projects for central government funding or on improving the effectiveness of local government in the region. The opportunities with the largest potential are those that require action from a range of stakeholders and that use a combination of public, private and non-government resources.

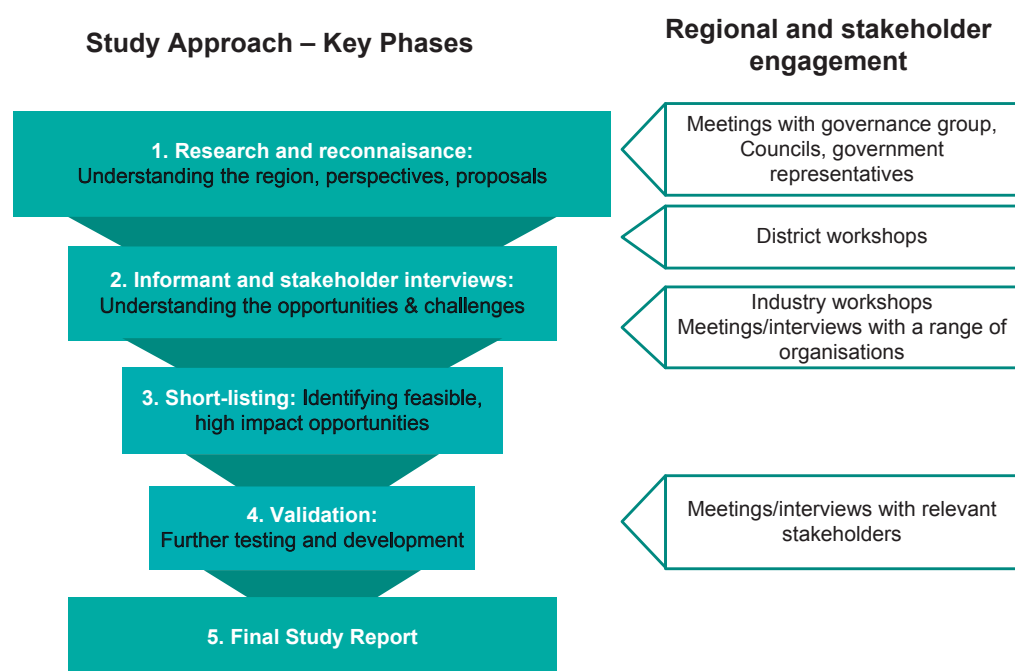


APPROACH

Five phase process

Our approach in developing this report was a process made up of five key phases. This approach is depicted in Figure 1.

Figure 1. Our broad approach for the West Coast Regional Growth Study



Source: MartinJenkins

The overall process can be likened to a funnel – initially, we gathered information to understand the West Coast region and created a long-list of opportunities and challenges to the region's growth. Each subsequent phase focused on testing and refining that long-list to identify the most significant opportunities. Each phase of the study involved consultation with businesses, local and central government and stakeholder organisations.

The process was overseen by a Governance Group comprising representatives from local government, key sectors and iwi. A support crew, comprising central and local government representatives, provided advice and access to people and information throughout the process.



Where our data came from

We used datasets from a range of private and publicly available sources to undertake the analysis. This included the Infometrics Regional Database and a number of publicly available datasets from agencies including Livestock Improvement Corporation, Statistics New Zealand, Ministry of Business, Innovation and employment (MBIE), Ministry of Education (MoE), Ministry for Primary Industries (MPI), Ministry for Social Development (MSD) and the New Zealand Transport Agency (NZTA).

New data is being made available at regular intervals. To allow us to undertake the analysis, all data used was finalised on 31 July 2016.

Identifying key sectors in Tai Poutini West Coast

An important part of the study was to define and identify sectors that have the greatest potential for growth on the West Coast. These will be the sectors that will support jobs and incomes in the future.

Consistent with previous regional growth studies, potential was determined based on three criteria:

1. **Competitive strengths** – the current or potential strength of the sector value chain in the West Coast region. We considered employment and value added (GDP) scale and growth, estimated productivity and growth and the concentration of the sector (location quotients).
2. **Market opportunities** – sector value chains with large and growing demand for their products or services and hence potential for investment, talent and business attraction and development. We considered:
 - national growth (i.e., GDP and employment trends and forecasts of GDP and employment nationally) – this is particularly relevant for service based sectors that are predominantly selling domestically (and hence growth suggests growing national demand).
 - export demand potential based on trends in regional export estimates and trends in the value of New Zealand's exports worldwide.
3. **Broader impacts on the economy** – the extent to which the sector value chain impacts on other industries and incomes. We assessed broader economic impacts by considering:
 - whether the sector has been identified as an important driver for the region or districts in previous research
 - sector earnings
 - forecast growth in employment.

These broader impact factors were only considered for sector value chains that rated highly on competitive strength or market opportunities.

Based on our analysis and discussions with stakeholders, we identified 10 sector value chains as having potential to drive income and employment growth on the West Coast. These sectors were categorised into two groups: key sectors and niche or emerging sectors.



Key sectors

These are sectors that ranked highly on several of the criteria. That is, they are of significant scale, are reasonably concentrated on the West Coast, have demonstrated growth in employment, have large flow-on impacts to other sectors, and have further potential for growth based on what is known about resource availability, national and/or offshore market demand. Key sectors are:

- minerals and related processing
- dairy and related processing
- construction and related services
- tourism
- health services and aged care.

Niche or emerging sectors

These are sectors that meet some of the criteria. For example, they may be currently small scale but are concentrated in the region, they may have exhibited limited trend growth but are expected to grow more significantly in future. These sectors are:

- food and beverage cultivation and processing
- aquaculture, fishing and related processing
- forestry and wood processing
- creative and ICT
- education.

The 10 sectors were the focus for subsequent detailed research, analysis and consultation with stakeholders.



Criteria for assessing opportunities

During the research and consultation, we identified a long-list of sector-based and cross-cutting opportunities and challenges. We identified a range of proposals to enable the region to take up those opportunities or to overcome the challenges. We assessed each of the proposals against the criteria in Table 1.

Table 1. Criteria for assessing proposals

Assessment Criteria	Questions for consideration	Assessment rating
Validity	Will the proposal overcome clear problems impacting on sector performance or enable sector/s to take up opportunities for growth that would not otherwise be the case (or enable opportunities to be taken up faster or better)? Is there clear evidence about the problem/opportunity or reasonably well-researched or worked-up proposals?	Low: based on conjecture and limited evidence. Medium: based on what appears to be a clear issue or opportunity, but more evidence is needed (not yet definitive). High: based on systemic problems or opportunities and clear evidence.
Potential impact	To what extent will the proposal have a sizable impact on the economy, i.e., will improve productivity, incomes and jobs (given the focus of the study) and have flow-on impacts to the wider economy (e.g., skills development, market connections, reputational effects)?	Low: expected <\$5m in value add over 10 years and/or <50 jobs; limited wider economic benefits; or impacts not really known. Medium: expected \$5m-\$25m in value add over 10 years and/or 50-250 jobs; some wider economic benefits. High: expected >\$25m in value add over 10 years and/or >250 jobs; significant broader economic benefits.
Regional significance	Is the proposal important to and/or likely to benefit a broad cross-section of the region (e.g., multiple locations, districts or communities of interest)?	Low: specific to one district, location or community of interest; limited if any impact on other parts of the region. Medium: impacts on a few locations or communities of interest. High: will impact on the larger region; or impact across several locations and communities of interest.
Practicality and manageability	Is the proposal realistic and able to be implemented?	Low: likely to be difficult to implement. Medium: somewhat complex to implement but achievable. High: relatively easy to implement.
International orientation	Does the proposal have the potential to increase export earnings, overseas investment and/or attract international skills?	Low: limited impact on foreign direct investment (FDI), overseas skills attraction and/or exports. Medium: some impact on FDI, overseas skills attraction and/or exports. High: directly attracts FDI, overseas skills and/or exports.



Assessment Criteria	Questions for consideration	Assessment rating
Ability to draw on local and regional priorities and investment	Does the proposal build on previous or current work and investments and hence will be able to draw on local resources?	<p>Low: is a new project to the region; has not been scoped.</p> <p>Medium: some existing work, e.g. scoping or research undertaken; is related to a priority in a regional strategy or plan.</p> <p>High: a range of research, scoping, market assessment etc. has been undertaken; is consistent with a priority in a local or regional strategy or plan.</p>
Consistency with national priorities	To what extent is the proposal consistent with existing strategic priorities of central government priorities such as those delivered under the Business Growth Agenda (and hence to what extent will it be able to draw on central government resources).	<p>Low: not related to a priority.</p> <p>Medium: indirectly related to one or more priorities.</p> <p>High: directly related to one or more priorities.</p>

Depending on the level of information available, our assessment often reflected judgement and related or similar proposals we were aware of in other areas of New Zealand. In many cases, specific information about potential benefits, costs and reach of a proposal was not available.

Based on our assessment we identified a list of what we regarded as the highest-rating proposals. Our assessment was then considered and debated by the Governance Group, who used their local and sector expertise to identify a shorter list of the highest-priority proposals for the region.

It is important to emphasise that this study report does not include every opportunity we uncovered during the consultation process. Several opportunities were simply preliminary ideas, some were specific to a particular community rather than being regionally significant, and some were dependent on processes beyond the scope of this study. For example, there were several ideas suggested for the future of Holcim's site but whether any of those have real potential will depend on the outcomes of the sale process.

In addition, we clearly could not consult with all businesses and stakeholder groups. There may be opportunities being developed that have not been brought to our attention.



THE WEST COAST ECONOMY



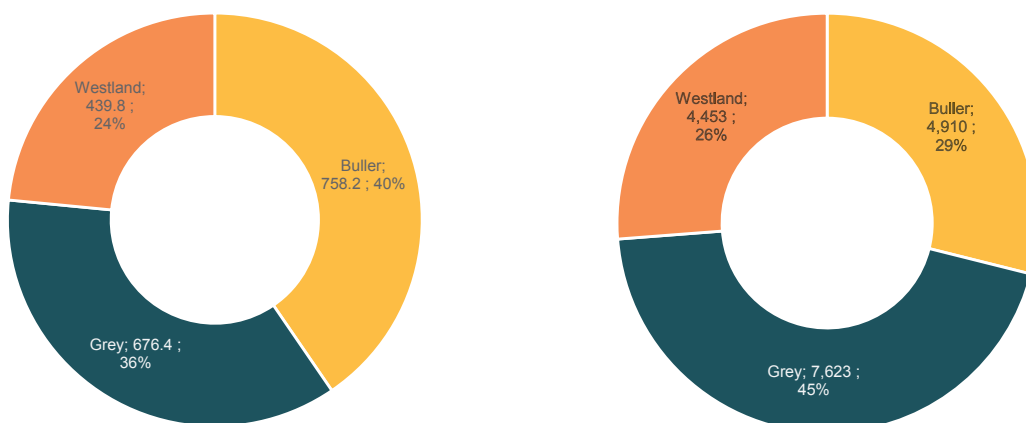
THE WEST COAST ECONOMY

In 2015, the West Coast generated \$1.87 billion¹ in regional gross domestic product (GDP) and employed close to 17,000 people. The population was estimated to be 32,700 in June 2015.

The region accounts for less than 1.0 percent of national GDP (0.85 percent), employment and population (both 0.7 percent).

Buller is estimated to make the most significant contribution to GDP in the region, at around 40 percent of the economy, followed by Grey (36 percent) and Westland (24 percent). In terms of employment, Grey accounts for 45 percent of filled jobs, followed by Buller (29 percent) and Westland (27 percent).

Figure 2. GDP and employment by West Coast District, 2015



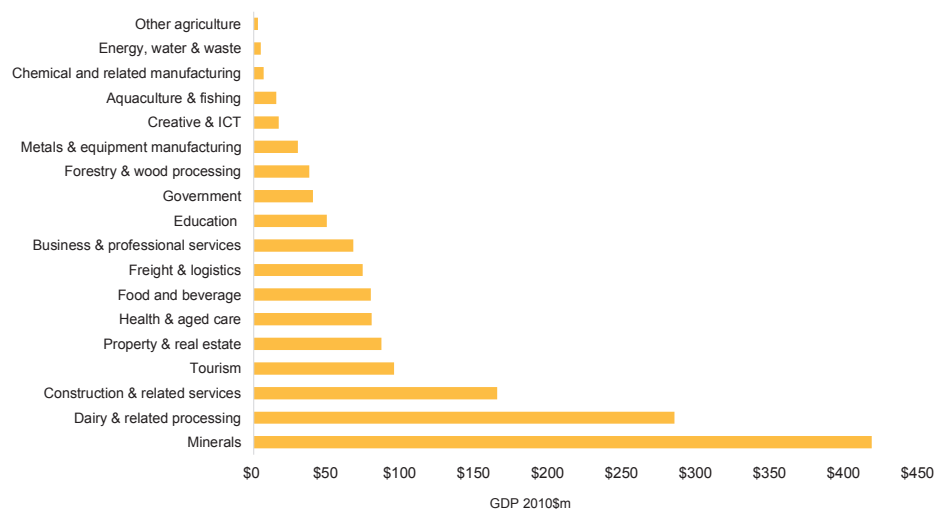
Source: Infometrics regional database

The West Coast's GDP and employment is heavily concentrated in just a few sectors, with minerals, dairy, construction and tourism making up over 50 percent of the value of output and 40 percent of jobs.

¹ All GDP is in 2010 dollars. Growth in GDP is real, i.e., accounts for change in prices (inflation).



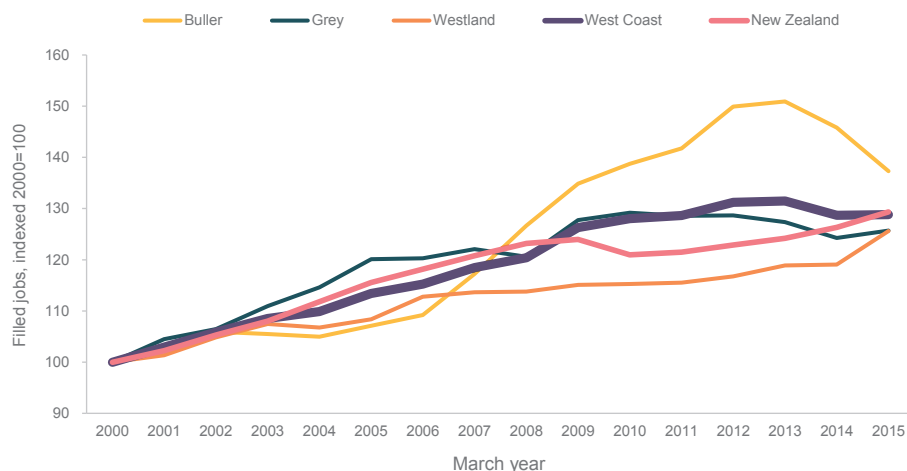
Figure 3. GDP by sector, West Coast, 2015



Source: Infometrics regional database

The region has performed well over the long-term on the back of these sectors and experienced relatively high growth over 2000–2012, even after the global financial crisis. The economy is estimated to have been growing at 2.2 percent per year over the last decade compared with 1.9 percent nationally.

Figure 4. Employment change, West Coast districts and New Zealand, 2000–2015



Source: Infometrics regional database



However, the small domestic economy and reliance on a few sectors makes the West Coast economy vulnerable to economic shocks, for example, the significant impact of lower international coal, gold and dairy prices over the last 3 years.

Largely as a result of the decline in dairy and minerals prices over the last 3 years, GDP and employment (filled jobs) have contracted by -2.3 percent per year and -0.6 percent per year respectively.

The three West Coast districts have performed significantly differently. Buller has been hit hard by the contraction in minerals activity while Grey, as the main service centre, has seen activity drop in the minerals, dairy and support services sectors.

Although Westland has been affected by the contraction in dairy, growth in tourism has offset this. Westland has grown at the fastest rate over the last 5 years (3.9 percent per year GDP growth). Buller has achieved more moderate growth (2.0 percent per year) over the last 5 years although this captures the tail end of the mining growth. GDP in Grey has declined over the last 5 years (by 3.4 percent per year).

The region is performing below national averages on some indicators of prosperity.

Median household income on the West Coast was well below the national average when last measured and also below several comparator regions (annual median household income in 2013 was \$55,000 compared to \$63,800 nationally). Annual average earnings on the West Coast in 2014 was also lower than the New Zealand average (\$50,700 compared to \$54,300), but was towards the middle of New Zealand regions. The average earnings level in Buller in 2014 was relatively high (\$57,200), while it was relatively low in Westland (\$46,500).

The region's labour force participation rate declined between 2007 and 2015 (from 75 percent to 66.2 percent). The region's employment rate also fell over the period (from 73.1 percent to 65.4 percent). However, these rates were similar to those for New Zealand as a whole (which had a labour force participation rate of 68.7 percent and an employment rate of 64.5 percent).

The West Coast performs better on several measures of wellbeing.

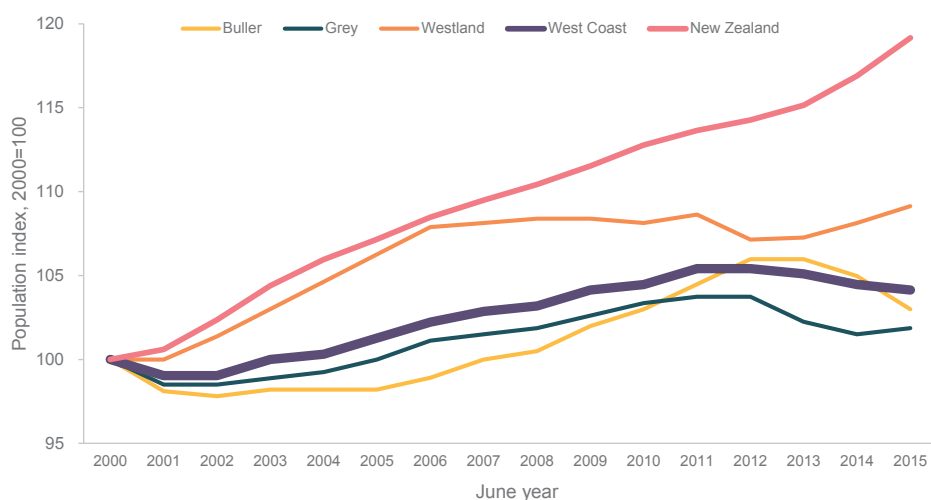


Based on OECD regional wellbeing indicators, the West Coast ranks higher than the New Zealand average on measures related to education, environment, safety and life satisfaction. However, the West Coast ranks lower on measures of health (life expectancy, mortality rate) and community (proportion of people with friends and relatives to rely on in case of need). Positively, housing is much more affordable on the West Coast than in other regions.

Poor economic growth has limited population growth and, more recently, has resulted in a decline in the population.

Between 2006 and 2013, population growth on the West Coast (0.37 percent per year) was half the national rate (0.74 percent per year) and lower than for many other regions. The population in Buller grew strongly over that period (1.1 percent per year) while the population in Grey grew very slowly (0.16 percent per year). Westland experienced a decline in population (-0.16 percent per year). All of the West Coast's population growth over the 7 years has been due to natural increase (more people being born than dying), with a net migration outflow (more people leaving than arriving).

Figure 5. Population change, West Coast districts and New Zealand, 2000–2015



Source: Infometrics regional database

Between 2013 and 2015, the West Coast's population is estimated to have declined by 390 people. At a district level, Westland's population is estimated to have grown, while the population in Buller and Grey is estimated to have declined.



A much higher proportion of the West Coast's population identifies as European (84 percent) than nationally (67 percent) and a smaller proportion identifies as Māori, Asian or Pasifika. Similarly, a much smaller proportion of the population was born overseas (11 percent) than across New Zealand as a whole (25 percent). This may limit the international connections of the region and its ability to attract a more diverse population.

While accounting for a relatively small proportion of the population (11 percent), Māori are playing an increasing role in the West Coast economy.

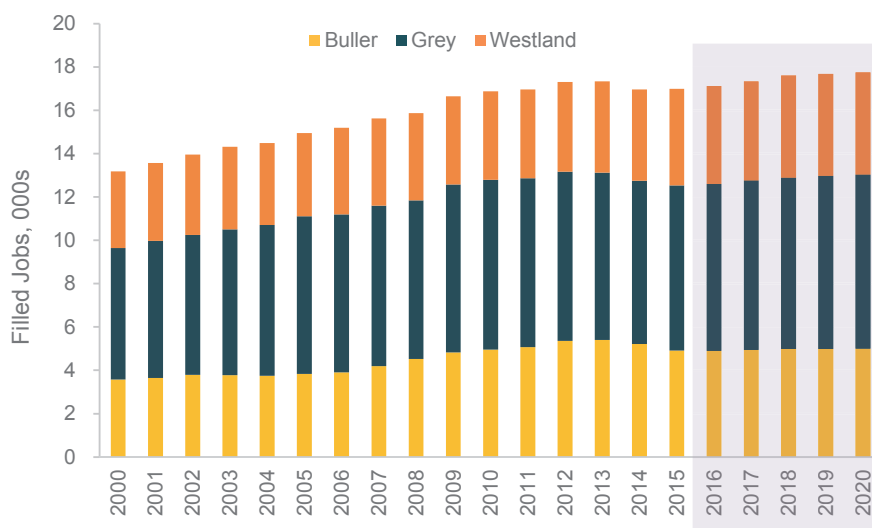
Ngāi Tahu has several commercial interests and is a key player in tourism and forestry in the region. Māwhera Incorporation has strategic commercial assets in Greymouth and is actively looking at investing in the region. As tangata whenua of the West Coast, Māori have an important role as kaitiaki of the region, including its large conservation estate

Looking ahead, although dairy and coal prices are expected to recover somewhat, the coal industry is unlikely to be as significant as it has been in the medium-term and, possibly, in the long-term. Tourism is likely to grow in significance.

Not surprisingly, the West Coast's economy is forecast to grow relatively slowly under a business-as-usual scenario. Employment in the region is estimated to grow by only 0.9 percent per year over the 5 years to 2020, compared to 1.5 percent nationally. Employment in both Grey and Westland is forecast to grow by more than 1 percent per year but employment in Buller is expected to be relatively static and grow by only 0.3 percent per year over the 5 years.



Figure 6. Employment change and forecast, West Coast districts, 2000–2020



Source: Infometrics regional database



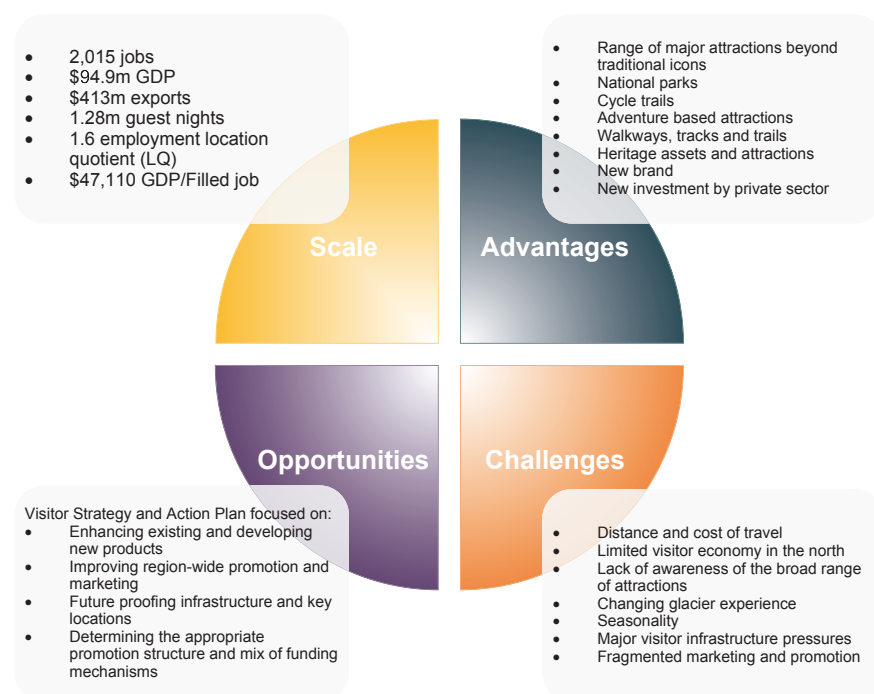
SECTOR OPPORTUNITIES



TOURISM

Overview

Figure 7. Summary of the tourism opportunity



Tourism is one of the largest and fastest growing sectors on the West Coast. In 2015, it contributed \$94.9 million in GDP (5 percent of the regional economy) and employed 2,015 people (12 percent of the region's jobs). The sector's employment is strongly concentrated in the region, with a location quotient of 1.6², which suggests that it is underpinned by resource advantages.

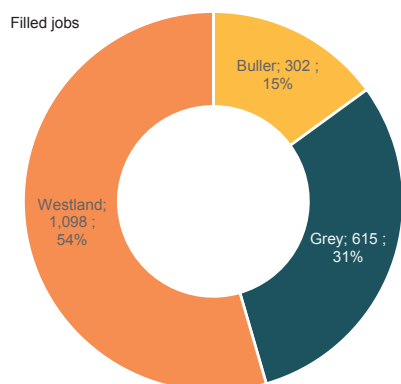
The sector has low productivity, with each worker producing less than half of the region's average level of GDP per filled job. In part, this reflects the labour-intensive nature of the work.

The sector's GDP grew by 2.2 percent annually over the last 5 years. Employment declined slightly over the last five years (by 0.2 percent per annum). Employment in the sector is concentrated in Westland (54 percent) and Grey (31 percent).

² Location quotients measure the intensity of employment in a sector in the region relative to the sector's employment in New Zealand. A location quotient higher than 1.25 indicates that the sector is producing more than is needed for local use and is selling outside the region. This is often due to underlying natural or labour advantages.

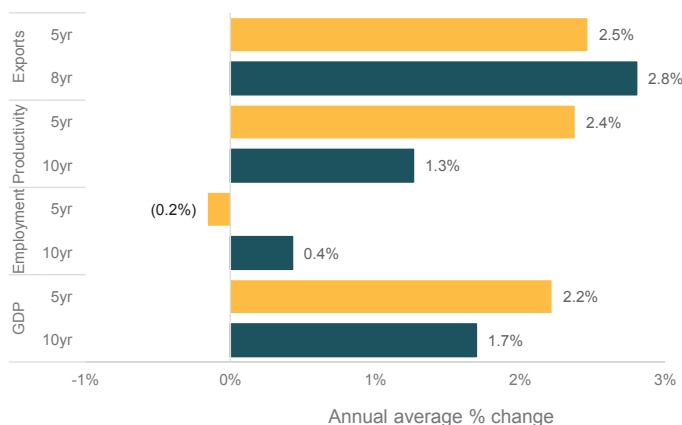


Figure 8. Tourism employment, 2015



Source: Infometrics regional database

Figure 9. Tourism, growth rates of key indicators, 5yr and 10yr

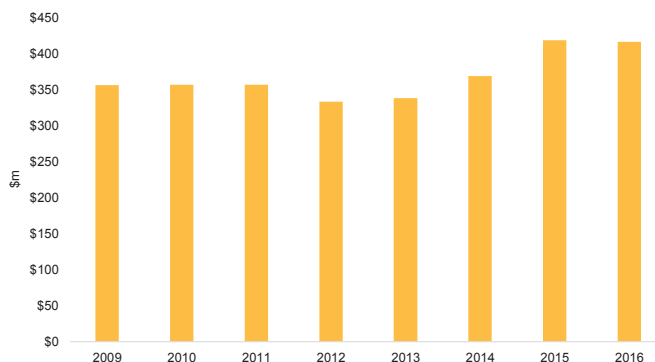


Source: Infometrics regional database
Note: Compound annual growth

Visitor expenditure has grown from \$356.6 million in 2009 to \$416.5 million in 2016 (2.3 percent per year). Expenditure was steady from 2009 to 2011, before falling to a low of \$333.7 million in 2012 before growing strongly, peaking at \$418.8 million in 2015 (Figure 10).

Over the last 2 years, visitor expenditure grew by 7.2 percent per year. Guest nights in the region grew at 8.8 percent per year over the same period, the second fastest rate of growth in the country.

Figure 10. Visitor expenditure on the West Coast, 2009–2016



Source: MBIE, Regional Tourism Estimates
Note: May years

Growth is currently driven by international visitor spending in Westland. At 55 percent of total visitor expenditure, the contribution of international visitor spending was the highest of all regions in New Zealand in the year ended May 2016, and well above the New Zealand average of 40 percent.

There has been relatively poor growth in domestic visitor spending in the region and visitor expenditure has declined in Buller over the medium-term.



Strengths and challenges

The West Coast has excellent potential to sustainably grow the visitor economy with a large range of visitor attractions that include major natural assets, heritage assets, adventure-based attractions, and cycling and walking trails. These attractions span the entire length of the region.

But the sector does face some significant challenges. These include:

- being **distant from visitor markets** – the closest domestic markets are around 3 hours away by car and, with limited flights, getting to the West Coast from Auckland can take over 7 hours.
- **limited awareness of the range of attractions** beyond the icons of Pancake rocks and the glaciers. Visitors to these tend not to stay long in the region but rather do a day-trip, stopping in either Greymouth or Hokitika before heading to the glaciers. Overnighters tend to stay in Franz Josef or Fox and then leave the region from there.
- a **high level of seasonality** – this is consistent with New Zealand, although with higher peaks and troughs. Combined with a small local population it is difficult for visitor-related businesses in some areas to maintain revenue flows in the winter months. It also creates significant pressure on infrastructure during the peak.
- **infrastructure pressures** resulting from a combination of visitor growth (exacerbated during peak season) and natural hazards (flooding, coastal erosion and weather events), including at Punakaiki and Franz Josef. There is limited broadband and mobile phone network access, including an area of some 200 kilometres between Fox and Haast where there is no mobile phone coverage.
- **difficulty extracting value** from many attractions, which are currently free to access and use as a result of many being on the conservation estate. Similarly, the costs of establishing and maintaining attractions such as cycle trails are difficult to cover through existing funding mechanisms.
- a **fragmented approach to promoting and developing** tourism in the region resulting in duplication and gaps in visitor marketing and promotional activities, limited tourism development in some areas, and poorly funded tourism focused organisations that are often competing for funding and for visitors.



Opportunities

With an array of inter-connected challenges, the major opportunity is to deal with these in a cohesive and coordinated way through a regional visitor strategy and action plan.

Develop a regional visitor strategy and action plan

This strategy and action plan should focus on five areas.

1. Enhance existing products and develop new products

To spread the visitor load over the broader West Coast region, particularly to the north, several existing and potential attractions should be developed or enhanced. The visitor strategy and plan should:

- Identify and confirm new icons for major development and promotion in addition to the glaciers and Pancake rocks, such as Oparara Arches in Karamea, the Hokitika Gorge, Lake Brunner and the Blue Pools of Haast Pass, and determine what is needed to increase visitor numbers to these locations.
- Accelerate the case for, and development of, proposed attractions in Buller and Grey (e.g., the business case for the Charleston to Westport Cycle Trail, Pike 29 Trail).
- Consider the role of, and opportunities for, enhancing cultural and heritage products and how they could be better accessed and packaged to meet visitor interests, including creating events and tour company itineraries.
- Identify how major cycle ways will be completed and maintained over time.
- Identify additional major event and conference opportunities. An improved product mix and additional accommodation capacity will provide the opportunity to develop new events and host more conferences.
- Identify opportunities to develop a stronger Māori offering, including marae experiences, culturally significant sites, and Pounamu and Aotea stories on Tai Poutini. For example, Makaawhio are currently working through a new project to develop a cultural tourism venture based on pounamu.



2. Improve region-wide promotion and marketing

The region needs to develop and implement a regional marketing plan, that has clear target markets domestically as well as internationally, and that identifies a clear visitor proposition, aligned with the new 'Untamed Natural Wilderness' brand. The plan should include a focus on:

- marketing a fuller range of key attractions nationally and internationally, such as the Denniston Experience, Shantytown and other heritage attractions, Underworld rafting, the West Coast Treetop Walk, Pounamu experiences etc.
- reducing the level of visitor seasonality
- ensuring district promotion is consistent with regional marketing.

3. Future-proof infrastructure and key locations

The West Coast clearly needs further investment in, and accelerated improvements to, telecommunications, road resilience, accommodation and hazard mitigation infrastructure. This will require a combination of private sector and central government contributions. The development of the visitor strategy and action plan should include a process for identifying the resource requirements associated with major infrastructure projects and how improvements will be rolled out. In particular, this should include:

- Supporting identified infrastructure requirements in Franz Josef (e.g., flood protection) and Punakaiki (e.g., erosion protection) and assessing the long-term infrastructure needs at Franz Josef.
- Accelerating planned roading improvements in the Regional Land Transport Plan (e.g., passing opportunities) and assessing and progressing road maintenance and related improvements (e.g., signage, parking) to the proposed broader range of potential iconic visitor attractions such as Oparara Arches.

4. Determine the appropriate structure for tourism promotion and marketing across the region

There is a need to assess options for improving economic development and tourism arrangements in the region and to implement a new approach. Options should consider whether economic development and tourism functions should be combined or remain separated, and whether services should be delivered externally or in-house (i.e., through councils).

In addition to the broader delivery model, the appropriate mix of regional and district promotion groups needs to be determined.

5. Determine the appropriate mix of funding mechanisms for tourism marketing and development

All of the above elements of the visitor strategy and plan will require investment. It is apparent that the region needs a more sustainable approach to fund tourism promotion, product development and maintenance, and visitor infrastructure. The approach needs to reflect the West Coast's unique characteristics, such as the high proportion of visitors relative to residents, the high proportion of conservation land and the incidence of costs and benefits.



A comprehensive review of the feasibility, benefits and costs of a range of funding options is needed to identify the best mix of funding mechanisms for the region. This should include consideration of the mix and feasibility of industry contributions, sales of merchandise and advertising, general and targeted rates, grants, user charges (including charges to visitors on conservation land and/or a visitor levy) and central government contributions. It should also include an assessment of opportunities for commercialising a broader range of attractions, such as heritage attractions (e.g., through guiding activities). A specific element of this review should be funding options for cycle trails.

Our assessment of the proposal

We consider that if the West Coast takes up the opportunity to spread the visitor load, enhances existing products, grows new tourism products in the north and improves marketing and promotion – supported by a more sustainable funding model – then the region has the potential to meet Tourism Industry Aotearoa’s ambitious goals of growing international tourism expenditure by 6 percent per year and domestic expenditure by 4 percent per year to 2025.

If the region achieves these targets, visitor expenditure could grow to \$530 million by 2020. Assuming a constant ratio of expenditure to GDP and constant productivity growth, tourism GDP could increase to around \$125 million and employment to 2,380 by 2020. This is significantly higher than the business as usual forecast (\$101 million in GDP and 2,150 employment).

Beyond the expenditure, value and job benefits to the tourism and construction sectors, wider benefits from the successful implementation of the proposal are likely, including:

- **Flow-on economic benefits** to a broader range of sectors as a result of increased visitor spending. Increased visitation to small, remote communities can result in investment in local amenities and services over time.
- **Social and community development** – Cycle trails and cultural and heritage attractions help to bring communities together, encourage volunteerism, and improve quality of life.
- **Environmental benefits** – several of the elements of the proposal could help to resource the maintenance and protection of natural amenities and wildlife.

The type and scale of these impacts will depend on the projects that end up being completed, the inputs used, and the extent of outreach and engagement with local business and community groups.

A risk with the proposal, if it is successful, will be managing the tension between growing the visitor economy and maintaining an authentic tourism experience, including the impact on communities and natural attractions.



This proposal ranks highly on our criteria. There are clearly identified issues and opportunities that can be addressed, the potential impact is large and the benefits will be region-wide.

As noted, existing local and national work and initiatives can be leveraged. The proposal rates lower in terms of its manageability because of the number of component parts and its complexity.

Table 2. Assessment of the tourism strategy and action plan proposal

Criteria	Assessment
Validity	High
Potential impact	High
Practicality	Low-Medium
Regionally significant	High
International orientation	Medium
Ability to leverage local/regional work and investment	High
Consistency with national priorities	High
Overall assessment	High

The Governance Group also assessed this proposal as a high priority.

Next steps

The process for developing the strategy and action plan can build off existing work by Tourism West Coast and the regional economic development manager, who have instigated the development of a tourism strategy, including the new brand and associated marketing, the identification of new icons and new channels to market. Our proposal has additional elements and will require extra resources to implement.

The proposal is however, complex, and several dimensions will need to be progressed concurrently. For example, it will be difficult to develop new iconic attractions and new products unless the funding model is improved. It will similarly be difficult to improve marketing and promotion without the enhancements to resourcing and promotional arrangements. Some of the components will require national-level policy processes (e.g., the assessment of the potential for user charges on conservation land). Developing the strategy and plan will require the input of a large range of stakeholders, including industry, iwi, community groups, councils and central government agencies.

Part of the task of the action planning stage will be to determine those elements of the proposal that can be progressed relatively quickly versus those that will likely take up to 2 years and what that will mean for the implementation of the visitor strategy and plan.

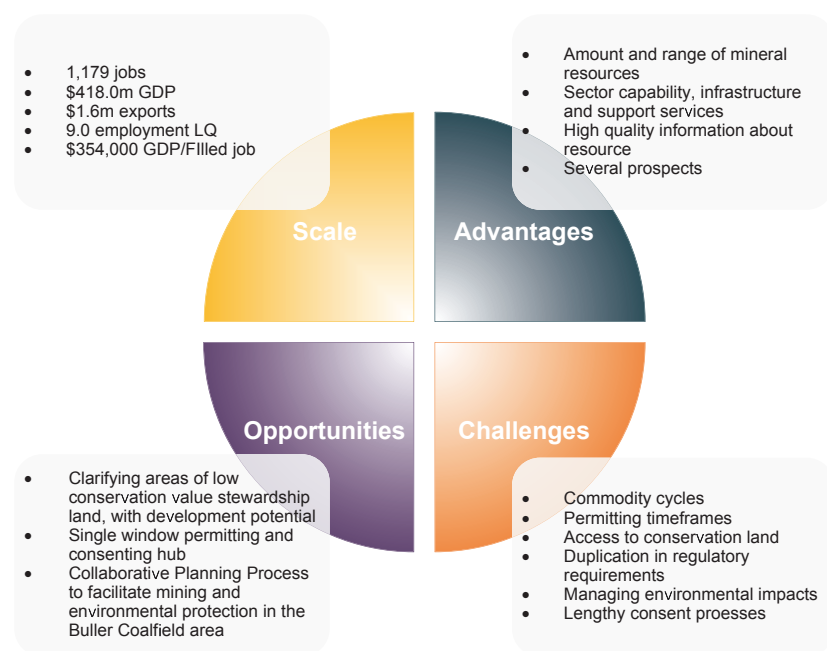
It is important that Ngāi Tahu and the local rūnanga are engaged from the beginning of the proposed visitor strategy and action plan. They bring a combination of cultural and commercial perspectives to the discussion and also have resources to support agreed developments.



MINERALS AND RELATED PROCESSING

Overview

Figure 11. Summary of the minerals and related processing opportunity



Although the minerals sector in the region has contracted in recent years, it still is, and will continue to be, a large-scale and high-value industry.

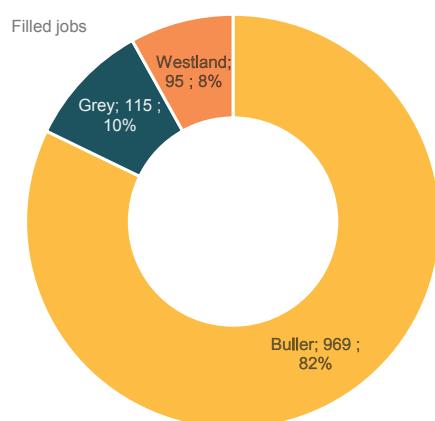
The minerals sector generated \$418 million in GDP, or 22 percent of the value generated by the West Coast in 2015, and supported 1,180 jobs, or 7 percent of employment. The minerals sector has extremely high productivity (\$354,500 of GDP per filled job) and generates high incomes.

The large majority of employment in the sector is in Buller (82 percent). In 2015, coal and gold mining together made up almost 75 percent of employment in the sector.



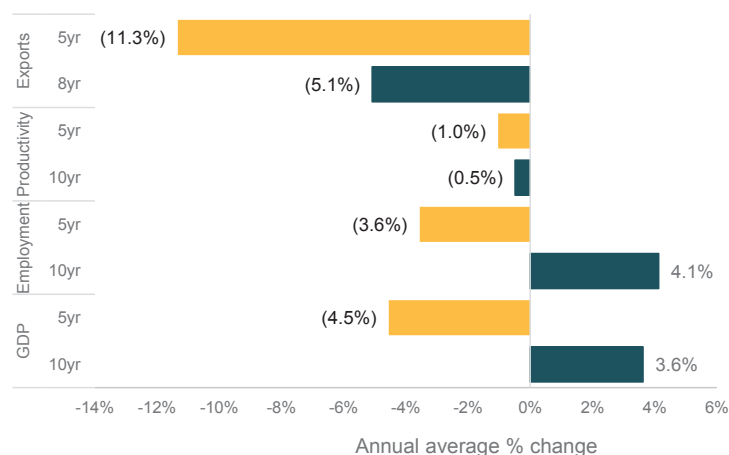
Sector activity has declined over the last 5 years. Estimated real GDP fell significantly, by 4.5 percent per year, and employment fell by 3.6 percent per year. Exports fell dramatically.³

Figure 12. Minerals & related processing employment, 2015



Source: Infometrics regional database

Figure 13. Minerals & related processing, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

There has been large-scale downsizing and commencement of care and maintenance activities in relation to export-focused mines (e.g., Escarpment, Spring Creek, Roa) in response to coal and gold prices. Employment in the sector on the West Coast has fallen from 1,660 in 2012 to 1,180 in 2015, or a fall of 11 percent per year during that period. The closure of Holcim will see a further large drop in employment this year.

The decline in the sector has significantly affected Buller, which was exposed to both coal and gold mining, and also considerably affected Grey, which was exposed to coal mining.

Strengths and challenges

The West Coast has significant advantages in the minerals sector given the volume and range of minerals, the local infrastructure and capability. There are strong local mining businesses as well as supporting businesses in machinery and equipment manufacturing, engineering, surveying, and construction. There is an experienced labour force and a well-functioning industry body.

There are real prospects for maintaining and growing minerals production on the West Coast. Domestic coal producers have remained profitable, with West Coast coal being used in a range of industries on the South Island. Alluvial gold mining has remained an important industry for the West Coast, with up to 60 active operations from South Westland to Northern Buller.

³ Exports are based on the volume of coal exported. Due to suppression of export values we are unable to provide a measure of minerals exports on the West Coast consistent with other sectors.



As the largest coal producer by far on the West Coast, the current sale of Solid Energy assets provides the most significant opportunity to maintain coal production at scale.

Companies are continuing to look for investment, development and exploration opportunities. Rangitira Developments Ltd and Stevenson Mining have applied to the Department of Conservation (DoC) for access to a conservation area for an open-cast coal mine at Te Kuha. Companies are also exploring the potential of 'non-traditional minerals' including garnet placer deposits, ironsands, coal-seam gas development and petroleum. Sector feedback suggests that at least one of these is likely to be developed in the next 2–3 years.

Poutini Ngāi Tahu engage with the mining sector on a regular basis, through direct relationships with companies, governance agencies and industry organisations, as well as being resource-owners and developers. Rūnanga have a history of supporting mining activities that have effective measures in place for regeneration/remediation, taking an intergenerational view to development.

Other than the impact of international market conditions, the sector is facing several challenges in the region:

- Sector feedback suggests that in many cases they are experiencing **long timeframes for the processing of exploration permits** (e.g., 12-18 months for permits). It is also likely that permitting fees will increase as a result of a current fees review, although the sector may be more accepting of this if it results in more efficient services.
- **Access to land for prospecting and exploration can be particularly difficult** on the West Coast because of the significant proportion of land in the conservation estate (around 85 percent), which means that an access agreement is required under the Crown Minerals Act 1991 from the Minister of Conservation or, for significant projects, from the Minister and the Minister of Energy and Resources.
- **A large proportion of the West Coast conservation estate is stewardship land** (around 45 percent), which means that its conservation value has not been classified. Sector representatives in the region consider that there are areas of stewardship land that are of low conservation value with minerals potential, which should be candidates for sale, land swaps or reclassification. They also expressed concerns that some areas of low-value land are being added to national park areas without consideration of mineral potential.
- Sector representatives pointed to what they observed was unnecessary **duplication of regulatory approval processes**, which add to the time and costs involved in commencing exploration or mining. In some cases, up to six approvals related to resource management are required.
- There have been significant **difficulties and costs faced by companies in obtaining consents** for new mines due to environmental objections and process hurdles (e.g. the Escarpment consent process took several years and reportedly cost Bathurst over \$15 million dollars).



Opportunities

The opportunity is to create the conditions now to allow current mineral developments to be achieved – and achieved efficiently – while balancing environmental impacts, and to encourage new investment in the region when prices recover.

Three opportunities are proposed:

1. Clarify areas of stewardship land of low conservation value that have development potential

The ambiguous status of stewardship and the lack of information on its conservation values create significant uncertainty for activities that may seek access to pursue development opportunities, such as mining.

It should not be assumed that all of stewardship land is of high conservation value or low conservation value. No systematic assessment of the land has been undertaken on the West Coast.

The Parliamentary Commissioner for the Environment reviewed stewardship land nationally in 2013 and recommended that DoC identify areas that are clearly of significant conservation value and reclassify them in accordance with that value. In 2015, the West Coast Conservation Board agreed to choose the top five stewardship land areas and decide how it would like to classify these and the criteria on which this would be based.

However, rather than just identifying areas of high conservation value, we suggest also focusing on identifying areas of low value that could be used for other productive uses (e.g., with mineral potential), sold or swapped.

Our assessment of the proposal

An accelerated programme of assessing stewardship land for its conservation values and making appropriate determinations on whether to reclassify, swap or dispose of it would significantly improve certainty over the potential opportunities for the use, development or conservation of this land.

As well as increasing certainty for minerals and related processing sectors, it could support the development of other sectors such as dairy, and would be an important information base for wider strategic decisions on the appropriate use of natural resources in the region.

Low conservation value stewardship land could be swapped for high conservation value private land, enabling greater economic development opportunities as well as delivering long-term conservation benefits through permanent protection of high conservation value land within the public conservation estate.



This proposal rates high on our assessment in that it is based on addressing an obvious opportunity for the sector and region, is likely to be regionally significant and could leverage the previous work on identifying areas of high conservation value.

Table 3. Assessment of proposal to identify low conservation value stewardship land

Criteria	Assessment
Validity	High
Potential impact	Medium-High
Practicality	Low-Medium
Regionally significant	High
International orientation	Low-Medium
Ability to leverage local/regional work and investment	High
Consistency with national priorities	Medium-High
Overall assessment	Medium-High

The proposal rates lower in terms of its practicality because it will require significant work and time to undertake the required assessment and consultation. The Governance Group also assessed this proposal as a high priority.

Next steps

The West Coast Conservation Board, in consultation with iwi, councils and the wider public, could be asked to identify areas based on clear criteria (e.g., 10 areas in the first instance). The review and reclassification would need to have a clear and appropriate timeframe to ensure requisite surveying and consultation (e.g., 2 years) and be well resourced.

Consultation with Ngai Tahu will be integral to the process as they have Right of First Refusal to any Crown land intended for sale or swap.

2. Create a 'single window' for dealing with applications and consents

Significant development proposals can require several approvals by multiple agencies, often with over-lapping requirements. Although criteria for decision-making and information requirements will vary because of different legal mandates, there is potential for considerable duplication. There is the potential for resource consent applications under Regional and District Plans to be considered together through a single process, but this is not common practice.

A single window could overcome these barriers and involve and be comprised of a co-located team from the relevant agencies (e.g., councils, New Zealand Petroleum and Minerals (NZPAM), DoC) with the expertise and capability to jointly assess applications for resource consents, concessions and access agreements.

This team would provide coordinated processes for pre-application meetings, set out information requirements, and review information requests and documents such as assessments of environmental effects. The team could also provide coordinated processes for public notifications and community and iwi consultation and engagement; and undertake all support services for combined district/regional resource consent hearings.



Our assessment of the proposal

A single window should significantly speed up the application process (e.g., by reducing delays in exchanging information across agencies and undertaking consultation) as has been demonstrated by similar approaches offshore. It would thus reduce costs to applicants (and to others involved in the process).

A single window would pool capability for the assessment of complex development approvals and aid in the consistency and quality of assessments. It may also attract talent that may not otherwise be drawn to working for a smaller agency. The increased scale could warrant further investment in improving regulatory practice.

Although there may be risks that environmental issues are not given their due in a streamlined and facilitated process, the evidence offshore suggests that this does not need to be the case. In fact, it may allow these issues to be examined in a more comprehensive way by combining the resources and expertise of several agencies.

There will be costs involved in setting up the real and/or virtual office and processes, although these may be offset by savings through reduced duplication and shared office functions.

This proposal rates high on our criteria, as it is likely to genuinely reduce the costs and time involved in the regulatory approval processes and the impact of this may be substantial. It is also consistent with local and central government priorities to reduce the costs associated with compliance and regulation. As with several of these proposals, the complexity will be in designing and implementing the concept and processes involved.

Table 4. Assessment of single window for regulatory approvals proposal

Criteria	Assessment
Validity	High
Potential impact	High
Practicality	Medium-High
Regionally significant	High
International orientation	Low-Medium
Ability to leverage local/regional work and investment	High
Consistency with national priorities	High
Overall assessment	High

The Governance Group also assessed this proposal as a high priority.

Next steps

Representatives from the Councils, MBIE (including NZPAM), the Department of Conservation, in consultation with iwi and sector representatives, will need to design the scope of and operating procedures for the single window.

Māori should be engaged effectively through the process. This would ensure that iwi would be aware of applications and development proposals early in the process and be a partner and facilitator rather than a constraint or barrier. This is particularly important where development is proposed in pounamu management areas, where Ngāi Tahu own pounamu resources that may be affected by activity.



3. Create a Collaborative Planning Process to facilitate mining and environmental protection in the Buller Coalfield area

Several areas of the Buller Coalfield have already been subject to lengthy and extensive consenting processes and so a considerable amount is known about the resources and the habitat and eco-systems in these areas. The proposal is to streamline the approval, and establishment, of further mining, as well as environmental protection, in selected areas of the Coalfield.

The idea would be for all relevant parties (minerals companies, environmental groups, iwi, relevant community groups, and local and central government agencies) to determine the conditions under which mining could be a permitted activity in specific areas of the Buller Coalfield and for this to be incorporated in the District Plan. For example, it might be that if mining companies can demonstrate upfront the economic benefits and costs of the project and that they can meet specified tests for the management, rehabilitation and compensation for environmental effects, then the mining activity would be permitted in specific areas and consents would not be required. Additional areas of the Coalfield could also be identified for protection as part of the process.

Our assessment of the proposal

We see the merits of this proposal given that it would be an extreme waste of resources for all parties to go through several years of consenting and appeals processes for every project in the area if they are effectively based on similar evidence and arguments to prior processes, and given it is likely they will result in the same outcomes.

The proposal might be seen as favouring a small number of companies, but the fact is that the areas of mining involved are the largest contributors to the value generated by, and employment in, the sector and hence are important contributors to the economy. Moreover, a key part of the process could also be identifying areas of the Coalfield for environmental protection, which can result in broader social, environmental and economic benefits.

The efficacy of a collaborative process will depend on all parties being prepared to be part of the process and being open to compromise and coming up with a consensus position.

This proposal rates lower on our criteria mainly because it is quite possible that such a collaborative process will not be feasible. The impact, although potentially significant in the short-term, in our view will be lower over time than the broader proposals to review stewardship land, to establish a single window process and to introduce spatial planning. The broader benefits will also largely be captured in the Buller district.

Table 5. Assessment of Buller Coalfield collaborative process proposal

Criteria	Assessment
Validity	High
Potential impact	Medium-High
Practicality	Low-Medium
Regionally significant	Low-Medium
International orientation	Medium-High
Ability to leverage local/regional work and investment	Medium
Consistency with national priorities	Medium
Overall assessment	Medium



Next steps

A potential mechanism for implementing this proposal is the Collaborative Planning Process proposed under the Resource Legislation Amendment Bill 2015, which can enable a District Plan Change. Assuming the Bill is enacted, key steps in the Collaborative Planning Process would be:

- BDC would appoint a Collaborative Group to make recommendations on the issue, with a membership that reflects a balanced range of the community's interests and values in relation to the resource management issue
- The Group would engage with the broader community and prepare a report with consensus recommendations
- BDC would publicly notify the Collaborative Group report and prepare the plan change which gives effect to the consensus position
- A majority-independent review panel would consider the report and the BDC would accept or reject the recommendations of the review panel. The decisions must be publicly notified but, if the BDC accepted the recommendations of the review panel then, appeals would be limited to points of law only.

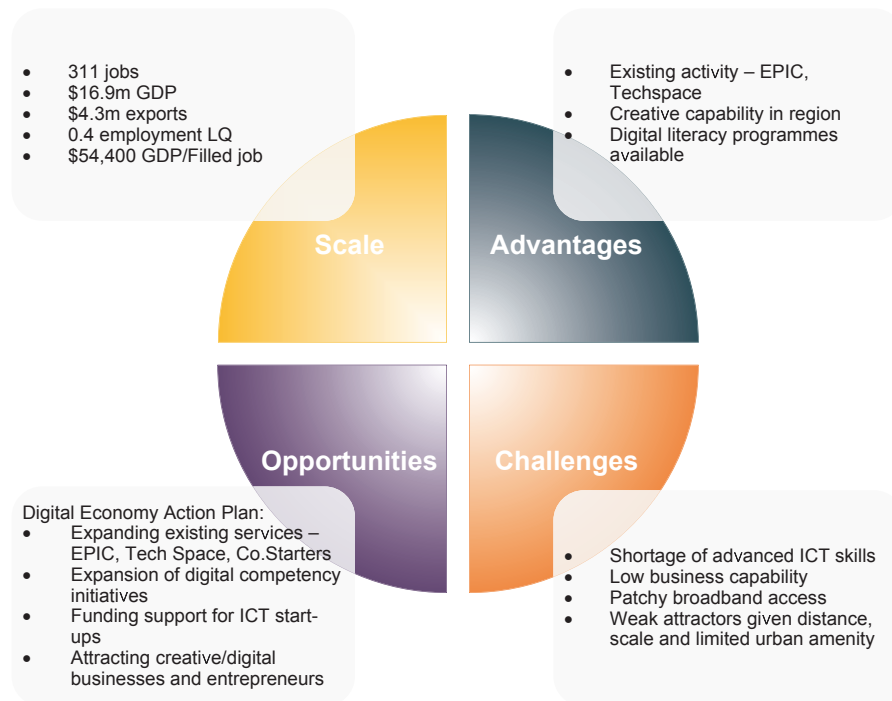
As kaitiaki, Poutini Ngāi Tahu need to be engaged early in the evolution of this proposal, to enable efficient and effective progress through all stages of development.



CREATIVE AND ICT

Overview

Figure 14. Summary of the creative and ICT opportunity



The creative and ICT sector is currently small in scale in the region (contributing around \$17 million in GDP and just over 300 jobs) but it is growing. In 2015, it contributed \$16.9 million in GDP (1 percent of the regional economy) and employed 311 people (2 percent) of the region's jobs.

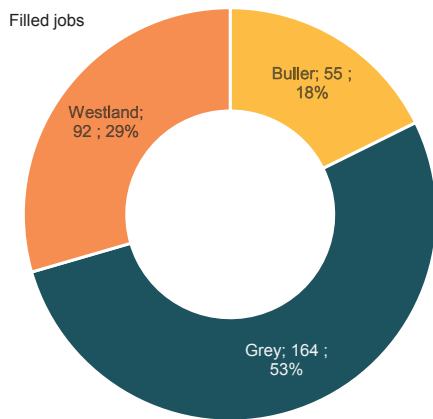
The large majority of employment in the sector is in Grey (53 percent) and Westland (29 percent).

The sector's estimated real GDP grew moderately over the last 5 years by 1.9 percent per year and employment only grew slowly (by 0.2 percent per year). However, exports grew very strongly by 8.2 percent per year, albeit from a small base.

Industries that are growing particularly strongly in the region are photographic services, computer systems design and specialist design services.

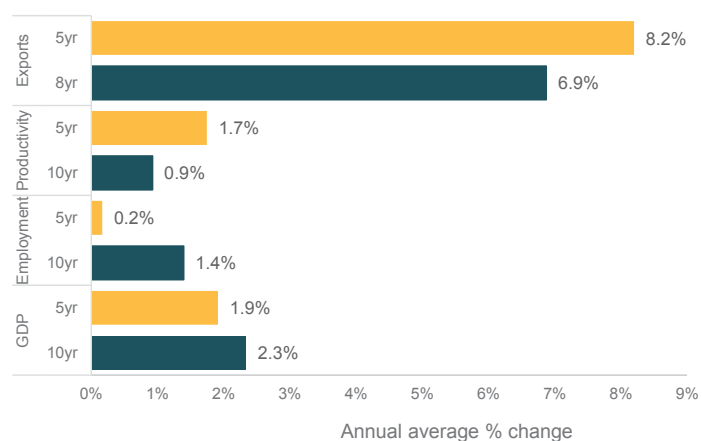


Figure 15. Creative & ICT employment, 2015



Source: Infometrics regional database

Figure 16. Creative & ICT, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

Strengths and challenges

The West Coast is well known for creative capability in photography, jewellery, design and art. Many artists and craftspeople reside in the region, for example, pounamu carvers, painters, gold and silversmiths, glass blowers and sculptors, and there are a range of galleries and artist studios.

The region is growing a stronger base of ICT capability. Two key initiatives that have been launched to support growth in the ICT sector in the last 12 months are Tech Space in Greymouth and EPIC Westport.

- Tech Space was established by the West Coast Technology Education Trust in 2015 and provides a location where learning and collaboration on technology can occur. Demand for Tech Space’s programmes has been high.
- EPIC⁴ Westport was established this year and offers technology businesses with open plan co-working spaces and access to fibre optic internet, with a focus on fostering collaboration and supporting business growth. EPIC services include mentoring and business coaching, network development, funding and investment advice.

The region faces several challenges in attracting and developing ICT enterprises. The West Coast’s remoteness, scale and more limited urban amenity options may put off some entrepreneurs. There is currently a limited range of ICT skills in the region. In addition, although high-speed broadband has been rolled out and fibre has been established in Greymouth and selected locations in Hokitika and Westport, internet accessibility is still poor in many areas of the region. Entrepreneurs likely to come to the region will be attracted to the lifestyle of the West Coast, its affordability and the natural amenities.

⁴ Enterprise Precinct Innovation Centre



On the positive side, **EPIC is already demonstrating that, with the right value proposition, the West Coast can attract ICT firms and entrepreneurs** from other regions. To date, EPIC has attracted five new businesses. In the first half of 2016, EPIC Westport has generated 12.5 new jobs, with a further 12 jobs scheduled to be created in the second half of 2016.

Opportunity

We consider that the region can and should build on the start that the West Coast Technology Education Trust and EPIC have made in developing the digital economy. Growth in the creative and ICT sector on the West Coast is behind national levels and the region could have a stretch goal to match national trends over the long-term.

Create a digital economy action plan

To enable this, the specific proposal is to develop and implement a plan to accelerate the development of digital businesses and ICT capability and skills in the region (a 'digital economy action plan'). This would include:

- a. **Expansion of the delivery of EPIC services and presence** in the region. This could involve partnering with Tech Space or the proposed Discovery/Innovation Centre in Greymouth. This could also involve the further development of EPIC Westport's accelerator programme.
- b. The **provision of additional training programmes to develop the ICT capability** of youth and jobseekers. In practice, this could involve an expansion of EPIC and Techspace education programmes to a greater number of school and tertiary students. This could also involve partnering with Tai Poutini Polytechnic (TPP) or the South Island ICT Graduate School.
- c. **Expansion of programmes to grow the digital competence of businesses** in key sectors (e.g., tourism, dairy, health) to enable them to make greater use of ICT. Part of this should involve demonstrating how digital technology can be used to add value in areas such as marketing, financial management and benchmarking.
- d. **Additional funding support for new ICT/creative start-ups** that go through the Co.Starters programme.
- e. **Support to attract digital businesses and entrepreneurs** to the region. This could include rates rebates or subsidies for moving to the region (e.g., to assist with employing staff).

Our assessment of the proposal

The proposal is based on a clear opportunity for the region to use technology to overcome the disadvantages associated with its small scale and distance from markets. It is also consistent with national and local priorities to improve digital competence and use.



The proposal builds on existing work and investments. Both EPIC Westport and Tech Space have already demonstrated their ability to execute and deliver real outcomes. Tech Space is achieving excellent reach with youth and the broader community, and ongoing demand suggests that participants value the programmes. EPIC Westport provides credibility in accelerating the scale of the ICT industry on the West Coast due to their established partnerships and proven methods.

The direct impact on jobs and incomes of this proposal in the first few years may be relatively small given the current small scale of the ICT industry, although that will depend on the number of businesses that can be attracted to the region (which may have a relatively large initial impact). However, the creation of around 10–20 jobs per year in the first 5 years seems feasible given EPIC’s initial successes.

In addition, the development of ICT businesses and digital capability has broader benefits for the economy. Digital literacy and the increased use of ICT products and services enables on-line sales (reducing the impact of West Coast’s scale and distance from markets), improved marketing and logistics, and better quality control. Increasing the digital capability of youth and broader communities enables local people to make the most of new employment opportunities in a variety of sectors.

Success will depend crucially on the participation of businesses and youth. They will need to be convinced about the value they will obtain by improving digital competence and how they use these skills on the West Coast.

Our assessment of the proposal

Overall, the proposal rates moderately on our assessment criteria. It is not one of the highest priorities, largely due to the uncertain scale of impact.

However, we consider, given that the development of the digital economy and capability is well aligned with local and central priorities, it has sufficient potential to be further developed as part of the action plan process.

Table 6. Assessment of the digital economy action plan proposal

Criteria	Assessment
Validity	High
Potential impact	Low-Medium
Practicality	Medium
Regionally significant	Medium
International orientation	Medium
Ability to leverage local/regional work and investment	Medium
Consistency with national priorities	High
Overall assessment	Medium

Next steps

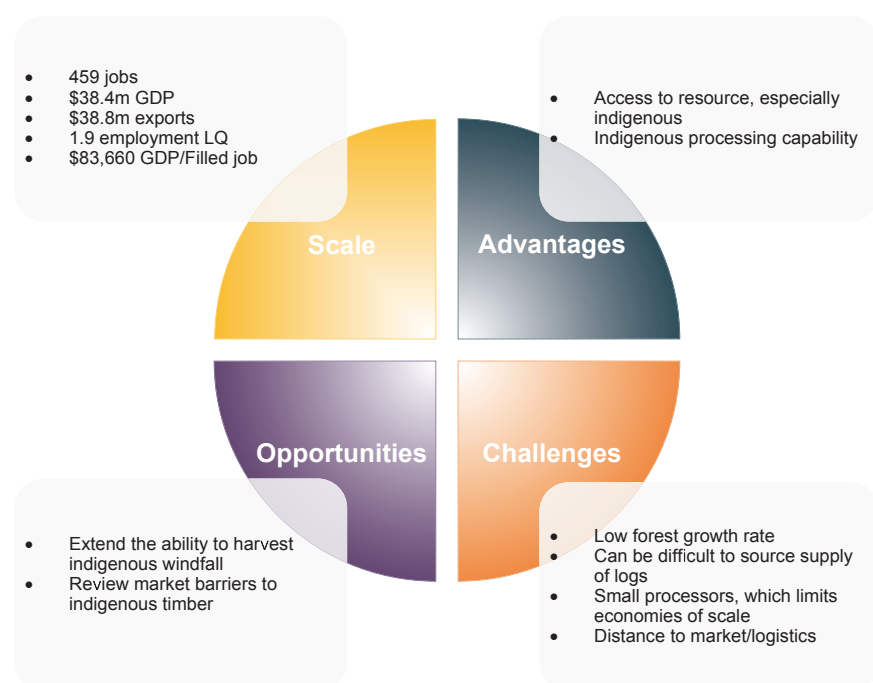
The proposal needs a committed lead organisation to take responsibility and to be accountable for results. We suggest that the specific components of the plan and target objectives, benefits and costs be developed by EPIC given that they will be central to many of the activities. In doing so, they should work closely with the West Coast Technology Education Trust and consult with industry representatives, EPIC Christchurch, council officials, TPP (and potentially other education providers beyond the region), MBIE and NZTE. This would then form the basis of a case for funding support (e.g., from DWC and private and public investment sources).



FORESTRY AND WOOD PROCESSING

Overview

Figure 17. Summary of the forestry and wood processing opportunity



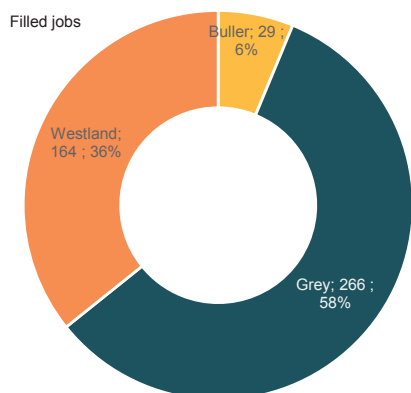
The forestry and wood processing sector is relatively small, contributing close to \$40 million in GDP (2 percent of regional GDP) and 460 jobs (close to 3 percent of the region's jobs). However, this sector is estimated to generate around 6 percent or \$40 million of the region's exports.

Most of the sector's activity is in Grey (58 percent of employment) and Westland (36 percent). Employment in the sector is dominated by two processing industries: log sawmilling (29 percent of employment) and veneer and plywood manufacturing (23 percent).

The sector's real GDP and exports have grown strongly over the last 5 years (3.5 percent and almost 9 percent per year respectively), although employment growth has been more moderate.

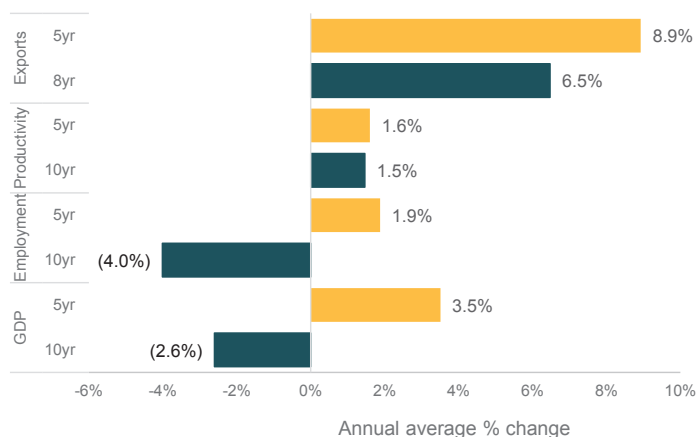


Figure 18. Forestry & related processing, employment, 2015



Source: Infometrics regional database

Figure 19. Forestry & related processing, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

Wood processing in the region is, not surprisingly, small scale. In 2015, the region produced about 76,000 m³ of sawn timber from planted production forests and another 2,100 m³ of timber from indigenous forest.

However, production has grown quite strongly over the last 5 years from around 56,000 m³ in 2010 to 78,000 m³ in 2015 or by 6.9 percent per year. This has largely been in response to rising domestic demand, particularly in Christchurch, which the local sawmills supply.

Figure 20. Production of sawn timber on the West Coast, 2010–2015



Source: MPI, National Exotic Forest Description 2015

Strengths and challenges

While the region's processors largely process radiata pine, the region does not have any advantages in this activity and faces significant competition from other regions. Average forest growth rates are amongst the lowest in New Zealand and there is limited local log supply. There are higher transport costs involved in transporting logs to processors and timber products to customers. Processors are relatively small, which limits economies of scale.



The ineligibility of pre-1990 forests to earn carbon credits means there is reduced incentive to re-plant pre 1990 forests when they are harvested. This is an issue for Ngāi Tahu Forestry Estate (NTFE), who own predominantly forests that are pre-1990

The majority of the West Coast's forests are indigenous and within the conservation estate, but the sector has been restricted from processing this. Local indigenous wood processors have had to rely on supply from private land. However, special legislation that came into effect in 2014 has allowed operators to remove and process indigenous timber from the conservation estate that was damaged by Cyclone Ita. Strict conditions were put in place about the quantity of timber that could be removed and how it could be removed.

This legislation has sparked the revival of a small indigenous processing industry in the region. Although it can be costly to remove the timber, the high sale price of the timber makes it worthwhile.

Operators have proven that there are reasonable economic benefits to be made from indigenous timber and that it can be removed with minimal damage to the environment. In addition, DoC receives stumpage fees for conservation efforts.

The revival may be short-lived as the quality of the available timber is deteriorating and the legislation that allows the removal of the timber is to be repealed. There is limited incentive for owners of indigenous forest on private land to increase supply due to current limited processing capacity, market restrictions and poor marketing efforts. For example, the Forests Act 1949 places restrictions on indigenous timber exports. Effectively, indigenous timber species other than beech and rimu are restricted to selling in the domestic market. There are also hurdles to exporting certain forms of beech and rimu, such as logs and chips.

Opportunities

The major opportunities for the region in this sector are to at least maintain and to potentially grow indigenous timber processing.

1. Extend the ability of approved processors to remove wind-blown timber on conservation land

As noted above, in 2014 the West Coast Windblown Timber (Conservation Lands) Act was enacted, which allowed for a proportion of the trees that were blown down on conservation land during Cyclone Ita to be recovered.



Ten operators were approved to remove timber from 26 sites and had to submit detailed work plans for timber salvage (eight operators lodged work plans and have extracted timber). It is estimated that around 6,000 m³ may eventually be removed. Rimu is expected to make up around 90 percent of the timber. Stumpage fees of \$250 per m³ for rimu and \$60 per m³ for beech are paid to DoC for conservation works.

The Act is due to be repealed in 2019. The opportunity is to amend the legislation to allow windblown timber in the conservation estate to be removed after any major weather event or at the discretion of the Minister, and hence to allow operators to extract such timber on a broader basis and post-2019.

In our view, the operators have proven that there are reasonable economic benefits to be made from such timber and that it can be removed with minimal damage to the environment. DoC has reported that the ecological impact of harvesting has been at most minor and short-term, with the lowest impact at sites where logs are extracted by helicopter.

The restrictions on how the timber can be removed could remain in order to mitigate environment risks.

Our assessment of the proposal

The major benefit of extending the ability of approved processors to remove wind-blown timber on conservation land is largely to retain the jobs and economic benefits that have been created as a result of the existing legislation. Different estimates suggest that the ability to log the native timber has created between 30-50 jobs. In addition, DoC is expected to receive around \$1.5 million from stumpage fees for conservation efforts.

The regulatory impact assessment of the original legislation indicated that the wider economic benefits from the timber recovery are 10 times the stumpage value (so if the industry recovers \$1 million per year in timber, this generates \$10 million in wider benefits to the region). It will also continue to provide DoC with additional revenue to manage the conservation estate on the West Coast.

The huge amount of competing timbers that are imported into New Zealand also suggests that there is room for import replacement (for example, in 2015, around 20,000 m³ of sawn timber hardwoods, at a value of \$33 million, was imported into New Zealand).

The proposal may not be straightforward to implement. When the West Coast Windblown Timber (Conservation Lands) Bill was being considered, there were a range of views on the merits and, as noted, concerns were raised about the environmental impacts of allowing timber removal. Objections are likely to be raised again and clear evidence will need to be provided about the impacts of removals to date.



Overall, the proposal rates lower on our criteria due to the relatively small impacts on the economy and the amount of work that may be required to get it over the line.

However, given that the Act is not being repealed until 2019, this is a proposal that could be implemented over a longer time frame (although as noted, the quality of the existing wind-blown timber is declining).

Table 7. Assessment of the extension of wind-blown timber on conservation land proposal

Criteria	Assessment
Validity	High
Potential impact	Low-Medium
Practicality	Medium
Regionally significant	Low-Medium
International orientation	Low-Medium
Ability to leverage local/regional work and investment	Medium-High
Consistency with national priorities	Low
Overall assessment	Medium

Next steps

An advantage of the extension of wind-blown land proposal is that there is existing experience on which to draw from industry and DoC. The first step will be for DoC and the Ministry for Primary Industries (MPI) to assess the overall benefits and costs of the activity to date, in consultation with industry and community representatives and iwi. If the case stacks up, the next steps would be to prepare advice to Ministers on the scope of legislative change required.

2. Review market barriers to the expansion of the indigenous timber industry

A more significant and longer-term opportunity is to actively encourage the expansion of indigenous timber forestry from production plantations and processing on the West Coast by reducing current market barriers.

A review of market barriers would involve consideration of export restrictions on indigenous timber, building standards that act to restrict the use of indigenous timber, and potential regulation of the importation of unsustainably produced special-purpose timbers, such as tropical timbers and timber products.

We appreciate that this is a national issue and options to improve market access for local producers would need careful consideration of the costs and benefits, including in relation to trade agreements (e.g. a requirement that imported special purpose timber be certified as sustainable could be regarded as a non-tariff barrier). However, currently there is not a level playing field for forest owners and processors of indigenous timber on the West Coast, or the rest of New Zealand. If the status quo is maintained, growth in this industry segment of the forestry and wood processing sector will continue to be constrained.



Our assessment of the proposal

The benefits of a review of market barriers to the indigenous forest and processing industry could be sizeable assuming they result in changes that improve access to domestic and offshore markets. In rough terms, research suggests that indigenous forest owners and processors on the West Coast could obtain up to a ten-fold increase in revenue from these species if the maximum allowable level was harvested (and subsequently processed in the region).

Beyond revenue, employment and conservation benefits, broader benefits from improving market access would include:

- the development of new indigenous timber products and markets
- increased investment in indigenous processing in the region, and this may result in additional productivity benefits to supplying firms due to the introduction of new techniques, quality or delivery standards.

This opportunity currently ranks at the lower end of the opportunities identified due to the likely complexity of the process required and because this is more of a national level opportunity rather than specific to the West Coast.

Table 8. Assessment of the review of market barriers to growth in the indigenous timber industry proposal

Criteria	Assessment
Validity	Medium
Potential impact	Medium-High
Practicality	Low-Medium
Regionally significant	Low-Medium
International orientation	Medium-High
Ability to leverage local/regional work and investment	Low
Consistency with national priorities	Medium
Overall assessment	Low-Medium

Next steps

The review of market barriers facing the indigenous timber industry will require a national-level policy and consultation process and will take considerable time (at least 2 years). This could be led by MPI, in consultation with the industry, the Ministry of Foreign Affairs and Trade, the Ministry of Business, Innovation and Employment (MBIE) and DoC.

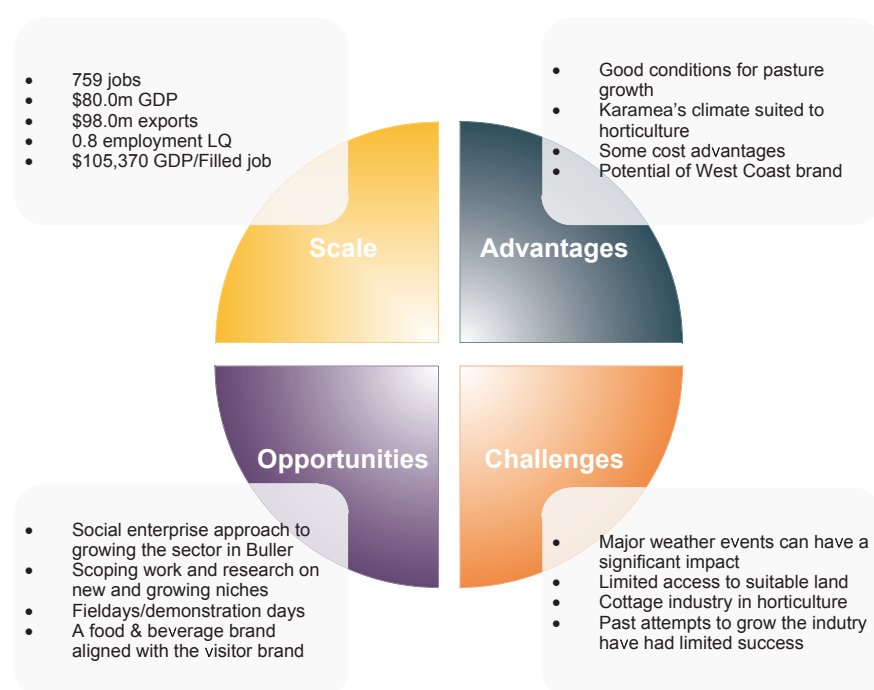
As part of this proposal, Ngāi Tahu Forestry Estate would be interested in assessing the feasibility of having a sustainable management plan prepared for an indigenous programme over the indigenous forests held by them.



HORTICULTURE, FOOD AND BEVERAGE

Overview

Figure 21. Summary of the horticulture, food & beverage opportunity



This sector is of moderate-large scale in the region, contributing \$80 million in GDP and 760 jobs in 2015 (4.3 of regional GDP and 4.5 percent of jobs). It is a relatively large exporter, producing an estimated \$98 million in exports in 2015 (14 percent of the West Coast's exports).

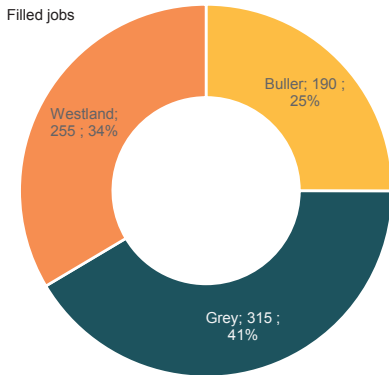
Most of the jobs in the sector (41 percent) are in Grey, followed by Westland (34 percent).

The 5 years to 2015 saw both GDP and exports in the sector grow strongly by 3.4 percent per year. Employment growth has been much slower at 0.3 percent per year. This shows through in strong productivity growth.

The largest industries, by far, are related to meat, including beef cattle farming, deer farming, meat processing, and cured meat and smallgoods manufacturing, which together account for over 60 percent of the sector's GDP and employment. Several smaller segments have a strong concentration of employment in the region, suggesting advantages exist for growing a variety of products, such as vegetables (under cover), beekeeping, and beer manufacturing.

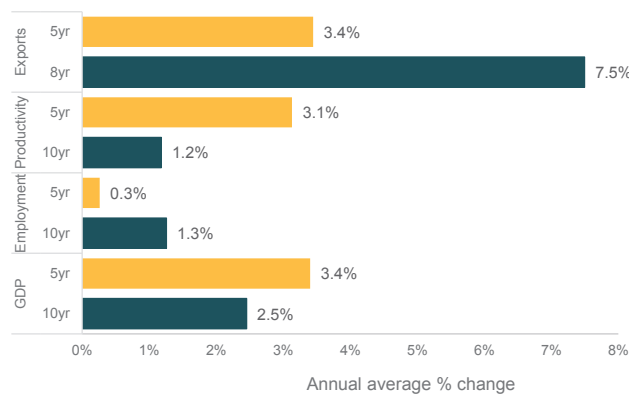


Figure 22. Horticulture, food and beverage, employment, 2015



Source: Infometrics regional database

Figure 23. Horticulture food and beverage, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

Strengths and challenges

The West Coast has some natural advantages supporting horticulture, food and beverage processing, with **reliable rainfall and relatively few frost days** providing good conditions for pasture and crop growth. Karamaea’s coastal land is regarded as ideal for horticulture due to lower rainfall averages and a marine climate that prevents low temperatures at nights.

The region also appears to have **some production cost advantages for covered horticulture**. There are several established businesses producing basic market crops (tomatoes, lettuce) for the local market and some that are supplying the South Island, aided by cheaper heating costs (coal) and relatively lower land costs.

Several **businesses are exporting nationally or internationally**, or both, including in tomatoes, lettuce, tea tree oil, sphagnum moss, cranberries and honey. There is also some further processing in the region, with Monteith’s and Blackball Salami well recognised in New Zealand.

More generally there is increasing demand for traceability, artisan and healthy food products. **There may be perceived value in a West Coast brand for food products**, building on the natural environment and ‘craft’ nature of production.



However, it is not apparent that the region currently has many unique factors which would support competitive advantages for businesses in the sector. The sector faces several challenges:

- **Major weather events can have a significant impact** on the sector. Industry representatives provided examples of major storms that destroyed more than 50 percent of crops.
- **There is limited land suitable or available for horticulture.** Some areas ideal for horticulture have been converted to other use, such as dairy. Some industry representatives also noted there can be high costs involved in accessing land.
- Other than in the meat industry, **most food and beverage businesses in the region are effectively cottage industries**, with businesses run by people as a part-time venture. Sometimes these people have moved to the region for lifestyle reasons and have no ambition to grow their business.
- Sector representatives also considered that there is the view in the region that horticulture and food and beverage processing is not a particularly good opportunity and hence it is not well supported. They noted that there have been several **unsuccessful efforts to grow experimental crops in the region that have created negative perceptions.**

Opportunity

We have not identified a specific opportunity to significantly grow a particular horticulture, food and beverage industry on the West Coast. However, there is the opportunity to support incremental growth in the sector as a whole through a combination of several activities.

Support growth in horticulture, food and beverage

a. Pilot a social enterprise approach to develop the sector in the Buller district.

Social enterprises, like any business, earn income from trading but they commit to benefiting the community. For example, they might focus on providing employment opportunities for youth, improving the health of local people, or creating local infrastructure.

The characteristics of the West Coast region (scale, isolation but close-knit communities) and the characteristics of many of the horticulture, food and beverage operators (lifestyle businesses) suggests that social enterprises could play an important role.



There is currently a social enterprise framework being applied by the Akina Foundation in several regions and districts in New Zealand. Using a similar approach, this would involve a programme over several months for individuals or teams to explore new prospects for horticulture, food and beverage, while also pursuing social and/or environmental objectives.

Karamea has characteristics that would make it a good place to pilot the activity, including a supportive environment for horticulture. For example, this might result in a food cluster or collective in Karamea to produce, add value, market and distribute locally grown food, supporting local employment and healthy lifestyles.

b. Support scoping work and research on the potential development of new niches, e.g., harakeke, and expansion of niches with potential, e.g., honey.

In the course of this study we have become aware of a small number of potential horticulture opportunities in the region, such as harakeke and sugar beets. For example, there is a proposal to hold a symposium in the region to assess the potential for the commercial production of value added products from harakeke. There is the opportunity to implement a more structured approach to scoping, assessing and, if justified, undertaking feasibility work on these opportunities and others that might emerge.

In addition, although it is not currently a large or well developed industry on the West Coast, there is a real opportunity to grow apiculture in the region. We understand that Ngāi Tahu are interested in building a mānuka honey business and that they have recently bought into one of the largest mānuka honey companies in New Zealand (Watson & Son). There is potential for this business to include activity on the West Coast. The opportunity is to explore how this can be supported to encourage as much activity and employment on the West Coast as possible. This includes addressing issues in relation to concessions and access to the DoC estate.

c. Hold field days/demonstration days on horticulture as a business opportunity

The purpose would be to demonstrate the potential and value of horticulture crops as a primary or secondary income to encourage an increase in horticulture. The focus should be on basic crops that have proven successful and have ready markets, e.g., tomatoes, blueberries, lettuces, as opposed to experimental crops. The days would also provide information and access to expertise to support horticulture businesses in the region.

d. Develop and support a West Coast brand for horticulture, food and beverage aligned with the visitor brand

Efforts to grow visitor numbers and expenditure and having a strong local food and beverage offering and banner are mutually beneficial. Consumers are becoming more interested in the provenance of food and the story about where it comes from, including how it meets safety and sustainability standards. A West Coast food brand could support a premium price for some products. Other regions have developed such brands and promotional concepts and the West Coast could benefit by differentiating itself.



Our assessment of the proposal

The proposed set of initiatives is more formative than several of the others in this study and will require more testing and development during the action-planning phase.

Social enterprise is well suited to the sector and several food and beverage initiatives have been established through a social enterprise programme in other communities of New Zealand. Individual projects tend to be small in scale, and hence manageable, and are unlikely to require a significant investment. They can have a reasonable impact on employment in small communities and also provide a range of other benefits such as retaining skills, increasing confidence and capability, and empowering communities to lead other change projects.

However, developing successful social enterprises will require investment in capability and a support network to sustain them. The Akina Foundation has already run several workshops introducing the region to social enterprise, so there is a base of knowledge in the region.

The benefits of further testing and development of emerging concepts such as harakeke or the expansion of niches such as honey will ultimately depend on whether these are feasible and the scale of production that results. Similarly, the benefits of a West Coast food brand are also difficult to estimate. Consumers will pay a premium for food and beverages when they have provenance but that depends on a credible and well-understood story and ensuring producers are committed to safety and sustainability standards.

Because the proposal is more speculative and the benefits are quite uncertain (and likely to be long-term), it rates lower on our criteria. The opportunity exists, but there is not a compelling need. There is some existing work and interest in the region that can be drawn on, but there will need to be upfront investment in testing the opportunities.

Table 9. Assessment of the initiatives to support growth in the horticulture, food & beverage sector

Criteria	Assessment
Validity	Low-Medium
Potential impact	Low
Practicality	Medium
Regionally significant	Medium
International orientation	Low
Ability to leverage local/regional work and investment	Low-Medium
Consistency with national priorities	Medium
Overall assessment	Low-Medium

Next steps

These activities could be kick-started by:

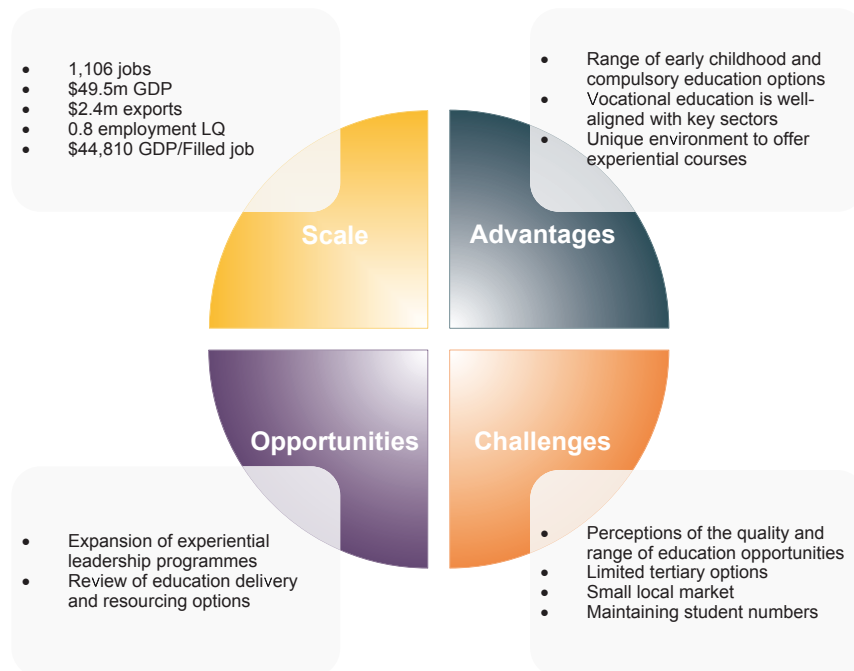
- appointing a sector specialist to promote and develop the horticulture opportunities in the region, working with the relevant stakeholders. This specialist could also oversee an assessment of the costs and benefits of developing a food and beverage brand for the region.
- engaging Akina Foundation to conduct initial workshops in Buller to explore social enterprise opportunities for the sector.



EDUCATION

Overview

Figure 24. Summary of the education opportunity



The education sector on the West Coast is of moderate to large scale, contributing almost \$50 million in GDP and around 1,100 jobs in 2015. This represented 2.7 percent and 6.5 percent of the region's GDP and employment respectively.

Labour productivity in the sector is very low at just over 40 percent of the regional average.

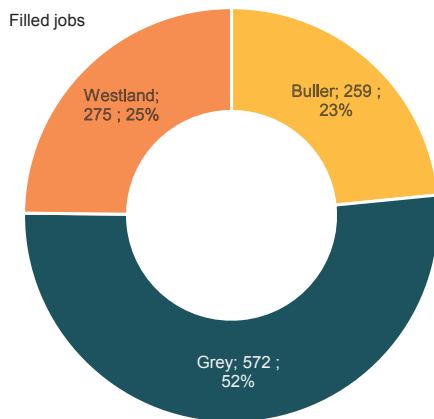
Over half of the employment in the sector is in Grey (52 percent), reflecting the larger schools and location of TPP. Buller and Westland each have around a quarter of employment in the sector.

Over the last decade, the sector in the region has grown faster than the sector nationally, but growth has been quite modest (1 percent per year GDP growth and 1.6 percent per year employment growth over 2005–2015). Growth was much slower over the last five years, with GDP remaining relatively static and employment increasing by only 0.5 percent per year.

The strongest growth has been in the technical and vocational education and education support service industries.

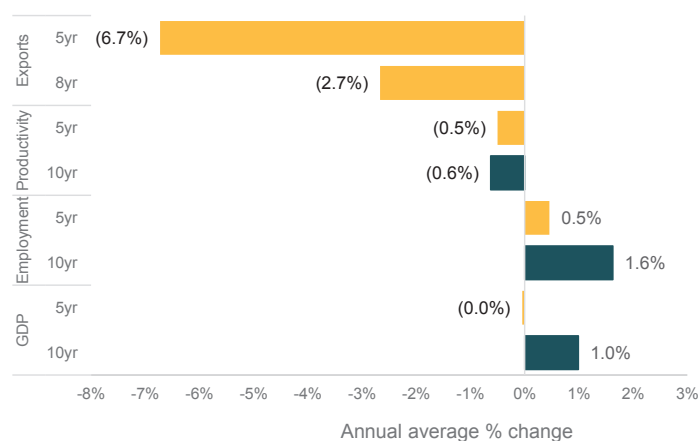


Figure 25. Education employment, 2015



Source: Infometrics regional database

Figure 26. Education, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

Strengths and challenges

There is a good range of early childhood and compulsory education options available on the West Coast. There are schools right throughout the region, from Haast to Karamaea. Education Review Office reviews suggest that most of the schools in the region that provide secondary school education are performing well.

Although there isn't such a range of higher education options, it does appear that **vocational education is well aligned with key sectors** in the region. TPP offers a large variety of courses and qualifications that reflect the industry needs of the local economy, such as in business and computing, hospitality, mining, outdoor education and tourism. The Westport Deep Sea Fishing School provides a programme involving onshore and sea-time on fishing vessels.

Generally, there have been good outcomes from vocational and tertiary education. In some cases, there are reports high percentages of graduates gaining employment in a field related to study, for example, outdoor education and fishing. In other areas there is a growing body of evidence that students are making significant gains in transferable skills and knowledge.



Although international education is currently very small (discussed below), TPP has been **building up the international offering from the region** with partnerships in the US, South America and Asia. This has included delivering experiential leadership training to a group of Wharton Business School MBA students and developing Ecotourism Study Tour products. In addition, Te Rūnanga o Ngāti Waewae as well as Ngāi Tahu whānui have a number of tribal and hapū initiatives that work towards improving the educational outcome of all Māori in the area. Some of these include relationships with Universities, such as the Te Tapuae o Rehua consortium⁵, as well as internationally with Stanford University.

Despite these strengths, the sector faces significant challenges. We heard consistent feedback from business representatives and other stakeholders that **people perceive there is a limited quality of educational opportunities** on the West Coast.

The West Coast is a small market, which limits the local customer base and hence revenue. The downturn in the economy has made it **challenging for some schools to maintain rolls and resourcing**. Operational funding has been affected by changes in decile ratings. TPP is the only tertiary education institution in the region, so **tertiary options are limited**.

International education services and take-up in the region are still very limited. International student enrolments in the region have been relatively constant at between 70 and 80 students over 2009 to 2014. The value of exports generated by the sector on the West Coast was an estimated \$2.4 million in 2015.

Opportunities

The West Coast has the opportunity to at least double the size of its education exports. It can expand the delivery of experiential leadership programmes focused on regional specialties of outdoor education, environmental management and eco-tourism.

⁵ The consortium is made up of Te Rūnanga o Ngai Tahu, Christchurch Polytechnic Institute of Technology, Lincoln University, University of Canterbury and University of Otago. Under the Te Tapuae, tertiary institutions work collaboratively on projects are delivered to boost Māori educational opportunities and support Māori development



Expand experiential leadership programmes

There is an international trend to accelerate leadership development through experiential leadership practices. The West Coast is well placed to capitalise on this trend due to its geographical situation and diverse landscape, and particular specialties in outdoor education, conservation management and ecotourism.

An expansion of the current experiential leadership initiatives would include:

- a) providing international MBA students and business representatives with experiences in the region on outdoor education, environmental management, tourism etc. (building off the programme that TPP runs with Wharton School of Business).
- b) training New Zealand leaders in relevant fields (e.g., conservation management) and bringing leaders to the West Coast for practical experience (e.g., short course executive programmes)
- c) In-bound and out-bound study tours - providing West Coast businesses with international experience and expertise to prepare them for meeting international demands. This could include travel into markets and bringing international expertise to the West Coast.

At least 15 to 20 experiential leadership ventures could be delivered each year with further resourcing. Resourcing is needed to develop relationships with additional universities in markets such as China and India and to upgrade the courses so that they receive credit recognition.

Our assessment of the proposal

There appears to be strong demand by international students for an expansion of experiential leadership programmes. For example, in 2015, while there were 14 places on the Wharton Business School initiatives, there was a waiting list of 110 students. There has been interest from Universities in the UK, Hong Kong and China. We also heard interest from several sector and iwi representatives in having an expanded programme for West Coast executives.

As noted, the objective of the proposal would be to at least double the value of international education in the region from around \$2.5 million per year currently to \$5 million per year within 5 years. This is feasible. There will also be broader benefits to the West Coast from increasing the number of international students and executives travelling to the region. This includes bringing in new perspectives to local communities, helping local students to improve their understanding of the world, providing international connections for businesses, and cultivating ambassadors for the West Coast overseas.

Out-bound study tours and short-term leadership courses for West Coast and New Zealand business representatives will also provide a range of benefits to the region. Improved leadership capability will help businesses in key sectors adopt an international focus, become more responsive to market requirements, and invest in practices to improve productivity.

There is potential to support the programme by providing a cultural element and also improve the experience through Ngāi Tahu Tourism. As noted, Te Rūnanga o Ngāi Tahu also has close relationships with Stanford University that may be interested in participating.



The major risk to this initiative is the capacity of TPP and local institutions to achieve such a step-change and for courses to be upgraded to receive credit recognition. We consider that there will be other providers in New Zealand that will have relevant expertise and resources that could be applied in an expanded programme. As such, we believe that TPP should seek to partner with other education and training providers in developing and extending the programme.

This proposal rates medium-high on our criteria. The expansion of experiential leadership programmes appears to be targeted at an area where there is existing demand and has a strong international orientation. It is also consistent with national objectives for growing the international education sector. There could be a reasonable impact on local business capability and on international earnings.

Table 10. Assessment of proposal to expand experiential leadership programmes

Criteria	Assessment
Validity	Medium
Potential impact	Medium
Practicality	Medium
Regionally significant	Medium
International orientation	High
Ability to leverage local/regional work and investment	High
Consistency with national priorities	High
Overall assessment	Medium-High

Next steps

A business case for an expanded programme should be prepared by TPP, with details on the scope, reach, estimated benefits and costs. TPP should also approach Te Rūnanga o Ngāi Tahu and training and education institutions in the region and elsewhere in New Zealand to test their interest in partnering in the programme.

Identify the best approach for delivering and resourcing education in the region

Given the many challenges facing the education sector in the region, in our view it is quite possible that the current mix of education and training options in the region is not appropriate for the limited resources and capabilities that exist. It is clear that schools and training providers are under pressure in the face of falling rolls and resources. It may be a good point in time for education organisations on the West Coast, in partnership with relevant government agencies such as MoE, Tertiary Education Commission and the Ministry of Social Development, to work together to assess what the future of education delivery and resourcing should be in the region. The aim should be to identify the overall model that will best meet the needs of children, youth and adults as well as key sectors of the economy, taking into account the unique circumstances of the West Coast.

Our assessment of the proposal

This is very much a preliminary proposal. Stakeholder interest in and options for undertaking such a review would need to be tested as part of the action planning stage of this study.



FISHING AND AQUACULTURE

Overview

Figure 27. Summary of the fishing, aquaculture and related processing opportunity



Fishing and aquaculture is a small, growing sector in the region. The sector contributed around \$16 million to the West Coast economy and supported 229 jobs in 2015 (around 1 percent of the economy).

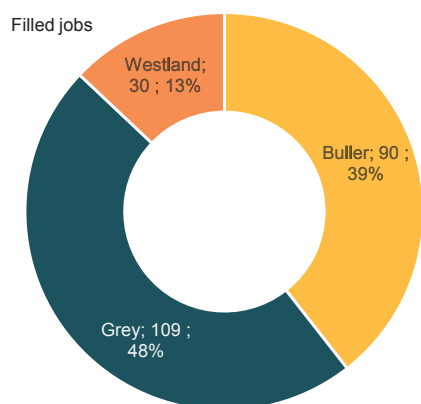
There is a strong concentration of employment in this sector. Labour productivity in the sector is relatively low at around two-thirds of the regional average.

The bulk of the activity in the sector is split between Grey and Buller. Grey accounts for almost half of the employment in the sector, while Buller accounts for almost another 40 percent. This illustrates the dominance of Westfleet Seafoods and Talley's in the sector.

The sector has achieved strong value growth over the last 5 years (2.9 percent per year growth in GDP, with the value of exports growing at 5.9 percent per year), although this is from a low base.

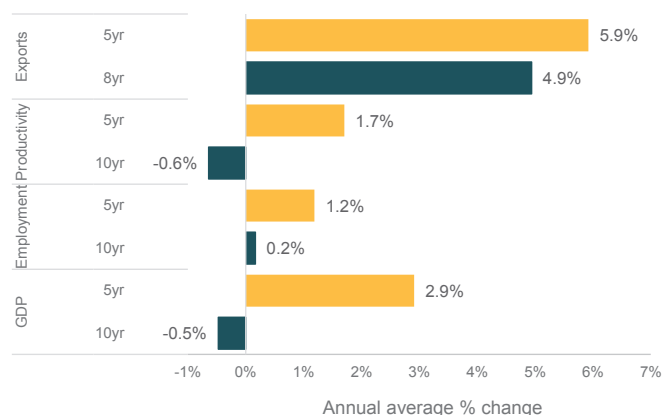


Figure 28. Fishing & aquaculture employment, 2015



Source: Infometrics regional database

Figure 29. Fishing & aquaculture, growth rates of key indicators, 5yr and 10yr



Source: Infometrics regional database
Note: Compound annual growth

Strengths and challenges

The West Coast has both natural and capability advantages to support growth in the sector. The West Coast **fishery is extensive and has many species in abundance** due to protection provided by weather and sea conditions.

There is **strong commercial fishing and processing capability** in the region with the two relatively large commercial fishing companies, which have been investing in processing and product development. As noted earlier, the region also has the Westport Deep-sea Fishing School which has a good reputation with the fishing industry.

The West Coast has a **strong reputation and capability in recreational fishing and whitebaiting**. Whitebaiting is a key part of the region's lifestyle and whitebait are of cultural significance to Māori. West Coast whitebait is regarded as a must-eat and high value delicacy. Recreational fishing is an important part of the visitor offer of the region, including trout and salmon fishing and game fishing.

Key challenges that need to be overcome to support growth in the sector are:

- **Difficulties in finding and retaining staff** at all levels, including for supervisory, processing and fishing roles. It has proven difficult to attract skilled managers to the region. There can be high drop-out rates of youth in fishing and processing roles.
- **Commercial freshwater fishing and aquaculture are currently very small in scale**. There are few commercial whitebait operators and a boutique salmon farm in South Westland. There is, however, interest in growing the potential of both salmon farming and whitebaiting.
- **Whitebait stocks in the region have declined**, based on changes to waterways and breeding sites brought about by a combination of erosion, expanded coastal towns, gravel extraction and dairy farming.



Opportunity

There do not appear to be significant opportunities to grow the fishing industry within the sector on the West Coast beyond what the existing companies are already doing.

The region does have aquaculture potential and there is commercial interest in assessing the feasibility of and developing salmon farming in the region. A company is developing a salmon farm concept and assessing a potential site. This is a commercial project and no support has been sought through this study and action plan process.

There is an immediate opportunity to support growth in the recreational and commercial potential of whitebait.

Develop a sustainable wild whitebait fishery

The proposal is to enhance the habitat for whitebait on the West Coast and to improve the quality of information about breeding and the stocks of whitebait. Four activities are proposed.

- a) A programme to restore and protect whitebait (inanga) spawning sites - 136 sites in the region have been assessed and their enhancement requirements have been identified. This provides a basis for prioritising and undertaking the work.
- b) An investigation into options to enhance adult whitebait habitat, focused on addressing potential barriers to fish passage.
- c) An assessment of the whitebait stock and the effectiveness of the current network of closed areas.
- d) Research to quantify the economic, social and cultural value of the whitebait fishery to the West Coast.

Our assessment of the proposal

Taking action to restore and improve whitebait stocks is likely to be relatively easy to implement given that there is good experience in the region in undertaking this work. The main challenge will be identifying sufficient funding and capacity to extend this, which will be a task for the action-planning stage. Resources will also be required to monitor and evaluate the impact of restoration and protection work.

Improving the quality of information about whitebait and its value to the region will be important to the success of this proposal. Currently it is unclear what types of developments are having the greatest impact on spawning and stocks. The research will ensure that enhancement work is focused on the right sites and activities and will help to inform whether different approaches to managing the fishery are required.



The economic benefits of the proposal, i.e., the impact on jobs and incomes, may well be limited given the small scale of commercial activity. However, there will be broader benefits, such as:

- maintaining the West Coast's reputation as the premiere whitebait region in New Zealand (and the flow-on benefits that come from that, such as visitors during whitebait season)
- improvements in health and wellness that come from recreational whitebaiting
- improved river ecosystems and health of other fish species
- lessons that can be applied to whitebait habitats in other parts of New Zealand.

A broader benefit is to enhance the West Coast's reputation as the premiere whitebait region in New Zealand.

This proposal ranks moderately on our criteria due to the low economic impact and possible length of time before there will be a major impact on the fishery in the region. As noted, there has been some research undertaken on spawning sites already so there is a knowledge base to build on. The proposal is also consistent with central government's Business Growth Agenda priority to develop aquaculture, fisheries and marine resources.

Table 11. Assessment of the proposal to support the development of a sustainable wild whitebait fishery

Criteria	Assessment
Validity	High
Potential impact	High
Practicality	Low
Regionally significant	Medium
International orientation	High
Ability to leverage local/regional work and investment	Low
Consistency with national priorities	Medium
Overall assessment	Medium

Next steps

The project should be managed by DoC, in partnership with the West Coast Regional Council (WCRC), Ngāi Tahu Papatipu Rūnanga, and in consultation with whitebaiters. The first steps would be for DoC to work with the other organisations to develop a plan for undertaking the work and to estimate the costs for the four activities. This can then be used for making a case for funding.



OTHER SECTORS OF IMPORTANCE

Three additional sectors were identified as important for growing jobs and incomes in the region over the long-term – dairy and related processing, construction and related services, and health services and aged care. However, the research and consultation process did not reveal any specific opportunities for these sectors at this time.

Dairy and related processing

Dairy and related processing is significant on the West Coast. In 2015, this sector contributed \$282 million in GDP (15 percent of the economy), 1,640 jobs (10 percent of employment), and \$390 million⁶ of exports (56 percent of regional exports).

There is strong processing capability embedded in Westland Milk Products (WMP), with its major processing factory in Hokitika.

WMP is New Zealand's second-largest dairy co-operative and has a significant international presence with exports to 50 countries.

Although the sector has grown relatively strongly over the long-term (e.g., employment has grown by 2.5 percent per year over the last 10 years), the sector is going through a challenging time due to the substantial drop in international prices since early 2014. Employment growth and milk solid production in the region has slowed over the last 2 years.

The dairy pay-out is expected to only slowly recover over the next few years. Forecasts suggest that employment in the sector in the region will fall over 2016–17, before recovering slowly from 2018.

Stronger resilience to commodity dairy product price shocks will be possible in future through WMP's investment in value-added products (infant nutritional products, EasiYo, UHT milk and cream), redesigned branding and market development in China. Growth over the longer term will be driven by WMP as it continues to build on its higher-value products and market development strategies.

⁶ Note, exports are estimated using Infometrics modelling. We understand that dairy exports from the region in 2015 exceeded this figure.



No specific opportunities for the sector have been identified that could be progressed through the study and action plan (beyond what WMP and industry groups are already doing). However, a range of opportunities suggested for other sectors and cross-cutting issues will benefit this sector. Improving road resilience is important as transport adds to the cost of sourcing milk across a long geographic area and in transporting the output to other regions. Accelerating the roll-out of broadband and dealing with mobile black spots is also important as poor or no broadband connectivity in locations limits the use of technology to improve farm monitoring.

Construction and related services

The construction and related services sector is large, representing about 9 percent of the region's GDP and 12 percent of jobs in 2015 (\$165 million GDP and close to 2,000 jobs). The sector has developed a range of capabilities in project management, infrastructure and building services off the back of the minerals and dairy sectors.

The sector has experienced relatively strong GDP and employment growth in the region over the last 10 years (around 4 percent per year each). However, growth has slowed over the last 5 years, with employment growing by less than 1 percent per year over the period. This is significantly slower than growth experienced by the sector across New Zealand. Construction activity, particularly residential and commercial, has fallen off in Buller and Grey following the decline in the minerals sector and in the local populations.

No specific opportunities for facilitating growth in the construction sector were identified during this study. The initial district workshops suggested that the study test the potential for construction businesses in the region to pool their resources and undertake joint marketing and collaborative work in other regions. However, sector feedback suggested that this had been previously attempted with the West Coast Construction Alliance and had not been successful. The costs of transport (e.g., for transporting heavy construction machinery) limits the markets that can be serviced from the West Coast to Nelson-Tasman and Christchurch, and these markets have proven to be highly competitive.

Sector feedback suggests that a combination of local government, central government and tourism-related work will sustain civil construction companies in the region. This includes road maintenance, water and waste infrastructure, the new hospital in Greymouth, expansion of the aged care facility in Westport, and development and maintenance of trails such as Pike 29, West Coast Wilderness Trail, and Old Ghost Road. There is also a pipeline of private construction work, such as new subdivisions and the redevelopment of the Beachfront Hotel. Other hotel proposals may bring additional work in the medium-term.



Health services and aged care

The health services and aged care sector is also significant (\$80 million in GDP and 1,500 jobs in 2015). Some industries within it, namely hospital services and aged care residential services, have grown relatively strongly over the last decade (achieving around 2.5 percent per year growth in employment).

Two developments will support further growth in this sector's employment in the region.

- The population of older aged people in the region is expected to grow relatively fast (e.g., another 1,000 people aged 75 years plus over the next decade), which will increase demand for aged care services and home care. Based on relatively conservative assumptions, there will be demand for an additional 100 aged care beds over the next 10 years. There is an existing plan, and work underway, to upgrade and extend the aged care facility in Buller (including a proposed retirement village).
- The Government is investing around \$78 million in a new hospital and integrated family health centre in Greymouth, with an increase in beds, operating theatres and services. The facility is expected to open in 2018.

The initial district workshops suggested that the study test the potential to develop the region as a centre for health services for retirees. However, sector representatives suggested this would be unrealistic, given that retirees tend to locate close to family and because the region does not have a full range of specialist care available.

Opportunities suggested for other sectors and cross-cutting issues will benefit this sector, particularly accelerated roll-out of broadband and dealing with mobile black spots. A lack of broadband (particularly wireless) connectivity in several locations limits the use of health ICT solutions and improved services in the sector. A lack of connectivity is also clearly a risk in ensuring health services can respond promptly to emergency situations.



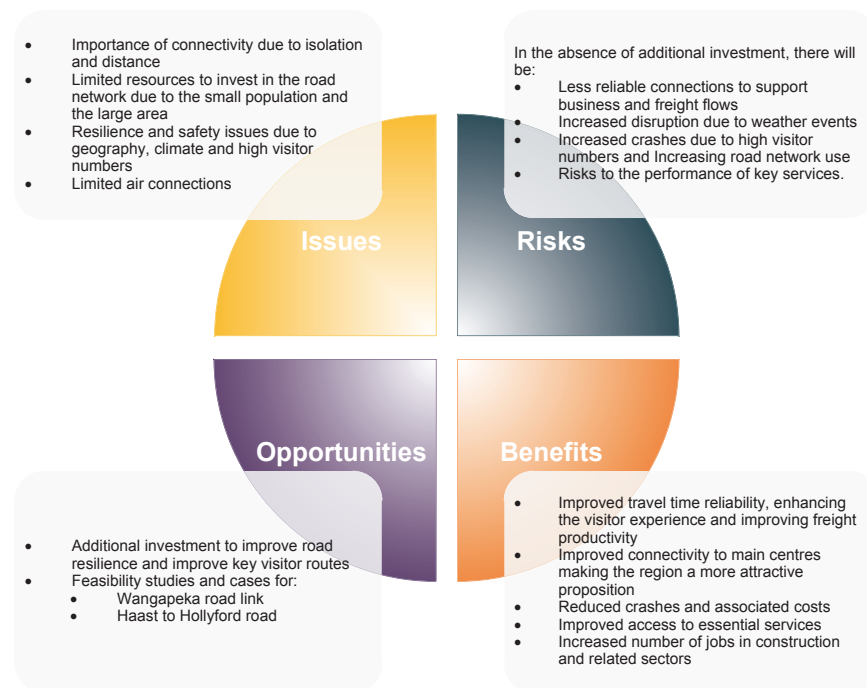
CROSS-CUTTING OPPORTUNITIES



TRANSPORT

Overview

Figure 30. Summary of the transport opportunity



The West Coast's remoteness and distance from the main employment and business centres in the South Island and elsewhere in New Zealand means it is very dependent on having safe and reliable transport links.

The transport network servicing the West Coast is fairly sparse. There is one major rail link and four main road links providing connections to the rest of the country. There are limited air services in Hokitika and Westport and two river ports in Greymouth and Westport.



Despite the West Coast having less than 1 percent of New Zealand's population, the state highway network within the region accounts for 8 percent of the total length of the national state highway network. State highways comprise over 30 percent of the length of the total road network in the region, almost three times as high as the national average. The performance of the state highways is therefore particularly important for the West Coast.

In general, traffic flows on the West Coast's state highways have remained broadly stable over 2010-2015. Traffic volumes in the region are typically low outside the main urban centres, less than 1,500 vehicles per day in many rural areas. Greymouth gets around 9,000 vehicles per day on some routes and Hokitika up to 5,100 vehicles.

There has been some decline in flows on the routes to the north, which probably reflects declining activity in the minerals sector and further declines could be expected after 2015. The routes further south (i.e., SH73 and SH6 through Haast) have experienced some increases in traffic in recent years (around 5 percent per year over the last 3 years), likely reflecting the growth of tourism in the region.

Heavy vehicle flows on all the longer distance routes in the region are relatively low. Freight flows by road in the region are dominated by the movements of milk and dairy products, logs and the distribution of manufactured and retail goods. Manufactured and retail goods are typically delivered from distribution centres in Christchurch on a daily basis so depend critically on a reliable road network.

The West Coast is the only region in New Zealand without a public transport network. Representatives from some sectors indicated that this risks isolating some groups in the community, such as the elderly.

Figure 31. Key features of the West Coast transport network



Source: NZTA, South Island Freight Plan



Major challenges

Key road transport challenges for the region include long distances and lengthy travel times, route security, network resilience and road safety:

- The **long travel times** by road and rail impact on the ability of the region to attract visitors and workers from the larger settlements to the north and east. Similarly, the very limited air services operated from West Coast airports and the long travel times and distances to airports outside the main connection centres are constraints.
- **A large number of hazards can disrupt the road network**, including ice and snow, falling trees, rockfalls, flooding and landslides. Disruptions or closure can result in considerable increases in the travel distances between key locations because of the limited number of routes into the region. For example, for much of SH6, diversion distances are in excess of 500 kilometres.
- One problem that the region faces in identifying and responding to disruption is in the south, where a 200-kilometre section of SH6 has no cell-phone coverage. The **lack of cell-phone coverage** can mean that response to events on the network can be relatively slow, making the targets of rapid response to events or even providing advance warning about them difficult to achieve. This also has an impact on response time to crashes.
- There are also **many one-lane bridges** throughout the region (36 on SH6 alone) and some of these are approaching the ends of their useful lives and will need to be replaced.
- The roads on the West Coast can be narrow, winding and steep in places, and a reasonable proportion of local roads (45 percent) are not sealed. These factors result in **difficult driving conditions for visitors** that are not used to such roads. With a growing visitor economy, the number of buses, campervans and tourist drivers also means increasing numbers of vehicles that travel at slower speeds, which can lead to frustration in areas with a lack of passing opportunities.

The road conditions and the high number of visitors to the West Coast contribute to the highest rate of road fatalities and serious injuries per capita nationally.

Between 2011 and 2015, 21 percent of road crashes on the West Coast involved overseas licence holders, compared to only about 6 percent of crashes nationally.

Despite these issues, the routes within and serving the West Coast are given a low resilience prioritisation in the State Highway Activity Management Plan 2015–2018. The expenditure proposed for the West Coast in the 2015–18 National Land Transport Programme is less than 1 percent of total expenditure nationally. This is broadly in line with the population, and also reflects the relatively low traffic-flows, but it provides **limited resources to address resilience and safety issues**, especially given the length of the state highway network and the high road fatalities and injury rates in the region.



Because of the length of the road network, its multiple and unpredictable hazards, and the limited resources available, the main approach of the New Zealand Transport Agency (NZTA) is to attempt to respond to problems as they occur rather than attempt to prevent them occurring in advance. This includes having resources and plans to meet possible disruptions, especially if these can be anticipated.

Other transport challenges facing the region are:

- the **current limited flight schedule** is a constraint on business traveller and visitor movements to and from the West Coast.
- the **future of the Port of Westport is uncertain** and there is no obvious trade at this stage to replace the freight of cement.

Although there have been concerns that the decline of coal mining could impact on future of the Midland Line, we understand that other potential uses are considered to be broadly sufficient to support the operation of the route over at least the short term.

Opportunities

1. Invest more in improving road resilience and upgrade key visitor routes

We believe there is a case for expanding the limited funding currently available for proactively managing resilience across the region's roading network and accelerating some planned projects. Reasons include:

- the importance of reliable connections between the West Coast and other centres to support business connections and freight flows
- the number of weather events that impact on the security of the network
- large diversion distances that result from disruptions
- forecast growth in visitor numbers and road network use.

Expanding funding could include bringing forward priority projects identified in the Regional Land Transport Plan that are currently proposed for 2018–2021, such as additional bridge strengthening and replacement projects.

In addition, to support an increase in visitors to an extended set of icons such as at Karamea, and noting that increased marketing of these areas is likely to result in an increase in traffic on roads that were originally designed for much lighter flows, the case for investment in upgrades to these routes should be assessed (e.g., the road to and from Oparara Arches). The roads to be assessed would depend on the priorities determined through the tourism strategy and plan. Although part of the funding for these new routes could come from NZTA, there would need to be some matching funding from local resources. We consider that upgrades to specific roads to support the development of new visitor icons is beyond 'business as usual' infrastructure and hence could be a candidate for DWC or other government regional economic development investment support.



Our assessment of the proposal

This proposal is based on clear issues that the region faces in managing resilience and catering for expected growth in visitor numbers and traffic, and is consistent with local and national priorities and initiatives to enhance the performance of the transport system.

We believe that the benefits of increased and accelerated investment in road resilience and road upgrades on new visitor routes will be significant, although their magnitude relative to costs cannot be quantified at this stage given the specific projects are yet to be identified. Benefits will include:

- improvements in travel time reliability reducing vehicle operating costs, enhancing the visitor experience and improving freight productivity
- improving the connectivity to the major centres in the South Island, making the region a more attractive location for those moving from outside the region who may wish to retain their ties with family and friends and business contacts outside the region
- improving the reliability of the connections between the rural areas and the larger towns within the region to facilitate access to medical, educational, employment and other opportunities
- reducing social and economic costs due to crashes (e.g., reduction in loss of life, emergency and health care, reduction in vehicle repairs, reduction in delays on affected routes)
- an increase in jobs in the construction sector associated with resilience projects and upgrades, and an increase in spending on related services in the region.

The complexities associated with this proposal include aligning the process with the visitor strategy and plan, proving the case for road upgrades to the new set of iconic attractions and for bringing priority resilience measures forward, and identifying local funding to support investment in the road network.

Overall, this proposal ranks highly on our criteria. The potential impact is large and the benefits will flow across the region. As noted, existing local and national work and initiatives can be leveraged. It has an international dimension by supporting freight and visitor traffic.

The proposal rates lower on practicality because of the time it will take to assess investment priorities and to account for other proposals such as the visitor strategy and plan.

Table 12. Assessment of the road resilience and key visitor route upgrade proposal

Criteria	Assessment
Validity	High
Potential impact	High
Practicality	Medium
Regionally significant	High
International orientation	Medium
Ability to leverage local/regional work and investment	High
Consistency with national priorities	High
Overall assessment	High



Next steps

The opportunity to look at increasing investment in network resilience and potential visitor route upgrades can be taken as part of the mid-term review of the Regional Land Transport Plan which is about to commence and is to be completed by mid-2018.

The Local Government Commission's (LGC) work, in association with the West Coast Mayors and Chair Forum, on options for improving how the region plans and implements road maintenance, renewals and improvements should be considered as part of this proposal.

2. Undertake feasibility studies and business cases for major proposals that may increase diversion options and support growth in visitor traffic

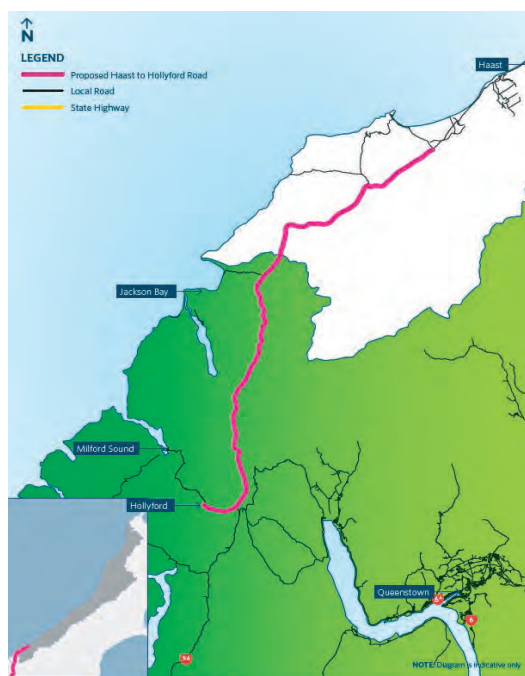
Two major road projects have been proposed in the north and the south of the region: the Wangapeka road link and the Haast-Hollyford road.

Figure 32. Proposed Wangapeka Road Link



Source: NZTA

Figure 33. Proposed Haast to Hollyford Road



1. Wangapeka Road Link

BDC has proposed constructing a 56-kilometre road connecting Little Wanganui, just to the south of Karamea, through to the Motueka Valley and to Wangapeka to the west. It would provide a more direct connection to Nelson from Karamea and Westport and another road link north. The proposal indicates that the road would almost halve the distance by road from Nelson to Karamea to 169 kilometres. Initial reports suggest that it will be challenging to construct and expensive to maintain as it would need to pass through and over mountainous terrain.

The road involves passing through the Kahurangi National Park and so potentially would have significant environmental impacts. It would likely increase the traffic flows flowing south from Little Wanganui to Westport and potentially increase the number of visitors to Buller.

We received feedback from several stakeholders during this study that the road may not result in major benefits to Karamea if visitors continue on to Westport and do not overnight in the area.

In order to judge the potential impact and regional significance of the proposal, the business case for the road and particularly its local and regional economic benefits need to be developed. This case will need to consider the extent and scale of potential opportunities along the route and how these might be realised, as well as potential negative impacts on other areas that might result from the displacement of visitors (e.g., lower visitor flows through the Buller Gorge area).

2. Haast to Hollyford Road

A road between Haast and Milford Sound has been proposed for several decades by various parties. It is now being progressed by Haast to Hollyford Highway Ltd (HHL).

The concept is for an inland toll road between Cascade and close to Te Anau, traversing Westland and Southland District Council areas, three conservation areas, the Fiordland National Park and Mt Aspiring National Park and the Te Wai Pounamu World Heritage Area. The proposed road is 136 kilometres long, of which 38 kilometres is already partly formed. It will reduce the travelling distance between Haast and Milford Sound by 355 kilometres.

HHL estimates 750,000 users of the road in the first year, increasing by 6 percent per year up to a maximum of 2.25 million.

HHL's benefit estimates suggest that up to 1,500 construction and related jobs will be created for Westland and Southland. If it proceeds, the road will create a nationally significant tourism route by creating a loop between Westland, Milford Sound and Queenstown, which is likely to attract more visitors and result in higher demand for food services and accommodation in lower Westland.

The road would also provide an alternative route in the area should the existing route be closed. There will potentially be a broader range of benefits such as regeneration of the Haast township and surrounds, potential educational and recreational benefits from being able to access a greater area of national parks, and opportunity benefits from reduced travel times, although the scale of these may be limited and may be offset by the overloading of visitor facilities in Milford which would now become more accessible.



There will be impacts on the environment, which have not yet been quantified but which are likely to be substantial and raise significant consenting issues. It is also possible that the road could displace visitors to some areas on the current Haast to Milford route (e.g., at Wanaka).

HHL have indicated that they have secured an investor (JCP group) and construction partner (Blakeley Construction Ltd) to design, build, finance and maintain the road for a period of 30 years. As such, no funding from central or local government is being requested for construction and maintenance.

The councils on the West Coast have indicated support for the Haast to Hollyford road in principle. Southland District Council has also supported the proposal being sent to the Otago-Southland Regional Transport Committee for consideration.

Our assessment of the proposals

Wangapeka Road

As yet there are no details of this scheme that allow us to judge its validity or practicality. Geotechnical, engineering and resource management investigations are required. Construction and ongoing maintenance costs need to be determined. It will require a combination of central and local government funding and resources.

Our preliminary view is that it is probable that the costs (including construction costs and environmental impacts) will be substantial relative to the quantifiable benefits. The case is only likely to stack up if there are significant broader and strategic benefits to the region, for example related to regeneration of some areas of Buller, increased visitor expenditure and flow-on business benefits, and improved route security from having another road option to the north. There are also other proposals currently being assessed (e.g., a waste to energy project discussed later in this report) which, if they are developed, could increase the demand for freight between Nelson-Tasman and the West Coast. These will also need to be taken into account when developing the case.

Haast to Hollyford

As with the Wangapeka Road proposal, there is not yet sufficient information available for us to judge the merits or viability of the scheme. It is likely to be regionally significant. Westland will likely benefit more than the rest of the region and there may even be fewer travellers north of Hokitika. As HHL itself has indicated, the existing cost and benefit estimates need to be updated and technical and environmental impact assessments are required. The cost and benefit estimates also need to be extended to cover a broader range of factors (for example, environmental costs, potential displacement of visitors from other areas, flow-on benefits to the economy, broader regeneration benefits for South Westland and the impact on Milford Sound).



Overall, these two proposals rank relatively low on our criteria, largely due to the current limited evidence available. The case for these roads has not been proven. Although the potential benefits of these roads could be significant, the benefits will likely be captured mainly by the two districts that the roads connect to and we consider that the direct and indirect costs are likely to be high.

Table 13. Assessment of the feasibility and business case work for the proposed major road projects

Criteria	Assessment
Validity	Low
Potential impact	High
Practicality	Low
Regionally significant	Medium
International orientation	Medium
Ability to leverage local/regional work and investment	Low-Medium
Consistency with national priorities	Low
Overall assessment	Low-Medium

Despite this low rating, we consider the work on the feasibility assessment and business cases for both projects should be progressed so that the proponents and region are not left in doubt about the merits or otherwise.

Next steps

Wangapeka Road

The Buller District Council (BDC) has instigated an initial assessment of the Wangapeka Road Link that will include an interim strategic case for the project. This will need to identify and quantify the impacts on the local economies that might underpin the case for progressing the development of the route. We suggest that central government agencies, such as NZTA, MBIE and DoC, provide advice and information to guide the development of this assessment. A proposal could also be submitted to the West Coast Regional Transport Committee to include the work on the Wangapeka link road in the Regional Land Transport Plan when reviewed in 2017.

Haast to Hollyford

We consider that a full business case (using the Treasury Better Business Case guidelines) is required to clarify, once and for all, the case for the Haast to Hollyford road.

The road will require resource consents, detailed environmental impact assessments and amendments to National Park Management Plans. HHL has suggested that the road be 'called-in' as a project of national significance by the Minister for the Environment to facilitate the resource consent process (with consent decision-making then being made by a Board of Inquiry). The process will also require consultation with iwi. Makaawhio have noted their objection to the road.

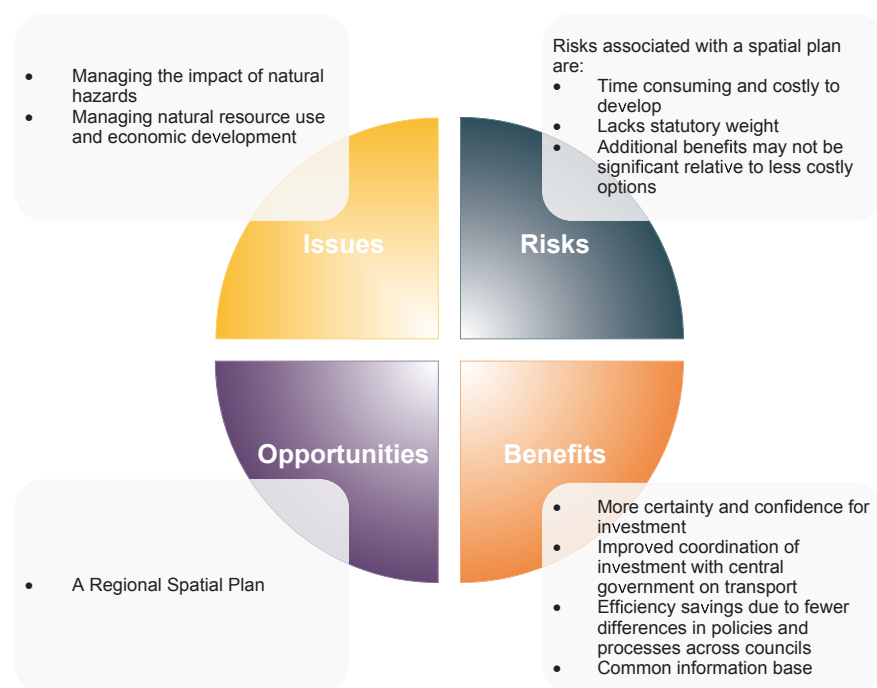
Given the scale of the Haast to Hollyford road, the suggestion that the project be called-in, and the requirements involved in developing such a case, we suggest that relevant central government agencies (e.g., MBIE, Ministry for the Environment (MfE), DoC, NZTA) engage with HHL and the councils to advise on the process and to provide resources and information they have access to. This will ensure that the case will be robust. It will also reveal sooner rather than later whether access to the conservation estate will be possible.



ACCESS TO NATURAL RESOURCES

Overview

Figure 34. Summary of the access to natural resources opportunity



The West Coast has an extensive range of natural resources and amenities, which underpin key sectors such as tourism, minerals and dairy.

The West Coast has 1.9 million hectares of public conservation land, five national parks and part of the World Heritage Area, unique landscapes, wetlands of international significance, a rich marine eco-system, and a range of mineral deposits.

There are relatively few significant water-use pressures and water and air quality is generally good.



Major challenges

These natural resources can also create risks and hazards which need to be managed and which can be costly to mitigate. Several hazards result from the very steep topography and climatic conditions, including **coastal erosion, flooding and landslides**. Many areas on the West Coast, such as Franz Josef, are susceptible to more than one of these hazards.

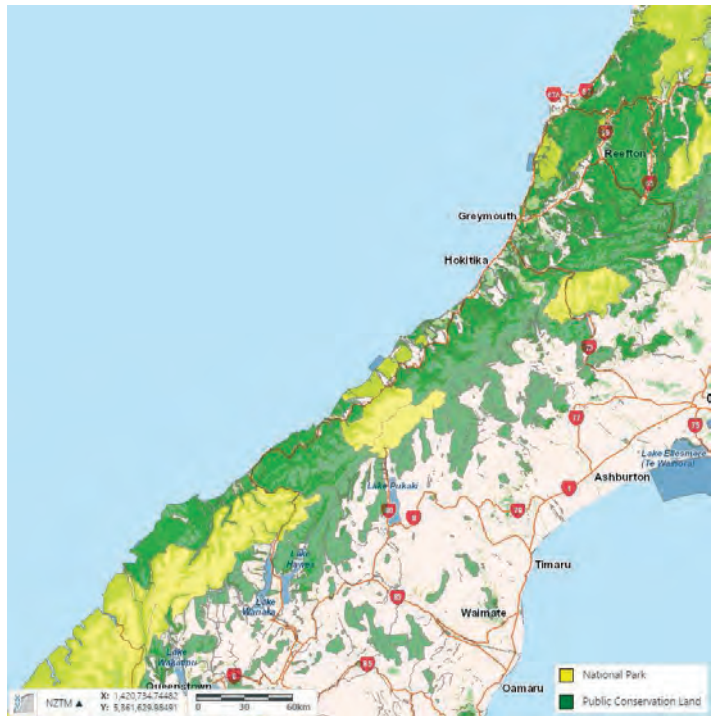
Their effects range from short-term road closures and power outages to creating significant damage to public amenities, private property and infrastructure, longer-term disruptions to transport and communications and, in extreme cases, loss of life.

There are **clear tensions between economic development and the management of natural resources** impacting on many of the key sectors. Tensions in some areas will only grow as pressures on the resources

increase in spite of their relative abundance. For example, the nationally significant natural landscapes and wilderness experience that are key to West Coast's tourism are potentially in conflict with extractive industries. Managing this tension and attempting to achieve the highest combination of social, cultural, environmental and economic benefits through the use and protection of natural resources is one of the greatest challenges facing the West Coast.

The region and central government are investing heavily in several areas to better manage natural resources, including investment in protection works and Resource Management Act processes.

Figure 35. Conservation estate on the West Coast



Source: DoC

Opportunity

Opportunities for better managing natural resources in the region have been noted in relation to key sectors and other cross-cutting issues. These include identifying and assessing stewardship land of low conservation value, developing and enhancing tourism icons, future-proofing infrastructure at key locations, and developing a single window for dealing with permits, land access applications and consents.

Another opportunity is to use a spatial plan to take a more strategic and regional approach to decision-making on the use of natural resources.

Create a regional spatial plan

Typically an assessment of proposals to use resources for developments is made on a case-by-case basis against resource management plans. This case-by-case assessment significantly reduces certainty for investment, the community and the environment and can limit the ability to proactively pursue particular economic, social or environmental outcomes.

Another approach is to create a platform to compare the costs and benefits of alternative uses of the resources at a more meaningful scale. With this in mind, various agencies, most recently Local Government New Zealand, have put forward the case for the wider use of regional spatial planning.

The spatial plan would effectively be an overarching strategic plan that lays out how and where the West Coast region is expected to grow over the long-term, the location and form of future development, and the transport routes and amenities needed to facilitate such growth.

Spatial information would be required on the economic, sociocultural and environmental values of the West Coast region, with input from a range of central and local government agencies, stakeholders and the community.

The key elements for a successful spatial plan would be that:

- there is a commitment and willingness to collaborate amongst the local government, central government and iwi stakeholders
- it is initiated with a clear mandate and agreement to resource and implement
- it is undertaken through a collaborative process
- it is multi-dimensional, considering economic, environmental, social and cultural drivers.



Our assessment of the proposal

The influence of a spatial plan is somewhat limited to the extent that it does not have legal weight in subsequent decision-making. While statutory status is preferable, several spatial plans, e.g., Tauranga/Western Bay of Plenty's Smart Growth Strategy, have had significant benefits without this.

Key benefits of a spatial plan would include:

- providing more certainty and confidence for investment through a better understanding of what types of investments can or should be made and where
- improving coordination with central government on priority issues, such as transport
- efficiency savings assuming the spatial plan results in fewer differences in plans, policies and planning processes across councils (savings not only to councils but also stakeholders)
- providing a joint approach to natural hazard management
- providing a common information base (e.g., about growth forecasts) across councils.

However, it is likely to be time consuming and costly to develop a spatial plan for the region given the additional evidence that would need to be gathered, the need to set up new/different governance arrangements, the need to go through the processes of consultation and submissions etc. The relationship between the spatial plan and other plans (e.g., District Plans, Long-Term Plans, Regional Land Transport Plan) would need to be worked through. Ensuring its implementation and application over time, assuming it has no statutory status, may be difficult, particularly when political leadership changes.

It may be that other options, such as a single unitary plan or common planning templates and joint planning processes across the councils could achieve several of the benefits at a lower cost, although these would not go as far in identifying future priorities for growth, investment and conservation.

This proposal rates moderately on our criteria as although such a plan will certainly be regionally significant and have a range of benefits, the real impact of a spatial plan is difficult to determine. As noted it could be time and resource heavy. However, there are lessons and expertise to draw on from other areas of New Zealand which could facilitate the process.

Table 14. Assessment of the regional spatial plan proposal

Criteria	Assessment
Validity	High
Potential impact	Medium
Practicality	Low
Regionally significant	High
International orientation	Low
Ability to leverage local/regional work and investment	Medium
Consistency with national priorities	Medium
Overall assessment	Medium



Next steps

There are various options that could be considered to implement a spatial plan in the region ranging from preparing a full plan through a formal agreement between the councils to more simply undertaking a stocktake of existing plans and negotiating any areas of duplication or trade-offs across the councils. The LGC process on local government arrangements in the region includes a project commissioned in association with the West Coast Mayors and Chair Forum on options to improve resource management planning, consenting and compliance monitoring services. The outcomes of this work should be considered in assessing an approach to spatial planning.

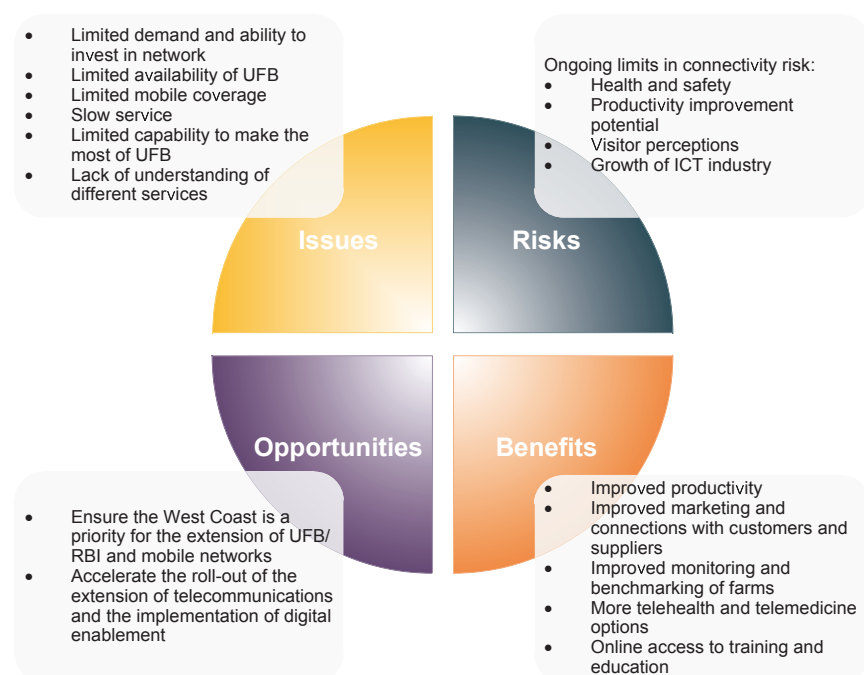
If a more formal approach is taken, the first step would be to identify the information requirements and governance and decision-making arrangements that would enable spatial planning to be successful. The evidence to underpin the spatial plan could then be built up over time, prioritising those areas and resources where the greatest opportunities or potential for conflicts exist.



TELECOMMUNICATIONS

Overview

Figure 36. Summary of the telecommunications opportunity



There is limited availability of ultra-fast broadband (UFB) in the region. UFB is available in Greymouth, most schools and hospitals/health centres. Rural Broadband Initiative (RBI) phase 1, which aims to connect 90 percent of homes and businesses outside UFB phase 1 areas, was 87 percent complete on the West Coast as at June 2016.

Census 2013 showed that a smaller proportion of households in the region had internet access. Almost 70 percent of households in the region had internet access in 2013, while nationally close to 77 percent of households had access. Only Northland (68 percent) and Gisborne (63 percent) had a smaller proportion of households with internet access.

There is limited mobile coverage on the West Coast, particularly in South Westland, where there is a 200-kilometre black spot between Fox Glacier and Makarora.



Household access to mobile phones is more limited on the West Coast than in several other regions, with 73 percent of households reporting in Census 2013 that they had access to a mobile phone compared to close to 84 percent across New Zealand. This was by far the lowest proportion in New Zealand behind Gisborne (78 percent) and Northland (80 percent).

The councils in the region prepared the West Coast Digital Enablement Plan as part of an application for UFB/RBI/Mobile black spot extension funding in 2015. The objectives of the plan are: 100 mega-bits per second (Mbps) in all areas of 300 people or more; 100 Mbps in areas within reasonable reach of the main trunk services; the installation of 4G, wireless or VDSL service providing a minimum 20 Mbps where the cost of fibre is prohibitive due to distance or the number of users; and provision of mobile phone coverage across the State Highway network, including special purpose roads. DWC supported the application with \$1 million of funding.

Major challenges

Key challenges impacting on telecommunications access and use in the region are:

- **Limited demand** – The small population base in the region, and pockets of very small communities spread throughout the region, means there is very limited demand in any one area and hence a limited ability to recover the investment in broadband.
- **Limited service and perceived cost** – councils in the region surveyed the public and businesses and consulted with community groups in 2015 about barriers to broadband take-up. Almost 50 percent of businesses⁷ were dissatisfied with internet services. Of those people not connected at home, 68 percent were not connected because of lack of availability⁸. Of those connected, 58 percent considered the service was too slow. Of those not connected 10 percent cited cost as the main issue
- **Lack of understanding of available services** – The consultation undertaken in 2015 also found that people did not understand the difference between the speeds and quality of different services. There was also a lack of understanding of what was needed to get connected including equipment, costs and security management.
- **Lack of capability** to make the best use of broadband. A growing number of the community have limited digital skills and limited opportunity to benefit from digital technology.

All sectors consulted with as part of this study expressed concerns about limited broadband, Wi-Fi and telecommunications access. Limited connectivity presents a safety risk in the event of crashes or emergencies, restricts the use of online training and tele-medicine, limits monitoring and benchmarking of business performance, and may impact on visitors' decisions to stay in some locations.

⁷ 131 respondents

⁸ 436 respondents



Opportunity

Accelerate an extension of broadband and mobile network coverage

The key opportunity is for the West Coast to secure funding support for the extension of UFB/RBI and mobile network coverage and for the roll-out of the extension to be undertaken as soon as feasible.

We appreciate that the process for the Government's extension of broadband and mobile services is contestable. However, if the West Coast is not identified for extension, then the potential of key sectors in the region will be constrained, particularly tourism, ICT and health. There are also very few areas in New Zealand that are key tourism routes with the limited coverage that exists in South Westland.

To make the most of the roll-out, the region will also need to implement digital enablement initiatives. Our view is that the current Digital Enablement plan, while a good start, is not consistent in its approach across districts (e.g., several more initiatives are planned for Buller and Grey than Westland) and doesn't cover all the necessary bases (e.g., there are relatively few initiatives currently planned to develop digital capability in businesses). We consider it would be preferable to take the best elements of that plan and combine them with the elements suggested as part of the proposed digital economy action plan. This includes the proposed extension of EPIC's services and expansion of programmes to grow digital competence in businesses.

Our assessment of the proposal

There is a clearly identified need for improved broadband and mobile coverage on the West Coast. The total cost involved in implementation is, at this stage, unknown although funding may be available from the central government funding allocations and from the DWC contribution.

The benefits from the extension of broadband and mobile coverage, coupled with initiatives to increase use by the community and businesses, are significant, enabling opportunities for improved productivity, innovation and connections. Previous studies have found that businesses with broadband are more productive than firms with no broadband. There are a range of potential benefits for key sectors on the West Coast, for example:

- Tourism businesses will benefit not only through improved marketing but also online booking systems (which reduce costs) and customer feedback systems.
- Dairy farmers will be better able to monitor the performance of their farms in areas such as herd productivity, use of fertiliser or use of irrigation, benchmark against others, and share information with suppliers and customers.
- Health services organisations, particularly the District Health Board (DHB), can offer more telemedicine and tele-health options and improve the delivery of health care.
- Educational institutions can offer online courses at all levels of schooling and for adult education, particularly to remote areas, and improve the level of interaction amongst student, parents and teachers through online forums.



Overall, the proposal rates highly on our criteria. The issue is regionally significant, impacting on all districts, and is well aligned with local and national priorities.

Broadband and mobile extension will have a positive impact on a range of communities and a range of key sectors. It also supports internationalisation by providing for direct access to customers and suppliers offshore.

Table 15. Assessment of the accelerated roll-out of digital technology proposal

Criteria	Assessment
Validity	High
Potential impact	High
Practicality	Medium
Regionally significant	High
International orientation	High
Ability to leverage local/regional work and investment	High
Consistency with national priorities	High
Overall assessment	High

The proposal was rated as a high priority by the governance group.

Next steps

The next steps are for the West Coast to be identified as a priority for the extension of UFB/RBI and mobile networks. This can only occur once the commercial negotiations between Crown Fibre Holdings (CFH) and potential suppliers has been completed and policy on RBI and mobile black spot funding has been finalised (scheduled for the end of 2016).

If the West Coast is selected, it will also be important for clarity to be provided about the timeframe for implementation. This provides certainty for investment decisions and for the implementation of digital capability initiatives.

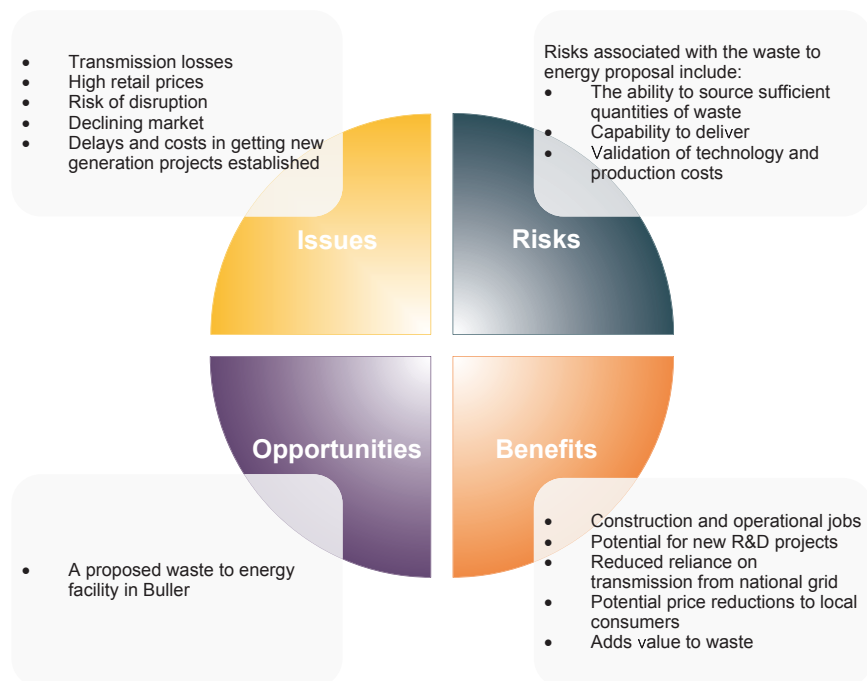
Assuming that both the commercial negotiations between CFH and potential suppliers for UFB2 are finalised and that policy decisions on RBI and mobile black spot funding occur before the end of 2016, implementation could begin from 2017/18.



ENERGY

Overview

Figure 37. Summary of the energy opportunity



The West Coast electricity load is mostly supplied from the National Grid through the longest transmission route in New Zealand, via Canterbury, Kikiwa and Inangahua. Local generation is provided by a range of hydroelectric power stations.

There are two electricity distribution companies in the region – Buller Electricity and Westpower. Buller Electricity supplies Karamea in the north to Meyville Bay near Punakaiki in the south. Westpower services from Lyell in the north to Pāringa in the south.

Electricity demand on the West Coast increased over the 2000s because of growth in dairy and minerals and key customers such as Westland Dairy, Pike River mine, Solid Energy and Holcim. As a result, Transpower, Westpower and Buller Electricity started projects to increase supply capacity on the Coast. Following the decline in the minerals sector, demand for electricity on the West Coast has fallen significantly and there is now plenty of capacity, particularly in Buller.



Major challenges

Other than the contraction in electricity demand, major challenges impacting on the electricity network, access and costs include:

- **Transmission loss** – on average it is estimated that around 8.5 percent to 13 percent of electricity is lost transmitting electricity from the national grid to the region's distribution companies' networks.
- **Retail prices are very high** due to the small market over which transmission and distribution costs can be spread.
- **Risk of disruption** – the reliance of the region on the main interconnection link presents a risk to the security of supply if transmission problems occur along the route. The distribution networks in the region are also vulnerable to major weather events.
- Companies have faced **lengthy delays and high costs in getting new generation projects established** due to concerns about the environmental impacts.

Opportunity

We did not identify any particular demands that necessitate further investment in the electricity network in the region beyond what is already planned on a commercial basis.

Two major energy generation projects that are planned in the region are the Waitaha hydro scheme and the Ngakawau Restoration Project. Both will involve significant spending and create jobs in the region. Both projects will proceed if they make sense on a commercial basis and do not require any support through this study or action plan process. However, if they proceed, both projects will result in broader economic benefits, including new jobs and potentially reduced electricity charges to customers.

As such, it may be useful for DWC or a new economic development organisation to work with the companies involved in the projects to determine how the broader benefits during construction and operation can best be captured by the region.

There is also a proposal to establish a waste-to-energy facility in Buller.

Complete a feasibility assessment and business case for the proposed waste-to-energy facility

This proposal involves establishing a waste-to-energy facility in Buller. It is intended that the plant would initially use 300,000 tonnes of waste annually to generate 60MW of power (potentially doubling in scale in phase 2 after a few years). The facility would take a combination of local feedstocks (e.g., solid municipal waste) and solid waste (e.g., tyres, industrial and municipal waste) from the South Island. The proposed technology is being used in similar facilities in other countries.



A new company, Waste Energy (WC) Ltd, has been formed to manage the project and an advisory board has been formed involving BDC and Buller Electricity. Potential investors and a site have been identified.

The rationale for establishing the facility in Buller is to have ready access to waste coal, which will help to ensure minimum energy levels are generated and will also keep transport costs down.

A feasibility assessment and business case is underway. Engineers have reviewed the potential feedstock and identified this as suitable. Sorting and shredding of waste from the east coast of the South Island will need to be undertaken in a facility in Canterbury, which will then be transported by rail to Buller, while sorting and shredding of West Coast waste will be done in Buller. The transport of waste from Canterbury will involve back-loading the coal wagons that travel from the West Coast.

Our initial assessment of the opportunity

If the facility only made a limited use of local feedstock, we would question the rationale for establishing it on the West Coast rather than being closer to the major sources of waste. However, the use of waste coal means the location makes more sense.

A key risk we see for the project is whether sufficient quantities of waste can actually be sourced from other locations. In addition, the owners of Waste Energy Ltd do not have direct experience in establishing these types of facilities, although they have partnered with companies that do have this experience. Production costs still need to be validated.

The potential benefits are significant. Construction of the facility will provide an estimated 1,000 jobs over 12–18 months (once consented) and operating the facility will initially require around 65 to 70 jobs. There will also be opportunities to undertake associated R&D projects on the potential to use other waste streams.

The facility would enable Buller to reduce its reliance on transmission from the national grid and potentially reduce prices to local consumers and improve security of supply.

Overall the proposal currently rates low-medium on our criteria. Although the potential impacts are significant, there are still key questions about its validity and practicality to be answered. Most of the benefits will accrue to Buller rather than the broader region. There is limited existing expertise in the region or New Zealand to develop the facility.

Table 16. Assessment of the Waste to Energy proposal

Criteria	Assessment
Validity	Low
Potential impact	High
Practicality	Low-Medium
Regionally significant	Low-Medium
International orientation	Low
Ability to leverage local/regional work and investment	Low-Medium
Consistency with national priorities	Medium
Overall assessment	Low-Medium



Next steps

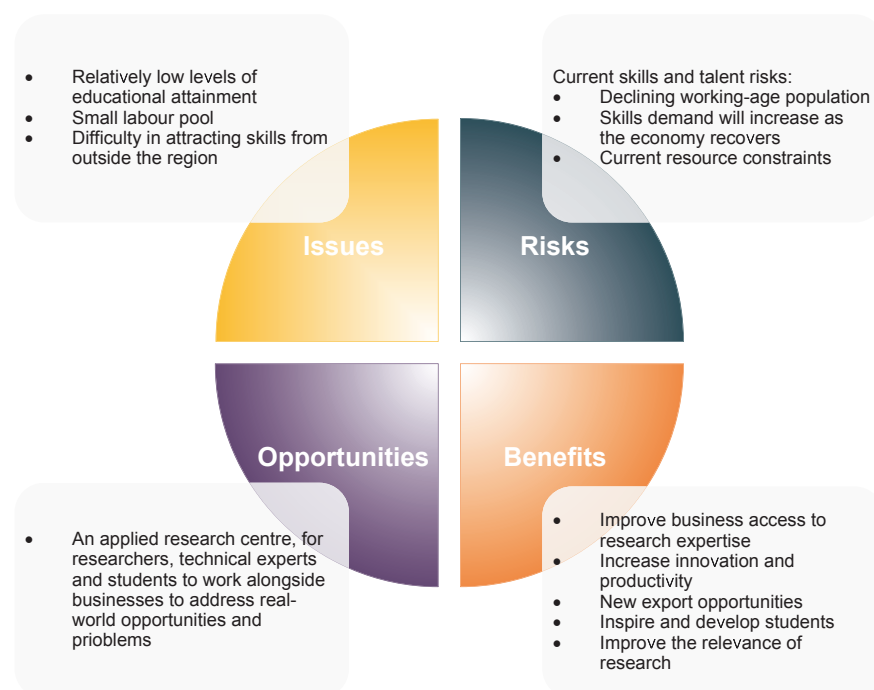
As noted, a feasibility assessment and business case for the project is being prepared. The assessment and case should be finalised so that the viability of the project can be determined, including key risks and how they might be managed, the full range of costs and benefits, as well as whether there is any role for local or central government in facilitating the project.



SKILLS AND TALENT

Overview

Figure 38. Summary of the skills and talent opportunity



The West Coast has a relatively high level of early childhood, industry and adult education and training, but relatively low attainment of formal qualifications.

The proportion of the West Coast's children who participate in early childhood education before starting school is high, relative to the New Zealand average and most comparator regions. Participation across the West Coast has increased over time.

The proportion of the West Coast population undertaking industry training and apprenticeships is higher than the New Zealand average. Industry trainee and apprenticeship enrolments are broadly aligned with sectors of strength in the region. For example, high numbers were enrolled in agriculture, food and hospitality, building, marketing and engineering in 2014. There is also a better than average proportion of the population participating in adult and community education.

However, the population of the West Coast underperforms on several key indicators of educational achievement and participation, although there is variation between districts. In particular, the region has a lower proportion of people with a bachelor degree or higher, and a higher proportion of people without a qualification, than nationally. Lower proportions of school students in the region achieved 'at'



or 'above' the national standards for reading, writing and mathematics than across New Zealand as a whole.

Figure 39. Proportion of the population aged 15 years and over whose highest qualification is a Bachelors Degree or higher, 2006 and 2013

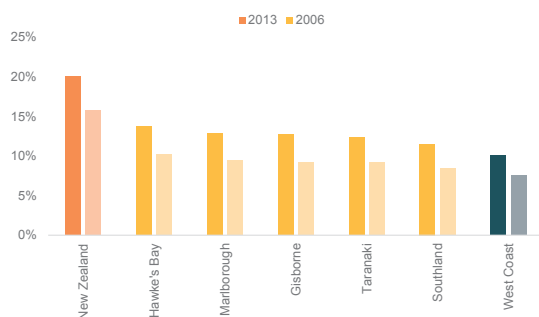
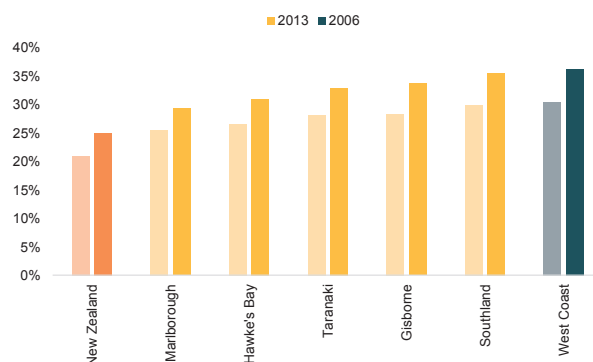


Figure 40. Proportion of the population aged 15 years and over with no qualification, 2006 and 2013



Source: Statistics New Zealand, Census

Note: Usually resident population

There is a significant range of programmes in the region aimed at improving early childhood education, secondary school attainment, youth participation in education and training, and adult learning, including:

- BullerREAP and WestREAP initiatives such as SPACE (Supporting Parents Alongside Children's Education), parenting support groups, a rangātahi Māori leadership development programme, a tertiary pathways roadshow, a youth support service, digital literacy classes and financial literacy programmes, to name a few.
- The West Coast Trades Academy (WCTA), which provides opportunities for youth to develop their knowledge and skills through trades and technology programmes that are jointly provided by schools and tertiary education organisations.

The Government and DWC have also co-funded a programme to provide wage subsidies to up to 20 people who have recently lost their job in Buller to help get new jobs. Funding of \$15,000 per year is available for 2 years for each new job created.



Major challenges

Research and feedback from education organisations suggests that the lower levels of secondary and tertiary qualification attainment in the region may be due to a combination of factors including:

- low employment expectations and limited visibility of careers in the region
- assumptions that qualifications are less necessary to get good jobs in the dominant dairy and minerals sectors
- limited resources available for schools
- limited tertiary opportunities in the region.

Based on the interviews and workshops for this study, challenges in obtaining skills are not widespread. However, there was consistent feedback from sector representatives that it can be difficult to hire management and technical skills (e.g., in wood processing, health services, manufacturing, construction, fisheries). This is due to a combination of factors, including the smaller working-age population in the region, difficulties in attracting staff from other regions due to a perceived lack of education opportunities for children and job opportunities for partners, and perceived lack of career opportunities.

These challenges are backed up by the fact that almost half the people who enter the region under the skill migrant visa category are employed as professionals. Other major occupations are technicians, and trades workers and managers.

Some sectors (e.g., wood processing, fisheries) also face problems in attracting and retaining lower-level skills due to attitudinal issues such as aversion to hard work or long hours, and drug-related problems.

There were also comments from several businesses that it is difficult to access R&D expertise in the region, due to the lack of research institutes and tertiary organisations.

Businesses are implementing a range of initiatives to overcome these challenges, including internships, drug-testing, in-house training, work experience initiatives, and advertising job opportunities in several regions.

Opportunity

Despite the challenges, no specific interventions were suggested by sector representatives or education and training organisations to improve skills and educational attainment in the region. Generally it was thought that there were already sufficient (private and public) initiatives underway to address the challenges.

However, some organisations did believe there was a more fundamental gap in helping businesses in the region access R&D and technical expertise.



Create an applied research centre to improve business access to R&D expertise

To address this gap, TPP have proposed creating an applied research centre, focused on research and knowledge transfer into areas that will produce a step-change in value added on the West Coast.

An applied research centre would provide a collaborative approach to problem solving to meet local sector needs.

The centre would involve researchers, technical experts and students:

- working closely alongside businesses, industry groups, local and central government to identify real-world, commercially-focused sector problems or opportunities that require technical expertise and R&D
- applying their research to these problems or opportunities for the benefit of businesses in key sectors, such as minerals, dairy, fishing and aquaculture, wood processing, tourism
- working alongside experts from partner organisations (e.g., research institutes, universities) to provide a comprehensive range of expertise to meet the needs of businesses
- working with industry groups, local agencies (e.g., DWC) and central government agencies to provide complementary support.

For example, this could involve experts working with farmers on how they can comply with health and safety requirements in practical ways or working with mineral companies to improve the gold recovery process.

Our assessment of the proposal

Businesses on the West Coast do have more limited access to research and technical expertise than in many other regions. Consultation undertaken as part of this study included firms with R&D projects and ambitions that were not proceeding due to a lack of available expertise or limited time to devote to projects that fell outside of normal business. However, the overall demand or need for an applied research centre is not clear.



There would be a range of potential benefits from implementing such a concept, including:

- improving the region's knowledge base and R&D, which is a key contributor to innovation and hence productivity growth
- new export opportunities from commercialised R&D
- broader benefits to businesses beyond those directly involved in projects, as lessons learned from the projects are more widely applied
- inspiring and developing students by encouraging participation in collaborative projects with industry
- improving the relevance of research.

It may be difficult to develop such a centre given the existing resource constraints of TPP. A staged approach, trialling 2-3 projects to test the concept, would make it more manageable and would also provide time to find additional resources. We also think that partnering with institutions in other regions would be a good idea in order to bring additional resources and expertise into the concept, particularly where there are local gaps.

This proposal rates moderately on our criteria as the demand for the centre has yet to be proven and it will take time for such a concept to develop and have a significant impact. It is consistent with government priorities to grow R&D. Some initial work has been done on potential projects which could form the basis of the trial.

Table 17. Assessment of the applied research centre proposal

Criteria	Assessment
Validity	Medium
Potential impact	Medium
Practicality	Medium
Regionally significant	Medium
International orientation	Medium
Ability to leverage local/regional work and investment	Medium
Consistency with national priorities	High
Overall assessment	Medium

Next steps

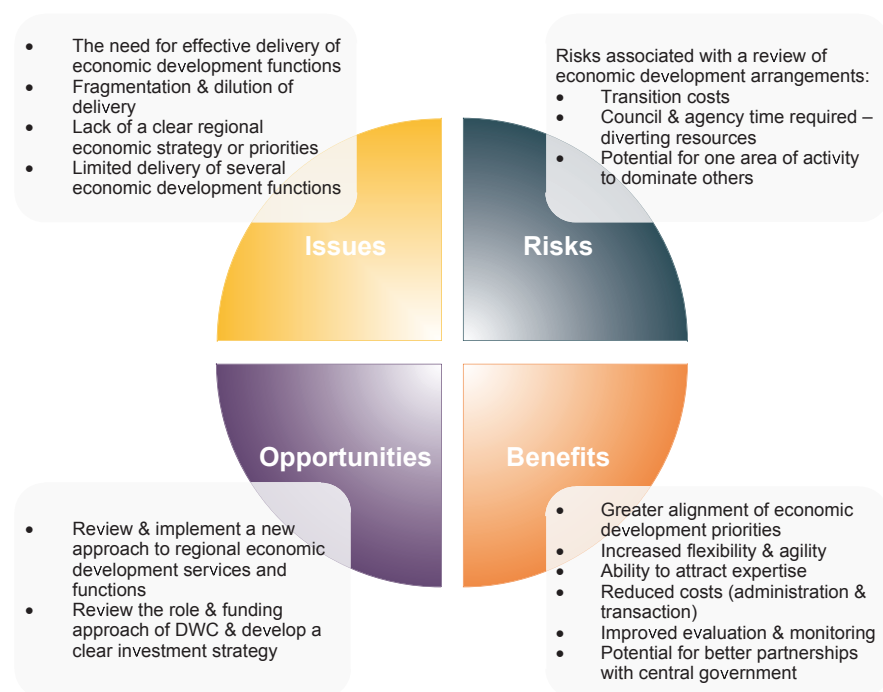
It is proposed that the concept be pilot-tested on specific opportunities to determine how it would work in practice and to assess its effectiveness before committing to a full model. The first step would be for TPP to organise workshops with sector representatives and other research providers in order to confirm 2-3 trial projects and to determine funding options.



ECONOMIC DEVELOPMENT ARRANGEMENTS

Overview

Figure 41. Summary of the economic development arrangements opportunity



Effective economic development arrangements can support businesses and sectors in the region to more productively and effectively access resources and respond to opportunities.



The set of economic development functions on the West Coast is currently spread across a number of agents, including councils, DWC, Tourism West Coast, town promotional agencies and a regional economic development manager. A wide range of activities and support is available in the region:

- Business development support is delivered through DWC, which is the regional partner of NZTE and Callaghan Innovation. This includes access to central government programmes, commercial finance, networking events and access to Business Mentors.
- Visitor promotion and marketing activities delivered through a combination of Tourism West Coast and a variety of area promotional agencies. Tourism promotion has recently been supported by the regional economic development manager.
- Skills support in the form of some training programmes (e.g., a leadership and governance programme, facilitated access to courses and business coaching), provided by DWC.
- Sector development activities. These have been supported by DWC, which has part-funded activities delivered through Minerals West Coast and the Construction Alliance. In the past DWC has also co-funded feasibility studies on the potential of different sectors on the West Coast.
- District and town promotion activities delivered through a variety of local promotion organisations such as Enterprise Hokitika, Grey District Business Promotions Association, Reefton Inc, Punakaiki Promotions, Haast Promotions, Glacier Country Promotions and Lakes District Promotions, partly funded by councils.
- Economic monitoring information provided by Councils and DWC.

The reach and impact of many of these activities is not known as evaluation has been limited.

The West Coast's economic development arrangements are unique in New Zealand in that DWC provides access to potentially significant funding support for businesses and for economic development projects. The region is also unique in having economic development functions distributed across so many agencies.

Major challenges

Overall, **economic development functions on the West Coast are fragmented and have evolved in a rather ad-hoc way.** It is not readily apparent that the current set of arrangements (both governance and delivery) is the most appropriate or cost effective, provides for an appropriate level of oversight and accountability, or aligns with clear economic development priorities.

The region has lacked a clear regional economic strategy or set of priorities for some time, which this study will help to rectify. Most regions in New Zealand determine their priorities for economic development on the basis of a regional economic development strategy or plan.



In addition, almost all **industry representatives and stakeholders consulted with as part of this study had questions or concerns about DWC's investment and funding role**. These included questions about the scope of investment that was possible or not possible through DWC; whether DWC had a clear investment strategy or was reacting to opportunities; whether 'business-as-usual' activities were being funded in some cases; and about the length of time it can take to decide on applications for funding (sometimes over 12 months).

Opportunities

The West Coast needs appropriate arrangements in place to support economic development and to implement the growth study and action plan. It is therefore timely to review current arrangements (across Tourism West Coast, DWC and councils) with a view to improving the approach.

1. Review and implement a new approach to regional economic development services and functions

The review should identify:

- the range of activities that should be delivered, based on an assessment of clear and well-evidenced problems and opportunities facing the region, a clear rationale for local government and others in supporting the activities, and identified gaps and areas for improvement
- strengths and weaknesses in the current model for delivering these activities, including services and reporting and accountability mechanisms
- opportunities to improve the model, including governance, prioritisation and delivery arrangements (e.g., options could include a stand-alone economic development agency, combined tourism and economic development agency, economic unit within a council etc.)
- the benefits and costs of the alternative options
- appropriate funding arrangements to deliver the model and to reflect the range of activities and regional reach
- a clear set of output and outcome indicators for assessing the performance of economic development functions and activities.

2. Review the role and funding approach of Development West Coast and develop a clear investment strategy

Given the extensive feedback from industry representatives and other stakeholders questioning the role of DWC and the lack of clarity about the rationales for DWC funding decisions (referring to DWC's grants, loans and distributions), we believe it is also timely to review the way that DWC's objectives are being interpreted and the investment approach of DWC.



We are not suggesting that DWC's objectives alter. We believe the current objectives provide considerable scope for different types of investment. The aim would be to develop a clear investment strategy. This strategy would set out the rationales for DWC's investment and the general priorities for that investment. The priorities would be informed by the outcomes of this growth study and action plan. The strategy would provide guidance to DWC and clarity to industry and communities. It would not recommend particular projects for funding.

As part of this, DWC's investment processes should also be reviewed and clearer guidelines adopted for decision-making timeframes.

Our assessment of the proposals

Review of economic development arrangements

There is a clear need for a change to the existing arrangements. It should be relatively straightforward to action such a review although the assessment will be complicated by the fact that there are three dimensions – economic development, marketing and promotion, and the role of DWC – to consider. The outcome of the review will be regionally significant but the actual impact of any new model will depend on the resources available and the capability involved.

Assuming the review results in a new, well-resourced economic development and tourism agency or unit with clear priorities and performance measures, the potential benefits are:

- greater alignment of economic development priorities across councils and the agency/unit and hence better opportunity to leverage the resources of all to achieve common goals
- improved measurement of economic development performance and impacts and subsequently a better ability to make appropriate changes to resource and investment decisions
- the potential for a more effective partnership with central government
- reduced costs (e.g., reduced overheads, potentially reduced governance)
- potential ability to attract higher levels of expertise through a well-resourced agency with a greater scope of activities.

Key costs and risks associated with a review and potential new model include:

- transition costs
- council and agency time required to participate in the review and implement resulting changes, which may divert resources away from implementation during the review period
- the potential for one area of activity to dominate the other (e.g., mergers of economic development functions in other parts of New Zealand have sometimes resulted in tourism promotion dominating economic development or vice versa).

These costs and risks can be mitigated through a well-designed process.



Review of the role and investment approach of DWC

The review of DWC should not be regarded as a standalone exercise and should take place alongside the broader review of economic development arrangements. As noted, DWC currently provides a range of economic development functions and a review of its role will need to consider whether it should continue to provide such functions or whether it would be better for those to be delivered by a dedicated economic development entity of some form (and hence DWC would focus on its role in managing and distributing the Trust Fund). Whether and how such functions could be transferred to a new entity will depend on the broader review.

Although a review of DWC's role and investment approach may not result in a significant economic impact on its own, if it results in an investment strategy that is clearly aligned with the region's economic development priorities then it is more likely that those priorities will be supported in future.

Overall, the review proposals rate relatively highly on our assessment based on the above analysis. As noted, they rate well on validity, practicality, and regional significance. However, the impact is dependent on the execution.

The Governance Group rated these proposals highly and as a priority.

Table 18. Assessment of the proposals to review economic development arrangements and the role and investment approach of DWC

Criteria	Assessment
Validity	High
Potential impact	Medium
Practicality	Medium-High
Regionally significant	High
International orientation	Low
Ability to leverage local/regional work and investment	Medium
Consistency with national priorities	Medium
Overall assessment	Medium-High

Next steps

We suggest that the joint review of economic development arrangements and DWC's role and investment approach should be commissioned concurrently with the action-planning phase of this project. This will enable the new or different set of arrangements to be explicitly considered when determining responsibilities and resourcing for different proposals. The West Coast Councils, MBIE and the Treasury should develop a terms of reference for the joint review.



MĀORI ENGAGEMENT

Māori are playing an increasing role on the West Coast economy.

Ngāi Tahu Holdings has several commercial interests and is a key player in tourism and forestry in the region. Māwhera Incorporation has strategic commercial assets in Greymouth and is actively looking at investing in the region.

Te Rūnanga o Ngāi Tahu has a number of social and regional development projects throughout the South Island that can be leveraged on the West Coast.

The two Ngāi Tahu Papatipu Rūnanga on the West Coast – Ngāti Waewae and Makaawhio – are engaged in social development projects and are important investors in the region, with significant landholdings in Greymouth and Westport, and interests in forestry, minerals, tourism, fishing, property, food and beverage, health, telecommunications and natural resources.

Effecting true partnership

As a treaty partner, and as kaitiaki for Te Waipounamu, Ngāi Tahu seeks to be a true partner in the sustainable development and growth of the West Coast region. This will result in more effective engagement and better and more streamlined outcomes. Ngāi Tahu are already engaged across a wide range of processes associated with development in the opportunity areas recommended by this study.

In practice, true partnership means engaging Māori in policy settings and development of proposals through to decision and review processes.

This is likely to require a change in the way issues are progressed and policy/strategy is developed. It will require clear rules of engagement and increased awareness and understanding within government and agencies of the importance of a Treaty partnership approach. It will also require increased capability and resourcing within Ngāi Tahu.

There are Treaty partnership models established in other parts of the country that can inform the Tai Poutini West Coast approach.

While Te Rūnanga o Ngāi Tahu is looking to devolve responsibility to Papatipu Rūnanga to make decisions and operationalise activity, Te Rūnanga o Ngāi Tahu will continue to provide capability and resourcing required to support that devolution.

The conservation estate is a critical part of the West Coast experience and key sectors such as tourism, mining, forestry, and food and beverages. As kaitiaki, iwi have an interest in the sustainability of, and activity on, the conservation estate. Iwi seek a constructive working relationship with DoC to



ensure that the right environment is in place that ensures sustainability, is culturally sensitive, and encourages increased economic activity.

There are other ready examples in the region where real partnerships would add value, such as discussions around the future of Franz Josef.

Opportunities

There are opportunities for Ngāi Tahu across most sector and cross-cutting opportunities identified in this study. Involvement may be through Ngāi Tahu Holdings Limited, Papatipu Rūnanga and associated businesses or initiatives, or through whānau development and involvement in local business.

The two rūnanga, Ngāti Waewae and Makaawhio have several investments that they are developing, some of these with the support of Ngāi Tahu. Māwhera Inc. has commercial and rural land-holdings that it is looking to develop further.

Ngāi Tahu Tourism (NTT), Ngāi Tahu Forestry Estate (NTFE) and Ngāi Tahu Seafoods all have investments on the West Coast. These companies operate nationally. However, they whakapapa to the South Island and are always seeking out opportunities to invest in their rohe. As such, they will continue to look favourably on opportunities on the West Coast that can grow their investments in a sustainable fashion.

The opportunity is to understand the investment focus of Ngāi Tahu subsidiaries, Māwhera and Papatipu Rūnanga, and identify and encourage investment opportunities on the West Coast.



PRIORITIES AND NEXT STEPS



PRIORITIES FOR ACTION

The opportunities identified during the growth study were assessed and rated against a range of criteria, including validity, potential impact, practicality, regional significance, and consistency with local or national priorities, or both. The Governance Group then debated the list and used their local and sector expertise to identify the following short-list of the highest-priorities.

1. Developing the tourism strategy and action plan to improve marketing, enhance and develop tourism products, and invest in visitor infrastructure and amenities at key locations. This includes determining the appropriate mix of funding options.
2. Reviewing economic development arrangements in the region with a view to recommending a new governance, funding and delivery approach.
3. Reviewing the objectives and investment approach of DWC, including developing a clear investment strategy that aligns with the outcomes and objectives of the growth study.
4. Identifying the region as a priority for extension of UFB/RBI and mobile networks and accelerating the roll-out and implementation of the West Coast Digital Enablement Plan.
5. Developing a single window regulatory processing hub to deal with permits, land access arrangements and consents in a streamlined way.
6. Identifying areas of stewardship land with development potential that are of low conservation value.

Table 19 summarises the highest priority proposals for the West Coast, including potential benefits, organisations that should be involved, the current status of work on the opportunity, further work required, and our assessment.

These opportunities are priorities for the action plan. The other opportunities rate more moderately on the criteria for various reasons. Several will also be worth progressing but can be regarded as lower priorities if there are resource constraints.





Table 19. Key economic development opportunities

Opportunity	Potential benefits	Who's responsible	Current status and further work required	Assessment
Developing the tourism strategy and action plan	<ul style="list-style-type: none"> • Effective delivery of tourism promotion and support. Potential to grow visitor expenditure to \$530 million by 2020 (\$114 million increase). • A range of flow-on benefits to other sectors, social and community development, and environmental benefits. 	Tourism West Coast, Economic Development Manager, DWC, councils, DoC, iwi	Initial work is being led by the Economic Development officer and Tourism West Coast to develop new branding and a tourism strategy for the West Coast.	High – scored high on validity, potential impact, regional significance, leveraging existing activity and consistency with national priorities.
Reviewing economic development arrangements in the region	<ul style="list-style-type: none"> • Greater alignment of economic development and marketing priorities and outcomes. • Better opportunity to leverage the resources of all to achieve common goals. • Improved measurement of economic development performance and impacts. • Increased flexibility/agility. • The potential for a more effective partnership with central government. • Reduced costs (e.g., reduced overheads, potentially reduced governance). • Potential to attract higher levels of expertise to well-resourced agency with a greater scope of activities. 	Councils, DWC, MBIE, NZTE, DWC, Tourism West Coast	<p>This is a new initiative and will be instigated as part of the action-planning phase.</p> <p>Should be completed in conjunction with the review of the objectives and investment approach of DWC and assessment of tourism marketing and promotion needs.</p>	<p>Medium-high – scored high on validity and regional significance. Scored medium-high on practicality and medium on potential impact, leveraging existing activity and consistency with national priorities.</p>



Opportunity	Potential benefits	Who	Current status and further work required	Assessment
Reviewing the objectives and investment approach of DWC	<ul style="list-style-type: none"> Improved alignment of the investment strategy with the region's economic development priorities Clarity on the investment approach will result in better projects being funded and savings due to only relevant proposals being submitted. 	Councils, DWC, MBIE, NZTE, DWC, Tourism West Coast	<p>This is a new initiative and will be instigated as part of the action planning phase.</p> <p>Should be completed in conjunction with the review of economic development arrangements in the region.</p>	<p>Medium-high – scored high on validity and regional significance. Scored medium-high on practicality and medium on potential impact, leveraging existing activity and consistency with national priorities.</p>
Identifying the region as a priority for extension of UFB/RBI and mobile networks and accelerating the roll-out	<p>Direct impact on jobs may be small in the first instance. Enables opportunities for improved productivity, innovation and connections. Based on previous research, regional GDP could increase by around \$30 million if UFB was available to 10 percent more employees in the West Coast region.</p> <p>Will benefit several key sectors, including:</p> <ul style="list-style-type: none"> Tourism – improved marketing, online booking and customer feedback systems. Dairy – improved farm monitoring, use of fertiliser and irrigation, benchmarking and communications with suppliers and customers. Health services – more options for telemedicine and telehealth. Improved response time to emergencies in remote locations. Education – online education opportunities and improved teacher-parent-student interaction. 	Councils, DWC, MBIE, NZTE, telecommunications providers	<p>The West Coast has put together the West Coast Digital Enablement Plan as a part of its bid to extend UFB/RBI and mobile networks. DWC has offered a further \$1 million to support the efforts.</p>	<p>High – scored high on validity, potential impact, regional significance, international orientation, ability to leverage local/regional work and consistency with national priorities. Rated medium in terms of practical implementation.</p>

Opportunity	Potential benefits	Who	Current status and further work required	Assessment
Identifying areas of stewardship land with development potential that are of low conservation value	<ul style="list-style-type: none"> Will improve certainty over the potential opportunities for the use, development or conservation of this land. Will also free up DoC resources being used on low value land. Low conservation value stewardship land could be swapped for high conservation value private land, delivering long-term conservation benefits. 	DoC, iwi, councils, MfE, West Coast Conservation Board	The Parliamentary Commissioner for the Environment has recommended that DoC identify areas of significant conservation value. The regional Conservation Board has been identifying high-value areas. The opportunity would build on this to look at areas of low conservation value and which have development potential as well.	Medium-high – rates high in terms of its validity, regional significance and ability to leverage existing work. Rates medium-high in terms of its potential impact and consistency with national priorities. Rates lower on practicality and its international orientation.
Developing a single window regulatory processing hub to deal with permits, land access arrangements and consents in a streamlined way	<ul style="list-style-type: none"> Should accelerate the development of minerals projects by speeding up the application process. Reduced costs to applicants. 	WCRC, councils, iwi, NZPAM, DoC, MfE	WCRC have promoted this concept as have Ngāi Tahu.	High – rates high on validity, potential impact, regional significance, ability to leverage local resources and consistency with national priorities. Rates more moderately on practicality and international orientation.



NEXT STEPS

The second stage of the project is to develop an action plan for making the most of the priority opportunities on the West Coast. The action plan will set out key actions, milestones, timeframes, lead organisations and partners, resources required, and how progress will be measured and overseen.

Delivering the action plan will involve the following steps.

- Step 1 – Prioritising the list of opportunities
- Step 2 – Project planning, including identifying:
 - project leads to work with relevant agencies and stakeholders to develop a project plan for each priority and identify key actions
 - output and outcome indicators for measuring progress against actions
- Step 3 – Identifying governance and delivery arrangements for overseeing and implementing the action plan
- Step 4 – Drafting the action plan

The goal is to agree and deliver a final action plan by February 2017.



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