

Subject: Economic Development Unit Activity Report – February/March 2010

Prepared by: Phil Wauchop (Economic Development Team Leader)

Meeting Date: 10 March 2010

Report to COMMUNITY DEVELOPMENT Committee for noting

SUMMARY

Another excellent two months for the ECT Warmer Homes programme with 70 houses being retrofitted over the December and January period.

Eastland Port is having a record financial year with log shipments for January totalling 147,000 JAS¹, exceeding the previous best month last year by 24%.

Building consent values for the first month of the calendar year are \$2.0 million up on the same month last year with the new Warehouse representing 69% of the total value consented for the month.

RECOMMENDATIONS

That the Committee

1. receives the report.

Phil Wauchop
Economic Development Team Leader

Nedine Thatcher-Swann
Community Planning & Development Manager

¹ Export log grades are typically measured in Japanese Agricultural Standard (JAS) cubic metres. A JAS measures logs according to prescribed formulae. Domestic logs are typically measured in cubic metres or tonnes. Conversion factors between all three measurements vary owing to a number of variables including wood age, log size and taper, but are mostly within 90 percent of a 1:1 relationship.

1. ECONOMIC ACTIVITIES

The monthly retrofit **ECT Warmer Homes Committee** meeting was held on 15 February. Monthly completions were down slightly, with 43 homes being retrofitted in the month of December and 27 homes completed in the month of January. This was primarily due to the closure of the Energy Options Offices over the Christmas/New Year holiday period and a change in reporting criteria. Homes completed to date for this financial year total 372. Due to the high incidence of house fires in Australia, relating to the dangers of insulating over or close to down lights and extractor fans, the ECT Warmer Homes Committee was advised last month that quality control and fire hazards was a key focus. This involved Energy options physically revisiting all houses that were retrofitted during the current contract to ensure that no fire hazards exist with the installed insulation.

The Committee was updated on the forthcoming celebration of 1000 homes retrofitted within the district. This event provides the opportunity to thank the current funders for their support of the programme and will occur on 24 March. The December 2009 and January 2010 reports are attached refer **Appendix I**.

Further meetings on the **World Rugby Cup** (WRC) initiatives to be undertaken within the district were held during February and focused on the various options being put forward and how best these can be advanced and funded. The prime objective is to be to maximise the opportunity to not only show case the district as host to the rugby team from Namibia, but to also further promote the attractions available to all RWC visitors.

Further meetings are to be held in the first week of March with Poverty Bay Rugby Union, Tourism Eastland, Tairāwhiti Tiki Tours, and groups associated with other associated initiatives like fan sites, age group rugby tournaments and packaged tours.

2. ECONOMIC REVIEW

The Gisborne Port volumes for the year to the end of January 2010 were above the expected target of 1million JAS of logs for 2009/10 by 13 percent. Log exports nationally have increased significantly and the export boom has attracted a growing number of exporting companies. The industry now has at least 16 companies plying the trade. This compares with only about 5-6 log exporting companies left on North America's west coast.

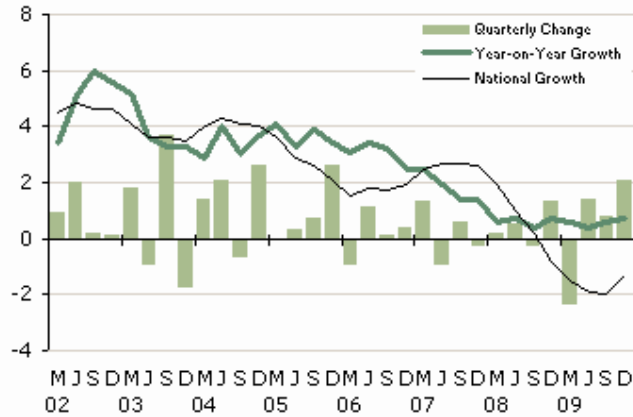
Several new-entrant Chinese companies are now in the game. The very high prices bid for some stumpage sales in late-2009 raised eyebrows, with conjecture that Chinese economic stimulus package money is behind such bids, and with volume more important than price.

Exports	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov-09	Dec-09	Jan-10
Logs (JASm ³)	57,618	87,161	96,251	107,474	55,941	89,751	97,543	117,817	110,730	117,542	49,002	146,765
Other	6,607	5,741	3,875	1,693	539	2,064	2,330	1,925	713	1,756	-	7108
Total	64,225	92,902	100,126	109,167	56,480	91,815	99,873	119,742	111,443	119,298	49,002	155,893

National Bank Regional Trends – December Quarter 2010

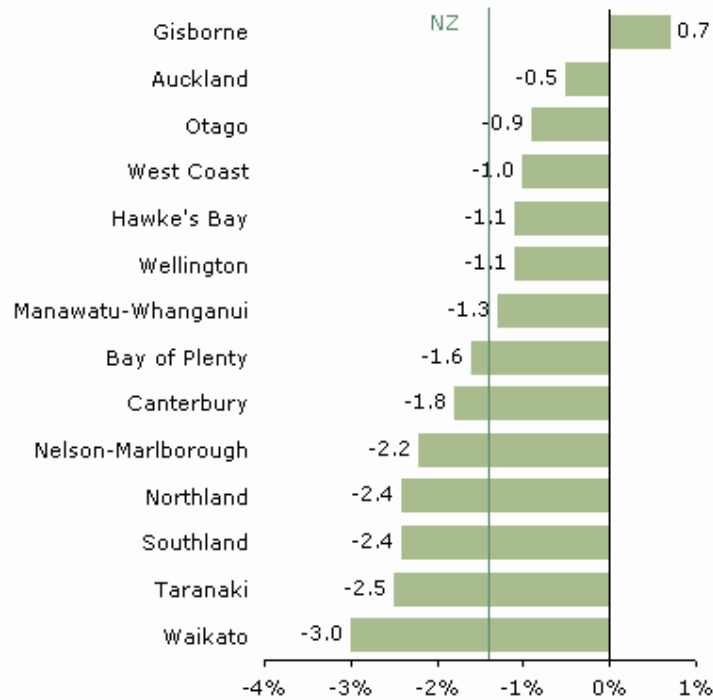
The number of house sales in Gisborne surged 48 percent in the December quarter – the strongest increase across the regions and contrasting a six percent drop nationwide. Rural sales also increased sharply, led by a doubling in lifestyle blocks sold (from 11 to 22). Gisborne recorded a large drop in the number of commercial building permits issued, falling 36 percent from September.

Residential dwelling approvals also recorded a decrease, dropping seven percent and contrasting an eight percent lift nationally. New motor vehicle registrations were weaker in the December quarter. Car registrations fell nine percent and registrations for commercial vehicles fell 13 percent. December was the third consecutive quarterly rise in economic activity, which is also the region's largest since 2006.



The report highlights the fact that Gisborne retains the distinction of recording the only positive rate of annual economic growth in December. It also goes on to say that to date, the region hasn't been caught in the rip of the economic contraction measured everywhere else.

REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, Dec 2009



Real Estate – Gisborne Residential, January 2010

In contrast to the strong house sales figures for December (as highlighted in the National Bank Regional Trends), the median price for a Gisborne City home decreased to \$225,000 from \$252,500 in December. The median house price for January 2009 was \$255,000. Sales volume was also down for January 2010 with 21 houses sold. In comparison 48 houses were sold in December 2009 and 26 in January 2009).

Real Estate – Gisborne Rural, January 2010

The information provided by the Real Estate Institute in relation to the rural and lifestyle real estate market covers a three month period. Therefore references to January results refer to the period from 1 November – 31 January 2010 and references to December refer to the period from 1 October - 31 December 2009.

Six farms (three grazing, two horticulture, and one arable) sold in January, compared to 12 farms sold in December 2009 and eight in January 2009. The median price decreased to \$665,148 in January, from \$712,500 in December. In comparison the median price for January 2009 was \$1,565,000.

Lifestyle block sales volume was eased down with 21 sold in January compared with 24 in December 2009 and 15 in the same month the previous year. The median price fell to \$257,000 from December's \$277,500.

3. TOURISM

Commercial Accommodation – Gisborne, December 2009

Guest nights in short-term commercial accommodation in December 2009 down by 4.2% compared to December 2008. In contrast occupancy rates showed a 5.1% increase from December 2008.

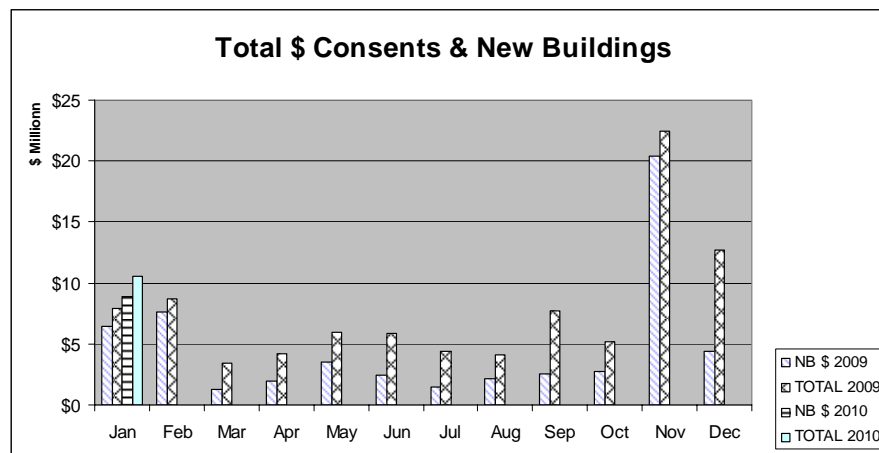
Private Accommodation – Gisborne, December 2009

Total guest nights for private accommodation in the Gisborne district showed a dramatic increase of 60%, from 118,814 guest nights recorded in December 2008 to 190,268 guest nights recorded in December 2009.

4. CONSENTS

The number of consents for new buildings in January 2010 was eight for a total value of \$8.8 million. Six of the new buildings were for new dwellings and totalled \$1.5 million. The bulk of the balance was for the new Warehouse at a value of \$7.3 million. For the same month last year the total number of new buildings was 15 to a value of 6.4 million of which \$4.0 million was for the new Bunning's store.

The total consents value for January 2010 at \$10.5 million is 31% up on the same month last year.



5. TAIRAWHITI DEVELOPMENT PARTNERSHIP (TDP)

Navigational Traditions Meeting – the next meeting of the Navigational Traditions working party will be held on Tuesday 9 March 2010 commencing at 2pm in the Council Chambers. Tourism Recourse Consultants have presented their final Pre Feasibility report to the February TDP meeting.

Tairawhiti Development Partnership – a meeting of the Partnership was held on Friday 19 February 2010. The first part of this meeting was closed to the public to enable the partners to follow-up from the Special Meeting held on 3 February 2010.

Economic Development Strategy – Two presentations were given to the February Partnership meeting in relation to the Economic Development Action Plan:

- **Gisborne Winegrowers** - presented their regional re-branding project for consideration by the Partnership for funding from NZTE. The Partnership agreed to put forward an application to NZTE for the Winegrowers' branding project and also for the completion of a regional branding scoping study as per the Action Plan.
- **Navigational Traditions** – Tourism Resource Consultants presented their final Pre-Feasibility report. As a result of this study an application will be made to NZTE for funding to employ a Project Manager to direct the project.

Funding totalling \$375,000 is available from NZTE for regional funding. To receive this funding either Councils or businesses are required to put in a further 20%. Applications will need to be submitted to NZTE by the end of March 2010.

6. NATIONAL ECONOMIC REVIEW

Reserve Bank Announcement

Reserve Bank Governor (Alan Bollard) stated in a January News Release, that the monetary policy worked well in crisis. The inflation targeting monetary policy has proven flexible, durable and successful, but economic growth requires more than this, Reserve Bank Governor Alan Bollard stated. New Zealand was the first country to formally implement target inflation. This was in response to the high inflation and macroeconomic instability of the 1970s and 1980s (refer *Appendix II* for further details).

Energy Options Charitable Company Limited

Eastland Community Trust Healthy Homes

December, 2009

A. Project background and set-up (years one and two of a three year programme)

Area: Gisborne and East Cape

Project timeframe: July 2008 – June 2010

Number of homes targeted for 2008/2010: 1024

Project funding for 2008/2010: \$2,687,500

Funding partners:

EECA @ 60% of total \$ 1,612,500

Eastland Community Trust @ \$500,000 per annum \$ 1,000,000

Williams Trust \$ 50,000

Eastern and Central Community Trust \$ 25,000

Householder contribution: Nil

Household eligibility:

- Pre-2000 construction (priority for pre 1978)
- Eligible to be a Community Services Card holder
- Owner-occupied
- High health needs (priority)

Total project costs to date (2008/2009/2010 year)

Project cost to date: \$ 1,748,848

Average house cost \$ 3,504

Remaining funds: \$ 938,652

Houses completed: 499

B. Project to December (09/10year)

Homes completed to date: 347

Completed houses by area:

Gisborne Central: 301

Gisborne Rural: 25

East Cape: 21

Properties on wait list: 348

East Cape: 51

Gisborne rural: 52

Gisborne central: 245

D. Project for December 2009

Homes completed:	43
Homes assessed:	50
New registrations:	31

E. Project progress for December 2009

43 homes were completed during the three weeks of December trading 2009. Insulation has been evenly distributed throughout the district with install crews continuing the travel the coast.

F. Planned activity for January 2009

Due to a high number of house fires in Australia, the dangers of insulating over or close to down lights and extractor fans is of major concern in the industry as a whole. To alleviate our concerns as an organisation and to ensure the safety of the communities we live, Energy Options will focus on double checking that all insulation is clear of fire hazards.

Jo Hunt

Executive Director
PO Box 767,
5 Richardson Street,
Whakatane

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Average house cost	\$ 3,504
Remaining funds:	\$ 938,652
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B. Project to date (09/10year)

Homes completed to date:	372
Completed houses by area:	
Gisborne Central:	326
Gisborne Rural:	28
East Cape:	21
Properties on wait list:	
East Cape:	51
Gisborne rural:	52
Gisborne central:	245

D. Project for January 2010

Homes completed:	27
Homes assessed:	25
New registrations:	30

E. Project progress for January 2010

Trading for Energy Options resumed 11 January 2010. 27 homes were completed during January.

This number is low relative to previous months. However this is due to a change in reporting criteria rather than actual number of homes insulated. Homes will only be reported completed once all Post Quality Audits and invoicing are final.

Quality control and fire hazards have been the focus of January. Energy Options Gisborne has revisited all houses under the current contract and assured that there are no fire hazards with the installed insulation. This has involved the dedication of one staff member to contact every homeowner, enquire to the possibility of fire hazards and physically check any houses of concern.

Energy Options Gisborne was also Quality Audited by an EECA Inspector. Ten homes were randomly inspected with a following 20 to come in the following months. As the audits were conducted in the final week of January the report is to come and will be forwarded to ECT.

F. Planned activity for February 2010

February 2010 will see the completion of 1,000 homes under the Healthy Homes Program. This is an enormous feat thanks to the dedication of ECT. Preparations will commence to celebrate this achievement.

Quality audits by EECA will continue throughout the month.

Jo Hunt

Executive Director
PO Box 767,
5 Richardson Street,
Whakatane

RESERVE BANK NEWS RELEASE

New Zealand's inflation targeting monetary policy has proven flexible, durable and successful, but economic growth requires more than this, Reserve Bank Governor Alan Bollard said today.

New Zealand was the first country to formally target inflation. This was in response to the high inflation and macroeconomic instability of the 1970s and 1980s, Dr Bollard said in a speech delivered to the Canterbury Employers' Chamber of Commerce in Christchurch.

"It has now been tested through a long period of growth, as well as droughts, migration shocks, terms of trade changes, an Asian crisis, a dot-com boom and bust, and, most recently, the worst global economic and financial crisis seen in generations.

"In terms of what it was directly designed to achieve, namely price stability; inflation targeting has been a relative success."

Alternative monetary policy frameworks would not have provided the same flexibility to navigate through the crisis, and may in fact have made it harder to maintain price stability while avoiding unnecessary volatility in the wider economy.

"Our flexibility meant that, once the global financial crisis hit, we could respond swiftly, cutting the OCR by more than 5 percentage points and providing banks with emergency liquidity, when international wholesale funding markets were gridlocked."

Dr Bollard said that inflation targeting works best in conditions where global economic conditions are stable, domestic fiscal and tax policies are neutral, and the financial system is stable.

"We know that our job will in part depend on policy choices made by the major global players as they exit from current stimulatory policy settings. Central bankers around the world are balancing the need to provide ongoing support for a very fragile recovery against the risk of keeping monetary and fiscal conditions too easy for too long.

"In New Zealand, successful removal of the recent fiscal stimulus would ease pressure on monetary policy. We are also hopeful that the recently released report of the Tax Working Group will lead to a more even-handed tax system when it comes to investment and consumption decisions."

He said the key international lesson from the crisis was that financial instability can cause problems for the real economy. Authorities were now working out ways to strengthen and improve the prudential supervision of financial institutions.

"In New Zealand, the financial system is a lot simpler than in other parts of the OECD, and has not seen the same types of excesses. Nevertheless, we are taking steps to make our banks and finance companies more resilient to financial system shocks.

"In implementing the Basel II capital framework, we have ensured that banks' assessment of risk is based on a 'through-the-cycle' approach rather than just on the most recent period of growth. We have also put in place a new prudential liquidity policy for banks to make the system less vulnerable to a drying up of international funding markets, such as we saw in late 2008 and early 2009."

Dr Bollard said that, as a small, flexible and full-service central bank, the Reserve Bank is in a good position to be at the forefront of progress in integrated macro-financial policy design.

He concluded that, at best, new policy instruments could supplement the role of the OCR, but will not fundamentally alter it. "Ideally, such instruments might change the mix of

monetary conditions and take some pressure off the exchange rate. Overall monetary conditions will still need to be set appropriately to keep inflation stable."