

overview of the ten year plan

Overview of Ten Year Plan

Introduction

Preparation of this Ten Year Plan has been especially difficult in the context of the current economic environment. However, it is important not to allow the tough economic times projected for the next two years to influence the entire ten year period covered by this plan. The economy operates in cycles and is forecast to improve in the next one to two years as the inevitable recovery begins. Therefore the council will put every effort into keeping costs, and therefore the price of services provided, as low as possible over the next one to two years. The purpose of this section is to:

1. Provide an overview and some context into the strategic directions of the district and council, along with the influences for the next ten years.
2. Highlight some of the issues that require Council to make choices. The community's views are invited on these.
3. Outline the financial effects of providing services Council has chosen to undertake.

Strategic context - drivers of change

The Bright Economy Advisory Board (BEAB) was established in 2005 to guide implementation of the Rotorua Economic Development Strategy and to advise Council on economic matters affecting the business sector. As part of this process the board engaged Professor Wayne Cartwright who used the 'Future Insights' process to identify nine drivers of change. They are:

1. Energy price and availability of supply
2. More frequent and severe weather events
3. Shifting lifestyles, work styles and family structures
4. Increasing global disruption and anxiety
5. More difficult global and NZ economic conditions

6. Infrastructural investment lags
7. Technological opportunities for change
8. Geological activity
9. The unique role of Maori culture in Rotorua.

Four years on, these drivers are still relevant to the social, economic, environmental and cultural world Rotorua exists in. They continue to influence Council's thinking for economic strategies and other activities.

A vision for the district

As part of the council's 2007 exercise to develop a vision, mission and values, staff shared their thoughts on what a vision for the district might encompass. The concept developed was as follows:



A vision for the district provides an umbrella over the various other strategies, such as the Rotorua Economic Development Strategy, and has been used in the preparation of the draft 2009-19 Ten Year Plan. The BEAB is also working on a vision and brand for the district.

This vision is an integral part of interpreting how Council will contribute to the district's community outcomes, which are shown in the following diagram.



What might the district look like in 2019?

This section is intended to signal some of the important changes that could potentially have taken place in Rotorua District by 2019. It is one view of Rotorua in ten years time.

Growth

There could be 2,500 new homes and 5,000 more people living in the district. On average there could be 6,000 more visitors staying in the district each night than there are today. The increased number of residents and visitors would require infrastructure for 20% more people than the current population.

Safety

The district would have low crime and violence. Residents and visitors would have fewer accidents and injuries than similar urban areas. Resourcing from government agencies would ensure adequate provision of services that an international city needs in areas of policing, health, social services, recreation, transport, environmental protection and economic development.

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International City

Rotorua could be an international city recognised for its urban and rural design, including the Lakefront, CBD, reserves and other public amenities. This focus on urban design would have increased safety, property values and the overall attractiveness of the city to visitors. Developers, investors and residents alike would have embraced a vision that has added value to the net wealth of businesses and individuals.

Visitors

There could be half a million extra visitors from Australia through the Rotorua airport, making a significant contribution to the economy by way of events, conferences, shows, new business start-ups, property values, growth in the accommodation sector and other tourism related activities. There could be a new five-star hotel as part of a joint venture between Iwi, Council and private developers, with funding coming from private investors.

This hotel would allow Council to progress the Lakefront development to an international standard. Ratepayers would have made a reasonable contribution to the Lakefront development but the majority of the international element would be funded from the joint venture partnership. The Lakefront would be even more of a community focal point than today, attracting residents and visitors alike. It would be integrated with the CBD through to Rotorua Central, and also with Government Gardens.

Forest Ownership

Forest ownership would have started transferring from Crown Forest Licence holders to the new Maori owners with a corresponding shift in wealth. There could be considerable value added to logs in the district using new science from Scion, along with traditional wood processing. There could be a consolidation of processing plants throughout the North Island and

Rotorua could again be the centre of wood processing. The recreational aspects of forestry, such as mountain biking, would be growing. Long term arrangements would exist with the new forest owners for adventure recreation in forests.

New Business

Over the next ten years Rotorua would have made considerable advance in attracting more diversified technology and science-based industry to the district. Scion would have played a large role in this type of new business start-up. The geothermal resource would have been developed in a sustainable commercial way.

Local Government

There is the possibility of some reform of local government in the Bay of Plenty which could allow for more efficient provision of services, making Rotorua rates more affordable than any other similar district council. Accordingly, there would be a high degree of satisfaction with the cost, quality and quantity of council services for both regulatory and non-regulatory activities.

Lakes and Air

Lakewater quality for the four priority lakes would have improved vastly and the Trophic Level Index (TLI) of all lakes would be generally on target. Rotorua lakes may even be the subject of much international discussion, particularly the possible success of changing land use to help improve water quality. These changes would have been achieved with little net economic disadvantage to landowners or the district. Air quality would have further improved to the extent that the need for intensive monitoring would have disappeared and there could be corresponding improvements in health outcomes for residents.

Community Wealth

The personal economic fortunes of all residents would have improved and average income levels would be above the national average.

Anticipated Economic Outlook for Rotorua – the next two years

There is a view that New Zealand may not be as susceptible to recessionary pressures as many other economies because:

- The government has introduced bank guarantee provisions, which ensures no further finance company or bank collapses.
- We do not have the level of sub-prime mortgages in New Zealand that the US has faced and which has contributed to the economic crash in the first place;
- New Zealanders are, by and large, a resilient nation and adaptable to changing fortunes;
- Our major trading partner is Australia (50% of exports) which is also expected to be more resilient to current economic conditions;
- The bulk of our exports are food, which is the third most important requirement, behind water and air;
- April 2009 tax cuts will add further to family disposable incomes that have already improved through recent lower interest rates, fuel prices and the Consumer Price Index (CPI) being below 3%;
- The economy had no 'slack' prior to the recession. In fact there was pressure for recruitment of appropriately skilled employees;
- 2010 will be a better year than 2009.

Overall, Rotorua is no more insulated from the current economic recession than any other district in New Zealand.

Dairy

Incomes for dairy farming are expected to drop significantly. The payout forecast for 2010 has recently been announced at \$5.10 per kilogram of milk solids, a significant drop on last year. It is difficult to know what effect this will have on farmers' balance sheets. It is understood that in past years debt has been necessary to maintain their productive capabilities. This will mean that many may face financial hardship or, at the very least, their discretionary spend could be eliminated for the next two years.

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Forestry

The forestry sector is, in general, not well prepared for this global recession. Log prices are likely to stay low and it will not be helped by Russia's recent decision to abandon proposed export tariffs. Therefore New Zealand forestry would be competing with low priced Russian exports. The scene for wood processing is mixed. Those wood processing companies with markets reliant on the US, Europe and Asia will probably struggle. Others which have a stronger domestic or Australian emphasis may find it less difficult. It is likely that there will be another round of consolidation of processing capacity leading to company failures, some which could occur in Rotorua District. The overall downturn is expected to have an effect on harvesting and supply of logs, which will impact on the contracting sector supporting the forestry industry.

Tourism

There are already very clear signals that international visitor numbers could be significantly down on last year. However, this summer has seen visitor numbers increasing because of the shift in travel by New Zealanders from international to domestic - and Rotorua's consequently higher share of the domestic market - and growth in Australian visitors. Overall the international tourism market looks bleak for next year.

Income

It is highly likely that wage and salary levels will remain similar to 2009. Many retirees will have reduced income because of lower interest rates or dividends and the poor performance of superannuation schemes over the last year. It is also expected that unemployment numbers will increase and more people on fixed incomes will put pressure on the district's growth in GDP. It is likely that there will be an increase in expats returning home from other domestic and overseas destinations. This could initially lead to higher occupancy per dwelling. On the positive side household incomes should increase and

expenditure decrease because of reduced interest on mortgages, lower fuel prices, overall lower CPI and the April 2009 tax cuts. Rotorua's GDP will depend on how householders use this additional net income.

Education

It is possible that school students will stay longer at secondary school either through lack of job opportunities or their acknowledgment of a need for higher qualifications. This will also have an effect on tertiary education in the district.

Social

The difficult economic conditions could lead to an increase in crime and violence. There would be a much greater need for social services, policing, health and other support for the unemployed.

Financial

Borrowing costs will reduce and the official cash rate (OCR) could be 3% by December 2009, providing opportunities for new capital investment. Restructured venture capitalists will flourish. However a number of businesses may fail because of the 'risk adverse' nature of the financial sector. There will probably be sales pressure on virtually all sectors in Rotorua.

Property

The property market in Rotorua has not been as volatile as other parts of New Zealand, such as Auckland and Western Bay of Plenty. This means that capital gains are not as high but also, as the property market tightens, values do not collapse as they have in some other cities. The property market may also benefit from trans-Tasman services. There is evidence to suggest that with trans-Tasman services will come increased property investment from Australia, driving up the net value of the property market.

Treaty and Iwi

Treaty of Waitangi settlements are expected to continue throughout the next two or three years. In Rotorua District that should have a strong, positive impact on the local economy.

Central Government

Central government support and intervention within communities over the next one to two years as part of its economic stability package will be helpful. Evidence of that has already occurred with increased funding for local and state highway networks.

What Rotorua Can Do?

Branding and Marketing

Opportunity is created by ensuring the Rotorua Regional Airport is trans-Tasman capable, with scheduled air services from two Australian east coast destinations as soon as possible. This will need a redirection of marketing away from other international destinations to Australia, and to domestic campaigns. Marketing needs a strong regional brand to support it. Branding is underway to help the industry market their products in Australia. Marketing of the district from an economic perspective needs to be stepped up, not just from a tourism perspective but also as a place to live, work, play and invest.

Central Government

Other government agencies will need to ensure that they have considered the impacts of this economic recession and have an appropriate response. Police will need to be more vigilant for crime and violence when incomes are stretched. Council also needs to work with Police to try and complete the proposed Community Safety Order legislation. Schools will need to prepare for larger roles, and tertiary institutions need to have additional courses appropriate for people who will want to take advantage of higher education during periods of unemployment. The Ministry of Social Development (MSD) will also need to understand how to address accommodation needs of the homeless and Lakes DHB will need to make sure they retain funding for services.

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MSD will also need to have considered what resources it requires to assist families through these difficult times, from a benefit perspective and in terms of training and development etc.

Finance

It will be important for Rotorua, through its various lobbying avenues, to secure the maximum funding opportunities from central government.

There is an opportunity to use the low cost of capital and low contractors' rates to advance or accelerate capital projects, and to consider new projects that may otherwise not have been on Council's agenda. One opportunity that needs serious consideration is geothermal electricity generation.

Recovery

It will be important for the community to be ready for the inevitable economic recovery. The current economic crisis Rotorua finds itself in is probably the toughest since the 1930s. But recovery will occur over the next two years. It is absolutely critical that Rotorua is ready for this recovery by monitoring the signs of recovery closely, retaining staff without redundancy as much as possible, and keeping business and other community sectors informed.

Issues for your submission

This draft Ten Year Plan has been prepared with a longer term view of what Rotorua District might look like in 2019. However, Council can not ignore the difficult economic outlook of the next two years.

We have therefore focused on three key themes in developing the plan. Under each theme we have identified a number of very important issues. For each of these we have detailed the decisions we are proposing and their implications. Additional detail for some of these issues is also provided in the Activity Group sections. The three key themes and major issues introduced in the next section of this plan are:

Economic growth

- CBD integration and Lakefront redevelopment
- Forest access and cutting rights
- District marketing

Sustainability

- Energy and geothermal use
- Waste 2 Gold
- Waste minimisation

Affordability

- Maintaining levels of service
- Increasing user pays
- Funding renewals and a balanced budget
- Change to rating system
- Airport capital expenditure funding

These issues are also covered in the respective Activity Group sections along with other important topics including:

Governance and Strategic Direction Group

- Cost management
- Communities for Climate Protection
- Local Government organisation in the Bay of Plenty
- Customer service

Social and Cultural Group

- Rotorua Civic Theatre Stagehouse redevelopment
- Cemeteries
- Community safety
- Healthy homes
- Maintaining current assets (renewals)
- New capital
- Recreation opportunities
- Grants
- Events
- Fees and charges

Environmental and Regulatory Group

- District Plan
- Urban design
- Ngati Whakaue: Wharenui Road development
- Air quality
- Integrated planning

Tourism and Economic Development Group

- Trans-Tasman air services
- District marketing
- Economic development
- Broadband

Infrastructural Group

- Climate change
- Stormwater and land drainage
- Transport
- Rotorua lakes water quality
- Wastewater
- Water supplies.

We look forward to receiving your feedback on these issues and topics.