

## Appendix 2 - Investment in Increasing Exports

The Wellington regions GDP is currently \$15.6 billion (Mar 2005) with 14% coming from exports and 86% from selling goods and services to the rest of New Zealand. By comparison the table below shows the percentage of GDP earned from exports for a range of countries, including New Zealand.

This strategy focuses on and includes recommended actions to enable the region to:

1. Sell more products and services to the rest of the world - the region cannot rely on continuing to sell to the rest of New Zealand for its growth. Dependence on selling to the rest of New Zealand will mean it might only grow at the rate of the rest of the country. Alternatively the region can grow its GDP from adding value to current products and services – this will not however bring enough GDP growth to achieve the target required.
2. Grow current export ready businesses and businesses that have export potential - it is important for the region that businesses that operate in global markets are provided with the environment in which they can be successful. This may mean for instance helping existing businesses to identify new market niches or opportunities or locating new market opportunities for existing products.
3. Develop centres of excellence around those specialties that the Wellington region wants to be world class at – these will be a handful of areas/specialties that this region will be renown for and will achieved by linking education, research, business and government agencies to achieve sustainable economic and job growth

To do this the region needs to focus on changes in four key areas: -

**Developing Businesses, Products and Services** – as a region we will need more businesses creating products and services that the world wants to buy – this may mean increasing sales of products we currently export (i.e. a current business getting bigger and producing more) or it may mean more of the current businesses in the region becoming exporters, or it may mean totally new export businesses being grown here or attracted to the region.

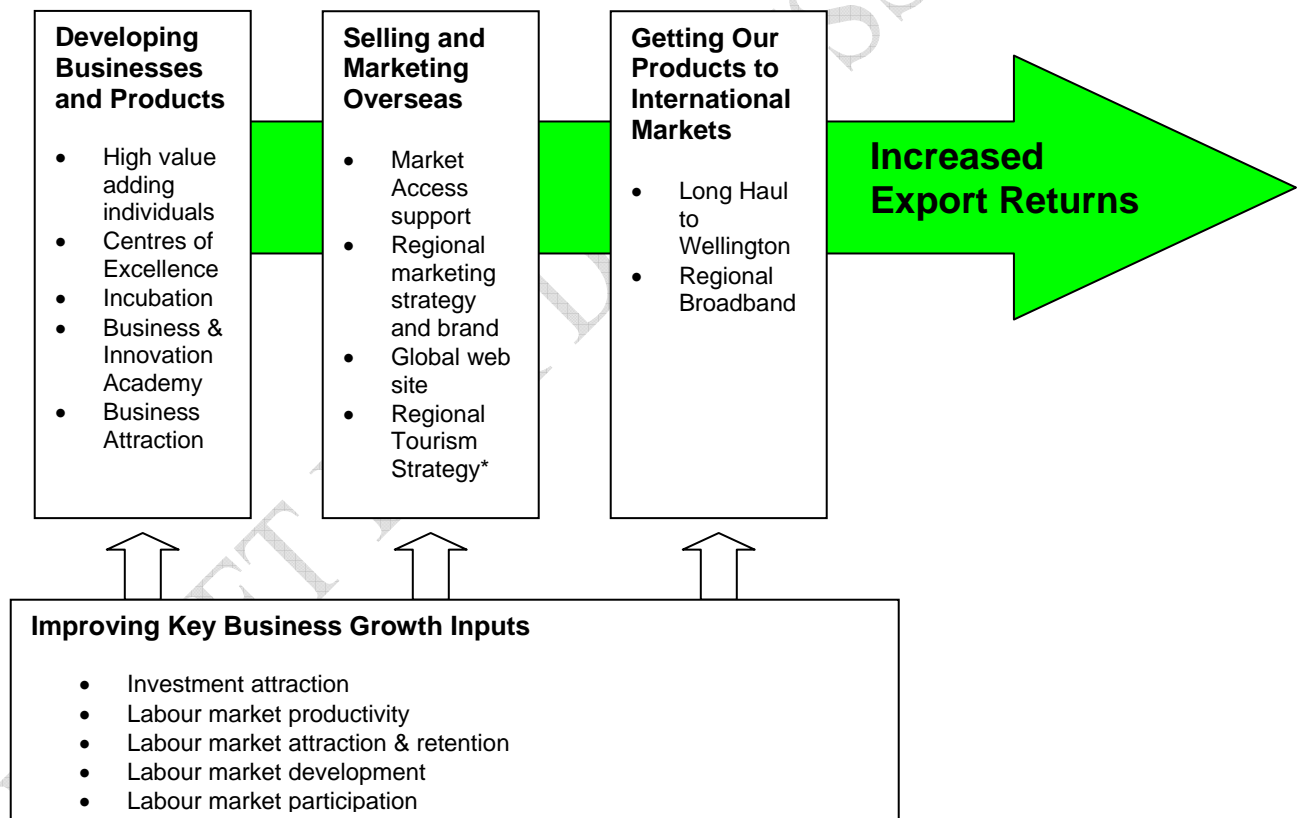
**Selling and Marketing Overseas** – our companies face tough competition when they sell into overseas markets, from better resourced competitors based in regions with higher profiles. We will need to support our exporters with initiatives that raise the profile of the region in key markets and offer programmes that address barriers at a business level.

**Getting our Products to International Markets** – companies in our region are a long way from their markets. Barriers to distributing goods and services from this region need to be removed or eased – priorities will focus on attracting long haul air services to Wellington and investing in better broadband.

**Improving Key Business Growth Inputs** – to ensure that our exporting businesses can grow and take advantage of regional investments in the three areas above, we also need to make sure the key inputs for businesses to grow are in place – including access to skilled labour, capital investment and quality infrastructure.

This is shown in the diagram below

## Double the Regions GDP from Exports by 2026



\*Tourism projects are both a mix of business/product development & marketing

A set of projects have been identified that will be undertaken to achieve the changes we need in each of these areas. These will be completed regionally in partnership, where appropriate with businesses and central government and other entities.

Each of the projects are outlined in this section with background information provided in a supplementary document and the implementation actions provided in the Implementation Plan.

In reading this section of the Wellington Regional Strategy document, readers should also take note of certain risks and uncertainties that have been examined as part of the Wellington Regional Strategy process. These can be found in the section of this Strategy headed “Risks and Uncertainties”.

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# Investment in Increasing Exports<sup>1</sup>

## Developing Businesses, Products and Services

### Attracting High Value Adding Individuals to the Region

#### *Why is it important?*

The Wellington region is attracting less foreign investment than its proportion of the country's GDP would suggest it should receive. The region accounted for only 4.3% of total overseas investment in New Zealand between 1999 and 2003, significantly lower than its share of national GDP (12.8%).

To grow new export businesses and expand existing ones, the region will require a lift in the levels of inbound investment and high value human capital. The region has an opportunity to develop a more proactive approach to investment and business attraction into the region by providing:

- An attractive business environment
- Clarity around the types of businesses, markets, and *individuals* that should be targeted in a regional investment and business attraction strategy
- An attractive quality of life for individuals and their families including attractive urban form and the general “buzz” of the region

Specific individuals engaged in world renowned research, and/or with significant international entrepreneurial experience can make a disproportionately large contribution to a region. They can also act as a catalyst for a step-change in economic activity within a specific sector.

Attraction activities should target individuals in areas where there is no evident existing cluster of business activities elsewhere in New Zealand, where the Wellington region already has supporting infrastructure and linkages and particularly where in line with Centres of Excellence developments. Pursuing a focused programme, aimed at gathering mass and consolidating a few targeted industry clusters in high-growth areas, will help the region gain relative competitive advantages in these areas.

Both the working/business environment and the quality of life available to such individuals and their families is important in attracting and/or retaining key high value adding individuals to the region.

#### *What are we going to do?*

#### **The recommended action is:**

- 1. Attract one high value adding individual per year, and their research programme or business initiative.**

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<sup>1</sup> This has previously been called Unlocking Economic Potential and Internationalisation

These individuals are likely to be either:

- World renowned researchers in their field, whose research programmes (including PhD students and their families) can be relocated to a Wellington regional tertiary institution or research institute, and are likely to spin-off new start-up companies, or
- Experienced entrepreneurs whose businesses can be relocated to, or started in, the Wellington region, and will bring those parts of their businesses that generate their intellectual property to the region.

These individuals will be carefully targeted and required to demonstrate that they can:

- Make a strong, sustainable, contribution to the region's export focus, by contributing to priority industry clusters or provide opportunities that create sustainable new jobs or economic value
- Fill an identified market gap in New Zealand where no existing cluster of activities exists in other New Zealand locations
- Be compatible with the infrastructure, existing support systems and linkages between suppliers and other supporting industries in the region, and in sectors that are not reliant on proximity to their export clientele
- Contribute significantly to Wellington region's 'sense of place'
- Build on the identified Centres of Excellence.

The process of attracting these individuals is likely to take 2-3 years.

*Who is involved?*

NZTE, MED, PWB, Councils, Go Wairarapa, Investment NZ, potential targeted individuals, CRIs and education providers, Centreport, Wellington Airport, commercial property agents and residential property agents.

*What will success look like?*

The region will know it is successful when it:

- Attracts one high value individual and their business or research teams every year
- The attracted individuals settle well into the region and contribute positively to the regional economy through increased export or innovation activity

## **Growing Centres of Excellence**

*Why is it important?*

It is crucial that the Wellington Regional Strategy focus on economic development initiatives that develop internationally competitive businesses and bring foreign exchange earnings to the region. Through identifying and maximising opportunities for which the region is already "world-class" we are able to build economic development initiatives that provide long term sustainable economic growth.

The Centres of Excellence will be established around areas of significant natural advantage that are already imbedded in the region, this will ensure that these advantages stays in the region long term and will not be easily replicated elsewhere.

The Centres of Excellence will be self perpetuating and sustainable long term and will incorporate several key elements:

- Strong links with the tertiary education sector – teaching and research availability;
- A research element to ensure sector renewal and competitiveness;
- An incubator to ‘seed’ new entrants into the sector and thus increase the vitality of the sector;
- Capability for significant employment growth, tourism attraction, business attraction and/or migrant attraction;
- A major sector participant will be present that can provide significant opportunities that other sector participants can leverage off;
- A ‘world-class’ capability will be present that is capable of being further developed and exported; and
- Potential to develop ‘international class’ consultancy businesses.

Centres of Excellence will provide a clear direction for focus around defined areas of global competitive advantage. The following is planned with regards to the Centres of Excellence:

- We will define and prioritise the areas where the Wellington region has competitive and natural advantage;
- The initial 3 Centres of Excellence (established by 2010) will be selected by the Economic Development Agency after detailed consultation with the sectors on the priority list;
- A Director will be appointed to lead each Centre of Excellence. This person will have experience and qualification in the sector and have strong leadership and interpersonal skills;
- Each Director will be supported by a Business Analyst funded by the sector participants;
- Each Centre of Excellence will have a Steering Group drawn from the particular sector and will provide sector leadership and guidance; and
- Each Centre of Excellence will be given 5 years to prove economic growth, including funding self sustainability.

*What are we going to do?*

**The recommended action is:**

**2. Establish three Centres of Excellence by 2010 based on areas of natural advantage that are already embedded in the region.**

*Who is involved?*

Positively Wellington Business, Go Wairarapa, Tourism New Zealand, education providers, CRIs, NZTE, business and business agencies, Regional Chamber of Commerce, Wellington Airport, Smartlinx3, CityLink, potential targeted individuals, Investment NZ and Venture Capitalists.

*What will success look like?*

The region will know it is successful when:

- The region's Centres of Excellence are internationally accepted as world-renowned for their areas of expertise;
- Research is continuously commercialised and IP protected and will result in significant foreign exchange earnings to the region;
- Education providers and research institutes operate seamlessly with the business community;
- Wellington educated graduates will be in high demand globally; and
- The demand to be associated with Wellington's Centres of Excellence will be so strong that skilled workers will come from all around the globe to work and learn in the world class environment.

### **Strengthening and Consolidating the Incubator Network**

*Why is it important?*

There are currently 5 incubators in existence in the Wellington region. They exist based on the widely held belief that incubators enhance the survival and fast track high growth businesses (HGBs<sup>2</sup>) that have long term potential to contribute to the region's economic health.

Incubators are now seen as a significant enabler in the commercialisation of ideas, with a key outcome being the increase of export quality goods and services emanating from the region. Along with providing HGB with key business infrastructure, they nurture very early stage entrepreneurs and promote a climate in which entrepreneurship is encouraged. A high profile, world class incubator programme producing globally distinctive export businesses, could have the potential to contribute to the region being perceived as highly supportive of entrepreneurship and business.

In order to achieve maximum impact from incubators in the Wellington region it is essential that their scale and focus is both commensurate with and complimentary to our size and economic focus. Despite the fact that the incubator model is relatively new, there is already a perception that too many exist, all of which are competing for the same public sector funding. Whilst there remains a proliferation of under-funded incubator programmes, it is unlikely that any will have the scale of impact required in order for graduate HGB to be in a position to grow international exports to a significant degree for the region.

The modest size of the region can not effectively support duplication of economic development programmes nor can it hope to do and fund everything. In order to ensure the funding and resource provided to the region's incubators delivers maximum economic growth, it is proposed that a process of consolidation and refocus be undertaken in order to build a world class incubation programme.

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<sup>2</sup> As defined by NZTE, HGB have the clear potential to meet two of three criteria over a 2-3 year period: 1). Double FTE; 2) \$500K Revenue; 3) \$500K Investment. HGB also have the potential to achieve annual revenue of \$5 Million after 5 years.

*What are we going to do?*

**The recommended action is:**

- 2. Maximise the impact of incubation in order to increase growth in international exports by strengthening and consolidating regional incubators so that from 2008, one consolidated, rebranded regional incubator programme is operational**

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Consolidation will be achieved by ensuring incubation is singularly focused on HGB that will potentially increase international exports and that are potentially a strategic fit with the Centres of Excellence<sup>3</sup>.

It is expected that whilst we are aiming for one consolidated, rebranded regional incubator programme it does not necessarily mean that this is located in one physical place. The important aspect is that it operates consistently under one model (as compared to current practice where there are different models and opportunities available depending on which incubator you may be in).

Regardless of upfront funding commitments made by the region, encouraging the incubator programme to aggressively pursue self sustainability as a long term goal by taking an equity share in each HGB admitted to the incubator could be investigated.

*Who is involved?*

The Wellington Innovation Network (WIN) which includes the Region's incubators T-UP, Creative HQ, Fashion HQ, IRL; Tertiary Institutions including Victoria University, Crown Research Institute; the Wellington region's economic development agencies; Councils and government funding agencies e.g. NZTE and MED

*What will success look like?*

The region will know it is successful when there is:

- A single large scale regional incubator programme providing the rapid growth start for HGB who will fuel Regional economic growth.
- Profile of the incubator programme in the region is significantly raised and the brand becomes synonymous with the Region's focus on business and entrepreneurship.
- The incubator programme is aligned with Centres of Excellence and contributes to the Region reputation as a global leader in those areas.
- By year 5, the incubator programme has a waiting list of start-up HGB that are aligned with the Region's Centres of Excellence.
- The number of HGB graduating from the Incubator Programme every year, (as opposed to businesses that graduate but fail to reach HGB targets).
- The number of graduate HGB are accepted as members of the Academy for Business and Innovation
- The number of graduate HGB that generate \$50million revenue for the first time in any one year.
- The export revenue generated by graduate HGB in any one year.

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<sup>3</sup> Further work needs to be undertaken for instance to decide to what extent incubation should just be focused on Centres of Excellence businesses versus all exporting companies

## **Establishing an Business Innovation and Advancement Academy**

### *Why is it important?*

The Wellington region is well endowed with the means to create intellectual property and these capabilities are well known and well documented. The Region has however been far less successful at promoting economic growth from the exploitation of locally generated intellectual property. Individual organisations in the Wellington region do not generally have the specialist skills or the experience to effectively commercialise intellectual property and deficiencies are apparent in the currently employed commercialisation methods and practices.

Innovation and commercialisation are recognised as being key drivers of regional economic growth and are a prerequisite to the development of businesses with the capability to grow international exports emanating from the region. In order to capitalise on the unexploited potential within the Region to create wealth from the latent intellectual capital that resides here, it is proposed that a Business Innovation and Advancement Academy is developed. The Academy will consolidate other minor commercialisation efforts in the Region, and is designed to facilitate the rapid and effective commercialisation of potential export focused businesses that fall within the ambit of the “Centres of Excellence”. It will do so by utilising local capabilities and resources, with international experience and expertise, adapted to a scale that reflects the relatively modest size of the Region in a global context.

### *What are we going to do?*

#### **The recommended action is:**

- 3. Create a Business Innovation and Advancement Academy for potential top performing export businesses that are committed to rapid and effective commercialisation of products and services and may be related to the identified Centres of Excellence.**

The Academy will focus on proposals that offer the best potential from an export perspective with all opportunities subject to a value chain analysis to ensure maximum practical commercial advantage is extracted from each qualifying proposal. The Academy will provide:

- Access to the very best targeted business assistance pursuant to the shared goal of achieving global excellence through commercialisation of Intellectual Property
- A range of tools to assist both the commercialisation process and collaboration.

The model proposed for the Academy could provide<sup>4</sup>:

- A team of skilled professionals available to members on an as required basis.
- A small forum which would take an independent advisory role regarding the operations and effectiveness of the Academy.
- A “talent scout” to identify and pre-qualify opportunities within the Region.
- A “broker” to marshal appropriate commercialisation resources which might include:
  - A project manager / “facilitator” to drive the commercialisation process; and
  - Funding assistance from either private or public sector sources, (NZTE, FRST, TEC and similar); and
- A service to identify and match relevant value propositions with relevant potential adopter of proposition; and
- Brokering intellectual property management and protection services; and
- A deal brokering service to facilitate new investments in selected opportunities.
- A physical “Entrepreneurship Centre” linked to the appropriate tertiary institution.
- The merits of attaching the Academy to the regional incubator programme and locating them in close physical proximity to each other should also be considered.

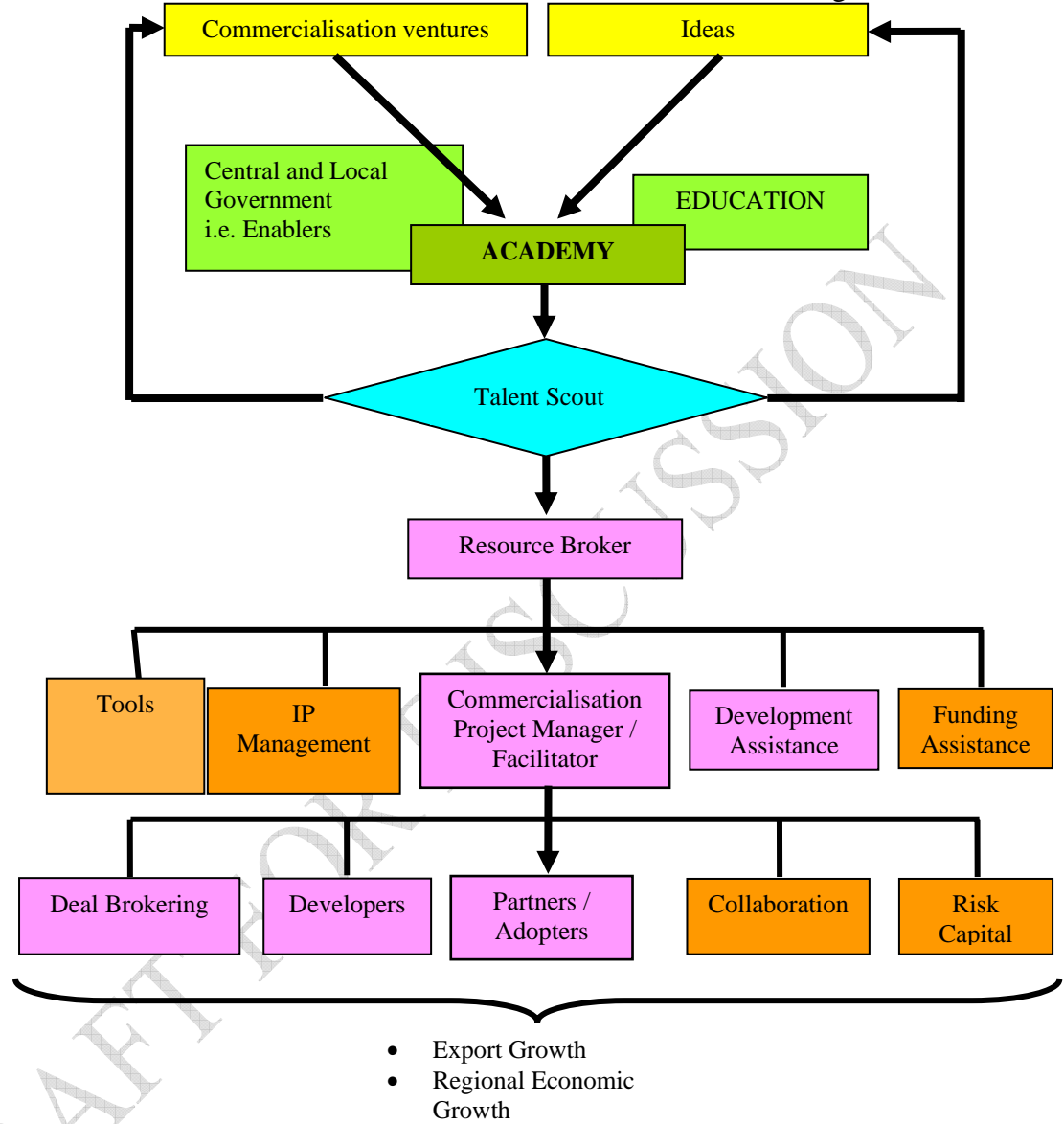
The two organisations could then leverage off each other:

- The added value of the Academy would increase the attractiveness of the Incubator Programme;
- The Academy could act as a graduate programme for qualifying graduate High Growth Businesses from the Incubator;
- Increase and strengthen both brand recognition and reputation for both organisations;

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<sup>4</sup> Work on the Business and Innovation and Advancement Academy is very early work on solving the issue of the need to commercialise product better. There are still many questions to be answered such as how does this fit with Centres of Excellence and incubators, who could manage/co-ordinate an Academy and would this be an actual or virtual academy?

- Share infrastructure and management/business mentors and experts across both organisations.



*Who is involved?*

In order to drive development of the Academy, a Working Party would be formed who would seek input and work with the following organisations:

- Councils
- Regional Economic Development Agencies
- Tertiary Institutions in particular Victoria University
- Crown Research Institutes and Research and Development facilities
- Private Sector representatives- business leaders/ entrepreneurs/ investors
- NZTE, FRST, TEC

*What will success look like?*

The region will know it is successful when:

- The Academy provides innovators, inventors and entrepreneurs with access to the best possible available network of professional, commercial and business allies leveraging off the strengths of the Region.
- The Academy supports and augments the Region's Centres of Excellence. Once a certain critical mass has been achieved new investors, specialist job seekers and new ventures will be attracted to the magnet of this increasing excellence.
- The Academy has a highly regarded global reputation and bolsters the Region's reputation for business excellence.
- Rates of successful commercialisation of intellectual property in the Wellington Region will increase (*by x% amount*).
- The Academy will create a new depth of export business in the Region and as a result international exports emanating from the Region will increase (*by x% amount*).

### **Attracting Export Businesses**

*Why is it important?*

For the Wellington region to grow exports to at least a level consistent with the national average then it can do this through:

- The businesses that currently exist in the Wellington region that do not export, beginning to export;
- Retention of businesses that currently export;
- Export growth in businesses that currently export and/or;
- Attraction on new export businesses

Other action areas (e.g. Market Access Support) provide some actions to address businesses that currently operate in the Wellington region. It is also important to focus on attraction businesses. The type of export growth required (e.g. double the regions exports by 2026) cannot be achieved by simply growing and retaining current businesses. Attraction businesses here which will add to the export base are essential. It is estimated that to achieve the target outlined X% can be expected to come from growth in current businesses and X% will need to come from businesses being attracted here.

In line with the required export growth it is suggested that business attraction activity focuses on:

- Attraction of new businesses to the region that will export – given the size and location of New Zealand, it is most likely that this group will include businesses that will be attracted to Wellington based around the Centres of Excellence development (i.e. this will be a world class place to operate certain types of businesses).
- Attraction of businesses that will assist current Wellington region based businesses to export/grow exports – for instance a business that may play an essential role in a value chain and make it easier to export or a business that brings the requirements for complementary skills development and therefore makes it more likely that skills/businesses will be retained and developed here.

*What are we going to do?*

**The recommended actions are:**

- 4. Focus business attraction effort of the region only on businesses and activities that grow exports and/or support local businesses that export with a key focus around the centres of excellence (through implementation of a Export Business Attraction Strategy).**
- 5. Develop a coordinated and integrated regional approach to incentives by 2007. This will involve establishing a regional incentives policy with common objectives, guidelines and criteria.**

The provision of incentives will be to export orientated firms only, and could include providing:

- A standard rates rebate for Wellington based international firms measured by international sales above a set limit to help Wellington attract and retain internationally focused firms and encourage export;
- Feasibility studies for targeted industry relocations to Wellington that complements work with Investment NZ.

There is an action area regarding the attraction of investment to the region. Attraction of businesses and investment are linked but not necessarily the same and this needs to be recognised (e.g. whilst a new businesses will probably bring new investment to the region, new investment may or may not be for a new business).

*Who is involved?*

NZTE, Positively Wellington Business, Councils, Centres of Excellence, businesses and business agencies.

*What will success look like?*

The region will know it is successful when:

- New businesses are attracted to the Wellington region in larger numbers/greater contributions than previously
- Businesses that are attracted can show that they have added to the export base (either directly or through association with already established businesses) of the region over time
- Growth/retention in existing businesses can be seen to have been achieved from businesses being attracted to the region
- X% of the regions growth in exports has been achieved from businesses that have been attracted to the region

## Selling and Marketing Overseas

### Improving Market Access Support

*Why is it important?*

According to an exporter profile developed by NZTE the following table shows the number of exporters in New Zealand by size of exporting. It also attempts to estimate the number for the Wellington region.

Area	No. of companies with export earnings of <\$50,000 pa	No. of companies with export earnings between \$50,000 and \$5 mil pa	No. of companies with export earnings between \$5 mil and \$25 mil pa	No. of companies with export earnings > \$25 mil pa	Total
New Zealand	7409	4894	590	160	13053
Wellington region <sup>5</sup>	852	563	68	18	1501

A recent Wellington Regional Chamber of Commerce Survey<sup>6</sup> also identified that only 19% of respondents to the survey, export – that is less than one in five companies. A PWB 2005 cluster survey of 178 businesses in the region highlighted the desires of businesses to internationalise. Although there is a strong desire to export amongst the businesses surveyed, this did not necessarily equate to a company having export capability or viewing exporting as an immediate priority.

The necessity to increase exports from the Wellington region has already been explored and there is a requirement to lower the barriers to exporting that Wellington region business have. The above mentioned Chamber of Commerce Survey identified that the constraints to increasing exports<sup>7</sup> are:

- Lack of on the ground presence in target markets
- High NZ dollar
- Lack of staff with appropriate skills and experience
- The cost of exploring international markets
- Cost competitiveness factors
- Finding time to work, market and sell

The PWB survey highlighted similar barriers – market intelligence and key commercial relationships/partnerships remain the top two external barriers and this has been consistent for the past three years.

<sup>5</sup> Calculated based on the Wellington region having 11.5% of all businesses enterprises in NZ and then extrapolated across same number of export companies in each grouping – given that the Wellington GDP from exports is below the national average, the actual number could be lower

<sup>6</sup> Released in April 2005

<sup>7</sup> The question of constraints was addressed to people who already export

To assist SMEs in particular it is important to lower the barriers to exporting whether it be exporting for the first time or increasing export sales. Most of the identified barriers related to aspects of sales and marketing into international markets.

Councils in the region operate Sister City relationships with a number of cities in countries such as United States of America, Japan and China. There is an opportunity to transform one or more sister city relationship in the region and establish new sister city relationships in order to assist market access.

*What are we going to do?*

**The recommended key actions are:**

- 6. Contract agents to support Wellington Region businesses in target markets, which if successful, could be expanded into a network of agents supporting Wellington businesses overseas**
- 7. Ensure Wellington is a strong advocate for tailored government assistance programmes targeted to specific industry needs**
- 8. Maximise access by Wellington region exporters to Central Government export facilitation assistance and to services provided by other non Government entities including analysis of current and future opportunities for beachheads.**
- 9. Reassess sister city relationships to actively look for economic opportunities, especially export growth and ability for local businesses to plug into global value chains.**

Other actions are also identified in the Implementation Plan.

*Who is involved?*

Regional Chamber of Commerce, businesses, Central government agencies, PWB, Councils, other business agencies

*What will success look like?*

The region will know it is successful when:

- Businesses in the Wellington region are highly motivated to internationalise and have sustainable export businesses.
- Wellington regional businesses report that the barriers to exporting have been reduced or eliminated
- Sustained and significant increase in levels of Wellington region exports of goods and services measured by (a) real \$ value and (b) as a relative proposition of Wellington region GDP



## **Telling Wellington Region's Story Internationally**

### *Why is it important?*

The Wellington region needs to update its national and international image. For the region to attract the talent and investment that are required to grow the exporting economy, the region needs to be seen as a dynamic place to live, work and invest in. This should build on central government's focus in the Growth and Innovation Framework on updating the country's image internationally, through the New Zealand New Thinking initiative of NZTE.

Our region also needs to establish a point of difference and have an actively managed voice on the international stage. Wellington region is competing in a crowded global market place for talent, investment and visitors. When viewed from an international perspective, Wellington is a second-tier New Zealand region, overshadowed by high profile tourism destinations, and the country's long-haul international gateways.

The region is diverse and there are a plethora of different, mostly unaligned marketing initiatives being undertaken in the migrant attraction, tourism, education, exporting and investment sectors. We cannot afford to continue with poor co-ordination when budgets are limited, and small, compared with our international competitors across all business sectors. Coordination has the potential to bring efficiencies of scale and greater effectiveness from a more consistent programme.

### *What are we going to do?*

#### **The recommended key action is:**

#### **10. Implement a regional marketing strategy that coordinates and aligns (where appropriate) public and private sector marketing of the Wellington region nationally and internationally.**

A regional marketing strategy would:

- Provide a regional context for the international marketing initiatives of PWB, PWT, and other local businesses and councils
- Include a "suite of stories" that together tell Wellington's story (brand), so stakeholders and partners can draw on them as they develop their own international marketing campaigns
- Ensure that regional marketing initiatives are underpinned by sound market research and intelligence
- Leverage and coordinate existing marketing initiatives, by public and private sector organisations telling the Wellington story internationally, to maximise impact in target markets
- Reinforce the core elements of the Wellington story across international marketing expenditures
- Recognise and accommodate the diversity of target markets and focused key messages required in specific markets and business sectors to ensure success.

*Who is involved?*

NZTE, Tourism NZ, PWB, PWT, Councils, Go Wairarapa, International Business Councils, Central Government agencies, Investment NZ, Chambers of Commerce, Export education providers, CRIs, Centreport, Wellington Airport, migrant attraction and recruitment companies

*What will success look like?*

The region will know it is successful when:

- A higher regional profile internationally, with the region seen as a vibrant and attractive part of New Zealand, with a clearly defined identity
- The region’s story becoming a more valuable asset for local organisations and businesses to leverage with their own marketing initiatives
- More retention of local businesses and people as the region becomes more desirable and its assets more widely appreciated, with
- Increased cohesion, presence and interest contributing to growing wealth for the region from increased investment, migration, international students and tourism.

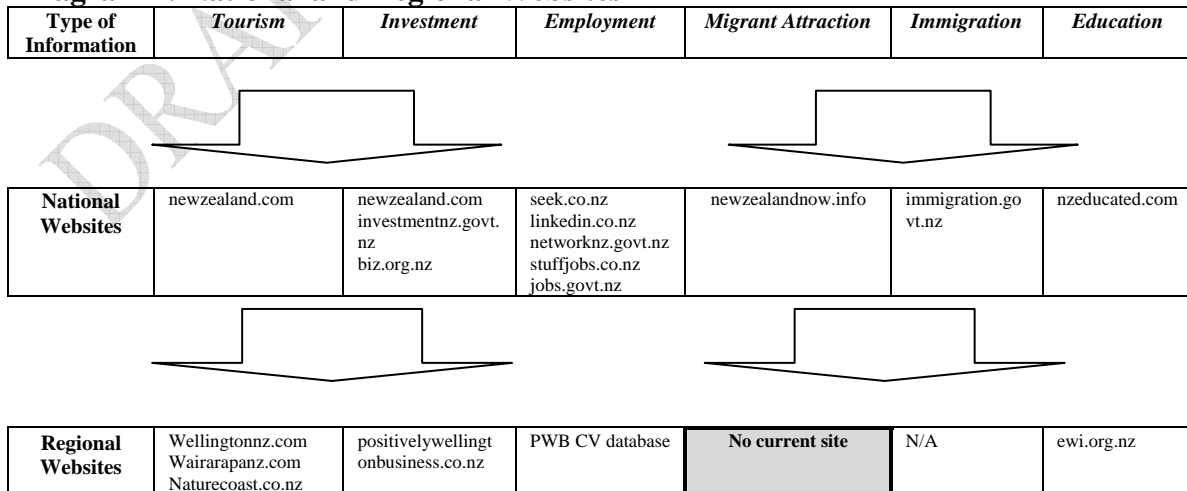
**Establishing a Wellington Region Global Web Site**

*Why is it important?*

Projecting the Wellington region’s story internationally, to potential investors and prospective migrants is increasingly important. An integrated and high quality regional website will provide a cost effective means of presenting the region’s unique attributes to a wide international audience. It will need to be part of a broader regional approach to marketing Wellington region.

Currently there are a range of national and regional websites that present aspects of the Wellington region’s story. PWB, PWT and Education Wellington International all maintain regional websites offering information relevant for their target markets. The major gap in what is currently offered concerns comprehensive, accurate and timely material for prospective migrants to the region, illustrated in the following diagram.

**Diagram 1: National and Regional Websites**



With a national and regional skills shortage, migrant attraction is becoming a particular focus for the region. Wellington region faces significant competition from other countries to attract these migrants. Internationally websites are becoming an important part of campaigns to attract and inform prospective skilled migrants. Brisbane City Council, the Province of British Columbia, Vancouver City Council and Scotland all have significant web resources for migrants and recent arrivals.

*What are we going to do?*

**The recommended key action is:**

**11. Develop a website that provides a comprehensive picture of life in the Wellington region and be a one-stop-shop for information (with links) needed when deciding to relocate to the region.**

The information will be primarily targeted at potential new migrants and returning expatriates relocating from overseas, but it will also be relevant for people moving to the region from within New Zealand.

The web pages will be written and designed to attract potential migrants to Wellington while building and maintaining visitors' trust and confidence in the information provided – a style of “honest enthusiasm” will be used. The goal would be to provide web pages that allow for increasingly tailored information as prospective migrants to Wellington work through the migration process.

Given the nature of this website and the possible attraction to local Wellington regional businesses there may be opportunities to look for sponsorship of the website.

*Who is involved?*

Councils, PWB, web writer, web design agency, web editor and web site manager

*What will success look like?*

The region will know it is successful when:

- Prospective migrants increasingly choose the region as their migration destination which is seen as a “location of choice” for migrants considering relocating to another country
- More enquiries by prospective migrants are received by the PWB migrant attraction team, and successfully settled here
- A one-stop-shop of web pages that provide credible, timely, up-to-date information and links is available to prospective migrants to the region.
- Visitor traffic to the website increases and the number of websites that link to website increases over time

## **Adopting a Regional Approach to Tourism**

*Why is it important?*

Tourism accounts for 10% of the regional domestic product, approximately \$1.4 billion annually. There are significant opportunities to grow this industry sector through an even more integrated regional approach to destination development and marketing – nationally and internationally.

Wellington region needs to extend visitor spend and length of stay by broadening and deepening its portfolio of compelling visitor experiences, and continuing to drive home a 3-day-stay marketing message. While PWT has always recognised the need for more attractions, especially commissionable ones, and has increased its efforts in this regard, it is not currently funded to be the necessary catalyst.

Currently the most successful regional initiative in tourism is the International Marketing Group which involves a joint venture investment from Councils, PWT and regional tourism operators. Despite this and other examples of regional cooperation (Wellington Convention Bureau, Wellington Education Guide, Wellington Visitor Guide and WellingtonNZ.com), much of what will make the region a more competitive tourism destination is outside the current mandate and control of any regional tourism agency – including PWT. A comprehensive regional tourism strategy would be beneficial in building on successes in *destination marketing* and to highlight the roles and responsibilities of other agencies to *manage the destination*.

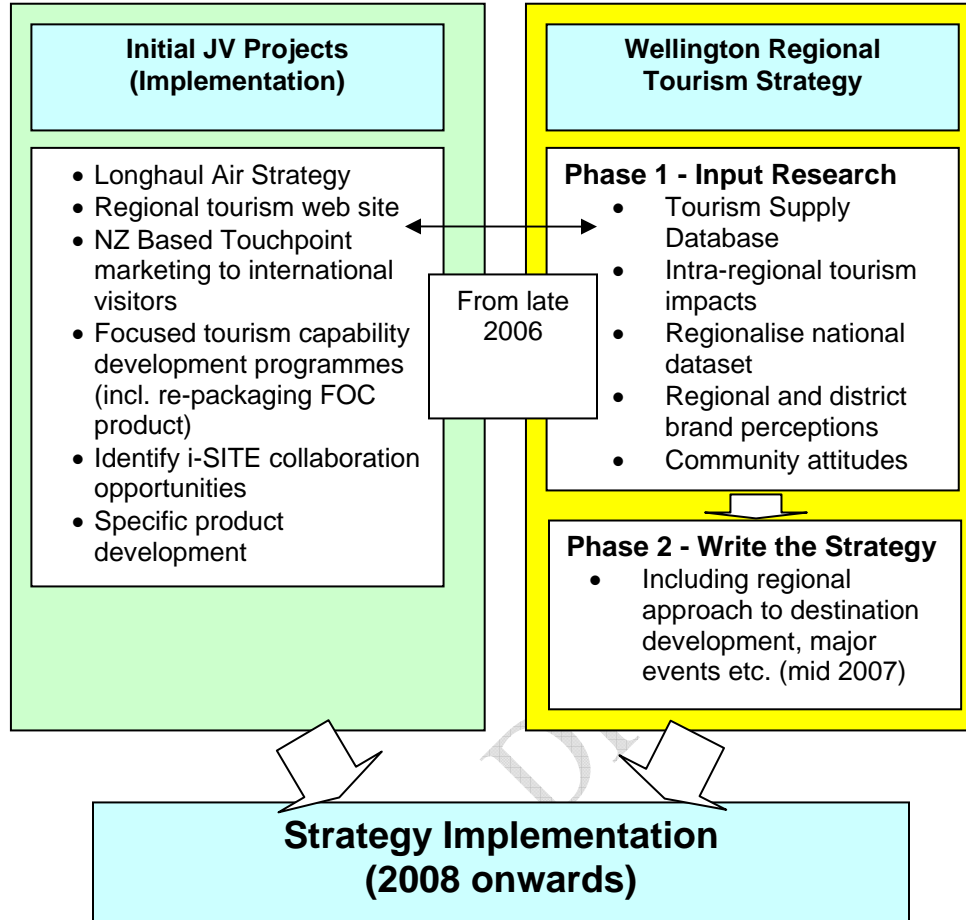
*What are we going to do?*

**The recommended key actions are:**

- 12. Adopt a regional approach to tourism, events and destination development**
- 13. Develop a series of joint venture partnerships between PWT and Councils in the region, to address specific issues in the sector.**

Both actions can occur in tandem and are illustrated in the following diagram:

## Diagram: A Regional Approach to Tourism



### *Who is involved?*

PWT, PWB, Councils, Nature Coast, Go Wairarapa, Tourism New Zealand, Accommodation sector representatives, Regional Wellington tourism interests, Key transport, tour and activity operators

### *What will success look like?*

The region will know it is successful when:

- Current, successful marketing activities continue during development of the strategy
- Issues relating to domestic marketing and a regional approach to events are resolved as part of the process
- Growth in the value gained from tourism and limits on the potential negative impacts of tourism, measured by:
  - increased number of tourism attractions
  - improved tourism business yields/growth
  - improved visitor satisfaction and destination brand perception
  - increased tourism expenditure and employment spread throughout the region
  - communities supportive of tourism

- environmental impacts are managed with specific visitor monitoring programmes
- Consensus on an equitable regional tourism funding model and an adequate level of funding being made available

DRAFT FOR DISCUSSION

## Getting Our Products To International Markets

### **Bringing Long Haul Flights to Wellington**

*Why is it important?*

New aircraft technology will allow airlines to fly long haul to Wellington from late 2008. Daily flights from East Asia (with one-stop to Europe) will fundamentally change Wellington's place in the world, making us a more accessible business and tourism destination.

In 2008, Boeing and Airbus will deliver the first of their new generation aircraft. The aircraft design and increased use of new advanced materials make them lighter, faster and more efficient than any aircraft before them. Seating between 224 and 300 passengers (depending on configuration and the particular series), both the A350 and Boeing 787 are designed to fly long haul services (13,900-16,300km) more frequently than their larger cousins. In effect, both companies have produced a long-haul aircraft in a mid-range size.

Their lighter design means they are able to land and take-off from Wellington Airport with a commercially viable payload, the size of the aircraft is well-suited to the size of the Wellington market and the extraordinary range of both aircraft means that direct flights to Asia are possible.

*What are we going to do?*

**The recommended key actions are:**

- 14. Develop the required long haul infrastructure – at the very least this will require new terminal facilities for passengers and freight at Wellington Airport. Work on freight volumes and likely handling requirements are currently being undertaken. Work on the increased safety margin and runway is underway.**
- 15. Attract an airline – actions are underway with a range of airlines to discuss with them the viability of flying direct long haul flights out of Wellington. Projections of expected people and freight movements both inbound and outbound are important factors in their decision making.**
- 16. Grow international long haul markets – essentially long haul flights in and out of Wellington may fundamentally change the markets that the Wellington region has been marketing to both as a tourism and business destination. The region will need to commit to developing visitor, business traveller and freight flows to support an air service.**

*Who is involved?*

Wellington Airport, Positively Wellington Tourism, Councils, Wellington Regional Chamber of Commerce, Positively Wellington Business.

*What will success look like?*

The region will know it is successful when:

- It is easier for residents to fly to long haul destinations
- It is easier for business people to fly to and from long haul destinations
- There are more options/faster for freight to move to long haul destinations
- Retention of business in the Wellington region (e.g. don't have to move to Auckland to access those flights)
- An increased business moving here (more attractive, better propositions)
- An increase in tourists throughout the region

### **Growing Broadband**

*Why is it important?*

The telecommunications infrastructure<sup>8</sup> of a region should be considered alongside such things as roads, water and waste services as part of the core system that allows the region to function economically and socially.

The Wellington region stands to make significant gains from the introduction of fast, affordable broadband services across the entire region. For Small to Medium Enterprises (SMEs) in particular, broadband services like these can create new industry opportunities and lower barriers to markets overseas. The creation and growth of SMEs, fuelled by the development and deployment of creative, innovative products and services, can make a significant contribution to the region's economic development

There is a significant positive relationship between investing in broadband and GDP growth, especially when a critical mass of telecommunications infrastructure is present. Evidence is mounting that ICT use explains much of the rapid productivity growth over the 1990s in both the US and Australia – two of the fastest growing OECD countries. The growth framework points out that investment in airports and broadband technology are arguably the most important factors that position a city to compete in the global economy. This is because investment in telecommunications and transport infrastructure can significantly lower production costs, thereby increasing productivity growth. Broadband may also assist in retaining and attracting business and individuals to the Wellington region.

The Government's digital strategy states that *'investing in ICT can have a powerful effect on productivity in almost every industry, driving innovation, cutting costs, and opening up new opportunities. ICT can boost profits, help small firms overcome limitations of size, and enable even tiny enterprises to establish a global presence'* (Government Digital Strategy, 2005).

Pervasive availability of broadband in all parts of the region would boost the region's economic development prospect and act as a catalyst and complement to other economic development strategies. Facilitating broadband availability across the whole region may

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<sup>8</sup> Broadband infrastructure includes both wires and wireless infrastructure



open up a future opportunity for the Wellington region to serve as a global test bed for broadband applications – in health, education, government and entertainment.

*What are we going to do?*

**The recommended key actions are:**

- 17. Formally endorse and resource “Wellington Regional Xchange” as the regional broadband forum with a key role to co-ordinate various sub regional activities already underway**
- 18. Establish performance and coverage targets across the entire region that are appropriate to the specific locations and populations services**
- 19. Develop a business case for regional public investment in infrastructure including the potential expansion of Smartlinx3 into a truly regional entity. Subject to the business case make application to the Broadband Challenge for a regional project that may encompass several sub-regional initiatives**
- 20. Dependent on the results of the business case, TLAs to decide to:**
  - a. Encourage/facilitate the private sector to build and operate this infrastructure on “Open Access” principles.**
  - b. Own and operate the infrastructure in the same way as Local Government already owns and operates other infrastructure like water, waste and roading.**
- 21. Develop a common regulatory process that ensure all new development is serviced with appropriate telecommunications infrastructure and that retrofitting of existing developed areas is encouraged. This involved the provision of suitable ducting to allow the placement of fibre optic cable to be easily and cheaply laid with minimum disruption to the community.**

Like all infrastructures, there is a hierarchy of delivery to reach the end consumer. In the case of broadband it is possible for different players to be responsible for different parts of the delivery chain.

There are three levels of the hierarchy that need to be addressed.

#### 1. Connectivity Into and Out of the Region (i.e. the ‘state highways’)

The benefits of broadband connectivity are all related to being part of the global community in real-time. This means “big pipes” connecting the Wellington Region with the rest of NZ and offshore are vital. This can be facilitated by establishing and maintaining relationships with other regions of like mind, driving the demand for connectivity collectively and then encouraging the private sector to provide the service required.

#### 2. Intra-regional Backbone (the ‘local roads’)

The movement of data around the region and externally requires a network of “medium pipes” to form the backbone of regional broadband. This is, in effect, turning “CityLink”

into “RegionLink”. The key to unlocking the economic benefits from this aspect of the network is to have the delivery network “open access” which means separate from the service providers. At present the majority of broadband provision in the region is delivered by companies that are “closed access” in that you buy both connectivity and services from them thereby removing an element of competitive tension. This is exacerbated by the dominance of Telecom NZ in providing the last mile customer connection in all cases as well as having the predominant backbone network.

### 3. Last Mile Connections (the ‘driveways’)

This is the “small pipe” that connects individual customers to the network and this is best delivered by the private sector service providers. Ideally these providers will be the users of the “RegionLink” network. The role of the WRS in this area is to encourage demand and also encourage a competitive environment among providers to ensure best value for the customers/ratepayers.

#### *Who is involved?*

Councils, PWB, Go Wairarapa, Tararua-Wairarapa Regional Charitable Trust, telecommunications companies, Smartlinx3, CityLink, Ministry of Economic Development (Broadband Challenge)

#### *What will success look like?*

The region will know it is successful when:

- The region is perceived as “connected” thereby improving its attractiveness to migrants and business prospects and improving the ability to retain existing residents and businesses
- The business location decisions within the region are made on true economic grounds rather than broadband availability
- The efficiency and global competitiveness of the region’s business community is enhanced

## Improving Key Business Growth Inputs

### Attracting Investment

*Why is it important?*

It is assumed that to grow export businesses in Wellington will require a certain level of inbound investment (domestic and international) – this includes growth of existing businesses.

Targeted investment attraction is required to facilitate or increase export activity of existing businesses in the region, as well as encouraging the retention of these businesses. The intention is for inbound investment to resource the expansion of existing businesses to increase exporting capability.

In line with the required export growth it is suggested that investment activity focuses on:

- Pursuing a well targeted programme aimed at gathering mass and consolidating a few targeted industry clusters in high-growth areas (consistent with the selected Centres of Excellence) to make optimal use of our limited resources (this will also help to identify target suitable venture capitalists who typically like to remain close to their portfolio investments);
- Building partnerships between local businesses and targeted international firms and venture capitalists.

*What are we going to do?*

**The recommended key actions are:**

- 22. Develop a more targeted investment attraction approach that outlines the level, type and how investment will be attracted to the Wellington region in order to meet the goals of the WRS.**
- 23. Actively pursue opportunities for local businesses to achieve scale / export growth through joint ventures with, and sourcing investment capital from, domestic and international investors in target industries.**

Whilst the key action of the business attraction action area is to focus business attraction effort on activities that grow exports through the development of a Business Attraction Strategy, investment attraction encompasses broader investment activity such as joint ventures and trade opportunities between international and local businesses; and investment in local business projects from immigrants and other investors seeking business opportunities.

Joint ventures between international and local businesses will encourage export activity by fitting local businesses into the global product offering of large international firms. Partnering with international companies is an increasingly popular way for local companies to develop their technology in foreign markets.

Sourcing investment capital will provide local businesses with the requisite resources required to increase export activity. This will require building strong two way relations with key business centres in the Asia-Pacific, Europe and the United States who can promote to offshore investors, the opportunities in the Wellington region.

*What will success look like?*

The region will know it is successful when:

- Growth / retention in existing businesses can be seen to have been achieved from investment attracted to the region.
- Increased international sales by local businesses and an increased proportion of their total income is derived from offshore.
- Increased partnership / joint venture activity between local and international businesses, and new product development, can be attributed to inbound investment activity.

### **Improving Labour Market Productivity**

*Why is it important?*

Productivity refers to both work place and labour productivity. This is how organisations can utilise labour and skills, innovation, technology and work place organisation to improve the quality and quantity of their products and services. Improving productivity is the key way of achieving labour market gains.

Productivity levels in the Wellington region are XX% whilst the national average is XX%. Raising both work place and labour productivity in the Wellington region will aid the future viability of business activity, improve wage levels and provide new job opportunities.

One common measure of productivity is GDP per capita. Whilst Wellington has a relatively high GDP per capita in a national context, internationally New Zealand performs comparatively poorly.

We need to shift from increasing the number of hours we work to working and producing smarter. A recent report by the New Zealand Institute stated that only one third of New Zealand's economic growth since 1990 has been due to labour productivity, the other two thirds are due to increase in hours worked. This is the opposite in higher performing countries and cannot be sustained. There is not reason to believe that the Wellington region is not consistent with the national picture.

*What are we going to do?*

**The recommended key action is:**

**24. Implement the solutions to improve productivity contained in the WRLMS by end of 2007<sup>9</sup> particularly:**

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<sup>9</sup> At present the WRLMS presents "solutions" rather than specific implementation actions. The implementation actions are being developed at present.

- **Promote the concept of productivity and benefits to enterprises and individuals**
- **Provide support services for SMEs and promote good practice.**

A wide ranging group of people have been involved development of a Wellington Regional Labour Market Strategy (WRLMS). There are currently eight key solutions regarding improving productivity in the workplace in the WRLMS. Details of these can be found in the Implementation Plan for the WRS.

*Who will be involved?*

Various labour related central government agencies, employers, Councils, PWB

*What will success look like?*

The region will know it has been successful when:

- Businesses understand and put in place measures to increase labour productivity within the workplace.
- The productivity rate of the workforce in the regional labour market is at XX%
- The GDP per capita in the Wellington region grows annually at twice the OECD average

### **Attracting and Retaining Talented People**

*Why is it important?*

The Wellington region needs to ensure that it retains and attracts the amount and type of labour and associated skills it requires to meet business needs. There are currently issues with labour retention and attraction with businesses and skilled people moving to other NZ cities or offshore. Businesses in the Wellington region have clearly stated that the lack of skilled workforce impact on their ability to grow their business.

The region has a lower than NZ average forecast population growth to 2025, meaning a reduction in the readily available local workforce.

More and more occupations are effectively operating in a global labour market. This trend will continue and perhaps intensify. A key reason for this perspective is that over the next 20 years the working age population in Europe could decline by 65 million. An implication of this is that the rich countries of the world will want, and be prepared to pay handsomely for our most skilled and able staff.

A regional leadership and role model stance is required to help reverse these predictions. This is in addition to government's key functions of providing a policy framework, infrastructure and a business friendly environment.

*What are we going to do?*

**The recommended key action is:**

**25. Implement the solutions outlined in the promotional and leadership section of the WRLMS particularly:**

- **Establish a regional forum and place to co-ordinate labour markets activities with all key organisations**
- **Implement a regional campaign involving regional champions and role models to demonstrate regional opportunities and benefits**

A wide ranging group of people have been involved development of a Wellington Regional Labour Market Strategy (WRLMS). The WRLMS outlines actions related to the promotional and leadership aspects of retaining and attracting labour.

*Who is involved?*

Various labour related central government agencies, employers, Councils, tertiary education providers

*What will success look like?*

The region will know it has been successful when:

- Sectors of the labour market that traditionally leave the region/country (e.g. 25-35 year olds) are less likely to leave or are more likely to return.
- The Wellington region is perceived nationally and overseas as the premier work destination in New Zealand.

### **Growing the Regional Skills Base**

*Why is it important?*

A range of labour market issues are evident across the region. These include immigration practices, funding regimes for training, ensuring the education system supports future skills needs in a more creative and applied fashion, employer training capacity, perception of some skills/careers and the time lag between business skill demand and the ability to train.

To ensure that the region has the right skills at the right time to develop the centres of excellence and export orientated businesses it requires in the future, planning and co-ordination needs to improve. This requires a wide range of participants to achieve the required direction including students and their families, secondary providers, tertiary providers and central government policy makers.

Opportunities exist to - develop better functionality and engagement between secondary education, tertiary sector, training providers and business; enable provision of a training framework that matches future workforce demands with current funding and training provision; being able to communicate more precisely what skill shortages exist and what the barriers are to overcome.

SMEs make up X% of employers in the Wellington region and employ X% of the workforce. Therefore, it is important that any labour market development activity includes development of these small and medium businesses and the people who manage and work in them.

The Wellington Regional Strategy includes development of Centres of Excellence. It is vital that education provision in the areas selected also aims for excellence. At present the region has a range of providers providing similar opportunities for skills development.

A report prepared for the WRS<sup>10</sup> stated that for a region that prides itself on the amount of creative talent its citizens have, one might have expected that the Region had a higher reputation for its education services than is readily apparent. Wellington's relatively small size means that it is likely to yield greater growth dividends from strategies that emphasise the quality of what it does rather than the volume.

It went on to add that the performance of the training and education sector is important for underpinning the performance of the Region's economy.

*What are we going to do?*

**The recommendation key action is:**

**26. Implement the solutions outlined in the skills section of the WRLMS particularly:**

- **Ensure flexible funding is available and programme recognise regional needs**
- **Ensure tertiary providers provides skills development to meet regional needs and advocate to central government for necessary changes**

There is a joint responsibility amongst trainers, tertiary institutions, government agencies and employers to help address the fundamental challenge of matching the future skills supply with work place demands.

A wide ranging group of people have been involved development of a Wellington Regional Labour Market Strategy (WRLMS). The WRLMS outlines actions related to growing the regions skill base.

*Who is involved?*

Various labour related central government agencies, employers, Councils, tertiary education providers

*What will success look like?*

The region will know it has been successful when:

- The right skills required in the future by businesses are provided at the right time
- The region has a reputation for the quality of its tertiary education providers rather than the quantity and the these providers support the centres of excellence developed

### **Increasing Labour Market Participation**

*Why is it important?*

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<sup>10</sup> Economic Futures Report – November 2004

Participation in the labour market, measured by the employment rates, contributes to the size of the regional economy and helps drive GDP growth. Whilst increasing participation is important for the Wellington region, our rates are already high.

However typically lower participation rates are evident amongst Maori, Pacific peoples, migrants, refugees, people with disabilities, older people, women with children and youth. The strategy will focus on progressing these groups into quality and secure employment.

For the purposes of this strategy, increasing participation rates can assist in meeting labour and skills shortages, address regional variances in participation rates and focus on reducing the barriers to work force participation experienced by some groups. It is generally accepted that by improving participation rates amongst those most disadvantaged in the work force, that social and health objectives are also advanced.

There are also sub-regional variations within the Wellington region due predominantly to demographic factors and the nature of local work opportunities.

*What are we going to do?*

**The recommended action is:**

**27. Implement the solutions to improve participation contained in the WRLMS particularly:**

- **Promote work options and regimes**
- **Remove constraints to migrant settlement and entry to the workplace**

A wide ranging group of people have been involved development of a Wellington Regional Labour Market Strategy (WRLMS). There are currently twelve key solutions regarding improving participation in the workplace in the WRLMS. Details of these can be found in the Implementation Plan for the WRS.

*Who is involved?*

Various labour related central government agencies, employers, Councils

*What will success look like?*

The region will know it is successful when:

- Barriers to participation are easier to overcome or reduced for those people in the region who want to participate in the labour market but find it hard to do so at present.
- When the participation rate of the workforce in the regional labour market is at XX%
- Labour force participation rates are similar across all sectors of the community and sub regions (goal is by 2010)



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