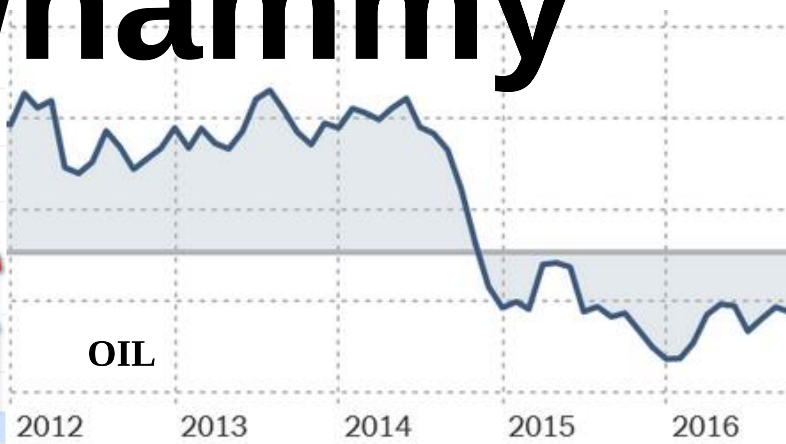
Double whammy



How Taranaki is coming back from its worst recession in living memory

The main question is this – how well is Taranaki’s economy doing in the third year of a downturn that’s debilitated its two biggest earners, energy and dairying?

Not too badly, if those hoping to turn it all around are to be believed.

They’re our public officials and industry leaders, who understand that economic success rests largely on optimism, and that boosting the confidence that’s flagged over the past two years will be vital if we’re going to get back to the good years.

There are signs harder times have sharpened organisations and the minds of those who see innovation, entrepreneurialism and diversification as the way forward.

Taranaki people have long enjoyed the highest level of productivity in the country and for as far back as most can recall we’ve been cushioned from lengthy recessions - if dairy was down, energy was buoyant, and vice versa.

Both dropped sharply but temporarily after the infamous global financial crisis (GFC) in 2008, but bounced back quickly. The current dip is sustained.

There are inconsistencies, though. Construction has ignored the trend, and tourism has begun to build on the back of the Len Lye Centre, and is expected to grow Taranaki’s third economic leg in the wake of the Lonely Planet boost and work being done to promote the Taranaki Traverse/Pouakai Crossing experience and other initiatives, build a new airport, and fix the road from Auckland.

This story attempts to unpick the complex web of interlacing economies making up “the economy”, first by looking at what’s happened and then by exploring our prospects.

It's well known now that great plunges in Taranaki's two most important world commodity markets – energy and dairy – signalled a temporary end to the good times after 2013's extraordinary buoyancy, especially in dairy.

The first signs were not long in coming, and they were ugly. There were redundancies from the beginning of 2014, hundreds of them eventually, especially in the oil and gas-focused engineering community.

According to a September state-of-the-Taranaki-economy report by Venture Taranaki, 30 percent of staff employment in the energy sector – which customarily earns us $2.5 billion a year - was affected, while 25 percent of staff employment in the dairy industry (earnings $1.4 billion a year in good times) felt the impact.

Some of the early redundancy announcements – McKechnie Aluminium (24) in late 2012 and Fitzroy Yachts (120) in January 2014 – were related to the GFC and an overly strong NZ dollar, but by 2014 and 2015 plummeting oil prices forced about a dozen engineering firms to cut back as many as 300 to 400 staff, most of them skilled people, many of them lost to the province or New Zealand.

The dairy processing industry shed people, too, although it's hard to know how many. Fonterra made 750 redundant in the latter half of 2015, but most were in Hamilton and other main centres or overseas, so the impact from that is not clear.

Some individual dairy farms reorganised. Some small ones were sold to neighbours, resulting in savings on economy of scale. Some farming people who'd recently retired pitched back in to save labour costs. Some sharemilkers and farm staff on various income deals simply got out.

The disruption to both industries rippled into related businesses. The value of retail sales faltered. Some shops closed.

Unrelated global events overlapped to make all this happen. Oil prices crashed because too much is being produced. Dairy prices were hit by similar supply and demand changes - over-supply coincided with a reduction in demand from China and Russia, while production in Europe expanded following the removal of quotas, and in the US because of low feed prices.

With its highest-in-the-land gross domestic productivity numbers per head of population (because of past dairy and energy success), Taranaki usually feels the onset of downturns later than other regions, says Stuart Trundle, chief executive of Taranaki regional development agency Venture Taranaki Trust.

"Even in the GFC, Taranaki was slow in, and we were almost entering as some were coming out. This time there has been a degree of momentum that suggests everything's well at mill - but actually we've still got some challenges to work our way through. There have been job losses around the mountain, and lots of companies have shed staff.

"Now, I'm not diminishing any of that, but in fact the economy is firmer than you might have anticipated with the downturn in those two sectors. The effects haven't impacted as publicly as you may have anticipated.

"There has not been significant, catastrophic failure of individual businesses. What we've seen is two job losses here, three there, one in that business…what we haven't seen is 100 in one business, but you've seen 100 businesses lay off one or more people. Now that's got a cost, a cost for society. The recovery will take time."

So how's the recovery going? To begin with, how bad is the problem?

First, the energy sector. Max Murray, TAG Oil's New Zealand country manager, had a one-word answer when I asked if this was the longest oil industry downturn in the last 30 years: "Yes." He used a lot more, though, when I asked why.

"Essentially there is an oversupply situation. Saudi Arabia and Russia continue to produce at record volumes and there is low demand from emerging nations such as India and China, as they go through a period of lower economic growth. This situation has led to a fall in crude from $US100 a barrel to a low of around $US27. New production has come on line from the likes of Iran. The oversupply has shut marginal producers in places like the US shale.

"Oil and gas companies have responded by slashing their capital budgets, projects have been cancelled or at best deferred until the economics improve. Instability in the Middle East, Syria and Turkey continue to be a factor and contribute to the uncertainty in the sector.

"Oil has slowly crept back up to $US52 a barrel, but continues to be lower than what is required to get a lot of projects back on track."

He says globally a lot of companies have gone out of the business, and most have responded by reducing costs and capital spend, and are reducing debt to literally survive so they're in a position to grow again once oil rebounds sufficiently. "If I was to use an adjective to describe this period it would be 'survival'."

The Taranaki economy has certainly been affected by the cancellation or deferral of projects, he says. The energy service sector has felt the impact "as exploration (drilling as an example) has almost stopped for a period of 18 months now. A lot of service companies have cut staff and reduced service capability in response to the downturn."

His company has decided not to lower staffing levels, so it that it will be in a strong position when the sector picks up. "We have been focused in maximising value from our existing acreage, looking for low cost behind pipe opportunities and focusing on enhanced oil recovery technology - producing more from what we have at the lowest cost."

His comments are supported by the industry group, Petroleum Exploration and Production Association of NZ, which says "oil and gas companies are using this time to focus on improving the efficiency of their current operations and driving production out of their existing wells. This has inevitably meant that some companies in Taranaki have reduced non-essential staff, deferred some work, and reduced some discretionary spending."

Such a reduction in activity doesn't necessarily apply to those using the hydrocarbon resources already discovered, however. One of the biggest, Methanex New Zealand, says its three methanol trains at Motunui and Waitara Valley are running at full capacity

Managing director Kevin Maloney says the company continues to be a large Taranaki employer, with 250 staff and hundreds of contractors.

"It's estimated with three plants running we generate about $440 million to Taranaki's GDP and $650 million to the country's GDP each year, and sustain the equivalent of more than 1200 jobs directly and indirectly. As a major gas purchaser we provide critical mass for the whole gas market that supports ongoing gas exploration as well as being important for manufacturing and electricity production."

A benefactor of that is Port Taranaki. Although it lost all its ship-based container trade (five years after Fonterra pulled out in 2009), has seen a 43 percent drop on offshore oil and gas activity in the last year, and shed 11 staff in June, it still handles about 60 shiploads of methanol exports a year and has seen a boost in log exports. In the 2015-2016 financial year, it gave a tidy $4.4 million dividend to its owner, Taranaki Regional Council.

The engineering community is being called on to show similar resilience. Pat Hills, chair of the Engineering Taranaki Consortium, says while there have been a number of local downturns before this one, "it does appear to be one of the longest and more sustained in our members' experience."

There appears to be a medium-term shift in emphasis in the energy sector from exploration and capital development to extending the life of assets and reduction of operating costs, he says. "This has translated into more maintenance and shutdown type opportunities, with potentially less continuity of project work than three or four years ago."

There has been a noticeable slowdown in local opportunities, with a potential risk of losing skilled staff. There have been staff reductions and natural attrition across the province, together with movement of staff to work outside of the province.

That's confirmed by Etū union organiser Ross Henderson, who says it's strange that just over two years ago the province was the headline act of the "rock star economy". The decline was a reminder that New Zealand remained vulnerable as a trading nation reliant on commodities.

He says it's unsurprising people in oil and gas – rig workers, engineers, chemists, seamen, drivers, university graduates, cooks/cleaners, supply companies - have been hardest hit, with many in the province made redundant and required to leave to find new opportunities.

An equal number indirectly reliant on the sector are similarly affected, many of them tradesman. Some have managed to remain in the province and gainful employment, while others have either changed jobs or left.

"Many of our non-food manufacturers have down-sized their businesses. Companies who have had generations of workers from New Plymouth and surrounding districts as employees - McKechnie's, Nexans (ex-Olex Cables) and ABB - have all over recent times decreased staff numbers.

"All have been impacted by our highly valued dollar, cheaper imports and greater competition. Each of those businesses is working hard to find new clients and markets and at least one is investing in new machinery."

And what of the hinterland? Its voice here is Bronwyn Muir, Stratford-based provincial president of Federated Farmers, who says bottomed-out dairy returns have definitely been a major setback.

"Taranaki probably hasn't felt the effects of a downturn like this since subsidies came off in the mid-1980s. That made a big impact on the way we looked at the sustainability of farming businesses. So, yes, I guess this impact has had a similar response or impact."

Muir believes we will keep getting downturns like this one, so it's a good chance for the industry to make sure what it's doing is sustainable.

"On a high return, anything's possible, but potentially there will always be a cost. My grandfather always used to say: 'Have a spare hayshed full of hay – you never know when you're going to need it.' The older farmers are sitting back and saying: 'Well, we told you so. Things had to crash one day. You can't ride that highway for too long.'"

She says it was not good timing for those who bought a farm relatively recently. Prior to the downturn, a lot of Taranaki farmers who were getting reasonably good returns that could support more than one family felt it was a propitious time to bring in the next generation.

"But with the return we're on at the moment, and have been for the last couple of years, there have been a lot of people have had to go back into the dairy shed or back to specifically working the farms again just to get through. So that's probably where we're seeing a lot of pressure.

“And if the next generation isn’t really committed to hanging in there, then there are quite a lot of properties of that medium to smaller scale coming on the market now because (older farmers) are saying: ‘We don’t want to have to go through a downturn like this again…we’ve done our time.’ That’s where we’ll see quite a shift, I think, if neighbours are in a position to purchase neighbouring properties.”

The same thing applies right across the farming industry, she says, where the smaller properties – dairy and sheep and beef – are merging. “The average size for dairy has shifted up 100 cows…I’ll use dairy as an example. But that average size of dairy blocks in Taranaki has shifted from that 250 cows to closer to 400 over about the last 10 years. So the number of farming entities is reduced but the number of livestock farmed has stayed about the same.”

Some approaches to farming have changed, however, one being the use of animal feeds like palm kernel expeller (PKE). “That’s changed dramatically. And that will be having a flow-on effect at other levels right across the economy. The challenge is to dial back and say to the four-legged girls: ‘Sorry, you can’t have the lollies any more. They’re going back in the cupboard. You’ve just got to eat grass. But still produce what we want you to produce on an all-grass system.'

The reduction in sales has been brought about by Landcorp’s decision to stop using the feed supplement from the end of June next year, due to rainforest destruction in Indonesia. Currently sales are down one third to 10,700 tonnes from the 15,200 tonnes used in 2013-14. New Zealand used to be the world’s largest user of PKE, importing around a quarter of the world’s supply.

“We have a young industry generation who’ve come through on a very high feed input mentality,” says Bronwyn, "so they’re still thinking, the majority of them, it doesn’t really matter if I get myself into a hole feed-wise, I can just ring a truck. So there’s a bit of retraining going on, especially from the older farmers, who are saying: ‘No, sorry, we’re just going to have to go back to doing what we did’.

“DairyNZ have put some structure around how much feed we’re putting into our dairy systems – system one is all grass, up to five, which is bringing in an extra tonne of feed per cow per annum. Most of our dairy systems try to function around system 2 area where there’s just enough feed coming to fill gaps when nature can’t do it for us. That’s what we’re still trying to manage. And our cows are now genetically geared for that type of feeding.”

Survival has been a challenge for some, especially this year as they went through a second winter of recession. No milk payments in August and September means extra anxiety for dairy farms over the cold months, even in good years.

“I’m not saying we’re special, but it’s the time of the year when all farmers are under particular stress getting all our cows calved, our sheep lambed, paying particular attention to making sure all our hard work, all those live animals on the ground, are looked after.

“People are doing long hours, and the weather isn’t usually very kind, and there’s a lot of other stressors that kick in, as well as making sure you’ve got enough money in the bank. In the meantime, you grow a really good garden and you manage your way through the month where the cash flow isn’t good.”

She reckons it’s a good wakeup call for dairy farmers to go out and have a beer at the Whangamomona pub with some of the sheep farmers out that way.

“I got slapped around a bit when we went crying off to my sheep and beef relatives last June after we didn’t actually get any money paid into our account for a month. They said: ‘We don’t really give a rat’s - we only get paid once a year, so tell someone who cares.’ It’s a good leveller. This is the industry we’re in.”

What these two sectors – together responsible for about $4 billion (nearly half) of Taranaki's total annual economic activity – are doing about the future will be covered later in the story. Before then, we need to look at other players in the economy.

The main problem with trying to get a handle on the so-called "Taranaki economy" is knowing which parts need to be gripped. There are many economies making up the whole.

Aside from the big two, there's the tourism economy, the construction industry economy, the housing and real estate economy, the retail and trade economy, the manufacturing economy; there are economies for local government, the environment, transportation, employment, health, entertainment, the arts and many others.

Flying under the radar are the aged economy that will expand as the elderly dominate demographic growth, the recycling economy that thrives through outlets like the region's five busy hospice shops, and the Māori economy that will develop as hundreds of millions in Treaty settlement funds flow to the province's eight iwi over the next few years.

In view of what we've read about the energy and farming sectors, it's surprising to find little sign of matching statistics from one of the province's biggest – construction, which at eight percent is the fourth biggest employer in the New Plymouth District, after manufacturing (13 percent), health and social assistance (13), and retail and trade (11).

Construction has continued to flourish. Nearly 1700 building consents will have been lodged with New Plymouth District Council by the end of 2016, the biggest total since 2011 (1776), although still well short of the 2168 issued in 2010.

The value of work may break records this year, as well. Value can vary year-to-year because of single big contracts - like $35 million for the Ravensdown fertiliser works project this year, and $30 million for poultry sheds in 2013 - but 2016 is likely to hit about $270 million ($247 million last year, $263million the year before).

Retirement village expansion is making a big impact on the number of dwellings being built, pushing the district's annual total from 268 in 2011 (when it dropped away from 350 the year before) to an expected record of 430-plus by the end of this year. Retirement units have been inflating the total by a 100 or more a year since the beginning of 2014.

The apparent buoyancy of Taranaki's home building market probably reflects the usual lag before an economic downturn has a visible effect on housing, says Michael Braggins, commercial manager for Clelands Construction.

"That's perhaps due to people already being financially and/or emotionally committed to the process, or not recognising or accepting of the downturn and its potential effects on them," he says. The market is also complicated by record low interest rates, as well as increased investment from outside the region.

"I suspect we will see a tail off, but it will be softened by the interest rates. Anecdotally, we are experiencing a reasonable amount of external investment and a number of new people (including home buyers) entering or returning to the region due to economic factors driving them out of the Auckland and other markets."

Braggins says the industry here has changed significantly in the last decade, particularly in the basic-mid range home category for both spec homes and homes built on order.

Home building here is now dominated by national brands, who hold country-wide supply agreements with building material suppliers to source materials more cheaply. These companies also reduce costs by promoting standardised designs.

“This combination has made this sector of the market particularly cost sensitive - and difficult for independent companies to remain competitive.”

However, he says the model doesn't translate well to architecturally designed, high-end homes, which are typically bespoke in nature and involve more complex construction methods. Independent construction companies remain dominant in that sector and similarly in the alternations and additions area.

He says the commercial market has been steady in 2016 and appears to be even stronger heading into 2017. “There has been a large volume of school work (alterations, recladding and new facilities) released to the market recently, and there are several other large commercial projects underway or soon to start.”

The energy industry downturn saw several capital projects put on hold or cancelled, “but change in an industry can stimulate other types of construction activity. For example, we have carried out office fit-outs for three different energy companies in the last 12 months - one related to growth, one related to an acquisition, and one related to a restructure.”

The dairy downturn had an immediate effect on farmer spending on projects like cow-sheds, feed pads and races, but his company has been continuing with upgrade and maintenance works at various dairy processing plants.

As Braggins points out, there is anecdotal evidence the massive pressure on Auckland’s housing market is having some impact here, but pinning that down with solid statistics is difficult. NPDC officials don’t have formal data, and neither does the real estate industry.

Garry Malcolm, spokesman for the real estate institute in Taranaki, says buyers are now coming into the Taranaki market from both Auckland and Wellington, looking for investment opportunities.

“I’d say the majority of Aucklanders aren’t staying here – they’re buying investment properties and going back to Auckland. There’s a few that have come down and have moved here, but not many.”

They’d favoured Tauranga and Waikato until recently, but early last month Taranaki suddenly figured for the first time in news reports about growing demand for real estate in the regions. As demand dropped in Auckland for the first time (down 10 percent), it was up nearly 40 percent in Taranaki, with even bigger increases in Manawatu, Whanganui, Wairarapa and Otago, according to Realestate.co.nz’s October figures.

Malcolm says Auckland buyers went for the closer regions initially because of proximity, and because they’re not used to driving on a highway like the one to get here. “It’s a five-hour trip, and there’s a helluva lot more trucks on the road. Now, though, they’re on to the fact we have pretty good airline connections these days.

“And we’ve got really good infrastructure here, in respect to sewerage, water and roads, which are probably second to none among New Zealand’s provincial towns. With the land, there’s more development going on. The council’s scheme plan is just about done, so they’ll be opening up more land. So, we’re fully resourced - we just need more people.”

And more houses for sale. “The problem we’re running into at the moment is a lack of listing stock, a shortage of properties for sale,” says Malcolm. His comment is borne out by a quick look at a crude measure – the number of open homes advertised in the Saturday Taranaki Daily News.

This spring, the number was above 160 on an early November weekend, a slight increase over the past four years but below the 180 at the same time in 2012 and nothing like the 260 spring average in 2011. Most of those shown these days attract droves of viewers and are sold within days.

“We’re finding it’s a very competitive market on the lower-priced homes. It’s affordable, but there are more buyers than there are properties. So it’s not unusual to have multiple offers…if you get a house around $340,000, you’re going to get between three and eight offers on it.”

After being steady for the last decade, home and unit sales in New Plymouth and Bell Block are expected to exceed 1200 this year, the highest total, just, since 2007, but well short of the 1550 of 2003.

The reasons for the current high demand are more complex than the anecdotally reported city slicker raiders. Some buyers are first-homers backed by well-off parents, while others are from the rapidly rising aging demographic.

“There’re sometimes older people who have a really nice home, but don’t want to go into a retirement village,” says Malcolm.” They want something smaller to move into.”

Some buyers are would-be renovators inspired by TV home do-up programmes.

“About eight years ago when reality TV got big, we had all these housewives coming in looking to buy a house, because with a friend they wanted to do it up. We had a lot of that going on. If you could see those houses now, they all need re-doing, but if you want to do that these days you can’t find a house to do it with because there will be three or four other people chasing it.

“It’ll either be an investor or a first-home buyer with backing from Mum and Dad. They’re buying them with their kids in a partnership, or under-writing the mortgage.”

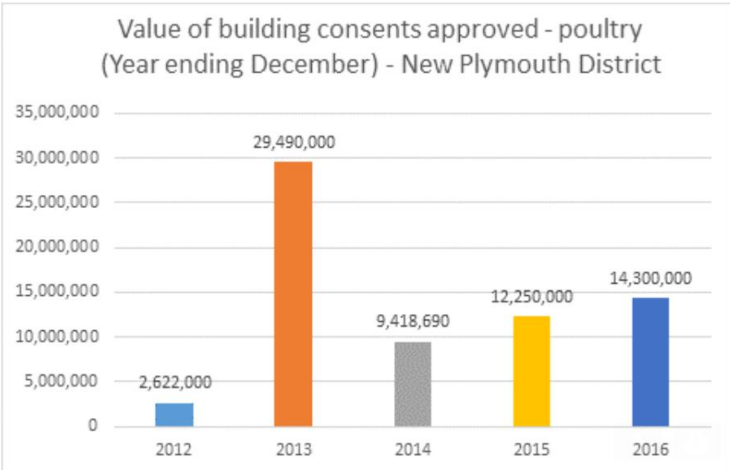
The fact builders are consistently adding to the housing stock isn’t necessarily easing the shortage. “There’s been a hang of a lot of new homes. But some people who sold their existing homes to build a new one, bought a rental to live in while they were waiting for a builder, or the title to come through on their land. And then they kept those rentals.”

This has all had an impact on values. The median price in New Plymouth was nudging $400,000 by September, up from $300,000 in 2012.

Malcolm estimates prices have gone up about 10 percent in New Plymouth, Bell Block and Oakura area in the last year, mostly in the lower to middle brackets. “The top end was very slow up until probably three months ago, and then we started to see a slight movement. But when you don’t have the big money coming in through the oil and gas and the dairy industry, the top end of the market probably feels the biggest impact.”

Thank goodness for the Google Earth satellite. Without its all-seeing eye, you'd be hard-pressed to evaluate an impression that Inglewood is becoming the chook capital of the country.

If you go for a drive out that way expecting to see a landscape overwhelmed by poultry sheds you'll be mystified – the countryside is still the sparsely populated, richly green dairy-land it's been for a century and a bit.



Some of the $65 million-worth of chicken-breeding buildings built in the last three years are easy enough to find.

There's one near State Highway 3 just north of Egmont Village, and if you drive inland from Bell Block and around Lepperton you see them here and there - big newish-looking spreads of corrugated iron, with signs at the roadstead warning of bio-security restrictions.

But mostly, chicken-breeding central is invisible to the public - built behind hills and shelter belts, down long driveways, or in remote-seeming valleys reached via the kind of winding, one-and-a-half way, no-exit road only the locals would venture down.

For good reason, of course. It's no secret chicken growing can be a smelly business, a factor that's encouraged big operators like Tegel to move away from expanding urbanisation south of Auckland and look for places like Taranaki, with its network of tarseal roads and undulating, sparsely-populated hinterlands, and a port that has been able to convert a nearby empty building, the former New Plymouth power station turbine hall, into a feed store that's closer to ship berths (and well away from complaining residential neighbours).

The company won't discuss details for commercial reasons, but did say it's seeking more capacity to meet growing demand. "With strong domestic sales and growth in export markets, Tegel Foods is investing in its facilities to increase production capacity to meet consumer's demand for high quality premium poultry.

"This includes investment in the Taranaki region (including Inglewood) – the original home of Tegel since 1961. In Taranaki (as in our other two main regions) this includes feed milling, breeding, hatching, farming, processing and distribution."

The rapid growth of the poultry industry (one lucky earthmoving contractor alone got the job of levelling 30 shed sites in 2013) is one sign that while some parts of the Taranaki economy are down, some – albeit not on the same economic scale as dairying and energy - are on the up.

Which gives rise to the kind of sentiments being expressed by Venture Taranaki's Stuart Trundle, who says the Taranaki economy is holding firm, and there are positive consequences as well as the negative.

"Tegel has been going gang-busters. There's been a lot of construction going into that poultry industry, and if you fly in now you can see from the air that some of those projects are almost the scale of small rugby pitches. Plus, red meat has been better than we may have expected.

"We've done better than the many commentators would have projected around the downturn from energy, but I don't want to be suggesting that for everybody it hasn't been painful. They've had to move into some very clear strategic planning around how to survive and to then take advantage of what the upturn hopefully will present."

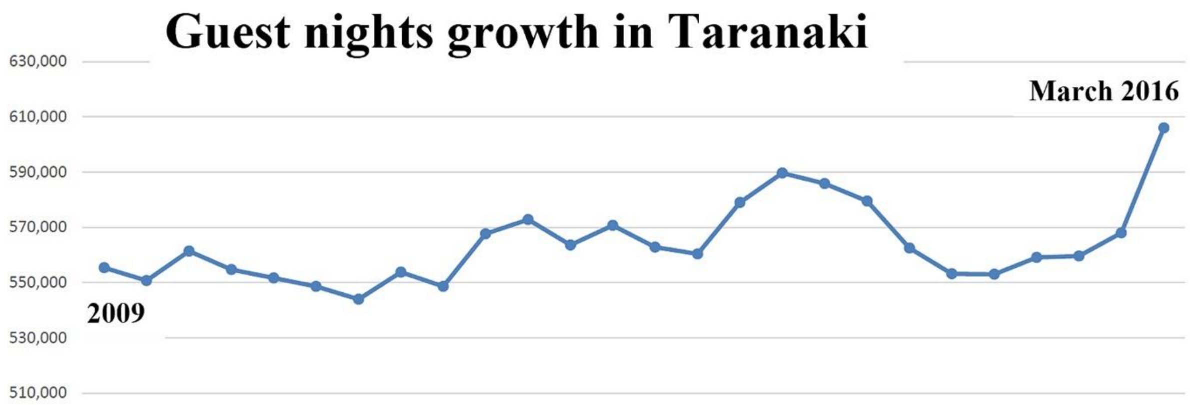
He says the strategies we will need include innovation, diversification and greater efficiency, and never more so than in the sector that presents some of our best opportunities – tourism.

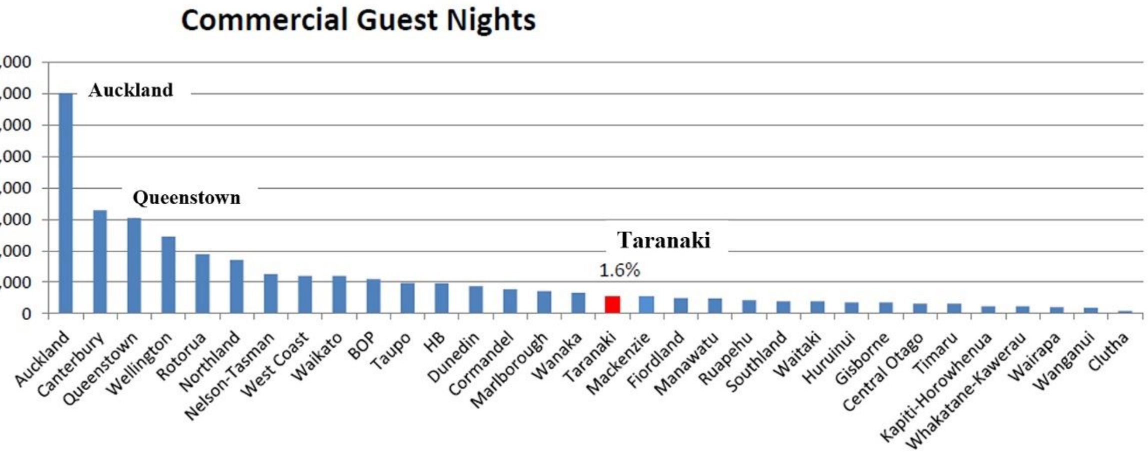
"I think we often under-estimate where Taranaki sits in the national visitor economy – we're only just behind Wanaka, we're way ahead of areas like Fiordland. I mean, Manawatu's back there, Gisborne's back there, Central Otago's there. So actually, don't knock it."

A steep rise in guest night numbers shows there is undoubted growth, although the waters were muddied a bit last month when Ministry of Business, Innovation and Employment (MBIE) data showed the visitor spend total ($323 million) had dropped slightly, mainly because dollars devoted to transport were down $7 million in the year to October.

In fact, that number doesn't necessarily indicate a sudden decline in tourism, according to VT. "The transport component doesn't include air travel - just buses, taxis, rail, water, travel agency services and motor vehicle rental/hire," says communications manager Antony Rhodes.

"The drop likely comes from a range of factors - increased air travel through adding a second airline, the increasing shift to online travel agencies/direct online booking, lower levels of corporate travel reducing demand for rental cars, even a change in banking provider.





"Data behind the estimates comes from online transactions through the Paymark system - one big provider shifting to a different system would lead to a decline in results without a change in real spending. There could simply be a decline in spending in this area, though guest night data and other spend areas would suggest this isn't the major factor."

So what's driving the sudden growth shown in most indicators? Trundle: "I don't think it's one issue. It is perhaps about acknowledging that there's been this invisible growth over a two-year period.

"You've got product development with Jetstar coming in…so two airlines, and arrivals at the airport up 20 to 30 percent. You've got new products, including Len Lye. So you bring in new motels, a new hotel like the Hobson (Novotel), expansion of the King and Queen suites. It's all part of a jigsaw."

And the Lonely Planet effect - bearing in mind the road north has yet to be fixed and the new airport plans have only just been announced?

"We've got to leverage off it to its absolute maximum, pray for another Samurai summer weather-wise, and get a lot of people to come and visit and become ambassadors. Because a lot of people will still have an impression about what this place used to be like from basically 20 years ago.

"When Tasmania got a similar award they were able to lever off it certainly for about two years. It is finite, but you can bask off it until the next lot are announced

"You have advocates on TV like (former Taranakian, Seven Sharp presenter) Toni Street, but then you have people who've never been here who are only 30 minutes' flight away, and yet are shaping national opinion about New Plymouth."

He says a lot of Taranaki's accommodation operators have built heavy reliance on the dairy and energy sectors, what he calls the "sales rep" end of the marketplace, and had a product where the market came to you four and a half days a week, 52 weeks a year.

The frequency and nature of those visits have changed dramatically as a result of the disruption to those commodity prices. "So, a product that was fit for that domestic sales market may not be fit for the expectations of the international visitor (numbers up 20 percent in the last year)."

The need to change that customer service creates some opportunities, but Taranaki will need to be brutal in how competitive we are, compared to areas that have been doing this for longer.

"This actually is not a hobby," he says. "This is actually a global business no different than the dairy industry and the energy sector. It's learning how the global industry works. It's learning how commission rate works, it's learning the difference between the retail sector and the wholesale market for the visitor industry, and it requires investment.

"So it's private sector investment into people development. It's taking this as a career that starts at Witt/Pihms (Pacific International Hotel Management School at Bell Block) conversation. It would be great if all Pihms students felt there was a job within a 50 kilometre radius."

It's a theme picked up by Taranaki Chamber of Commerce Chair and Strategy Collective Managing Director Sophie Braggins, who says increasing the skills of our service industry workforce is critical right now.

"Our local industry training organisations do a very good job in terms of training in the hospitality and service sector, but there is a lot more we could do in Taranaki by way of education. We need to collaborate with other national and international tertiary institutes.

"My message would be to invest in your people with confidence, and create brands and opportunities that attract more skilled people to our market. Historically, hospitality hasn't been viewed as a resilient career path in New Zealand, whereas internationally it is. It's certainly changing now with tourism and is an attractive career because of the exciting opportunities and scale of the industry."

Others have cottoned on to this, including our high schools. Braggins and Trundle will have been encouraged by a recent Taranaki Daily News story about a couple of 16-year-old New Plymouth Boys High School pupils – Connor Yardley and Campbell McIntyre - and how they're excelling at the school's hospitality units, and will probably enter the industry.

Do we have enough accommodation, restaurants? Braggins thinks so. "Taranaki is extremely well positioned. The range of quality hotels and eateries is something to be proud of. We're able to accommodate a range of visitors to the region with certainty

Trundle has a particular interest in the visitor economy. When his organisation was scrutinised last year by its owner and major funder, NPDC, the reviewing consultants praised its overall effectiveness in their March report, but raised questions about its visitor promotion strategies.

Since then, a new regional destination strategy has been in development. Due out in early 2017, it will among many other things - like the arts and culture attractions, the gardens, the surfing and the festivals - look at the Pouakai Crossing. Recently described by a UK travel writer as the best one-day walk in New Zealand, it's a trekking experience many in the industry here believe will rival the over-crowded Tongariro version.

Another concept being looked at by a New Plymouth District council team (and promoted strongly by successful mayoral candidate Neil Holdom during the recent election campaign) is the broader Taranaki Traverse, a connection for walking and cycling between the city's highly acclaimed coastal walkway and Egmont National Park.

While Venture Taranaki continues to play a key role in improving the local economy, it's not the only game in town now. One of the final acts of the last district council was to approve spending $100,000 of its hard-won surplus on a combined Taranaki council's project "to sharpen up our broader economic story and strategy".

Those last are the words of Liam Hodgetts, NPDC's Group Manager of Strategy, who is part of a round-the-mountain effort, assisted by the Ministry of Business, Innovation and Employment (MBIE), to produce a plan called TREDS. The Taranaki Regional Economic Development Strategy brings together Venture Taranaki, TRC, SDC and STDC to work on developing Taranaki's economy.

"We're starting consultation with the whole region over the next couple of months. The Councils have all contributed dollars for the study and the mayors and local MPs are all involved in leading conversations with the business community. We are also recruiting what we're calling a 'lead team', well known regional champions for our economy who will survive beyond the book and help lead and implement the actions."

Due by August 2017, it emerged partly from the review of the NPDC owned Venture Taranaki last year, where it was identified that more clarity was required from its confusing array of strategies.

Its early days in the TREDS process – one of the first meetings with consultants was in early November – but Hodgetts says he's excited by the potential. "Often strategies have a habit of being left on the shelf, but we're creating a framework in which an action plan is created and responsibilities assigned to drive all of the actions."

He says it's an approach that MBIE (who also contributed funding) is very comfortable with. "It's a model rolled out in places like Northland and Southland and Bay of Plenty, and it's built around the central government's desire to develop the regions.

"It's not just about population – its growth in new businesses, attracting new talent and becoming more of a destination for domestic and international visitors. It's a whole-of-sectors approach to economic development – from dairy, oil/gas to technology, tourism, Manuka honey, you name it."

The Council has its own major role in the economy, as well, of course. "It's to maintain all the amazing assets that we already have. That in itself is creating a point of difference in our district and encouraging the growth we're seeing."

His responsibilities are also running in parallel with Venture Taranaki's on developing tourism. "Through our district planning role we are establishing a Taranaki Traverse Working Party with a multi-agency approach that includes iwi, which looks to expand on the VTT lead 'Pouakai Crossing' and link our coast, mountain and city with walkways and cycle ways."

This working party will also be about finding ways to implement the traverse, scoping some of the experiences we're talking about, pricing them and ultimately, finding ways to pay for it."

He also has a close eye on what's happening with population growth. Perhaps surprisingly – given the province's population total sat around 100,000 for a long time – government estimates put us in the "medium to high" growth category, which translates to projected growth of one percent a year, or 10,000 more people in the next decade. It's already grown five percent between 2006 and 2013 and now sits around 110,000.

Hodgetts and his team need to make sure New Plymouth has somewhere for that phenomenon to go – that is, living space. He says the current major area for new home building, Bell Block, has five to eight years left in it, and after that there's about 100 hectares of land becoming available off Smart Rd. With other smaller blocks of green field land around the edge of the city, New Plymouth has enough land for residential expansion to last at least 20 years.

How quickly that actually happens will depend to a large extent on economic growth. What can we expect in areas other than tourism, with the big two, for instance? Prices in both are rising, but we're not there yet.

Federated Farmers' Bronwyn Muir says one of the paradoxes of current trends for dairy farms to merge into bigger units may help people still wanting to go dairy farming. She says the model that suits the majority of those slightly bigger units will be either contract-milked, managed or share-milked.

"That's an opportunity for the next generation to come in. But we have to make sure it's sustainable. It's about making sure these young people have growth opportunities, and that growth opportunity is supported.

“You make sure they have reasonable returns, and that’s been the challenge over the last few years…it’s when they’re going backwards financially that they start to question their commitment to the industry.

“And its about making sure employment conditions are very favourable. As an industry, we probably need to sit up and look at ourselves. I’m not saying we’re all bad employers, but we can always do it better.”

She says better education and support for young people coming through are needed from industry-funded organisations like DairyNZ and Beef & Lamb. “It is their mandate to educate, and put the science and research in place so that farmers have access to good information tools that are going to help them perform better, help them turn their farms into better-performing units.”

The financiers need to lift their game, as well. “The banks could look at ways they could support the younger clients coming through. They may not have a big loan, but they’re at that fledgling stage of learning to manage finances in the farming world.

“For example, they’re people who have just come from another industry with wages, and it takes a lot of discipline to know you’ve got enough to get through, especially if you’re moving into a dairy-funded or a sheep and beef-funded model, where you might be running three or four months with no money coming in.”

And energy? How long is the current downturn expected to last? “Wish I had an answer,” says Tag Oil’s Max Murray. “Current thinking is that we will continue to see a steady improvement (in the oil price) over the next six to twelve months - expect around $US60 a barrel this time next year.

Is the downturn an indication the Taranaki oil and gas industry is entering a permanent end-game, wind-down and complete withdrawal? “Not at all. This is the third time in my career we have seen a downturn. This time it has been more prolonged, however I would expect that eventually the supply demand equation will rebalance and we will see an improvement in commodity prices that will see an upswing in activity in the sector.

“Gas, for example, continues to be an important part of our energy mix as we look at more sustainable, low carbon energy alternatives for future energy supply.”

Methanex’s Kevin Maloney reckons the long-term gas outlook remains positive based on recent gas reserves reporting from MBIE.

“We’re excited about the growth in methanol as a safe, cost-effective marine fuel, which will help the shipping industry meet increasingly strict emissions regulations. Methanol is also increasingly being used in transportation as an alternative fuel that produces fewer smog-causing emissions, such as sulphur oxides, nitrogen oxides and particulate matter.”

Stuart Trundle says there’s a lot of interest in what Ballance Agri-Nutrients will decide about the need to refurbish its Kapuni urea fertiliser plant. “If that gets greenlit, that’ll keep this area pretty buoyant for the next four years.”

The engineering community is being proactive about finding new work. With the encouragement of Venture Taranaki economic director Anne Probert, its oil and gas cluster has rebranded itself as the Energy and Industrial Group and has been pitching for business in the water reticulation and geothermal sectors, whose requirements are similar to energy.

Engineering Taranaki Consortium chair Pat Hills: “In contrast to the effects of the downturn, we’ve seen a strong focus on new markets out of province and diversification of products and services. And on a positive note, we are now also seeing strong interest in people returning to Taranaki from overseas and other parts of New Zealand, both for work and lifestyle.”

Muir, Trundle, Probert, Sophie Braggins and others are all keen to push the idea of diversification. They're excited about innovative ideas, like development of the manuka honey industry, which has added new value to Taranaki's inland hill country, once the preserve of regenerating bush and sheep farming.

Just how much value came to light in a UK news story in October in which the Daily Mail, unable to resist pun temptations, reported a "bizarre new crime wave (that) has seen thieves working like busy bees aiming to swipe expensive manuka honey, selling for $80 per jar, and subsequently dispensing it on the black market."

Muir believes we need container shipping restored to the port if potential opportunities like berry farming are to succeed. Port Taranaki seems hopeful, saying in its latest annual report that its container-handling capacity is ready for a quick start if required, but Stuart Trundle believes the only thing to get container ships back will be a change of mind by Fonterra.

He's not sure how likely that is, but remains upbeat about our overall economic prospects. "A number of companies have really diversified. There's a lot of innovation going on. There's a lot of research and development going on - we're pulling down more Callaghan Innovation funding per head of population than most other regions.

"There's still some positive growth businesses that are good at being Taranaki based but which are currently working in other jurisdictions. You can't rely on just a domestic market. I don't think we fully appreciate how much we're in the export economy here. There's honey being exported from here, there's meat being exported, your bread dough, your pies, you name it.

"But our export industries tend to be national brands – Fonterra or Tegel or a meat company – exporting to the world from Taranaki, but branded as New Zealand product. It's a wee bit frustrating. We're not celebrating that as a Taranaki brand."

The two main pillars are incredibly important drivers of the discretionary spend, he says, so the growth hasn't been as significant in retail and other areas that we may have anticipated. "But actually when you look at the data, it ain't too bad - when the economy might have been way down there."

Taranaki economic facts

Business confidence	
No change expected – 60% Get better – 23% Get worse – 15%	
Money	
$8.8 billion gross domestic product	In the year to June 2016 - 3.7% of NZ GDP. Auckland = 38%
$76,000 GDP per Taranaki person	Highest in NZ.
$2.5 billion oil and gas	28% of Taranaki's GDP
$1.4 billion dairy	16% of Taranaki's GDP. Figures are for 2013-14 – more recent years will be lower
$888 million manufacturing	10% of Taranaki's GDP - 600 manufacturing businesses
$323 million tourism visitor spend	4% of Taranaki's GDP.
606,859 total guest nights	Up 8.5%
90,000 international guest nights	Up 20% (the Len Lye factor?)
15,153 businesses	Up 1% in the last year
$1 billion plus retail spend	Estimated annual retail spend. Half year to June 2016 was $555 million, up 0.6% (NZ average up 7.3%)
$58,000 median household income	NZ median household - $63,000
People	
110,000	2.6% of NZ population
465 natural population rise in year to June 2016	1497 births, 1032 deaths
426 increase in long-term international arrivals	Net gain from Australia. Loss of 50 in 20-24 age bracket
1000 per year projected growth for next decade	
Employment	
50,960 employees	Up 0.6%
4.8% unemployed	Down 2.4 percentage points. NZ – 5.1%
4000 (8.3%) of Taranaki jobs are in the dairy industry	2340 on farms, 1745 in processing and wholesaling
1200 work in meat processing	

500 work in poultry processing	
Building and homes	
$294 million in building consents	Up 4.8%. Equals 2008 high.
$390,000 average home value	Up 8.2% (Auckland, Wellington up 14%)
Fourth most affordable homes in NZ	Affordability up 1.3% (NZ up 6%)
$337 average weekly rental in NP	NZ average $385
Farming	
490,000 cows	10% NZ total
173,000 hectares of dairy land	15% of NZ total
1734 dairy herds	
1017 farm owners/operators	
100 hectares – average farm size	

Sources: Venture Taranaki reports for year to June, 2016. Farming source: DairyNZ