

Industries and Business

The sustainability of a city's economic development and employment generation are based on a healthy business sector. Waitakere City is primarily a dormitory suburb, but local demand has stimulated the development of substantial service industries, particularly construction and retail, which are bolstered by demand from the rest of the Auckland Region. Manufacturing is also significant, although its apparent importance is magnified by the relative smallness of the overall economic base. (Per capita GDP in Waitakere is only half that of the Auckland Region).

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This chapter outlines the situation and prospects for the various industries and businesses in the city. The following issues are discussed:

1. **NUMBER OF BUSINESSES**
2. **SECTOR ANALYSES**
3. **INFLUENCES ON BUSINESS**

As the issues affecting industries and businesses are entwined with the city's economic development and the social and environmental context, there are many linkages to other chapters. These are noted throughout the text, and are listed at the end of this chapter.

Waitakere City is on Auckland's periphery, so a key requirement is transport links for goods, customers and employees, both inbound and outbound. Having the Waitakere Ranges and West Coast beaches has also given the city a unique asset in terms of a relatively unspoilt environment, which is now being capitalised on as the foundation for the Eco-City. The main strategies are:

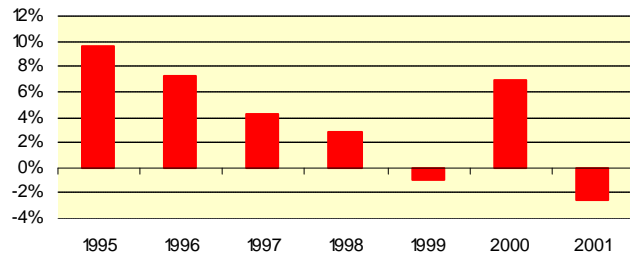
- o To encourage and assist businesses to adopt environmentally sustainable practices and contribute to the City's eco-city goals.
- o To improve the City's ability to meet its economic needs locally. This can be achieved by supporting existing business, facilitating new enterprise, attracting strategic investment to the City, undertaking initiatives designed to reduce unemployment, and to respond to all business enquiries.

KEY INDICATOR

Gross domestic product in Waitakere City has declined by nearly 3%.

This represents a change from the previous 7.0% growth for the 12 months to March 2000. The wider Auckland Region's GDP increased by 2.3%. Waitakere's strong growth performance over late 1999 and early 2000 can be put down to increases in manufacturing activity, construction, and retail trade.

Estimated Waitakere GDP growth
Annual % change, years ended March



Source: InfometricsEstimates 2001

Since March 2000, however, the drivers of economic growth at a national level have changed. In particular, the weak New Zealand dollar increased import prices, putting real household incomes under pressure and squeezing profit margins for many domestically oriented businesses. For exporters, higher import prices have been offset by a large rise in export prices, but house builders and service businesses

have had no such compensation. The expansion of Waitakere's economy, which is particularly reliant on construction and retail trade, has slowed somewhat since mid-2000.

The outlook is for the local economy to continue growing at a slow but steady rate. The current economic environment is not encouraging households to spend money, either on houses or smaller purchases, and may not in the immediate future. Positive influences on short-term growth will be population increases and more manufacturing activity, particularly in export-oriented sectors such as boat building and wine making.

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1. NUMBER OF BUSINESSES, GROWTH AND SIZE

• NUMBER OF BUSINESSES

In 2001 Waitakere City had 11,054 businesses (Statistics New Zealand Business Demographics).

This represents a slight drop in the number of businesses since 2000 mainly due to the lack of work in the important construction industry and the challenge this presented to construction businesses

focussed solely on the local market. Since 2001 there has been a slow but steady recovery in business activity.

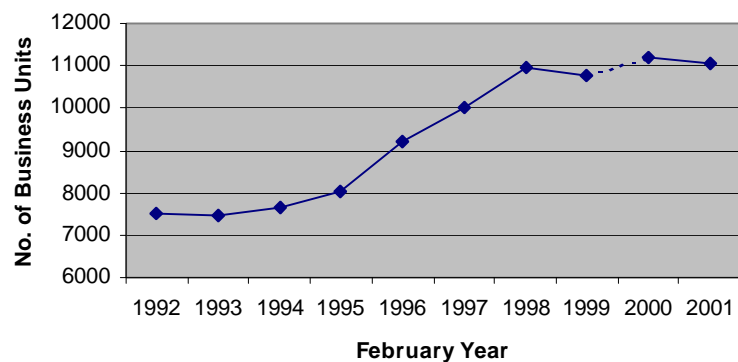
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Source: Statistics New Zealand Business Demographics Feb. 2001

• GROWTH IN NUMBER OF BUSINESSES

The number of business “births” is actually substantially higher than the increase in number of businesses (Statistics New Zealand Business Frame. The number of

Waitakere City Business Growth 1992-2001



nb: data for 2000 & 2001 is not directly comparable to previous years due to slight methodology changes.

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businesses is based on changes in GST registration and so includes restructuring and ownership changes). However, the “births” must be offset against “deaths”. The direction of change in the total is highly sensitive to relatively small changes in either of the two components. In 1999 there were slightly more deaths than births, leading to a decrease in the number of businesses for the first time in over a decade. Then in 2000, there was both an increase in the number of births and a decrease in the number of deaths.

Table 1: Business births and deaths in Waitakere, 1999 to 2000

	1999	2000	Change
Births	2,458	2,976	518
Deaths	2,645	2,060	-585
Net increase	-187	916	1,003

Source: Statistics New Zealand Business Frame

The 21 percent increase in business births from 1999 to 2000 in Waitakere is somewhat less than the 36 percent increase in the Auckland Region as a whole.

Table 2: Business births and deaths in Waitakere City and Auckland Region, 1999 to 2000.

	Waitakere City	Auckland Region
Births in 1999:	2,458	19,823
Births in 2000:	2,976	27,019
Increase in Births (%)	21.1%	36.3%

Source: Statistics New Zealand Business Frame

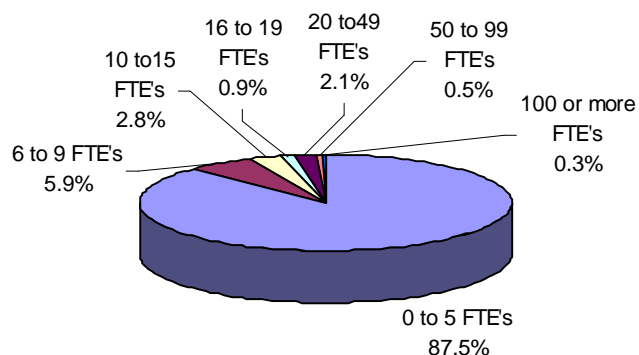
• **BUSINESS SIZE**

Businesses in Waitakere City are generally small, with 88% employing less than 6 people (compared with 84% in the Auckland region as a whole).

Less than 1% of Waitakere City businesses employ 50 or more people. However, larger businesses (employing more than 50 FTE²s) account for nearly a quarter of jobs in Waitakere City.

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Business Size in Waitakere City (2001)



Source: Statistics New Zealand, Business Demographics 2001

The average business size is 4 FTEs, and this falls to 3 FTEs when the largest 1% of businesses is excluded. Small businesses tend to have particular problems with training, hiring specialists, dealing with administration, exporting and raising finance. External support for capacity building is therefore particularly relevant, as exemplified in the list at the end of this chapter.

2. SECTOR ANALYSES

Ninety Percent of Waitakere businesses are in service industries. The largest components are “Business and Financial Services” (27 percent) and “Construction” (22 percent), but their share of the city’s GDP is much less because they tend to consist of smaller businesses than average. (See also the chart “Share of GDP by industry” in the Economic Development chapter, and “Employment in Waitakere City” in the Work and Income chapter.) Only 13 percent of businesses are in retailing, but they tend to be larger than other Waitakere City businesses.

“
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... manufactur[ing]”

Only 10 percent of businesses are manufacturers, but they generate a quarter of the city's GDP. Nearly half of manufacturers are in "Metal Products", "Machinery" or "Textiles, Clothing & Footwear".

Table 3: Number of Businesses by Sector/Industry, Waitakere City, 2000

Sector/Industry	Number	%
Primary		
Agriculture, Forestry, Fishing & Mining	65	0.6%
Total Manufacturing	1082	
Services		9.8%
Electricity, Gas & Water Supply		
Construction	5	
Wholesaling	2336	.05%21.1%
Retailing	684	6.2%
Accommodation, Cafes & Restaurants	1507	13.6%
Transport & Storage	174	1.6%
Communication Services	521	4.7%
Business & Financial	188	1.7%
Government Administration & Defence	3011	27.2%
Education	31	.3%
Medical, Dental & Vet Services	230	2.0%
Cultural & Recreational Services	425	3.8
Personal & Other Services	335	3.0%
Total Services	451	4.1%
TOTAL BUSINESSES	9,898	89.5%
	11054	100%

Source: Statistics New Zealand Business Frame

● **MANUFACTURING**

Waitakere's economy is characterised by a relatively large manufacturing industry, even for an urban area. The biggest manufacturing sectors (February 2000- Infometrics March 2001) are:

- Machinery and equipment (20% of manufacturing employment, includes boat building);
- Apparel and textiles (15%);
- Food and beverages (13%, includes winemaking);
- Wood and wood products (13%).

“ Boat building ... received a boost from the America's Cup regatta last year, and there was strong growth in both wine and pharmaceutical manufacturing ”

Construction-related manufacturing (timber, fittings, hardware etc.) is an important part of the city's economy, although the exact scale of such manufacturing is difficult to quantify, since it is spread across several sectors (wood production and metal production, for instance).

Manufacturing's share of total business activity declined marginally over the last half of the 1990s, despite a good year in 1999. Traditional industries such as apparel and textiles have had to cut production following the removal or reduction of import tariffs and increased global competition.

But while overall manufacturing activity has been in relative decline, there has been significant growth in some niche manufacturing industries. Boat building, for instance, received a boost from the America's Cup regatta last year, and there was strong growth in both wine and pharmaceutical manufacturing over the year to March 2000. These growing industries have two things in common:

- They have a high value added component (they require skilled labour to produce);

- They are products demanded by residents of wealthy countries.
- Over the year to February 2000, employment rose by an estimated:

- 400 in boat building and repair
- 30 in pharmaceuticals
- 10 in wine manufacturing

Table 4: Employment in selected manufacturing industries

Full-time equivalent employment as at February 2000 (all figures exclude agriculture)

	Waitakere		New Zealand	
	Number	% of total	Number	% of total
Wine (direct)	250	0.6%	2060	0.1%
Other food, beverages	823	1.9%	56610	4.0%
Apparel and textiles	1450	3.4%	21080	1.5%
Wood products	1197	2.8%	25790	1.8%
Boat building	855	2.0%	4400	0.3%
Other machinery & equipment	1064	2.5%	37620	2.6%
Pharmaceuticals	140	0.3%	1270	0.1%
Other	3629	8.4%	87425	6.1%
Total manufacturing	9408	21.5%	236255	16.6%
TOTAL ALL INDUSTRIES	42920		1424150	

Source: Infometrics, 2001 and Statistics New Zealand

Short-term prospects for the manufacturing industry are relatively positive. The fast-growing niche sectors mentioned above are targeting markets where consumers' incomes have been expanding at a rapid clip in recent years, and New Zealand's weak exchange rate also makes our goods cheaper in international markets. The new boat-building operation at Hobsonville is a sign of the positive prospects for some manufacturers.

However, the state of the world economy appears to be deteriorating. After a delay (perhaps a year), this is expected to start reducing growth in demand for New

Zealand's manufactured exports. At the same time, outside the high-value-added sectors, global competitive pressures will intensify rather than diminish, and local producers will feel this acutely unless the currency continues to depreciate. The conclusion is that outside a few industries the medium term downwards trend in manufacturing production will continue, after a brief period of fast expansion.

● **CONSTRUCTION**

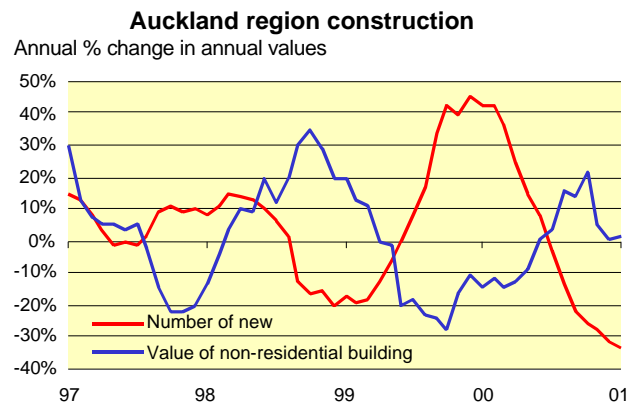
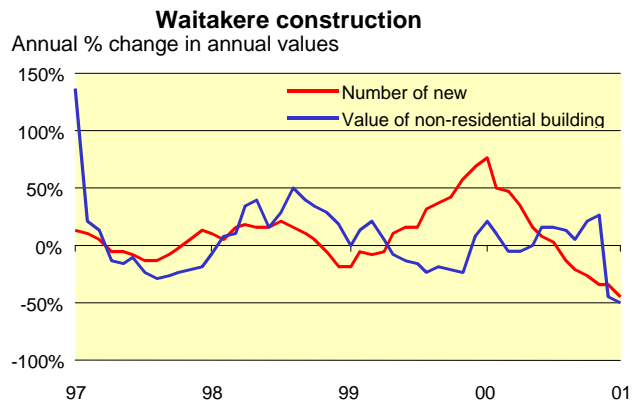
The construction industry accounted for 13% of employment in March 2001. In addition to its direct contribution to the economy, construction creates significant indirect activity in Waitakere – manufacturing is mentioned above, but real estate activity, architecture and engineering are other examples.

Construction comprises house building, commercial building and non-building construction such as roads. Waitakere has a significant presence in all three areas, although most employment is in the generic area of "building trades". Waitakere's tradespeople depend on projects in the wider Auckland region as well as Waitakere City for work.

In the Auckland Region as a whole, the pace of new housing construction eased by 34% over the last year. A small increase in non-residential building – the value of consents for commercial building grew 2% over the year – provides some compensation, but overall building activity has reduced. (Source: Statistics New Zealand)

“The number of houses built is down by 44% compared to a year ago, and commercial building activity is down by 48%.”

Looking specifically at Waitakere City, building activity has declined. The number of houses built is down by 44% compared to a year ago, and commercial building activity is down by 48%.



Source: Statistics New Zealand

House building activity in Waitakere City has suffered from:

- Reduced population growth rates (though still high by national standards);
- Slow growth in household incomes;
- Falling house prices due to an oversupply of housing (prices were down 4.4% over 2000, although the rate of decrease appears to be slowing now). The oversupply occurred despite steady population growth because building activity was very rapid over the latter half of 1999.

In both Waitakere City and the wider Auckland Region, house building activity is expected to make a slow recovery over the next year. A small increase in house sales suggests prices should stabilise soon, and after a time this will provide the incentive to build new houses.

● **SERVICE SECTOR**

The service sector is the biggest employer in the Waitakere economy, due particularly to a large number of retail trade businesses. This sector is characterised by labour intensive businesses (with some exceptions) so growth here is particularly influential in reducing unemployment.

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Significant parts of the service sector are:

Retail Trade

This industry accounts for a fifth of total employment. It has benefited from Waitakere's above-average rate of population growth and the mid- to late-1990s saw more than \$30 million of shop-building each year. At present, falling house prices and slow growth in real household incomes have reduced growth in retail sales, but Waitakere should continue to outperform the rest of the country.

Financial/Business Services

This large, heterogeneous industry provides 13% of total Waitakere employment. Although some activities in this sector- branch banking operations, for example - have undergone rationalisation, there is evidence of employment growth in other parts of the sector.

Personal/Community Services

This industry grew by around 5% in the year to March 2000, partly due to increased government spending. Health spending has increased by 7.1% per year on average over the last five years. Education spending has increased by 5.6% per year. Waitakere has a young population and young people make the most use of education services. Another reason for growth in personal/community services activity was an increase in defence force employment in the city. A decline in employment is expected due to the closure of Hobsonville air base in October 2001. Balanced against this is a likely increase in employment due to the establishment of an eco-hospital in the area.

Table 5: Employment in selected service industries

Full-time equivalent employment, 2001
(all figures exclude agriculture)

	Waitakere		NZ	
	Number	% of total	Number	% of total
Community, social services	8,470	20.7%	358,318	25.2%
Property & Business services	4,170	10.2%	190,871	13.4%
Personal/household good retail/Food /Automotive retail	6,777	16.5%	75,820	5.3%
Wholesale trade	2,430	6%	102,230	7.2%
			57,360	4.0%
			47,090	3.3%
Accommodation, restaurants	1,050	2.6%	69,580	4.9%
Finance, insurance	570	1.4%	43,432	3.0%
Total all industries	40,960		1,424,150	

Source: Infometrics, 'Waitakere City's Economy, March 2001

3. INFLUENCES ON BUSINESS

Waitakere City Council generally adopts a relatively laissez-faire, non-interventionist approach to businesses. Where possible, service costs are recovered on a non-profit basis, either directly through user charges or indirectly via rates on commercial and industrial properties. Nevertheless, Council recognises the importance of a thriving business sector, so in addition to providing general public goods such as streetlights and sewerage, it also undertakes a variety of specific initiatives. Council supports Enterprise Waitakere, which has a variety of programmes to support local businesses and economic development. Council also has its own "Cleaner Production" programme that assists and encourages businesses to become more sustainable and efficient.

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• **COUNCIL SUPPORTIVENESS OF BUSINESSES**

Just over a third of businesses (37%) state that Council is very supportive (9%) or somewhat supportive. This is down from nearly half (46%) in 1998, but still much higher than the 13% who rate Council as very unsupportive (6%) or somewhat unsupportive (7%).

Table 6: Business perspectives on Council support -1997, 1998, 2000

	1997	1998	2000
Very supportive	13	14	9
Somewhat supportive	27	32	28
Neutral	24	26	34
Somewhat unsupportive	9	7	7
Very Unsupportive	7	6	6
Don't know/ no opinion	20	15	16
Total	100	100	100

Source: Survey of a sample of businesses in December 2000, with a margin of error of +/- 5%

Community/Social/Personal services businesses were the most likely (43%) to find Council very or somewhat supportive, while Wholesalers/Retailers were the least likely (32%).

• **CONTRIBUTION OF ECO-CITY DIRECTION TO BUSINESSES**

29% of businesses say the Eco-City direction contributes to their business, which is down from the 40% in 1998 but comparable to the 26% in 1997. Some businesses (7%) consider it detracts from their business.

Table 7: Perspectives on Eco-City contribution to businesses – 1997, 1998, 2000

	1997	1998	2000
Contributes significantly	5	7	6
Contributes somewhat	21	33	23
No influence	47	44	48
Detracts Somewhat	4	6	4
Detracts significantly	3	2	3
Don't know/ no opinion	21	8	16
Total	100	100	100

Source: Survey of a sample of businesses in December 2000, with a margin of error of +/- 5%

Businesses that are more likely to say Eco-City contributes significantly are:

- Community/Social/Personal services businesses (49%)
- “Other” businesses (37%)

Industries and Business

CASE STUDY



PHOENIX ORGANICS LIMITED

Located in Henderson, Phoenix Organics Limited produces a range of natural products including “Phoenix Organic Drinks” and “Phoenix Organic Foods”. Phoenix was the first company in New Zealand to produce and market an “organic” range of food and natural beverage products. Phoenix was also one of the first companies in New Zealand to adopt the ‘Natural Step’ framework for business.

Phoenix has had to compete in a very powerful market with multi-nationals like Coca-Cola and Pepsi, and has survived 16 years with very little capital. They have now grown to over thirty employees.

Phoenix offers consumers a natural alternative to mass-produced beverages, and sustainable management of resources is an important component of its strategy. In 1996 Phoenix participated in the Waitakere City Council Cleaner Production Partnership Programme.

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The company is committed to continually improving environmental performance through:

- Energy efficiency- lagging steam pipes, using tandem boilers, producing in the off-peak periods
- Recycling hot water
- Recycling glass, cardboard and plastic
- Re-using glass bottles
- Using recycled paper
- Excluding kitchen waste from entering the trade waste system
- Running vehicles on LPG
- Reducing, re-using and recycling packaging
- Involving staff in improving efficiency
- Supporting other Eco-friendly companies

WHAT THE COUNCIL IS DOING:

The following are some of the actions the Council is taking:

- Funding Enterprise Waitakere - an Economic Advisory Board with business grow programmes, tourism promotion, etc.
- Hosting Economic Development Summits and seminars.
- Developed an Economic Development Strategy for the City.
- City design – regulation, encouraging town centre development, passenger transport.
- Infrastructure and services.
- Cleaner Production advice.

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WHAT YOU CAN DO:

- Education.
- On the job training.
- Buy local.
- Set up businesses locally.
- Encourage staff to work from home in Waitakere.

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