

Final version



Whenuapai Airbase social and economic impact study

Report to Enterprise Waitakere

July 2003

Preface

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Executive Summary

NZIER and Corydon Consultants Ltd. have been commissioned by Enterprise Waitakere, in association with Waitakere City Council, to provide an assessment of the potential economic impact the decision of the Crown to vacate Whenuapai Airbase ('the Base') will have on the Waitakere and North West Auckland (NW) regional economies. Our impact study analyses the downstream effects of the withdrawal of the Base's expenditure on output and employment in the two economies. It also looks at the degree to which the Base population contributes to local service infrastructure. Our findings can be summarised as follows:

- With total gross output of \$102.7 million, the Base currently accounts for 2.3% of total industry output in Waitakere City. The output multiplier of 2.3 implies that the loss of this output will result in a further \$132.2 million decline in output in the rest of the Waitakere economy. Therefore, the total impact of the removal of the base is \$234.9 million in output terms.
- The output multiplier for the defence industry in the NW sector is 2.5, higher than that for Waitakere alone. This suggests that the loss of the Base will result in an additional loss in output of \$153.5 million from the NW economy. Thus, the impact of the loss of the Base on the NW districts excluding Waitakere (ie. Rodney District and North Shore City) in output terms will be around \$21.3 million.
- The employment multiplier for the Base in Waitakere is 1.6, suggesting that the loss of the Base's 1,061 (full-time equivalent) jobs would result in the loss of an additional 586 jobs in Waitakere. The two principal contractors employed by the Base expect to make 90 staff (75 full-time equivalents) redundant following the closure of the Base. Other local businesses are likely to experience a short-term decline in sales, until the accommodation currently occupied by Base staff is reoccupied.
- With the closure of the Base, up to a possible 355 privately-owned homes could be released onto the market in a short space of time. This may depress local property prices, though approximately 120 of those houses are owned by civilians who are not as likely to vacate once the Base closes down. The release of a further 421 houses associated with the Base could exacerbate this effect.
- Local schools would lose pupils (in the short-term) and experience some social disruption. Both schools and local recreation groups would lose a range of assistance provided by the Base, including security, equipment, fundraising and facilities, as well as the capacity to respond to emergencies. We estimate the maximum number of families that could be lost to the region to be 826.
- However, the Base's contribution to the local economies has been declining over the last 20 years. This gradual wind-down, together with the amount on notice of the closure, is likely to reduce the impact of the closure, both on Base staff and the local economies, from that which would otherwise have been the case.

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1. Introduction

NZIER, in association with Corydon Consultants Ltd., has been commissioned by Enterprise Waitakere (EW) and Waitakere City Council to provide an assessment of the potential economic impact that the Crown's decision to vacate Whenuapai Airbase will have on the Waitakere and North West Auckland regional economies. This assessment is required to assist EW in evaluating the need for action to avoid the long term negative impact that the loss of this activity may have. EW wants to gain an understanding of the impact on the local economy in terms of the activities provided and the services, product purchased, and the number of people employed both directly and indirectly.

These considerations form the basis of this impact study, which analyses the downstream effects of the withdrawal of expenditure on output and employment in the two economies. In addition, we examine the degree to which the base population contributes to local service infrastructure.

2. Historical analysis

2.1 Introduction

This section looks at the history of Whenuapai Airbase ('the Base') and its relationship with the local community across time. The reference point is predominantly Waitakere City; however, some comparisons are made with the North West (NW) sector of Auckland (i.e. the area covered by the combined Rodney District, North Shore City and Waitakere City Territorial Authorities). There is somewhat of a dearth of information available on Base operations. Information was most scarce in relation to the period when Whenuapai operated as an international airport. As a result, there are some inevitable gaps in the data and analysis. As time series data on the Base population were not readily available we have largely restricted our coverage to history, personnel (employment) and incomes.

2.2 Background¹

Located near the upper reaches of the Waitemata harbour, around twenty minutes' drive from central Auckland, Whenuapai airfield is one part of what is known as Base Auckland.² Grassed areas surround the base, although urban sprawl has seen residential housing gradually encroach on the largely rural backdrop.

Construction of Whenuapai as a base for Wellington bomber aircraft began in the late 1930s, at the behest of Sir Ralph Cochrane, the RNZAF's first Chief of Air Staff. This followed the purchase by the Air Force of 600 acres, which took effect on 5 September 1938. Turning the land from swamp and kauri forests into a useable airfield was a difficult task, undertaken in great secrecy and urgency due to the imminence of WWII. The construction of the hangars to house the Wellington bombers and the airmen was obviously not an insignificant undertaking and indicates the substantial impact Whenuapai had on the local area even in its infancy. The cost of building the hangars alone was estimated to be about £100,000.

2.3 Wartime activity and beyond

One of the reasons for establishing the base was to provide American reserves in the Philippines a place to land in New Zealand. Such a landing place was considered necessary in light of the impending battles, especially

¹ Most of the material presented here is drawn from Ingersoll (undated). Rather than reference separately, this footnote serves as a general reference.

² The other part of Base Auckland is Hobsonville, whose operations are winding down in 2002/03.

the Battle of the Coral Sea. Following the Japanese bombing of Pearl Harbour in 1941, activity on the base picked up substantially. Indeed, Whenuapai became the main entry and exit point for aircraft that were to serve in the Pacific. The heavy aircraft placed pressure on its hitherto grass runways, such that in 1942 the Government authorised the immediate construction of a concrete runway at Whenuapai. This meant an additional 500 men were required for a period of about six months, just to do the work. Housing for the men was also required. While no precise figures for Whenuapai are available, the cost of the concrete runways at Whenuapai and Ohakea was estimated at £1.4 million.

Following the war, activities at Whenuapai were scaled back drastically. Aircraft on loan were either returned or scrapped, most of the new bases set up both in New Zealand and overseas were closed down and an air of uncertainty hung over the future of the Air Force. Whenuapai was kept operational and in late 1945 it opened to civilian air traffic, with the intention of turning it into an international airport. In 1947 National Airways Corporation (NAC) took over the passenger and freight carrying service, and regular services between Whenuapai, Paraparaumu and Harewood ensued. A regular international flight from Whenuapai to London, via Sydney, Darwin, Singapore, Bombay, Basra, Athens and Rome started in April 1963, and continued until November 1965. It was in 1965 that the international airport opened on the site of Auckland Aero Club's original airfield at Mangere, and civilian operations moved there after around twenty years operating out of Whenuapai.

According to a *Metro* magazine article in 1983, the mid-1960s saw tremendous change in the local RNZAF scene. The departure of civilian operations allowed a return of focus to military activities and radical aircraft re-equipment also took place, with significant leaps in technology. The piston-engined Handley-Page Hastings gave way to the pressurised, turbo-prop Lockheed Hercules; while the Sunderland flying boats were replaced by the latest in Lockheed Orion maritime patrol aircraft, containing highly sophisticated electronic surveillance gear. This was also the time that the previously separate stations of Hobsonville and Whenuapai were merged into one and became RNZAF Base Auckland.

More recent data has been difficult to obtain, but what has been made available suggests a declining role for the Base over the last 20 years.

2.4 Personnel

Perhaps the greatest contribution of Whenuapai to the local economy has been in terms of the large numbers of people associated with the Base. As described above, these numbers were not restricted to those military personnel and civilians who actually worked on the base. They also included tradespeople, general labourers and associated service providers.

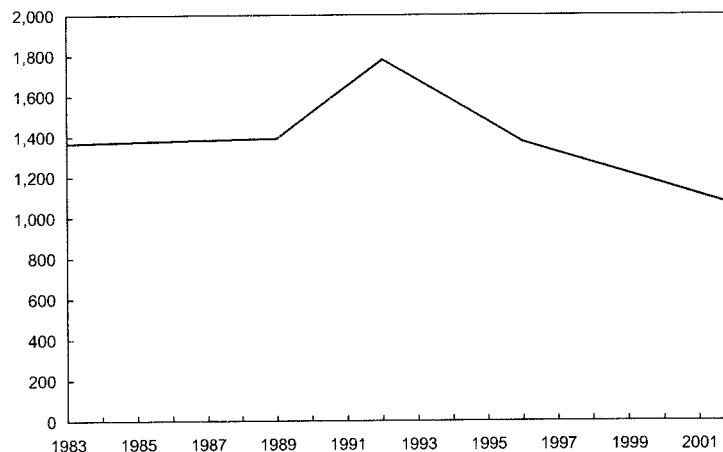
Useful information on the numbers of these ancillary people is not readily available so the focus of our analysis will be on Base employees.

The number of Base staff in 1940 was estimated at approximately 300 people. Within a few years, this had grown to about 2,000. Obviously the war effort required large numbers, but such a rapid increase in such a short space of time is remarkable.

It was estimated that, in 1983, Base Auckland employed a total of around 1,300 service personnel and 76 civilians (*Metro*, 1983). This represented around a third of the RNZAF total for that time. In 1989, estimates placed the total numbers at around 1,400, while in 1992 there were some 1,700 military and 90 civilian personnel in total (RNZAF, 1992). Figure 1 below presents estimates of the numbers of employees on the base over time. Despite a brief increase in the early 1990s, overall numbers have been in general decline over the period. While the average annual percentage change in full-time equivalent (FTE) personnel³ for the period 1983-2002 was -1.3%, the corresponding figure for the period 1991-2002 was -5.0%, indicating quite a rapid decline in Base employee numbers in the last ten years.

Figure 1 Base personnel

Number of employees



Source: RNZAF, Metro Magazine

Figure 2 (below) shows total employment of those usually resident in Waitakere City (on an FTE basis) and the proportion of that employment the Base represented during 1986-2001.⁴ As we would expect given the reduction in numbers of Base staff, the proportion of employment of those

³ FTE numbers are calculated as all full-time staff plus half of part-time staff (we used the number of employees defined as casual as a measure of part-time employees). For the historical data points, we assumed that the same proportion of overall staff were part-time as was the case in 2002.

⁴ Note that we have assumed that all of the personnel employed by the Base reside in Waitakere City.

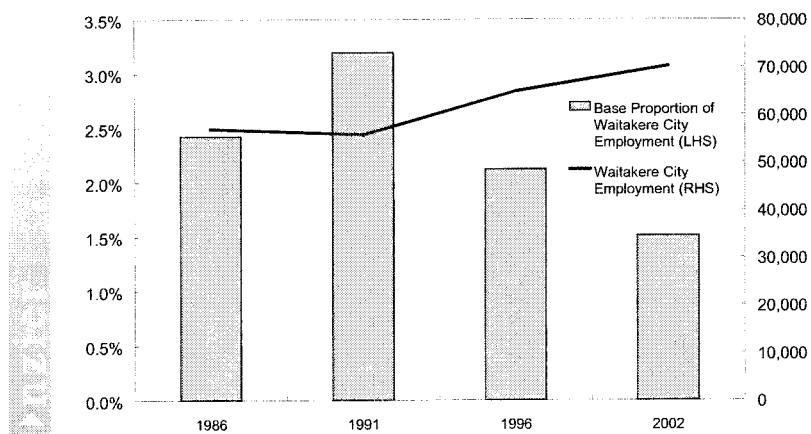
usually resident in Waitakere City accounted for by the Base shows a declining trend (except for the significant rise in the second period). Conversely, total employment of those usually resident in Waitakere City shows an increasing trend, with annual average percentage growth of 1.3% over the period 1986-2001, compared with an annual average decline for Base numbers of -1.7%. These trends serve to exacerbate the decline in the proportion of Waitakere City employment accounted for by the Base.

In essence, since 1986 the contribution of the base has declined both in absolute terms and relative to total employment for those usually in Waitakere City. The latest data available indicate that the Base accounted for around 1.5% of total employment of those usually resident in Waitakere City in 2002,⁵ which is slightly less than half of what it was in 1991.

In 1986, the Base accounted for around 1.0% of employment of those usually resident in the NW sector, while in 2002, that figure was 0.6%. During the temporary rise in employment in 1991, the base accounted for around 1.2% of FTE employment in the NW sector. While not shown in the chart below, the annual average percentage change in employment of those usually resident in the NW sector as a whole was 1.6% from 1986-2002, meaning the contribution of the Base to this sector was declining at an even faster rate than for Waitakere City.

Figure 2 Waitakere City usually resident total employment and Base share

Percent of Waitakere usually resident employment (LHS), number of FTEs (RHS)



Source: Statistics NZ, Various

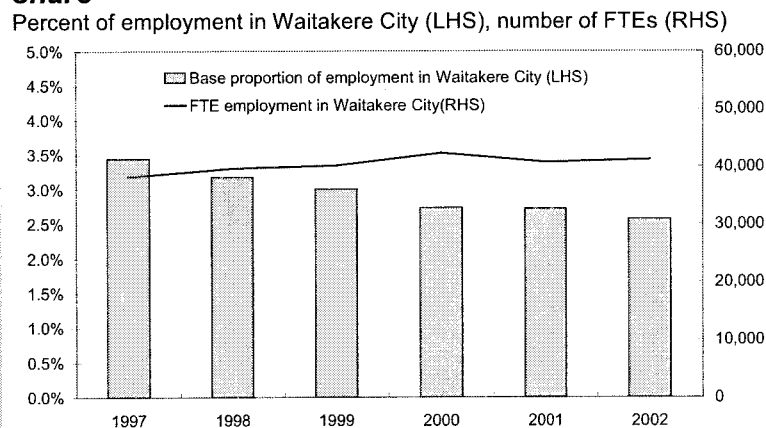
The figures above are census data, which were used to try to show the trends over time. While useful for this purpose, they tend to underestimate the

⁵ We have inferred total FTE employment for Waitakere City in 2002 from the 2001 data using the annual average percentage change for 1986-2001, and the FTE formulation mentioned in footnote 4 above.

contribution of the base to Waitakere City because they measure employment of the population usually resident in Waitakere City. This includes those who live in Waitakere City, but actually work outside the authority boundaries.⁶ When we consider employment within Waitakere City itself, the contribution of the base is made even more clear. Figure 3 (below) tells a similar story to the figure above. What is interesting is the same general relationship as Figure 2 but a difference in magnitude.

While FTE employment within Waitakere City has been growing at a slower rate than employment of the usually resident population, a divergence is emerging between the proportion of the employment provided by the Base in Waitakere City and FTE employment in Waitakere City. The reason this divergence is less marked is that the Base actually accounts for a larger proportion of employment within Waitakere City than it does in terms of employment of the usually resident population (on average there is about a one percentage point difference for the years that we have data). While we do not have a long time series of data to work with, this is an issue that should be borne in mind when considering the effect of the Base on Waitakere City.

Figure 3 Employment in Waitakere City and Base share



Source: Statistics NZ, Various

⁶ Anecdotal evidence suggests that Waitakere City exports around 40% of labour, while importing only around 19%, so there is in effect, a net outflow of people who live in Waitakere City but travel outside the area to work.

To get a better idea of the relative significance of the Base, we have compared the 2002 count of personnel in terms of FTEs with other industries in Waitakere City and the NW sector in Table 1 below.⁷ While tiny in comparison with the manufacturing and retail trade industries, the base itself employs more people than either of the agriculture, forestry and fishing, mining and utilities industries in Waitakere City. It employs roughly the equivalent of 41% of the total number of FTEs employed in the accommodation, cafés and restaurants sector in Waitakere. As we will explain in the section on multipliers below, the Base may actually be responsible for some of the employment in this (and other) sectors.

Table 1 Composition of usually resident employment by industry 2002

Industry	Share of FTEs (%)	
	Waitakere	NW sector
Agriculture, forestry and fishing	1.33	2.23
Mining	0.02	0.06
Manufacturing	15.84	12.94
Utilities (electricity, gas and water supply)	0.24	0.23
Construction	7.33	7.64
Wholesale trade	7.75	8.17
Retail trade	12.67	12.50
Accomm. Cafes and restaurants	3.38	3.54
Transport and storage	4.05	3.81
Communication services	1.83	1.81
Finance and insurance	3.63	4.35
Property and business services	11.96	14.05
BASE STAFF	1.36	0.51
Other govt. admin. and defence	2.30	2.93
Education	6.92	6.77
Health and community services	7.03	6.92
Cultural and recreational services	2.49	2.74
Personal and other services	4.12	4.09
Not elsewhere included	5.34	4.72

Source: Statistics New Zealand, Various

To get a measure of whether the Base was an exceptional case among industries in terms of the reduction in staff numbers, we compared employment in 1986 with the corresponding figure in 2002 for a range of industries in Waitakere City.⁸ The results are shown in Figure 4.

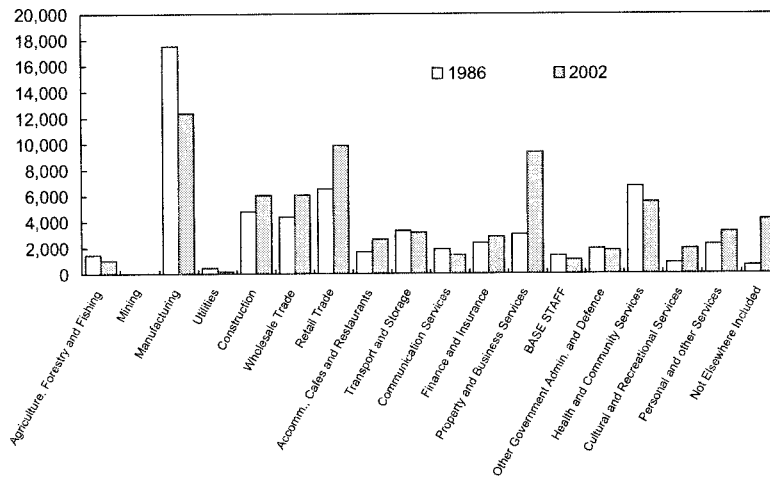
⁷ We have applied the average annual percentage change figure to 2001 industry employment to derive the 2002 figures.

⁸ While there were differences in the number of industry classifications in 1986 and 2001, we conducted a concordance exercise to be able to make valid comparisons. In addition we applied the average annual percentage change figure to the 2001 data to derive the 2002 figures. We did not

The number of industries that shed staff between 1986 and 2002 was about the same as those whose numbers increased. Table 2 (below) presents the percentage changes in industry employment in Waitakere City between 1986 and 2002. It shows that the average change in employment across all industries was an increase of around 52%, while Base staff numbers declined by around 23%. Excluding those who were not adequately defined, the big movers during this time were services related – particularly cultural and recreational services and property and business services. Retail trade also saw just above average growth, but is particularly noteworthy because of its already high base in 1986.

Figure 4 Employment by industry of those usually resident in Waitakere City

Full time equivalent employees



Source: Statistics NZ, Various

have time series data for employment within Waitakere City on a comparable industry basis, so these figures will tend to underestimate the relative size of the Base.

Table 2 Change in usually resident employment 1986-2002 – Waitakere City

Industry	Percentage change in employment
Agriculture, forestry and fishing	-29.6
Mining	-49.3
Manufacturing	-29.4
Utilities (electricity, gas and water supply)	-58.4
Construction	26.4
Wholesale trade	38.7
Retail trade	51.7
Accomm. Cafes and restaurants	58.0
Transport and storage	-4.6
Communication services	-23.7
Finance and insurance	20.9
Property and business services	209.9
BASE STAFF	-23.1
Other govt. admin. and defence	-7.5
Health and community services	-18.3
Cultural and recreational services	137.2
Personal and other services	44.7
Not elsewhere included	590.6

Source: Statistics New Zealand, Various

2.5 Incomes

The original purpose of this section was to look at the incomes of Base personnel with a view to seeing if, and how these changed over time. It was considered useful to ascertain levels and changes in the incomes of Base staff relative to other industries in the local area. If those on the Base have higher than average income levels, then the impact of the relocation will be felt more acutely in the local economy than if their income levels were lower than average. That is, assuming that Base employees have roughly the same consumption patterns as non-Base employees, the effect of the relocation on the local economy will be more pronounced than is suggested by the employment figures alone.

However, we were unable to obtain sufficiently robust data to make valid comparisons over time. Thus, we have only two data points to work from:

- total wages and salaries of Base employees in 1992;⁹ and

⁹ See NZDF Land Management Planning Study, 1992.

- average salaries of Base employees by arm in 2002.

Therefore, our ability to compare and analyse incomes over time was severely constrained. We were able to compare the information we had with Census data on *total incomes* by industry for Waitakere City and the NW sector, but it should be borne in mind that, as a general rule, salaries and wages only form part of an individual's total income, and would therefore tend to underestimate such a measure.

Our limited comparison provides some evidence in support of the hypothesis that jobs data alone may underestimate the economic impact of the Base. In 2002, the average salary of Base staff of around \$38,700 was greater than the average total income of FTE employees in Waitakere City of around \$37,300.¹⁰ Once other sources of income are considered, Base employees' total incomes are likely to be even greater than non-Base employees on average. This confirms that measuring the loss to the local economy only in terms of FTE jobs from the relocation decision would tend to underestimate the actual impact across the community.

In 2002, Base employees accounted for around 1.5% of total FTE employment in Waitakere City, while the total salaries alone (i.e. excluding other potential income sources such as interest or dividends) of those employees was equivalent to around 1.7% of the total incomes of employees in Waitakere City. So, while we have limited data to work from, there is some evidence that those Base jobs that would be lost to Waitakere City as a result of the relocation are remunerated at a higher level than average. In addition, the Base data we worked from did not include the salaries of the 23 foreign personnel on exchange, as they are not paid by the RNZAF. Obviously, these people would expend some of their income in the local economy, which is not counted here as we do not have information on their remuneration levels.

2.6 Expenditure

Table 3 (below) sets out total Base expenditure in 1992 and 2002. The 2002 figure for salaries and wages was provided by NZDF. Other figures for 2002 are based on the 1992 figures, and assume that the proportion of total expenditure on these items has remained the same over the decade. When considered against a backdrop of a drop in overall numbers, the similarity between the wages and salaries bill in the two years suggests Base employees have enjoyed increases in remuneration over that period.

¹⁰ In order to enable comparison, two steps were taken. First we took the midpoint averages of income bands from the 2001 census bands, multiplied by the number of FTE for each band (with an imputed amount of \$150,000 for those registered as having a total income over \$100,000). Second, we calculated the percentage change in Public Sector weekly earnings and applied that to the 2001 numbers to derive the 2002 figures. This is imperfect, but useful for exposition purposes.

Table 3 Base expenditure

	Expenditure 1992 (\$ million)	Expenditure 2002 (\$ million)
Salaries and wages	40.3	41.3
Goods and services	9.0	9.2
Works and services	4.0	4.1
Rates	0.3	0.3
Fuel	11.0	11.3
TOTAL	64.6	66.2

Notes: (1) Data on wages and salaries provided by NZDF, all others estimated assuming identical shares of total expenditure in 2002 as in 1992.

Source: NZDF, NZIER

2.7 Summary

Analysis in this section has been hampered by the lack of availability of key data. The data supplied by NZDF covered only a relatively short time period, and came with caveats around its accuracy. Notwithstanding this, we have been able to place the impact of the Base in an historical context and look at some high level comparisons across time. It is clear that the Base today is not as significant as it was in the past, when it was first a key part of wartime operations, and later operated as Auckland's international commercial airport.

While employment at the Base has been declining, employment of those usually resident in Waitakere City has been increasing. This has accentuated the decline in the Base's proportion of FTE employment of those usually resident in Waitakere City. However, these figures tend to underestimate the Base's presence in Waitakere City when we look at employment within Waitakere City itself. The difference in magnitude between these two measures is around one percentage point in the years for which we have data. While we were not able to make a strict concordance with the time series data on an industry basis we do have, the general point about the relative size of the Base should not be overlooked.

Despite this, there is some suggestion that the Base's contribution to the local economy is not so large today as it was in the past and therefore the economic consequences of the closure will not be as significant as they would have been in the past. It is likely that the impact of the closure will be further reduced by the amount of warning provided, which means that all those affected have time to adjust their behaviour.

In saying this however, the Base could not be considered insignificant to the Waitakere City economy. Given that the average income levels of Base staff are higher than those of average non-Base employees, the impact in terms of jobs lost will be magnified, assuming similar consumption patterns. Finally, the Base has contributed more to the community than jobs and incomes, and that loss will also be felt in the 'hearts and minds' of local residents. A discussion of social impacts follows.

3. Social impacts

3.1 Analytical framework

A review of literature about the effects of major company closures in New Zealand over the past 20 years or so shows a pattern in the types of impacts experienced by the towns and districts in which these closures took place.¹¹ Commonly the following impacts were experienced:

- A drop in the value of house sales as relatively large numbers of houses are put on the market over a short period.
- A drop in house rent prices as a surplus of rental housing becomes available.
- Loss of key skills from the wider community (e.g. health workers and teachers) as spouses leave town with those made redundant.
- Loss of volunteers from community organisations.
- Closure of businesses that had been reliant on sales to the company and its employees (leading to further redundancies).
- Increased household debt, defaults on mortgages and rents, and increased incidence of service disconnections.
- Disruption to community structures resulting from the influx of newcomers, loss of friends and family members, as well as workers losing the sense of camaraderie gained through being part of the organisation's workforce.
- Symptoms of stress among school pupils due to anxiety and uncertainty in the homes of those affected by redundancy and the loss of friends when families move away.
- A high turnover in school rolls, with associated disruption to school programmes as those made redundant leave and new people move in.

It should be noted however that there are at least four significant areas of difference between the situations described in the literature on industrial closures and that of the Whenuapai Base closure.

¹¹ Clutha Valley Hydro-development, closure of Mosgiel woollen mill and Patca and Southdown freezing works. See also *Closedown: A review of New Zealand literature pertaining to industrial closedowns and mass redundancies; 1980-1984* (Ministry of Works and Development, May 1985).

1. With the exception of Southdown in South Auckland, most of the documented closures happened in provincial areas, away from major cities. Whenuapai is part of the Auckland region, the biggest population centre in the country and as such is in an area where housing is in demand, house prices are disproportionately high, and employment opportunities are relatively plentiful.
2. Most of the employees affected by the documented closures were made redundant, whereas when the Base is closed, most of the employees will have the choice of transferring to Ohakea or some other part of RNZAF operations. They will not be made redundant although it is expected that some will choose to resign or retire early rather than be relocated.
3. Most of the documented closures were relatively sudden with little time to implement mitigation strategies to reduce the effects on workers and the community.
4. According to the Base Commander at Whenuapai, the Base operates to a large extent as a community within a community – largely self sufficient in terms of many services as well as social networks. Employees are well-conditioned to transfers and tend not to ‘put their roots down’ because of this. Permission to survey the base employees was not forthcoming and so we were not able to verify this perception to any great extent. However, information gained through interviews with a variety of agencies indicate that the Base is seen, at least by some, as part of the Whenuapai community and that a number of people employed at the Base have a reasonably high level of interaction with the wider community.

We cannot verify the extent to which Base employees have established local social networks. This would be a major determinant of the degree to which they are likely to be affected by the closure and relocation. However, we have been able to interview a range of agencies and organisations in the local community that interact with the Base in some way. The differences between this closure and that of most major industrial closures as outlined above, will inevitably reduce the relative severity and scale of the social effects experienced by the Whenuapai community and by the Base employees. Nevertheless, some social effects can be expected. This report focuses on the effects of the closure on the community, not on RNZAF employees. The scale of the impact on the community will depend largely on the number of Base employees who decide to leave the area.

3.2 Method

We had intended to carry out a random survey of 25% of those currently employed at the Base, primarily to obtain information on such things as:

- The extent to which Base personnel engage with the local community and the types of community activities they engage in.
- Employment status of spouses.
- The extent of home ownership and private renting among staff.
- The length of time staff had been employed at the Whenuapai Base.
- The decisions that personnel are most likely to make when the Base closes, i.e. whether to stay with RNZAF and re-locate or stay in Auckland and either retire or look for alternative employment.

It was intended that this information would be supplemented by information gained through interviews with schools and other agency representatives in the local community. However, permission to carry out a staff survey was not forthcoming from the RNZAF and so the interviews with schools and agencies became the primary source of information. This has been supplemented by data provided by RNZAF on organisational structure, employees' age groups, family status and home ownership.

3.3 Key findings

3.3.1 How many are leaving?

Currently the Base employs 1,067 personnel (1,061 FTEs). According to the Base Commander (Stu Mackenzie), up to 100 of these people could still be required in Auckland as Naval Support staff. If that is so, on current staff levels, as many as 967 people and their immediate families could potentially leave the area in 3-5 years, depending on the timing of the closure. We place at 826, the maximum number of families that would leave as a result of the Base's closure.

Information provided by RNZAF shows that the majority (70%) of the current workforce is aged between 21 and 40 years. The regular force (RF) is by far the largest group of employees and the majority of these (75%) are 35 years or younger. By the time the Base closes at least 37 employees will be close to or over the usual retirement age of 65 years.