

Rainey, Ruth (2000)

Taihape – evaluating economic development projects

## **SUMMARY**

### **Purpose**

The purpose of this report is to describe and review several initiatives that occurred in Taihape and the surrounding rural district over the past three years.

There appears to have been a significant improvement in the business and economic situation in this area. Is this a false perception? Have the three initiatives (two Government-funded and one Council-funded) been influential in this economic upturn and, if so, could the knowledge gained be useful for the economic development of other small rural towns?

These three initiatives were;

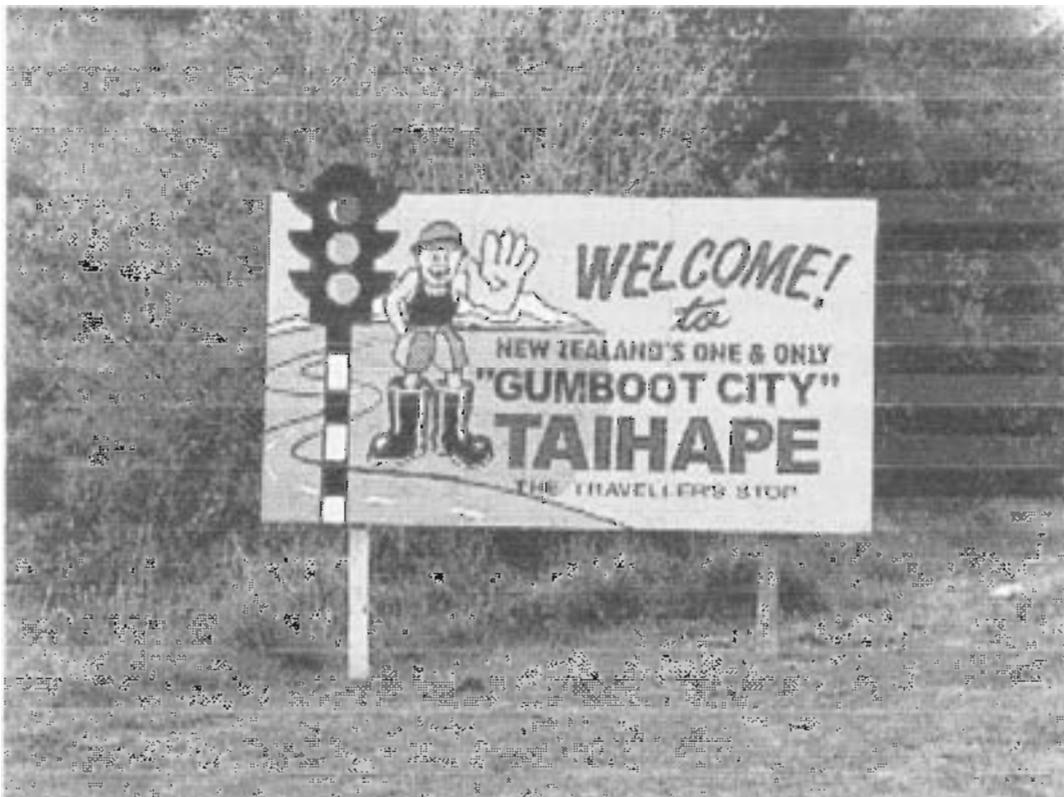
A Rangitikei District Council commissioned Business and Economic Development Plan and the subsequent employment of a Business Facilitator.

MAF study on “Farm Families and Sustainability in the mid-Rangitikei” that resulted in the formation of the Rangitikei Rural Action Panel that then employed a Rural Facilitator.

The Taihape Business Development Project funded by CEG (Community Employment Group).

## TAIHAPE

Taihape is situated on State Highway One at the northern end of the Rangitikei District. It has a population of around 2000 and is a rural based town. Its population declined 20 % in the 1986-1996 period. Some of this decline is attributable to the changes in agriculture with the removal of subsidies and the economic restructuring that began under the Labour government in 1984. While the country supposedly became more competitive in the global market interest rates went up and incomes were reduced. This reduction in spending was particularly noticed in small rural towns such as Taihape. Over a similar period the town also experienced the downsizing of NZ Railways and the population of Taihape fell from 3500 in the early sixties to 2000 in 1996.



Taihape is known for its gardens, particularly the world-renowned Titoki Point, as well as significant number of adventure tourism activities that are based on and around the Rangitikei River. These tourism activities include bungy, whitewater rafting, kayaking, jet boating and fly fishing. Taihape is also recognised as a stopover on the way to Mount Ruapehu during the ski season and has a reputation for its cluster of high quality cafes and restaurants.

## 1) RANGITIKEI DISTRICT COUNCIL BUSINESS & ECONOMIC DEVELOPMENT PLAN

### Background

In 1997 the Rangitikei District Council commissioned a Business and Economic Development Plan. (It has never become available for the general public though it was made available at the Council offices for the purposes of researching this report).

The plan was quite comprehensive and called for more assertive action from the Council. It set out a vision and objectives. It identified critical issues, recommending community-driven programmes and specific action for the acquisition and retention of economic investment in the District.

One of the recommendations was to employ a business facilitator, which the Council did in early 1998.

### Discussion

The contract of the business facilitator was for two years and once ended she chose not to renew the contract. The business facilitator achieved a number of objectives during her contract. These included (under business retention) a Buy Local Campaign, Rangitikei Business Database, Business Information Referrals and (under new business acquisition) an Investment Kit and an Investment Matching Service.

The Council is currently (Sept 2000) looking at ways of continuing this economic development assistance. They are also liaising with neighbouring Councils to sort out regional groupings to put up proposals under the regional development packages of Industry New Zealand.

Tahiapo does have a Community Board, one of only two in the Rangitikei District Council domain. This board really only has an advocacy role in making recommendations to Council on various issues and does not have a budget to spend or any financial control. If the board was autonomous and had a budget for economic development, it may mean more focussed and more responsive spending which may be more successful in promotion of local economic growth than a District approach. The Tahiapo Promotions (now known as Gumboot Country Promotions) committee fulfils part of this role now but has very little to spend and its funds come directly from retailers involved.

**Council's role should be to promote and support economic initiatives and provide a suitable infrastructure for economic development.** Interestingly there was no mention of any economic initiatives in its Annual Plan.

## Taihape Business questionnaire:

The purpose of this questionnaire (~~see appendix 2~~) was to get feedback from the current successful businesses in Taihape, to see if any had had help from the Crown in their establishment and whether they had had any assistance or dealings with the Rangitikei District Council business facilitator. The Government's Business Development Board was disestablished in May 1998 and replaced with regional Biz initiatives. One of the reasons behind this change in policy was the research that many of the fledgling businesses, that had had a grant to get going, often failed because of lack of business know how eg. difficulties with record keeping, financial management and budgeting etc. The questionnaire was also beneficial to get a feel for the relationship between business and Council and how business felt the Council could promote economic growth in Taihape.

### **Discussion**

The consistent response from the questionnaires was the lower overheads and wages involved in operating a business in Taihape. And the significant advantage for retailers was Taihape's location- on State Highway One and a halfway stopping point between two large centres. Taihape retailers wrote of local loyalty (surprisingly as this is not shown up by buying patterns) and Taihape's reputation for some quality retail shops.

Feelings about Council effectiveness weren't positive. The failure by the Council to replace the Business Development Officer was seen as contradictory to the Council espoused philosophies and plans. There was demand for a well-managed and planned promotion of each of the townships in the RDC catchment to encourage investors. More affirmative action is needed by the Council to encourage economic growth. There were calls for further educational opportunities to upskill employees (and counsellors!) There is a lack of business management support systems and the Council Business Development Officer could well have helped fill this gap.

Many commented on the need for the District Council to spend some money in the town and upgrade toilets, footpaths, gardens and the entrances to the town. Smarten up the town so it looks more attractive and encourages people to stop. Ironically at the time of writing this report there was quite a lot of debate going on in the local paper concerning imminent rate rises and what the Council doesn't do for its rate payers.

One long time business owner felt the Council was generally fair in its judgements but there was definite room for some leniency when dealing with businesses. Allow businesses to be innovative without putting obstructions in the way and give common sense equal value to pedantic law interpretation. Offer rating 'holidays' for new developments offering employment. Another retailer suggested a relaxation of the road advertising rules though this is actually Transit NZ regulations.

The lack of skilled labour and contractors (eg. Industrial engineers) is a significant disadvantage of the Taihape location. However labour does seem to be more stable and purchased at a lower rate. (One fears the abolition of the ECA and return to national wage rates). There are less employee job changes, as there are not a lot of other jobs available.

Distance from markets and ports is another considerable negative factor. Also for incoming supplies- there is invariably an overnight wait when something is wanted in a hurry. Transport costs are higher.

Perhaps Taihape's strength lies in focussing on niche markets/products especially those that are export orientated. Or being involved in large scale regional development.

When looking at retail services it is obvious that Taihape does not have the population base to sustain a balanced retail mix. Unfortunately there is a perception that ones' needs can be better met shopping out of town. Hence there is "retail leakage" out of the area. For example in the Rangitikei itself Marketplace New Zealand estimates that "Rangitikei grocery and food businesses service 80% of the needs generated in the District, while general merchandise outlets meet only 51% of those needs". The total "outflow" could be approximately \$27.2 million each year. Looking at the retail businesses in Taihape the food businesses would be the most successful.

Taihape is largely an agricultural-based economy and as such is highly dependent on the world prices, exchange rate, interest rates and the NZ economic prosperity. In light of the current downward spiral of the NZ dollar it is appropriate to look at that the bigger picture. New Zealand's balance of payments deficit at \$8.5 billion is 8.2% of the GDP and is large by world standards. It indicates that NZ is living beyond its means and ironically in 1984 when Sir Robert Muldoon lost power the balance of payments deficit was 8.7%. So after 16 years of economic reform NZ has not made much progress. There is not enough emphasis or focus on the promotion of productive enterprises that generate overseas earnings or encouragement of businesses to invest in New Zealand. New Zealand's long term future is in the growth of the export economy and currently our long-term growth rate is extremely poor. There does not seem to have been the development of any successful export strategies by any of the previous governments. As discussed further on in this report there are new Government initiatives being launched now (e.g. Industry New Zealand-partnership for growth, MAF-sustainable farming fund, and others) but delivered by a number of agencies and appearing to have no integration. There does not seem to be the necessary emphasis on promotion and support of export businesses.

In reality for the likes of Taihape to grow and prosper small entrepreneurial businesses are never going to be the whole answer. Taihape needs to attract either successful companies into the area or, using a regional development package, have an exporting company start up. Taihape needs businesses that are not wholly tied to the economy of the agricultural sector.

## Two Case Studies

### 1) Incept Marine

Incept Marine was started in the backyard of a Taihape home eleven years ago and moved into its existing rented premises in 1992. It initially made yacht tenders though its main business now is making river boats and it currently has about 20-30 different designs. It also manufactures dry bags and various sea kayaks.

The owners of Incept initially received a grant from the NZ Business Development Board of around \$20,000. This went towards market research and the development and printing of a brochure. The owners feel this grant was the difference between starting up and not. To quote "start up can be a risky business and assistance can make all the difference!" Incept now employs between 12-16 people in Taihape so are a significant employer. Incept have quite a large capital investment in welders, cutting machines and software with a lot of the equipment having been developed on site. It is currently involved with Technology New Zealand in a scheme called GRIP (Graduate Research Industry Fellowship) and employs a student who is researching and developing a new sea kayak (from development to market). Having access to this scheme has meant the development of a product that has been on the ideas list for a while but not the time to take further. However ironically there was quite a lot of time required initially familiarising the student with the business and manufacturing.

Over 85% of Incept's production is exported so location in Taihape makes marketing differences small our freight costs and time to receive goods are a disadvantage. However the owner commented that freight to Auckland was quite reasonable, as it was invariably a backload on an empty truck heading North. Also, he felt that international airfreight was similar in that most of the air freight to NZ is inbound. He currently only pays \$3/kg for freight going to Los Angeles, a third the cost of going the other way.

Another down side of being in business in Taihape was the lack of skilled labour available. However once the time was taken to train the staff they didn't shift on often.

Significant advantages are the lower overheads and the stability of staffing. Incept currently rents the top floor of a rural merchandise shop that is about 100 square metres and pays \$1000 in rent.

The RDC business development facilitator was unknown to Incept. The owners of Incept felt that the Council was not particularly encouraging of local business initiatives and with it being based in Marton it was no longer as efficient or as responsive to local needs.

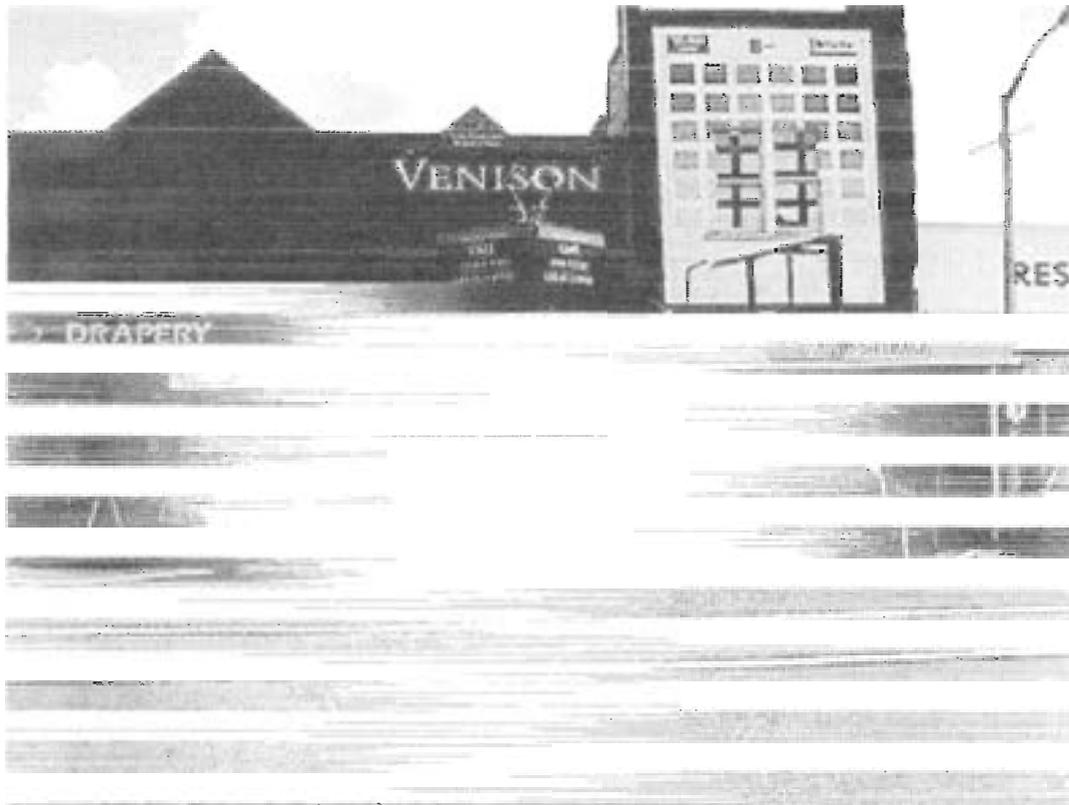
## **2) Venison Kitchen**

The Venison Kitchen was established in November 1998 when the owners (local deer farmers) decided to pursue off farm investment and get a better return for their product. The Venison Kitchen is a small cafe on the Main Street of Taihape and offers a range of venison meal options (both restaurant and takeaway) plus a smallgoods range available over the counter or by mail order. It now employs a staff of six (excluding owners) and believes one of the strengths of the business is the product itself. At this stage a solely venison restaurant is still a unique concept in New Zealand thus there is the appeal of the 'unusual'. The owners are ensuring they only serve or sell high quality venison. With venison being low fat and very tender it is also attractive to the current palate.

The owners initially found it very difficult to market from Taihape as the market is so wide spread but were fortunate to get some media exposure through newspapers. Being located on State Highway One is a huge plus for a business in the restaurant trade. As with Incept they have found low rentals and lower wages an advantage of being Taihape based. The

Venison Kitchen owners have put a lot of effort into staff training and emphasise service and creating the right ambience.

They have found the Council not encouraging to developing businesses and feel Council policies stifle innovation. To quote "the Council does not think outside the square and are afraid of allowing anything that may create a precedent." Although the Venison Kitchen owners knew the RDC business development facilitator they had not been assisted by her. Interestingly the Venison Kitchen concept has proved very successful and the owners are currently opening another Venison Kitchen in Auckland and franchising their business.



### Conclusion

As can be seen from the feedback, the two case studies and the strategic analysis (see appendix 4, SWOT) the main advantages of establishing businesses in Tainui are its strategic location, affordable labour, housing and rental premises and stable economic environment. The disadvantages are the weaknesses in the surrounding rural economy, low population base, marketing and freight costs and lack of promotion and business support/encouragement by Council.

## 2) RANGITIKEI RURAL ACTION PANEL & EMPLOYMENT OF COMMUNITY (RURAL) FACILITATOR

### Background

In 1997 MAF financed a study on "Farm Families and Sustainability in the mid-Rangitikei". MAF wanted to further their understanding of what is happening in rural New Zealand, the relationship between farm families and their communities, and the impact of change on agriculture and the community. The other main reasons for the research was MAF's desire to study the social aspects of sustainability, to improve their understanding of the relationships between economic, social and environmental factors in developing policies to promote sustainability.

A key finding was the need for education for farmers (especially those in the 40plus age group)-education in the sense of enabling people to appreciate their skills, knowledge, versatility and potential employability and then using this knowledge to explore the options, to make informed decisions about staying/diversifying/business opportunities or leaving the farm. The study also suggested that lateral thinking needed to be encouraged and recommended the appointment of a catalyst to inspire and enthuse, to break down existing levels of negativity and promote new economic activities.

To quote from the report: "Community facilitators recommendation:

To explore the concept of community facilitators, and their appointment to fulfil the following functions:

- to act as a conduit for local concerns and action,
- to act as a catalyst and provocateur for self-support initiatives,
- to liaise with P-ous communities, government agencies, business and professional communities, and local groups and residents,
- to assist people to make the mindset leap required to cope and deal with significant changes."

At a public meeting following the publication of this study the community supported the proposal to appoint a Community Facilitator. An advisory group, Rangitikei Rural Action Panel, (RRAP) was formed. The Panel was to appoint, manage and oversee a contract for service for this Community (Rural) Facilitator and identify key goals that had emerged from the research report. The mission statement and goals are recorded in Appendix 3. MAF agreed to fund this Facilitator up to \$20,000 over two financial years.

Although the work of the Facilitator was focussed on farm families the survival and sustainability of 'town and country' are synergistic.

## **Objectives**

To offer a facilitation service to assist farm families and to enhance community sustainability in the mid-Rangitikei. The objectives were to;

- 1) Improve communication within the community on activities and key issues.
- 2) Disseminate information on activities and issues in the area.
- 3) Develop, organise, promote and encourage attendance at learning opportunities.
- 4) Stimulate and motivate people to attend activities and appropriate learning opportunities, and take appropriate action to resolve issues.
- 5) To act as a conduit for local concerns and actions.
- 6) To act as a catalyst and provocateur for self-help initiatives.
- 7) To liaise with focus communities, government agencies, business and professional communities, and local groups and residents.
- 8) To assist people to make the mindset leap required to cope and deal with significant changes.

## **Outcomes**

To successfully meet the above objectives the facilitator needed to build relationships with community organisations and individuals and allow time for the relationships to grow. The original time frame was over an eighteen-month period with the facilitator working two days a week on average. Unfortunately the outcomes set were not measurable.

Methodology used for objectives 1,2,5 & 7 included cold-calling, contacting groups and committees, referrals and networking with other services in the area. Community groups worked with included Rangitikei Rural Community Service, Taihape WISE (Women in Self-Employment), Ruapehu REAP, WDFP (now Rural Women NZ), farm discussion groups. The facilitator also published articles in the local paper and set up kitchen-table meetings with key people in distinct districts/communities.

The facilitator organised and developed several learning opportunities (objectives 3,4 & 6) that addressed identified needs eg. seminars on Farm Succession, Life Planning, Rural Entrepreneur-business skills training.

Addressing objective 8 involved presenting learning and motivational opportunities. There was also a course run by the facilitator called Rural Dreaming and about four small focus groups underwent this course. The intention of these courses was to get the participants to review their situation and, with the benefit of a new perspective, rebalance their lives, do some personal planning or just plan for something specific.

## **Discussion**

It became apparent during the time of employment of the Rural Facilitator that needs changed slightly or were not as depicted in the “Farm Families and Sustainability” report. There was a higher level of positivity in the area than expected and, as is already known, very much influenced by seasons. The better the growing conditions and the weather, the

higher the farmer confidence and optimism. The variety and number of different activities occurring in the area indicated a positive and dynamic rural community. *Rural people were thinking in broad terms as to how they can create added value to their rural lifestyle, extra income and become stimulated.*

The attitudes and skills in the region and the development of niche farming enterprises impressed the Facilitator. There were a surprising number of rural businesses (non-farming) developing and *the business facilitation of these new business ideas became an important focus for the facilitator.*

A "Personal Viewpoint" questionnaire was distributed informally to twelve people who had been involved in facilitation work with the rural facilitator. The intention of this survey was to measure the impact of one part of the rural facilitator's work by assessing levels of positivity in the rural sector. It was completed in Nov/Dec 1998 and then again by the same people in Aug/Sept 1999. The results generally indicated improvement in such things as ability to accept significant change, being more proactive rather than reactive and an increase in seeking innovative ideas.

In hindsight it would have been valuable to extend the work of the facilitator for another twelve months at least (It finished in December 1999). It takes time to establish networks and relationships and to build a "bigger picture". Dissemination of information was improving.

As a result of the Facilitator's work REAP applied to CEG for funding to continue the business facilitation type work (See part two). The skills and experience of the facilitator have not been lost, as she has been contracted to REAP through CEG funding in 2000/1 to continue her business facilitation work.

CEG has an employment outcome focus but it is very relevant to note that the work of the facilitator has created this expanded opportunity. It has highlighted the need for assistance with business development and a desire to improve skill levels and knowledge. There is also a genuine desire out there to strengthen communities and promote regional development.

The RRAP panel itself had the task of ensuring accountability with finances and reporting. It was also useful to the facilitator in raising community issues and offering local knowledge. At a couple of RRAP monthly committee meetings during the year MAF officials came up and these provided opportunities for networking, lobbying and knowledge sharing beneficial to both parties.

## **Conclusion**

The total success of this project is difficult to measure.

There were real educational outcomes and fledgling business establishments.

To actually change mindsets is not only difficult but also difficult to measure and it takes time. The "Personal Viewpoint" questionnaire attempted to get a feel for this and there did seem to be an improvement in community morale. However, how much this was to do with the work of the facilitator or to do with the general improvement in product prices is also very difficult to ascertain.

There were many individuals who benefited from the opportunities and assistance provided by the facilitator and there have been directly initiated community opportunities eg 'Business Skills' and 'Rural Dreaming' workshops.  
Overall from all those directly involved (MAF, REAP, RRAP, Community Facilitator) there was a feeling of a strengthening in the community and a general uplift in economic activity.

### **3)TAIHAPE BUSINESS DEVELOPMENT PROJECT**

#### **Background**

As a result of the work of the Rural Facilitator the Community Education Officer at Ruapehu REAP made an application to the Community Employment Group (CEG), WINZ, to fund a Business Development Project in the Taihape/Waimarino area. The project involved employing a business development facilitator for 16 weeks during the period of 1 March 1999 to 29 February 2000. There were seven objectives that were to be achieved (see below). The focus was not only on the establishment of new businesses but also to give advice and encouragement to existing businesses and hold courses and seminars that would assist in the development of improved business skills. The target group was the rural disadvantaged. The total cost of this first contract was \$27,225

The business facilitator employed had had 20 years experience running a small business, 20 years as a business and marketing consultant, plus held a Diploma in Small Business Management.

REAP believed this project was a success and applied to WINZ for further funding in the 2000 year and has been granted a continuing contract of increased value. This again is for 16 weeks –with the 1999 business development facilitator employed for twelve weeks and the former RRAP rural facilitator employed for four weeks. This ensures the availability of facilitators with the appropriate skills required by clients. This contract is worth \$37,418.

By interviewing and consulting with those that were involved in the project (REAP CEO and manager, business development facilitator and the business operators) the intention was to assess whether the project was a success. Did it meet the needs of the business operators? Was it cost effective and, if it has been successful, what made it so? A questionnaire (see appendix) was created and followed it up with an interview with the respondents when necessary and further information or clarification was required.

#### **The Client Group**

- unemployed individuals seeking to establish self employment opportunities
- individuals/groups seeking to establish employment initiatives or develop their direction
- individuals requiring training or upskilling to meet their current and future business needs
- existing business operators seeking to develop or improve business planning, money management and management skills
- business operators seeking to create employment opportunities

## Objectives

The objectives of the business development project were:

- i) At least 8 seminars and/or courses in business planning, management and business skills development will have been conducted and attended by at least 64 people; and
- ii) At least 5 new businesses will have been established and started trading; and
- iii) At least 10 full or part time jobs will have been created; and
- iv) Assistance with event management for the 'Gumboot Day' festival will have been completed; and
- v) A feasibility study for staging a Food and Music festival will have been completed; and
- vi) At least 6 existing businesses will have been assisted to develop business and marketing plans; and
- vii) A package promoting Taihape and the surrounding district will have been developed.

## Results of Objectives

### Objective One: Seminars and Courses.

Over the year 14 courses and workshops were conducted and some of the issues covered were strategic planning; business planning; quality assurance; business skills development; marketing; skills for enterprising women. The total attendance was 114, which is an average of 10 per seminar that is quite acceptable in the area. I attended the Skills for Enterprising Women (a 10 week 20 hour course) which was particularly useful for those just starting out and requiring basic skills of cash books etc. There were a couple of very good sessions that involved "financial wisdom" and "building your brand". I also attended a marketing seminar. This was well supported by people currently in business and it was practical and focussed.

### Objective Two: At least 5 New Businesses Established.

The report to WINZ listed 12 new businesses had been established and were up and running, all very small but at least a start. These ventures included a local security service; lavender oil production and export; accommodation and small conference facilities; garlic growing and production of garlic products; farm stay accommodation and farm walk. Still in the planning stage were specialist tours of rural NZ; guided mountain walks; a seconds shop; photographic business; garden centre, pottery.

### Objective Three: Create 10 full or part time jobs.

There were two full time and 8 part time jobs created. Most of these positions were in existing businesses and that reflects the reality that a fledgling business is seldom able to employ any staff till it is well up and running and is becoming economic. The "politi-speak" of business economists is that you employ the extra staff member and build the business to that level. Great idea but takes courage and a secure financial background.

Objective Four: *Assistance with event management for “Gumboot Day” festival*  
The facilitator met regularly with Co-ordinator of Gumboot Country Promotions.

Objective Five: *Feasibility study for Food and Music Festival*  
In consultation with various community and business groups the decision was made to combine the Taihape Food and Music Festival with the Gumboot Day 2000 festival.

Objective Six: *Assist at least six existing businesses to develop business and marketing plans.*  
More than six businesses were assisted this way and the feedback from these businesses was that this was a valuable exercise.

Objective Seven: *Develop a package promoting Taihape and surrounding district.*  
Although the business development facilitator was involved in assisting with the design and development of a number of the new business ventures he did not put together a complete package.

## **Discussion**

From the questionnaires all those who responded wrote very positively of the business development project and facilitator. One of the respondents obviously had a literacy problem but with the facilitator’s help he/she was able to draw up and negotiate a contract and begin self-employment. The overwhelming feedback from the respondents was the advantage of having an independent person with expertise to discuss their business ideas with. Often they felt that the facilitator was able to focus their ideas, extend their proposals and give them a wide variety of advice, from seeking finance through to advertising. Some of the other benefits are less tangible. For example, the opportunity to use the facilitator as a sounding board for their ideas and options (a useful tool in a small conservative rural community). This was particularly useful as often new ideas and ventures can be greeted with cynicism and negativity when shared with “locals”. People are not short of initiative or ideas and this independent encouragement was often the catalyst needed to get the “dream” started.

Another huge plus was the continuing nature of the facilitator visits with a six-week gap in between these visits. Once a strategic plan was established knowing that the facilitator was returning in six weeks kept the impetus up and onus on the clients to achieve the next steps in their plan as decided with the facilitator. All respondents were very keen to establish their business in the local area for a variety of reasons. A smaller town seems to allow for more individual flair. Lower costs associated with buildings/rent and wages were other advantages mentioned. Many commented that the Rangitikei District Council could do a lot more to encourage local investment. A recurrent theme was that the business facilitator employed should have been a Council-initiative.

In respect to objectives 4 and 5; seeking to halt the decline in population Taihape Promotions Brainstormed and created Gumboot Day and the township has since

attempted to develop its image as the "Gumboot Capital of the World". Its unique Gumboot Day began in 1984 and is now run annually. (In 1994 the event was voted the "Most Unique Event in the North Island" by the NZ events industry). This year the "World Gumboot Throwing Festival" and major events are planned for Gumboot 2000 Festival. The Business Development Facilitator spent time with the Festival Co-ordinator giving advice and support, providing many contacts and mentoring.

The actual economic benefits of the facilitator were difficult to measure. If the extra part time and full time jobs, and new businesses, were as a direct result of this work, and are sustainable, then the facilitator was definitely cost effective and could have made an economic boost to the community of over \$500,000. Having access to such consultancy has also probably meant some businesses have not failed. A number of the respondents said they would not have sought outside consultants, because of cost and distance, despite now realising how useful the business facilitator was to the survival of their businesses.

The educational benefits from courses and seminars were more widespread and again difficult to measure. However the satisfaction forms completed at the end of each course showed over 90% satisfaction.

The project has now been funded for a further year and it is interesting to see that a number of those using the facilitator this year are those that have been unemployed and are attempting to get back into employment or starting a new initiative. It is also useful for the other fledgling businesses to have the continued support and advice of the facilitator as many new businesses fail in their first two years. This year to date a further seven businesses are in the process of being started up, four business plans being written and five new jobs have been created in existing businesses. The facilitators have a total of forty five clients.

## **Conclusion**

Funds invested by CEG in Taihape were money well spent. The Business Development Project has had a number of valuable achievements (new businesses, learning opportunities, jobs created) which all add to the strengthening and developing of sustainable communities. The overwhelming response from the questionnaires was extremely positive. One of the unexpected strengths of the project was the actual facilitator employed. He had an experienced background in business himself, seemed to relate well to most of his clients and was always enthusiastic but moderated that with honest advice.

A significant number of those targeted were unemployed.

It is difficult to measure the actual economic return from the cost of \$27,225 invested but the growth in jobs, new businesses however small and future employment opportunities are definitive signs of success. Improvement in such things as economic activity, levels of education, business skills and responsiveness to opportunities are significant and indeed important.

#### **4) GOVERNMENT INITIATIVES**

There are a number of Government sources available for funding various projects. These include such things as environmental projects (Ministry for the Environment), conservation projects (DoC) and research funding (Foundation for Research Science and Technology). The following three initiatives have been reviewed as they are either more directly related to employment and economic growth or have a rural focus:

##### **A) PARTNERSHIP FOR GROWTH**

###### **Background**

In June 2000 the Honourable Jim Anderton, Minister for Economic Development, launched his Industry and Regional Development Package. It has a budget of \$331.875 million spread over the next four years and is aimed at supporting a range of advice and practical assistance programmes. At this stage there are three programmes available:

- Enterprise Awards Scheme
- Regional Partnership Programme
- Investment Ready Scheme

There are further initiatives planned over the next twelve months and these include Industry Specialist Support, Strategic Investment Support Services and The Angel Network.

The packages are all managed by Industry NZ (INZ) which will be formally established by 1 September.

###### **Enterprise Awards Scheme**

The intention of this scheme is to offer financial support for the development of new ideas and concepts that have strong growth potential. The funds available are contestable and it is necessary to submit a detailed proposal and supporting documentation. This proposal is then pre-assessed at 'local' centres then scored by Industry New Zealand officials before an overall evaluation by the Awards Committee. For this year the total funding available is \$5million.

The ten eligible activity areas are:

- Feasibility Studies
- Prototype Design and Testing
- Electronic Commerce Strategy
- Business/Strategic Planning
- Market Research
- Human Resource Development
- Businesses Appraisal/Capability Assessment
- Intellectual Property Protection
- Testing of Financial Viability and Assessment of Value
- Mentoring /Counselling

The scheme will fund a minimum of 250 awards over the first six months. Applicants can receive a maximum of \$10,000 that can be used to fund up to 50% of the total cost of the project. Applicants have to meet certain criteria and are guaranteed a decision within two months of submitting their proposal.

### Regional Partnership Programme

The intention of this programme is to encourage economic development within the regions with regional groupings and the government. A range of agencies such as local government, iwi, business and community organisations would be involved in putting a regional bid together. The proposal needs to have a strong long-term growth prospect. There will be no funding for one-off projects.

Regions can apply for funding in 3 components:

- Up to \$100,000 for Strategy Development
- Up to \$100,000 for Building Capability
- Up to \$2,000,000 for Major Regional Initiatives

The budget for 2000/01 is \$5.625 million and \$11.250 in 2001/02. At this stage Industry New Zealand has yet to start seeking “expressions of interest” or appoint Regional Case Managers. These case managers are needed to help the regional groupings to develop full proposals. The Regional Programme Approval Committee will do evaluation and approval of these proposals.

### Investment Ready Scheme

This intention of this scheme is to improve the chances of a small business raising finance in the early stages of development by offering assistance and skills training. There is no money available though the Scheme itself will be partially funded to around \$1.3million this year. There are two components to the scheme:

- Small Business Investment Readiness-provides training and information about obtaining capital in the form of seminars and focussed workshops.
- Small Business Deal Brokering Scheme-provides assessment of potential of ideas, deal making expertise and assistance and co-ordination with agencies such as financial institutions, technical experts etc.

## Discussion

For businesses already up and running to be eligible for the Enterprise Award scheme they must already have a sound track record and be financially viable. Entrepreneurs or start-up enterprises must also have a well-developed early-stage business concept or proposal. Awards focus on improving capability and capacity of businesses.

The ten eligible activity areas would all seem to require the employment of consultants. There are no actual bricks and mortar funding opportunities. However Industry New Zealand have indicated that they will be monitoring this aspect of the scheme to “ensure that it provides businesses and entrepreneurs with the best opportunity to advance ideas with marketable potential”. There should be scope for some of the feasibility funds being available for capital development and be monitored through local Councils with a person of appropriate skills employed to ‘keep an eye’ on these business initiatives. There are many people with expertise and flair that just need a bit of interest free capital for the first couple of years to get their business to the ‘success’ stage.

Early response to this scheme has seen only 2000 **inquiries** made (as at 31st August) and the first awards are to be made in September.

The Regional Partnership programme looks positive but presenting some difficulties. Unless District Councils take it upon themselves to coordinate all the background work, getting interested parties together, doing the research and presenting the proposal there could be a dearth of applications. Industry New Zealand does not envisage that the District councils will do ALL the homework for these proposals and are encouraging agencies, organisations and individuals, which want to put in a proposal, to consult with District or Regional Councils prior to doing so. “Consultation is encouraged to be wide and varied”. It may become a necessity for District Councils to employ a business development officer to coordinate all interested parties etc to get these regional packages off the ground and happening in their District. **There needs to be a coordinated comprehensive district/regional strategy that investigates opportunities and carries out the research.**

It shall be interesting to watch the West Coast and observe what they do with their \$120 million package. Without being able to use their “competitive advantage i.e. their natural resources” there may be many difficulties and also problems with pulling their districts together.

Investment Ready scheme seems very similar to the BIZ programmes in that they offer educational opportunities. However it is intended that Investment Ready Scheme will be targeted specifically at gaining access to start up funding. The BIZ training programmes will continue.

## Conclusion

Industry New Zealand has not been up and running long enough to assess its success. Feelings are that the Enterprise Awards scheme will result in lining consultants’ pockets and that there should be more opportunity for actual capital funds to be available. Local Councils will need to do a lot of consultation and bridge building with other Councils and make firm commitments to the Regional Partnership schemes before they will be taken up.

## **B) WINZ-“Start Your Own Business”**

### **Background**

WINZ offer an Enterprise Allowance, Enterprise Grant and a Business Training and Advice Grant for those registered on the unemployment benefit for greater than six months. Worth up to \$10,000 they can be granted in a number of ways. For example \$600 may be spent on business training or professional advice (Business Training and Advice Grant) then the rest may be capitalised. Or a person could capitalise \$5000 (Enterprise Grant) for start-up then have the other \$5000 paid over every four weeks as a living allowance (Enterprise Allowance). If your business is successful the grant is non-refundable. However if you go out of business within six months you must pay back what you capitalised.

The enterprise allowance can be used to meet business expenses such as power or rent or for living expenses while the business is becoming established. The Enterprise Grant is to help with the costs of setting up the business. For either allowance or grant the applicant must go on an approved training course and provide a business plan.

The business training and advice grant can be used to pay for training in management, marketing or other business skills.

The proposals are vetted and a skills assessment done on applicants. An independent assessor does the vetting process.

### **Discussion**

The six-month stand down has its disadvantages in that during that time the potential entrepreneur loses confidence, finances are depleted and skills fall away.

One has to ask why this allowance is not available for low-income people as well. If such a person is given an opportunity like that they free up a job that may well be more suitable for the unemployed person. They may also be more capable of putting a project together i.e. have the ability.

Feedback from some that have had taken up this package indicate problems with “understanding the requirements”, “lack of clarity” and “full of complexity”.

### **Conclusion**

An opportunity for the unemployed to ‘kick-start’ themselves into a business and thus employment but possibly a scheme that is not user friendly.

## C) THE SUSTAINABLE FARMING FUND

### Background

The Sustainable Framing Fund has only just been launched and is a Ministry of Agriculture and Forestry initiative. Its purpose is to “support community-driven programmes aimed at improving financial and environmental performance of the land-based sectors”. The focus of the fund is on projects that are practical and help the transfer of information and technologies from technical experts into the wider community.

The fund will support three types of activities:

- Access to information/knowledge
- Access to tools to convert information/knowledge into options and to make informed decisions.
- Bringing together “communities of interest”. These are groups of people or sectors drawn together by a shared problem or opportunity.

It is intended that the Fund will provide grants for projects lasting from one to three years. There is a criteria and preference will be given to projects that:

- Provide the greatest benefit across a rural community (as opposed to benefits restricted to individuals or private companies)
- Demonstrate genuine commitment of, and partnership with, a rural community. Partnership must involve financial participation.
- Align with existing community or sector strategies (eg. research strategies, regional development strategies).
- Promote economic and environmental sustainability.
- Are aligned with and do not clash with other Government initiatives.
- Can demonstrate value-for-money.

The maximum grant payable will normally not exceed \$200,000 (GST inclusive) per project per year.

### Discussion

Early days yet but the opportunities presented by the Fund looks positive. The “Crops for Southland” and a local initiative called “Visual Soil Assessment” would be good examples of the types of projects that could be undertaken.

However these programmes take a lot to get started in resources, time, community commitment and often run out of steam, dollars, Government interest. A new one is then started up without the benefit of all previous knowledge etc-a waste of time, money and resources.

### Conclusion

## *Appendix 1.*

### **Strategic Analysis;**

SWOT of Taihape.

#### **Strengths**

- Strategic location
- Road and Rail access
- Limited local competition for new start up business
- Land availability for commercial development
- Affordable labour
- Affordable housing and rental premises
- Stable work force
- Quality rural medical services
- Surrounded by productive farm land
- Reliable climate
- Integrated social services
- Rangitikei River-adventure tourism
- Other tourism activities and potential capability
- Ruapehu REAP

#### **Weaknesses**

- Down turn in rural economy
- Low population base
- Loss of young work force and youth for higher education-aging District profile
- Retail leakage
- Low-mid socio-economic status of residential base
- Lack of Investor awareness
- Lack of promotion and business initiative encouragement by Council
- Lack of skilled and specialised labour
- Costs of freight to other markets
- Lack of local support/advice for small businesses

#### **Opportunities**

- High traffic flow on State Highway One
- INZ Regional Development Package
- Taihape Gumboot Promotions
- Gumboot Country Coordinator
- Ruapehu REAP
- Rangitikei District Council business development policies
- Upturn in rural economy
- Street beautification
- Taihape Information Centre
- Continued promote by Rangitikei Tourism

- Rangitikei being seen as the Queenstown of the North

### **Threats**

- Population decline
- Downturn in rural economy
- Rangitikei District Council policies eg. rate increases
- General Negativity
- Inability to attract outside investment
- Withdrawal of essential services
- Increase in demands of social services
- Visitor market is seasonal
- Lack of strong community leadership
- Army (Waiouru) downsizing

## *Appendix 2.*

### **RANGITIKEI RURAL ACTION PANEL**

#### **Mission Statement:**

Build on and enhance our dynamic, positive community so it is better equipped to face present and future challenges.

#### **Goals**

1. Improved communications between people in the community to enable people to be more aware of activities taking place in the area, and key issues affecting people in the area. This will be done by, for example, running kitchen table meetings/small group meetings.
2. Improved dissemination of information between groups in the community.
3. Develop, organise as appropriate, and promote learning opportunities.
4. Liaise with:
  - REAP
  - Rangitikei Business Development Facilitator
  - Federated Farmers
  - Gumboot Country Promotions
  - Rangitikei District Council
  - Taihape Community Board
  - Rangitikei Tourism
  - Community Health Board
  - Rangitikei Rural Community Service
  - Taihape Principals Group
  - any others as appropriate

in order to build the community's understanding of local activities and understanding of what local groups are doing to manage various issues.

5. Write a weekly newsletter, or provide a weekly update /newsletter column in eg. Taihape Times, to keep people informed about activities and issues, and who is doing what to manage issues.
6. Establish networking groups for lobbying and to improve liaison with government, eg;
  - MAF
  - CEG
  - COGS

7.

8.