

L.E.K.

20
YEARS
1983 - 2003

Auckland
Bangkok
Beijing
Boston
Chicago
London
Los Angeles
Melbourne
Milan
Munich
Paris
San Francisco
Shanghai
Singapore
Sydney

**ENTERPRISE NORTHLAND MARINE
DEVELOPMENT GROUP**

Economic Impact Assessment

26 November 2003

L.E.K. Consulting Limited
Level 34, Vero Centre
48 Shortland Street
PO Box 105-480
Auckland
New Zealand

t: 64.9.976 6400
f: 64.9.976 6444
lek.com

Context and Disclaimer

L.E.K. Consulting was appointed by ADVANCE WHANGAREI and ENTERPRISE NORTHLAND MARINE INDUSTRY DEVELOPMENT GROUP to undertake an economic assessment impact study of the marine industry development of the Port Whangarei land

The information contained in this report has been compiled from information supplied by ADVANCE WHANGAREI and ENTERPRISE NORTHLAND MARINE INDUSTRY DEVELOPMENT GROUP, and other publicly available information

Every effort has been made to ensure the information presented and the conclusions reached are realistic and not misleading. However, L.E.K. Consulting makes no warranty as to the accuracy of the information contained in this presentation and will not accept responsibility or liability for any loss incurred by any person or entity relying on the information in this report

This report is solely for the use of client personnel. No part of it may be circulated, quoted or reproduced for distribution outside the client organisation without the prior written approval of L.E.K. Consulting

The ENMDG / L.E.K. survey was sent out to 15 companies involved in boat building in the Whangarei district and received 12 responses

What Is Included

- Total revenue, both domestic and international from the sale and refit of large boats (18 metre plus)
- Spending by manufacturers on materials related to marine construction
- Employment (both full and part-time) of staff involved in the marine industry
- The employment of sub-contractors

What Is Not Included

- Spending on other facilities not directly related to the marine industry
 - retail outlets, training programmes, accommodation
 - other non-marine economic activity using waterside facilities
- Flow on effects through the Northland economy from the marine sector
 - expenditure by owners and visitors on boats
 - new businesses established in the region to service the industry growth
 - economic multipliers

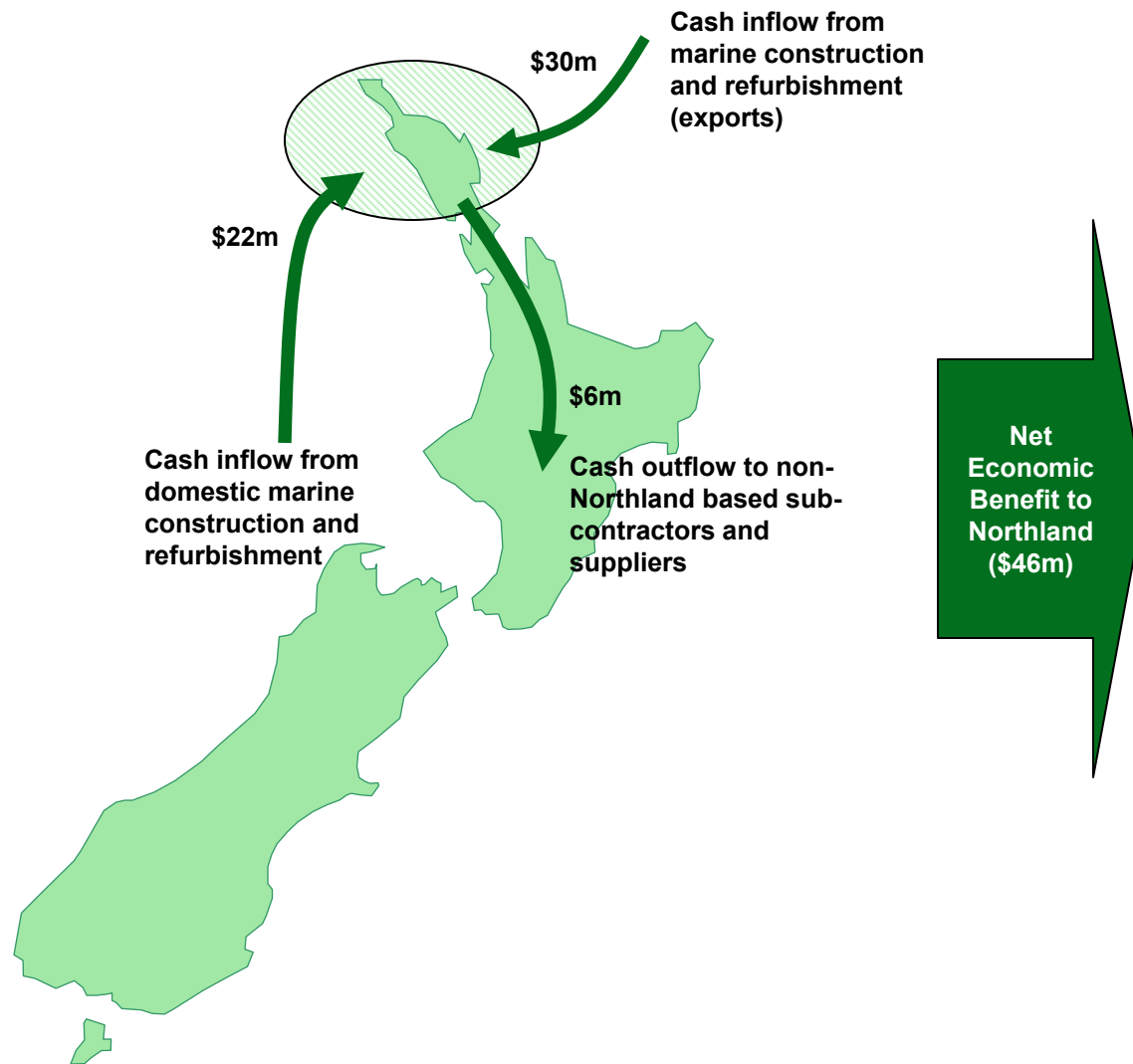
Agenda

● **Current Situation**

● **Situation in 2008**

● **Appendix**

Conservatively, the Whangarei boat building industry has a \$46m economic impact on the region



Direct Impact

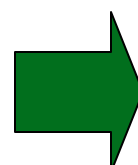
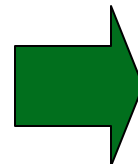
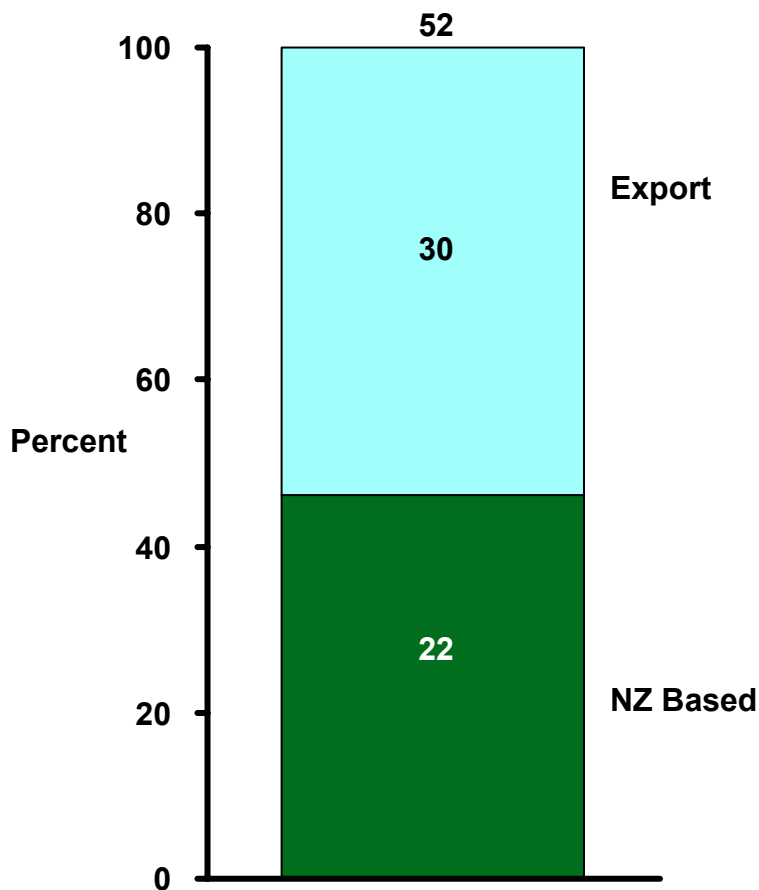
- Wages and salaries paid to staff
- Sub-contractors from within the Northland region
- Supplies sourced from within the Northland region

Indirect Impact

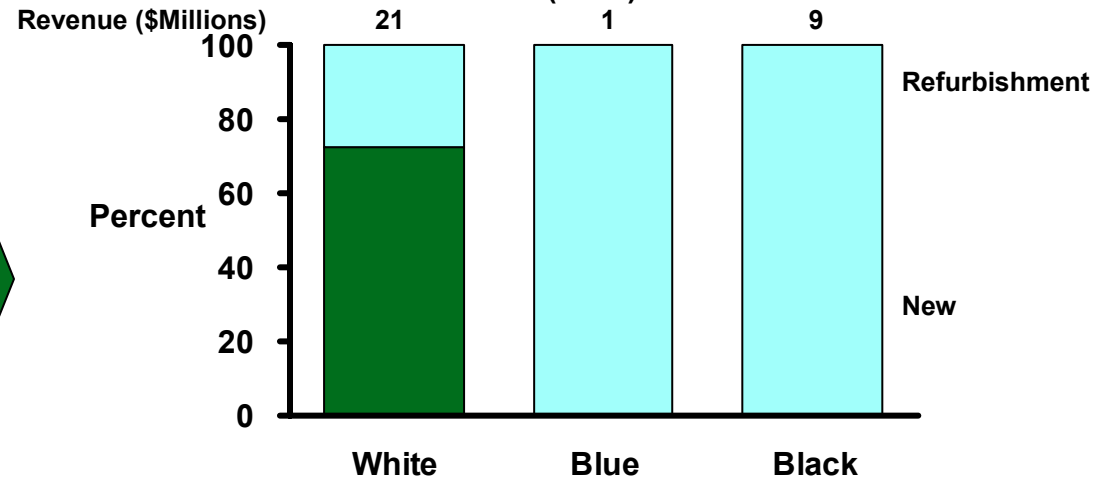
- Profit generated by the Northland region reinvested or spent on other activities

The Whangarei marine industry attracts an income of \$52m more than half of which is export

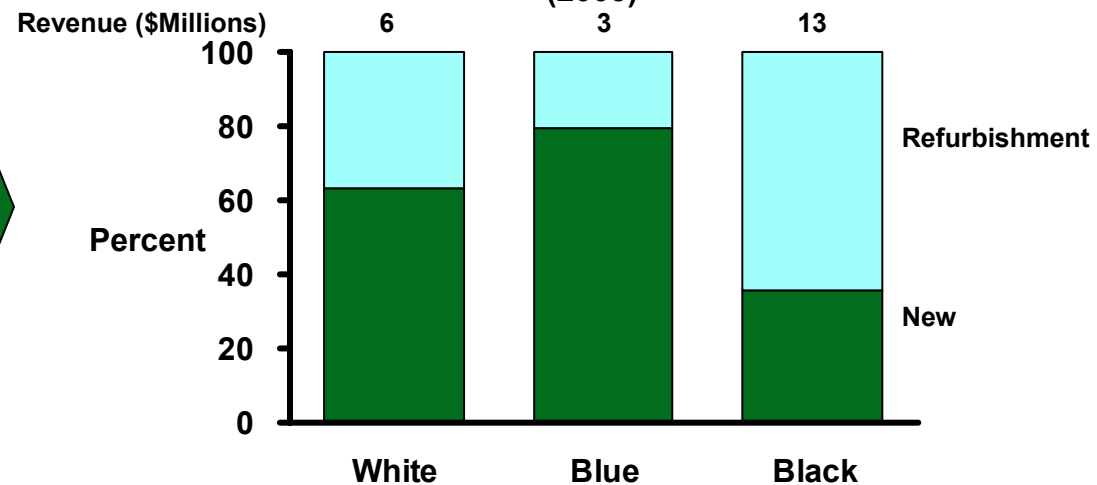
Whangarei Marine Industry Revenues (2003)



Revenues from Export (2003)



Revenues from NZ Based customers (2003)

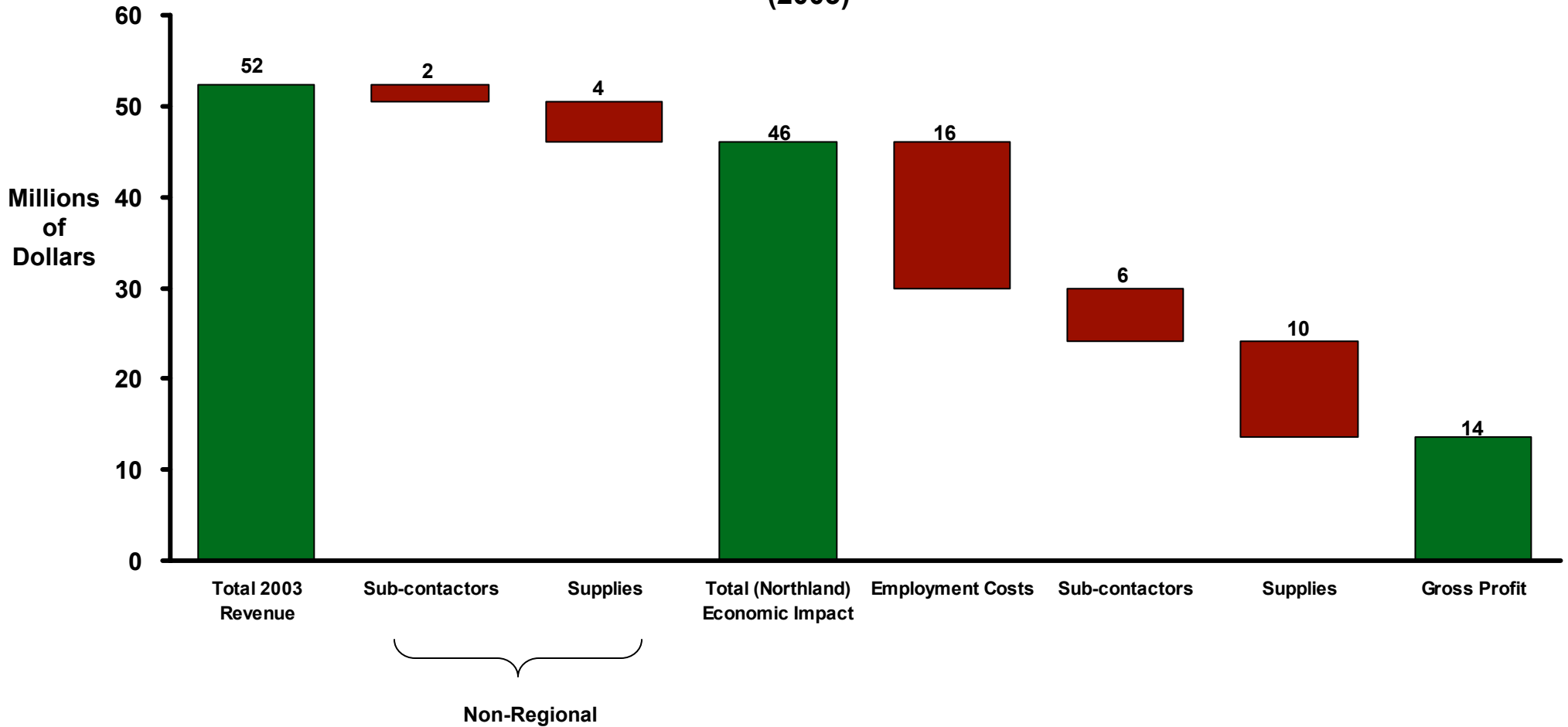


Note: No grey data available
 Source: ENMDG / L.E.K. Survey, L.E.K. Analysis

I:\Active\AWG2\Presentation\ENMDG Study 26 Nov03.ppt

The majority of economic activity generated by the Whangarei boat building industry is retained within the Northland region

Economic Contribution from Marine Activity in Whangarei (2003)



Source: ENMDG / L.E.K. Survey, L.E.K. Analysis

Summary of current situation

- **The Whangarei marine industry turns over about \$52m per annum, of which \$46m is retained within Northland and \$6m spent on national suppliers and contractors**
- **The marine industry directly employs over 400 people, the majority of whom are full-time**
 - **L.E.K. survey is closely aligned to Statistics New Zealand employment data published recently**
- **The direct wage bill exceeds \$16m per annum and an additional \$16m is spent on local suppliers and sub-contractors in the region**
- **The local industry makes a margin of around 27% (\$14m p.a.)**

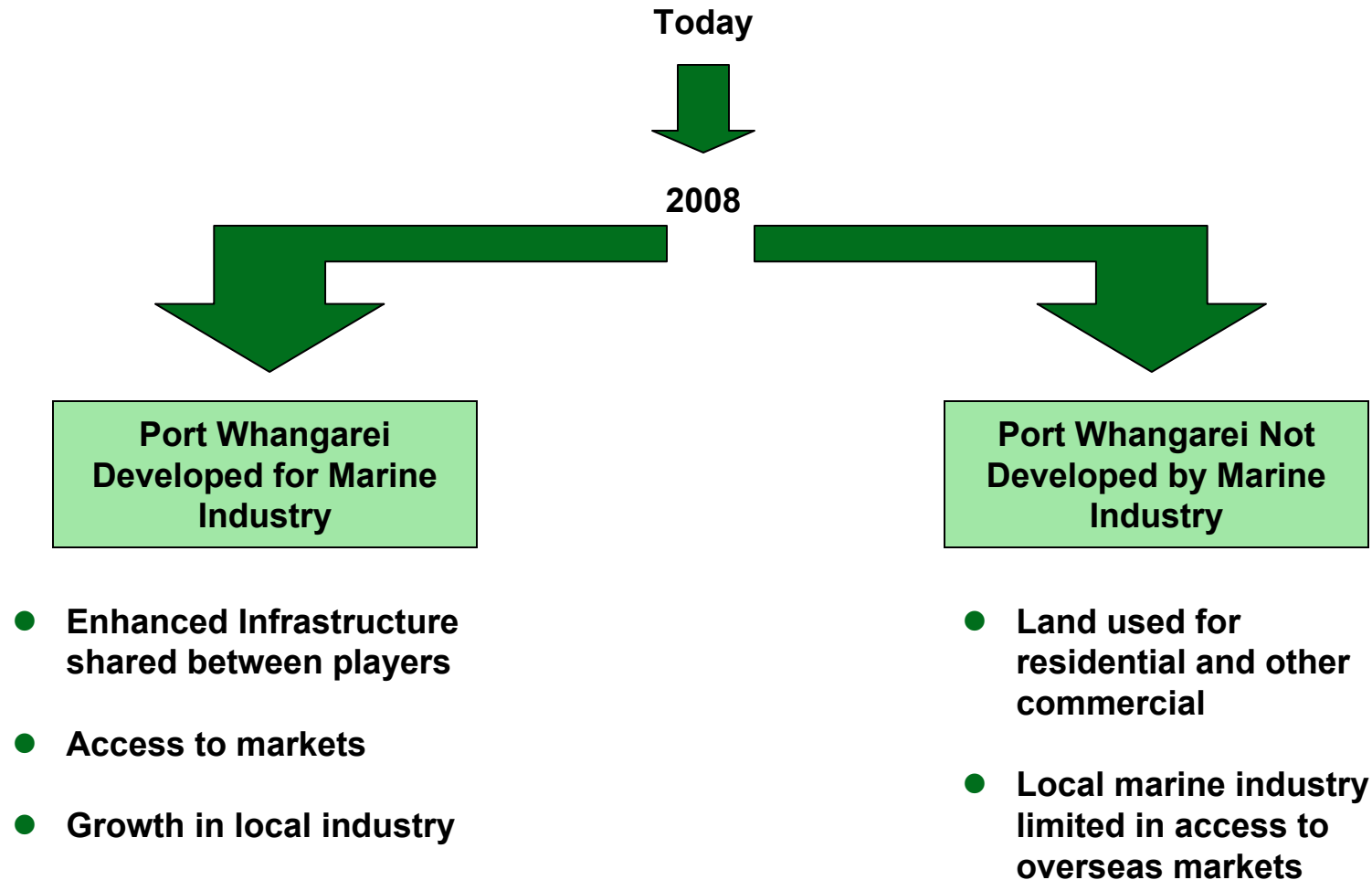
Agenda

- **Current Situation**

- **Situation in 2008**

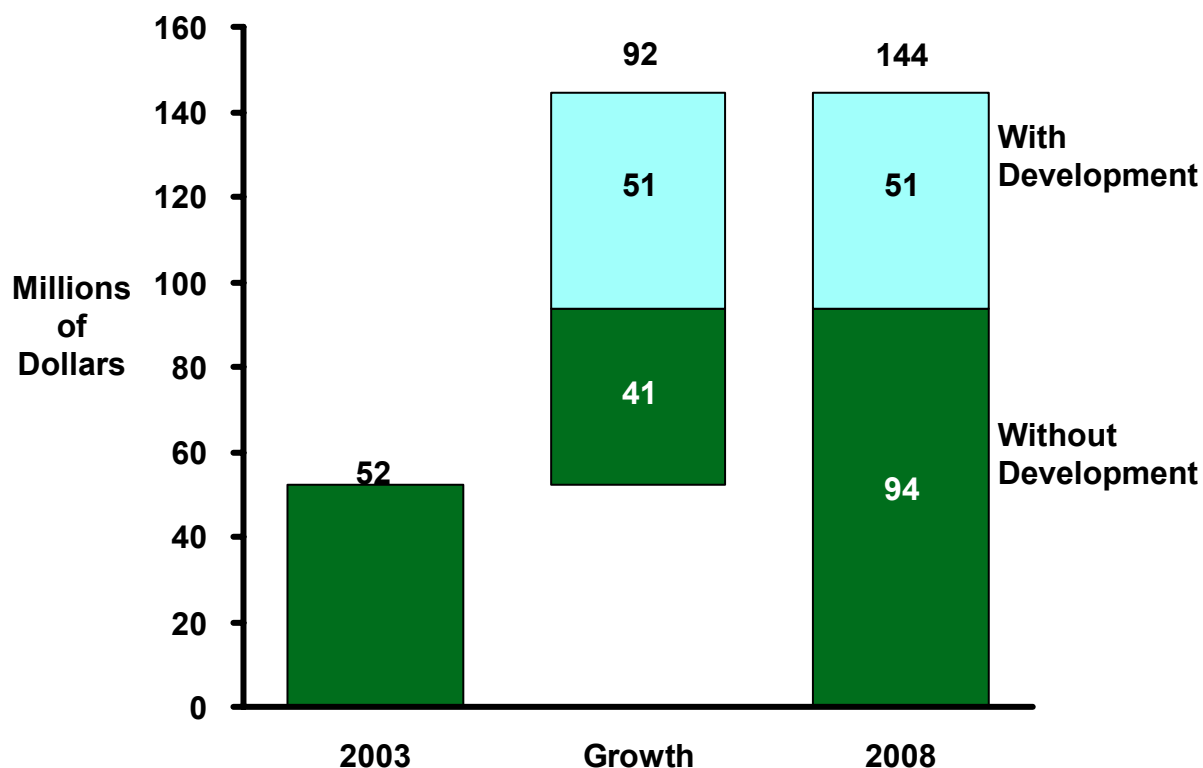
- **Appendix**

L.E.K. and ENMDG evaluated two scenarios based around the development of the Port Whangarei infrastructure



The Port Whangarei opportunity could open up access to a further \$51m in revenues for the local marine industry in the next five years - doubling the expected growth

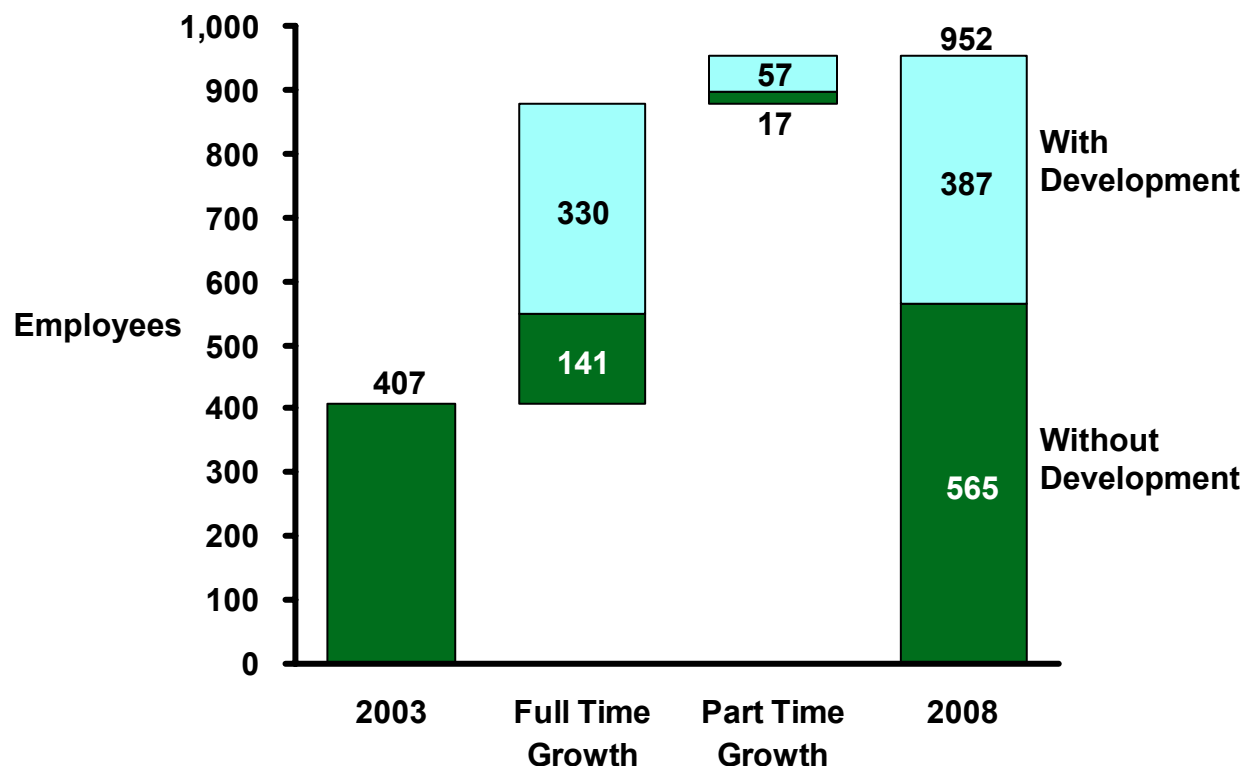
**Whangarei Marine Industry Revenues
(2003 - 08)**



- Growth is expected to come from improved facilities
 - easier to convince clients to bring their business to Whangarei
 - additional demand expected from both foreign and domestic customers
- Some respondents indicated that they would be forced to leave the Whangarei region if there were no new facilities developed
- While there is a significant upside potential, some respondents indicated that they would develop their own slipway if it was required
 - this would lead to inefficient local infrastructure which may make Whangarei uncompetitive nationally and internationally

Development of Port Whangarei could lead to 387 additional employment opportunities in the region

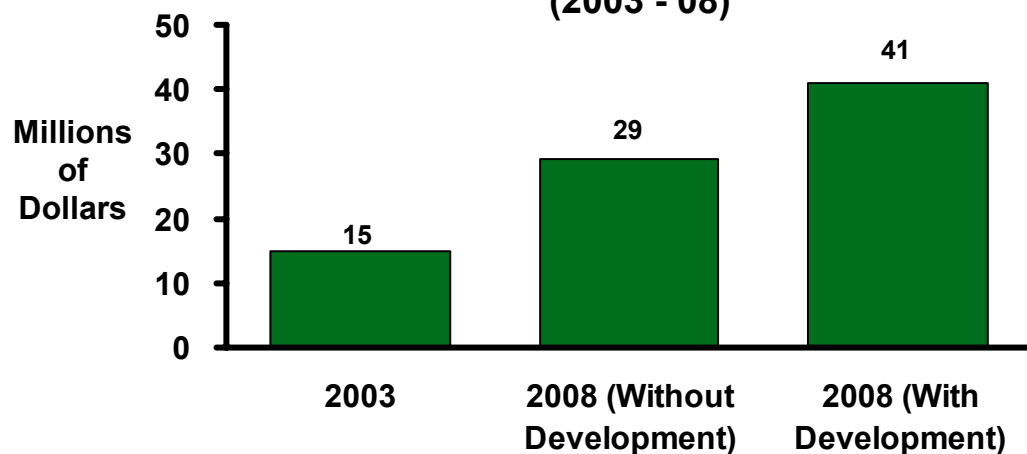
**Whangarei Marine Industry Employment
(2003 - 08)**



- Without the Port development the industry is expected to grow gradually, creating another 158 jobs over five years
- The Port development leads local companies to predict significant business and employment growth
- The majority of the employment growth is expected to be in full-time positions
 - a number of respondents expressed a strong preference for having no part-time employees

Local sub-contractors and suppliers will also benefit as the marine industry increases in scale

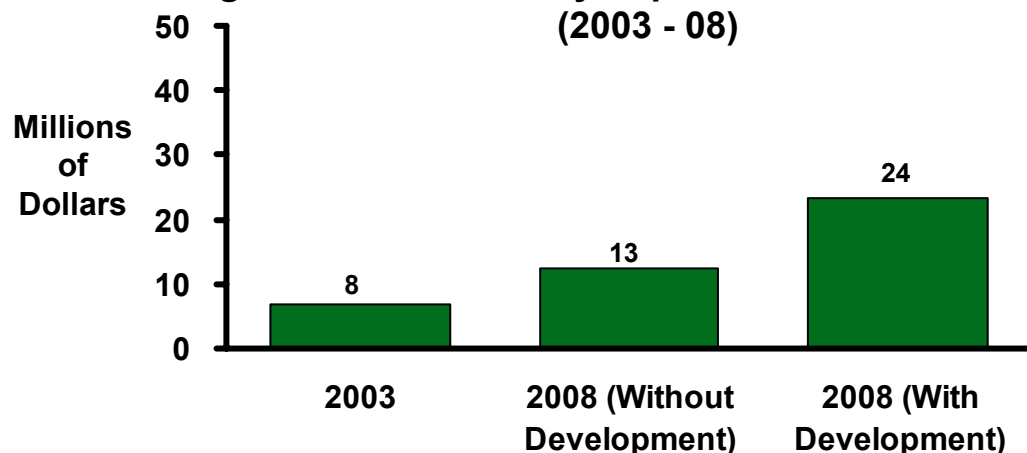
**Whangarei Marine Industry Expenditure on Suppliers
(2003 - 08)**



- The heavy weighting towards Northland suppliers and sub-contractors would be maintained with the majority of respondents expressing a desire to support Northland businesses
- The additional uplift created by a port facility is likely to have a proportionately greater effect on sub-contractors

- there will be a greater variety of work available that would require sub-contractors

**Whangarei Marine Industry Expenditure on Sub-Contractors
(2003 - 08)**



While the Whangarei industry will continue irrespective of the Port development, significant upside exists from such a development

Business as Usual

- Sales are expected to continue to grow without a Port development
 - smaller boat builders are not reliant on such a development
 - several companies / groups have their own facilities and are not reliant on further port facilities
- Spending on suppliers and sub-contractors is still expected to double over the next 5 years without further Port land development
- Some companies may be forced to leave the region because there will not be sufficient facilities / customer base in Whangarei
- Individual companies will be required to build their own facilities to access large boat markets

Develop Port Facilities

- There will be an uplift in economic benefit to the Northland region
 - easier to attract clients with more attractive facilities
 - larger market of vessels can be serviced by the facilities
- The development would lead to more stability in the local marine industry
 - better equipped to “ride out” the difficult times
 - possibly easier to attract further capital investment
 - increase in the level of marine skills in the region likely to have a positive knock-on effect
- Increased spending on local sub-contractors with a wider variety of work becoming available

Agenda

- **Current Situation**

- **Situation in 2008**

- **Appendix**

There was strong consensus around the estimates for revenue growth with the port development

Distribution of Year on Year Revenue Growth Rates

