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# WAHAROA BUSINESS HUB

## FEASIBILITY PHASE REPORT

27<sup>th</sup> September 2019



Southwest view of Waharoa

Photo courtesy of Stuff | Waikato Times

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## MIHI | WELCOME

He honore he kororia kite Atua - he maungarongo kite te whenua - he whakaaro pai ki nga tangata katia-tihei mauriora!  
Kiingi Tuheitia me toona ahurewa tapu - paimarire.

E te Iwi nui Tonu- tena koutou katoa.

Anei matou ko te kaunihera a rohe o Matamata Piako me nga tari kawanatanga me te Iwi hei whakapuurongo mai kia koutou te ahuatanga o to tatou kaupapa mo tena whaitua o Waharoa.

E kohikohi mai I o matou pukenga kia hiki te kaupapa nei hei whakahoki mai ki te kororiatanga o Waharoa i mua.

*We, the Matamata-Piako District Council, Iwi, Government departments, community and business, are proud to present this Report for your consideration.*

*We have come together to combine our strengths and to speak with one voice for the community of Waharoa. We are excited about the opportunities and believe that Waharoa can be returned to its former glory - a community where people were healthy and prosperous.*

**Rukumoana Schaafhausen**, Programme Governance Group Chair

The project wishes to acknowledge the co-funding support of:

- Open Country Dairy Limited
- Balle Bros Limited
- Ingham Enterprises Pty Limited
- Waharoa Industrial Park/Clothier Family

# EXECUTIVE SUMMARY

The purpose of this project is to lift the economic and social wellbeing of Waharoa, just north of Matamata in the Waikato. Waharoa is a tight knit community with a population of 460-500, primarily of Māori ethnicity. Local iwi, Ngāti Hauā are the life force and have a youthful population, with a median age of 28.5 years. However, Waharoa is impoverished. It sits at 10 on the NZ Deprivation Index. Unemployment is high and estimated to exceed 30% of those that are of working age, in the workforce and living in Waharoa.

The project has worked closely with Ngāti Hauā, local community, Crown agencies and business to develop a feasible plan to address the social, cultural, environmental and economic challenges faced in the community.

The table below captures the key elements of the plan. Waharoa is strategically located, close to Port of Tauranga, under two-hours' drive from most Auckland locations and at the centre of a major railway junction. It is the logical eastern Waikato hub for economic activity. This plan will create the foundation for a major uplift in economic activity extending well beyond the immediate opportunities identified.

Project	Est. Capital Cost \$m	Est. Perm. Full-Time Roles Created	Direct PGF support sought?	Indirect PGF support sought?
<b>1. Waharoa Employment and Training Hub</b>	Led by Ngāti Hauā, the creation of an employability, skill development and driver licencing and job opportunity hub within the Waharoa community that can meet the needs of NEET candidates in particular, targeting 30-50 trainees in year one. \$500k pa opex.			
<b>2. Waharoa Agri-Food Hub<sup>1</sup> horticulture post-harvest value added processing facility.</b>	65 – 75	50 Process workers, Admin.	Yes, up to \$38m co-funding	
<b>3. Kaimai Cheese Factory – recommencement production of boutique dairy products.</b>		10 Process workers		Yes. Support for other processing businesses is critical to build necessary scale for wastewater and gas.
<b>4. Industrial technology tyre polymer facility.</b>	25	65 Process, Technical & Science	Yes, up to \$13m co-funding	
<b>5. Rail Siding hub</b>	1 – 5, dependent on location	2-4 Fork truck, Operations	Yes, up to \$3m co-funding	
<b>6. Firstgas gas pipeline reticulation</b>	20	Construction only		Yes. <u>Gas reticulation is critical</u> . Support for other processing businesses builds necessary scale for gas.
<b>7. Wastewater<sup>2</sup> management system</b>	Not quant. as yet	Construction only	No	Yes. Wastewater management is important. Support for other processing

<sup>1</sup> The relevant companies will be submitting PGF applications in their own names

<sup>2</sup> Water and wastewater are services provided by District Council. Scalable solutions are believed to exist, utilising the additional demand created.

				businesses builds necessary scale.
<b>8. Potable Water capacity expansion</b>	Not quant. as yet	Construction only	No	Yes. Potable water is important. Support for other processing businesses builds necessary scale.

Contingent upon acceptable Business Case phase outcomes, a range of between **50 to 130 permanent roles** is expected. This will add up to **\$77m** to the economic output of Waharoa by FY24. A provisional **opex budget of \$500k pa** is signalled for the Employment and Training Hub, primarily to procure training services from providers.

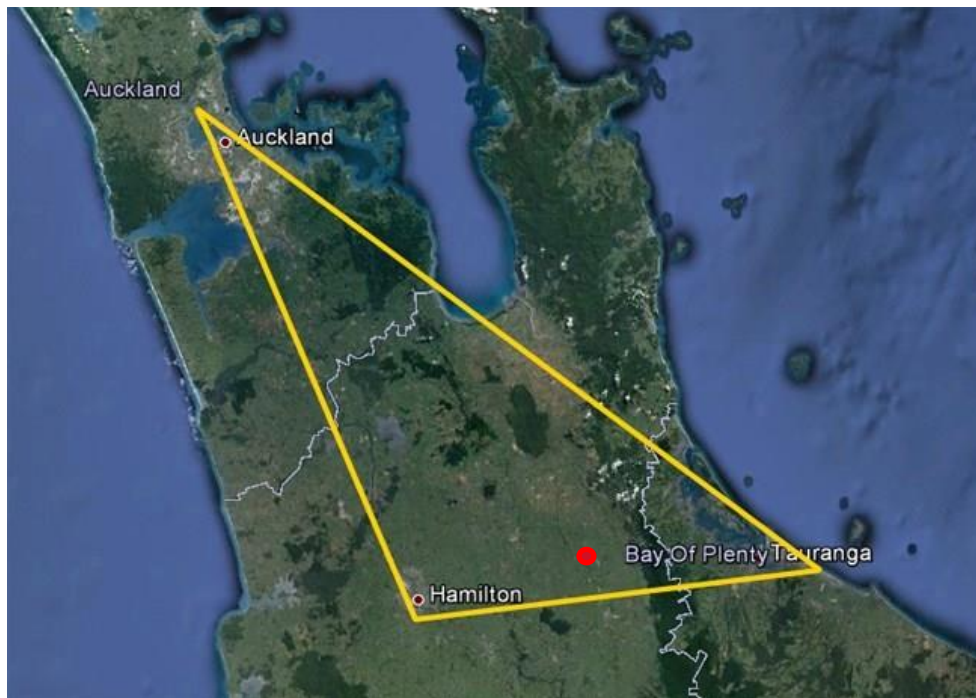
# INTRODUCTION

## 1.1 Overview

Waharoa is a rural Waikato town, located 7km to the north of Matamata and within the Matamata-Piako District. Ngāti Hauā are the life force of Waharoa, with the Pā and Raungaiti Marae at the centre of the community.

Waharoa is strategically located at the juncture of the East Coast Main Trunk Line and Highway 27 and moreover, is also situated within the 'Golden Triangle' – the area between Auckland, Hamilton and Tauranga (see figure 1) which has long been recognised as the productive heart of New Zealand's economy. The region has important road and rail connections to large and growing centres, notably Tauranga and Auckland. Approximately 40% of the nation's freight movements go into, out of, or through Waikato.

This, together with Waharoa's existing and productive dairy and horticulture industries provides opportunity for expanded development potential.



**Figure 1: New Zealand's Golden Triangle**

RCP have been engaged by the Matamata-Piako District Council (the Council) as part of a Provincial Growth Fund (PGF) initiative to undertake a feasibility study to define what expanded development potential in Waharoa may look like, whilst also addressing the adjacent opportunities, risks and constraints to development viability.

The purpose of this report is to present the findings of the Feasibility Phase Analysis, which have been informed by both qualitative and quantitative investigations. The outcome of this analysis is intended to inform the basis of the future Business Case which is to be developed in line with the objectives of the PGF.

## 1.2 Background

### 1.2.1 Historic Context

Throughout history, both in pre and post European times, Waharoa has been an important regional location, steeped in history. Waharoa was originally settled by respected Ngāti Hauā leader, Te Waharoa, who established his pā in 1830 on a ridge above the Waitoa river.

The township's post European history commenced around 1886, when the NZ Herald reported progress with the establishment of a:

*"special settlement at Waharoa, north of Matamata", at a spot formerly "the site of a native settlement occupied by a portion of the Ngati Haua tribe" which was considered "to speak well for the quality of the land and the convenience of its surroundings, it being well known that only such places as furnished the richest soil, with abundance of wood and water in the immediate vicinity, were selected by Maori around which to form its settlements".*

By October 1886, construction of the first cottages and fencing of the first farms had been completed, ready for the impending arrival of the settlers. The building of the cheese and butter factory was also reported as being *"in a very forward state"* and ready to be conveyed to its destination near the Waharoa Railway Station. Adjoining the railway station at the east side, the township of Waharoa had been laid out, including shops and facilities, promising *"a future prosperous and thriving settlement"*.

By 1921, Waharoa had a population of 250-300 and was at the forefront of New Zealand's emerging dairy industry. The dairy and butter factories were to work in conjunction, with cream from the dried milk plant to be pumped to the butter plant twice daily. Waharoa was a major Waikato hub and received all cream production, served by the Rotorua line, between Morrinsville and Putaruru. The milling of flax was another important industry.

Co-operation amongst producers to better manage their supply chain, storage and sales efforts into the British market was a common point of industry discussion. New Zealand Co-operative Milk Foods merged with N.Z. Co-operative Dairy Company later in 1921. The latter business was selling export product under the brand "Anchor" at the time. In 1923, dairy produce export control legislation established the New Zealand Dairy Board to consolidate the efforts of ~600 farmer cooperative dairy businesses across New Zealand.

For more than a century, the township prospered, centred on a booming dairy industry and large dairy factory. However, with the closure of the milk processing plant in the 1980's, the town fell on hard times. Employment opportunities disappeared, businesses suffered, the community slid towards social deprivation, and the townscape was marred by the vandalised shell of the neglected former dairy factory building.

But the community did not abandon the town. Many prominent locals, both current and past residents of Waharoa have retained strong ties with, and pride in, their town.

In true pioneering tradition they have worked together to turn the trend around, spearheaded by people like the late Bruce Clothier who redeveloped the former dairy factory into industrial



premises, located his transport company here, and demolished the remnants of the former dairy factory that blighted the townscape.

Wyatt Creech established a new dairy processing and cheese factory in the town – OCD. OCD is now New Zealand's second largest dairy processor and has over 50,000 truck movements around the North and South Islands from its factory in Waharoa. OCD employs over 100 staff directly and an estimated 60 indirectly (through transport and cool stores).

The Balle Brothers established a storage and wash shed and have expanded their market garden operations proximate to Waharoa.

Craig Mowatt has developed new industrial sections to attract new businesses to the town.

## 1.2.2 Demographics

As of the 2013 Census, Waharoa was home to 465 people and 147 households. Households have an average of 3.1 residents, which is 13% above the national average.

The community is small and close knit with most residents descending from a single iwi Ngāti Hauā, with 70% of the population being of Māori ethnicity.

The median age for people in Waharoa is 28.5 years. 30.3% of people are aged under 15 years. Of those aged 15 years and over, 43.6%, have a formal qualification and 3.8% hold a bachelor's degree or higher as their highest qualification.

For people aged 15 years and over, the median income is \$21,000. 50% of people aged 15 years and over have an annual income of \$20,000 or less, 12.8% of those aged 15 years and over have an annual income of more than \$50,000.

A 2018 Waikato Plan Discussion Paper<sup>3</sup> confirms that the Waikato region has a higher than average overall Index of Multiple Deprivation (IMD) with 48.1% of its data zones in quintile 4 or 5 (quintile 5 being the most deprived). The strongest drivers of deprivation in the Waikato are education, income and access deprivation. Waharoa has the second most deprived data zone for education.

The 2013 Census revealed the unemployment rate in Waharoa is 13.3% for people aged 15 years and over, this is compared with 5% for all of the Matamata-Piako District. It is of note that as of June 30, 2019, the Ministry of Social Development (MSD) reported that 90 Waharoa locals are on a Jobseekers benefit out of an estimated 250 locals seeking to participate in the workforce. This would indicate that unemployment is in fact greater than 30%.

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<sup>3</sup> McMillan, R. and Exeter, D. (2018). Socioeconomic Deprivation in the Waikato Region. Using the Index of Multiple Deprivation to understand drivers of deprivation. Waikato Plan Discussion Paper, Waikato Plan, Hamilton.

# INDUSTRIAL HUB AND RAIL SIDING

## 2.1 Overview

Primary Industry processing activity has dominated Waharoa's industrial landscape since the birth of the township in the late 1800's. Dairy processing (Open Country Dairy ~110 staff) and Horticulture (Balle Brothers ~12 staff) are the first and second largest industries respectively.

Waharoa's strategic position on the eastern side of the Waikato plain, is in the middle of some of the most fertile land in New Zealand. Waharoa is only 60km from the Port of Tauranga. This speaks to the potential for value added industrial processing to be one of the highest calls available on industrial land in Waharoa.

Rail quickly become a core supporting infrastructure for business life in Waharoa in the late 1800's. The requirement to move bulk goods to/from ports has not changed in 2019. However, Tauranga road congestion and the scale dynamics of rail are improving its economics.

This section sets out the research process undertaken, tangible opportunities identified and related key findings. Physical infrastructure and labour market requirements to support these opportunities are also discussed. The section concludes with a summary of the industrial hub/rail siding opportunities and work required in the Business Case phase to bring these to fruition. Figure 2 below provides an orientation to Waharoa's existing industrial hub.



Figure 2: Waharoa Industrial Hub – Looking North (image courtesy of Stuff | Waikato Times)

## 2.2 Research Process

To build an understanding of the 'here and now' opportunities to capitalise on these natural advantages, two central industrial hub growth opportunities, and a more opportunistic set have been identified as follows:

1. Acceleration of incumbent Waharoa business expansion plans.
2. Supplementary expansion of operations in Waharoa by primary sector businesses with substantial activities across the Waikato region more generally.
3. Businesses that have made recent contact with Waharoa industrial landowners.

The project developed a Waharoa promotional Schema (Attached as Appendix 1) and utilised this as the collateral upon which to hold a set of face-to-face discussions with management and executives in the following businesses (please refer to Appendix 2 for meeting note key points):

<b>BUSINESS</b>	<b>INDUSTRY</b>
▪ Fonterra	Dairy
▪ Open Country Dairy (OCD)	Dairy
▪ Tatua	Dairy
▪ Kaimai Cheese Company	Dairy
▪ Balle Brothers	Horticulture
▪ Ingham's	Poultry
▪ Silver Fern Farms	Meat
▪ Greenlea Meats	Meat
▪ Wallace Group LP	Tannery and farm kill stock processing
▪	Industrial tech. end of life tyre processing business producing devulcanised polymer

## 2.3 Key Findings

**Incumbent Expansion** - unsurprisingly, incumbent businesses are most motivated to grow their operations in Waharoa.

A post-harvest value added processing facility has been identified as the anchor project for the industrial hub. Through the project phase, this will be known as the "**Waharoa Agri-Food Hub**". This opportunity is covered in more detail subsequently and presents the opportunity to create 50 new permanent roles. The reticulation of gas, as a preferred energy source that is cleaner than coal, is important.

More broadly, the demands on fertile soils in the Auckland and Bay of Plenty regions for urban development will enhance the utility of the Matamata-Piako eastern Waikato district for horticulture. Waharoa is the logical proximate location for processing. The Waharoa Agri-Food Hub is expected to be the trailblazer in this regard.

**Incumbent rejuvenation** – The Kaimai Cheese Company will recommence production if a cost-effective wastewater management solution can be identified. This will create 10 new permanent roles.

**Auckland processing business expansion/relocation** – Industrial processing businesses require: a high heat energy source (gas being preferred), water and wastewater, cost effective transport connectivity and labour. Industrial landowners note Waharoa's strategic location and the ability to lease or purchase land at significantly cheaper than Auckland, Hamilton or Tauranga makes Waharoa attractive. However, the lack of reticulated gas and an industrial wastewater is limiting Waharoa's appeal to processors. These factors are discussed in more detail subsequently.

**Supplementary regional business expansion in Waharoa** - No direct Waharoa expansion opportunities were identified. All businesses were found to be committed to their existing regional disposition of operations.

Further, there is a near uniform concern, that a Waharoa industrial expansion focus will strain a tight regional labour market for process and seasonal workers. To further clarify, from a corporate social responsibility perspective there is a very strong desire to 'lift the lot' of Waharoa. But also, a general awareness that the connection of Waharoa locals to the labour market is limited – with most roles in Waharoa currently filled by a workforce that travels across the region and from Tauranga. Hence, the request of the project was to concurrently work on this connection.

Adequate affordable residential accommodation for this workforce, across the Matamata-Piako District was also identified as an issue – and potentially an opportunity for Waharoa:

- The extremely poor standard of much of Waharoa's housing stock will need to be upgraded, if Waharoa is to grow, in any event.
- The District has a shortage of good quality affordable rental accommodation.
- Primary sector businesses in the region, have previously discussed the possible benefits of jointly creating affordable accommodation.

Could an affordable accommodation development, under some commercial/operating structure to be determined, be located in Waharoa, benefitting Waharoa and the District?

**Rail Siding** - Almost all regional businesses expressed some level of interest in a Waharoa rail siding. This is discussed subsequently.

**Tyre plant** - has been identified as a possible opportunity. A company holds licenses for the commercialisation of a devulcanizing process that converts end of life tyres into polymer for use in new tyre production. The establishment of a plant is expected to create 65 permanent roles, based on similar overseas facilities.

The relevant company is an early stage start-up business. Our understanding is that it is still in the process of establishing its capital structure and shareholder base and intends to seek PGF support.

## 2.4 Physical Infrastructure and Labour Market Requirements

**High Process Heat Energy Source** - Value added processing, involving food processes, frequently require a high process heat source for steam and such like. Conventionally the three options are coal, diesel or gas. Typically, gas is 15-20% cheaper than coal, burns cleaner with lower carbon

emissions. The Waharoa OCD plant currently utilises two coal boilers for high process heat<sup>4</sup>. Figure 3 following illustrates the Firstgas network through Waikato and the Bay of Plenty.

Gas is not currently reticulated to Matamata or Waharoa in industrial volumes. To the north, gas is reticulated to Waitoa and Okoroire to the south. Working with Firstgas, a plan has been developed for reticulation.

The detail of this plan is set out in Appendix 3. The Firstgas capital cost of reticulation is ~\$20m. Firstgas seek sufficient commitment to cover their regulated rate of return of 6.42%, pipeline extension depreciation and maintenance. The Firstgas request is an amortised collective recovery from users of ~\$2m p.a.



**Figure 3: First Gas Network**

OCD has two coal boilers that will approach the end of their life over the next decade. Without reticulated gas, at that future point, their main alternatives are:

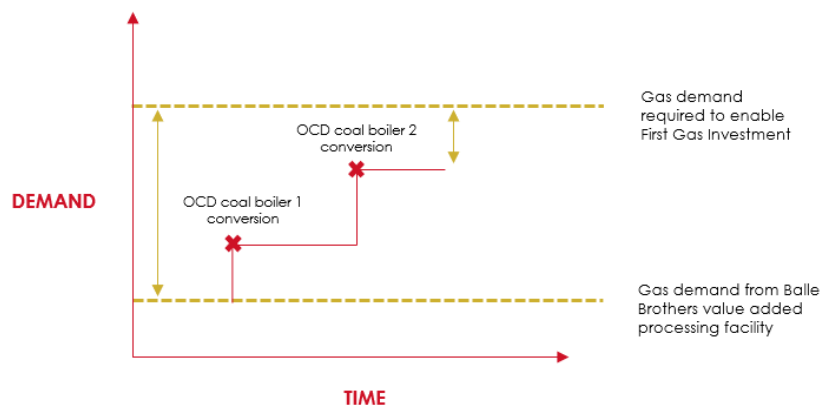
- (i) procure a gas pipeline extension / gas boiler(s) or,
- (ii) replace with coal boilers.

We are working with OCD to identify the feasible scenarios that make commercial sense for them while also greatly assisting with the committed gas demand profile. While a positive outcome here is desirable<sup>5</sup> for the overall industrial hub business case, this facet of the project is not expected to be the subject of a PGF application in its own right.

Additionally, it is not unreasonable to request some contribution from industrial landowners, who will receive a betterment advantage when gas is reticulated. Also, there is no price negotiation to be had with Firstgas until we have closed out the major portion of gas demand at a level that enables amortisation of the infrastructure. Figure 4 sets out, conceptually, how gas demand will be made up.

<sup>4</sup> Paradoxically, this speaks to the intrinsic attractiveness of Waharoa as a primary sector processing hub. OCD chose to locate in Waharoa in the early 2000's, utilising coal boilers and providing their own wastewater management system.

<sup>5</sup> Gas is the strong preference for a value added processing plant expansion in Waharoa. However, the requirement is not absolute. If the case for gas reticulation cannot be made, coal fired boilers will be costed to the plan.



**Figure 4: Conceptual Gas Demand make-up**

**Water and Wastewater management:** Beca<sup>6</sup> have analysed options for water and wastewater in mid 2017. This work was predicated on expansion to treatment volumes for both of 7,500 M<sup>3</sup>/day to manage loads including OCD. Subsequently, OCD are in the final stages of commissioning a private wastewater management system that will have an ultimate capacity of 3,500 M<sup>3</sup>/day. Hence, foreseeable incremental water and wastewater will be significantly lower than forecast in 2017 – however there will still be a step-shift in requirement that cannot be met incrementally.

Building on the options identified by Beca, and potential opportunities to collaborate with OCD, costed options for water and wastewater management need to be developed.

**Broadband Fibre** - Chorus advise that the local Waharoa Primary School has fibre reticulated to it under the rural school scheme. Fibre is able to be extended into the industrial park area, with the cost estimated to be approximately \$250k.

**Electricity** - Figure 5 below shows PowerCo Waharoa substation equipment.



**Figure 5: Waharoa Electricity Substation**

PowerCo advise, that upgrades to transformer and distribution equipment will be required to accommodate new industrial users with significant requirements. However, the base infrastructure is in place and at this stage this investment has been assessed as incremental business as usual.

<sup>6</sup> Beca Ltd, Waharoa Plan Change – Water and Wastewater Servicing, 5 July 2017

**Labour Market (and associated) Accommodation Requirements** - there is a requirement to:

- (i) improve the connection of current working age Waharoa locals to Waharoa employment opportunities;
- (ii) attract regionally based Waharoa employees to live in Waharoa; and,
- (iii) improve the Waharoa residential housing stock in support of this and the broader district.

Employment connection and Accommodation are covered in more detail subsequently.

## 2.5 Waharoa Rail Siding

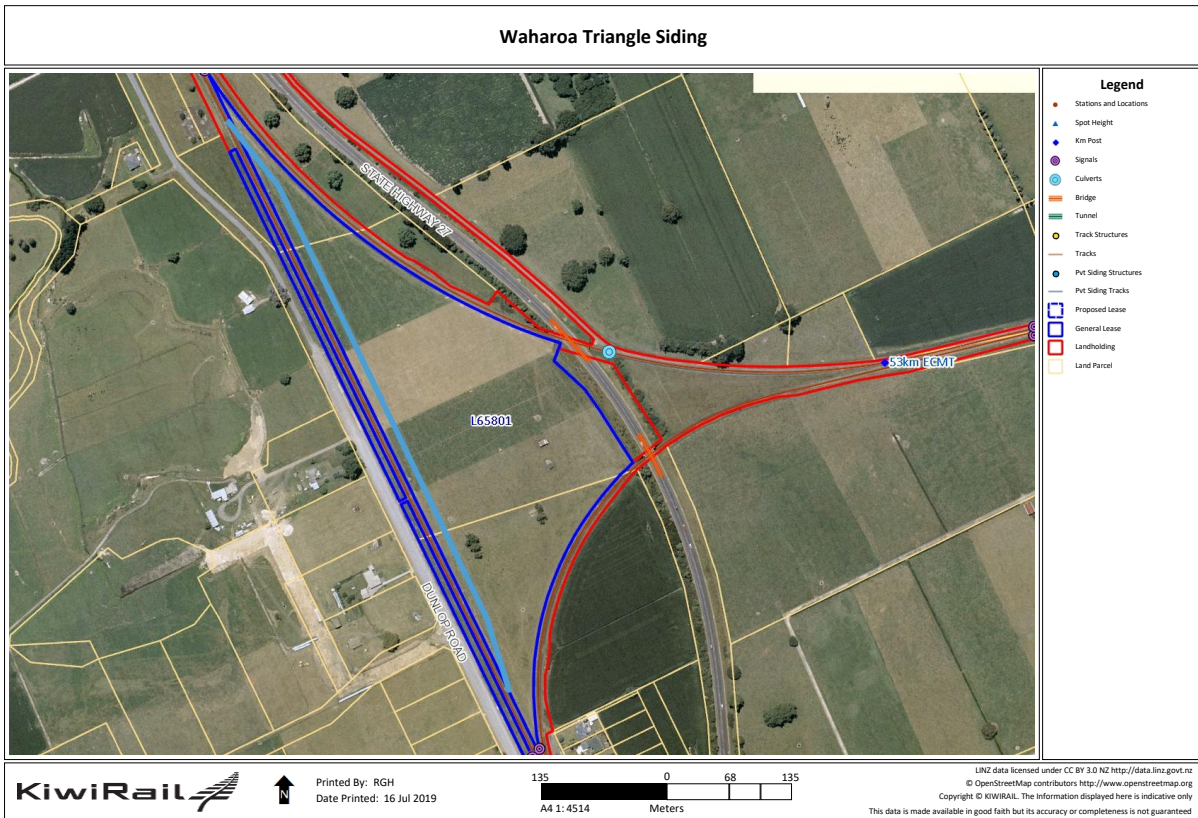
In conjunction with KiwiRail and local landowners, investigation into the viability of a rail siding are well advanced. Two rail siding locations have been identified – an immediate option accessed via Factory Road, and one, longer term, if more siding length/space is required. Figure 6 illustrates the immediate option. Until last year, this was being utilised by Icepak under a private siding agreement that has since lapsed. A concrete pad along the Siding (view south) would be needed to be installed for Reach Stackers or Forklifts to safely operate. In addition, some of the warehouse (to the right) would need to be demolished. Subject to commercial arrangements, the owners of the land are supportive of this opportunity.



**Figure 6: Factory Road Rail Siding Orientation**

In addition to the Factory Road location above, a second site, further to the north, adjacent Dunlop Road, has been identified and is illustrated in Figure 7 below:





**Figure 7: Dunlop Road Rail Siding site**

The Dunlop Road site is owned by KiwiRail and would provide a greater siding length potential and working area. However, development of this site would require ~\$5m in capital expenditure. The preference of the project is to focus efforts on the Factory Road siding.

More broadly, the main points of this opportunity are summarised in the following table:

Consideration	Status
Economics?	To be economic, rail to/from Port of Tauranga needs to be able to match the dispatch of a 20" container and return of an empty container for \$450+GST. The marginal cost of competing road transport is rising due to traffic congestion in Tauranga and in/around Port of Tauranga specifically.
Port of Tauranga support/requirements	Port of Tauranga advise they would prefer to receive/dispatch freight via rail. Rail economics really start to emerge for trains of 30 wagon length. Trains of this length meet the Port's scale requirements and thus do not need to be consolidated.
Business Interest?	All the businesses canvassed, have some level of interest in a Waharoa Rail Siding. To qualify this interest, pricing, proposed operational arrangements and proposed service schedules need to be understood.
Siding Doability?	Waharoa has quite a comprehensive system of dual tracks and rail heads. None of these systems are operationally currently. However, they are believed to be able to be rejuvenated for low to moderate cost. KiwiRail are currently undertaking an engineering assessment of options and requirements.

**Fit with Ruakura Inland Port**

The inland port at Ruakura, being commercialised by Tainui Group Holdings, will offer customers a full-service logistics and distribution hub with the commercial model including the lease of full logistics node facilities. By contrast, a rejuvenated rail siding at Waharoa, is intended to provide a simple road/rail convergence opportunity. For eastern Waikato users, this will offer the scale efficiencies of rail. Road users and funders, particularly in Tauranga, will benefit from less congestion.

Work is ongoing to assess the expected volume of tonnage available and the pricing required to procure this volume. This will be confirmed in the business case phase of the project.

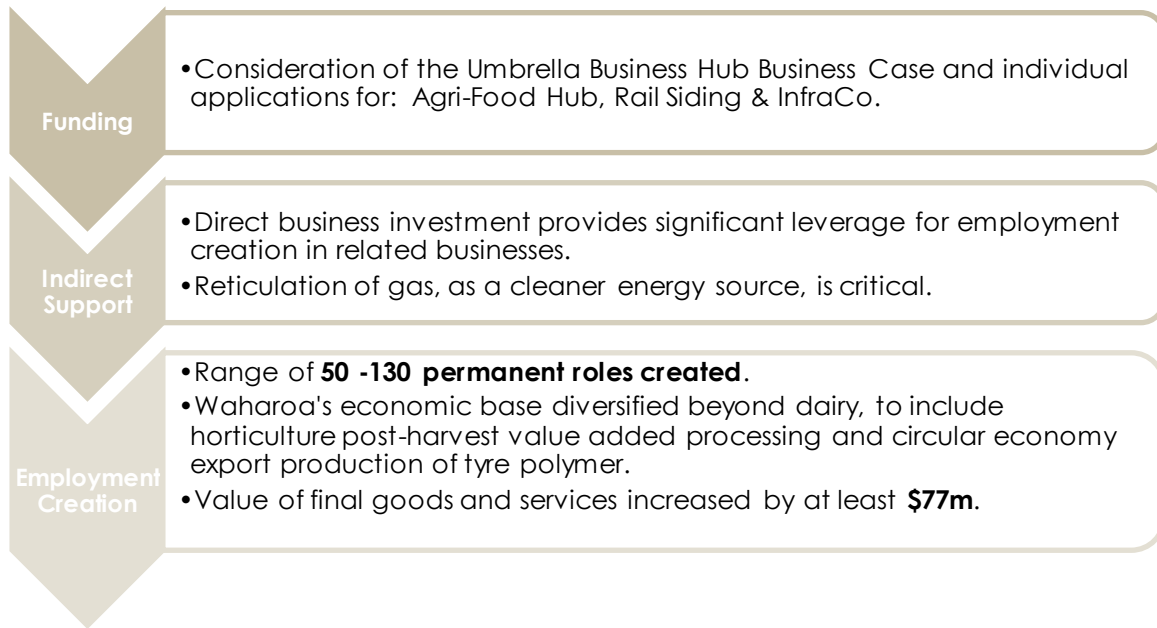
## 2.6 Industrial Hub and Rail Siding Opportunity

The following table summarises our current understanding of costs, employment, PGF assistance sought and consenting requirements.

Opportunity	Est. Capital Cost \$m	Est. Perm. Full-Time Roles Created	Direct Provincial Growth Fund support sought?	Indirect Provincial Growth Fund support sought?	Consenting Requirements
9. <b>Waharoa Agri-Food Hub value added processing facility</b>	65 – 75	50 Process workers, Admin.	Yes, up to \$38m co-funding		Yes
10. <b>Kaimai Cheese Factory – recommence production of boutique dairy produce.</b>		10 Process workers		Yes. Support for other processing businesses (e.g. Waharoa Agri-Food Hub) critical to build necessary scale for wastewater and gas	No
11. <b>OCD coal to gas boiler replacements</b>	6 - 10	0		Yes. Support for other processing businesses (e.g. Waharoa Agri-Food Hub) builds necessary scale for gas.	Regional Council consent may be required dependent on compliance with perf. standards.
12. <b>Industrial tech. tyre polymer facility</b>	25	65 Process, Technical & Science	Yes, up to \$13m co-funding		Yes
13. <b>Commercial Vehicle Service</b>	-	2-5 Technician		Yes. Support for InfraCo creates cost effective tyre disposal for this upstream service business.	No
14. <b>Developing an enhanced Rail Siding Operation</b>	1 – 5, dependent on location	2-4 Fork truck, Operations	Yes, up to \$3m co-funding		No
15. <b>Firstgas pipeline reticulation</b>	20	Construction only		Yes. Gas reticulation is critical. Support for other processing businesses (e.g. Waharoa Agri-Food Hub) builds necessary scale for gas.	No
16. <b>Wastewater management system</b>	Not quant. as yet	Construction only	No	Yes. Wastewater management is critical. Support for other processing businesses (e.g. Waharoa Agri-Food Hub) builds necessary scale.	Yes – Regional and District Council
17. <b>Potable Water capacity expansion</b>	Not quant. as yet	Construction only	No	Yes. Potable water is critical. Support for other processing businesses (e.g. Waharoa Agri-Food Hub) builds necessary scale.	Yes – Regional and District Council

18. Fibre Broadband <sup>7</sup>	~0.25	NA	No		No
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The chevron diagram below summarises the funding and support sought from the PGF and permanent employment creation expected.



MPDC intend to enact a plan change that supports these outcomes and accommodates growth for Waharoa. This will provide for growth in industrial activity and residential housing. The plan change process will utilise the confirmed final outcomes of this project.

<sup>7</sup> Allocation of this comparatively small cost has not been determined as yet.

## 2.7 Business Case Phase Requirements

As can be seen, there is a potent opportunity to activate the creation of between 50 – 130 permanent full-time roles in Waharoa. These roles will span process worker, fork truck driver, technician and office administration.

However, core to this unlock, is the piecing out of the demand schedule for gas, sufficient to warrant pipeline reticulation expansion by Firstgas. The commitment of Waharoa Agri-Food Hub, to a significant value-added processing intensification of current operations - as an anchor project - is key. This provides a foundation for gas demand, improving our confidence that demand thresholds and non-binding commercial terms can be identified through the Business Case phase.

The key deliverables perceived necessary, through the business case phase to (i) prove the business case(s) and (ii) demonstrate as practical and investment ready:

Business Case/Investment	Entity Deliverable	Waharoa Business Hub Deliverable	Other
1. Waharoa Agri-Food Hub value added processing facility.	Complete PGF Expression of Interest application by 31 Oct. 2019.	Work with Waharoa Agri-Food Hub to progress their infrastructure requirements by 30 Sep. 2019	Establish District Council consenting requirements
2. OCD coal>gas boiler replacements	Commercially acceptable scenarios developed by 30 Sep. 2019	Work with OCD to understand and progress these scenarios by 30 Sep. 2019	
3. Industrial tech. tyre polymer facility.	Complete PGF application by 31 Oct. 2019.	Work with the company to incorporate requirements into the Business Phase plan.	Establish District Council consenting requirements
4. Commercial Vehicle Servicing.	Contingent on the company, local truck service & local tyre disposal is a logical opportunity which existing landowners have an interest in. Resolution required for any residual requirement (s) necessary to secure this opportunity, as a counterpart to the tyre facility.		
5. Rail Siding.	KiwiRail development of an a priori commercial offer		
6. Firstgas pipeline reticulation.	Non-binding Heads of Agreement are sought by 31. Oct 2019	Work with Firstgas, Waharoa Agri-Food Hub, OCD and others to identify demand schedule and suitable terms.	
7. Water and Wastewater management system.	MPDC assessment of a suitable system, scalability and costs.	Work with MPDC on options and commercial models for co-investment.	Regional and District Council consents will be required.
8. Fibre Broadband.	Chorus confirmation of costs by 30 Sep 2019.	Progress with Chorus and identify how cost will be met.	

# WAHAROA AERODROME

## 3.1 Overview

The Waharoa (Matamata) Aerodrome, was initially constructed by US forces locally stationed during WWII, for the purpose of enabling bomber runs. As can be seen from Figure 7, the aerodrome consists of two runways, and while not sealed, is very well constructed in a location just to the west of the Kaimai Ranges. The aerodrome is home to:

- The Matamata Aero Club;
- The Piako Gliding Club;
- Matamata-Piako Model Aero Club;
- Sky Venture Flight Training<sup>8</sup>;



**Figure 7: Waharoa (Matamata) Aerodrome**

Annually, Waharoa hosts the Walsh Memorial Scout Flying School. This is a two-week tented flying camp for approximately 44 16-20-year-old students. The opportunity for the Waharoa aerodrome

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<sup>8</sup> A second flight school, the Middle Earth Flying School, trading as the Middle Earth Flying School, has recently gone into liquidation.

is to build on this foundation and grow recreational participation, placing a particular focus on youth/young people in the region.

### 3.2 Governance & Financial

The Waharoa Aerodrome Committee has been established as a requirement of the Ngāti Hauā Claims Settlement Act 2014. The purpose of the Waharoa Aerodrome committee is to make recommendations to Council in relation to the Waharoa Aerodrome land. The Waharoa Aerodrome Committee is made up of three Council representatives, the Mayor, Deputy Mayor and one other Councillor as well as three Ngāti Hauā representatives.

The Aerodrome, in our opinion, is a unique asset to Waharoa, that, with an increase in the level of activity and vibrancy, has the potential to be a key infrastructure asset with consequent positive impacts for 'brand Waharoa' through enhancing the narrative.

At the Aerodrome Committee meeting of 11<sup>th</sup> July, the Committee signalled a general comfort with some intensification of the utilisation of the aerodrome for recreational purposes. Typically, this activity includes:

- Recreational flying and gliders.
- Skydiving.
- Private (not commercial) Pilots Licence Training.
- Model plane flying.

Financially, the aerodrome operates at close to break-even on annual revenues of ~\$150k for FY18 & 19. Airfield utilisation charges comprise the bulk of this income.

### 3.3 Opportunity

The perceived opportunity does not seek PGF support beyond this project. Rather, it can be progressed by the Aerodrome Committee and Council.

The very recent liquidation of NZ Aviation will undoubtedly make the task of building the utilisation of the aerodrome harder. At the time of completing the feasibility phase, NZ Aviation's contribution to revenues and ability to safe harbour the services provided with other operators, is not known.

Notably, progressive aerodromes/aero clubs, such as Whanganui, are targeting youth/young person participation in recreational aviation. Given the global growth in commercial aviation, this provides youth an opportunity to experience recreational flying, with the option of turning an interest into a career into the future. Younger aero club members are bringing vitality and growth to the membership base.

The opportunity for Waharoa Aerodrome is to re-invigorate recreational utilisation through a focus on youth/young person participation. A 24-month plan to achieve this should encompass:

Opportunity	Requirement
Focused promotional resource	A permanent part-time resource that owns the Waharoa aerodrome brand, knits together the commercial and voluntary entities that use the aerodrome and drives promotion and participation.
Clear brand	The clear branding and communication of the Waharoa Aerodrome recreational proposition <sup>9</sup> .
Sponsorship	The building of aviation sector and district business community sponsorship – this is a practical way of supporting youth in the district, youth in Waharoa specifically and Waharoa's brand in the wider community.
Youth Programme	The establishment a 'Young Eagles' programme – or similar.
Event calendar	The establishment of a promotional/open day event calendar that extends beyond the Walsh Memorial event.

Early conversations regarding Ministry of Defence requirements have indicated a potential opportunity. This will be validated and if potent, developed in the business case phase.

### 3.3 Business Case Phase Requirements

Business Plan	Committee Members	Waharoa Business Hub Deliverable
Presentation of a Business Plan to the Waharoa Aerodrome Committee in November	Ngāti Hauā and MPDC working level participation in the forming of an acceptable plan and assistance with consultation/engagement of aviation and broader community stakeholders.	Develop and present the plan – for ultimate ownership by MPDC.  Plan approved.

A rejuvenated aerodrome proposition presents a real opportunity to build 'brand Waharoa', supporting the business hub proposition and engaging Waharoa youth who have an interest in learning to fly.

<sup>9</sup> There is confusion over the name of the airfield. In aviation circles it is known as the Matamata aerodrome.



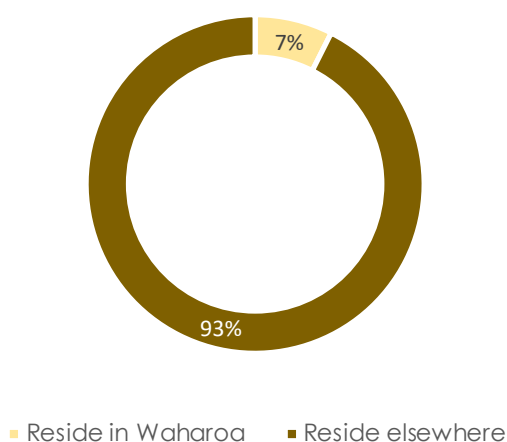
# EMPLOYMENT ENGAGEMENT

Key objectives of the Provincial Growth Fund relate to job creation; increasing social inclusion and participation and enabling Māori to realise aspirations in all aspects of the economy.

It is apparent from our engagement with local business that despite there being a number of existing local employment opportunities available and, a willingness of local employers to employ local people, labour market participation is limited.

The results of a Business Survey targeted at local Waharoa businesses confirm that a limited number of their employees reside in Waharoa.

## Where do Waharoa's Permanent Workforce live?



Attribute	August 2019 Survey Feedback
Number of permanent employees covered by survey	820
Number residing in Waharoa	61
Other common places of residence?	Matamata, Morrinsville, Te Aroha, Walton, Hamilton.
Common permanent roles?	Process/line worker, forklift driver, hospitality, administration
Key skill requirements sought?	drivers' licence, forklift licence, hospitality skills
Employee attributes sought?	Good attitude/communication/people skills, reliable with good work ethic, presentation, specific skill sets related to role.

Should this trend continue, irrespective of the establishment of the industrial hub as described in Section 2, if local Waharoa residents (of whom 70% are Māori) do not engage with the opportunity – the potential social and economic benefits will not be realised within the Waharoa community

itself. Moreover, new or expanded business may not wish to compete with what is already a restricted labour supply, as this restricts their output.

Therefore, it is apparent that for the positive impacts from new job creation and industry to connect with the local Waharoa workforce, the local population must first be equipped with the right competencies to meaningfully engage.

To better understand this complex issue, a hui was held at the Raungaiti Marae on 7 August 2019, with attendees including locals, community and business leaders together with representatives of Ngāti Hauā. The full attendance list is attached as Appendix 5.



The purpose of this hui was to understand the reasons for a lack of connection to employment opportunities and then collaboratively, brainstorm a solution to bridge the gap – i.e. to connect to local workers to local jobs.

## 4.1 Outcomes

### Barriers

It was readily apparent from those local business owners in attendance that there is a strong willingness to employ Waharoa locals for existing and future job opportunities.

The reasons for this willingness not being translated into the actual employment of local people are primarily to do with issues of isolation and access – more specifically, a lack of access to key resources. For example: a lack of access / connection to the training facilities that provide the required qualifications, a lack of access to transportation, to technology and mentoring.

It was specifically noted that not having a driver's licence represents a significant barrier to realising employment opportunities. However, the requirement is much broader than driver licencing with not in education, employment or training “**NEET**” candidates requiring broader assistance such as employability and work readiness skills.

Social factors also play a key role in acting as barriers to employment with key discussion points centering on a lack of whānau support and mentoring as well as a lack self-confidence to enter the workforce. Moreover, it was noted that the “birds of a feather” syndrome is prevalent in

Waharoa – this being the tendency to not want to gravitate outside of one's comfort zone or seek opportunities which are unfamiliar (i.e. where friends or whānau are not based).

## Opportunities

Employment opportunities that exist for Waharoa locals can summarised as follows:

- Heavy Vehicle Drivers.
- Forklift Drivers Operators.
- Process Workers.
- Health and Safety roles.
- Dangerous Goods roles.
- Administration.
- Construction.
- Health.
- Food Science.
- Agribusiness.
- Agriculture / Agricultural Science.

## Solutions

### Employment and Training Hub

In comprehensively considering the barriers, in conjunction with the willingness from community and business leaders to collaborate on a solution, the concept of a Employment and Training Hub received positive endorsement.

The essence of the Hub concept is to create a whānau centric space to foster and strengthen relationships within the community through the provision of both physical and social support – thereby enabling improved and proactive engagement with employers and available job opportunities. Targeting 30-50 NEET candidates for training in year one is seen as a realistic target.

It will be important to the success of this concept that it be led by Ngāti Hauā, as the life force of Waharoa. Physically, due to the focus on youth, it will also be important that the Hub is co-located with community recreation / sport / leisure activity.

To drive an improved connection of local people to local jobs and create a sustainable workforce, it is intended that the Hub will offer / provide for:

- Sharing and communication of available job opportunities / vacancies
- Work-Ready assistance, including employability life skills, CV generation, interview skills, personal presentation.
- Training and development and liaising with training and service providers to bring necessary training to Waharoa, for example, courses offered by Vertical Horizonz.

In considering the above, the Ruapehu Recruitment model should be considered as a best practice benchmark. Ruapehu Recruitment was established by Ngāti Rangi in Okahune and is an enterprise driven by the Ruapehu Whaanau Transformation with a focus to connect local jobs and local workers.

The initiative works with jobseekers to maximise training and development in relation to work placement and recruitment opportunities to ensure the provision of a sustainable workforce. Since its establishment in 2014, over 330 employment outcomes have been achieved.

### **Driver Licensing Programme**

As noted earlier, driver licensing is a real barrier to employment in Waharoa. When a young person learns to drive, they develop skills and confidence. A full driver licence improves a person's employment and training opportunities as well as enabling them to contribute to their family and community.

A licensing scheme, linked to / offered by the Employment and Training Hub, therefore has real potential to improve the connection between local people and local jobs in Waharoa.

Such a scheme could be based off the Community Driver Mentor Programme, Nga Ara Pai, which exists in Gisborne. The programme is a partnership initiative between NZTA, the AA, the Gisborne District Council and the New Zealand Police which addresses issues of disadvantage for learner drivers (e.g. limited access to suitable supervisors, suitable vehicles and/or suitable driving environments) and issues of safe driving.

The costs associated with obtaining a driver's licence and moving through the driver licensing system can also act as a barrier. Waikato Tainui, in collaboration with Mercury Energy, PassRite and NZTA, offer subsidies for registered tribal members providing a 50% discount off the full cost of a class 1 car learners, restricted or full licence test. It also offers a 50% discount towards a truck driver licence course (classes 2, 4, 5) along with forklift, roller, tracks & wheels endorsement course.

We understand that most people who whakapapa back to Ngāti Hauā would qualify for this assistance and would recommend that the Employment and Training Hub assist with the enrolment process to obtain the grant and build this into any licensing programme developed for Waharoa.

## **4.2 Business Case Phase Requirements**

There is willingness and opportunity to connect local jobs and local workers.

The key deliverables perceived necessary, through the business case phase to (i) prove the business case(s) and (ii) demonstrate as practical and investment ready are as follows:

1. Ngāti Hava to engage with Ngāti Rangi to better understand the Ruapehu Recruitment Model and its applicability to Waharoa.
2. Identify an appropriate location for the proposed Employment and Training Hub.
3. Investigate employment programmes, with a focus on NEET candidates, and with a key focus on driver licensing programmes.

Detailed costing will follow greater clarity on the services to be provided and operating structure for the Hub. Provisionally, an **operating budget of \$500k pa**, primarily covering provider costs, is signalled. Capital costs are likely to be nominal and able to be absorbed within the ring-fenced funds sought to encompass all business hub projects.

# ACCOMMODATION SOLUTIONS

As a separate and parallel consideration, the lack of good quality affordable housing - either for rent or purchase - is judged to be hampering the attraction of workers to Waharoa. This is also true of the broader Matamata-Piako district. A number of the more significant businesses in the district, employing >50 staff, have signalled this concern. There is some willingness, to consider jointly investing in a quality affordable housing development, for the benefit of their employees.

RCP have undertaken an indicative feasibility study of a site at 25 McGowan Street (refer Figure 8) to test the viability of residential intensification. McGowan street sits to the south of Waharoa, is zoned residential, with a number of other new builds occurring nearby.



**Figure 8: 25 McGowan Street - Residential Intensification test site**

The development of 22 good quality, single level three-bedroom homes has been assessed, with the feasibility provided as follows:

High Level Indicative Feasibility		
<b>Costs</b>		
Land Acquisition Cost	\$	900,000
Construction (including Contingency)	\$	6,631,845
Professional Fees (including Contingency)	\$	696,344
Local Authority/Property Costs	\$	842,000
Development Costs	\$	179,373
Development Contingency (Development and LA/Property costs only)	\$	51,069
Total Interest Cost	\$	349,034
Total Cost (Excluding Land Purchase)	\$	8,749,665
<b>Total Development Cost</b>	<b>\$</b>	<b>9,649,665</b>
<b>Valuation (Upon Completion)</b>	<b>\$</b>	<b>9,565,217</b>
<b>Total Profit</b>	<b>-\$</b>	<b>84,447</b>
<b>Development Margin</b>		<b>-0.88%</b>

Assuming a social imperative / cost recovery focus in the development, an average cost of slightly less than \$500k per home is estimated (after removing GST).

Further work would be required, as a counterpart study to the Business Case Phase, to validate these costs and establish with businesses in the district, the commercial models / structures that are of interest and how best to progress these.

# CONCLUSION AND RECOMMENDATIONS

The following table summarises the Waharoa Business Hub Feasibility Phase study conclusions against PGF criteria:

PGF Outcome	✓	How will the project positively or negatively impact this outcome in the region(s) identified?
1. Increase economic output	✓	By FY24, the combined outputs of Waharoa Agri-Food Hub, Kaimai Cheese Company, tyre facility and the rail siding are expected to exceed <b>\$77m</b> .
2. Enhance utilisation of and/or returns for Māori assets	✓	Ngati Haua owned local land will provide a key produce input for the proposed Waharoa Agri-Food Hub facility.
3. Increase productivity and growth	✓	Achievement of sufficient scale to warrant gas reticulation, water and wastewater management not only enhances immediate productivity but makes Waharoa a compelling alternative to Auckland for many industrial processing enterprises.
4. Increase local employment and wages (in general and for Maori)	✓	The focus on industrial processing activity enables higher value permanent roles to be created. In the order of <b>130 permanent roles</b> are expected to be created.
5. Increase local employment, education and/or training opportunities for youth (in general and for Māori)	✓	The creation of an Employment and Training Hub has been endorsed by Ngati Haua as the best means of achieving a step-change for Māori youth in particular.
6. Improve digital communications, within and/or between regions	✓	The Business Hub will leverage rural school fibre connectivity to provide best in class communications within the hub.
7. Improve resilience and sustainability of transport infrastructure, within and/or between regions	✓	Location in the Waikato, Aotearoa's most productive hub means having strategic industry access across the region and the wider North Island to shift crops, and link via road and rail to ports.
8. Contribute to mitigating or adapting to climate change	✓	Horticulture is a proven low environmental impact use of land. The focus on gas – as an alternate to coal – significantly reduces carbon emissions.
9. Increase the sustainable use of and benefit from natural assets	✓	The eastern Waikato plains that surround Waharoa are naturally fertile, with horticulture being a low impact activity. Downstream processing provides significantly adds to the economic value of this natural asset.
10. Enhance wellbeing, within and/or between regions	✓	Improving economic growth, employment opportunities, education and sustainability in the Waikato has to the potential to materially enhance many aspects of the region and the wellbeing of its people.
Total number of outcomes project contributes to	10/10	

The project makes the following recommendations:

- 1 **Note** the Feasibility Study points to viable options to lift the social and economic wellbeing of Waharoa in line with PGF criteria.
- 2 **Note** the critical importance of extending gas reticulation in the Waikato, to Waharoa, to provide a greener source of high heat energy, this being essential to many industrial processes, particularly those that are food related.
- 3 **Note** the creation of between **50 - 130 permanent roles** in Waharoa is expected, based on all the projects set out proceeding, increasing the value of final goods and services by up to **\$77m** in FY24.
- 4 **Note** that this plan will create the foundation for a major uplift in economic activity extending well beyond the immediate opportunities identified.
- 5 **Note** that PGF support for establishment of a Waharoa Employment and Training Hub will be sought. This will focus on employability and work skills programmes for NEET candidates.
- 6 **Note** that the Employment and Training hub is expected to target **30-50 trainees in year one**.
- 7 **Note** the operating cost provision of \$500k pa, for the Employment and Training hub, primarily to procure services from suitable training providers.
- 8 **Note** that the submission of applications from compaies directly and the overarching Business Hub project.
- 9 **Agree** the following key outcomes are further developed toward non-binding: PGF applications, commercial terms, expressions of confirmed interest or letters of intent, as part of the Business Case Phase.

#	Entity(ies)	Project Requirement	Outcome sought
1.	Waharoa Agri-Food Hub	Energy, Water and Wastewater requirements satisfied	Plans to meet these requirements reflected in PGF application
2.	Tyre company	Parties confirm to project, their commercial intent to locate a potential facility in Waharoa	PGF application submitted
3.	Prospect	Focus on identification of Auckland processing businesses seeking capacity expansion – gas, water, wastewater	Letters of confirmed interest.
4.	Firstgas	Funding plan for the reticulation of gas is agreed. Delivery timeframes are confirmed.	Agreed term sheet
5.	KiwiRail, Landowner Industry	Commercial and operating plan for the rejuvenation of a rail siding	Agreed term sheet Letters of confirmed interest
6.	MPDC	Commercial and operating plans for the scaling of potable water and wastewater management.	MPDC and local industry endorsement of plan.
7.	MPDC and Ngati Haua	Development of a self-funded plan to enable the Waharoa (Matamata) Aerodrome to act as a key asset for Waharoa with a focus on youth.	Aerodrome Committee endorsement of plan
8.	Ngati Haua MSD	Establishment of a Community Employment and Training Hub, using	

	NZ Police	Ruapehu Recruitment as a benchmark model.	
9.	Ngati Haua NZ Police	Development of a driver licencing programme, using the Nga Ara Pai Community Driver Mentor Programme in Gisborne as a potential model <sup>10</sup> .	Expression of interest from Provider(s)
10.	District Bus. Crown Agencies Community Funders	Assessment of commercial options, with district-based businesses and Crown/Community funding providers for a residential housing development in Waharoa, that helps to address the shortage of quality affordable accommodation.	Agreed Term Sheet Expression of Intent

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<sup>10</sup> Noting this model may be delivered by Waikato based providers



# APPENDIX 1: SCHEMA

The Waharoa Business Hub schema following was utilised as the basis for providing context to this project and eliciting feedback. The project went through a process, sought and received Governance Group approval of this schema representation.

# Why Waharoa?



## 01 Strategic Location – Golden Triangle

Located within the heart of the Waikato being circa 57 kilometres from Tauranga via State Highway 29, 59 kilometres from Hamilton via State Highway 26 and 155 kilometres from Auckland via State Highway 27/1. Accessibility via road, rail and air.

## 02 Strong Value Proposition

Land values within the district are towards the lower end of the range in comparison to more prominent regional commercial areas providing a strong value proposition for investment.

## 03 High Quality Soil

75% of soil types within the district are high class (soil class 1-3) and provide an important resource for business.

## 04 First Mover Advantage

Early investment in this business hub will allow infrastructure and operating requirements to be tailored to your needs and standard. Interested parties will have a first-mover advantage within the area ultimately reaping the benefits.

## 05 Forming Intent to Address Infrastructure Deficits

This will allow us to understand and address these deficits in a manner that is practical and pragmatic for all stakeholders.

# Waharoa Business Hub Process

What do we envisage will occur? How do we get from 'stop' to 'go'?

## Feasibility

A feasibility analysis will be undertaken to qualify commercial, community and lwi interest and requirements, along with the infrastructure and co-investment necessary.

## Business Case

The business case will build on Feasibility, providing the structure and analysis necessary for all parties to prove and align their business cases.

## Investment

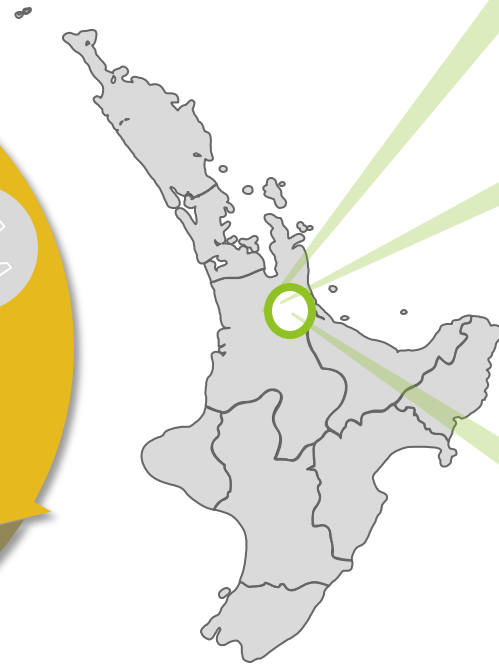
Building on the Business Case Phase, Investment will seek lwi, community, commercial, central and local government commitments to enable tangible progress.



We are here in the process

# Business Opportunities

We have identified the following business sectors as likely occupants



## Industrial

Strategic location for a variety of industrial users most likely from the horticulture and dairy industries.

## Aerodrome

Global growth in aviation and increasingly limited capacity in the Auckland region, is having a 'ripple effect' that is expected to increase flight training demand in the regions, particularly those surrounding Auckland.

## Sub Region In-Land Port

Given the positioning within the 'Golden Triangle' and key transport linkages this provides an opportunity for productivity gains in this sector, complementary to the planned Ruakura facility.



Matamata Aerodrome

Aerodrome provides opportunities for increased flight training and recreational usage.

Potential for road/rail convergence and set down area.

Tauranga - 57km via SH 29

General Industrial Area

State Highway 27 and existing train lines provide transport options servicing regional industry

Hamilton - 56km via SH 26

# INFRASTRUCTURE CHALLENGES

Through economic and social co-investment we will create a win-win for all

## ► Wastewater

- Based on external reports undertaken historically, the current Wastewater system has some capacity limitations for the foreseen increased industrial use from the area. Potential options include upgrading/duplicating the current pump station, capacity upgrades for the WWTP, raising consented discharges and building a new treatment plant.

## ► Water

- Future upgrades within water could increase supply to 3,600m<sup>3</sup>/day. Other upgrades may be available to increase the groundwater take which is planned to accommodate growth. A new supply from the Waihou River provides a location that can supply both Waharoa and future growth in Matamata considering future industrial use.

## ► Gas

- Vector Gas is the current supplier with gas available in Morrinsville with smaller local distribution pipes running to various commercial operations near Matamata. Opportunities are being explored to extend gas reticulation to include Waharoa.

## ► Fibre Broadband

- The district has applied for fibre broadband and is working with government and internet providers to fund, prioritise and implement fast-broadband across the districts main towns. Currently there is ADSL 2 and VDSL broadband coverage in parts from a variety of providers with some WIFI coverage available.

## ► Three Phase Power

- Transpower own and operate the National Grid which carries electricity throughout the district. PowerCo are the local line operators.

We are exploring options to address these challenges which will, in all likelihood, entail co-investment between public and private stakeholders.

# SOCIAL & ENVIROMENTAL CHALLENGES

## Factors that are fundamental to the success equation

### ► Social

- Successful inclusion of Ngāti Hauā as a key life-force supporting the business hub is essential. Ngāti Hauā present a significant opportunity for a long term workforce, with current demography comprising 60% of the Iwi under the age of 29 years of age. Ngāti Hauā Iwi are well advanced in unlocking this potential through the provision of training programmed including science and food technology programmes in conjunction with Waikato Institute of Technology (Wintec).
- Adequate housing development is also being actively addressed.
- We ultimately envisage that through collaborative consultation we will reach and benefit the wider surrounding communities with increased opportunities to create a productive environment and overcome the current deprivation.

### ► Environment

- Given increased industrial/processing activities implied by the business hub, understanding how to effectively mitigate adverse environmental effects on the wider environment is a key consideration.
- Protecting the Waitoa River will be in consideration throughout the entire process in addition to consequential odour effects from industrial activities.

# Requests of your Business

In this Feasibility Phase which we are seeking to understand, in some detail, your level of interest and requirements.

## Qualified Interest?

- Qualify your interest in these opportunities and investment/operating requirements.
- If not of interest, what would 'need to be true' to change your mind?

## Workforce Requirements

- Quantification of the potential to create meaningful workforce opportunities for Waharoa.
- Specific skill-sets and workforce criteria.

## Infrastructure Requirements

- Identify what infrastructure requirements would need to be met for this business hub to appeal to your business and prompt investment.

## Interest in Co-investment

- Most relevant to landowners or long-term leaseholders, willingness to co-invest along side central and local government in a coordinated manner to address infrastructure requirements.



# BUSINESS REQUIREMENTS

FACTOR	DESCRIPTION OF REQUIREMENT
Gas (m <sup>3</sup> )	
Power (MW)	
Water & Waster (m <sup>3</sup> )	
Labour Force	
Container Volume (inward & outward per week)	
Likely destination (AKL/HAM/TAU)	
Size Requirement (m <sup>2</sup> )	

# PROJECT BACKGROUND

The Waharoa Business Hub project is undertaken by RCP for the Matamata-Piako District Council, with the support of the local business and the Provincial Growth Fund.

RCP is New Zealand's leading independent project management business with over 140 staff and nationwide services provided from five offices. The business is locally owned by directors who are active in the management of the business.

## Key Contacts:

Martin Butler

[mbutler@rcp.co.nz](mailto:mbutler@rcp.co.nz)

Ph: 021 555 590

Niall Baker

[nbaker@mpdc.govt.nz](mailto:nbaker@mpdc.govt.nz)

Ph: 07 884 0060

# APPENDIX I: HIGH LEVEL OVERVIEW OF THE MATAMATA-PIAKO DISTRICT

The district provides some of the best quality soil and is considered a cornerstone to the dairy industry. It is also strongly supported by horticulture and meat processing industries. There is a good level of land available to support business expansion with the wider district supported by a high quality water supply requiring minimal treatment and wastewater disposal which has had treatment plants upgraded. It also has an efficient stormwater system. The community is seeking to partner with local and regional businesses in these areas to generate sustainable economic growth.

- 42.7% of regional GDP comes from agriculture, forestry, fishing and manufacturing industries. These industries also have had the most contribution to GDP growth the last 10 years.
- Regional productivity growth has been lacking, in comparison to national growth, by 0.6% in 2018.
- 5,496 business units showing almost static growth of 0.1% over last 10 years.

- Current population of 35,200 within the Matamata-Piako District growing at circa 1.4%.
- Long term growth is forecast as 0.3% annually.
- Employment in industrial/commercial jobs has increased by 1.5% per year, indicating medium level of demand for business related land use within the District.

- A number of iwi have rohe within the district. Ngāti Hauā have strong cultural affiliation within the Waharoa community.
- Strong youthful workforce with 60% of the demographic under the age of 29 providing immediate productivity capabilities.



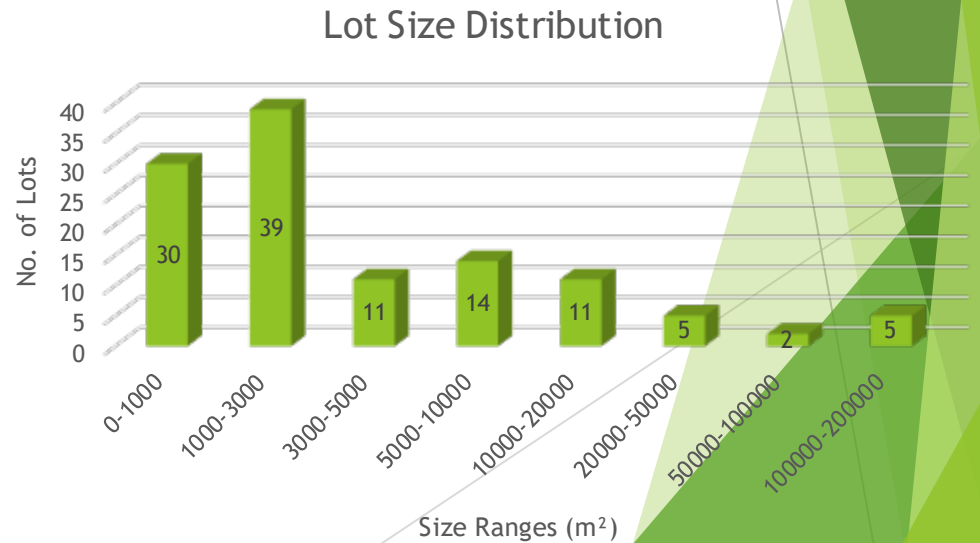
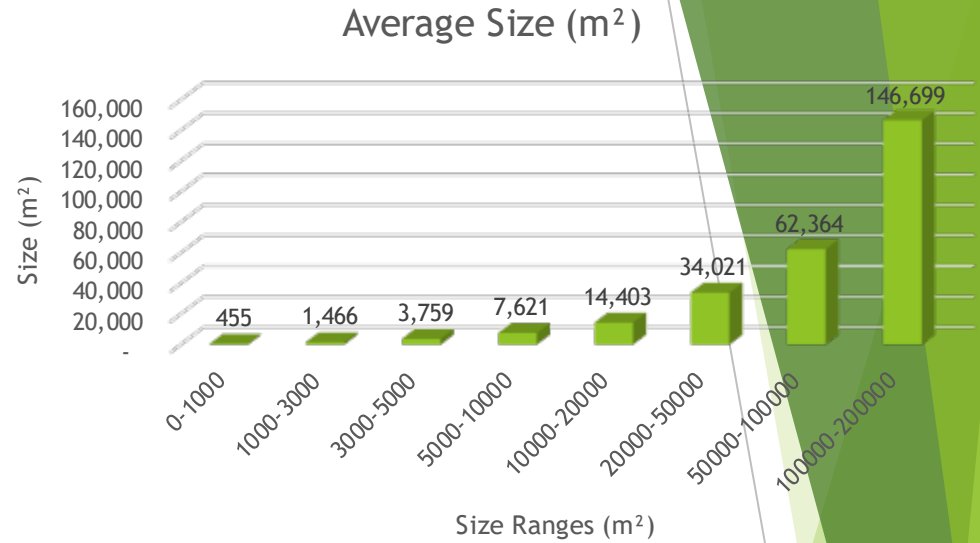
- \$58,389 mean annual earnings in MPD closely aligned with national average. This is growing at 3.7% pa in the last 10 years.
- Self employment rate of 22.0% in comparison to a 16.7% national average.
- Currently 17,856 filled jobs within the district. Manufacturing has accounted for 29.2% of job creation within the last ten years.

- A range of permitted activities for industrial land include depots, light industry, industry, packhouses/cool stores, storage and warehousing, service stations amongst other uses.
- Industry including activities involving: the extraction, processing and packaging of meat, milk, poultry, fish, seafood, animal by products, beverages, produce, and pulped paper is a discretionary activity.

- Waharoa:
- Maximum height of 10 metres
  - Front yards at metres on the new road and 25 metres on Dunlop Road.

# APPENDIX II: LAND IDENTIFICATION

- 177 Lots have been identified.
- 57 of these currently have residential properties.
- 44 Total Owners comprising both private and limited companies/council.
- Lots encompass nine different roads/streets within Waharoa.



## APPENDIX 2: MEETING NOTES

Business   Organisation	Contact
Balle Brothers Ltd	Dacey Balle
Chorus	Gerard Lindstrom
Circular Economy	Mariana van der Welt
First Gas	Matt Wilson
Fonterra	Brenden Millar, Frank Chen
Greenlea Premier Meats	Tony Egan
Internal Affairs	Mary Wilson
Inghams	Boram Keane, Simon Bree
InfraCo	Shaun Zucor
Kaimai Cheese Factory	Ronald Miao
KiwiRail	Simon Prevett, Rob Kingston, Alan Piper
Matamata-Piako District Council	Jan Barnes, Niall Baker, Michelle Staines-Hawthorne, Ally van Kuijk,
Ministry of Social Development	Tuahu Watene, Catherine Henderson, Martin Witehira
Ngati Haua Iwi Trust	Lisa Gardiner, Rangitama [Gillet]
NZ Airports Association	Kevin Ward
NZ Police	Sergeant Joe Polaschek, Ben, Ben, Rod
Open Country Dairy	Steve Koekemoer, Bruce McInnes
Port of Tauranga	Dan Kneebone
Silver Fern Farms	Steve Paynter
Sweet Painted Lady Cafe	Neville Jacques
Tatua Dairy Company	Tim Winter
Te Puni Kokiri	Rangitamaoana Wilson
Te Waka	Michael Bassett-Foss
Waharoa Park Industrial	David Mackersey
Waharoa Transport Ltd	Glen Clothier, Jim Peacock
Waikato Regional Council	Brent Sinclair, Hugh Keane
Wallace Group LP	Richard Stapel
West Auckland Airfield	Simon Lockie

### **Bruce McInnes, Factory Manager Waharoa, Open Country Dairy, Monday 24 June**

- OCD are a limited liability company, not a coop, 110 FTE
- Process 2.5m litres of milk per day
- Utilise two coal fire boilers for high process heat
- Would like to convert these to gas but need gas
- Investing in new wastewater plant that can take up to 3.5m litres/day

### **Dacey Balle, Managing Director, Balle Brothers, Tuesday 2<sup>nd</sup> July**

- 100% family owned third generation business.
- Margins are tight in market garden business, have vertically integrated into processing

- Onions and Potatoes
- Key requirements for Waharoa: energy, water, staff

**Glen Clothier & Jim Peacock, Waharoa Transport, Tuesday 2<sup>nd</sup> July**

- Intergenerational deprivation going back almost 40 years. Back to closure of NZ Dairy Group plant.
- Matamata rich, Waharoa poor.
- OCD have real difficulty getting local staff.
- Lots of mischief making behaviour at night. Domino's Pizza will not deliver to Waharoa.
- Intergenerational unemployment. Next generation do not want to work.
- Most employment in Waharoa filled by people who live outside Waharoa.
- Need to develop work ethics.

**Kevin Ward, Chief Executive, NZ Airports Association, Tuesday 2<sup>nd</sup> July**

- West Auckland Airport – Simon Lockie – knows the sector really well
- Has developed an application for collecting landing fees
- Whanganui Airport bought a flying school – doing very well. Use an old nurses' home for accommodation.

**Steve Koekoemer, Chief Executive, Open Country Dairy, Wednesday 3<sup>rd</sup> July**

- Prefer gas to coal but should OCD have to pay for the lot?
- First Gas have done quite a bit of work on reticulating gas infrastructure
- Gas will take approx. 18 months to reticulate
- OCD are developing a modular wastewater scheme, \$17m cost, commission this December
- Fractious relationship with Waikato Regional Council
- If OCD undertake cheese expansion at Waharoa (versus Horotui) plant could double in size.
- Go, no-go board decision on cheese factory expansion by December 2019. Could be at Waharoa.
- If Waharoa is not going forward, its going backward
- Gas is key – preferred fuel for high heat process requirements

**David Mackersey, Director, Waharoa Industrial Park Limited, Wednesday 3<sup>rd</sup> July**

- 17 lots of which 6 have sold. Some large sites left 3.3 & 3.8 hectares – could be joined
- Could have sold/leased many times over if gas and wastewater were available
- Pricing \$80 - \$120/sq. metre
- Energy, gas is preferred.

**Dan Kneebone, Manager, Port of Tauranga, Wednesday 3<sup>rd</sup> July**

- Supportive of steps to encourage rail, over road, transport movement
- Port of Tauranga have no requirement for set-down land. Some of our clients may have a requirement. We don't.

### **Simon Lockie, West Auckland Airport, Friday 5<sup>th</sup> July**

- Knows Waharoa aerodrome. Known in aviation circles as Matamata Airport. Some confusion over name.
- Aerodromes around NZ a bit like golf courses. Dropping like flies. Flying the preserve of men typically 45 plus.
- Aerodromes typically not great at encouraging new members. Helping to find ways to overcome cost barriers and making learning cost effective.
- Somewhat of a paradox. Global shortage of pilots. NZ, Australia, Canada and US, only continents in the world where airspace – regulations and geography are supportive of learning to fly. Australia has a big focus on learning to fly.
- Whanganui Airport/Aerodrome have built a very successful flight training school. Acquired a dying business from Fielding. Have struck a training deal with Air Asia X.

### **Richard Stapel, Wallace Group, Friday 5<sup>th</sup> July**

- We are the largest family business in the Waitoa area
- Waitoa has gas and technology that can scrub fermented methane and make usable
- Business takes farm kill, turns into skins and hide, make 20,000 tonnes of compost per year, plus protein and fat.
- 130 permanent staff, swells up to 250 staff in season
- Competing in the same labour market as Inghams and Greenlea
- Waharoa competing for the same labour pool will cause friction
- 90% of roles are unskilled labour
- Low quality of housing stock in the district is a real problem. Wallace Group have ~11 houses that they rent at between \$150-\$170/week
- Interested in working with other businesses on housing
- Interested in potential rail siding
- Current costs are \$550/container in and out
- Hold 120 containers at any one time
- Storage at Waharoa rail siding would need to be MPI approved

### **Lisa Gardiner & Rangi Te Ora, Ngati Haua, Friday 5<sup>th</sup> July**

- Wish to be seen as the life force for Waharoa
- 60% of adult pop. Under 29 years of age
- Will change the landscape of Waharoa
- Development has potential to help
- Ngati Haua are investing – blueberry orchard
- Have an MOU with Open Country Dairy covering training and cooperation
- Working closely with Wintec on a number of specific training programmes to help

### **Steve Paynter, Manager, Silver Fern Farms – Te Aroha, Tuesday 9<sup>th</sup> July**

- Waharoa locals are not that employable – we have had problems in the past
- We invest ~\$2k in new staff training and shifts must be properly staffed to sustain production levels. If we have staff that are unreliable and don't turn up, the cost to the business is huge.
- Life is too easy. We have held seminars with MSD clients. Nine of the intended 35 show up and then four of them failed the drug test. Of the remaining five, one has dropped out and we have agreed to pay transport costs to/from Hamilton for the remaining four in an effort to retain them.

- Last year, we were supply constrained in terms of adequate labour and were unable to meet demand.
- The beef season is mid-September to the end of June. Overall, the meat industry is retrenching capacity in NZ. We have no interest in Waharoa from a production perspective.
- Rail siding is of potential interest. Joanne Wilson in the Transport Division, Dunedin is the person to talk to.

**Mariana van der Welt, Independent Community Advisor, Tuesday 9<sup>th</sup> July**

- Mariana is on a self-directed programme focused on assisting rural communities with entrepreneurial endeavours.
- Strong advocate for the circular economy concept

**Ronald Miao, Executive Director, Kaimai Cheese Company, Wednesday 10<sup>th</sup> July**

- Boutique cheese and dairy produce manufacture and Waharoa's premier café/meeting venue.
- Cost of wastewater trucking and disposal via irrigation resulted in the plant onsite at 2 Hawes Street being mothballed in 2018. Business found that its cost structure was simply too high to compete.
- Would prefer to use gas (as distinct to coal), as a cost-effective energy source, if this was available.

**Tony Winter, Strategy Manager, Tatua, Wednesday 10<sup>th</sup> July**

- No intrinsic interest in any expansion involving Waharoa
- Found that Ruakura was too expensive.
- Interested in idea of rail siding at Waharoa

**Tony Egan, Manager, Greenlea Premier Meets, Wednesday 10<sup>th</sup> July**

- No intrinsic interest in any expansion involving Waharoa
- Turned down lease at Ruakura Inland Port. Too expensive
- Interested in Waharoa rail siding, but will need to stack up commercially
- Concerned to disenfranchise existing logistics provider. We have a very close relationship going back decades.

**Gerald Lindstrom, Chorus, Monday 15<sup>th</sup> July**

- Fibre is reticulated to the local Waharoa Primary School
- It will be possible to take fibre from the nearest junction box into the Industrial Park area
- Relatively modest cost involved in installation. Gerard to confirm.

**Tuahu Watene, Catherine Henderson, Martin Witehira, MSD, Monday 15<sup>th</sup> July**

- 90 Waharoa locals on Jobseeker benefit as at 30 June
- 159 Waharoa locals on benefits in total (including Jobseeker) as at 30 June
- Addressing the household is very important. Finding employment for one member of five (say) working age adults does not work, due to the culture of the household.
- Finding a house plus a job is also often key to solving the cycle of deprivation. Lack of income and high relative housing costs leads to many family members in one house –



sometimes up to 10. Where a house and role can be secured, a more stable foundation to progress out of deprivation is possible.

- The seasonal labour market is quite brutal to attach to. Work for (say) five months, a need to find accommodation, with the ability to terminate the lease when the work runs out, often needing to travel a distance each day, vehicle expenses etc. Hence while there is a shortage of labour, the market price for the labour – often – is not sufficient to compensate for these factors.

#### **Manaiia Te Wiata, Manager, Matamata-Piako District Council, Monday 15<sup>th</sup> July**

- Aerodrome was originally Maori land. Taken by Crown for use as an aerodrome in WWII. Americans developed aerodrome for bombers.
- Operated under a co-governance arrangement between Ngati Haua and the MPDC.
- Council run and operate the airfield.
- Mike Newman – CEO Middle Earth Flight Training School,
- Annual two-week tented Walsh Memorial youth flight training event is very successful.

#### **Brent Sinclair, Manager, Industry and Infrastructure, Waikato Regional Council, Mon. 15 July**

- Open Country Dairy provides an example of some the wealthiest in NZ – Talley family – having a disregard for one of the poorest communities in NZ, through their wastewater management process.
- Is this fair? We need to change the culture at Board level.
- Do OCD say to farmers, we can't take your milk today because we have had a hiccup with our wastewater system? Or do they make that problem, Waharoa's problem.
- OCD show blatant disregard here. What will the Court think this time? Third or fourth prosecution?
- Mark Te Marua – Manager Policy Integration. Key person to speak to on strategy.
- WRC very much focused on circular economy ideas.

#### **Steve Koekemoer, Dacey Balle, Open Country Dairy, Friday 26 July**

- Steve's (or Board) view on potential cheese factory expansion at Waharoa has shifted. Steve now seems set on Horotui as the location for the expansion.
- MB request that Steve ask the Board 'what would need to be true' in order for expansion to occur at Waharoa?'
- Postscript: received text message from Steve on Friday 2<sup>nd</sup> August. *Hi Martin. The directors are not willing to reconsider moving the cheese plant back to Waharoa. It is now too late to make that change and significant money already spend designing it for the new site. We will always look at transitioning our existing coal fired boilers to gas if it becomes available in future and probably better to base investment decision on our current capacity switching from coal in future. We are there for the long term and it is the right thing for the region. kind regards*
- MB to gain approval from landowners for this, with KiwiRail to arrange an engineering inspection. MB to further sound out costs that need to be matched.

#### **Boram Keane, Simon Bree, Inghams Poultry, Tuesday 30<sup>th</sup> July**

- Have several operations proximate to Waharoa, employing ~700 people.

- No plans to expand operations, but very happy to work with project in terms of employment and freight.
- Have struggled with the reliability of workforce from Waharoa in the past.

**Alan Piper, Rob Kingston, KiwiRail, Friday 9<sup>th</sup> August**

- Key issue we need to overcome is the road alternate economics for a short hop to Tauranga (60Km).
- Let's explore the existing private siding and see if this can be rejuvenated at little cost? If so, this provides a proof of concept entry point.

**Martin Leabourn, Brendan Miller, Peter Swift, Brigid Berkley, Fonterra, Tuesday 13<sup>th</sup> August**

- Fonterra have a feed mixing plant and warehouse in Waharoa.
- Ship 100,000 tonnes annually in and out of Waharoa.
- Supportive of the concept of rejuvenating the rail siding, subject to price and operating arrangements.
- MB to work with senior analyst Frank Chen.

# APPENDIX 3: FIRST GAS RETICULATION PLAN



# Getting Natural Gas to Waharoa

## Project Hybrid

**Firstgas**

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- There are two options for getting gas to the region
- Both options involve commitments from multiple parties
- Previous discussions were focused on meeting OCD's Waharoa needs
- There are a number of serious potential loads in both the Waharoa and Waitoa regions
- The access to water/wastewater appears to be another major hurdle

# The Hybrid Solution



# Cost Comparison- Construction Costs



Cost	Initial Proposal	Hybrid
Transmission Gate Station	\$2,080,000-2,652,000	\$2,080,000-\$2,600,000
New Transmission Pipeline	\$0	\$11,650,000
New Distribution Pipeline	\$29,500,000-34,200,000	6,800,000-7,380,000
Contribution to existing Transmission	Standard rates (\$350/GJ.MDQ)	Meaningful Contribution
Total	\$31,580,000-36,852,000	\$20,530,000-21,630,000

35-40% saving on capital outlay, but further savings on tariffs can be made

Comparison of costs to Waharoa industrial users:

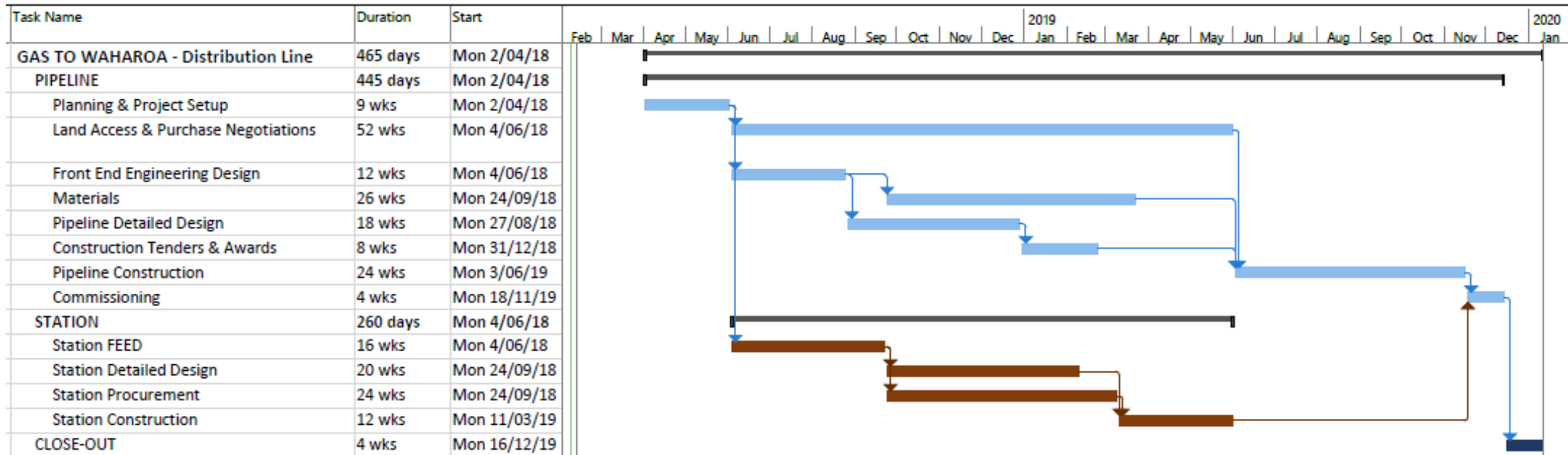
	Original Proposal	Hybrid- solo
Contribution to new Transmission assets	\$0	\$1,085,220
Transmission Charges (estimated)	\$ 648,000	Meaningful contribution
Interconnection Fee	\$ 294,400	\$ 288,640
Distribution Charges	\$ 2,890,000	\$ 573,750
Total annual pipeline charges	\$ 3,621,800	<b>\$1,947,000</b>

~45% reduction of annual costs compared to original proposal (excluding meaningful contribution)



- OCD- current large coal consumer estimated 270TJ/yr
- Post harvest processing facility
- Kaimai Cheese
- Second speculative speciality dairy facility (Waharoa)- 120-160TJ/yr
- Fontera Waitoa- Current large coal user
- Matamata-Piako Council- Industrial park developments on council land back in Matamata

# Project Schedule- Original



- NZTA approval for access to the State Highway is critical
- Note this was premised on a March commitment by large industrial users, but the overall length is still relevant- just push all dates back evenly.

1. Termination Fee will be required, and shall be the greater of:

(i)  $C - F$ ; and

(ii) zero,

where:

- C is the actual cost to First Gas to design, build, and commission the Waharoa Line, as per the cost estimates.
- F is the sum of the Distribution Charges received by First Gas relating to the Waharoa pipeline.
- Similar termination fee will apply for Interconnection fee

2. Minimum Usage

- First Gas will modelled costs based on disclosed boiler capacity, and associated load. If actual load was below 90% of this we would require a make up of revenue.

- Everyone in a room
  - Understand who is in, who is out.
  - Speak now or forever hold your peace basis.
  - The capacity required will dictate design and costs.
  - Confirmed loads will dictate pipeline alignment
  
- Solution can be either Waharoa specific or a much larger transmission reinforcement project. Fontera's involvement at Waitoa (or not) will be a large driver of this.

## APPENDIX 5: HUI ATTENDANCE LIST

Organisation	Name
Matamata-Piako District Council	Niall Baker
Matamata-Piako District Council	Don McLeod
Matamata-Piako District Council and PGF Governance Group	Jan Barnes
Matamata-Piako District Council and PGF Governance Group	Neil Goodger
MSD	Manujon Pemerika
Ngati Haua	Rangitonga Kaukau
Ngati Haua	Mokoro Gillett
Ngati Haua	Teri Whaiapu
NZ Police	Ben Murwai
NZ Police	Benjamin Norman
NZ Police	Rodney Carpinter
Open Country Dairy	Bruce McInnes
RCP Consultants	Martin Butler
RCP Consultants	Bianca Hurrell
Starfish Services	Jo McIntosh
Te Hauora	Darrin Haimona
Waharoa Industrial Park and PGF Governance Group	Wayne Clothier
Waharoa Transport	Glen Clothier
Workspace	Whai Manawa
	Te Ngore King
	Linda Tuhakaraina
	Naomi Haimona
	Amanda Awa
	Tasha Hohaia
Ngati Te Oru	Parehe Martin
	Heather Wilson
	Tihimoana Tamihana
	Claire Man
	Charuta Smith

NHI Trust	Mananui Tellira
Waharoa Community	Judith Hattie
Ngati Haua	Pip Gillett