

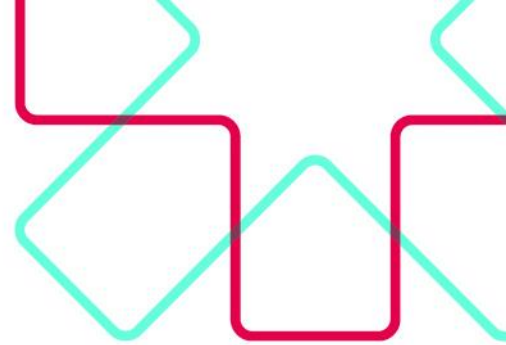
CHATHAM ISLANDS

Final Report

Enabling a sustainable economy

November 2017





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PREFACE

This report has been prepared for Chatham Islands Council by Jason Leung-Wai and Tim Borren from MartinJenkins (Martin, Jenkins & Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors, providing services in these areas:

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- Strategy and investment
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MartinJenkins is a privately owned New Zealand limited liability company. We have offices in Wellington and Auckland. The company was established in 1993 and is governed by a Board made up of executive directors Doug Martin, Kevin Jenkins, Michael Mills, and Nick Davis, plus independent directors Sir John Wells (Chair) and Hilary Poole.



EXECUTIVE SUMMARY

The Chatham Islands is home to New Zealand's eastern-most community of more than 600 Chatham Islanders. Many more have moved off the Chatham Islands but retain their whakapapa. Many others have links to the Chatham Islands by association in one way or another.

This community is separated by 800 kilometres of ocean. The Chatham Islands has a history and a culture and that is rich and deep, and forms a unique part of New Zealand's past.

A goal is for the Chatham Islands to continue to contribute into New Zealand's future.

Like all communities, the Chatham Islands has opportunities to contribute to New Zealand and to the world. This report identifies those opportunities for the Chatham Islands. These are opportunities that would generate jobs and exports, and allow the Chatham Islands community to progress and continue to contribute into New Zealand's future.

Like all small communities in a changing world, the Chatham Islands faces a number of challenges. Some of these challenges are similar to those faced by other communities. Some of these challenges are amplified due to the unique characteristics of the Chatham Islands.

This report delivers several things.

First it provides context. It shows that the Chatham Islands is a strong community made up of a resilient people with a proud history and a strong sense of who they are. Ngāti Mutunga o Wharekauri and Moriori are the iwi/imi that whakapapa to the Chatham Islands. They account for over 60 percent of Chatham Islanders. A further two institutions, the Chatham Islands Enterprise Trust and the Chatham Islands Council represent the entire community and provide the necessary services that allow the Chatham Islands to function.

The Chatham Islands economy provides jobs for 448 people who generate value add of \$48 million. The Chatham Islands economy is built on fishing, farming and, more recently, tourism. Fishing and farming have sustained several generations of Chatham Islanders. More recently, tourism has provided families with a livelihood.

With its unique flora and fauna, conservation efforts on the islands are relatively high. There are opportunities to leverage the uniqueness of the Islands inhabitants to support sustainable economic activity in tourism but also in terms of leveraging the conservation effort itself.

Looking back, these industries have weathered booms and busts. Going forward these industries have the potential to provide the sustainable growth needed to support the Chatham Islands economy. This is explored in the form of a growth scenario, where if several opportunities in these sectors are realised the Chatham Islands would support 660 jobs and generate value add of \$72 million. This would sustain a population of close to 900 people.

Second it provides an overview of issues and constraints. There are a number of constraints and issues, or areas of activity that, if addressed in a coordinated fashion, would enable growth opportunities and improve the potential for the Chatham Islands to become more sustainable economically. These areas of activity, while discrete, are inter-related. Solving one, in isolation, will not necessarily enable growth but simply move the problem. These areas of activity are also complex. There is generally more than one approach to addressing the problem or achieving the desired outcome. Identifying the right one, that works in tandem with other approaches to inter-related problems, and in the right order, is not a simple exercise. It is almost impossible to get the right



approach and order if Chatham Island stakeholders are working in independently and focusing only on issues relevant to them.

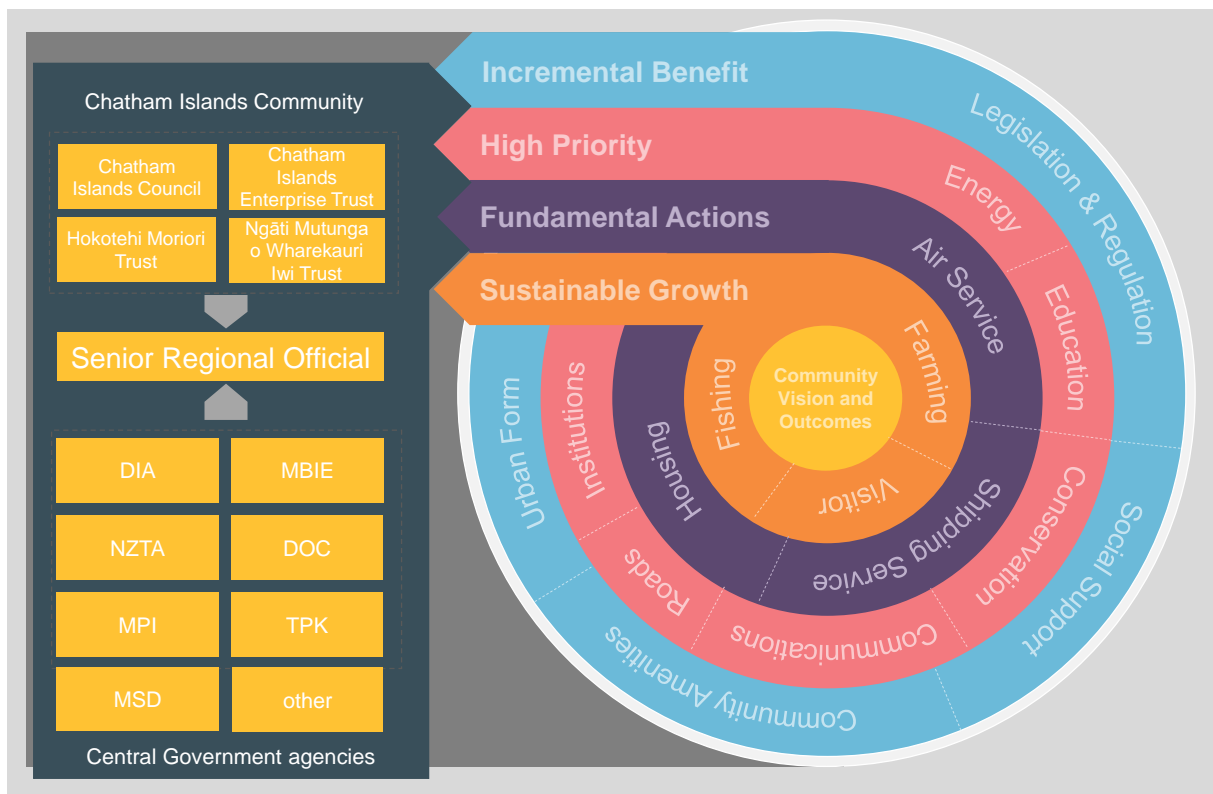
Like the rest of New Zealand, the Chatham Islands receives public services - health, education, public safety, transport and communications infrastructure. It is apparent that, despite more being provided on a per-capita basis, the level of service in terms of availability and delivery is “less” than what is provided on the Mainland. Many of these services have been provided in isolation, and the level of services or delivery is generally constrained by a value-for-money case, which is problematic when there is a small population and where delivery is more costly. It is clear to Chatham Islanders, and it is becoming accepted across central government agencies that a more joined-up and enduring approach would improve delivery, reduce costs and deliver better outcomes for the Chatham Islands.

Finally this report presents an implementation framework. Many of these areas have been identified in previous reports and studies. Many solutions have also been put forward. In fact, the actions noted in this report have all been identified in an earlier report. Some of them have appeared in multiple reports and some go back decades.

In exploring these priority areas and actions, and discussing them with stakeholders it became clear that they needed to be related to outcomes. The outcomes needed to have a clear people focus and they needed to be identified and agreed by the Chatham Islands Community.

These principles of a people focus and community ownership could be achieved if the four key stakeholders on the Islands – Ngāti Mutunga o Wharekauri Iwi Trust, Hokotehi Mōriori Trust, Chatham Islands Enterprise Trust, and Chatham Islands Council – worked together to agree a shared vision and a plan of action. At the same time, central government agencies had a responsibility to support and enable activity, but they should not be the driver, or decision-maker in terms of what should be done. However, central government agencies need to be joined up in terms of their activities, and have a consistent and enduring focus.





At the centre of the concentric circles is an agreed vision and outcomes for the Chatham Islands. This vision and outcomes will be decided by the Chatham Islands community. The strategy needs to be people focused and community driven.

The vision and outcomes will be supported through sustained growth in the key sectors of fishing, farming and visitors. For this sustained growth to occur there are some fundamental priority areas that have to be addressed including air and shipping services and housing. There are also a number of high priority areas that are necessary to support the Chatham Islands economy including energy, education, conservation, communications, roads and institutions. Finally there are several areas that, if addressed, would deliver incremental benefits to the Chatham Islands economy, namely legislation and regulation, social support, community amenities, and urban form.

To confirm a community vision and outcomes, and to deliver across the range of actions and priorities, with central government agency support, we propose that the framework is delivered through the Regional Growth Programme. The programme brings together the key community representatives on the Chatham Islands and the central government agencies that provide services to the Chatham Islands, under the support of a Senior Regional Official, who would provide that enduring understanding of both the Chatham Islands but also government. This framework would ensure an agreed approach and responsibilities for delivering the priorities and actions by the community and central government agencies that will allow the community vision and outcomes to be realised.

The report prioritises the action areas and summarises the issues and potential solutions. However, it is important that these actions are aligned to the community vision and outcome, which has not yet



been set. Further, it is for the stakeholders to decide, with the support of central government agencies, which actions and in what order will best contribute to the vision and outcomes.

It is our hope that this is what happens next. The vision and outcomes will be determined by the Chatham Islands community. The prioritised actions will be determined jointly by the Chatham Islands community and supported by a joined up set of government agencies who are clear about what the community wants. Together the actions will be delivered, the vision and outcomes will be achieved, and the Chatham Islands will continue to contribute to New Zealand into the future.



INTRODUCTION

Purpose

The Chatham Islands Council engaged MartinJenkins to deliver a study on the economic opportunities for the Chatham Islands.

The purpose of the report is to support investment decisions on major infrastructure investment, but also identify what other investment and actions (eg institutional, industry, social) are required to ensure sustained growth opportunities. The report also provides relevant information on the potential on the islands that can support / inform the iwi settlement process.

Background

The Chatham Islands is an important part of New Zealand's geography, history and community. The Chatham Islands economy has significant potential but the small population and economy is tracking to become unsustainable over the next 2-3 decades without further investment.

Shipping services, the airport and air services, roads and maintenance, electricity supply and telecommunications are all of marginal quality. There are few or no current medium to long-term plans for future investment and improvement of these key infrastructure.

Local and central government have endeavoured to co-ordinate various services, investments and projects over the past few decades to help the Chatham Islands community and businesses. To this end, there have been a number of studies commissioned over the years to investigate specific issues and opportunities and the status of the Chatham Islands economy more broadly. However, there has been little tangible progress in addressing those issues and opportunities, and the economy continues to struggle.

However, things are looking more positive. There has been pockets of investment over the years. Moana Pacific has recently invested in upgrading its processing factory. The Waitangi Wharf is being significantly upgraded with central government investment. This has generated momentum and hope on the Islands. Ngāti Mutunga o Wharekauri Iwi Trust and Hokotehi Moriori Trust are investing in their membership and in projects that support the sustainability of the Chatham Islands. The Council and the Chatham Islands Enterprise Trust are working together to address development issues and encourage sustainable growth. These four key groups are working with each other across a number of projects. Central government is working to improve delivery of services to the Chatham Islands as well as improve infrastructure investment decisions.

This study recognises and builds on that momentum.



Scope

The scope of the study is three-fold. The study aims to:

- describe the Chatham Islands economy including the people, industry, institutions and infrastructure
- identify investment, activity and spending by government and the private sector
- analyse the dependencies and implications to sustainable growth of infrastructure, institutions and industry productivity.

Output

The key output from this report is to provide recommendations on opportunities and options:

- for further infrastructure development
- to stimulate growth in key industries
- to support other economic and/or social policy initiatives.

Approach

The study approach combines desk-based analysis (including modelling), a literature search, and stakeholder discussion to identify its subject matter, or evidence base. The conclusions and recommendations are based on the evidence, review of literature, and discussions with stakeholders. It also draws on our understanding of regional economic development, in particular, the work that we are engaged in on the Regional Growth Programme.

The desk-based analysis builds on an earlier MartinJenkins project building an economic profile of the Chatham Islands economy. Where new information was identified, this earlier report was updated. We worked with Infometrics to update economic measures for the region, namely GDP and employment by sector. This updated report has been released separately but informs the current study.

The literature review draws on the various studies and reports on issues and growth opportunities on the Chatham Islands that have been produced over the years, as well as publicly available information on each of the stakeholder groups. Hokotehi Moriori Trust kindly provided access to their library, where they hold numerous studies and books on the Chatham Islands, some of which are not available electronically.

We had discussions with each of the key stakeholder groups on the Islands – Chatham Islands Council, Chatham Islands Enterprise Trust, Hokotehi Moriori Trust and Ngāti Mutunga o Wharekauri Iwi Trust. We also talked to a number of businesses and groups representing the various business and community sectors on the Islands. Unfortunately, due to logistics and timing, we were not able to talk to the Pitt Island community. We also had discussions with a number of central government agencies both on the Chatham Islands and on the Mainland. A full list of people that we talked with is included in the appendix.

We developed a growth scenario to show what the Chatham Islands could be from an economic perspective. This was a simple growth model where we included likely employment that would be



expected if defined projects or outcomes were met. Based on the evidence and our discussions, these projects and outcomes are all achievable. We then used the model to derive population and household estimates.

Finally we presented the recommended priorities and a framework that would ensure that the growth scenario could happen.

Format

The study is presented in four phases – Evidence base, Growth Scenario, Issues and Constraints, and Recommendations.

In the evidence base phase we identify and put together the various strands of the Chatham Islands economy into a cohesive format to present an historical and current picture of the Chathams. The strands include the Islands' geography and people, the key stakeholders on Island the economy and key sectors, central government agencies and community facilities.

The next section is a growth scenario to 2026. In this section we present a plausible scenario where real opportunities across the three key sectors are progressed. The growth scenario suggests that there is sustainable growth potential on the Chatham Islands if they can address key issues and constraints.

The next section explores those issues and constraints in more detail breaking them down into six areas – infrastructure, community and social services, resources, institutions, legislation/regulation, and environment and culture.

The final section sets out recommendations and priorities. It presents a framework and a focus for engagement and discusses the fundamental, high priority and incremental areas and key sector opportunities to achieve sustainable growth on the Chatham Islands.



Credit: Owenga Wharf, MartinJenkins,



RĒKOHU/WHAREKAURI/CHATHAM ISLANDS

Place

45 minutes ahead of mainland New Zealand lies a land inseparable from the sea.

The Chatham Islands – *Rēkohu* in Moriori and *Wharekauri* in Māori – are an archipelago some 800 kilometres east of New Zealand. They consist of two main inhabited islands, and a number of smaller islands within a radius of approximately 50 kilometres. The largest island, Chatham, has an area of 90,000 hectares. Pitt Island, *Rangihau* in Moriori and *Rangiauria* in Māori, has a land area of 6,300 hectares, and lies 23 kilometres south-east of Chatham Island. Chatham Islands operate 45 minutes ahead of New Zealand time.

Figure 1: Map of the Chatham Islands



Source: Te Ārā – the Encyclopaedia of New Zealand.¹

¹ Rhys Richards, 'Chatham Islands - Overview', Te Ara - the Encyclopaedia of New Zealand, <http://www.TeAra.govt.nz/en/map/37775/chatham-islands> (accessed 4 September 2017)



The islands sit on the Chatham Rise, a submerged peninsula that stretches approximately 1,000 kilometres east from the Canterbury coastline. The islands' land surface is predominantly flat with a number of peaks, the highest of which, Maungatere Hill, is 294 metres high. The north-eastern part of Chatham Island is dominated by Te Whānga, a large lagoon that covers 20,000 hectares, or about one-fifth of the island.

Only Chatham and Pitt Islands are populated. There are five main settlement areas on Chatham Island. Waitangi and Te One are relatively close together near the island's centre, with Waitangi being the main settlement and location of the port, council, bank, shops and hotel. The other settlements are located around the island's main fishing ports – Owenga in the south-east, Port Hutt in the north-west, and Kaingaroa in the north-east.

There is no single settlement on Pitt Island, although most activity is centred on the wharf at the northern end (Flower Pot) and community activity revolves around the school.

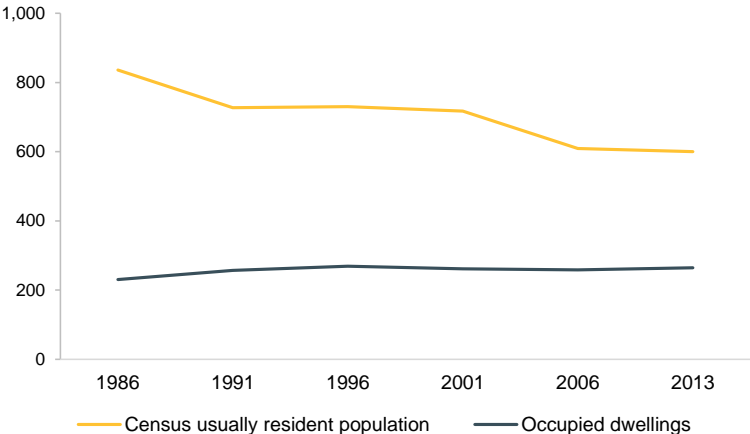
People

“Chatham Islanders hold fast in a remote outpost...and work hard to support their unique way of life.”

Population and dwelling counts

There are an estimated 610² people living on the Chathams, slightly up on the 600 counted at the 2013 Census. Population and dwelling counts from 1996 to 2013 are presented in Figure 2

Figure 2: Usually resident population and occupied dwellings (1986-2013) – Chatham Islands



Source: (Statistics New Zealand, 2013)

² (Statistics New Zealand, 2016)



The islands' population declined at an average rate of 1.2 percent each year between 1986 and 2013, down from 836 people in 1986. The rate of decline increased between 1996 and 2013, declining by 1.4 percent each year (160 people in total). However, between 2006 and 2013, the population decline eased to 1.1 percent each year and, it is estimated to have increased over the last three years to 2016³.

The number of occupied dwellings⁴ on the islands has remained relatively constant, increasing slightly from 230 in 1986, to 264 in 2013.⁵ This suggests a significant drop in average household size.

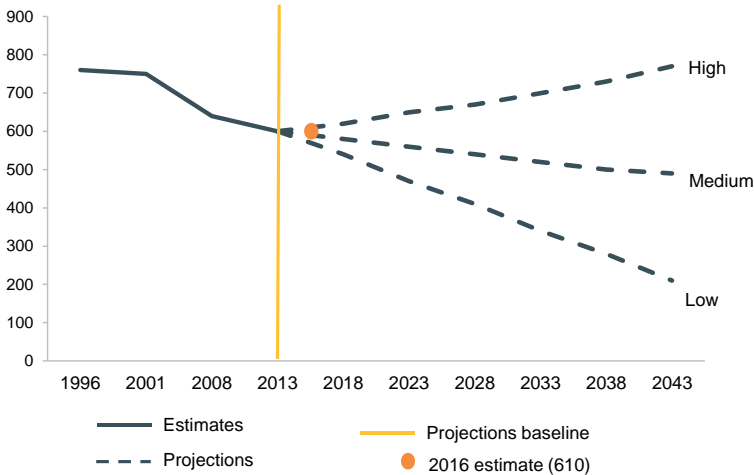
The Chatham Islands are among 20 territorial authority areas (out of 67) to have experienced a decline in population between 2006 and 2013.

Population projections

The inherent volatility of smaller populations, combined with the highly interdependent relationship between the Chatham Islands' population and its economy, limit the relevance of population projections based on fertility, mortality and migration trends. The arrival or departure of a single employer (or even a large family) can result in a significant percentage change in a population of 610, and government and business decisions are likely to have a more pronounced impact on population change.

With these limitations in mind, Figure 3 shows Statistics New Zealand's high, medium and low subnational population projections for the Chatham Islands out to 2043.

Figure 3: Chatham Islands population estimate and projections



Source: (Statistics New Zealand, 2016)

³ According to the Statistics NZ subnational population estimates 2016.
⁴ A dwelling means any building or structure, or part thereof, that is used (or intended to be used) for the purpose of human habitation. It can be of a permanent or temporary nature and includes structures such as houses, motels, hotels, prisons, motor homes, huts, and tents.
⁵ Divergence between population and occupied dwelling growth is driven by changes in household composition over time – in particular, the current trend toward smaller family sizes, which has been seen across most Western developed countries. In the Chatham Islands, the average number of usual residents per household decreased from 2.6 in 2001, to 2.4 in 2013 (MartinJenkins, 2014)



The estimated usually resident population of the Chatham Islands at June 2016 was 610⁶, similar to the 600 counted at the 2013 Census. The 2016 estimate is slightly above the medium-level population projection developed by Statistics New Zealand.

Under the medium scenario, the Chatham Islands’ population is forecast to decline by 0.7 percent each year to 2043, a loss of 120 people. Under the high scenario, population is forecast to grow by 0.8 percent each year to 2043, an additional 16 people. Under the low scenario there is a significant drop in population, with 390 less people by 2043. The current population estimate of 610 in 2016 is closer to the high scenario.

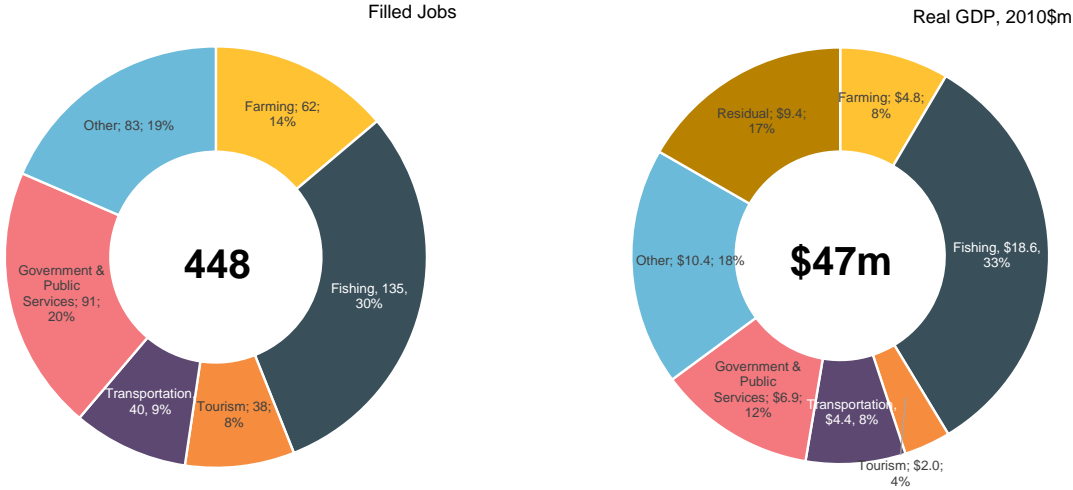
Ethnicity

Almost sixty percent of the population on the Chatham Islands identify as Māori. There are two iwi/imi on the island - Moriori and Ngāti Mutunga o Wharekauri. These two groups have made significant strides in terms of their own governance and direction and are major players in the islands’ economic and social transformation.

Economy

Estimates by Infometrics suggest that, in the year to March 2016, the Chatham Islands supports 448 filled jobs and generates \$47 million⁷ in GDP (Figure 4).

Figure 4: Filled jobs and GDP by sector, 2016



Source: Infometrics

⁶ (Statistics New Zealand, 2016)

⁷ In 2010 dollars.



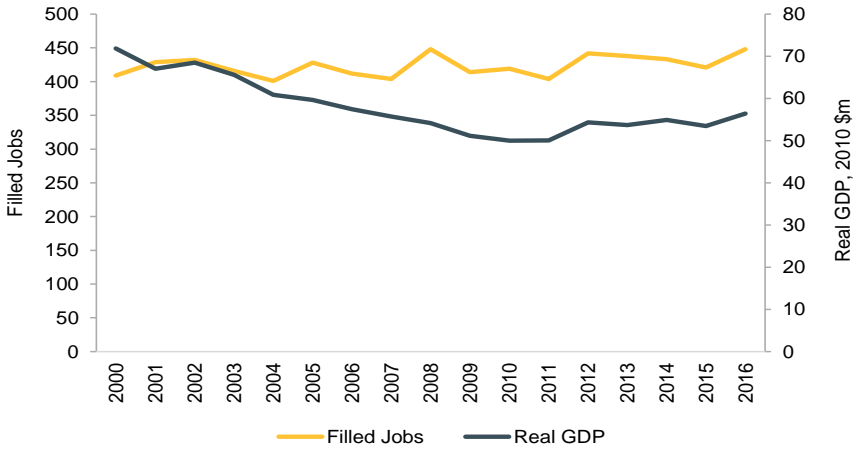
The Chatham Islands economy is underpinned by three key sectors – fishing, farming and tourism. As in most small-island economies, there is also a relatively large public service sector.

Fishing is the largest sector on the island accounting for 30 percent of employment and a third of GDP. Farming is the second largest industry, and is estimated to account for 14 percent of jobs and about 8 percent of GDP. Tourism is the smallest of the three productive sectors, accounting for 8 percent of employment and 4 percent of GDP.

Together, government and transportation accounts for 29 percent of employment and 18 percent of GDP.

Figure 5 shows the change in GDP and employment over the last 16 years.

Figure 5: Filled jobs and GDP, 2000 to 2016



Source: Infometrics

Over the last 10 years, employment has increased slightly, by 0.8 percent each year whereas GDP has fallen slightly, by -0.3 percent each year.

Over the last 5 years, growth has been stronger, with employment increasing by 2.1 percent each year and GDP by 2.9 percent each year.

The Chatham Islands three key producing sectors – fishing, farming and tourism are focused on exports. These sectors account for over 50 percent of employment and just under half of the Islands GDP.

The Chatham Islands are reliant on the world. Exports were estimated at 150% of regional GDP in 2013.⁸

⁸ (MartinJenkins, 2014)



As such there is a need to ensure the ability to move products to the mainland and beyond.

Key Sectors

The Chatham Islands has three key producing sectors – fishing, farming and tourism. This section explores these three sectors in more detail, and identifies key issues and opportunities.

Fishing

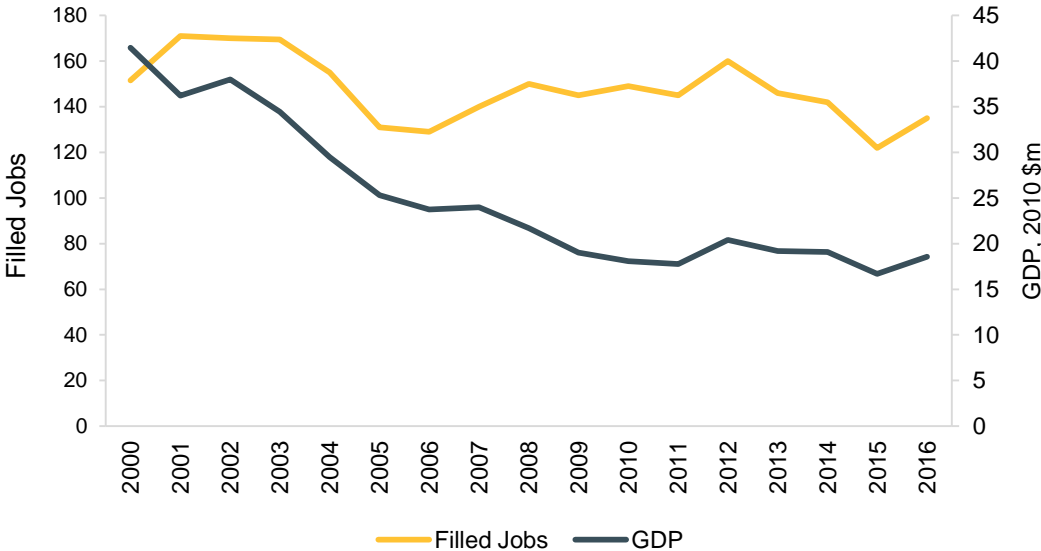
“The Chathams maritime zone includes some of the country’s most productive fishing areas.”

The area within a 200 nautical mile radius of the Chatham Islands makes up about 10 percent of New Zealand’s Exclusive Economic Zone.

Description

The fishing sector is the largest productive sector on the Chatham Islands and is estimated to employ 135 people and generated \$18.6 million in GDP in 2016 (Figure 6).

Figure 6: Fishing, Filled jobs and GDP, 2000 to 2016



Source: Infometrics



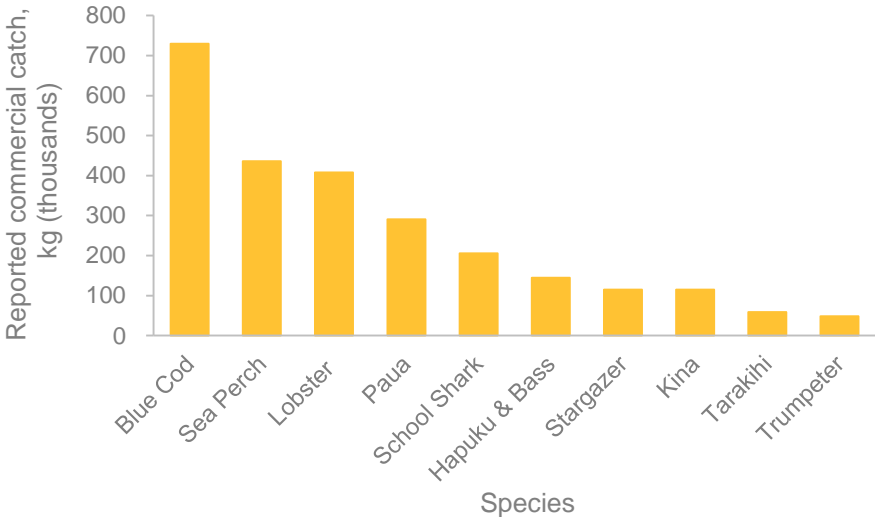
Moana Pacific is the largest processor on the island, with other processors including Chatham Island Seafood Company, Waitangi Seafoods and Port Nicholson Fisheries.

Moana Pacific operates out of Waitangi, with a second plant in Port Hutt that is currently subleased to Waitangi Seafoods and used for storage and sometimes to process kina and bait. Waitangi Seafoods operates out of Te One and Chatham Island Food Company and Port Nicholson Fisheries out of Owenga. Catch out of Kaingaroa is transported to one of the three processors.

There are about 35 cray and wetfish boats fishing the Chathams. There are also about 15 dive boats⁹

The Islands' fisheries focus on Crayfish, Blue Cod and Pāua, which are fairly fully developed in terms of ACE caught. There is also a market for kina, other shellfish, and some wetfish species. Reported commercial catch is shown in Figure 7.

Figure 7: Reported commercial catch by species, 2016



Source: (Ministry for Primary Industries, 2017)

⁹ <http://www.stuff.co.nz/travel/destinations/74855760/fishing-in-the-chathams> downloaded on 13 March 2017 and discussion with Jeffrey Clarke.



Opportunities

Distance from markets is a disadvantage. But Isolation is also one of the Chatham Islands best marketing propositions.

Increased catch and value captured by processing on-island

Now that Treaty Settlement quota is devolved and is being managed in local hands, the opportunity to consolidate and manage Island-held quota to achieve added value is a reality. Future prospects are further improved by the progress made in co-management of the fish resources. The next aspects for the Chathams' fishing industry to focus on are improvements to processing, marketing and transport sectors of the value chain. Other initiatives include added value and new fish species development. (Taylor Baines & Associates, 2008).

There are two means by which new catch can be brought on island for processing. The first is bringing more of the existing catch on island. The second is to open up new catch that will be brought on island.

Growing, Consolidating and managing island-held quota

One way to increase catch brought onshore is to assign more locally owned quota to local fishermen. Iwi/imi and the Chatham Islands Enterprise Trust have relatively substantial quota in key Chatham Island species, and have a policy around retaining ownership and consolidating quota and making it available to local fishermen. As iwi/imi consolidate quota leases with local fishermen, more of the catch can potentially be processed on the Chathams.¹⁰

Adding value through processing and branding

Crayfish is currently demanding a premium price (live export), while other species could have potential to increase price through better product and branding.

Contrary to other processed products, the less processing that occurs, the higher the price premium. Live is the highest value product. Frozen fillets is the lowest value product. The objective is to export the seafood in its highest value form.

The potential to enhance value of all products through Chathams branding has been recognised but has proved difficult to achieve. Some current producers¹¹ appear to now have some success in this.

This is likely to happen for wetfish, where product will be traceable to the fisherman and where the catch occurred.

¹⁰ Quota ownership is still consolidated in the hands of a few large quota owners, however, there is a larger proportion of ownership in direct island control and management through the holdings of the Enterprise Trust and the two iwi groups, Ngāti Mutunga and Te Hokotehi. (Taylor Baines & Associates, 2008)

¹¹ Such as Chatham Island Food Company.



Deep Sea base

Issues around the harbour¹² are likely to be resolved with the new wharf, meaning that deep sea vessels could reliably offload at Waitangi. This creates a number of opportunities to increase fishing and processing activity on the island.

Deep sea quota owned by Chatham Islands Enterprise Trust is currently leased to Hawke's Bay Seafoods and is processed outside of the Chatham Islands. This expires in September 2017 and there is a possibility that, with the right arrangements, more of this could be processed on-island. There are also several other opportunities that could be explored further, including the development of local long-line capabilities, so that Chatham Island fishermen can catch local-owned deep sea quota and bring it onshore for further processing.

Bluenose management area change

There is a general consensus that the Chatham Islands should benefit more from catch within their area. There is also merit to the current case to assign bluenose fishery to FMA3, which may enable more catch to be landed on island.

Chatham Islands Enterprise Trust, together with iwi/imi, are seeking to alter the boundaries of bluenose management area 3. If they were able to get this plan approved, it would open up around 1,000 tonnes of high value fish (existing quota) that could be caught (by long-line) and landed on-island for further processing. A paper to the Minister for Primary Industries has been issued to alter the boundaries of bluenose management area. There are difficulties, however, in changing the bluenose fishery. The industry, with the support of iwi/imi and Chatham Islands Enterprise Trust need to work with MPI to identify solutions that will allow them to profitably access existing quota.

New Species

Aquaculture

There have been experiments in pāua fishery, and suggestions for both freshwater and seawater aquaculture. Sea conditions limit the sites for seawater aquaculture; freshwater aquaculture may raise cultural and social issues. (Rennie, 2014)

An area in Port Hutt has marine consent and is being considered for an aquaculture venture. However, there are a number of issues that need to be resolved before this venture can progress.

Shellfish

Dredge fishing for scallops and oysters has taken place over the last 25 years. The potential for this fishery is unclear but is under investigation. When available, both shellfish have commanded premium prices. There are other shellfish possibilities. (Rennie, 2014)

Freshwater

The on-island eel fishery was largely fished out in the 1970's and has not really recovered. Other freshwater resources including flounder and whitebait are seen as a cultural and social resource and any development is unwelcome. (Rennie, 2014)

12 While the very extensive deep sea resources around the Chathams remain highly productive, efforts to have deep sea fishing vessels based at the Chathams have failed (principally due to the lack of safe harbours), processing costs, and the ownership structure of the fishing industry. These might be overcome (if a harbour was available) by a major fishing initiative but this would require substantial capital and certainty of the availability at acceptable costs of energy, labour and transport. (Scampi fishing might have developed from a Chatham base but did not do so through regulatory failure and other issues). (Rennie, 2014)



There was early discussion around a glass eel project with Chinese investment. This project was put on hold due to regulatory issues. The benefits of a joint venture proposal in the coming years with Rangitāne in the Manawatū is being considered, but only once development in the Manawatū is at a more advanced stage.

Key Constraints

Access to a reliable and affordable air service is a vital element to the live and fresh fish trades. (Taylor Baines & Associates, 2008)

There is continued difficulty in finding suitable support staff in the industry such as process workers and boat boys. The variable nature of employment in the industry and the high cost of living on the Islands has limited recruitment opportunities. (Taylor Baines & Associates, 2008)

The processing sector continues to struggle with high energy and transport costs in order to remain competitive. This is reflected in lower port prices paid on the Islands. Less processing is being carried out on the islands with more product going out live and chilled. (Taylor Baines & Associates, 2008)

The constraints identified above have been confirmed in discussions with the industry. The key constraints in order of importance are: reliable and affordable air service, Port access for deep sea vessels, labour, energy costs.

Farming

The Chatham Islands is one of the best places in the world to grow sheep.

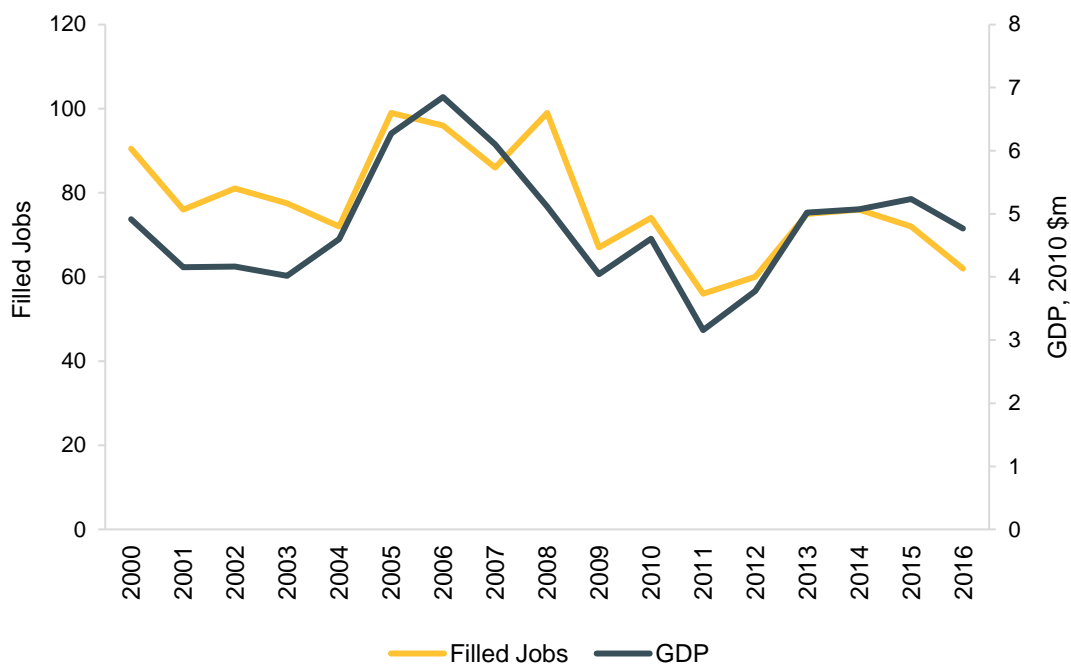
Farmers on the Chatham Islands enjoy relatively cheaper land and a more favourable climate than mainland New Zealand farmers (more consistent temperature, less exposure to adverse weather conditions). This results in marketable attributes such as 'coastal lamb' and more consistent wool fibres, which if marketed effectively, could demand a premium price.

Description

Farming has been one of the two productive mainstays of the Chatham Islands economy. Consisting largely of sheep and beef farming, the sector contributed 62 jobs and \$4.8 million to the Chatham Islands economy in 2016 (Figure 8).



Figure 8: Farming, Filled jobs and GDP, 2000 to 2016

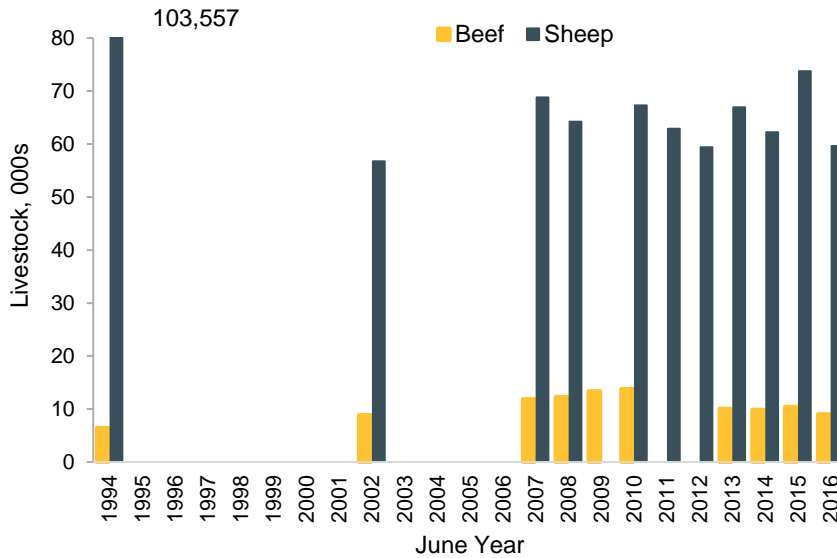


Source: Infometrics

As at 30 June 2016, farms on the islands carried around 9,050 beef cattle and about 60,000 sheep. There were about 4,170 calves borne alive and 32,200 lambs marked and/or tailed Figure 9.



Figure 9: Livestock numbers, Chatham Islands, 1994 to 2015



Source: (Statistics New Zealand, 2017)

While higher than the previous year, cattle numbers are down from their high of 13,800 in 2010. Sheep numbers have dropped 20 percent from the high in 2015.

In the 12 months to November 2016, 3,400 cattle and 28,086 lambs and sheep were ‘exported’ to mainland New Zealand.¹³

Opportunities

(Taylor Baines & Associates, 2008) identified the following four opportunities:

- improve productivity¹⁴
- increase land area utilised for farming
- creation of Chatham Islands brand for products
- on-island meat processing (abattoir).

We would argue that three of the four opportunities are valid. While increasing land area utilised for farming is an option, our understanding is that it may not meet with social, environmental or cultural outcomes. The key opportunity is to encourage and enable farmers to improve stocking rates as well as practices to improve productivity and efficiencies. Processing is discussed below.

¹³ (Grant Thornton, 2017)

¹⁴ This is progressing on from the Sustainable Farming Fund (SFF) project to achieve the productive potential identified in the SFF project and moving into higher value per unit of volume agriculture. This could involve both diversification of farming systems and further processing/value added options.



Sheep and Beef

The traditional sheep farming has in recent years been significantly reduced in favour of beef farming. The change followed the availability of better shipping at the start of the 1990's and also the change from on-Island processing to live export. Some experienced farmers have estimated that sheep numbers could rise four to six times with land development. The development of Wharekauri by Lands & Survey in the late 1970's demonstrated both possibilities, difficulties, and the need for certainty as to future energy and shipping costs. (Rennie, 2014)

Beef numbers have grown substantially in recent years and experienced farmers estimate that further growth is possible. Economic constraints are similar to sheep. (Rennie, 2014)

Processing

Meat processing has been undertaken in the past in various ways, including a meatworks and private export of farm-killed meat. Processing on any scale is not economic and available volumes are too small to attract a dedicated mainland purchaser. (Rennie, 2014)

A dairy factory operated in the 1920's. It was privately owned and was unsuccessful. While it is arguable that some farm land is suitable for dairy operation, it would need to be supported by boutique cheese or other processing to capture sufficient revenue to support dairy farming. Energy costs and transport certainty and costs are particularly relevant.

Similarly, the Islands had a meatworks, which also ran into several difficulties and closed. However, the economics of running a meatworks are still valid and there is potential to consider a small-scale meat processing facility.

Other livestock

At the start of the 1980's a small number of ostriches were imported, but the environment did not favour them. Deer are prohibited on the Islands. At times suggestions have been made for speciality breeds such as Highland cattle. Wild pigs are prevalent. Neither the climate nor farming costs favour poultry. On a couple of occasions it has been suggested that it may be possible to farm and export weka. This is uniquely possible on the Chathams and weka command premium value for cultural reasons in New Zealand. This was noted as a possibility by the Enterprise Trust but not pursued. (Rennie, 2014)

Key Constraints

There is one central problem for agricultural development which must be resolved: the need to balance shipping capability with farm export requirements. The present level of uncertainty is severely limiting economic investment and entrepreneurial behaviour in the Chathams' farming sector. The farming community on the Chathams needs to get behind the community shipping model. (Taylor Baines & Associates, 2008)

The current shipping services to the Islands have been identified by a number of stakeholders as a key constraint. As such it needs to be reviewed to ensure effective shipping services.



Tourism

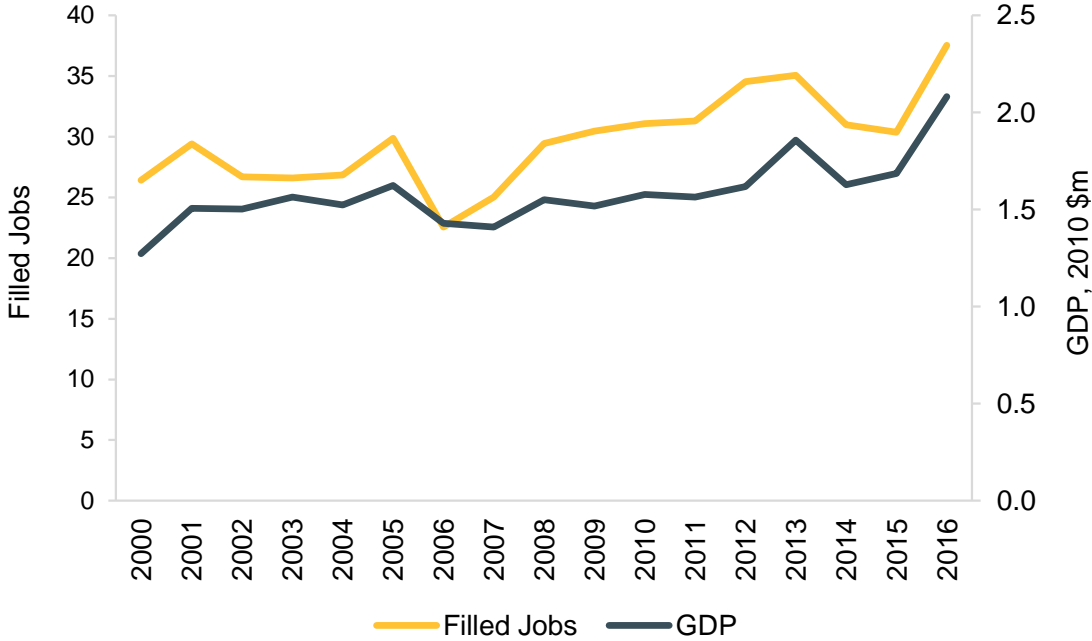
The Tourism opportunities are extraordinary, and remarkably unexploited so far.

Tourism is the fastest growing sector on the Chatham Islands. There is significant upside that can be realised in the sector.

Description

The tourism sector is estimated to employ around 38 people and contribute close to 2.1 million in GDP in 2016 (Figure 10).

Figure 10: Tourism, Filled jobs and GDP, 2000 to 2016



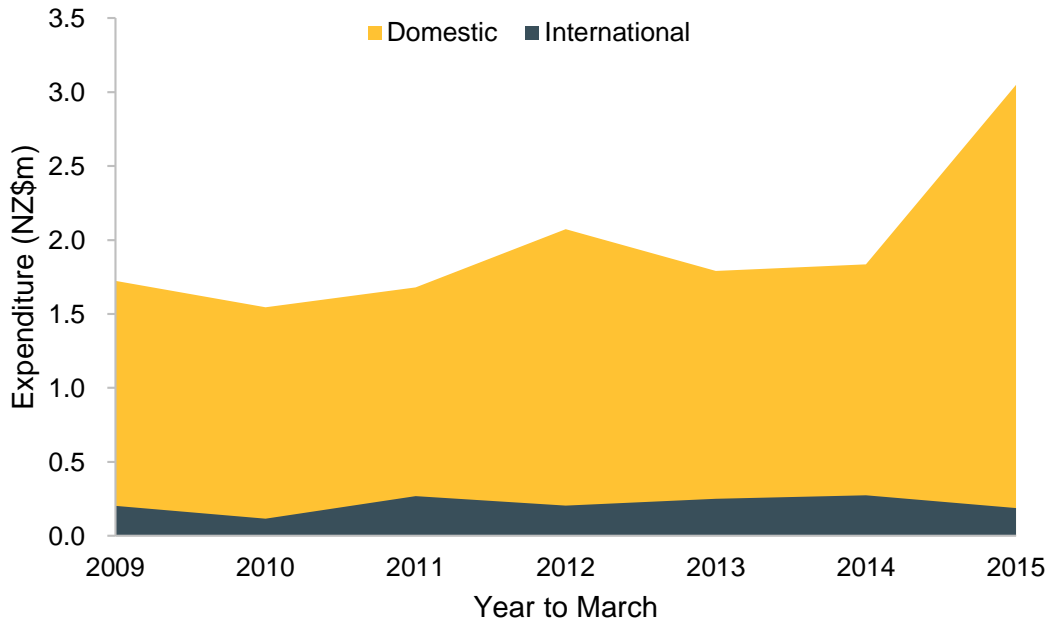
Source: Infometrics

The visitor sector has been growing relatively quickly. Over the last 10 years, employment has grown by 5.2 percent each year, and GDP has grown by 3.8 percent each year. Over the last 5 years, employment has grown by 3.7 percent and GDP by 5.9 percent each year.

Looking at the Ministry of Business, Innovation & Employment’s regional tourism estimates, visitor expenditure has increased from \$1.7 million in 2010 to \$3.2 million in 2015, an annual increase of 14.3 percent (Figure 11).



Figure 11: Visitor expenditure, domestic and international, 2009 to 2015



Source: (Ministry of Business Innovation and Employment, 2017)

The majority of expenditure is from New Zealand visitors, accounting for about 94 percent of total visitor expenditure. There was a large spike in local expenditure in 2016.

It is estimated that about half of domestic visits to the Chathams are for business and half for holiday/Visiting Friends and Relatives (anecdotal).

There is no official estimate of the number of visitors to the Chatham Islands. Current estimates range from between 1,500 and 2,000 with the majority suggesting it is closer to 2,000.

The industry has established the Chatham Islands Visitor Industry Group (CIVIG) to sustainably develop the tourism sector on the Chatham Islands. The group comprises most of the tourism businesses on the island. Chatham Islands Enterprise Trust has an interest in tourism, and commits resources to it through its tourism development arm.

Opportunities

Visitor Strategy

Before 1995 there was no significant visitor industry. A weekend seminar held by the Enterprise Trust raised interest, and (supported by enhancements in air services) since then there has been steady growth. At times the participants have struggled to obtain cohesion in promotion, due to the competitive position between themselves. The seasonal nature of the industry affects profitability and in turn available investment capital. There is clear further potential, with associated benefits and the industries support of air services and onshore facilities. Some participants such as Air Chathams, Chathams Hotel and Henga Lodge have been outstanding successes. The interest in rare birds, other fauna, and flora has international appeal. (Rennie, 2014)



The inshore fishery has been the traditional fishing resource for the Chathams, comprising both wet fish (particularly cod), crayfish and pāua. This fishery is fairly fully developed. The primary economic strategy must be to extract greater value from what is already being taken. Air export of crayfish was pioneered by Chathams' fishermen with great success; direct export of cod to Asia (including as premium fish for Japan) has had more mixed results. At one seminar held by the Enterprise Trust, a participant suggested the target should now be "the \$1,000 crayfish", explained as being a strategy to bring consumers on visits to the Chathams to eat the fish, rather than sending the fish to them. Some of this potential is now captured by the visitor industry, including recreational fishing. (Rennie, 2014)

A business plan 2009-2012 was developed for the visitor sector but foundered due to an inability to secure funding support (Gurden Consulting Ltd, 2008). The business plan had a number of activities to develop the sector. This business plan is currently being updated, although this is being done on a voluntary basis. The Chatham Islands Visitor Group is still running and meets regularly. The following areas of focus were identified.

- Aim to harness the inherent value in nature/environment such as rare birds, isolation...
- Product development, marketing, increase visitor numbers, length of stay, daily spend
- Cultural tourism.

Conservation

While broader than tourism, targeted conservation efforts provide an opportunity to encourage and sustain the visitor sector. Over 30 percent of New Zealand's threatened species are on the Chatham Islands. A stronger focus on conservation efforts, such as managing predators and forest restoration, and a focus on converting these efforts to a visitor experience could encourage a greater number of visitors to the islands. At the same time, the income from visitors could go some way towards supporting conservation efforts on the islands.

Special events

Chatham Islands Enterprise Trust identified opportunities for special events, such as marathons, cycle racing, and marine and hunting activities. There has been some small progress on this. Iwi have in recent years developed a range of activities for each of Ngāti Mutunga and Moriori. The Islands have special status for the Ringatu Church, with occasional visits to commemorate Te Kooti's imprisonment. Annual horse races, arts and cultural events now enjoy support. There is further potential. (Rennie, 2014)

There are currently a limited number of events held on the Chatham Islands that are targeted to out-of-region visitors. Due to its isolation, special events are a way to encourage visitors to the Chatham Islands. However, they would have to be special and marketed effectively to succeed.

Cruise visits

For a number of years there have been visits by a small vessel undertaking southern ocean "discovery" visits. There are some signs of possible visits from major cruise lines. This seems likely to develop but requires local resources and response to capture an economic benefit. (Rennie, 2014)

A key issue for the Chathams is the capacity, and the ability of the community to mobilise and service a large number of visitors. In saying that, the ISS McKay has scheduled a 1,200 passenger ship visit for January 2019.



Arts and Crafts

In the 1970s local screenprints sold widely. Since then a wide range of local crafts, photography, artisan food and craft beer, painting, jewellery, souvenirs and other products have been produced. There is a clear demand from visitors. (Rennie, 2014)

Key Constraints

From small beginnings the tourism sector has continued to grow in terms of the number of tourism businesses and the number of visitors, the development of associated infrastructure, and the availability of tourist information. Capacity in 2008 remains limited by the available flights and the number of beds. Further marketing should be preceded by product development. The most important step in product development is to focus efforts on establishing the Regional Tourism Organisation (Taylor Baines & Associates, 2008).

One of the greatest threats to the Chatham Island tourism industry is the impact an increased level of tourists could have on the Chatham Island environment, culture and community with the Islanders limited resources to manage visitor behaviours (Gurden Consulting Ltd, 2008).

Capacity

Accommodation options are limited. Our discussions suggest that there are currently five accommodation providers (although some have multiple accommodation options) and about 100 commercial beds available on the islands.

While there is interest in investing in accommodation, there are also risks related to the ability of appropriate air services to get visitors to and from the Chatham Islands.

Other Sectors

Forestry

There have been many private initiatives in small plantations, shelter belts, and conservation planting. After a comprehensive independent investigation in the early 1990's the Enterprise Trust pioneered small plantations of macrocarpa, shared with local landowners. The Trust also intended to introduce on-Island timber processing and acquired some equipment, but economic studies showed timber importation to be both cheaper and environmentally safer. ... of vocations and planting, poor maintenance, and lack of clear "end" use have meant that plantings of pine have not achieved their intended value or purpose. The basic assumptions from the Enterprise Trust's forestry report (timber suitable for local use and for back-fill cargo on shipping) probably remain appropriate. (Rennie, 2014)

Natural resources

There have been several investigations from the 1940's onwards in respect of peat resource, the montan wax in it, and the possible extraction of liquid fuels from peat. Even if extraction were otherwise feasible, the environmental effects are probably unacceptable. The off-shore presence of phosphate nodules has been known for many years, and is presently the subject of a mining application but at some distance from the Chathams. The possible export of some sand for premium use as a back-fill cargo was suggested some years ago. Another suggested back-fill cargo was peat for garden use. The economics were not proven and the concept of "shipping away the Island" raised real concerns. (Rennie, 2014)

There is a wealth of work looking at generating business opportunities from the peat resource. There is a discussion as to what the business opportunity is or whether it is a part of a larger business opportunity eg cogeneration to support a milk powder processing plant.



Rock phosphate is still a possibility with Chatham Rock Phosphate possibly resubmitting their mining application in 2017. However, the value of this to the Chatham Islands needs to be considered carefully alongside the possible costs.

There is also a business opportunity supplying lime to farmers at an economic price. There is currently a lime pit that has been returned under the Public Works Act but is currently not being mined for a number of reasons. If the issues could be resolved to allow the lime-pit to be re-commissioned and lime provided to farmers at a fair price it could create jobs within the pit but also support productivity improvements in the farming sector.

Artisan foods

In the 19th century the Chatham Islands was noted for agricultural production of potatoes and other supplies. When the air service first commenced regular flights around 1970, government publicity suggested that agricultural products and flowers could be flown to New Zealand markets. This never happened. Production is achievable, the issue being scale and cost to market. (Rennie, 2014)

The value here appears to be in the artisan products and provenance aligned to the visitor sector. Examples of possible products include honey, whisky, weka, swan eggs, pāua, kina etc.



Photo: Farm on the South Coast, MartinJenkins



KEY STAKEHOLDERS

This section discussed the four key stakeholders that represent the Chatham Islands community. It also outlines the contributions from the central government agencies that engage with the Chatham Islands.

“It is only the Chatham Islanders who can make or decide their future.”

- (Morrison & Rennie, 2009)

Progress in achieving greater co-operation amongst various Chathams’ interest in support of social and economic development (Taylor Baines & Associates, 2008)

It is important to get the Islands governance correct before progressing with other initiatives (Taylor Baines & Associates, 2008)

Any successful approach to the sustainable development of the Chatham Islands needs to be driven by the Chatham Islands community. The groups that represent the community need to get their houses in order and then agree a set of outcomes and then work together to achieve them.

There are four key stakeholder groups that represent the majority of the Chatham Islands community and can have a strong influence on the direction of the Chatham Islands economy. These are Moriori (represented by Hokotehi Moriori Trust), Ngāti Mutunga o Wharekauri (represented by Ngāti Mutunga o Wharekauri Iwi Trust), Chatham Islands Enterprise Trust and the Chatham Islands Council.

The four groups are described in more detail below.

Hokotehi Moriori Trust

Moriori are the indigenous people of Rēkohu/Rangihau who peopled the islands about 1,000 years ago. All Moriori trace their ancestry back to the founding ancestor Rongomaiwhenua.

Hokotehi Moriori Trust is a registered charitable trust representing Moriori. It has 1,600 plus adult members and children, and is governed by a Trust Board with trustees from the island and New Zealand mainland.

The Hokotehi Moriori Trust

“is the mandated iwi body authority for Moriori people and is involved in negotiations on behalf of Moriori with the Crown and other government and non-government agencies.” (Hokotehi Moriori Trust, 2017).

Treaty Settlement Negotiations

Moriori signed an Agreement in Principle (AIP) to settle all their historical claims against the Crown under the Treaty of Waitangi. The original claim was filed by 33 Moriori elders with Governor Sir George Grey in 1862 and the modern claim in 1988. The settlement will see areas of Crown land



returned to Moriori ownership on both Rēkohu and Rangihaute, joint ownership of the bed of Te Whanga returned jointly to Moriori and Ngāti Mutunga, a Joint Planning Committee over natural resources on the Island established with Moriori, Ngāti Mutunga and the Council, a new customary fisheries regime put in place and a cash quantum of \$18 million. A deed of settlement is expected to be signed by the end of 2018 and settlement legislation introduced into Parliament in early 2019.

Assets/activity

Hokotehi Moriori Trust has significant fishing, farming and property assets. They are also heavily engaged in cultural preservation and conservation activities.

Fishing Operations

The main class of fisheries assets owned by Hokotehi Moriori Trust is its quota share portfolio. Hokotehi Moriori Trust's quota share portfolio has an estimated current value of \$32 million. Quota shares for lobster (CRA6) and pāua (PAU4), underpin the overall value of Hokotehi Moriori Trust's quota portfolio. Collectively, these two stocks account for 65 percent of the overall value of the quota share portfolio. The other fisheries asset of significance owned by Hokotehi Moriori Trust is its income shares in Aotearoa Fisheries Limited (AFL) which have a current market value of over \$250,000.

Gross returns from the sale of Hokotehi Moriori Trust's ACE in 2015-16 were over \$1 million. Rock lobster contributed around half of the gross returns from the sale of Moriori ACE, deepwater stocks contributed around a quarter, pāua a fifth and inshore stocks around 10 percent. Collectively, rock lobster, pāua and deepwater stocks contributed over 90 percent to total returns from the sale of Hokotehi Moriori Trust ACE, illustrating the importance of these stocks to Moriori.

The policy of Hokotehi Moriori Trust and HSQHCL in respect to the sale or exchange of Settlement Quota for the coming year is that there will be no sale or exchange of such quota either by the Trust or its asset holding subsidiaries.

Hokotehi Moriori Trust re-purchased the 20 tonne of CRA6 quota (which was purchased on the open market in 2005 and is therefore not "settlement quota") that was sold to AFL in 2009 to reduce debt.

Hokotehi Moriori Trust will:

- a continue to work with members and stakeholders in the commercial fishery industry to optimise value from the fisheries assets for Hokotehi Moriori Trust, Moriori fishers and for the benefit of all Moriori generally;
- b continue to advocate for sustainable fishing practices for our fisheries around Rēkohu and Rangihaute and, in particular, for rock lobster, pāua and blue cod which are some of our key species;
- c encourage reciprocity to and support for marae events and Moriori culture from Hokotehi Moriori Trust fishers.

Hokotehi Moriori Trust will continue to consult with members and fishers around the optimal utilisation of ACE with the aim to improve returns for Hokotehi Moriori Trust, fishers and ultimately for all Moriori. Fishers will be encouraged to continue to support the Marae with kai moana for hui and other events. There are no proposals to change the constitutional documents of any of Hokotehi Moriori Trust's asset holding companies or subsidiaries.



Farming Operation

Hokotehi Moriori Trust own an extensive farm in Kaingaroa (over 4,000 hectares) and a farm at Henga, both of which currently run cattle and sheep.

Property

Hokotehi Moriori Trust has a portfolio of properties on Rēkohu including Kōpinga Marae and its associated facilities, and other dwellings in Kaingaroa and in Maipito Road, Waitangi. (Hokotehi Mōriori Trust, 2016)

Kōpinga Marae

Kōpinga Marae was opened in 2005. It is a base for all Moriori on Rēkohu and a place for visitor to experience Moriori hospitality. Kōpinga is a tribute to Moriori Ancestor's legacy of peace and has hosted events associated with research into and promotion of peace and conflict resolution as well as numerous cultural wānanga.

Kōpinga marae contains the Hokotehi Moriori Trust administration, a large meeting space, and commercial kitchen. The marae is available for community use and is a designated Civil Defence Welfare Centre.

Henga Lodge

Henga Lodge is located close to the airport and has 11 rooms.

Henga Nursery

The nursery produces native plants primarily for replanting programmes being carried out by Hokotehi Moriori Trust and for enhancing island biodiversity.

Te Keke Tura Moriori Identity Trust

Te Keke Tura Moriori Identity Trust was launched in June 2008 with a gift from the Government of \$6 million for the preservation, revival, support and promotion of Moriori identity and culture. The capital funds have grown to \$6.8 million and are currently in fixed-term deposits. Some of the interest earned is used to support cultural initiatives. Te Keke Tura Moriori Identity Trust focus is currently on:

- providing support for Moriori studying at a tertiary institution
- providing support for language and arts revival programmes
- continuing support for building cultural capacity/learning among Moriori
- continuing to support peace related projects and initiatives
- continuing to support cultural and heritage conservation and enhancement projects on Rēkohu
- reviewing investments opportunities for the Te Keke Tura Moriori Identity Trust capital fund.

Conservation

Hokotehi Moriori Trust's vision is to be a lead agency in the development of a culturally and environmentally sustainable transition island economy through sensitive resource management and the application of traditional resource management practices. A goal is to reduce dependency on an import/export regime and reduce their own carbon footprint.



Hokotehi Moriori Trust will continue work commenced in 2010 to manage the Kōpi groves and preserve as many of the trees with rākau momori as possible and those that cannot be preserved, to remove for preservation for future generations to enjoy. Hokotehi Moriori Trust will also continue to develop the freshwater management plan and monitoring programmes for the island's freshwater resources.

In addition, Hokotehi Moriori Trust will partner with DOC on a range of matters including Taia, Hāpūpū management, whale stranding's and distribution of whale bone, species protection work, Te Whanga Lagoon etc.

Opportunities

As noted in their 2016 annual report, Hokotehi Moriori Trust

"will continue to review the options for business operations in fishing, farming and tourism with a view to ensuring all business ventures bring better returns and benefits for members and for Rēkohu. A greater focus on sustainable inshore fisheries that supports Moriori fishers and that meets international standards and demands for processing and transport of live fresh produce will be realised. Hokotehi will make ongoing research and development a priority with a view to developing high quality (high value/low volume) products from the island. As part of this, a distinctive quality brand for Moriori and Rēkohu will be developed and promoted. Development of Hokotehi eco and cultural tourism will see this business area increasingly become one of our lead investments."

Culture

Kōpinga Marae will continue to be the heart of Moriori activities. It will be further developed as a conferencing venue, whare taonga Moriori and home-base for the regular International Peace, Sustainability and Respect for the Sacred Congress, which started in Nov 2011. Hokotehi Moriori Trust will develop a Peace Centre for teaching and learning on the island, which will be recognised as an international crucible for peace thinking and centre for research on indigenous peace traditions. Moriori will continue to enjoy pride and confidence in expressing identity through a resurgence of re Moriori, rongo and tikane. Moriori wāhi tapu on the island will be respected and cared for and taonga Moriori will be repatriated to and cared for on the island, whenever possible.

Priorities for Hokotehi Moriori Trust are activities associated with cultural revitalisation (especially language development), youth development and care for its elders. Hokotehi has a range of projects emerging to support these priorities, such as development of an education strategy, a language plan and language resources, youth programmes (Rēkohu bound and waka awakening), as well as carrying out research into increasing island resilience.

Ngāti Mutunga o Wharekauri Iwi Trust

Ngāti Mutunga o Wharekauri Iwi Trust (The Trust) is the representative body of Ngāti Mutunga o Wharekauri. The Trust was established in 2004 for the charitable purpose of advancing the cultural, social, or economic standing of all Ngāti Mutunga o Wharekauri uri. It is a Trust goal to ensure the mana and tikanga of Ngāti Mutunga o Wharekauri is maintained and interwoven into the fabric of Wharekauri life. The Trust's core values to achieve this are based on Tikanga (integrity), Rangātiratanga (authority), Whānaungatanga (relationships), Manaakitanga (responsibility), Kaitiakitanga (custodianship), and Ngāti Mutungatanga.



The Trust has 1,227 registered members compared with a population of 1,827. It is estimated that 460-470 in total on-island population has Ngāti Mutunga o Wharekauri whakapapa. The Trust is governed by seven trustees and administered by a General Manager with an office at Te One.

The Trust is a mandated iwi authority for the purposes of the Resource Management Act 1991 and the Māori Fisheries Act 2004. The Trust's mandate to negotiate the settlement of its historical claims of Ngāti Mutunga o Wharekauri under the Treaty of Waitangi was recognised by the Crown in 2016.

Ngāti Mutunga o Wharekauri is tangata whenua and holds mana whenua and mana moana on Wharekauri and Rangiauria and the surrounding outer islands, islets, reefs and rocks. Ngāti Mutunga o Wharekauri is an umbrella term that encompasses all Chatham Islands Maori and their descendants who arrived on the Rodney in 1835. It includes people who at times may also identify themselves as Ngāti Mutunga, Ngāti Tama, Ngāti Kekerewai, Ngāti Haumia or Atiawa.

The historical marae of Ngāti Mutunga o Wharekauri is Pa Tangaroa. The current marae utilised by Ngāti Mutunga o Wharekauri is Whakamaharatanga marae, the marae of Māori people and other inhabitants of Wharekauri. Ngāti Mutunga o Wharekauri tikanga is that our whare also serve as our marae.

Ngāti Mutunga o Wharekauri Iwi Trust is currently negotiating with the Crown a full and final settlement of all Ngāti Mutunga o Wharekauri's historical Treaty of Waitangi claims. This include four existing claims – Wai 65, Wai 181, Wai 460, Wai 1382, and Wai 54 (in conjunction with other Taranaki iwi). The Crown is engaged in parallel Treaty Settlement negotiations with Moriori (Hokotehi Moriori Trust) and some proposed settlement redress (especially commercial property) is to be shared by the two iwi.

Assets/activity

Ngāti Mutunga o Wharekauri Asset Holding Company (AHC) is a wholly-owned subsidiary of Ngāti Mutunga o Wharekauri Iwi Trust, which appoints all of the directors of the AHC. The AHC has total assets of around \$25 million. Of this about \$19 million is in fishing and \$1.3 million is in housing.¹⁵ The AHC has six properties in Te One, which it rents to its members.

The AHC Board reported an operating net surplus before distributions to the Trust of \$1.78 million for the 2015-16 financial year, representing a \$115,000 (7 percent) increase against the previous year.

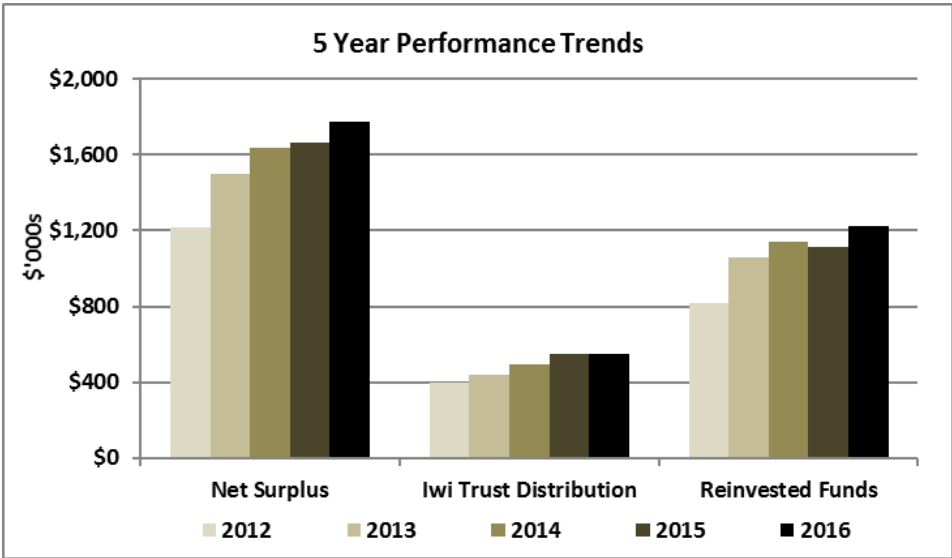
After accounting for distributions to the Trust of \$550,000, AHC's equity increased by \$1.22 million (5.2 percent). AHC's performance improvement trend over the last five years is illustrated in the AHC's net surplus increase of approximately \$600,000 from just over \$1.2 million in 2011-12 to nearly \$1.8 million in 2015-16.

Over the same period, distributions to the Trust rose \$150,000 from \$400,000 to the current \$550,000. Importantly, the combination of these metrics has generated continued growth of funds available for reinvestment back into the AHC business, which is currently in the region of \$400,000, 50 percent higher than it was five years ago.

¹⁵ (Ngāti Mutunga o wharekauri Asset Holding Company, 2017).



Figure 12: Ngāti Mutunga o Wharekauri Asset Holding Company, 5yr performance trends



Source: (Ngāti Mutunga o Wharekauri Iwi Trust Annual Report 2016)

A return to solid year-on-year growth of AHC’s net surplus and reinvested funds through 2015-16 is a positive change after flat lining between 2013-14 and 2014-15, primarily due to the weakened paua market.

Aotearoa Fisheries Limited (AFL)

AFL is the collective commercial fishing entity for the 58 iwi beneficiaries of the fisheries settlement legislated under the Maori Fisheries Act 2004. Both Chatham Island iwi are minor shareholders of AFL, which is the owner of important fish processing facilities at Port Hutt and Waitangi. Historically, the relationship between AFL and Chatham Island interests has been strained. Ngāti Mutunga o Wharekauri considers that the development and implementation of more transparent and co-operative commercial structures comprising iwi and AFL that give local iwi more active involvement in the value chains for Chatham Islands products can significantly improve returns to all participants. Discussions with AFL to develop new commercial relationships are ongoing.

Investment Opportunities

The Trust have identified a number of opportunities that they are looking to develop. At the heart of the AHC’s Statement of Corporate Intent is the imperative to promote a strong Chatham Islands economy. Without a thriving local population of Ngāti Mutunga people, Ngāti Mutunga o Wharekauri identity cannot be maintained. This does not mean that all investments are on-island but ultimately that they support on-island sustainable economic outcomes. To deliver these opportunities for whānau requires the Trust to remain engaged with local and Crown agencies and key stakeholders.

Housing and Property

In 2012, Prime Minister John Key provided a \$400,000 pūtea which the Trust managed on behalf of the community. Part of this pūtea assisted with the repair and regeneration of the Mitai Tini flats.



Since 2015, the Trust has led the Chatham Islands Housing Partnership project for the Crown to create a new housing entity for the Chatham Islands. The Partnership brings together the Iwi Trust, Hokotehi Moriori Trust, the Chatham Islands Council and the Chatham Islands Enterprise Trust in the management of a \$2 million pūtea from the Crown to help people get into first homes or undertake major repairs to existing homes.

The Trust is committed to develop and implement a papakāinga housing solution on iwi owned land, maintain and increase Ngāti Mutunga o Wharekauri Iwi Trust-owned housing stock, and provide commercial support and leadership to the Wharekauri Housing Strategy project.

The AHC is also in discussion with the Chatham Islands Council and the Chatham Islands Enterprise Trust to finance and build office premises for long-term lease to those organisations.

Fishing

Fishing quota especially paua and rock lobster is the most important asset class held by the AHC and is likely to remain so for the foreseeable future. Although a relatively small quota owner, the AHC supplies Annual Catching Entitlement (ACE) to 26 Ngāti Mutunga o Wharekauri fishers. In most cases, the ACE supplied is a modest part of the total fishing plans of these individuals. However, the participation of Ngāti Mutunga o Wharekauri in Port Nicholson Fisheries facilitated access to an additional 85 tonnes of rock lobster ACE in 2016 on top of that owned by the AHC itself. Investment priorities are currently to:

- grow inshore quota holdings to strengthen the iwi fishing industry, with \$3.5 million projected to be reinvested over the next 3 years. 2017 investments included the acquisition of 17 tonnes of PAU4 quota (approximately \$5.1 million), and
- develop joint ventures that increase the effectiveness and autonomy of the Chatham Islands fishing industry through active involvement in relevant value chains such as the existing investment in Port Nicholson Fisheries.

Agribusiness

Ngāti Mutunga o Wharekauri Asset Holding Company is not directly involved in any agribusiness activities in the Chatham Islands. However, farming (particularly crossbred wool production) has traditionally been a cornerstone of the Chatham Islands economy. Since the long-standing slump in coarse wool prices, agribusiness economics have been very poor. In the medium term, it is essential that new agribusiness models are identified so that a more diversified and resilient Chatham Islands economy can be achieved. To date investigations into agribusiness have focussed on the performance of the status quo farming model and bovine dairy potential.

Ongoing work is to complete further analysis in relation to new Wharekauri agribusiness opportunities, in particular to identify transformational initiatives that integrate on-farm and off-farm processes.

Tribal Footprint

The Trust enhanced the Ngāti Mutunga o Wharekauri tribal footprint by engaging with whānau by:

- holding two Taiaha wānanga, which were well attended by our tamariki and whānau
- providing the opportunity for whānau to attend five wānanga both on and off the island, with continual growth of te reo amongst whānau, hapū and iwi



- attending at Te Rā o Tā Maui Pomare celebrations at Waitara, Taranaki. This event provides an opportunity for whānau to connect and reconnect with whanaunga of Ngāti Mutunga ki Urenui and Taranaki whānui. It is also an occasion to remember and acknowledge those who had passed away the previous year and to bring 'mate' together to be acknowledged appropriately, and
- participating in Taranaki Tū Mai, which is a biennial event where iwi of Taranaki come together to celebrate Taranakitanga, Whanaungatanga and Whakapapa through Hākinakina (sport), Kapa Haka (cultural performances) and Wānanga (learning forums). Taranaki Tū Mai offers something for everyone, from mokopuna to kaumātua. It allows for whanaungatanga to be practised, valued and experienced inter-generationally, and with other whānau, hapū and iwi. In this respect, it helps to foster Ngāti Mutunga connections with other iwi of Taranaki.

The Trust continues to ensure Ngāti Mutunga o Wharekauri influence as an Iwi is reflected at Crown and Iwi to Iwi level by engaging in constructive and proactive relationships with whānaunga Iwi; there is a measurable Ngāti Mutunga o Wharekauri influence upon Government policy as it impacts Wharekauri; and that Ngāti Mutunga o Wharekauri continues to have a major and coordinated influence in the fishing industry and on fisheries management initiatives in Wharekauri waters.

Chatham Islands Enterprise Trust

The Chatham Islands Enterprise Trust is an independent charitable trust set up by the Government in 1991 to oversee infrastructure development on the Islands. The Government provided a trust fund for the Chatham Islands' social and economic development consisting of a one-off grant of \$8 million and the transfer of the major infrastructure of the islands. Subsequently, the Trust received fishing quota in order to create revenue streams to enable ongoing maintenance and development of the infrastructure, as well as investment in economic and social development opportunities.

Chatham Islands Enterprise Trust's vision is to proactively use its resources in order to secure a vibrant and healthy Chatham Islands community, enjoying positive growth while protecting our unique environment and lifestyle. This leads to its mission, which is to facilitate or provide key infrastructure facilities and services for the Chatham Islands community, to promote economic and social development, in a cost effective and sustainable manner in accordance with the Trust Deed.

The Chatham Islands Enterprise Trust Group includes a number of subsidiary companies including:

- Chatham Islands Management Ltd
- Chatham Islands Airport Ltd
- Chatham Islands Asset Holding Ltd
- CIAH (Cook Islands) Ltd
- Chatham Islands Electricity Ltd
- Chatham Islands Ports Ltd
- Chatham Islands Shipping Ltd.

In the year to June 2016, Chatham Islands Enterprise Trust generated revenue of about \$10.3 million and incurred expenditure of about \$12.2 million. Chatham Islands Enterprise Trust has total assets of about \$30.7 million, of which about \$26.5 million is non-current assets.



Chatham Islands Enterprise Trust, through its subsidiary companies provides key infrastructure and services – electricity, ports and airport. It also owns and operates a shipping company. Through the management company, Chatham Islands Enterprise Trust also provided economic development support.

Chatham Islands Council

The Chatham Islands Council is the local authority providing local government services to the Chatham Islands. These services include democracy, roading, waste management, the three waters, community and regulatory services, environmental services, emergency management and coastal, harbours and navigation.

There are nine elected councillors. The council employs a total of 13 staff.

Chatham Islands Council had operating revenues in 2015/16 of around \$8 million, of which about \$1.16 million came from rates, council dues and user pays, fees and charges. The Council received about \$6.6 million in grants and subsidies, with the remaining coming from interest and other revenues. Chatham Islands Council has total assets of close to \$60 million of which \$58 million is infrastructure.

Due to its small size, the Chatham Islands Council outsources a number of its council functions. For example, ECAN is contracted to deliver regional council services and maritime regulations to the Islands. Wellington City Council provides Building Consent and Health Inspection, and library services.

Resource Management Act (RMA) advice and district council planning is provided through Beca (on a consulting basis).

Chatham Islands Council is reliant on external funding from central government agencies to support on-island projects and to meet its statutory obligations as a council with both district and regional functions. Central government funding accounts for approximately 90 percent of total funding.

Between 2002 and 2004 an investigation was carried out into the future of the Chatham Islands Council that resulted in the Crown agreeing to provide the Council an annual appropriation, with levels of support subject to negotiation. To ensure certainty of funding and levels of appropriation, the Chatham Islands Council has entered into a deed of funding with DIA. This confirms funding applications will be submitted to Government before Council budgets are confirmed. If funding arrangements are not agreed prior to the commencement of the financial year, the Chatham Islands Council faces funding uncertainties – including the need to consider whether any shortfall will be funded by reducing expenditure and levels of service to affordable levels or temporarily funding the shortfall through debt. (Chatham Islands Council, 2015)

The Chathams are part of New Zealand (and have been since 1842) and government must deliver to the Islands the services they need, to the same standard as any other comparable part of New Zealand...The current partnership between central government and the community to ensure adequate funding of the Council is the correct model and offers many benefits to both. (Morrison & Rennie, 2009)

Based on the bid submitted, core funding from central government had been secured for 2014/15 through to 2017/18 to support Council's ongoing financial requirements in accordance with the Long-Term Plan (LTP) 2015–2025. This was confirmed by the Government budget announced in May 2015. The next review will be undertaken in 2017/18 for 2019 and beyond. The Chatham Islands Council continues to rely on Government support to remain operational. (Chatham Islands Council, 2016).





Photo: Windswept tree on the south coast, MartinJenkins



Central Government agencies

A number of government agencies have activity on, responsibilities for, and provide services to, the Chatham Islands. While some agencies maintain office on the island (DOC, NZ Police/MPI), Central Government agencies tend to deliver services through the Heartland office in Waitangi, which is funded by MSD to provide a one-stop shop to access the services of various government departments. Otherwise, Chatham Islands support tends to fall under one of the agency's regional offices on the Mainland.

Central Government agencies

Department of Conservation (DOC)

DOC has the largest presence of government departments on the Chatham Islands. It has an office at Te One on Chatham Island with 12 permanent staff. One staff member is largely based on Pitt Island. Volunteers, staff and researchers are present on Rangatira (South East Island) and Māngere Island for periods during the year, undertaking species monitoring work during the breeding season of endangered bird species and continuing with the habitat restoration programme. A key focus of DOC's work on the Chathams is threatened flora and fauna programmes. (Chatham Islands Conservation Board, 2015)

The current DOC budget for the Chatham Islands is \$1.6 million.

Department of Internal Affairs (DIA)

DIA, through its policy group based in Wellington, has operational responsibilities with regard to local government, including services related to the Chatham Islands.

Since 2004, DIA has administered the Crown Financial Assistance Package, which provides funding resource to the Chatham Islands Council that allows it to fulfil its statutory local government responsibilities. Annual funding to support Chatham Islands Council functions sits at around \$3.1 million annually. Funding resource for the 2018 to 2022 period is currently being assessed.

DIA has been closely involved in most significant projects undertaken on the Chatham Islands. It is currently looking at how it might support investment decisions on the island. The Minister of Internal Affairs is also the Settlor for the Chatham Islands Enterprise Trust.

NZ Transport Agency (NZTA)

NZTA is one of the largest funders of activity on the Chatham Islands. The current plan is for annual expenditure of close to \$4 million. Its contribution to the Chatham Islands road network is set out in its National Land Transport Programme (NLTP) and accounts for approximately 90 percent of expenditure on roading on the Chatham Islands. The NZTA expenditure is largely for maintenance of existing roading and replacing the Te One Bridge connecting Waitangi and Owenga.

The financial assistance received from NZTA is reducing by 1 percent annually until the target of 88 percent is reached.

A new road maintenance contract has been awarded, with Fulton Hogan the new contractor. Fulton Hogan's contract also covers water supplies and wastewater disposal systems.



Ministry of Health (MOH)

Health services on the Chatham Islands are now provided by the Canterbury District Health Board (CDHB) after previously being provided by the Hawkes Bay District Health Board. Health services are provided through the Health Centre in Waitangi, which is staffed by a GP, four nurses including the Health Centre manager, a care associate, and a receptionist/accruals clerk. A free GP clinic is run for four hours in the mornings, five days a week. Nurses are available eight hours a day, five days a week at the Health Centre. Chatham Islands has 24 hour/7 day cover for emergencies. All visits to the Health Clinic are free. Telehealth video conferencing system was installed in 2016 to reduce the need to travel to the mainland for diagnosis. There are around 100 or so healthcare related flights out of the Chatham Islands every year.

CDHB also funds Ha O Te Ora O Wharekauri Trust, which provide Whānau Ora services and promotes community health.

Based on the previous contract with the Hawkes Bay DHB, we estimate that CDHB spends about \$3.5 million on providing health services to the Chatham Islands.

Ministry of Education (MOE)

There are three primary schools funded by MOE in Te One, Kaingaroa, and Pitt Island. The Chatham Islands schools are administered through MOE's Canterbury regional office.

In 2016, the three schools received an operational grant of around \$500,000. A further \$60,000 has been budgeted to support professional development for teachers. Over the last two years, there has been capital investment of around \$20,000. A further \$550,000 is available for capital expenditure across the three schools.¹⁶

Ministry of Social Development (MSD)

MSD funds the Heartland Office, which provides a one-stop shop for MSD and Work and Income services as well as providing a point of engagement for IRD, ACC and DIA. The Heartland Office also organises ministerial visits. The Heartland Office has one officer and a spare room for visiting agencies to use. The Office is in the Council Complex at Waitangi. MSD co-funds the Heartland Office to the tune of \$45,000 annually.

The Heartlands Offices serves a critical function on the Chatham Islands, being the only face-to-face point of contact with Government agencies. There is broad cross-agency support for the Heartland Office.

MSD also provides funding to the Chathams Community Focus Trust (CCFT) of \$60,000 annually. CCFT provide adult and children's education programmes including after school and holiday programmes, Youth Week, under 5's, Children's movies and discos. They also organise the Waitangi Day celebrations, Chatham Islands Festival, Market Days and Parenting Programmes, and provides the functions of the i-site. This funding is also expected to be renewed.

Funding for the Heartland Office and CCFT was initially through the Children, Youth and Family Services and Community Projects team. This group has now been split off from MSD as Oranga Tamariki, with a focus on vulnerable children and youth. Oranga Tamariki, in the short term, will still support adult services (which includes the Heartland Office and CCFT). However, this will be delivered

¹⁶ This is not a shared pool. Each school has a different capital allocation.



on behalf of MSD who will continue to provide funding. Over the longer term, there is a discussion as to where support for Heartlands and Community projects actually sit.

Ministry for Primary Industries (MPI)

There is a fisheries officer stationed on Chatham Island, who also functions as the animal welfare officer. Onshore fisheries is administrated through the Dunedin office. Offshore fisheries is administered through Wellington. MPI has provided some support for the farming sector in the past.

Ministry of Business, Innovation & Employment (MBIE)

The second round of the rural broadband initiative has been put out for tender. The Chatham Islands is included in the Canterbury region tender. Tenders closed mid-April 2017. A preferred tenderer has been identified and negotiations for services are underway. The inclusion of Chatham Islands and the level of service is not guaranteed.

Funding for the first round of the rural broadband initiative delivered by TeamTalk was around \$2.5 million. MBIE also covers the ongoing operational costs of wireless towers on the Chatham Islands at a cost of around \$25,000 monthly.

Te Puni Kōkiri (TPK)

TPK is very active on the Chatham Islands. TPK has provided funding to support Ha O Te Ora O Wharekauri Trust, which provides the Māori Community Health Service. It has also provided support through its Māori Infrastructure Fund and Māori Housing Grants, which have provided much needed support to housing repairs as well as new housing for Māori.

TPK has provided funding of over \$3.8 million over the last three years to support housing, whānau ora, and other projects including maara kai, environmental projects, capability building and economic development. This includes the \$2 million fund for the Chatham Islands Housing Programme.

NZ Police

The New Zealand police operates a community station manned by 1.6 FTEs, which is more than the 1.0 FTEs usually provided (the result of a husband/wife team currently on the job). There is a small police station and jail cell/watch station within the courthouse complex in Waitangi. There is also a police residence next door to the courthouse.

NZ police also led a series of workshops last year looking at the delivery of central government social services to the Chatham Islands. These police-led workshops have become a twice-yearly event on the Islands, with a focus on addressing social issues.

Ministry for Civil Defence and Emergency Management (MCDEM)

Chatham Islands Council competes for resilience funding from time to time. In 2015/16, Chatham Islands Council received a grant/subsidy of \$134,000 from MCDEM to support the delivery of civil defence and emergency management activity.



Central Government expenditure

Central government provides a significant level of operational funding to the Chatham Islands to provide necessary services. It has also invested large amounts in capital projects over the years.

Table 1. Summary of central government activity/expenditure (operational), 2015/16

Agency	Amount 2015/16	Purpose
DIA	3,104,000	Funding to assist council to deliver local government requirements
NZTA	3,382,000	Roading maintenance
DOC	1,600,000	Annual operating costs
MOE	565,000	Education
MBIE	312,000	Operational costs of wireless broadband towers
TPK	225,000	Grant funding, largely around housing
MCDEM	134,000	One off grant to support emergency management
MSD	105,000	Funding for Heartland Office and to support the Chatham Islands Community Trust
ACC	20,000	Funding to support Heartland Office
MOH*	3,500,000	Through CDHB to fund health services on the Islands. Estimate based on previous contract with HBDHB
Police*	400,000	1.6 FTEs, accommodation and equipment maintenance.
MPI*	300,000	Fisheries/animal welfare officer.
Total	\$13,675,000	

Source: Sourced from individual agency reports and requests to agencies where information was not accessible.

Note: the spend focuses on operational activity and does not include policy and engagement with the Islands. * Are estimates only as actual numbers could not be ascertained in time for this report. Numbers have been rounded.

Our estimate is that central government agencies spend about \$13.7 million on providing services on the Chatham Islands. This amount does not include expenditure on providing policy support.



Community facilities

The Chatham Island has limited community facilities many of which require maintenance or upgrading.

Chatham Islands Council Complex - consisting of the Council' administration offices, Heartlands office, the Chatham Islands museum, and Centennial and War Memorial Hall. As noted in the issues and constraints section, the complex is in a very poor state and will be replaced.

Norman Kirk Memorial Reserve – the focal point for sports and festivals including netball, rugby, touch, the Jockey Club, the annual food festival, the pig hunt and market days. The land and facilities are owned by the Chatham Islands Council and managed by a voluntary committee of seven people. The Council contributes around \$20,000 each year to help manage and maintain the facility. The committee rely on grants, rental and fundraising to meet any shortfall. Facilities include:

- a main building which houses a kitchen and meeting lounge, grandstand, squash court, showers.
- The Den – is used for a range of purposes including community meetings, weddings and birthdays
- netball court
- rugby ground
- playground
- carpark
- jockey club.

The Kōkiri Centre – Located up Tuku Rd, the Kōkiri Centre contains office spaces, the Hub Community meeting room and the gym. It is shared predominantly by Māori Community Services and Chathams Community Focus Trust. ECAN and Te Rununga o Wharekauri also occupy an office in the Kōkiri Centre.

Kopinga Marae – contains the Hokotehi Moriori Trust administration, a large meeting space, certified kitchen, 85 mattresses and the capacity to sleep over 200 people. The marae is available for community use and is a designated Civil Defence Welfare Centre.

St John Ambulance Hall – Located in Waitangi, this facility is not generally available for community use. The only use allowed outside St John's is the Golden Oldies once a month and for DOC and Fulton Hogan staff training.

Te One Swimming Pool – comprises a four lane, 15m x 6m outdoor main pool supported by a 3m x 6m toddler pool with solar heating. A feasibility study exploring the options for covering and renewing the heating system for the swimming pool at Te One School is underway.

Kaingaroa Sport and Social Club – contains a lounge area and a bar that is large enough to accommodate 70 people, plus a veranda and BBQ. It is used by the community for social events and is well known for Saturday night tourist functions that are a fundraiser for the community. Bread, milk and butter are sold from the club on Mondays, Wednesdays, Fridays and Saturdays.

Owenga Club - Contains a small kitchen, bar area, lounge area, toilets and backyard for BBQs. It is used for social events and private functions possibly twice a year.

The Court House – while not designed as a meeting venue, the main court is used from time to time for smaller meetings.



ISSUES AND CONSTRAINTS

The issues facing the Chathams are at different levels, discrete, yet inter-connected.

(Taylor Baines & Associates, 2008) suggested the areas of greatest concern to the island community include:

- development of island infrastructure
- costs and difficulties of shipping
- the small population base
- the high relative cost of living
- a limited capacity to undertake and manage projects
- factionalism and lack of support for the island's organisational structures.

This section explores these and other issues and constraints.

Infrastructure

Because of its isolation and its small size, the importance of infrastructure on the Chatham Islands is magnified. The islands people are dependent upon New Zealand for a number of services including the basics of health and education. There are no professional or business services on the islands, with most businesses obtaining these services from New Zealand. The key sectors, fishing, tourism and farming are all export focused and require reliable and efficient air and sea services to be competitive and grow.

Effective infrastructure is crucial for the sustainable growth of the Chatham Islands.

However, as noted in a number of studies, and as evidenced by existing infrastructure, investment decisions tend toward the least cost option. This is because infrastructure investments rarely stack up under a traditional cost-benefit analysis or even a social cost-benefit analysis.

As a result of providing minimum levels of infrastructure, the ability for the islands to achieve sustainability and economic growth will always be hamstrung. As noted by the Council



Infrastructural requirements on-island are based on minimum legislative standards and community consultation. The development of infrastructure on-island is only considered to be financially viable if central government support can be agreed. (Chatham Islands Council, 2015)

Air

Air transport - passenger and freight - is arguably the most important transport link for the Islands. The ability to move people (locals and visitors) and high value, time sensitive products (live and chilled) efficiently and regularly is key to the sustainability and growth of the Chatham Islands.

Airport

Description

The airport is currently owned and managed by the Chatham Islands Enterprise Trust. There is currently investigation into the development of the airport to allow modern planes to land there. This could open up significant opportunities by reducing the cost, and improving the capacity and reliability, of travel to and from the Islands.

Issues

At some point the Airport Company will face capital costs related to the runway and navigational aids in order to support the continuation of the airline service which is vital to the Islands. It is appropriate that the airport infrastructure is considered as an essential social good. (Taylor Baines & Associates, 2008)

There needs to be investment into the airport to meet aviation requirements that will come into play in 2019. There is also a need to invest in maintenance that has been deferred (eg runway surface). At the same time there is an understanding that Air Chathams has an ageing fleet that will become obsolete under the new regulations, and different planes will be required.

Growth scenarios suggest that there will be increased demand for reliable air services. This growth will come from visitors, industry, and for business travellers as well as a larger population.

Opportunity

There is an opportunity to future proof the airport infrastructure. This means ensuring that the airport can accommodate newer planes with improved capacity and operating costs. A business case is being developed to support investment into the airport.

Air services

Description

Air Chathams is the sole provider of air services (passenger and freight) between the Chatham Islands and New Zealand. Air Chathams runs routes between Chatham Island and Auckland, Wellington and Christchurch. Air Chathams runs four scheduled flights a week (Monday, Tuesday, Thursday, Friday) with a further two flights (Saturday and Wednesday) during summer. It also runs a service between Chatham Island and Pitt Island.

Air Chathams is a private company and has recently expanded routes outside of the Chatham Islands including Auckland – Whakatāne, and Auckland – Whanganui. Air Chathams also runs charter services out of Auckland Airport.



Issues

Air Chathams is locally owned and operated, and offers an airline service that is well suited to the present and future demands of the Chathams. In recent years, it has operated as the only service provider with no evidence of monopolistic behaviour. The major issue for air services is planning for the future. At some point, Air Chathams will face the capital cost of replacing an ageing fleet of aircraft. (Taylor Baines & Associates, 2008)

In terms of replacing its fleet, the airline has identified ATRs and 737s as the likely alternatives. The ATRs would deliver a similar service in terms of time and capacity, whereas the 737s would increase freight and passenger capacity. Capital and running costs would be similar under both options. The key constraint in relation to 737s is the need for a longer runway as the planes would not be able to land on the current airstrip.

Because of its distance from markets, transportation makes up a large proportion of product costs. High transportation costs are currently a constraint on business growth, particularly for lower value products.

Opportunity

Ensure that the airport is future proofed to allow improvements to air services in terms of reliability, capacity and cost.

Sea

Port transportation is critical for moving bulk low value or non-perishable goods. It is also critical for the farming sector, and the transportation of beef and sheep to New Zealand. Wharves are also important to the fishing industry for the landing of catch for added value processing.

Ports

Description

There are five functioning wharves on the Chatham Islands. The main wharf is at Waitangi, and is the main port for import/export on the islands.¹⁷

The second key wharf is on Pitt Island (passenger, goods and livestock), with fishing wharves in Owenga, Port Hutt and Kaingaroa. Pitt Island Wharf was damaged by Cyclone Pam. Repairs are expected to be completed by summer of 2017/18.

Waitangi¹⁸ and Pitt Island Ports are currently owned and managed by the Chatham Islands Enterprise Trust. Port Hutt is owned by Moana Pacific. The wharf at Owenga is owned by Chatham Islands Council, while the wharf at Kaingaroa is owned by Hokotehi Moriori Trust.

Issues

Issues arise around ownership, management and maintenance of the Islands wharves. The key wharves in terms of freight movement are Waitangi and Pitt Island Ports.

¹⁷ Port Waitangi is currently being upgraded and is expected to be completed in November 2017 (*Chatham Islands Council, 2016*).

¹⁸ The Waitangi Port will be owned by the Crown for 5 years, following which a decision on island ownership will be made.



Opportunity

The opportunity is to ensure that those communities and industries that require them have effective access to functioning wharves.

Shipping services

Description

Securing reliable shipping services has long been an issue on the Chatham Islands.

Conflicting views over the provision of shipping services evident in 2002 persist in 2008, even though there has been only one consistent provider for a number of years. The issue is confused by mistrust over fuel supply arrangements. The performance of the shipping service is affected by the state of the harbour facilities which are in need of improvement. The Trust is considering the community shipping model, endorsed by the community during the 2002 review and more recently recommended by its shipping consultants and also endorsed by this review. (Taylor Baines & Associates, 2008)

There is currently a single shipping services between Waitangi/Pitt Island, Napier and Timaru. This service is provided by Chatham Island Shipping, which is a fully owned subsidiary of Chatham Islands Enterprise Trust. It owns and operates the MV Southern Tiare, which is a fit-for-purpose vessel that can take both cargo and livestock and has its own cranes to on- and off-load.

According to the shipping schedule for February to April 2017, the service calls into Waitangi twice a month and a monthly call to Pitt Island. The private sector competitor, South East Shipping Limited, is no longer operating.

Issues

A number of concerns have been raised around the viability, reliability, and costs of this service. There have been issues related to the ship that may underpin these concerns.

Further the MV Southern Tiare does a monthly voyage to Norfolk Island. This causes many delays and frustrations for the Chatham Islands service.

As such, there are some fundamental questions around the provision of effective shipping services to the Chatham Islands (ownership, competition) that need to be considered as a collective. There is also a concern as to whether the Chatham Islands Enterprise Trust is the best option in terms of operating a shipping service.

Opportunity

These issues are currently being considered by the provider company. Chatham Islands Enterprise Trust has recently commissioned a strategic review of shipping options. A process has been outlined that will allow the four main stakeholders and the wider Chatham Islands community to make a collective decision on the way forward from here. The opportunity is to take the collective decision and implement it.



Roads

Roads connect the five communities on Chatham and Pitt Island. They also provide access to the port and airport.

Description

The Chathams has a relatively large roading network (over 180 kilometres of road) of which only 13 kilometres is sealed.

Issues

The cost of maintaining roads on the Islands is very high relative to the population. Freight and labour also contributes to higher costs of maintaining roads.

Roading is the council's largest expenditure item, accounting for 97 percent of capital expenditure in 2015/16. Infrastructure accounts for 55 percent of the Council's operating expenditure, a large proportion of this going to roading. However, according to community feedback the level of satisfaction with the roading network and road safety is below the desired target (9 percent compared to a target of 75 percent). (Chatham Islands Council, 2016)

The vast majority of funding for roads is provided by the New Zealand Transport Agency. The level of funding for roading continues to create challenges. Confirmed financial assistance received from the New Zealand Transport Agency has reduced by 1 percent and will continue to reduce by this amount annually until funding reaches 88 percent.

Major projects currently planned between 2013 and 2020 are (NZ Transport Agency, 2009):

- Waikato Bridge on Airbase Road
- a proposed seal extension to help improve travel times and safety on the road from Te One to the airport
- replacing Gillespies Culvert on the Owenga Road
- realigning Taia Hāpūpū Road to the Moriori carvings.

In 2015/16, 90 percent of planned maintenance work was completed whereas only 20 percent of minor improvement projects were constructed.

Fulton Hogan has recently taken over from Downer as the contractor for most of the public works on the islands including roading.

Opportunity

Ensure the quality and effectiveness of the roading network and that appropriate roading projects are implemented.



Internet / broadband coverage

Description

The Chatham Islands are currently serviced by a combination of infrastructure based on the Spark/Chorus exchange in the main township of Waitangi and satellite broadband links to homes and businesses.

Chorus recently completed a \$300,000 upgrade on the Chatham Islands phone network including a new digital microwave radio system.

TeamTalk was awarded a \$2.5 million contract to improve broadband connection in 2014. The project involved increasing the satellite bandwidth connection for the islands with broadband connections to Kaingaroa, Pitt Island and Te One schools, the health centre and other government and local authority offices. In the Waitangi area, the service uses the existing copper network for distribution. Fixed wireless broadband services were to be provided via five hill top sites to about 200 residential premises in some of the more remote areas and on Pitt Island.¹⁹

There is no cellphone service on the Chathams. The Chatham Islands Council runs a high frequency radio system for official use. An option to support cellphone services was included in the initial contract with TeamTalk. This has not been progressed.

Unlike other areas, where only capital costs have been covered through the RBI initiative, MBIE covers the ongoing operational costs of the wireless towers. This contract expires in 2018 but is open for renewal.

Wireless broadband and phone bundles are provided by Farmside, Wireless Nation, and NATCOM²⁰. Currently there are around 60 DSL subscribers and 76 wireless subscribers through Farmside, a TeamTalk subsidiary. In June 2017, Vodafone NZ and TeamTalk Ltd reached an agreement where Vodafone acquired a 70 percent stake in Farmside, although TeamTalk continues to manage Farmside under a management contract.

Issues

Broadband costs are very high compared to New Zealand, with an 80GB package and capped national calls running at close to \$220 a month and \$360 for installation. In other rural areas, a 120GB package from Farmside runs at \$105 a month and \$230 for installation. Wireless nation runs satellite wireless where a 30GB plan (with 50GB off peak) running at \$115 a month with a VoIP phone adding a further \$20 monthly.

Our understanding is that the performance of the wireless broadband solution implemented as part of the RBI is not meeting expectations, both in terms of bandwidth (which is at capacity) and speeds (which are slowing), but also in terms of coverage.

The second round of the rural broadband initiative (RBI2) has been put out for tender. The Chatham Islands is included in the Canterbury region tender. Tenders closed mid-April 2017, when preferred tenderers will be identified and negotiations for services begin. The inclusion of a Chatham Islands

¹⁹ <http://www.telecomasia.net/content/nzs-chatham-islands-getting-broadband-boost> accessed on March 10 2017

²⁰ NATCOM delivers broadband satellite solutions. According to their website, coverage includes the Chatham Islands. We are unaware of any subscribers at this point.



solution, and the level of service to the Chathams, on any preferred tender is not guaranteed. As at 30 August, negotiations between the preferred tender and Crown Fibre Holdings were still ongoing.

Opportunity

It is important that the Chatham Islands have the opportunity to consider the level of service identified for the Chatham Islands and negotiate to ensure it is included in the RBI2 solution for Canterbury.

Energy

Description

Chatham Islands Electricity Network, a Chatham Islands Enterprise Trust company, both generates and distributes electricity to parts of Chatham Island.

Electricity is currently generated by diesel generator. The network covers Waitangi, Owenga, the South Coast, and north to the Airport. Most businesses within the network area purchase electricity from Chatham Islands Electricity.

There are two wind turbines on the island designed to produce 225kW each. They are owned by Chatham Island Wind, a subsidiary of BlueNRGY with Chatham Islands Enterprise Trust having a 20 year contract to purchase generation at a fixed price (started in 2010). The contract with Chatham Island Wind was cancelled in November 2014 and discussions were entered into with BlueNRGY to either purchase the wind turbines or arrange a more favourable contract. Chatham Islands Enterprise Trust were looking at taking over possession and ownership of the turbines and related equipment. Chatham Island Wind has now been put into liquidation. Both turbines have been dismantled and the equipment is in the hands of the appointed liquidator. Any proposal to get the turbines up and running again “needs to be cost effective and reduce energy costs on the island.”²¹

Kaingaroa has its own generator and provides electricity to the community. Households in Port Hutt and Pitt Island generate their own electricity through generators, solar or wind. Many households have solar panels and back-up generators as well.

Issues

Local energy generation from these sources (and more recently from tidal power) has been a feature of Chatham Islands investigation for many years. The first known hydro proposal dates from the 1950's. There have also been proposals for energy generation from peat for Island use. All have struggled with issues of scale and cost. The Island economy has suffered from future price uncertainty due to fluctuations in oil costs and the single largest factor likely to drive new economic development is the achievement of certainty of future price, and the reduction of the real cost of energy. (Rennie, 2014)

The current mix into the grid of diesel and wind is not necessarily optimal. In particular, the appropriateness of diesel generators to provide peaking power. There is an increasing use of solar panels, particularly for residential properties.

There are also concerns around price and reliability of the lines network. Arguably the largest energy user in Waitangi, Moana Pacific, is based in Waitangi but is not connected to the grid. It operates its

²¹ Brian Harris quoted in NBR <https://www.nbr.co.nz/article/owner-mothballed-wind-turbines-chatham-islands-finally-put-liquidation-b-206037>



own diesel generator to supply its own power needs. There are continuing discussions on improving the price and reliability of the electricity network.

Opportunity

Investment in new, renewable generation to replace dependency on diesel. Improve reliability and extend the reticulation/transmission network. (Aim is to reduce cost of electricity as well as reliability gains).

Micro-hydro Possibility for 2 * micro hydro (run of flow) 55kw plants [explore with Chatham Islands Enterprise Trust /Chatham Islands Council]

Peat is still a viable option if there is major demand from a new processing opportunity. This opportunity has been raised in several forums and has been considered by Ngāti Mutunga o Wharekauri Iwi Trust in their business case for agribusiness opportunities.

While there have been numerous studies on specific energy generation opportunities on the Chatham Islands, an island wide solution is still to be developed. The opportunity is to address the issue from a needs basis and then determine an energy solution that will meet the needs and demands of a growing population and businesses.

Water and waste

Description

In fragile ecosystems, it is critical that effective water and waste solutions are provided. These are currently delivered through Chatham Islands Council.

Vision is to develop sustainable and reliable water sources for the townships of Kaingaroa, Owenga, Waitangi and Te One. (Chatham Islands Council, 2015)

The water scheme upgrade for Kaingaroa was completed in March 2015. Water scheme upgrades for Owenga, Waitangi and Te One remain a key priority for the council. They will address issues of non-compliance with minimum water standards and will respond to community concerns on the impacts on health and safety (Chatham Islands Council, 2016)

Issues

The fragile ecosystem, the geography and the dispersed population makes delivering effective water and waste solutions expensive. At the same time the small population makes it impossible to fund through rates.

To provide sustainable and reliable water sources for these townships, the Council has been working with the Ministry of Health to provide financial support for the project. If unsuccessful the project will be delayed until alternative financial support can be found. (Chatham Islands Council, 2016)

Waste Management is a key issue for the Islands. Underpinning effective waste management on the island is a Waste Management Strategy.

A sanitary landfill complying with health and environmental standards has been established. A Transfer station is now operating at Kaingaroa and the Te One receiving centre is staffed and operating. The whole system is expected to be operative by July 2017 (Chatham Islands Council, 2016)



Opportunity

The opportunity is to consider water and waste within the broader infrastructure requirements package and ensure that an effective solution is provided that meets New Zealand standards and expectations and is future proofed.

Community Facilities

Description

Chatham Islands has a number of facilities that are used by their communities. These facilities are necessary to support and encourage community engagement and development and build social cohesion across the Islands.

Issues

Many of these facilities are run down and require repair or replacement. The size of the community and level of use makes it difficult to fund these improvements locally.

Chatham Islands Council Complex - consisting of the Council' administration offices, Heartlands, the museum, and Centennial and War Memorial Hall are in a very poor condition. The Council is leading a project to replace the existing buildings with a new facility ... which will include offices for the Council, the community library, Heartlands office and Chatham Islands Enterprise Trust. The community components will include a new museum, single court hall with small gym and changing amenities, community meeting room, foyer with war memorial feature and parent/family facilities. It will also cater for a wide range of community activities including visual and performing arts, community meetings and information and visitor centre functions (Jackie Gurden Consulting, 2014)

A one-off funding grant of \$1.07 million from the Ministry of Culture and Heritage towards a new Museum remains secure. Securing funding for the Administration side of the facility continues. (Chatham Islands Council, 2016). The Chatham Islands Council continues to engage with other stakeholders to determine a solution to provide a new complex.

Norman Kirk Memorial Reserve – requires a number of repairs and improvements including: The main building requires a new roof and some of the windows are rotten; the netball court is in very poor condition, the surface crumbling and requiring replacement; Rugby ground requires drainage; the playground is tired and due for an upgrade; a carpark needs to be built.

Owenga Club – requires upgrading

Sunderland Aviation Museum – a trust has been formed to develop an aviation museum at Kaingaroa focusing on the Sunderland Flying Boat that crash landed on the Island and a Friendship aeroplane that has also been donated. A building is partly constructed.

Opportunity

Infrastructure and amenities can be considered as part of a regional growth strategy that could consider collaborative solutions and a prioritisation of investment that include all stakeholders and central government.



Community and Social Services

Providing services to a community of only 600 people is a real challenge.

The delivery of social services on the Chatham Islands has improved, although a number of issues remain unresolved, particularly the cost of living, the quantity and quality of the housing stock and care of the elderly. A Heartland office in Waitangi provides a one-stop shop to access the services of various government departments. The number of homes with internet access has increased markedly, on the basis of individual investments. The role of the Trust in adult education and training, business development and small business support could be expanded as it takes on more of the role of a regional enterprise agency.

A number of social services are delivered from agencies based in Christchurch, providing an opportunity for further coordination of service delivery. Capacity to get things done on the Islands remains an issue. For example, with housing, it was necessary for HNZ to start the CI Housing Trust in order to deliver a housing project, rather than working through the Trust or the Council. Agencies need to be flexible in delivering projects. This capacity issue is a primary reason for a well formulated and coordinated Social and Economic Development Project. (Taylor Baines & Associates, 2008)

Education

Description

Education continues to be provided at three schools (one of which is on Pitt Island) but rolls are dropping. There has been recent disruption with loss of teachers and use of emergency teachers. The schools are well resourced and could handle an increase in population. The schools are trying to work together more closely through a cluster arrangement, for example in accessing in-service training. (Taylor Baines & Associates, 2008)

There are three primary schools on the Chatham Islands – two on Chatham Island (Te One and Kaingaroa) and one on Pitt Island. The schools had indicative rolls of 73, 5 and 11 respectively as at January 2017.²² This is higher than as at July 2016, the Chatham Islands had a student roll of 79, which was the highest number of students since 2006. There has been a large fall in the Kaingaroa student roll. Kaingaroa and Pitt Island have a single teacher, whereas there are three teachers at Te One.

There are two play-centres (at Te one and at Kaingaroa) and a Kōhanga Reo in Te One. Limited options and learning opportunities can affect children’s learning, which creates challenges when they start primary school. It also creates challenges for working parents, who have limited options for childcare outside of family and friends.

²² Ministry of Education Directory of Schools 2017.



Issues

The key education issue was falling primary school rolls and the resulting pressure on schools to close. Another issue was the financial strain imposed by isolation and the resulting limitations on advisors, staff training and school resources in general. This has had an impact on the quality of schooling with all three receiving poor ERO reports. This is affecting parents' decisions on what to do for schooling. Anecdotally, there are concerns that families will leave for the mainland to ensure that their children receive an appropriate education, even at the primary school level.

Secondary schooling was a concern, with children requiring correspondence schooling on the Chathams sometimes finding educational attainment difficult. However, there is an acceptance and even a willingness to send children to the mainland for secondary schooling. Adult education is available in a limited form, and at stair-casing levels only.

Opportunities

There is the potential to review existing approach and provide an Island wide solution to delivering pre- and primary-schooling.

Scale will also have an impact on the ability of schools to provide a better education.

Health and Safety

Description

Health Centre

Canterbury District Health Board now services the Chathams through the Health Centre located at Waitangi. The centre has two inpatient beds, an emergency room for acute presentations, a nurses triage room for assessments and treatment, an over the counter pharmacy and digital radiology equipment. Visiting specialists provide further services. However, patients referred by a GP or a specialist visiting Chatham Islands to a New Zealand specialist service are entitled to financial assistance via the Ministry of Health's National Travel Assistance Scheme. Support people may also be eligible for funding through this scheme.

Urgent cases are flown by Life Flight to Christchurch or Wellington and St Johns Ambulance Service has five trained volunteers on the islands. The ambulance is located in Waitangi.

The Health Centre is routinely staffed by a GP, four nurses including the Health Centre manager, a care associate and a receptionist/accruals clerk. A free GP clinic is run for four hours in the mornings, five days a week. Nurses are available eight hours a day, five days a week at the Health Centre. Chatham Islands has 24 hour/seven day cover for emergencies. All visits to the Health Clinic are free.

There are around 100 or so healthcare related flights out of the Chathams every year. Telehealth video conferencing system was installed in 2016, at a cost of 15,000. This should reduce the need for Chatham Islands patients to fly to Christchurch for routine consults.²³

Data identified by Litmus suggested that around 90 percent of available appointment time was used.

²³ <https://www.nzdoctor.co.nz/in-print/2016/february-2016/3-february-2016/telehealth-system-in-place-for-chatham-islands.aspx> viewed on 11 April 2017.



Māori Community Services

Ha O Te Ora O Wharekauri Trust was established in 2003 to achieve improvements in the health status of Māori by working cooperatively to ensure all residents are able to take responsibility for their health needs. Services have been extended to the entire Chatham Islands community.

Ha O Te Ora O Wharekauri Trust is funded by Canterbury DHB to provide Whānau Ora services and promote community health. Further services, funded through Te Puni Kōkiri include PATH whānau planning and implementation of the Whānau Ora Programme of Action.

Ha O Te Ora O Wharekauri Trust provides the Maori Community Health service to marae, schools, kohanga reo and play groups and the wider community. This community health service is funded separately and complements the primary health and emergency care provided by the Health Clinic, with programmes such as healthy eating and home gardening. (Taylor Baines & Associates, 2008)

Issues

The ability for whānau/family to participate fully in society is variable. For Chatham Island residents, access to primary care health services is mainly good; free primary care health services and medications are available via the Chatham Islands Health Centre at Waitangi. Chatham Island residents also have reasonably regular access to a range of secondary care and specialist services that periodically come to Chatham Island to hold clinics. In contrast, Pitt Island residents face significant cost and geographical barriers to access the free primary health care on Chatham Island, and visiting specialist services. Primary care visits to Pitt Island are sporadic.

Limited training and professional development opportunities were highlighted as impeding the development of capacity on the islands for individuals, whānau/family, professionals and organisations. Ongoing capacity and capability building in leadership and governance structures are important to enable self-management and effective succession planning on Chatham Island. (Litmus Ltd, 2014)

Whānau/family recognise the positive contribution of the Chatham Islands Health Centre to the community. However, many people noted their concern that services are not coordinated and delivered to best meet the needs of the community. Concerns noted include the limited availability of GP services (ie only in the mornings), the inflexibility of service delivery, a lack of cultural competency and community outreach.

(Litmus Ltd, 2014) found that Whānau/family and service providers on the Chatham Islands consistently identified three health and safety needs:

- ongoing improvements to housing stock
- earlier and more effective response to mental health, alcohol and drug addictions and behavioural issues
- consistent and effective response and interventions for family violence via an interagency and community approach.

Due to the lack of medical support and other services, a large proportion of the older population retire to the mainland.

There are no contracted health professionals on Pitt Island. To access primary care, Pitt Island residents have to travel to Chatham Islands Health Centre.



Opportunities

Chatham Islands Health Centre has an important role in strengthening whānau/family health and wellbeing. Consideration is needed on the service delivery model used by Chatham Islands Health Centre, in particular ensuring the service is whānau/family-centred, culturally competent and integrated with other service providers. There is also a need to provide a more effective solution for Pitt Island.

Strengthening whānau/family on Chatham Island requires the community and local service organisations to agree the pathway and priorities forward to develop a cohesive, joined-up, step-by-step process of implementation. The process should also make clear where external agencies can best contribute. (Litmus Ltd, 2014)

Housing

Description

There was a significant lack of good-quality, low-cost housing including temporary accommodation for seasonal workers, and the review found the lack of housing to buy or rent deters young families and new settlers. The elderly need suitable flats to encourage them to stay on island. There was also room for upgrading houses, but building materials were expensive. Some residents had problems raising housing loans. (Taylor Baines & Associates, 2008)

There is a significant lack of good-quality, low-cost housing, including temporary accommodation for seasonal workers. Many residents struggle to find somewhere to live or land to purchase to build a new house, and the lack of housing to buy or rent deters young families and new settlers. (Chatham Islands Council, 2015)

Ngāti Mutunga o Wharekauri Iwi Trust has undertaken a housing development project, with support from a \$400,000 investment from central government, which has resulted in the establishment of (five) additional homes (social housing) in Te One.

There are currently a number of houses being built on the island. There are at least four new residential builds underway and Fulton Hogan is having to build units to support its new contract as existing Downer housing has been utilised by the Memorial Park Alliance.

Issues

The community has identified housing as a key issue facing the Islands as, while there are jobs available on the islands, the difficulty lies in finding appropriate housing for employees. As a result, appropriately skilled staff may be unable to be employed on-island as there is nowhere to house them.

In their annual report, 2015, the Chatham Islands Enterprise Trust Chief Executive suggested that the shortage of housing is more of a deterrent than electricity or diesel costs to attract individuals or families to settle either temporarily or permanently on the island and identified the following areas of focus (Chatham Islands Enterprise Trust, 2015):

- improved home ownership for local residents (existing and new)
- temporary rental housing for seasonal workers, other part time workers, new entrants to the local economy to boost local business (can also be used by local residents waiting to get into their own homes, either due to renovations or new build)



- permanent rental housing for local islanders based on certain criteria
- funding to help out existing home owners and to renovate neglected and/or cold houses
- retirement village facilities.

A housing New Zealand review in 2010 found 10 affordable rental units were required to house welfare-dependent or low-income islanders.

In their 2008 report (Taylor Baines & Associates, 2008), the following housing issues were identified:

- community housing including facilities for respite care and elder care
- seasonal worker accommodation
- kaumatua housing units, and
- upgrading the existing housing stock including home heating and insulation.

Availability of rental stock and the availability and quality of the housing stock were identified in the initial meeting with Ngāti Mutunga o Wharekauri Iwi Trust.

Other issues –

- Ability to get a mortgage – high level of security required and the inability to secure against the build.
- The Chatham Islands is excluded from government programmes such as the Kāinga Whenua loans (only applicable on the mainland of the North or South Islands). Further, requirements on programmes, such as presenting three quotes for work is not an option on the Chathams as there are not three businesses to provide quotes.
- Permitting – done out of Wellington at set times of the year.
- Cost of building – associated to cost of living – It would cost about around \$90,000 to freight a pre-built housing kit to the Chatham Islands plus Council Dues + GST.²⁴ There is also a lack of tradesmen on the Island so most builds require builders and tradesmen to be brought over from New Zealand. This adds further to the building costs.

Opportunities

In 2014, the Government announced new funding of \$16 million over four years to support the repair and rebuild of rural housing, the improvement of housing on the Chatham Islands and the development of Māori social housing providers.²⁵

[Out of this] the Chatham Islands Housing Partnership has a \$2 million fund to support housing initiatives on the islands (the Housing Solution project). A further \$500,000 may also be made available for emergency housing initiative.

Lead by Ngāti Mutunga o Wharekauri Iwi Trust, in partnership with key island groups, an agreement between the Council, the Chatham Islands Enterprise Trust, Hokotehi Moriori Trust and Ngāti Mutunga

²⁴ Estimated cost (+/- 30%) for transporting materials for a three-bedroom home including all items associated with the build (such as driveway, fencing etc) and chattels.

²⁵ <https://www.tpk.govt.nz/en/mo-te-puni-kokiri/our-stories-and-media/home-repairs-make-life-easier-for-chatham-islands-#.WL9nhRuGOUk>



o Wharekauri Iwi Trust to progress the housing solution for the Islands had been formalised. Work is currently being scoped.

Ha O Te Ora O Wharekauri Trust – Māori Community Service's home repairs programme helps whānau and kaumātua on the island to make critical and necessary repairs with the support of the Māori Housing Network.

Cost of living

Description

It is common knowledge that the cost of living is higher on the Chatham Islands than in New Zealand. An earlier study (Taylor Baines & Associates, 2008) estimated that the cost of living was 1.4 times higher than in Christchurch. A second report (Litmus Ltd, 2014) found that a basket of standard grocery items was 84 percent more expensive on the Chatham Islands than in Wellington.

(MartinJenkins, 2017) identified that electricity costs were more than twice the average New Zealand costs and that petrol and diesel prices were 1.4 and 1.2 times higher on the Chatham Islands.²⁶

The study found that rents were 60 percent lower than on the mainland, with over a third of households that did not own their dwelling paying no rent.

Food and household supplies were 2.2 times more expensive than nationally, although a number of residents imported goods directly from New Zealand.²⁷

Aside from general costs there are other costs associated with living on the Chatham Islands that you would not incur if living on New Zealand. These include additional travel costs associated with health and education. For example, there are cost of having children – ie the prenatal process, which is simply not even considered in mainland New Zealand. When having a baby on the Chatham Islands you need to factor in three trips to the mainland for scans and the birth. If you are wanting family support at the birth you also need to wear the cost of having the family there for a period of time around the due date, which can be costly if the birth is late.

Issues

Higher cost of living – generally but also specific to additional activity that Chatham islanders need to do such as education and healthcare. While some government services consider the higher cost of living on the Chatham Islands when funding services, many do not.

Opportunity

Government agencies should consider the additional cost of living on the Chatham Islands and consider this in either their contracts with staff on the island to make sure that they can attract and retain good people, or when providing support to residents (health, education, welfare payments) to ensure that they are not disadvantaged.

²⁶ These have since come down as noted in the updated Chatham Islands Economic Profile. Electricity costs are currently (July 2017) double what they are in New Zealand, and petrol and diesel prices while cheaper are now 1.6 and 1.25 times higher on the Chatham Islands.

²⁷ There are additional costs associated with importing goods including freight and council dues. There is also a time factor in terms of sourcing, but also waiting for goods to arrive.



Costs will always be higher on the Chatham Islands, especially where goods have to be imported. However, there can be benefits from improved logistics services (which would lower transportation costs) as well as from scale.

Factionalism

Description

Factionalism is an issue across all communities, and has the effect of dividing and impeding progress. In a small community, such as the Chatham Islands, the impact of factionalism is multiplied. As noted in the research, factionalism is entrenched on the Islands and has been a barrier to development. However, it appears that there is a greater willingness to cooperate and collaborate in a greater number of areas. Any progress in increasing collaboration or engaging the community toward an agreed set of outcomes and actions will reduce the impact of collaboration.

Issues

The issue of factionalism is raised in a number of studies, in particular (Taylor Baines & Associates, 2008) who noted:

Entrenched factionalism between groups on the Chatham Islands. This factionalism has sustained tensions and been a barrier to development. Recommendations to overcome this include an island Kaumātua kuanihera and a Community Forum

Opportunity

Through all stakeholders working together and developing a community led strategy for sustainable development, it is possible to reduce the negative impacts of factionalism.

The Chatham Islands Council and Chatham Islands Enterprise Trust should take a joint lead in establishing a Community Forum, to identify community outcomes and consider pathways to achieving them. The forum should annually review progress against this review and the LTCCP. (Taylor Baines & Associates, 2008)

The Chatham Islands Enterprise Trust and Chatham Islands Council in consultation with iwi groups should explore the potential for mutual benefit through collaborative activities on terms which attract widespread support from their members. (Taylor Baines & Associates, 2008)

Resources

Labour force

Description

The Chatham Islands has a working-age population of 450.

Qualification levels are relatively low, which is consistent with the primary sector industries on the Islands. However, most people on the Chatham Islands are highly skilled, and many perform several roles and responsibilities across the private and public sectors. In particular, many have governance responsibilities, whether it be on a school board or a community trust.



Issues

There is a relatively small pool of working age people. Unemployment is very low. Aside from demand across the key industries²⁸ it is very difficult to fill positions, especially higher skilled or specialist positions, from the local labour market. While there are occupations that don't require a high level qualification, many people are self-employed or operate businesses employing people and need to understand how to run a business. There is also a large governance demand on the island with a very limited pool of people from which to choose.

The major factor impacting on the ability to attract people from outside the Chatham Islands is the availability of suitable housing.

Opportunity

A strategy to address labour and skill shortages should be developed. The opportunity is to identify ways to attract people to work on the Chatham Islands. A key factor here is housing.

A second opportunity is providing support to business owners to help them operate more effectively and grow, offering employment opportunities to others.

A third opportunity may be around governance capability, which will help to improve the quality of output produced by the organisations and institutions they serve.

Investment

Description

Investment, private and public, is required both into island infrastructure, but also into island businesses.

Issues

It is very difficult to attract investment into, or get a loan to support investment on, the Chatham Islands, largely because of its isolation, but also because of uncertainty around infrastructure and governance. This includes both equity investment but even extends to debt lending through banks or finance companies who are largely unwilling to lend to business ventures on the island even if security is available.

Further there is limited capability or direction on the island on how to encourage or support individuals or organisations looking to invest on the Chatham Islands.

Opportunity

A sustainable growth strategy should consider the issues around attracting investment and financing options on the Chatham Islands. DIA is currently in the process of developing an investment strategy

²⁸ For example, there is currently demand for a further 10 workers in the fishing sector and there is always demand for people in the visitor sector.



for the Islands. It is important that the investment strategy is aligned to the sustainable growth strategy.

Institutions

The two key institutional organisations are Chatham Islands Council and Chatham Islands Enterprise Trust. There are also the health and education sectors, and a number of other community organisations focused on social issues. Both Hokotehi Moriori Trust and Ngāti Mutunga o Wharekauri Iwi Trust have functioning governance structures in place to support their members, but also with a strong focus on improving the sustainability of the Chatham Islands.

Chatham Islands Enterprise Trust and Chatham Islands Council

There has been strong views on the roles and structure of both Chatham Islands Council and Chatham Islands Enterprise Trust in supporting the Chatham Islands community. These are well documented. It is clear that they are the key institutions in terms of delivering population infrastructure, amenity and services and must play a lead role in ensuring sustainable growth on the Chatham Islands. They are the primary candidates for addressing many of the issues and opportunities identified in this report and must therefore have effective structure and well defined roles if they are to progress these. However, it is also clear that they will require support from other stakeholder groups on the Islands (Hokotehi Moriori Trust and Ngāti Mutunga o Wharekauri Iwi Trust) and from central government agencies.

We have noted the issues and opportunities that have been identified in previous studies. All of these are valid. Some of them have been addressed or are being progressed.

Chatham Islands Enterprise Trust Issues

The Trust's only income is from its operational activities. Its only capital base is its original capital grant, the assets taken over, and some minor rights to surplus Crown fishing quota for new quota species. The Trust was under-funded as to capital on its establishment, and faces a similar challenge to that which faced the Council in its provision of infrastructure services whose costs (however well managed by the Trust) cannot be wholly funded from the revenues presently available. (Morrison & Rennie, 2009)

As noted by Morrison and Rennie amongst others, there is a view that the outcomes required of the Trust (as set out in the Trust Deed) are, to an extent, impeded by the structure, assets and capability. While there are things that the Chatham Islands Enterprise Trust can do in terms of structure, operations and activities to improve their ability to deliver, it will always be constrained by the need to attract and retain capability and maintain non-profitable assets.

This is realised by the Chatham Islands Enterprise Trust and they are focused on reviewing their internal delivery as well as focusing their external activities in an effort to better deliver the outputs set out in the Trust Deed. There is also a focus on improving relationships with other stakeholders on the island and in Central Government, recognising the fact that Chatham Islands Enterprise Trust needs to partner and leverage if it is to deliver the desired outcomes to the Chatham Islands.



Chatham Islands Enterprise Trust Opportunities

(Taylor Baines & Associates, 2008) suggested that Chatham Islands Enterprise Trust should:

- investigate all possible issues and options in relation to ownership and management of infrastructure assets via a holding company. This would include any advantages of Chatham Islands Council taking a greater role in infrastructure management and operation.
- consider merging the three existing companies into a single infrastructure company and investigate the opportunities provided by management or ownership of them by Chatham Islands Council.
- focus its economic development activities on supporting the emergence and growth of island enterprises to become viable and self-sustaining.
- seek to collaborate with the two iwi groups in order to harness the economic opportunities available through the management of combined quota holdings.
- work with farmers to find ways of adding value and supporting increased productivity.
- seek to assist new or fledgling enterprises to develop through providing access to specialist technical services, or seed funding for start-up companies.
- work with the Council to support the development of an Regional Tourism Office.

The Chatham Islands Enterprise Trust's current activity and focus is set out in their 2016–2017 Strategic Plan.

In terms of improving delivery, the Chatham Islands Enterprise Trust is currently working to consolidate the organisation structure into three areas:

- infrastructure
- asset owners and
- commercial trading.

In terms of economic development opportunities the Chatham Islands Enterprise Trust is working to:

- increase the share of island-owned quota that is processed onshore
- reduce on-Island costs
- future proof infrastructure services including energy, air and shipping services
 - review shipping service options for the Chatham Islands.

Chatham Islands Council Issues

With its substantial area, two inhabited islands, and low population level, the Chatham Islands faces local government costs which cannot be wholly funded from the islands economy at its present state of development. (Morrison & Rennie, 2009)

Central government ... has recognised that the statutory obligations on the Council as to the services it must provide cannot be wholly funded from rates and dues and has provided additional funding so that the Council's financial position is on a rational basis. (Morrison & Rennie, 2009)

A key outcome of having to identify additional funding, along with the range of agencies involved, means that a large amount of Chatham Islands Council activity and effort goes into the advocacy area.



In particular, this takes up a large amount of the resource at the highest levels – Chatham Islands Council Chief Executive and Mayor.

Chatham Islands Council Opportunities

(Taylor Baines & Associates, 2008) suggested that the Chatham Islands Council should:

- continue to explore a partnership role in Island Governance with Chatham Islands Enterprise Trust.
- take a combined community leadership role with Chatham Islands Enterprise Trust through joint planning processes under the guidance of a Community Forum
- with the Chatham Islands Enterprise Trust investigate all possible issues and options in relation to ownership and management of infrastructure assets via a holding company. This would include any advantages of Chatham Islands Council taking a greater role in infrastructure management and operation. The investigation should include any advantages in accessing national funding by having ownership of some infrastructure under Chatham Islands Council ownership.
- actively promote strengthening of formal links with the New Zealand Government.

Scale/Services

Description

Because of the small size of the economy there is limited provision of services on the Islands. Many services are contracted out to New Zealand providers. Otherwise businesses and individuals go to New Zealand when there is a need for services not provided on island.

Issues

The small population base and the costs associate with distance from markets means that there will always be scale issues.

Opportunity

A growth strategy that looks to increase the size of the Chatham Islands economy will address some of issues associated with scale and the services available on the Islands.

Similarly, a cohesive strategy will identify areas and issues associated to scale and required services, and take a proactive approach to providing necessary or desired services and reducing the impact of scale on investment opportunities.

Central Government services

Description

A number of government agencies have activity on, responsibilities for, and provide services to, the Chatham Islands. While some agencies maintain an office on the island (DOC, NZ Police/MPI), Central Government agencies tend to deliver services through the Heartland office in Waitangi. Otherwise, Chatham Islands support tends to be delivered through one of the agency's regional offices on the Mainland with officials visiting the Islands as required.



Issues

The unique issues and distance from the mainland makes it onerous and costly for central government agencies to meet their responsibilities on the Chatham Islands. It does not fit neatly into a regional or national models of delivery. As a result the quality of service and advice is often compromised. Added to this individual agencies can often deliver support to address specific issues related to their brief. In a small economy, such as the Chathams, issues are often inter-related. Better outcomes would be achieved if the issues were identified and addressed more holistically across central government agencies. This would avoid duplication, but also contradictory policies and actions from occurring.

There is a second opportunity around leveraging central government activity on the Islands. It is a costly exercise delivering services to the Chatham Islands. This includes delivering services, but also monitoring, supporting and evaluating activity. There are examples where agencies are working together to share costs (eg police and MPI), Heartland Offices etc. However, because of its small size, government activity (operational) has a major impact on the economy. There is potential to deliver services more cost effectively, while at the same time supporting economic activity on the islands. This potential should be explored.

Opportunities

The first opportunity is to have a more joined up approach to administer services on the Chatham Islands.

In relation to the administration and delivery of government services and activity, (Taylor Baines & Associates, 2008) recommended that there should be an ongoing officials group with all key agencies represented. This group should screen all legislative and policy changes for their potential effects on the Chathams. In particular they noted a need for:

- greater clarity and certainty about the NZ-Chathams public administration relationship
- better coordination of the NZ-Chathams public administration relationship
- progress and accountability in prioritising and implementing strategic development initiatives for the Chatham Islands.

The second opportunity is to explore how, as part of its activities on the islands and indeed nationally, have a greater impact on the local economy. This was noted by (Rennie, 2014) who noted that:

It is often overlooked that the government for its own reasons of border security, conservation, sovereignty, and related requirements in the international community would have to have facilities and a presence in the Chathams in any event. A re-focus by government on such areas (particularly conservation) has lifted staff numbers, although other government agencies have reduced their presence. This sector remains a core contributor to the local Chathams' economy.

An example is civil defence and emergency management. With the challenges associated with isolation and remoteness it is necessary to establish a resourced facility that supports, enables and strengthens community resilience in times of 'threat'. This need is significant and fundamental to New Zealand's most isolated community. Inundation mapping began in 2013 and was expected to have been completed in November 2016. A workshop has been scheduled for 8 November 2017.

The Emergency Management Operations Centre project development remains on-going. Land for the facility has been secured. However, the building has not yet commenced pending full funding for the



project being secured. In the interim, the land has been leased to the Memorial Park Alliance as a work area for the duration of the Wharf Development Project.

Legislation / Regulation

Description

Many regulations that are relevant for the mainland are not necessarily appropriate or feasible for the Chatham Islands. The Chatham Islands Council Act 1995 provides for differences between the Chatham Islands Council and mainland New Zealand councils. Some government policies don't make sense in an island setting/context. Solutions will have to be creative and tailor-made to fit the island. These solutions may look quite different to generic solutions that would work on the mainland.

Issues

When developing and approving legislation, regulations and support programmes, there is a lack of consideration of their implications for the Chatham Islands. With legislation, areas such as Council Dues, are no longer considered the most appropriate mechanism to increase Council revenues as they distort behaviour and are onerous to administer and enforce. With regulations, consenting and enforcement is difficult simply because there isn't enough activity on the Islands to support an officer full time. In some cases, particularly programmes, the Chatham Islands is simply excluded because it is too difficult to include. An example of this is Kāinga Whenua loans, which is an initiative between Kiwibank and Housing New Zealand to help Māori achieve home ownership on papakāinga. The Chatham Islands community, most of which should be eligible are not as the programme is only available on the mainland North or South Islands.

Two acts in particular have been singled out in earlier work impeding activity on the Islands.

Local Government Act

*"For Council to operate effectively, it needs specific powers (both for operations and finance) which **recognize the unique Chatham Islands requirements**. It is likely that the Council will need expanded and different powers to that of mainland authorities, at a time when central government is signalling the possible reduction of powers of these authorities."* (Morrison & Rennie, 2009)

Chatham Islands Council Act 1995

There is no systematic regulatory impact assessment to check the implications and relevance of New Zealand legislation and regulations for island circumstances. There exists a need for special legislation to fit the Islands' requirements, and for 'island proofing' of legislation and policy. The Council has commenced a process that will result in a full review of the Chatham Islands Council Act 1995. (Chatham Islands Council, 2015)

Opportunity

As noted by Chatham Islands Council, there will be a full review of the Chatham Islands Council Act 1995. This provides the opportunity to address any issues or anomalies such as Council Dues. This should also address areas where the requirements of the Local Government Act do not recognise the unique Chatham Islands requirements.



The second opportunity is as noted in the Council comments above. There needs to be a mechanism where the unique nature of the Chatham Islands is considered when legislation and regulations are drawn up or reviewed.

Environment and Culture

Description

Protecting unique flora and fauna

Of every 8 plant species on the Chatham Islands, one cannot be found anywhere else in the world. There are 20 bird species that occur nowhere else on the planet. Two of these, the Black Robin and the Chatham Island Taiko were considered extinct until they were discovered. Many of these species are endangered. It is no surprise that DOC is the largest and most active government agency on the Chatham Islands.

A number of projects are currently underway including gorse eradication, pest control, and regeneration of native forests. All four stakeholder groups have a very strong environmental focus, and are proactively working in a number of areas to protect and improve the Chatham Islands environment.

Protecting Chatham Islands Culture

The Chatham Islands has a rich history and a unique culture that has developed over many generations. Chatham Islanders feel very strongly about retaining what it is that makes them Chatham Islanders and will go out of their way to protect their culture and way of life. They are also very open to sharing that culture and way of life with the rest of New Zealand and the world.

Opportunity

The fragile ecosystem of being islands, combined with isolation and a small population provides a number of opportunities to both protect flora and fauna, but also to leverage activities around conservation and the unique culture of the Chatham Islands and its people.

There are any number of conservation projects that could be achieved with the support of agencies such as DOC and Ministry for the Environment, such as predator free status, recycling, bio-actives and bio-products, resiliency/sustainability that would benefit the Chatham Islands but also inform wider programmes.

The opportunity here is to ensure that any development strategy or activity is consistent with what the community wants in relation to their culture and their environment.



CHATHAM ISLANDS GROWTH SCENARIO TO 2026

Based on our discussions we consider that there is significant upside and opportunities across the three key sectors on the Chatham Islands that can be realised within the next 10 years. This section presents a plausible growth scenario for the Chatham Islands economy. It is based on likely opportunities in the three key sectors – fishing, farming, tourism – that could be achieved by 2026. These opportunities would be more likely to occur if specific action areas were progressed.

The catalyst for much of the Chatham Islands growth is reliable air and shipping services and the ability to attract and retain labour. The new port and airport are preconditions to these services being provided, closely followed by housing stock.

Growth in the fishing sector is dependent upon landing and processing more high value catch. Efforts to achieve this through leveraging locally owned quota and increasing the value of product through branding. Air services, labour and consistent energy costs are fundamental to achieving this.

The visitor industry has significant potential to grow as visitor numbers over the summer period are constrained by availability of accommodation, flight capacity and labour. Investments into new accommodation and visitor amenities would benefit from knowing that additional air capacity for transporting visitors is available. The expanded runway would allow this.

There is clearly potential for the farming sector to grow through management and productivity improvements. At the same time, opportunities for processing and adding value on-island instead of exporting livestock are being evaluated. Preconditions to achieving the farming sector scenario are consistency and reliability of shipping services, the availability and the upskilling of labour and reasonably priced and reliable energy.

Our preference would have been to have a community led strategic vision and sector strategies to inform the growth scenario. This would have provided better targets and parameters to the scenario. For example, the visitor growth scenario is based on visitor numbers doubling over 10 years, which is an additional 2,000 visitors within 10 years. However, the community may not want hundreds of unsupervised visitors wandering through private property. Similarly, rapid employment growth and the resulting influx of migrants and visitors may affect community values and create social issues.

We therefore suggest caution in using this growth scenario to underpin a business case. There is a possibility that growth for growth's sake may not be desirable to the Chatham Islands community. On the other hand, the community may well be up for a significant increase in growth above and beyond this growth scenario.

In saying this, the opportunities underpinning the growth scenario are very realistic and perfectly attainable in the sense that they are already being considered and are fundamentally able to be achieved contingent on supporting infrastructure and actions to address priority issues being put in place. Some of these opportunities are more advanced in their development and are therefore more certain to occur than others. For example, the opportunity is clear in the case of landing and processing additional wetfish, where collaboration amongst quota stakeholders will allow processors to land and process deep sea quota locally. Key stakeholders are also looking at building a Chatham Islands seafood brand that could result in a premium on price.



There are a number of other opportunities on the Chatham Islands that are feasible but require certain activities to occur. For example, the potential to land a further 1,000 tonnes of long-line catch is absolutely possible based on existing and available quota but requires certain solutions to issues, such as how to address bluenose by-catch.²⁹ These other opportunities are not considered in the growth scenario. Similarly we have not explicitly considered any housing initiatives (although these are to an extent covered implicitly in the modelling to address the increase in households. Further, the scenario does not consider investment in infrastructure such as the runway extension, energy solutions, roading developments, or the community complex. These are one-off activities that will generate GDP and employment opportunities when they are implemented. Finally we have not included any activity or investment as a result of iwi/imi settlements.

Growth scenarios are compared to a business as usual (BAU) scenario. The BAU scenario is based on activity growing (or declining) at the same annual rate as it has for the last 5 years (2011 to 2016).

Our modelling suggests that the Chatham Islands economy could support over 660 jobs and generate \$72 million in GDP by 2026. This would require a population of around 900 people in 400 households.

The total impact of growth scenarios in the three key sectors on the Chatham Islands economy is shown in the table below.

Table 2: Employment and GDP change to 2026, BAU and scenario

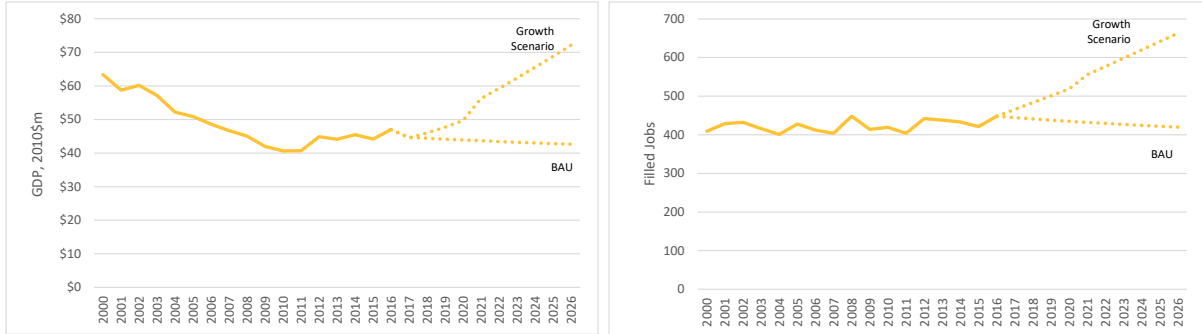
Total	2016	2026	
		BAU	Scenario
Employment	448	420	663
GDP (\$m)	47.0	42.6	72.1

Employment increases by 4.4 percent each year to 663, and GDP increases by 9.4 percent each year to \$72 million. The size of the Chatham Islands economy could increase by around 50 percent by 2026. This is in contrast to a decline in GDP (-1.0 percent each year) and employment (-0.6 percent each year) under the BAU scenario.

²⁹ We note that there are continuing efforts on the Chatham Islands to further increase the landing, processing and marketing of Island owned deep sea (long-lining) quota.



Figure 13: Chatham Islands growth scenario, GDP and filled jobs to 2026



Source: MartinJenkins

Population and households

Growth in employment will have an impact on population and households. With a very high participation rate, new jobs suggest more people. More people mean more households. Applying ratios of employment to population and then population to households we can project the likely impact of the changes on population and households.

In the modelling we have used the current employment to population ratio of 0.7. This ratio declines each year by 0.5 percent, before steadying off at 0.665 from 2023.

In terms of population to household ratios we have applied an average household size in 2016 of 2.24 people per household. The average household size declines by 0.01 people each year to 2023, steadying at 2.17 people per household from there.

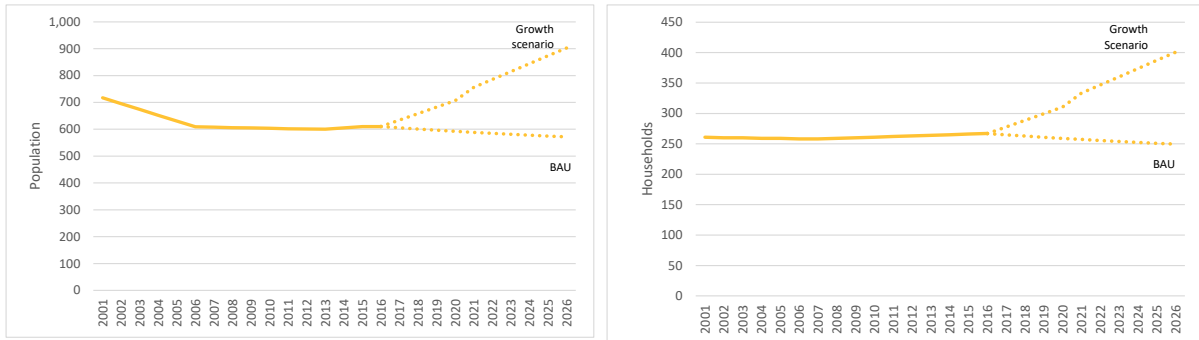
Table 3: Population and households, BAU and scenario change to 2026

Population and households	2016		2026	
		BAU	BAU	Scenario
Population	610	575	575	873
Households	267	251	251	387

Under the growth scenario, population increases to 873 people and households to 387 by 2026, an increase of 293 people and 134 households. This suggests growth of around 4 percent each year. In contrast, the BAU scenario suggests a decline of 38 people and 17 households.



Figure 14: Chatham Islands growth scenario, population and households to 2026



Source: MartinJenkins

The growth in population and households has significant implications for the sustainability and provision of services and amenities on the Chatham Islands. This growth immediately changes the economics in areas such as infrastructure, health, education and increases the rating base from which to provide local government services. It provides critical mass in some areas, and could support other economic areas that are taken for granted on the Mainland but not provided on the Chatham Islands, such as tradespeople, personal services (hairdresser), cafes, etc.

Fishing

With reliable services, capacity and lower prices, an additional 1,000 tonnes of wetfish is landed on the Chatham Islands, processed and an additional 400 tonnes of wetfish is airfreighted out as chilled. This would require a second shift at the Waitangi processing plant and further employment at other facilities. Further, a 10 percent premium across all species is achieved through Chatham Island branding, which has a direct influence on value-added.

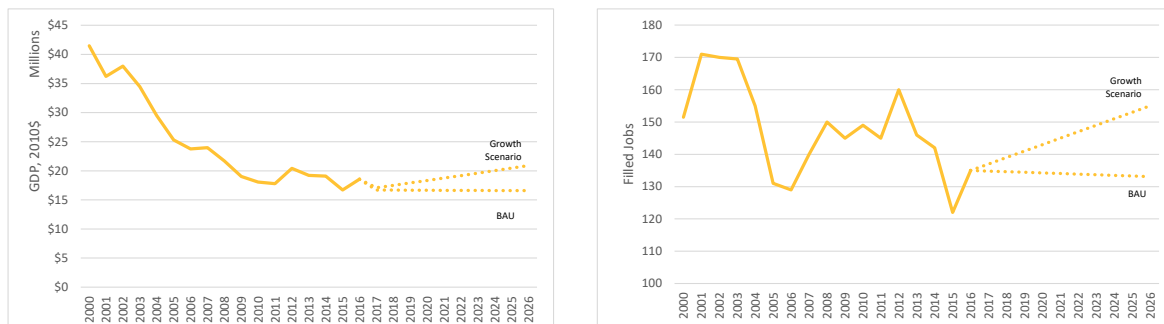
Table 4: Fishing sector BAU and scenario, employment and GDP change to 2026

Fishing sector	2016		2026	
			BAU	Scenario
Employment	135		133	155
GDP (\$m)	18.6		\$16.6	\$20.9

Under the fishing sector scenario, employment increases by 20 jobs and GDP increases by \$2.3 million, an increase of 1.2 percent and 1.4 percent each year respectively. This compares to the BAU scenario where employment and GDP both decline slightly.



Figure 15: Fishing sector growth scenario, GDP and filled jobs to 2026



Source: MartinJenkins

Visitors

Under the growth scenario, visitor numbers double and expenditure increases by 20 percent over 10 years. This is achieved by marketing supported by additional investment in accommodation, entertainment and products. Rooms currently being used as staff accommodation are released back to the market as more rental housing becomes available. The tourism shoulder extends a month either side to October – April, 7 months of the year.

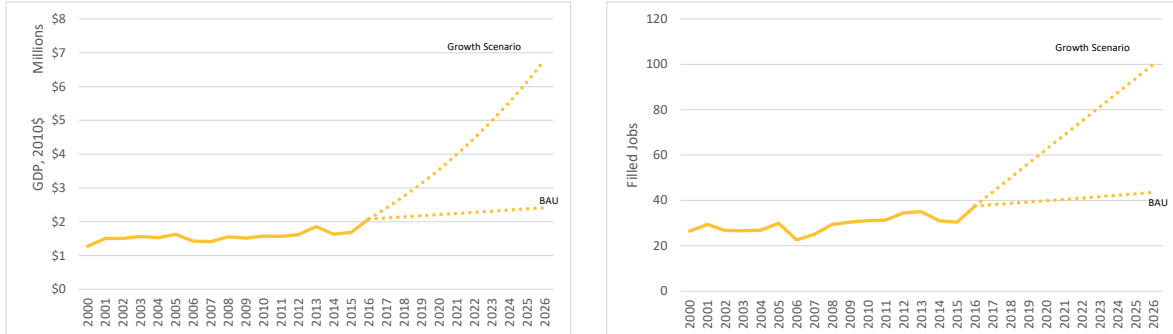
Table 5: Visitor sector BAU and scenario, employment and GDP change to 2026

Visitor sector	2016		2026	
			BAU	Scenario
Employment	38	44	44	100
GDP (\$m)	2.1	2.4	2.4	6.8

Under the growth scenario employment increases to 100 and GDP increases to \$6.8 million by 2026. Employment growth increases by 10 percent each year, and GDP increases by 13 percent each year. This compares to BAU growth of 1.5 percent each year for employment and GDP, where growth is constrained by air capacity and accommodation.



Figure 16: Visitor sector growth scenario, GDP and filled jobs to 2026



Source: MartinJenkins

Farming

In the farming scenario, certainty of shipping services and agreed supply agreements sees farmers' risk appetite increase. Farmers invest into improving farm productivity, improving stocking rates and farm margins by 40 percent. No new land is brought into production. In year 5, investment in processing occurs. A processing facility is developed focusing on high-value low-volume product, and a farming collective invests into a mini-abattoir to process high-value branded cuts.

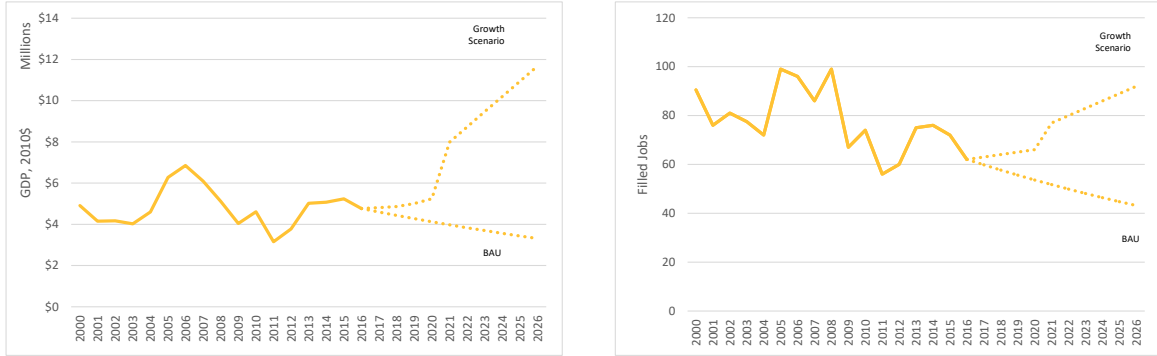
Table 6: Farming sector BAU and scenario, employment and GDP change to 2026

Farming sector	2016	2026	
		BAU	Scenario
Employment	62	43	92
GDP (\$m)	4.8	3.3	11.7

Under a growth scenario, the farming sector increases employment to 92 and GDP to \$11.7 million in 2026. This is an increase in employment of 4.0 percent each year and GDP growth of 9.4 percent each year. This is in sharp contrast to the BAU scenario, where there is a decline in employment and GDP of 3.6 percent each year.



Figure 17: Farming sector growth scenario, GDP and filled jobs to 2026



Source: MartinJenkins

Other sectors

Other sectors account for a significant proportion of economic activity. The model assumes that other sectors maintain the same ratio of activity (employment and GDP) to the three key sectors.

Table 7: Other sectors BAU and scenario, employment and GDP change to 2026

Other sectors	2016		2026	
			BAU	Scenario
Employment	213		209	316
GDP (\$m)	21.7		21.5	32.7

Based on these assumptions, employment in other sectors increases to 316 and GDP to \$32.7 million in 2026. This compares to slight declines under the BAU scenario.

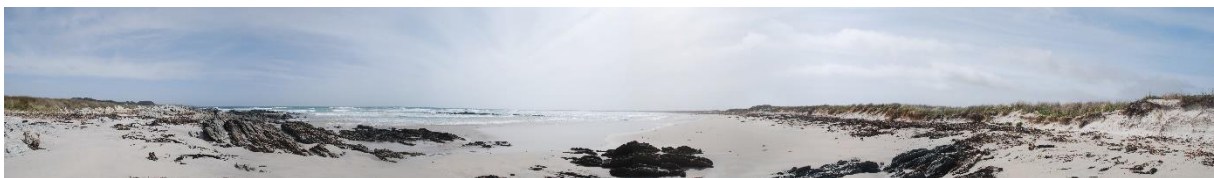


Photo: Beach on the west coast, MartinJenkins



RECOMMENDATIONS AND PRIORITIES

This report draws together analysis and studies undertaken by a range of agencies and consultancies over a period of time. In particular, it builds on earlier work we have done profiling the Chatham Islands economy and exploring the growth potential of its key growth sectors. We have tested issues and opportunities through discussions with a wide range of stakeholders (community and sectors) on-island and with central government agencies in New Zealand.

Our analysis shows that there is significant upside economic growth potential for the three key industries (fishing, farming and tourism) on the Chatham Islands. This increased activity would have flow on effects for population growth, which would encourage growth in population-related services and improve the economies of scale for infrastructure and government services such as health and education. A growth scenario for the Chatham Islands has also been developed and presented.

However, as noted, realising this growth potential requires effective infrastructure investment and other support that is unlikely to be provided if left to individuals, the community, or the private sector alone.

It is our perspective that, with effective infrastructure, well-functioning institutions, and targeted and coordinated industry interventions, the Chatham Islands can move towards building resilience and sustainability into its economy.

Effective and appropriate investment will enable growth. It will lay the groundwork for providing meaningful job opportunities, address a declining population on the Chathams, recognise the important and distinctive characteristics of our most remote community, and contribute to the economic growth, and enrichment of the cultural and social tapestry of New Zealand.

The challenge is that there is no such thing as a “marginal” investment on the Chathams. For any investment project, one has to think about power, where the labour supply comes from, how to increase housing supply and so on.

Therefore any response to support growth and development on the Chatham Islands requires an integrated way of thinking about all the associated activity required for any marginal change. These recommendations set out some key priorities within an integrated framework, including the essential



leadership role of the key stakeholders representing the Chatham Islands community when engaging with central government agencies and other investors.

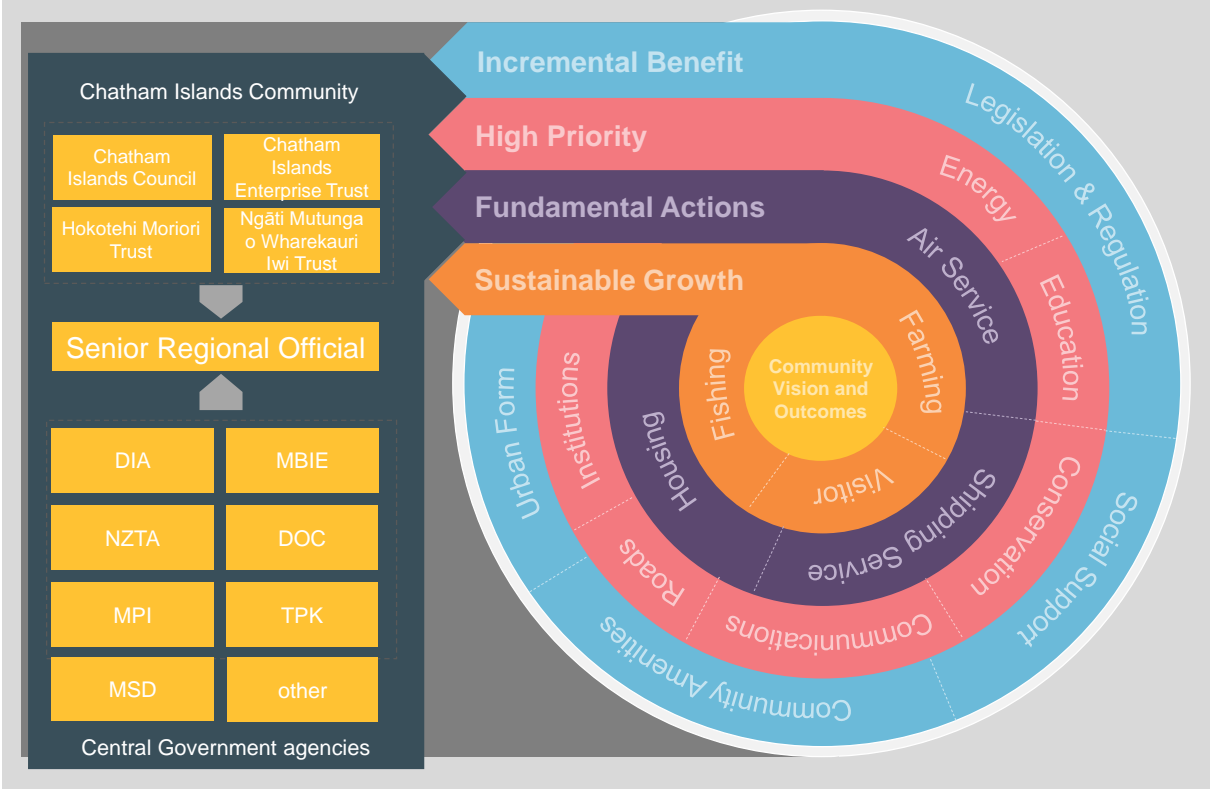
Most of these priorities have been known about for a long time but are no closer to being delivered. Several studies have suggested a set of projects and actions that still have not been implemented.

Agencies have undertaken a number of interventions targeting these priority areas with limited success. The Chatham Islands has a history of ever-changing government officials from various agencies coming in and doing what they believe is needed to deliver improved outcomes within their sphere of interest. There is growing fatigue on the Chatham Islands from things being done to them by a range of disconnected agents with limited success.

There needs to be a different approach.

A possible integrated framework to lead and facilitate sustainable economic growth and social and cultural wellbeing for the Chathams is outlined in the following diagram.

Figure 18. Chatham Islands sustainable economic growth framework



Source: MartinJenkins

At the centre of the concentric circles is an agreed vision and outcomes for the Chatham Islands. This vision and outcomes will be decided by the Chatham Islands community. The strategy needs to be people focused and community driven.



The vision and outcomes will be supported through sustained growth in the key sectors of fishing, farming and visitors. For this sustained growth to occur there are some fundamental priority areas that have to be addressed including air and shipping services and housing. There are also a number of high priority areas that are necessary to support the Chatham Islands economy including energy, education, communications, roads and institutions. Finally there are several areas that, if addressed, would deliver incremental benefits to the Chatham Islands economy, namely legislation and regulation, social support, community amenities, and urban form.

To confirm a community vision and outcomes, and to deliver across the range of actions and priorities, with central government agency support, we propose that the framework is delivered through the Regional Growth Programme. The programme brings together the key community representatives on the Chatham Islands and the central government agencies that provide services to the Chatham Islands, under the support of a Senior Regional Official, who would provide that enduring understanding of both the Chatham Islands but also government. This framework would ensure an agreed approach and responsibilities for delivering the priorities and actions by the community and central government agencies that will allow the community vision and outcomes to be realised.

A framework and a focus for engagement

In going through the literature on economic development in the Chatham Islands, combined with direct discussions with key stakeholders, the high level priorities and actions to encourage sustainable economic growth appear to have remained relatively consistent over a very long period of time. The recommendations in 2014 are very similar to what was suggested in earlier reports dating back to the 1970s and some even earlier. Similarly, the strategic priorities that have come out of our analysis have a sense of *Déjà vu* to them.

It is therefore important that we endeavour to go one step further to outline a framework for implementing the identified priorities as part of the process. Otherwise we run the risk of going through this same exercise and identifying the same priorities at some point in the future.

At the same time, there needs to be a clear purpose for engaging. There is a sense from the community that government agencies and consultants are disconnected to what the community wants and needs. Further, that these agencies tend to tell locals what the agencies need or want and do not respond to or heed local advice. There is a sense of 'tick-box' engagement as opposed to a real interest in delivering positive outcomes that are wanted and can be owned by the Chatham Islands' community. Underpinning an economic growth strategy or action plan there needs to be a purpose, or a vision, determined by the community and agreed to by all stakeholders, on the islands and in New Zealand.

Regional Growth Programme

Our view is that a key barrier to progressing through from identification to implementation has been a lack of an agreed collective approach to progressing the recommended priorities and actions between key stakeholders on the Island as well as an agreed understanding and coordination of activity and investment across central government agencies in New Zealand. There have been a number of calls



to address this lack of collective action in several of the studies done in the past.³⁰ As a result of this, priorities and actions tend to be identified and promoted in silos, with the end result being individual projects promoted in isolation and an ad hoc and opportunistic approach, absent of an overarching Chathams' strategy.

There is an acknowledgement that institutions and groups on the Islands have faced impacting on decisions and an ability to work together in a meaningful way. However, the four main groups that represent key community interests are currently in a space where they acknowledge each other's contributions and are able and willing to work together. This has been demonstrated in a number of cases. For example, in the Social Housing Programme, the Council, the Trust, Hokotehi and Ngāti Mutunga are all represented on the governance group, and in a response to fishery issues Hokotehi, Ngāti Mutunga and the Trust are working together to identify solutions to the Islands most important traditional and commercial industry.

However, the issue hasn't solely been an inability of the four institutions that represent the Chatham Islands community to engage in a cohesive or coordinated fashion. Central government is also aware that a more cohesive approach based on a shared understanding of the unique needs of the Chatham Islands would allow for more effective solutions. There are many examples where individual agencies are engaging with the Chatham Islands to address issues in isolation. Further, agency services are delivered from different jurisdictions around the country. Ministers have asked for a more cohesive approach to engagement and investment, and agencies are working through a series of options to achieve this.

A framework that we are promoting is the Regional Growth Programme, where the Chatham Islands can be included as a region in its own right. It would have a Senior Regional Official who would be responsible to Ministers for ensuring a coordinated approach by agencies to deliver a prioritised set of actions that have been developed and agreed with the Chatham Islands community. These prioritised set of actions do not affect the autonomy of the individual institutions/stakeholders who will each have a broader set of activities and objectives. It does, however, align and connect those activities where a solution involving multiple stakeholders is required, and addresses them through a single overarching strategy supported by the Regional Growth Programme framework and resources.

The four key stakeholder groups on the Chatham Islands indicated a willingness to further explore this option at the beginning of this exercise. Officials in MBIE and TPK can see the benefits of this approach and are open to exploring it further.

We also acknowledge that DIA is also exploring an investment strategy to engage a whole of government approach to supporting the Chatham Islands. It would be useful to compare the different options to determine the level of overlap and what might be the best way to deliver across the range of engagements between central government and the Chatham Islands.

³⁰ For example, Taylor Baines (Taylor Baines & Associates, 2008) suggested: the need for greater clarity and certainty about the NZ-Chathams public administration relationship; better coordination of the NZ-Chathams public administration relationship; progress and accountability in prioritising and implementing strategic development initiatives for the Chathams; progress in achieving greater co-operation amongst various Chathams' interests in support of social and economic development. The most urgent tasks are to: enter into meaningful discussions with the operator on shipping issues; scope and brief the governance review team; set up a strategic development group (Chatham Islands Enterprise Trust, Chatham Islands Council and iwi); set up the Project Teams; establish a formal Chatham Islands – Government linkage.



An agreed community focus

Our analysis focusses on achieving economic growth and sustainability through industry activity. However, this is being driven by a need to support decisions on specific investments and activities.

A regional economic development strategy needs to be underpinned by an agreed collective focus in the form of a vision or community outcomes. We would suggest that a lack of 'collective ownership' has been a key factor in the non-implementation of earlier recommendations.

As evidenced from earlier regional growth studies, for the community to engage and 'own' a programme of prioritised actions, the actions need to be contributing towards an outcome that is consistent with what they want for their community. For example, why do we want to grow the fishing, farming and tourism sectors? Why is reducing energy costs important? Why do we need to invest more in education and health? Is a bigger population desirable for the Chathams community? What Chatham Island values do we want to retain and encourage? How do we reconcile economic growth and community values?

Further, our view is that this outcome or vision ultimately has to be focused on 'people'. The four key stakeholders groups made it clear to us that, for them, the people of the Chathams have primacy in the desired outcomes most important to them. A primary focus on people is also fundamental to regional economic development. Each of the four stakeholders has a vision and set of desired outcomes that have been developed in different processes and contexts. Further, these groups have a more specific or a broader brief in terms of beneficiaries or values. It is therefore necessary to define an agreed vision or outcome that the groups and indeed the community can work towards collectively.

This is a separate piece of work, but needs to be in place before the priorities and actions are agreed. At its simplest this could be a review of the existing visions and outcomes of the four organisations, to identify overlapping and consistent themes that support the focus of the action plan. Alternatively, a more inclusive approach would be for the four groups to invite key businesses and other community groups to a vision conversation to ensure input from as many Chatham Islanders as possible is included.

Fundamental Actions

The priorities that underpin the productive sectors on the island and are a precondition to the growth scenarios are cost effective and reliable air and shipping services; and housing supply. Without progress in these areas it is unlikely that the productive sectors, the Chathams Islands economy generally, and the population will be able to thrive.

Air and shipping service levels are defined by capacity, frequency and timeliness, and cost. Getting these service levels right are fundamental to achieving the growth scenarios in the key sectors, but also providing the linkages that will support the wellbeing of the Islands' people.

Air services are currently provided by Air Chathams, a private Company. Shipping services are provided by Chatham Islands Shipping Ltd, which is owned by the Chatham Islands Enterprise Trust. Provision of these services appears sustainable in the near term. As critical services, they need to be monitored and supported to ensure continuity and limit disruption. Increased activity can improve the economics of these services, flowing through to quality and frequency. However, for these services to operate effectively, port and airport infrastructure needs to be fit-for-purpose, and arrangements with the shipping and aircraft providers needs to be responsive and reliable.



The third fundamental priority is housing. Housing options are a major barrier to attracting people to the islands. While there are jobs available, potential employees are discouraged by the very limited availability of housing, whether for a fixed period or permanently. In addition to housing supply, an equally important issue is the quality of the existing housing stock for residents. This has flow on effects across a range of areas such as population retention and health and social outcomes.

Air Services

Air services are critical for the tourism and fishing sectors, transporting visitors and moving high value seafood products (live and chilled). These services are also the primary means of moving people – locals and businesses. They are necessary to improve the day to day lifestyle and well-being of residents and responding effectively to emergencies (Life Flight). Finally, air services are essential for the transport of short shelf life products or time sensitive goods.

Currently air services are provided by Air Chathams, which runs a return service between Chatham Island and the three main centres (Auckland, Christchurch, Wellington (2X)) four times a week (five during the summer). Air Chathams also runs a service between Chatham and Pitt Island. Finally, Air Chathams provides charter flights and undertakes emergency flights, which have increased in recent times. Air Chathams is having to deal with an ageing fleet of Convair 580s where substantial reinvestment would be required to maintain serviceability and to upgrade navigation equipment. A more effective scenario would be replacing the Convair 580s with a different plane. The two alternative options identified by Chatham Air and Astral Aviation are either the ATR or the Boeing 737 Combi. While the Boeing 737 Combi is the preferred option due to lower capital costs and increased freight capacity (the ATR would not add to the current freight or passenger capacity, which is currently close to capacity), it would require an extended runway.

The Chatham Island Airport is owned by Chatham Islands Enterprise Trust. A level of investment is required to maintain the infrastructure, which includes upgrading the navigation equipment to improve access in adverse weather conditions as well as to cater for emergency flights. Strengthening or resealing of the runway is also required. The length of the runway is already marginal with the current planes, and increasing safety measures coming in are likely to require lengthening and or the addition of safety buffers.

Investment into an airport infrastructure that is designed to accommodate larger planes such as the 737 Combi would increase air capacity and reliability that could lead to increased investment in fishing and tourism activity. It would also potentially result in cheaper airfares, improved passenger safety and experience, and lower freight costs. This would further encourage activity as well as support the local population, who spend a relatively large proportion of their income on airfares. It can also open the airport to other sources of revenue, such as other airlines being able to consider it, or its potential to act as a diversion runway for long-haul flights.

There are a number of factors that need to be considered around the likely costs of upgrading the airport, and the sustainability and viability of future air services. However, this is a time critical issue. For example, the presence of Memorial Park Alliance and the availability of heavy equipment that can be used provides a potential opportunity to reduce the cost of any activity. Similarly, Air Chathams needs to make decisions in the near future on upgrading its fleet.

(Market Economics, 2016) outlined three options for developing the Chatham Island airport. Their preferred option was growth-oriented development, which would act as a catalyst that would unlock and facilitate other development opportunities. We tend to agree with their assessment. Our analysis



is even more bullish on the potential growth in the fishing and tourism sectors that could be unlocked if capacity could be increased and reliability could be improved. We cover these issues in the body of our report.

In the first instance what is required is support to allow for proper specification of what is needed in terms of improvement to allow for larger planes. This can then be used to inform the Memorial Park Alliance proposal or put out for wider tender.

Shipping services

Shipping services are the key means of transporting freight to the island and for exporting product, particularly livestock. Delays in shipping services have flow-on effects to businesses, impacting ability to operate and profitability.

Port infrastructure is currently being addressed. The upgraded Waitangi Wharf is being rebuilt with a breakwater that will have a major impact on the ability of ships to dock. This has been a major factor impacting the viability of services. Pitt Island wharf is also being scoped/repared following damage from bad weather. There are smaller wharves at Owenga, Port Hutt and Kaingaroa that need to be maintained. These are largely used to offload fishing catch and are not considered in this report.³¹

Securing reliable shipping services has long been an issue on the Chatham Islands. There is currently a single shipping services between Waitangi/Pitt Island, Napier and Timaru. This service is provided by Chatham Island Shipping, which is a fully owned subsidiary of Chatham Islands Enterprise Trust. It owns and operates the MV Southern Tiare, which is a fit-for-purpose vessel that can take both cargo and livestock and has its own cranes to on- and off-load.

According to the shipping schedule for February to April 2017, the service calls into Waitangi twice a month and a monthly call to Pitt Island.

A number of concerns have been raised around the viability, reliability, and costs of this service. There have been issues related to the ship that may underpin these concerns. As such, there are some fundamental questions around the provision of effective shipping services to the Chatham Islands (ownership, competition) that need to be considered as a collective. These are currently being considered by the provider company. Chatham Islands Enterprise Trust has recently commissioned a strategic review of shipping options. A process has been outlined that will allow the four main stakeholders and the wider Chatham Islands community to make a collective decision on the way forward from here.

Housing solution

The community has identified housing as a key issue facing the Islands as, while there are jobs available, the difficulty lies in finding appropriate housing for employees. As a result, appropriately skilled staff may be unable to be employed on-island as there is nowhere for them and their families to live. Similarly, a number of families and iwi/imi with connections to the Chathams wish to return but there is nothing for them to rent or to buy, and there are time and other constraints to building new.

In its 2015 annual report, the Chatham Islands Enterprise Trust Chief Executive suggested that the shortage of housing is more of a deterrent than electricity or diesel costs to attract individuals or

³¹ Although they do become relevant when considering enablers for the fishing sector.



families to settle either temporarily or permanently on the island and identified the following areas of focus (Chatham Islands Enterprise Trust, 2015):

- Improved home ownership for local residents (existing and new).
- Temporary rental housing for seasonal workers, other part time workers, new entrants to the local economy to boost local business (can also be used by local residents waiting to get into their own homes, either due to renovations or new build).
- Permanent rental housing for local islanders based on certain criteria.
- Funding to help out existing home owners and to renovate neglected and/or cold houses.
- Retirement village facilities.

Around 60 percent of the current Chatham Islands population is Māori and/or Moriori, so it is not unexpected that they are providing the leadership to address housing issues on both the community and government sides.

Ha O Te Ora O Wharekauri Trust is currently operating in this space by facilitating funding through TPK to improve housing for Māori. The Māori Community Service's home repairs programme helps whānau and kaumātua on the island to make critical and necessary repairs with the support of several TPK initiatives including the Rural Infrastructure Fund and Rural Housing Grants.

Ngāti Mutunga o Wharekauri Iwi Trust has also built several papakāinga houses in Te One that it is renting to its beneficiaries. It currently owns a site where it can build a further rental and is waiting on available tradespeople to progress.

There are six kaumātua flats in Highet Place. These are owned and operated by the Wharekauri Māori Committee.

There are a number of issues around housing (new and repairs) that need to be addressed including access to land, finance, cost and capacity (tradespeople and materials).

The Chatham Islands Housing Partnership has a \$2 million fund to support housing initiatives on the islands (the Housing Solution project). A further \$500,000 has also been made available for an emergency housing initiative and \$400,000 has been applied to bring kaumātua housing up to standard.

Lead by Ngāti Mutunga o Wharekauri Iwi Trust, in partnership with the Chatham Islands Council, the Chatham Islands Enterprise Trust, and Hokotehi Moriori Trust, the process to progress the Housing Solution for the Islands has been formalised. Work is yet to be scoped.

High Priority Areas

After addressing the three fundamental priorities there are five high priority areas that need to be considered and addressed. While these have an impact on investment decisions, on their own they do not pose sufficient constraints to hold up progress of action and implementation across the board.

Energy Solution

The electricity generation and lines business for the Chathams is operated by Chatham Islands Enterprise Trust. The combination of diesel and wind energy currently being used to supply the island



grid (which only covers the southern half of Chatham Island to the airport) is not optimal from a cost variability (dependent upon the price of diesel) and reliability (there has been no wind generation for the last two years) perspective. Moana Fisheries, the main user of electricity on the islands, uses a diesel generator to produce its own electricity. The communities of Kaingaroa, Port Hutt and Pitt Island also produce their own electricity using diesel generators.

There is no disputing that energy costs on the Chathams are high and are likely to remain higher than in New Zealand. However, with diesel being the main source of consistent electricity generation (solar and wind are other sources but are variable), residents and businesses on the island are very exposed to commodity price fluctuations. At around \$1.40 in July 2017, the price of diesel and subsequently electricity is currently relatively low. There are also issues with the ownership and supply of wind energy, the reliability of the diesel generators, and the ability to maintain and expand the grid.

At the same time energy solutions are expanding. Solar is currently an economic alternative for households (although there are still issues around storing energy) There is a push toward energy self-sufficiency from a residential perspective. However, this is still a ways away. For businesses there is a need for a consistent supply of electricity at a competitive price. Projects currently need to consider how they will generate energy, with many of them looking at their own energy source (eg milk processing).

Alternative methods of generating more sustainable and reliable electricity have been explored, including wave, biofuels (peat), and micro-hydro. However, the optimal solution has never been agreed.

There is consensus that energy costs need to be reduced. However, the cost effective solution has not been identified. This has hindered the implementation of a strategic approach on energy for the Chathams.

Education

There are three primary schools on the Chatham Islands in Te One, Kaingaroa and Pitt Island. Te One is the largest school with three teachers and a principal (63 students). Kaingaroa and Pitt Island have a single principal teaching role with five and seven students respectively.

There is no secondary school with the majority of children going to boarding schools in New Zealand. There is also no early childhood education on the islands.

The three schools had an ERO reviews in 2016 with all of them having several areas of non-compliance. Intervention was recommended for two of the schools. Training was also recommended for all three Boards of Trustees.

Quality primary schooling is fundamental to support the Chatham Islands population. Options for families are limited and the potential outcomes and impacts on economic sustainability are significant. There are concerns that without quality schooling families will leave the islands. There is evidence of this happening already. Further, families looking to return will certainly consider the availability of education for their children. Finally, activity in small communities tend to revolve around the schools, particularly on Pitt Island and to an extent, in Kaingaroa. Developing strong schools will ultimately support a stronger Chathams' community.

It is accepted that there are a number of issues relating to governance, school size and isolation. Professional development is difficult and costly, as is providing the scope of activities and support to students. The two smaller schools have new principals in place. The majority of teachers at Te One



School are new to teaching. Although there are only three schools, there is little interaction or co-ordination between them (apart from school sport event).

Location makes it difficult for closer engagement across schools, but also with the Ministry of Education. Priority needs to be placed on developing a plan and support to ensure that primary schools can meet the needs of the children and continue to support community engagement.

Conservation

The Chatham Islands is a set of small islands, geographically isolated, and with rich flora and fauna. around 30 percent of New Zealand's threatened species live on the Chatham Islands. Being a set of islands, there is also a fragile eco-system that needs strong conservation principles and approaches.

We expect that principles and approaches to conservation and the environment will be determined through the community led vision, which will then determine the opportunities that could be pursued within sector strategies and wider institutional and community activity.

There are real opportunities that would contribute to DOC's (and other organisations such as the Hokotahi Moriori Trust and the Chatham Islands Council) wider work programmes around conservation, environmental and sustainable practices, but also support tourism development and a point of difference for the other key sectors. There are opportunities to pilot approaches to sustainable approaches / methods on island environments, including around waste, water, and energy, predator control. Similarly, there may also be industry opportunities around organic practices or bioactives and bioproducts.

Communications

The Chatham Islands are currently serviced by a combination of infrastructure based on the Telecom/Chorus exchange in the main township of Waitangi and satellite broadband links to homes and businesses. An option to support cell phone services was included in the initial contract with TeamTalk, which was not been progressed. The Chatham Islands Council runs a high frequency radio system for official use.

Broadband costs are very high compared to New Zealand. Further, the performance of the wireless broadband solution implemented as part of the RBI is not meeting expectations, both in terms of bandwidth (capacity) and speeds, but also in terms of coverage.

The second round of the rural broadband initiative (RBI2) has been put out for tender. The Chatham Islands is included in the Canterbury region tender. Tenders close mid-April 2017, when preferred tenderers will be identified and negotiations for services begin. The inclusion of a Chatham Islands solution, and the level of service to the Chathams, on any preferred tender is not guaranteed.

It is important that the Chatham Islands level of service is identified and included in the RBI2 solution for Canterbury. There has also been discussion with Spark around a potential solution to address its kiwishare commitment for local lines, although we understand that this is being included in their RBI2 proposal. Nowhere else in the country is it more important for this commitment to be met, as the Chathams has fewer communication options than other isolated New Zealand communities.



Institutions

Chatham Islanders require and are entitled to a level and range of public and personal services. These are currently delivered through a range of institutions that were appropriate when they were introduced but may not be the most effective mechanism to deliver effectively going forward.

There are a number of institutions that require management as well as governance that deliver to a small community. This carries significant overheads. Further, in a small economy with a small pool of people, this can put pressure on capacity and capability when spread across a number of activities.

A full review of institutional activities should be undertaken to ensure that the appropriate range of services are delivered in terms of efficiency and effectiveness.

Chatham Islands Council/Chatham Islands Enterprise Trust

Chatham Islands Council and Chatham Islands Enterprise Trust are the two institutions charged with delivering services that support the economic, social, cultural and environmental outcomes for the Chatham Islands. At the time Chatham Islands Enterprise Trust was established, Chatham Islands Council was going through governance and management issues. As a result, activities that may best have been placed within, or delivered by, the Chatham Islands Council were placed within Chatham Islands Enterprise Trust. This has been identified again with the development of the new Port and where ownership should sit. Within each organisation there have been reviews and changes made to improve performance and outcomes.

Because of the responsibilities and activities tasked to each, the two organisations need to work closely together to achieve community outcomes. Across organisations the ability to work together is highly dependent upon the working relationship. It would be fair to say that this relationship has been tested, particularly in recent times. Currently the relationship is relatively positive and discussions have resumed to co-locate in an effort to improve efficiencies and the synergies across the two organisations.

Community and government services

Alongside Chatham Islands Council and Chatham Islands Enterprise Trust, other government and community services include the Heartlands Office, Ha O Te Ora O Wharekauri Trust, Chathams Community Focus Trust and Health Services. The Police and the MAF fisheries officer, operate out of shared premises in Waitangi, and DOC has offices and accommodation in Te One. Together these organisations provide the breadth of services needed to support and maintain the Chatham Island community and businesses - socially, environmentally and economically. Efforts are underway (for example the initiative led by Police to align social services activity) and there is existing cross-engagement within the services (for example Police and MPI) to leverage and align activity. DIA is exploring a framework for better cross-agency engagement on the Chatham Islands. As noted by Taylor Baines in their 2008 report -

Capacity to get things done on the Islands remains an issue. For example, with housing, it was necessary for HNZ to start the CI Housing Trust in order to deliver a housing project, rather than working through the Trust or the Council. Agencies need to be flexible in delivering projects. This capacity issue is a primary reason for a well formulated and coordinated Social and Economic Development Project.

Further, these agencies also account for a high level of activity (employment and GDP) and contribute significantly to the local economy. The various government agencies spend over \$12 million annually



on the Chatham Islands. This is reflected in their contribution to GDP (\$6.9 million) and employment (91).³² It has also made a number of one off capital investments (port - \$53 million, housing - \$2.4 million, rural broadband - \$2.5 million).

Finally, government employees that come to the island are generally skilled and bring diversity, new ideas and capacity (eg on boards) to the community. As noted in a number of reports, and best captured by Rennie (2014)

“it is often overlooked that the government for its own reasons of border security, conservation, sovereignty, and related requirements in the international community would have to have facilities and a presence in the Chathams in any event. A re-focus by government on such areas (particularly conservation) has lifted staff numbers, although other government agencies have reduced their presence.”

There could be a secondary focus on the economic impact that delivering community and government services have on a small economy such as the Chathams. While small in the broader agency's expenditure (eg 1.6 FTEs and costs for Police), efforts to better coordinate and leverage government expenditure can have a profound impact on the viability of the local economy.

Roading

While none of the sector interviews identified roading as a major constraint, it is a fundamental to the movement of people and goods within the islands.

Most of the roads are metal, with only a small amount of sealed road in the main communities. The islands appear to be resigned to the quality of the roads and the impact that this has on their vehicles and safety although the annual plan survey suggests that few people are satisfied.

Infrastructure accounts for around 55 percent of Council expenditure, and roading maintenance and improvements accounts for 97 percent of that. This is currently subsidised by NZTA to the tune of 89 percent. NZTA has reached agreement that funding for roading will be subsidised at 88 percent.

Earlier reports suggest that by now there should be sealed roads to the Airport. Instead it appears that effort is focused on repairing existing sealed roads rather than extending them. This is despite a significant spend on roading contracts.

The contract for roading was recently re-tendered and this has seen the introduction of a new provider (Fulton Hogan). The current focus has been on setting out the work programme, resurfacing existing sealed roads and maintaining existing metal roads. However, looking ahead, a plan to extend sealed roads as originally envisaged should be developed. This is increasingly important if there is to be growth in the key sectors and subsequently the population.

NZTA one network framework has major implications in that roading network is categorised by volumes. This significantly reduces funding to the Chathams.

Incremental Areas

These priority areas have been listed as incremental. While they are not game changers in their own right, addressing them will improve the ability of businesses to operate in, and the quality of life and well-being of residents on, the Chatham Islands. They will each have an incremental effect on the

³² This also includes local government, although this is largely funded by central government.



ability of business to operate and on the wellbeing of the community. On their own, they are a deterrent. Combined, addressing these impacts would materially affect outcomes.

Legislation and Regulations

Many regulations that are relevant for the mainland are not necessarily appropriate or feasible for the Chatham Islands. The Chatham Islands Council Act 1995 provides for differences between the Chatham Islands Council and mainland New Zealand councils. However, the Council suggests that:

There is no systematic regulatory impact assessment to check the implications and relevance of New Zealand legislation and regulations for island circumstances. There exists a need for special legislation to fit the Islands' requirements, and for 'island proofing' of legislation and policy. (Chatham Islands Council, 2015)

This was also mooted by (Morrison & Rennie, 2009) who suggested that:

"For Council to operate effectively, it needs specific powers (both for operations and finance) which recognize the unique Chatham Islands requirements. It is likely that the Council will need expanded and different powers to that of mainland authorities, at a time when central government is signalling the possible reduction of powers of these authorities."

In addressing this the Council is embarking on a full review of the Chatham Islands Council Act 1995.

It is also argued that when developing and approving legislation and regulations, there is a lack of consideration of their implications for the Chatham Islands. Some government policies may not make sense in an island setting/context. Further, for effective regulations and legislation there needs to be an ability to monitor and enforce. Examples such as video monitoring on fishing vessels may not work on the Chathams due to a lack of broadband capacity and cost. Other issues that were raised included compliance for funding assistance for housing repairs where three quotes are required in the application, when there isn't even the ability to get a single quote.

Solutions will have to be creative and tailor-made to fit the island. These solutions may look quite different to generic solutions that would work on the mainland. As a result, agencies developing legislation and regulation need to be cognisant of their applicability and relevance on small island economies such as the Chatham Islands. There was discussion that perhaps a small island group (Chatham Islands, Stewart Island, and Great Barrier Island) could be formed to explore the relevance and impacts of legislation and regulation from a small island perspective.

Social support – drugs, alcohol and family violence

Social wellbeing is as important as economic wellbeing and, in fact, impacts on economic performance through increased employment and productivity. Further, if the environment is considered as contribution to negative social outcomes, then this has follow on impacts on population retention and growth.

There is growing concern (Litmus Ltd, 2014) that drugs, alcohol and family violence are impacting on the Chatham Islands community. The three key needs to strengthen health and wellbeing were identified as: ongoing improvements to housing stock, earlier and more effective responses to mental health, alcohol and drug addictions and behavioural issues; and consistent and effective response and interventions for family violence via an interagency and community approach.



The Litmus report also identified health areas such as smoking, dental and optometrist services; and service delivery areas around greater awareness, knowledge and transparency of health and wellbeing services. It also raised other issues around parent education services, access to regular physiotherapy and injury prevention, respite care and the needs of teenagers on Chatham Islands.

As indicated, the solution is broader than increasing spend on health services and social support to provide a better resourced response to these issues. There needs to be a concerted effort across a number of institutions including schools, iwi/imi, community groups that address the cause of the issues and provide a long term solution.

Community amenities

Community amenities provide a place for people to engage and improve the attractiveness of the island as a place to live, encouraging people to come, remain and/or return.

With a small population it is difficult to afford community amenities that are not given a second thought in larger communities. This includes things such as a cover for Te One Pool, resurfacing of the netball court, a community complex (including a museum). There also isn't a place for younger people (teenagers) to engage.

It appears that funding has been identified for Te One Pool and that progress is being made on the community complex (which includes office space for Chatham Islands Council and Chatham Islands Enterprise Trust as well as the museum, war memorial and community facilities). However, this infrastructure and where it is located needs to be considered within the context of a growing economy as noted in the next heading (Urban form).

Inflexibility of lottery funders with the local share requirement. Local community has to stump up with 1/3rd of costs makes it a huge impost on a small community like the Chathams to achieve.

Urban form

There are five settlements on the Chatham Islands in Waitangi/Te One, Owenga, Kaingaroa, Port Hutt and on Pitt Island. Waitangi/Te One appears to be the key settlement in terms of population services. Interestingly, there does not appear to be a planned or agreed approach to how that key settlement develops in terms of infrastructure and institution. While activity centres on the hotel/pub and the Waitangi Store/Hardware store, the two spaces seem disconnected. There is no clear plan as to where development or growth might occur to create a public space that caters to and encourages community engagement. This is understandable considering that there has been a decline in economic activity and businesses.

This issue has been raised in discussions around where a new council complex/museum/community centre might be located. There is value in managing the urban form through zoning and public infrastructure investment to enhance amenity and contribute to community outcomes. This is particularly the case in the Waitangi/Te One area. This also become more important if we are planning for growth.



Key Sector Opportunities for Sustained Growth

In discussing the potential for each of the three sectors the pathway for growth seems clear. Particularly when the focus of discussion was moved away from the constraints and barriers and toward growth opportunities. Key mantras when considering export opportunities from the Chatham Islands is “high value, low volume” and trading on the Islands isolation and unique natural, environmental and cultural attributes. For each of the sectors there are real opportunities to grow both volume and value. Addressing the priority areas above will allow these sectors to focus on these opportunities.

Fishing

Currently the fishing sector employs around 135 people (30%) and contributes around \$19 million (33 percent) to the Chatham Islands economy. The industry is currently centred on the high value species of crayfish, blue cod, pāua and kina. Although it is the largest industry on the Chatham Islands, it is clear that much of the value of fish caught in the Chatham Islands area is not realised in the Chatham Islands economy. Industry growth will come from capturing a greater share of this value. This can be achieved by:

- adding value to existing catch through higher value products and branding
- new catch brought onshore for processing, and
- the introduction of new species.
- At the same time there is a need to ensure the sustainability of the high value species. The end goal is a sustainable fishery where a greater share of the value is captured by Chatham Islanders.

Specific opportunities identified that would increase activity and return greater value to the Islands are:

- consolidating quota and making ACE available to local fishermen and processors
- addressing the ability to catch existing long-line quota
- branding and processing to achieve higher value.

The priority areas most relevant to supporting the fishing sector opportunities have been identified as:

- reliable air freight capacity for exporting high value seafood
- reliable port access to land deep sea catch
- access to a reliable labour force
- energy and transportation costs (marginal activity).

Farming

Farming is the second largest industry on the Chatham Islands, employing around 60 people and generating \$4.8 million in GDP. Farming is currently focused on live cattle, sheep and wool.

The Chatham Islands has excellent growing conditions due to the temperate climate and year-round rainfall. Combined with lower land costs this makes up for the additional expense associated with transportation.



It has been suggested that the farming sector is missing two generations. The average age of farm owners in the Chathams is well above the national average. Many farm owners are not investing back into their farms and many farms are not being managed in a very productive fashion.

This suggests significant upside with better farm practices and investment. Further, farmers are limited to live exports as there is no abattoir or processing options on the Chathams. Live exports currently pose a risk to farmers due to the reliability of the shipping service. There is also the real risk of live exports being censured or halted if animal welfare issues arose.

A cohesive approach and a strategy on how to develop the farming sector is a starting point. The first issue is around how to improve the productivity of existing farms and allow for livestock to be 'fattened' on-island. Once that is established and progressing, attention can turn toward adding value, which would further increase profitability as well as reduce risk.

Industry growth would occur by:

- improving on-farm productivity through increased investment and better management
- Opportunities for further value add include:
 - Sheep dairy farming and milk processing
 - Mini-abattoir

The priority areas most relevant to supporting the farming sector are:

- reliable shipping services for exporting product
- reliable and cost effective energy solution for processing.

Visitor sector

The visitor sector is the third key industry on the Chatham Islands. While relatively small (40 employees and \$2 million contribution to GDP) the sector has significant upside due to the current state of development and the experiential offering on the Chatham Islands.

In terms of current activity, most accommodation providers are fully booked from October through to April. While there is an appetite to increase the accommodation supply, there are constraints in terms of flight capacity and certainty around the ability to service additional visitors in terms of activities, amenities and labour force.

Growth will come from increasing the:

- number of visitors
- amount visitors spend.

The key opportunity is to develop a cohesive visitor strategy that provides an agreed roadmap to sustainably grow the sector and its contribution to the Chatham Islands economy. This would build on the existing work of the Chatham Islands Visitor Industry Group. The visitor strategy would address issues such as:

- understanding the current activity
- agreeing sustainable growth targets and visitor segmentation
- addressing visitor infrastructure – information centre, signage, interpretation



- developing new commissionable products – cycle trail, walks, tours.

The priority areas most relevant to supporting the visitor sector opportunities are –

- increased capacity on air services
- housing options for employees

Other – Growth Opportunities

Waitangi West Farm investment

We understand that a significant property has been purchased by a wealthy investor based out of Auckland. This investor has plans to productively farm the property to provide produce for his New Zealand based export ventures to second tier Chinese cities. This same investor has met with local businesses to discuss infrastructure constraints (energy, airport upgrade) and how it may be able to support solutions.

Generally, there would be a mechanism in place to engage with major investors to make them feel welcome, integrate them into the local business and community, and then support and leverage their investment decisions to maximise regional benefits.

This mechanism would generally be provided through the region's EDA. There is uncertainty as to where this role currently lies on the Chatham Islands. A solution going forward would be to address this gap as part of the effective institutions work-stream. However, it would be a travesty if this opportunity was ignored due to an inability to engage effectively.



Photo: MartinJenkins



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APPENDIX 2: CONSULTATION

We had conversations with the following people either individually or as a group. These conversations helped to inform this report.

Chatham Islands

Alec Hutchings	Greg Horler	Owen Pickles
Alfred Preece	Ian Chisholm	Paula Page
Barbara Moore	Iwiroa Wairua	Pita Thomas
Barby Joyce	Jeffrey Clarke	Rebecca Coleman (NZ Police)
Bernadette Lim	Jenna Hoverd (DOC)	Rena-May Hough
Brian Harris	John Kamo	Sam Coleman (NZ Police)
Ces Clarke	Keri Day	Sue Hutchings
Craig Emeny	Lois Croon	Susan Thorpe
Dallon Gregory-Hunt	Marcel Tuuta	Teresa LaNauze
Dave Carlton (DOC)	Maui Solomon	Toni Gregory-Hunt
Debbie Prater	Melodie Eruera – Fraser	Toni Croon
Deena Whaitiri	Monique Croon	Vicki Biltcliff
Delwyn Tuanui	Nick Cameron	Vinessa Tuuta
Elaine LaNauze	Nigel Ryan	
Gail Amaru	Oscar Nilsson	

Mainland

Andrew Harrison	John Wesley-Smith (Spark)
Bill Chisholm (environment/fishing consultant)	Mahara Gilsenan
Charles Jarvie (MBIE)	Mark Geytenbeek (MPI)
Damian Zelas (DIA)	Marie McKay (TPK)
Dave Spence (DIA)	Richard Hardie (DIA)
Di Grennell (TPK)	Roena Ruakere-Te Uira (TPK)
Geoffrey Giller (MSD)	Steve Tuuta
Helen Wyn (DIA)	Suz Kuru (Spark)
Jane Tier (MBIE)	Tom McClurg
John Doorbar (MBIE)	Willis Katene (TPK)



APPENDIX 3: STAKEHOLDER VISION, MISSION, GOALS AND OUTCOMES

Table 8 Summary of stakeholder vision, mission, goals and outcomes

Stakeholder	Chatham Islands Council	Chatham Islands Enterprise Trust	Ngāti Mutunga o Wharekauri	Hokotehi Moriori Trust
Source:	LTP 2015-2025	Strategic Plan 2015-16, Trust Deed	Annual Report 2016 and Annual Plan 2016/17	Hokotehi Strategic Plan 2010-2020
Vision	A sustainable future for our people, our islands and current and future generations.	CIET shall proactively utilise its resources in order to secure a vibrant and healthy Chatham Islands community, enjoying positive growth while protecting our unique environment and lifestyle	To promote and preserve the identity, mana, tino rangatiratanga, culture and heritage of Ngāti Mutunga o Wharekauri.	To apply the wisdom and values of the past so as to ensure the physical and spiritual nourishment of present and future generations of Moriori; thus honouring the legacy of our karapuna.
Mission		To facilitate or provide key infrastructure facilities and services for the Chatham Islands community, to promote economic and social development, in a cost effective and sustainable manner in accordance with the Trust Deed.	To provide relief of 'poverty' or 'need' of all Ngāti Mutunga o Wharekauri	Create an island community and homeland for Moriori where peace and prosperity flourish
Values	<p>a sustainable approach - meets the needs of the present without compromising the ability of future generations to meet their own needs;</p> <p>a collective approach - recognising the importance of collectivity to achieving community wellbeing and the role Council plays as an advocate, a facilitator, or an active lead in</p>	<p>Transparency - where practical be transparent regarding Trust decisions subject to commercial confidentiality</p> <p>Honesty - undertake all affairs in an honest manner</p> <p>Respect - respect views of all stakeholders promoting an inclusive environment that values the capabilities and contributions of all</p>	<p>Tikanga (integrity);</p> <p>Rangatiratanga;</p> <p>Whanaungatanga (relationships);</p> <p>Manaakitanga (responsibility);</p> <p>Kaitiakitanga (custodianship);</p> <p>Ngati Mutungatanga.</p>	<p>Unity;</p> <p>Sharing;</p> <p>Listening</p>



Stakeholder	Chatham Islands Council	Chatham Islands Enterprise Trust	Ngāti Mutunga o Wharekauri	Hokotehi Moriori Trust
	<p>activities and issues that enhance community wellbeing;</p> <p>a valued community - recognising the diverse range of people and the importance and value of their contributions to community wellbeing</p>	<p>Integrity - undertake all interactions with stakeholders with integrity</p> <p>Loyalty - unswerving allegiance to the trust values and philosophy and the Chatham Island community</p> <p>Leadership - a commitment to the success of the Trust for the benefit of the Chatham Islands</p> <p>Extra Mile - to undertake the extra effort and dedication to ensure the success of the Trust and the island</p> <p>Responsibility - take responsibility for community issues within the scope of the Trust Deed. We recognise that decisions the Trust make are investments in a sustainable future</p>		
<p>Objectives / outcomes</p>	<p>Social - A safe and healthy community</p> <p><i>Those factors that enable individuals, their families, hapu and communities to set goals and achieve them - such as education, health, the strength of community networks, financial and personal security, rights and freedoms and levels of equity</i></p> <ul style="list-style-type: none"> • access to affordable, good quality housing; • access to, and serviced by, a health provider that is accommodating to the needs of the community; • access to good-quality infrastructure services; • a safe and secure community; 	<p>CIET Trust Deed objectives</p> <ul style="list-style-type: none"> • To promote the economic development and well-being of the Chatham Islands in the interests of the community of the present and future inhabitants of the Chatham Islands; • To promote the provision of services in the interests of the community of the present and future inhabitants of the Chatham Islands; • To promote the development of industry in the Chatham Islands for and in the interests of the community of the present and future inhabitants of the Chatham Islands; 		<p>Culture - Kōpinga Marae will continue to be the heart of Moriori activities. It will be further developed as a conferencing venue, whare taonga Moriori and home-base for the regular International Peace, Sustainability and Respect for the Sacred Congress, which started in Nov 2011. Hokotehi will develop a Peace Centre for teaching and learning on the island by 2020, which will be recognised as an international crucible for peace thinking and centre for research on indigenous peace traditions. Moriori will continue to enjoy pride and confidence in expressing identity through a resurgence of re Moriori rongo and tikane. Our wāhi tapu on the island will be respected and cared for and taonga</p>



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	<ul style="list-style-type: none"> access to recreation and sports facilities; a community able to live within its means while enjoying a good standard of living; a community that has employment opportunities <p>Economic - an enterprising and innovative community <i>those factors that relate to the capacity of the economy to generate the employment and wealth necessary to provide many of the prerequisites for social well-being, such as health services</i></p> <ul style="list-style-type: none"> a community that promotes economic development for its fishing, farming and tourism industries; up to date telecommunication and information technology that supports economic growth; an educated, skilled workforce; access to reliable and affordable transportation services; a community that promotes partnership with leading organisations <p>Environmental - an environmentally conscious community. <i>those factors that relate ultimately to the capacity of the natural environment to support, in a</i></p>	<ul style="list-style-type: none"> To encourage and oversee the provision of transport services and facilities to and from the Chatham Islands in the interests of the community of the present and future inhabitants of the Chatham Islands; To promote fishing and the fishing industry in the Chatham Islands in the interests of the community of the present and future inhabitants of the Chatham Islands; To promote farming and the farming industry in the Chatham Islands in the interests of the community of the present and future inhabitants of the Chatham Islands; To hold, manage and administer investments forming part of the Trust Fund for the benefit of the community of the present and future inhabitants of the Chatham Islands; Such other charitable purposes for the benefit of the community of the present and future inhabitants of the Chatham Islands as the Trustees consider desirable in the furtherance of the general objects of the Trust. To hold, manage and administer investments forming part of the Trust Fund for the benefit of the community of the present and future inhabitants of the Chatham Islands; Such other charitable purposes for the benefit of the community of the present and future inhabitants of the 		<p>Moriore will be repatriated to and cared for on the island, whenever possible. Collaborative research that promotes and protects Moriore identity will be encouraged and supported, and education grants for members will be enhanced. We will have concluded our Treaty settlements and have a Deed in place that sets out terms of redress.</p> <p>Community - Rēkohu and Rangihauete will see population growth, accompanied by development of a more sustainable infrastructure, greater political and economic independence, and an increase in employment and sustainable housing and pāpākainga opportunities. The island will be truly a homeland for our people again, where families can look forward to their timiriki being born and educated at home. Hokotehi will seek to develop imi savings and home travel incentive schemes for members and use investments to offer annual rangata mātua grants and assistance.</p> <p>Commerce – Hokotehi will continue to review the options for business operations in fishing, farming and tourism with a view to ensuring all business ventures bring better returns and benefits for members and for Rēkohu. A greater focus on sustainable inshore fisheries that supports Moriore fishers and that meets international standards and demands for processing and transport of live</p>



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	<p><i>sustainable way, the activities that constitute community life.</i></p> <ul style="list-style-type: none"> • a community that protects, sustains and enriches the environment for future generations; • a community that acknowledges and values our Chatham Islands cultural heritage and its uniqueness; • The Council will also continue to develop its relationship with Moriori and Māori. This is essential for achieving the sustainable management of the natural resources within the Chatham Islands Territory and protecting the relationship Moriori and Māori have with the land and other taonga (treasures). <p>Cultural- a culturally enriched community</p> <p><i>those factors that encompass the shared beliefs, values, customs behaviours and identities reflected through language, stories, experiences, visual and performing arts, ceremonies and heritage</i></p> <ul style="list-style-type: none"> • a community that acknowledges and values the importance of tangata whenua as an integral part of our community; • a community that values and supports the arts as a meaning of sustaining our heritage; 	<p>Chatham Islands as the Trustees consider desirable in the furtherance of the general objects of the Trust.</p>		<p>fresh produce will be realised. Hokotehi will make ongoing research and development a priority with a view to developing high quality (high value/low volume) products from the island. As part of this, a distinctive quality brand for Moriori and Rēkohu will be developed and promoted. Development of Hokotehi tourism will see this business area increasingly become one of our lead investments.</p> <p>Co-operation and Communication – Our members are Hokotehi’s greatest asset. Communication with and provision of services to members is a top priority. Hokotehi will look at innovative ways to communicate with members, ensuring that our island isolation is a bonus not a barrier. Hokotehi will have a presence at international arenas such as the Pacific Nations Forum and UN as well partnership relations with the NZ Government, local authorities and other Imi. The development of international trading partners and Pacific Island Nation strategic alliances will be in place by 2020.</p> <p>Conservation – Hokotehi will be a lead agency in the development of a culturally and environmentally sustainable transition island economy through sensitive resource management and the application of traditional resource management practices. By 2020 Rēkohu will be less</p>



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	<ul style="list-style-type: none"> a community that values its taonga 			<p>dependent on an import/export regime because high impact land use will be phased out and high yield industries phased in. Hokotehi will reduce our carbon footprint through supporting local enterprises, investigating carbon trading initiatives and by rehabilitating native ecosystems on Rēkohu.</p>

