



Mighty Manawatū & Powerhouse Palmerston North

*The voice of Manawatū and
Palmerston North business
2023*

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Executive summary

Business Central engaged Iron Duke Partners to report on and better understand the voice of business in Palmerston North and the wider Manawatū region ahead of the general election in October 2023.

Business Central was pleased to invite the Manawatū Business Chamber to partner with us to produce this report. This partnership gave us a diverse cohort of organisations to participate in focus groups exploring the business environment in the city of Palmerston North and wider region.

The objective of this report is to provide an overview of the great things about doing business in this region, some of the challenges business faces, and some opportunities for growth.

What did we find?

What we have found is largely what we expected, highlighting the need for renewed urgency in taking the opportunities that our region presents. The businesses of the Manawatū tell us they are proud and passionate about what they do and they have weathered the COVID years and economic uncertainty with considerable resilience.

There is considerable passion and pride for the Manawatū from local business leaders. Overall, it is considered a great place to live and to do business. Business leaders spoke of a compelling lifestyle, ease of getting around, and great schools making family life highly rewarding. They noted that the sheer diversity of businesses in the region is staggering and not dominated by any one sector.

Exporters thrive in this region as they have strong, reliable access to ports, rail and road connections taking their goods around the world with ease. Farmers and growers also championed not only the ease of access to markets but also a strong growing climate and access to water resources.

But there are challenges...

The region is not without its challenges. Businesses spoke of frustrations around finding labour and attracting skills – while this is a nationwide issue, it's constraining business growth in the region.

While real progress has been made in recent years, relationships between the business community, the Central Economic Development Agency (CEDA), and councils are also not as strong and trusted as they could be. As a result, business perceives that these organisations don't understand their needs. However, Business leaders are keen to further improve engagement with CEDA and find a new way forward.

Is promoting business a forgotten art?

Business leaders also feel as if their region is not promoted in an effective means beyond tourism. More could be done in this space to attract new businesses to the region to grow the local economy.

The region has pursued a strategy to foster economic development including Accelerate25 and is using its geographical position to establish and grow a freight, logistics and distribution hub for the North Island. There would be benefits in promoting the strategy to businesses who might benefit from being located in the region, as well as emphasising the relative cost and lifestyle advantages of the area.

Businesses in the region also face regulatory challenges like any others around New Zealand. Uncertainty around the final form of highly important regulations such as Resource Management, Freshwater, Climate Change and other environmental standards are hampering business investment and growth. There is also uncertainty surrounding future legislation and whether this could impact the viability of key industries down the line.

To overcome some of these challenges, the businesses of Manawatū and Palmerston North make three clear recommendations:

- 1.** A refreshed promotional campaign that is delivered in partnership with business, focusing principally on attracting investment and talent.
- 2.** A better connected relationship between the remarkable tertiary ecosystem and businesses in the region, covering not only Massey University and UCOL but also the private training establishments (PTEs) and agritech research institutes.
- 3.** A unified voice to advocate for investment into the region by central government in partnership with business leaders, councils and the economic development agency.

Business leaders know that the region can grow for the good of all communities, through working in partnership with councils, iwi, the wider community and government. It's already a good place to do business, to live and to thrive so let's work on supercharging the success of the *Mighty Manawatū and the Powerhouse of Palmerston North* together.

Background

Business Central, the Manawatū Business Chamber and Iron Duke Partners have worked in partnership to put this report together and understand the true voice of business ahead of the election.

This report discusses the great things about doing business in the region, some of the challenges and three clear opportunities that business leaders would like to see in the short to medium term. Several workshops, individual interviews, and internal research sit behind the content of the report.

Manawatū Region



Population (2022)
257,400

Regional unemployment rate

3%

Regional GDP (2022)
\$14.3b
4% of National GDP

Annual GDP growth
↑ 2.2%

Average household income
\$107,103
NZ average \$117,126

Average house price
\$651,463
NZ average \$840,000

Average weekly rent
\$439
NZ average \$500

New businesses opening in the last year Manawatū Region (2022)



Rental, hiring and real estate
579



Construction
529



Agriculture, fisheries and forestry
330



Professional, scientific and business services
252

Palmerston North City demographics



Population (2022)
90,400

Median age
34.9
NZ average 38 years

Number of jobs (2022)
54,100

Median wage (2021)
\$57,820

The great and the good about doing business in the Manawatū



The lifestyle

Our focus groups strongly stated the lifestyle advantages of the Manawatū, particularly in respect of young families. Indeed, many considered that the focus for promotional activities to attract business, and the families that support them, should focus on younger, established families and not on younger people, such as school leavers, in general.

The Manawatū is a great place to do business thanks to its exceptional lifestyle offerings. Businesses reported that the region boasts a range of activities, high quality schools, and, in the words of many of those interviewed, is "close to everywhere," making it an attractive place for employees to choose to raise families. It is also a relatively affordable place to live with rents and house prices below the national average, making it an attractive place to buy into.

'Lifestyle' should not be equated to a lack of serious career or work opportunities. Palmerston North has some of the most

significant businesses in the country, many part of national or international companies. Businesses told us Palmerston North had been a launchpad for careers in global enterprises.

Businesses we spoke to noted that this makes it easier to attract and retain staff with young families who commit to the region for the long term. Additionally, the city's ease of getting around make it a great place for getting to school events, sports practice or functions after work, on time.

Business leaders noted that while many young people will choose to live elsewhere early in their careers, the Manawatū and Palmerston North tends to call them back to live and work later in life. This brings back a very talented workforce to the region who tend to commit for the long term.

Iwi business leaders noted that by working directly with their young people through training and upskilling they have been able to retain their talent and build long term partnerships locally, especially in the building and construction sector. This adds to the positive community vibrancy that keeps people in the region. Though it's clear that formal relationships between business, iwi and tertiary education providers lack structure and could be greatly improved.

“The heart of this place is family.”

—GM SALES

Diverse business ecosystem

Palmerston North's business ecosystem is diverse, with a range of businesses across all sectors to supply all sorts of business needs, from Levin to Palmerston North, Whanganui and Marton. There are many unsung businesses in the region that don't promote themselves, but instead just get on with being good at what they do.

We repeatedly heard that the diverse operations of the business community are not well understood and not appreciated outside of the region. There was a sense that this is a lost opportunity to attract more businesses and support services.

The manufacturing sector has become a hub of entrepreneurship and innovation in the Manawatū, especially as it's sought to diversify its supply chain during Covid-19. Many manufacturers were pleasantly surprised when they turned to local suppliers to fulfil their needs following Covid-related supply chain disruptions.

Massey University and the innovation precinct also supports the business ecosystem and is a huge growth opportunity for the region and for Palmerston North City itself. Many business leaders noted the world-leading research that is conducted locally and seek deeper engagement with this sector.

The collegial business environment was also noted by those we spoke with which bolsters the supply chain, making it easier for businesses to work together for a thriving Manawatū. Strong relationships between business leaders have also benefited agricultural exporters as they have found innovative ways to work together to fulfil growing offshore orders.

“When our farmers do well, we all do well.”

—MANUFACTURING BUSINESS LEADER

Location and strong logistics network

Location, logistics and transport links have made Palmerston North a successful place for interconnected firms to do business. The city has become a nationally significant distribution hub and export gateway with its 24-hour airport, good access to road and rail and availability of large swathes of industrially-zoned land. Rail connections to the Main Trunk Line and Palmerston North to Gisborne line sit at the heart of a strong logistics network for bulk freight.

Such strong rail connectivity and good B2B relationships with CentrePort in Wellington and Napier Port make it easier for businesses to import and export all sorts of goods from hydraulic lifts, to boats and milk powder. Further investment by the likes of KiwiRail into the region will reinforce Manawatū's position as a key distribution hub for New Zealand.

Furthermore, the good growing climate for agriculture - both horticultural and pastoral - offers excellent opportunities for businesses in these industries to thrive. Business leaders in this sector noted the ease of export market access as one of the best things about farming in the Manawatū region. This stable and predictable growing climate and strong access to markets supercharges our agriculture sector creating a thriving agribusiness ecosystem alongside the many innovative agritech research institutes that call the Manawatū home.

All these factors make Palmerston North an excellent place to do business, with a thriving economy, great climate and plenty of opportunities for growth and success. However, the region is not without its challenges.

The challenges facing the Manawatū



Access to labour and attracting skills

Access to labour is one of the main challenges for businesses in the region. This is a nationwide issue, but it is particularly acute in smaller regional centres. Unemployment is at historical lows in the region at 3.2%, which is a great thing overall, but makes it difficult for individual businesses to find the skills and talent they need to grow domestically.

There is also a reluctant acceptance that young people will leave the region for overseas or to other places in New Zealand and that this should be encouraged so they can bring back their skills and experience if they choose to return. The challenge for the region and its employers is to be a compelling place to return to. Since the 'Young Heart, Easy Living' campaign, there has been limited investment in promoting the region more widely as an attractive place to work and live. Though this has evolved more recently, it's critical that campaigns understand the areas commercial needs and are run in partnership with business.

The immigration system is under stress and visa processing is slow making it harder for businesses to bring in skilled workers from overseas to fill vacancies. Additionally, there are wage pressures across the board, which is making it hard to compete for talent both regionally and locally. This is a national challenge but one that can't be ignored in this report and businesses need ImmigrationNZ to pick up the pace of visa processing to enable growth.

The relationship with the Ministry of Social Development (MSD), while filled with good intent, can be difficult with many employers who often feel as if their involvement with supporting people into work was merely a tick box exercise. There was a strong desire for considerably more support to provide wider pastoral care for individuals in the MSD system. Employers in the region are open and eager to partnering with MSD on this issue.

“It was a place I couldn't wait to get out of as a teenager but I couldn't wait to get back as an adult.”

—GM PROPERTY

Relationships between CEDA, district councils and businesses

Another challenge for businesses in the Manawatū and Palmerston North is the relationships between CEDA, the district councils and business leaders not being as strong and trusted as they could be. There are elements of cynicism towards CEDA and Councils about their approach to consultation and promotion. Business leaders feel that they are not treated as partners but instead as “just ratepayers”. A wider concern is that public consultation from all local government organisations can feel tokenistic and disingenuous when compared to the final outcomes. Despite these concerns there is considerable goodwill from business leaders to engage in new processes going forward.

There is a concern about the lack of opportunity for businesses to authentically engage, to ensure that their experiences and expertise genuinely feed into and inform good local government decision making. Although it was noted that many elected members across all districts in the Manawatū have strong business links, concerns were raised over how this influences the decisions made by officials.

Consenting and environmental regulation is also hurting agribusiness and businesses who seek to expand their footprint. Businesses shared many horror stories around the slow pace of resource consent processes and associated

costs. For small projects the New Zealand Infrastructure Commission has estimated that consent-related costs can make up around 16% of total cost, this reality is definitely felt by businesses in the Manawatū (NZ Infrastructure Commission, 2021).

Many employers felt that councils across the Manawatū could benefit from an improved “growth mindset”, working with businesses to help them grow and incentivise talent into the region. There was considerable understanding about the various pressures on local government in terms of implementing government policy dictated to them from

Wellington. Yet where councils have the ability to supercharge the local economy, they should be committed to doing so. This includes the likes of streamlined consenting processes and working in a more collaborative partnership with businesses.

Lack of awareness about the region

Business growth in the region has been hampered by unclear marketing campaigns, that prioritise tourism attraction over talent attraction. Business leaders felt that the story of successful businesses is not being adequately promoted.

Politically speaking, several safe “red and blue” seats have encouraged inertia from central government, resulting in a lack of investment into the region. Palmerston North electorate, for example, has been a safe Labour seat since 1978 and the surrounding Rangitikei electorate has been a National Party seat since 1984. As lack of awareness of investment opportunities into the region can make it harder for businesses to attract capital, talent and customers. Business leaders are concerned about a “content complacency” (lack of energetic advocacy) that has crept into the region, particularly Palmerston North, when it came to advocating for investment into growth by their local Members of Parliament.

By comparison, neighbouring region Whanganui has received considerable government investment through the NZ Upgrade Programme and Provincial Growth Fund. It is conceivable that these investments can be attributed to a competitive political environment between both major parties.

Critically, there is uncertainty about who should do what when it comes to promotion of the region, with various entities including CEDA, Chambers of Commerce, business groups, and large companies invariably pulling in different directions. Business leaders feel that this is supposed to be the role of CEDA and the district councils but are concerned about the efficacy of generic attraction campaigns vs targeted talent and business attraction.

“Whatever you are into, it's here.”

—INTERNATIONAL EDUCATION EXECUTIVE

Wider government regulations on business issue

Wider government regulations are having a serious impact on businesses nationwide. These issues are not unique to Palmerston North or the Manawatū but were raised by business leaders in the region.

Uncertainty around upcoming changes to the Resource Management Act (RMA), freshwater standards, climate, emissions, and high energy costs make it difficult for manufacturing and agricultural operations to expand. These regulations can also increase the costs of doing business, putting a strain on businesses and making it harder for them to compete with businesses in other regions.

Whether these concerns are real or perceived, the effect on business confidence is the same; constraining investment in growth, lowering productivity and preventing the region's businesses from reaching their full potential. Business leaders spoke of considerable uncertainty and unpredictability in government decision making, reducing their willingness and ability to invest in growth.

Businesses in the region require greater clarity from government surrounding decision making and more consideration for business operations when implementing new policies, especially environmental regulation.

“The Agri sector might look successful on paper but when the perception is that you are under attack as a sector business confidence and therefore investment is low.”

—GM AGRICULTURE

The opportunities for the region



Refreshed marketing and promo campaign focused on business attraction and lifestyle

To move forward, Palmerston North and the Manawatū should launch a refreshed marketing and promotion campaign focused on business attraction and lifestyle. The aim should be to increase the visibility of the region and emphasise how good it is to do business here. Businesses feel the ‘Young Heart, Easy Living’ campaign did a great job of profiling the diverse strengths of the city. From our perspective such a campaign should highlight all of the good things we mention in this report; the balanced lifestyle for families, excellent schools, recreational amenity, diverse business ecosystem, great logistics network, just to name a few.

Such a campaign should also showcase the diverse business ecosystem that exists in the region, with a range of businesses across all sectors. It is time to sing the praises of those businesses who operate successfully with little to no fanfare.

This campaign would require a strengthened relationship between CEDA, district councils and the business community. By working together, they can create a cohesive marketing strategy that will showcase the region's strengths and opportunities. This would

encourage more people to move here and tackle some of the most difficult labour shortages. If successful, this campaign could also help to retain young talent and encourage them to stay in the region, building a strong and sustainable workforce for the future.

We encourage CEDA to further engage with the Manawatū Business Chamber, Business Central, and each of the district councils to further strengthen and develop this business-focused campaign.

“Palmy is often not the first choice for International Students because they don't know about us.”

—GM INTERNATIONAL EDUCATION

Strong links between business and the tertiary and research ecosystem

Business leaders noted that Palmerston North and the Manawatū should leverage the strengths of Massey University, UCOL, IPU, the wider private tertiary sector and the agritech research ecosystem.

This sector is a large part of both Palmerston North and the region's success, and more can be made of the relationship between the tertiary ecosystem and the business community.

Massey University has world-class research capabilities, and this knowledge should be put to use with local businesses to encourage innovation and new product development. A more active collaboration between the university and the business community could lead to more job opportunities and economic growth in the region. A deeper engagement in R&D between the tertiary institutes and local businesses through product trials, pilot programmes, and internship schemes would serve as a great catalyst to encourage more active partnerships across the region.

The region should also promote the opportunities presented by the agritech sector, which has enormous potential for growth. This sector in Palmerston North and the Manawatū is already

well-established, and more engagement with the business ecosystem could help to develop new products and services that are both environmentally sustainable and profitable. Simple things such as more deliberate business to business leadership networking and engagement could go a long way locally, especially with the crown research institutes that base themselves in the region.

Lastly, the region should continue to support Massey, UCOL, IPU and the wider tertiary sector, by presenting the region as an attractive opportunity for both domestic and international students who play a significant role in the local economy. Despite current funding challenges plaguing the wider tertiary sector, the unique composition of the region's economy and universities offerings means celebrating the role it plays in regions vibrancy has never been more important. The presence of international students supports not only Massey but also

our thriving PTE sector. These students help to create a vibrant, diverse and thriving community. Strong connections with international students will pay off for the region in the long run as they will hopefully retain links back and a desire to return, or invest in the future (EducationNZ Strategy 2022-2030, 2022).

By continuing to promote the strengths of the region's tertiary sector, supporting the growth of the agritech ecosystem and encouraging greater collaboration between the university and local businesses, Palmerston North and the Manawatū can continue to build a strong and sustainable economy for the future.

The Manawatū Business Chamber in partnership with Business Central can work with the local tertiary sector to convene a group of ready and willing businesses and tertiary establishments to identify local partnership opportunities.

A unified voice to government investment into the region

Business leaders talked about overcoming the “content complacency” and lack of energy that has crept into the region by forming a clear, unified and energetic advocacy approach from local councils, business leaders, and community groups in championing investment into the region. This would involve speaking with a collective voice that presents a united front and articulates the specific needs and opportunities of the Manawatū region to government decision-makers.

In particular, this group should focus on highlighting the economic and social benefits of investing in key infrastructure projects such as upgrades to Palmerston North Hospital and major transport connections like the Manawatū Gorge replacement and new Rail Hub. By creating a clear and compelling case for investment, the region can increase its chances of securing the necessary funding and support from the government.

This process could be led by Manawatū Business Chamber in partnership with Business Central, CEDA, iwi business leaders and the key councils to identify the core projects central government should consider in the Manawatū and their benefits to the region. It would be imperative that this group works across sectors and opens a robust dialogue with government as to what investments our region needs to grow.

“Government should view business as the F1 car and see itself as the pit crew helping the car and driver to win the race.”

- GM SALES

Summary and conclusion

The Mighty Manawatū and the Powerhouse of Palmerston North are already a great place to operate a business. With a great lifestyle, diverse business ecosystem, and nationally significant logistics network businesses can grow and prosper. However, the region isn't without its challenges; access to skills and labour, a lack of promotion and recognition domestically and internationally, and weak links between local government and business are holding the region back.

In summary:

1. A refreshed promotional campaign, delivered in partnership with business, focusing on commercial opportunities and attracting talent.
2. Strengthened relationship between the remarkable tertiary ecosystem and businesses in the region, covering not only Massey University but also the PTEs and agritech research institutes.
3. A unified and energetic voice between business leaders, councils and the economic development agency on what investment is needed by central government into the region.

Business leaders know that the region can grow for the good of all communities when working in partnership with councils, iwi, the wider community and government. It's already a good place to do business, to live and to thrive so let's work on supercharging the success of the *Mighty Manawatū and the Powerhouse of Palmerston North* together.