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Charity House lives up to its name



Community spirit filled the air at Waiariki Bay of Plenty Polytechnic as the record sum of \$30,000 raised from the 2015 Waiariki Charity House auction was presented to deserving community groups at the project's annual awards ceremony earlier this month.

The recipients were:

- Western Heights Primary School
- Lakes Medical Services Trust
- Rotorua Community Menz Shed Trust
- Rotorua SPCA
- Royal New Zealand Foundation of the Blind
- Aratika Cancer Trust
- Manaaki Ora Trust
- Mokoia Community Association
- The Salvation Army Rotorua
- Ngongotaha Community Patrol
- Rotorua Citizens Advice Bureau
- Alzheimers Rotorua
- Spoonful of Sugar

Construction of the fourth Charity House has begun. The three-bedroom, two-bath, re-locatable home will be auctioned in December.

Charity House is a collaboration between Waiariki Bay of Plenty Polytechnic, Rotorua Chamber of Commerce, Rotary Club of Rotorua Sunrise Charitable Trust, Rotorua Lakes Council, and many community businesses.

This grassroots project brings together the institute's carpentry, electrical, and interior design students with local tradespeople and suppliers in partnership for the community.



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**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

New tax initiatives will help small businesses grow

Sixteen tax initiatives announced by the Government will help reduce compliance costs and make tax simpler for small businesses.

Proposed changes will make paying tax easier and more certain, reduce the impact of interest and penalties, and help small businesses match tax payments to when they earn income.

Key highlights of the package are:

- a new 'pay-as-you-go' option for provisional tax which will give more than 100,000 small businesses the option to pay tax as they earn income. It's called AIM (Accounting Income Method) and is out for consultation now
- use of money interest will be eliminated or reduced for most taxpayers
- new withholding tax rate rules for contractors and labour hire firms will enable contractors to choose a withholding tax rate that suits their needs
- the ongoing one percent monthly penalty will be removed for new debt from 1 April 2017– although immediate penalties and interest charges for late payments will continue to apply
- information will be shared with the Companies Office and credit reporting agencies to protect other businesses.

The changes are part of Inland Revenue's business transformation and will be enabled by new digital technology. Small businesses will be able to file and pay tax through their accounting software, rather than managing tax as a separate process.

New Zealand Business Number Bill passed

The New Zealand Business Number (NZBN) Bill has been passed in parliament, meaning all entities will be able to access the benefits of the single identifying number provides.

Companies registered in New Zealand have had NZBNs since 2013. By the end of this year, NZBNs will be allocated to other kinds of businesses such as sole traders, partnerships and incorporated societies.

"The NZBN Programme has been in the establishment phase up until now" Manager NZBN, Karla Flood says, "the passage of the Bill means that the programme now moves into the implementation phase, which includes the allocation of NZBNs to businesses by the end of 2016, supporting continued implementation by the public and private sector and identifying opportunities for joined up government services."

The private sector has already started adopting the NZBN. Early adopters include organisations like Air New Zealand with their business airports scheme. The NZBN will work across the private sector in the same way as it will for the public sector enabling identification of a business and the updating of primary business data.

Use of a unique business identifier is not new, a number of countries such as Australia, Singapore, Denmark and Norway make use of this system. Ms. Flood said "the implementation of the NZBN, similar to other countries, will take a few years to complete and for full benefits to be realised by businesses in New Zealand."

For further information about NZBN visit their website.

MBIE Growing
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for all



Skills for Industry

CONTRIBUTOR:
Mike Bryant
Regional Commissioner for Social Development
Bay of Plenty



Our programmes are developed for industry by industry to meet current and future skill and labour shortages.

We'll work with you to develop a skilled workforce for your industry.

What is Skills for Industry?

Work and Income partners with employers and industry associations at a strategic level to provide you with trained staff, and to enable people to move towards sustainable employment.

To begin with, we aim to help you by understanding your business so we can fill your entry-level vacancies from our national jobseeker pool.

You can list your vacancies with us or search our database for potential candidates.

We help with:

- finding candidates who meet the requirements
- selection and
- in-work support.

Looking for staff?

We can make it easier for you to find the right people for your business. If you plan to recruit or grow your business, we can help—at no cost.

We have a pool of suitable people with a range of skills and abilities who are available to work full or part-time, or on a casual basis.

You'll receive our full support and maybe even financial assistance to help with wages, training or other costs.

To list a vacancy or find out more, contact

Anne Hughes—(07) 921 8125 or email anne.hughes002@msd.govt.nz

Shona Patrick—(07) 921 8051 or email shona.patrick007@msd.govt.nz

www.workandincome.govt.nz/business



Find the right staff

Through our partnership with employers, we can identify existing or predicted skills gaps in the industry. We then work strategically with employers or associations to develop Skills for Industry programmes.

Programmes usually include licences, health and safety, and may include getting a Site Safe certificate, privacy and security guidelines when working with customers, and company culture.

If candidates show themselves to be suited to the job and the company during the initial training period, they move from training (which is funded by Work and Income) into full employment.

On-the-job training and mentoring may continue for some time depending on your needs and the needs of your new employee.

How to become one of our partners

If your business is a small-to-medium enterprise, phone our Employer Line on 0800 778 008 or contact your local MSD Service Centre. Our work broker staff will discuss your needs with you and determine the best way to help, be it simply listing vacancies or developing a local Skills for Industry programme.

If you belong to an industry association or are part of a large national corporation, contact our national office by emailing industrypartnerships@msd.govt.nz

Our Account Managers will discuss your needs and work out the best way to help so that you get a consistent nationwide service from us.

Together we can make finding staff easier for you and help unemployed New Zealanders get into jobs they can keep.



Backup, Backup, Backup!

CONTRIBUTOR:
Jackson Lee
Business Analyst
Cloud I.T.



Losing years of work, or precious life memories is an all too common sight for us at Cloud IT. Often we hear "Our information isn't that important" or "It's a new computer – we don't need to backup", 6 months down the track, their computer crashes and we are giving news that we are unable to retrieve their data, without sending it to an expensive data recovery specialist – yes we get tears.

In a business situation it is even more critical to backup, losing financial data, business plans and important documents is a nightmare for all business owners. With the availability of Fibre in Rotorua, backing up to the Cloud is easier than ever before. Cloud Backup has many benefits over traditional backup, including:

- **Offsite** - It's important to keep a copy of files offsite. Even if business files are backed up on a file server, a flood, fire or theft could destroy the computers... and backups. Keeping backed up files in the cloud ensures data is safe no matter what is going on at your office.
- **Simple** - Cloud backup solutions have made ongoing management and restoration easy. With just a few clicks of the mouse, backed up files can be easily found and restored.
- **Automatic** - Time is one of the most commonly stated reasons companies aren't backing up their data. Cloud backup doesn't require an additional time commitment for you. Computer files are backed up to the cloud automatically and continuously, whenever you're connected to the Internet.
- **Affordable** - Common misconception – cloud backup can be expensive. Cloud IT are destroying that misconception. We have backed up a local Accountancy firm's server for less than \$30 a month.
- **Security** - Cloud is often questioned when it comes to security. With most Cloud Based Backups, the data is much more secure than the traditional option. With Datacentres that hold your data – they have security guards, Barbed Wire Fences, Finger and Retina scanning, facial recognition. And that is all before you get to the hardware that stores your data. Your data itself is encrypted using a combination of proven industry standard public/private and symmetric encryption methods. Did I mention that your data is also geo-replicated? This means if something happens to the closet datacentre, you don't lose any data! This is all done magically in the background – so your data IS safe.

The other option is to put your files in a Cloud based solution like Dropbox – the files are stored locally, and sync'd to the

Cloud – this can be a good option for the SMB market as it can be affordable, and reliable. It doesn't cost you anything for Cloud IT to come and assess your needs, we can put you in the right solution – so give us a call on 0800 256 831.

Whether you backup to the cloud or go down the traditional route and backup to a hard drive – having a backup is better than having no backup.



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Residential Tenancies Amendment Bill: Insulation Requirements

The Residential Tenancies Amendment Bill ("the Bill") comes into force on 1 July 2016. This will impose new obligations on residential landlords from this date in relation to insulation installed in ceilings and underfloors.

If you are a social housing provider, and an income-related rent has been calculated for the tenants in a residential property, then current insulation and insulation installation requirements may be applicable to you from the 1 July 2016. However, if a tenancy is signed after this date, a landlord has 90 days from the tenancy's commencement to comply with the new obligations. The requirements will be applicable to the remainder of residential landlords by 1 July 2019.

A Q&A released by Cabinet recently (available at www.beehive.govt.nz), states that the Government has decided an exception will be made for local authority housing and housing owned by Government other than Housing New Zealand Corporation, giving them until 1 July 2019 to comply with the new requirements in relation to insulation installation.

All residential landlords must include a declaration of the level and condition of insulation currently installed in tenancy agreements entered into after 1 July 2016. If this is unknown,

a third party will have to assess it. The Bill goes no further in specifying exactly what is required, but the Government should shed more light on this closer to 1 July 2016.

Insulation levels are expressed as 'R-values', which is a figure that measures the insulation's thermal resistance. For insulation already installed, different requirements have been set for timber framed properties, and masonry properties. These are listed in Table 1 below as R-values:

**TABLE 1 –
Insulation's (already installed)
minimum requirements:**

Timber-framed minimum		Masonry minimum	
Ceiling	R 1.9	Ceiling	R 1.5
Underfloor	R 0.9	Underfloor	R 0.9

These R-values were set after 1978, so properties built after 1978 are likely to comply with these requirements if the insulation is also in a 'reasonable condition' ie. not excessively compressed, damp, or damaged.

If there is currently no insulation installed or it is not up to the minimum standards stipulated in Table 1 above, then it must be either topped-up or replaced to meet the following R-values set in Table 2 below:

**TABLE 2 –
Insulation minimum requirements if installed
but doesn't meet 1978 requirements:**

Zone 1 and 2		Zone 3	
Ceiling	R 2.9	Ceiling	R 3.3
Underfloor	R 1.3	Underfloor	R 1.3

Zone 2 is applicable to the Bay of Plenty, Zone 1 applies to the Far North, and Zone 3 applies to the Central Plateau of the North Island, and all of the South Island.

Certain exceptions may apply if:

- it is not practical to retrofit insulation (due to the design of the property);
- the landlord intends to demolish or substantially rebuild within 12 months of the commencement of tenancy; or

- the property is purchased and immediately rented back to the former owner (this only lasts for 12 months from the date of purchase).

It is also important to mention that the installation of electrically conductive insulation (such as foil), will be banned from being installed in all residential rental properties from 1 July 2016.

SMOKE ALARM REQUIREMENTS:

The Bill also imposes new obligations on all residential landlords in relation to smoke alarms from 1 July 2016. In summary, these are:

- There must be a working smoke alarm within 3 metres of each bedroom door. A self-contained unit must have at least 1 smoke alarm.
- The landlord is responsible for making sure these are in working order at the beginning of each new tenancy, however the tenant is responsible for replacing the batteries during the tenancy.

- Long-life photoelectric smoke alarms must be used as replacements. Hardwired smoke alarms are also acceptable.
- Each alarm must be replaced in accordance with the manufacturer's recommended replacement date and comply with Australian Standard AS3786:1993 (both of which will be recorded on the alarm itself, or its packaging).

FAILURE TO COMPLY:

If there is a failure to comply with any of these requirements, this will qualify as being an 'unlawful act' under the Residential Tenancies Act, which may incur a fine of up to \$3,000. However, failure to adhere to requirements in relation to the installation of electrically conductive insulation mentioned above may incur harsher penalties.

This article does not constitute legal advice. Readers should obtain specific legal advice before making any decisions or taking any action based upon information contained in this article.

CONTRIBUTOR:
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Holland Beckett Lawyers




Size Matters!

Whatever your business goals, it's important to have access to legal expertise on all the issues that matter. With an office in Rotorua and around 40 lawyers working throughout the Bay of Plenty, our integrated team is large enough to offer you specialists in logistics, contracts, resource management, employment, health & safety, leasing, and more. Contact our team for all your legal requirements.

Holland Beckett
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*Nielsen GMI, Feb 2015, fused database, based on AP 10+. Rotorua reach is based on the Rotorua circulation area. Audience is based on weekly unduplicated reach of NZME newspaper, magazines, radio stations, and monthly domestic unduplicated audience of NZME digital channels.

Primary industries are the key to New Zealand's wealth, growth and health



Waipa Campus, which celebrated its 50th anniversary this year, features upgrades in 2011 that included a new timber construction and manufacturing building that houses classrooms and a lab for testing glue bonds, timber strength, and more.

Primary industries are, and will continue to be, the backbone of New Zealand's economy. In the Bay of Plenty, primary production earnings from farming, forestry, horticulture and fisheries all contribute toward this country's growing export earnings.

Successful primary production is much wider than the farmers, the forestry and fishing crews, and the horticulturists. It is also dependent on the small provincial towns and rural communities throughout our region which supply them with the fuel, transport, stock food, fertilizer and other vital supplies that keep these primary industries operating as efficiently and financially viable as they are.

A major proportion of New Zealand's wealth is generated through the production of some of the finest and safest food in the world. The world's population is expected to reach over 9 billion within the next 40 years and the area available to produce food is expected to shrink from over 0.5 ha to less than 0.15 ha per person. New technology, coupled with increased education, will ensure more efficient use of our precious resources.

New Zealand will never be able to feed the world's growing population, however, we can feed a proportion that have the disposable income to pay for our high quality products. Experts are predicting that within five years the world's

demand for sheep, beef, and poultry will grow by more than 35% and demand for dairy products will grow by nearly 25%. Horticulture products are expected to have similar increases in demand.

New Zealand's Central North Island plantation forests are also a significant source of export revenue for this country. It is important to understand that the greatest part of the value of the forestry is not in bulk commodities in the form of raw logs. Important as log exports are to New Zealand's economy, the real value is in processing *Pinus Radiata* logs into products such as pulp and paper, and sawn timber. Processing these products in the Bay of Plenty creates and sustains employment as well as value-added export receipts.

Over many years New Zealand's wood products have proven to be sustainable and versatile building materials which are in high demand in world markets. New Zealand, like many other countries, is earthquake prone. Wood, when used in building and construction, is lighter and more flexible than concrete or steel. Research shows that wood is a safer option for use in earthquake-prone countries.

According to research commissioned by ITPNZ, employment growth will be strongest in the Rotorua/Bay of Plenty region with the strongest growth occurring within the primary industry sector.



CONTRIBUTOR:
Kevin Uncles
Dean, Faculty of Applied Technology and Primary Industries
Waiariki Bay of Plenty Polytechnic



To increase primary industries production and export earnings, we need to increase the pool of trained workers available.

Waiariki Bay of Plenty Polytechnic has been training primary industries employees, both in the classroom and on the work site, for decades.

The country's first and only dedicated training sawmill opened on what is now the institute's Waipa Campus and celebrated its 50th anniversary this year, and in 2008, the National Centre of Excellence for the Forest and Wood Industry was built on Mokoia Campus. These and other improvements support our farming, forestry, and horticulture programmes.

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Rotorua Mitre 10 Mega: A true family-owned, local business

The story of locally-owned and operated Rotorua Mitre 10 Mega store is very much the story of a family.

The story begins with an ambitious 18 year old youth who arrived on a ship alone in New Zealand from Britain and had to borrow money to get a train to Wellington. There, he got a job as a cabinetmaker and slowly, through hard work and determination, Ted Bold made his way until he had his own building business.

When in the 1970s an accident on a job forced him to reassess his future, he and wife Judith moved their two children to the Bay of Plenty where they bought a hardware store.

From these humble beginnings Ted and Judith Bold’s business flourished and in 1978 they joined the Mitre 10 family.

As the business grew the Bold family also purchased the Mitre 10 Waihi and Rotorua Mitre 10 Mega stores.

Ted and Judith were Mitre 10 through and through – Ted was a director and chairman for five years before his death in 2013. Their commitment and service to Mitre 10 was recognised when they were inducted into the Mitre 10 Hall of Fame in 2016 at Mitre 10’s International Conference in China in April. Tragically, Judith died shortly after. Judith’s death was a huge blow but the Bold family influence and spirit remains as strong as ever across their stores.

Judith was well known for her generosity towards her team members who she treated as family. When she turned 80 she took the staff and their partners out for dinner. Bold family legacies such as barbeque lunches for special occasions remain a mainstay as does the monthly bonus incentive. Little wonder the culture of the stores is such a happy one.

As a major employer Mitre 10 Mega takes its obligations towards a good work life balance seriously. They sponsor the Rotorua Off Road Half Marathon as well as corporate tennis and netball teams.

Team environment and respect is paramount.

With daughter Nicky and son Greg still an integral part of the team the Bold family’s influence on Mitre 10 is as strong as ever.



WARREN REHU
Warren Rehu is the Store Manager for Mitre10 Mega Rotorua

Born and bred in Rotorua, Warren’s knowledge for the retail and trade industry is nearing 30 years starting with a well renowned NZ company at the age of 16.

Warren says you learn something new every single day, which what makes his passion for this industry vibrant and exciting.

It’s great being a part of the Mitre10 family, we have some exciting ventures ahead of us and I am looking forward with being a part of that.

Being involved with a family owned and operated business, definitely has its advantages. The Bold family have always made sure that we are an important part of the team, but what makes it different, is that we are also a part of the family That’s what makes it special

So when you put a family owned business together with a NZ owned company, it makes it a great place to be.

Being NZ owned and operated, plays a big part of our customers choice when deciding where to shop.



MARK COULSON
Mark Coulson is the Trade Sales Representative for Mitre10 Mega Rotorua

Mark has a world of Knowledge and many years with the building development and sales

An important player in the trade construction side of the business, and as Mark says , the trade industry is a very competitive but a very rewarding part of my role.

YOUR TEN CENTS WORTH

If you’ve ever felt that your opinion about a retail store doesn’t matter, you’ll love this. Mitre 10 Mega operates a system called “My ten cents worth” where customers are invited to give feedback online via instructions on their purchase docket. “the store will average at least 150 comments a week,” says Rotorua Mitre 10 Mega Store Manager Warren Rehu. The comments go directly back to staff and any areas for improvement are immediately actioned. Warren notes the email addresses of the customers so he can respond where appropriate. Results are carefully graphed so the Mitre 10 Mega team can see how it’s tracking from week to week.

Results are almost overwhelmingly positive and that’s the way Warren wants to keep it. He says it’s not unusual to get one negative comment out of four hundred responses. “Often when people offer their ten cents worth, no one listens. That’s not the case at Mitre 10 Mega. You can be absolutely certain that your comments go where you want them to go. And they make a real difference”.



TRAINING IS EVERYTHING

Mitre 10 Mega puts a huge emphasis on the team’s training. Suppliers work extremely closely with the team and training sessions are held throughout the year.

All team members take extensive training modules to ensure they know products intimately.

DIY is massive in the Bay of Plenty so Mitre 10 Mega focuses on not just selling products, but ensuring customers are equipped with everything they need to do their job. The team want to know what project customers have planned so they can perfectly equip them for the task.

Brochures clearly explain products and provide an easy tick list of what customers need to do the job. To make the DIY job even easier, millions of shoppers watch Mitre 10 Mega’s famous “Easy As” You Tube videos demonstrating how to do a wide variety of tasks.

Rotorua Mitre 10 Mega which the Bolds took over in October, is the new up and comer of the family, being run in the same family friendly way.

NOT JUST A HANDYMAN’S STORE

Mitre 10 Mega is about as far from a traditional hardware store as it’s possible to get.

Part of the store has been “softened” so it appeals to women. All the traditional hardware is still there but now a large section of the store is devoted to houseware, a stunning oven to tableware range, soft furnishings, and a garden centre and café.

“We get a lot of comments about how the stores are so browsable,” says Warren.

Now the store provides a satisfying experience all around and if they desire, a husband and wife team can go their own way around the store and then meet up for a coffee.

A lot of effort and pride goes into presentation so that Mitre 10 Mega is an enjoyable place to be.



CONTRIBUTOR:
Heinz Fett
Rotorua Business Broker

A Time to Reflect & Plan

Matariki is the Māori name for the cluster of stars also known as the Pleiades and is an important time in the Maori calendar, seen as time for family to gather and reflect on the past and the future. It heralds in the Maori New Year, which is a time to connect with, and give thanks to the land, sea and sky.

It is also a time for the community to come together and acknowledge the year gone by, as well as, to celebrate and prepare for the year ahead. This involves the sharing of kai (food), rituals, entertainment, hospitality and knowledge.

Matariki is also the start of the colder weather – it is hard to forget the unbelievably good round of weather we’ve experienced in New Zealand since the start of the year.

The temperatures might be down but that has not affected the mood in Rotorua, just like Matariki Rotorua is the shining star of the central North Island. The region still experiences excellent growth across all industries with tourism being one of the shining stars.

This has generated great interest in hospitality as well as accommodation businesses. With a limited amount of businesses available for sale, buyers are often prepared to pay a premium in this market.

The winter month is a great time to reflect and plan why not have a coffee with one of the trusted advisers from ABC Business.

Maybe your business needs to stand out more from the competition? If you would like some advice then feel free to talk to our experienced business brokers today.

Alternatively, if you are thinking of cashing up after years of hard work, or wanting to build an independent future for you and your family, talk to us today.

We’ll take you there.



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Let's Look at History



33% of all vehicles were electric in 1900

In the year 1900 33% of all vehicles in the US were electric. The Americans love their cars, today for every 1000 people, there are 803 vehicles. In New Zealand today we are not far behind listed at 743 vehicles per 1000 people. Yet our rate of EVs (electric vehicles) or PHEV (Plug in hybrid electric vehicles) is very low as is Americas so what happened?

Well let's look at history,

1890	First electric car sold in the US
1891	Ferdinand Porsche releases P1 electric car, and a hybrid car
1908	Model T Ford is released
1910-1912	Tomas Edison and Henry Ford work on a low cost electric car.
1912	Charles Kettering invents the electric starter for petrol powered cars
1920	Better road infrastructure and discovery of Texas Crude
1935	Electric cars all but gone from US roads
1970	The oil shortage brings a law change requiring support for research and development for electric and hybrid vehicles.
1975	Auto manufacturers begin manufacturing electric vehicles
1990	Environmental laws passed in the US.
1990	Auto manufacturers begin modifying existing vehicles to become electric to meet the new laws.
1997	The Toyota Prius is released into the US market.
2006	Tesla announces their intention to produce a high end electric vehicle that will travel more than 320km on a single charge.



2010	Tesla receives a \$425m USD loan to set up a manufacturing plant in California.
2013	US invests 115m USD in infrastructure to improve charging stations across the US bringing the number of charging stations to over 20,000.
2014	Nissan US receives 1.4b USD loan to help manufacture EV batteries in the US.

At this point the US had 255 million cars and approximately 3.5 million of these are either EV or PHEVs 1.39% of their market. Each year the US buys more and more EVs and yet their appetite for the personal vehicle has not decreased. They believe they can make EV or PHEV at a lower price than petrol powered cars by 2022.

New Zealand currently has 3.67 million vehicles and almost 12000 of these are either EV or PHEVs representing 0.32% of our vehicle fleet. Yet since 2000 we have increased our vehicle fleet by almost 1m vehicles. In this time our electric fleet has gone from 57 vehicles to 12,000.

While some fleet growth is to be expected with population growth the reality is that for every 1000 people in NZ in 2001 we had 664 vehicles now we have 743.

It's hard to say if the future will create an environment where we will see an electric vehicle market that ever betters that time in history of the 1900s. It's also hard to say if the electric vehicle market can make great advances by itself. There are some industries that simply need support to get over that hump to create critical mass. What we can see is the auto industry is booming, people are buying more vehicles than ever before and the EV market is a growing market within this industry. The creative entrepreneurs are taking advantage of the opportunities that are presented to them to provide products and services that people want. The one that provides the best value in the customers' eyes will probable win in the long term.

Today there is 23 EV and 36 PHEV available, yet we choose not to purchase them because they do not add value to our lives - yet. This is the real problem that needs to be solved.



Financing the Growth of your Business

CONTRIBUTOR:
Michelle Hill
Partner
BDO Rotorua



How much and what type of finance a business needs to survive is unquestionably one of the most important aspects of management when it comes to running a business. It is also the least understood. As a business grows it requires more resources unless, of course, it grows by means of a more effective allocation of its existing resources. However, even if this is the case, further growth will ultimately require more resources.

The money used to finance a business comes from two sources, generally referred to as equity and debt. Equity is the capital injected into the business by its owners and consists not only of the initial and any subsequent capital invested, but also retained profits—that is, profits earned by the business and reinvested in it, rather than being withdrawn.

Debt capital refers to borrowings made by the business and includes not only long- and short-term cash loans obtained from banks or finance companies, but also short term credit provided by suppliers of goods and services to the business. Debt also includes finance provided by the way of leases or hire purchase to acquire plant and equipment.

While it is possible for a business to be financed totally by means of debt, this is an extremely risky structure. Unless the business enjoys very high margins and has excellent cash flow, any decline in sales could mean an inability to service the debt and therefore, the end of the business. At the other extreme, a business could be financed totally by equity. While this eliminates financial risk, it also reduces the return that the owners of the business receive from their investment.

While we have established that as a business grows, it needs more resources and therefore, more capital. It is important to understand that the availability of capital for any business is limited, and it therefore follows that the growth rate a business can sustain and still survive is also limited. In other words, a business that grows too quickly will fail, and a business that grows too slowly will deny its owners of potential returns.

When it comes to business growth the fundamental issues which determine how quickly a business can grow are:

1. The extent of its net profit and hence, market demand and cost structure
2. The willingness of the owners of the business to reinvest after tax profit to finance the additional resources
3. The availability of debt finance, which depends on the capacity of the business to service the debt, and the security that can be offered to lenders

Many small to medium sized business owners often believe that banks have an obligation to lend them unlimited amounts of money simply because they have excellent profit potential. However banks are often reluctant to make unlimited funds

available and in some cases, this is actually a blessing in disguise. Unfortunately, this reluctance can also mean that some extremely well-managed businesses, which have excellent potential, are denied access to much needed funds.

It is also important to understand that the majority of businesses that experience rapid growth can find themselves confronted by a cash crisis. It is essential when you are planning a high growth strategy to ensure you have control over your finances including receivables, stock, work in progress and margins. Additionally, you should give careful consideration to monitoring your cash requirements, and take action to restrain your growth rate the moment you see signs that your cash flow is tightening. In order to determine how fast you can grow your business, you need to look at your projected cash flow. You can only grow your business as fast as your cash flow allows. Once a business has reached a level of sales where good profits are being made and its rate of growth slows down, then comes the time to harvest the cash flow.

If you would like to discuss these concepts further or how BDO can back your business success, call us today on (07) 347 9087 to book a complimentary one hour meeting.



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Employment Update

CONTRIBUTOR:
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While winter might signal a time to hunker down across much of New Zealand, the sun is still shining in the Bay of Plenty.

It's one of the sunniest parts of the country, but it's not the weather that's making everyone smile. Statistics to March 2016 confirm the optimistic sentiment evident amongst the Bay's business community. ASB's Economic Score Card has ranked it 1st for construction, house prices and retail sales for the last 4 quarters with a steady 5.7% recorded for annual job growth.

On the job front, Statistics New Zealand recorded a fall in the Bay's unemployment rate (down 2.7 percentage points to 5.1%) in March 2016.

The Region now boasts the North Island's lowest unemployment rate but interestingly, it showed sharper increases in employment growth than population. At a regional level, the strongest annual increase in vacancies were in the Bay of Plenty (up 15.2%) contrasted to the biggest fall recorded in Canterbury (down 8.8%). (MBIE's May 2016 Quarterly Labour Market).

A 30% increase in professional and managerial placements noted by Talent ID, is a promising sign for jobseekers. Competition for candidates will emerge, initially no doubt more prevalent in the major cities but will filter down to the regions. Local employers will need to consider hiring sponsored or qualified overseas candidates, which will become more relevant as these skill shortages emerge.

In a competitive market, where salary is not the sole attraction, more employers are taking on board flexible employment practices. A huge 83% of business indicate that they allow for flexible work practices, mostly through part-time employment and flexible working hours. Employers are also offering work from home options and job sharing. This enables broad workforce participation, a wider pool of candidates and skill availability.

This is good news for anyone in the process of negotiating an employment package, particularly in the high demand sectors. Great staff are always sought after but with more jobs around than people, candidates are in a good position to negotiate for add-on's that are high value for them, but relatively low cost for the employer.

Medical insurance, contribution towards higher education or even subsidised child-care are all on the bargaining table and make a market-rate salary and cool career opportunity all the more attractive.

Another factor for employers to consider in a tight candidate market is their employer brand. Reputation as an employer has a significant impact on the candidates you attract to your business. Employers surveyed indicated that the biggest impact on the organisation's employer brand in the market place is the people employed and their fit with the company vision, culture and values – so the people employed influence the brand.

Overall there is strong confidence in the employment sector and Employers would be wise to think ahead and plan for recruitment, developing a strategy for remaining competitive in an upcoming tight candidate market where skills shortages may become a barrier for growth.

Learning From Failure

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I was very fortunate to be an attendee at the recent Matariki X conference which was jointly hosted by Callaghan Innovation, GHA, Poutama and Takiwai. The theme was "Innovation, Inspiration and Overcoming Failure" – very appropriate for those of us in business.

There were 14 amazing speakers who shared with the more than 300 delegates their stories about how they innovated, where they got their inspiration from and, most importantly, how they overcame failures.

There were a number of "take-outs" for me: resilience; failure is an opportunity to learn; surround yourself with people you trust; ensure you are aware of the ever changing technology space; explore your markets.

I've been privileged to work in an organisation some would say failed because we were in severe financial difficulty, suffered from huge reputation damage from our customers, suppliers and key stakeholders - and management and staff relations which were at an all-time low, all underpinned by systems that were outdated and did not work.

Why do I consider having worked in an organisation that was failing a privilege? Because this is where I got my PhD in the World of Hard Business Knocks. This is where I grew the most professionally and personally because I was tested on every level.

What I learnt:

1. **To trust my instincts when making decisions** – regardless of what everyone else was telling me. My acid test was whether my judgement was based on fairness. If it was, I went with the decision, if it wasn't I reconsidered. This test helped me make decisions that were tough and had the potential to have a significant negative impact if they were wrong. The good news is, generally my instincts proved correct and the decisions turned out better than I could have hoped for.
2. **Resilience** – when you lead by trusting your instincts - and I want to make it clear this is after assessing all the information available - you need to have the courage to make and communicate the decision as quickly as possible and have the resilience to bounce back quickly and keep driving your business forward. In business it is rare to have the luxury of gazing at your navel for any length of time.
3. **Have humility** – this is about having the grace to acknowledge you don't know everything, to apologise when you have made a mistake and to accept the responsibility of this. By doing this, you share with your team that you are

human, it opens the door to engage with them about how we can move forward, builds trust and gives them a licence to take calculated risks.

What I learnt from a business perspective:

1. Plan, plan and plan some more – this could be writing a business plan or simply taking time away from the business to think about where, what, how and when you will do things. Make sure you explore the market.
2. Follow through on ideas, especially if they are new. Look at Uber, Airbnb etc – they had a new idea, followed through and the rest is history.
3. There are no mistakes, just opportunities to learn and pay forward.

So, what was the outcome for the business I was involved with? We achieved a significant turnaround in every aspect of the business, from financials and processes, to marketing, customer engagement and retention. Most importantly, staff felt proud of where they worked.

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Health & Safety At Work Act 2015 - The Impact For landlords

CONTRIBUTOR:
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The Health and Safety at Work Act 2015 (HSWA) came into force in April this year. The HSWA creates a range of new concepts and health and safety duties which landlords and tenants need to consider.

The HSWA introduces the concept of a "PCBU". That is a "person conducting a business or undertaking". A commercial property owner occupying their own premises, or engaged in investing in and leasing property is deemed to be a PCBU. Residential property owners who have a rental portfolio will also be PCBU's as they are involved in a rental undertaking.

Under leasing arrangements, the landlord is generally responsible for any structural changes to the building whilst the tenant will be responsible for maintaining the building in a workmanlike manner and notifying the landlord of any defects requiring maintenance.

As PCBU Landlords must ensure the health and safety of workers or contractors carrying out landlord's repairs and maintenance in the property and also ensure that the health and safety of others (tenants or visitors to the building and people in neighbouring properties) are not put at risk by the work that

the landlord organises. Landlords should review their existing processes for engaging contractors to carry out work on the property particularly when the property is tenanted.

In many instances, a landlord and a tenant will both have responsibilities as a PCBU and those duties may overlap. The HSWA requires PCBU's to consult and co-ordinate activities to comply with their respective duties. This effectively creates a statutory obligation for good communication and co-operation. In new leases it may be appropriate to insert clauses establish the guidelines and channels of communication necessary to protect both parties in meeting these obligations.

Where landlords have buildings in need of earthquake strengthening that work might need to be undertaken around existing tenants. If the building cannot be vacated for that work to be carried out, the landlord will need to be very aware of health and safety obligations and responsibilities to tenants, to the employees of the tenants and persons within the building during that process. Whether or not those risks can be properly addressed may impact the decision as to whether the work can be done around the tenants, or whether the tenants really need to vacate for the works period. The latest versions of the ADLS leases have provisions to require a tenant to vacate for these purposes, but the older ones do not. Landlords will need to carefully consider risk and their rights under their leases when making these decisions.

Commercial landlords will also have duties under the Building Act and fire safety related duties under the Fire Services Act and those duties will need to be complied with to ensure HWSA duties are satisfied.

With residential properties, the home occupier is not a PCBU. However, residential landlords will owe duties as a PCBU when engaging contractors to do any work on the property.

Residential landlords may expect that the contractors they engage will be responsible for managing the practical safety aspects of the work they have been engaged to do. However, the landlords have a due diligence obligation to ensure that the contractors engaged are competent to do the work and identify and manage the specific risks. It is not safe to simply assume that the contractor has adequate processes in place. Some form of communication is necessary before the landlord can be considered to have adequately addressed that risk.

Where residential landlords are offering accommodation to workers (such as on-farm accommodation) HSWA requires those landlords to maintain the property so that the workers are not exposed to health and safety risks arising from the accommodation.

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Phases In Time



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Over the next two years, we expect reasonable economic growth of 2.7% in 2016 and 2.6% in 2017. But underlying this are some stark differences across the economy.

In the dairying sector, subdued demand combined with increases in global supply signal that a third sub-\$5 payout season is on the cards for 2016/17. This will weigh on incomes and spending in dairy regions over the coming years, and will also pass through the economy more widely.

More generally, we're still facing a mixed global outlook, with muted demand in some of our key trading partner economies.

But despite these headwinds, overall activity in the economy is expected to hold up. A key reason for this is the current very low level of interest rates. Low interest rates have made it cheaper for households to fund spending using debt.

At the same time, they have given housing markets nationwide a powerful shot in the arm. However, the related re-emergence of a borrow-to-spend dynamic in the economy has pushed debt-to-income levels above the peaks seen prior to the financial crisis.

GDP growth is also being bolstered by the large pipeline of construction work planned over the coming years. Much of this work relates to Auckland's housing market, but building consent numbers have also been rising in areas such as the Bay of Plenty and Otago.

On top of this, there is a large amount of infrastructure spending planned nationwide. Strength in these areas is helping to offset the levelling off of reconstruction spending in Canterbury.

Supporting the aforementioned positive factors has been strong growth in the economy's demand base on the shoulders of net migration.

Net migration rose to 68,000 in the year to April, supported by new arrivals (including international students) and increases in the number of New Zealanders who have chosen to stay on shore or comeback from overseas.

Putting all this together leaves us with a firm overall outlook for the economy over the next year or two. However, conditions in regions that are closely linked to the dairy sector are likely to be softer than elsewhere.

Looking to the latter part of the decade, a period of slower economic growth is on the cards. By that point the Canterbury rebuild will be very far advanced, and the associated spending and employment will have naturally started to taper off. And

as with the earlier boost to growth, the effects of the eventual slowdown in spending won't be limited to Canterbury or the construction sector.

It's also likely that the migration cycle will turn over the coming years. Australia's labour market is strengthening, and over time increasing numbers of New Zealanders are likely to look at making the jump over the Tasman. In addition, the flow of international students into the country has levelled off, while many of those who arrived in recent years will soon depart as they complete their studies.

Finally, the run-up in household debt will challenge growth over the coming years. Debt eventually needs to be repaid, and larger increases now will mean that households have to commit more of their future earnings to debt repayment.

In addition, higher debt levels mean that households are more vulnerable to unfavourable changes in economic conditions. That's a particular concern given the other factors that will dampen growth over the coming years.



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