

INTERNATIONALISATION AND PRIVATE AND STATE SECTOR RESTRUCTURING: THE EXAMPLE OF ROTORUA, NEW ZEALAND

Robert Schlotjes¹

Rotorua District Council, Rotorua, New Zealand.

Richard Le Heron

Department of Geography, University of Auckland, Auckland, New Zealand.

ABSTRACT The paper examines restructuring of the Rotorua (New Zealand) economy in terms of the processes of internationalisation, state sector re-formation and recomposition of production and consumption relationships in New Zealand. Evidence is presented from a ten year monitoring of Rotorua's economic base and a 1991-92 survey of companies and government organisations. Four principal conclusions are reached: (1) Rotorua's economic and institutional actors have adopted competitive strategies and arrangements consistent with globalisation possibilities; (2) Rotorua appears not to have lost ground as an investment site, reflecting continued and new links into the global economy; (3) Rotorua has seen an almost complete erosion of regional administrative functions; and (4) new governance arrangements relating to the regional economy are beginning to be forged between local public organisations and private sector operations.

1. INTRODUCTION

Since the mid 1980s New Zealand has experienced private and state sector restructuring which has profoundly reshaped structural relationships (Britton *et al.*, 1992; Deeks *et al.*, 1992; James, 1992; Kelsey, 1993). Continuing adjustments have flowed on from new interactions in the changed structural conditions. In this evolving arena of accumulation and regulation most industries and regions have undergone dramatic and often disruptive change. Indeed the significance of New Zealand as a social laboratory has not escaped international commentators (Canadian Broadcasting Corporation, 1994; The Economist, 1993; Eicholz and Koedijk, 1993). Initial reactions to the New Zealand development have ranged from disbelief to applause that massive transformations should be deliberately embarked upon. Recent interest has a comparative flavour, fuelled in part by active promotion abroad, of the 'New Zealand model' of restructuring. Despite indications that the 'model' is hardly unique to New Zealand and that broadly similar forces in other contexts are engendering comparable responses (Clark and Pitelis, 1993; Fagan and Webber,

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1994; Stubbs and Underhill, 1994), surprisingly little critical documentation exists on the content of the New Zealand transformations. Of international interest is the way New Zealand's restructuring has simultaneously incorporated the sudden erosion and displacement of established socio-political institutions and techno-economic arrangements with the rapid introduction of new technologies and the reorganisation of activities. The latter in particular is occasioned principally by the fuller opening of New Zealand to global forces of change. While research in New Zealand has charted impacts on many industries, few studies have examined impacts on whole communities or urban centres². This is hardly surprising as the information base required to carry out sizeable, complex, organisation-centred, longitudinal studies implied by such a research focus is considerable³. Yet the fate of major centres of population and activity in the present era of global restructuring has a great deal to do with how the economic base of cities are being remade in the restructuring process.

At the heart of the interpretation of a geography of restructuring is the idea that during periods of crisis and restructuring, communities and regions are 'presented' with the 'problem' of 'solving' how best to gain, remain or extend integration into the emerging geographic matrix of accumulation and regulation (Erickson, 1994; Fagan and Le Heron, 1994; Harvey, 1993; Le Heron, 1993; Massey, 1992; van der Knaap and Le Heron, 1995). Local responses vary. In most cases resolution comes from the largely independent and often competitive behaviour of actors having only partial and limited views of the structural context in which they find themselves. Importantly, the weight of theoretical insight suggests, and sketchy empirical evidence seems to confirm, that a general response to meet the challenge of place-revaluation is emerging, taking the form of heightened local public-private sector initiatives. (Conti, 1993; Gibbs and Healy, 1994; Le Heron and Park, 1995; McDermott, 1996; Todling, 1994; Yeates, 1994).

This paper, informed by the geography of accumulation and regulations framework (Fagan and Le Heron, 1994), examines the multi-dimensionality of restructuring in Rotorua (Figure 1), New Zealand, as part of the intended but 'unplanned' participation of private and public sector actors in the processes of internationalisation, state re-formation and the recomposition of production and

² A distinction can be drawn between studies advocating particular models of sectoral or industry change and analytical studies attempting to document changes in structural relations and the implications of such change for decision makers in business, government or the community. More analytical industry studies include AICL (1992), Savage and Bollard (1990), Britton *et al.* (1992), Sandrey and Reynolds (1990).

³ Few studies of recent urban change in New Zealand are available. Works Consultancy has investigated urban developments without recognition of the wider political economy of urban dynamics. Regional authorities in New Zealand are now mandated to emphasise physical resource questions over economic and social development. Some individual cities have initiated, reactivated or extended economic monitoring but the objectives are a blend of local promotional ideas and pragmatic rather than interpretive. For fuller discussion see Bevin (1996), Britton (1992), McDermott (1996) and Welch (1996).

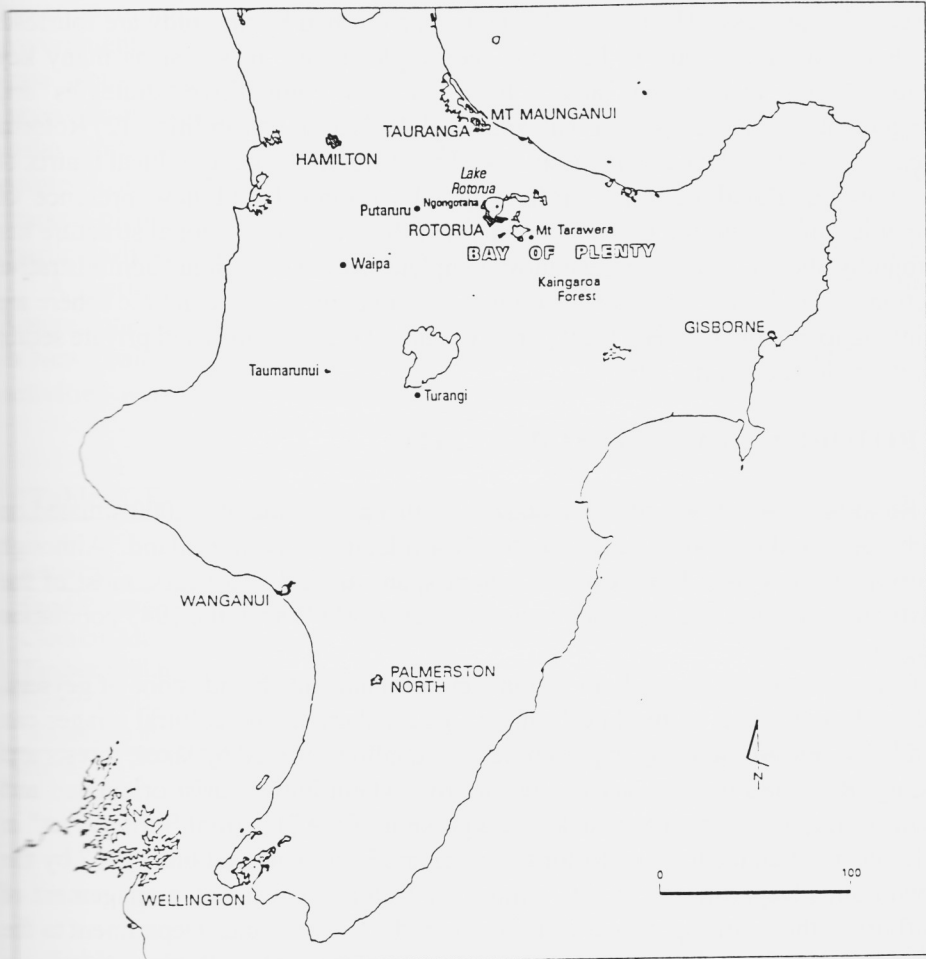


Figure 1. The North Island of New Zealand

consumption relationships in New Zealand. Evidence reported in the paper draws on a ten year monitoring of Rotorua's economic base and a survey in 1991-92 of companies and Government organisations (Schlotjes, 1981 and 1993). This unique database enables close scrutiny of the way the early years of government induced restructuring unfolded in the different private and public sector industries of Rotorua. The special significance of the Rotorua study from a methodological standpoint is the consideration of both private and public sector restructuring, a research approach that permits wider questions about restructuring to be examined. The paper begins with a short background on Rotorua, offers a short contextualisation of restructuring in New Zealand and then provides a brief summary of the approach used in the investigation. The remainder of the paper outlines the private and state sector impacts arising directly and indirectly from restructuring pressures up until 1992 and identifies promotional initiatives in the mid-1990s that have occurred when regional

unemployment has fallen steadily. The main concern is to highlight the way technological and organisational changes are frequent companions to the restructuring process. The principal conclusions reached by the study are fourfold: (1) Rotorua can be said to be more deeply globalised, in so far as many key economic and institutional actors have adopted competitive strategies and arrangements that are consistent with known globalisation possibilities; (2) Rotorua appears not to have lost ground as an investment site in the geographical matrix of the evolving global economy, reflecting the continued and new presence of companies linked into the global economy; (3) Rotorua's institutional structure has profoundly altered, following the almost complete erosion of regional administrative functions; and (4) new governance arrangements relating to the economic sphere are beginning to emerge between local public (Council) organisations and private sector operations located in the city.

2. ROTORUA AS AN INVESTMENT SITE

Rotorua is a small inland provincial city with a population of 52,000 situated on the shores of Lake Rotorua in the Central North Island of New Zealand. Although Rotorua's history as a European settlement spans around 115 years, most of the growth in population and activities occurred after World War II, the 1945 population being only 10,417.

Rotorua's popular image both within New Zealand and abroad is one of geysers, mud pools and Maori cultural performers. To the thermal and cultural images can be added scenic and sporting opportunities and qualities offered by lakes, forests and farming. Rotorua's present day images are overwhelmingly tourist orientated and follow a long tradition dating back to the passing of the "Thermal Springs Act" in 1881, under which the town of Rotorua was created and managed until 1907 by the Crown Lands Department. In 1907, under the Rotorua Town Act, management of the affairs of the township were transferred from the Crown Lands Department to the Department of Tourism and Health Resorts until 1923, when Rotorua became a Borough.

The impact of central government policies and activities on the growth of Rotorua did not cease in 1923 but was focused on the establishment of plantation forestry (predominantly *Pinus radiata*) and the development of the volcanic soils for pastoral production in Rotorua's hinterland. Two significant technological breakthroughs underlined these developments. Firstly, the discovery and correction of a cobalt deficiency in the volcanic soils in 1935 provided a cure for "bush sickness" suffered by livestock, opening the area to pastoral farming and land settlement by Returned Servicemen after World War II. Secondly, the successful milling of exotic timber (a new resource at that time in New Zealand) from the Waipa Sawmill (an experimental sawmill established by the Government in 1939 using Swedish technology) paved the way for harvesting of the Depression (1920s-30s) planted Kaingaroa Forest in the 1950s and 1960s.

At a meso-economic level, the first tier activities of tourism, farming, and forestry have been overlaid with the development of a second tier of activities

consisting of manufacturing, wholesaling and distribution, as well as central government administration (Table 1). In the late 1950s and early 1960s central governmental functions expanded, such that by the beginning of 1987, 35 parent state sector organisations were operating in Rotorua and the state was Rotorua's largest employer and provider of services (Table 2). Manufacturing was promoted in the 1960s in an effort to diversify Rotorua's economic base. Promotional literature pointed to a rapidly expanding local population, available labour supply and growing market, plentiful water supply, road links to major markets in the North Island (particularly Auckland) and an abundance of industrial land (Young, 1965, p. 9).

A distinctive economy evolved between 1945 and the late 1970s, making Rotorua one of the fastest growing (in population and other terms) provincial centres in New Zealand. However, since the mid 1980s Rotorua's fortunes slumped and its activities were forced to respond to a changed economic climate. Government

Table 1. Employment in Private Sector Activities in the Rotorua Urban Area

Activity	Year		
	1983 ¹	1987 ²	1990 ³
Food Processing	148	219	183
Clothing Manufacturing	346	359	190
Timber Milling	1,471	1,194	892
Heavy Transport Equipment	169	240	116
Wholesale and Distribution	208	279	245

Sources : 1 Data derived from an Industrial survey carried out by the Rotorua District Council in 1983 based on activity units employing 10 or more persons.
2 & 3 Data derived from 1987 and 1990 Business Statistics based on activity units employing 10 or more persons.

Table 2. Employment in State Sector Activities in the Rotorua Urban Area

State Sector Activity Type	1985		1991	
	Nos Employed	% of State Sector	Nos Employed	% of State Sector
Welfare, Health & Community Services	569	21.93	558	29.95
Education	28 ¹	1.08	41	2.20
Research and Development	327	12.60	324	17.39
State-Owned Enterprises	1,205	46.44	581	31.19
Government Commercial	114	4.39	71	3.81
Government Non-Commercial	352	13.56	288	15.46
Total	2,595	100.00	1,863	100.00

Source : 1991 Survey Data

Notes : 1. Figure does not include pre-school, primary, intermediate, secondary or polytechnic teachers but refers to Government Department staff.
2. Employment figures in the above table contain some figures for some activity units that employed less than 10 persons.

policies to dismantle "Fortress New Zealand" impacted directly on Rotorua's manufacturing and wholesale distribution sector, occurring simultaneously with Government directed restructuring of the State sector. These two government actions had uneven, differential and cumulative impacts for activities comprising the Rotorua economy, particularly those in the second tier. First tier activities such as farming, though affected by the general New Zealand downturn, did not impact negatively on the Rotorua economy, as the number of urban economic activities directly serving the rural base was relatively small. Similarly the forestry sector, while experiencing a general labour shedding, has remained a vital component of the Rotorua economy (Table 1), as has tourism.

Accompanying the changes in Rotorua's private and state sector activities has been the re-evaluation of the role of local government in the community. The Rotorua District Council has become increasingly involved in "economic intervention". This is partly due to the withdrawal of central government as an economic agent (through the presence of departments) and the redefinition of the role and responsibilities of local and central government. Accompanying this trend are local government partnerships, particularly with private sector operators involved in tourism and retailing.

3. ROTORUA AS A RESTRUCTURING SITE

Restructuring in Rotorua between 1985-1991 was the response to various overlapping international and national influences. It reflects in part the global shift in economic power from the USA to Japan and Asia, New Zealand's changing connection to the global economy since the United Kingdom joined the EC and the effects of unstable trading relationships (e.g. the Middle East, "Soviet Union" and Eastern Europe). It also reflects the effects of the dismantling of a state-led regulated economy allowing global market signals to regulate private sector economic activity without "protective distortion" and the politically driven restructuring of the State activity. Regrouping of business organisations through takeovers and mergers drew Rotorua into an increasingly competitive global context. Changing production technologies based on computers offering efficiency gains, increased the (re)locational choices/options of many of the much enlarged business enterprises. These technologies, while returning higher levels of profit to organisations, were labour displacing. Restructured state services also incorporated organisational and technological changes, particularly the computerisation of clerical processes within a national organisational framework. While Rotorua's restructuring echoes New Zealand's general restructuring experience since the mid-1980s (Britton *et al.* 1992) the restructuring outcomes found for Rotorua are both novel and distinctive, and specific to Rotorua. In the three years, 1993-1995, the Rotorua economy has become stronger; registered unemployment falling from 4,650 in January 1993 to 2,704 persons in October 1995 (New Zealand Employment Service, 1995).

4. MANUFACTURING AND WHOLESALE SECTORS

The discussion below outlines specific changes in food processing, clothing, sawmilling and timber using industries, heavy transport equipment assembling and wholesaling activities. Business Statistic Data for the years 1987 and 1990 based on activity units employing 10 or more persons and interview information of around 40 enterprises (employing 10 or more persons) form the bases of the analysis of the restructuring of private sector manufacturing in Rotorua. The justification for the selection of an activity unit employing at least 10 persons is that nearly 75 per cent of the total employment within the Rotorua Urban Area is employed by activities employing 10 persons or more (Schlotjes, 1981). Discussion is based on carefully reconciled, aggregated, 1985 and 1990 details of individual enterprises and industries. This specifically necessitates discussion of particular organisations. However, while particular organisations are referred to, coverage is only intended to be illustrative of significant developments. Further, the data series does not extend into the more buoyant period of the mid-1990s when regional unemployment steadily fell. As a result, it is not possible to identify components of employment change in this latest period and the possible contribution of local promotions to job gains and unemployment falls.

Food Processing

Centralisation, through mergers and takeovers, along with the transformation of the internal New Zealand economy, underlie changes experienced by Rotorua's food processing activities since the mid 1980s. Accompanying centralisation has been technological change that enabled the service and management functions of production, such as accounts, to be transferred from the once local firm to the new corporate headquarters in the merged enterprise located outside Rotorua. The removal of transport restrictions, for instance, affected the beverage component of Rotorua's food processing activities with milk and softdrinks now no longer bottled in Rotorua. In 1987, 219 and in 1990, 183 persons were employed in food processing activities in Rotorua. Restructuring of activities had contributed to a 16 per cent employment decline between 1987 and 1990. The enterprises surveyed accounted for 89 per cent (1987) and 84 per cent (1990) of the employment within Rotorua's food processing industry. The range of products presently processed by Rotorua's food processing activities include bread, breadcrumbs, pizzas, pastry, pastry products, meat pies and the processing and packaging of small goods and venison.

Most of the food processing enterprises up to the mid-1980s were originally locally owned, and one of the first to be taken over was Tenderkist Meats which experienced several transfers of ownership, to Goodman Fielder Wattie (GFW) and Fletcher Challenge Limited (FCL). The Tenderkist operation in 1991, however, was part of a wholly owned subsidiary of Auckland Farmers Freezing Co-operative (AFFCO). The Rotorua portion of the company is one of four production sites within the North Island processing a specified range of products. GFW Quality

Bakers Group purchased Homestyle Bread (1986) and Bonza Pies (1987) and the ownership changes have contributed to strong "part processing" links and integration between "sister organisations" that could be described as a "Rotorua GFW Complex". The significance of the ownership changes in the above enterprises is that they represent an increasing integration and co-ordination, within the national production system of their respective company's *total* New Zealand operation. Although the ownership changes are part of the domestic arm of the companies, the changes place the Rotorua operations into an international context by virtue of the international orientation of their parent companies. Other food processing activities exhibiting international links are Mair Venison (one of three New Zealand companies processing and packaging venison for export (both wild and farmed) and Richmond Foods (which holds the New Zealand McDonald's franchise, enabling the company to manufacture apricot and apple pies for the fast food chain).

While restructuring of New Zealand's food processing industry has been the subject of research since the mid 1980s, the attention has focused on a limited range of activities and the major companies associated with these activities. For example, the rationalisation and changing spatial pattern of the meat freezing industry, disaggregated to single companies, has been well documented (Savage and Bollard, 1990; Le Heron, 1990a). Also documented has been the rationalisation occurring within the flour milling industry (Miller 1990) and the internationalisation of GFW (Le Heron, 1990b; O'Neill, 1994). What has not received attention however is the transmission of restructuring influences from major companies to "linked second tier activities". This latter consideration is of particular significance since all food processing in Rotorua is produced by second order establishments. If the food processing restructuring in Rotorua is indicative of changed structural links, then merger/acquisition activity by prime-mover New Zealand companies capturing second level establishments may offer strategic advantage to the companies concerned. Accompanying this centralisation process has been the loss of local control of the activities concerned (Britton, 1992).

Clothing

Once a significant employer of labour (predominantly female) in Rotorua, the industry underwent sharp change. In 1987, 359 persons were employed but this fell to 190 in 1990. Between 1987 and 1990, the number of clothing manufacturers declined from six to four, due to closures. Since 1991, employment has declined further (by 135), following the closure of Halls Manufacturing, a decision that was made by the Australian parent company.

While organisational and technological changes have not propelled clothing industry restructuring in Rotorua, this is not to say that these forces have been unimportant in affecting local clothing manufacturers. These changes have occurred elsewhere (Asia) and have helped undermine the viability of the local manufacturers. Changes in clothing manufacturing in Rotorua mirror changes that have occurred in the clothing industry nationally and internationally, particularly in developed countries (Brown, 1992). The changed location of the clothing industry represents

a trend towards a "new international division of labour" in global clothing manufacturing. Clothing manufacturing in New Zealand and other developed countries is subject to intense competition from Asian producers (Hong Kong, China, Taiwan and the Republic of Korea) who have enhanced comparative advantages in terms of low wage labour and economies of scale due to long production runs. New Zealand's open border policy, facilitated by a reduction of tariffs and import quotas, has enabled Asian clothing manufacturers to compete directly with New Zealand manufacturers, on what once was a protected market. A result of this has been the uncoupling of national production (with Rotorua consequences) from national consumption.

Global competition has affected Rotorua clothing manufacturers unequally, with more severe impacts experienced by "cut, make and trim" standardised manufacturers in the form of closures, compared with the manufacturers of high quality fashion garments where discontinuation of specific production lines, such as woollen knitwear occurred. Flexible production arrangements through short term subcontracting with firms in other centres and home working have also been responses of local clothing manufacturers. The above responses are consistent with the restructuring in the 1980s of the Auckland clothing industry induced under the Industrial Development Commission's Clothing Plan (Brown, 1992).

Timber Milling

In 1983 employment was 1471 persons; in 1987 this had been reduced to 1194, falling to 892 in 1990. However, over the 1983-1990 period only one mill closed (Thurston) after it was taken over by NZ Forest Products (NZFP) which already operated substantial production facilities in Rotorua. This closure accounted for a loss of 76 jobs. The employment decline in the timber milling industry was concentrated amongst the big players: Forestry Corporation (Waipa Mill, - 324), Tasman (at Ngongotaha, - 123) and Pine Milling (ex NZFP, Carter Holt Harvey (CHH), - 170). However, while the major players retrenched, some smaller downstream timber-using firms in the sector gained. John Crean and Global Timber expanded and a new entrant (Tachikawa Sawmills from Japan), started, in 1990 (Raper, 1993). These employment increases were insufficient to offset declines from the major companies.

Centralisation of timber milling activities in Rotorua characterised by mergers and takeovers, appears to have been insignificant as a restructuring force between 1985 and 1991. This may be a reflection of a high level of industrial concentration of timber milling that already existed prior to 1985 and the character of this concentration. The major timber companies, CHH (previously NZFP), FCL (Tasman) and FCNZ, all operate production facilities in Rotorua. Although rationalisation of timber mills has resulted in dramatic decreases of milling operations nationally (between 1987-1990, 93 sawmills were closed, from a 1986 base of 400 registered sawmills), only one closure occurred in Rotorua. The international orientation of all Rotorua timber activities has always been high as exports have been significant.

Perhaps the biggest change has been the context of timber production. CHH and FCL are now multi-national corporations and the Rotorua portions of the companies were in the study period but a part of a global business structure in which timber milling is only one aspect (FCL, energy and paper; CHH, paper and fishing). Changing company character of the above mentioned corporates has been matched by comparable developments in the state sector, with the creation of the commercialised FCNZ (a state owned enterprise) from the NZ Forest Service and the removal of constraining regulation favouring local milling operators over foreign operators. Finally, the direct link of local production to the Japanese market by Tachikawa Sawmills, represents a new pattern for Rotorua, but one which is by no means isolated in New Zealand (Raper, 1993).

All the mills and timber activities in Rotorua are modernising. The re-equipment of the mills is driven by the changing nature of the "coming-on-stream" of the second national forest crop (planted in the 1960s) which is harvested younger and therefore has a smaller diameter log than the Depression (1930s) planted crop. For FCNZ major re-equipping occurred in 1991. The modernisation of the FCL (Tasman) plant at Ngongotaha changed the facilities role, linking it as a part-processing plant to other Tasman mills located in the Bay of Plenty. Optimisers (laser log readers) linked to computer control mechanisms are being installed in all timber mills in Rotorua, thereby enabling a reduction of wastage of the log resource in the milling process.

For the downstream timber users, restructuring responses have been differentiated and uneven and have included: purchase of newer, often second hand optimisers and reprogrammable machines; flexible sourcing of timber supplies from the three major companies though not necessarily from the Rotorua portion of those company; signing of backward supply contracts to an independent sawmill; purchase of a timber mill to guarantee supplies (Lockwood's purchase of a mill in Putaruru which supplies the company with 40% of its current timber requirements); tendering, rather than renewing standing business arrangements (Lockwood's non-renewal of its transport agreement with Direct Transport Ltd may have contributed to the latter's demise); reduced employment and conditions; discontinuation of some lines of production; and decreased activity in international markets (Lockwood Homes).

The restructuring within Rotorua's timber processing activities demonstrates changes occurring in both first tier major international companies and changes occurring in second and lower tiered companies. It is evident that centralisation as it has affected downstream timber activities and defined in terms of the wider definition as being "planned production" rather than single ownership, has occurred principally through market management. The modernisation of all activities within Rotorua's timber complex is a qualitative change which has a positive benefit for future continued production in Rotorua. The increase of interest by overseas companies (especially American and Japanese) to establish plant or joint venture agreements is likely to further strengthen the timber milling component of the Rotorua economy in the future although it is unlikely that employment will return to the levels they were in the early 1980s.

Heavy Transport Equipment Assembly

Assembling transport equipment, usually under licence to overseas companies, was a feature of New Zealand's post-war import substitution industrialisation. The size and production level of the total heavy transport equipment assembly industry in New Zealand is tiny by world standards and produced by numerous assemblers. The "open border" and changed economic environment contributed to ownership changes, closures and rationalisation in the motorcar industry nationally (Britton, 1992; Greer, 1990). This has also affected activity in Rotorua. In the early 1980s there were three heavy transport assemblers operating in Rotorua; in 1991 there were two and both of these had been taken over by non-Rotorua companies, one of which was from the United States. The result of rationalisation is that in Rotorua, the Fire Truck assembler (Mills-Tui) is one of two New Zealand assemblers and Road Runner Trailer (Dommett-Fruehauf) assembles 40% of New Zealand's container trailers.

Although transport assemblers had supply and licence arrangements with overseas "parents" (up until the mid 1980s the two companies still operating in Rotorua in 1991 were locally owned) the current restructuring via ownership changes has integrated the Rotorua operations more directly to the overseas parents, particularly Domett-Fruehauf with components such as axles and suspensions manufactured by the American parent now almost exclusively used in trailer assembly in Rotorua. The ownership changes in addition represent a withdrawal of British capital and interests from heavy transport assembly (Road runner with the Bow Aloy licence, Mills Tui ownership by Chubb). The current restructuring has also witnessed a retreat from export activity from the two heavy transport assemblers.

Wholesaling

This sector encompasses many product types ranging from frozen food, building materials, grocery items, glass, steel, automotive parts, tyres, pharmaceuticals, fresh vegetables, stationery and beverages. It declined from 759 to 694 employees over the study period.

Wholesaling of grocery items in Rotorua is controlled by two national companies since the sale of the AWL chain by Dairy Foods International (a Hong Kong Company) to J. Rattray and Sons Ltd. The seven store AWL chain gave J. Rattray the northern link of their now complete national distribution network for the supply of grocery items to dairies and superettes. Foodstuffs operates two warehouses; one for Pak 'N' Save and Four Square and the other to service dairies, superettes and service stations (Gilbert, 1990). Penetration by overseas competitors of the NZ grocery market (Progressive Enterprises Ltd, whose parent is the Perth based Foodlands Associated Ltd) has not yet resulted in the establishment of wholesale facilities in Rotorua to service geographic markets of comparable size to the local facilities of the two national operators. Foodstuffs in Rotorua serves an area extending from Hamilton to Turangi/Taumaranui, the Bay of Plenty and Gisborne.

The AWL area is similar in size except that it does not include Gisborne. Restructuring of grocery wholesaling nationally has had the following local impacts: rationalisation of wholesaling units nationally has increased employment and the geographic market serviced from Rotorua (Foodstuffs); penetration into new markets (the establishment of a Gilmour outlet by Foodstuffs to service dairies, superettes and service stations); and utilisation of new computer stock control technology.

The wholesaling of hardware and building supplies in Rotorua is controlled by three "globalising organisations", one of which is Australian owned and operates only throughout the North Island (Benchmark). The two "national" companies are CHH and Placemakers (FCL). Both CHH and Placemakers exhibit backward links into their respective company's production facilities. Restructuring has involved: the centralisation of tertiary functions such as payroll, accounts and human resources to "regional" centres (CHH) or Head Office (Benchmark); utilisation of computer stock control; and establishment of a 50/50 "joint venture" operations with local managers (i.e., a disinvestment by FCL).

What is obvious from changes occurring within the wholesaling sector in Rotorua is that takeovers (which amount to a centralisation of capital) and technological changes (especially computer stock control and the computerisation of tertiary functions), have been influential in reshaping not only these activities in Rotorua, but also how these activities *now* function within the national marketing context of the organisation concerned. In addition to, and in combination with capital centralisation and technological changes, there have been changes in the regulatory environment (removal of transport restrictions) as a factor underlying the (re)location trends observable in wholesaling activities nationally. As far as grocery wholesale and timber/hardware wholesaling are concerned, Rotorua appears to have been positively assessed as a distribution and marketing centre within an evolving and fluid national distribution and marketing system.

5. RESTRUCTURING OF ROTORUA'S STATE SECTOR

Government has historically been Rotorua's largest employer and the main provider of services. Any change in this sector is therefore likely to have implications for Rotorua's economy. In the late 1980s new organisational frameworks were established, on a national scale, as part of restructuring. This (re)organisational "formatting" was made possible by the widespread utilisation of computer technologies in all Government departments and activities.

An indicator of change in the Rotorua state sector is the reduction in number of departments. The 1987 total of 35 "parent" state sector organisations fell by 1991 to 29 organisations. The Customs Department, Audit Office, Government Printing Office, Meteorological Service, the National Provident Fund and the Ministry of Energy's Geothermal Task Force ceased operations in Rotorua. While the employment impacts of these six closures (including the Geothermal Task Force which was disestablished upon enforcing geothermal bore closures) on the Rotorua economy was actually small, they do represent a loss and a narrowing of functions performed in Rotorua by the state sector. However, the restructuring of state sector

services in Rotorua has been more complex than the coarse figures suggest. Important though the substantial employment losses in the Rotorua units of state organisations have been, restructuring of the units highlights that they are now functioning differently within the context of the state organisations concerned⁴.

Uneven and Differentiated Employment Decline

Table 2 shows a reduction of 732 persons in Rotorua's state sector service between 1985 and 1991. The impacts of employment loss was unevenly experienced, however, with 46 per cent of the employment decline occurring in State-Owned Enterprise (SOE) activities (some of which were later privatised). This is perhaps not surprising as SOE activities such as Postbank, NZ Post, Telecom, NZ Rail, Housing Corporation, Works Consultancy, Works Construction and Landcorp have been leaders in state sector restructuring nationally⁵.

The "old" Post Office employed 780 persons in 1985 and the Rotorua office functioned as an important regional centre. Telecom, NZ Post and Postbank employed 336 persons in 1991 representing a 57% decline. NZ Rail has virtually withdrawn from Rotorua. The Passenger Bus Group (Road Services) was a significant component of the Rotorua Railways operation employing 110 drivers for both the Intercity and suburban networks, along with mechanics to service the fleet of buses. The Passenger Bus Group (non-suburban) was privatised, while the suburban routes were taken over by Reesbys (a local bus company). Some of the drivers employed by the two previous NZ Road Services divisions found employment with the new network operators. In addition to the changes occurring in the Passenger Bus Group, staffing levels at the Railway marshalling yard declined from 28 to 4, in part as a result of the deregulation of the transport industry which removed railway privileges, thereby translating into reduced tonnages through Rotorua.

Leslie's (1990) study of state sector restructuring in Palmerston North also showed the selective and uneven nature of state sector employment decline. As in Rotorua, SOEs as a group experienced the largest employment reductions. Amongst the SOEs, Telecom (in Palmerston North) was responsible for two-thirds of the state sector staff losses. These losses stemmed from the computerisation of telephone account issuing process, the centralisation of Telecom Central's Fault Services to Wanganui and the merger of the Palmerston North based Telecom Central with the Hamilton based Telecom Midlands, to form the new Telecom Central, headquartered in Hamilton. Functions and staff from Rotorua had been transferred to Hamilton before the merger of the two Telecom Companies occurred. Leslie also noted that the potentially significant staff losses across the divisions of NZ Rail in Palmerston North, particularly when the closure of the Palmerston North workshop was taken into account, were largely offset by an inflow of staff transferring to Palmerston

⁴ For a detailed discussion of the phasing and new functions see Boston *et al.* (1990) and Britton *et al.* (1992) or Wilkes (1993).

⁵ An annual summary of state asset sales is found in the New Zealand Yearbook.

North following either the downsizing or closure of NZ Rail activities in outlying (in relation to Palmerston North) centres. This compares with the almost complete withdrawal of NZ Rail from Rotorua.

Changing Status of Rotorua's State Sector Organisations

The thrust of state sector reforms has been to create single focus commercial and/or non-commercial organisations from the original departments which performed numerous functions. This reorganisational focusing - each organisation cognisant of its mission and core functions - has been the first step in an ongoing reform process, the aim of which is to create an efficient and cost effective organisation at a national level. Subsequent steps have included: the removal of interdepartmental duplication of function; the continual reappraisal of an organisation's ensemble of functions in terms of core/peripheral and commercial logic; flattened internal structural reorganisation with an emphasis of concentrating (staff) resources at the "coal face"; the question of private sector contestability (if a private sector organisation can perform a function successfully and efficiently then the logic is that the Government should withdraw from the "production", concentrating instead on the core responsibility of "government"); and streamlining of operations at both a local and national level based on the utilisation of information technology. All have affected (or are affecting) and reshaped (and are reshaping) the way state sector activities function and are organised at a national level. They have also affected how the Rotorua portion of a particular state activity is set and operates in the national "departmental" structure.

Nationally, state sector organisations are hierarchically organised into a two or other tiers structure; Head Office in Wellington, Regional Offices and District Offices. An informal tier can be added through agencies in the form of either a public or private organisation performing some of the department's functions in a community where the department is not represented. For example, a District Office may have closed or there may never have been a departmental presence. In both instances an agency gives a limited but commercially sufficient presence. Since the late 1980s, a trend within many department's has been the development of between two and four specialised "processing centres" that serve large areas. A common configuration is two or three such centres in the North Island and one in the South Island. In addition to the formal structure, at each level, except the agency level, functions could be contracted out, a trend that has also been part of the states restructuring response.

The establishment of specialised processing centres by various departments to increase efficiencies and promote cost-effective organisations, has been based on the utilisation of information and computer technology which has facilitated centralisation of processing activities (such as Inland Revenue tax returns). The centralisation has reduced locally performed functions. In addition to the loss of local processing activities, there is a trend towards District Offices becoming client-retail shop front or coal face orientated. An increasing level of clerical functions, previously found locally, are being (and have been) computerised and these

"reformatted" functions transferred from Rotorua to regional centres, although some local inputting of data may still be required. There is likely to be a further erosion of "input" functions as each organisation strives to become a paperless point within an electronic office.

The largest proportion of state sector organisations operating in Rotorua function as District Offices reporting to Regional administration centres in Hamilton, (the regional centre for the largest number of Rotorua's state sector organisations), Auckland, Tauranga and Wellington. Rotorua is a Regional administration centre for Works Construction while the Forest Research Institute, a research centre of national importance, also performs regional functions for the Ministry of Forestry. The Hamilton Regional Office for the Police is located in Rotorua. However, between the mid 1980s to 1991, "five state sector" activities in Rotorua lost their Regional status. These were the Department of Health, the Accident Compensation Commission, New Zealand Employment Service, the Post Office and Rural Bank. However, under the 1992 restructuring of Housing NZ, the Rotorua branch was accorded a greater status, with the disestablishment of the Hamilton Office.

Future Directions for the State Sector in Rotorua

The size, shape and role of the state sector is changing and evolving in New Zealand (and therefore Rotorua) influenced by and subject to a number of often contradictory factors, both within and outside the state sector. However, government commitment to continually (re)define outputs to eliminate overlapping responsibilities or duplication of effort, is likely to accelerate rationalisation and transference of services and functions between organisations. In addition, a withdrawal of Government support for a particular service (e.g. the transference of Housing Corporation mortgages to Postbank in 1991) effectively makes all staff directly associated with that function redundant. As well as direct effects, there are often indirect effects on "corporate services", such as a reduction in typists or other inputting staff.

Shrinking budgets and funding constraints continue to place pressures on the organisations concerned and could be compensated for by out-contracting functions and/or staff cutbacks in the parent organisation. Similarly, deregulation of once protected markets is forcing State organisations to structure their operations towards the eventual full contestability of markets hitherto reserved for the organisations concerned. Ongoing privatisation pressures continue to reduce the size of the state sector. Staffing levels and service delivery changes provided by these once state sector and SOE organisations are becoming fully subject to market considerations and to the strategic objectives of parent companies. The employment effects on Rotorua of these pressures may well be as significant as those that have already occurred within State Sector units.

6. EMERGING LOCAL GOVERNMENT - PRIVATE SECTOR LINKAGES AND ALLIANCES

The Rotorua District Council (RDC), partly as a response to the redefinition of roles and responsibilities of local and central government during the late 1980s, has become a more active participant in the local economy. It could be argued that the commitment to an ambitious public works program involving the redevelopment of Rotorua's Lakefront Reserve and the current upgrading of the street scape within the Central Business District (CBD) has been Council's most significant contribution to the revitalisation of the Rotorua economy in the 1990s⁶. The Council, through this one project, has demonstrated leadership qualities and is perceived by the community to be progressive and innovative. The CBD upgrade has provided in a tangible way a vision for the community of how the image of Rotorua could be enhanced, updated and presented in the 1990s and beyond. The upgrade has given the community a renewed sense of pride and optimism for the future and because it has received widespread public support (general and sectoral) has been a catalyst in stimulating private sector initiatives and in creating local government - private sector partnerships and alliances. This is most apparent in the tourism and retailing sectors.

Tourism is a key sector in the economic base of Rotorua. In October 1983 the RDC closed down the Public Relations Office believing that the interests of the tourist industry would still be served by the Government Tourist Bureau providing information and public relations services for visitors once they arrived in Rotorua and the newly formed Rotorua Promotions Society providing the marketing and promotion of Rotorua as a tourist destination mainly within New Zealand. However, the Government Tourist Bureau did not escape restructuring and a general downturn of tourism in the mid to late 1980s encouraged the RDC to reestablish its role in the tourism industry, but on an historically different basis.

In 1989 the RDC established Tourism Rotorua to actively promote Rotorua as a tourist and conference centre destination both within New Zealand and internationally. Other functions of Tourism Rotorua include creating and cultivating within the community itself an increased awareness of the importance of tourism (development of "tourism friendliness"), public relations, conducting research and promoting special events such as the Fletcher Marathon. Tourism Rotorua's mission is to implement strategies which create a higher awareness of Rotorua and provide a platform for individual businesses to take advantage of increased visitor numbers. Tourism Rotorua, however, does not seek to replace private sector initiatives but emphasises the advantages of closer local government-private sector co-operation. Joint marketing strategies have been developed between Tourism Rotorua and major tourism operators in Rotorua. In addition to the local government-private sector partnerships, many local tourist operators now work closer together as a group. For

⁶ Virtually all urban areas in New Zealand over 30,000 in population commenced significant private-public sector CBD upgrades in the 1990s, often with a distinctive focus (e.g. Napier's Art Deco, Wellington's waterfront redevelopment, Auckland's casino and Aotea Centre, Palmerston North's library complex).

example, "5 Star Promotions" (which emphasises 'quality' attractions), involves the close co-operation and joint marketing of the Maori Arts and Crafts Institute, Paradise Valley Springs, Skyline Skyrides, the Agrodome, Lakeland Queen (Paddle steamer on Lake Rotorua) and the Polynesian Pools. The success of the "5 Star Promotion" group has been an example to other organisations to develop joint marketing and promotion strategies, The Adventure Group which includes activities such as white water rafting and 4 wheel drive excursions up Mount Tarawera, being one.

Retailing has undergone considerable changes since the mid 1980s. Changes have included 7 day trading and extended shopping hours, warehouse retailing, and the idea of shopping as a recreational activity particularly within enclosed and attractive shopping complexes. The above changes have in many instances had negative impacts on the traditional CBD and have required increased levels of co-operation between retailers to address these impacts (Bowler, 1993; Press, 1994). Retailing activities in Rotorua are no exception.

In the mid 1980s retailing was clouded with uncertainty surrounding a proposed enclosed shopping complex, the Rotorua Pavilion, to be built on Railway land adjacent to the CBD. There was concern that the Rotorua Pavilion would undermine and thereby cause the demise of the existing CBD retailing. There were also arguments that such a development would have positive impacts on traditional retailing activities in the CBD and enhance Rotorua as the regional retailing centre within the Bay of Plenty. However the share market collapse in 1987, and the till August 1993 unresolved issue relating to ownership of the Railway land, effectively stopped the Pavilion being built. The land NZ Rail proposed to sell to developers for the Rotorua Pavilion was originally gifted by Ngati Whakauae for Railway Purposes. The proposed development was therefore not consistent with the gifted purpose and a claim for the return of this land was lodged against NZ Rail by the Ngati Whakauae. While the land issue was being resolved, many businesses in Rotorua adopted a wait and see approach deferring in many cases to make "essential" investment and/or regrouping decisions until the outcome was decided. This approach contributed to many businesses losing ground which was further compounded by the establishment of Bay Fair, an enclosed shopping mall at Mt. Maunganui. Bay Fair in many respects meant a bypassing of Rotorua, making Tauranga/Mt Maunganui the regional retailing centre of the Bay of Plenty.

The current (commenced in 1992 and to be completed by the year 2000) CBD upgrade has been a powerful catalyst in stimulating private sector retailing interests to work together collectively in co-operation with the RDC to achieve a higher standard of amenity and thereby revitalising and enhancing the image of the CBD as a retailing and tourist centre. The RDC provides some funding for the Rotorua Retail Promotion Board (a division of the Rotorua Chamber of Commerce) to facilitate and co-ordinate private sector retail activities through programmes such as First for Mainstreet (Friendly Individual Retail Streets), a variant of the Mainstreet approach, that was developed in consultation with Rotorua retailers and is being implemented in 1994. The First for Mainstreet approach emphasises advantages and strength co-operative efforts by retailers to advertise, promote and manage issues

affecting their street. Retailers are encouraged to work together to achieve common goals and objectives in the creation of a particular street atmosphere or street identity, by identifying heritage and conservation values of buildings, facades or other features and other visual amenity values. Other Council activities which have had an effect on revitalising the central city have been the purchase of several vacant ex-government buildings to provide new accommodation for the public library, community groups such as Citizens Advice Bureau and to house Tourism Rotorua. The RDC converted the Civic Theatre into a modern conference and theatre complex to be completed in early 1995.

The Economic and Business Development Unit (EBDU) was created in 1990 as part of the Council's strategy to increase jobs in the Rotorua District through business retention, expansion of existing businesses and the attraction of new businesses to the District. Activities have included promoting positive business attitudes within the community and the promotion of Rotorua both within New Zealand and overseas as a site of investment opportunities based on tourism (attractions and accommodation complexes) and forestry. The EBDU has advocated the concepts of "Spa City" and "Cellulose Valley". The former concept singles out the use of therapeutic qualities of geothermal water. This concept is part of the overall promotion of Rotorua as a centre of investment for tourism. The latter concept focuses on local synergies behind Rotorua's advantages in the timber sector.

In March 1994, the Rotorua Database of Products and Services was launched to improve and enhance information flows to Rotorua businesses, thereby providing an opportunity for closer co-operation within the business community in partnership with the RDC. The Database is aimed at raising general awareness in the business community, both local and non-local, of products and services available within Rotorua. In October 1994 the Rotorua database was linked into Business Link, a national data base, used by TRADENZ and foreign embassies, thereby increasing awareness of the products and services of the local companies listed.

7. CONCLUSION

The period between 1985 and 1991 saw significant change in activities comprising the Rotorua economy as a result of the restructuring of *both* private and state activity. Rotorua in the early 1990s is an urban economy in a state of transition. This transition is likely to continue in the medium term as the specifics of any comparative and competitive advantages of activities in Rotorua in a more integrated global economy are discerned. At present an increasing proportion of international trade occurs within corporate hierarchies which control business units in many different regions and countries. In other words, advantage originates not so much from the physical resource or resource endowment of an area, locality or industry, but from the firm/organization specific competitive advantages of transnational business utilising the physical resources of an area in combination with information, technology, know-how, know-when, know-where, management skills, brand names, international access to markets and profit(s), in a way that maximises the generation and retention of profits within a firm (Britton, 1991).

The transformed New Zealand economy has meant new operating conditions, in which the forces of globalisation, transmitted through direct and indirect competition, are inevitably experienced by individual economic agents. In the Rotorua case, the more open environment has been important to and offered new opportunities for some activities already incorporated in varying degrees into wider national and international networks.

The increasing incorporation of surviving "local" private sector activity into larger networks appears to be characterised by loss of local control through sale either to "prime-mover" New Zealand companies or off-shore companies. What is becoming more obvious in this latest phase of internationalisation is that the room for Rotorua's private sector activities to manoeuvre has been constricted. Once local activity, now encapsulated into production/consumption networks of multi-locational and multi-national enterprises having Head Offices outside Rotorua, is being regularly assessed according to commercial criteria within an international context.

While the private sector has witnessed added and different links into wider national and international networks this contrasts with state sector services which have always been part of a wider national structures. Before the 1980s restructuring, state sector activity was hierarchically organised and spatially dispersed to service the nation's population. While on the surface this remains the case in the early 1990s, restructuring has changed the nature of all state service organisations and the way the Rotorua state segment is inserted into national and/or global networks.

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