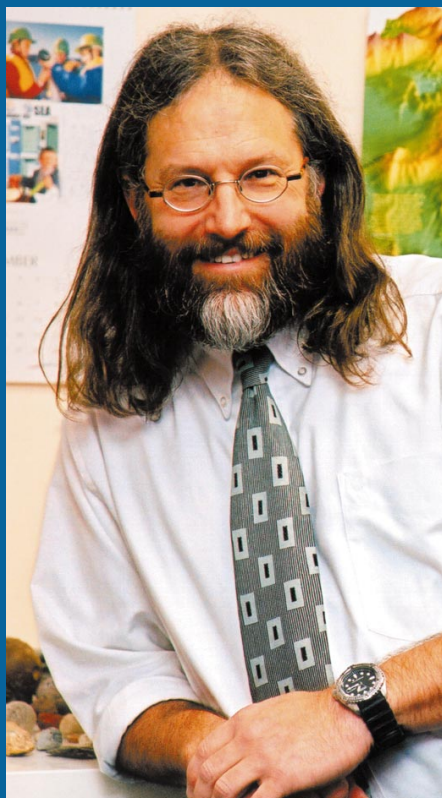


Chief Executive's report



Rick Pridmore

As this is my first report as Chief Executive, I am pleased to reflect on an outstanding year for NIWA. To achieve our goals during 2002–03, we have had to draw heavily on the three factors that have brought us so much success to date – we call them the three Gs – Great Science, Great Services, and Great Staff.

NIWA has achieved a group operating surplus before tax of \$7.2 million in the year to 30 June 2003, against \$7.5 million in the previous year. Net surplus after tax was \$4.7 million (\$4.7 million in 2001–02). Gross revenue from research, consulting, vessel operations, and all other business activities was \$84.2 million (\$81.3 million in 2001–02). A further \$4.0 million has been transferred to our Vessel Replacement Reserve in accordance with the Board's policy, building this reserve to \$10.8 million. Shareholders' funds at 30 June 2003 stood at \$46.7 million. NIWA's after-tax return on average shareholders' equity was 10.6%. A total of \$450,000 was allocated to NIWA's ongoing staff profit-share scheme before arriving at the surplus before tax.

Over the last year, NIWA has taken a number of significant steps forward. One of the most significant was the establishment of a new senior management structure and team. This new management structure has been of immense benefit in terms of uniting skill-bases and services that are widely distributed geographically. The new structure has also helped to facilitate access to our core capabilities. Now, it is possible to interact with NIWA on a topic basis (e.g., biosecurity, natural hazards, renewable energy)

through our six General Managers and six National Centres, on a local basis through our seven Regional Managers, or on an individual basis through any of our 500 highly skilled scientific staff. In addition, we have increased our focus on external communication. During 2002–03, staff from NIWA gave over 580 presentations, were involved in 185 media releases, and produced more than 1000 scientific papers and reports. Our achievements were also communicated through the regular production of eight different newsletters, each targeted to meet the needs of specific stakeholder groups. Our website had more than 13.5 million pages viewed during the past year.

We have also significantly enhanced the number and strength of our relationships with other organisations, both to produce excellent science and to support New Zealand's economic growth. Our relationships have allowed us to expand our capabilities in the discovery of bioactive compounds, to bring new species into aquaculture, and to develop a better understanding of the health effects of air pollution. Through active and positive relationships with regional and local authorities, we have been able to help them plan how their communities will grow and to make best use of their land, water, and climate. We have assisted the Japanese National Institute of Polar Research and the Australian National Oceans Office to conduct research of high international profile through month-long charters of our research vessel *Tangaroa* (which spent 324 days at sea during the past year). We have worked closely with the energy sector on resource consents for several large hydropower schemes, the construction industry in documenting sand reserves and estimating levels of sustainable extraction, and the dairy sector in finding ways to optimise production whilst minimising environmental concerns. We have

helped the fishing industry to survey the abundance of selected stocks and to locate good fishing grounds by use of satellite technology.

Throughout the year, we have made major advances in all of our core science areas. For example, we have improved models for forecasting tides and floods, coordinated New Zealand's first remote sensing campaign for motor vehicle emissions, created environmental classification systems for rivers, lakes, and coastal environs, and developed new technologies to rear kingfish and treat dairy farm wastewater. These achievements, and more, are detailed later in this Annual Report.

Perhaps one of our biggest achievements has been the blossoming of Te Kūwaha, NIWA's Māori research and development unit. Over the last three years, Te Kūwaha has grown from two to ten people and has become a significant force in promoting and fostering Māori development. The unit now works with iwi on a diverse range of projects covering many different issues, from health and the development of nutraceuticals to biodiversity and energy supply. Te Kūwaha also oversees all of NIWA's interactions with iwi and provides cultural training for NIWA staff.

I am also particularly pleased with the progress we have made in Sustainable Development Reporting. We have worked hard to meet all commitments to date and have set ambitious targets for the future.

As for the future, NIWA is steadily evolving. We plan to keep doing well what we have traditionally done well, but we also plan to offer more. The establishment of *NIWA Natural Solutions* will help to overcome market failures that currently limit successful commercialisation of products generated by NIWA's research. We also plan to establish a new operational forecasting service. Over the last 20 years, huge advances in technology and in our understanding of aquatic and atmospheric processes and systems have made it possible to make sophisticated forecasts, on a regular basis, about a broad spectrum of environmental issues or concerns. NIWA is now poised to provide the environmental sector with a new range of products and services that match more closely the timescales of business and emergency or environmental management decisions.

In closing, I would like to thank our Board, staff, collaborators, and stakeholders for their valuable contributions throughout the year. Our achievements during 2002–03 have set a strong platform for a bright and exciting future.



Rick Pridmore
Chief Executive