

## SUBMISSION BY THE AUCKLAND REGIONAL CHAMBER OF COMMERCE ON THE AUCKLAND COUNCIL DRAFT ANNUAL PLAN 2013-2014

### SUMMARY RECOMMENDATIONS

- 1). The Auckland Chamber of Commerce requests that Auckland Council strengthen the draft Annual Plan 2013-2014 to:
  - Inject greater clarity, focus and accelerated momentum on the ‘to do’ actions proposed in 2013-2014 to address Auckland’s big issues and get us in front of the challenges and opportunities we face from our fast growing population.
  - Show a stronger resolve and commitment to achieve the goal declared in the draft to achieve significant savings and efficiency gains for ratepayers.
- 2). In support, we **strongly recommend** the following ‘to do’ list of actions and projects be included in Council’s 2013-2014 Annual Plan. Supporting reasons and detail for each recommendation is provided in the body of our submission:

### BUSINESS-FRIENDLY

- 3). Noting and agreeing with Council’s Economic Development Strategy proposal (EDS, Priority 1, pages 31-44) to *“take a leadership role to make Auckland a business-friendly city through delivering timely and efficient ‘can-do’ processes and services, and by setting business rates and charges that encourage business,”* the Chamber **strongly recommends** – that the draft AP’s group of activities: organisational support (Vol.1, p.165) list of projects for 2013/2014 includes the following:
  - *Through the office of the chief executive, work with business organisations to design and deliver a work programme derived from the EDS Action 1.1: Auckland Council will lead and build an international reputation for Auckland being open and business-friendly.*

### RATES

- 4). To enable Council to fully deliver the promised new universal rating system in which “properties of equal value will be paying equal rates, wherever you are in the region” (draft LTP, Vol.1, p.4), the Chamber **strongly recommends** – that the draft AP’s rates differential policies (Vol.3, p.83) be amended to
  - *Adopt the 2007 Local Government Rates Inquiry recommendation that business differentials should be abolished, and do so in good faith justified by reference to the compelling reasons for abolition set out in the Rates Inquiry report (Sections 9.84 – 9.86).*
- 5). To achieve Council’s promise for 2013-2014 to “do things better and more efficiently,” the Chamber **strongly recommends** a searching look at all activity areas of Council to identify where rate payer savings might be achieved. Our preliminary suggestions are that Council amend the draft AP to:

- Ring-fence rates to core day-to-day services, using the new Local Government Act as a guide for deciding between core and non-core.
- Accelerate the momentum to shift charges more towards a user pay model.
- Ring-fence Auckland's agreed major investment activities needed to transform the economy under a policy of not directly using rate payer funding, but instead identify alternative viable funding sources that meet the test of a business case scrutiny.
- Link with reviews proposed of CCOs (draft AP, Vol.1, p.16) and the 2013/2014 capital programme of Watercare and Auckland Transport (draft AP, Vol.1, p.27) – see more below.
- Assess scope to realise capital and lift performance of non-core commercial assets – e.g. firm studio, forests, vehicle testing stations, holiday parks, plant nursery and Ports of Auckland - given global evidence suggesting better outcomes result under more private sector-led partnership models.
- Robust and searching staffing and contracting review – to identify the most efficient and cost-effective resource to plan and/or deliver services.

## FOCUS ON AUCKLAND'S BIG ISSUES

- 6). To action the overarching message (Vol.1, p.9) that in order to be successful and move ahead, Auckland needs to invest in the infrastructure needed for the city to be internationally competitive, the Chamber **strongly recommends** – that the draft AP: Introduction to themes and groups of activities (Vol.1, p.35-) include a summary to:
- *Highlight the critical and highest priority – or 'game changer' – projects that Council wants to focus on to help transform Auckland's economy. The summary to include a template with key outcomes, timelines, including 2013/2014 milestones, investment required and other key performance indicators.*

For business, the big issues are:

- **Making Auckland an internationally known business-friendly city**
- **Integrated transport infrastructure** – a 'game changer' investment package to implement Auckland's 'highest priority' transport projects - see below;
- **Step change in investment, innovative export-led growth and internationalisation**
- **Skill shortages** –
- **National Convention Centre** - with a linked strategy to attract around 30 international conferences to Auckland each year.
- **Housing** – a strategy to address Auckland's long-term housing needs;
- **Auckland branding** – A strategy to build and differentiate Auckland's global brand as a great and distinctive city to live, work, invest and visit.

## TRANSPORT

- 7). To tell a more complete and honest story on why Auckland needs to be more pro-active to deliver the 'highest priority' integrated transport project package listed in the Auckland Plan (Chapter 13, p.330-334); needed to get Auckland in front of its growth challenges:
- City Rail Link (CRL) to be completed by 2021
  - AMETI and East-West Link (as a single project to be completed by 2021)
  - Additional Harbour Crossing (road and public transport) to be completed by 2031.

8). To urgently lift action to plan, design and “jointly progress planning for AMETI and the East-West Link and implementation by 2021” as stipulated in the Auckland Plan (Directive 13.5, Chapter 13, p.325), the Chamber **strongly recommends** – that the draft AP’s group of activities: roads and footpaths (Vol.1, p110) list of projects for 2013/2014 includes the following:

- *Establish an AMETI/East-West Link project team tasked to commence a comprehensive design and supporting business case to enable the corridor’s completion by 2021, as directed by the Auckland Plan.*

9). We are concerned the draft AP continues the development of Quay Street “as a family-friendly waterfront boulevard” (Vol.1, p.59). This has potential to divert large volumes of traffic into already congested Grafton Gully roads and affect the efficiency of the approximate 3000 heavy freight vehicles using the route daily to access the Ports of Auckland, with resulting flow on impacts to Auckland’s productivity aspirations. The Chamber **strongly recommends** – that the draft Plan’s group of activities: roads and footpaths (Vol.1, p110) list of projects for 2013/2014 includes the following:

- *Working with NZTA, Auckland Transport and Council planners, complete investigation, undertake route protection and commence design for the long-proposed SH16 Grafton Gully – Port (Stage 3) Link where it meets Stanley Street, The Strand and Quay Street.*

## **CCO PERFORMANCE REVIEW**

10). We agree with the provision in the draft AP to review the performance of Council’s seven substantive and other CCOs (Vol.1, p.16), and believe considerable rate money could be saved and Council’s performance improved through a well executed, targeted project. Our preliminary suggestions to encourage Auckland’s conversation on this important topic are:

- **Regional Facilities** – abolish.
- **Waterfront Auckland** – abolish.
- **Auckland Transport** – merge with NZTA’s Auckland Office.
- **ATEED** – review against the provisions of the new Local Government Act.
- **Auckland Investments** – review in context of whether ratepayers are getting full value for money from owning commercial entities versus a more commercialized model.



## **SUBMISSION BY THE AUCKLAND REGIONAL CHAMBER OF COMMERCE ON THE AUCKLAND COUNCIL DRAFT ANNUAL PLAN 2013-2014**

### **INTRODUCTION**

1. The Auckland Regional Chamber of Commerce and Industry appreciates the opportunity to make a submission on the Auckland Council Draft Annual Plan 2013-2014 (draft AP).
2. **The Auckland Chamber confirms that it wishes to be heard in support of this submission.** Address for service, please email: [mbarnett@chamber.co.nz](mailto:mbarnett@chamber.co.nz) .
3. The Auckland Regional Chamber has a corporate membership of more than 6000, including many businesses that expect their views to be forcefully represented in this Submission.
4. The Auckland Chamber is dedicated to the strengthening of the Auckland's status as New Zealand's pre-eminent commercial, industrial and communications region and to assisting the development of the region in creating a desirable environment for its 1.4 million citizens. To this end, the Chamber has sought to establish a partnership relationship with central and local government organisations to help achieve shared delivery of the vision for Auckland.

### **OVERVIEW**

5. The Chamber notes that the draft AP is Auckland Council's 'to-do' list of actions for 2013-2014 shaped by Auckland's vision to be the world's most liveable city as outlined in the Auckland Plan (adopted in March 2012) and the Long-term Plan (LTP) 2012-2022.
6. In three volumes comprising more than 600 pages, the draft AP also provides an update to the plans and budgets contained in the LTP (See Vol.1, p.10). The draft AP sets out the key projects and priorities for 2013-2014.
7. The Chamber notes that the Auckland Plan, LTP and annual plan (draft AP) forms part of a package of plans required by statute, and which also includes the yet-to-be sighted and finalised Unitary Plan. Publication of a draft Unitary Plan for consultation has been indicated for March and finalisation later this year.
8. According to council's website, the Unitary Plan will be the rulebook that shapes the way Auckland grows, setting out what can be built and where to create a higher quality and more compact Auckland while providing for rural activities and maintaining the marine environment. It will help to create a stronger economy, more affordable housing, better design in our buildings and public spaces and consistent protection of Auckland's heritage, harbours, volcanic cones (maunga), environment and character. It will be the key tool in delivering the Auckland Plan and managing growth through initiatives such as The Rural Urban Boundary.

9. If the Unitary Plan will be the 'rulebook' and 'key tool' in delivering the Auckland Plan and managing growth, what will be allowed? Where will the barriers be? Where does this leave this Annual Plan and the list of activities it sets out for action in 2013/14? The Chamber notes other commentary that Auckland Council has published some 700 planning documents in its first two years, and examination of these indicates conflicts and contradictions all over the place.
10. This hierarchy of many plans suggests that council's planning structure is top-heavy and suspect. It's confusing to customers and in the Chamber's view lacks a clear focus on and efficient co-ordination to get action on the big transformational issues facing Auckland.
11. As submitted previously, the Chamber notes that a number of the 'big issue' (regional) outcomes set out in the Auckland Plan after a two-year consultation process (some of which the Chamber strongly supports) have still not been translated into a firm work programme for action in the LTP and other planning documents, including the draft AP. There are risks that the Unitary Plan will simply add yet another planning process layer and compound the difficulties and tensions built into Council's governance arrangements and with other players, including at a national level.
12. In making these observations, the Chamber strongly agrees with a recent Controller and Auditor-General report to Parliament that the Council will need to constructively manage these tensions to maintain support for, and confidence in, the plan for Auckland.<sup>1</sup>
13. With reference to the draft AP, the balance of our submission makes suggestions and recommendations designed to positively address some of these concerns and tensions.
14. The balance of the Chamber's submission is limited to mainly high-level (regional) topics of interest to the business community and which the Council is specifically seeking comment on, in particular:
  - Business-friendly
  - Rates
  - Auckland's big issues
  - Economic development
  - Transport
  - Water
  - Pacific Events Centre
  - Review of CCOs
15. We regard the draft AP as an opportunity for Council to bring some clarity of purpose, focus and priority to identify a 'to do' list of actions for delivery in 2013/ 2014 that will make a measurable contribution to positioning Auckland as a great world city to live, work and visit.

## **BUSINESS-FRIENDLY**

16. We note that the draft AP is silent on any action to deliver the aspiration of Council to be a business-friendly organisation, even though Council's Economic Development Strategy

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<sup>1</sup> "Auckland Council: Transition and emerging challenges," Controller and Auditor-General Parliamentary paper, December 2012, p.27.

(EDS) makes a strong case for Auckland Council to be 'business friendly' in everything it does. The EDS states that it is Council's job to make it easier for all businesses to do business, and to help create a city that attracts more productive business, especially from overseas. We strongly agree.

17. "Business-friendly" can be defined as the explicit attempts by local governments and their partners (including central government) to reduce the regulatory and non-regulatory barriers, costs, risks and uncertainties in all forms of commercial activity to stimulate and support local business growth, local business retention, and attraction of new business to the local area." (EDS, Priority 1, page 31-44)
18. The EDS sets out reasons why Council needs to adopt a priority to be more business-friendly and sets out a programme of actions needed to support the priority. The Chamber strongly agrees with the preface statement of actions needed to support the priority, and in particular (EDS, p. 35):
  - *"The council will take a leadership role to make Auckland a business-friendly city through delivering timely and efficient 'can-do' processes and services, and by setting business rates and charges that encourage business."*
19. However, the 'business-friendly' priority and proposed actions in the EDS are not backed-up in Council's performance on rates, fees, regulations as set out in its Plans, including the draft AP, and in a number of other respects (e.g. timeliness in considering consents, responding to business submissions/ correspondence, and the responsiveness of CCOs on issues of concern to business etc).
20. We note that the priority to transform Auckland Council into a business-friendly organisation is endorsed by OECD adviser and international expert on cities, Greg Clark (EDS, pages 30-31). In our view, making the culture change to adopt business-friendly best practice throughout Council's organisation is an absolute must in Auckland's quest to deliver its vision to be a great world city to live, work and visit.
21. Accordingly, the Chamber **strongly recommends** – that the draft AP's group of activities: organisational support (Vol.1, p165) list of projects for 2013/2014 includes the following:
  - *Through the office of the chief executive, work with business organisations to design and deliver a work programme derived from the EDS Action 1.1: Auckland Council will lead and build an international reputation for Auckland being open and business-friendly.*
22. We regard action on Council adopting a business-friendly culture and best-practice as one of the big four or five transformational issues facing Auckland (discussed below). We suggest co-ordination of the project through the office of the chief executive, and tasks include a template setting out the behaviour and regulatory changes required to all council's activities (see list, Vol.1, p. 165), including the setting of a business-friendly performance measure for each council activity listed in the draft AP, and especially rating services, regulations, water supply and wastewater, transport, emergency management, economic development etc.

## RATES

23. As submitted previously, the Chamber strongly supports the creation of the new universal rating system in which "properties of equal value will be paying equal rates, wherever you

are in the region” (draft LTP, Vol.1, p.4) and in which the same rate for the same level of service is applied for all ratepayers.

24. Through previous submissions and other channels, however, we have communicated our considerable dissatisfaction and concerns over the implementation of the rates related policy, including and especially the transition arrangements for business customers, the decision to retain a policy in which general and targeted rates can be charged on a differential basis (draft AP, Vol.3, pages 82-85), and the lack of robust scrutiny to manage rates by reducing costs. We look at each of these aspects below and make specific recommendations designed to improve the draft AP.

### **The long-term differential strategy**

25. The Council policy applying a long-term differential strategy to its value-based general rate by lowering the business differential by 0.1 per annum over 10 years from 2013/ 2014 (draft AP, Vol.3, p.84) will fail to totally eliminate the differential between business and residential rate payers for the same level. The result therefore will be:

- A fundamental breach of the principled objective that properties of equal value pay equal rates,
- A conflict with the business-friendly objective to set business rates and charges that encourage business; and,
- Continued failure to acknowledge the considered findings of the 2007 *‘Funding Local Government – Report of the Local Government Rates Inquiry’* (Shand Report) recommending that business differentials should be abolished.

26. Accordingly, the Chamber **strongly recommends** – that the draft AP’s rates differential policies (Vol.3, p.83) be amended to

- *Adopt the Shand Report recommendation that business differentials should be abolished, and do so in good faith justified by reference to the compelling reasons for abolition set out in the Rates Inquiry report (Sections 9.84 – 9.86).*

27. The Chamber strongly believes that making the simple change to the long-term differential strategy of replacing the intention of **‘lowering’** the differential to **‘eliminating’** the differential will have little overall impact on the long-term affordability of rates for residential rate-payers. However, a rating strategy in which business is no longer discriminated against as the cash cow for other rate payers would have a significant impact in terms of the good will of business towards council and evidence of its courage to do what’s right and needed to create a truly business-friendly city.

### **Managing rates by optimising services and value for money**

28. We agree with the themes proposed in the draft AP (summary documents) to manage rates by:

- Reducing some services;
- Standardising fees and charges;
- Using debt responsibly, to invest in capital projects.

29. However, we believe a far bolder, principle-based and innovative attack is needed to keep rates as low as possible, and to assist Council’s desire and efforts to be prudent with its finances and identify ways it can do things better and more efficiently.

30. Just two 'minor' proposals are highlighted in the draft AP for reducing costs by reducing services – stop mowing berms in the former City Council area and cut the free digital music download services, saving around \$3.2 million. Extending berm mowing across the City would cost \$12 to \$15 million.
31. While we note that further savings and cuts are planned they are not nominated in the draft AP. We believe they should be, as part of the submission process.
32. Accordingly, we **strongly recommend** a searching look across the full portfolio of Council activities for areas where savings and reduced expenditure might be achieved, and particularly areas outside Council's core activity areas. This to be followed by a transparent and open process to ensure ratepayers are fully informed and consulted.
33. While some of our suggestions below might be unsuitable to adopt immediately in the 2013/2014 AP, we put them forward in the knowledge that Council has clearly signalled a wish to achieve further efficiency gains and improve Council's capability to deliver value for money.
34. As noted in the Auditor-General's report (page 26), the Chamber agrees that the immediate transition to a unitary Council has passed and the stability of day-to-day services has been ensured. We congratulate the chief executive and Administration for achieving this milestone. However, significant challenges remain, including developing initiatives to optimise the value that can be gained from the initial change process. We need to stop talking about amalgamation, and start focusing on what results we want and by when. In this, we see an opportunity to tailor and trim services, staff and resources to focus more directly on delivery of the big issues themed in the 30-year Auckland Plan and ensure and protect the stability and efficiency of day-to-day services.
35. We recommend a further look at the draft AP to identify the potential to achieve improved efficiency, savings, value for money and give greater focus and make faster progress to implement the big transformational issues facing Auckland. Our preliminary suggestions are that Council amend the draft AP to:
  - Ring-fence core day-to-day services, using the new Local Government Act as a guide for deciding between core and non-core. Clearly identify the cost of core services on ratepayer invoices so rate payers can see exactly what core service they are paying for.
  - Accelerate the momentum to shift charges of basic services more towards a user pay model.
  - Ring-fence the agreed major infrastructure investment activities needed to transform the economy – e.g. the 'game changer' transport investment package – under a policy of not directly using rate payer funding, but instead identify an alternative viable funding source that meets the performance test of a business case scrutiny (e.g. the Better Business Case model that Treasury is promoting for assessing capital projects).
    - Link with reviews proposed of CCOs (draft AP, Vol.1, p.16) and the 2013/2014 capital programme of Watercare and Auckland Transport (draft AP, Vol.1, p.27) and investing in Auckland activity (draft AP, Vol.1, p.27) – discussed further below.

- Assess scope to realise capital for rate payer relief from a range of assets and their associated compliance costs (if any) covered by ratepayers; e.g. the Chamber questions why Council has 100% ownership of a film studio and recommends a partial sell-down of Ports of Auckland, given global evidence suggesting a better performance would be adduced from a private sector ownership stake (e.g. Port of Tauranga and the Wellington film industry cluster). Other commercial assets that are outside core business and should be looked at include:
  - Vehicle testing stations, holiday parks, Araparera Forest and Kari St nursery
- Rate payer savings from rationalising CCOs and/or CCO services that could be commercialised, including scope for working closer with central government for the delivery and procurement of certain outputs; e.g. housing, transport, social areas – discussed below
- Staffing and contracting – to identify the most efficient and cost-effective resource to plan and/or deliver services. A robust performance review of staffing requirements is strongly called for.

## FOCUS ON AUCKLAND'S BIG ISSUES

36. The Chamber notes and agrees with the overarching message (Vol.1, p.9) that in order to be successful and move ahead, Auckland needs to invest in the infrastructure our region needs to be competitive, and that the two key areas for the next few years are transport and the economy.
37. However, it is difficult to identify from reading the draft AP exactly what milestones Council has set to move Auckland's big issues forward in 2013/2014. Other than mention in the Mayors Message that 'the City Rail Link is our most important transformational project' (Vol.1, p.8) there is little information that clearly identifies what in fact are the big transformational issues facing Auckland.
38. To assist readers to better appreciate WHY it is critically important for Auckland to "continue to invest in an integrated transport network, and other projects and initiatives that boost our economy and create jobs," (Vol.1, p.9) we believe the AP needs to have a section telling the story of WHAT are Auckland's big issues, as well as WHY the investment in them is needed.
39. We also believe that if we can agree on the things which will make the greatest difference to lifting the performance of business – and therefore creating more jobs – and we can see a firm work programme set out in Council's plans, including and especially the LTP and AP, the support and encouragement of business organisations such as ourselves would be more forthcoming.
40. Accordingly, the Chamber **strongly recommends** – that the draft AP: Introduction to themes and groups of activities (Vol.1, p.35-) include a summary to:
  - *Highlight the critical and highest priority – or 'game changer' – projects that Council wants to focus on to help transform Auckland's economy. The summary to include a template with key outcomes, timelines, including 2013/2014 milestones, investment required and other key performance indicators.*

41. We have assessed Council's plans and supporting documents to identify Auckland's big transformational issues and where we now need to bring a sense of urgency on action and focus to make measurable progress. For business, they are:
- **Business friendly** – to implement in 2013/2014 the Priority 1 issue in the EDS discussed above;
  - **Integrated transport infrastructure** – a 'game changer' investment package to implement the 'highest priority' group of transport projects listed in the Auckland Plan, (Chapter 13), AMETI & East-West Link and CRL (by 2020) and the third Waitemata Harbour Crossing (by 2030, or sooner) – discussed below;
  - **Step change in investment, innovative export-led growth and internationalisation** – to develop and implement a joint campaign to attract new investment into business growth ventures that widens and deepens export-led success, international branding and tourism;
  - **Skills training** – to get real focus on addressing Auckland's combination issues of skill shortages and a large pool of Auckland young unqualified school leavers.
42. In previous submissions, the Chamber has scoped other 'game changer' projects for moving the city forward, and which Council has also indicated in various documents are important. We recommend they be identified in the AP and their implementation progress monitored through the Auckland Planning progress, including annual milestones. These include:
- **National Convention Centre** - with a linked strategy to attract some 35-40 international conferences to Auckland each year.
  - **Housing** – a strategy to address Auckland's long-term housing needs;
  - **Auckland waterfront** – An iconic 21<sup>st</sup> century structure to build and differentiate Auckland's global brand as a great and distinctive city to live, work, invest and visit.
43. To repeat, the Chamber **strongly recommends** the draft AP contain an explicit summary section to identify and give primary focus on the progress proposed in 2013/2014 to deliver the 5-or-6 'game changing' major projects required to elevate Auckland's status as a great world city to live, work, invest and visit.
44. The rest of New Zealand needs Auckland to succeed and is watching the new Auckland experiment unfurl; our focus going forward must be on the 'big picture' issues and delivering measurable progress on their solution.

## **ECONOMIC DEVELOPMENT**

45. As previously submitted, the Chamber endorses Council's goals to ensure Auckland is an innovative, outward-looking global city with a productive, high-value economy. We also agree with the aspiration to establish an internationally competitive, prosperous economy for all Aucklanders through a step change in exports and internationalisation.
46. We note the draft AP (Vol.1, p.17) gives details of initiatives to achieve these goals – from smaller local initiatives to upgrade town centres through to more significant investments – major events strategy, cruise ship terminal, Wynyard quarter, super yacht re-fit facility, innovation precincts.
47. In the facilitation and delivery of these goals and projects, we note Council's intention to develop partnerships and networks between central government and the private sector (Vol.1, p.59).

48. We applaud this intention. It appears to represent a step forward. If Auckland is to make progress on the big transformation issues facing Auckland, a collaborative approach with the private sector, central government and other key stakeholders is essential.

### **Auckland's big economic issues**

49. As noted above, a critical weakness in the draft AP is the lack of any clear process to enable and encourage collaboration among Auckland stakeholders on solving Auckland's big issues. Given the strong high-level advocacy to Auckland Council by international city specialists (and noted in the EDS, pages 30-31) that a critical success factor for achieving its desired transformation depends on securing a working partnership with the business sector, we urge Council to become more proactive and responsive to take up opportunities to exploit business sector resources and expertise to advantage.

### **Local economic development**

50. At the local level, the Chamber notes the draft AP provides a significant allocation for encouraging local economic development and delivering Business Improvement District (BID) partnership programmes (Vol. 1, p. 62). Initiatives include local improvement projects, business precinct plans and business development and capacity building.

51. As submitted previously, it is unacceptable that Council and/or its delivery agency (ATEED) uses rate payer money to provide business improvement services in competition with private sector providers. The Chamber has looked into this issue and believes a more cost-effective option would be for council and business organisations to jointly explore options to collaborate and work together to design and deliver agreed programmes needed to achieve the Auckland Plan's economic goals.

### **Trade mission allocation**

52. The Chamber gives qualified support to the request to submit on the draft AP proposal (Vol.1, p.26) that \$102,000 be added to the overseas trade mission budget, and provides the following comments:

53. The Chamber agrees that Auckland is in competition with other world cities for making its self attractive and competitive for investment, businesses to locate, international events, tourism and developing opportunities for Auckland to engage fully on the world stage, including encouraging more businesses to seriously get into exporting.

54. We also agree that at a global and national economy level, everything is about cities and the wealth, jobs and energy they generate for lifting a nation's prospects and prosperity. For Auckland to have skin in the global game, it must participate in every way practically possible – including trade missions.

55. However, there is also a need for careful regard to spending rate payers money on 'services' with intangible benefits, or in which the benefits apply selectively to some and possibly are a dis-benefit to others. The point: The Chamber notes that the Mayor has led overseas trade missions to Asia, Australia and a number of Pacific Island countries, but we have yet to see a report on their success in terms of generating export orders, job creation and attracting investment to Auckland that we would not otherwise achieve.

56. We note that many Auckland businesses already make use of the Auckland Chamber's global Chamber network (around 21,000 Chamber offices worldwide) when undertaking offshore business activity (at no cost to ratepayers). We also note that Auckland receives many overseas trade missions from cities in which the branding is a "City and Chamber" working together banner. Accordingly, we would welcome an update of the Council programme in this area and some scrutiny to assess whether Auckland businesses are getting the full value, are aware of opportunities and to explore options to work more collaboratively on design and participation in future offshore missions.

## **TRANSPORT**

57. As submitted previously, the Chamber is vitally interested in Auckland's transport systems and infrastructure. At a high level, we have long-standing concerns relating to the economic impact of deficient transport capacity in Auckland.

58. Accordingly, we are pleased at Council's response to our substantive submission to the Auckland Plan, LTP and RLTP and now the draft AP to plan, fund and manage one integrated transport network – one that supports the growth and the outcomes that Aucklanders are looking for – and for which key providers Auckland Transport (AT) and the New Zealand Transport Agency (NZTA) work collaboratively to deliver. In this regard, we are reassured by and welcome the message from the chief executive that Council will continue to invest in an integrated transport network and other initiatives that will boost Auckland's economy and boost jobs (Vol.1, p.9).

59. We strongly support the 'highest priority' project ranking given in the Auckland Plan (Chapter 13, p.330-334) to fast-track three 'step change' projects needed to get Auckland in front of its growth challenges:

- City Rail Link (CRL) to be completed by 2021
- AMETI and East-West Link (as a single project to be completed by 2021)
- Additional Harbour Crossing (road and public transport) to be completed by 2031.

60. However, we have major concerns that the level of urgency, planning, design and action required to ensure their completion in the time lines stipulated in the Auckland Plan is not reflected in the proposed "to do" actions of the draft AP.

### **AMETI and East-West Link**

61. As noted, the Chamber strongly endorses the 'highest priority' provision in the Auckland Plan (Directive 13.5, Chapter 13, p.325) to:

- Jointly progress planning for AMETI and the East-West Link and implementation by 2021.

62. We are greatly concerned that the urgency required to deliver this project by 2020 is not reflected in the draft AP. As previously submitted, a substantial amount of Auckland's (and NZ's) manufacturing and core services including transport, storage and wholesaling are located in the industrial and business areas adjacent to the local roads where the AMETI and East-West Link is planned.

63. The local roads already carry more heavy freight vehicles than most New Zealand State Highways, and are the starting and end point for many Upper North Island freight services – both road and rail.
64. A number of research projects have projected a doubling of road freight in the corridor over the next 30 years, and the level of congestion increasing to be end-to-end along Neilson/Church streets by 2020, if action on a solution is not in place. Clearly, the imperative for urgency to build an efficient integrated AMETI and East-West Link is strong.
65. Instead of needed urgency and an integrated approach, the draft AP takes a step backwards with a business as usual approach reminiscent of the legacy council by providing to separately progress two sub-projects in 2013/2014 (Vol.1, p.110):
- Completing Phase 1 of AMETI (i.e. the \$85 million 1<sup>st</sup> phase of 6 legacy projects whose total cost is more than \$1 billion inherited from the former Auckland City Council for completion by 2033) which aims to give residents greater transport choices by improving public transport, walking and cycling facilities and reducing traffic congestion.
  - Investigating an East-West link to enhance connectivity between SH1 and SH20 in Manukau.
66. We are concerned that the directive in the Auckland Plan to complete an integrated corridor by 2021 has not yet been given the level of urgency and attention it deserves. A summary of our concerns communicated directly to the Mayor late last year include:
67. There is as yet no work apparent on an integrated design, work programme or business case of what the AMETI and East-West Link will comprise.
- Instead, the development and delivery of AMETI (Stage 1) and the East-West (investigation) is continuing as separate projects:
  - The legacy AMETI sections are being progressed primarily as a bus priority initiative, while the East-West section is being investigated with freight as the priority.
  - While the East-West section is being investigated in a way that acknowledges government's funding application pathway process – a move we strongly endorse – the still unfunded AMETI sections appear to be outside this process.
68. Given that development of the route will generate high productivity benefits by unlocking the heavy congestion of the significant volume of road freight traffic along the route, including to the MetroPort rail freight terminal, a reconfigured and integrated design of the whole Link project is required urgently.
69. Through the Auckland Business Forum, the Chamber has registered its strongest objection to this disconnected approach to the AMETI/ East-West Link. As one of Auckland's highest priority transport projects – and arguably of national importance deserving the status of a local government equivalent to the 'Road of National Significance' (RONS) group of State Highway projects – it is an absolute must that the draft AP provide for the setting up of a Special AMETI/East-West Link Project Team – with a stakeholder reference group alongside - to design, finance and build the corridor and make provision for integrating efficient freight and public transport infrastructure into the revised project description.

70. Accordingly, the Chamber **strongly recommends** – that the draft AP’s group of activities: roads and footpaths (Vol.1, p110) list of projects for 2013/2014 includes the following:

- *Establish an AMETI/East-West Link project team tasked to commence a comprehensive design and supporting business case to enable the corridor’s completion by 2021, as directed by the Auckland Plan.*

### **SH1: Motorway bottle necks**

71. As submitted previously, the Chamber strongly supports the 3-laning of the Southern Motorway’s Mt Wellington overbridge section near Sylvia Park as part of the reconfigured AMETI/East-West Link project. The bridge is a major bottle neck.

72. Similarly, there is a daily major bottleneck on SH1 near Constellation Drive, and where a project to 3-lane is urgent.

73. We acknowledge that these projects are NZTA responsibilities, rather than Council’s. However, reflecting Council’s initiative to develop a single Integrated Transport Programme noted above, we strongly suggest the initiative be carried through by including a line item in the draft AP to advocate to and work with NZTA for these important projects to feature on Auckland’s 2013/2014 ‘to do’ list.

### **Grafton Gully**

74. The case for a direct access route from the motorway network in Grafton Gully (SH1 and SH16) to the Port has sat on Auckland’s Transport Plans for at least 20 years. A recent PwC study looking at the future need for Upper North Island ports indicates that the volume of Port trade which uses off-port distribution networks will increase by 73%-98% by 2041. The primary potential bottleneck to the Port’s growth is at Grafton Gully in which future congestion is generated by non-port traffic.

75. In particular, we note that the draft AP has a project listed for action in 2013/2014 (Vol.1, p.59) with potential to reduce the volume of cars using parts of Quay Street and divert more traffic into Grafton Gully. According, to PwC this would result in an increase in total traffic using Grafton Gully of around 40%-50%, which they regard as significant and likely lead to a substantial increase in congestion (PwC, p.163). PwC conclude that it is unlikely the current Grafton Gully infrastructure will have the capacity to accommodate future traffic demand.

76. We note that NZTA has initiated an investigation of a Grafton Gully – Port Link to enhance connectivity between the SH network and the Port. Given that currently some 3000 heavy freight vehicles use the route daily to access the Port, the Port’s growth projections and the findings of the PwC study, the Chamber strongly contends that some urgency is now required to ensure this improvement is not constrained by other transport initiatives in the area, such as changes proposed to Quay Street.

77. Accordingly, the Chamber **strongly recommends** – that the draft Plan’s group of activities: roads and footpaths (Vol.1, p110) list of projects for 2013/2014 includes the following:

- *Working with NZTA to complete investigation, undertake route protection and commence design for the long-proposed SH16 Grafton Gully – Port (Stage 3) Link where it meets Stanley Street, The Strand and Quay Street.*

### **Road freight**

78. We believe some explicit recognition is needed in the draft AP on the key role that road freight plays in the Auckland economy.

79. The Auckland Plan acknowledges that road freight is important to improve productivity, and sets a target to reduce freight congestion in peak periods by 20% by 2040. Council’s plans also acknowledge that freight and commercial trips are expected to double by 2041.

80. However, this recognition is not carried into the draft AP – there is no specific freight focus and no specific work programme indicating what a 20% freight congestion reduction means in practice and how it can be measured and achieved. For example, the draft AP project to progress the major upgrade of Tiverton Road and Wolverson Streets between New Windsor and New Lynn (Vol.1, p.110) will have significant performance benefits for road freight between west Auckland, and key destinations such as Ports of Auckland, Auckland Airport, MetroPort rail head and other freight hubs in the Neilson/Church street precinct. The freight benefits of the project need to be spelt out.

### **Rail network capacity**

81. At a high-level, the Chamber has given its support to the CRL project and agrees on its urgency. In respect of a detailed submission on the project’s design, funding and other details we reserve our comments for inclusion in our submission to the Notice of Requirement due next month.

82. Meanwhile we encourage the draft AP to make provision to look at the overall efficiency and capability of Auckland’s rail network to handle Auckland’s growth in respect of both passenger and freight traffic.

83. As submitted previously, most volume growth in rail freight will be carried on existing lines. A recent Ministry of Transport and Treasury review of the CBD rail link recommended Council begin the implementation of large scale residential developments along the rail corridors to capitalise on the current upgrade and electrification. We have previously suggested that the Auckland Plan include some reference to highlight objectives and policies regarding reverse sensitivity, and protect higher utilisation of existing rail corridors.

84. The expected growth in the number of trains, particularly passenger trains, is likely to lead to conflicts between passenger and freight services, especially as the latter are much longer and slower than the electric multiple units. Because of the intensive timetable, any disruptions to passenger services will have serious knock-on effects.

85. Also, the increased Auckland Port/Wiri and Tauranga MetroPort rail freight activity anticipated from the expected growth in the economy could become a factor requiring an

earlier expanded rail freight infrastructure. This traffic will be on the same rail lines that will accommodate increases in southern and eastern line passenger trains. We believe there is increasing urgency to do the work to ensure:

- That, in planning for growth in passenger rail in Auckland, the rail network's capacity to handle freight movements is maintained and enhanced, and not reduced;
- The introduction of electrified passenger services around 2014 and the increased passenger train services to 10 minutes once the proposed CRL is operational, projected to be around 2021, do not affect rail freight schedules, especially in regard to ensuring safe services during peak commuter rail service periods during the day and community concerns about noise in respect of scheduling more rail freight services at night.

## **WATER SUPPLY AND WASTEWATER**

86. The Chamber has submitted directly to Watercare on water supply and wastewater issues, and these can be sourced directly from the Chamber or Watercare.
87. In respect of additional matters in the draft AP (Vol.1, p.101), the Chamber notes and supports the provision to invest \$342 million to renew and upgrade existing infrastructure and deliver new infrastructure.
88. Meanwhile we urge Councillors to take note of concerns submitted to Watercare regarding Council's planning process and the potential impact this has for price setting.
89. The size of the tariff Watercare is assessing needs to be fair, transparent and a true and accurate assessment of all of Watercare's costs – fixed costs, a contribution to meet capital development requirements and any other inputs as may arise; for example, from bylaws.
90. However, we note that the by-law reform and Unitary Plan processes have not yet been undertaken. As our submission notes, the proposed tariff structure implies that volume is the core cost driver. However, it is possible that the By-law reform may impose additional costs on such things as pollutant levels, temperature, pH and other wastewater components.
91. This is an un-business-like process. It suggests a cart-before-the-horse policy development process. It could be that Watercare has asked for submissions on a wastewater tariff structure which can't be finalised until the AP, By-law reform and Unitary Plan processes have been undertaken.
92. This inconsistent approach of separating the tariff setting and other business planning and by-law process also has potential to add compliance costs to business.
93. These kind of 'cost adding' processes are certainly not in tune with Council's business-friendly rhetoric and do not support the strategic goals as outlined in the EDS for Auckland business to become internationally competitive.
94. The Chamber is also concerned to ensure that the 'uniform' charge that will apply for businesses is consistent with residential user charges. We note that water supply charges across Auckland are now uniform. However, Auckland Council is reducing – but not eliminating - the rates differential between business and residential over a 10 year period.

95. We are greatly concerned about this inconsistent and inequitable approach between business and other rate payers. Adding to this concern is that there appears to be no plans to remove the differentiation between business and residential in respect of wastewater charges.
96. This means that currently business pays approximately 33% of wastewater charges, despite being just 21% of the volume, and that business will continue to pay 33% of the cost even if the business wastewater volume reduces.
97. We would prefer to see an integrated approach in which all inputs to the tariff structure are identified up-front – i.e. an outcome that is user-friendly, fair, easy to understand and administratively simple and straight forward.
- 98. We strongly request that these anomalies be addressed and encourage councillors consideration of our submission to the draft AP to take this message on board.**

### **PACIFIC EVENTS CENTRE DEVELOPMENT**

99. In respect of the request to submit on the proposal to further develop the Pacific Events Centre at a cost of about \$59 million, the Chamber responds as follows:
100. We note the provision in the draft AP (Vol.3, 171) for some \$20-30 million of the required capital to be provided by Council (Regional Facilities Auckland) from the sale of council-owned land adjacent to the Pacific Events Centre's current building in Manukau
101. We also note the business plan for the venture requires the balance of funding required (\$29-39 million) to be secured from "other sources". An MOU provides that Regional Facilities funding will not be released without firm commitments having been made by other funders. The projected annual return from the venture is put at about \$2 million.
102. The Chamber has no in-principle objections to the project, but strongly advises that a clear statement is required to provide assurances that rate payers are protected from any direct liability or exposure.
103. We also request information and assurances on whether the business case leading to the proposal to sell the land adjacent to the stadium was assessed for its potential to generate a higher return or give Council better value for money; i.e. have alternative uses and operations that might generate higher returns from use and/or sale of the land been explored, if not why not?
104. We reserve our support to the project subject to this information.

### **CCO PERFORMANCE REVIEW**

105. We note and support the provision in the draft AP to review the performance of Council's seven substantive CCOs created under the governance reform process, and also the smaller CCOs inherited from the legacy councils (Vol.1, p.16). The seven CCOs are: Auckland Transport, Watercare, Council Investment, ATEED, Regional Facilities, Property Holdings and Waterfront Auckland.

106. We recommend the review be undertaken in an open and transparent process, and include the opportunity for input by key stakeholders.
107. We will have more to say on this initiative at a later stage. Meanwhile we are particularly keen to ensure the review focuses on the CCOs ability to deliver efficient and effective services and value for money to ratepayers, as well as address the matters raised in the Report by the Controller and Auditor-General noted earlier in respect of viewing Auckland Council as a work in progress (pages 26-27).
108. In respect of the value for money provided by the CCOs, we see considerable scope to save a lot of rate payer money while at the same time improving service delivery efficiency, effectiveness and especially focus on action of Auckland's big issues.
109. We believe a lot of money could be saved and improved performance achieved through the following changes, put forward here as preliminary suggestions and to encourage Auckland's conversation on this important topic:
- **Regional Facilities** – abolish. Currently a range of Boards covering arts and culture (e.g. MOTAT, Auckland Museum), venues (e.g. Viaduct Events Centre, Bruce Mason Centre) and stadiums (e.g. Mt Smart and Western Springs) report to the Regional Facilities Board, which in turn reports to and gets its policy direction from Council's governing body.
    - A lot of churn, argument and compliance cost would be saved by having each of the facility boards reporting directly to Council
  - **Waterfront Auckland** – abolish. Clearly, the Auckland downtown waterfront precinct that Waterfront Auckland oversees is an integral part of the central city, and should be included in central city planning, including in respect of transport issues.
    - There is arguably needless duplication, churn, argument and compliance cost in having a Waterfront Board and a planning unit within the Council Administration undertaking separate planning.
  - **Auckland Transport** – merge with NZTA's Auckland Office. There is considerable synergy between the two organisations in terms of the shared planning and management of Auckland's state highway and arterial road network.
    - There is now an integrated transport programme, distilled from dual planning by each organisation and Council itself. From a value for money and staffing efficiency viewpoint, it would seem to make practical sense to look at forming a single Auckland transport agency?
  - **ATEED** – review against the provisions of the new Local Government Act. ATEED's services cover tourism, events and economic development services. There is claim and counter-claim that ATEED services are not core services under the new LGA. This debate is occurring across New Zealand in respect of other economic services provided by local councils, and may not be resolved for some time.
    - Meanwhile, however, it is a debate Auckland needs to have, including in respect of duplication of services that could/ should be provided by central government (Ministry of Tourism, Ministry of Business and Innovation etc), and the unsettled issue of whether ATEED is providing services to business that could be better provided at less cost to rate payers by the private sector.

- **Auckland Investments** – review in context of whether ratepayers are getting value for money from having entities such as a film studio, and forests owned by Council, and whether a better return would result from a more commercialized model, including for the Ports of Auckland.

110. As noted above, we agree with the observations of the Controller and Auditor-General in her report on Auckland Council that there are inherent tensions built into Council's governance arrangements, and which Council will need to constructively manage and address if confidence in and support for the plan for Auckland is to be maintained.

111. The Chamber strongly believes that it is critical that we are brutally honest with ourselves, both to acknowledge those tensions, and face up to them in a constructive way.

### **CONCLUDING COMMENTS**

112. The Chamber's submission is made in the positive spirit of maintaining the challenge of continuous improvement to Auckland's governance to support and encourage business-friendly innovation and growth.

113. The Auckland Chamber looks forward to continuing to work with the Auckland Council to achieve our shared objective of attracting and encouraging the development of business opportunities in Auckland and **accelerating** momentum to address Auckland's big issues. Maintaining momentum at its current levels won't get the job done in a way that will get us in front of the challenges we face from our fast growing population.

Michael Barnett  
Chief Executive

25 February 2013