AUCKLAND
CHAMBER OF COMMERCE
Business Vitality

AUCKLAND REGIONAL CHAMBER OF COMMERCE SUBMISSION ON THE AUCKLAND COUNCIL DRAFT LONG-TERM PLAN 2012-2022

SUMMARY

The Auckland Chamber strongly:

- **Objects to the rate differential applied to business that is 2.63 times higher than the general rate. We believe that under the business-friendly principles adopted by Auckland Council a business rate differential regime cannot be justified. Further, the rationale put forward by the Council for a business differential are in conflict with the recommendation of the 2007 Local Government Rates Inquiry that business rate differentials should be abolished. We have requested that the Auditor General look into the fairness and lawfulness of business rates differentials.**

- **Seeks a fair and equitable transition arrangement for business ratepayers to the new rating system to commence from 1 July this year. Without a transition arrangement, many businesses will face rate increases of 20% and higher. That is unacceptable. In the absence of full information on the impact of the four transition options Council is considering, we support the Capped option but want the cap ceiling to the be same as for residential rate payers; i.e. 10% and not the 18% currently proposed.**

- **Protest in the strongest terms to the wastewater differential proposed for non-domestic (i.e. business) users. Big business users of large amount of water face increases that could take fees from around $200,000 to more than a million dollars. That is unacceptable at any time. For a business-friendly city seeking to retain businesses and jobs and become internationally competitive it is reprehensible. We are seeking a negotiation with Council, stakeholders and big water user customers to find an equitable, fairer and internationally competitive outcome.**

- **Object strongly to indications that Council/TEED plans to operate business improvement and other services in competition with private sector providers. It is an unnecessary cost to ratepayers, duplicates staffing and other resources and risks setting up services which could be delivered more effectively at a much lower cost by specialist contracted private sector providers.**

- **Give preliminary support to the Mayor's Alternative Transport Funding option for a low level 'user' charge to be applied to the Auckland strategic network to raise the funding needed to complete the highest priority transport projects package in the revised Auckland Plan – AMETI and East-West Link and Central Rail Link by 2021 and a third Waitemata Harbour Crossing by 2031. At this stage, we believe that the other funding tools mentioned in the Mayor's discussion paper won't raise the level of revenue required. However, we want all options to be left on the table and a robust, principle-based assessment made of their capability to provide the funds required, both capital and operating. Asset sales should be one of the options examined, together with other innovative and 'new thinking' ideas that might come forward during the discussion on funding options. If we are to be open to new thinking that can achieve our dreams, we must put aside our ideology and prejudices.**

- **Support relaxing the 75:25 Rural Urban Boundary (RUB) target in the Auckland Plan under which 300,000 of the 400,000 new dwellings (houses and businesses) must be built within the existing urban boundary (MUL). A focused strategy to lift the rate of housing construction and provide for business development is urgently needed to meet current and future demand. We strongly believe Auckland needs to do much better to provide world-leading architectural and design standards and development options that are tailored and attractive within all parts of Auckland's special sea-facing environment.**

- **Agree with the policy to always have 5 years' available land zoned for residential development, but strongly encourage attention to ensuring a forward supply of unconstrained business/ industrial land which currently is not assured.**

- **Seek clarification of the proposed development contribution regime to ensure that contributions are tied to building infrastructure that explicitly meets the needs of the particular development, and that in order to achieve a fair, equitable contribution setting arrangement the complex, highly detailed proposal set out in the Plan be independently reviewed and an Appeal process be provided for.**

- **Encourage the Council to ensure the 10-year Long-term Plan focuses on the 'big picture' projects that will help make the step change sought in the Auckland Plan and place Auckland in front of its growth challenges, and note that the rest of New Zealand is watching the new Auckland governance experiment unfurl. If we get it right – as we must – we establish a benchmark for a new workable model for local government in other areas of New Zealand.**

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INTRODUCTION

1. The Auckland Chamber of Commerce welcomes the opportunity to provide a submission on the Auckland Council *Draft 10-year Long-term Plan* (draft LTP) and two supporting documents:
   - Auckland Transport *Draft Regional Land Transport programme 2012-2015* (draft RLTP)*;* and,
   - *Getting Auckland Moving: Alternative Funding for Transport* Discussion Document

Auckland Chamber of Commerce

2. 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.

3. 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.

4. **We wish to take up the opportunity to make a supporting presentation of our submission on the draft LTP and related documents**. Please confirm arrangements with CEO Michael Barnett: mbarnett@chamber.co.nz or 0275 631 150.

Role of business

5. Auckland has more than 180,000 registered businesses, 95% of whom are small-medium enterprises. They generate around 36% of New Zealand's wealth, jobs and taxation revenue. Around 34% of Council's rates revenue comes directly from businesses, and a significant proportion of the balance from individual property-owning employers and employees.

6. Auckland's standard of living is fundamentally dependent on the productive performance of its firms and people. Businesses and individuals are therefore central to Auckland's economic development and are the engine of growth.

OVERVIEW OF AUCKLAND PLAN AND LONG-TERM PLAN PROCESS

7. As the draft LTP Summary Document notes (Vol.1, p.1), essentially, the 10-year LTP is Auckland Council's 'to-do' list of actions to start the process of implementing a 30-year Auckland (Spatial) Plan to deliver Auckland's vision to be the world's most liveable city.

8. A Message from the Mayor states (Vol.1, p.4) "(We have) 10 years to build a better Auckland." The purpose of the draft LTP is to set out the tasks to do this.

9. However, in assessing the draft LTP submitters are presented with some immediate difficulties:

   i. The draft LTP and RLTP have been prepared before Council has finalised its Auckland Plan. We note that there are some significant changes proposed to the Auckland Plan (AP) before it is finalised in late March (after submissions close on the draft LTP). This is a cart-before-the-horse approach to planning and building Auckland. The changes to the finalised AP will necessitate significant amendments to the draft LTP and draft RLTP if they are to provide an honest and accurate 'to-do' list of actions for completion within 10-years (LTP) and 3-years (RLTP) respectfully to help implement the AP. The difficulty facing submitters is to determine whether the LTP and RLTP do in fact make adequate provisions to implement measures agreed in the AP and which submitters (and Council) support

   ii. The draft LTP and RLTP are not fully funded. As the Message from the Chief Executive states (Vol. 1, p.5), funding the LTP is beyond the capacity of Council and its ratepayers alone, "and requires a collaborative approach with government and many other stakeholders, including the private sector." There are two difficulties facing submitters:

      - One difficulty is to work out which projects are funded, and are therefore set to 'go' immediately. It is fair to say that many of the big-ticket items needed for Auckland to lift its game are unfunded and there is a lack of important detail over Council's ability to deliver them within the time frames set out in the draft plans.
      - Another concern is that there is no mechanism apparent to achieve the level of collaboration that the CEO suggests – and we agree – is required between Council, central government and the private sector to successfully implement the Plan.

   These omissions create huge uncertainty over Council's ability to deliver key projects and therefore implement the AP. Our submission makes recommendations to address these difficulties.

iii. Another difficulty for submitters is the complexity and size of the package of documents they have been asked to submit on. The draft LTP alone covers four volumes and more than 900 pages.

- The sheer size of the documents makes the plans difficult to unravel in terms of what they identify as the priority projects needing to be implemented to deliver the Auckland Plan, how they will be funded, what the procurement process will be and when they will be delivered.
- We believe there is a real risk of spreading limited resources too thinly and not enough focus being harnessed for committed action on what is really important.

10. Accordingly, **we strongly recommend** the finalised LTP:

- ➢ Refine and trim the draft LTP to clearly confirm and focus on delivering the major game-changing projects needed to implement the Auckland Plan's policies seeking to make Auckland an internationally-competitive, business-friendly and attractive world city to live, work and visit. When this task is completed, an updated summary 'to-do' list of game-changing projects will be required.
- ➢ Provide evidence confirming that all high cost projects have undergone a full economic benefit assessment and prioritisation to identify those offering the highest productivity and value for money, in order to go forward for priority funding and delivery by 2020.
- ➢ Set out a clear, well understood mechanism to achieve the required degree of collaboration between the Council, central government and the private sector to give certainty to stakeholders that the game-changing and big-ticket projects in the Auckland Plan and set out in LTP for completion within 10 years will be funded and delivered on time and within budget

11. Despite the difficulties and complexities identified above, the progress made by Council to support the Auckland Plan with a draft LTP and draft RLTP within 14 months of its establishment represents a significant milestone for Auckland's new single governance arrangement, and which the Chamber of Commerce welcomed.

12. The balance of the Chamber's submission will be selective to matters of direct concern to the business community. In particular our submission focuses on:

- Ensuring that the LTP and RLTP fully reflect and begin implementing the game-changing policies and proposals set out in the AP and are supported by the resources needed to achieve timely delivery.
- Examining the provision made in the draft LTP for the delivery of efficient and competitively and fairly priced core services and rates; and,
- Making recommendations on the adequacy of provisions in the draft LTP and RLTP to deliver the Auckland Plan's objective for Auckland to be an innovative, growth-led, business-friendly city of scale.

13. Because of the complexity and length of the documents our approach is selective to topics under the headings and page references in the four volumes

of the draft LTP, RLTP and Alternative Transport Funding discussion document as follows:

- Financial strategy and management
- Rates, fees and charges
- Economic development
- Transport – draft RLTP & Alternative Transport Funding discussion document
- Local board activities.

FINANCIAL STRATEGY AND MANAGEMENT

14. The Chamber acknowledges that Council has a number of potentially competing and conflicting financial challenges (Vol. 1, pages 29-40, 46-47, and Volumes 2 & 3):
    - **Completing the transition process**: e.g. merging of the rating systems of the former councils into one system, fully realising significant efficiency gains from transition and other key financial issues arising from transition (see Vol.1, p.30);
    - **Funding the vision:** e.g. identifying appropriate funding sources to help fund the council's substantial transport aspirations, and achieve progress on other transformational shifts (See Vol.1 , pages 22-23) such as:
        - Dramatically accelerate the prospects Auckland's children and young people;
        - Substantially raise the living standards for all Aucklanders and focus on those most in need.
    - **Exercising financial prudence and provide value for money:** e.g. ensure expenditure, revenue and debt levels are managed to give Aucklanders confidence and suppliers and investors certainty concerning council's ability to be a responsible financial manager while also flexible enough to respond to changes in the external environment; and,
    - **Funding efficient and effective core services:** e.g. essential transport infrastructure and services, stormwater and flood protection, and water supply and sewerage.

Council's financial strategy – summary (Vol.1, p.29)

15. Council seems to want to have its cake and eat it too. We agree that Auckland will require a substantial investment in infrastructure over the next 10 years. However, we disagree that council's financial strategy as set out in the draft LTP (Vol.1, p.29) "will enable this investment while maintaining affordability for current and future ratepayers." In fact, the draft LTP lacks certainty that the substantial investment required to deliver the draft LTP projects has or will be identified.

16. Accordingly, **we strongly recommend** that the summary introduction of council's financial strategy set out in the draft LTP be amended to make clear that successful implementation within the next 10 years of the major transformational shifts in the Auckland Plan critically depends on identifying substantial alternative funding sources.

Exploration of innovative alternative funding sources – widen the debate...

17. Council has encouraged a public debate to identify new options to finance the building of the transport infrastructure Auckland needs. We comment specifically on the Mayoral "Alternative Funding for Transport discussion document" below.

18. Meanwhile we suggest that it would be helpful to the achievement of other major transformational shifts in the Auckland Plan and which are on the 'to-do' list of projects in the draft AP but appear to be unfunded, if the funding debate was widened to embrace a greater range of potential tools.

19. First, we note that the Council's governing body has the power to borrow money, or purchase or dispose of assets (See Vol.1, p. 51). A modest asset sale policy is budgeted (Vol.1, p.40) to receive $468 million over 10-years from what is described as 'underperforming or not strategic' assets. Why so cautious when clearly council faces a massive funding gap? Why keep assets which could be realised to fund council's infrastructure and other transformational aspirations and reduce rate burdens? Does Council really need to be the sole owner of the Ports of Auckland and hold a significant stake in Auckland Airport? Another source of funding for developing Auckland's infrastructure not included in the discussion so far is whether a law change could make available the $1billion-plus asset managed by the AECT?

20. Second, we note that Council and central government's aspirations are aligned in wanting targeted, measurable progress to address Auckland's significant economic under-performance, and social inequality. The draft LTP gives significant attention to the need for a southern initiative with projects to dramatically accelerate the prospects of Auckland's children and young people, and substantially raise the living standards of Aucklanders in most need (Vol.1, pages 16, 22-23). However, there is no clear evidence that a firm, funded project is in place to deliver these aspirations.

21. Putting to one side the ideological debate on whether it is appropriate for Auckland Council to be funding and delivering social services directly, the Chamber shares Council's concern over Auckland's poor performance on a number of key indicators such as youth unemployment, educational qualifications and youth offending.

.... Injection of new thinking needed

22. Accordingly, we support the injection of new thinking to how these concerns are addressed, including an exploration of new delivery and funding options such as:
    - Central government devolving funds into partnerships with the private sector and council to achieve specified social indicator targets;
    - Promotion of a discussion on alternative funding for social services designed to achieve council's social aspirations.

23. Meanwhile in the absence of clearly established and funded projects in the LTP to achieve the social transformational shifts and outcomes described in the Auckland Plan (especially 2.2.3 *i* & *v*, p. 22-23) **we strongly recommend** the text make clear that these are aspiration goals subject to alternative funding sources; i.e. funding other than rates.

RATES, FEES AND CHARGES

24. We have examined the rates, fees and charges proposed in the draft LTP with particular attention to assess how successful they are to deliver on the key principles of the Auckland Plan to transition Auckland into an internationally competitive, growth-led, business-friendly and world's most liveable city.

25. We conclude that a lot of work is needed to align the draft LTP with the principles set out in the Auckland Plan. In particular, the translation of the business-friendly principle in the AP to a business-friendly best practice regime needs a lot of attention.

26. As well as the difficulties and omissions described in the overview section above, the draft clearly fails to meet the business-friendly test to limit increases in charges and fees to levels in line with the increase in the rate of inflation – around 3.5%. Many proposed fee and charge increases are excessive - well above 100% - and clearly NOT structured in a way to stimulate growth or create an internationally competitive city.

27. We **strongly recommend** the rates, fees and charges proposed in the draft LTP be reviewed to ensure each area delivers against the following principles and tests:
   - Fair, equitable and transparent
   - Structured in a way to stimulate growth
   - Internationally competitive – e.g. benchmarked against rates, fees and charges in comparable cities in Australia.

28. Within the time constraint to prepare this submission and examine the detail of the considerable documentation relating especially to council's fees and charges regimes that stand behind the published draft, we make some additional observations and suggestions:

Providing certainty to ratepayers – support for limiting rate increases

29. The Chamber supports on balance the proposal to limit the average general rate increases to 3.6% in the first year of the plan and 4.9% for the remaining years (Vol.1, pages 29 & 47).

30. Ideally, we believe that annual rate increases should be limited to cover the rate of inflation, and this should be enshrined as a principle. Any increase above the inflation rate should be clearly tagged to indicate what service improvement it will provide for, and a statement provided as to why the 'increase' could not

be provided through user charges or offset by grants and/or subsidies. However, we acknowledge the effort made and explanation (Vol.1, page 36) to keep annual increases as low as possible and give some certainty to rate payers.

31. We also support, but seek categorical confirmation of the indication that council will limit the use of rates to fund expenditure in service areas that provide an immediate benefit (Vol.1, pages 31 & 35). However, we recommend a clearer explanation that reinforces a principle to set limits on the use of rates to funding council's core and administration services, and apply principles of equity to ensure rate levels result in delivery of equivalent services.

Transition to one rating system

32. The Chamber appreciates the importance and urgency to bring the eight rating systems of the former councils into one system. However, we are greatly concerned at the lack of detailed information in the draft LTP of the impact this will have on individual businesses (Vol.3, pages 163-168).

33. We note that four options to manage impact of the transition have been considered, with preference for the phased and/or capped options (Vol. 3, p.164) but without any examples of the consequences to affected ratepayers. The mention of very large rate increases for some businesses of ranging above 10-20-30-or-40% as a consequence of the transition formulae is unacceptable at any time, but in the present economic climate shameful and deserving of the strongest possible push back.

34. The Chamber is greatly concerned to ensure that a fair and sympathetic transition policy is put in place. We note that Council is investigating transition arrangement options with central government. However, we strongly recommend that the starting point for designing a fairly managed rates transition system should be to invoke its policy rhetoric claiming to be business-friendly and discuss options directly with Auckland business organisations.

35. Meanwhile our preliminary suggestion is for the 10% capped option proposed for residential ratepayers apply equally to all rate payers; i.e. reduce to 10% the 18% cap that is being considered for the business sector.

Business rate differentials – spurious and unjustified

36. The Chamber is disappointed that Council has maintained a system of business rate differentials (Vol. 3, p. 155). The new Council has missed an opportunity to make a fresh start by calculating all rates on a principle of equity against the capital value of the property alone.

37. It is outrageous that council has ignored the considerable body of research recommending that business differentials should be abolished; e.g. the 2007 Report of the Local Government Rates Inquiry, which considered the matter

in detail and concluded with a recommendation 'that business differential should be abolished."

38. Having regard to the rationale put forward by the Auckland Council, the following conclusions can be drawn, based on the views expressed by the 2007 Inquiry:
    - The reason given that the higher business differential also reflects the sector's ability to pay, as businesses are able to claim back GST from rates and treat rates as a business expense, should <u>not</u> be a relevant factor in deciding the incidence of rates.

    - The reason given that there are higher costs to council associated with the business sector such as the cost of road maintenance due to heavy vehicle traffic should be contrasted with the point of view that residents in the wider area benefit from having businesses in their locality and therefore should contribute to the costs.

    - That the Auckland Council business differentials appear to have been set in an arbitrary fashion and are not related well to the benefits received. They appear to have been fixed by a subjective and essentially "political" decision. To some extent, this is reinforced by one of the reasons for the business differential being so that the council will collect the same proportion of rates revenue from the business sector as it collected in 2011/2012 to help to minimise change for all ratepayers in the move to the single uniform rating policy.

39. It also appears that the Auckland Council's funding principles (page 94) and sources of funding (page 95) do not discuss the principles or reasons for the application of a business differential rate, and has not taken into account the principles of fairness and equity associated with the merging of the rating systems of the former councils into one system (see above).

40. We have requested the Auditor General to enquiry into the fairness and lawfulness of Council imposing a rate differential between properties of similar capital value, and have suggested a Guidance document be prepared for local authorities generally on what the requirements should be for setting a business rate.

41. Instead of a business differential, the Chamber **recommends** that council make greater use of targeted rates to reflect any additional costs reasonably attributable to the effects of business; e.g. roading and parking, and also the relatively greater benefit enjoyed by business sector ratepayers from the provision of some of council's services.

Targeted rates - Support for shift to more user pay

42. As noted above, in support of a fresh start on rates based on a simple but clear principle of all rate payers paying the same rate for the same level of service, the Chamber supports Council designing the new rating system that allocates the price of services delivered to those making use of the services as much as possible; i.e. adopting 'user pay' options where ever possible (e.g. targeted rates, development contributions and fees & charges).

43. Targeted rates are one way for customers affected directly by an initiative to better assess the actual cost-benefit of individual activities. Accordingly, we strongly support a system in which rates invoices clearly identify the proportion of the rates bill used to fund 'specific' activities.

44. However, as noted above, we are disappointed at the lack of clarity, structure and accountability of the draft LTP in respect of the information provided on targeted rates. The information on targeted rates is scattered throughout the more than 900 pages, and difficult to assess and compare.

45. The Chamber makes the following **recommendations** in support of the principle in the AP encouraging expanded use of targeted rates:
    - The provision of a consolidated summary of targeted rates including purpose and financial details adopted by council in Vol.3, Part III;
    - Confirmation of a priority setting for targeted rates to reflect area contributions for specified, measurable benefits; i.e. targeted rates for measurable improvements to an area need to be tied and transparently apparent to the 'area' of those contributing the targeted rate

46. In support of the principle of boards being appointed to work with council to oversee implementation of targeted rates, as central Auckland's longest serving and largest business representation organisation, we request the Chamber be included on the CBD Board. The Chamber has been located in the CBD since 1856, and some of members have been in business throughout that the life of local government in Auckland.

Development contributions – a tool to support growth-related infrastructure

47. We note the provision in the draft LTP for development contributions to be used to "recover the costs of growth related, new infrastructure from developers rather than existing ratepayers" (Vol. 1, p. 46 and detailed in Vol. 3, Chapter 8, pages 178-195).

48. The Chamber supports the principle of development contributions on the basis that they represent a move to a more user-pays financing of the services and benefits received. We agree that those who benefit from a new development should pay a **reasonable, fair and lawful** contribution for providing the necessary supporting infrastructure in the area of the development.

49. However, we have had insufficient time to examine the full detail of the new system proposed. Our feedback here is at a high-level and qualified against further assessment of this important area of council activity.

50. As drafted the policy is **extremely complex** and impossible to fully understand in isolation from council's overall asset management plan which the policy is meant to support (See Vol. 3, p. 178).

51. We have concerns that the policy purpose appears open-ended to allow development contributions to be able to help fund any infrastructure within Auckland, including major transformational infrastructure, unrelated to and distant from the actual area of a particular development.

52. **This lack of transparency is a concern.** In particular, the policy framework and its application appears to need tightening to make it transparent that the level of development contribution will be set strictly to help finance the infrastructure requirements in the area of the development.

53. For example, we note that most greenfield developments are close to the margins of metropolitan Auckland. Accordingly, the development contributions regime needs to be transparent to ensure it is (just) meeting marginal growth related infrastructure requirements.

54. Setting this transparent set of conditions is extremely important, both to ensure developers are paying a fair and equitable contribution and to give confidence to local boards that developments in a board area are receiving an appropriate contribution to meet 'local area' infrastructure needs.

55. That is, we believe that in respect of a specific development, council and the developer should be able to identify that the contribution the developer is required to meet will be spent on specified amenities, storm water and transport improvements that relate to the specific project.

56. **A collaborative mechanism and appeal process is required?** We further suggest that this is an area of council business where there should be a collaborative mechanism in place between council and developer, as we referenced in our overview section above.

57. At the very least, and reflecting the complexity of the development contributions process, the Chamber strongly believes and **recommends** that an appeal mechanism be provided.

58. Establishing the development contributions regime as a collaborative process with an appeal mechanism would help to:
    - Replace complexity with **simplicity**
    - Inject **transparency** and help to determine the "growth" portion of a development that is "fair and reasonable" for the developer to pay
    - Provide **certainty** and professionalism to the transaction.

59. We further **recommend** that before Council locks in place its new policy and supporting schedule of charges comparative data is gathered showing how development costs in comparable cities including Australia are apportioned.

60. Undertaking this task is required in order to ensure that Auckland's development contribution regime is not only internationally competitive, but structured in a way to promote new growth and investment.

61. We are also concerned at the apparent open-ended nature of the policy reflected by the provision for amendment using council's special consultative procedure. Accordingly to give greater certainty to the market, we **recommend** that once a firm Schedule of charges is confirmed, Council give an undertaking that they will remain fixed for an appropriate duration; e.g. the 3 years of a council term.

62. Finally, given the complexity of the policy but need for a process that is easy to understand and do efficient business with, is transparent and fair to all, the Chamber **recommends** that an **independent audit** be undertaken to test that Council is in fact putting in place a **"reasonable, fair and lawful"** development contributions policy and Schedule of charges.

Fees and charges

63. The Chamber notes Council's proposal to increase a range of fees and charges "to reflect the cost of providing the services and set the appropriate level of ratepayer subsidy to these services." (Vol. 1, 46 and Volume 3)

64. As noted above in respect of rates and development contributions, the Chamber has concerns as to the overall fairness and reasonableness of the increases. We repeat our concern that many of the projected increases are not consistent with council's own policy of maintaining increases in rates (and other charges) at the council's cost of inflation (Vol.1, p.36).

Wastewater charges

65. The draft LTP sets out a proposal for a new system of wastewater charges, and is reviewing the way it provides these services and charges for them in a separate consultation process. (Vol. 1, pages 36 & 46, and Vol. 3, Chapter 7, pages 174 – 177).

66. The Chamber is concerned to ensure that this consultation and the resulting regime be structured in a way to promote Auckland's growth and international competitiveness.

67. Accordingly, we suggest that a benchmarking process with Australian cities be undertaken as part of the consultation and, as noted above, give careful attention to deliver on the key principles of the Auckland Plan to transition

Auckland into an internationally competitive, growth-led, business-friendly and world's most liveable city.

68. The Chamber notes that council proposes 'a fixed and volumetric tariff' be set for two classes of user – domestic and non-domestic. A negotiation on a rate of transition arrangement for larger non-domestic users is proposed (Vol. 3, p.175).

69. The Chamber is greatly concerned to ensure that Auckland does not shoot itself in the foot through this approach, and points out that if this outcome prevailed there would be a huge increase in water prices facing large water users, including businesses which provide many jobs and compete with Australian counterparts to produce products for each others' markets. Wastewater charges that currently cost more than $200,000 could increase to more than$1,500,000 under the formulae proposed.

70. Such an outcome would be unfair, short-sighted and unacceptable:

- It is unfair, because it ignores basic water distribution and operational differences and costs between large and other water users. At the very least, and reflecting why a bulk pricing arrangement for large users was put in place under the previous governance arrangements, there should be an investigation of the actual cost of servicing and distributing to large water users, and this investigation should include benchmarking with Australia – both on tariffs and industry classification and types.

- A decision that makes no differences between different types of (non-domestic) industry customers and actual costs is short-sighted because it reinforces options businesses have not to locate in Auckland or to relocate elsewhere. A short-sighted Council could end up destroying many hundreds of jobs – both directly and through supplier networks.

71. The Chamber therefore **strongly recommends** the council encourage a head-to-head negotiation with large water uses based on confirmation of actual costs and maintaining Auckland industry's competitive advantage. Clearly, the new wastewater regime needs to be re-examined in a context of Auckland's long-term interests and is not a change that can happen in one step.

ECONOMIC DEVELOPMENT

Agree with goals.....

72. As submitted to the draft Auckland Plan, the Chamber supports Council's goals to ensure Auckland is an innovative, outward-looking global city with a productive, high-value economy. We also strongly agree with the Auckland Plan's aspiration to establish an internationally competitive, prosperous economy for all Aucklanders through a step change in exports and internationalisation.

73. To achieve this goal the draft LTP provides for capital expenditure of $735 million over 10 years. This expenditure is to be spread over a range of projects from smaller local initiatives such as upgrades of town centres through to more significant investments – major events strategy, cruise ship terminal, Wynyard quarter, super yacht re-fit facility, innovation precincts (Vol.1, p.43).

74. The Chamber agrees that these activities should be focused on as part of creating a more outward-looking productive high-value economy.

75. We also agree on the need for projects that optimise and enhance our competitive advantages, deliver transformational projects such as tertiary clustering, and foster and encourage entrepreneurship and innovation through enhanced investment in people to grow skills and local workforces (Vol. 2, p.32).

..... But a collaborative approach will be critical for success

76. However, we note that council intends to deliver most of these activities “through various council departments as well as through one of our substantive CCOs – ATEED” (Vol. 2, p.32). Such a limited approach is bound to result in failure. If Auckland is to undergo the bold transformation set out in the Auckland Plan and supporting documents, a collaborative approach with the private sector, central government and many other key stakeholders will be required.

77. As noted in our opening section, a critical weakness in the draft LTP is the lack of any mechanism to enable and encourage collaboration among Auckland stakeholders. Given the repeated high-level advocacy to Auckland Council by international city specialists that a critical success factor in moving Auckland through a meaningful and measurable transformation depends on securing a working partnership with the business sector, we are disappointed and perplexed at the failure of the draft LTP economic development initiatives to seek to exploit business sector resources and expertise to advantage.

78. This failure to explicitly embrace a collaborative approach has both expertise and resource duplication and wastage implications. More than $200 million is provided over 10-years ($13 million in 2012/13) for encouraging local economic development and to deliver business improvement (BID) programmes (Vol. 2, pages 35 & 37). The programme activities include strategic planning, networking and business development and capacity building. We note that many of the programmes will be carried out on behalf of local boards (Vol. 4), and which we comment further on below.

79. It is unacceptable that Council/TEED operate business improvement and other services in competition with private sector providers. It is an unnecessary cost to ratepayers, duplicates staffing and other resources and risks setting up services which could be delivered more effectively at a much lower cost by specialist contracted private sector providers.

80. Accordingly, the Chamber **strongly recommends** that before the draft LTP economic development programmes are finalised, council and business organisations meet to explore options to collaborate and work together to design and deliver agreed programmes needed to achieve the Auckland Plan's economic goals.

TRANSPORT

81. Council's key activities designed to deliver the Auckland Plan transport aspirations over the next 10-years are set out in three documents – the draft LTP (Vol.1, pages 41-42 & 48; Vol.2 chapter 10, pages 83-95; Vol.4; the draft RLTP and a Mayoral discussion document on alternative transport funding).

82. The Chamber's detailed feedback on transport infrastructure and funding has been provided separately through our membership of the Auckland Business Forum.

83. However, you should note from this submission that the Chamber strongly agrees with the intention 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 and the New Zealand Transport Agency (NZTA) are joined at the hip to work together to deliver.

84. We also note and strongly support the recent strengthening of the Auckland Plan (Chapter 11) to highlight fast-tracking three 'step change' projects designed to get Auckland in front of its growth challenges:
   - City Rail Link (CRL) to be completed by 2020
   - AMETI and East-West Link to be completed by 2020
   - Additional Harbour Crossing (road and public transport) to be completed by 2030.

85. We appreciate and applaud the constructive approach and opportunity to work closely with Council on an issue at the heart of lifting Auckland's economic competitiveness and making the city an attractive city for businesses to locate.

86. However, the positive changes to the Auckland Plan are not reflected in the draft LTP or draft RLTP. Accordingly, we **strongly recommend** a redrafting of both the 10-year LTP and 3-year RLTS to provide a project description and work programme to enable completion of CRL and AMETI/East-West Link by 2020. This will require:
   - A redraft of the AMETI project description in the draft RLTP section on major project (page 28 refers) to become an "AMETI and East West Link" project and description as set out in the revised Auckland Plan (See page 14 of 26 in the Auckland Plan draft of 17 February 2012).
   - A reorganised work programme and funding allocation for the existing AMETI configuration to shorten the existing time frame for completion of the project (currently 2033) to 2020.

- Establishing a fast-track work programme and funding allocation for the East-West route investigation & protection, scheme assessment and consent stages, and securing funding to ensure construction completion by 2020.
- Inclusion of a detailed work programme and funding requirement to enable completion of CRL by 2020.

87. The Chamber also seeks a strengthened commitment in the draft LTP and programme in the RLTP to undertake a robust and transparent wider economic benefit assessment of all major projects to identify productivity and value for money benefits, in order to provide evidence the projects will in fact assist to achieve the Auckland Plan's economic and transport policy objectives.

88. For example, from a transport system perspective, there would be little point in Auckland spending $5 billion to build CRL, or a further Waitemata Harbour Crossing, or an East-West transport corridor if there is no measurable reduction in congestion.

89. Similarly, given the approximate $10 billion funding gap identified in the Auckland Plan for projects scheduled to be completed by 2020, we consider it important that assessment of economic benefits of all major projects, both road and rail, be undertaken against the same criteria. Again, making a big effort to raise significant capital and provide operating funds for projects that end up giving Auckland a legacy of indebtedness would be counter-productive.

Alternative Funding for Transport Discussion Document –

90. The Mayoral report on alternative transport funding sets out 12 options for addressing the estimated $10-15 billion funding gap for financing major transport infrastructure that will be needed over the next 10-15 years to keep pace with Auckland's rapid growth.

91. However, if we are to have a rigorous debate that looks at all funding sources without a pre-conception of the most efficient, affordable and fair to all Aucklanders, options such as asset sales – partial or full – and infrastructure bonds need to be part of the debate.

92. Also, the Chamber strongly submits that <u>before</u> a preferred new funding tool or package of tools can be agreed, Aucklanders need to know what amount of revenue each option is capable of raising, and also have a good understanding on what the revenue raised will help pay for and how long the 'tool' will be required.

93. As noted above, the package of priority transport projects set out in the Auckland Plan for completion by 2020, especially CRL and AMETI & the East-West corridor (between SH1 at East Tamaki and SH20 at Onehunga) have been prioritised without a comprehensive assessment of their transport

and economic benefits relative to their estimated $10 billion cost having been undertaken.

94. Some serious work is required to identify:
- What funding is required for delivery of this Priority Package?
- What funding is available?
- What the difference is i.e. funding gap?
- What are practical, affordable options for funding the ‘difference’?

95. An assessment is also needed on whether the priority projects should each be funded separately; i.e. through a traditional project-by-project approach as used to finance Auckland’s recent transport infrastructure improvements – motorways and rail electrification.

96. Or, has the formation of a single Auckland governance and integrated transport system created an opportunity for some new thinking on how we fund major infrastructure? For example, would an integrated network approach to fund a package of projects be more efficient and less costly than seeking to fund each project separately?

97. As submitted previously, our preliminary view is tending toward supporting a low-cost strategic network charge ring fenced to cover the highest priority group/ package of projects – CRL, AMETI and East-West Link & 3rd Harbour Crossing (see latest AP draft page 16 of 26, 17March2012).

98. A low cost ‘user’ charge across Auckland’s strategic transport network would need to be positioned to be fair to all, simple, efficient and transparent. Aucklanders would need to be convinced that they are paying for service levels and choice they wouldn’t have without the travel options provided by the additional infrastructure the ‘user’ charge is paying for.

99. Subject to full assessment, we believe other options on their own fail to raise the revenue required to service a $10 billion funding package.

100. Given that Auckland currently generates around a third of the nation’s growth, and is anticipated that more than 50% of New Zealand’s GDP will come from Auckland in the foreseeable future, it is critical that the rest of New Zealand, especially stakeholders in the Upper North Island and also central government actively participates in the debate.

101. Government has rightly embarked on a rebuild of Christchurch as priority of our nationhood. One of the best options to generate increased productivity and resulting taxation to fund the rebuild is by getting the Auckland economy singing. This in turn will require a high performing transport network as a priority.

102. **Time frame and urgency:** The Mayor’s funding options discussion document has little information on the time frame and urgency for when and how long a new

funding arrangement might be needed. However, given council's plan to complete the AMETI & the East-West and CRL projects by 2020 – which the Chamber supports – there is a degree of urgency needed to decide how their construction will be financed.

103. Noting that work is currently commenced on the three highest priority projects, the Chamber **strongly recommends** an addition to the draft LTP to provide a timeline for the completion of the priority projects by 2021. The timeline should include a breakdown of funding requirements by milestone; e.g. investigation, notice of requirement, design, consent and construction. Doing this will identify when the major capital sums will be required by, and help give greater urgency to the funding debate.

104. There can now be no going back on these game-changing projects. Instead we believe a strong case can be made for going faster.

LOCAL BOARD INFORMATION AND OTHER MATTERS

105. The Chamber notes that many of the initiatives proposed by local boards in the draft LTP (Vol.4) relate to topics which the Chamber has a vital interest on behalf of members. They include:

- Creation of innovative business hubs
- Development of local business precincts 'as a great place to invest and do business'
- Strategies to overcome high youth unemployment
- Encouraging export businesses to locate.

106. A preliminary assessment indicates that some of these proposals duplicate already existing programmes and activities of private sector organisations, and have the potential to waste rate payer funds that could be better spent on other activities.

107. As noted above, the Chamber **strongly recommends** that before the draft LTP confirms allocations for local boards to conduct and/or contract local employment training and youth skills need assessment programmes, there needs to be a conversation between council and business organisations to, firstly, better understand exactly what council has in mind and, secondly, to explore options to collaborate and ensure the most cost-effective value for money option is adopted to achieve the Auckland Plan's economic goals. It would be stupid for council to sanction local boards setting up employment-related programmes that duplicate services already available through the private sector.

108. In respect of proposed local board transport initiatives, the Chamber notes:

- In **Rodney**, Penlink will provide a direct road between Whangaparaoa Peninsula and the Northern Motorway from 2020 with a budget of $109.5

million (Vol.2, p. 90). This is an increase of $25 million on the $85 million indicated for the project in the 2011/12 Annual Plan, and needs to be explained as does whether there is benefit-cost assessment justifying this level of expenditure for a manifestly 'local' project. For many years, Penlink was developed as a potential private-public partnership (PPP) toll route. The apparent changed status of the project and its prioritisation against other important investments required to improve Auckland's transport infrastructure needs to be explained. The Chamber believes the option for Penlink to be undertaken more quickly as a tolled route should be considered by Transport Auckland, and notes the project is of similar scale to the Puhoi Toll Tunnel suggesting it could be a viable option.

- In **Orakei**, the Board is developing its own transport vision for the Orakei Ward to assist in advocating to the governing body including solutions to congestion on key arterial rotes and decisions on an undergrounded eastern transport corridor designation (Vol. 4, p.212). The Chamber strongly encourages the Orakei Board to give some urgency to seeking a transport and economic benefit-cost assessment for delivering an undergrounded eastern corridor, and bringing this forward into the current transport funding debate and draft LTP plans for a completed AMETI & East-West corridor by 2020 and a completed third Waitemata Harbour crossing by 2030. We applaud the Board for its new and independent thinking, but encourage members to translate their ideas into a wider regional setting.

CONCLUDING COMMENTS

109. The draft 10-year LTP provides the opportunity to deliver a number of game changing projects that will help make the step change sought in the Auckland Plan and places the city in front of its growth challenges. The rest of New Zealand is watching the new Auckland governance process unfurl. If we get at right – as we must – we establish a benchmark for a new workable model for local government in other areas of New Zealand.

110. As we submitted to the draft Auckland Plan, how well we do economically ultimately underpins everything in the plan. The priority 'to-do' projects in the draft LTP therefore need to be in areas that will help build an internationally competitive prosperous economy that all Aucklanders can benefit from and participate in. This includes 'catch-up' and 'step-change' transport infrastructure projects, and ensuring business-friendly rates, fees and other charges, as well as services.

111. The core delivery role of the draft LTP is to create a city that is easy to do business <u>in</u> and reflect a council wanting to be easy to do business <u>with</u>.

112. The finalised draft LTP needs a strong, compelling evidenced based schedule of the priority projects to address Auckland's big issues, and which includes a realistic, affordable and fair funding strategy that has public buy-in, as well as a

transparent work programme designed to achieve the priority projects implementation by 2020.

113. We are seeking a ‘to-do’ action plan that we can join with Council to champion and promote, and look forward to resourcing and delivering over the next 10-years in order to make Auckland an even more attractive place to locate a business, live, work and visit. We are not quite there yet.

Michael Barnett
Chief Executive

23 March 2012