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Report to Policy and Finance Committee
from Howard Stone, General Manager

Regional Economic Development

1. Purpose

To update the Committee on regional economic development issues, including the report of the working group on the feasibility of a regional economic development agency (known as Start Up Group or SUG).

2. Background

In August 1999 a regional economic development study was commissioned by the chief executives of the councils in the Wellington region, driven by concern about the economic outlook and the view that a regional approach needed to be taken to this problem. A consultant (David Miller of Vantage Consulting) undertook the study with the brief of scoping: how best to attract business; how to retain business and how to expand tourism in the Wellington region.

The Vantage report was the stimulus for a regional economic development forum held at Parliament Buildings on 29 March 2000. The outcome of the forum was the establishment of a working group, chaired by Francis Small, to examine the feasibility of a regional economic development agency.

The regional working group (known as the Start Up Group or SUG) presented its findings to a regional briefing session held on 29 August 2000 at the Stadium. The Start Up Group recommended the establishment of a regional economic development agency commencing work from March 2001. The proposed agency would operate

under a trust governance structure, with no more than ten trustees, representative of the partnership involved in the initiative. SUG anticipated that the cost of establishing the regional agency would fall initially on local authorities in the region and that central government and private sector funding would be attracted for specific projects.

Councillors received a copy of SUG's full report with the Information Bulletin on 1 September (Issue No 2000/40). The executive summary of the report is appended as **Attachment One**.

Following the briefing at the Stadium, Francis Small wrote to me asking that the Council consider the SUG report and possible funding support for a regional economic development agency. A copy of the letter is appended as **Attachment Two**.

3. **WRC Role in Regional Economic Development**

In February 2000 the Council published the first edition of *Regional Outlook* in response to calls from both the private and the public sectors, that information on the regional economy is a necessary, but missing, ingredient for economic development. Feedback on *Regional Outlook* has been very positive.

The Council has also been asked on a number of occasions to take a more active role in economic development in the Wellington region, for example the request last year to fund the Wider Wellington Olympics Trade Focus Group (WWOTFG) initiative. However, current local government legislation prevents regional councils from doing this. Legal opinions (from Simpson Grierson and Oakley Moran) have confirmed that regional councils cannot fund economic development initiatives under the Local Government Act or other legislation.

The Council on 6 October 1999 (report 99.574) in response to legislative restrictions on providing funding for the WWOTFG initiative resolved:

That the Local Government Act is overly restrictive in respect of the role of regional councils to support economic development and that appropriate steps urgently be taken to advocate for legislative change.

Since passing that resolution the Council has taken every opportunity to advocate for legislative change to enable it to play a more active part in regional economic development. This included inviting the Minister for Industry and Regional Development, Hon Jim Anderton, to launch *Regional Outlook* to highlight to a government committed to regional development, that there was need for change to the Local Government Act to enable regional councils to play a greater role. Officers have also briefed central government officials on the issue.

In its report SUG recommended that support be given to a change in local government legislation to allow the Regional Council to participate in regional economic development initiatives. Councillor Margaret Shields also took the opportunity in her speech at the briefing on the SUG findings, to emphasise regional support was needed for legislative change for the Regional Council to play its part.

In the long term financial strategy the Council has made provision for funding economic development initiatives from year three (2002/2003), in anticipation of the law being changed. This also reflects the philosophy underpinning the long-term financial strategy that there are strong linkages between community wellbeing, economic performance and environmental sustainability.

4. **Comment**

The Council's position on economic development to-date, has been premised on the basis that there is regional community support for it to play a greater role in economic development. Indeed, certain sectors of the community have been particularly supportive, including the Wellington Regional Chamber of Commerce.

However, there does not appear to be wholehearted support from the territorial authorities in the region, for the Regional Council to play a role in economic development, beyond the provision of information. The territorial authorities have been invited on several occasions to express their support for legislative change so the Regional Council could be actively involved in economic development, and this support has not been forthcoming. In my opinion this is most regrettable, particularly in the light of the co-operative environment existing in Auckland, as demonstrated through the form and actions of the Auckland Growth Forum.

At this time it is clear that no real appetite exists in the region's territorial authorities for supporting the law change recommended by SUG. As a consequence the WRC has no real prospect of participating as an equal and effective partner in the proposed economic development agency.

Therefore it is my recommendation that the WRC concentrates on what it is permitted to do under current legislation and does not become a participant in the proposed development agency.

We will of course continue to publish *Regional Outlook* and to indirectly support the regional economy through our core business activities such as flood protection, bovine TB eradication and the cost effective wholesale delivery of water.

5. **Recommendations**

That the Committee recommends to Council:

- (1) *That the report of the Start Up Group on regional economic development is received.*
- (2) *That it notes that there is not wholehearted support from the territorial authorities in the region for a legislative change allowing the Council to play a greater role in regional economic development.*
- (3) *That it resolves not to participate in the proposed regional economic development agency.*

(4) That it confirms its willingness to actively support the economic development of the region to the extent that it is permitted within existing legislative constraints.

HOWARD STONE
General Manager