

consultation

September 2006

# wellington regional strategy

A sustainable growth strategy for our region



This consultation document contains summaries of two proposals. The first is a summary of the proposed Wellington Regional Strategy. The second is a summary of an amendment to Greater Wellington Regional Council's 2006-16 Long-term Council Community Plan. The amendment is necessary for Greater Wellington to:

- take responsibility on behalf of the region as 'keeper' of the strategy and in doing so take on a significant new activity in regard to future governance and funding
- establish a new council controlled organisation, and
- amend our Revenue and Financing Policy.

We want public submissions on both proposals. Information on how to get copies of the two detailed statements of proposal is provided on page X. A submission form is on the back page. The consultation period begins on 30th September and closes on 30th October 2006.

## Building sustainable prosperity for the region

The Greater Wellington region is a great place to live and work. To keep it this way we must ensure our economy is internationally competitive and growing sustainably. As a region we face some challenges to achieve sustainable prosperity, which is why in 2004 the local councils of the Greater Wellington region decided to work together to develop a Wellington Regional Strategy to achieve our economic goals.

This is a very important issue for us all. Our lifestyle is linked to having a successful and sustainable economy, and in the last five years the region has not kept up with growth elsewhere in New Zealand. In the past the cities and districts of the region have worked separately to encourage new businesses and growth. Now we believe we must work together as one region, public, private and voluntary sectors if we are to meet the challenges of international competition.

Working together as the Wellington Regional Strategy Forum, the region's local authorities have now agreed

on a proposed strategy and the approach to put it in place. Under the proposal Greater Wellington will establish a committee of local body and business leaders to oversee the strategy, and will take over responsibility from local councils for levying the rates.

This document includes a summary of the proposed strategy, and a summary of the proposal to fund and implement it. We would like your feedback on each of these proposals.

Achieving our sustainable growth targets will not occur from tinkering around the edges, it requires economic transformation. Only by working together, toward the same goal, will we achieve this aim and keep the region a great place to live and work.

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Quality for Life

# A strategy for sustainable growth

Successful, internationally competitive regions have three key characteristics. They're great places to live, they have excellent career opportunities and they have strong vibrant economies. The Wellington region is a great place to live and that's not just parochialism. In the Mercer quality of life index, covering 350 cities worldwide, Wellington ranks 12th. But the region's economic performance is not so rosy. This affects our ability to offer excellent careers and is a threat to long term prosperity.



A challenge for the Regional Strategy is to ensure more even population growth across the region

The need to improve our economic performance was the catalyst for the Wellington Regional Strategy (WRS) - a sustainable economic growth blueprint for the region.

While the region's economic output, as measured by GDP, is slightly higher than the national average, our growth is slowing. In the last five years the region's annual GDP growth has been 2.2 percent compared to a national average of 4.7 percent. In other measures, for example our unemployment rate of 4.9 percent, we are slightly higher than the national average (4.5 percent).

Much of our recent economic growth has resulted from increases in central government activity and we expect this to slow.

Of increasing importance when benchmarking our performance

are international comparisons. The average New Zealander in full time employment earns \$45,000 per annum, one third less than the equivalent Australian figure of at least \$68,000. The skills shortages we have in sectors such as health, the trades, IT, finance and engineering are mirrored in most parts of the western world. Our competition is therefore not so much Auckland or Canterbury, but Sydney, London and New York.

We need to do better. We need to grow our economy at a rate of at least 4 percent per annum. This WRSt is about how we can achieve this improvement. Our success is dependent on our ability to grow and retain existing businesses and develop new activities. In all cases our focus needs to be on businesses that are currently, or have the

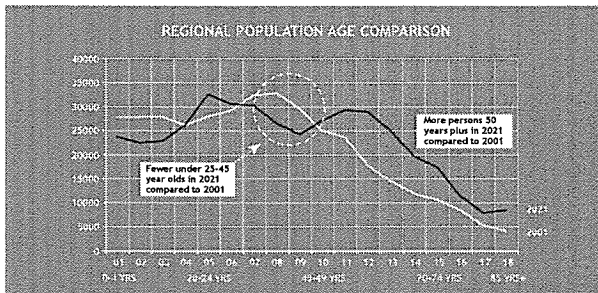
potential to be, world class in their fields.

Business growth initiatives will focus on exports. Currently just 13 percent of the goods and services we produce are exported. This means we are too reliant on the New Zealand economy. While we need to retain and grow our existing businesses, it will be our regional export capability that will make the real difference.

Achieving our sustainable growth targets will not occur from tinkering around the edges, it requires economic transformation. The WRS incorporates many initiatives to bring about that transformation. For example, region wide broadband and excellent international air connections are key to a successful regional economy. Yet Wellington's

broadband is at best adequate, and we have few direct international connections from our airport. The WRS deals with both these issues.

Population growth is equally important, providing the workforce skills a growing economy needs, and funding the infrastructure and lifestyle improvements we desire. While the region expects reasonable population growth, much of it is projected to occur in Wellington City and Kapiti, with other areas projected to grow modestly. We also face a future shortage of 25-45 year olds (see graph) who make up the bulk of our workforce. A challenge for the WRS is to ensure more even growth across the region and a better match between where the jobs are, and where people live.



# A leadership team with the muscle to succeed

The WRS leadership structure is a triumph of big picture thinking in that the region's local government leaders are recommending a team that would make decisions on a regional, as opposed to local authority, basis. The team also reflects a strong commercial orientation.

Established as a formal committee of Greater Wellington the team appointed to take the WRS through its first phase - public consultation, is:

- Sir John Anderson - Consultant and company director
- Ian Buchanan - Chairman Greater Wellington Regional Council and interim chairman of the committee
- Prof. Paul Callaghan - Professor of physical sciences at Victoria University
- Diana Crossan - Retirement Commissioner and Company Director
- Ken Douglas - Councillor, Porirua City Council
- Bob Francis - Mayor, Masterton District Council
- Wayne Guppy - Mayor, Upper Hutt City Council



The Westpac Stadium is an excellent example of what regional cooperation can achieve

- Prof Ngatata Love - Professor of business development, Victoria University
- Alan Milne - Mayor, Kapiti Coast District Council
- David Ogden - Mayor, Hutt City Council
- Kerry Prendergast - Mayor, Wellington City Council
- Catherine Savage - Managing Director of AMP Capital Investments

The Committee will effectively be the keeper of the WRS. If confirmed through public consultation, one of its first tasks will be to establish an economic development agency to implement the WRS initiatives. It will monitor and review progress and it will make funding recommendations.

## Regional funding

Currently the region invests \$7.40 per person per year on economic development funding. It is proposed this be increased to \$8.70 or a total figure of \$4 million for the region in 2007. Subsequent funding would be decided by the committee overseeing the WRS.

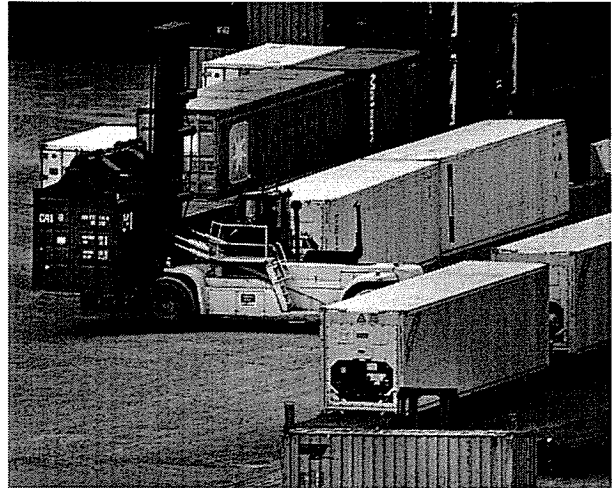
Funding needs to be viewed in the context of what it potentially delivers. For example one of the WRS initiatives deals with the need to encourage direct flights to and from Asia. If long haul flights resulted in tourists extending their stay in Wellington to three nights (currently two) this would inject an additional \$82 million per annum into the regional economy.

## Export, export, export

Wellington is the home of Government and some of New Zealand's most significant businesses - including Telecom, ANZ National Bank and New Zealand Post. This underpins the regional economy and retention and expansion of existing businesses is a key element of the WRS. However, we need to do much better.

Our prosperity and quality of life is at risk if we don't substantially strengthen our regional economy. We need at least 4 percent annual GDP growth. A critical area for attention is our export capability for services and goods. Steps for improving export performance also have spin off benefits for many domestically based businesses.

Currently, just 13 percent of everything the region produces, be it skills or products, is sold offshore. The result is that we are too reliant on the rest of New Zealand for our growth. A core aim of the WRS is to increase our exports to 26 percent of GDP by 2026. In other words double the current ratio to bring us up to the New Zealand average.



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## Capitalising on our strengths

There are several sectors where the Wellington Region is now, or has the potential to be, world class. Potential 'centres of excellence' include our existing expertise in film and animation, natural hazards (earthquakes), energy (wind and sea) and marine research technology.



Recent business incubator 'graduates', from left Stephen Cheng of Innaworks, Tim Copeland of Silverstripe and Sam Ng of Optimal Usability

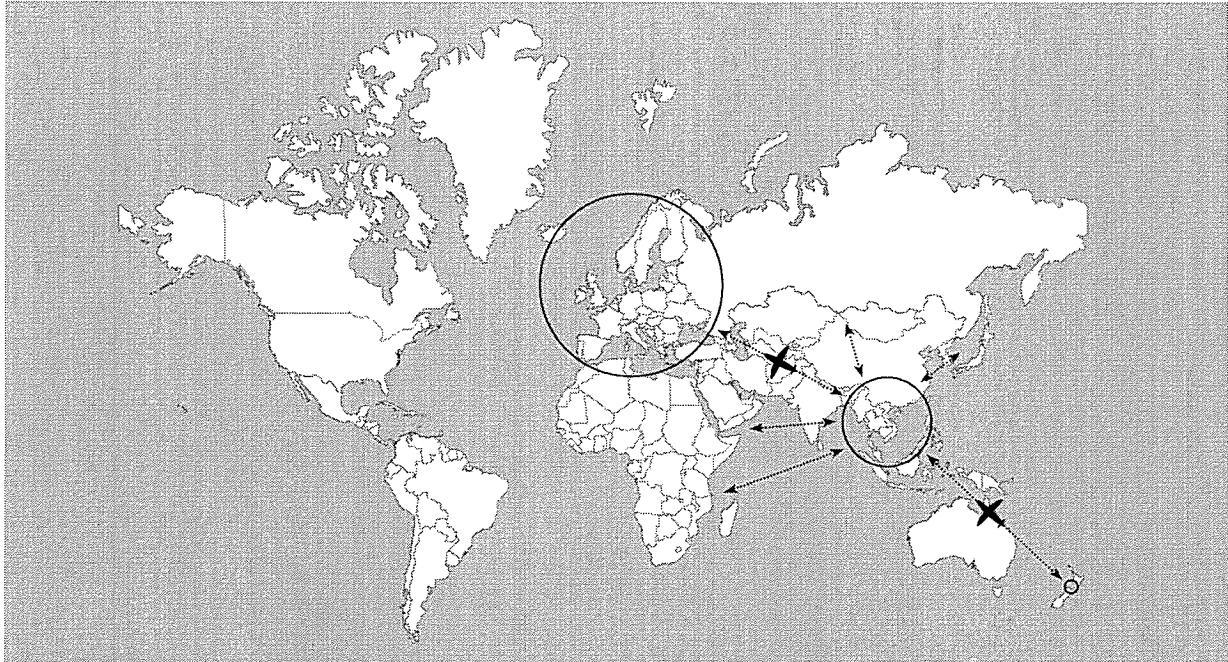
For example, the vast volumes of water that are funnelled through Cook Strait result in some of the strongest currents in the world. Technology will ultimately result in this natural advantage being captured for energy use.

The WRS 'centre of excellence' programme will identify and develop the region's strengths. Centres will be developed by linking relevant education, research, business and government interests. These linkages will reduce the time between a business idea and its commercial success. This extends and builds on existing sector development initiatives, and introduces models proven internationally. Alongside this it is proposed the region's five business incubators be consolidated into one. This will reduce competition for funding and improve the incubator's ability to spawn high growth business with a multi million dollar export capability. Complementary to the incubator programme is a proposed business innovation and advancement academy. The academy's role is similar to its sports equivalent. While more hands off than an incubator it will provide mentoring and resources to businesses that fit within the centre of excellence programme.

Growth will also occur through attracting businesses that match the centre of excellence criteria. In some cases an individual can bring about enormous change - Peter Jackson's impact on the film industry being an excellent example. As with many regional strategy initiatives success will be the result of partnering with existing providers. In the case of business attraction, a key partner is Investment New Zealand.

## Breaking down the barriers

While many businesses express a desire to export, research suggests only one in five do so. There are many reasons for this and they mainly relate to a lack of skills, connections, market intelligence and capital. The WRS proposes a network of agents in target export markets and the development of sister city relationships so they become commercial as well as cultural partnerships.



A direct air service to Asia, one stop to Europe, is arguably the most significant thing the region can do to realise its economic potential

Consolidation of the region's marketing efforts is also proposed. Currently we have a range of marketing initiatives and web sites in the migrant attraction, education, exporting and investment sectors. This has the effect of diluting the impact of our already modest budgets.

Tourism has been a strong performer in large part through concerted Regional Tourism Organisation activity - and accounts for 10 percent of regional domestic product.

The inability to fly directly to Asia and onwards to Europe and our mediocre region-wide broadband offering are arguably the two most significant handbrakes on the regional economy. Currently business travellers, tourists and exporters are forced to travel or freight via Auckland or Christchurch. For travellers this often means staying overnight in Auckland. The resulting

additional cost, both in time and money, virtually eliminates Wellington as a standalone tourist destination from Asia and it is a severe handicap on the region's ability to attract or retain businesses who travel or export to Asia and Europe. New age lightweight planes that can land and take off from Wellington's runway come off the production line in 2008. The WRS has a goal of attracting an airline with direct links to Asia and Europe by 2010.

Similar cost and time delays apply to broadband. Currently only the Wellington City's CBD has broadband that is internationally competitive. Operators outside the CBD, especially those who 'export' complicated data-bases, video and voice endure slow transmission times. This is at odds with our innovation capital positioning. The issue is to be addressed with urgency with Councils either facilitating private sector development or owning and operating the infrastructure themselves as they do with other essential services.

## "I can't get skilled staff"

The inability to attract and retain skilled staff is a handicap for business and it's a problem common to the western world.

In Europe the working age population is expected to decline by 65 million over the next ten years meaning the rich countries of the world will want, and be prepared to pay handsomely for, our most skilled and able people. In fact they are doing so now - an accountant with reasonable work experience can expect to earn \$74,000 in New Zealand compared to \$129,000 in London. Improving our economic performance will help close this gap.

We also need to improve our productivity. It has been estimated that two thirds of New Zealand's economic growth since 1990 has come from working longer hours and one third from working smarter. Addressing productivity issues is a key aim of the Wellington Regional Labour Market Strategy - a joint initiative of the WRS, the Department of Labour, Ministry of Social Development and a range of private sector, central and local government organisations.



International competition for our youngest and brightest will increase

## Improving our “form”

Regional form is about the physical arrangement of our urban and rural communities and how they link together. It includes many of the things that affect our quality of life.

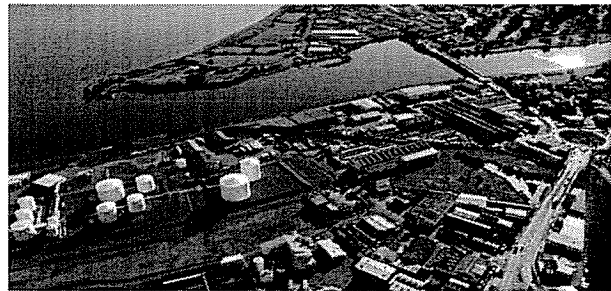
Getting our regional form right also has economic spin offs. Australian research for the Melbourne 2030 project estimated an ongoing 2-3 percent improvement in regional GDP through optimising regional form. Applying these principles to the WRS would result in at least an additional \$150 million to regional GDP.

The Wellington City CBD and the sub-regional centres are the engine rooms of the regional economy. It is important a complementary relationship is maintained between them. If too much business is located in the Wellington City CBD this dilutes growth in places like Hutt City and Porirua and increases traffic congestion as more people commute to Wellington City. Conversely, if too much growth occurs in the sub-regional centres, the vitality and quality of the CBD is at risk and will affect regional prosperity.

Housing choice and location is an important component of good regional form. Much of Wellington

City's vibrancy is a result of apartment growth. This creates business in the CBD - for example cafes - increases security and reduces commuting time because people live close to work. The WRS proposes greater housing density around city centres and around transport points. It also proposes more affordable housing close to where people work. Currently much of the affordable housing is located some distance from employment making access to jobs and services difficult for those who can least afford it.

As with many aspects of the WRS, transport planning is an important element. Strengthening decision making and analysis of the impact of transport and land use decisions is an area for attention. For example our research suggests economic benefit will result from better access to the port and airport, and improved east-west connections. This is especially relevant for integrating the eastern corridor of the Hutt



Seaview, Hutt City, is a good example of commercial/industrial land that is close to where people live, but it would benefit from improved access to main transport links



Much of Wellington City's vibrancy is a result of apartment growth

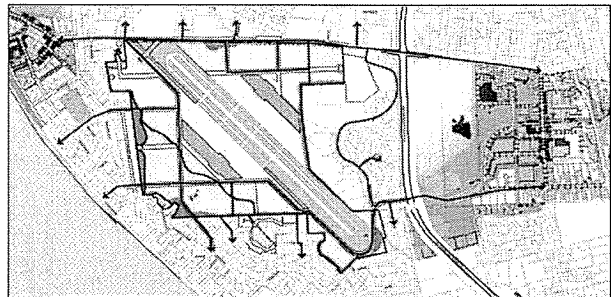
and Wairarapa with the western corridor of Porirua and the Kapiti Coast. We also need to ensure that the proposed Transmission Gully road links effectively with the Hutt Valley and Wellington City.

The region leads New Zealand in urban design. Greater Wellington is likely to be the first region to have all councils commit to the New Zealand Urban Design Protocol, a blueprint for best practice in urban design.

## Change areas

The region has identified eight ‘change areas’ which are particularly important for the successful implementation of the WRS. They are areas that are likely to come under development pressure, or represent an opportunity, where it makes sense for the region's local authorities to work together.

- > *Northern Waikanae edge.* A northern urban edge is proposed for Waikanae with a view to concentrating growth around urban and transport centres
- > *Pauatahanui* is close to the proposed Transmission Gully and State Highway 58 interchange. The inevitable development pressure that results from this needs to be balanced against the ecological importance of the area.
- > *Grenada to Gracefield.* Both these areas potentially meet the region's industrial and commercial growth objectives and both would benefit from improved transport links. An east-west link between the two would reduce congestion at Ngauranga and improve access to the port and airport. Meanwhile the Petone foreshore/Jackson St area lends itself to more intensive housing.
- > The *Johnsonville to airport growth spine* is critical because it contains key regional facilities including the port, airport, regional hospital and Wellington CBD. Planning needs to accommodate further growth pressures recognising this area is the engine room of the regional economy.
- > The area between *Paraparaumu town and the beach* incorporates an industrial estate, the airport site and vacant land. It is also the site of the proposed Western link road, the State Highway 1 expressway and a bus/rail transport hub. Careful planning is required to integrate current and potential uses with the overall objectives of the area.
- > *Porirua to Linden* is also an area of significant development opportunity incorporating the Aotea block, the old Porirua hospital land, Porirua city centre and industrial estates at Elsdon and Kenepuru Drive.



Paraparaumu Airport Holdings' plans for the airport, which are subject to formal planning processes, are an example of how the Paraparaumu town to beach change area could be developed

- > The area from the *interchange of State Highways 2 and 58, and Upper Hutt* is important for several reasons. It contains St Patricks College, Biosecurity at Wallaceville and the former General Motors site. There is opportunity to provide greater housing choice including intensification, especially around the transport points of Trentham, Silverstream and the CBD which will benefit from the proposed Transmission Gully motorway and State Highways 2 and 58 upgrades
- > *Waingawa*, near Masterton is a strategic employment site and has potential as an inland port, especially in relation to forestry, food and beverages.

# Greater Wellington to become "keeper of the WRS": Proposed Amendment to our Long-term Council Community Plan 2006-16

## Governance and Funding

During the process of developing the WRS, the WRS Forum gave serious consideration as to how it was going to be implemented and funded. This proposal is the outcome of the those deliberations and has Greater Wellington playing a larger role in the implementation of the WRS. This includes:

- Greater Wellington, via a new governance committee, taking responsibility on behalf of the region for the future implementation, governance and funding of the WRS. The committee is proposed to consist of seven council and five non-local government members.
- Greater Wellington establishing a new council controlled organisation (CCO) to be responsible for delivering the economic development initiatives outlined in the WRS through a Regional Economic Development Agency.
- Greater Wellington funding the existing and new initiatives outlined in the WRS by the implementation of a targeted rate for economic development initiatives from 1 July 2007, raising \$4.0 million (excl. GST) in 2007/08, and between \$4.5 million and \$5.0 million in the years 2008/09 and 2009/10. The final number will be decided following this consultation and after a detailed consideration on the specific strategic projects by the new EDA Board, the WRS Committee and Greater Wellington. The new regional targeted rate will replace rates currently collected by its partner councils for funding Positively Wellington Business.

## Options for governance and funding

The region's local authorities have discussed three possible governance and funding models in addition to the option of retaining the status quo. The option that we are consulting on is the preferred option:

- A standing committee of Greater Wellington, with membership from representatives of the region's councils and non-political appointees, with a Greater Wellington rate to support a Greater Wellington economic development agency (established as a CCO). This is the preferred option.

## Impact of financial projections

The proposed amendment has a number of impacts on the financial projections in the current Greater Wellington LTCCP. Key changes are:

- Greater Wellington will create a new targeted economic development rate which will be levied on all the ratepayers in the region. Revenue from this rate will be used to fund the proposed new economic development agency.
- For the purpose of this proposal, it is assumed that the economic development agency rate will collect \$4.0 million in 2007/08, \$4.5 million in 2008/09 and \$5.0 in 2009/10. The amount collected will then increase with projected inflation. These numbers exclude GST.

## Impact on your rates for 2007/08 (excluding GST)

	Rates charged by territorial authorities for economic development (1) 2006/07 Budget \$000	Proposed Greater Wellington economic development agency rate (2) 2007/08 Plan \$000
Wellington City	2,487	2,487
Lower Hutt City	496	662
Upper Hutt City	119	239
Porirua City	249	289
Kapiti Coast District	119	396
Masterton District	254	203
Carterton District	45	79
South Wairarapa District	113	145
Tararua District	0	0
	<b>3,882</b>	<b>4,500</b>

	per \$100,000 of capital value 2007/08 Plan \$000	per average residential property 2007/08 Plan \$000
Wellington City	\$7.02	\$29.57
Lower Hutt City	\$5.98	\$15.05
Upper Hutt City	\$6.03	\$13.07
Porirua City	\$5.84	\$14.89
Kapiti Coast District	\$5.23	\$15.13
Masterton District	\$5.23	\$9.73
Carterton District	\$6.62	\$9.75
South Wairarapa District	\$7.26	\$12.05
Tararua District	\$0.00	\$0.00

## Options for a delivery agency

Economic development initiatives will be the responsibility of either the existing or new economic development agencies (EDAs). Greater Wellington's preferred option at this stage is the creation of a new CCO established as a not for profit company, although all options remain under consideration.

The options, in addition to the status quo, that are under consideration include:

- An amendment to existing EDAs to make them accountable to Greater Wellington.
- Greater Wellington establishes a CCO as an incorporated charitable trust.
- Greater Wellington establishes a CCO as a not for profit company (this is the preferred option).

## Effect of the proposals on territorial authorities (city and district councils)

Seven of the eight city and district councils in the region are supporting this proposal. Upper Hutt City Council has objected. If adopted, these proposals will mean that city and district councils will cease to rate, or will significantly reduce or review their rating for these economic development activities. For example, the current funding for Positively Wellington Business (just over \$3 million) rated by five of the councils will cease, and will be replaced by the Greater Wellington regional rate.

The details of the impact of these proposals on the activities of the territorial authorities are specified in the detailed document.

## Effect on Greater Wellington's activities

Greater Wellington has considered the impact on its present and future operations of these new responsibilities, and is satisfied it will be able to meet these responsibilities in the future.

## Changes to Greater Wellington's policies

Greater Wellington proposes to make changes to its revenue and finance policy in order to establish its role (through the Wellington Regional Strategy Committee) as 'keeper' of the WRS. The policy is also to be changed to identify a new targeted regional rate to fund the proposed regional economic development agency.

## Prospective financial information

Prospective financial information contained in the amendment to the LTCCP was authorised by Greater Wellington Regional Council on 12 September 2006. The projections are based on a number of assumptions. However, actual results are likely to vary and these variations may be material.

Greater Wellington's LTCCP, which this amendment relates to, is also available from Greater Wellington. See back cover for contact details.

This table compares the rates currently being paid by ratepayers in the region for Positively Wellington Business and Go Wairarapa (column 1) with the economic development agency rate that Greater Wellington proposes to collect in 2007/08 (column 2)

In 2007/08, Wellington City, Lower Hutt City, Upper Hutt City, Porirua City and Kapiti Coast District will stop funding Positively Wellington Business and will cease rating the community for this.

Masterton District, Carterton District and South Wairarapa District will review their funding of Go Wairarapa prior to 2007/08 and may reduce the amount that they rate the community for this.

This table shows the proposed economic development agency rate both per average residential property and per \$100,000 of capital value for 2007/08. The figures are based on 2006 valuation.

Please note that these figures include GST



