AUCKLAND CHAMBER OF COMMERCE
Business Vitality

AUCKLAND REGIONAL CHAMBER OF COMMERCE SUBMISSION ON THE AUCKLAND COUNCIL DRAFT LONG-TERM PLAN 2015-2025

SUMMARY AND RECOMMENDATIONS

The Auckland Chamber of Commerce:

On Rates:

- **Recommends** the average rate rise should be limited to cover the rate of inflation, and this should be enshrined as a principle; (i.e., **oppose** the average 3.5% increase per year proposed).

- **Recommends** a $500 fixed charge for each property (UAGC), (**not** the $385 proposed).

- **Supports** Council's proposal to have no further capping on rate increases or decreases, so that residential ratepayers who own similar value properties will pay the same rate no matter where they live in Auckland.

- **Opposes** Council's 'transport targeted rate' proposal seeking permission to raise $300 million a year from rate payers as an interim measure until new alternative funding arrangements can be implemented.

- **Recommends** that in respect of Council's proposal to extend the City Centre targeted rate currently paid by businesses to city centre residents: i) only submissions from City Centre residents and businesses be considered; and, ii) a wider more representative consultation be undertaken directly with City Centre rate payers.

On Revenue Sources:

- **Notes** that 45% of Council's revenue comes from rates, and indicates its **strongest possible disappointment** that, i) the widely publicised summary consultation documents failed to provide a comprehensive breakdown of Council's revenue sources; and, ii) the ShapeAuckland website data indicates that the proportion of revenue generated from rates will not change significantly over the 10-year period.

- **Strongly believes** that Council should NOT be planning to continue to rely on rate payers for their revenue as the LTP indicates. It shows no intent for new thinking.

- **Recommends** that Council include in the LTP an initiative to seek, i) new revenue sources from all possible sources; and, ii) options to reduce the proportion of revenue generated from rate payers.

On Projected Spending:

- **Recommends** a line-by-line review of Council's projected spending, with particular focus on staff levels, planning and CCO activities, and services that could be delivered by the private sector and community groups.

- **Recommends** that Council formalise the stated intention to seek efficiency savings by focusing spending on core activities, so that measurable progress can be reported quarterly.

On Level of Debt:

- **Notes** that the level of net debt increases from $5.4 billion to $6.5 billion during the 10 year projection period. Even though within LGFA guidelines, i) the level of debt and the associated interest cost to each rate payer ($576 in 2015/16 to $695 in 2024/25) is at unacceptable levels; and, ii) questions whether the LGFA guidelines are appropriate to Auckland's new situation since Council's establishment in 2010.

- **Recommends** the Chamber's call for urgent action to find alternative revenue sources to rate payers as Council's 'cash cows' specifically seek alternatives to using rate payers to carry Council's debt interest cost.

On Council's Asset Base:

- **Strongly recommends** that Council conduct an open book review of Auckland Council's $42 million asset base. The terms of reference to include identifying options to increase Council's revenue, address conflicts of interest, and achieve the goal to focus on core business.

- **Recommends** that Council consider selling its **film studio** along with other assets that are not core Council business.

- **Recommends** that Council explore options to increase revenue from its 100% ownership of the **Ports of Auckland** by reviewing its ownership model and footprint; that is, pursue the 'landlord model' that local government-owned port cities around the world have adopted to advantage in the last 15-20 years.

- **Recommends** that Council explore options to increase transport revenue through 'value add' tower block property developments on Council-owned park and ride facilities at suburban rail and bus stations, and the proposed train stations on the CRL route, especially at Aotea Square.

On Employee Costs:

- **Notes** that: i) contrary to promises at the time that Auckland Council was established in 2010, Auckland Council staff levels have not significantly reduced from the levels that existed under the seven legacy councils at amalgamation (9430 FTEs in 2010 and 9394 FTEs at 30 June 2014), and, ii) employee costs as a percentage of rates revenue is between 49% and 39%, and accordingly:

- **Strongly recommends** the finalised LTP support review of what seems an excessive staff level and cost situation.

On Development Auckland proposal:

- **Supports** the establishment of Development Auckland as a CCO broadly as set out in the draft LTP.

- **Strongly encourages** Development Auckland to adopt from Day One a business-like approach and culture that is sensitive to: i) the needs of business, and in particular enabling timely and responsive regulatory and consent process, and ii) the need for a shared and collaborative organisation structure and working relationships culture with the rest of Auckland Council, central government agencies and the private sector will be critical for its success.

On Transport Funding:

- **Recommends** that the option to fund Auckland's unfunded transport projects by increasing rates and fuel taxes should be dismissed immediately as unworkable and unacceptable - rate payers are already carrying an unfair share of Council's transport costs.

- **Strongly recommends** that the motorway toll option be further debated in a context of an 'open book' with other possible options, and in particular the potential large revenue contribution that asset optimisation and value add initiatives might provide.

On Shared Agenda:

- **Notes** that Auckland's ultimate success to solve its back log of problems and address its big agenda of next generation issues needed to meet the demands of Auckland's rapid population and urban growth urgently requires a 'joined up' approach between transport, housing, urban and commercial development planning, and utility service delivery agencies, and accordingly:

- **Recommends** consideration to establishing a high-level collaborative arrangement between government, Auckland Council and private sector to focus agreement on actions required.

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INTRODUCTION

1. The Auckland Chamber of Commerce appreciates the opportunity to provide a submission on the Auckland Council *Draft 10-year Long-term Plan* (draft LTP) and companion Auckland Transport *Draft Regional Land Transport programme 2015-2025* (draft RLTP).

Auckland Chamber of Commerce

2. The Auckland Regional Chamber has a significant corporate membership including many businesses that expect their views to be forcefully represented in this Submission.

3. The Auckland Chamber is dedicated to the strengthening of Auckland's status as New Zealand's pre-eminent commercial, industrial and communications region and to assisting the development of the city in creating a desirable environment for its 1.5 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. **Address for service**: Please contact CEO Michael Barnett's Executive Assistant Dasha Taljaard: dtaljaard@chamber.co.nz or (09) 302 9916.

Role of business

5. Auckland has more than 200,000 registered businesses, 95% of whom are small-medium enterprises. They generate about 36% of New Zealand's wealth, jobs and taxation revenue. Although business property owners comprise just 17% of the approximate 525,000 rate payers, they generate around 34% of Council's rates revenue, and a significant proportion of the balance comes 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.

Scope

7. The Chamber submission is limited to topics of particular interest to how Auckland Council can help the performance of Auckland's business sector. We do not comment on a number of other important topics raised in the document, and in particular Council's management of Auckland's attractive natural environment and recreation amenities.

8. The Chamber's submission is divided into sections as follows:
   - **Summary and Recommendations**
   - **Overview of Long-term Plan**
   - **Financial Strategy and Management**
   - **Development and Infrastructure**
   - **Concluding Comments**

OVERVIEW OF LONG-TERM PLAN

9. Our review of the draft LTP and companion documents indicates very clearly that after 5-years since its establishment Auckland Council is not yet 'fit for purpose' and in some areas appears out of control.

10. The draft LTP documents proved difficult to navigate. The summary documents widely circulated for feedback are missing key information. The reference process to further LTP information on council's website makes it impossible to conclude with any certainty that everything required has been identified to make an informed assessment of Council's financial strategy and management performance.

11. There are at least 100 associated planning and strategy documents that tie-back to the Auckland Plan and LTP but many of which are not aligned to either.

12. The Council clearly has a long way to go in order to be able to justify the claim to be business-friendly.

13. As a result, submitters have been presented with some immediate difficulties and questions in attempting to assess how well Council is performing in its aim to "build a better Auckland." As the Mayor said of the 2012 LTP: "(We have) 10 years to build a better Auckland." The purpose of the draft LTP is to set out the tasks to do this.

14. Five years in to the tasks, the draft LTP 2015-25 lacks the robust information needed to properly assess Council's performance or measure progress. Questions needing answers include:
   - What is the steady state cost of running the Auckland Council organisation? The Governance and Support cost is indicated at around $520 million a year. Employee costs as at 2014/15 are $721 million and projected to increase by 29% in total over the 10 year period to $931 million. But no overview cost of Auckland's CCOs (other than transport and water) has been provided.

- How big is the organisation really getting? At the time the Council was formed there were approximately 9430 full-time equivalent employees. As at 30 June 2014 there were 9394 full-time equivalents (which translates to 11,133 staff), with 16% (or 1780 staff) earning more than $100,000 per annum. Yet the new Council was formed on an expectation of significantly reduced staff numbers over time.

- What level of rates rise is really necessary? The LTP proposes an average rate rise of 3.5% per year. The cumulative rate increase over the 10 year projection period of the document is 41%. Yet the Mayor said on the day he launched the document that he would do all he could to get the average increase back to 2.5% a year. How? In what areas?

15. These and other questions below deserve clear, unambiguous answers.

16. The balance of our submission expands these points and questions. We make no apology for preparing a robust, searching submission to this important document.

17. In a very real sense Auckland is at a cross roads. One road has us continuing to jolt along a conflict-riddled and 'jumping from crises-to-crises' road with no sign of real, measurable improvement to Auckland's core issues and governance decision-making. We have yet to find the other road we need to get onto and travel if we are to deliver the 'better Auckland' we all want.

18. The Chamber concedes that Council is in difficult situation, which to some extent is not of its own making. Amalgamation was forced on Auckland, with huge legacy council issues inherited that continue to require attention. We have a population increasing at twice the rate of the rest of New Zealand and faster than most European, American and Australian cities. There is a huge infrastructure shortfall 'catchup' programme required from decades of under investment, let alone the investments needed to keep up with the demands of Auckland's booming economy and population growth.

19. It makes Auckland different to anywhere else. But that's the point. We need to have total confidence that our next Long-term Plan will deliver the tasks Auckland needs to give priority to. We need a different approach and with it a different attitude and organisation culture.

20. In the 2012 LTP, Auckland Council agreed that for the LTP and Auckland to succeed it needs a collaboration arrangement between Council, central government and the private sector. But nothing was done.

21. There is still no mechanism or structure in place to achieve the level of collaboration between Council, central government and the private sector needed to ensure a shared focus and urgency to get ahead of the curve in

addressing the city's crucial infrastructure investment and decision-making needs.

22. This matter of how Auckland is set up to address its big issues needs a conversation followed by decisive action. Our submission makes recommendations to address this and other difficulties with and suggestions for improving the draft LTP.

FINANCIAL STRATEGY AND MANAGEMENT

23. This section sets out the Chamber's thoughts and recommendations to strengthen the LTP in respect of:
    - Rates
    - Revenue
    - Spending
    - Debt
    - Assets
    - Employee costs

Rates

24. ***General rate:*** The Chamber believes 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.

25. With respect to the proposed average 3.5% increase per year, over the 10 year projection period this represents a cumulative rate increase of 41%. This represents an unacceptable approach to doing business. Few businesses would survive if they planned in advance to add an average 3.5% level of cost every year to their enterprise. With firm leadership, councils should be able to plan to deliver significantly lower or 'nil' rate increases in some years, especially given the low inflation – low interest rate economy we are currently enjoying.

26. ***Fixed charge for each property (UAGC):*** The Chamber submits that a good case can be made for a UAGC that is higher than the $385 proposed, and which is much closer to the 'real' average cost of services that are provided to the great majority of property owners.

27. The LTP summary document indicates that the $385 figure has been set on a basis of perceived fairness; i.e. in a belief that owners of lower value properties tend to have less ability to pay.

28. Putting aside that it is not the role of council to second-guess what's needed to ensure a fair society (that's a government job which it does through the benefit system), the draft document is deficient in that it has no information setting out

the case for properties of equal value paying the same rates for the same services. If it costs $10 a week to collect a rubbish bin from each Auckland property, then every rate payer across Auckland should pay this?

29. The Chamber understands that the cost of council services is in the order of $2900 per rating unit. If rates could be decoupled from property values, then this would be a 'fair' rate to levy across all Auckland ratepayers?

30. Council claims it wants to shift more towards a user pay revenue system. This policy is surely a strong basis to gradually increase the UAGC closer to its true cost.

31. Accordingly, the Chamber **recommends** that council adopt a $500 UAGC, as a step towards a more fair rates system reflecting the reality that all rate payers have the same access to council services, regardless of the value of their property.

32. ***Business rate differentials*****:** The Chamber notes the adjustment of Council's 2012 policy to phase down the business rate differential by 0.1 over 10 years, by aiming to achieve the outcome of a business differential of 1.63 in 2025-2026, instead of 2022-2023 indicated in 2012. On information provided by council last year, this will have reduced the total percentage of business rates to 25.8% paid by just 7% of rate payers.

33. The Chamber is disappointed that Council continues to maintain a system of business rate differentials against overwhelming evidence and recommendations of a 2007 Local Government Rates Inquiry which considered the matter in detail and concluded with a recommendation 'that business differentials should be abolished."

34. ***Same rates for same value properties:*** The Chamber **supports** Council's proposal to have no further capping on rates increases or decreases so that ratepayers who own similar value properties will pay the same rates no matter where in Auckland they live.

35. We note this will result in significant increases of more than $500 per year for a large group of residential rate payers (about 27,000), but that help to manage these increases is available. However, the desired and fair outcome will have been achieved – properties of equal value paying equal rates.

36. As noted above, this policy should also be applied to business rate payers who continue to pay a rate differential. Our point: the tough decision-making that has applied to ensure residential rate payers are paying a fair share of rates relative to the value of their properties, should be applied consistently across all rate payer groups.

37. ***Transport targeted rate:*** The Chamber **recommends rejection** by the Governing Body of Council's 'transport targeted rate' proposal seeking

permission to raise $300 million a year from rate payers as an interim measure until new alternative funding arrangements can be implemented.

38. The purpose of targeted rates is to provide defined benefits to specific geographic or 'restricted' areas, e.g. a Business Improvement District. Both options seek to raise $300 million for non-specified 'additional transport'. That is not good enough. The proposal needs to specify exactly what the money would be used for, and include an opportunity for directly affected rate payers to give feedback setting out the benefits, risks and costs to them. A transport 'targeted' rate would not be targeted to benefit a particular user group if applied across Auckland or along a particular transport corridor such as an arterial road or for funding the City Rail Link (CRL).

39. ***City centre targeted rate:*** Council is proposing to extend the city centre targeted rate currently paid by businesses to city centre residents. The Chamber ***strongly recommends*** that submissions on this matter be filtered to consider only the feedback of city centre residents.

40. The Chamber is concerned to ensure that consultation on the extension of the city centre targeted rate to residents is undertaken in an open, democratic and fully consultative process. Just through the LTP process is not good enough. The Chamber encourages Council to adopt a 'no surprises' approach, to ensure that every city centre resident knows of the proposal and has the opportunity to provide feedback, and on which the Council can then respond in full knowledge that it has or hasn't a healthy majority representative viewpoint.

Revenue sources

41. Given that a key issue facing council and needing feedback on is the need to find alternative revenue sources to treating rate payers as 'cash cows' it is unforgivable that there is no breakdown of revenue sources in the summary documents.

42. The ShapeAuckland.co.nz website shows that 45% of council's revenue comes from rates, with fees and user charges at 31% the next highest source. Details on the amounts funded by central government and generated by CCOs, return on assets have been requested.

43. This is an important issue. From the information available it is apparent that the mix of revenue sources and proportion of revenue to be generated from rates will not change significantly over the 10 year period.

44. The Chamber strongly believes that Auckland Council should not be planning to continue to rely on rate payers for their revenue as the LTP suggests it is. Council's aggregate rate burden is running at twice the rate of inflation. There is plenty of evidence indicating many rate payers are being pushed into difficulties, and that a significant proportion of their rate burden is for services that they don't use. This unfairness needs addressing.

45. To start this step change, the LTP needs strengthening with an initiative by council to lead a search for new revenue sources from all possible sources – partnering with other organisations especially the private sector, central government, and charitable and community groups. The initiative required needs to be wider than the Mayor's alternative transport funding initiative, and cover the whole organisation and its activities.

Projected spending

46. The Chamber **supports** a line-by-line review of Auckland Council's projected spending, aimed at identifying further savings. We believe that a significant saving could be possible in the areas of planning and staff costs – to trim the bureaucracy middle management tier – and through an audit of selected areas such as parks that are under-utilised and activities & staff of CCOs, and in particular ATEED.

47. There is also an opportunity for some quick wins by letting go of services that could be delivered by the private sector and community groups, and seeking to standardise fees and charges to a greater extent.

48. At the same time, we note that the proposed 10-year $17 billion capital spend is less than the $20 billion included in the 2012 LTP. The largest area of reduction is $2.4 billion in transport capital expenditure, down to $6.9 billion (or 40% of the total projected capital spend by category).

49. The Chamber **supports** the approach indicated to seek efficiency savings by focusing spending on core activities. However, we strongly encourage Council to formalise this process in order that measurable progress can be reported quarterly. It is urgent that Council turn the words in the LTP into firm, measurable action through a structured, transparent management process.

Level of debt

50. The Chamber analysis indicates that during the 10-year projection period the:
    - Net interest to rates revenue as a percentage is between 17.4% and 20.5%;
    - Level of net debt increases from $5.4 billion to $6.5 billion;
    - Net debt to total group revenue percentage is between 164% and 204.2%; and,
    - The net interest expense is $278 million in 2014/15, $305 million in 2015/16 and increases to $429 million in 2024/25.

51. By any measure this is a large level of debt. We note that Council's peak debt and interest to total revenue numbers are within LGFA guidelines and its own debt management limits. However, whether the same 'guidelines' are appropriate for Auckland and every other council, given the huge difference in

scale of Auckland Council's operation compared to other much smaller councils, is a matter that needs looking at.

52. Our point: the concern that Auckland ratepayers are demonstrating has a sound basis. Analysis of the LTP shows that the net interest cost per rating unit increases from $576 in 2015/16 to $695 in 2024/25.

53. For example, an urban residential property with a capital value of $750,000 has an estimated total rates bill of $2,274 (including GST) for 2015/16. The net interest cost is equivalent to approximately 19.4% of this rates bill (or $441) in 2015/16.

54. Expecting rate payers to carry Council's increasing interest costs is unfair and reinforces the Chamber's call for urgent action to find alternative revenue sources to treating rate payers as Council's 'cash cows'.

Asset base

55. The Chamber **strongly recommends** that the draft LTP be amended to provide for an open book review of Council's asset base to be undertaken. We believe the review is urgent and deserves a terms of reference to be completed within 12 months.

56. We believe a review of assets would result in considerable benefits to Auckland Council – both in terms of revenue (e.g. to help enable address the transport capital investment shortfall) and improve operational performance (e.g. to eliminate the Catch22 conflict of interest arising from Council being both the owner and regulator of assets such as Ports of Auckland) - and Auckland's economy and productivity enhancement.

57. We set out below a preliminary assessment of why and where a review of Auckland's asset base would be a win-win to Council, Auckland and New Zealand.

58. The draft LTP shows that Council's asset base increases from $42 billion to $57 billion during the 10 years. Over 90% of the asset base is property, plant and equipment, which increases from $39 billion to $53 billion over the 10 years.

59. Assets include a **film studio**, valued at $10 million, of which the property is worth $8 million. Film studios are not core Council business and it should be reviewed with a view to sale immediately.

60. **Auckland Airport:** Auckland Council owns a 22.4% stake worth $1.13 billion (May 2014).

61. There are options to ring fence use of Council's airport returns to transport and thereby create a win-win for the economy and productivity enhancement, for

example, through use of the money to help accelerate long-planned projects to improve access to the airport.

62. **Ports of Auckland:** Auckland Council owns 100% worth around $1.2 billion, including land of around $300 million. Council is also the Port's regulator which creates a potential conflict of interest with its Statement of Intent seeking to maximise returns.

63. There are options for Auckland Council to both help the Port become more efficient and productive and at the same time maximize the return from its 100% ownership, and help address the inherent conflict as both owner and regulator.

64. Auckland is missing out on potentially considerable benefits. In the last 15-20 years, local government-owned ports around the world have converged towards what is termed the landlord model, creating win-win income streams:
    - First, they rent the port precinct to a company for, say, 10-years creating a sustainable income. The Port's $300 million land holding would command an attractive rent.
    - Second, they get to take a big chunk of cash up front for the sale of the Port's operating concession, and then get regular operating payments for the life of the deal.
    - Third, they might also take up, as some cities have, a shareholding in a new port company alongside other private sector investors. Port of Tauranga is a local example of a port with a shared ownership involving community and workers and which seems to be successful.

65. Without this kind of step change, Auckland risks remaining in a time warp. Auckland is one of the few examples worldwide where local government has bought back shares that were previously floated on the stock market. In that status, we sit alongside countries like Albania, and also South Africa and India were attempts to establish a landlord model for port ownership have been attempted but reportedly rebuffed by corruption.

66. On the other hand, a deal by Auckland Council that increases its own revenue stream and at the same time releases some of the asset to private sector investors would be win-win - generate badly needed cash to help solve our transport funding shortfall, and better enable the port company to run independently from Council as a proper business.

67. Let's be clear, an arrangement along these lines wouldn't give the Port company an open book to expand further into the harbour. The lease arrangement would prescribe a transparent precinct in which the Ports operations would be constrained.

68. In the context of optimising use of Auckland's assets, there are a number of other win-win conversations that could take place. (In the case of Watercare, its

assets have a replacement value in the order of $12 billion and annual revenue of $470 million.)

69. In respect of transport in particular, there are asset optimisation opportunities on Council owned land to 'value add' tower block buildings to park and ride facilities at suburban rail and bus stations and the proposed stations on the CRL route.

70. For example, a 15-storey development (the same number of floors as Auckland Council's old Civic Building headquarters) built above the proposed CRL Aotea Station could be an attractive investment for large commercial enterprises (supermarket and retail shopping chains etc) on lower floors, offices on middle floors with residential/ hotel tenants on upper floors. That's a lot of potential revenue for Council.

71. The point: To generate the $300 million per year shortfall that Auckland needs to build the critical transport projects it requires (discussed below), Auckland Council has many levers it could pull. Some require innovation and new thinking, others are simple copy cats of what other cities are doing to take charge of their own destiny, without relying on central government.

Employee costs

72. The Chamber **strongly recommends** that the LTP be strengthened to require the Chief Executive to take a broom to what appears to be an excessive staff deployment and cost situation.

73. As at June 30 2014, Auckland Council employed 11,133 staff (or 9394 Full time equivalents), marginally down on the 9430 Full time equivalents employed at the commencement of the re-organisation period in 2010. Of the 11,133 staff:
    - 1780 (or 16% of the total) earned over $100,000
    - 141 earned over $200,000; and,
    - 35 earned over $300,000.

74. Employee costs are $721 million in 2014/15, $749 million in 2015/16 and $931 million in 2024/25. They are expected to increase by 29.1% over the 10 year period.

75. The employee costs to rates revenue percentage is between about 49% and 39%.

76. The Chamber is seeking further information, and in particular staff numbers for CCOs.

77. Regardless, the Chamber is concerned at the lack of evidence that staffing levels have reduced from the levels that existed under the seven legacy councils. The slow progress at rationalisation is clearly costly to rate payers and making it difficult to improve Council's efficiency, relationships with customers and public

standing.

DEVELOPMENT AND INFRASTRUCTURE

78. Auckland clearly needs a finalised LTP that outlines the tasks needed to
    - Make it easier for Aucklanders to move between their homes, their jobs, where they shop and use local services and recreation areas.
    - Deliver the 13,000 houses needed per year, and which suits the changing make-up the population – diversity and ageing
    - Deliver the 'catch up' and new infrastructure needed to keep up with Auckland's growth needs.
    - Protects and enhances our attractive natural environment – harbours, coasts, distinctive volcanoes, parks etc

79. The LTP needs to be an action plan focused on bringing all stakeholders together with a shared purpose – to develop a competitive economy with world-class services and transport, to deliver the greater number and range of affordable housing required, to encourage and empower communities to participate and engage in building and enjoying a better Auckland.

80. Does the draft LTP have the potential to deliver these tasks? In some areas, yes, but in other areas the document falls a long way short of what's required.

81. This section sets out the Chamber's thoughts and recommendations to strengthen the LTP in respect of some selected areas:
    - Development Auckland
    - Transport Funding
    - Shared Agenda

Development Auckland

82. The Chamber **supports** the establishment of Development Auckland as a CCO broadly as set out in the draft LTP:
    - To facilitate the development of intensive housing along with commercial development in places with best potential;
    - Be a CCO combining the activities of ACPL and Waterfront Auckland
    - Would focus on development opportunities with the private sector, developers, iwi and government;
    - Current Waterfront Auckland activity would continue through a new business unit within the CCO.

83. We strongly encourage from Day One a business-like approach, and a culture that is sensitive to the needs of business, and in particular to enabling a timely and responsive regulatory and consent process.

84. A key success factor will be the working relationships established with other areas of Council, and in particular the City Centre team, the planning, housing, and Auckland Transport; as well as with central government agencies (NZTA,

Housing, Education, health etc to ensure the provision of critical services in developments from their commencement, and also the utility and business organisations.

85. Accordingly, the Chamber **strongly recommends** private sector Board level appointments reflecting wide cross-over sectorial experience and able to exercise an appropriate and forceful representation to ask the key questions. Too often in the past developments have suffered from a retro-fitting approach in which utilities, transport, shops and community assets are left out of the initial development proposal.

Transport funding

86. The Chamber recommendations on transport are covered in the submission to the draft RLTP from the Auckland Business Forum, which is chaired by Chamber Chief Executive, Michael Barnett.

87. However, there are some particular recommendations to improve the LTP that the Chamber wishes to strongly reinforce.

88. On funding, Chamber feedback indicates almost universal objection to the rates and petrol levy option. We submit it is a non-starter and should be dismissed forthwith.

89. In respect of the motorway toll option, feedback indicates that it needs to be debated in an 'open book' context with other possible options on the table, and in particular the potential large revenue contribution that an <u>asset optimisation</u> strategy and <u>value add</u> initiatives might offer.

90. The Chamber **strongly recommends** that Council give serious consideration to the section above proposing an urgent review of Council's asset base (see paragraphs 55-71). We see huge potential for Council to address its transport and other infrastructure deficient through such a review.

91. Besides, it is obvious to the Chamber that the toll option faces significant challenges in that it requires central government support, legislation and to overcome concerns of a number of groups over its potential for distortion of existing road pricing mechanisms, especially the RUC system.

92. The Chamber sees some merit in a toll system that leads into a form of managing demand through a variable charge to address congestion, but the rationale for its introduction is different to a mechanism whose purpose is primarily to raise revenue to pay for needed projects.

93. Having a debate which has reduced to the pros and cons of the toll option has become unproductive because people keep asking, 'but what about X?' or 'what about Y?' In particular, a significant question the Chamber is constantly being asked is 'what about making use of our large asset base?'

94. In our view, the transport funding debate won't be resolved until a robust review of the potential of our asset base in all its various dimensions to contribute solutions is conducted.

Shared Agenda

95. The Chamber has also formed the view that if Auckland is ever going to achieve the integrated transport system embracing timely decision making and expeditious action implementation that we all want (including Council), we need more effective governance; to bring to the one table the three key transport provider organisations NZTA, AT and KiwiRail.

96. We go further, as noted above, for Development Auckland and Auckland Transport to succeed in respective objectives - to build 13,000 houses a year, create integrated, quality and well planned & designed urban development, and provide transport access within the new areas and linking to the rest of Auckland's transport network - then a co-ordinated programme between agencies and developers is going to be critical. Central government input is also critical.

97. There already is a Housing Accord, and the Auckland Mayor has proposed a Transport Accord, though its exact form is unclear. A Transport Accord that simply seeks funding for the existing Auckland Plan won't succeed; there is no agreement on the plan or a programme. All it would do is lock in continued silo planning of Auckland transport in isolation from the 'joined up' approach that is urgently required between transport, housing and commercial development planning, design and delivery agencies.

98. Instead, the Chamber is considering a discussion proposal that develops the suggestion in the 2012 LTP of a high-level collaborative arrangement with government, Auckland Council and private sector to focus agreement on what actions are required to tackle Auckland next generation major issues.

CONCLUDING COMMENTS

99. The Chamber is disappointed that the LTP consultation process has proved as complex and difficult as it has. There are a number of information requests outstanding, and in which we seek what we consider basic information to help inform our view of the draft LTP.

100. The consultation time line has been dogged publicly by a litany of disclosures concerning the conduct of different areas of the Council that have reinforced the widespread scepticism that Council is not yet fit for purpose and in some respect out of control. The comments about Auckland Council's performance from the rest of New Zealand reflect unfavourably on the business community. Auckland's economy is booming, thanks to business – that should be our story.

101. We need a step change in Auckland, both to show that we can run a business-like city and that we are getting in front of our growth challenges.

102. How well we do economically ultimately underpins everything in the plan. The core delivery role of the draft LTP is to create a city that is easy to do business in and reflect a Council wanting to be easy to do business with.

103. We are seeking with you an 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. Plainly, we are not quite there yet.

Michael Barnett
Chief Executive

16 March 2015