



**Submission to
Wellington City Council
Draft Economic Development Strategy
Wellington Employers' Chamber of Commerce
November 2011**

Introduction

The Wellington Employers' Chamber of Commerce advocates policies that reflect the interests of Wellington's business community and the development of the regional economy as a whole. It works closely with other chambers in the region and is part of the Employers' Chamber of Commerce (Central)¹.

The Chamber is pleased to be able to make this brief submission on Wellington City Council's Draft Economic Strategy. Wellington's development has been a core focus of ours for 156 years and we are grateful for the opportunity to make this contribution.

Submission

The Draft Economic Strategy is an excellent summary of the issues currently facing Wellington and the things that need to be done to move the city forward.

We agree that the combination of public service cuts, corporate drift and the government attention on Auckland and in particular the recreation of Christchurch, mean this is a crucial time for Wellington and so the draft strategy is well timed. Steps need to be taken immediately to put Wellington back on a growth path.

In general, the economic development approach as set out in this draft strategy is different from the alternative model, currently adopted by many Economic Development Agencies around the country, which is focussed on assisting selected individual businesses. We prefer WCC's approach. However, we would have concerns if the strategy resulted in any duplication of Grow Wellington and the existing Wellington Regional Strategy. We urge Wellington City Council not to neglect the Wellington Regional Strategy, which is due for a refresh shortly. We think that much of the solid thinking contained in the WCC draft strategy could be usefully applied at a regional level.

We do not think a strategy based around Wellington City Council's boundaries is preferable to one based on Greater Wellington's boundaries or at least the Wellington urban area as a whole. Better decision making from a regional perspective is the main reason some form of amalgamation of councils in the Wellington region is needed, and is indeed inevitable. Likewise, a regional economic

¹ The Employers' Chamber of Commerce Central was created out of the merger between the Wellington Regional Chamber of Commerce and the Employers and Manufacturers Association (Central) in 2010. It is part of both the New Zealand Chambers of Commerce and Business New Zealand families.

development focus for Wellington will result in the best outcomes over all. Even though the CBD is the main economic driver in the region, a strategy that tries to tilt the playing field in favour of Wellington City at the expense of the rest of the region, neglects the competitive advantages other parts of the region have, encourages duplication with other TLAs and is not in the city's best interest let alone the region's.

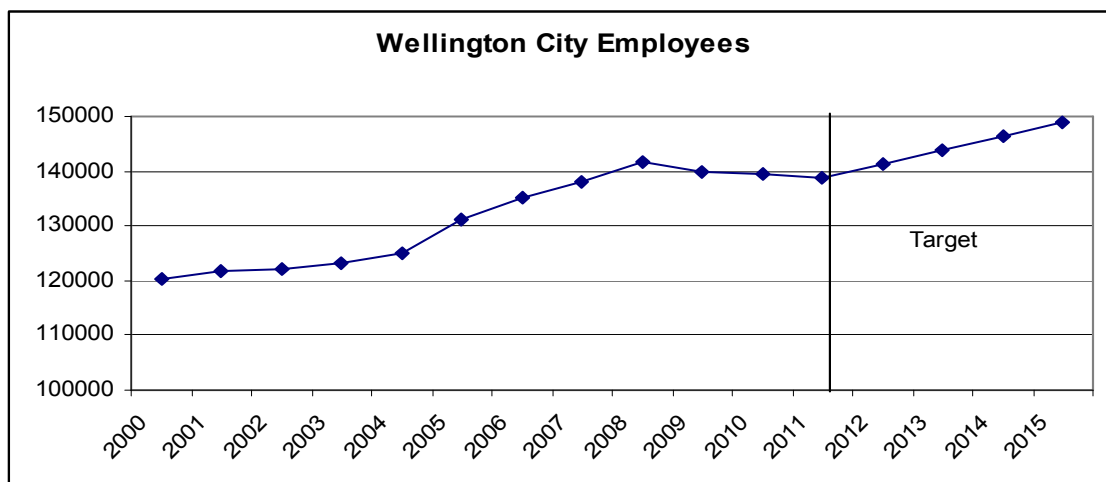
We are also wary of a significantly expanded role for WCC which the draft strategy implies in places. The document contains a number of things that it says need to happen for Wellington to move forward and a number of things that the council intends to do. Sometimes it is unclear which is which and such vague language could be interpreted as opening the way for the council to be over-active in some areas. Examples of this are given later in this submission.

The best contribution the council can make to Wellington's economic development is by creating an environment that makes the city an appealing place to live, visit and do business. It needs to constrain its expenditure and not crowd out the private sector. It must be careful to focus on high quality programmes and infrastructure. Providing competitive rates, minimising the cost and regulatory burden to business and lowering council barriers is the best way to attract and retain businesses.

Notwithstanding these cautions, we support many of the proposals listed in the draft strategy as a pragmatic response to the situation faced. Many will be expensive though and so it is essential that a review of existing expenditure takes place. A reallocation of existing funds rather than a rate increase will be necessary to fund many of the proposals. We look forward to working with the council on any restructuring of the downtown levy and other rates which may be needed to fund the proposals in this draft strategy – particularly the Airline Attraction Fund.

Targets

The draft strategy aims to create 10,000 jobs by 2015 and grow per capita GDP 10% by 2021. As shown in the following graph, between 2000 and 2008, 21,600 jobs were created in Wellington city. A disproportionate amount of these were in the government sector. Since the 2008 peak, a net 3,000 jobs have been lost. We presume the 10,000 new jobs is a net target. With the potential economic downturn and the expected net loss of government jobs over coming years as a backdrop the target will be challenging but achievable. In nominating a target the council will be held accountable for it and its policies and actions judged accordingly yet Its not clear where the growth is going to come from or how the council is going to achieve it.



Platforms for Growth

This section comments on the strategy's specific proposals (in bold) which come under the platform headings of:

- Destination Wellington
- The Smart Capital
- The Connected Capital
- Open for Business

Destination Wellington

Wellington's educated population and the compact nature of the city have been instrumental in attracting the range of innovative businesses we have here. However, Wellington can't rest on its laurels as other cities compete for those businesses.

We fully support extending Wellington's destination marketing approach away from just tourism and adopting a broader strategy which targets **attraction of talent, business and investment**. Attracting and retaining businesses will be key to Wellington's future and growing its permanent population, jobs and investment is more beneficial than simply growing short term visitor numbers.

To operationalise this broader approach, at this stage we would prefer widening the mandate of Positively Wellington Tourism (which has done an excellent job of promoting Wellington) rather than creating a new agency to do so.

The draft strategy doesn't elaborate on what can be done to attract investment. At this point, we see the role as primarily one of marketing and promotion. While there is much the council can and should do to make it easy for businesses to set up here, we would caution against offering financial incentives to businesses as Wellington City Council does not have deep enough pockets to compete with the likes of Christchurch (government money) and Auckland, let alone Sydney and Melbourne.

Given the industrial potential of the Wellington region as a whole, it seems obvious that attraction of business investment etc should be a region-wide as opposed to Wellington City role. For example Wellington City residents would benefit from the economic boost created by a factory setting up in Lower Hutt but WCC may have neither an incentive nor the ability to attract businesses to Hutt City. This means it makes more sense for the activity to be part of Grow Wellington, in the longer term.

Before taking the first step and committing funding, we agree the council needs to **clarify the roles of NZTE and the council** in attracting business investment. In the short term the council should persuade NZTE / Investment New Zealand of the merits of putting more focus on Wellington.

It is likely that there will be a push for any new or newly-mandated entity to take on **more general economic development functions** such as those set out in the strategy. Careful consideration of this will be necessary in line with our previous comments around the need to avoid duplication of Grow Wellington and the need for a regional approach to economic development.

We strongly support attraction of more **international students** to Wellington. This is a priority for us but it would seem the 2% target is not very ambitious as Wellington is clearly under-represented when it comes to international student numbers. There is

much potential for growth right through from English language students to school and tertiary students. International students who maintain links with Wellington - whether joining the workforce post-study or later involvement/investment - can provide significant benefit beyond just the cash injection created while they are studying. There may be a role in helping maintain those links.

We think attraction of international students should be led by education institutions and Education New Zealand not the council although there is potential for education to be part of the newly mandated entity's role. There is also potential for the council to work with the institutions to identify why Wellington is underperforming here and see if there is anything it can do to make the city more attractive to international students. Again we prefer a regional approach and note Grow Wellington is already operating in this area. In the short term Education New Zealand could be persuaded to put more focus on Wellington.

We support the proposed assessment of the adequacy of **city amenities** for events. There is case for moving faster than 2013 on this assessment especially for a convention centre which is crucial for Wellington. Other facilities to attract people and interest in the city (such as a film museum for example) would fill a real gap. Such amenities would not need to be owned by council (especially a film museum) but the council can have a facilitative role in making them happen by putting in place a competitive process or even by way of some sort of Public Private Partnership.

We support efforts to maintain Wellington's reputation as the arts, cultural and events capital. And we support the proposed refresh of the council's **events strategy**. However, care will need to be taken. The council has a very good record with events attractions to-date but as competition from other cities to host events increases, Wellington needs to be clever in how and which events it attracts. With Auckland having recently announced increased expenditure on events attraction, Wellington must avoid entering into a bidding war. With Wellington's central location and domestic flights, Wellington has a genuine advantage without resorting to an expensive attraction budget. Often relatively low-key events can be lucrative.

We support continued **tourism promotion** and investment in key recreational and cultural attractions.

The Smart Capital

Because of both the concentration of tertiary education and research institutions and the talented pool of people who live here, Wellington has a genuine competitive advantage in 'knowledge businesses'. There is potential to take better advantage of these qualities and this section of the document rightly identifies them as key components of the economic strategy. Having said that, we are not convinced the council has the leadership role in growing these sectors as stated in the draft strategy.

For example, we agree with the document that strong links between these tertiary **education and research institutions and the business community** are an essential ingredient for strategy. But developing these links should be led by institutions and the business sectors themselves not the council. In terms of commercialising and taking advantage of Wellington's science capability, there are some areas where Wellington has scale and genuine world class capability and it is in these areas where there are genuine economic opportunities and ability to attract external investment. Care needs to be taken that the effort is not spread too thinly.

Wellington has a well-developed services sector and **export of services** offers huge for the Wellington economy and should be a priority for the strategy. We have long been proponents of exploiting our competitive advantage here and have lobbied for inclusion of comprehensive services chapters in the government's free trade agreements. We are also part of an international business sector coalition lobbying for liberalisation of services trade. While it is clear there is potential to grow services exports, it is not clear what specific role the council can play in achieving this.

Another key component of the strategy should be to take advantage of Wellington's **expertise in public policy** by selling this expertise to the world but again we are not convinced the council has a role. In addition to this, here is potential for greater internationalisation of SOE economic activity which would benefit Wellington. Wellington's status as the capital city is important and there is scope to take better advantage of this. The council's urban design plans in this area are positive.

The proposal to provide affordable space for start-ups and business development services such as those offered by **Creative HQ** seems to be duplicating the role of Grow Wellington's subsidiary.

The Connected Capital

Bringing **long haul flights** to Asia into Wellington has been our number one priority for some time. The real benefit from better external connectivity in the form of direct flights to Asia is that it will attract businesses to establish themselves (and stay) here. Tourism benefits are important but secondary to this. Long haul flights would also assist in the attraction of international students.

We support a **Long Haul Attraction Fund** being put in place to secure direct flights to Asia. The Fund should only be accessed in the event a carrier would commit to the route for a certain period. It should not be a marketing fund. We look forward to talking to the council as to how it should be raised and from what mix of business, CBD and residential rate-payers. The large dividends the council receives from the airport should be used as a contribution to the fund and there should be other contributions in kind from the airport.

Extending the runway should not be ruled out if airlines with new technology aircraft are unable to commit to Wellington and there is some certainty that doing so would attract them.

We support the council continuing to advocate for the implementation of the **Ngauranga to Wellington Airport Plan** as well as the entire Levin to Airport Road of National Significance. Transmission Gully should be supported as a part of this as this would be good for the region as a whole including Wellington City rate-payers.

We support the council **facilitating the broadband fibre rollout** working with the relevant infrastructure providers.

We support the Council monitoring the success of **free-to-use wifi** in the CBD with the possibility of extending the network to other parts of the city depending on its success.

We agree Wellington needs to **better leverage foreign relations**. The council can make a real contribution here by taking advantage of its sister city links in countries such as China given the special ability of Mayors to open doors in those countries. There are opportunities for the council to take advantage of official connections and

provide introductions to businesses. In general, though, business-to-business relations will matter more than council-to-council relations. We do not support WCC duplicating the role of NZTE and MFAT by establishing an international presence.

Open for Business

We agree that developing a **'business-friendly' culture** within the Council is essential. This should be reflected in council regulations and all engagement with business. Council barriers to doing business should be lowered and business requirements accommodated wherever possible.

Continued **engagement with business** and business organisations is fundamental to this. Specifically we support the recommendation to engage more with key corporates in the city to understand their needs and how they can be retained in the city. We also support the proposed **business issues forum**.

We support in principle the recommendation to further strengthen **the council's partnership with the CBD** although it is not fully clear what is meant by this. We look forward to being part of a review of the downtown levy and would like CBD businesses to have more say as to how this is spent. We are also interested in talking to the council more about the concept of a CBD Board.

We support the **Central City Framework** which aims to cater for a greater business and resident population in the CBD and emphasises the importance of liveability in attracting people and businesses to Wellington. We have submitted separately in support of this. Decisions on earthquake strengthening requirements, including how these relate to heritage, and perceptions following the Christchurch earthquake will obviously have a bearing on the CBD's attractiveness to business and investment in coming years.

We fully support consultation with business owners in **suburban districts**. With regard to the proposed **Business Improvement Districts**, these should be funded by the businesses in each the suburbs concerned, which in turn should be consulted on how the money is spent. There would have to be support from a significant majority of businesses if there is to be a compulsory levy. Council needs to avoid throwing money into the CBD and suburban centres to be seen to be being fair to both groups. At the end of the day both will be attractive as business centres on their merits and the mix of businesses contained within them. A better approach is to remove barriers to growth such as excessive CBD parking charges, which tilt the playing field towards suburban businesses, and restrictions on box retail, for example, which tilt it the other way.

We strongly support engagement with **Wellington iwi** in projects that support the realisation of the city's economic potential such as development of Shelly Bay.

We fully agree that council needs a strong **economic intelligence capability** - either in the councils themselves or in any proposed economic development agency.

We support a review of the council's **procurement policies** to ensure that there are no appropriate local businesses missing out on council contracts. At the end of the day though, it is in the city's best interests for the council to pick the best, most competitive provider even if it is outside Wellington.

We support continued investment and improvement in the city's **infrastructure** as the business cases allow.