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Wellington City Council
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SUBMISSION ON WELLINGTON CITY COUNCIL MAHERE Ā-TAU ANNUAL PLAN 2020/21

INTRODUCTION

1. Thank you for the opportunity to submit on the Wellington City Council's Annual Plan 2020/21 (the Annual Plan). The Chamber has consistently worked hard to ensure the city's business community has a voice in city matters, and the annual plans are an essential part of this.

2. The Chamber would welcome the opportunity to discuss this submission with the Council and wishes to take part in an oral submission.

ABOUT THE CHAMBER

3. The Wellington Chamber of Commerce ('the Chamber') has been the voice of business in the Wellington region for 164 years since 1856 and advocates for policies that reflect the interest of Wellington's business community, in both the city and region, and the development of the Wellington economy as a whole. The Chamber is accredited through the New Zealand Chamber of Commerce network and as part of our broader organisation is also one of the four regional organisations of BusinessNZ.

4. Through our three membership brands, the Wellington Chamber of Commerce, Business Central and ExportNZ, our organisation represents around 3,500 businesses across the central and lower North Island. Our organisation is one of the four regional organisations that make up the Business New Zealand family and is also accredited through the New Zealand Chambers of Commerce network.

EXECUTIVE SUMMARY

5. As Wellington enters the 2020s, it is worth reflecting how far the city has come. Over the last 40 years, the city has transformed from a grey centre of bureaucracy to the thriving cultural and commercial hotspot it is today. Much of this progress has been shaped by successive councils who had a vision for how the city can redefine itself and had the leadership to make it happen.

6. Today, the city is facing challenges as daunting as any from the 1980s. The success of the last 40 years has grown the city's population and economy, putting critical infrastructure under strain. Our transport networks have barely changed since the Thorndon Motorway was built in the 1970s. Housing construction has not matched population growth meaning affording a house is now out of reach for many. And the passage of time has further decayed our water pipes which are regularly failing.

7. On top of this growth, contemporary events have conspired against the city. In 2016, the Kaikoura Earthquake caused considerable damage to the CBD. Significantly, the city's heart around Civic Square closed, turning an already struggling area into a 'dead zone'. The earthquake also caused commercial property insurers to rethink their risk exposure and push up premiums.

8. While all the challenges outlined above have evolved over time, we now find ourselves in the middle of a 1-in-100-year pandemic, leading to perhaps the most severe economic recession of the post-war period. Covid-19 has brought urgency to the need for Wellington to tackle these problems. Our challenges amount to more than we can afford under a business-as-usual approach, which would lead to rapidly rising rates at the very time families and businesses can't afford them. This urgency means not waiting until the next iteration of the 10-year plan to act. While it is probably not feasible to bring the 2021-31 Long-term Plan forward, we do urge councillors to start tackling the larger problems and, as a minimum, avoid taking decisions which close off longer-term solutions.

9. So now Wellington city is facing specific, large-scale problems which require councillors to think differently about how to solve them. This is all within the context of climate change and the need to reduce emissions over coming decades. The Council needs a strategic vision for what it wants Wellington to be to meet the needs of residents and businesses. We cannot retreat into just being a 'public sector' city. The city's vibrancy is a crucial reason why people and companies choose to be here.

10. In short, this annual plan requires the Council to lift its head and think hard about where Wellington needs to go over the next 40 years.

11. Wellington needs to address six key challenges:
    1. Supporting economic recovery by ensuring Council expenditure goes towards projects and infrastructure, which brings long-term productivity benefits.
    2. Empowering Wellington Water to better manage its assets and fund future investments by raising its own revenue streams.
    3. Use the current opportunity through central government stimulus to renegotiate the flawed 'Let's Get Wellington Moving' deal so transport costs are fairly split between central and local government.
    4. Champion housing developments which supports the construction sector while giving residents modern, affordable homes.
    5. Rethink how Civic Square can be revitalised in partnership with commercial developments, this should evolve into considering the future of the whole 'ground floor' of the city.
    6. Collaborate with ratepayers to increase the city's environmental resilience, this includes strengthening earthquake prone building, addressing runaway insurance premiums, preparing for sea level rise, and working to reduce emissions.

12. Tying this all together is the need for the Council to undertake a thorough stocktake of all its existing assets. This should include water, transport, housing, land, property, and civic amenities. The Council should re-examine the objective of owning each asset and whether it is meeting that objective. Given the scale of the challenges itemised above, continuing with the current mix of assets simply because that is what the Council inherited from its predecessors is perhaps the worst possible reason. This is not a call for a wholesale 'sell off' of assets, it is a call for methodical asset management that best serves the interests of ratepayers and residents.

13. Combined, these challenges lay out a stark warning to councillors: business-as-usual will not work. The Council must fundamentally rethink how it conducts its business and best serves local residents and businesses.

BACKGROUND

14. Local businesses have a significant interest in the planning and operation of the Council. The decisions made by the Council and their vision for the city have a considerable effect on the business community's confidence and behaviours.

15. It is important to note that the Wellington business community pay the highest shares of rates in the country. The community contributes 45 per cent of the Wellington City Council's (the Council's) total rates revenue. Businesses also pay about 33% of the overall Greater Wellington Regional Council rates take.

16. This submission provides feedback on the content and proposals in the Council's consultation document 'Mahere ā-Tau Annual Plan', before setting out ideas for how to tackle the six key challenges listed in the executive summary.

ANNUAL PLAN 2020/21 & RATES

17. The Chamber acknowledges the Council's efforts in minimising the rates increase from the 7.2 per cent proposed in the 2018-2028 Long-term Plan, and the 9.2 per cent increase indicated earlier this year, to the suggested 5.1 per cent and the secondary option of 2.3 per cent.

18. However, we need to point out that in the current economic environment and with many businesses already struggling, any increase in the general rates will hit businesses hard where it matters most – their cash flow. While the proposed options allow for services to continue at pre-COVID levels, we believe it is vital that the Council finds additional savings in the current budget.

19. Concerning the Annual Plan and on behalf of its members, the Chamber holds the following views:
    - The Chamber disagrees with the overall approach of the Annual Plan. We acknowledge the Council's efforts to-date, but believe it is necessary for the Council to fundamentally rethink some of their business-as-usual methods in the face of enormous challenges.
    - The Chamber supports the minimum rates increase available to the Council. Given the options presented, this would be the secondary option of 2.3 per cent, rather than 5.1 per cent rates increase. However, we also wish the Council to make the large-scale investments necessary to solve the city's challenges.
    - The Chamber supports the "Tipu Toa: Build Back Better" initiative.
    - The Chamber agrees with holding the majority of fees and charges at the current levels for 2020/21.
    - The Chamber agrees with increasing Southern Landfill fees to help fund 'polluter pays' and waste reduction initiatives.

20. The Chamber supports the minimum rates increase available to the Council. Given the options presented, this lends the Chamber to support the secondary option of 2.3 per cent, rather than a 5.1 per cent rates increase.

21. However, we are also concerned there is a false dichotomy in the choices presented. The current 2.3 per cent proposal means that while the rates increase this year is low, the increase in outyears is a greater, sharper, potentially more unaffordable increase. Given Council determines its rates and spending options, we would urge Council to use next year's LTP process to ensure the impacts of this current proposal is fully assessed and considered.

22. Our recent member survey found that our members were split on the options available, with just 23 per cent of members agreed with the larger 5.1 per cent increase. The largest group, 36 per cent of members, agreed with a 2.3 per cent rates increase. A further 30.5 per cent rejected both options.

23. However, we are acutely aware that given the size of the current challenges, there is little point in deferring the necessary decisions now. We need to invest significantly in our water, transport, housing, and civic amenities. Our members appreciate the Council's efforts with the Covid-19 Pandemic Response Rates Postponement scheme. This scheme makes use of existing government support criteria which gives greater certainty to businesses about whether they can qualify. Again, we would urge Council to use next year's LTP

process to ensure the impacts are fully assessed and considered – we cannot allow Wellington to continue to be held back.

24. We urge the Council to remember that many businesses are struggling, and further significant rates increases in future years will severely impact them. Therefore, the Council must maintain financial discipline, and we continue to encourage the Council to find savings where possible so it can further expand necessary infrastructure upgrades. So far, there is little evidence the Council is willing to do this.

25. As the city 'builds back better' following this recession, we should incorporate new technology and ways of doing things to reduce energy use, emissions, and waste. We should use this opportunity to tackle climate change and continue to aim for carbon zero by 2050.

Challenge 1
ECONOMIC RECOVERY

26. Over the past three months, the Wellington business community has been detrimentally affected by the Covid-19 pandemic and subsequent lockdown. Our retail, hospitality, accommodation, manufacturing, and tourism sectors were not able to operate for eight weeks and are only now beginning their recovery process.

27. Many banks, economists, and experts have predicted an economic recession. With this forecast economic storm coming and the continued closure of our international border, many local businesses and organisations will continue to struggle financially for the foreseeable future. The unemployment rate in New Zealand is already rising rapidly, and the central Government is injecting an extra $50 billion of spending. This is not business-as-usual and, therefore, the response from the Council should not be business-as-usual.

28. As detailed in the section above, the Council can help businesses by investing in crucial infrastructure and maintaining their financial discipline. Any activities that the Council wishes to pursue to stimulate the local economy must focus on projects that enhance productivity and keep businesses going over the long term.

29. Also, the Council should consider its involvement in non-core activities such as social housing. This is a responsibility of the central government. Wellington city's participation in social housing is a considerable financial risk that it has struggled to manage over the preceding several decades. Citizens deserve warm, dry houses they are safe to live in. Yet, because of the financial demands on Council, it has struggled to maintain the housing stock for its citizens adequately. Instead, the Council could partner with NGOs and Kāinga Ora who are better equipped to provide successful social housing outcomes.

30. In light of the enormous financial demands coming on the Council, the Council must undertake a thorough review of its existing mix of assets and whether they are optimal. Some of the Council's asset classes are explored further in the coming sections, such as water, transport, housing and Civic Square. The obvious example is for the city to sell down their stake in the airport and use the capital to invest in new infrastructure. This approach maintains the existing airport operations to the benefit of the city while also allowing the construction of new infrastructure. Ownership is not essential to the Council achieving the objective of Wellington maintaining a successful international airport.

31. We understand some councillors will find 'asset recycling' challenging. However, whether or not this path is pursued, we urge the Council to at least conduct a fundamental stocktake of all its assets. Doing so is not ideological, but a practical response to the urgency of the current challenges. As the unfolding situation with Wellington Water is demonstrating, ignorance of your asset portfolio is an enormous risk and problems will emerge regardless.

Challenge 2
WATER

32. Wellington Water has inherited decaying infrastructure. Sewerage running across streets or into the harbour is unacceptable. The Council and Wellington Water must get a grip on the size of the problem. That means a thorough assessment of the ageing assets and the likely programme of maintenance and renewal required. It appears initial estimates are for $1 billion over the next ten years. Such an extensive investment programme is out of the reach of the Council under existing arrangements.

33. We should empower Wellington Water to manage its assets better and raise its own revenue stream. We can do this by investing the assets into a dedicated CCO (such as the successful Water Care in Auckland) and installing water metres to provide a user pays revenue stream that also significantly improves water conservation.

34. Water metering in Wellington can significantly reduce consumption while increasing the detection of wasteful leaks. Metres would provide the Council with an additional revenue stream to assist with costs of upgrading the city's water infrastructure. Experiences in other areas, such as Kāpiti, has illustrated the benefits of metering while demonstrating initial community fears are unfounded.

35. Over 23,000 water metres were rolled out in Raumati, Paraparaumu and Waikanae in mid-2014 at the cost of $8 million. Despite some community apprehension, the process led to measurable improvements. The following summer saw a 25 per cent drop in peak day use as residents cut back to keep their bill down. While 2015's summer rainfall was just one-third of the previous years', sprinkler bans were avoided as residents voluntarily conserved water. During the 2017-18 summer, the hottest in 10 years – Kāpiti was the only lower North Island district not to need water restrictions.

36. The average water bill for a family of four in Kāpiti is $490 per year. The Council says 75 per cent of ratepayers pay less for water now than they previously did under the one-size-fits-all approach.

37. It is estimated that Wellington's demand for water will outstrip supply within ten years if residents keep consuming at their current rate. Eighteen months ago, Water NZ estimated that Wellington's pipe system leaked 15-20 per cent of its water. They compared this to the leakage rate in the Netherlands of 3 per cent.

38. Some community members fear metering for water is privatisation of the water. It is important to note that it is still a council-controlled organisation managing the water network, it is managed as a not-for-profit CCO, the charging is on a user-pays basis, and all revenue is reinvested in the network for either repairs or network expansion.

Challenge 3
TRANSPORT

39. Wellington's traffic problems are well known. Wellington's growing population has led to rising traffic congestion and longer commuting times. Areas in the central city as well as around the port and airport are particularly problematic. Public transport is straining, trains are reaching capacity, and the bus reforms have been a debacle. Unfortunately, Wellington has been let down by the central government as well as our own lack of vision.

40. The 'Let's Get Wellington Moving' deal announced in 2019 was a poor deal. While addressing some of the capital's most chronic transport needs, the package shifted too much of the cost onto local ratepayers. It deliberately blurs the traditional areas of responsibility between local and central government for transport projects. It imposes a bespoke model of cost-sharing that requires a higher contribution from local councils

than, for example, ATAP in Auckland. Also, there is too much uncertainty over critical projects like the Mount Victoria tunnel, and the Terrace tunnel does not even feature at all.

41. There is now an opportunity to redo the deal. Due to Covid-19, the government is looking for significant productivity-enhancing infrastructure developments it can fund to stimulate the economy. Wellington must take advantage of this opportunity and secure its fair share of stimulus funding. It is also a chance to make the city's transport flows more efficient and facilitate greater public transport development. This will be essential to ensuring the city's emissions continue to reduce over time.

42. Businesses in Wellington have expressed their support for some sort of congestion charging within the central city. By investing in fit-for-purpose transport links around the city, drivers can willingly avoid the more congested areas near the centre. Once completed, financial incentives can be used to ensure traffic sticks to these arterial routes. With such charges, the Council can invest in further projects to aid inner-city mobility such as improved public transport infrastructure, bus priority, scooter paths, cycle lanes, and wider footpaths. Some of this is already underway with the 'quick wins' part of LGWM, but more is required.

43. Councillors should lead public discussions explaining why transport funding is not zero-sum between modes. This would increase public support for upgrades which benefit multiple users of corridors. For example, trenching Karo Drive is an expensive project seen to benefit car users; yet it will be a huge boost for walkers and cyclists in the area, delivering a large amenity benefit to local residents.

Challenge 4
HOUSING

44. Wellington's population growth is hurting housing affordability; the city needs to build more houses in both the central city and suburban areas. To achieve this, the Council should encourage developers to push ahead with significant housing developments across the city. This could take the form of regulatory support, expediting consents, and better guidance through the approvals process.

45. One significant barrier to higher density housing is objections from surrounding residents, even when the area is zoned for such developments to proceed. Councillors should prioritise housing developments going ahead and champion them in front of their local communities. It is only with political leadership and people articulating why such housing is essential, will it proceed and contribute to making housing more affordable.

46. In addition, the Council could contribute to common infrastructure costs to get additional housing developments going. An example of the Council holding up a housing development is Shelly Bay. Rather than fighting the development, the Council should be sitting down with proponents and working out how they can get it through the consenting process fairly.

47. If Wellington does not act on housing, the surrounding cities of Porirua, Lower Hutt, and the Kāpiti Coast will pick up the slack. Perversely, this will increase Wellington's traffic congestion and emissions compared to building the houses here.

48. Social housing is already covered in the economic development section under challenge one. Social housing is its own distinct area, and the Council should treat it accordingly. Social housing tenants would best be served by having dedicated social agencies looking after them. The Council should consider transferring its social housing portfolio to Community Housing providers. These providers are better able to offer wraparound services such tenants often require and also better at looking after the properties.

Challenge 5
CIVIC SQUARE

49. It is immensely disappointing that the city's 'heart' of civic buildings are mostly closed for the foreseeable future due to earthquake strengthening issues. However, it must be remembered that Civic Square was not operating as well as it could before these issues arose. We now have the opportunity to redesign this essential public space in a more user-friendly way.

50. The Council should exit ownership of office space in the same way that the central government did decades ago. This relieves the local government of the responsibility of managing catastrophic events to its buildings. The Council should allow commercial-led development of the land, including the co-location of additional residential and commercial tenants. This will contribute to the rebuild cost and avoid the 'dead nights' problem in Civic Square. The Council can maintain the 'ground floor' presence within these new buildings with its offices, town hall, and a central library.

51. Wellington's Central Library doesn't need to rebuild in the same way as before. The current network of central libraries seems to be working well and bringing the facilities closer to people. So, what is wrong with having multiple libraries within the city? This also highlights the challenge of the city's 'ground floor' and what it might look like as the Covid-induced recession deepens.

52. What is the city's strategy for how our streetscape might look in a few years with many retailers having been forced to close? What can we do with the empty shops, and what can the Council do to make its rules more flexible for these commercial building owners? This thinking needs to start now.

Challenge 6
RESILIENCE

53. Concluding the six challenges facing the city are the long-term issues including the need to reduce emissions, improve resilience against the effects of climate change, earthquake strengthen our building stock in an affordable way, and address rapidly rising insurance premiums.

54. Commercial property owners in the city are facing building insurance premiums doubling, tripling or even quintupling over the last few years. For example, one typical office block in Wellington saw its insurance premiums rise 220 per cent in just four years - from $99,000 in 2016 to almost $320,000 this year. In one of our quarterly business confidence surveys from 2019, 30 per cent of respondents said they had experienced "significantly increasing premiums" in the past three years. The Chamber has spoken directly to businesses who have told us insurance companies are inserting additional clauses into contracts to reduce cover without clear explanation and that their cover has been "shrinking over the last four years, but premiums continue to go up".

55. Rapidly rising insurance premiums are obviously a cost to business, but they also flow through into the rents of every tenant, which in turn increases the price of all goods and services in Wellington.

56. Insurance companies and their representatives claim the market is adjusting to the 2016 Kaikoura earthquakes, making more granular risk-based assessments of properties based on location, and reverting to international norms when compared to similar jurisdictions in Japan and California. The problem with these arguments is that no matter what mitigation investment a business makes, the insurance premiums still go up. Japan and California have low rates of business insurance compared to New Zealand but are far larger economies.

57. High rates of private insurance cover were a key feature of Christchurch's successful rebuild following their 2011 earthquake. It would be regrettable for businesses to decide to forego insurance cover in a bid to keep

their operating costs down by exposing themselves and our economy to a significant shock in the wake of even a moderate earthquake. New Zealand can preserve its enviable high rates of insurance cover if we act now.

58. The Mayoral Taskforce on Insurance from the previous Council appears to have gone quiet. We urge the Council to continue working with the Government on insurance reforms that will maintain the affordability of premiums for residential and commercial property owners. Increases to the EQC caps on the cover would seem a sensible immediate step that could be taken; for example, raising the cap on residential property from $100,000 to $400,000.

59. Commercial property should be included in this scheme as well. Without it, redevelopment of the city will wither over time as limited capacity and uneconomic costs bite.

60. As noted through the sections above, preparing the city for the impacts of sea level rises and continuing to reduce emissions are important goals for the city. Now is the time for the Council to start considering the future of Wellington's famous waterfront and how it might be impacted by rising sea levels. Could Council assets, such as ground leases, become endangered by rising sea levels, and if so, should the Council look to mitigate these risks? Perhaps some waterfront land will need to be dedicated to managing inundation. Whatever solutions are agreed upon, consultation with the community should begin before predictable problems emerge.