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SUBMISSION TO THE DRAFT ANNUAL BUDGET 2017/18

Introduction

The Greater East Tamaki Business Association ('Association') welcomes the opportunity to make this submission to the Auckland Council draft Annual Budget 2017/18.

East Tāmaki is situated in a key strategic location with links to the airport, port, CBD and other business areas within the region. The precinct has developed from greenfield origins and the availability and relative cost of land has, in the past, made the precinct attractive to businesses. As such, the area has a number of nationally and internationally significant companies, some of which are involved in developing innovative technologies. It is a dynamic and highly successful production and export zone, contributing $3 billion to the New Zealand economy and 19 million in rates each year. It is predominantly a manufacturing and distribution hub and includes the world class Highbrook Business Park.

GETBA is the Business Improvement District business association for the area. GETBA advocates for business and property owners in the economic development of East Tamaki; provides a conduit to business support, education, resources and networking; enhances the safety and security of East Tamaki; and promotes the area as a great place to do business and to work.

Feedback

Your Consultation Document, *Tahua ā-Tau – Annual Budget 2017/2018*, seeks feedback on five main issues. However, before we move to those issues we would like to comment on an issue that is of paramount importance to our business precinct.

Transport

As a manufacturing and distribution hub there are frequent movements of freight in and out of this business precinct. Most commuters to East Tamaki drive alone in their cars, with some driving with passengers, but very few choose public transport (as there are few options) and active modes are restricted by the nature of the roads and types of traffic.

As a consequence, transport issues (especially congestion) are a significant impediment to East Tamaki businesses' ability to attract and retain staff, and to productivity. Improved roading and transport is required to enable more efficient movement of freight and people in and out of the area and to address productivity losses.

The East Tāmaki area is connected to the southern motorway at the Highbrook interchange which is also the main connection to the west and airport, and is heavily congested. There is potential to enhance the efficient movement of freight with a dedicated freight/T2 lane along Highbrook Drive and upgrade to the interchange itself.

We look forward to improved connectivity in the north and west of the precinct with the delivery of the AMETI and the East West Connections projects. However, completion of both projects are many years away and the congestion continues to get worse.

The major arterial route, Ti Rakau Drive, and it's connecting roads are becoming noticeably more congested. We have been promised improvements to the Gossamer/ Ti Rakau/ Trugood/Cryers/Harris area as part of AMETI, but it will be 2025 before the Pakuranga to Botany section of AMETI is completed and the congestion needs to be resolved more urgently. Meanwhile other intersections with Ti Rakau, including Greenmount Drive, are also becoming increasingly congested and dangerous.

We are concerned that planned widening/intersection upgrade improvements to Smales/ Allens Road which feeds into Highbrook Drive, and the Preston/ Ormiston Road intersection upgrade have been deprioritized.

We ask for ongoing monitoring of the optimal phasing of traffic lights to improve traffic flow and ask for assessments whether restricted parking during peak hours on high demand roads (such as the one lane section of Accent Drive between Lady Ruby Drive and Te Irirangi Drive) would also improve traffic flow.

Your Consultation Document seeks feedback on five main issues: (1) rates increases; (2) rating stability; (3) paying for tourism promotion; (4) paying for housing infrastructure; and (5) paying Council staff a living wage. In addition to giving feedback on these matters, we also wish to provide feedback in support of the BID targeted rates.

(1) Rates Increases

Your Consultation Document notes that Council had previously projected an average rates increase of 3.5 per cent for 2017/2018. However, additional savings (primarily related to inflation, interest costs and the timing of capital projects) will allow delivery of the same activities for about $15 million less. This could be used to reduce the rates increase from 3.5 per cent to 2.5 per cent. There is also an option of only a 2.0 per cent rates increase. With regard to the Uniform Annual General Charge (UAGC), Council proposes this remain at a proportion of 13.4% of the general rate (and rise to $408, $404 or $402 if rates rise to 3.5%, 2.5% or 2.0%).[1]

Our feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates.

We found the *Consultation Document* is not especially clear about what trade-offs are involved between the three options for general rates increases – and in combination with the pause in the business differential.

We believe there are more savings available to the Council than $15M (especially in light of ongoing media reports of profligate expenditure by CCOs).[2] We would like the Council to focus more on internal efficiencies and savings.

Stability for the business ratepayer is about certainty of future costs. This is a paramount concern for a business. An unexpected large increase in costs (such as rates) for a business can have severe consequences for profitability. As Council acknowledges, inflation rates are forecast to remain low and the cost index for local authorities has been forecast to remain low. Businesses are also continuing to contribute this year through the Interim Transport Levy. Nonetheless, businesses recognise that infrastructure is needed and must be paid for. In our submission, there is much more certainty for business in paying a 2.5% general rates increase, than additional targeted rates that

[1] *Auckland Council Annual Budget 2017/2018 Supporting Information*, page 6.
[2] http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11809359

unfairly penalise certain businesses and create significant uncertainties. (see issues (3) and (4) below) A 3.5% increase would only be acceptable if the business differential reduction continues.

We believe that the UAGC should remain at a proportion of 13.4% of the general rate and rise at the same percentage increase as the general rates increase. We recognise that increases beyond that would place too great a burden on small businesses.

(2) Rating Stability

Your Consultation Document says that the Council considers that businesses should pay a greater share of rates than residential properties, but that the present share is too high and should be reduced gradually over time. Council's current policy is to achieve this by applying a higher than average rates increase to residential ratepayers each year, and a lower than average increase to business ratepayers. However, Council's preferred option for this Annual Budget, to keep rates stable, is to pause the policy of gradually lowering business rates for one year. The Council also says that the reasons for the business differential are that businesses make more use of, or place more demands on, council services like transport and stormwater, and are better able to afford rates as they can claim back GST and rates can be claimed as an expense against income.

Our members feel very strongly that the business rates reduction should continue.

Auckland businesses pay 2.73 times more rates than other ratepayers, or around $150 million more. By comparison, Tauranga City Council has no business rates differential at all. The Shand Report on *Funding Local Government* recommended against rating differentials.

We do not accept the reasons given by Auckland Council that require businesses to pay significantly more rates, particularly small businesses who make up most businesses in Auckland. Businesses do not make more use of, or place more demands on, council services like transport and stormwater when compared to residents. Being able to claim back the GST on rates, or claim rates as an expense, does not justify the extent of the business differential. On completion of the phased reduction, Council's Long Term Differential Strategy sets the business share of general rates at 25.8%, which Council says "is the point at which it will more accurately reflect the tax and GST advantages," and the point at which Council believes the greater demands placed by business on transport and stormwater is in balance with residents. We are still well above that point and must continue to reduce the business differential.

We also do not accept Council's views that the variations in rates increases in recent years or the variations likely from future property revaluations will create instability such that the share of rates paid by businesses should not continue to be reduced. As Auckland Council itself accepts, the present share of rates paid by businesses is too high and must be reduced.

Council equates rating stability with all ratepayers paying the same % increase in the coming year, and in the consultation document points by way of justification to reducing the impact on residential ratepayers.

We draw attention to the impact of pausing the differential reduction on business ratepayers, the majority of whom are small businesses and family businesses, serving their community.

Comparative analysis of a residential and business property of equal value $770,000 shows to continue the differential reduction would mean the residential ratepayer pays $12 more a year whereas to pause the differential reduction would mean the business ratepayer pays $60 more or five times more. So what amounts to a small saving for the residential ratepayer has a much more significant impact on the business ratepayer.

Stability for the business ratepayer is about certainty. Acting contrary to an agreed strategy without good reason undermines confidence in the Council.

Also of concern is the statement in the November 2016 Mayoral Proposal that the intention is to resume the business differential reduction when the replacement for the Interim Transport Levy is implemented in 2018 "as any replacement is expected to shift more of the burden of incremental transport investment onto business". It would appear that Council is operating a trade-off here – pause the differential to compensate for the ITL not being increased for the 2016-2017 year, and reinstate it in 2018 when the business component of the ITL will be increased. It also illustrates the pervading assumption by Council that business can pay more, despite not being the main beneficiaries of the investment and already contributing through user charges and other fees.

The long-term commitment to reducing the business rates differential must continue, and Council should look to internal efficiencies, savings first, and then only to new revenue streams making sure that these do not unfairly penalise business.

(3) Paying for tourism promotion

Your Consultation Document says that the council currently spends around $30 million of general rates each year on tourism promotion and major events, which you say provides significant benefits to accommodation providers such as hotels and motels. To continue to support Auckland's rapid tourism growth while keeping rates fair and affordable, Council is proposing to fund tourism promotion costs from a targeted rate on accommodation providers. If this new approach is approved, Council would create a new group including industry representatives to provide direction on how the money is spent.

Our feedback is that the visitor levy should not be introduced.

Accommodation providers (both locally and regionally) have advised us that they do not accept that they should fund ATEED's tourism promotion and event costs from a targeted rate. It is unfair to impose this rates burden on them when only around 10% of the total visitor spend is on commercial accommodation. We note that the clients of The Quest Apartments in Highbrook, are more than 60% New Zealand businesses and residents, not tourists. In this case, a consequence of the visitor levy targeted rate would be to simply add a cost to NZ businesses.

We believe that imposing rates increases of between 150% to 300% will have a significant impact on businesses. For example, General Manager of Waipuna Hotel and Conference Centre, David Comery, expects his rates will triple from the current $200,000 per annum to more than $600,000 if the proposed rate increase goes ahead.[3]

We know of a motel operator in the region that will experience an increase of $32,000 on top of their current rates bill of $17,775. These increases are significant and contradict the Council's position that there should be rates stability.

Imposing an unplanned and unfair burden on commercial accommodation providers to fund tourism promotion may save each residential ratepayer $46 a year, but it will add tens and in some cases hundreds of thousands of dollars of rates to each provider and have negative repercussions across the region. There has been very little notice to businesses to enable them to manage this change and many will not be able to pass on costs. This will put pressure on margins, jobs, wages and potentially the viability of these accommodation providers.

We also believe the Annual Budget year is not the right time to hold a discussion on a significant new policy and rating instrument. This is more properly a discussion left for the Long Term Plan.

[3] http://www.times.co.nz/news/visitor-tax-proposal-flawed/

(4) Paying for housing infrastructure

Your Consultation Document says that Council needs new ways to pay for all the costs involved in unlocking additional land for houses, such as roads, drains, water supply and sewerage, without the need for large increases in general rates. At this stage, the proposal is to amend Council's Revenue and Financing policy to allow Council to introduce a specific targeted rate in partnership with key landowners as part of a comprehensive development agreement.

Our feedback is that this proposal is not suitable for an Annual Budget, but should properly be a discussion left for the Long Term Plan.

We have concerns from the information provided that this proposal has not been well developed nor properly explained to the community. While the Consultation Document frames the proposal in one way, the Supporting Information seems to frame it differently.

We understand that the proposal is to add this targeted rate to the existing development contributions and Watercare infrastructure growth charges (currently $30,000 per dwelling). We have concerns that these extra costs will prove a disincentive to building new houses.

Again, we believe the Annual Budget is not the right time in the planning cycle to hold a discussion on a significant new policy and rating instrument. This is more properly a discussion left for the Long Term Plan.

(5) Paying Council staff a living wage

Your Consultation Document says that a living wage is the income necessary to provide workers and their families with the basic necessities of life. It is currently $19.80 per hour and may increase to around $20.20 per hour in 2017/2018. At present around 2,200 staff employed by the council and its substantive council-controlled organisations (CCOs) earn less than $20.20 per hour. The proposal is to introduce a living wage for Council staff without the need for higher rate increases.

Our feedback is that the Living Wage is an issue for central government to address and not for Auckland Council.

We understand that at the core of the Council's concern is that employees should be paid a higher minimum wage. However, we strongly believe that the level at which the minimum wage should be set is an issue for central government to consider and not Auckland Council.

We do not believe it is appropriate for Auckland Council to spearhead a move to pay a 'living wage', when they themselves are funded mostly by rates.

Even if this were to be a matter for the Council, we also believe the level of remuneration and employment conditions of staff falls within the ambit of the CEO, not the elected members of the Council. The role of the elected members is to focus on what services and the levels of services they want - and then on whether management are delivering these in an efficient and cost effective way. We strongly believe that the overall employee headcount and use of contractors at Council needs serious scrutiny and reduction. We feel there is potential to rationalize areas of overlapping services and address the effects of parts of the Council family operating in silos.

Turning to the Living Wage itself, we are concerned that the Living Wage proposal will have a 'ripple up' effect across all salaries at the Council, effectively leading to an 'across the board' salary increase. We are also not convinced that introduction of the Living Wage will lead to better productivity or loyalty among Council staff.

(6) GETBA BID targeted rates

The Association is directly accountable and responsible to its members for the amount of our BID targeted rate and how it is expended.

Our feedback is that we support the level of the GETBA BID targeted rate set out in the Annual Budget.

We support the GETBA BID targeted rate identified in the Annual Budget. This targeted rate was discussed and agreed to at the GETBA Annual General Meeting. We will use these funds to improve the Greater East Tamaki business environment in a way that is directly accountable to our members.

LOCAL BOARD KEY PRIORITIES AND PROPOSALS

Howick Local Board

As set out in your Consultation Document, based on your 10-year budget, in 2017/2018 you plan to invest $22.1 million to renew and develop assets in your local board area and $22.6 million to maintain and operate these assets and provide other local initiatives. This includes: multi-use community facility at Flat Bush; development at Styak-Lushington Park (Greenmount); greenway, walkway and general park development; a masterplan for Barry Curtis Park; sportsfield development at 187 Flat Bush School Road (Ostrich Farm); walkway and cycleway paths at Flat Bush; water quality ponds at Flat Bush; renewal of existing assets.

You say you are continuing to advocate to bring forward the aquatic centre budget at Flat Bush from 2020 to 2018 to align with other developments at Flat Bush.

You are proposing the following additional priorities for 2017/2018: continue sand replenishment and management of coastal erosion at your beaches and advocate for a regional fund for coastal erosion; undertake a stock take of all community facilities (council-owned and external) in the area; continue to support local services and infrastructure in Flat Bush such as roads, footpaths, stormwater, parks and facilities, to align with growth in this area; develop a masterplan for the Greenmount Landfill area; develop a greenways plan to provide safe cycling and walking connections; continue to connect our walkways to open up the coastline for everyone to use, such as Bucklands Beach walkway; and develop a centre plan for the wider Howick Village area.

You are considering increasing your service levels as follows: continuing to fund extended hours for your libraries; and providing rental support to a number of community facilities.

Our feedback is that we support the Howick Local Board Key Priorities and proposals (subject to our comments concerning savings below), especially the development at Styak-Lushington Park (Greenmount) and developing a masterplan for the Greenmount Landfill area in 2017/18.

However, we also believe there are savings that can be made by and advocated for by the Local Board. We suggest that the Local Board follow the leadership shown by Mayor Goff by supporting his review of all services over the next three years, but also undertaking a review of those services within your ambit and control as a Local Board.

Otara-Papatoetoe Local Board

As set out in your Consultation Document, the board's priorities in 2017/2018 are to continue to support your town centres, youth employment initiatives, the Ōtara Lake clean-up, local events, and arts and cultural programmes. You say you will progress the Ngati Ōtara Park Multisport Complex and Marae project this year. You will continue to provide free adult entry to your local pools, funded through a targeted rate.

Based on your 10-year budget, in 2017/2018 you plan the following local initiatives: New multi-sport facility at Ngati Otara Park; Community facility upgrade, including Te Puke O Tara Community Centre; and Renewal of existing assets, including Allenby Park Skate Park renewal; local events fund $137,000; local community grants $160,000; Skills Sheds operations $79,000; <u>Ōtara Lake and Waterways Vision $60,000; and local economic development planning - BID top-up $360,000</u>.

The Manukau Central Business Association and Wiri Business Association are proposing to expand the boundaries of their Business Improvement Districts (BID). You are asking if we agree with the Manukau and Wiri BID expansions.

Our feedback is that we especially support the Manukau Central Business Association and Wiri Business Association BID expansions, the Ōtara Lake clean-up and the Ōtara Lake and Waterways Vision and local economic development planning - BID top-up (subject to our comments concerning savings below).

We believe there are savings that can be made by and advocated for by the Local Board. We suggest that the Local Board follow the leadership shown by Mayor Goff by supporting his review of all services over the next three years, but also undertaking a review of those services within your ambit and control as a Local Board.

The Association wishes to be heard if any hearings are held before the Local Boards.

Yours sincerely

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