Greater East Tamaki
Business Association Inc.

Feedback on Auckland Council's Draft Long Term Plan 2015-2025

From: The Greater East Tamaki Business Association Inc. (GETBA)

Date: 13 March 2015

Consultation Question 1a: *Do you agree with the proposed overall average general rates increase of 3.5 per cent each year, which will enable the proposed investment and spending outlined in this document?*

We acknowledge that growth must be supported by appropriate core local infrastructure and that there is a need for spending on core infrastructure assets and services including transport, water, wastewater and stormwater, and solid waste collection.

However, Council's claim that *"While affordability is often expressed in terms of consumer price inflation, due to a healthy economy, the income for the average Auckland household is growing faster than inflation"* (page 18 of the Consultation document), should be considered in light of more recent inflation statistics and the slowdown in the economy. The New Zealand Inflation Rate was recorded by the Reserve Bank at 0.8% in the fourth quarter of 2014, and is forecast to remain less than 1% for 2015. The BERL overall cost index for local authorities (LGCI) annual average percentage change for June 2014 was only 1.13% and is forecast to be only 2% in June 2015.

We question Council's justification for the 3.5% increase based on inflation.

Consultation Question 1b: *If you do not agree, in which activity areas do you think we should spend more or spend less, and what level of general rates increase would you support?*

Funding the City Rail Link in advance of Central Government commitments has placed significant pressures on Auckland Council funding other projects, especially transport projects.

We note that water and wastewater infrastructure projects remain fully funded from Watercare's charges with no reliance on rates, the maintenance of the stormwater network is planned to continue at existing levels, ATEED's programme to work with the business sector to grow jobs will continue, the completion of the Unitary Plan is being prioritised, and the introduction of a region-wide organic collection and a "pay as you throw" waste collection will continue, although there will be changes to the inorganic collection service.

Transport is a key issue for Auckland and for our business precinct, and requires more investment.

Ongoing year-on-year general rates increases are not sustainable and will not meet the level of spending required. Given the significant sized contribution Auckland makes to the NZ economy, we recommend increased government financial input particularly on transport. We also recommend the partial sale of Auckland Council assets and harnessing private sector capital.

Consultation Question 2a: *Do you support the basic transport network or do you think we should invest more to get the Auckland Plan transport network that would address our transport problems?*

We note that funding the City Rail Link (CRL) is included in both the Basic Transport Network and Auckland Plan Transport Network and that funding the City Rail Link in advance of Central Government commitments has placed significant pressures on Auckland Council funding other transport projects.

In terms of impact on freight network congestion (an important measure for business), the Council acknowledges that under the Basic Transport Network, improvements to public transport, motorways and important freight routes including the East West Connections project keep freight congestion similar to current levels throughout the decade.

The State Highway programme is very similar for both networks. State Highways - the backbone of the freight network - are funded 100 per cent through the National Land Transport Fund and are not reliant on rates or other local funding. For that reason, little difference is seen between the Basic and Auckland Plan (rates and fuel tax) transport networks until after 2035.

By 2045/46, the Basic Transport Network has substantially higher levels of peak and inter-peak congestion - and lower freight vehicle speeds - than the 2006 starting point or the 2045/46 Auckland Plan Transport Network alternative. The demand management impacts of using motorway user charges to fund the Auckland Plan Transport Network have a clear positive impact on lower congestion.

GETBA is concerned that this consultation process does not have an option for the inclusion or otherwise of the City Rail Link. We do not support the City Rail Link as it has no benefits for the wider East Tamaki area which is the largest industrial employment hub in Auckland and a fast growing feeder population. The freed-up funds could go towards relieving the pressure and congestion on the main arterial roads in our high area affecting both freight and domestic traffic. (see specifics under Question 2c)

The Auckland Plan Transport Network programme is needed. Council needs to invest more in a combination of improved public transport and roading projects. The longer we wait to implement transport capex projects the greater the congestion builds and therefore greater disruption to users.

Consultation Question 2b: *If we decide to invest in the Auckland Plan transport network, how do you think Aucklanders should pay for it? Annual fuel increase of 1.2 cents per litre and an overall annual rates increase of around one per cent each year (in addition to the proposed 3.5 per cent overall annual general rates increase); or A motorway user charge of around $2 each time people enter Auckland's motorway system, which would be free at night and may vary by time of day.*

The 'Fuel Tax Option' spreads costs broadly across households and businesses; the average household would pay increased costs of $348 in 2026. This option can be achieved at low implementation cost with little or no legislative change required. Under this Option, the business sector would contribute 34 per cent of additional charges, facing additional transport costs of $106 million – or 2.2 per cent of their overall transport costs. New transport costs will be offset by the travel-time savings on the transport network. Under this pathway, businesses will benefit from savings of $256 million, although these savings are not distributed evenly across all business sectors. The commercial transport sector would save approximately $9 million.

While the 'Motorway User Charge' is more complex to introduce, expensive to implement and requires legislative change, this option provides greater ability to manage transport demand and provides economic benefits more than three times greater than the other option. It aligns the costs with those who use it. The average household would pay increased costs of $345-371 in 2026. The business sector would pay 41-46 per cent of additional charges, facing extra transport costs of between $125 and $145 million. These account for 2.5-3.0 per cent of their overall transport costs. New costs will be offset by travel time savings that result from transport improvements and the effect of motorway charges on congestion. Under this pathway, businesses will benefit from savings of $303 – $314 million, although these savings are not distributed evenly across all business sectors. The commercial transport sector would save approximately $11 million.

Under either option, a small number of Auckland's most vulnerable households would face greater financial hardship. The most effective way to mitigate this is to keep new charges low and affordable and to ensure provision of cost-effective alternatives.

GETBA supports the 'Motorway User Charge'. While it is more complex to introduce, expensive to implement and requires legislative change, this option provides greater ability to manage transport demand and provides economic benefits more than three times greater than the other option, and aligns the costs with those who use it.

Given the need for government agreement, which would see commencement beyond 2015/2016, if the choice is the larger Auckland Plan Transport Network, we support the Council introducing a targeted rate for transport in 2015/2016 in order for the earlier delivery of the Otahuhu and Manukau bus interchanges and AMETI. We are not in favour of this targeted rate applying the business differential.

Consultation Question 2c: *Are there specific projects or priorities e.g. cycleways, improved public transport services, or more bus lanes, we should focus on delivering as part of the basic transport network or the Auckland Plan transport network?*

GETBA supports the Auckland Plan Transport Network. Very little has been spent in the East Tamaki area on transport. We are very concerned that the following planned improvements have been listed as cut off from funding under the Basic Transport Network, and would strongly recommend they be prioritised under the Auckland Plan Transport Network.

- **Smales Allens Rd Widening & Intersection Upgrade**
- **Ormiston Preston East Tamaki Rd I/SCTN**
- **AMETI Reeves Road flyover (delayed by 10 years)**
- **East West Connections (reduced funding)**
- **AMETI Mt Wellington Hway (deferred until after 2019)**
- **AMETI Morrin to Merton Link (deferred until after 2019)**
- **Manukau Interchange (deferred until after 2019)**
- **Otahuhu Interchange (deferred until after 2019)**

The Smales Allens Road widening and intersection upgrade is crucial to relieving current congestion of both freight and domestic travel along the arterial route Smales/Allens/Highbrook Drive to the Highbrook motorway on/off ramp. This congestion will only worsen as the Flat Bush area grows and Ormiston Town Centre comes on stream and puts pressure on these local roads. Continued growth of Highbrook Business Park (about to embark on Stage two) will also put pressure on this arterial and adjacent local roads.

We are also concerned that there is no reference to the extension of Gossamer Drive to Highbrook Drive and related improvements to the Trugood/Ti Rakau Drive and Trugood/Cryers Road intersections.

We are appreciative that the Pakuranga to Botany busway has been brought forward but are concerned at the delay to the Reeves Road flyover which will play a key role in relieving pressure on the congested area encapsulating the Pakuranga Highway, Reeves Road, Ti Rakau Drive and SEART.

The planned Manukau and Otahuhu interchanges are vital for improving public transport linkages into East Tamaki, the largest employment hub in the south and east.

Consultation Question 3: *Do you support the Council taking a more active role in the development of Auckland through replacing two existing Council Controlled Organisation (CCOs) with a new development agency?*

We note that while the review of the seven Council-controlled Organisations identified several options for structural changes (such as water/wastewater/stormwater services being consolidated in either Watercare or Auckland Council, or combining the functions of Regional Facilities Auckland and ATEED), the only major option progressed at this point is to establish 'Development Auckland' from Waterfront Auckland and Auckland Council Property Ltd.

We support Development Auckland being established to facilitate Council having a more active role in development such as encouraging amalgamation of fragmented land, redeploying existing strategic property budgets, and using Council land holdings as potential development sites.

We note and approve that the proposal is to not be directly involved in development, nor significantly increase Council's direct investments, nor to expose the Council to any new property development risks. We also note that the 'Development Auckland' option will not be seeking new legislative powers such as master planning, resource consenting or compulsory acquisition powers.

We suggest Development Auckland should be positioned to address market failures, and not compete against existing developers. It should focus on land amalgamation bringing about major upfront infrastructure investment, developments with significant non-commercial outcomes, and developments with complex consenting issues – and then attract private developers. We feel Central Government support and involvement will be essential to its success.

It is possible that Development Auckland could have broader economic development objectives rather than the more narrow 'development' objectives, a focus on greenfield as well as brownfield sites, and a portfolio of industrial/commercial opportunities as well as residential.

We would also like to see clarification of the differing investment attraction roles of Development Auckland, the Auckland Investment Office and ATEED.

Consultation Question 4: *What do you think the fixed portion of rates (UAGC) that everyone pays should be?*

We acknowledge that Auckland Council sets a fixed Uniform Annual General Charge ('UAGC'), to ensure that every ratepayer pays the same minimum contribution for council services and is proposing to keep the UAGC at its current level of $385 per year for 2015/16 (or 12% of total rates).

We note that by legislation, the Council can set the UAGC rate at up to 30% of total rates – which is around $900 and that the average UAGC across Auckland's previous councils used to be 18% of rates (with the North Shore City Council setting it at 30% or $831 prior to amalgamation).

We note with interest that the Employers and Manufacturers Association (EMA) has said the UAGC should be the maximum 30%, but as an interim measure it should be raised to $650 or 23%. A very high UAGC would negatively affect smaller businesses and the application of the UAGC on the basis of a 'separately used and inhabitable part' (SUIP) also favours larger businesses. The variety of commercial sites especially those located in residential areas also makes a UAGC difficult to administer fairly and effectively. The Council modelling shows that a UAGC of $500 would have minimal impact on small businesses.

We support raising the UAGC to $500. We also recommend amending the definition of the SUIP so small live and work businesses are not taxed/rated twice.

Consultation Question 5: *Do you support gradually reducing business property rates from 32.8 per cent of all rates to 25.8 per cent over the next 10 years (the business differential)?*

When Auckland Council was formed, businesses contributed 34% of the overall rates even though their properties only made up 17% of Auckland's total property value. This was patently unfair. Council acknowledged the inequity and decided to slowly reduce the share paid by business from 34% to 25.8% by 2022/23.

We acknowledge that as a result of the 2014 revaluation, which saw business properties increase by much less than residential homes, continuing with the current differential reduction formula would result in an unintended windfall for business and corresponding increase for households. Council is now proposing to adjust the formula and extend the date that business will reach a share of 25.8% by 2025/26.

Note that GETBA takes issue with the wording of the Consultation document in this section. There is an option (presumably 'other' in the online/paper form) of not continuing with the differential reduction process and going back to business carrying an unfair share of the rates burden (33.3%). The explanation of the options on page 40 is heavily weighted against business.

Auckland businesses will pay 2.63 times more than other ratepayers, or $150 million more, than if there were no differential. This stance goes against the Council's 'business friendly' objective.

We would like to reiterate our position that the policy reasons for Auckland Council applying a business differential (ie that business ratepayers make more use of council services like transport and stormwater than residential ratepayers, and are better able to afford rates as they can claim back GST and rates can be claimed against income tax) **are unsound, particularly when applied to small businesses.** The Shand Report on *Funding Local Government* recommended against rating differentials, and not all Councils apply the differential eg Tauranga.

Consultation Question 6a: *Which local board does your feedback relate to?*

Howick Local Board

Consultation Question 6b: *Do you support the proposal for your local board area?*

We support the following local activities that the Council proposes to deliver in the Howick Local Board area as part of the Long-term Plan 2015-2025 include:

- **Undertake an audit of existing economic development plans in the area**
- **Continue to support local business improvement districts in the Greater East Tamaki Business District and Howick Village Business Association**
- **Investigate a recycling hub**
- **Continue to develop the Industry Prevention Pollution programme**
- **Advocate to influence the East/West connections and SMART projects**

We note that certain aspects of the *Howick Local Board Plan 2014* have not been not picked up by the Long Term Plan 2015-2025 and perhaps are now unfunded or unsupported. If that is the case we seek that these matters from *Howick Local Board Plan 2014* be included in the Long-term Plan 2015-2025.

These include:

- Advocacy to support a Regional funding approach for water quality and Industry Prevention Pollution Programme measures
- Work with employers and education and training providers to facilitate delivery of targeted vocational training courses
- Partner with businesses, BIDs and ATEED to develop Highbrook as a high tech/IT area

- Support a project which will facilitate young people into work
- Fund streetscape improvements as part of the draft East Tāmaki Corridor Management Plan

Consultation Question 6a: *Which local board does your feedback relate to?*

- Otara-Papatoetoe Local Board

Consultation Question 6b: *Do you support the proposal for your local board area?*

We support the following local activities that the Council proposes to deliver in the Otara-Papatoetoe Local Board area as part of the Long-term Plan 2015-2025:

- Ōtara Lake and Waterways Vision – promoting rehabilitation of Ōtara Lake and waterways and surroundings ($100,000)
- Fund business associations to promote public safety and improve the Ōtara, Hunters Corner and Old Papatoetoe town centres ($410,000)
- Waste minimisation and recycling – join with other local boards to scope opportunities for a community recycling centre in South Auckland ($15,000)
- Advocate for the new Manukau bus terminal, and realign intersection of Ormiston, East Tamaki and Preston Roads.

Any other feedback?

Funding

Given the significant sized contribution Auckland makes to the NZ economy, where is the proportionate spend by government on core infrastructure in Auckland? We also recommend Council undertakes a partial sale of assets in addition to the planned disposal of non-strategic surplus property assets, and pursues harnessing private sector capital.

Water/wastewater charges

Watercare propose increased water/wastewater charges of 2.5% in the first two years and increase to 3.6% each year thereafter. This is out of step with inflation. We reiterate that the New Zealand Inflation Rate was recorded by the Reserve Bank at 0.8% in the fourth quarter of 2014, and is forecast to remain less than 1% for 2015, and that the BERL overall cost index for local authorities (LGCI) annual average percentage change for June 2014 was only 1.13% and is forecast to be 2% in June 2015.

We object to Watercare imposing a wastewater differential on business of between 1.53 and 1.85 meaning the business sector is paying $39M more than the domestic sector per annum. GETBA has submitted against the wastewater differential in the past and we reiterate this stance. We support the EMA's concern that this is more in the nature of a tax than a service charge and support the EMA's position that Watercare should phase out the differential over 3 years.

We support the Watercare's target of 15% water consumption reduction per capita from 2004 levels by 2025, and working with businesses to help them better understand their water usage.

Other fees and charges

Council states that most council charges will increase with inflation each year, however **we note with concern that some council charges for building control, land and property information, and resource consents are increasing beyond levels of inflation or the overall cost index for local authorities (LGCI) annual average percentage change.** Council expects there to be additional revenue from fee increases of $4.5 million per annum.

ATEED

We note that ATEED's overall funding has been reduced by $1M OPEX per annum, but that they have greater flexibility in the way the budget is used. **We support new proposals, particularly in the youth unemployment area and encouraging inward business investment. GETBA promotes ATEED services to our member businesses including the Government's Regional Business Partners programme, services to small/medium businesses and start-ups with high potential, the Foodbowl.**

COMET

GETBA is concerned that Council proposes to reduce COMET Auckland's funding by 43% or $260,000. This is a significant amount to COMET but a very small amount in the whole of Council context.

We feel that COMET provides a valuable service and are concerned that such a significant cut would compromise COMET's ability to partner with organisations like ours, to research, coordinate and deliver results in the important area of education, skills and employment.

We are involved in the COMET co-ordinated Employability Passport Project, representing the employer stakeholder and being a conduit to business. COMET have the unique position of being able to bring together a range of stakeholder groupings including the community (with which they have strong connections), education and business. It occupies a different space to both the Ministry of Education and ATEED.

Waste Management

We note the proposal to continue to implement the Waste Management and Minimisation Plan over a slower timeframe than previously proposed to enable any risks associated with new technologies and funding changes to be carefully managed.

We are concerned at the lack of progress with the provision of waste collection services in industrial areas such as ours as originally planned in the WMMP.

We do however appreciate the opportunity to access funding towards educating and facilitating businesses about recycling and reducing waste to landfill.

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