

21 March 2024

## Feedback on Auckland Council Long-Term Plan (LTP)

### **About the Auckland Business Chamber**

The Auckland Business Chamber is a voluntary organisation and a part of New Zealand's largest business network organisation, the New Zealand Chambers of Commerce network. The Chamber has represented business in Auckland for more than 160 years. We are pleased to contribute to the development of Auckland Council's Long-Term Plan 2024 - 34.

We support the general direction of the proposal for the Long-Term Plan. The Auckland Council has a large influence on our City and needs to be focused on excellence in delivery and quality of regulation. We appreciate that there has been a need to re-focus on core delivery at the Council and we hope this approach continues.

We recognise that population growth drives demand for infrastructure and services from Council. The Chamber recognises that Auckland already has an infrastructure deficit. To maintain and develop the infrastructure networks required will present a considerable challenge in coming decades. This should be a high priority as an essential service of Council. This is an overwhelming priority ahead of the many 'nice to haves' that Councils can be involved in.

### **Fiscal Prudence is Priority**

We commend the approach to minimise rates increases and reduce wasteful spending. Auckland businesses are feeling the pressure from a slow economy and high inflation. Managing cost is challenging and higher rates cannot be passed on to the wider public. We agree with the option to "*make do with what we have*" – this aligns with the approach that many Auckland businesses have adopted.

There are considerable demands for new expenditure and infrastructure to support our growing population. Rates increases to fund this directly impact on the wider economic activity in the city and drive up costs. Every dollar taken for rates must have an effective use. We recommend that charges and fees are kept to an effective level through efficient business processes that avoid unnecessary overheads.

We support the use of value capture and user charges to generate a stronger connection between those who pay and those who benefit. These tools need to be more widely used and linked to the wider development agenda with housing and transport infrastructure.

The careful management of debt is an important task for the Council. We agree with efforts to ensure that Auckland preserves its credit capacity. The February 2023 floods showed that unexpected events can be costly and require financial resources for

recovery. With rising interest rates, the cost of borrowing has been increasing substantially and will continue to do so.

The Council's plan to bring the debt limit to a lower level is a prudent strategy, given the cost of borrowing and outlook for interest rates in coming years. Debt is an important tool for Council but must be very clearly connected to the development of long-term assets, rather than covering short-term problems.

## **Future Fund**

We are generally supportive of the Future Fund proposal. However, we would like to see further discussion and analysis on what the implications of this proposal will be for business.

As a concept, having a strong, diversified portfolio is a more sensible risk strategy than a concentration of assets in the Auckland region. Rising insurance costs and the availability of reinsurance capacity will further challenge the ability of Council to protect its asset base. We support efforts to ensure a prudent risk management strategy.

We also see benefits from a more considered approach to the Council's asset management strategy. The Council has a large balance sheet with a diverse range of assets. We are supportive of asset recycling, which attempts to optimise the deployment of capital through the effective disposal of assets, to allow investment in new priority assets.

By selling off surplus or non-core assets, the Council can optimise its resource allocation and improve financial sustainability. Unlocking capital from underutilised assets can generate greater returns, or address pressing needs within the community. Asset recycling can also help streamline operations, reduce maintenance costs, and enhance overall efficiency in asset management.

We are mindful of the potential implications for our key transport node – the Port. Auckland's Port is vital to the conduct of commerce and movement of freight in the City, and ensuring that it can efficiently deliver these tasks is crucial to the city's economy. We are therefore open to the concept of leasing Port of Auckland's operations, but would insist on well-considered consultation (drawing on a robust evidence base), to understand the impact that any change in ownership structures will have on the economy and the transport system, and how this will flow through to businesses and consumers.

We believe that the Future Fund must be managed in a way that allows it to maximise returns, in order to provide the best possible value for the City. To this end, any decision by the Council to continue to reduce its share of ownership of AIAL would be acceptable. The Council holding does not constitute a strategic or controlling stake. The Council has better tools as a regulator to influence the actions of AIAL.

## **Rating Differential**

The Chamber believes that the policy to charge business at a higher rate than residential properties, known as the rating differential, looks increasingly out of date in 2024. With the advent of widespread working from home, an increasing proportion of commercial activity is now occurring in residential properties.

We also see shifting land use and a move toward more mixed use in traditional retail areas of the City. This is part of the planned densification around transport routes. Avoiding artificial differentials helps ensure that zoning and planning is well aligned to rating policy and the Unitary Plan.

Failure to reduce the differential will have the impact of displacing commercial activity to areas that have been determined as more suitable for residential use.

We support efforts to reduce the differential over time. We believe that the council should support Option 1: the continued slow reduction in the business differential. We would like to see steady, on-going progress in this policy shift.

## **Transport Investment**

We support the proposals to increase the efficiency of the Auckland Transport network, and derive greater benefit out of existing assets. To that end, we are particularly pleased by Council's intention to develop a time-of-use charging scheme for Auckland. If done right, this could be a game-changer for the city.

Council investment must be closely aligned with central government objectives to ensure that the expenditure is well prioritised. The multibillion dollar spend earmarked in the Plan is vital – for Auckland to succeed, efficient transport networks must be developed.

We would like Council to ensure that value for money is obtained in the operation and funding of Auckland Transport (AT) as the major CCO. We are pleased to see the increased scrutiny of the agency in this Council term, and believe that the agency should be clearly directed toward optimising the transport system to support free movement of people, freight and commerce around the City. It is important that AT be continually reminded that this is a top priority. There has been a tendency to focus on projects that have other goals (such as place-making and public health), at the cost of more effective delivery, and more effective transport outcomes.

With respect to transport, we see only limited benefit in the "Pay More, Get More" option. In our view, many of the projects it envisages are 'nice-to-haves' rather than 'must-haves', and offer limited value in increasing productivity or network efficiency. We support efforts to co-ordinate the expenditure and align transport priorities with central government and its agencies.

We note specific project details of the transport programme will be made available and publicly consulted on (by AT) through the Regional Land Transport Plan (RLTP) process. We also support the Auckland Integrated Transport Plan approach to align the efforts of all transport agencies and maximise the value of their efforts and investment. Strong engagement with the business sector is encouraged.

### **Economic Development**

We recognise that there is value in an events and cultural strategy for the City, to increase visitors and enhance Auckland's attractiveness as a destination. Given our experience in this sector, and our role as a collective voice for the Auckland business sector, the Chamber is well placed to assist the development of this strategy. We also see an important role for Council organisations to play in promoting Auckland and building the City's brand.

We support the Council's signals that these activities should not be funded by general rates and that work will progress to introduce an alternative funding tool, such as a bed night visitor levy. We would like to see the Council engage with the private sector to devise an arrangement that picks up on best practice and does not get diverted from the core purpose of driving economic activity.

### **Conclusion**

We note from Council Staff Advice to support the Mayoral Proposal that total Business Rates have increased from \$607.1m in 2021/23, to \$724.0 million in 2022/23. This is a significant share of Council income, and the level of increase is significant. It says a lot about the contribution that the business community is making to Auckland, and about the impact rates can have on business costs – particularly for small and medium enterprises.

We recognise the efforts of Council and staff to put together this substantial and detailed plan, and we look forward to working constructively with you as the Plan is finalised. Thank you for the chance to contribute.