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Committee Interim Wellington Regional Strategy
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Strategy Hearings Subcommittee

Wellington Regional Strategy Hearings Subcommittee Recommendations on Submissions to the Wellington Regional Strategy and LTCCP Amendment

1. Purpose

To make recommendations to the Committee on the Wellington Regional Strategy and the Governance and Funding proposals, following hearing and consideration of submissions.

2. Significance of the decision

Amending the 2006-16 long-term council community plan (LTCCP) and the proposed Wellington Regional Strategy are significant decisions. In order to make these decisions, the Council is required to follow the consultative procedure set out in section 83 of the Local Government Act 2002. This procedure includes public notification of the Council's proposals, and a formal submission process.

3. Outline of the Report

The hearing process is outlined, including an overview of the submissions to provide the Interim Committee with a sense for where submissions have originated and the general support for the proposals.

The issues arising from the submissions are then identified and discussed, firstly on the WRS and then on the proposed LTCCP amendment.

Some submissions are specifically referred to, to assist the Interim Committee to understand the nature of matters raised in submissions generally. The listing of submissions provided is *not intended to be exhaustive*. Examples provided either reflect general views received, or highlight a particular matter needing to be addressed.

Addressing each of the sets of issues set out provides a basis for responses to individual submitter's input.

The Subcommittee's recommendations are made throughout the report, and are listed together at the end.

4. Hearing Process and Submission Analysis

The following provides an overview of the consultation process and the submissions received on the WRS and the Proposed LTCCP amendment.

4.1 Consultation

A public consultation process meeting the requirements of the Local Government Act 2002 was initiated on 30 September 2006 and closed on 13 November 2006.

Consultation focused on a 'statement of proposal' produced to address the required components as specified by the Local Government Act 2002.

The initial 4 week period for submissions was extended by 2 weeks following requests from the public for more time to consider the material and submit on it. Public submissions were invited on both the Wellington Regional Strategy proposals, and proposals to amend Greater Wellington Regional Council's LTCCP.

A broadsheet summary document was distributed across the 180,000 residential households in the region. Full copies of the statement of proposals were available via council offices, libraries and other locations (e.g. displays at locations such as Wellington International Airport).

Material was also directly mailed to a database of around 1200 organisations and stakeholders having particular interest in the WRS subject matter. Several stakeholders to the WRS process also directly encouraged their networks or members to submit.

Media articles and advertising was used in conjunction with above to raise community awareness and encourage engagement. This included email and web based contact and access to information.

A total of 440 submitters responded to the Wellington Regional Strategy itself and 253 were received on the proposed LTCCP amendment.

Of these submissions 68 submitters requested to be heard in person.

4.2 Hearings

Consideration of the submissions was undertaken by a duly constituted sub-committee of the Interim Wellington Regional Strategy Committee. The Hearings Sub-Committee comprised Ian Buchanan (chairperson of the Interim WRS Committee), Mayor Wayne Guppy, Mayor Alan Milne, and Sir John Anderson.

The Hearings Sub-committee members each received a full set of all submissions in advance of the hearing days of 4th, 5th and 6th December 2006.

In addition to hearings being held at the Greater Wellington Regional Council chamber, a hearing session took place on the 5th December at the Upper Hutt City Council chambers. The approach to the hearings took account of information provided to the sub-committee on the principles of consultation set out in the Local Government Act 2002.

Deliberations on the submissions by the Hearings Subcommittee followed on 19th December 2006 and 23rd January 2007. Officer comment and recommendations on the submissions were provided to the Subcommittee members to help inform their consideration of the matters raised.

The recommendations provided to the Interim WRS Committee reflect the majority view of the Hearings Committee.

4.3 Positive / negative summary of submissions provisional

	WRS	LTCCP Amendment
Total number of submissions	440	253
Support	20%	18%
Support with conditions	9%	
Don't support	62%	81%
Unclear	9%	1%
TOTAL	100%	100%

4.4 Submitter by local authority area (WRS only)

	Submission volumes	Population
Carterton District Council	1%	2%
South Wairarapa	2%	2%
Masterton District Council	4%	5%
Porirua City Council	5%	11%
KCDC	8%	10%
Lower Hutt	12%	21%
Wellington	21%	41%

Upper Hutt	47%	8%
TOTAL	100%	100%

There was significant variation between the local authority area submitters both in terms of volume and submissions. For example Upper Hutt submitters were 94 percent opposed to the WRS. This contrasts with Wellington City who were 19 percent opposed.

Of the 205 submissions opposing the LTCCP proposal, ¼ of these supported the Upper Hutt City Council’s submission, without adding additional information.

A map is included in **Attachment 1** showing the geographical spread of submitters, based on local authority areas.

5. Wellington Regional Strategy Submissions

Set out in the following sections are an overview of the submission themes, discussion on these and recommendations.

Where specific wording changes are discreet to a particular page of the WRS they are set out directly under the particular report section.

Some aspects, however, require integration across different parts of the WRS in conjunction with other revisions. To simplify the Committee’s consideration of these elements the report section recommends the intention of changes proposed, supported by the specific text changes incorporated into the full text revisions set out in Report Recommendations at Section 9 of this report.

5.1 Submission Issue: Analysis

5.1.1 Submission Themes

- Satisfactory evaluation and analysis achieved. (e.g. s315 Forest & Bird notes “a wealth of information”, PWB s420 notes “reasonable job of evaluation work... plenty of further work to be done”).
- Insufficient analysis in WRS documentation (s79 Wairarapa Federated Farmers)
- Overall analysis lacking. (s339 Wellington Regional Chamber of Commerce) (s279 Business Porirua.
- Analysis not covering appropriate matters. (s279 Business Porirua) (s390 Sustainable Energy Forum regarding energy / climate, s377 Climate Defence Network re carbon neutrality)
- Analysis issues have lead to inappropriate conclusions as to WRS Strategy and / or actions. (s199 Business Roundtable, s339 Wellington Regional Chamber of Commerce)

5.1.2 Recommendations:

- a. Change the WRS text to strengthen recognition of factors influencing the Wellington regional economy, particularly those around private sector activity and central government’s role and actions. (See Report Section 9 new WRS introductory section and incorporation of economic context information).
- b. Address the perceived lack of analysis and evaluation by including reference to background work such as:
 - Business sector analysis by 3 digit ANZSIC codes using location quotients and sector share comparisons (Kemp, McDermott Millar),
 - Regional Full Time Equivalent projections by 1 digit ANZSIC codes (NZIER),
 - Floor space projections for office, industrial and commercial (Property Economics),
 - Housing segment demand information (Property Economics and SGS economics and planning)
 - Cluster performance information (Infometrics, BERL and NZIER and MED).
 - WRS evaluation and development process information

(See Report Section 9 recommendations for a new 'Appendix One' and inclusions of new text at WRS page 2)

- c. More strongly incorporate sustainability and climate change considerations into the WRS in the introductory text and principles and assessment criteria for WRS projects . (See Report Section 9 recommendations for new WRS page 2 text)
- d. Note that ongoing discussion will occur with stakeholders such as the Wellington Regional Chamber of Commerce and Business Porirua around specific analysis expectations beyond the current work available.
- e. Make more explicit that the WRS promotes a high degree of interaction and working together of all parties able to progress WRS concepts. Accept the various offers of resource support and input to progress components of the WRS (through the proposed implementation agencies/forums) including entities such as Go Wairarapa and from the Wellington Regional Chamber of Commerce, Employers & Manufacturers Assn, Tertiary Education Providers, Central Government Agencies and Crown Research Institutes. (See Report Section 9 recommendations for new Inside Front Cover text and text changes for WRS pages 14 and 16).

5.1.3 Overview of issues:

Submissions on this topic set out two main areas of concern.

The first is that the 'logic trail' and sufficient detail for strategy action being proposed is not set out in the WRS document

The second is that inadequate assessment, analysis and / or evaluation has occurred to inform the WRS process.

'Logic trail' and sufficient detail

It is accepted that some additional explanation and justification as sought by submitters would be helpful. It is evident that undue reliance had been placed on stakeholders obtaining additional information through links identified in the WRS document. These links were to background reports on the WRS website and / or making contact directly by phone or email. In actuality very few direct enquiries were received seeking additional information or explanation on the logic trail. Reliance just on the WRS full document has unsurprisingly left several submitters unconvinced as to the logic trail or justifications for action.

Submissions received also included references to a need to build an understanding of economic functioning in the region. This is for matters such as sector growth statistics and trends. This information is available in the background WRS papers and the WRS document needs to be strengthened to identify a summary of this information and a fuller bibliography of all the work carried out and relevant data sources.

Many, if not most (to the extent that N.Z. data is available), elements identified by submitters did inform the WRS development.

Examples are:

- sector comparisons to North Island, New Zealand and overseas averages in terms of economy composition,
- analysis to 3 digit ANZSIC code level for sector trends and methodologies for identifying growing and threatened sectors (Kemp, McDermott Millar, BERL and others);
- sector FTE projections to 2026 at 1 digit ANZSIC code level (NZIER 2005);
- household demand segmentation figures (Property Economics and SGS); and,
- floorspace demand forecasts for office, industrial and other activities (Property Economics 2005).

Some submitters (e.g. s279 Business Porirua) seek specific analysis of matters such as export profiles of existing businesses, export destinations and related material. These have not been obtained for the WRS process to date as this information has been considered more appropriate for analysis for the WRS implementation phase.

The decision not to incorporate all of the above information in the consultation document followed WRS Forum consideration as part of the WRS development process as to what kind of document was appropriate for consultation purposes.

Approaches used elsewhere in New Zealand and overseas helped inform the WRS thinking. A distinction was drawn between strategy documents targeting establishment of a public mandate and high level direction, as opposed to documents aimed at funding application type business case detail and / or practitioners focusing on implementation specifics. In the latter case a clear mandate and funding channels usually exists. Until the WRS has a clear mandate as to high level direction it has not been considered feasible or sensible to invest in pursuing advanced strategy detail.

As publicly notified the WRS is similar in its detail to the 'logic trails' in other strategy documents for similar purposes. An overseas example is the London Development Strategy, while a recent N.Z. example is the Auckland Metro Action Plan (October 2006) and the overarching strategy to which it relates that have been endorsed by Auckland private sector and government stakeholders.

Another relevant point to note is that as economic development is competitive between regions / states / countries, providing high levels of detail can in fact be counterproductive. Detailed evaluation and justification is usually addressed in EDA working papers that are not widely circulated. This is particularly so

given the fact that many of the levers for economic development are common between strategies (i.e. the generic nature of some proposed actions, rather than being a weakness as some submitters suggest, is a reflection of separate economic development evaluation processes coming to the same conclusions as to 'what matters' e.g. broadband).

Inadequate assessment, analysis and / or evaluation

Questions from the WRS Hearings Committee sought to clarify the extent to which all parts of the WRS are at issue in relation to concerns expressed by some submitters. These submitters suggested WRS assessment and analysis is inappropriate, or needs to be redone, and as a consequence the WRS needs to be reworked and / or delayed.

It appeared to be generally accepted by most submitters that:

- The basis for identifying the long haul strategy as a priority was generally accepted (noting that some submitters did raise carbon emission / sustainability issues).
- The analysis and evaluation around labour market strategy initiatives were generally accepted by those submitters who commented on this topic.
- The evaluative work around regional tourism was accepted by those submitters who commented on this topic (noting that some submitters did raise carbon emission / sustainability issues).
- 'Good regional form' initiatives were generally not at issue in terms of assessment or analysis. Suggestions for refinement or clarification were suggested in relation to aspects of the regional form section, however the evaluative basis was generally accepted.
- Views were mixed as to the relative importance of broadband as an action priority however the analysis used as the basis for highlighting broadband as an issue received little challenge.
- Views were also mixed as to the interventions and initiatives proposed around selling and marketing overseas, business development support, commercialisation efforts and investment attraction.

Concern was more uniformly expressed in relation to:

- Inadequate recognition of sustainability assessments and links to climate change (for example s126 Architectural Centre, s294 Sustainable Wairarapa, s334 C. Horne, s377 Climate Defence Network, s390 Sustainable Energy Forum Group).
- Realistic ability to influence the economy through WRS initiatives, particularly in relation to influence of the private sector and central government, for example, submission 199 Business Roundtable, s279

Business Porirua, s292 David Webber, s394 Employers & Manufacturers Assn Central, and s339 Wellington Regional Chamber of Commerce.

- Reflecting the role of existing businesses and sector development potential (including setting out regional economic dynamics), for example, submission 199 Business Roundtable, s279 Business Porirua, and s339 Wellington Regional Chamber of Commerce.
- Lack of detailed justifications for actions and business plan detail.

5.1.4 Rational for Recommendations

WRS detail provided: It is appropriate to provide more detail as to the process, data sources and evaluation underpinning the WRS.

Reliance on web links to documentation outside the WRS document and the extent of material made available on the web has not proved satisfactory.

More direct provision of this information should also go some way to addressing concerns over the understanding of sector dynamics and scope for action.

Given the submissions received questioning the detail and evaluation for WRS, for specialised audience requirements a suggested improvement to the WRS website is to include a full bibliography of documents held. For example the WRS electronic library holds over 200 background documents and texts. Currently only the primary WRS commissioned research work is linked to the website.

Sustainability and Climate Change: Based on the submissions received it appears appropriate to make more explicit recognition of sustainability criteria (including climate change). This can build off material currently set out in Appendix One of the WRS and discussed in the body of the document.

Influencing factors: In relation to the influence of the private sector and central government vis-à-vis WRS proposals on the Wellington regional economy it is accepted that modifications should be made. The current explanation does not sufficiently highlight impacts of private sector and central government performance (e.g. NZ's business management ratings or NZ policy in relation to taxation respectively).

Existing Business & Sector Context: A fuller discussion of the existing regional sector context would be useful in the WRS.

In terms of specific actions to be pursued the attention to be given to existing businesses and sector development potential is suggested as an appropriate matter to be further worked through by the proposed EDA board. The board is proposed to be appointed based on business experience merit, and a key task would be to take the high level WRS directions finally agreed to and undertake further detailed evaluation and business planning development around these. Further discussion on this is provided in the report sections on the regional EDA and Centres of Excellence.

Lack of detailed justification and Business Plan: On the basis that incorporation of the additional information set out above is agreed to by the hearings committee, officers working on the WRS consider the document benchmarks well with others of its type.

Specific detailed business plans for individual strands of the strategy will be produced once a high level mandate for the WRS is in place. These will contain a much higher degree of justification and finer grain of detail than is feasible currently.

Working with Economic Development specialist stakeholders: Specific areas identified by some stakeholders require arrangements to be put in place to canvass these matters in more detail.

Several stakeholders have identified ability to provide resources and desire to contribute to the next stages of the WRS. These offers should be accepted and terms of reference developed to enable meaningful engagement and certainty as to how the process will proceed.

The basis of any terms of reference are dependent on the overall recommendations from the Hearings Committee on the WRS.

5.2 Submission issue: WRS Level Of Detail and Justification

5.2.1 Submission Themes:

- Insufficient detail in WRS documentation
- No specific business plans
- No specific benefit analysis

5.2.2 Recommendations:

- a. Confirm that the WRS provides a high level framework and that the details of the implementation initiatives are appropriately left to the EDA to determine. (See Report Section 9 recommendations for WRS inside front cover and page 16).
- b. Include some additional background detail and justification as to benefits accruing from WRS initiatives. (See Report Section 9 recommendations for WRS Inside Front Cover).
- c. Strengthen references to the fact that business plan detail and specific benefit analysis will occur at implementation level via the regional EDA and as ad hoc projects arise. (See Report Section 9 recommendations).

5.2.3 Overview of issues:

A range of concerns were expressed as to the level of detail and justification available to form views and determine whether support of funding is appropriate e.g. submitter 367 (Upper Hutt Rural Resident's Assn).

The preparation process for developing the WRS included the WRS Forum considering and adopting a Communications Plan. Canvassed as part of this plan was the extent to which the WRS document needed to include detail as to the 'logic trail' and justifications for proposed strategic direction and actions.

The need to explicitly consider the issue of appropriate WRS detail was in recognition of the WRS's very broad range of audiences (residents, businesses, government and specialist interest groups).

A scan of economic development strategies from elsewhere helped inform this process. This scan drew on national (e.g. Auckland, Canterbury, Bay of Plenty, Taranaki) and international examples (e.g. London, Melbourne, Portland). It also canvassed 'best practice' guidance from Australia, the U.K. and U.S.A.

This work indicated an important distinction needs to be drawn between implementation / operational documents aimed at funding applications and / or delivery practitioners (requiring a high degree of topic specific evaluation), and those intended to provide an overarching framework and direction. The WRS falls into the latter category.

Useful comparison can be drawn with economic development strategies from London, Melbourne and most recently Auckland (the Auckland Metro Action Plan) against which the WRS can be benchmarked.

The WRS was consciously pitched to be accessible to a general rather than specialist audience. As a consequence WRS initiatives are expressed in terms of assertions as to regional benefits rather than specific detailed justifications. Work on demonstrating benefit or 'return on investment' have been carried out for most aspects of the WRS, however judgements have had to be made as to the appropriate level of rigour and detail gone into for the current WRS phase given that a firm mandate for general WRS direction, governance and funding is not yet in place.

More detailed justification, cost / benefit analysis and business plan development has always been intended to follow. As proposed in the WRS this would be via the regional EDA board.

For specialist audiences interested in more detail, as occurs for many other strategy documents, readers were encouraged to make direct contact (phone or email) or to access background documents on the WRS website.

Regional EDA and WRS Detail

Another relevant factor influencing WRS detail was the thinking that specific prioritisation and detailed business case development occur at the next WRS phase under the auspices of the proposed WRS regional economic development agency.

The specifics of initiatives have purposely been left to the proposed EDA board and organisation to finalise. The EDA board is proposed as merit based appointments in relation to business experience and expertise. Therefore, specifying higher levels of detail in the WRS as to actions has potential to unduly circumscribe their ability to 'add value' to the WRS concepts and appropriately prioritise between them.

The detail of actions is also contingent on the WRS funding envelope finally agreed.

Another consideration was that economic development activity is competitive within New Zealand and internationally. Very few economic development strategies provide high levels of detail as to the specifics of initiatives for this reason.

The thinking to date has been that the WRS is not the place for a high degree of specificity around initiatives. Indicative benefits have been quantified where possible (e.g. tourism spend of over \$83 million extra per annum from one extra night stay from existing levels of overseas visitors, or urban and rural form efficiency gains of at least 1% on current annual regional GDP of \$16 billion), however detailed project justification and cost / benefit work is envisaged as most appropriately occurring via the regional EDA. What the indicative costings do indicate is that success in any one of the WRS initiative

areas have potential to recoup to the region benefits significantly in excess of the investment being proposed.

5.2.4 Rational for Recommendations

The WRS currently states that “While this document goes into some detail, it is not a workplan. The Hearings committee sees that role being undertaken by a regional economic development agency, which will be responsible for budgets, timing and the prioritising of initiatives.” (inside cover).

It is evident that some submitters sought detail at a workplan level (including justifications) and the WRS will need to include text to more fully address this. The difficulty facing the WRS is a ‘chicken and egg’ situation of not having a high level mandate to proceed with confidence to undertake the fine grained detail work sought by some submitters, but on the other hand not being able to satisfy some submitters concerns without having fully and comprehensively undertaken such work.

The Hearings Committee is comfortable with the WRS document setting out a high level framework which the regional EDA board will then flesh out and bring back to the WRS Committee under the Statement of Intent development process.

The EDA will need to provide higher levels of justification and a business plan detail in later phases of the WRS.

The levels of justification that could be anticipated under the regional EDA can be found in U.K. and European Union best practice guidance around funding application proposals for major projects.

5.3 Submission Issue: Four Percent growth

5.3.1 Submission Themes

- The WRS is incapable of delivering 4% economic growth
- 1% of the 4% economic growth target should be applied to achievement of a 'carbon zero' target
- 4% economic growth is an inappropriate goal and not sustainable

5.3.2 Recommendations:

- a. Amend the text on page 2 of the WRS beginning "We need to do better..." by replacing the discussion on the role of 4% economic growth with a more aspirational statement as follows:

"We need to do better. To improve prosperity in our region we need to develop better paying jobs and sustain ongoing business investment. For the next decade we need to aim to roughly double our economic growth rate."

- b. Add new text on page 2 after that in 5.3.2 (a) above to make clear that actions of the private sector and central government have a significant bearing on prosperity prospects. Insert text as follows:

"Actions of the private sector and central government have a significant bearing on getting the results the WRS seeks. The WRS can contribute to facilitating stronger economic growth and importantly provides a rallying point for ongoing discussion across all stakeholder groups about sustainable prosperity and quality of life in the region".

- c. Include in the WRS an undertaking to investigate development of the regional economy in ways that align to 'carbon neutral' goals. (See Report Section 9 recommendations for new WRS text at page 2).

5.3.3 Overview of issues:

Inclusion of a 4% economic growth goal in the WRS seeks to address New Zealand private sector and government aspirations to improve prosperity relative to the rest of the OECD and world.

Work of the N.Z. Treasury and others has identified 4% as the level of economic change required to get N.Z. back into the top half of OECD countries. As the 2nd largest (or 3rd largest depending on which statistician's / economists figures are used) regional economy the Wellington region has a part to play in N.Z.'s success in achieving this goal. It also has evident benefits for the residents of the Wellington region.

Submitter views were mixed as to the appropriateness of the 4% goal.

Submitter 394 (Employers & Manufacturers Assn Central) notes that “achieving an extra 1% in growth per annum, or ten times what might at best result from what is currently proposed, could be more credibly described as being transformational...because you need the vast majority of the enterprises in the region to achieve improvements in their performance and not just a handful.” (page 2 of submission).

The EMA submission goes on to make relevant observations that:

“In our view 2 key areas of focus are relatively robust; (a) the WRS coordinating / leadership role and (b) local government’s key role in good regional form and transport. The 3rd and largest is the weakest because it ventures into being a catalyst in the quite difficult territory of helping to drive the day to day activities of our region’s independent enterprises.”

In a similar vein other submitters such as Wellington Regional Chamber of Commerce (s 339) are of the view that “..we do not believe that the strategy as consulted is sufficient to generate 4% growth per annum. We believe more work needs to be done on how this level of growth and how some of the worthy goals of the strategy are to be achieved. This work is not solely the responsibility of local government”. (submission page 4)

Other submitters see flaws in the economic growth goal. Submitter 376 (Wairarapa Watch) identifies concern that the underlying philosophy of the WRS is predicated on traditional economic growth paradigms that are unsuited to emerging understandings of sustainability and climate change. It is suggested that based on the Stern Report approximately 1% of the region’s GDP should be allocated to addressing carbon costs.

Submitters 296 and 298 (H Newell and R. Brown) note that the Wellington region has improved its rankings in terms of ‘quality of living’ (Mercer survey) over recent years while at the same time being seen as lagging on pure economic growth measures. Greater consideration is sought as to ‘good growth’ versus ‘bad growth’ using sustainability criteria as a lens for assessment.

Having a positive economic growth goal is not opposed by the majority of submitters and scope for growth and sustainable prosperity are not seen as mutually exclusive. In particular some submitters see potential for the Wellington region to position itself at the forefront of technology development and building expertise in sustainability and climate change fields (e.g. I. Cassels s401, C. Watson s362, Sustainable Wairarapa s294, Historic Places Trust s344)

5.3.4 Rational for Recommendations

It was not intended that the WRS be perceived as suggesting it is totally comprehensive or the only driver of economic growth in the Wellington region. It is appropriate to make clear the importance of private sector actions that will promote prosperity (e.g. investment in management quality, design, quality systems etc.) and the policy settings adopted by central government (taxation,

support programs etc.). Local government is suggested as having a role to play as a facilitator, and in some circumstance direct investor (e.g. infrastructure), and as being able to provide a long term 'rallying point' for cross-sectoral discussion in the region on prosperity and quality of life. Some funding to complement that of the private sector and central government is also proposed as being appropriate (accounting for around 1% of total rates collected in the region).

Options in relation to the 4% growth goal are:

1. to retain it on the basis that it is an appropriate yardstick as to the quantum of change needed in the region for the next 10 years to elevate prosperity levels; or,
2. replace the 4% goal with a goal to increase the average GDP per capita in relation to OECD averages.
3. replace the 4% goal with a more aspirational description that puts the focus on improving prosperity in the region, noting the kind of quantum of change required, but not explicitly adopting 4% as a target. Suggesting a doubling of annual average economic growth rates has this effect.

Under these options the Hearing Committee believes it is appropriate to time limit the period for which increases are pursued to, say, 2017. Some submitters correctly note that the exponential compounding effect of 4% growth would not be feasible / sustainable long term.

Pursuing sustainability goals is not seen as incompatible with having economic growth aspirations. Several submitters suggested that growth should be couched within the context of a strong 'carbon neutral / zero' framework. Their view is that there are significant business opportunities in this area that tie to existing natural advantages of the Wellington region. Scope is seen for New Zealand and the Wellington region to be a world leader.

5.4 Submissions Issue: Sustainability

5.4.1 Submission Themes:

- Sustainability criteria (including addressing climate change risks) should be more strongly emphasised in the WRS.
- The Wellington region has potential to be ‘carbon neutral’.
- The Wellington region has opportunity to be an internationally recognised showcase for sustainability.

5.4.2 Recommendations:

- a. More strongly emphasise sustainability criteria (including addressing climate change risks) in the WRS. (See Report Section 9 recommendations for new WRS text at page 2 and Sustainability criteria as a new WRS Appendix 2 – currently at WRS page 63).
- b. Signal that consideration will be given to setting a target date for the Wellington region to become ‘carbon neutral’ / ‘carbon zero’ and include research to be undertaken into actions to examine the feasibility of this goal. (See Report Section 9 recommendations for new WRS text at pages 2 and 21)
- c. Signal that the potential for a ‘centre of excellence’ around practical application of ‘carbon neutral’ / ‘green technologies’ in the Wellington region will be explored (e.g. energy related applications such as wind, current, and biomass sources, and building technologies). (See Report Section 9 recommendations for new WRS text at page 21)

5.4.3 Overview of issues

A common theme from a cross-section of submitters was the importance of ensuring sufficient regard is had in the WRS to sustainability issues. This included addressing risks and implications of climate change. It also included capitalising on what submitters considered were some significant opportunities to utilise resources or develop marketable expertise that would support regional prosperity long term.

The expression of this theme took many forms.

Submitter 401 (The Wellington Company) highlighted the competitive advantage that a ‘greening’ of the Wellington CBD building stock would have to attracting and retaining investment and people.

Submitter 377 (Climate Defence Network) highlighted ‘carbon zero’ as a realistic goal for the region and a potentially potent marketing ‘point of difference’ if associated with specific initiatives.

Submitter 373 (N.Z. Institute of Forestry) noted the potential, both economic and environmental, for forests to play a more significant role in the region

around carbon sequestration and potentially for biofuels. Similar views are expressed in submission 345 (Appropriate Technology For Living Assn).

Submitter 294 (Sustainable Wairarapa) identified amongst other things land use zoning and management issues for attention.

Submitter 390 (Sustainable Energy Forum) identifies several specific initiatives including scope for 'smart grid' electricity supply and technical expertise development.

5.4.4 Rational for Recommendations

Sustainability issues (including addressing climate change risks) are currently discussed in the WRS at page 54 and 63. In light of the submissions received which highlight a range of opportunities around this theme for the Wellington region, an option is to more strongly emphasis sustainability in the WRS.

A particularly strong positioning statement would come from setting a target date for the Wellington region to become 'carbon neutral'. Draft central government policy released on 11th December 2006 identifies steps in this direction and the Wellington region could therefore position itself to be at the forefront, particularly given a range of natural advantages the region has in terms of sustainable energy sources, access to technical 'know how' and as the seat of government.

Potential exists for a 'centre of excellence' around practical application of 'green technologies' in the Wellington region. It is recommended that these be explored further with particular attention given to energy related applications such as wind, current, and biomass sources. Building technologies are also a candidate given access to organisations such as BRANZ and other institutions in the region with capability in this topic area.

5.5 Submission Issue: Sport / active leisure

5.5.1 Submission Themes:

- Sport / active leisure is a strong contributor to the regional economy – for example through events - and directly supports several of the community outcomes. As such it should have greater emphasis in the WRS

5.5.2 Recommendations

- a. Incorporate the importance of active leisure into the WRS, especially in relation to the region's community outcomes and its economy. (See Report Section 9 recommendations for new WRS text at page 1 relating to the 'Vision')
- b. Incorporate 'active leisure' in the WRS vision and/or community outcomes (See Report Section 9 recommendations for new WRS text at page 1)

5.5.3 Rational for recommendations

Information provided in the submissions suggested active leisure does have a greater role in the regional economy than is reflected in the existing strategy. There is potential to leverage off the region's sporting ability, its facilities and its events expertise. The Region also has significant active leisure resources, including a number of regional parks, which contribute to the quality of life in the region.

5.6 Submission Issue: Change Areas

5.6.1 Submission Themes

- Support for change areas.
- Objections to specific change areas.
- Concern that change areas are promoting development in sensitive catchments.
- Concern that change areas may cut across local determination.
- Requests from stakeholders to be involved in next stages.
- Ensure implications of change areas on transport networks sufficiently recognised.

5.6.2 Recommendations:

- a. Confirm the change areas set out in the WRS and note these will be progressed through separate public processes and be informed by principles under the N.Z. Urban Design Protocol. (See Report Section 9 recommendations for new WRS text at page 42).
- b. Change the description for the Pauatahanui and North Waikanene Change Areas to make clear that these are not being promoted for strong growth, but rather careful management in light of environmental and / or servicing issues. (See Report Section 9 recommendations for new WRS text at page 42)
- c. Modify the text in relation to the Grenada to Gracefield change area to make clear that proposals to explore broadening housing choice in some parts of the change area, and to address roading links will proceed through local community based planning processes. These will be informed by principles under the Urban Design Protocol. (See Report Section 9 recommendations for new WRS text at page 42).

5.6.3 Overview of issues:

A cross section of views were received on this topic. It was evident that the term 'change area' had been interpreted in all cases to mean a ramping up of development. This is not the case as the individual descriptions for the changes areas endeavours to set out. The WRS text needs to be changed to make clear the different considerations and drivers of change in each area.

Submitter 278 (Paraparaumu Airport Holdings Ltd) supports the Paraparaumu change area.

Submitter 245 (Kapiti Coast Grey Power Assn) does not see Waikanae North as appropriate for development.

Submission 303 opposes statements in relation to Grenada Gracefield change area around a road link as well as concern about development of the Petone foreshore.

Submission 366 (Pauatahanui Residents Association) seeks that change areas do not usurp the local communities role in determining what the future will be like. They wish the WRS to ensure the change areas list local communities as a partner.

Submitter 315 (Lower Hutt Branch of Forest & Bird) support comments on Pauatahanui.

Submitter 371 (Transit N.Z.) seeks to ensure they are fully involved in next phases of change areas considerations.

5.6.4 Rational for Recommendations

The Hearings Committee believes a stronger distinction needs to be made between change areas that have strong environmental, growth management or heritage considerations to be addressed (e.g. Pauatahanui and Northern Waikanae and Petone part of Gracefield - Grenada) relative to the rest.

Some submitters have interpreted the Pauatahanui and Northern Waikanae change areas as being signalled for strong encouragement of growth. This is not the intention. While some change is inevitable, environmental, servicing and other pressures suggest only limited growth opportunities may be appropriate for these two areas.

In relation to concerns as to impacts on local determination, identification of regionally important 'change areas' does suggest a broader set of consideration (i.e. regional) needs to inform decision-making. Having said that, the WRS proposals support high quality local area engagement processes that are driven by each local authority (working with its communities), and the WRS does not seek to diminish scope for local engagement in processes to shape the final outcome. In addition some future development will be subject to Resource Management Act processes, to be determined by District Plans.

5.7 Submission Issue: Heritage

5.7.1 Submission Themes

- Greater emphasis on heritage in WRS sought

5.7.2 Recommendations

- a. Include in the WRS the definition of “environment” suggested by NZHPT as an explanatory box on WRS page 38.
- b. Make a recommendation from the WRS Interim Committee to GWRC’s Environment Committee that the Regional Policy Statement review include consideration of a region wide agreement on heritage principles and practices.

5.7.3 Overview of issues

Information was provided by submitters, particularly those of submitter 344 NZ Historic Places Trust identifying the contribution that good heritage management and investment can make to regional prosperity.

Other submitters noted characteristics of particular areas such as Petone that in their view require specific attention as part of any proposals for redevelopment.

5.7.4 Rational for Recommendations

Suggestions made by NZ Historic Places Trust are helpful and it is acknowledged that the WRS would benefit from incorporating a definition of “environment” to include natural and physical resources, amenity values and social, economic, aesthetic and cultural conditions.

The most appropriate means of taking forward many of the submitters’ suggestions is considered to be via the Regional Policy Statement review process currently under way.

The WRS proposals for adoption of the NZ Urban Design Protocol will also help ensure heritage matters appropriately inform decision making.

5.8 Submission Issue: Infrastructure (including transport)

5.8.1 Submission Themes

- More emphasis needed in WRS to increasing and accelerating local government funding of infrastructure.
- Debt or leverage capacity of local government should be used to a greater extent.
- Infrastructure providers and managers seek direct involvement in next phases of WRS

5.8.2 Recommendations

- a. Confirm the WRS intention to provide mechanisms for regular and focused involvement of infrastructure providers with the WRS processes. In particular the WRS keeper committee will have a role in keeping informed of, and contributing to consideration of regional infrastructure issues and the prioritisation and funding of these. This will require liaising with the Regional Land Transport Committee and other entities addressing regional infrastructure provision and maintenance.

5.8.3 Overview of issues

Infrastructure provision is generally accepted as a key underpinning factor for economic development, and that local government has clear responsibilities.

Some submitters considered the WRS does not sufficiently set out the benefits that accelerated infrastructure investment would provide for the region.

What is perceived to be an overly conservative attitude of local government to borrowing to enable infrastructure projects to progress is considered an issue by some submitters (s339 Wellington Regional Chamber of Commerce).

5.8.4 Rational for Recommendations

Basic infrastructure development is accepted as a key element underpinning and important to growing the economy. Existing mechanisms for evaluating investment priorities and seeking funding are already in place (e.g. Regional Land Transport Strategy) and the WRS has not had a mandate to seek to do other than inform these processes.

In the event that agreement is given for establishing a 'keeper' of the WRS entity then there will be a firmer footing for an overview assessment being undertaken as to regional priorities and investment levels.

Central government agencies have indicated that to the extent that they contribute to infrastructure provision, scope for support will be better for regions who have 'collectively got their act together'. We understand the WRS to be viewed as a mechanism and ongoing vehicle for achieving this objective.

In relation to funding available from local government the funding policies of councils vary around the region, as do approaches to leveraging off assets owned. Noting the submitters views on this matter it is suggested this is a matter for political consideration.

5.9 Submission Issue: Wairarapa Irrigation Scheme

5.9.1 Submission Themes

A number of submitters requested that Wairarapa agricultural economic opportunities be recognised in the WRS. A significant issue limiting growth in that sector has been identified as a shortage of accessible water. An irrigation scheme, sourcing water from the Tararua Ranges is a key initiative of Go Wairarapa. Masterton District Council, in its oral submission, requested that this scheme be provided for in the WRS.

5.9.2 Recommendation

- a. Add a new section to page 40 of the WRS, following the discussion under “LAND FOR BUSINESS GROWTH”:

RURAL INDUSTRY GROWTH

The region has a strong rural industry sector, centred primarily in the Wairarapa. This sector makes a contribution to the regional economy, especially through the viticulture industry. While the rural sector has potential to grow, in the Wairarapa predicted shortages of water limit capacity to both grow current production and also limit the opportunities to convert to more intensive land uses.

An irrigation scheme would enhance the growth opportunities in the Wairarapa and for this reason an irrigation project has been initiated by Go Wairarapa. Like all major projects any future scheme would need to attract significant funding and would be subject to the requirements of the Resource Management Act. Potential effects associated with damming water and the impacts of potential future land uses would need to demonstrate their environmental sustainability.

5.9.3 Rationale for recommendations

The WRS does not currently explicitly recognise opportunities for growing the rural economy in the Wairarapa. The work carried out in the Wairarapa which led to the Wairarapa Irrigation Project identified growth opportunities, including more dairying opportunities, as well as providing certainty of supply for the existing viticulture industry. An irrigation scheme, if constructed, could significantly enhance the rural economy of the Wairarapa and therefore does warrant reference in the WRS.

However, it should also be recognised that such a scheme would require a significant investment and would need to take into account environmental impacts. These include not only those impacts associated with a dam and water distribution system, but also potential consequential impacts associated with changing land uses, and in particular the introduction of more intensive dairying.

5.10 Submission Issue: Primary production

5.10.1 Submission Themes:

- The importance of forestry and the rural sector generally, to the regional economy, is not sufficiently reflected in the WRS
- Forestry has environmental (carbon sequestration, erosion prevention) and economic benefits (need more processing capability)
- Need to embrace land based innovation – irrigation, cuisine school
- Retain Go Wairarapa’s land based initiatives
- Capital Value rating unfair to rural sector
- Governance needs primary sector expertise

5.10.2 Recommendations

- a. Incorporate into the WRS the importance of farming and forestry across the region in both an environmental and economic sense, especially in relation to the region’s proposed carbon neutral objectives. (See Report Section 9 recommendations for new WRS text at page 2 and 24)
- b. Note the potential to harness the Wairarapa’s food and wine opportunities through the Cuisine School in the WRS (See Report Section 9 recommendations for new WRS text at page 24).

5.10.3 Rational for recommendations

Submissions, including those from representative associations, were consistent in the view that the rural sector, especially forestry, was not adequately reflected in the WRS. The environmental case for primary production across the region, including forestry, was strongly put and is consistent with the quantitative research finding that economic growth should not be pursued at the expense of the environment.

5.11 Submission Issue: Existing businesses

5.11.1 Submission Themes

- Need greater recognition of the importance of existing businesses to the regional economy, including what we are doing to retain those businesses

5.11.2 Recommendations

- a. Incorporate greater emphasis on existing businesses including what the WRS proposes to improve business retention and include an action step to work with other key stakeholders on this. (See Report Section 9 recommendations for new WRS text at page 20 and insert new business retention action point at WRS page 33).

5.11.3 Rational for recommendations

The WRS does directly reference “retention of existing businesses”. The background information for this was provided by:

- *Regional Growth Initiatives* – McDermott Miller, May 2005
- *Prosperous places* – Derek Kemp, May 2005

However, the WRS is light on detail and some submitters do not believe there is enough emphasis on business retention. There also needs to be a stronger link between existing strategy initiatives – for example centres of excellence – and how those initiatives will benefit existing businesses.

The Wellington Regional Chamber of Commerce submission (in its annex 6) contains useful information in this regard. It is proposed this information be ‘merged’ with the centres of excellence proposals. The objective being to ensure the region retains and attracts businesses that fit within the overall objectives of the WRS. Put another way the region does not want to subsidise businesses to stay, that would be more logically be located elsewhere (for example Caltex, South Pacific Tyres).

5.12 Submission Issue: Broadband

5.12.1 Submission Themes

There were three key themes evident from the Submissions – both written and the oral presentations:

- That Broadband was critical for the region but that Broadband should be clearly defined (at a minimum) as being:
 - Open Access in a competitive environment;
 - Symmetrical;
 - Affordability; and
 - have a minimum speed of 2mps upload and download.
- That immediate action be taken to connect all schools with ‘fast’ broadband
- That Broadband is overrated in its importance.

5.12.2 Recommendations

Include the following text elements within the description of Broadband beginning on WRS page 27 and the action plan at page 32:

- a. That, within a decade, all of the Wellington Region will have affordable access to an interactive, open access, broadband network capable of supporting applications and services using integrated layers of voice, video and data, with sufficient symmetrical capacity to meet the ongoing information and communications needs of the city’s residents, businesses and institutions, and help catalyse a transformation in regional economic development.
- b. That as an interim target, the Wellington Region build on the definition of fast broadband in the Government’s digital strategy. In this strategy, fast broadband is defined as data transfer at a rate greater than 5 Megabits per second (Mbps). Therefore it is recommended that the Committee suggests an interim target (say by 2010) for the WRS regionally of a 5 Mbps symmetrical data rate. Further, that it recognises that this will quickly be inadequate to meet the needs to the Region, and therefore endorses a more aggressive objective of removing data transfer speeds as a constraint on the Region’s ability to maximise the economic and social benefits of broadband. For example, in the Wellington CBD and Miramar (centres of digital content creation) this will mean facilitating access to 10Gbps services as soon as possible.
- c. That urgency be given to implementing the broadband strategy, with priority given to actions that will lift labour productivity, assist in transforming the economic development of the Wellington Region and

deliver major social benefits (e.g. through health care, schools and libraries) to the communities of the region.

5.12.3 Overview of topic:

The Broadband Working Party set the following objectives for the establishment, and subsequent implementation of a broadband strategy for the Wellington Region:

- “Stimulate a regional culture that recognises and embraces the benefits of broadband delivery at home, at work and at leisure
- Support initiatives that provide open, competitive broadband access and local internet traffic exchange
- Promote a regulatory environment that encourages competition in broadband provision
- Provide digitally delivered council services to individuals, communities and businesses in the region
- Develop the region’s potential for producing relevant, value-adding and quality digital content to meets the needs of citizens and businesses
- Identify and encourage the transfer of best practices for using broadband in new and imaginative ways to engage citizens and businesses
- Build strategic and operational alliances at a regional, national and international level

The target is to support data delivery speeds of 100 Mbps to all users in the region by 2010, and 1 Gbps or better to all CBD-based users in the sub-regional centres in the same timeframe.”

It is clear that these objectives are supported by the vast majority of submitters (Smartlinx3, Citylink –more to come.

Other submitters thought the emphasis on broadband was wrong. For example, Barry Saunders (submitter 396) thought the strategy was ‘over infatuated with broadband’, Anders Crofoot (submitter 404) thought that the case for Broadband was overstated and Betty van Gallen on behalf of Kapiti Grey Power thought the current services were sufficient for the needs of small business.

5.12.4 Rational for recommendations

Submitter, Neil de Witt of City Link suggested we reference Project Vista in Brisbane before finalising the Wellington Regional approach.

The Background document for Project Vista states:

Project Vista proposes an open-access, ultra high speed broadband network for the Brisbane City Local Government Area. The project is an initiative of the Queensland Government and an important element of the Government's Smart State Strategy.

The proposed network will span Brisbane City - 945 km² and almost 1 million residents – and provide speeds of over 100Mbps. The network will be a generational change in broadband accessibility and speed, and will establish Queensland as a world leader in broadband services.

Currently Queenslanders are unable to access a broadband service that is comparable with other countries in the region such as South Korea, Japan and Hong Kong.

As part of the Queensland Government's Smart State Strategy 2005-2015, early estimates of the economic impacts of this type of ultra high speed broadband network over the next 15 years to Queensland predict:

- *a boost to the state's economy of \$5 billion*
- *the creation of greater than 15,000 jobs for Queenslanders.*

An ultra high speed broadband network is important in achieving several discrete Smart State objectives including:

- *diversifying the economic base*
- *transforming traditional industries and enabling them to remain globally competitive*
- *creating new knowledge-based industries*
- *facilitating better research and development (R&D) capability.*

If suitable private sector partners are identified the network should commence operations in mid to late 2008. It is envisaged that the network will complement the proposed Council of Mayors Connect SEQ project. The 18 South-East Queensland Mayors have committed to a vision for the region:

"To ensure that business, industry and residents of SEQ have access to globally competitive next generation broadband infrastructure (moving from the current 256KB to 50MB and beyond) to effectively utilise advanced digital content and services in order to create the environment for the next wave of economic growth and prosperity for the region."

This background provides an excellent summary of why the Wellington Region needs to move forward quickly with this project.

Some other background points:

- Wellington-based fibre-optic infrastructure provider Citylink offers broadband internet connections (via internet service providers) at speeds of 10 Mbps, 100 Mbps and 1 Gigabit per second (Gbps) upload and download. Dark fibre connections from Citylink are considerably faster.
- Smartlinx3 are targeting a symmetrical service at 1.5 or 2Mbps for both uploads and downloads.

- By comparison, with both the above suppliers, Telecom NZ offers ADSL connections (via its own internet service provider Xtra) of up to 3.5 Mbps download and 256 Kbps upload.
- Vector submitted that they would like to be involved with any future development of the Broadband capability.
- Disappointingly, Telstra Clear and Vodaphone did not submit whilst Telecom only submitted on the funding options.

During subsequent (to the hearings) discussions with submitters officers were made aware of further international material on the economic impact of broadband and the impacts of residential uptake are now becoming available, and confirmed the importance of very high speed broadband as a key infrastructure with significant economic and social benefits.

1. A 2005 study from MIT¹ looking at every community in the United States has concluded that:

For the first time, we can say unequivocally that broadband access does matter to the economy...We estimate that between 1998 and 2002, communities in which mass-market broadband was available by December 1999 experienced more rapid growth in employment, the number of businesses overall, and businesses in IT-intensive sectors. In addition, the effect of broadband availability by 1999 can be observed in higher market rates for rental housing in 2000.

When comparing communities with widely available broadband to those without, (and controlling for other variables such as income, education levels, growth in previous periods, and urban/rural differences) the study established that the magnitude of broadband economic impacts were:

- a. Employment growth – presence of BB added 1% to the growth rate between 1998-2002
 - b. Increased house prices – 6% higher in 2000 than 1999 where BB available
 - c. New business creation – BB added nearly 0.5% to growth rate 1998-2002
 - d. New IT businesses - BB added over 0.5% to the share of new businesses in IT-intensive sectors, 1998-2002
2. A 2006 Japanese study on the residential uptake of broadband² looked at Japanese experiences resulting from the rollout of fibre to the home. Key findings were:

¹ Measuring Broadband's Economic Impact - **Sharon E. Gillett, Dr. William Lehr, Carlos Osorio** Massachusetts Institute of Technology Communications Futures Program (CFP) **Prof. Marvin Sirbu** Carnegie Mellon University Engineering and Public Policy, **September 2005**

- Traffic on the fibre backbone is dominated by symmetric residential traffic, strongly suggesting that business is not the only significant driver of broadband usage.
- Residential fibre users account for 86% of the inbound traffic volume, implying that usage has expanded to fill much expanded capacity of a FTTH network.
- About 63% of the total residential volume is user-to-user traffic indicating that upstream speeds are becoming as important as downstream speeds.

² The Impact and Implications of the Growth in Residential User-to-User Traffic, Kenjiro Cho, Kensuke Fukuda, Hiroshi Esaki, Akira Kato, presented at SIGCOMM, September 2006

5.13 Submission Issue: Port

5.13.1 Submission Themes

The overriding theme is that the importance of the Port to the regional economy is not stated strongly enough in the WRS. Secondary to this is the need to maintain good transport links to the Port.

5.13.2 Recommendations

Acknowledge and explain the importance of the Port to the regional economy, acknowledging the importance of good transport links (See Report Section 9 recommendations for new WRS text at page 27)

5.13.3 Rational for recommendations

The Port is an important transport link for the region. It was taken as a given in drafting the WRS and this is why it did not have a higher profile in the document. Making the role in the economic development of the region of the port more explicit is appropriate. In addition to this, if the port falls over then more pressure will come on the region's roading network.

The WRS can also assist inform the development of a national coastal shipping strategy. The WRS Committee will have an advocacy role in promoting the region's interests in the development of the strategy.

5.14 Submission Issue: Centres of Excellence

5.14.1 Submission Themes:

The Centres of Excellence Working Party (comprising recent CEOs) gave considerable thought to the approach to be used to establish Centres of Excellence to provide the greatest chance of success, including considering international models – North America and UK based. This included consideration as to the nature of the leadership and governance processes.

A small number of submitters suggested:

- The establishment of a region-wide EDA should be postponed until the strategy is finalised;
- That some work on establishing some work streams (including establishing some Centres of Excellence) could proceed in the interim; and
- That consideration should be given to establishing sector based EDAs – the example being tourism with the success of Positively Wellington Tourism.

There also appeared to be confusion amongst a number of submitters that a Centre of Excellence (CoE) required a ‘physical presence’ or was geographically based. Neither of these are requirements – rather a Centre of Excellence is more likely to be virtual grouping of organisations with region-wide representation.

As there is some confusion evident in the submissions, perhaps derived from the name (Centres of Excellence), we have set more detail out in this paper that we otherwise might have done.

5.14.2 Recommendations

- a. Confirm that Centres of Excellence be established under the Economic Development Agency (EDA) auspices. This will provide for consistency of approach, cross sectoral learning and idea generation and a cost effective support infrastructure. (See Report Section 9 recommendations for new WRS text at page 21).

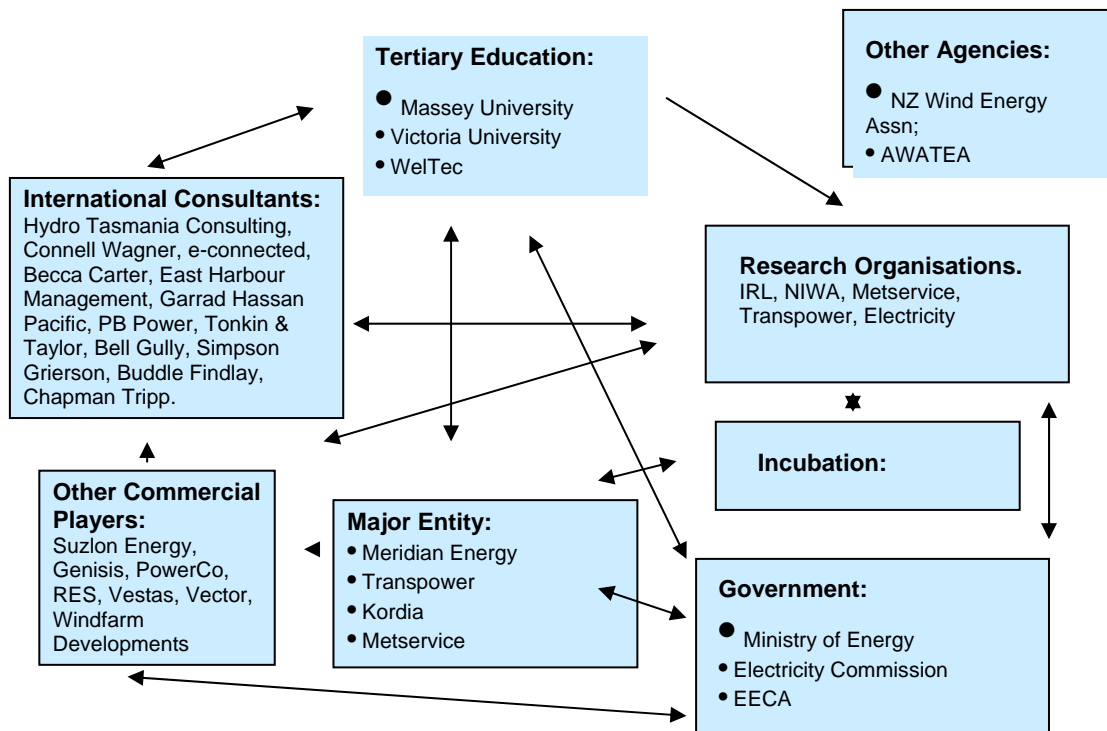
5.14.3 Overview of issues:

The Concept

To develop a ‘world class’ **vertical** cluster, within a market sector, of businesses linking education, research, business and government agencies together to achieve sustainable economic and job growth within the Wellington Region.

Growth is achieved by the leverage that is achieved by all components working together and the imperative to ensure that all the elements exist within the region thereby producing a multiplier effect.

As a result of the Submission from the The Sustainable Energy Forum (s390) New Zealand Wind Energy Association (70 members – s 372) we held further discussions with them, the Aotearoa Wind and Tidal Energy Association (30 members) and some other interested parties (e.g. Massey University (s313) and Molly Melhuish s390) and have been able to develop a Centre of Excellence model for this opportunity. In undertaking this work we are not necessarily recommending it for inclusion rather it is included for illustrative purposes only.



The “Wellington Advantages” of a wind/wave Centre of Excellence are considered to be:

- Fast wind speed:
 - Technology;
 - Testing; and
 - Certification.
- Network connections – and demand monitoring
- Construction
- Maintenance
- Wind forecasting and modelling
- Wave and tidal energy – from device to delivery

- Environmental Management (land and ocean) of sustainable energy forms
- Urban design and recreational impacts (and opportunities) on the location of sustainable energy forms.

The Centres of Excellence (or Vertical Value Chain Clusters) will not be the sole driver of economic activity but exist alongside other critical initiatives – such as clusters (or organisations as part of national and/or global chains) and/or the growth of existing (or new) world class export focussed businesses. They also have the potential to enhance the market positioning of the region – e.g. as a carbon neutral region.

Background to the development of Centres of Excellence

A range of economic development facilitation or intermediation models operate internationally. We were particularly interested in models that leveraged off the advantage the Wellington Region has as a consequence of the number of tertiary education institutions and Crown Research Institutes located here. Models leveraging off this intellectual base operate successfully in the USA and UK in particular. Our thinking was shaped following a private visit Murray McCaw made to Atlanta in December 2005 where he took the opportunity to meet with the Georgia Department of Economic Development and the Atlanta Development Authority who used Bain & Co for their strategic work. The model proposed is based on the practical application of the Georgia State model with input from the ADA (and their Consultants) and other agencies (e.g. N2TEC, South West Scotland Development Agency) around the world. We specifically chose a model that, was knowledge based, had significant depth and sustainability and would lead, over time, to a transformation of the economy.

As a result the work on Centres of Excellence was progressed on the basis of being:

- undertaken by people who had practical business experience; and
- supported by discussions with key sector players with analyst support.

In addition to Murray McCaw, the team undertaking the work included:

- Rick Wells – previously CEO of Formway;
- David Irving – previously CEO of Synergy;
- Nigel Kirkpartrick – previously CEO of IRL and CEO of The Street; and
- Dave Frow – previously CEO of ECNZ.

These people were supported by analysts from Positively Wellington Business and Wellington City Council Strategy Unit.

Discussions with sector participants continue.

Guiding Principles

The group agreed the following guiding principles for the establishment of World Class Centres of Excellence in the Wellington Region:

- The sector must be developed from a natural advantage of the region;
- It must be capable of being ‘world class’;
- There must be a strong link with the tertiary education sector – teaching and research availability.
- There must be a research element to ensure sector renewal and competitiveness;
- A major sector participant must be present within the region, or be capable of being attracted here;
- There must be other sector participants already in the region;
- The sector chosen must have the capability of significant employment growth, tourism attraction, business attraction and/or migrant attraction;
- An export capability must exist;
- A world class implementation capability must be either present or be capable of being developed;
- The potential to develop ‘international class’ consultancy businesses is desired;
- There must be an incubator opportunity created to ‘seed’ new entrants into the sector and thus increase the vitality of the sector; and

It was also agreed that whilst regional location would not be a factor in prioritising Centres of Excellence to be invested in/facilitated, it was recognised that the first three Centres of Excellence established should ‘reach’ a spectrum of businesses, tertiary educationalists, CRI’s and regional geography.

Analysing The Long List

In analysing the long list the Working Group graded the potential sectors according to the following criteria:

- Was the sector truly a potential centre of excellence; in particular did it have:
 - A world class capability?

- Current or immediate potential participants in 5 of the 6 boxes identified in the earlier model diagram?
- sustainability developed from a ‘natural advantage’ in the Wellington Region?
- Was it possible to globalise the potential from the sector?
- The size of the economic benefit?
- Did world class leadership currently exist in the sector or if not the degree of difficulty in attracting a world class leader to Wellington?

Our Qualified list

After undertaking the analysis outlined above, and using and alternative measurement techniques the sectors included in the Consultation document were recommended

Important Note: There will be some significant ‘first mover advantage’ in some of the sectors identified and it is important that these are claimed by Wellington based organisations – particularly in the tertiary sector. Therefore we need to be careful how the information that has been obtained during this project is used.

The Business Model.

Based on, what is understood to be, world best practice the following was recommended:

- That each Centre of excellence be given 5 years to prove economic growth, including (most likely) funding self sustainability for that Centre. At that stage there will be a review and should no possibility of growth occurring that the Centre be disbanded;
- The Directors role should be fully funded by the EDA with the Analyst’s role being fully funded by the Steering Group. The Director will also be expected to generate additional funds from outside the EDA Local Government funding for the Centre;
- The Remuneration of the Director should have a significant ‘at risk’ component based on the success of the Centre;
- A template will need to be established on which the Governance (voting) arrangements and funding contributions for/to the Steering Group are established;
- Venture Capital will need to be available for the establishment and growth of incubation companies. This will need to be facilitated through the Wellington Angel Network, New Zealand Venture Capital funds and/or overseas based venture capital funds;

- The EDA may need to provide seed funding for marketing support for the Centre;
- The EDA will provide office space and facilities for the Centre with (potentially) the Land Development Agency being a partner in the development of specific premises for the Centre if required. ; and
- Central Government funding support should be sought for (at least) the first three Centres of Excellence on the basis that (once proven) this model could be rolled out nationally.

Note also: Use of 'high net worth' individuals attraction fund could be utilised. In this respect 'high net worth' not only refers to funds but also knowledge and what they could attract to them (e.g. PhD students and researchers)

The Hearings Subcommittee has considerable concerns on the impact of a delay on the effective and timely implementation of key Centres of Excellence. As is noted above the CoE working party gave considerable thought to, what were considered, key success factors of 'sector buy in' and 'leadership' in the establishment of Centres of Excellence. Any delay in the establishment of the region-wide EDA will have a significant impact on its ability to take a lead in at least two of the identified key sectors (due to contestable TEC funding) and could potentially jeopardise the establishment of at least one new manufacturing facility in the region.

5.15 Submission Issue: Economic Development Agency and in particular:

- **the need for one region-wide EDA**
- **the span of activity**
- **the Board**

5.15.1 Submission Themes

There were four key themes evident from the Submissions and the oral presentations:

- The need for one region-wide EDA;
- Some suggestions that there could be a number of small EDAs focussed on specific sectors – the example given being Positively Wellington Tourism (PWT) in the Tourism sector;
- The composition of the Board of the EDA and how the appointees are selected; and
- Timing – should the move towards a region-wide EDA happen now or after further analysis is undertaken?

5.15.2 Recommendations

- a. Confirm one region-wide EDA for the region but discuss with the key stakeholders of existing EDAs (Go Wairarapa and Enterprise Coast) how any integration will occur. This to be undertaken by the new EDA Board when it has been appointed.
- b. Confirm a merit based EDA Board comprising 7 people with the capability and experience to govern a successful EDA.
- c. Confirm that the EDA be established as soon as possible (a transition from the current state to the new entity should occur during the first half of 2007) in order that it can determine its priorities, complete the analysis on its identified priorities and move quickly to implementation.

5.15.3 Overview of topic:

The need for one region-wide EDA.

A number of submitters questioned this need particularly where they perceive the EDA for their area is considered to undertaking this role on a more than adequate basis. In particular, this thought came from a number of submitters concerned about not losing the benefit of the work being undertaken by Go Wairarapa (Go Wairarapa, Carterton District Council, Wairarapa Chamber of Commerce, Denise Mackenzie etc) and Positively Wellington Business (Upper Hutt City Council and a number of Upper Hutt Residents) whilst others

wanted to understand in greater detail how the work of the EDA will be enhanced compared to the current activities of PWB, Go Wairarapa and Enterprise Coast (from the submission of the Upper Hutt Chamber of Commerce).

The research undertaken by Decision Research Ltd included two statements on this subject:

“There should be just one organisation responsible for economic development in the whole of the Wellington Region” and

“The three economic development agencies that currently operate in the region should remain responsible for the region’s economic development”

The first statement (i.e. one agency) was strongly preferred over the second statement by the business community and preferred by residents. Not surprisingly Upper Hutt, Kapiti and Wairarapa residents were not as favourable disposed to one EDA.

The Potential for a number of ‘sector focussed EDAs’.

Lead by the Wellington Chamber of Commerce, a small number of submitters contended that thought should be given to the establishment of a small number of EDAs focussed on a specific sector. The example highlighted being Positively Wellington Tourism (PWT). The Chamber of Commerce perceptions is that an open mind should be kept on the possibility of “...creating a dedicated education development agency. We see similar scope for a dedicated agency being created in Wellington to promote the region as an investment location....”

We do of course have Education Wellington International (EWI) operating in Wellington out of the PWB premises. It is an incorporated society receiving funding from Wellington CC (\$30k), Hutt CC (\$5k) and Porirua CC (\$5) as well members. PWB provide the administration support. Film Wellington also operates as part of PWB.

It will have been noted that the plan with Centres of Excellence is for them to operate out of PWB with its own Director and Advisory Group. The issue with the EWI model is that it does allow City Councils to opt in or out (as Upper Hutt CC did 2/3 years ago with EWI) which could have a deleterious impact on the agency compared to the certainty of term funding that is required to achieve long term transformation and success.

The Composition of the EDA Board.

A number of submitters on Governance of the WRS commented that the ‘Keeper Committee’ should have a greater number of private sector people – particularly the various Chamber of Commerce submitters. Further a number also suggested that the private sector should lead economic growth – for example Victoria University (s170) stated “.... The EDA should have strong representation from the commercial sector since it is business that will drive the commercial growth of the region.”. Whilst the first concept will be rejected

(for political accountability reasons) there is merit in the latter suggestion – a suggestion that had already be recommended by the WRSF i.e that the EDA be comprised of people with the skills, knowledge and passion to ensure the EDA is effective for the total Wellington Region.

Timing.

Submissions from the Business Roundtable (s199), Business Porirua (s279), Chamber of Commerce (s339) and Upper Hutt City Council (s210) suggest a delay is necessary in the timetable to allow further more detailed research and cost analysis to be undertaken. Other submitters take a totally different view and suggest that speed of implementation is necessary (PWC s340 and Mitsubishi Motors s297), whilst others (Massey University s313, Victoria University s170 and IRL s340 state that they are ready to work with us now. This is supported by discussions with other potential partners.

It is also clear that a number of submitters advocating a slow down for further analysis may not have been aware of the extent of the analysis undertaken – this suggest a shortcoming in our communication with them and the effectiveness of the WRS web site.

It has always been planned that the EDA Board would:

- be provided with a smorgasbord of tools from which they could select appropriate interventions;
- Undertake further analysis (e.g. by potential area of Centre of Excellence, effectiveness of migration strategies etc) in conjunction with the appropriate sector before moving forward. In this regard it may be appropriate for the EDA Board to accept the generous offer from the Chamber of Commerce to make an Analysts available to undertake some of this work.

5.15.4 Rational for recommendations

That we proceed with one region-wide EDA for the region.

Whilst there are some issues to be addressed at the practical level with regard to the integration we believe there are significant benefits to be derived from having one region wide EDA. Not the least for the people of the Wairarapa – a potential ‘jewel in the crown’. This option is also strongly preferred by the business community and preferred by residents.

It is clear is that the work of PWB is being compromised by:

- having to seek funding each year from Councils and therefore they are unable to commit to a longer term economic transformational Agenda as they are always working to achieve short term outcomes;
- having to report to a variety of masters with different agendas and targets meets that optimal results are difficult to obtain; and

- the current trust structure is also perceived by Board members to be an inhibitor.

As a result of this, and also due to the fact that Kapiti and the Wairarapa are key geographic areas for the development of our economic strategy, we believe it is critical to optimise the opportunities across the region. For example we could have a Centre of Excellence in Recuperative Health that includes Hut City, Wairarapa, Kapiti, Porirua and Wellington. This will require a very tight integration of the opportunities region-wide to take advantage of such a strategy.

One integrated EDA will deliver greater benefits.

Whilst there can be a case in many organisations to separate out activities to provide greater clarity and accountability we believe the reverse is the case in this instance. Film Wellington is an example of a sector focussed operation currently operating successfully within PWB. The reasons why we support an integrated approach:

- We can have one Centre of Excellence model and one Cluster model where the participants in each environment can leverage off each others activities. There is also likely significant cross pollenisation of ideas and concepts;
- The ability to attract private sector participants will be enhanced as they will be working with a proven organisation with a proven methodology. It is proposed that each area will be advised by a voluntary advisory group. They will also have access to other EDA services on an integrated basis – each attraction of high net worth individuals, integrated web site and branding, international positioning etc.
- The overhead cost will be less as there will be a sharing of overheads whilst retaining strong Governance accountability. The funding base is not large so the ability to leverage this base to the greatest extent is critical. We note that PWT obtains greater funding from Wellington City Council than PWB does from its funders in total;
- There would also be possible advantages in integrating Education Wellington International into the new EDA – they currently promote the total region yet only source funding from 3 of 8 councils and sector participants. Their submission calls for the continuation of funding (supported) for their business and this may in fact be the best way to achieve this.

A Merit based Board for the EDA.

The current PWB Board has both geographic area and political representation and it has been suggested to us that this has been, at times, a handbrake on PWB. As with any Board the key to successful leadership and governance is to source people with a mix of skills, backgrounds and experiences together with a passion for the organisational goals to ensure the outcomes can be achieved.

We therefore support the submitters, and the initial thoughts of the WRSF, that the Board should be merit based and selected from appropriately skilled and passionate people who are able to think on a region-wide basis. It seems that a Board of seven people will provide us with the mix required. As part of the process we suggest the Interim Committee seek suggested names from key Wellington organisations (TLA and private sector) before undertaking an appropriate selection process

That we move forward with the Region wide EDA now

There are a number of polarised views on timing of the establishment of the EDA – to take two:

PricewaterhouseCoopers (PWC) in their submission (243) state:

“The ‘keeper’ of the WRS must move quickly to deal with the substantive points from the consultation phase and shift its focus to implementation. Real momentum will be more easily achieved once there are tangible benefits.....”

Whilst the Wellington Chamber of Commerce state in their submission (339):

“...We simply feel that it is premature to take any decisions on the establishment of an economic development agency (or multiple agencies) for the region”.

Having analysed all submissions, and considered the scope of work required to ‘get the economy going’ we are more inclined to the PWC approach for the following reasons:

- There has been considerable analysis undertaken of the areas of the economy in which we believe an economic intervention will assist economic transformation;
- Discussions we have held with potential partners in the Centres of Excellence programme suggest that time will be of the essence. We note also that it is planned to have meetings (facilitated by the new EDA) with potential Centres of Excellence partners (by grouping), complete an economic analysis of the area and agree potential economic transformation benefits before deciding which areas will be moved forward with;
- As momentum is developed greater opportunities will evolve and leverage gained. In this respect we note that whilst the Long Haul Strategy is within the WRS we have already moved forward with this component to ensure we can optimise the opportunities.
- People will be employed by the EDA as programmes are identified and acted on by the new Board of the EDA. What they have as a starting point is a smorgasbord of tools identified by the WRS Forum however to direct them as to what interventions they make would be short sighted as they need to own their interventions and the outcomes. That is the only way

success can be generated. We believe that to deliver to them detailed programmes without them owning the outcomes will be counter productive.

The last word goes to a quote from a US President included in the submission from Mitsubishi Motors (NZ) Ltd Managing Director, John Leighton:

“If not us, who? If not now, when?”

5.16 Topic: Education

5.16.1 Submission Themes

- Education's role in the WRS is understated. It has potential benefit in the areas of:
 - Increased export earnings
 - Increasing skills and productivity levels
 - Business networks
 - Migrant attraction
 - Tourism (families visiting NZ)
 - Tertiary research
- Student attraction and research should be aligned to centres of excellence work

5.16.2 Recommendations

- a. Increase emphasis on the role of education in the WRS, especially its potential to increase export earnings and to close the skills gap. Ensure that its inclusion is consistent with the overall strategy by aligning student attraction work to centres of excellence. (See Report Section 9 recommendations for new WRS text at page 29)
- b. Incorporate direct reference to Education Wellington International in WRS and ensure ongoing funding support (See Report Section 9 recommendations for new WRS text at page 29)
- c. Tie student attraction programme into sister city relationships (See Report Section 9 recommendations for new WRS text at page 29)

5.16.3 Rational for recommendations

The case for more emphasis on education was made by many submitters. There is good logic to its ability to contribute on several fronts i.e. not just its export earnings potential. At present the WRS does reference universities and polytechs but it does not incorporate the body responsible for attracting overseas students – Education Wellington International.

5.17 Submission issue: Incubation

5.17.1 Submission Themes:

- Consolidation of incubators is supported
- Consolidation of incubators under one brand is opposed as it does not make economic sense
- Incubators should be resourced better
- Each centre of excellence should have an incubator as part of their offering.
- Different incubator services between high growth versus new business support
- Strategy towards areas with incubation support too limited in scope at present

5.17.2 Recommendations:

- a. Confirm the concept of consolidation of regional incubator be retained in the WRS.
- b. Note submitters' interest in further dialogue on incubators and that a consolidation approach will form the basis of further dialogue between WRS representatives and relevant stakeholders.

5.17.3 Overview of issues:

Views both in support and opposition to WRS proposals around incubation were received.

Submitter 420 (Positively Wellington Business) and its constituent incubators Creative HQ and Fashion HQ identified in their submission to the Hearings Committee that they are fully supportive of the approach to incubation proposed in the WRS.

Submitter 313 (Massey University, Wellington) notes that their research expertise could be applied to incubator consolidation and re-branding proposals and “looks forward to... continuing our involvement with business incubation through a consolidated business incubator network”.

Submitter 170 (Victoria University) seeks further dialogue on the best way of developing the centres of excellence concept and the consolidation of existing incubators into on re-branded regional incubator programme in alignment with centres of excellence.

Submitter 279 (Business Porirua) and 419 (Wellington Innovation Network) consider that consolidation of incubators under one brand does not make economic sense. They see the answer lies in resourcing existing incubators

better. They also suggest each centre of excellence should have an incubator as part of their offering. A separately pitched / branded incubator is suggested as desirable. The WIN submission also highlights need for suitable property / accommodation. Incubation support is seen as too limited in scope at present (i.e. IRL research base or creative sector only).

N.B. In relation to the WIN submission the following members of WIN have provided written advice that they do not wish to be associated with this submission as follows “This submission does not reflect the views of Positively Wellington Business or its business incubators, Creative HQ and Fashion HQ. Positively Wellington Business has separately provided input into the development of the Wellington Regional Strategy”.

Submitter 339 (Wellington Regional Chamber of Commerce) is of the view that proposal for consolidating incubator network lacks rigorous justification. They are not convinced as to arguments around achieving scale and maximising access to central government funding. They also see industry structure driven by government funding arrangements as a big trap.

5.17.4 Rational for Recommendations

The cross section of views as to the best configuration for incubation delivery in the region, plus requests from several submitters for further dialogue, suggest no final decision on incubation is appropriate at this point.

Instead, it is suggested that the concept of consolidation be retained, but that a process be embarked upon under the auspices of the WRS project to undertake the discussions sought by some submitters to explore the most appropriate means of achieving greater regional co-ordination and alignment around incubator activity. This should involve the stakeholders expressing an interest in this topic. To avoid prolonged uncertainty and enable a platform for action it is suggested that conclusions from this work be available in April 2007.

The outcome of this evaluation could then inform the thinking of the proposed regional EDA (contingent of course on this concept's acceptance or otherwise out of the submission process).

5.18 Submission Issue: Regional Marketing and aligned approaches to telling the region's story

5.18.1 Submission Themes

- Support for more regionally aligned activity
- Opposition to WRS proposals around joint marketing
- Specific marketing elements of benefit to the region

5.18.2 Recommendations

- a. Confirm WRS concepts for promoting greater co-ordination and, where appropriate, alignment of activity around destination marketing, migrant attraction, educational opportunities and related matters.
- b. Incorporate information on the region's climate into marketing material generated.

5.18.3 Overview of topic:

The WRS proposes various initiatives promoting alignment in 'telling the Wellington region's story'. This includes destination marketing (tourism), migrant attraction, and information portal development. Some submitters (e.g. s 273 Property Council of NZ) see merit in promoting our strengths of lifestyle, accessibility and culture together with cluster industries.

Some submitters expressed concern that there is scope for duplication or confusion with programs of other agencies such as NZTE.

S 140 (S Maggs) identified useful information about the region's climate that could tackle incorrect impressions about the region's weather.

5.18.4 Rational for Recommendations

The marketing / portal proposals are intended to provide efficiencies for some activity (e.g. destination marketing), and address gaps not covered by existing programs for others. Evaluation of the precise extent of these initiatives has been considered an appropriate matter for the proposed regional EDA board to consider, refine and prioritise.

5.19 Submission Issue: Timing for WRS adoption: Suggestions to delay or to implement as soon as possible

5.19.1 Submission Themes

- Suggest delay to WRS adoption until mid to late 2007
- Consider it premature to establish governance and / or institutional mechanisms for WRS delivery
- Alternate views are that WRS should be adopted and progressed as soon as practicable
- Assumptions that proposed changes can be incorporated on the basis of the currently proposed WRS timetable.

5.19.2 Recommendations

- a. Confirm WRS proposals to provide a mandate for a ‘keeper’ committee on the basis of the current timetable.
- b. Confirm WRS proposals to provide a regional Economic Development Agency on the basis of the current timetable.
- c. Note the intention for engagement and partnerships across all strands of the WRS via development of an Implementation Project Plan.
- d. Include in the terms of reference or statement of intent for the regional EDA a requirement to actively consider a broad range of working arrangements for progressing sector related development activity, including scope for private sector lead and funded options acting independently but reporting back through appropriate WRS channels.

5.19.3 Overview of issues

Requests to delay adoption of the WRS, including decisions around governance, implementation arrangements and funding, arise primarily through submission 199 (Business Roundtable), 279 (Business Porirua), and 339 (Wellington Regional Chamber of Commerce).

These parties do not consider the WRS provides appropriate analysis and / or an effective framework for action, or a basis to engage and gain support from the region (particularly the private sector). There are also concerns that for the foregoing reasons it is premature to decide on governance and institutional aspects of the WRS.

Other submissions received took a different view and specifically encouraged continuing progress on the WRS as soon as practicable. Submitter 243 (PricewaterhouseCoopers), and 297 (Mitsubishi Motors NZ Ltd) are examples.

Most submitters proposing additions, alterations or refinements to the WRS appear to make an assumption that their requested changes can and will be

made under the current WRS timetable assumptions (e.g. 394 Employers & Manufacturers Assn Central, 382 CentrePort Ltd, 313 Massey University).

5.19.4 Rational for Recommendations

The fundamental question facing the Hearings Committee was whether sufficient of the WRS thinking and proposals are appropriate to enable adoption at this point (taking into account changes agreed to arising from submissions, and / or means available to tackle identified gaps). This needs to be in a fashion that allows confidence for a recommendation to adopt the Strategy now. Included in these considerations are recommendations to put in place governance, institutional and funding arrangements to implement the WRS.

Delaying decisions on the mandate for a WRS 'keeper committee', the EDA Board and organisation appointments, and / or funding would be significant in its impacts. Process requirements of the Local Government Act 2002 require one of two possible paths to be followed if a delay is to be entertained.

If the current WRS timeline for decision-making is not followed there will be potentially significant delays.

The delay will be of either a year to tie to the next Annual Plan review cycle (i.e. 1 July 2008), or alternatively, the requirement to undertake a separate LTCCP amendment process later in 2007. Submissions suggesting an additional 6 months may be required to resolve the WRS content mean a September / October date for adoption. This is based on the time required for completing a separate LTCCP amendment being similar to the current process (i.e. 3 to 4 months). As rates are struck from 1 July each year this poses significant risks around funding transfers between councils and Greater Wellington Regional Council's ability to pick up a new role until 1 July 2008.

Implications that the Hearings Committee members considered were:

- An LTCCP amendment process requires another 'stand alone' special consultative exercise as has occurred for the current WRS phase (region wide consultation, hearings etc. and costs associated with this).
- Implications in relation to the October 2007 local government elections. Any WRS LTCCP amendment process around this time faces potential complications to the extent that new councillors will not have the background understanding of the WRS gained over the last 2 years. This could give rise to delays in progressing an LTCCP amendment or Annual Plan change.
- Reliance on the 2008 Annual Plan process to introduce changes to governance, implementation arrangements for EDA/s, or funding results in major delays that will affect making meaningful progress on many WRS initiatives.

- Both the 2008 Annual Plan process and a 2007 LTCCP amendment process result in ongoing uncertainty and distraction for existing EDAs in the region. This risks affecting current program delivery and staff recruitment and retention over whatever additional time frame a delay will require.
- Also potentially affected by a longer period of uncertainty is the ability to retain alignment of a range of private sector and central government stakeholders who have already committed in principle to WRS projects under their own mandates (e.g. around labour market strategy, environmental management, and tourism development).
- A further factor is that having an agreed WRS early in 2007 provides potential for accessing Central Government funding opportunities to 1 July 2007 that otherwise may not be available after that date.
- More generally, Central Government is reviewing regional economic development funding and appears likely to adopt a competitive funding application approach. The Hearings Committee will need to determine whether improvements to the strategy afforded by a delay outweigh the benefits of having a strategy in place (cf. status of strategies in Auckland, Christchurch, Taranaki, Bay of Plenty etc.).

It is recognised that of the various sources of economic development funding in the Wellington region (private sector, central government, local government and others) the local government contribution is but one. It does however require significant lead times to affect change and has to operate under tight process requirements.

On balance the Hearing Committee believes the benefits of a delay to enable further work in the areas identified by submitters do not outweigh the dis-benefits.

It was always planned that further strategy development work around aspects of the WRS (including redefining some concepts) would occur. Significant progress on can be made over the first half of 2007 and this was planned to occur in parallel with whatever governance and funding proposals are agreed to be put in place.

5.20 Submission Issue: WRS resourcing / funding

Submission Themes:

- WRS under resourced to deliver results (s279 Business Porirua s297 Mitsubishi Motors NZ Ltd)
- WRS should not receive funding (e.g. s199 Business Roundtable, s63 J Dunscombe, s 68 J Wills, s100 J & R Cooley, s 132 D Barry, s148 N & J Saxton, s285 T Brown)
- WRS should not receive rates funding above existing provision to EDAs. s210 (e.g. Upper Hutt City Council), and 60 submitters supporting UHCC position)
- WRS resourcing levels should not be determined now s339 (e.g. s339 Wellington Regional Chamber of Commerce, and Chambers of Commerce supporting WRCC position)

5.20.1 Recommendations:

- a. Confirm funding be made available for the WRS at the levels proposed in the WRS consultation documents.

5.20.2 Overview of issues

Views were mixed on what funding support (if any) the WRS should receive. The clear majority of submissions received on funding indicated opposition in whole or in part. One apparent theme from these was concern at rates increases in general. Another was not being convinced as to what, how or where benefit would accrue from the WRS.

Reference to the Decision Research Limited statistical survey will be useful in informing the committee's decision-making around WRS funding. Respondents across the region were on average neutral to slightly positively inclined to supporting funding to the WRS (survey question 4).

The importance of demonstrating specific benefits of initiatives is also highlighted to the extent that the survey shows that the public is supportive of initiatives that generate a high level of return on investment into the region (survey question 3).

Some submitters state it is inappropriate to suggest any increase in funding based on the indicative costing work done to date for the WRS. In suggesting a potential budget envelope consideration has been given to the scope to reallocate within the existing funding allocations. The conclusion of this work is that to the extent that existing programs are successful in some areas a totally 'clean slate' is not appropriate. The amounts potentially available for reallocation are, as a result, inadequate to enable meaningful progress on initiatives such as centres of excellence, broadband, marketing and the like.

5.20.3 Rational for Recommendations

Appropriate funding levels and the extent to which this decision can be taken now are judgement calls.

The Hearing Committee's view is that a justifiable basis exists for adopting funding for the WRS at the levels proposed.

6. Governance and Funding Proposal (LTCCP Amendment)

The key issues raised in submissions on the proposed governance and funding for the WRS (the LTCCP Amendment) were generally in the following areas:

1. The proposed WRS Keeper Committee Structure and Terms of Reference
2. The WRS Committee Membership
3. The role of local government in economic development and of Greater Wellington Regional Council in particular
4. The proposed economic development agency
5. Funding for the proposed economic development agency
6. The likely effectiveness of the strategy and the need for exit provisions
7. Providing for community interests
8. Process issues
9. Local government issues generally

6.1 Submission Issue: The Proposed WRS Keeper Committee Structure and Terms of Reference

6.1.1 Submission Themes

There were many submissions received on the proposed committee structure. While a number of submitters confirmed that there needs to be strong leadership and the Councils need to work together, many submitters have challenged the Greater Wellington committee model. The concerns can be categorised into the following two areas: committee structure and terms of reference, and the committee membership.

The following are examples of the specific matters raised in submissions on the proposed committee structure:

<p>“The Council submits that governance should be by way of a joint committee of the Councils within the Wellington Region.”</p> <p>Upper Hutt City Council and others</p>
<p>Opposed to the development of “behind the doors committee” proposed.</p>
<p>Supports governance option 3 (Standing Committee)</p>
<p>The current proposal requiring a 2/3 majority for the committee’s funding decisions is considered adequate, but Porirua will not oppose the use of 75% if it helps to achieve regional cohesion.</p> <p>Porirua City Council</p>
<p>Strong leadership is needed.</p>
<p>The Council fully supports regional cooperation.</p> <p>Carterton District Council</p>
<p>The Council supports the suggestion of a 75% majority being required for any decisions relating to funding matters.</p> <p>Carterton District Council</p>
<p>Supports level (for funding decisions) being set at 66% or 8 of 12 votes.</p> <p>Wellington City Council</p>
<p>Question the cost effectiveness of a committee structure reporting to regional council versus an independent body.</p>
<p>WRS does not promote a partnership in its delivery – by excluding region’s community boards and community in its preparation.</p>
<p>Already too much government involvement in people’s lives. Don’t want</p>

another level of bureaucracy.
Duplication of resources as each area already has organisation interested in improving lifestyle and economic growth.
Disagree with another regional rating authority.
Each city should retain its autonomy, or at least have representation on this joint council.
Do not need duplication of what local councils are already doing. Unclear what the committee would offer over and above services offered by existing councils.
Do not need another layer of bureaucracy.
Concern at establishing another layer of bureaucracy and increased fragmentation of the governing bodies.

6.1.2 Recommendations

- a. Confirm the proposed Greater Wellington standing committee as the “keeper” of the WRS.

6.1.3 Rationale for recommendations

The need for a dedicated committee to act as “keeper of the strategy” arises from the work of the WRS Forum (the joint committee of the region’s councils). Without a dedicated committee or agency it was concluded that the WRS would not be successfully implemented. The research showed that the region needs to work together to achieve the growth aspirations expressed in the WRS. The Forum concluded that retaining the status quo, and therefore leaving each local authority to provide for its own sustainable economic development, would not deliver the WRS outcomes.

The results of the Decision Research Survey, carried out in conjunction with the consultation process, showed that there is a high level of agreement amongst both residents and businesses in the region that the councils in the region work together to develop the regional economy. The statement that received the highest level of support was:

“It is important that Council work together to develop the economy of the whole region.”

The committee will not create a new area of work as such, but rather carry out the type of work that is currently undertaken by the territorial authorities in the region. While each territorial authority is likely to continue some small scale targeted economic development work in its area, the proposed committee will

replace the role of the individual councils in the regional economic development work. There is not expected to be any duplication.

Of the options considered to host the WRS a new entity was considered (Option C in the Statement of Proposal). This was not supported because it would have been very difficult to establish and it would effectively create another local government entity. This was not considered to be efficient. Working within the current local government structure was recognised as more effective and efficient as support structures were already in place. The standing committee structure has an existing model in the Regional Land Transport Committee and there is confidence that it will be relatively easy to establish and service. Representation on the Committee of each territorial authority was identified as being very important to ensure local communities were represented.

Contrary to the views expressed by a number of submitters, the proposed committee will not result in additional bureaucracy. It will be a single committee with a focussed purpose, replacing the many current territorial authority committees in the region funding PWB. All meetings and information generated by the committee will be subject to the Local Government Official Information and Meetings Act which will ensure transparency and public access to information.

A number of the submissions questioned the value of a standing committee of the regional council. Upper Hutt City Council, supported by a large number of Upper Hutt submitters, has said a joint committee is a more appropriate option. Wellington City Council, in its submission, outlined why a joint committee would not be effective at this time (although also noting that the standing committee option was not its first preference). This reflects the reason a GW standing committee was proposed by the WRS Forum: primarily that there are potential inefficiencies and risks generated around the nine LTCCP processes in relation to multi-party funding and contracting. There is a risk that individual authorities will want to “cherry pick” initiatives and fund only those that directly benefit their area. This would add a level of uncertainty to the economic development agency (EDA) and potentially limit its ability to enter into contracts and commit to initiatives.

The WRS Forum also identified inefficiency issues with a joint committee structure, with higher transaction costs arising from consultation and monitoring requirements across nine local authorities.

Under a standing committee model a regional rate, struck equitably across the region, will provide the most efficient and secure funding for the EDA. Provided the Terms of Reference for the committee recognise and provide for each community to be represented a standing committee will provide an effective and effective mechanism for delivering the WRS initiatives.

The WRS Forum developed Terms of Reference for the Interim WRS Committee. It is expected that these Terms of Reference will be rolled over into the Terms of Reference for any permanent GW WRS Committee, should the standing committee structure be confirmed. While this will be subject to a

Multi-Party Agreement between the participating Councils, the following key principals/protocols are likely to remain:

- Greater Wellington will not act independently of the Keeper Committee, so that any committee recommendations that the Council is not prepared to accept will be referred back to the Committee for further consideration.
- The Keeper Committee will have full delegations, except the delegations that cannot be made under the Local Government Act (setting rating and funding policy).
- Each member of the committee will have one equal vote.

The Terms of Reference for the Interim WRS Committee require a 2/3 vote for funding decisions. Through submissions some Councils have signalled a majority vote of 75% is more appropriate. This matter has been discussed in various forums, including within the Interim WRS Committee, over the past few months. It appears that a majority of Councils either support a move to a 75% threshold or would not oppose a 75% majority vote.

The involvement of Community Boards has been raised as an issue. Not all communities in the region have community boards so there would be equity issues if community boards were brought into a formal governance structure. However, there will be opportunities for community boards to review the work of the committee and it is possible for boards to be included on mailing/communication lists to receive information.

6.2 Submission Issue: Committee Membership

6.2.1 Submission Themes

The following are examples of the specific matters raised in submissions on the proposed committee membership:

Where is the accountability to ratepayers in the proposed structure?
<p>“The private sector involvement in the Wellington Regional Strategy Committee of the Regional Council diminishes the accountability of the elected representatives on that committee. Specifically, some decisions of the committee may be made contrary to the views of a majority of the local authority representatives. The Upper Hutt Council believes that the region’s ratepayers have a legitimate expectation that people are accountable both for determining the quantum of rates to be raised for regional economic development and for making the decisions about the manner in which those rates will be used.”</p> <p>Upper Hutt City Council and others</p>
See value in Greater Wellington taking responsibility on behalf of the region as “Keeper” of the WRS but emphasise the need for all councils (as primary governance bodies) to be committed to the region as a whole.
Given the population, the strategy could be run by no more than 12 members with no extra subcommittees.
Need to become more efficient and “cut the coat according to the cloth”.
Where is the accountability of the unelected members of the new Wellington Strategy?
Keep political and local authority appointments to a minority on the committee.
The committee needs to be elected – a more democratic process.
Suggest committee to oversee the strategy development is not a local government entity. Needs to be transparently selected by representative groups, with merit based selection criteria. Local government would only have one of two votes on committee, not the majority as at present.
Accept that a separate committee of local government may be needed to raise and distribute rates.
Current committee does not have right mix of skills – needs strong emphasis on business excellence, entrepreneurship and regional representation, with an understanding of land-based issues.
Appreciate the value of the non-local government representatives on the

committee, but concerned about conflicts of interest.
Support a joint committee approach, with non-government members being business people from each area within the region – to give more accountability to districts.
Current suggested self-appointed committee has the potential not to work equitably across the region.
The committee comprising mayors, councillors and business people suggests role to manage social and environmental wellbeing of the communities will be dominated by the economic concerns.
Committee should have people appointed to represent environmental interests.
Consider concept of governance group less local government political leaders – rather a group who has significant insights and experience about the challenges of economic development.
Need to co-opt young people who already show leadership ability.
Committee should be sized large enough to provide sector representation, while preventing waffle.
Inappropriate for non-elected members of governance group to set rates. Rather role of elected local body who are accountable to ratepayers.

6.2.2 Recommendation

- a. Confirm the proposed standing committee membership structure, with details to be agreed by the participating Councils through the Multi-Party Agreement.

6.2.3 Rationale for Recommendation

There was a divergence of opinion expressed on the make-up of the keeper committee. Some submitters felt that it should be a purely local government committee others felt that the private sector needs to be leading the WRS, while others believed other sectors should also be represented on the committee.

In the Decision Research survey respondents responded positively to the statement that:

“It is important that the committee that oversees regional economic development should include leaders from different groups in the community as well as the mayors and other elected representatives” (4.1 Businesses, 4.0 Residents)

The respondents responded negatively to the statement that:

“The committee that oversees regional economic development should be composed of mayors and other elected representatives of the people of the region” (2.6 Businesses, 2.9 Residents).

The Interim WRS Committee includes 7 local authority representatives, nominated by the participating councils (with one person representing the three Waiparapara councils) and 5 non-local government appointees. The local authority members bring to the committee the interests of the communities in their representative areas and the knowledge of the issues for those communities. The five non-local authority members bring to the committee complementary knowledge and skills in business and community interests. The following criteria were used in the appointment of the five non-local government members on the Interim WRS Committee:

1. A leadership profile and strong networks and mana in the region.
2. A strong affinity for the Greater Wellington region and long-term commitment to the future prosperity of the region.
3. A contribution to a mix of complementary skills which would result in an effectively functioning WRS Committee. Although sector representation is not a basis for the makeup of the committee, this could include experience in specific sectors such as business, research or education.
4. Experience in working in partnership relationships across organisations, particularly where these include central and/or local government organisations, and an understanding of the political dynamics this entails.
5. At least one member able to represent the interests of Maori.

The mix of appointees has the potential to be very effective at guiding the implementation of the WRS, both the economic development aspects and the regional form elements. The non-local government appointees’ seats on the committee will be reviewed at regular intervals. There is some merit in having these reviewed on a staggered timeframe. This option will be explored through the draft Multi-Party Agreement. This will enable new members to be appointed every 2-3 years. As the independent membership is reviewed there is the opportunity to appoint specialists in areas such as land management, should the committee believe such expertise would add value to the committee.

There has been concern expressed about accountabilities with rates decisions, especially with non-local government members taking part in these decisions. The committee’s Terms of Reference requiring a majority vote for funding decisions, and the ratio of local government and non-local government members (7:5) ensures that rating decisions will be significantly influenced by those people who are accountable through local body elections. In addition, these decisions will ultimately be taken by the Regional Council whose members have direct accountability through LTCCP processes and ultimately elections. It is appropriate that all committee members have a vote on funding issues because the level of funding is very important to the WRS process.

6.3 Submission Issue: Local Government and Regional Council Involvement

6.3.1 Submission Themes

There were many submissions received on the involvement of local government in economic development, with some submitting that local government should not be involved with economic development. There were also many submissions that raised issues about the Regional Council's involvement and its role as "keeper of the strategy".

The following are examples of the specific matters raised in submissions on the role of the local government generally and Greater Wellington in particular in economic development:

Should explore options which have less local government control on the process. As it stands, success is dependent on the fickleness of local body elections and the impact of the strategy on rates, provision of effective leadership and partnership will be significantly weakened.
Concerned that originally the strategy was presented as an economic growth strategy and is now including regional form, potential land bank and a heavily bureaucratic governance structure.
Let central government do something.
Strategy should not proceed and council should instead concentrate on containing spending and making the region a more attractive place to do business.
It is ill-conceived and another attempt at empire-building.
Debate for a single regional council long overdue. Risk that parochial political agendas will impact on any real attempt at regional growth.
Greater Wellington should concentrate on providing core services, more efficiently.
The Regional Council should stick to its core business/"stick to its knitting".
Regional Council has no mandate/experience or expertise to set up infrastructure/subsidiary to undertake economic development.
"Few of the proposals within the strategy could be considered to be traditional regional council functions and in fact, very few of the functions would be undertaken by the Wellington Regional Council itself. The majority of functions and tasks would be undertaken either by the proposed new economic development agency, the territorial local authorities, or unspecified private sector interests. Accordingly it begs the question as to the value that the Regional Council's governance can bring to this process."

Upper Hutt City Council and others

“It seems that the governance structure is simply an expedient to enable the Regional Council to be the funds gatherer.”

Upper Hutt City Council and others

“The proposal will reduce the ability of the Upper Hutt City Council’ to influence outcomes that are important for the Upper Hutt community. The reduced role of the Upper Hutt City Council should only proceed where this has been signalled as appropriate by the Upper Hutt community.”

Upper Hutt City Council and others

“The Upper Hutt City Council opposes [the proposal that Wellington Regional Council takes over the funding responsibility for regional economic development] for the following reasons:

- The Council opposes the governance role of the Wellington Regional Council generally, in relation to regional economic development
- The proposal to undertake economic development activity will lead to increased costs to Upper Hutt ratepayers. The Council objects to the imposition of additional costs on Upper Hutt ratepayers. No additional costs should be imposed unless those costs can be fully quantified and are identified as appropriate and providing value.
- The proposal will affect Upper Hutt ratepayers through the redistribution of regional economic development costs from Wellington City to the other cities and districts of the region.
- The costings contained within the proposed Wellington Regional Strategy, upon which this funding proposal is based, are not robust.
- The probable costs of implementing the proposed strategy are far in excess of the identified funding sources. An annual cost of \$10m has frequently been referred to by members of the project team as the true cost of implementing the strategy.
- It is inevitable and irresistible that annual future funding demands from ratepayers will increase well beyond the \$5.625m maximum limit that has been set for 2009/10.
- The Upper Hutt City Council notes that the Statement of Proposal does not disclose the costs of governance and the “investment in good regional form” section of the proposed strategy. It is submitted that these costs should be disclosed to enable community comment, prior to any decision being made by the Wellington Regional Council to proceed with the strategy.
- Upper Hutt ratepayers are already facing a projected increase of 25% in Wellington Regional Council rates over the next three years before the

proposed new economic development rate is added. This is on top of a 20% increase in the current year.”

Upper Hutt City Council and others

Believe the Greater Wellington’s position could be compromised as being the “champion” of a strategy which has no legal force but is also the body authorised to develop the Regional Policy Statement (RPS). There is no consideration of separation of responsibilities that would give the community confidence that the principles of the strategy will not be rammed through the RPS process regardless of the community consultation and RM Act processes.

No direct Kapiti Coast representation likely, so no ability for the community to influence outcomes. There will be a loss of self determination for the local community.

In the wider context of advancing the WRS, GWRC should look to using the existing capabilities and technical expertise of the region to provide support for the WRS, e.g. to support the WRS Committee.

GWRC to take on the role of information gatherer, and broker for data and technical information.

Porirua City Council

Supports

- GW, via a keeper committee, taking responsibility for the WRS on behalf of the region.
- A GW CCO to deliver economic development initiatives.
- GW, on behalf of the region, funding the existing and new initiatives outlined in the WRS through a targeted rate.

But notes the governance model is not its preferred choice – would have preferred a joint approach by all territorial authorities, without the ability for individual councils to “cherry pick” initiatives funded jointly. Recognised through the development of the WRS that this preferred choice would not be agreed collectively, therefore supports the proposed governance model.

Wellington City Council

Council is concerned that the relationship between the WRS and other significant regional policies and plans is not explicit enough. WRS should be the overarching framework for regional policies and plans.

Masterton District Council

Running such a strategy would compromise the current excellent work of the GWC (environmental protection, sustainability, etc).

6.3.2 Recommendations

- a. Confirm Greater Wellington's role as host of the WRS standing committee.

6.3.3 Rationale for Recommendations

Local government has been involved with promoting economic development in the region for a number of years. Such involvement enables local communities to define the appropriate nature and scale of development and then influence how that is promoted. Some submitters have expressed the view that central government should be responsible for the promotion of economic development. Others have suggested that it should be left to the private sector.

Central government directly funds a significant proportion of regional economic development initiatives, primarily through NZ Trade and Enterprise. The model proposed for the WRS governance fits the current central government policy for assisting regions with economic development. It is anticipated that central government will continue to assist the region with the implementation of the WRS.

While local government is subject to political influences this is not expected to detrimentally affect the ability of a local government structure to achieve the WRS goals. The WRS is a result of significant collaborative effort by the region's local authorities (and others) over the past three years. The structure proposed for its on-going management and development reflects the partnerships established through this process and provides for a single committee to take on the ownership. Establishing one single committee will ensure a regional focus for the strategy's implementation.

While the Keeper Committee will have a majority of local government representative members, it is anticipated that the proposed economic development agency will have quite different membership. As the delivery agency for the WRS economic development projects its board will have highly experienced and specialist business appointees. This should provide the level of comfort being sought by a number of the submitters who have challenged the proposal for local government leadership of the WRS.

A number of submitters have challenged Greater Wellington's capability and capacity to take responsibility as "keeper" of the Strategy and thereby get involved with economic development. Some, including Upper Hutt City Council, have questioned the value Greater Wellington could bring to economic development.

Greater Wellington has not previously been directly involved with economic development. It was, however, a participant in the WRS Forum. The Local Government Act enables regional councils to take on new functions, subject to special consultation procedures. The reason Greater Wellington is consulting on the proposal, both the WRS and the governance and funding elements, is because the region's territorial authorities collectively identified Greater Wellington as the most appropriate option for hosting the Keeper Committee.

It was the request of the WRS Forum for Greater Wellington to take on the keeper role that triggered the proposals. The proposed keeper committee will essentially be the principle “owner” of the strategy, with extensive delegations to enable it to make most decisions without reference back to Greater Wellington. Where matters cannot be delegated to the committee (essentially rating decisions which cannot be delegated to a committee) Greater Wellington will not, under the committee’s Terms of Reference, make a decision that is contrary to the committee’s recommendations.

It is proposed that the committee be serviced by the region’s Chief Executives Group. This will ensure advice will be prepared collaboratively across the region. A WRS office will be established, similar to the current WRS office headed by Graham Spargo. While this will sit within the Greater Wellington organisation and will be funded from regional rates, it will continue to report through the Chief Executives.

Porirua City Council has submitted that Greater Wellington needs to ensure it uses existing capabilities and technical expertise in the region to provide support for the WRS. It highlights Greater Wellington’s role as information gatherer and broker.

It is envisaged the WRS office will continue to operate in the same way the current office operates. There will need to continue to be close collaboration at a technical/officer level across the region for the WRS regional form work in particular. Funding for this work, other than facilitation and information gathering and broking and a small amount of research, has not been proposed (the Statement of Proposal shows \$403,000 in 2007/08 and \$412,000 in 2008/09 being collected for the activity “Act as Keeper of the Wellington Regional Strategy”). It is assumed that much of the research and development work will be carried out collectively by the region’s councils and other agencies.

Many have said that Greater Wellington should concentrate only on what is identified as its “core business” of providing infrastructure and taking care of the environment. Others are concerned that this work will diminish if the council takes on the WRS responsibilities. Greater Wellington will continue to carry out its many functions, irrespective of whether or not it takes on responsibility for the WRS. It has clearly established committee and organisation structures to ensure this occurs. The proposed rate for regional economic development is targeted and therefore can not be used for any other purpose. Other rate funds will not be used for economic development activities.

Submitters from at least two districts (Upper Hutt and Kapiti) have raised concerns about the ability of their communities to influence the outcomes of the WRS, and whether there will be any benefits for them with the Greater Wellington keeper committee model. One of the key objectives of the WRS is to deliver economic development outcomes across the region. The structure of the proposed keeper committee will ensure all communities have representation and will benefit from the strategy.

It has been suggested in submissions that Greater Wellington will have a conflict of interest with championing the WRS and also being responsible for the Regional Policy Statement and regional plans. Masterton District Council has highlighted concerns it has with the relationship between the WRS and significant regional plans and policies, saying that the WRS should provide the overarching framework. The Regional Policy Statement is currently being reviewed. Part of the review process involves the consideration of the WRS. The WRS will provide the framework for the RPS in terms of sustainable land use in particular, although the RPS will address issues that are much wider than the WRS issues. The recently released Draft Regional Land Transport Strategy has been developed within the WRS framework. The WRS will also provide guidance to other regional planning documents, in the same manner that is expected for territorial authority planning documents. It must be noted, however, that regional and district plans are prepared under the Resource Management Act and so any “enabling” provisions in support of the WRS initiatives will have to meet the sustainability tests in the Act.

A large number of submitters, including Upper Hutt City Council, have suggested that the governance proposal is “simply an expedient to enable the Regional Council to be the funds gatherer”. In part this is correct. As discussed above, a regional rate struck equitably across the region is considered to provide the necessary level of security for funding the proposed economic development agency. It minimises the risks associated with local interests potentially impacting on the ability of the region to achieve its collective economic growth outcomes. At the same time local interests are provided for in the representation and structure of the proposed keeper committee. Because it is a targeted rate, however, it can only be used for economic development purposes.

Upper Hutt City Council has submitted that it opposes the role of Greater Wellington and has identified a number of reasons for this opposition. A number of these relate to the funding of the WRS and these are discussed later in this report. The Council’s submission identifies current rises in regional rates collected in the Upper Hutt district. These relate primarily to transport rates. The proposed rates collected for economic development will replace the rates already collected in the district for Positively Wellington Business. While in percentage terms the changes appear to be significant, in actual dollar terms they are reasonably modest.

6.4 Submission Issue: Economic Development Agency (EDA)

6.4.1 Submission Themes

There were many submissions received on the proposed EDA, including on the appropriateness of a regional council agency, the relationship with Positively Wellington Business, and on the timing of the establishment of an EDA. Some submitters believe the EDA decisions should be delayed until after the WRS has been finalised.

The following are examples of the specific matters raised in submissions on the role of the local government in economic development:

The Upper Hutt City Council opposes the establishment of the proposed new economic development agency for the following reasons:

The Council opposes the governance role of the Wellington Regional Council generally, in relation to regional economic development.

Economic development is not a core function of the Wellington Regional Council and is not one that the Regional Council has any specific skills or experience in.

The Upper Hutt City Council supports the retention of Positively Wellington Business, including its existing governance, reporting and funding structure.”

Upper Hutt City Council and others

Strategy goes too far in predetermining structure and delivery mechanisms, based on a lack of evaluation.

The structure and funding should follow the development of a strategy. We should take the time and involve the wider community in “getting the strategy right”.

Supports the concept of an Economic Development Agency which builds off PWB. New entity will have the advantage of a strategic mandate; and single funding source; multi year funding; and a skilled based Board.

It must not become another level of bureaucracy. Its Statement of Intent needs to be unambiguous, specific and focussed. Its reporting to the GW Standing Committee must be linked to specific, objective Key Result Areas.

Over time it is expected that the proportion of local government rates based funding within the overall budget will decrease if the EDA attracts central government and private funding. This will occur if the EDA is strategic and is not seen solely as a creature of local government.

Porirua City Council

Need for dynamic leadership and tight management of the EDA to make it a

success.
Premature to take any decisions on the establishment of an EDA(s).
Support a referendum to determine whether voters see the amalgamation of the 3 EDA's as being in their best interests.

6.4.2 Recommendations

- a. Confirm a regional economic development agency, in the form of a not-for-profit Council Controlled Organisation, and that further detailed work be carried out to determine its relationship with Go Wairarapa and Enterprise Coast, in consultation with the “owners” of those agencies.
- b. Confirm the appointment of a merit-based board to the EDA.

6.4.3 Rationale for Recommendations

The proposal is for a regional EDA to be established to deliver the economic initiatives in the WRS. The EDA proposal is discussed in detail earlier in this report. A regional EDA appears still to be the most effective option for delivering a strategy that has a regional focus. More detailed work will need to be done to finalise the scope of the regional EDA's responsibilities, and in particular its relationship with Go Waiparapara and Enterprise Coast. These are not matters that need to be addressed at this time, but are more appropriately left to address as the regional EDA's Statement of Intent is developed.

The Statement of Proposal signalled a preferred option for the EDA which is a not-for-profit Council Controlled Organisation. This will have more benefits and fewer disadvantages than the alternative options and should therefore be confirmed by the Subcommittee. The composition of the board, discussed earlier in this report, will provide a level of expertise and knowledge to ensure it can deliver on the economic growth outcomes sought.

Porirua City Council's submission, that the Statement of Intent needs to be clear and focussed, is important to note. The WRS Committee will need to ensure this happens through the EDA's establishment process. It is expected that there will be measurable key performance indicators associated with all its work, to provide the basis for monitoring and reviewing the effectiveness of the EDA. This is discussed later in this report in relation to WRS review and exist provisions.

Some submitters have requested that a referendum be carried out to determine whether a new EDA be established. This is not considered necessary as the issue is not so significant that it would require such a process.

6.5 Submission Issue: Funding an Economic Development Agency

6.5.1 Submission Themes

There were many submissions received on the proposal to fund the economic development agency. The Statement of Proposal identified a regional rate, based on capital values as the preferred option. The Statement of Proposal signalled, however, that alternative options would be considered and that further work was to be carried out on those options.

Through the submission period that work was carried out, and other options released for comment. A number of submitters have responded to those alternative options. Generally the straight capital value option was not supported, with many submitters, including a number of Councils, identifying a uniform annual charge as the more appropriate option for non-business ratepayers, and capital value for businesses.

There were also a number of submitters who identified the impact of any additional rates on fixed and low income earners, the need to cap any spending (with some scepticism being expressed on the likelihood that rates collected to fund the WRS will be able to be kept at a reasonable level), and some submitters expressing concern that not enough investment will be made in the WRS.

The following are examples of the specific matters raised in submissions on the proposed funding:

“The Upper Hutt City Council understands that some Councils may be making submissions seeking a rating system that is different to that contained in the statement of proposal. Specifically it is understood that the rating system sought will involve a uniform annual charge of \$11.25 on all residential and rural properties with the balance collected on a capital value system from business ratepayers. Should the Wellington Regional Council decide to confirm its Statement of Proposal, then the Upper Hutt City Council opposes such a change to the proposed rating system for the following reasons:

The proposal would result in a greater share of economic development costs falling on the Upper Hutt community.

The new system would be significantly different to the statement of proposal and should not proceed without further consultation. The business community would face significantly higher rates than indicated and it is contended that this would not be fair and equitable without first giving the business community the opportunity to submit on this issue from an informed position.

The rating system should not be contrived to reduce the rates of one part of the region at the cost of another.

The proposal is not logical and is not consistent with the rating systems of the Wellington Regional Council generally.”

Upper Hutt City Council and others
Strategy should be paid for by business community. Ratepayers' money should fund traditional community services.
Increased rates may prove to be a significant burden to those on low-middle incomes.
Need to decrease debt, and spend money on places that need it.
Existing rates should go to our own area and not propping up Wellington.
Object to funding scenarios. Should be on a \$ per head basis rather than capital value.
Opposed to capital value rating scheme as unfairly penalises primary producers.
“Hutt City Council notes that the matters on which earlier support for the WRS was conditional have not been reflected entirely in the final document, principally the \$4m funding cap.”
Hutt City Council
<p>“Hutt City Council:</p> <p>notes the proposal for an undifferentiated rate by Greater Wellington Regional Council will see 81% if the costs of the WRS borne by residents of the region and 19% by businesses.</p> <p>agrees the residential burden is not acceptable.</p> <p>Agrees more work is required on the WRS funding proposals, including analysis of costs and benefits by sector as required under the Local Government Act.</p> <p>agrees more funding policy work is best carried out prior to considering [its] position on the WRS.</p> <p>Notes that this would defer consideration of the WRS until the 2007 LTCCP process.”</p> <p>Hutt City Council</p>
Will become a bottomless pit for spending our money. Require more financial accountability.
Concern that the LTCCP rates (adopted June 2006) need to be amended so soon. Raises doubts as to guesswork of original 10 year plan.
Alternative funding methods should be looked at, taking into account the beneficiaries of the WRS. Recommend:

<p>Option 4 (alternative options), re-cast using</p> <p>40% weighting to business (capital value)</p> <p>60% weighting to residents (uniform annual charge)</p>
<p>Support looking at ways to keep rates increase to a minimum.</p>
<p>In the analysis of how the regional rate is calculated to support the economic development initiatives Porirua believes the principles around “fairness”, “equity” and payment to reflect “where benefits fall” should apply. The decision should take into account the varying levels of total rates levied per community and the benefits likely to accrue to the business sector. It seems some type of differential may be required to meet these principles.</p> <p>The consultation documentation on how the capital value calculation might work does not reflect that most councils have differential rating.</p> <p>Porirua believes, based on the work undertaken by the Chief Executives Group, that the use of a small uniform annual charge of \$11.25 (inclusive of GST) for all residential and rural ratepayers with the remainder charged to business (a weighting of 57%) based on capital value would provide the appropriate transparency and fairness.</p> <p>Porirua City Council</p>
<p>Porirua supports the capped regional rate for the EDA as proposed (up to \$5m in 09/10). This needs to be clearly conveyed to the new EDA which will need to have to provide the business case for funding via its Statement of Intent.</p> <p>Porirua City Council</p>
<p>Support bulk funding the committee to identify specific projects that would benefit the region.</p>
<p>Sceptical about controlling bodies’ delivery of goals within budget.</p>
<p>Funding of the EDA requires more analysis as businesses would want to see direct benefits for any extra levies.</p>
<p>Need to reduce the rates differential between business and residential ratepayers. Supports capital value rating basis across all ratepayers.</p>
<p>Cost should be met equally by all ratepayers. Benefits of attracting business go directly to the residential ratepayers.</p>
<p>Opposed to funding suggestion that business should fund up to 57% of cost as citizens rather than business will ultimately benefit from regional growth. Business overheads in the region already very high relative to the market size</p>

and potential.
<p>Notes that the participating Councils will record an agreement outlining how they will work together. On the outstanding matters regarding this agreement the Council's submission is:</p> <p>Level of funding to be agreed on a 3 year rolling basis. The minimum for the 07/08 year being \$4.5m and rising by \$5.625 in 09/10.</p> <p>Rating formula needs to be clear and equitable across all regional rating base (i.e. across territorial authorities and between business, residential and rural ratepayers). Needs to be no impact on Wellington City cbd and rural sector should not pay less than presently pay.</p> <p>WRS is a partnership between participating councils – and those participants need to have ultimate say as to whether the WRS continues.</p> <p>Wellington City Council</p>
<p>Reject any increase in rates amount for 08/09 or 09/10. Consider a cap more appropriate.</p>
<p>Opposes rates based on capital value. Does not seem to be fair and reasonable because of effect on rural properties. Strongly in favour of uniform annual charge approach on residents and rural properties.</p> <p>Notes that under uniform annual charge approach all residential ratepayers will pay the same, so there will be an obligation to ensure that benefits are spread throughout the region.</p> <p>Carterton District Council</p>
<p>Concerned about the publicity relating to the WRS that has said that all current council funding will cease or be substantially reduced. This may not be the situation if the Wairarapa councils are convinced there will be a good case to continue funding for Go Wairarapa especially if their activities are not covered under the strategy.</p> <p>Carterton District Council</p>
<p>Unsure that further \$1.2m above current activity funding of PWB would produce a substantial difference to region's economic outcome.</p>
<p>Rates relief may be appropriate to help implement action relating to affordable housing.</p>
<p>Concern that new CCO will be “not for profit” – expect cost escalations and all the usual limitation inherent in expanded bureaucracy.</p>
<p>Educational institutions are exempt from some categories of rates and therefore should not be levied the proposed additional rates.</p>

6.5.2 Recommendations

- a. Agree to a targeted economic development agency rate of \$4 million (excluding GST) for 2007/08, to be allocated on the following basis (allocating 42% to businesses and 58% to non-businesses):
 - (i) A uniform annual charge to residential ratepayers of \$12.50 plus GST.
 - (ii) A uniform annual charge to rural ratepayers of \$25.00 plus GST.
 - (iii) The remainder of the cost of the EDA being charged to business on the basis of their capital values.
- b. Confirm the quantum of funding for the EDA of \$4 million in 2007/08 and up to \$5 million in 2009/10 (excluding GST).

6.5.3 Rationale for Recommendations

Rating Allocation

The Statement of Proposal (SOP) in respect of the rating model for the Economic Development Agency (EDA) proposed a pure capital value basis, with a transition period. This method, following a proposed transition period, resulted in non-business ratepayers paying 72% and business ratepayers 18% of the total amount rated. Businesses currently pay 54% for this activity.

The proposal signalled other options would be considered and that further work would be undertaken on alternative rating models. This work was carried out during the submission period by officers from the Councils in the region. They considered a number of options which are detailed in **Attachment 2**.

In summary, the options considered were:

- Option 1: Capital value method as detailed in the SOP. Approximately 18% of the rate would be charged to business.
- Option 2: Non-business ratepayers paying a uniform annual charge of \$10 plus GST. The remainder being charged to business on the basis of their capital value.

Approximately 57% of the rate would be charged to business.
- Option 3: Residential ratepayers paying \$12.50 plus GST, rural ratepayers \$25 plus GST, the remainder to business on the basis of their capital values. Approximately 42% of the rate would be charged to business.
- Option 4: A weighting of 40% is charged to business allocated on their capital value prior to any allocation to non-business ratepayers. The remaining 60% is then allocated to all ratepayers (including

business) on the basis of their capital values. Approximately 51% of the rate would be charged to business.

The various options had to satisfy Greater Wellington's Revenue and Financing Policy namely:

- Outcomes – the community outcomes to which each activity primarily contributes
- Distribution of benefits – the beneficiaries and type of benefit
- Time frame of benefits – the period in, or over which the benefits are expected to occur
- Contribution to need for activity – any individuals or groups who have contributed to the need to undertake the activity
- Costs and benefits of distinct funding – including consequences for transparency and accountability

The group concluded that a uniform annual charge to non-business ratepayers with the remainder to business was the most appropriate method. The Chief Executives Group generally endorsed this view and recommended Option 3, although the Upper Hutt Chief Executive disagreed with this method and preferred the capital value method detailed in the SOP.

The options were released for public comment as part of the submission process, including the options being sent to around 1400 organisations/interested parties, advertised in various community newspapers and put on the GW and WRS websites.

A number of submitters took the opportunity to identify their preferred option.

The Decision Research survey sought responses on the community's willingness to pay and opinions on views on who should pay for economic development. Resident and business respondents indicated they are not averse to increasing their contribution to funding economic development by a small amount:

“The region currently spends in a year the equivalent of \$5.54 on economic development for every \$100,000 of property value (homes and business premises). I support increasing spending to \$6.42 by 2007/08.”
(Businesses 3.3, Residents 3.1)

“The region currently spends in a year the equivalent of \$5.54 on economic development for every \$100,000 of property value (homes and business premises). I support increasing spending to \$8.03 by 2007/08.”
(Businesses 2.8, Residents 2.7)

“We should limit spending on economic development, even if that means opportunities for growth are missed.” (Business 2.5, Residents 2.8)

Not surprisingly there was some divergence of opinion on where the costs should lie between residential ratepayers and business ratepayers:

“Businesses should pay the lion’s share of the cost of economic development funding.” (Businesses 2.4, Residents 3.1).

As set out in the proposal a targeted rate is appropriate as the funds raised are significant and the whole region pays a reasonable share of the costs. A targeted rate provides transparency and accountability for the activity that is distinct from other activities of Greater Wellington, and is proposed to be carried out on behalf of all the region’s local authorities.

The WRS will benefit potentially all people in the region. The benefits to residents (and therefore residential ratepayers) will be in the form of potential:

- Employment opportunities
- Increased incomes
- Improved environmental quality
- Higher quality of life.

Businesses in the region will also benefit from:

- Increased growth potential
- New business opportunities.

It is not possible to specifically quantify the benefits at this time. This will need to be done over time as the strategy is implemented and its impacts monitored. However, the research carried out through the development of the strategy, and discussed in this report, clearly supports the contention that all parts of the region will benefit. Initial economic advice indicates that a fair allocation of funding involves both residential ratepayers and businesses contributing. The various rating options developed through the process provide allocation alternatives.

The Subcommittee considered two matters with regards to the allocation. The first was the appropriate split between business and non-business ratepayers. The second was the method of rating – capital value or uniform annual charge.

The table in **Attachment 3** provides various residential/non-residential rating splits. A 42% business:58% residential split appears to be a reasonable allocation, given the benefits discussion above. Under this scenario overall residential ratepayers will pay an increase over the current amounts rated and it allows for a reduction in the burden presently carried by business ratepayers which many submitters believe to be inequitable. In applying this approach some individual ratepayers in the region will be paying significantly more than they currently pay. For example, Hutt City residential ratepayers currently do not contribute towards economic development at all, so they will move from \$0 to \$12.50 + GST. Others will have a small reduction (Wellington City,

Masterton District, South Wairarapa) and others an increase. In all cases rural ratepayers will be paying slightly more. With fixed amounts of \$12.50 and \$25 for these ratepayers the actual increases were not considered unreasonable by two of the four Subcommittee members. Mayor Guppy expressed concern about rural ratepayers paying a fixed amount, when essentially they are businesses. Mayor Milne expressed strong concern about the level of rate burden on the ratepayers of Kapiti under the model proposed.

Notwithstanding the values agreed by the Subcommittee, because it is not possible to provide any high level of precision around the benefits and where they will accrue an allocation involving anywhere between 40% and 60% for businesses could be argued to be appropriate. Businesses currently pay 54% of economic development costs. Reducing this down to around 42% would appear to be reasonable.

A uniform annual charge to non-business ratepayers, with the remainder being allocated to business on a capital value basis received support from a number of submitters, including many of the Councils. The Wairarapa submitters also strongly supported the use of a uniform annual charge for rural properties, recognising that rural properties have high capital value and the rating levels under a capital value system would be relatively high in relation to the benefits likely to accrue.

Respondents in the survey did not generally support the use of capital value as a rating basis:

Funding for regional economic development should be levied on the value of your property (i.e. on capital values). (Businesses: 2.5, Residents: 2.7)

The Subcommittee agreed that applying a uniform annual charge to businesses would not be an equitable approach because it does not differentiate between large and small business, and the scale of benefits likely to accrue to businesses. A capital value approach is a useful proxy in this regard.

During their discussions the Subcommittee discussed the possibility of a transitional arrangement for the funding. Officers have looked at various options for transitioning the EDA rate. However, with a uniform charge for non-business ratepayers any transition would be difficult. It would, in officers' views, be inequitable to charge different uniform rates to the same class of ratepayers in different territorial authority areas.

A possible transition would be to charge a lower uniform charge to all non-business ratepayers and a higher rate to businesses in the first year. In the second year the uniform annual charge would increase and the allocation to businesses decrease. For example, a uniform charge of \$8.50 (plus GST) to residents and \$25 to rural ratepayers would allocate approximately 58% to businesses. Currently they pay approximately 54% and would pay 42% under the recommended allocation methodology.

Subject to the concerns expressed by Mayors Guppy and Milne, outlined above, the Subcommittee recommends that a uniform annual charge to non

businesses and a rate based on capital values be adopted as it provides a fair distribution of costs across non-residential ratepayers. It is also a simple and clear system to apply and for ratepayers to understand. A transition is not recommended.

Some submitters have questioned if the Council can adopt an alternative rating model to that in the proposal without going out for further consultation. Legal advice has confirmed that Greater Wellington does not need to carry out further public consultation if it wishes to change its allocation method from that included in the SOP.

Quantum of Funding

The survey results indicated an acceptance in community for a small increase in funding for economic development. The proposed increase is \$600,000 over the current rating around the region for Positively Wellington Business in 2007/08, increasing up to an addition \$1.1 million in 2009/10. These increases are in line with the feedback from the survey.

The WRS Forum, in setting the funding guidelines for the WRS Committee (and reflected in the Statement of Proposal) were mindful of the need to invest more in economic development over the current levels in order to move the region's economic forward. It was also mindful of the need to keep increases reasonably modest. The proposed increases will enable the EDA to implement the strategy, with the assistance of assumed funding from central government and private sources. Any future increase will be for the WRS Committee to determine. The Terms of Reference for the committee, and in particular the 75% voting provisions for funding decisions, will ensure these decisions are fully debated and there is a high level of agreement for any increases or decreases.

6.6 Submission Issue: Effectiveness of the WRS and Exit Provisions

6.6.1 Submission Themes

There were many submissions received on the likely effectiveness of the proposal and the need for an exit strategy. A number of the Councils in particular have sought review and exit provisions. There are also concerns about the absence of clear monitoring procedures.

The following are examples of the specific matters raised in submissions on the likely effectiveness of the strategy:

Oppose the setting up of an advisory body with few teeth of its own, and resulting burgeoning and expensive bureaucracy.
Not convinced governance and funding of the strategy is a sound investment.
No indication of measure/evaluation of success or failure.
“Hutt City Council expresses reservations as to the value of the WRS as particularly covered by the Wellington Chamber of Commerce, the Upper Hutt City Council, and some other critics of the process and means to achieve its proposed outcomes. (These criticisms centre on economic reasoning and theory and the incidence of liability to pay by various communities, plus the controls over the total expenditure, year to year).” Hutt City Council
“Hutt City Council notes that the entry and exit provisions are stark – that is, entry is encouraged and departure is possible, except that if Hutt City left it would continue to be rated as if it was still involved.” Hutt City Council
Hutt City Council suggests to the Committee that the Wellington Regional Strategy is not implemented until: There is clarity for ratepayers particularly with regards to funding levels; and Entry and exit provisions are clarified and concerns addressed.” Hutt City Council
Key actions need to be identified and tangible cost/benefit analysis provided.
We should invest in what we already have e.g. businesses that generate growth for the region should receive rates reductions as they are benefiting the entire region.
Positively Wellington Business is a failure – need radical change.
PWB has brought no discernable benefits to Porirua City despite significant

contributions.
Suggest a detailed analysis of why we (the region) have performed so badly relative to the rest of New Zealand in recent years.
Need to have clear points at which the WRS is reviewed to ensure its actions are having practical effect; that any changes required to the strategy to reflect changing circumstances or opportunities are made; and, most challenging of all, to make judgements where some or all of the Strategy is abandoned.
Porirua City Council
Need to facilitate outcomes rather than expend resources on funding bureaucracy.
Governing bodies need to engage relevant advice (professional, business and services areas) to ensure development of realistic strategy and workable implementation plan.
The Council strongly believes there needs to be “exit” provisions developed in relation to the Strategy. There would be fewer reservations about the strategy throughout the region if there was an agreed approach to terminating the arrangements if a majority considered the net benefits were not satisfactory.
Carterton District Council
Constant taxing will send businesses elsewhere.

6.6.2 Recommendations

- a. Endorse the following review provisions:
 - i. An independent review of the effectiveness of the entire Wellington Regional Strategy to be undertaken regularly. The review to address and make recommendations for changes to the strategy. This will include consideration of whether the WRS Committee and / or its funding and other arrangements should continue.
 - ii. The first review to be commissioned 5 years after the adoption of the WRS.
 - iii. The subsequent reviews to be undertaken on a 3-yearly cycle to coincide with LTCCP cycles.

Note: the actual review provisions will be addressed through the Multiparty Agreement to be agreed between the Councils.

6.6.3 Rationale for Recommendations

The WRS proposal included a number of actions and signalled the creation of a genuine progress indicator (GPI) system to measure the state of the region – in

economic, environment, social and cultural terms. Alongside this the EDA will need to develop key performance indicators for the projects and groups of projects it carries out with WRS funding.

In response to the issues raised in submissions some work has been undertaken to develop review and exit provisions. These are to be included in the Multi-Party Agreement between the participating Councils. At this stage an independent review of the effectiveness of the entire Wellington Regional Strategy is proposed, to be commissioned 5 years after the adoption of the WRS. The review would result in recommendations for changes to the strategy. This will include consideration of whether the WRS Committee and / or its funding and other arrangements should continue. A similar review would then be undertaken on a 3-yearly cycle to coincide with LTCCP cycles.

It is anticipated that Greater Wellington and the WRS Committee would consider continuation of the activities and funding in whole or in part based on the review findings, with recommendations made by the WRS Committee to Greater Wellington based on its majority voting terms. At any other time, though, individual Councils would also have the opportunity to independently consider the review findings and could make representations to the Committee or to Greater Wellington to express any views that they may have on matters relevant to their communities.

While the Committee and the EDA board will be the primary drivers of the economic development aspects of the WRS, there will be many opportunities to engage with other agencies and parties. This is discussed earlier in this report.

6.7 Submission Issue: Community Interests

6.7.1 Submission Themes

There were many submissions received on how effectively the proposal will enable communities to be adequately recognised and therefore benefit from the investment in the WRS. There was concern expressed that Wellington City will be the principal beneficiary of the strategy, at the expense of the other areas of the region. Many submitters are concerned about losing the ability to influence decisions affecting their communities.

The following are examples of the specific matters raised in submissions on community interest issues:

Potentially a lack of funding for local projects if the benefits are not identified as region-wide.
A growth strategy should be for all sectors – not just urban cities. Rural/agriculture/forestry not included and no benefit.
Concern that the scheme to build a strong region is at the expense of small cities.
Rural sector will be adversely affected by the proposed system of taxation.
Concern that “region-wide” might mean region over-riding local concerns. Wellington City must not be allowed to develop at the expense of other cities and districts.
How do you resolve the difference between regional and urban councils? Which has overall power to implement change?
Seek reassurance that there will be no duplication between funding economic development in the Wairarapa sub region.
Masterton District Council
Reserves final position for dialogue with the proposed regional EDA and where relevant with Go Wairarapa in respect of its economic development initiatives. Council supports an initiative for the existing EDA agencies to discuss the best form and structures for the EDA projects arising from the strategy. The Council is concerned that the viability of its local agency is not detrimentally affected by the strategy.
Masterton District Council
Serious concerns about the likely effects on Go Wairarapa and consequently the current Wairarapa projects and activities such as the food and wine MRI and irrigation projects.

Go Wairarapa will need to be retained in some form as tourism not part of WRS.

Carterton District Council

Kapiti should not be involved in this expensive junket as too far out to benefit from major proposals.

6.7.2 Recommendations

There are no specific recommendations required.

6.7.3 Rationale for Recommendations

The issues have been discussed earlier in this report.

The WRS has been prepared taking into account a regional perspective. The WRS Forum was very mindful of the need to build a strong region, not just a strong primary CBD. The WRS has a philosophical basis that will ensure all parts of the region will receive benefits from the implementation of the strategy.

6.8 Submission Issue: Consultation Process

6.8.1 Submission Themes

There were many submissions received on process issues associated with the strategy, including issues about the consultation documents. Many people have said they found the documents difficult to understand and did not contain the level of detail they needed to make informed responses. Others have challenged the decision-making process.

The following are examples of the specific matters raised in submissions on process and consultation issues:

Consider it inappropriate that developers of the strategy are processing submissions and would like an independent commission to review the process.
WRC has incurred unwarranted expense in the preparation of this document. Ratepayers require a full account of costs to this position.
Jargon and presentation makes it very difficult to work through what is actually being proposed.
Consultation document is visually well presented but is lacking in significant detail, with no supporting information.
Document high on rhetoric and small on detail.
Why is Kapiti Coast District Council not referred to in the regional rates table in proposal as it, like other councils, contribute to economic development (via Enterprise Coast)?
Why does proposal say they ratepayers outside Wellington will pay less in 07/08 and 08/09 than they would have if the regional rate has moved directly to capital value?

6.8.2 Recommendations

There are no specific recommendations required.

6.8.3 Rationale for Recommendations

Submitters have raised concerns about who should “process” the submissions. The Hearings Subcommittee has the responsibility for considering submissions and making a recommendation to the Interim WRS Committee on decisions arising from the submission. The Local Government Act establishes the process for consulting on proposals like the WRS. Given the significance of the funding (rating) decisions it is appropriate that the decisions on these matters remain with the Interim WRS Committee and then ultimately Greater Wellington. In this case it would not be appropriate for an independent body to be involved with the process. Legal advice has been sought through the

process to ensure that all Local Government Act requirements are met. An independent review is therefore not necessary.

The challenges in submissions on the quality of the consultation documents are addressed earlier in this report. By its nature the WRS documentation is high level and does not contain specific details about how the strategy will be delivered. Those details will be contained in the proposed EDA documents.

Issues raised by submitters like those in relation to the lack of reference to Kapiti Coast District Council in the EDA funding table, and the impact of the proposed regional rate on ratepayers outside Wellington City are details that will be explained to submitters when officers prepare the responses.

6.9 Submission Issue: Local Government – General

6.9.1 Submission Themes

There were some submissions received on local government issues that are outside the scope of the proposal. Examples are presented below.

The following are examples of the specific matters raised in submissions on local government issues generally:

Initiatives from the Regional Council should be self-funding e.g. public transport to reduce debt.
Need to reduce the number of individual councils within the region.
Need to overhaul the Resource Management Act in order to make things easier and cheaper to get things done.

6.9.2 Recommendations

There are no specific recommendations required.

6.9.3 Rationale for Recommendations

These types of submissions cannot be addressed by the Interim Committee as they are outside the scope of the proposals. This will be addressed in the response letters to submitters, prepared by officers.

7. WRS Next Steps

The WRS process next steps are:

1. The recommendations from the WRS Interim Committee to be considered by Greater Wellington Regional Council at its meeting on 22 February 2007 for decision (material to be distributed by 15th February 2007).
2. Provide response letters to WRS submitters as an outcome of the GWRC decision on 22nd February 2007 (to be sent in March 2007).
3. LGA 2002 LTCCP / Annual Plan confirmation processes as per the legislation.

8. Communication

There are no requirements for communication generated by this report beyond those being undertaken more generally for the WRS process.

9. Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Agrees** to recommend to Greater Wellington the following changes in relation to the WRS:
 - a. Change the WRS text to strengthen recognition of factors influencing the Wellington regional economy, particularly those around private sector activity and central government's role and actions.
 - b. Address the perceived lack of analysis and evaluation by including reference in the WRS to background work such as:
 - Business sector analysis by 3 digit ANZSIC codes (Kemp),
 - Regional Full Time Equivalent projections by 1 digit ANZSIC codes (NZIER),

- *Floor space projections for office, industrial and commercial (Property Economics),*
 - *Housing segment demand information (Property Economics and SGS economics and planning)*
 - *Cluster performance information (Infometrics, BERL and NZIER and MED).*
 - *WRS evaluation and development process information*
- c. *More strongly incorporate sustainability and climate change considerations into the WRS in the introductory text and principles and assessment criteria for WRS projects.*
 - d. *Note that ongoing discussion will occur with stakeholders such as the Wellington Regional Chamber of Commerce and Business Porirua around specific analysis expectations beyond the current work available.*
 - e. *Make more explicit that the WRS promotes a high degree of interaction and working together of all parties able to progress WRS concepts. Accept the various offers of resource support and input to progress components of the WRS (through the proposed implementation agencies/forums) including entities such as Go Wairarapa and from the Wellington Regional Chamber of Commerce, Employers & Manufacturers Assn, Tertiary Education Providers, Central Government Agencies and Crown Research Institutes.*
 - f. *Confirm that the WRS provides a high level framework and that the details of the implementation initiatives are appropriately left to the EDA to determine.*
 - g. *Include some additional background detail and justification as to benefits accruing from WRS initiatives.*
 - h. *Strengthen references to the fact that business plan detail and specific benefit analysis will occur at implementation level via the regional EDA and as ad hoc projects arise.*
 - i. *Amend the text on page 2 of the WRS beginning “We need to do better...” by replacing the discussion on the role of 4% economic growth with a more aspirational statement as follows:*

“We need to do better. To improve prosperity in our region we need to develop better paying jobs and sustain ongoing business investment. For the next decade we need to aim to roughly double our economic growth rate.”.

Add new text on page 2 after that in 5.3.2 (a) above to make clear that actions of the private sector and central government have a significant bearing on prosperity prospects.

- j. Include in the WRS an undertaking to investigate development of the regional economy in ways that align to 'carbon neutral' goals.*
- k. More strongly emphasise sustainability objectives (including addressing climate change risks) in the WRS.*
- l. Signal that consideration will be given to setting a target date for the Wellington region to become 'carbon neutral' / 'carbon zero' and include research to be undertaken into actions to examine the feasibility of this goal.*
- m. Signal that the potential for a 'centre of excellence' around practical application of 'green technologies' in the Wellington region will be explored (e.g. energy related applications such as wind, current, and biomass sources, and building technologies).*
- n. Incorporate the importance of sport and active leisure into the WRS, especially in relation to the region's community outcomes and its economy.*
- o. Incorporate 'sport and active leisure' in the WRS vision and/or community outcomes.*
- p. Confirm the change areas set out in the WRS and note these will be progressed through separate public processes and be informed by principles under the N.Z. Urban Design Protocol.*
- q. Change the description for the Pauatahanui and North Waikanae Change Areas to make clear that these are not being promoted for strong growth, but rather careful management in light of environmental and / or servicing issues.*
- r. Modify the text in relation to the Grenada to Gracefield change area to make clear that proposals to explore broadening housing choice in some parts of the change area, and to address roading links will proceed through local community based planning processes. These will be informed by principles under the N.Z. Urban Design Protocol.*
- s. Include in the WRS the definition of "environment" suggested by NZHPT.*
- t. Make a recommendation from the WRS Interim Committee to GWRC's Environment Committee that the Regional Policy Statement review include consideration of a region wide agreement on heritage principles and practices.*

- u. *Confirm the WRS intention to provide mechanisms for regular and focused involvement of infrastructure providers with the WRS processes. In particular the WRS keeper committee will have a role in keeping informed of, and contributing to consideration of regional infrastructure issues and the prioritisation and funding of these. This will require liaising with the Regional Land Transport Committee and other entities addressing regional infrastructure provision and maintenance.*
- v. *Add new to page 40 of the WRS, following the discussion under “LAND FOR BUSINESS GROWTH”:*

RURAL INDUSTRY GROWTH

The region has a strong rural industry sector, centred primarily in the Wairarapa. This sector makes a contribution to the regional economy, especially through the viticulture industry. While the rural sector has potential to grow, in the Wairarapa predicted shortages of water limit capacity to both grow current production and also limit the opportunities to convert to more intensive land uses.

An irrigation scheme would enhance the growth opportunities in the Wairarapa and for this reason an irrigation project has been initiated by Go Wairarapa. Like all major projects any future scheme would need to attract significant funding and would be subject to the requirements of the Resource Management Act. Potential effects associated with damming water and the impacts of potential future land uses would need to demonstrate their environmental sustainability.

- w. *Incorporate into the WRS the importance of farming and forestry across the region in both an environmental and economic sense, especially in relation to the region’s proposed carbon neutral objectives.*
- x. *Note the potential to harness the Wairarapa’s food and wine opportunities through the Cuisine School in the WRS.*
- y. *Incorporate greater emphasis on existing businesses including what the WRS proposes to improve business retention and include an action step to work with other key stakeholders on this.*
- z. *Include the following:*
 - a. *That, within a decade, all of the Wellington Region will have affordable access to an interactive, open access, broadband network capable of supporting applications and services using integrated layers of voice, video and data, with sufficient symmetrical capacity to meet the ongoing information and communications needs of the city’s*

residents, businesses and institutions, and help catalyse a transformation in regional economic development.

- b. That as an interim target, the Wellington Region build on the definition of fast broadband in the Government's digital strategy. In this strategy, fast broadband is defined as data transfer at a rate greater than 5 Megabits per second (Mbps). Therefore it is recommended that the Committee suggests an interim target (say by 2010) for the WRS regionally of a 5 Mbps symmetrical data rate. Further, that it recognises that this will quickly be inadequate to meet the needs to the Region, and therefore endorses a more aggressive objective of removing data transfer speeds as a constraint on the Region's ability to maximise the economic and social benefits of broadband. For example, in the Wellington CBD and Miramar (centres of digital content creation) this will mean facilitating access to 10Gbps services as soon as possible.*
- c. That urgency be given to implementing the broadband strategy, with priority given to actions that will lift labour productivity, assist in transforming the economic development of the Wellington Region and deliver major social benefits (e.g. through health care, schools and libraries) to the communities of the region.*
- aa. Acknowledge and explain the importance of the Port to the regional economy, acknowledging the importance of good transport links, as follows:*

“Wellington's Port handles 1.7 million gross tonnes of freight and 28000 cruise liner tourists and crew, annually. It is vital to the exporting objectives of the WRS. The WRS can add value to the Port's operation through the 'regional form' initiatives detailed later in the document, especially those that facilitate efficient road and rail transport to and from the port

The WRS can also play a part in the development of a coastal shipping strategy for the benefit of the region.”
- bb. Confirm that Centres of Excellence be established under the Economic Development Agency (EDA) auspices. This will provide for consistency of approach, cross sectoral learning and idea generation and a cost effective support infrastructure.*
- cc. Confirm one region-wide EDA for the region but discuss with the key stakeholders of existing EDAs (e.g. Go Wairarapa and Enterprise Coast) how any integration will occur. This to be undertaken by the new EDA Board when it has been appointed.*
- dd. Confirm a merit based EDA Board comprising 7 people with the capability and experience to govern a successful EDA.*

- ee. Confirm that the EDA be established as soon as possible (a transition from the current state to the new entity should occur during the first half of 2007) in order that it can determine its priorities, complete the analysis on its identified priorities and move quickly to implementation.*
- ff. Increase emphasis on the role of education in the WRS, especially its potential to increase export earnings and to close the skills gap. Ensure that its inclusion is consistent with the overall strategy by aligning student attraction work to centres of excellence.*
- gg. Incorporate direct reference to Education Wellington International in WRS and ensure ongoing funding support*
- hh. Tie student attraction programme into sister city relationships.*
- ii. Confirm the concept of consolidation of regional incubator in the WRS.*
- jj. Note submitters' interest in further dialogue on incubators, and that a consolidation approach will form the basis of further dialogue between WRS representatives and relevant stakeholders.*
- kk. Confirm WRS concepts for promoting greater co-ordination and, where appropriate, alignment of activity around destination marketing, migrant attraction, educational opportunities and related matters.*
- ll. Incorporate information on the region's climate into marketing material generated.*
- mm. Confirm WRS proposals to provide a mandate for a 'keeper' committee on the basis of the current timetable.*
- nn. Confirm WRS proposals to provide a regional Economic Development Agency on the basis of the current timetable.*
- oo. Note the intention for engagement and partnerships across all strands of the WRS via development of an Implementation Project Plan.*
- pp. Include in the terms of reference or statement of intent for the regional EDA a requirement to actively consider a broad range of working arrangements for progressing sector related development activity, including scope for private sector lead and funded options acting independently but reporting back through appropriate WRS channels.*
- qq. Confirm funding be made available for the WRS at the levels proposed in the WRS consultation documents.*

4. *Agrees to make the following text changes to the WRS document.*

[The changes incorporate text changes to address the recommendations from section 3 above.]

Inside front cover

Heading: About this document

The Wellington Regional Strategy (WRS) is a sustainable growth strategy that has been developed by greater Wellington's nine local authorities, in conjunction with central government and the region's business, education, research and voluntary sector interests. Its aim is to make greater Wellington "internationally competitive" - in other words a region which offers the competitive package of a great lifestyle and job opportunities, supported by a strong economy.

The WRS aims will be achieved by collaborative effort of the private sector, central and local government, and organisations seeking to foster economic development, (e.g. Go Wairarapa and Enterprise Coast). It will be a rallying point for matters requiring a regional economic development focus.

Established as a 'fact based' exercise, the WRS has, for the first time, brought together a coherent body of regional scale research and evaluation work to inform decision-making. Alongside this two sets of public consultation have been undertaken and two surveys of business and public interests have been commissioned. The WRS incorporates feedback from all these processes. Further details are contained in the appendices and on www.wrs.govt.nz

It is recognised that many aspects of the regional economy are influenced by operation of global markets, central government and individual businesses. The WRS is focused on where regional interventions or actions can realistically make a difference.

There are many things capable of being influenced directly by stakeholders in our region. Research suggests relatively modest levels of better co-ordinated investment can reap multi-million dollar returns. The WRS targets these matters for attention and action.

The WRS is not a detailed work plan. It provides an overview of the opportunities that exist to lift the region's economic performance. Many of the initiatives can be achieved by harnessing resources of existing businesses and institutions. Some are new initiatives and for these the actual work undertaken, the prioritisation of initiatives and budget allocations will be the responsibility of a region wide Economic Development Agency (EDA). Specific and detailed cost / benefit assessments of projects will occur at this level. One of the first tasks to be completed is the formation of the regional EDA.

Indicative benefits for WRS initiatives have been quantified where possible (e.g. potential for increased tourism spend of over \$83 million extra per annum, or urban and rural form efficiency gains of at least 1% on current annual regional GDP of between \$16 and \$19 billion). Detailed project justification and cost / benefit work is envisaged as most appropriately occurring via the regional EDA or through work of contributing stakeholders.

What the indicative costings do indicate is that success in any one of the WRS initiative areas have potential to recoup to the region benefits significantly in excess of the annual investment being proposed.

Page 1

“Our region” is deleted and replaced with “Our vision” and “The outcomes we want”, currently on pages 5 and 6. The vision and outcomes are key drivers for the document and it is appropriate they appear at the beginning. The change also reflects submissions which asked for a more logical flow of information.

“Sport and active leisure” is added to the last sentence of the vision. The new sentence reads:

*“Everyone will enjoy access to **sport and active leisure**, environmentally friendly outdoors, and to thriving, cosmopolitan art and entertainment*

Page 2

“A strategy for sustainable growth” has been updated to include the submission material including:

- *More emphasis on sustainability*
- *The need to reference and include more of the background material.*

This section also incorporates the information contained in “our region” – previously page 1

The new copy reads:

Heading: A strategy for sustainable growth

Successful, internationally competitive regions have three key characteristics. They're great places to live, they have excellent career opportunities and they have strong vibrant economies. The actions proposed in this document are designed to improve the region's performance in these three areas

Sub heading: Background

The greater Wellington region is home to 460,000 New Zealanders, 11 per cent of the national population. It produces 13% of the nation's gross domestic product (GDP). As the table below shows much of the region's employment is in government administration and defence, and in finance and insurance. Conversely, regional employment is low relative to N.Z. averages for manufacturing agriculture, forestry and fishing. Primary productive activity is however very important to the region, and forms the mainstay of local economies for Wairarapa and other rurally based communities in the region. Importantly, scope exists to increase the contribution from these sectors to overall regional performance. Farming and forestry in particular also provide scope for technology development around potential 'carbon neutral' goals.

[insert table on employment from appendix two here]

The WRS draws on over 200 reports and documents which have been either commissioned or referenced since the development of the strategy began in 2004. Further information was provided via public surveys and submissions. More detail on this background information is contained in appendix [number]

Common themes emerging from this background work include:

- The importance of environmental, social and cultural , as well as economic, performance
- The need to address a slowing rate of economic growth
- Growing income gaps between New Zealand (including greater Wellington) and major international competitors
- The need to export more
- A requirement to ensure Greater Wellington's lifestyle advantages are maintained
- A projected shortage in 25-45 year olds and uneven population growth around our region

Research among residents and businesses has consistently supported the need for a holistic view of prosperity incorporating environmental, social, cultural and economic performance. In a region-wide survey of 2000 residents and businesses the statement "*regional development success should be assessed by measuring improvements in the environment, society and culture as well as the economy*" was overwhelmingly endorsed. A sustainable approach to economic development is a recurring theme of this document. In fact the main measure of the strategy's success – a Genuine Progress Indicator (GPI) – incorporates all the key components of sustainability, as they relate to this region.

The possibility of being carbon neutral (including future adoption of a target date) is an example of a sustainable objective that could position the region as an internationally recognised showcase of environmental and business practices complementing each other – a potential example being forestry development in the Wairarapa.

Research among residents and businesses also endorse a region-wide approach to economic development. Previous economic development initiatives, while effective, have not been region-wide and have not had long term funding to implement long term strategies.

Incomes of people in the region are 10 percent higher than the national average. Five years ago regional incomes were 16 percent higher than the national average. The closing gap is in part due to slow growth in the regional economy. In the 5 years to [year] the region's annual GDP growth was 2.2 percent compared to the national average of 4.7 percent. A major contributor to the nation's growth over this time has come from agriculture and manufacturing, two areas where greater Wellington is under represented. While sector growth, especially in agriculture, tends to be cyclical, the region cannot afford this under performance in growth statistics.

Consistent annual GDP growth of 4 percent is identified, by New Zealand Treasury, as the goal the country needs to aim for to get back into the top half of OECD countries. As the nation's second largest regional economy, greater Wellington has an influential part to play and 4 percent is considered a realistic target to pursue for the next 10 years. While private sector and central government policies will be the main influencers in achieving this target, the WRS can add value through facilitating growth in areas where the region has the potential to be a world leader, especially those initiatives that align to the WRS carbon neutral objective.

In assessing its success the region needs to be mindful, that in a global economy, comparisons with the rest of New Zealand only tell part of the story. For example, New Zealand's per capita GDP is one third less than in Australia. The average Australian in full time employment earns \$68,000 per annum, 51% more than the equivalent New Zealand figure of \$45,000.

Our slow growth and the resulting income gaps with our international competitors are strong incentives for the region's talent to move offshore. As the graph [number] shows, greater Wellington faces a shortage of 25-45 year olds. This sector includes much of the talent that drives economic growth.

The region also needs to manage the impacts and distribution of its overall population growth. The high projection in graph of up to 539,200 persons by 2026 [graph number] can positively assist in sustaining the economic and lifestyle objectives of the region. However much of that growth is projected to occur in Wellington City and Kapiti which is not necessarily going to be best for the region as whole. A challenge is to ensure more even growth and prosperity throughout the region.

A core aim of the WRS is to facilitate growth in exports. Currently just 13 percent of the region's GDP is exported. This is well below the national

average of 33 percent. New Zealand is a small economy and provides limited opportunities for growth. The region must export more if it is to thrive.

In a number of economic measures the regional economy, and indeed New Zealand, underperforms global benchmarks. However, greater Wellington's lifestyle is world class. In the Mercer consulting 2006 quality of living index covering 350 cities worldwide, Wellington ranks 12th. Much of this strategy is about 'good regional form' – the physical arrangement of urban and rural communities and how they link together. This includes strong city centres, matching transport decisions to urban and rural needs, quality urban design, open spaces, recreational amenities, housing choice and so on – the things that contribute to measures such as the Mercer index. The region must maintain its internationally competitive quality of life if it is to attract and retain talent.

Sub heading: Investment and return (page 4)
Copy is unchanged from existing text

Page 7 to 12

“Great potential, but recognise the barriers” has been shifted to the appendix

This section is effectively a SWOT analysis, and to some extent repeats the new information in the earlier section “a strategy for sustainable growth”. However it is important background material and for that reason is retained in the appendix section

Page 14

This section is abbreviated for clarity and to avoid repetition with material that follows later. It now reads:

Heading : Three focus areas for sustainable growth

Focus area one: Leadership and partnerships

Most of the WRS initiatives are about facilitation - bringing together the key players that can deliver on the region's sustainable growth objectives. This will only occur if the region can show effective leadership and forge partnerships between central and local government, business and the education, research and voluntary sectors.

Focus area two: Grow the region's economy, especially its exports

The region's economic growth has been half the national average in the last five years. This needs to change and we need to export more - the region is too reliant on the rest of New Zealand for its growth.

Focus area three: Good regional form

Regional form is about the physical arrangement of urban and rural communities and how they link together. It's about strong city centres, matching transport decisions to urban and rural needs, quality urban design, open spaces, recreational amenities, housing choice and so on – the things that contribute to quality of life.

Page 15

The table will be updated to reflect changes in the document content

Page 16

Heading: Investment in leadership and partnerships

Retain existing copy in this section except for last paragraph in the first column on page 16 (Successful regional leadership...) which is replaced with:

The WRS aims to facilitate the leadership and partnerships that will give life to the strategy. This especially involves central and local government, business and the education, research and voluntary sectors. The content of the WRS was developed following input from these sectors and its successful implementation will be dependent on their ongoing involvement

Sub heading: Towards one regional voice

Retain existing copy in this section except for last paragraph (Subject to consultation...) which is replaced with:

The WRS committee will establish a regional economic development agency (EDA) to facilitate or do the work outlined in the strategy. Funding for the EDA will come from a regional rate collected by the Greater Wellington Regional Council

Sub heading: Regional funding

Retain existing copy in this section except paragraph 4 (The councils of...on page 17) which is replaced with:

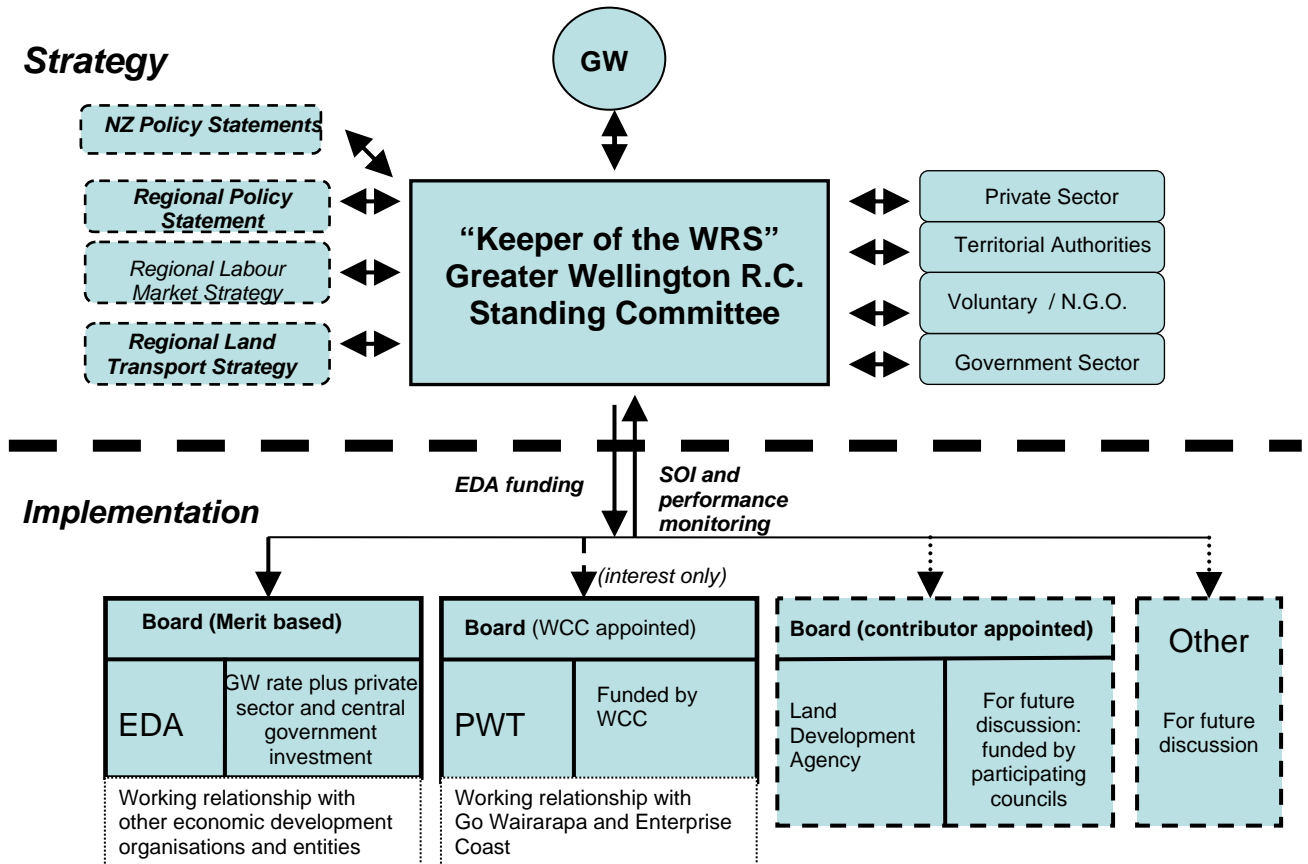
In 2005 / 06 the councils of the region invested \$3.9 million in economic development. This will be increased to \$4.5 million in 2007/08, and up to \$5.6 million between 2008 and 2010. Funding of \$4.5 million will be provided by:

- A uniform annual charge to residential ratepayers of \$12.50 plus GST
- A uniform annual charge to rural ratepayers of \$25.00 plus GST
- The remainder [insert percentage]of the funding will be charged to business on the basis of capital values

Delete the last paragraph in this section (The funding allocation...)

Include a diagram at the end of the section on leadership and partnerships (page 18)

Standing Committee Of Greater Wellington Funded via regional rate



Page 20

Heading: Investment in growing our economy, especially our exports

Sub heading: Growth and retention of existing businesses

Insert the following after the first paragraph in this section:

The region has several advantages for business. It

- is the home of government
- is the country's second largest regional economy
- has a CBD which is compact and easy to navigate

However it also has disadvantages including the lack of direct flights to Asia, one stop to Europe. If the region is to retain its large businesses,

which underpin the economy, it must address such shortcomings. It also needs a clear understanding of the combination of factors which will keep businesses in Wellington and attract new ones. For large institutions this may mean a case management approach to retaining them in the region

Carry on with existing copy. "But the economic..."

Page 21

Delete the paragraph just prior to sub heading "Attracting high value individuals to the region" and replace with:

Another example is aligning centre of excellence effort with pursuit of 'carbon neutrality'. New Zealand and the Wellington region has potential to be world leaders in the field of 'green technologies' such as wind, current, biomass and building technologies.

Centres of Excellence will be established under the Economic Development Agency auspices. By 2010 it is anticipated three centres will be operational. The selection of these three will have been undertaken by the EDA having consulted with market participants.

Each sector will have a dedicated team supported by a steering group made up of industry participants who will provide leadership and guidance. Importantly, centres will only be established where there is an industry desire for action and where participants are prepared to invest directly themselves.

Page 24

Insert a new section just prior to "Key area 2" New section reads:

Sub heading: Primary production

The primary sector contributes to the region's export and environmental objectives and there is considerable scope for this to be increased. For example much of the Wairarapa's primary production is constrained by a lack of water. This was the catalyst for large scale irrigation planning by Go Wairarapa. This, along with Go Wairarapa's other land based initiatives – for example the internationally recognised cuisine school in Masterton – are supported by the WRS.

The potential for forestry is only partially tapped. An emerging industry in further processing is developing and this industry provides considerable environmental benefits through carbon sequestration, erosion control and bio fuels.

Page 26

Insert a new paragraph after the first paragraph on this page. It reads:

Sport is a key contributor to inbound tourism through events such as the 2005 British and Irish Lion's rugby tour. Wellington's reputation as the events capital, its sporting infrastructure – for example the Westpac Stadium – and increasing range of active leisure choices, provide a strong basis for development and increased tourism. This, like many WRS initiatives, will occur in tandem with existing agencies, in this case Positively Wellington Tourism.

Page 27

*Incorporate a new section immediately before "Growing Broadband".
The new section reads:*

Sub heading: The Port – a cornerstone of the regional economy.

Wellington's Port handles 1.7 million gross tonnes of freight and 28000 cruise liner tourists and crew, annually. It is vital to the exporting objectives of the WRS. The WRS can add value to the Port's operation through the 'regional form' initiatives detailed later in the document, especially those that facilitate efficient road and rail transport to and from the port.

The WRS can also play a part in the development of a coastal shipping strategy for the benefit of the region."

Page 28

Include additional copy at the end of the section on broadband, just prior to the quote from Stuart McGrigor. The new copy reads:

By 2010, the WRS has an objective of ensuring fast broadband (5 Megabits per second) is available region-wide. Within a decade it is intended there will be region-wide access to affordable broadband capable of supporting applications using integrated layers of voice, video and data.

Page 29

Include new section just prior to sub heading "Increasing labour market participation" New section reads:

Sub heading: The role of education

Education contributes to several components of the WRS, especially through its potential to increase export earnings (overseas students) and to close the skills gap. It also contributes through business networking, migrant attraction, tourism and tertiary research. The region can do more to promote Wellington as an education destination for international students. This is another area where a more targeted focus on sister city relationships can add value. It is proposed that student attraction

initiatives will be facilitated through Education Wellington International, the EDA and the education institutions.

Page 42

Insert new text at end of current introductory section to ‘Change Areas’ (sentence ending “...in consultation with ratepayers”) to read:

Not all the areas identified as ‘change areas’ are being promoted for significant development. The Northern Waikanae Edge and Pauatahanui in particular have been identified as locations where less rather than more development is likely to be appropriate. The need in these areas is to be proactive over managing change to address environmental sensitivity and sustainability issues. These considerations act to limit scope for significant change. Decisions on the specifics for each area will be the outcome of public processes under the Resource Management and Local Government Acts. In each case these will be informed by principles under the N.Z. Urban Design Protocol.

Insert new text under the ‘Grenda to Gracefield’ heading at the end of the first paragraph

Proposals to explore broadening housing choice in some parts of the change area, and to address roading links will proceed through local community based planning processes.

Page 57 and 58 (feedback form)

Delete

Page 63

Change to:

Appendix one: WRS Background Research And Evaluation’

The research and evaluative work undertaken for the WRS includes:

1. Research Reports And Evaluations

Development of the WRS has been informed from many sources of research and policy evaluation. Over 200 reports and documents are contained in the WRS electronic library. This includes Central Government commissioned work, international research, and public policy commentators and institutions within New Zealand. At a more specific level, material commissioned by the Wellington region’s economic development agencies and other organisations (e.g. tertiary education providers, business organisations and Government ministries) has also been canvassed. A full bibliography of material is available at www.wrs.govt.nz

1. Wellington Regional stocktake

The WRS process began with a stocktake exercise structured as follows:

Section 1: Context: Introduction to the geography of the region, current population structure and distribution and an overview of historical development patterns within the region.

Section 2: Regional Wellbeing:

- quality of life measures for individuals and households focusing on social and economic wellbeing;
- measures for fundamental environmental wellbeing but which also have important cultural wellbeing implications;
- assessment of the state of the area as a system, particularly as an urban system. This covers transport systems, urban form, open space, amenity, recreation facilities, key public infrastructure that contribute to public health;
- projected public investment expenditure to maintain and improve key systems.

Section 3: Economy Structure and Performance: Provides information on:

- the general nature of the regional economy;
- performance of the regional economy (includes GDP growth comparisons to elsewhere in NZ and international productivity assessment);
- assessment of implications in relation to potential economic growth drivers.

2. **Economic futures:** Infometrics 2004

Identifies key issues (both national and global) that are likely to define, drive or influence the economic future of the Region over the next 20 to 50 years, and in doing so highlight the Region's economic strengths, weaknesses and opportunities with a view to determining possible public sector interventions to accelerate economic growth.

Three areas are covered:

- A trend analysis that identifies a number of economic, social and political trends that have, and will continue to, influence economic development in the Wellington Region.
- A SWOT analysis (strengths, weaknesses, opportunities and threats) of domestic and global influences on the Region's growth potential over the next 20 to 50 years.
- The identification of key constraints, taking into account that the Wellington Regional Strategy is a 20-year strategy with a 50-year outlook, followed by analysis of how these constraints can be addressed and the subsequent implications.

3. **Economic projections:** BERL 2005, PWB and Go Wairarapa research reports 2000 to 2006

Provides economic growth projections for the Wellington region, including differences between the economic drivers of the Wairarapa economy as compared to the 'metro' sector economy. Information of relative sector performance and numbers is included.

4. **Global megatrends & critical uncertainties:** Delaney & Associates. 2004

Identifies emerging ideas, events and likely trends that may affect the Greater Wellington Region, particularly in the next twenty-five years. The ideas reflect research and conversations Delaney & Associates, and others, have conducted for strategy and scenario projects, as well as leading edge global research and sources of information about emerging issues, events and trends.

5. **Human Capital:** Infometrics 2005

Provides information, issues and directions on the human capital of the Greater Wellington metropolitan area for three main purposes:

1. provides base data from which an understanding of medium to longer term issues associated with human capital can be understood,
2. identifies key issues associated with human capital that the WRS needs to address; and,
3. develops a range of directions and policy considerations.

6. **Demographic projections:** Statistics New Zealand 2005, Mera Ltd. 2004

Current and future trend information in relation to the distribution of population growth and the age, ethnicity, income and related factors affecting the region's communities.

7. **Successful cities:** Macroplan 2005

Provides a guide to how a successful region can be defined. Explores case studies of successful cities / regions around the world that face similar challenges to Wellington. Analyses key variables and indicators of success in these cities and uses the quantitative and qualitative findings as a guide to the assessment of the competitiveness of these cities compared to Wellington.

8. **Housing:** Property Economics 2005

Analyses housing market segmentation patterns, trends and demand in the Wellington region, and identifies potential policy responses.

9. **Business, commercial & institutional dynamics:** Property Economics 2005

Analyses industrial, office and other land and floorspace segmentation patterns, trends and demand in the Wellington region, and identifies

potential policy responses. Includes identification of potential Full Time Equivalent job number changes by 1 digit ANZSIC code to 2026 based on evaluation work of NZIER.

10. Environmental & natural value constraints: Wellington Region LGOfficers 2005

Identifies environmental constraints to future development in the Wellington region, taking into account valued resources that should be preserved or protected for future generations where possible, and hazard resource issues which should if possible be avoided. Includes a series of regional scale G.I.S. maps with overlays of relevant information.

11. Infrastructure: Wellington Region LGOfficers 2005

Identifies significant infrastructure (water / wastewater and stormwater) constraints and capacity, to inform options and choices for economic growth within the Wellington Metropolitan region.

12. Transportation Wellington Region LGOfficers, Transit N.Z., LTNZ, M.O.T., 2005

Identifies significant transport matters to inform options and choices for economic and urban development within the Wellington region. Provides an overview of existing transport constraints and issues, and explores linkages to other central government initiatives and policies.

The transportation evaluation aspects of the WRS draw heavily on technical work for the Regional Land Transport Strategy.

13. Labour force: Colin Drew & Associates, DoL, MSD & WLGO 2006 & Martin Jenkins & Associates 2005

Martin Jenkins & Associates works includes a stocktake around four aspects of the labour market - participation, productivity, skills, and regional and sector performance. Reviews the current situation, considers influences on these areas and existing initiatives or interventions in the labour market. Considers the available sector and related projections into the future, information and proposals for new or revised initiatives, and canvasses some stakeholders for views on what work should be done to support the future functioning of the regional labour market.

Subsequently a comprehensive process has been facilitated in conjunction with the WRS by Ministry of Social Development and Department of Labour involving over 69 Wellington regional stakeholder groups. A comprehensive Wellington Regional Labour Market Strategy has been developed along with an accompanying Implementation Framework.

14. Tourism: Destination Planning 2006, Angus & Associates 2005

This sub-component of the WRS built on a stock take of tourism product from early 2005 and involved interviews with over 80 private sector

operators in the region and included a series of interviews and workshops to test ideas.

Evaluation included travel statistics and dynamics to and from the region and tourism offerings available. A considerable body of national tourism data and previous stocktake exercises and evaluations informed this work.

15. **Wairarapa Issues:** Wellington Region LGOfficers 2005

Officer evaluation work drawing on the Wairarapa's pre-existing work around the Wairarapa Economic Development Strategy, District Plan review and issue identification exercises carried out for Long Term Community Plans.

Focus Area Development: synthesis of background reports

The body of work outlined above (plus a variety of other sources accessible from central government, the private sector and other sources) were evaluated in May 2005 for the purposes of distilling out 'focus areas'. That is, those matters where regional influence or action could be applied to 'make a difference' to prosperity and quality of life in the Wellington region.

The evaluative process adopted was that of a 'competitive advice' model. Seven groups of consultants were furnished with the full set of WRS background reports and invited to independently apply their expertise and judgement to identifying critical initiatives for the Wellington region.

Drafts of the consultant's reports were then received by the WRS project teams and local government chief executives. A full day workshop was held in May 2005 with each consultant group presenting on their conclusions to the WRS team and the other consultants. Following the presentations a series of question and answer sessions and general discussions involving all consultants and the WRS team followed.

Subsequent to the workshop day the consultants then independently finalised their reports and furnished these to the WRS project officer teams.

The reports provided covered both urban / spatial evaluation and pure economic assessment. They include SWOT analysis and categories of response to tackle matters identified; ideas to build on Wellington region's strengths; how to improve international connectedness; the role of infrastructure investment; promoting flexibility around creating environments for business to succeed; and achieving true regional leadership. Reports include regional location quotient comparisons; sector trend summaries; 3 digit level ANZSIC location quotient analysis of sector performance and likely future trends; sector growth statistics and comparison to the North Island; spatial development assessment and methodology for intervention decision-making. Also provided are deprivation index mapping; economic sector specialisations by location,

and population and dwelling market dynamics. From this work various potential policy responses are identified:

The consultant reports are available at www.wrs.govt.nz for:

- SGS International Economic & Planning
- Mentz / Kemp
- BERL
- McDermott Miller
- Cityscope
- Arnold.co.nz
- Urbanista Ltd.

Synthesis of background reports into WRS proposals

Recommendations from the above process were subsequently considered by the WRS Forum over the next 2 months and woven into the WRS 'Growth Framework' released in August 2005 for public comment.

A statistically reliable survey was undertaken of regional resident and businesses to gauge opinions and views on the Growth Framework concepts.

Reports referred to above, plus statistically valid survey work on public attitudes, formed the basis for a series of eight WRS Forum workshops through the last quarter of 2005 and first half of 2006.

In addition as elements of the thinking were agreed this material was circulated to private sector and central government stakeholders for comment. This was formally done through the WRS Strategic Partners Forum in early 2006.

WRS officer project teams synthesised the ideas from these sessions into the WRS final document.

Appendix two

Overarching principles (as per page 63 of current document)

Appendix three

SWOT analysis (as per pages 7-12 of the existing document)

5 **Agrees** to recommend to Greater Wellington the following changes in relation to the proposed LTCCP Amendment:

- i. Confirm the proposed Greater Wellington standing committee as the "keeper" of the WRS.*

- ii. *Confirm the proposed standing committee membership structure, with details to be agreed by the participating Councils through the Multi-Party Agreement.*
 - iii. *Confirm Greater Wellington's role as host of the WRS standing committee.*
 - iv. *Confirm a regional economic development agency, in the form of a not-for-profit Council Controlled Organisation, and that further detailed work be carried out to determine its relationship with Go Wairarapa and Enterprise Coast, in consultation with the "owners" of those agencies.*
 - v. *Confirm the appointment of a merit-based board to the EDA.*
 - vi. *Agree to a targeted economic development agency rate of \$4.0 million (plus GST) for 2007/08, to be allocated on the following basis (allocating 42% to businesses and 58% to non-businesses):*
 - a. *A uniform annual charge to residential ratepayers of \$12.50 plus GST.*
 - b. *A uniform annual charge to rural ratepayers of \$25.00 plus GST.*
 - c. *The remainder of the cost of the EDA being charged to business on the basis of their capital values.*
 - vii. *Confirm the quantum of funding for the EDA of \$4.0 million plus GST in 2007/08 and up to \$5.0 million in 2009/10 (plus GST).*
 - viii. *Endorse the following review provisions as appropriate:*
 - a. *An independent review of the effectiveness of the entire Wellington Regional Strategy to be undertaken regularly. The review to address and make recommendations for changes to the strategy. This will include consideration of whether the WRS Committee and / or its funding and other arrangements should continue.*
 - b. *The first review to be commissioned 5 years after the adoption of the WRS.*
 - c. *The subsequent reviews to be undertaken on a 3-yearly cycle to coincide with LTCCP cycles.*
4. ***Instructs*** officers to prepare a report to Greater Wellington based on the matters agreed to in (3 and 4).
 5. ***Delegates*** to the Chairman of the Interim WRS Committee the final approval of the report to Greater Wellington.

Report approved by:

A handwritten signature in black ink, appearing to read 'Ian Buchanan', with a long horizontal flourish extending to the right.

Ian Buchanan

Chairman, WRS Hearings Subcommittee

Attachment 1: Geographical Spread of Submitters

Attachment 2: Alternative Rating Options Distributed During Consultation

Attachment 3: Rating Scenarios