

**SUBMISSION: AUCKLAND COUNCIL
LONG TERM BUDGET 2021/2031 AND
LOCAL BOARD PRIORITIES
18TH MARCH 2021**

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SUBMISSION TO THE AUCKLAND COUNCIL LONG TERM BUDGET 2021/2031 AND LOCAL BOARD PRIORITIES

Business North Harbour (BNH) welcomes the opportunity to make this Submission.

Introduction

BNH is a significant commercial and industrial Business Improvement District (BID), representing over 4,500 commercial property owners and businesses within the North Harbour area. Collectively they employ over 35,000 Auckland residents and ratepayers.

The organisation is located within the Upper Harbour Local Board area, which is expected to be the fastest growing area in the country over the next ten years, in both absolute and percentage population terms¹, which brings both challenges and opportunities to the North Harbour business district.

BNH represents and works with a wide range of businesses comprising of a mix of sole traders, Small Medium Enterprises (SME), through to multi-national organisations representing sectors such as ICT, business services, specialist manufacturing, light – medium warehousing, logistics, retail and hospitality. In addition, we have key educational institutions within or on our boundary, including Massey University Albany and AUT Millennium, along with a variety of primary and secondary schools including Rangitoto College, the largest secondary school in New Zealand. All are located within an industrial estate which is on average less than 20 years old.

Our primary interests are decisions within the Auckland Council Long Term Budget 2021/2031 which:

- Impact on the cost of business – across a short to medium timeframe
- Impact on economic development and the ability to leverage value from location
- Support or restrict business growth opportunities
- Impact on access to both regional and localised transport hubs
- Impact on R&D and investment – sector development and capability
- Provide the scope to leverage natural assets for economic development across the leisure and tourism sectors – enhancing Auckland's reputation

The 2021/2031 Long Term Budget sets out Council's priorities and how Council proposes to fund these. You are seeking feedback across several key proposals. Our response is set out below and covers:

- (1) Ongoing Concerns Regarding the Impact of COVID-19
- (2) Proposed 10 Year Budget

¹ Auckland Council 10-year Budget 2018-28, Supporting Information, Section 6: Local Board Information, 6.17 UHLB

- (3) Rating Policy Proposals
- (4) Regional Fuel Tax Underspend
- (5) Climate Change
- (6) Rating of Vacant Land and
- (7) Local Board Priorities

Business North Harbour Feedback

(1) Ongoing Concerns Regarding the Impact of COVID-19

Our local business members and property owners have expressed and continue to express serious concerns to BNH that COVID-19 continues to have a detrimental impact on their businesses.

These impacts include direct financial impacts, supply chain and market disruption as well as effects on production. The short-notice lockdowns and subsequent immediate loss of business have severe impacts on our members and losses are exacerbated for our hospitality businesses, when combined with the costs of food wastage. COVID-19 has had major impacts on exporters to China and those relying on international visitors and students. For hospitality and event organisers, the ongoing lockdowns have been devastating. Many firms relying on imported intermediate or final inputs from China are also being affected, particularly in manufacturing. Small and medium-sized businesses have had their business models turned upside down and businesses tied to travel, tourism and hospitality have experienced losses that will not be recoverable. We still do not know how long this will continue and BNH has already lost many businesses. With the outlook for some businesses now being dire as they come towards the end of their financial year, when the full reality of the effects of the pandemic will be crystalised, BNH fears that we will lose even more.

Our member businesses and indeed businesses across Auckland have felt the economic brunt of four lockdowns so far. Although we did see some positive rebounding last year, there has been a gradual erosion of consumer confidence which is affecting spend. The uncertainty for businesses on navigating rolling lockdowns, supply chain issues and for some the lack of international visitors, has made and continues to make trading conditions extremely difficult.

An additional side-effect of COVID-19 has been the increase in crime and anti-social behaviour experienced by BNH and many other BIDs. This is an added burden on our small business owners.

We have welcomed the responses from Mayor Phil Goff through the crisis, especially the need to respond calmly, but BNH asks for more focus in the Recovery Budget 2021/2031 on measures that Auckland Council can actually take to assist businesses.

BNH also believes the ongoing significance of the impacts on businesses and the regional economy necessitate Council considering extending measures such as the rates postponement for ratepayers impacted by COVID-19 and introducing new measures, such as relief in paying hospitality-related fees and charges (such as outdoor dining licence fees).

(2) Proposed 10 Year Budget

Our overall feedback is that BNH supports the need to continue with Council's capital investment of \$31 billion over the next 10 years and we recognise that Council is projected to have its revenue impacted by around \$1 billion as a result of COVID-19.

However, we do not agree with the proposed one-off 5 per cent average general rates increase for 2021/2022 rather than the previously planned 3.5 per cent increase and we ask that Council give further consideration to keeping any rates increase to a minimum for 2021/2022.

BNH asks that Council also give more consideration to further optimising the use of other identified financial levers such as;

- increasing Council borrowing
- making deeper cost savings
- prioritising spending
- selling more surplus property excluding green/reserves

We note the positive statements made in Council's half year financial results and upgrade in the Council's debt rating, indicating a more optimistic outlook is warranted. We suggest this allows Council to further increase borrowing in the short term (for example, up to 320% for the forthcoming financial year).

(3) Rating Policy Proposals

Our overall feedback is that what businesses need most from Council is a fair, transparent and stable approach to rates. As noted above, BNH do not accept the need for a 5% rates increase.

Business Differential

While we appreciate that the business differential is being reduced through the Recovery Budget 2021/2031, fundamentally, BNH does not accept that a business differential should be applied to rates especially for reasons that "businesses are better able to manage additional costs than residential properties" or because "businesses can claim back GST and expense rates against tax." These reasons do not justify the business differential, particularly for small businesses who make up most businesses in our BID and in Auckland, many of whom are already facing immense financial pressure as a result of COVID 19, as we have already highlighted.

Rating Policy

With regard to the proposal to extend the Water Quality Targeted Rate until June 2031, BNH agrees that Auckland must improve infrastructure to save our harbours, beaches and streams from being polluted by overflows from ageing sewerage and stormwater systems. Inaction will cause reputational damage to the city. While we are supportive of transparently 'ring fencing' spending on this kind of infrastructure and an extension until June 2031, we do not accept that a business differential (even at 25.8%) should be applied to this targeted rate. BNH accepts that business should pay a share, but not a differential.

On the proposal to extend the Natural Environment Targeted Rate until June 2031, we agree that Auckland must reverse the decline of biodiversity in the region, stop kauri dieback and address the spread of pests, weeds and diseases. However, BNH believes that these matters are more properly the responsibility of central government or taxpayers. Auckland Council should seek increased funding from central government because all New Zealand benefits from increased tourism and our international clean green branding. Auckland ratepayers should not be the first direct source of funding for projects which have a wider benefit than just the Auckland region. Again, while we are

supportive of transparently 'ring fencing' this spending and an extension until June 2031, we do not accept that a business differential (even at 25.8%) should be applied.

With regard to introducing an Electricity Network Resilience Targeted Rate on Vector to fund council's tree management programme around the Vector overhead power lines, BNH is supportive of prioritising the resilience of the electricity network and more regularly trimming street trees. We agree to an approach where 'the right tree is planted in the right place' and enhancing the overall tree canopy cover through the Urban Ngahere (Forest) Strategy.

Finally, on the options to reinstate the Accommodation Provider Targeted Rate, we have been told by accommodation providers both locally and regionally that they do not accept that they should fund Auckland Unlimited's tourism promotion and event costs from this targeted rate. BNH has never supported this intervention and now more than ever the sector cannot afford this. BNH asks Council to look to other levers to fully fund Auckland Unlimited including options such as the Government to introduce a levy on international visitors, and until such time as international visitors are able to return to New Zealand, to share GST to fund tourism projects. However, if the Council decides to retain the Accommodation Providers Targeted Rate, then we support Option 3 (reinstate the APTR from 1 July 2022) but we ask for increased spending on visitor attraction, major events, and destination marketing activity greater than the \$14.5 million indicated and for this greater sum to be paid for from general rates. Finally, on this topic, whilst we appreciate the value of tourism and events to the economy, we ask that Auckland Unlimited's spending be carefully scrutinised to ensure the returns justify the investment.

Watercare's Increase in Charges

To support a significant increase in capital investment over the next 10-years, Watercare's board of directors resolved to increase water and wastewater tariffs by 7 per cent on 1 July 2021 and 1 July 2022, followed by annual increases of 9.5 per cent for six years and then increases of 3.5 per cent for the last two years of this plan.²

BNH is concerned that the substantial increases in water tariffs proposed by Watercare have not been highlighted in the Recovery Budget 2021/2031. We question whether these substantial increases are reasonable and ask that they be consulted on properly. BNH has a major concern that these increases will impose a significant burden on businesses, at a time when many businesses are struggling to survive.

(4) Regional Fuel Tax Underspend

BNH would like to see introduced initiatives that both manage demand and raise funding equitably as soon as possible, balanced with investment into affordable and more frequent public transport in order to effect sustainable behavioural change. We understand, for example, that technical work on the 'Congestion Question' project that has been examining the potential to apply congestion charging in Auckland is progressing.

In the interim, whilst BNH has supported a Regional Fuel Tax of 10 cents per litre (plus GST), we ask for greater transparency regarding the spending of this tax on specific transport projects and services. We seek assurances from Council that the Regional Fuel Tax, which is the equivalent of a significant rates increase (especially for transport operators), is not being used as a 'top up' for overall transport budgets.

² Recovery Budget 2021/2031, page 40.

BNH is also concerned about the ongoing underspend of the Regional Fuel Tax.³ We are worried that businesses are being over-taxed or that infrastructure is not being built at the required pace.

(5) Climate Change

We note the Council's emphasis in the Recovery Budget 2021/2031 on climate change with actions like electrification of the vehicle fleet, moving to sustainable energy at council facilities and tree planting. However, to meet the Council's commitment to halve emissions by 2030, much more will need to be done in this Budget to achieve that goal.

BNH and other BIDs are involved with a variety of initiatives relating to climate change, such as supporting mode shift in transport, electrification of the bus fleet and sustainable waste initiatives.

As the majority of businesses in the North Harbour Business District and across the Auckland Region are small to medium sized, we require initiatives that support and incentivise business to make the necessary changes. Funding for business education is particularly important to raise awareness and drive change, to enable BIDs and business to support the successful implementation of Council's Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan.

(6) Rating of Vacant Land

BNH notes that in preparation for the Recovery Budget, Council asked for advice on the application of higher rates to vacant land to encourage development. Officers reported that the Council could consider setting a higher general rates differential on vacant land to bring the share of the costs of providing council services paid by owners of vacant land closer to the level paid by owners of developed properties. We ask that the Council give further consideration to the application of a vacant land differential.

(7) Local Board Priorities

BNH notes the Upper Harbour Local Board (UHLB) Priorities in the Recovery Budget 2021/2031.

We again acknowledge that Upper Harbour is a diverse and vibrant area, continuing to be one of the fastest growing areas in the country in both absolute and percentage population terms, a trend that is expected to continue for the foreseeable future. This brings both challenges and opportunity for BNH and as the Local Board's only formal Business Improvement District, we look forward to working collaboratively with the board in leveraging from the ongoing growth of the region.

We acknowledge the support received from UHLB over the past twelve months and look forward to working with the board in the years ahead to achieve the best outcomes for our members and the area as a whole, in line with the board's five strategic outcomes.

Maintaining the level of output which in recent years has seen the UHLB area out-performing Auckland and New Zealand across a number of key economic matrixes, will prove difficult if the infrastructure business needs is not supplied. Consequently, access to diverse employment, improved productivity and reduced environmental damage through less congestion, remain critical for the sustainable economic growth of the region.

³ <https://www.nzherald.co.nz/nz/half-of-auckland-councils-regional-fuel-tax-has-not-been-spent/XTFNMLCAPDH4HFFBQQKUSUIN4I/>

BNH members have again confirmed that access to and around the business district is critical for the 35,000 employees across the North Harbour BID. BNH request greater support for local transport infrastructure projects which support business and economic development, over and above community or politically led initiatives.

We acknowledge UHLB's alignment with Auckland Council's Vision Zero approach to safety and the rationale of developing a travel network where people can access multiple travel options more frequently. We also acknowledge the development of improved cycleways and footpaths in an attempt to make these modes of access more user friendly, hopefully encouraging some commuters out of their vehicles.

BNH supports the UHLB's focus on the infrastructure challenges for the growing population and their advocacy for improved public transport and roading networks on the proviso that, the provision for rapid transport does not remove or compromise infrastructure assets and facilities depended upon by commercial trade and employee commuters, in the absence of alternative modal options.

We rely on the UHLB's extensive local knowledge, and influence across the Auckland Council family to add value to their role of local board governance. We also collectively rely on the board's ability to influence government decision for the greater good of the region and the economic vitality of those who choose to create local employment opportunities within the North Harbour district. BNH looks forward to supporting UHLB's aspirations to offer residents the opportunity to work closer to home and their objective of showcasing the area to become a location of choice for businesses.

BNH welcomes the inclusion in the plan of initiatives to support business continuity and growth and we are confident following discussions, of the importance the board places on the enhanced economic performance of the local economy. Given that the UHLB area incorporates one of Auckland's major commercial and industrial hubs we support the local board to identify opportunities that ensure that Auckland Unlimited contribute to, support, and deliver, localised economic initiatives, as they must be held accountable for delivering economic development projects within the UHLB area that support local economic growth and development.

BNH also notes and supports the board's climate change and sustainability priorities and looks forward to collaborating with UHLB whenever possible to engage with our members and businesses to support the successful implementation of these initiatives.

Business Improvement District (BID) Targeted Rates:

The 50 Business Improvement Districts across Auckland are directly accountable and responsible to their members for their BID targeted rate level and how it is expended. The Business North Harbour BID targeted rate of \$725,152 for the 2021/2022 period has been approved by our members through the Annual General Meeting process and we fully support its approval by the UHLB.

Conclusions

Budgets don't just have to accommodate big ticket items. BNH believes that there is also an opportunity to identify small wins that could demonstrate some support to businesses when recent times have been very tough for many of them.

Examples of the types of initiatives which could be included are noted below:

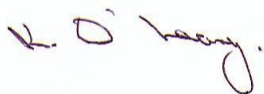
- Supporting hospitality by considering reducing outdoor licensing costs or fees for other services.
- Reducing or eliminating costs for closing roads for some community events.
- Reduced rubbish rates or additional support to help business to be more sustainable – many are unprepared for changing their behaviours and practices.
- Creating greater accessibility to businesses by bringing customers to the door (with options varying depending on specific precinct needs)
 - Wayfinding – town centres need support to identify car parking, trains, and buses in order to maximise resources.
 - Car parking – in many communities this is still the number one method of accessing retail and hospitality businesses. Certain areas could benefit from free parking at off-peak times or evenings.
 - Better cycle parking infrastructure in all town centres.
 - Free public transport, possibly on weekends or at selected times to support businesses including ferries, trains and buses, to encourage people to get out and explore our city. BNH also understands that when people are battling, they don't care about climate change. Free public transport helps immensely, particularly for families.

Finally, as we enter another very uncertain year, especially for small and medium sized businesses, we ask the Council to consider carefully their needs in its approach to the Recovery Budget 2021/2031 and provide more focus on growing the economy and supporting job creation.

BNH firmly believes that business is at the heart of the community and the Recovery Budget 2021/2031 needs to reflect that.

Should there be any questions or other matters arising from this Submission, we would be pleased to respond to those.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "K. O'Leary".

Kevin O'Leary
General Manager