



Submission: Auckland Council Annual Budget 2022 / 2023

28th March 2022

Business North Harbour Incorporated

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28th March 2022

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Submission to Auckland Council Annual Budget 2022/2023

Auckland Council is seeking feedback on the Auckland Council Annual Budget 2022/2023 and related annual budget policy documents.

Introduction

Business North Harbour (BNH) representing the North Harbour Business Improvement District welcomes the opportunity to make this Submission on the Auckland Council Annual Budget 2022/2023.

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 remains one of the fastest growing areas in the country, in both absolute and percentage population terms, 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.

Our primary interests are decisions within the Draft Auckland Council Budget 2022/2023 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 2022/2023 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) Climate Action Targeted Rate
- (3) Budget Pressures and Service Prioritisation
- (4) Waste Service Standardisation
- (5) Rating Policy Proposals
- (6) Regional Fuel Tax Underspend
- (7) Vacant Land
- (8) Upper Harbour Local Board Priorities 2022/2023

(1) Ongoing Concerns Regarding The Impact Of COVID-19:

Our local business members continue to express serious concerns to BNH that COVID-19 is having a significant ongoing impact on their businesses.

These impacts include direct financial impacts, especially hospitality businesses, supply chain and market disruption as well as effects on production and human resourcing. More particularly, 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 disruptions have been devastating. Small and medium-sized businesses have had their business models turned upside down. Businesses tied to travel, tourism and hospitality have experienced losses that will not be recoverable and we still do not know how long these challenges will continue. We have lost many businesses already, with the outlook for some businesses now looking dire the longer the current situation goes on. BNH has also noticed a decline in the security of our BIDs and town centres, likely due in part to COVID-19 measures by central government to address homelessness and reallocate police resources.

With very little direction from government, a number of landlords have decided to share in some of their tenants' financial stress with proportional rent relief throughout the duration of the pandemic, but particularly during lockdowns and the most recent Omicron outbreak. However, there has been no support from banking institutions and little from Auckland Council or Government to support these measures.

While BNH acknowledges that there have been initiatives from Auckland Council, such as the dropping of fees on outdoor dining licences and the offer of rates postponements, we ask for more focus in the Annual Budget 2022/2023 on measures Council can take to assist businesses. This might include for example, extending the rates postponement policy and extending 'no fees' on outdoor dining licences to other hospitality-related licences such as food safety licences. BNH also asks for an overall review of the 'cost recovery' model used to fund many Council services in light of the ongoing impacts from the pandemic.

(2) Climate Action Targeted Rate:

35% of our members who responded support this proposal with 54% opposed.

BNH is opposed, in principle, to the Council's proposal to introduce a substantial new targeted rate of 2.3% through an Annual Plan. This was not signalled through the Long Term Plan 2021/2031 and represents an unfair and destabilising approach to rates, especially at a time when businesses are facing tremendous uncertainty from the ongoing pandemic, world events and inflation. While we agree with the need to take climate action, in our view this must involve decisions by the Council to reduce, stop or reprioritise services, not just simply adding more targeted rates. If further funding is absolutely necessary, we ask that funding mechanisms be employed that incentivise climate action and more appropriately spread the cost, such as a UAGC.

In addition, BNH does not accept that a business differential (even at 25.8%) should be applied to the Climate Action Targeted Rate (CATR), if introduced. We accept that business should contribute its share for climate action, but not through a differentiated targeted rate.

Further, with an existing and increasing number of sustainably designed and constructed commercial buildings, we disagree there is always a relationship between high property values and higher generation of greenhouse emissions. As a consequence, and also as a means of incentivising the action in *Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan* to accelerate the uptake of sustainable design and construction of buildings, we ask that Council provide for remissions of any climate action funding requirements for these kinds of buildings.

Finally on this topic, as the majority of businesses across the Auckland Region are small to medium-sized, BNH would welcome initiatives that support business to take climate action. We believe that business education concerning sustainability and climate action is particularly important to raise awareness and drive the changes necessary to achieve Auckland's climate action targets.

(3) Budget Pressures And Service Prioritisation:

56% of our members who responded support these proposals with 25% opposed.

Our overall feedback is that, while we support the general direction taken in the Long Term Plan 2021/2031 for an investment of \$31.8 billion over the next 10 years, we ask that this investment be further prioritised and any non-priority investments or services be deferred or cancelled.

BNH is very concerned about the compounding effect on businesses of an increase of 3.5% in general rates, an increase of 7% in Watercare's tariffs and the proposed additional Climate Action Targeted Rate of 2.3%. We believe that many businesses will struggle to afford the cumulative cost of these increases, particularly after they face the additional cost of the legislated increase in the minimum wage, which comes into effect on 1st April 2022.

To reduce these impacts, we believe Council should first:

- keep rates and charges increases to a minimum (eg not introduce the CATR)
- make deeper cost savings and further prioritise services (including the services of CCOs);

and then

- prioritise capital investment and defer or cancel non-priority investments
- sell or lease more surplus property
- make additional use of borrowings (within financial prudence policy settings)

BNH agrees with the proposal for a set of criteria for supporting decisions to reduce, stop or change some services, and ask that it be applied urgently. In our view, any current services that don't align to key priorities, don't deliver value or can be provided just as well by others, should be cancelled or reduced in scope immediately.

We also suggest introducing immediately criteria which indicates whether an activity needs to be done immediately or can be deferred. If it does need to be done right now, then we would ask Council and its CCOs to adopt a 'do it once and do it right approach'. On too many occasions projects are undertaken and completed, only to be re-visited and changed a little later at significant additional cost.

(4) Waste Service Standardisation:

35% of our members who responded prefer the rates-funded system and 62% prefer the PAYT system.

BNH shares Council's concerns about the high rates of waste generated per person in Auckland and agree that the Council can play a role in influencing waste reduction. We also support the goals of the Auckland Waste Management and Minimisation Plan 2018, including to minimise kerbside household waste.

We strongly support the proposal to allow certain business properties to opt-out of Council's waste management services and charges from 1 July 2023, because the Council's kerbside service is more suitable for domestic waste than dealing with the wide range and nature of business waste. BNH agrees that charging for a service that the Council cannot deliver is inequitable and that the case for maximising Council's ability to influence waste behaviour is also irrelevant when the service required cannot be delivered by the Council, such as to certain business properties.

(5) 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, we are concerned about the unsignalled and compounding effect on businesses of increases in rates and charges.

Business Differential:

As BNH has noted in previous submissions, we appreciate that the business differential is being reduced to 25.8% by 2037/2038, but fundamentally, we do 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, which is simply

another cost burden, particularly for small businesses who make up most businesses in our BID and across Auckland.

Accommodation Provider Targeted Rate:

As the border reopens, we strongly believe it is critical that Council fund 'Brand Auckland' visitor attractions and events to support local businesses to recover from the COVID-19 crisis. BNH believes that having no funding for this in the Annual Plan 2022/2023 is very short-sighted.

Additionally, we disagree with the position that a link must be made between the funding of visitor attractions/events and a specific funding mechanism such as the Accommodation Provider Targeted Rate ('APTR'). We believe a more secure and sustainable source of funding needs to be found, though we do agree with the introduction of a levy at the border on international visitors.

Watercare's Increase In Charges:

Watercare's board of directors resolved to increase water and wastewater tariffs by 7 per cent to support an increase in capital investment, which follows an increase of 7% for the current financial year. BNH is concerned about these substantial increases in water charges from Watercare and question whether they are a priority or are indeed reasonable.

(6) Regional Fuel Tax Underspend:

BNH's preference is to introduce 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, with a phased introduction being the preferred option for Council.

In the interim, while we have previously supported a regional fuel tax, we are very concerned about the ongoing underspend of the Regional Fuel Tax and in light of recent world events, we ask that Council advocate to central government for the Regional Fuel Tax to be suspended.

(7) Vacant Land

We note that in preparation for the Recovery Budget, the Council asked for advice on the mechanisms to address vacant land to encourage development and we asked that consideration be given to mechanisms that address vacant tenancies in high street retail areas. As the border reopens, we again ask for this to be considered such as use of vacant window treatments and activations.

(8) Upper Harbour Local Board Priorities 2022/2023

45% of our members who responded supported most or all of the UHLB priorities with 23% unsure and a further 30% opposed to most or all of the UHLB priorities. Without any specific reference to economic development within the priorities for 2022/2023, the priorities stated by UHLB do not appear to significantly engage our business owners and commercial property investors.

BNH notes the absence of specific economic development and business development priorities listed in the UHLB 2022/23 priorities but remain confident, following regular discussions with UHLB, of the importance the board places on the enhanced economic performance of the local economy. This has been signalled recently by their investment into the small business mentoring programme.

BNH would like to acknowledge the support received from UHLB over the past twelve months and the Team look forward to working with the board in the coming twelve months and beyond, to achieve the best outcomes for our members and the area as a whole, in line with the board's strategic priorities and outcomes.

BNH acknowledges 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 continuing to work collaboratively with UHLB, leveraging from the ongoing growth of the region.

The latest Infometrics economic reports¹ highlight that the UHLB area is outperforming the growth in Auckland and New Zealand across a number of key matrixes including GDP, Business Units, Employment and Population. Maintaining this level of growth will prove difficult if the infrastructure business needs is not made available. The business community aspires to achieve improved productivity whilst also improving sustainability and reducing environmental damage, all of which are critical for the sustainable growth of the region.

Access to, through and around the business district remains of great importance to BNH members and is critical for the 35,000 employees across the North Harbour BID. BNH requests greater support for local transport infrastructure projects which support business and economic development, over and above community or politically led initiatives. We acknowledge and support the initiative of developing improved cycleways and footpaths making 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. We would however ask 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.

BNH continues to 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 decisions 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.

Given that the area incorporates one of Auckland's major commercial and industrial hubs we support the local board to identify opportunities that ensure that Auckland Unlimited (AU) contribute to, support, and deliver, localised economic initiatives. It is imperative that AU are held accountable for delivering economic development projects within the Upper Harbour Local Board area that support local economic growth and development.

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 \$732,403 for the 2022/2023 period has been approved by our members through the Annual General Meeting process and we fully support its approval by the UHLB.

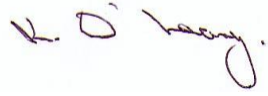
Conclusions

As we enter another very uncertain period, especially for small and medium-sized businesses, BNH asks the Council to carefully consider the needs of these businesses in its approach to the Annual Budget 2022/2023 and to provide more focus on growing the economy and supporting local businesses.

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

¹ <https://ecoprofile.infometrics.co.nz/Upper%20Harbour>

Yours sincerely,

A handwritten signature in dark ink, appearing to read "K. O'Leary". The signature is written in a cursive style with a large, looped "O" and a trailing flourish.

Kevin O'Leary
General Manager