

Speech Notes

For:	Governance for Auckland Conference Local Government Centre, Institute of Public Policy AUT University Conference Centre
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Date:	28 April 2009
Topic:	Auckland Regional Governance – A business sector perspective

Good morning - -

Introduction

It is my pleasure to be able to address you this morning on a business perspective of the proposed reforms to Auckland Regional Governance.

Already you have heard from some well known and respected speakers on this topic. Unfortunately the billed speaker – the well known and respected - the Hon Jim McLay was at late notice forced to withdraw from this session and asked me to step in on his behalf. I was happy to do so and Jim has kindly shared his thoughts and information gathered which I draw on in the remarks that follow.

By way of qualifying myself to make these remarks some background on me. I am a lawyer by professional background – formerly a partner of Bell Gully. My area of practice was principally around construction and infrastructure and during the course of my practising career saw local government (particularly Auckland City and Auckland Regional Council) in action and up close. This included acting for private participants in what I refer to as Britomart I (or the Les Mills scheme) and later on Britomart II for what was then the Bluewater consortium.

Earlier in this decade I was closely involved for some years with the Auckland Regional Council in the transactions which ultimately culminated in the Crown acquiring the lines and infrastructure currently held by On Track and the establishment of the burgeoning commuter rail services the fruit of which I see pouring out of the Britomart Transport Centre on a daily basis.

While at Bell Gully I was closely involved in the establishment of the New Zealand Council for Infrastructure Development and as the chair of that organisation until the end of last year played a part in the development and presentation of the organisations submissions to the Royal Commission.

In my “day job” as CEO of Cooper and Company there is not a day that goes by without some interaction with Auckland City Council for some reason or another – the most significant of which being the oversight of the Britomart above ground development by the Britomart Advisory Board.

Indeed I would like to cite – perhaps contrary to what might be expected of business perspective – that by and large we as a business enjoy a strong and valuable relationship with Auckland City Council. Our dealings at political and officer level are professional and focussed on achievement of a shared vision for the area. In many ways I think the Britomart situation is a poster child for effective public and private sector collaboration.

Having said that, we keenly believe that we must be able to do better, as a region, consistent with many of the submissions to the Commission and the proposals which have followed from it.

This morning I would like to frame my remarks around five key points which I think help give a perspective on a business sector response to developments. This is not an exhaustive analysis or commentary as that would be impossible to achieve – and is merely as the title for this session connotes – “a perspective”.

The points I would like to address are:

1. Business attitude to Local Government in general
2. Role of Local Government in the New Zealand context
3. Needs applied to Auckland
4. The Auckland proposals themselves – a reaction
5. The proposed Waterfront Development Agency

First. Business attitude to Local Government in general

I am approaching the Auckland question in this way because I think the general state of mind of business people about Local Government is quite informative. I would say that business is wary and weary of Local Government – that is way in both spellings and meaning.

Business is wary (in the apprehensive and suspicious sense) because of negative perceptions of:

- Over regulation
- So called political correctness
- Consultation over action

- The precise role and function of Local Government – is it not about roads, rubbish and water?
- And – following from that a nervousness about an ever enlarging or the potential for an ever enlarging brief and responsibility from a very constrained income base – to which through rates business is a significant contributor.

There needs to be an established and clearly understood principle that Local Government will provide the essential services, certainty and consistency of regulation to allow business to operate and prosper – and that these essential things (which are also needs of individuals) are not overlooked or neglected due to well intentioned endeavours in social or other areas where individuals and central government have a responsibility.

Business largely would also ascribe, I think, to the notion that where a good or service is not a public service or good and can be adequately met by the market (housing and property development in general would be an example), then Local Government should not be involved. This issue and the appropriate role for Local Government will be a debate that will not go away but is not something to discuss today in the Auckland context as it is general to all of Local Government.

I want to just note the Resource Management Act and Local Government's widespread responsibilities for administration of it as yet another source of wariness and weariness. The Act is difficult and has morphed over time in to a beast through the way it has been interpreted (or, I should say misinterpreted) and used. My personal view is that the problems with the Act are almost a proxy or microcosm of things we as a nation are trying to come to grips with. For example, the heavy requirements for consultation at the expense of action when action is required is not dissimilar to what we have seen in recent years with our heavily consultative democracy at local and national levels.

This is a difficult challenge and well beyond legislation to solve on its own. However for now some reforms affecting its more tedious application are in train and a wider review underway.

Finally on this subject as a general point I think, that central government has some responsibility for the wariness and weariness business (and many individuals) feel about local government due to the large number of social, cultural and compliance responsibilities imposed on them – be it anything from swimming pool fencing to resource consents for chopping down trees through to dog control. These responsibilities do very little to raise the standing of Local Government in the community's eyes.

Secondly. Role of Local Government in the New Zealand context

I was fortunate a few weeks ago to be able to attend a lecture by Stephen Jennings, of Renaissance Capital. Stephen is an ex patriate New Zealand who with colleagues established Renaissance in Russia in the early '90's to seek opportunities as that economy re joined the world. Through that he is now active in a number of emerging economies around the world most particularly in Africa.

Stephen's thesis was based around global economic convergence. Convergence in my words is where the so called undeveloped economies will catch up with the developed economies. Not only will they

catch up they are catching up at a far faster rate than the developed economies developed themselves in the first instance.

Relevant to the New Zealand economic situation is that we are in a highly competitive and increasingly competitive world. Without change to our country's settings our relative standard of living will decline. Most poignantly this will affect our ability to attract and retain the best and the brightest.

While expressed in the context of MMP, Stephen observed that "incremental decisions favouring special interest have tended to take precedence over bold decisions favouring the majority." He also says that "this style of leadership would be fine if the world were stagnant; however in a period of extraordinary change the costs over time of this leadership style become very large indeed".

He could have been and possibly was also referring to Local Government. The principal role for Local Government to play in the economic welfare of the nation is through the efficient and cost effective provision of the goods, services and regulatory oversight, i.e. the core function of Local Government. I would also venture to say that this can be balanced with the 'softer' less tangible objectives and roles of Local Government as prescribed for it in the 2002 Act but the basis must be right first and I for one would like to see that made explicit. For business we just want these core functions performed well, consistently and cost effectively.

Thirdly. Needs Applied to Auckland

It is because of things like those I mention that business and business groups were active proponents of reform to Auckland governance. Within NZCID, for instance, we were concerned that there was an incomplete grasp of the country's, let alone the region's, infrastructure needs and requirements. We saw roads and public transport as examples of mixed accountabilities and inadequate traction.

The Committee for Auckland took a similar but more holistic view in the context of wanting to see Auckland as a world class city and how it needed institutions and structure to best achieve that goal.

The Royal Commission for Auckland and business firmly grasped the case and described – if you like – the "burning platform" for why reform was necessary.

The Royal Commission report and recommendations and the Government's subsequent decisions which are to be carried forward as the framework for reform represent very good work and a case that is thoroughly and well made.

As a result the mood of business I think is one of enthusiasm and excitement. The challenge for all is that the various perspectives of business and other parts of the community are melded in to a coherent and workable package.

Fourthly. Response to the Proposals

For these purposes I will take the proposals as broadly being the recommendations of the Royal Commission as modified by the Government's subsequently announced decisions. These are

reasonably well understood particularly by a group such as this so I will not repeat them or even try and summarise them here.

Clearly there are some outstanding issues – such as representation at the local level by Community Boards and the debate between Councillors of the Auckland Council being elected at large or by ward (or more likely the balance of the two). These need to be worked through but the final resolution of them is unlikely to detract from the significant advances that have been made.

Because what is clear is that the broad themes and thrust of the reforms are welcome. Devil will be in the detail and for now what we must focus on is that the structure has integrity and direction – for having confronted and made the case for reform we have the opportunity to make meaningful change. Frankly even with resolution of the detail the final responsibility will rest with the community to elect people with leadership qualities, skills and vision.

As Fran O’Sullivan said in the NZ Herald on Saturday last

“What is desperately needed is not more of the same but people with vision and courage who can lead Auckland.”

The really good things are: executive mayor; single unitary Council and vesting of water and transport to dedicated agencies (although ideally roads would have involved more alignment with Land Transport at a national level but this with good will can be achieved without legislation).

Perversely, I think, business is held out by some parts of the media as some sort of pariah. Business is criticised in terms of the interests of “Big Business” as if those interests are opposed to the community. I do not think anything could be further from the truth. Business wants to and needs to see a vibrant growing economy. This is enhanced and supported by efficient and cost effective provision by Local Government of its core services. There is room for other things only when those principal objectives are attended to.

I believe business will be a useful and serious contributor to effecting the change the proposed reforms promise. It should also be remembered that business and economic systems fall down where there is not good will and good faith in dealings. Sure there are occasional aberrations but they are the exception – AND it is good will and good faith that will be required to transition those proposals to legislation – then structure and organisations and then to operation.

Fifthly. Waterfront Development Agency

This is a topic close to my heart but is a good case study of the issues that the Establishment Board and Local Government Commission will need to work through as the reforms are put in to effect.

The nature of this particular agency is not at this stage clear due to the Government’s decisions taking a different path from the detailed prescription laid down in the report of the Royal Commission.

However, I am assuming the delegations contemplated by the Royal Commission and general purpose for the Waterfront Development Agency will inform the final structure.

I know some members of the business community, notably the Committee for Auckland, were active promoters of this agency. They say it akin to the agency that has been responsible for facilitating and enabling much of the development of the Wellington waterfront. There are examples of these types of organisations in other parts of the world – the Dockland area in Melbourne comes to mind.

For my part – and this is the devil in the detail part, so this is good for illustrating the complexity of the issues the Establishment Board and others will have to work through – I have some concerns about the proposal. These include:

- Why do we need this now as with the Auckland Council ownership of the seabed and through ownership of Ports of Auckland all of the waterspace, wharves and adjacent land held by the myriad of local authorities will be in one control and ownership?
- Is the Agency to have a regulatory or planning role – and if so is this in effect a “double jeopardy” as those of us with waterfront property will need to run the gauntlet of both Auckland Council and Agency planning controls?
- What are the delegations to the Agency – is it a commercial entity – will it be in active competition with the private sector – will it be carrying out commercial development and taking commercial risks underwritten by the rate payer?
- And – if the Agency is a commercial entity – will it be subject to political influence?

I probably sound self interested and pious to be raising these concerns. But frankly I think that this is a classic case of where local government has the potential to be operating outside of what should be its sphere of responsibility. On planning matters as regulator and owner there is a conflict. I think there is a danger of well meaning people attempting to predict and promote outcomes which are prescriptive and non reactive to the market and changing times and tastes.

What I would like to see is that the Agency in quick order undertakes an inventory of what it has in its control as an owner, establish a broad master plan with the Auckland Council fixing the key public assets such as a convention centre, art gallery, cruise terminal or whatever and progressively release that and the balance land to the private sector on commercial terms to develop. This needs to be done in an orderly way to meet the market and not at the expense of cannibalising other areas that are yet to establish themselves. For the public sector omitting to do something is always an option and there is nothing wrong with sitting on land provided it is kept attractive and to a reasonable condition pending market demand.

I would also like to see that the Agency is compulsorily disestablished after a period of time. If one is still needed it can be put together then – but too often agencies of this type are created and they become multi headed monsters that are impossible to put down.

Conclusions

To wind up and draw these strands together. Business is somewhat exhausted by the roles and functions that Local Government plays – to some it is bewildering that the range of activities have departed so far from what are considered to be key functions. Certainly to have key functions inadequately performed or delivered while non core activities dominate the agenda is unforgiveable.

The Auckland reforms propose the appropriate prioritisation of key functions with clear accountabilities and responsibilities. There is a balancing of the wider roles that Local Government performs that must be achieved but this should not be at the expense of core roles and should only be where Local Government is best able to deliver those roles ie. roles where the private sector, central Government or other institutions are best placed to effectively and efficiently perform them.

The proposals are good – change is necessary and there is understandable nervousness and apprehensive about that and what it will mean. However what we do know is we cannot go on the way we were – let's make the most of this once in a generation opportunity.