
BOUNDARIES, GROWTH, AND CERTAINTY

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Dr Philip McDermott, Principal CityScope Consultants, Adjunct Professor, IPP

INTRODUCTION

This conference is about how the Auckland Council might operate and its consequences locally and regionally. This paper addresses three challenges which the new council will need to deal with: what boundaries it will operate within, what future it should be preparing for, and how certain it can be about the outcomes.

These may appear to be abstract issues compared with, say, how the reforms will result in better roads or lower rates (or whether they will result in better roads or lower rates!). However, they have a lot to do with the “shape” of the new council. How they are addressed individually and jointly will impact on how effective it will be. I consider each in turn, below.

BOUNDARIES

The Royal Commission provided a near-definitive set of boundaries (except for ward elections). The Government’s plans by contrast leave the matter largely to the Local Government Commission. Its deliberations will be highly influential in terms of the scope, form and outcomes of the renewed governance that the Government is seeking.

One of the difficulties facing local government is that it has multiple responsibilities, for integrated infrastructure and services, for community development, for land use and economic development, and for environmental management. Each of these domains may best be managed with reference to its own set of distinctive boundaries. Determining a single administrative boundary that brings a degree of coherence of each is a significant challenge.

It is inevitable that in any restructuring of local government boundaries come into play. They have at least three roles that will influence the long-term operations of the council.

(1) Boundaries Defining Communities of Interest

Ideally boundaries established within the city for political or representational purpose will separate areas in which external or cross-boundary differences in, say, demography or social character, are greater than internal differences. This is where local board boundaries come into play.

The logic of promoting homogeneity or similarity as a basis for board (and ward) boundaries is to increase the prospect that local people will speak with a reasonably consistent voice on shared concerns. Compromise and consensus are more likely among people of similar circumstance focused on common problems or needs, even where they may debate their resolution. Local leadership will speak with greater authority for a community distinguished by commonality of interests. One outcome of this approach will be to ensure a focus on significant local issues.

The alternative, of seeking some sort of balance within local board boundaries (diversity or heterogeneity) is likely to lead to more competing claims for public amenities or urban development initiatives as the different capacities and expectations of contrasting groups come

into conflict. Resolving such differences will be the role of the wider Auckland Council, a role made easier if the boards can give unequivocal expression to local needs and aspirations.

In short, getting the internal boundaries right should clarify local priorities, highlight local leadership, and enhance city-wide decision-making. In this respect, the move to 20 or 30 local boards is an appropriate one. If the boundaries are carefully and appropriately defined, the community will have a significantly enhanced capacity to engage with the council and council decision-making will be enhanced by their activities.

It can be acknowledged that existing political or administrative boundaries will themselves shape communities of interest as elected representatives work within them to garner support and service constituents. However, it seems timely to throw off legacy arrangements if we are to move forward in what is likely to be a challenging time of globalisation, uncertainty, and diversity.

Boundaries Defining our Metropolitan Limits

The local government reforms of the late 1980s sought to align territorial boundaries with the natural catchment boundaries associated with resource management. While river catchments are a convenient physical unit, they do not always coincide with communities of interest or even, for that matter, other physical features. Again, the reform of Auckland governance provides an opportunity to throw off a legacy that no longer fits.

By creating a unitary council with activities dominated by urban demands and activities, we could usefully focus on boundaries that make sense in terms of urban needs and impacts. Otherwise, we run the risk of confusing the physical and developmental mandate that tripped up the Auckland Regional Authority in the 1980s when it was both game keeper and poacher in terms of water quality standards and discharges from its own wastewater operations.

The separation of service operations and environmental management roles sought through the local government reforms of 1989 and in the new planning regime introduced in the Resource Management Act had been reduced as the ARC, in particular, has moved more into the land use planning and economic roles. However, this could be reestablished in response to the current reform by affording the embryonic Environmental Protection Authority the requisite powers for setting and enforcing environmental. If this happens, of course, it has far-reaching implications for regions other than just Auckland.

The question, then, is how the edge of Auckland should be defined. Labour market catchments are commonly used, drawn more or less around the limits of commuting. These limits fluctuate, of course, with transit improvements and changes in mobility. If adhered to this approach should see a contraction of Auckland's boundaries. This could be advantageous if it encourages a move from planning for extensive rural areas currently within Auckland from relying on planning rules, values and methods shaped by the needs of the urban area.

Indeed, a land use-based approach to external boundaries, that differentiated between current and future urban areas, peri-urban and largely rural zones might draw boundaries even more tightly, encompassing the urban-rural fringe but excluding large tracts of predominantly rural areas and their distinctive small settlements.

Boundaries defining Auckland's Economic Sphere of Influence

Because a key driver of reform has been Auckland's economic performance, it might be expected that the region could be defined in terms of economic logic. This would reflect not simply a market and supply hinterland, but also the centres which are affected by or affect economic decisions and events in Auckland.

Such an approach would be difficult to implement. It would encompass Tauranga, Hamilton, and Whangarei, at least, and much of their surrounding regions. As manufacturing has declined in Auckland, for example, it has grown in this wider hinterland. As the growth of consumer and industrial imports has slowed down in Auckland, so it has taken off in Tauranga. And the surrounding regions have been the beneficiaries of outward migration by Auckland residents over the past ten years. A concern for efficient resource allocation and the productivity of infrastructure investment, it may also make sense for the performance and planning of significant transport and energy assets to take place on a northern North Island basis, rather than being appraise subject to a particular set of administrative boundaries.

In reality, communities of interest, principles of good local government, and geography rule a northern North Island region out as a governance entity. However, it is raised to illustrate that lines on the map will ultimately be arbitrary in determining how Auckland functions.

In economic terms, the region cannot be isolated from the rest of the northern North Island. Governance reform and especially the drawing of regional boundaries will hopefully highlight and reinforce Auckland's role as an economic hub in a much wider hinterland. Under these circumstances, it will be important for the Auckland Council to maintain an open and outward looking stance in dealing with economic development matters.

However they are defined ultimately, the fact remains that boundaries are constructions used to enhance our capacity to understand and manage what are often complex and interconnected systems. They are rarely precise and usually subjective, especially when dealing with human rather than natural systems. They are permeable, fuzzy, and flexible, potentially shifting as circumstances change or as information and understanding change.

Ultimately, however, administrative reality needs to over-ride such imprecision and establish and maintain fixed boundaries as far as possible. On these grounds, the Local Government Commission will need to draw up its boundaries by combining principles, measurement, perception and pragmatism. For example, the edge of the city might simply have to be defined by the point at which the marginal costs of local government become excessive relative to the alternative of administration from a rural centre to the north or south of the urban area.

GROWTH

Underlying the Terms of Reference of the Royal Commission were two long-standing concerns about growth:

- (1) How to manage a potential doubling of the population between 1999, the date the Regional Growth Strategy was issued, and 2050, and the prospect of 2 million people in the region by 2041?
- (2) How to sustain economic growth in a globalising world?

To these was added an overlay, that Auckland is the growth engine of the economy, the front row, perhaps, and as such is letting the New Zealand team down.

On the face of it, the two main concerns pose a conundrum. If Auckland fails to compete in the global economy, presumably we will not have to worry too much about managing growth. New Zealand will continue to rely on its non-urban primary sector and tourism to sustain the bulk of its international income, as the metropolitan areas, our centres of consumption, continue to languish.

This is not an improbable future; indeed, it seems to characterise the present.

The Royal Commission, however, was asked to lift its sights, and to cast collective eye into the future:

WHEREAS, over the next 100 years, the Auckland region will face enormous change brought about by global economic, environmental, and political forces. Local trends, including high population growth, add to the challenges and opportunities for the region. Auckland has to compete in a global market place to sell its goods and services and to attract the talented people it requires to secure a sustainable and prosperous future:

And whereas, to face these challenges Auckland requires local and regional governance equal to the best in the world and capable of working effectively with central government to ensure Auckland is a successful, sustainable city in the Asia Pacific region and is recognised as such: (Recitals, Terms of Reference, Royal Commission on Auckland Governance)

GROWTH MANAGEMENT

One of the underlying causes of the disagreements that undermined Auckland's presence and contributed to the pressure for a Royal Commission, apart from good, healthy rivalry, was how growth should be accommodated. This might be seen as a squabble over which municipality should have what, and how it might be paid for. More fundamentally, it has been a matter of local councils, often on behalf of residential and business constituencies and in the interests of sustaining local growth, disagreeing with the regional council about growth management.

The ARC's Regional Growth Strategy, with its emphasis on consolidating residential development in medium density enclaves around transport nodes and restraining new settlement at or beyond the urban edge, set its face against the pressure for suburban and new development in and beyond the existing cities. In addition, adherence to strict urban boundaries has deprived business of affordable land, largely to the advantage of communities outside the Auckland Isthmus.

The issue of accommodating growth remains contentious and is one that a new council will need to tackle early in its life, hopefully with a clarity unimpeded by parochial assumptions and with a capacity to balance residential and population growth imperatives.

In addition, the new council will have to consider how to deal with the unexpected. For example, a decade of strong international migration effectively blew out Auckland's population projections. In 1999 the Regional Growth Strategy suggested a regional population around 2 million by 2050. The Statistics New Zealand projections in 2007 suggested that this figure could be reached in 2031, some 20 years earlier.

However, migration is by its nature volatile. It is interesting that 69% of annual net arrivals from 1987 to 2007 comprised Asian nationals (peaking at 76% in 2003). This share is dropping (61% in 2007, with absolute numbers down by 44%). It is unlikely to pick up in the near future as recession bites harder in New Zealand than it does in Asia.

The point is simply that current presumptions need to be carefully examined, unimpeded by historical boundary issues or preconceptions based on past divisions of responsibility for growth management, or outmoded models of urban growth.

PROMOTING DEVELOPMENT

In economic terms, Auckland's recent record of rapid growth is heavily based on consumption. This is clearly a cause for concern. It means that we cannot continue to project forward our past experience.

Growth in consumption-based activities (retailing, accommodation, health, education, personal and household services) is a function of population gains (in turn dependent on international migration), and increasing rates of household consumption. The latter as we now appreciate, has been underwritten by debt and today appears unsustainable. The secondary driver of the Auckland economy has been business services, a sector which mixes up employment placement (a strong performer over the past decade), finance and insurance services, and professional, scientific and technical sector. Again, we cannot be assured of historical growth being sustained in these sectors.

Consequently, in its report to the Royal Commission on Auckland's economy, consultants Covec concluded that "while Auckland does not currently seem to be driving the national economy, there is considerable potential for it to play a more significant role in the future.¹ There is consequently a view that "a step change is needed to get Auckland onto a new growth path". (p106).

This reflects the findings of a review of Manukau City Council.² The evidence presented there demonstrated that Auckland has underperformed the rest of New Zealand in the current decade. Relative to the rest of the country the region's growth rates lagged in manufacturing (in which regional employment contracted), construction, primary activity, and government services. The analysis indicated that Auckland's export oriented or "tradeable" sectors have not performed especially well, either. Contrary to expectations of proponents of agglomeration as a driver of growth sectors concentrated in Auckland tended to grow more slowly than those less concentrated, and they grew more slowly within Auckland than the same sectors elsewhere in the country.

There may be several explanations for the weakness of a hoped-for agglomeration effect on Auckland's growth.³ Structural changes within sectors may overwhelm potential advantages from agglomeration. The diseconomies of urbanisation (e.g., congestion, land prices, and infrastructure costs) may offset the advantages. In any case, in an international context, Auckland is a relatively small economy, so that agglomeration benefits may attract investment to larger centres in Australia than favouring Auckland as an international setting.

The challenge for Auckland is to reduce dependence on local demand by lifting international engagement and trade. Agglomeration by itself does not appear to offer the productivity gains needed to do this. It may be more important to address the basics: the size and quality of the labour force and the availability of skills, the availability and price of capital, especially venture capital; the environment for innovation and risk taking, the cost and capacity of land and associated infrastructure; and the quality of connectivity within and beyond the region.

A clear prescription arises from the many analyses of the Auckland condition that have been undertaken over the past 15 years. Lifting the productivity of both business and government in the regional economy has to be close to top of the list. This means streamlining local government and local government processes, something that appears to be well underway with the Government's

¹ Covec (2008) Drivers of Economic Growth in Auckland, Report to the Royal Commission on Auckland Governance

² McDermott Consultants (2008) *Manukau Business Futures Background Report*, City Growth and Planning, Manukau City Council

³ Higher wages or income per head has been interpreted by Covec as a sign of productivity advantages, although this may simply reflect the orientation of Auckland to higher income sectors and occupations as a white collar, head office economy with a significant share of tertiary employment. This is a structural (between-sector) rather than functional (within-sector) effect. It is particularly vulnerable to a downturn that undermines the financial sector among others.

plans. It also means improving resource allocation, ensuring that the investment we make in infrastructure at all levels lifts rather than diminishes productivity, and increases rather than destroys wealth. New Zealand, let alone Auckland, can ill afford another Think Big debacle. New Zealand cannot risk seeing Auckland marginalised in the regional and global economies as a result of ill-advised public investment.

When we do get our public investment right, attract and retain international capital, and sustain an environment that encourages innovation and entrepreneurialism, attracts talent, and elevates education and creativity, our capacity to participate in the international economy should be assured.

Clearly, the new Auckland Council has an important role to play in “getting it right” for the economy, as well as in any leadership it offers with respect to the shape of urban development.

CERTAINTY

Certainty in the current context refers to how well we might know or shape our future. To suggest that we can be certain over our future, however, implies an instrumentality in our institutions, a capacity to control events through processes, structures, and policies, which events demonstrate rarely exists.

It also implies a deterministic view of the future: if we adopt this policy, that outcome will follow. Again, our experience suggests that the notion that we can shape society, resource consumption, private investment, and individual behaviours with our policies and attendant regulations is a deceit that is demonstrated time and again. We defer often to the law of unintended consequences when discussing policy outcomes. We would be better signaling our ignorance at the outset and treat policy development and implementation accordingly: with great care and circumspection.

The sense that we can know or even dictate our future is reflected in the recommendations of the Royal Commission report to the extent that it reaches judgements on a range of substantive issues about the future based on what is known, in academic terms, as the new economic geography. Hence, it advances a vision of the future that holds that:

- (1) The long-term well-being of the region depends on the city-region competing internationally in trade and as a place to live and, particularly, invest;
- (2) The capacity to compete depends on the quality of infrastructure;
- (3) The CBD and the harbourside play a central role in defining Auckland’s quality of life and consequently its competitive capacity, as defined;
- (4) The externalities associated with a large metropolitan area are associated with oil dependence and can best be addressed by increasing land use densities and investing in public transport;
- (5) Businesses located in the region will reap productivity advantages (agglomeration economies) sufficient to offset the diseconomies associated with large cities, and that productivity gains will result from increasing the density of employment.

There is an assumption here that we can fix our economy and our communities by fixing our geography. This smacks of environmental determinism – the sense that outcomes are primarily a function of environment – although this paradigm has been influential since the 1990s. It is under challenge, however. It reflects, for example, an era of footloose investment and heavy consumption underpinned by the globalisation of capital. It downplays the role of the firm and the role of innovation and productivity in growth.

Without passing judgment on the effectiveness of the policy package commended by the Commission's work, my concern is that defining structures on the basis of a particular set of problems and then defining structures and processes as the means of solving them – form to enforce function – risks locking up our government and governance into a particular way of thinking that can be quickly outmoded. Such an approach reduces flexibility, and risks undermining the capacity to respond with speed to changes in economy and society.

Today more than ever, demographic and economic circumstances call for organisations that can deal with uncertainty and not seek to simply create and act on their own realities.

FROM CERTAINTY TO UNCERTAINTY

I prefer to talk about uncertainty. In the current context, this refers to how well we believe our local government structures might be equipped to deal with a largely unpredictable future.

If I was to pick a fundamental difference between the recommendations of the Royal Commission and the government's plan for Auckland, it is in the way in which they deal with uncertainty. As a result of consultation on the shortcomings of *existing structures* and its research into *currently favoured* models of governance, the Commission put forward a comprehensive, detailed proposal based on 180 recommendations.

In contrast, the government plan contains just 15 decisions, yet it is potentially more far-reaching. It has adopted the Commission's recommendation for a unitary council but has opted for a simpler structure and less prescription, leaving the detail to be determined by the establishment board and the council itself. It does not promote a particular model of Auckland's economic future. Rather, it has defined a model of local government that is slimmer, potentially more focused, and flexible. It does not seek to institutionalise a particular set of economic or social beliefs or policies. It is radical and no doubt has shortcomings. Whether or not it is "more democratic" is a debate I leave for others.

I suggest, though, that it is a model for uncertain times. As such, it may well provide a platform for further change, rather than cement in a particular position.

The Government's plan can be interpreted as part of a much wider realignment of the relationship between governments, capital and communities precipitated by the current economic crisis, and so cannot be treated in isolation from other radical changes occurring at the moment.

It is difficult to see what the resolution of the current crisis will be as contradictory signals emerge globally between neo-Keynesian, deficit-funded stimulus writ large, and the collapse of private credit. Either way, it seems that governments and communities at all levels will be facing a resource constrained future for which past practices and institutions may leave us poorly prepared. A smaller government sector might eventually be one outcome. An increase in the reach of central government might be another. Both are consistent with the reality of the Auckland reform we are faced with today.

We may well be moving towards a structure that potentially has the capacity to deal in a fresh manner with a whole new set of circumstances, and to operate under a degree of uncertainty which we have not had to deal with since the 1940s. It may be fortuitous that the proposed reform jettisons many of the legacies of our existing local government.

It remains to be seen whether the structures put in place do have the flexibility and capacity to meet the new challenges. Almost inevitably, though, local government in Auckland will be "slimmed down" sooner or later. This will add new uncertainties to the mix. I am not sure that the consequences of this have yet been addressed.

Hopefully in the pending changes, local government will not lose the skills, capacity and leadership that will be needed to “make Auckland work”. The reforms are the beginning, not the end of our local and national response to a whole set of often-conflicting new circumstances and expectations. The Local Government Commission and the Establishment Board have the capacity to set the direction, but, as flagged in the Government’s response to the Royal Commission, real democracy means that the new council will need to choose the path for Auckland.

Dr Philip McDermott
Adjunct Professor, Regional and Urban Development
Institute of Public Policy., AUT University

Principal, CityScope Consultants
0274 435514
Philip@cityscopeconsultants.com