

New Zealand Business Roundtable

SUBMISSION

*on*

The Draft Auckland Plan

October 2011

## 1. Overview

1.1 This submission on the Auckland Council's Draft Plan (the Plan) is made on behalf of the New Zealand Business Roundtable, an organisation comprising primarily chief executives of major New Zealand firms. Our interest is in sound public policies reflecting overall national interests, not simply the interests of the business sector.

1.2 The Plan, when finalised, will become the Auckland Council's first spatial plan. The Auckland Council (the Council) is the only council currently required to prepare a spatial plan. In addition to the Plan, the Council has released the following related documents for consultation:

- The Draft Economic Development Strategy;
- The Draft Auckland City Centre Masterplan; and
- The Draft Waterfront Plan.

1.3 The Business Roundtable's submission focuses on high level issues arising from the Plan.

1.4 New Zealand faces greater economic risks than at any time since 1984 as a consequence of the global financial crisis and the decline in the quality of government policies. A renewed focus on proven policies to foster economic growth by central and local government is required.

1.5 The Business Roundtable welcomes the Plan's proposal to make it easier to do business in Auckland a priority of the Council (economy, priority 1). However, the thrust of the Plan appears to be inconsistent with this priority.

1.6 There are major problems with the Plan. They include the following:

- The scope of the Plan extends well beyond that envisaged by the Royal Commission on Auckland Governance (the Royal Commission) and exceeds the mandate conferred by Part 6 of the Local Government (Auckland Council) Act 2009.<sup>1</sup>
- The Plan implicitly assumes an extensive role for the Council that would impinge too much on the autonomy of individuals and the freedom of entrepreneurs to create wealth.
- The breadth of the Plan and its distorted priorities diverts attention from those activities that are within the Council's core responsibilities and are critical for the overall welfare of citizens, and wastes ratepayers' money and effort.

---

<sup>1</sup> Part 6 was inserted into the Local Government (Auckland Council) Act 2009 by section 31 of the Local Government (Auckland Council) Amendment Act 2010.

- The Plan envisages a greatly expanded role for the Council especially in social areas such as education, employment, housing, support for Maori, and income and wealth distribution (reduced inequality). The overall cost of the initiatives is unknown.
- The Plan contains many conflicting objectives and often appears to be unaware of such conflicts. If trade-offs are arbitrary through time, coherent, purposeful management is impossible.
- The Plan is bound to fail given problems of poor incentives and inadequate information. It is overwhelmingly collectivist in its orientation. Such plans attempt to impose one view of the future on all, rather than accommodating diversity and allowing Auckland to evolve spontaneously, given sound local government infrastructure.
- As such the Plan reflects a seemingly unlimited faith in the efficacy of central planning by councillors and their officers. They cannot force, for example, a 'green' future on those who like their cars and other conveniences.
- Nor can councils plan for unanticipated events. When they occur, the critical need is for adaptation. Decentralised decision-making within a framework of established rules facilitates adaptation whereas centralised decision-making impedes it.

1.7 The Plan would add to the plethora of planning documents and to their size and complexity. Such documents impose large costs on those who have to find their way through and around them.

1.8 The Council has produced an unwieldy set of documents rather than providing a succinct high-level document that outlines the major strategic issues that the Council faces in a transparent and accessible manner. It is impossible for the Council to genuinely consult on the Plan and related documents. Little time has been provided for submissions and few interested parties and residents would have the capacity to examine the documents in the depth warranted by the importance of the issues addressed.

1.9 The balance of this submission is presented in 7 sections. The next section (section 2) outlines the statutory framework for the Plan. The main features of the Plan are summarised in section 3. Our broad comments are presented in section 4. The development and economic strategies are discussed in sections 5 and 6 respectively. We comment on some other issues in section 7. Our conclusions are contained in section 8.

## 2. Statutory framework

2.1 The Plan's genesis can be traced to the Royal Commission. It recommended the adoption of a hierarchy of inter-related plans. The Long-term Council Community Plan (LTCCP), which has been renamed the Long-term Plan (LTP), was at the top level. The spatial plan (and a related infrastructure investment plan) was on the next tier. Transport, service delivery and economic development plans, the district plan and regional policy statements, and a social strategy were on the third level. Unlike the LTCCP, two way inter-reaction was envisaged between the spatial plan and the third level plans, and between the spatial and infrastructure plans.

2.2 According to the Royal Commission, the spatial and infrastructure investment plans should "provide a vision for the Auckland region and guide growth management, regional and district planning, and public works investment in the region" (recommendation 24A). Similarly, the development of an agreed vision for Auckland was intended to direct development and infrastructure investment, and bring into alignment the plans and spending programmes of key decision makers, apparently including those in the private sector.

2.3 The government largely adopted the Royal Commission's recommendation on the spatial plan. The Council is required to prepare the Plan by Part 6 of the Local Government (Auckland Council) Act 2009, which contains two sections. Section 79 states:

- (1) The Auckland Council must prepare and adopt a spatial plan for Auckland.
- (2) The purpose of the spatial plan is to contribute to Auckland's social, economic, environmental, and cultural well-being through a comprehensive and effective long-term (20- to 30-year) strategy for Auckland's growth and development.
- (3) For the purposes of subsection (2), the spatial plan will —
  - (a) set a strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives; and
  - (b) outline a high-level development strategy that will achieve that direction and those objectives; and
  - (c) enable coherent and co-ordinated decision making by the Auckland Council (as the spatial planning agency) and other parties to determine the future location and timing of critical infrastructure, services, and investment within Auckland in accordance with the strategy; and
  - (d) provide a basis for aligning the implementation plans, regulatory plans, and funding programmes of the Auckland Council.
- (4) The spatial plan must —
  - (a) recognise and describe Auckland's role in New Zealand; and
  - (b) visually illustrate how Auckland may develop in the future, including how growth may be sequenced and how infrastructure may be provided; and
  - (c) provide an evidential base to support decision making for Auckland, including evidence of trends, opportunities, and constraints within Auckland; and
  - (d) identify the existing and future location and mix of —
    - (i) residential, business, rural production, and industrial activities within specific geographic areas within Auckland; and
    - (ii) critical infrastructure, services, and investment within Auckland (including, for example, services relating to cultural and social infrastructure, transport, open space, water supply, wastewater, and stormwater, and services managed by network utility operators); and
  - (e) identify nationally and regionally significant —
    - (i) recreational areas and open-space areas within Auckland; and
    - (ii) ecological areas within Auckland that should be protected from development; and

- (iii) environmental constraints on development within Auckland (for example, flood-prone or unstable land); and
- (iv) landscapes, areas of historic heritage value, and natural features within Auckland; and
- (f) identify policies, priorities, land allocations, and programmes and investments to implement the strategic direction and specify how resources will be provided to implement the strategic direction.

2.4 The second section (section 80) requires the Council to involve central government, infrastructure providers, the communities of Auckland, the private sector, the rural sector and other parties (as appropriate) in the preparation of the Plan. It must also endeavour to secure and maintain the support of those parties in the implementation of the Plan. The Council must adopt the Plan in accordance with the special consultative procedure and it may amend the Plan at any time through the same process.

2.5 While the Plan (when finalised) is expected to have a pervasive influence on the Council's policies, it would be implemented via processes that are contained in separate legislation that applies to all councils such as the Resource Management Act 1991 (RMA) and the Local Government Act 2002 (LGA 2002). Any proposed changes to the district plan, for example, would be processed in the normal manner under the RMA. Spending initiatives would need to be included in the Council's LTP under the LGA 2002.

### **3. Main features of the Plan**

3.1 The Plan comprises a vision for 2040, outcomes (what the vision will mean in 2040), principles that the Council will adopt to achieve the outcomes, transformational shifts to achieve the vision, and strategic directions. In addition, targets, priorities, and directives are specified in relation to each strategic direction. Directives are stated to be the policy framework for the Plan.

3.2 The main features of the Plan are summarised below:

- The Plan is stated to be the strategy to make Auckland the world's most liveable city by 2040 (paragraph 107). According to the Plan this means Auckland will have an outstanding quality of life, economic opportunity and a sense of belonging.
- The following five transformational shifts are stated to be required to achieve the vision:
  - to dramatically accelerate the prospects of Auckland's children and young people;
  - to strongly commit to environmental action and green growth;
  - to move to outstanding public transport within one network;
  - to radically improve the quality of urban living; and

- to substantially raise living standards for all Aucklanders and focus on those most in need.
- The eleven strategic directions are listed below:
  - to create a strong, inclusive and equitable society that ensures opportunity for all Aucklanders;
  - to enable Māori aspirations through recognition of the Treaty of Waitangi and customary rights;
  - to integrate arts, culture, heritage and lifestyle into our daily lives;
  - to develop an economy that delivers opportunity and prosperity for all Aucklanders and New Zealand;
  - to acknowledge that nature and people are inseparable;
  - to contribute to tackling climate change and increasing energy resilience;
  - to keep rural Auckland productive, protected and environmentally sound;
  - to create a stunning city centre, with well connected quality towns, villages and neighbourhoods;
  - to appropriately house all Aucklanders;
  - to plan, deliver and maintain quality infrastructure to make Auckland liveable and resilient; and
  - to create better connections and accessibility within Auckland, across New Zealand and the world.

#### **4 . Broad observations**

4.1 There are major problems with the Plan. They include the following:

- The overall vision comprises a vacuous statement that cannot provide a meaningful guide for public policy for the following reasons:
  - The vision is imprecise. How would future ratepayers and residents judge if it had been achieved?

- How can the vision possibly be achieved given that factors well beyond the Council's control, such as the climate and the natural environment, are highly relevant to measures of the liveability of cities?
- Why should ratepayers and residents assume that the achievement of the vision would be consistent with maximising the overall welfare of the ratepayers and citizens of Auckland?
- As a result of the highly directive nature of the Plan, and in particular the intentions to constrain land supply and direct growth into less desirable situations, the Plan would result in a less, not a more, liveable Auckland.
- The scope of the Plan extends well beyond that envisaged by the Royal Commission and exceeds the mandate conferred by the Local Government (Auckland Council) Act 2009:
  - The Plan is required to "contribute to" Auckland's social, economic, environmental, and cultural well-being. This is not materially different from one of the two purposes of local government specified in section 10 of the LGA 2002. The Plan is not required to address all or even most aspects of the "four well-beings".
  - The Plan is not focused on the core activities that the Council is responsible for, as identified in section 11A of the LGA 2002, and can do something about.<sup>2</sup> An example is transformational shift 1 (to dramatically accelerate the prospects of Auckland's children and young people). While such a transformational shift may be desirable, education (which is the main component) is a central government responsibility in New Zealand. The Council's role is largely limited to resource management and building regulations, which affect the availability and cost of land and buildings, and the provision of infrastructural services. If the toilets cannot be flushed, schools are forced to close.
  - The breadth of the Plan and its distorted priorities diverts attention from those activities that are within the Council's core responsibilities and matter for the overall welfare of citizens, and wastes ratepayers' money and effort. Key infrastructural services supplied by the Council include roading, water, wastewater and stormwater services. The planning of such services, especially major capital spending projects, should be a key focus of the Plan. While some prominence is given to rail projects and certain roading projects, water supply is only mentioned once in the summary document in section 6 where readers are simply advised, "The plan identifies major infrastructure investments." A search for the words

---

<sup>2</sup> Section 11A was inserted in the LGA 2002 by section 5 of the Local Government Act 2002 Amendment Act 2010.

"wastewater" and "stormwater" in the summary document produced no results. While these activities are discussed in the full document, there is patchy evidence of a searching analysis of the major strategic issues relating to them. Equally there is no identification of waste facilities (transfer stations and landfills) which should be included in Chapter 10: Auckland's Infrastructure.

- The Council was mandated to focus on key development trends and identify where market-based activities are most likely to occur. Then it was to enable and facilitate those trends (which reflect what people can afford and actually want) by providing appropriate services. The Council has departed from this mandate by adopting a 'prescribe and control' approach.
- The Plan implicitly assumes an extensive role for the Council which impinges on the autonomy of individuals and the freedom of entrepreneurs to create wealth, and entails undue risk of government failure:
  - The Plan is envisaged as the over-arching strategy document that would affect a vast range of activity, much of which extends well beyond the proper role of government, let alone local government.
  - The Council claims to be a land-use planning agency, which is a role that extends beyond the powers conferred by the relevant legislation. The Plan states, "As the land-use planning agency for the region, council plays the principal role in determining the location of different activities and investment" (paragraph 200). While the timely and co-ordinated roll out of infrastructure is an important local government function, the RMA was intended to signal a decisive break with prescriptive planning associated with the former Town and Country Planning Act 1977 and the adoption of a more enabling approach. The RMA focuses on the adverse effects on the environment of an activity (externalities in economic terms) and contains very few references to planning (aside from references to the Town and Country Planning Act) and does not use the word plan or planning as a verb. This speaks volumes on the nature of the RMA. The location of activities and investment should be primarily determined by investors and not by councils.
  - The Council's mandate was to identify how Auckland *may* develop by drawing on an evidential base, and following that to identify the location and mix of activities in different areas and key infrastructure that may be required to support those trends. Instead it has embarked on a highly prescriptive central planning exercise that pays no regard to economic realities or the enabling thrust of the relevant legislation.

- The Plan appears to envisage a greatly expanded role for the Council especially in social areas (such as education, employment, housing, support for Maori, income and wealth distribution (reduced inequality)) and also in acting with the private sector. For instance, directive 1.1 and 1.2 are to "Put children and young people first and consider their well being in all of the things that we do" and "Support parents, families, whanau, aiga and communities in their role as caregivers and guardians of children and young people" (see pages 44-45).
- The Plan is overwhelmingly collectivist in its orientation:
  - According to the Plan, "We are all guardians of our young people" (paragraph 240). In another example the Plan states, "the development strategy relies on all of us who influence Auckland's future, including central government, council, iwi, the private sector, not-for-profit organisations, non-governmental organisations and communities, working together to achieve our vision" (paragraph 159). There is no recognition in this statement, and inadequate recognition generally in the Plan, of the importance of decentralised decision-making or that the pursuit of self interest is usually consistent with the promotion of the overall welfare of the community as Adam Smith explained more than 200 years ago.
  - The Plan presumes to know the preferences of citizens and appears to assume that they have a single set of preferences. A typical example is provided under transformational shift 2 (strongly commit to environmental action and green growth) on page 5 of the summary:
 

We will restore and enhance our natural environment, including improving our biodiversity, air quality, land, waters and seas to back up our international reputation. We will have more sustainable buildings, infrastructure and resource management practices - such as energy efficiency, waste minimization and sustainable land use.

The Plan states "Auckland expects" various things at the head of chapters as though all Aucklanders have a single agreed view.
  - The Plan states (at paragraph 27) the following:
 

Given the recent governance changes, Auckland has the unique opportunity to give some serious thought to its future. The Auckland Plan is the mechanism by which we can do this – where we can speak with one voice and collaborate with our neighbours and central government to ensure the prosperity of Aucklanders and contribute to the prosperity of all of New Zealand.

No plan and no council or central government can ensure the prosperity or well-being of Aucklanders. If they could, why would Auckland and the country have endured the Great Depression or the present recession?

- The Plan contains many conflicting objectives and often appears to be unaware of such conflicts. Prosperity and well-being is to be assured, for example, yet the Plan proposes a 'compact city', which implies higher land and house prices than otherwise. Those policies adversely affect young people and families, and they encourage the retired to move to districts with more affordable housing. They are not aimed at maximising the overall welfare of citizens but at the advancement of incompatible objectives such as preserving farm land and artificially boosting the demand for high cost rail services. While the importance of economic growth is recognised, this is qualified (for instance) by references to green growth. There is no basis for resolving conflicts among the Plan's implicit objectives. The consequence is that the Plan could (and would) be cited to justify almost anything.
- The Plan is bound to fail. It reflects a seemingly unlimited faith in the efficacy of central planning by councillors and their officials. It does not acknowledge that they do not have the foresight, information and incentives required to achieve many outcomes that are contained in the Plan. It does not recognise the co-ordinating role of markets and their capacity to encourage innovation. Similar planning models have been tested to destruction in the former USSR, North Korea, Cuba and the former communist states of Eastern Europe.<sup>3</sup>

4.2 Rather than providing a high level document that focuses on major strategic issues in a coherent and an accessible way, the Council has released an unwieldy set of documents that address some key issues as well as issues of lesser importance and those that are well beyond the responsibility of the Council. The Plan, related documents and web pages exceed 800 pages.

4.3 The Plan would add to the plethora of planning documents and to their size and complexity. Such documents impose large costs on those who have to work with them. They would lead to ambiguity and uncertainty concerning the Council's policies and are likely to confer excessive discretion on those required to make regulatory decisions.

4.4 It is impossible for the Council to consult genuinely on documents as extensive and complex as those released by the Council. Little time has been provided for submissions and most interested parties do not have the capacity to examine the documents in the depth necessary. Many will have been discouraged from submitting their views on the Plan. Unless the Council obtains a large degree of community support for its proposals, it risks difficulties in

---

<sup>3</sup> Fredrick Hayek examined extensively the problems of central planning. The following articles are of particular relevance to the Plan: "The Use of Knowledge in Society" (1945), "Competition as a Discovery Process" (1978) and "The Pretence of Knowledge" (1978). They are reproduced in Nishiyama, Chiaki and Leube, Kurt R (eds) (1984), *The Essence of Hayek*, Hoover Institution Press, California.

implementing them. Moreover, if the Plan (when finalised) does not command wide public and political support, it will be particularly vulnerable to change in the near future.

## 5. Development strategy

5.1 The development strategy contained in the Plan can be expected to lead to excessive prices for land for residential and business development and will tend to undermine the prosperity and welfare of Aucklanders. Unaffordable housing and a lack of genuine housing choice are inconsistent with the vision of the world's most liveable city and with the Plan's purported commitment to affordable housing.

5.2 The Plan's claim (at page 15 of the summary) that "The Council will be proactive to ensure housing affordability by ensuring there is a sustainable supply of unconstrained land to meet market demand" is not credible. The whole thrust of the proposed development strategy is to more strictly control the supply of land through the proposed rural urban boundary (RUB) and the staged approval of developments based on the Council's assessment of the demand for, and supply of, land. These policies are intended to create artificial demand for moderate to high density accommodation and to constrain development to encourage patronage of high cost train services and to limit new investment in roads, water, wastewater and stormwater services.

5.3 The following arguments support our view that the strategy is undesirable:

- Higher density is not equivalent to greater liveability. We are unaware of any strong preference among citizens for compact or dense urban development. This is a policy seemingly promoted by a minority comprised of certain planners and others who wish to force their preferences on ratepayers and residents:
  - Attempts to impose higher density on people by the former Auckland City were strongly resisted by citizens. Those attempts invariably excluded the more affluent areas where people are better represented in the political system.
  - Some people may prefer to live in moderate to high-rise accommodation. Their preferences should be accommodated but should not be imposed on others.
  - Most people, however, prefer to live in detached single unit dwellings in the suburbs. They have demonstrated this through the choices they have made, despite the artificially inflated price of land, which would be seriously exacerbated if the Plan were given effect. Surveys of opinion and submissions on discussion documents are not as reliable indicators of people's preferences as the decisions they make. The preferences of those who would choose single detached dwellings

should also be respected but not imposed on others. Those preferences should not be distorted by artificially constraining the supply of land so that such dwellings are unaffordable. This will be the outcome if the proposed strategy is adopted.

- How does the Council possibly know in 2011 that a reduction in the proportion of detached dwellings from 76 percent in 2006 to 58 percent in 2040, an increase in the proportion of low-rise (2-3 storeys) attached dwellings from 22 percent to 31 percent and a rise in the proportion of mid to high rise dwellings from 2 percent to 11 percent reflects the diverse preferences of future citizens and is consistent with maximising their well-being?<sup>4</sup> This outcome requires that just 35 percent of all dwellings to be built between 2006 and 2040 to be detached houses and that each new dwelling (detached and other categories) be occupied by an average of 2.9 people compared with 2.6 people per dwelling for all houses in 2006. The trend has been toward fewer – not more – occupants per dwelling unit. The projections contained in the Plan are based on Statistics New Zealand's medium and high population forecasts but omit its low forecast. Consider how much more difficult it is to make such forecasts and judgments through to 2040 than that of forecasting the demand for rail transport on the opening day of the Rugby World Cup. How can such micro planning be consistent with the statutory requirement of section 79 of the Local Government (Auckland Council) Act 2009 or an effects-based RMA?
- Artificially inflated housing prices have a number of adverse economic and social effects, some of which are noted below:
  - People may be forced to acquire housing of a lower quality (for instance, a smaller house, a house at a less desirable location or a house with few amenities) than they would otherwise prefer.
  - Some people may be required to rent a house when they would otherwise prefer to own a house which may provide advantages that they value such as greater security of tenure. Maori and Pacific Island people are more than proportionately affected because of their present low rates of homeownership.
  - Spending on housing may crowd out leisure (non-work), and other consumption and savings opportunities. People may be required to work longer hours than they

---

<sup>4</sup> A recent survey of housing preferences of New Zealanders found that 80 percent of respondents would prefer to live in a stand-alone house whereas only about 4 percent said that they would prefer the alternative option of an apartment, see Preval, N, Chapman, R and Howden-Chapman, P (2010), "For Whom the City? Housing and Locational Preferences in New Zealand", in Howden-Chapman, P, Stuart, K and Chapman, R (eds) (2010), *Sizing Up the City: Urban Form and Transport in New Zealand*, Steele Roberts, Wellington, pp 40-41.

would prefer, parents may be required to place their children in child care so they can participate in paid employment and they limit the size of their family.

- Some people may decline to take promotions that require them to transfer to Auckland because of excessive housing costs. Aucklanders, especially retired people, may be encouraged to move to centres with lower cost housing. Young people may be encouraged to migrate. New Zealanders living abroad may be discouraged from returning by high housing costs.
- Wealth is redistributed when house prices rise because housing assets are not distributed equally. The wealth of existing homeowners would increase whereas the real value of savings held by people wishing to acquire a house would decline.
- Binding restrictions on land availability push up the price of land for commercial and industrial purposes.<sup>5</sup> Higher land prices reduce the international competitiveness of firms in the export and import competing sector, and tend to increase the prices of goods and services in the non-traded sector. At the margin, they encourage business activity to be undertaken in other districts within New Zealand or in other countries. These economic effects are inconsistent with the advancement of the prosperity of the citizens of Auckland.
- Auckland's population growth projections are not "dramatic" as the Plan would have us believe (paragraph 484). The average annual rate of population growth projected between 2006 and 2040 in the Plan is between about 1.6 percent (medium) and 1.9 percent (high). It is likely that Statistics New Zealand's low growth projection would average about 1 percent a year between 2006 and 2040. By historical standards, these are relatively slow rates of growth. This is the reason why the aging of the population is an issue.
- There is no shortage of land (settlements account for just 1 percent of New Zealand's total land area) and there are no economic grounds to protect agriculture or horticulture activities, or productive soils from urban development.<sup>6</sup> The UTAG report observed as follows:

... if New Zealand's population were to grow at 50,000 per annum and all those people were to be accommodated in housing on the fringe of existing towns and cities (at a comparatively low population density of 1000 people per square kilometre), an additional 50km<sup>2</sup> of land would be required each year. Given New Zealand's total land area of

---

<sup>5</sup> If the restrictions are not binding they serve no purpose at all but add hugely to economic costs and should be removed.

<sup>6</sup> Ministry for the Environment (2010), *Land: Land Use, Environmental Snapshot*, Ministry for the Environment, Wellington.

267,700km<sup>2</sup>, even 20 years of population growth would further urbanise less than 0.4% of the country, albeit much of this is likely to be in Auckland.<sup>7</sup>

- Welfare maximisation requires resources to be used in those activities in which they are most highly valued. If a particular plot of land is more valuable in providing residential accommodation, factories, retail premises, schools, hospitals, roads and parks than as farm or horticultural land it should be able to be reallocated to the higher valued use. The market should be used to allocate land to its most productive use. For example, we suggest that the benefits of industrialisation in the vicinity of Rosebank Road, Avondale, on land that was formerly used to grow strawberries would far outweigh any costs arising from transporting strawberries from Kumeu or elsewhere.
- A key property right is the owner's entitlement to put a resource to an alternative use or to sell it. Governments should not circumscribe such rights other than on a principled basis (for instance, to avoid a hold out problem).
- Price indicates the scarcity of resources. Thus the litmus test of whether the supply of land for urban development is artificially restricted is whether the price of raw land immediately within the MUL (or RUB) is higher than the price of equivalent land well beyond those boundaries. The proposed strategy assumes that the Council can forecast demand for land and control its release as required. It does not, and never can, have the information or the incentives required to do so efficiently. The proposed strategy would instead limit competition among developers, create monopoly rents, encourage land banking, increase uncertainty and waste resources on lobbying. These are also the conditions within which corruption can develop.
- The issue of co-ordinating land development and infrastructure supply does not require an MUL or a RUB. Most of the problems with infrastructure reflect government failure. Central or local government is responsible for the provision of most infrastructure. The government is also responsible for the regulatory framework that applies to its provision. More efficient pricing of infrastructure, where appropriate, rather than the current moves to uniform Auckland-wide prices would help.
- Contrary to what is commonly asserted, we understand that it is often more costly to accommodate growth in existing built up areas. The central business district (CBD), for example, contains limited open spaces. Nobody would seriously suggest that it is cheaper to provide open spaces in the CBD than in greenfield developments on the periphery of the urban area. Similarly, retrofitting water, wastewater and stormwater systems and

---

<sup>7</sup> Dormer, Alan, Young-Cooper, Adrienne, Grimes, Arthur, McIndoe, Graeme, Townsend, Connal and Zollner, Ernst (2010), *Report of the Minister for the Environment's Urban Technical Advisory Group*, p 8, retrieved 19 October 2010 from <http://www.mfe.govt.nz/rma/central/amendments/background-info-phase-ii-reforms/index.html>.

expanding road capacity in developed areas is often costly and disruptive. Moreover, greenfield facilities may be able to be constructed to higher environmental standards taking account of technological advances. The task of separating stormwater and wastewater to avoid contamination of beaches, for instance, only arises in the older areas of Auckland. More importantly, it is the overall welfare of individuals – not a council or planner’s evaluation of costs – that is critical.

- 5.4 The proposal to tightly constrain land development to force denser urban development against the wishes of citizens would increase house prices. There is a fundamental inconsistency between the unambiguous outcome of this policy and the attainment of the vision of the most liveable city in the world, which is not acknowledged in the Plan.

## 6. Economic strategy

- 6.1 The Business Roundtable welcomes the proposal to make it easier to do business in Auckland a priority for the Council. This is to be achieved by fostering a business-friendly organisational culture, excellent customer service and by quality decision-making on the planning, regulation and development of the built environment, especially infrastructure. We agree, for instance, that central government and the Council can remove inappropriate policy or regulatory settings to improve productivity. We also agree that improving the way the Council exercises its regulatory functions can contribute.

- 6.2 Our key concern is that most of the Plan is inconsistent with these laudable proposals. What weight, for example, can be given to the acknowledgment that the Council can ensure that its plans are simple, transparent and accessible when the statement is made in a high level strategy document and related documents that extend beyond 800 pages?

- 6.3 A central planning approach to economic development within Auckland is proposed rather than one that reflects a liberal democracy, respect for the rule of law and well-known conditions for economic prosperity.

- 6.4 The upholding of private property rights is critical for growth and the achievement of social harmony. Secure property rights encourage firms to use resources productively – for example to invest in the expectation that they will benefit from the returns that arise. The 2025 Taskforce described the fundamental problem with the RMA in the following terms:

... it encourages local government to see the changed use of private land as a privilege that they bestow, rather than a right that might be modified only in narrow and well-specified predictable ways.<sup>8</sup>

---

<sup>8</sup> Brash, Donald T, Caygill, David, Sloan, Judith and Wilkinson, Bryce (2010), *Focusing on Growth: The Second Report of the 2025 Taskforce*, p 112, retrieved 2 December 2010 from <http://www.2025taskforce.govt.nz/>.

This criticism applies to the Plan, for example the RUB entails a more restrictive approach to the development of land for commercial and industrial purposes as discussed above and reflects the problem that the Taskforce highlighted.

6.5 The strategy "recognises that strengthening any global city relies on fostering its creative and knowledge-based industries and endeavours" (paragraph 154). This is just one of several statements in the strategy that is predicated on picking winners. It reflects the fallacy of central planning.

6.6 The goals of a successful economic-growth agenda are simple and well known. They were recently summarised in the following terms by Stanford University professor Keith Hennessey:

... a large and thriving private sector and a small government; reduced government spending, which means lower taxes and smaller deficits; open trade and investment; taxes and regulations that don't distort decisions, discourage capital formation or work, or provide rents to the politically powerful; deep and flexible labor markets; a reformed financial sector that channels savings to where they can do the most good; a society in which education and innovation flourish; a stable, low-regulation legal environment, in which monetary policy is sound and business decisions issue from customers and competitors rather than regulators and judges.<sup>9</sup>

6.7 The above approach is dramatically different from that which underpins the Plan. We recommend that the approach to economic development be reworked to be more consistent with proven growth strategies.

## 7. Other issues

### Climate change

7.1 The Plan proposes that Auckland aim at a 40 percent reduction in greenhouse gas emissions relative to 1990 levels by 2030, and transition to a low carbon economy. The Business Roundtable is opposed to this goal.

7.2 Policy on climate change is a responsibility of central government. Local government should not make decisions on whether New Zealand's policy should, or should not, move ahead of that of comparable countries. In any event, the international community is unlikely to reach a firm agreement on future emission targets any time soon, given the immediate problem of responding to serious global economic risks. The proposed move to a low carbon economy is likely to be costly for no meaningful benefit for ratepayers and is inconsistent with the Council's prosperity goal.

---

<sup>9</sup> Hennessey, Keith (2010, "Thus Does the Economy Grow", retrieved 20 November 2010 from <http://www.nationalreview.com/articles/253392/thus-does-economy-grow-keith-hennessey>.

## Peak oil

7.3 The Plan notes concerns about peak oil. This is another fallacy. There is no likelihood of the world running out of oil any time soon.<sup>10</sup> In any event, prices rise as resources become progressively scarcer. This leads users to economise on the use of affected resources and encourages entrepreneurs to find alternatives. There is no valid role for the Council in relation to peak oil supply and demand.

## Funding

7.4 The overall cost of the proposals that would arise from the adoption of the Plan is unknown. However, given the apparent expansion of the Council's role implied in the Plan and the high cost of rail initiatives it is likely to be substantial. The Council cannot plausibly claim to be promoting a "business friendly" economic strategy when implementation of the Plan would impose large additional rate imposts on business (and households).

7.5 The Plan states that new funding mechanisms will be required to help finance the approximately \$10-15 billion funding shortfall for transport infrastructure projects (such as the CBD rail loop, a rail link to the airport, and an additional Waitemata Harbour crossing). Thus major projects outlined in the Plan are predicated upon legislative change in an area where there is little indication that any such change will be forthcoming.

7.6 The Business Roundtable is not persuaded that new sources of funding are generally needed. The following strategy would better contribute to economic growth and the overall well-being of residents:

- The Council should focus on those public good and regulatory activities that should properly be undertaken or funded by local government. The Council should exit from investment in commercial activities such as the Ports of Auckland Limited, Auckland International Airport Limited and off-street parking facilities.
- All new capital expenditure projects, such as the rail projects noted in the Plan, should be subject to rigorous analysis. Only those projects for which benefits (properly assessed) exceed related costs should proceed. (The claimed employment benefits of the CBD rail link are doubtful.)
- The Council should eliminate low quality spending programmes.
- The Council should move to apply efficient pricing for infrastructure and other services where feasible. Bus and train services, for example, are predominantly private good

---

<sup>10</sup> For an accessible account see Yergin, Daniel (2011), "There will be Oil", *The Wall Street Journal*, 17 September.

activities and users should bear most of the cost of such services. Rooding is a club good.<sup>11</sup> Over a 30-year period technological advances are likely to make it less costly to introduce more efficient pricing of rooding. While the Plan discusses some such pricing options it does not appear to recognise that technological advances may well present new opportunities for more efficient pricing.

## 8. Conclusion

8.1 The main conclusions of the Business Roundtable are noted below:

- There are major problems with the Plan. Its scope exceeds the mandate conferred by Part 6 of the Local Government (Auckland Council) Act 2009. The Plan does not focus on excelling at the core roles of local government. Instead it assumes an expanded role for the Council which impinges excessively on the autonomy of individuals and the freedom of entrepreneurs to create wealth, and entails undue risk of government failure. The breadth of the Plan and its distorted priorities diverts attention from those activities that are within the Council's core responsibilities and are critical for the overall welfare of citizens, and wastes ratepayers' money and effort. The Plan reflects a seemingly unlimited faith in the efficacy of central planning by councillors and their officers.
- We think that the Plan would be more effective if it complied narrowly with the statutory requirements that apply to the Plan and the enabling legislation that would apply to its implementation. The former requires the Council to set a strategic direction for Auckland, to establish a high-level development strategy that would achieve that direction and enable coherent and co-ordinated decision-making by the Council and other parties to determine the future location and timing of critical infrastructure, services and investment within Auckland in accordance with the strategy.
- The strategy should emphasis decentralised decision-making within a framework of rules that are known in advance rather than centralised decision-making involving the Council, central government and private firms operating jointly within a framework that provides wide discretion for the Council. Our proposed alternative approach promotes choice through competitive delivery, diversity and the encouragement of initiative and entrepreneurship rather than forced conformity with an arbitrary Council plan. It is more adaptable and supportive of economic growth and prosperity than the approach envisaged in the Plan.

---

<sup>11</sup>

As with a private good, people who are not prepared to pay can be excluded from the use of a club good. However, in contrast to a private good, one person's enjoyment of a club good does not detract from its use by another person. Once a seat on a bus is taken it is not available to another commuter. In contrast, a motorist's use of an uncongested road network does not detract from the use of the road by another motorist. Clubs generally apply both flat rate membership fees and use-related charges.

- The Council should focus on the efficient provision of local public goods, while minimising rating and regulatory burdens. If the Council is serious about Auckland being the most liveable city in the world it should seriously examine whether its performance in undertaking these functions is the best in the world.
- The development strategy contained in the Plan can be expected to lead to excessive prices for land for residential and business development and can be expected to impair the prosperity and welfare of Aucklanders. Strict controls on the development of land for urban uses are not warranted.
- The approach to economic development should be reworked to be more consistent with successful economic growth strategies.