



SUBMISSION

By

**The Employers and Manufacturers
Association (Northern)**

To the

**Local Government and Environment
Select Committee**

On

**The Local Government (Auckland
Council) Bill**

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EMA (N)'s RECOMMENDATIONS

EMA (N) recommends that 16 to 22 Local Boards be established with a greater level of authority, funding, and administrative support than is specified in the bill

EMA (N) recommends that each Local Board area should also be a ward of the Auckland Council

EMA (N) recommends that there be three seats reserved for Maori on the Auckland Council and that those seats be filled by election.

EMA (N) supports the powers of the Mayor, as recommended by the Royal Commission.

EMA (N) recommends that Transport and the three waters be set up and run as council controlled organisations and that consideration be given to running other regional functions as CCOs if appropriate.

EMA (N) recommends that a joint Crown / Auckland Council transport agency structured as a CCO with an independent board should be the recommended structure.

EMA (N) recommends a single Regional Body to control and manage all water services in the Auckland region. EMA (N) favours a CCO structure for the Water organisation.

EMA (N) recommends that the Local Government Commission consults widely over the question of the setting of the southern boundary of the Auckland region.

EMA (N) recommends that the Auckland region urgently develops a 20 year infrastructure plan, including a funding plan, and that this be done in such a way that the plan so developed is not inconsistent with the NZ national infrastructure plan.

1. ABOUT EMA (N)

The Employers & Manufacturers Association (Northern) or EMA (N), based in Auckland is pleased to have a chance to comment on the Bill, to raise some concerns about matters in the Bill, and to suggest possible solutions.

1. Who we are

EMA (N) is made up of some 7500 member companies employing 350,000 people covering the New Zealand region from Taupo north. Most of these are based in Auckland. About 1500 members are manufacturers ranging from large to small-to-medium enterprises (SME).

Within our membership there are a significant number of companies and organisations involved in the manufacture, importation, supply, distribution and retailing of most product types, and the provision of services in a wide range of service sectors including governmental, education, health, contractual, tourism, IT, banking, insurance and business advisors.

EMA (N)'s mission statement is:

We are a membership organisation that promotes the success of business by seeking to create the most desirable environment for business and adding value through representation, knowledge and support.

Our vision is Business Success

We are the majority “owner” of Business New Zealand which, amongst other things, is the employer’s tripartite partner with government and employees through the CTU.

As the leading voice of business in the upper North Island we have submitted annually to the Annual Plans and Long Term Council Community Plans (LTCCP’s) of the region’s Councils during the past decade.

Despite a decade of consistent good public policy advocacy to Councils on behalf of business we have seen little evidence of Councils listening to what we or anyone else is saying. Consultation has become an expensive exercise of little value.

In that regard we were pleased with the Shand Report recommendations for reform because many are identical to what EMA (N) has been advocating for many years. However, neither the last government nor the current one has done anything about implementing any of those recommendations.

In addition, we are active in submitting on any proposed legislation and regulation affecting the Auckland region and our members. EMA (N) also meets regularly with the chief executives of the major Councils in the region.

EMA (N) led the demands for reform of Auckland’s local governance with its “Rev up the Government” campaign (2005) and its “Fix Auckland” campaign (fixauckland.com) in 2007.

Between us and the New Zealand Council for Infrastructure Development (NZCID) we consulted over 70 Auckland community, business and political organisations on what form that reform should take. The Councils in Auckland consulted no one on this. EMA (N) also held 14 meetings with its members attended by over 1600 people for the purposes of consultation.

2. Submission summary

2.1

Governance arrangements for the Auckland region have been a cause of concern for at least the last 50 years. EMA (N) has been seeking improved governance in the Auckland region in an active way since 1999. The culmination of that effort was to fund and run our “Fix Auckland” public campaign for significant reform, launched on Monday, July 16, 2007.

The outcome of that campaign was that on July 30 2007, the Government announced the formation of the Royal Commission of Inquiry into Auckland governance. The Royal Commission consulted widely in the Auckland Region and reported on 25 March 2009, recommending one Council bureaucracy, an Auckland Council, enhanced powers for its Mayor, and 6 Local Councils. Government subsequently rejected the 6 Local Councils in favour of 20 to 30 Local Boards.

2.2

Over 3,500 written and 550 oral submissions were made to the Royal Commission. This compares favourably with the mere 804 submissions received nationally to the Royal Commission on Electoral Reform that resulted in MMP being adopted.

The submission by EMA (N) proposed abolition of the current governance structure of eight Councils and replacement with one Auckland Council, plus 21 Local Councils.

In the EMA (N)'s submission the Auckland Council would be a single administration serving 21 elected councillors and 21 new Local Councils. The 21 Local Councils would comprise five elected councillors each. This equals a total of 126 councillors. Local Councils would be serviced by the Auckland Council staff and would employ no staff of their own.

The Auckland Council would assume responsibility for all infrastructure and assets used by the Auckland region's population. Local Councils would govern local amenities and represent local interests. They would also be able to propose a local rate to fund their budgets for the provision of local amenities.

Thus in outline, the Government's preferred structure is very close to that recommended by EMA (N), except that EMA (N) proposes that the Local Councils have a high degree of responsibility in respect of the provision of local amenities and services whereas the government's proposal does not.

2.3

The EMA (N)'s concerns over what Government is proposing are:

- Concerns around the lack of sufficient powers for the Local Boards
- Concerns about the lack of an electoral tie between the Local Board areas and the Auckland Council wards. EMA (N) recommends that each Local Board area should also be a ward of the Auckland Council.

- Concerns about the delegating of certain decisions relating to Local Boards to the Local Government Commission-specifically:
 - the number of elected members for local boards, the March 2010 date for reporting on that decision, and the lack of a requirement for public consultation around that decision; and
 - The lack of a requirement for the Local Government Commission to consult with respect to the determination of the southern boundary of Auckland.

3. OUR CONCERNS WITH THE BILL

3.1 Concerns around the lack of appropriate powers for the Local Boards

The Bill proposes to create 20 to 30 “**Local Boards**”. Their purpose is described in the Bill as:

1. Enabling democratic decision making by, and on behalf of, communities within the local board area
2. Facilitating local input into the decision making processes of the Auckland Council
3. Identifying local preferences in relation to matters of predominantly local significance.

Their powers are:

- A Local Board may not acquire, hold or dispose of property or appoint suspend or remove employees.
- A Local Board has to reach agreement with the Auckland Council in respect of service levels, local facilities, and funding arrangements within its area.
- A Local Board can receive delegations from the Auckland Council.

In the opinion of EMA (N) this is a quite inadequate prescription for the role and powers of a Local Board.

What the Bill should state is the detail around what Local Boards will be responsible for and how they will be funded.

In EMA (N)’s opinion Local Boards need to have a high degree of autonomy, power and responsibility for making decisions about all things local. Put simply, if Local Boards are not fully empowered for this role they will become little more than frustrated agitators of little use in delivering democracy at the local level and will become a thorn in the side of the Auckland Council.

Local Boards should have:

- Authority
- Funding to match that authority
- A mechanism for administrative support and service delivery so that they can carry out the tasks that fall within their area of authority.

EMA (N) recommends that 16 to 22 Local Boards be established with a greater level of authority funding and administrative support than is specified in the bill

Authority

In EMA (N)'s view Local Boards should:

- Have 5 members each, elected by the local community
- Share responsibility with the Auckland Council for planning in each Local Board area
- Do their own budgets and allocate funding for local community services and amenities
- Have delegated power to set local rates for their area to fund their budget.
- Represent and act as an advocate for the interests of the community
- Make an annual submission to the Auckland Council on local expenditure needs in the Local Board area in respect of larger projects which might also require borrowing that the Auckland Council would have responsibility for approving.
- Maintain an overview and provide feedback to the region on services provided within the community – “eyes, ears and voice of the community”
- Communicate and liaise with community organisations and special interest groups in the community
- Build rapport and ongoing relationships with the local Member of Parliament and Auckland Council Councillors – i.e. be the community link from the region to the Crown (Local Board/Auckland Council ward/Auckland Council/Crown)

We also believe that 30 Local Boards would be far too many and after studying the region we believe that there should be a minimum of 16 up to a maximum of 24.

Specific areas of responsibility for Local Boards

1. Local planning in conjunction with the Auckland Council within the overall parameters set by the Auckland Council and its respective plans.
2. Local libraries
3. Local swimming pools
4. Local playgrounds
5. Local footpaths
6. Local street Lighting
7. Local parks (acquisition and maintenance)
8. Graffiti removal
9. Community halls and recreation centres
10. Local traffic services within the Local Board's boundaries
11. Main Street programmes
12. Streetscapes
13. Community events
14. Neighbourhood Support
15. Submit views to the Auckland Council on local publically notified planning applications and new planning rules or bylaws affecting their areas.
16. In fact everything that is not defined as being a regional responsibility for the elected Auckland Council.

Funding to match that Authority

- 1) It is our view that the Auckland Council out of its region wide rate should make grants to Local Boards, each according to its needs, and taking account of the varying rating base values between different Local Board areas. This would ensure that low property value areas such as Otara would get a larger per capita grant than the high rating base areas such as Remuera (in the event that Otara local amenities costs are less than revenues). The system would be analogous to that pertaining to schools where the lower decile ones get greater funding because their needs are greater.
- 2) The grants should be sufficient to cover a base level of core local amenity provision and upkeep. The final decision on the amount of the grant to each Local Board would rest with the Auckland Council following its consideration of Local Boards budgets and plans.
- 3) In addition to the grant they should receive, Local Boards should have the powers to recommend local rates, targeted rates, Uniform Annual General Charges (UAGCs), Uniform Annual Charges (UACs) and user charges for expanding local community facilities and services. The Local Board local rate, targeted rate and uniform charges would be collected via one integrated rate account from the Auckland Council together with the Auckland Council rates collection. Legally the Auckland Council would strike both the regional and local rates and charges.

Administrative Support for Local Boards

The issue of appropriate administrative support for the Local Boards is a critical one. A *Local Boards Administrative Unit* will need to be established for the Local Boards within the Auckland Council itself. The *Local Boards Administrative Unit* would be managed by a *Local Boards Regional Manager*. Within the *Local Boards Administrative Unit* each Local Board would have its own separate *Local Board Unit* with its own Local Board Manager, who would report to the *Local Boards Regional Manager*. Thus there would be separate Local Board units one for each Local Board. All of these staff would be employed by the Auckland Council, not the Local Boards. Once Local Boards had, for example, decided on Library book needs the Local Boards Administrative Unit would then amalgamate all purchase requirements for Local Boards into 1 purchase action. The Local Boards Administrative unit could also draw on expertise from other areas of the Auckland Council bureaucracy as required.

The administrative responsibilities are described below:

Local Boards → Local Boards Regional Manager → Auckland Council

Local Boards (16-22)	Local Boards Regional Manager	Auckland Council
<p>*Local Boards administration is based within the Auckland Council administrative structure and is carried out by <u>Local Board Managers</u>. Each Local Board has its own Local Board Manager and unit. e.g., the Birkenhead Local Board Manager oversees a <u>Birkenhead Local Board unit</u>. Each Local Board Manager reports to the Local Boards Regional Manager.</p>	<p>*Oversees the Local Boards Units of the Auckland Council.</p> <p>*Manages the Local Board Managers (a manager for each Local Board unit).</p> <p>*Amalgamates purchase orders from all Local Board Units, e.g., for library books, and places a single order for books.</p>	<p>*Contains the Local Boards Administrative Unit to provide administrative support to the Boards.</p> <p>*Also contains the Auckland Regional Administrative Unit to carry out the administrative duties for the Regional functions of the Auckland Council</p>

Decision Making Process for Local Boards

When the Auckland Council makes regional decisions that affect Local Board areas, such as a proposal to put a major regional highway through the area of a number of the Local Boards, Auckland Council ought to be obliged to consult over its impact with the Local Boards affected.

Three Year Plan

EMA (N) favours requiring Local Boards to develop a three year local plan for the provision of local amenities for the arts, culture, recreation and community services within their Local Board area. This local plan is subsidiary to and must be not inconsistent with the Auckland Council Long Term Council Community Plan (LTCCP).

Local Board Area Offices

Local Board areas should have a Local Board/Auckland Council office for service which would also double as the venue for Local Board meetings.

Name for Local Boards

The term *Local Board* is a description but is a rather “vanilla” name. We suggest that each Local Board area take its name from its area and be known, for example, as the “Eastern Bays Local Council”, or “Eastern Bays Community Council”.

3.2 Concerns regarding the Auckland Council

EMA (N) supports the findings of the Royal Commission in recommending the establishment of a unitary authority for Auckland. We have concerns about ensuring that all parts of the region are represented on the Auckland Council.

The Bill is proposing 20 members for the Auckland Council, with 12 to represent wards, and 8 elected at large. This arrangement, taken together with the 20 to 30 Local Boards proposed means that a one to one correspondence between Local Board areas and Auckland Council ward representation is not possible.

We see this as a major drawback in that it fails to achieve good political alignment of Auckland Council wards and Local Board areas which weakens the structure's connectivity. We believe that it is critical to the democratic process that Local Board areas should also be Auckland Council wards with an elected Auckland Councillor from each ward/Local Board area. Each Local Board area would then have its own Auckland Councillor and its own Local Board. The representational alignment and workability is thus maintained.

While we understand the reason behind having some councillors elected at large to solely represent the regional interest we do not think that it is necessary at all because only people who are interested in regional issues (transport, the three waters, regional cultural and sporting facilities, regulation, and regional economic development) will bother to stand for election to the Auckland council. Providing that the roles are clearly defined, those interested in truly local matters will stand for Local Boards and those interested in regional matters will stand for the Auckland Council. Because their functions are so different (regional vs local) the roles will not be confused. It would be good to try to achieve some at large representation, but of far greater importance is the need to have a proper voice for Local Board areas which double as Auckland Council wards on the Auckland Council.

EMA (N) recommends that each Local Board area should also be a ward of the Auckland Council

The Royal Commission of Inquiry on Auckland Governance proposed that in a Council of 23, three seats should be reserved for Maori alone and that 2 of these councillors should be elected and 1 appointed. The rationale for this is based upon the Treaty of Waitangi which implies partnership. If this principle is indeed valid, the reserving of three seats for Maori voters is a modest allocation. But the real question is to whom should those seats be given? Judge Carrie Wainright of the Maori Land Court, while speaking on related matters, has very properly drawn attention to the need to take into account “ all tangata whenua groups in Tamaki Makaurau” so that “ appropriate redress is offered not only to Ngati Whatua o Orakei, but all the tangata whenua groups in Tamaki Makaurau”. Then the Mana of all would be upheld, relationships would be restored, and reconciliation would be possible”.

What makes this observation particularly pertinent is that the Auckland region's boundaries extend much further than the urban isthmus with which Ngati Whatua is so closely connected. Tamaki Makaurau, or the Auckland region, has a far greater number of tribes connected to it both historically and today. Among the iwi with historical links are Ngai Tai, Ngati Paoa, Te Kawerau o Maki and Te Taou.

On that basis we strongly recommend that 3 seats on the Auckland Council be reserved for Maori and that these 3 seats either be based upon the Maori electoral boundaries or be determined by the Local Government Commission in consultation with tangata whenua. The occupation of each of these three seats ought to be determined by democratic election by all those enrolled on the Maori electoral roll.

EMA (N) recommends that there be three seats reserved for Maori on the Auckland Council and that those seats be filled by election.

Regional issues that need to be dealt with by the Auckland Council

In EMA (N)'s opinion these are the main regional issues that should rightfully fall within the jurisdiction of the Auckland Council:

Water (supply water, waste water, storm water)
Regional parks
Harbours
Ports
Airports
Regional public transport, rail and arterial routes..
Bridges (not on the State Highway network)
Regional planning
Regional regulation-Planning and Building consents and by-laws.
Regional economic development (one single EDA for the region)
Major regional events.
Civil defence
Waste management
Regional and local rates collection
Regional assets (e.g. Stadia, the Zoo, Museums etc)
Co-ordination of the regional library system

In EMA (N)'s view, all matters that do not fall into the category of regional responsibilities *automatically* become the responsibility of Local Boards.

Powers of the Mayor

We agree with the recommendations of the Royal Commission in respect of the powers of the Mayor.

Specifically:

- The power to appoint the Deputy Mayor
- The power to appoint the chairpersons of each committee of the Auckland Council (other than the Local Boards)
- Ex officio membership of all Council committees.
- Power to propose the Long Term Council Community Plan (LTCCP)
- Power to propose the budget
- Power to initiate and propose major policy for consideration by Council.
- Power to establish and maintain an appropriately staffed Mayoral office
- Power to obtain independent advice

EMA (N) supports the powers of the Mayor, as recommended by the Royal Commission.

3.3 Concerns regarding governance structures for the Council Controlled Organisations (CCOs)

Why EMA (N) prefers CCOs as a governance option

The advantages in the use of CCOs as a governance arrangement for some (particularly transport and the three waters) regional functions are as follows:

- A more commercial approach
- Better accountability and transparency
- The ability to bring in specific outside expertise at CCO board level
- De-politicisation of commercial decision making.
- Decision making not linked to the three year electoral cycle

EMA (N) does not believe that these benefits would occur to the same degree if certain regional functions were retained within Council as Council departments. If Auckland is going to get the efficiencies that are needed then there must be a CCO type structure or something very similar to provide independence, accountability transparency, and most importantly freedom from political interference.

The argument that if we don't have these functions within Council that "councillors will have nothing to do" is not one we find convincing. That argument is analogous to saying that if we do not let company directors interfere in the minutiae of running the day to day business of the company then they will have nothing to do! That is patently not the case and is a confusion and misunderstanding of the twin roles of governance and management. That is a mistake of the type that got Auckland into this mess in the first place!

To give the Auckland Council adequate visibility and input into the CCOs we recommend that elected councillors be appointed to the boards of CCOs. We envisage perhaps two to three elected councillors on each board with the balance of the board being independent directors.

EMA (N) recommends that Transport and the three waters be set up and run as council controlled organisations and that consideration be given to running other regional functions as CCOs if appropriate.

Transport Governance

As discussed above, the key decision that needs to be made about transport is whether transport should be governed and managed by a *department of the Auckland Council* or whether it should be a *Council Controlled Organisation (CCO)* with an independent board.

Given the significance of transport issues in Auckland, this is one of the most important issues to resolve within the new governance arrangements for the city.

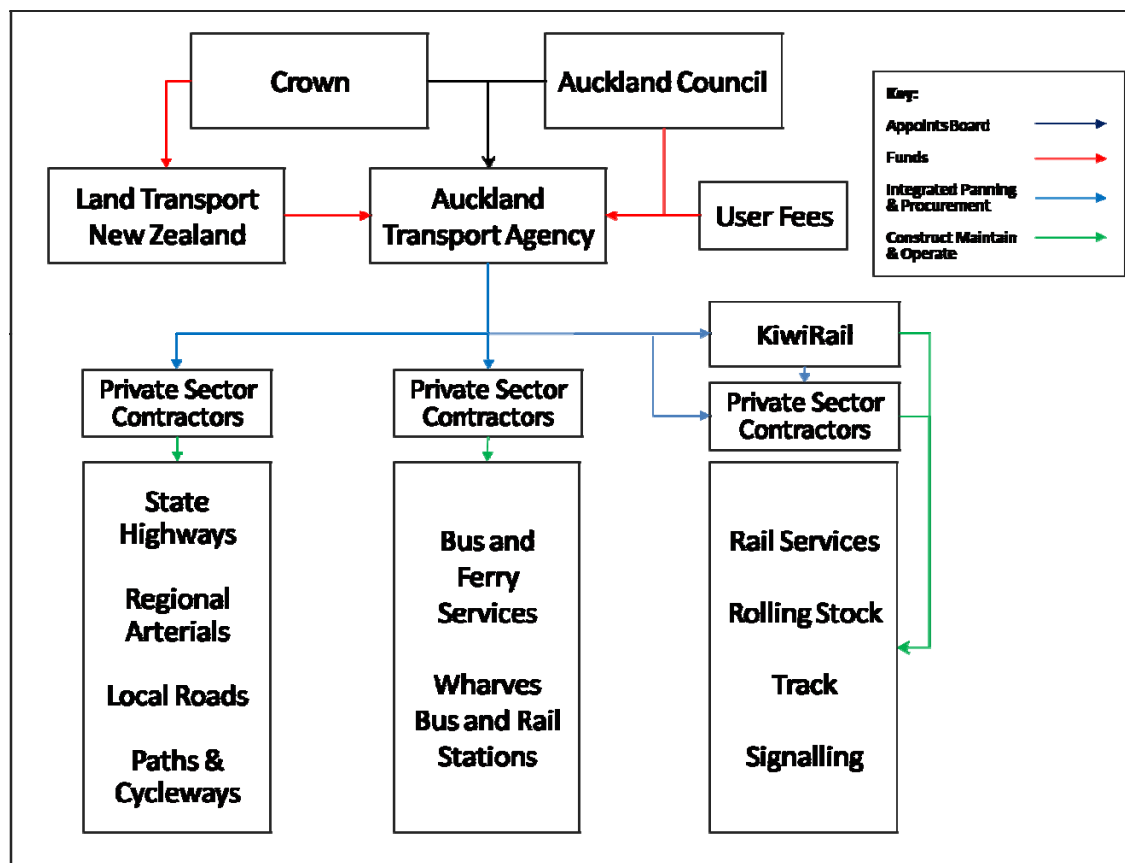
EMA (N) recommends that a joint Crown / Auckland Council transport agency structured as a CCO with an independent board should be the recommended structure. We refer to it as the Auckland Transport Agency.

One of the key reasons EMA (N) has advocated governance reform in Auckland is to deliver a structure that will improve investment confidence and provide clear responsibility and accountability for funding and implementation of a long term transport infrastructure plan. We consider this outcome is best served by the appointment of a Transport CCO board whose members are selected on the basis of expertise in transport infrastructure governance and delivery and not subject to the vagaries of three yearly election cycles.

We do not support transport being managed by an internal department of Council reporting to elected political representatives - either the full Council or a transport sub-committee. Past experience in Auckland, including the ongoing debate about investments in roads versus rail, has clearly demonstrated that such structures result in politicisation of decision making and lead to short term planning and funding horizons borne of three year election cycles.

We also consider that, given the importance of state highway and railway networks, which are key components of the Auckland transport system, it is essential there be formal relationships between the three key transport agencies, namely: the Auckland Transport Agency, the NZ Transport Agency and KiwiRail. For these reasons EMA (N) broadly endorses the recommendations of the Royal Commission on Auckland Governance. This included a CCO structure and joint management agreements between the Auckland Transport Agency, the NZ Transport Agency and KiwiRail. However a much better arrangement would be for a fully integrated board as proposed by **The New Zealand Council for Infrastructure Development**. This would include an NZTA and Auckland Council joint venture as illustrated below.

Figure 1: NZCID Proposed Governance Structure for Auckland Transport



The structure would comprise the following corporate governance and responsibilities:

- Controlling partners are the Crown and the Auckland Council
- The Auckland Transport Agency would be responsible under an agreed statement of corporate intent to deliver an integrated, multimodal transport service which meets the mobility needs of the region and the nation as a whole both now and into the future, in accordance with the objectives of the NZ Transport Strategy, the requirements of the relevant Government Policy Statement and consistent with the Regional Spatial Plan
- It would be statutorily responsible to ensure maintenance of national state highway and rail network standards which would continue to be set at the national level by the relevant crown agencies
- It would assume responsibility as a road controlling authority for the operation and management of the state highway and regional arterial road network and its integration with the local road network and integration with alternative transport modes

- The Board would be appointed jointly by the Crown, and the Auckland Council (representation could reflect the relative funding contributions made by each of the joint venture parties)
- Board appointees would be selected on the basis of their expertise in governance of an integrated transport entity

Given that the Government intends that KiwiRail be operated as a business, we envisage that the Auckland Transport Agency would procure rail services from KiwiRail and / or other private operators (such as the existing arrangement with Veolia).

Alignment of Responsibility and Accountability

Good governance arrangements require alignment of responsibility and accountability. Under the structure currently proposed by the Government responsibility for major components of the transport system (state highways and rail services) will rest with the New Zealand Transport Agency and with KiwiRail. On the other hand, accountability for delivery of an effective transport network for Auckland will lie with the Auckland Council. Experience has shown that such division of responsibility and accountability results in dysfunction as separate agencies operate to differing plans and budgets and report to independent Boards with disparate accountabilities. This both increases transaction costs and inhibits timely decision making.

Under the structure proposed above, responsibility and accountability for transport outcomes are aligned within one agency. This recognises the fundamental principle that the transport network in a major metropolitan area like Auckland is a cohesive system. Its overall success is dependent on each of its component parts and its effective integration with land use. Failure of any one sector (rail, local roads, arterials and or state highway development and land use development) can and does have a network wide effect

The benefits of the above structure for Auckland transport are:

- Clear lines of responsibility and accountability and improved transparency for users
- Reduced transaction costs and streamlined decision making
- Responsibility to reconcile conflicting priorities resides within the single organisational structure
- Improved opportunity to achieve modal integration between rail, state highway, regional arterial and passenger transport corridors
- Removal of inter agency conflict
- Improved allocation of limited funds
- Amalgamation of the employee skill base and intellectual property between agencies
- A cohesive agency with which the private sector and other public agencies can engage

Transport is **the key issue** for Auckland. An effective transport network is central to lifting productivity and driving economic growth and improved social outcomes. It is essential that the governance structure is appropriately empowered to implement a long term infrastructure investment and service enhancement programme. This requires clear lines of responsibility and accountability, capacity to determine optimum investment in alternative modes, specialist expertise in service procurement and contract management and de-politicisation of the decision making process.

For each of these key reasons, EMA (N) agrees with the NZCID that this is best achieved by an integrated transport agency with an independent board appointed jointly by the Crown and by the Auckland Council.

Waterfront Development Agency

EMA (N) has some concerns about the proposal for the establishment of a Waterfront Development Agency. These include:

- The justification for a Waterfront Development agency when the Auckland Council will have ownership of the seabed (and through ownership of Ports of Auckland all of the water space, wharves and adjacent land) and all of this 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. Will those with waterfront property that they wish to develop then need to run the gauntlet of both the Auckland Council and the Waterfront 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?

This seems to be a classic case where local government has the potential to be operating outside of its sphere of responsibility. On planning matters as regulator and owner there is a conflict and 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.

A possible way to proceed would be for the Agency to, in quick order, inventory what it has under its control as an owner, establish a broad master plan for the key public assets needed such as a convention centre, cruise terminal or whatever and then progressively release land to the private sector on commercial terms to develop. This would avoid the problem of having nothing happening in Waterfront development. For the public sector to do nothing is always an option and they see nothing wrong with sitting on land provided it is kept attractive and to a reasonable condition pending market demand.

It would be a good idea also to see the Agency compulsorily disestablished after a period of time. If one is still needed it can be put together as the need arises – but too often agencies of this type are created and with no sunset clause they outlive their usefulness and eventually become an end in themselves.

A good example of the sort of “perverse outcomes” that could become ubiquitous under a waterfront development Agency is the current issue around bulk liquid storage on the waterfront. Leaseholders and operators of bulk liquid facilities on Wynyard point are facing non renewal of their leases as the Auckland Regional Council (ARC) seeks to develop the area. The difficulty that has been created however is that inadequate attention is has been

given to where these businesses might relocate and to the timing of the relocation and the establishment of suitable transitional arrangements so that business as usual can continue. Suggestions that the bulk liquids business can relocate to Tauranga are simply not practical and would result in about 10,000 extra road tanker journeys per annum between Auckland and Tauranga, not to mention the increased environmental hazard of shifting large amounts of hazardous materials by truck. And then there is the matter of downstream employment for some 3-4,000 employees in industries that use the product and add about \$300 M per annum to the Auckland regional GDP

In our view the new Waterfront Development Agency would therefore need to be given, as one of its establishment terms of reference, a clear direction to balance Economic, Social and Environmental factors for the good of NZ Inc and the Auckland Region. Only in this way can the perverse outcomes of poor development decisions, such as loss of employment, higher cost of consumer goods, and the need to spend large sums on urgently upgrading roading infrastructure be avoided.

The Water Organisation

Currently all infrastructural assets (including Watercare's) are publicly owned with services managed and retailed differently in each council area. Each city or district has a separate system of tariffs and charges for water, wastewater and stormwater. All customers pay for water based on what they use, while wastewater services are paid through a variety of means. Some wastewater services are charged as part of a rates bill while others are paid separately - either based on water consumption or as a fixed charge. Stormwater is funded from rates. Some infrastructural improvements are funded by developer contributions.

Auckland's water supply mains, wastewater sewers and stormwater networks have a total length of 22,135 km or about 14 times the length of New Zealand. Associated with this network of conduits are 420,508 water supply meters, 48,464 hydrants, 84,718 valves, 110 water pump stations, 141 reservoirs, 517 wastewater pump stations, 150,456 wastewater manholes and 138,481 stormwater manholes.

Watercare Services operates six water treatment plants and sources water from ten dams, one river (Waikato) and one ground water source (Onehunga). Rodney District Council supplements the water supply from Watercare with five water treatment plants using locally sourced water.

Around 136.5 million m³ of treated potable water was supplied by Watercare, the regions wholesaler, to Waitakere City, Manukau Water (Manukau City), Metrowater (Auckland City), United Water (Papakura District), North Shore City and Rodney District Council, which sourced a further 1.25 million m³ of water from its own supplies. Franklin District sourced all its own water and supplied around 3.6 million m³ to customers.

With this divided and extremely complex water, wastewater and stormwater system, it therefore follows that efficient Management of the Three Waters is of critical importance to the well being of the Auckland Region.

In addition, water Infrastructure and specifically how it is paid for is going to become one of the key issues that the new Auckland Council has to deal with. By way of example, the Central Interceptor Project which is next on Watercare's list once Project Hobson has been completed is currently priced at over \$1 billion dollars. This is close to the total value of Auckland Regional Holding's assets. And this is just ONE water project.

We see the main advantages of one unified Water organisation as:

- One Pricing Structure
- One integrated Water organisation- Water, wastewater, and stormwater.
- Integrated Environmental Management.
- One organisation to coherently manage demand reduction across the region. (Demand reduction is the key to long term savings in Capex). This could include region wide charging for water in and wastewater out thereby increasing equity (user pays) and suppressing demand.

EMA (N) has had a presentation from Watercare recently in which they outlined their infrastructure plan to provide for the water requirements of the region for the next 40 years. The presentation identified a number of major projects that Watercare hope to undertake and the levels of expenditure involved. EMA (N) would therefore like some assurance that under the new water organisation structure there will be governance and funding arrangements in place that will allow the Water organisation to continue to proceed with this development plan to provide for the future growth of Auckland.

EMA (N) recommends a single Regional Body to control and manage all water services in the Auckland region. EMA (N) favours a CCO structure for the Water organisation.

3.4 Concerns about the Bills intention to delegate certain decisions to the Local Government Commission

The Bill proposes to delegate a number of extremely important decisions to the Local Government Commission. The Bill stipulates that the Local Government Commission does not have to consult with the general public about these decisions.

The decisions that it proposes to delegate are:

- 1) To determine the regional boundaries of the Auckland region.
- 2) To determine the names and boundaries of the 12 wards of Auckland
- 3) To determine the boundaries of each Local Board area and the electoral subdivisions , if any, of each of those areas
- 4) To determine the number of elected members of the Local Board for each Local Board area and, if the Local Board areas are subdivided for electoral purposes, the number of members to be elected by the electors of each subdivision.

EMA (N) agrees that, under normal circumstances, it is the role of the Local Government Commission to determine electoral boundaries and agrees that in the case of the reform of Auckland Local Governance it is also its proper role to do so.

However because of the intense public interest and concern in this matter due to the Royal Commission process, and the controversial nature of the public debate that has since taken place EMA (N) believes that the public interest is not best served by these decisions being taken by the Local Government Commission without public consultation. Furthermore we do not believe that it is the proper role of the Local Government Commission to determine the number of elected members of the Local Board for each Local Board area. We believe that such a decision is a fundamental matter that should be decided by Government, and soon, so that the general public have at least some idea of what local Boards will look like. This is necessary so that there can be meaningful consultation around Local boards, their structure and function.

A second negative feature about the decision to delegate these decisions to the Local Government Commission is that there is no certainty about boundaries and structure until 1 March 2010. Given the level of public interest and debate some of these decisions need to be taken earlier as by that date the select committee process will be over and with it any opportunity to consult about these matters

One of the absolutely critical decisions that needs to be undertaken with full consultation is that around the southern boundary of the Auckland region.

It has long been recognised that Franklin District has separate needs to the metropolitan areas of Auckland. The proposal to split Franklin District is controversial. It is not supported by a significant number of the residents of Franklin and opposed also by Federated Farmers. There are a number of arguments both for and against splitting the Franklin District. For instance the Auckland urban region does need rural areas for it to grow. At the current rate of demand for commercial and industrial land we will run out in just 8 years.

EMA (N) does not have a fixed view as to whether splitting Franklin is desirable. However we do maintain that is a very important decision and that it is in the public interest to make that decision with full consultation.

EMA (N) recommends that the Local Government Commission consults widely over the question of the setting of the southern boundary of the Auckland region.

3.5 The need for a Long Term Regional Infrastructure Plan (LTRIP) for Auckland

World class infrastructure is central to Auckland's standard of living. The supply of water, energy, transportation and communications underpin the quality of our people's health, education, personal safety and security and our agriculture, trade and commerce, culture and entertainment.

Lifting Auckland's competitiveness at national and international levels, in an open and globally integrated economy will in turn play a large part in driving our nation's future success. Auckland's future prosperity will be determined by our ability to improve our overall level of productivity, trade successfully in international markets and to capture an adequate share of international investment.

Infrastructure is a central pillar of social, economic and environmental and cultural development. Lifting Auckland's potential depends on enhancing capacity for the movement of people, goods, energy and information between different places domestically and internationally. Improvements in terms of time and cost can reduce the disadvantages of distance and will have significant positive impacts on regional and national productivity.

To the extent that we fail to deliver on these essential services, domestic and international investment will be lost to overseas markets. The gap between income per capita for New Zealand and competing OECD nations will continue to increase as it has over the last three decades.

Inadequate infrastructure has consistently been ranked by the investment and business community as the single most problematic factor associated with doing business in NZ. While ranked 24th overall for its relative global competitiveness, the 2008 executive opinion survey undertaken as part of the World Economic Forum's Global Competitiveness Report ranked New Zealand 50th for the adequacy of its infrastructure. Transport and energy were seen as the key areas of concern. Other countries of similar size to New Zealand such as Finland and Denmark were ranked in the top 10, while Australia was ranked 25th for the quality of its infrastructure.

The problem is particularly acute in Auckland where decades of underinvestment caused by local government dysfunctionality and lack of funding have caused a huge backlog of needed infrastructural investment.

Some examples of urgently needed infrastructure investment:

- Motorway network completion
- Three waters upgrade
- Third harbour crossing
- Eastern Corridor/Auckland Manukau Eastern Transport Initiative (AMETI)

- Broadband network
- Ports of Auckland investment
- Rail network
- Public transport generally
- Stadia
- Electricity transmission and generation
- Schools, hospitals, prisons, public housing

Right now, Auckland has a significant infrastructure deficit. The result is poor productivity and increased pressure on inflation and interest rates. This deficit ranges from our roading network through to our energy supply.

Regional Infrastructure Plan needed

The new government plans to develop a 20-year National Infrastructure Plan in conjunction with local government to set a clear direction for vital national infrastructure investment, including the identification of top priority projects.

In conjunction with this it is critical that the Auckland region have its own 20 or 30 year infrastructure plan, and a strategy to fund it. This should link in quite closely with the national plan and will have a lot of commonality with it but will also have significant points of difference.

Much of what will be in the Auckland region Infrastructure plan will not be funded by central government but will need to be funded by the region. The ability for this to be paid for by the ratepayer is limited and so it follows that various partnership arrangements with the private sector may be needed. This is already happening, of course at a national level but the new Auckland Council will now have to seriously consider private sector partnership arrangements on a regional basis as well.

EMA (N) recommends that the Auckland region urgently develops a 20 year infrastructure plan, including a funding plan, and that this be done in such a way that the plan so developed is not inconsistent with the NZ national infrastructure plan.

WE WISH TO BE HEARD IN SUPPORT OF OUR SUBMISSION