



THE ROLE OF LOCAL GOVERNMENT IN ENERGISING LOCAL ECONOMIES

Lawrence Yule, President, *Local Government New Zealand*
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In 2008 the new National-led government articulated a new policy platform, the economic growth agenda, which focused on six key areas to help grow the economy:

- better public services
- regulatory reform
- investment in infrastructure
- education and skills
- innovation and business assistance
- a world-class tax system.

New Zealand's export goals became focused on achieving these objectives.

What was personally disappointing to me was how little local government figured in that discussion, and how conventional thinking tended to portray local government as part of the problem, rather than an inevitable part of any working solution.

A vocal minority (such as Federated Farmers, the Local Government Forum and Business New Zealand) insisted local government made life difficult for businesses trying to expand or relocate. They were completely ignoring the positive contributions local government was already making.

Local Government New Zealand responded. We set about gathering data on local government's role in the New Zealand economy and promoting local government as part of the solution. We set about proving them wrong.

The local government sector's obvious and most recognised contribution comes from investments in business and industry development initiatives, which is around \$142 million a year.

Our local government economic development agency network involves 14 key regional economic development agencies which enable an effective distribution channel for central government business support products and services.

This network has been an important mechanism for central / local government partnering on large economic development projects such as the Rugby World Cup 2011.

Tyranny of distance is the largest barrier we face – so it's vital to have an effective support system in place to grow our exports.

In partnership with government we are already targeting high growth export sectors including aquaculture, petroleum, tourism and major events, medical technologies, processed foods and clean technologies.

Two examples where our economic development agencies are partnering with government to develop high growth exports are a food innovation network and aquaculture.

New Zealand is first and foremost a food producer.

Local government has, through its economic development agencies in Auckland and Manawatu, demonstrated leadership through facilitation and partnership with government and the private sector.

A new partnership with government has been established in Auckland to fund the Manukau Food Innovation Centre. The centre acts as a hub for the food and beverage sector and is based by Auckland Airport.

Leadership for the project was initiated through the local government-funded economic development agency which, in the first instance, facilitated the establishment of the Enterprising Manukau Food & Beverage Industry Sector Group together with the Massey University Food Innovation Centre.

Central government had enough confidence in this project to invest \$22 million to establish a network of export-certified food development and commercialisation facilities for new food and beverage consumer products and ingredients.

As a result an overarching network organisation has been created which has improved the connectedness across the food industry and with food researchers.

Exports of processed foods have achieved 11 per cent compound annual growth over the last ten years and are now worth NZ\$2.1 billion. Sustaining this growth for 15 years to 2025 would deliver \$11 billion in annual exports.

The second example involves aquaculture which is a sector where New Zealand, which is surrounded by water, has real strengths.

The partnership approach with the Opotiki Aquaculture Project is an example of how balancing environmental and economic interests can work and provide positive results for both. The project has seen central and local government work in partnership with various agencies and organisations to:

- ensure fisheries licences and consents for a 3,800 ha marine farm off the coast of Opotiki
- plan and gain approval for a new harbour entrance and harbour facilities in Opotiki.

The key to success involved the identification of obstacles to the development of the marine and harbour which included:

- lack of information about environmental impacts
- fragmented central and local government pathways
- regulatory blocks

- lack of capital
- lack of planning and funding for infrastructural assets.

Addressing those roadblocks through an enabling and can-do attitude in local government, central government, iwi, organisations and agencies has resulted in economic benefits which include:

- heads of agreement with China's largest seafood processing and distribution company, Oriental Ocean, which will create over \$200 million in trade annually
- greater economic resilience and less dependence in an area of high deprivation (currently \$20m is paid annually to people in the Opotiki area for unemployment benefits)
- a 2005 analysis estimated an extra 900 jobs once the mussel farm was fully operational and an additional \$34 million to GDP
- Crown compensation to all Bay of Plenty coastal iwi under the Māori Aquaculture Claims Settlement Act entitling them to the equivalent value of 20 per cent of the marine farm space.

Other potential benefits include:

- improved infrastructural assets
- increased knowledge of the offshore environment
- enhanced social, cultural and environmental well-beings.

But these examples are by no means the end of the story. Our contribution to economic growth goes wider and deeper.

In 2010 LGNZ commissioned research to further identify local government's contribution to the economy and, therefore, the Government's economic growth agenda.

The outcome turned out to be groundbreaking and although it didn't arrive at an exact number, it's given our sector a very powerful measurement framework for changing perceptions and refocusing the sector on our future economic well-being; crucial for healthy communities. Not, I should point out, at the expense of social, environmental and cultural wellbeings.

The framework validates that local government's contribution is not limited to activities delineated as 'economic development' such as the set up of development agencies and their associated activities.

Included are five additional priority areas of leadership, spatial planning and infrastructure, implementation and delivery of regulation, the provision of core services, social and community support, and amenities.

Underpinning these priority areas are sustainability, place shaping, and Māori.

The framework reinforces that while expenditure on business and industry development is often referred to as the contribution of local government to economic development, it's not the only - nor the most important - contributor to economic growth.

Combined, the six priority areas identified in the framework create an environment that attracts, retains, and grows economic activity, at the individual, household and organisation levels.

The relationship of these priority areas to economic growth is explored through the framework, and a clear link, based on theory and practice, has been established.

Our experience in 2008 highlighted that local government's role in the economy is largely misunderstood.

These startling revelations created alarm bells amongst the sector and have prompted a close and critical examination of our contribution to the New Zealand economic development effort.

The ability to demonstrate and measure our contribution has been a crucial component for us to strengthen our credibility with government.

Our challenge now is to show leadership and ensure local government and central government fully understand our sector's contribution to the economy.

Leadership is critical to the success of local economies in New Zealand and – in aggregate – to the success of the New Zealand economy. Leadership can make a demonstrable difference to the economic performance of local authorities.

The effectiveness of delivery in the five priority areas of spatial planning and infrastructure, implementation and delivery of regulation, the provision of core services and social and community support and amenities will depend upon the commitment of local government in setting, supporting and driving a vision, strategy and plan for economic growth.

In summing up I'd like to put forward the following challenges to the sector which must be overcome if we are to partner with government to deliver effective economic development in New Zealand.

The key challenges are:

- 1 Demonstrating leadership by setting, supporting and driving a vision, strategy and plan for economic growth through effective partnerships and facilitation.
- 2 Developing and maintaining a successful partnership with central government focusing on economic development. In other words, being partners in the development of economic policy.
- 3 Ensuring our elected members understand economic development to enable informed investment decisions at a local level.
- 4 Understanding the role our cities play in our economies, to encourage greater collaboration.
- 5 Establishing consistent models for the delivery of local economic development activity.

Thank you.