

SUBMISSION BY THE TAURANGA CHAMBER OF COMMERCE ON THE TAURANGA CITY COUNCIL DRAFT LONG TERM PLAN 2018-28

INTRODUCTION

1. The Tauranga Chamber of Commerce appreciates the opportunity to make a written submission on the Tauranga City Council's Draft Long Term Plan 2018-28. **We wish also to make an oral submission to Council.**
2. The Tauranga Chamber has an active membership of over 850 local businesses made up of SMEs and corporates. We are the oldest (founded 1904) and largest organisation representing business in the region.
3. The Tauranga Chamber is dedicated to the strengthening of the Western Bay of Plenty's status as one of New Zealand's pre-eminent commercial, industrial and communications regions and to assisting its development as a desirable environment for its 120,000 citizens. To this end, the Chamber has sought to establish a partnership relationship with central and local government organisations to help achieve shared delivery of these objectives for Tauranga/Western Bay.

FEEDBACK ON ISSUES RAISED IN THE DRAFT LONG TERM PLAN

4. Changes to the Rating System

Our feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates.

Tauranga businesses are not against paying their fair share of Council rates. There may even be a case for increasing the contribution of rates that businesses currently pay. But a new rates structure must be the outcome of a fair and effective consultation process with the community.

The Chamber of Commerce sees significant procedural deficiencies in the current proposals, and questions whether the Council has fully complied with s. 82 of the Local Government Act 2002 or its own Significance and Engagement Policy.

For any significant change to the current rating system – such as is being proposed in the draft LTP – business owners would have expected to be involved in a longer-term and more robust consultation process initiated by Council that signalled (a) that the current rating system was no longer fit for purpose; and (b) invited the city's ratepayer (and other) stakeholders into a conversation about the Council's ongoing financial sustainability.

Ideally this process should have been initiated a year or more ago to mobilise the community's ideas and to lay the groundwork for possible change. Irrespective of whether the Council's current consultation process is sufficient for legal compliance, an additional pre-consultation process would have been a more effective way to meaningfully engage with the community and to enlist its support.

In addition, it is a well-established principle that where Council is obliged to undertake some form of consultation, the first requirement is that interested parties must be notified so as to enable them to take part in the consultation. *We do not consider that this obligation of notice has been satisfactorily met.*

Some commercial property owners and many in the Tauranga business community feel they have been "ambushed" by draft LTP rating recommendations, and many are still unaware of the proposed changes that are about to directly affect them. (The Mainstreet Tauranga Survey confirms this point.) The formal LTP consultation process has allowed only a relatively small window of time for business owners to comprehend the scale and impact of the changes being proposed, and to respond in making their views known.

At the very least, the Chamber would have expected every ratepayer in the city to have been individually contacted to alert them to the prospect of significant changes to the rating system, and inviting their views on the relevant issues. Relying on standard public notices, social media and on communication through organisations like the Chamber to disseminate the information to their members is, in our view, an insufficient way for the Council to fully notify the community of major changes such as these.

It is not only commercial ratepayers that have been poorly informed but also general ratepayers, many of whom are also unaware of the prospect of significant rates increases if the LTP recommendations are adopted.

5. Rates Change 1: Uniform Annual General Charge (UAGC)

Our feedback is that our members support option 1: status quo to maintain the UAGC as it currently stands.

Council has stated that it wishes to address affordability and equity issues across the community by proposing to reduce the UAGC from 30% to 15%.

However, it has provided no compelling evidence to demonstrate that the current ratios are unaffordable.

Council could have done a better job in explaining the real driver behind this proposal, which is to extract a higher proportion of the increased capital value of

higher value properties (residential and commercial) in Tauranga. It is unfortunate that the Rates Change 1 proposal has become conflated with the rates differential issue. There is a perception that the business community is being asked to make up the difference for the lower UAGC through the rates differential. If the explanation had been clearer, the business community may well have shown more support for it.

6. Rates Change 2: rates differential

Our feedback is that our members support option 1: keep the current ratio of 1:1

We do not support the proposed rates differential due to the following reasons:

- ***Council has not established that rates benefit the commercial sector more*** – The Council does not provide evidence to support that commercial property owners and businesses receive greater benefits from Council's expenditure. Businesses do not make more use of, or place more demands on, council services like transport and stormwater when compared to residents. Being able to claim back the GST on rates, or claim rates as an expense, does not justify the extent of the business differential. The Shand Report on Funding Local Government recommended against rating differentials.
- ***The accumulated effect of rates differentials is punitive for many businesses, especially those in the CBD*** – The additional targeted rates applied to all commercial properties on top of the proposed rates differential effectively increases the differential significantly above 1:1.6. This creates an unfair and punitive effect on many businesses located in the CBD, some of whom face rates increases of 100% or more over three years. Many businesses will be unable to absorb such high increases in such a short period of time, and will have expected a more gradual phasing in of the new rates regime.
- ***Council has not included all businesses that pay GST*** – There is no indication that the Council will apply the differential to all businesses that pay GST such as the 19,000 residential rental properties in Tauranga or the unknown number of businesses working from home. This is inequitable. As long as the Council has a business differential, it has a fundamental obligation to identify those properties and rate them consistently at the business differential to the extent they are used for business purposes. It must do so in fairness to properties that do pay the formal differential rate.

- ***Council has not assessed the rationale of other councils' differentials and the relevant applicability to Tauranga*** – The Council's argument of concluding that other metro councils have higher rates differentials is not a transparent reason to support a rates differential in Tauranga. Instead an assessment of the different factors and issues facing each council, and their reasons for implementing a differential would be required in comparison with Tauranga's current situation.
- ***Council has not properly assessed the impact on those affected*** – The LTP sets out as advice to elected members and information for the public modelling based on the expected impact on the owners of commercial property. That modelling is totally misconceived. The impact is on the tenant. The advice the Council should have received is the likely impact on the tenants of commercial property including the many small and medium businesses in the city which are clearly struggling and often significantly less well-off than the typical residential ratepayer.
- ***Counter-productive to Tauranga City Council's objective to revitalise the city's centre*** – There is clear economic evidence that increasing costs to business ratepayers in the CBD, especially at a time of significant building disruption over the next few years, will have a direct impact on their profitability, as many will be unable to easily pass the cost on to customers. As the Mainstreet Tauranga Survey has shown, a good proportion of CBD businesses are already struggling and many will be forced to look at relocating to cheaper premises or other parts of the city.

We recommend the Council puts the rates differential proposal on hold until it has conducted a comprehensive consultation with the community on the question of the Council's ongoing financial sustainability. At the same time it should obtain more insights and better modelling to assess the true impacts of the proposed changes on those parts of the community that will be most affected, namely ordinary business tenants occupying commercial premises.

7. Rates Change 3 (a) : new targeted rate for resilience

Our feedback is that our members prefer stage 1 investigative costs to be funded from the general rate.

In principle we support the notion of targeted rates as a preferred means of raising additional expenditure, as they are fairer and more transparent.

We also support the need for initial investigative work to be done to identify Tauranga's resilience risk profile and priority capital works.

However, until this investigative phase has been completed and a specific programme of resilience work is identified, we believe the initial phase should be undertaken as part of the Council's normal programme of work, leaving the option open to implement a targeted rate once the nature and scope of future capital works has been identified.

8. Rates Change 3 (b) : targeted rate for city centre investment

Our feedback is that our members support option 1 (funding via the general rate) as a preferred method of funding city centre investment

Our members consider that a strong and vibrant city centre benefits the whole community, and that there is a strong case for the whole community sharing the cost of any improvements to the CBD (as has applied for improvements to other areas such as the Phoenix Park upgrade in Mt Maunganui shopping precinct.)

Given the massive building disruption that is taking place in the CBD, with continuing pressure on parking and transport, businesses in particular will need all the support they can get to maintain their confidence and profitability over this period.

If Option 2 was to proceed, our members disagree with the proposed boundaries of the designated geographic area, and question the inclusion of the predominantly light industrial zone bounded by Cameron Road and Takitimu Drive west of Elizabeth St. We also question the inclusion of Second and Third Avenues.

Our view is that the most immediate benefits of the city centre revitalisation will accrue to properties on the eastern side of Elizabeth St.

The Chamber proposes that the Council adopts a consistent definition of "city centre" that aligns this geographical area with the "Mainstreet" boundaries.

9. Tauranga's Transport Network

Our feedback is that our members have concerns that the Council's preferred option (Option 2) is too limiting, and that the Council should take a more ambitious approach to transport investment.

Feedback suggests that transport is a major issue for businesses and there would be an appetite for businesses and residents to contribute towards alleviating congestion issues, including the possibility of public private partnerships to facilitate development.

The Chamber supports improvements to the transport system but believes that the proposed plan should be more ambitious in addressing road capacity to allow for more cars and trucks – as well as for basic project delivery, public transport, walking and cycling.

10. Kerbside waste and recycling collection

Our feedback is that our members support Option 2: kerbside waste and recycling collection to continue to be privately managed

The Chamber supports improvements to Tauranga’s waste collection service but believes that the best approach is to work within the existing private delivery model that has been in place now for many years.

For the last 24 years Tauranga has had a private sector user-pays system which has provided residents with a choice of bin types and sizes as well as different service levels. It also allows residents to choose how much they spend. Competition between service providers has kept prices down and service quality up.

A rates-funded collection service will almost certainly be one-size-fits-all service - every household will get 3 (or 4 or 5) bins whether they need them or not and every household will have to pay for them even if they don’t use them. The Chamber does not have confidence that a Council operated service will be able to match the efficiencies of the private waste collection operators, and is likely to have been under-costed based on estimates provided.

11. Museum and Library

Our feedback is that our members do not have clear-cut views on either proposal, and are willing to be guided by the outcomes of the referendum and public consultation process.

The Chamber supports the museum and library investments on the basis that previous public consultation has been positive.

However, many of our members have expressed concerns that the museum is being prioritised over other more pressing requirements – such as improving Tauranga’s transport system; and that there is an impression that the business community is being asked to pay a higher share towards these community amenities by way of the differential rates proposal – when the benefits are seen as applying principally to residential ratepayers.

We note the Council has failed to price the cost of any alternative museum option. The combined option does not identify the 'museum' cost.

Our members would consider a (scaled back) combined option as a combined option is the only one to produce a net economic benefit.

12. Tourism Bay of Plenty

Our feedback is that our members do not support additional funding to Tourism Bay of Plenty, but would welcome a review of how investment in all economic development activity is prioritised and coordinated.

The Chamber recognises the importance and value of the tourism economy, and notes that visitor numbers have increased by 19% over the last two years. However, we also note that international visitors account for only 20% of this sector; and that much of the sector is made up of relatively low-value inputs and outputs (when compared against the productivity of other industry sectors, notably other export industries).

The Chamber supports TBOP's intention to provide a stronger focus on the brief of 'destination management' to enable a more coordinated approach to infrastructure and capability development.

However, our members do not agree that an additional targeted rate levied exclusively on the whole commercial sector is the appropriate way to fund the extension of TBOP's existing role. Agreement to this would mean that tourism would consume nearly half the entire economic development budget of the city. It is hard to see the sector justifying that level importance or priority, particularly as this is a tax levied on the whole business community.

We would propose that Tourism Bay of Plenty has a fresh look at its overall brief and strategy, and re-prioritises its expenditure to better accommodate the new focus on destination management from within its existing funding allocation – pending a full review of all economic development funding (see below).

We would also like the tourism industry look for alternative funding vehicles that show a stronger contribution from within its own ranks. We note that, despite the bold headline claims made about the contribution of the industry to the Tauranga economy, there is very low visibility in terms of who makes up the sector; and there is no membership-based body that represents or speaks for it.

13. Economic Development

Our feedback is that our members would like to see a more coordinated and cohesive approach to economic development in Tauranga, and that it is timely

for Council to initiate a comprehensive review of the existing structures, functions and activities.

The Chamber notes that Tauranga has a fragmented and inconsistent approach to the way it supports and delivers economic development, with a multitude of players operating largely independent of each other and with no overall coordinating mechanism in place. Council has also undertaken piecemeal initiatives such as the Digital Enablement Programme, which appear to sit outside existing structures and strategies – and have no lines of accountability back to the commercial ratepayers who are asked to pay the bill.

It is notable that other major centres in New Zealand have made moves in recent years to centralise and integrate their economic development activities to gain better synergies and efficiencies. We believe it is timely for Tauranga to undertake a comprehensive review to see how we could improve on our current economic development delivery model, such as it is.

14. Council Internal HR Costs

Our feedback is that our members would like to see Council demonstrate a more prudent approach to managing internal staff costs and numbers.

Stan Gregec
Chief Executive

16 April 2018
