Chamber of Commerce Tauranga Region Inc.

‘Tauranga Chamber of Commerce’

Submission to Tauranga City Council draft Annual Plan 2020/21

1. Background

1.1. The Tauranga Chamber of Commerce (‘the Chamber’) is a not-for-profit membership incorporated society. The Chamber has been supporting local businesses and commerce in the Tauranga and Western Bay of Plenty subregion (under various structures) since 1904. We currently have a membership of over 650 members and a database of non-member customers of approximately 7000. Our mission is to get Tauranga businesses excited, inspired, feeling confident and supported.

1.2. The Chamber has been supporting local businesses during COVID19 in a variety of ways. We hold the Bay of Plenty’s contract for New Zealand Trade and Enterprise’s Regional Business Partnership (‘RBP’) with Poutama Trust and the EBOP and Rotorua Chambers. The RBP connects local businesses with business mentors, vouchers to build capability with local experts, and R&D funding through Callaghan Innovation. Since mid-March 2020, the three Chambers have issued $350,000 in funding vouchers (85% of the usual annual KPI of $450,000), had 1600 attendees into our skills-based webinar series, connected dozens of new businesses with business mentors, and continued to support local companies apply for R&D funding grants.

1.3. The Chamber would like to thank Priority One and Tourism Bay of Plenty for our combined collaborative approach to reaching as many businesses as possible to ensure they are aware of the Government business support opportunities through the RBP. We have particularly targeted businesses who may be outside of the EDA/RTO/Chamber reach. I would also like to thank Tauranga City Council’s call centre staff who have helped us to ring hundreds of local businesses to spread the message while working remotely during COVID19 levels three & four.

1.4. The Chamber has also increased our communications reach to more local businesses to ensure they receive the latest information on Government requirements. We have also asked our members with subject matter expertise to provide further commentary and supporting advice to help local businesses navigate through these uncertain times.

1.5. Every organisation (private, public, and charity sectors) has been impacted by COVID19. The Chamber is no different as our revenue for events, training, member-to-member promotions and membership has been impacted by Government’s restrictions to address COVID19. Every organisation is quickly having to adjust to the new-normal by understanding customers’ new expectations, building relationships with suppliers, managing cashflow, and working within Government requirements.
2. COVID19 Hardship Fund for Council’s User Fees and Charges

2.1. The Chamber thanks Tauranga City Council (‘TCC’) staff and elected members for their recent decision to provide hardship funding to provide immediate subsidies specific types of TCC’s user fees and charges, particularly focusing on the commercial sector. The Chamber informally approached the local councils CEOs with a proposal outlining suggested ways the councils could provide immediate relief. TCC staff quickly to consider the Chamber’s proposal and then presenting them to Elected Members in a way that achieves good outcomes for the community. The Chamber would like to ensure the implementation of this fund is simple for those in hardship to apply, and staff decisions achieve the initial purpose of the fund: to provide relief to those facing hardship.

Relief Sought: Ensure the COVID19 Hardship Fund for TCC’s User Fees and Charges is simple to apply for, and staff decisions achieve the core purpose of the fund.

2.2. The Chamber supports TCC to work with Government to develop a range of rate payment options for those commercial and residential ratepayers facing significant financial hardship. There are a range of financing and deferral options that TCC should invest resources to carefully and empathically develop and communicate to ratepayers facing hardship situations.

Relief Sought: Develop robust and clear guidance to support residential and commercial ratepayers facing significant financial hardship to appropriately finance their rate requirements post-COVID.

3. TCC’s Budget and COVID19 Response Plan Decision Timelines

3.1. The Chamber supports TCC giving itself time to consider the impact that COVID19 has had on its communities so it can make well considered and informed decisions on the Annual Plan 2020/21. The Chamber supports TCC extending its Annual Plan decision making timeline as long as practically possible to reconsider its initial COVID19 response plan for the next 12-months. The current draft annual plan was created before COVID19 had impacted the global economy. Just as many businesses and community entities are re-evaluating our post-COVID19 response plans, TCC needs time to re-assess its approach. The business community will want councils to demonstrate that they have done all that they can to recognise the impacts of COVID19. Councils should be looking to sell non-strategic assets, prioritise spending, and begin developing financing tools with government, community wealth entities (e.g. TECT, Baytrust, Quayside), and the private sector to execute large infrastructure projects (to be a priority topic for the point raised in 3.2 below).

Relief Sought: Extend the Annual Plan 2020/21 decision-making timeline as long as practically possible to ensure considered and informed decisions are made on the Annual Plan 2020/21.

3.2. The Chamber supports TCC to prioritise resources to ensure it starts its Long Term Plan (LTP) as soon as possible. The 2021-2031 LTP will be TCC’s most important LTP since 2009 (post-GFC response LTP). The Chamber believes that the next LTP should be TCC’s most important strategic priority over the next 12-months as it will action the city’s long-term COVID19 economic recovery plan. TCC should be using the next 6-9 months to consider innovative funding and financial tools to assist with its treasury constraints, reprioritise internal resource allocation, prioritise capex projects, and consider the lessons learnt from the execution of the 2009 LTP, particularly in association with its recovery of development.
4. Commercial Rates and UAGCs

4.1. As part of its decisions to extend the Annual Plan timeline (3.1), TCC needs to re-consider the exponential impact of adjusting both the UAGC and the commercial general rate differential simultaneously on commercial rateable units. Even before COVID19, changing both variables resulted in a proportionately higher degree of rates increase (in real dollar terms) on commercial ratepayers. If the majority of TCC elected members believe commercial ratepayers should pay proportionately more rates than they currently do now, the Chamber urges that TCC brings commercial ratepayers along the journey to make the adjustments gradually and sustainably. This needs to be discussed more robustly during the LTP (see 3.2) as it needs to coincide with a clear plan so commercial ratepayers understand the value-proposition for the rate increases.

4.2. Only a few months ago, the business community was facing other challenges, such as traffic congestion and the availability of the developable land. If TCC develops a robust plan, and businesses have faith that the councils will implement the plan, then businesses may be more open to sustainable rates increase. But at this stage, TCC does not have a plan and there is little faith that TCC could implement that plan. Any additional revenue from commercial rates should be focused towards speeding up growth related infrastructure projects that benefit the business sector (such as reducing traffic congestion).

4.3. There is currently a lot of public commentary on the need for commercial landlords to offer rent relief for their tenants as non-essential tenants face significant cashflow issues following the COVID19 lockdown. The dust is yet to settle on how many tenants will survive through the lockdown period, and any future phases, such as when the Government’s wage subsidy ends on 30 June 2020. Other business challenges include the minimum wage increasing from 1 April, non-essential supply chains are rebooting following the lockdown, and most businesses are operating at sub-optimal productivity levels due to Government’s requirements for physical distancing, cleaning, PPE shortages and contract tracing. Many businesses are considering a hybrid model allowing staff to work remotely as well as at the office. In summary, we are experiencing a seismic change in the commercial tenancy sector and now is not the time to execute the planned commercial rates increases (based on pre-COVID19 ideals) and without a robust plan that outlines the value proposition.

Relief Sought: TCC to reconsider the compounding impact on commercial ratepayers of adjusting both the UAGC and the general rate commercial differential simultaneously, and especially following the economic impact of COVID19.

5. Rates Generally

5.1. Councils play a critical role in encouraging cash to move throughout the local economy during an economic recession. TCC contracts to a number of local businesses to keep lawns mowed, graffiti removed, and pipes and roads maintained. It also invests in enabling infrastructure. A rates freeze now will create issues for future year’s rates as the economy recovers. It would also limit TCCs ability to execute its COVID19 Response Plan. However, a
rate rise as currently proposed in the draft Annual Plan is misaligned with the general sentiments of business community post-COVID19 lockdown. The Chamber supports rates increases in align with inflation, with a view for TCC to look at selling non-strategic assets, reprioritise spending, and develop innovative financing tools with government, community wealth entities (e.g. TECT, Baytrust, Quayside), and the private sector (refer to point 3.2). Relief Sought: TCC to adopt an annual plan 2020/21, keeping rates increases to CPI, while also communicating a clear and user friendly rates hardship support package (point 2.2)

6. Mainstreets and Landlord Coordination
6.1. Retailers and hospitality on the city’s mainstreets pay some of the highest tenancy lease rates in the region per square metre. They are also included in the most impacted sectors by the Government’s COVID19 lockdown restrictions. The city’s mainstreets form a big part of the city’s heart and soul. The mainstreets are facing a double impact after COVID19 as NZ’s borders remain closed to tourists indefinitely and commercial office tenants are considering developing hybrid models where staff can work from home more often. This will particularly impact retailers and hospitality businesses in the CBD as most of the >20,000 people traveling into the CBD each workday are office workers in 1st floor and above tenancies. A new collaborative approach is required amongst landlords and tenants to limit the impact of COVID19 on the mainstreets. A robust plan needs to be developed to help reduce the short-term damage to mainstreets, particularly the CBD. Relief Sought: TCC to work with the Chamber, Priority One and mainstreet organisations to ensure an appropriate response plan is developed to limit the impact on vacancy rates of commercial tenancies on the city’s mainstreets.

7. CAPEX programme
7.1. Given the uncertainty around Government’s post-COVID19 funding of local government shovel ready infrastructure, it is difficult for the Chamber to comment as information will likely change over the coming weeks. The Chamber supports TCC’s application to Government.

7.2. Relief Sought: No Change.

The Chamber would appreciate the opportunity to speak to this submission.

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