



## Tauranga Business Chamber

### Submission to Tauranga City Council's draft Long Term Plan 2024-2034

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#### Submission Details

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We wish to speak to this submission at a hearing – either 13 or 14 February.

#### 1 Background

Tauranga Business Chamber ('the Chamber', 'we', or 'our') exists to support and champion people in business by connecting and enabling our community, while speaking the independent voice of business where it matters.

The Chamber is an incorporated society, established in 1904. We are an accredited member of New Zealand Chambers of Commerce, including 23,000 members nationwide, which is also NZ's gateway to the International Chambers of Commerce and its 45 million members globally. The Chamber's area covers the western Bay of Plenty subregion. We currently have a membership of around 600 members, covering more than 25,000 business owners and employees, and an active newsletter subscription of 7,000 members and non-member customers. On any given month, we engage in-person with more than 200 business people (members and non-member customers) across our events, business support contracts, and meetings. This is in addition to our online and virtual feedback/surveys from our wider business audience. The revenue we receive from local government sources equates to roughly 4% of our total annual revenue.

#### 2 General Submission Comments

We note the unfortunate timing of this public consultation process being close to Christmas and the end of year. However, the Chamber supports TCC's process to have the Long-Term Plan (LTPs) adopted before 30 June 2023 as:

- Council needs to meet legislative requirements, given the ambiguity of the new Government considering any requests from councils for extensions to LTPs due to water reforms;
- Any newly elected council - after July 2024 - will take at least a year to understand the complexities of local government and be able to make informed and effective decisions suitable for LTPs;
- The need to provide certainty and long-term continuity to contractors, developers and other partners involved in capex projects, in order to maintain optimal efficiencies; and
- Future elected councils can choose to propose amendments to the LTP at any stage in the future.

We note the challenges that the local government sector faces, as illustrated by Statistics NZ's recent release of its quarterly Local Authority Statistics (<https://www.stats.govt.nz/information-releases/local-authority-statistics-september-2023-quarter/>). We also note that other metro councils across NZ are proposing rate increases much higher than what is proposed in TCC's draft LTP.

What shapes our remaining feedback and comments is that the economy has certainly changed in the past 12-18 months, as has the ability and willingness of local businesses to accept significant increases to the commercial rates that were proposed in the 2021 LTP and subsequent annual plans.

Overall, feedback from our business audience (members and non-member customers) is their preferred approach is likened to the strategy behind Wayne Brown's successful Auckland mayoral election: *to complete projects before starting new ones*. We believe this is reflective of the wider business community's ability to pay in a weakening economy, as well as their response to the cumulative burden of construction-related disruptions experienced across Tauranga city in recent times.

### 3 Financial Strategy

#### 3.1 Overall comments

Overall, the Chamber recognises that the current local government funding and financing tools are not going to adequately meet the city's needs in the long-term. In-principle, the Chamber supports TCC's continued approach to work with Government to develop new tools to deliver and maintain necessary local infrastructure efficiently and effectively.

#### 3.2 Funding – Paying a Fair Share:

TCC should better recognise that businesses have largely accepted the recent rapid increases of the commercial rates differential to address the city's key challenges since the Commission has been established.

Chamber recommends: Amend the following sentence under 'Funding – Paying a Fair Share':  
*"Residential ratepayers contribute a lessor ~~different~~ percentage of capital value than commercial and industrial ratepayers reflecting their benefits and impacts on council services ~~and ability to pay~~."*

#### 3.3 Appendix 2 – Operational Revenue and Expenditure

The Chamber supports TCC to maintain appropriate staff budgets to deliver efficient and effective services. We have concerns in the *'in-housing of maintenance contracts and increased maintenance requirements particularly across spaces and places and transportation'* (pg 20). A competitive supplier

network already exists in these fields. We support TCC to work with the competitive supplier market and instil robust performance monitoring of the service delivery contracts.

Chamber recommends: Maintain appropriate staff resources by only insourcing services where a competitive supplier market does not exist, which are not the Spaces and Places and Transport functions.

### 3.4 Commercial and Industrial Differentials

The Chamber supports the logic behind the new proposed industrial rate differential. However, TCC needs to acknowledge that this is a new initiative and industrial businesses have low awareness of this proposed new rate. TCC should make provision to roll out the industrial rate gradually. We note that a tipping point will soon be reached in the future where rising commercial/industrial rate differentials, based on capital valuations, will push firms to limit the size of operations and capital, which will raise the barrier for new firms bringing new and innovative goods and services to the city. This is a key recommendation by independent consultant, Sense Partners, in a recent report commissioned by the Wellington Chamber of Commerce to Wellington City Council on their rates review (2023, [source](#)).

Chamber recommends: Create the proposed industrial rate differential, but roll it out in a slower transitional capacity, recognising that it has low awareness with industrial businesses.

Develop a longer-term strategy for a more balanced approach to raising revenue that recognises the current approach of continued increases to the commercial/industrial rates will reach a tipping point of discouraging productivity, innovation and capital investment into the city.

## 4 Infrastructure Strategy

### 4.1 Overall Comment

Businesses and developers believe that the western Bay of Plenty subregion will experience a sharp property boom in the next 2-4 years, given the current suppressed demand (e.g. tight lending conditions) and suppressed supply. We acknowledge that it takes years for TCC's planning and infrastructure to support new housing to come to fruition, therefore, the Chamber supports TCC to prioritise its focus on enabling new housing and transport infrastructure to happen now in preparation for future property spikes.

Chamber recommends: Prioritise TCC's future infrastructure focus on enabling new housing and transport infrastructure in the likely anticipation of the next housing peak in 2-4 years.

### 4.2 Climate Change and Resilience:

We recognise that a changing climate and resilience of communities, particularly of industrial zoned areas across Tauranga, will be faced with significant challenges.

Chamber recommends: Ensure the Chamber is consulted early on proposed tools and methods to provide resilience to areas at risk of the impacts of a changing climate and rising seas levels / water tables.

## 5 SmartTrip / Variable Road Pricing

Despite the strong negative feedback we have received from our business audience on TCC's SmartTrip proposal, the Chamber needs to be intellectually honest; we have asked councils (and governments) for better financing and funding tools for councils to deliver better transport and housing enabling infrastructure for growing cities. The current tools will not deliver what is required for Tauranga's predicted doubling its population over the next 50 years. We acknowledge that despite any future regional/city deals with Government, locals ultimately end up paying; whether it is through property rates, government taxes, or user fees. We also acknowledge that the current transport model is not working for any region in New Zealand – urban or rural, big or small.

Overall, the Chamber does not support the introduction of variable road pricing, but we do support that we need to further investigate options new tools for funding and financing transport and development enabling infrastructure. Below, we have set out the issues that our business audience has informed us regarding the SmartTrip proposal. We also note that the Government is also proposing substantial changes to transport funding, which makes this an opportune time for Tauranga be a leader in addressing metro transport funding. Where possible, the Chamber would like to help TCC's business case proposal to ensure it is robust, comprehensive, and includes realistic human behaviour assumptions.

The Chamber cannot support the variable road pricing as it currently stands because:

- Our straw poll in June 2023 said 70% of our business audience disagreed with variable road pricing, which is consistent with the recent AA survey showing 84% of their members disagree ([source](#)).
- It's primarily targeting people commuting to and from school and work. Therefore, business leaders' main concern is the impact on their employees, and their future employment decisions. For instance, staff are already asking for more pay, greater workplace flexibility, and an anecdotal trend of workers finding other work for more convenient travel options.

The key reasons why, right now, the majority of our business audience does not support the SmartTrip proposal, are:

- There is a lack of trust with local transport capex delivery (based on the delivery transport projects over the past decade – both Government and council). This is also linked to an overall frustration and disagreement with New Zealand's current transport direction, led by the draft GPS. It has unrealistic and utopic goals to reduce VKT, such as avoiding travel altogether, or getting more people to use buses and bikes.
- The proposal creates incongruencies within TCC's strategies and priorities, such as investing in the city centre to be the commercial and civic heart of the region.
- It relies on good public transport alternatives, which there is not in Tauranga. The Helen Clarke Foundation (November 2023: [source](#)) suggests congestion charging should not occur where there is inadequate public transport available.
- The new coalition Government is reviewing the bigger picture on future transport funding sources, including government subsidies, fuel tax, road user charges etc. ([source](#)). There is a risk that Tauranga's road users could potentially be paying twice for a per km rate (ie. via road user charges and 'SmartTrip').

- Driving is considered by users as an inelastic and essential cost; therefore, it will likely have a marginal impact on demand on the fringes. It's highly unlikely to influence heavy commercial vehicles ('truckies') usage as their biggest determinant of travel times is managing their drivers' hours. As an example, we understand the Port of Tauranga has peak demand pricing and that has not noticeably impacted the timing of truck movements, of which driver hours are believed to be the main reason. Strong majority of business leaders say additional costs will just be passed on to customers, as suggested by Robert Hamlin - Senior Lecturer in Marketing, University of Otago ("*Pain at the petrol pump will do little to get us out of our cars*" [source](#)).
- Other metro cities need to implement variable road pricing at the same time to maintain equitable solutions, where all cities are funding their own transport solutions. This is not currently the case given Tauranga's soon-to-have 3 out of 4 of NZ's toll roads.

While we have shared some top-level concerns on variable road pricing, we also agree that maintaining the status quo transport funding arrangement for our growing subregion is not an option we can support. We also note that variable road pricing could be likened to TCC's decision to instate universal water supply metering and volumetric charging across the city decades ago. This contentious decision achieved reductions in peak demand, and it resulted in substantial deferment of capital expenditure.

Chamber recommends: Do not commit to variable road pricing, but proceed with the next stage business case seeking genuine input from employers and transport users.

## 6 City Centre / CBD

### 6.1 Continued Support for Community Liaison Roles

The Chamber strongly encourages TCC's continued funding of community liaison officer roles – like the role filled by Paul Mason – who provide an effective interface between socially disadvantaged people (aka homeless), Police, wrap-around services, and businesses. Anti-social issues are major issues for mainstreet ground floor and corporate businesses. Police have limited capacity and capabilities to provide long-term solutions for socially disadvantaged people who face a variety of challenging circumstances. Many businesses have welcomed interactions with Paul and wish for roles like his to continue.

Chamber recommends: Continue to support the role of community liaison officers to facilitate long-term outcomes socially disadvantaged people (aka homeless) to support better facilitation of agencies, police, businesses, and wrap-around services.

### 6.2 CBD carparking buildings

The Chamber recognises the implications of TCC selling its carparking buildings; TCC would need to increase the on-street rates to increase the value of the carpark buildings. Should TCC decide their carpark building need to be sold, it should be conditional on the same number of carparks being available to the public.

Chamber recommends: Should TCC sell its city centre carparking buildings, it should be conditional on the site containing no fewer public carparks than at the time of being sold.

### **6.3 Development contribution incentives (discounts) for city centre development**

The Chamber acknowledges the global trend that people are shopping closer to home. Tauranga's CBD is still currently a 9-to-5 work week destination, as opposed to a seven-day destination. Having more living and accommodation options in the city centre will provide a strong base for addressing a variety of city centre problems.

We're not in a position to confirm whether removing development contributions for the city centre would be the tipping point for whether development projects will proceed in the CBD or not. Nevertheless, we support the council working with the development community to responsibly develop ways TCC can support future private sector development in the city centre in order to achieve self-sustaining vibrancy and a prosperous environment for its small business operators.

Chamber recommends: Work with the development community to encourage private sector development in the city centre in order to achieve self-sustaining vibrancy and a prosperous environment for its small business operators.

### **6.4 Community Stadium at Wharepai Domain**

The Chamber supports only funding more research as key assets at the Domain reach the end of life – e.g. the athletics track. We are not favour of including the stadium construction costs in this LTP, primarily due to the accumulative economic impact on businesses, and on-going opex affordability issues. It's worthy of wider discussion in the future with an elected council.

Chamber recommends: Do not fund capex for a community stadium in this LTP. Make allowances for further research as existing assets at Wharepai Domain near their end of life.

## **7 Regulatory Services**

The Chambers wishes to acknowledge TCC for its improvements in its regulatory, consent and compliance processing outputs. The post-covid spike caught most stakeholders by surprise. Similarly, TCC needs to anticipate future growth spikes as the city's suppressed demand and supply will likely be unleashed as the official cash rate (OCR) lowers and immigration levels remain high. TCC should be thinking outside the box to prepare for the likely next spike in building consents coming in the next 2-4 years. We will support and advocate to Government for constructive ideas to reduce legislative red tape and improve local government process improvements to its regulatory and compliance functions.

Chamber recommends: Continue to deliver - and advocate to Central Government for - more process efficiencies and customer transparency initiatives in building consent and compliance processes, in anticipation for a likely future spike in applications in the next 2-4 years.

## 8 Support and Compensation for Impacted Businesses

Complaints from businesses and their employees impacted by disruptions from numerous major capex projects across the city has been a common theme for the past 12-18 months. Tauranga's businesses will face construction-related for the long-term foreseeable future as the city is predicted to double its population in the next 50 years, such as the \$3.4b over the next 10 years as proposed in this LTP. We recognise TCC's concerns about providing financial compensation to businesses, as they would be funded by other ratepayers. However, we support other key mitigations that TCC could provide:

- a) Ensure promises and commitments to businesses are kept. This includes maintaining clear access to businesses for staff and customers, communications to inform customers whether businesses are still accessible to customers, and clear two-way project communication channels for impacted businesses.
- b) Be upfront with likely capex project timelines. The strategies that businesses need to deploy to get through 6-months of construction-related disruptions are very different from the strategies needed to endure 12-18 months of construction-related disruptions. Businesses need to know likely timeline possibilities from the outset so they can prepare. TCC should look to avoid situations where a business prepares for 6-months of disruptions in accordance with TCC's communications, but the project related disruptions endure for many months longer than planned. This is particularly important if businesses are approaching premise lease renewal negotiations.
- c) Support businesses in developing strategies to get through the disruptions by expanding the scope of the Chamber's SEBA business support contract to new small businesses, to include established small and medium businesses (50 employees or fewer). We aim to provide 1:1 and/or small group training sessions for business strategy, financial fundamentals, digital marketing, and other services as required.

Chamber recommends: Work with the Chamber to review how TCC can support directly impacted businesses from enduring construction-related disruptions caused by TCC's capital projects.

## 9 User Fees and Charges Policy

The Chamber notes TCC has proposed to increase the proportion of revenue gained from user fees and charges. We note community groups will likely provide strong feedback and TCC will likely agree to smooth the rollout of increasing user fees and charges for community groups. Chamber supports TCC to make provision for transferring some of these fees back onto commercial ratepayers, but keep within the current rates setting (i.e. prioritisation is required).

We support the increase in fees for planning, building and regulatory services, subject to it resulting in better levels of service. Fee increases of this degree need to result in:

- improved adoption of technology and procedures to improve productivity and efficiencies;
- improved processing times and reduced time delays; and,
- better customer communication and transparent/live-progress updates.

These improvements are particularly important where businesses must receive Council approval of permits, licences or consents in order to operate.

Chamber recommends: Keep commercial rates within the rates setting, should TCC agree to smooth the rise of user fees to community groups.

Ensure any rise in fees for regulatory services result in improvements to levels of service.

## 10 Performance Measures

Chamber thanks for TCC for agreeing that business development is an important part of economic development with its continued support of the Chamber's SEBA contract to help new and recently new businesses on their journey It provides an important first step where Government resources (that we also deliver) is for more established businesses.

Having said that, on behalf of our wider business audience (members and non-member customers) who pay the commercial targeted rates to fund economic development, we wish to make the following comments on the proposed Economic Development levels of service performance measures:

- a) Performance measures provide a good communications tool to inform the payers of targeted rates on the value they receive for their investment. We have noted that Priority One is not mentioned in the levels of service measures. We observe that it would be good practice to include some performance measures of key services that Priority One uses commercial rates to deliver, especially in context of the level of funding Priority One receives from commercial ratepayers.
- b) SSP75, 76, 78: We note that TCC has proposed to include just one service output KPI in this economic development section that holds a contracted partner directly accountable – ie. SSP77 holds the Chamber directly accountable for our ratepayer funded service delivery. The other KPIs (SSP75, 76, 78) are indirect performance measures, and are arguably more reflective of wider economic conditions than of the direct levels of service delivered by TCC's partners. It's acknowledged that TCC has a range of mechanisms to track the service delivery of its partners - e.g. contracts, letters of expectations, reporting, or a seat on a partner's Board. However, setting performance measures that track direct levels of service delivered by partners in quarterly and annual reports provide a much higher degree of communication opportunities and transparency.
- c) SSP77: The Chamber supports TCC's decision to partner with us to deliver business support services, as we have done so for more than 10 years. We have agreed to be included in the levels of service performance measurement framework for the reasons stated in the points above. We also wish to note that it is an ambitious (or stretch) KPI relative to the funding received as it requires an average of >4 meetings with eligible businesses for every week of the year.
- d) Equally, if other stakeholders – e.g. Tauranga Maori Business Association – are to receive similar funding levels as the Chamber receives for the delivery of SSP77, which we support, we also recommend that measures of their service delivery are included in this performance framework.

Chamber recommends: Include genuine levels of service KPIs for economic development that reflects the funding provided to partners.