



Submission by

The Employers and Manufacturers Association

to the

Tauranga City Council

on the

**2022-23 Annual Plan and 2021-2031 Long-term Plan
Amendment**

26 April 2022

About the EMA

The EMA has a membership of more than 7500 businesses, from Taupō north, employing around 300,000 New Zealanders.

The EMA provides its members with employment relations advice from industry specialists, a training centre with more than 600 courses and a wide variety of conferences and events to help businesses grow.

The membership covers all industry sectors and all business sizes. The EMA (N) has a duty to our members to keep them informed on what changes are being planned that will both positively and negatively alter the way they manage their business. We are actively encouraging our members to be more proactive in this space to enable them to mitigate the slow and unrelenting changes that are unfolding.

The EMA also advocates on behalf of its members to bring change in areas which can make a difference to the day-to-day operation of our members, such as RMA reform, infrastructure development, employment law, skills and education and export growth.

CONTACT

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Introduction and background

Thank you for the opportunity to give feedback on the Tauranga City Council's 2022-23 Annual Plan and the 2021-2031 Long-term Plan Amendment proposal.

Our mandate is to advocate on behalf of business. Our mission is to make business more successful.

The EMA has 813 member businesses in the wider Bay of Plenty region, with many based in Tauranga, or supported by the Tauranga eco-system; ports, roads, services, labour; as well as a long-standing Tauranga office and we have a strong interest in seeing the region grow.

Tauranga has had historic under-investment in infrastructure. To enable our businesses to continue growing, thriving, and supporting our communities we believe investment in infrastructure is a key to unlocking potential and support Tauranga City Council and the Commissioners for their long-term thinking and vision to develop a vibrant city centre and further develop the wider Tauranga area.

We are however, cautious around increasing costs for business, especially big jumps in short periods of time given the current business environment. Many businesses are struggling with Covid-19 impacts and many other increased costs on business in the last couple years-with more looming.

2021-31 Long-term Plan Amendment

1. Which option is best for the development of the civic precinct?

- *Option 1 (preferred option): Te Manawataki O Te Papa (Civic Precinct) Masterplan (Refreshed 2021) at an estimated capital cost of close to \$303 million, subject to achieving 50% of the required funding from sources other than rates-funded debt. Estimated net cost to ratepayers of \$151.5 million.*
- *Option 2: Civic precinct projects and services currently included in the 2021-31 Long-term Plan (modified status quo option with updated costings) at an estimated capital cost of just under \$127 million.*
- *No opinion*

The EMA supports the adoption of the preferred Option 1- on the basis that 50% of the funding will be from non-rated sources - as a comprehensive, integrated approach to city building.

We believe this wider 'precinct' view will allow for faster growth within the city and enable a thriving CBD that will both provide for current and future populations. The investment in this approach will give confidence to businesses to increase private investment in the city centre

This option also avoids prolonged disruption and enables more impact through being able to access government funding giving more value to the Ratepayers investment.

We do note the Auditors comment on 'Uncertainty over external funding contributions for the Civic Precinct capital programme' and recommend that if the level of external funding is not achieved, alternate funding models should be transparent and ring-fenced such as user-pays fees & charges, Special Purpose Vehicles (SPV's) and targeted rates.

2. Which option is best for funding the Western Bay of Plenty Transport System Plan (TSP)?

- *Option 1 (preferred option): Apply for IFF funding to contribute \$200 million to the delivery of Western Bay of Plenty Transport System Plan projects, funded by an annual levy on all eligible properties (subject to Government approval).*
- *Option 2: Status quo - Do not proceed with an IFF arrangement and retain the higher transport targeted rate and other rating for debt repayment, as presented in the 2021-31 Long-term Plan.*

The EMA prefers Option 1, applying for IFF funding for contributions to the WBOP TSP. Tauranga businesses and their staff rely on being able to move around the city efficiently and safely and there are many key areas that need investment for improvements in the near future.

The use of SPV's as the funding mechanisms of both the Western Bay of Plenty Transport System Plan and Tauriko West is an approach that has worked successfully in other areas. We support using this funding model as an effective way to fund required infrastructure and services related to these specific plans.

We note the Auditors comment on 'Uncertainty over proposed funding mechanism for new infrastructure projects' which raises the question around assuming financing costs and government approval, but we believe that the benefits of using this model outweigh the uncertainty. However, we would like to see what a Plan B would look like if certain projects needed to be delayed or reprioritised due if there are issues.

3. Which option is best for funding Tauriko West?

- *Option 1 (preferred option): Apply for IFF funding to contribute to Tauriko West infrastructure, funded by an annual levy on the properties which benefit from that investment (subject to a competitive finance rate and Government approval).*
- *Option 2: Status quo: Do not proceed with an IFF arrangement and fund the development, when possible, via the Council's usual funding methods (development contributions).*

The EMA supports the preference for Option 1 to support applying for IFF funding to contribute to Tauriko West. This development has the ability to unlock 8,500 jobs and 15,000 houses, and infrastructure development and connectivity is the key to unlocking these gains.

As above (question 2), we support the use of SPV's as funding mechanisms for the Tauriko West project and believe the benefits outweigh uncertainty around the new model- although would like to see what a Plan B would look like.

Annual Plan 2022/23

4. How quickly should TCC change the commercial differential on the general and transportation targeted rates?

- *Option 1: Increase over one-year (from current 1:1.6 differential to 1:2.13 (general) and 1:5 (transport targeted rate) for 2022/23).*
- *Option 2 (preferred option): A phased increase over two years (from current 1:1.6 differential to 1:1.9 (general) and 1:3.33 (transport targeted rate) for 2022/23).*
- *Option 3: A phased increase over three years (from current 1:1.6 differential to 1:1.8 (general) and 2.51 (transport targeted rate) for 2022/23).*
- *Option 4 - status quo: No change (keep the commercial differential at 1:1.6 for 2022/23).*

The EMA has always opposed differential general rates for business on the basis that there are certain services that businesses don't use which residents do, and much of the shortfall could be made up of user charges which are generally much lower than allowed.

Businesses are facing many challenges right now; continued impact of Covid-19, supply chain issues and increased costs, staff shortages, rising inflation as well as increased costs and pressures from central government, with more still to come.

It is a difficult time to be adding costs to businesses.

However, considering the specific situation in Tauranga with decades of underinvestment, low commercial rates compared to other comparable cities in NZ, and general support across the business community to contribute, we do somewhat support a shorter-term increase in the general commercial differential to allow for this infrastructure investment.

We would want to be confident that the local business community is in broad support of this approach, as well as seeing this reviewed periodically, and alternate options for funding considered. Other funding models based on beneficiary pays like targeted rates, SPV's and user-pays are transparent and allows charging to be more proportional to the level of services provided to commercial ratepayers.

Given that 52% of daily trips are completed by the commercial/industrial sector, we support a fairer share of targeted rate split to bring the share of transport rates to 50%/50% commercial/residential. However, going from 1:1.5 to 1:5 is a large jump, so we think a phased approach is best.

Taking those points into consideration, we prefer Option 4 – status quo, but aren't opposed to Option 2 on the basis that the wider business community feels this is the best approach, and that it is reviewed regularly with a view to reducing the commercial differential on the general rate as quickly as possible.

6. Other views on the Long-term Plan Amendment, Draft Annual Plan 2022/23, Draft Development Contributions Policy or Draft User Fees and Charges.

We do not support the Development Contributions 15% increase as much of the increase appears to be for non-core services and we suggest the use of alternate funding mechanisms instead.

We support the Draft User Fees & Charges increase of mostly 5.9% in line with inflation, and the reasoning behind the other charges that sit above this rate. The exception would be the over 100% increase in the Amended Plans cost under Building Services.

We'd like to see either more detail around reasoning behind such a marked increase, or a commensurate increase in services to align with the increase.

Conclusion.

The EMA broadly supports much of the Long-Term Plan Amendment, however with the Annual Plan proposal we are mindful of the overall increase in costs to business. In the current environment where businesses are having to overcome many challenges from different angles, it's important to weigh up the needs of the city against the potential impact on the business community- who are crucial for providing employment, goods, and services to the city and enable a thriving local community.

We acknowledge the need for stronger investment in the city, however we encourage Tauranga City Council to be cognisant of the pressure on businesses, and where possible look to reduce costs on business and/or explore other funding models to enable the commendable vision the Council has for the city.

We would like to thank Tauranga City Council for the opportunity to submit on the Long-Term Plan Amendment and the Annual Plan 2022-23.