

Draft Application for Local Government Reorganisation

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PROPOSAL FOR A UNITARY
AUTHORITY WITH LOCAL BOARDS
FOR THE WELLINGTON REGION

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1 INTRODUCTION

This application to the Local Government Commission is about the future of Wellington.

The Wellington region is not broken and it is not dying. But it is an inescapable fact that we can do much more to ensure that those who will be making their big life choices in twenty years' time have the incentive and means to stay in Wellington as part of a thriving community that is healthy in every respect.

Local Government is not the only actor that can influence the future. But it does have the ability to set parameters and provide platforms for communities, businesses and individuals to be able to make positive choices. Thus the application is about not only what local government could do, but about how we can work in a more productive way with other partners.

In putting together this application we have followed a principled approach, drawing on work and thinking that has been current in the region for nearly six years. This has included significant community engagement and analysis, which has enabled us to look at the functions of local government and then at the structural options that will best enable those functions to be performed.

In particular we have been concerned to protect and enhance the idea and the actuality of local democracy. Local government reform is not about the centralising of decision making. It is about enabling the decisions to be made in the right places by the appropriate community representatives and, at every level, providing for authentic community engagement. Thus we have followed what is now commonly described as the principle of subsidiarity, by which local communities make decisions about the issues that directly affect them and the regional community and its representatives make decisions about wider regional issues.

At present we have nine councils in the region, eight territorial authorities and one regional council, serving a population of just under half a million people. There are issues in most of our communities and some are hard to address, but the current structure does not easily allow us to reach across boundaries or develop a united view. This does not seem to make sense given the interests we all share as residents of the region. Many of us commute into the Wellington City CBD each day for work, while we all in various ways have parts of our lives touched by institutions and their services in different parts of the region.

In putting together this application we have taken a close interest in what has happened in Auckland. Is it too soon to make a judgement? Perhaps in some areas, though there is no doubt that successes are being experienced. There have also been some decisions on function and structure that obviously have not worked well. We are in the fortunate situation of being able to advocate for the creation of our own future rather than have it "done to us" and we should take advantage of this by learning lessons from Auckland.

While this debate has been significant for those involved in local government in the Wellington region, for many of in our community it is distant and possibly seen as irrelevant. We are making this application because we believe local government is very relevant. We also believe that it should function so smoothly and successfully that it is simply something that goes on in the background. What we decide and deliver, and how we engage our communities, should enable all our residents to develop their talents and ambitions and to be positive citizens of our local communities, our region, our country and the world.

2 PRINCIPLES GUIDING THIS APPLICATION

This application has been developed following a principles-based consideration of governance options for the Wellington region. Guidance was derived from two key sources:

Firstly, a resolution of Wellington Regional Council, dated 12 December 2012¹, that stated:

That the Council:

... 3. Agree that the main reason for any agreed reform in the arrangements for regional and local government in the greater Wellington region would be to reinforce the collective capacity and shared capability of all regional and territorial agencies to:

- a) efficiently deliver all the statutory purposes of the Resource Management Act 1991, having particular regard to the well-beings defined in that Act*
- b) protect the democratic basis for the mandatory payment of rates/taxes to support and enable the efficient delivery of regional and local services*
- c) facilitate collaborative strategic planning, regulation, evaluation and investment in services and activities likely to have an enduring impact on the social, economic, commercial, environmental, civic or cultural interests of current and future generations of citizens in this region, and their comparative wellbeing in New Zealand as a whole.*

Secondly, the final report of the Joint Working Party², that stated:

To be able to deliver good local government, structures need to enable local government in Wellington to be:

- ▶ **Strategic:** Capable of generating a shared vision for the region, but also having the capacity to be able to deliver on regional and local priorities, strategies and plans. This developing view of the role of councils requires that they are not just financially robust but also have the skills and resources “to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change”.
- ▶ **Resilient and adaptive:** Able to accommodate changing circumstances, including unexpected and high-impact events; and resilient into the future.

¹ Minutes of Wellington Regional Council meeting held on 12 December 2012

² Pg 8, Realising the potential of the Wellington Region – Conclusions of the Joint Working Party on Local Government Reform, March 2013. The Joint Working Party comprised representatives from Wellington City Council, Porirua City Council, Kapiti Coast District Council and Wellington Regional Council. See Appendix Six.

- ▶ Democratic and ensure engagement and decision-making occurs at the right level: Provide for authentic neighbourhood level engagement and decision-making on local issues while allowing the regional community to make decisions on issues that span a larger area and impact on more people.
- ▶ Integrated and co-ordinated: Enable an integrated approach to key regional networks, infrastructure, assets, amenities, and services, making the most of the scarce resources and capabilities available across the region.
- ▶ Representative and responsive: Able to represent and be used by diverse communities to serve their own needs and aspirations; provide individual citizens with opportunities to access decision makers and to influence decisions on the issues that matter to them.
- ▶ Transparent and accountable: Transparent and providing clear accountabilities for delivering outcomes, using public funds, and stewardship of public assets.
- ▶ Financially sustainable: Cost-efficient and financially viable, with adequate and appropriate funding tools to support activities.
- ▶ Effective and efficient: Deliver the core local government services to citizens effectively and efficiently.

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3 APPLICANT DETAILS AND SUPPORTING PARTIES

Relevant requirements of the Local Government Act 2002:

Schedule 3, Clause 5(1):

(a) the name and address of the person making the application; and

(b) if more than 1 person is making the application, the name and address of the person who is representative of the applicants

3.1 Parties to the application

In accordance with Schedule 3 of the Local Government Act 2002, this application for reorganisation is made by:

Wellington Regional Council
142 Wakefield Street
PO Box 11646
Manners Street
Wellington

Contact:

David Benham, Chief Executive Officer
Phone: 04 830 4205
Email: david.benham@gw.govt.nz

3.2 Supporting parties

The following parties have indicated their support for this application, but are not joint applicants:



4 DESCRIPTION OF THE PROPOSED CHANGES

Relevant requirements of the Local Government Act 2002:

Schedule 3, Clause 5(1):

(c) – description of the proposed changes, including (but not limited to) –

(i) which of the matters listed in section 24(1) is being sought; and

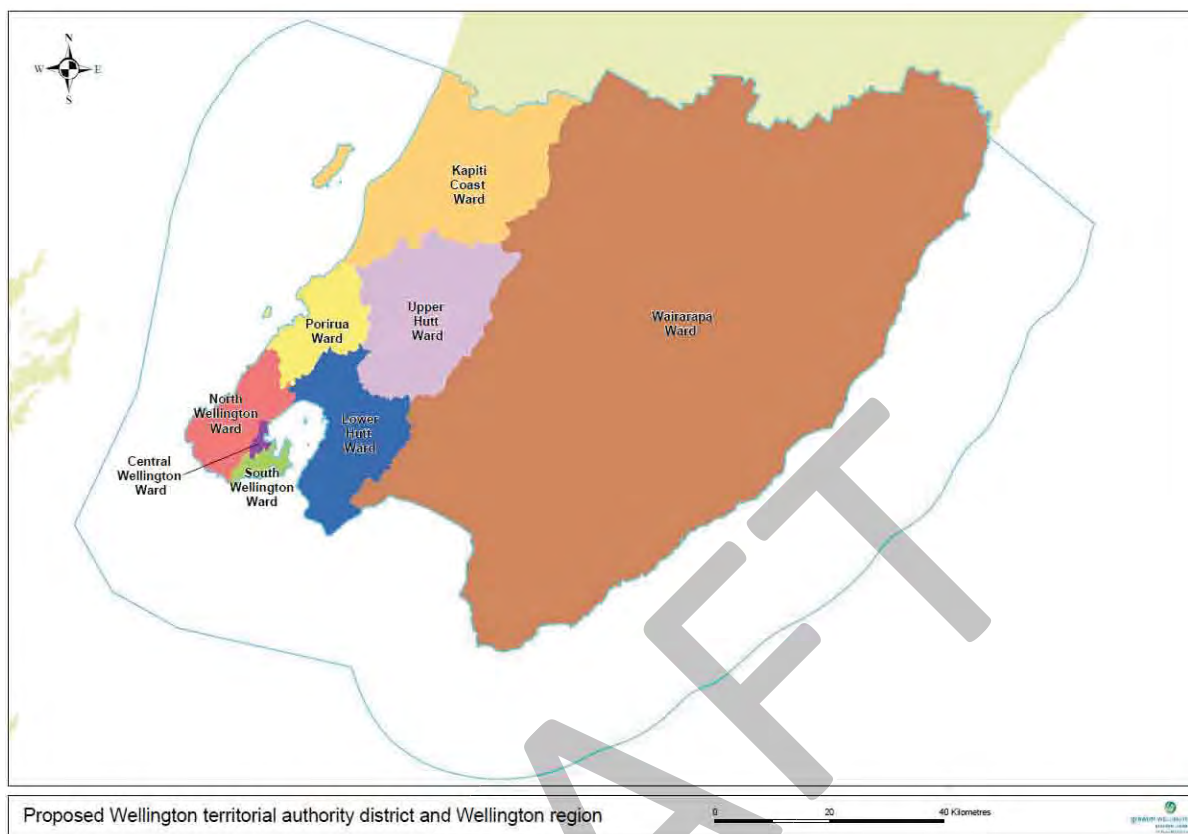
(ii) a plan or other description sufficient to identify the affected area or affected areas concerned

4.1 Matters listed in section 24(1)

In accordance with section 24(1)(a),(b),(c) of the Local Government Act 2002 (the Act), this application provides for:

- ▶ The abolition of the Carterton District, Kapiti Coast District, Masterton District, South Wairarapa District, Lower Hutt City, Porirua City, Upper Hutt City and Wellington City and the dissolution of the local authority for each of those districts and cities
- ▶ The abolition of the current Wellington region and the dissolution of the Wellington Regional Council
- ▶ The constitution of the Wellington region and Wellington territorial authority district, encompassing the area of the abolished Carterton District, Kapiti Coast District, Masterton District, South Wairarapa District, Lower Hutt City, Porirua City, Upper Hutt City and Wellington City and the adjacent area of the territorial sea
- ▶ The local authority for the Wellington region and the Wellington territorial authority district to be a unitary authority with local boards known as the "Wellington Council"
- ▶ The alteration of the boundaries of the Manawatu-Wanganui region to include that part of the Tararua District that falls within the boundaries of the abolished Wellington region within the boundaries of the Manawatu-Wanganui region.

Map 1 - Proposed Wellington territorial district and Wellington region



Further detail on the suggested ward boundaries is provided at Appendix One.

4.2 Tararua boundary adjustment

Eleven properties (6745 ha) within the Tararua district, adjoining Masterton district, fall within the Wellington region. This area, being the Mataikona River Catchment, was included in the Wellington region for catchment boundary reasons and because of landowner preference for the service levels offered for land management and pest management in Wairarapa at the time the Wellington Regional Council was established (1989). Today, the difference in service levels for these functions is minimal between the Wellington region and the Manawatu-Wanganui region

This application proposes including these eleven properties within the boundaries of the Manawatu-Wanganui region.

4.3 Wairarapa

Wairarapa's place in possible future local government reorganisation has been subject to considerable discussion and debate. This has mostly been focussed on the question of whether Wairarapa should be retained as part of the Wellington region or whether it should become a unitary authority in its own right.

We note that that the Commission recently received an application from the three Wairarapa territorial authorities for a separate unitary authority for Wairarapa.

This application proposes including Wairarapa within the proposed Wellington territorial authority district and Wellington region for the following reasons:

- ▶ The size and scale of local government will become increasingly important in meeting the challenges (including affordability) and changing demands arising from a projected declining and rapidly ageing future population in Wairarapa³.
- ▶ There are a myriad of linkages and connections between the two areas – it is important that local government can operate at a level that recognises and leverages those linkages and connections. The linkages are of significance to the people and businesses involved in both areas:
 - » Economic analysis⁴ shows that the different industrial specialisations of Wairarapa contribute a degree of stability and diversification to the wider regional economy. This is more than just a hinterland supplying an urban centre. There are important connections that exist between businesses in the two areas, as well as integration in the labour market.
 - » Labour markets, production processes, distribution channels and goods and services markets are all connected – both to each other and beyond. There is a significant connection between the Wairarapa and the Wellington metropolitan area, as evidenced by 2006 census data that shows that 1,400 residents travel into metropolitan Wellington and surrounds each day from Wairarapa and approximately 700 residents travel from Wellington to Wairarapa for work⁵. Many Wairarapa-based businesses access business and other consultancy services from Wellington.
 - » Other linkages are personally and geographically driven. In particular, many metropolitan-based Wellingtonians own weekend/holiday properties in Wairarapa. Over a third of all rates demands issued by the South Wairarapa District Council are mailed to Wellington City addresses. Connections operate in both directions with many people having friends and family located in the other area and so visit frequently to maintain connections, shop, relax and enjoy the alternative attractions that the other area offers.
- ▶ There is concern that current activities carried out in Wairarapa by the Wellington Regional Council would be delivered to a reduced standard or not meet the statutory requirements of clause 11(5) of Schedule 3 of the Local Government Act 2002, which require local government to:
 - (a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers; and
 - (b) have a district or region that is appropriate for the efficient performance of its role as a local authority; and
 - (c) contain within its district or region one or more communities of interest, but only if they are distinct communities of interest; and

³ *Greater Wellington – Socio-demographic Profile 1986-2031*. Professor Natalie Jackson, National Institute of Demographic and Economic Analysis, University of Waikato, August 2012. See Appendix Three.

⁴ *Economic Interdependence between the Western Area of the Wellington Region and Wairarapa*, MartinJenkins Ltd, February 2012. See Appendix Four.

⁵ Based on journey to work data from 2006 Census, Statistics New Zealand

(d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.

- ▶ In relation to point (a) above, Wellington Regional Council data indicates that there is a current funding gap of approximately \$10m - \$11m per annum between regional costs in Wairarapa and regional revenues collected from Wairarapa. Given this gap, it is almost certain that rates in Wairarapa would need to increase significantly in the event of a separate unitary authority being established. The alternative would be to reduce levels of service in a number of areas focused on land management and the environment, at a time when central government is demanding more stringent management of these activities and more science-based evidence to support policy and regulation.
- ▶ Regarding point (b), a recent analysis by Morrison Low concluded that there are little or no potential efficiency gains to be derived from a separate Wairarapa unitary authority assuming responsibility for activities such as public transport and flood protection within Wairarapa⁶. Since the Wellington Regional Council already has greater purchasing power than a Wairarapa unitary authority would have, it is unlikely that there would be any efficiency gains for regional activities if Wairarapa split from the rest of the region. In fact, Morrison Low concluded there may be some dis-economies resulting from the de-amalgamation of regional activities⁷.
- ▶ Specifically relating to appropriateness of scale for transport operations, an effective regional transport network must be operated as a whole across the region. This means it is unlikely that a Wairarapa unitary authority would satisfy the criterion of having a district or region that is appropriate for the efficient performance of its role in this context. In the case of the three unitary councils at the top of the south island, the government specifically created a regional transport committee to “scale up”. It is unlikely the government would agree to special legislation to “scale down” into smaller regional fragments. There are legislative issues relating to the operation of significant inter-regional public transport services which call into question the ability of a Wairarapa unitary authority to maintain existing rail services. Each council would have to adopt its own Public Transport Plan because transport legislation does not enable joint Public Transport Plans⁸. Legal advice provided to the Wellington Regional Council (DLA Phillips Fox, see Appendix Five) confirms that councils could work together to get plans that are very similar, but “We consider this model is workable but not optimal. It requires advance agreement with no clear statutory framework to resolve differences of opinion and thus lacks permanence which in our view is desirable for on-going services and long life assets.” Any model that relies on political bodies always agreeing with each other is flawed.
- ▶ Issues of capability and capacity also arise. It is unlikely that a small unitary authority could demonstrate its ability to deal with catchment-based flooding and water management issues effectively

⁶ Morrison Low *Assessment of options for joint management and service delivery*. South Wairarapa District Council, Masterton District, Council and Carterton District Council, (May 2012).

⁷ MorrisonLow *Wairarapa District Councils; Phase three report; investigation into the formation of an amalgamated Wairarapa District Council and a Wairarapa Unitary Authority*. South Wairarapa District Council, Masterton District Council and Carterton District Council (September 2012)

⁸ We note that the application by the Wairarapa Councils for a unitary authority in Wairarapa has incorrectly said that a joint plan is possible. Under the Land Transport Management Amendment Bill (as reported back from the Select Committee in March 2013), only joint Land Transport Plans are possible.

(as required by criterion (d) above), given limited resources and the need for qualified staff. In contrast, a regional governance model that includes Wairarapa, could capture greater efficiencies and harness the necessary expertise in the right place at the right time to deal with issues such as those concerning water management.

- ▶ Several other criteria must also be fulfilled when presenting the case for changes to current local authority arrangements. Under clause 12 (promotion of good local government), the Local Government Commission needs to be satisfied that the preferred option:
 - » Promotes the purpose of local government
 - » Facilitates improved economic performance, including cost savings, productivity improvements and simplified planning processes.

It is difficult to see how significant gains would be achieved through the establishment of two unitary authorities in the Wellington region, as this would be less efficient than the status quo. The benefits that Wairarapa derives from being a part of the Wellington region are significant, ranging from provision and management of public transport infrastructure and services, to capability and capacity in areas such as flood management, environmental management, pest control and biodiversity, to facilitation of economic development and funding the local share of the Wairarapa Water Use Project, which is aimed at developing irrigation in Wairarapa. In turn, Wairarapa, with its varied economy (based primarily on pastoral farming but also forestry, fishing, horticulture and tourism) has a unique position within the Wellington region, adding to the region's overall diversity and resilience.

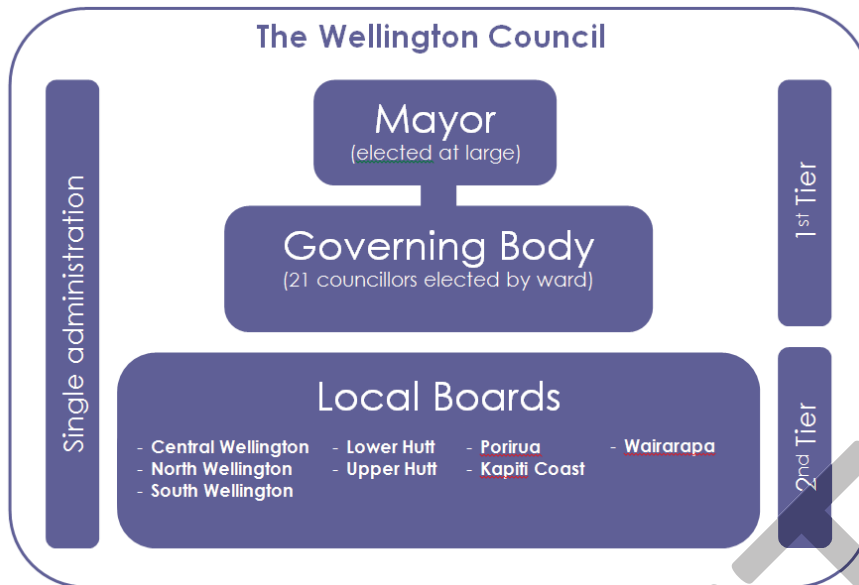
In summary, a Wairarapa unitary authority would have to overcome major challenges, both in terms of the specialist staff required to carry out functions, and in funding infrastructure and services. Such factors suggest that Wairarapa's future prosperity may be negatively impacted if it were to be governed by a small unitary authority rather than being included as part of a single unitary council for the wider region.

Further discussion on the option of a Wairarapa unitary authority is provided in Section 8.1 – Consideration of Alternatives.

We note that that the final decision on Wairarapa will be made by the Local Government Commission. Should the Commission prefer a separate Wairarapa unitary authority, then the model proposed in this application will still apply to the western part of the Wellington region.

4.4 Proposed governance structure

This application proposes the establishment of a unitary authority for the region with two tiers of decision-making - a governing body and local boards. This shared governance model is provided for by clause 15 of Schedule 3 of the Local Government Act 2002.



The proposed structure has two complementary and shared decision-making parts:

- ▶ The governing body - consisting of a Mayor elected at large and councillors elected on a ward basis. The governing body would focus on region-wide strategic decisions, regional scale infrastructure and region-wide services. It would also provide regional leadership and representation.
- ▶ Eight local boards - each with up to nine locally elected members, with the chairperson elected by the members of each board. Each local board would represent its local community and make decisions on local issues and activities. Local boards would provide important local input into region-wide policies and would be funded through the annual planning process in accordance with their functions, duties and powers under the Local Government Act 2002.

The decision to pursue a model with local boards was taken following recent changes to the Local Government Act 2002, allowing for a shared governance model in larger predominantly urban areas like Wellington. We consider that the local board model has the best fit with the guiding principles set out earlier in this application. Furthermore:

- ▶ A shared governance approach aligns well with the principle of subsidiarity and the expectations around representation and local democracy with the Wellington community
- ▶ The model is flexible enough to respond to local conditions while, at the same time, allowing for regional decision-making on strategic matters relevant to the wider regional community
- ▶ Collaborative decision-making directly involving the community is enabled at both levels of the council
- ▶ Unlike the community board model, local boards have a level of protection of local decision-making and influence. Importantly, the powers, duties and functions of local boards are mandated and protected under law. Furthermore, local boards must be funded to carry out their local democratic function. This is an important feature in the local board model.

Further information on the functions, powers and duties for the governing body and local boards is set out below.

4.5 Representation and ward boundaries

The information in this section sets out our preferences on possible representation and boundary arrangements for the proposed Wellington Council. These have been developed following extensive analysis and engagement with local communities and the wider regional community.

We note that representation arrangements, ward names and boundaries are matters for the Local Government Commission to determine.

4.5.1 The governing body

The following table sets out the preferred representation arrangements for the governing body.

Table 1: Preferred representation arrangements

The governing body	Number of representatives	Population	Population per councillor
Mayor	1	Elected at large	NA
Lower Hutt Ward	4	93200	23300
Kapiti Coast Ward	2	49900	24950
Porirua Ward	3	68520	22840
Upper Hutt Ward	2	51340	25670
Wairarapa Ward	2	40630	20315
North Wellington Ward	3	70470	23490
Central Wellington Ward	2	48070	24035
South Wellington Ward	3	68000	22667
Totals	22	490130	

The ward boundaries generally align with existing territorial authority boundaries or wards in existing territorial authorities, subject to modification in some areas to provide for fair representation of electors – this provides a good overall fit with communities of interest.

In this application, the Wairarapa Ward is the only ward that is non-compliant with the fair representation requirements of the Local Electoral Act 2001. It is over-represented by 12.9% compared with the average population per councillor across the whole council. This is considered justified on the basis that the non-compliance is marginally outside the 10% limit and there is no practical means of adding an area of population on to the Wairarapa Ward to address the over-representation.

A considerable number of submissions opposing Tawa's inclusion in the proposed Porirua Ward were received during the consultation phase leading up to this application. Some submitters from Stokes Valley also raised concerns about inclusion in of Stokes Valley in the Upper Hutt Ward. These comments and others related to boundaries are set out in the analysis of public feedback document at Appendix Two. It is

not possible to reconfigure the ward boundaries and still meet the representation requirements of the Local Electoral Act. The Wellington Regional Council would like the Commission to determine the best ward boundary arrangements, meeting the communities' preferences as much as possible.

4.5.2 Local Boards

Eight local boards are proposed, each having up to nine elected members.

Table 2: Proposed local boards

Eight local boards (each with up to nine board members)	
Lower Hutt local board	Wairarapa local board
Kapiti Coast local board	North Wellington local board
Porirua local board	Central Wellington local board
Upper Hutt local board	South Wellington local board

The boundaries of local boards align with the boundaries of wards. Maps providing further detail on the suggested ward boundaries are provided in Appendix One.

4.5.3 Māori Representation

We note that the Local Government Commission is unable to provide for Māori wards and constituencies unless they are already provided for in the district or region concerned.

The information below is included to inform the Commission of the importance we place on having robust arrangements that empower Māori participation in local government decision-making processes.

An enduring partnership approach between Māori and local government should be preserved through any reorganisation process. The existing partnership relationships between councils and mana whenua iwi in the region must be the starting point for any future arrangements, which also need to include meaningful relationships with taura here groups and individuals, who make up a significant proportion of the regional Maori population.

Building on existing partnerships

The current partnership arrangements in the Wellington region – primarily focussed on mana whenua iwi - would provide the foundations on which to build for both mana whenua and taura here groups.

The current arrangements include:

- ▶ Charters of understanding and memoranda of partnership
- ▶ The regional Ara Tahi leadership forum comprising mana whenua iwi leaders and Wellington Regional Council leaders
- ▶ Maori standing committees comprising mana whenua iwi representatives and council representatives
- ▶ Te Upoko Taiao – a regional council standing committee responsible for natural resource regulation, comprising seven councillors and seven non-councillors nominated by mana whenua iwi, all with equal

voting rights. Te Upoko Taiao is an example of best practice for joint decision-making on environmental policy in New Zealand⁹

- ▶ Iwi appointees on council standing committees, in some cases with voting rights and in some cases without voting rights.
- ▶ Other less formal partnership mechanisms between local councils and mana whenua iwi.
- ▶ Formal joint governance arrangements for parks and land areas that have been returned to mana whenua iwi under Treaty of Waitangi settlement agreements.

We would expect the proposed Wellington Council to have to have formal relationships with mana whenua and taura here at both the governing body and local board level. Co-management arrangements would continue, with others likely to be established and protected through Treaty settlements.

The governing body relationships would be focussed on regional issues and would involve appointments to committees as a minimum, notwithstanding that the proposed Wellington Council will need to consult with Maori and decide how its primary relationship is expressed. At the governing body level we would expect that the Te Upoko Taiao arrangement would continue with mana whenua iwi.

Local board relationships would be centred on local issues and could involve mana whenua iwi and in some cases hapu, as well as local taura here groups. Partnership agreements with local boards will be necessary, and appointments to local board committees are also possible.

During the development of this application, and through the work of the joint Working Party on Local Government Reform, mana whenua iwi views were sought. The feedback is outlined in Section 7.4 of the application.

4.5.4 Advisory groups and subcommittees

As well as the statutory relationship with Maori, which will need to be provided for, we believe that other groups play a vital role in supporting and promoting the wellbeing of the Wellington region. Examples include Pacifica groups, ethnic councils, youth groups, commercial and business groups, disability reference groups.

We would expect that under the model proposed in this application, such groups would operate regionally, advising and supplementing decisions by the governing body, but that there would also be a key role for these groups where appropriate at local board level - i.e. local groups working with their boards on local community issues.

We note that sub-committees are also available to local boards as a mechanism to engage more directly with specific local communities on any particular issue or on an on-going basis for a localised area. We consider that these might be welcome in areas of the region where community boards currently exist and could be set up by local boards to perform a similar role. Such sub-committee would be able to have delegated decision-making ability on some issues and accompanying delegated budgets.

⁹ Te Upoko Taiao was winner of the 2012 IPANZ awards in the Excellence in Crown-Maori Relationship category

4.5.5 Citizen access to representatives

Under the two-tier system proposed in this application there is opportunity to ensure that elected representatives at both governing body and local board level are actively engaged with their communities and also have opportunities to work together on appropriate issues. Councillors and board members need to be accessible to their constituents and must have full opportunities to engage with and represent their electors.

We envisage that local board members and their ward councillor counterparts will have offices located in their wards in council centres (most likely existing council offices). They will be assisted by council staff in those centres who will deal with day-to-day enquiries, help with organising meetings etc for the elected members and generally provide a “front office” presence for the local community. Co-location of offices for both local board and governing body representatives will not only provide visible presence for elected members, but will assist in the integration of their work. The council centres will also house local operational staff members who need to be located in a particular area.

4.6 Functions and decision-making

The notion of shared governance fits well with feedback demonstrating the representative and democratic expectations of the Wellington community. Response to various engagements over recent years shows there is a demonstrable support for a more regionalised approach to local government. At the same time, there has been strong demand for local communities to have input into local matters relevant to the places where they live, work and play. This idea of shared governance is given effect through the way the powers, duties and functions of the unitary authority are shared between the governing body and local boards.

For most councils in New Zealand, by far the largest share of expenditure is on capital intensive projects such as water and wastewater infrastructure. This can account for up to 70 – 90% of the total budget. For local councillors, however, the major expenditure of time is often on local issues and constituent enquiries. These local issues may not have a big budget attached but present difficult problems to solve to the satisfaction of the local community. Under the proposed unitary authority model with local boards, the large capital intensive regional networks and infrastructure would be considered by the governing council, with local boards focusing on the local issues.

One critical aspect for local boards will be reassurance that their activities will be adequately funded. The amendments to the Local Government Act passed late in 2012 provide the mandate and the framework for this funding. Each board will develop a Local Area Plan that includes all deliverables and the budget for the specific activities. All rates will be collected by the Wellington Council and the governing body will make the final budgets determination, but it will be obliged under the law to ensure that all activities to be undertaken by the local boards are adequately funded.

As well as specific activities outlined in plans, local boards will be able to allocate grant funding in their communities and will be expected to exercise civic leadership, ranging from formal mechanisms such as citizenship ceremonies to advocating on behalf of their communities on regional issues being considered by the governing body. Local boards will not be able to pass by-laws but will have a legal obligation to identify and prepare necessary by-laws for the governing body to pass. They may also be delegated powers to hear resource consents on local matters.

While we recognise that decisions around allocation of functions will be undertaken by the Local Government Commission during the transition phase, we consider that there is a need to ensure the model is tailored to Wellington's unique circumstances.

The following table sets out how decisions-making responsibilities and functions should be shared between the governing body and local boards. The development of this list has been guided by the Local Government Act 2002 and the findings of the Wellington Region Local Government Review Panel.

We also took into account lessons learned from Auckland, including the lessons set out in the Office of the Auditor General report on Auckland¹⁰:

- ▶ Avoid high number of local boards to reduce the administrative burden and complexity
- ▶ Take care with the powers of council controlled organisations as they can impede the autonomy of local boards
- ▶ The division of responsibilities between the two tiers needs to be clearly articulated and understood by both tiers
- ▶ A pragmatic approach needs to be taken regarding the level of input needed from local boards on regional policy.

In Wellington there is an opportunity, through clearly defined allocation of functions and funding, to develop a local board model that is more efficient and effective than the Auckland model.

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¹⁰ Office of the Auditor General – *Auckland Council: Transition and emerging challenges*. December 2012

Table 3 – Proposed local board functions, powers and duties

<p>Policy</p> <ol style="list-style-type: none"> 1. Prepare a local board plan, setting out a vision, priorities and actions for the local board area 2. Prepare neighbourhood, village and town centre plans 3. Input into key regional policy making 4. Input into unitary plan policy making 5. Develop local bylaws 6. Identify local preferences and local operational policy. <p><i>Note: In most instances local policy preferences for the above matters would fit within a regional policy framework.</i></p>	<ol style="list-style-type: none"> 6. Local recreation facilities and initiatives (use, programmes, design and fitout of new facilities, funding and grants) 7. Local parks services and facilities (use, programmes, maintenance improvements and place shaping, naming) 8. Local heritage management (identification of sites and values, funding and grants, initiatives) 9. Local environmental initiatives (wetland restoration, pest control, rubbish clean up, community gardens, biodiversity projects, funding and grants) 10. Local business area planning and funding (business events, branding and marketing, business improvement districts) 11. Town centre and street environments (implementing town centre improvements, maintenance of local street environments, graffiti removal) 12. Local transport (walking and cycling networks and plans, funding, oversee local infrastructure improvements and signage, road and public place safety, public transport local service reviews) 13. Community safety <p><i>Regulatory (subject to delegation)</i></p> <ol style="list-style-type: none"> 14. Administer unitary plan, hear and decide resource consents, monitor and enforce, except for regionally significant proposals called in by the governing body 15. Anything else delegated by the governing body. 	<p>Administrative functions</p> <ol style="list-style-type: none"> 1. Establish mechanisms to ensure a collaborative working relationship with the governing body and staff 2. Monitor and report on local board performance 3. Maintain an overview of services provided at the regional level 4. Prepare budget requests for local works and services as part of the Long-term Plan and Annual Plan process 5. Prepare targeted rates for special local projects and budget management
<p>Local service delivery functions</p> <p><i>Non-regulatory</i></p> <ol style="list-style-type: none"> 1. Local arts and culture facilities such as galleries and museums (use, programmes, promotion, funding and sponsorship) 2. Local events (memorials, markets, promotion and development, delivery, sponsorship) 3. Local civic duties, engagements and functions, including citizenship ceremonies 4. Community services and facilities (advisory services, local funding and grants, use and fit out of local community facilities, community safety programmes, public toilets – locations) 5. Local library facilities, knowledge services and information (local exhibitions, programmes and events, design of facilities within libraries) 	<p>Advocacy and community engagement functions</p> <ol style="list-style-type: none"> 1. Identify the needs and preferences of local communities, and articulate them to the governing body, and other public and private sector entities 2. Broker, liaise and consult with relevant local organisations on behalf of the Council 3. Support local organisations and community groups, sporting, recreational, and cultural groups, including, where appropriate, by grants of money <p>Consider what form of community engagement is appropriate</p>	

Table 4 – Proposed governing body functions, powers and duties

Regional policy-making functions	Regional network/service delivery functions	Administrative services
<ol style="list-style-type: none"> 1. Spatial planning <ul style="list-style-type: none"> – Integrated strategy – Regional growth – Coordinated with other regions 2. Transport planning <ul style="list-style-type: none"> – Statutory strategy – Includes public transport, road and rail planning 3. Economic development <ul style="list-style-type: none"> – Infrastructure development – Tourist promotion, branding, broadband, business and film support – Tertiary education and skills 4. Social and cultural development <ul style="list-style-type: none"> – Infrastructure and facilities – Arts and culture advocacy and funding 5. Resource management planning <ul style="list-style-type: none"> – Regional policy statement – Unitary plan making Land use planning – Coastal, air, and water controls, pollution, soil conservation, climate change – Hazards management – Urban design – Heritage management (natural and cultural) 6. Regional parks and recreational planning 7. Other region-wide policy frameworks for matters such as alcohol policy, food licensing, gambling. 	<ol style="list-style-type: none"> 1. Regional planning applications and consents and regionally significant land use and transport proposals 2. Civil defence emergency management, rural fire 3. Regional promotion of sport and physical activity 4. Biosecurity 5. Harbourmaster 6. Public transport – procurement and network management 7. Road construction and maintenance – for entire network 8. Water supply, wastewater, stormwater and rural drainage 9. Solid waste management 10. Regionally significant urban redevelopment 11. Wellington Zoo, Zealandia and regional parks 12. Regional facilities for sports, culture, entertainment: art galleries, museums, theatres, stadiums, arena 13. Monitoring, data collection and analysis, reporting on all functions 14. Libraries and knowledge systems 15. Swimming pools 16. Social housing 17. Cemeteries and crematoria 18. Discharge of regulatory functions 	<ol style="list-style-type: none"> 1. Consult with local boards about budgets, receive funding recommendations from local boards, undertake financial management services 2. Prepare LTCCP and annual plans and administer associated statutory processes 3. Make and administer rates for the Wellington Council area, including targeted rates for local board areas 4. Oversee management of shared service centres 5. Manage assets and liabilities 6. Manage regional investments 7. Public information services 8. Oversee local boards, set performance criteria, monitor performance, issue policy directions 9. Direct local boards on matters affecting regional functions
		<p>Delegation of functions to local boards</p> <p>The governing body may delegate any of its functions except</p> <ul style="list-style-type: none"> – Regional policy-making functions – Power to make or levy rates – Power to approve a by-law – Power to approve a unitary plan or plan changes

Examples of how this model could work for spatial planning, village planning, pools and libraries, food licencing and stormwater are included in the report of the Joint Working Party on Local Government Reform at Appendix Six.

4.7 Council controlled organisations

The role and place of council controlled organisations in any future local government structure is of interest to many citizens in the Wellington region. Communities in the region should be given the opportunity to participate in decision-making on the use of arms-length entities such as council controlled organisations through council engagement processes.

For this reason, this application supports the view that any decisions on what functions and activities should be governed through a council controlled organisation should be left to a new council.

A useful framework to guide the establishment of council controlled organisations is included on page 174 of the Report of the Wellington Region Local Government Review Panel¹¹.

4.8 Single transferable vote system

Our preference is for voting to be conducted under the Single Transferable Vote system currently used by four local authorities in the region.¹²

11 Table 13-5: in Future Wellington – Proud, Prosperous and Resilient, Report of the Wellington Region Local Government Review Panel, October 2012

12 For the 2013 elections, the STV electoral system will apply for all electors in the region with regard to the elections for the Wellington Regional Council and District Health Boards. The elections for the Kapiti Coast District Council, Porirua City Council and Wellington City Council are also conducted under STV.

5 THE CASE FOR CHANGE

Relevant requirements of the Local Government Act 2002:

Schedule 3, Clause 5(1):

(d) a full and detailed explanation of what the proposed changes are seeking to achieve and how the changes would be achieved by the approach proposed in the application

Schedule 3, Clause 12: promotion of good local government

(a) will best promote, in the affected area, the purpose of local government as specified in section 10

5.1 Purpose of local government

This application has been driven by the belief that local government in the Wellington region could do significantly more to meet its commitments under the Local Government Act 2002 (the Act):

- 10 *Purpose of local government*
- (1) *The purpose of local government is-*
- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and*
 - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.*
- (2) *In this Act, good quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are-*
- (a) efficient; and*
 - (b) effective; and*
 - (c) appropriate to present and anticipated future circumstances.*

5.2 Enabling local democracy

Enabling democratic local decision-making and action by, and on behalf of, communities has been a fundamental consideration in the development of this application.

A unitary authority model with local boards provides an opportunity to improve the way local government engages with and involves communities on matters that are important to them. It does so, firstly because it aligns closely with existing regional and local communities of interest and, secondly, because it enables those communities to be involved in the decision-making process at the appropriate scale. An important feature of the proposed model is that local boards have a mandate under law with guaranteed funding. For this reason, the model empowers local boards to make decisions and act on matters that are directly relevant to their local communities.

This two-tier unitary model thus demonstrates the principle of subsidiarity – that is, ensuring that decision-making occurs at the level closest to the affected community.

As well as delivering more “grounded” local decisions, it also contributes to the effectiveness of decisions that impact regionally. Under the current local government structure in the region, decision-making by territorial authorities on matters such as transport, economic development and land use planning, can often affect other areas or communities of a wider regional nature. This disconnect has been a key driver for the current debate on local government reform in the Wellington region.

The current arrangements:

- ▶ Constrain the ability of local government to deal with key strategic issues and challenges facing the Wellington region. This has been evident for economic development, transport and water infrastructure issues.
- ▶ Constrain the ability of local government deal with truly local issues, without being distracted by the big, complex and sometimes unaffordable issues such as water and sewage infrastructure. For most people, local issues are about local services and the “look and feel” of the immediate areas where people live, work and play, rather than where their water is sourced.
- ▶ Make it difficult to engage with “affected” communities when there are multiple voices and priorities.

We also note that internationally, and here in Wellington, there is a move towards participatory democracy – where communities share decision-making. This includes initiatives such as participatory budgeting. The proposed model enables this approach to democratic decision-making. It also ensures local decision-making is focussed on local matters, unconstrained by not having to deal with issues such as regional planning or major infrastructure.

5.3 Meeting current and future needs of communities

This application is about ensuring local and wider regional communities are well placed to respond to challenges both now and into the future. Four aspects warrant particular attention in the Wellington region. These are discussed below.

5.3.1 Environment

Environmental challenges facing the region are significant. For the Wellington region, these relate to the challenging physical environment in which we live, and also the additional pressures being faced as a result of climate change and changing land uses.

- ▶ The need for the region to be prepared for a large hazard event is vital due to the high earthquake risk. The range of hazards that could occur from a magnitude 7.5 event on the Wellington Fault include fault rupture, liquefaction, landslides, land subduction, flooding and tsunamis. These will affect all parts of the region. Local government plays a fundamental role in both reducing risk and responding to such events.

- ▶ The Wellington region, like many in New Zealand, is facing increasing pressure on soil and water resources. The complex and interrelated nature of water and land management issues, combined with legal requirements, require innovative thinking, strong science-based knowledge and joined-up solutions. Local government needs to be at the forefront of this debate. It also needs to have the information, skills and capability to do the job. These issues were highlighted in a recent report on regulation by the Productivity Commission, which stated:

“Increasing pressure on the physical environment is also generating a greater need for councils to have access to technical information and expertise in order to make well-informed decisions. These challenges exist within a legislative environment that is becoming ever more complex. A steady flow of new statutes over the last decade has placed new or different demands on local government regulatory activities.”¹³

- ▶ The proximity of our urban areas to the coast and the location of much of the region’s key transport and other infrastructure at or near sea level, means we need to plan well and adapt to cope with sea level rise. The region is already facing some hard decisions associated with sea level rise. Decision-making, planning and asset management will need to be co-ordinated at both a local and regional level to ensure the region is resilient to these changes.

5.3.2 Demographic

- ▶ The region’s population is undergoing significant change, creating some challenging circumstances for local government in the future¹⁴.
- ▶ Independent demographic analysis shows that while the Wellington region’s population is not expected to decline during the next 30 years¹⁵, population characteristics will change markedly to one of an aging population, and some areas will struggle to attract workers to support their local economies. Local government in the Wellington region will need to provide services that enable older citizens to continue to participate and work in their own communities and to live safe and independent lives.
- ▶ The ability for the aging ratepayer population (many on fixed incomes) to fund local government rates will be a significant issue for councils (particularly smaller councils), prompting the need to review what services are provided and where and to what level. These changes are illustrated in the table below.

¹³ *Cut to the chase*, summary of final report by the New Zealand Productivity Commission: Towards Better Local Regulation, May 2013

¹⁴ *Greater Wellington – Socio-demographic Profile 1986-2031*. Professor Natalie Jackson, National Institute of Demographic and Economic Analysis, University of Waikato, August 2012. See Appendix Three.

¹⁵ Population projections show declining populations in South Wairarapa and Masterton districts within 20 years

Table 5: Projected population changes 2011-2031

	Projected population changes (%) by age group 2011-2031							
	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District
0-14	8.0	-11.1	-5.7	9.7	-14.4	-15.6	-20.5	-14.0
15-24	4.4	-9.9	-8.3	2.3	-12.5	-30.4	-18.4	-10.5
25-39	6.6	-1.6	1.6	26.1	-0.3	-9.6	-20.3	-5.4
40-54	18.8	-16.9	-11.1	-6.4	-27.2	-21.5	-40.8	-15.7
55-64	30.7	6.5	10.0	19.9	6.0	-16.4	-8.8	-8.7
65-74	86.6	62.4	64.1	48.5	69.1	41.1	33.0	51.4
75-84	115.1	89.1	147.4	53.0	78.4	76.7	110.9	109.8
85+	86.0	80.1	184.2	89.8	107.3	78.3	182.4	107.1
Total	19.1	1.5	5.4	20.4	0.8	-4.0	-5.1	3.3
65+	95.1	72.9	96.0	56.3	77.7	58.3	70.1	76.4

Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006 (base)-2031 Update*

5.3.3 Social

- ▶ The changes in the regional population will have a major impact on the way neighbourhoods function. In many cases, these impacts affect the whole region, and will need to be addressed on a regional basis. Examples include:
 - » Increasing pressure to plan for and provide accessible, healthy and affordable housing in all parts of the region. This cannot effectively be addressed separately or independently by the current councils.
 - » Improving the way local government structures support collaborative work and needs of specific local and regional communities, such as ethnic communities and disability groups.
 - » Working better with other agencies on other aspects of community life – sport and recreation, education, arts and culture, the needs of vulnerable groups. Access to data from Crown agencies and collaboration with those agencies and other non-government organisations will likely be required to supplement services. It is no longer acceptable to hope that each council will come to common conclusions – social pressures and opportunities are common around the Wellington region and need common responses.
- ▶ The region needs to work together to build a regional economy and community that is attractive to young people, offering long term opportunities for quality education, for secure work, and a place to live long term. Like the other social issues, this is a matter that is common across the whole region, and the ways to deal with it must be agreed and implemented together. Attempting to attract specific population groups from one another is not productive in such a tightly-knit region.

5.3.4 Economic

- ▶ The Wellington region has struggled in recent years to respond to the difficult economic climate. Recent economic reporting confirms that the region has performed poorly over recent years compared to the rest of New Zealand, particularly in terms of economic activity, the labour market and productivity¹⁶.
- ▶ This has occurred despite the region, and particularly Wellington City, having significant strengths based around knowledge industries (e.g. information communications and technology, finance and insurance, business services, tertiary education and research¹⁷) and despite Wellington's role as the national capital.
- ▶ Increasing resource scarcity will be an important consideration for the region in the future. The region is already facing issues with water availability, and reliance on fossil fuels will likely place increasing demands on local government to reduce its carbon footprint and look to more environmentally sustainable and cost effective solutions.
- ▶ The current shared services approach to economic development via the Wellington Regional Strategy has had little success in reversing these trends.

5.4 Improving how we plan, deliver and manage key infrastructure

The amended Local Government Act 2002 has a strong focus on planning, delivering and managing key infrastructure.

The Wellington region, due to its challenging geography and high seismic risk profile, relies heavily on the quality and resilience of its infrastructure. The region is fortunate to have had significant investment in foundation infrastructure in early times. However, much of this infrastructure is now ageing and requires on-going maintenance and improvement. Upgrading major network infrastructure can be hugely expensive, which can create difficulties, particularly for small councils.

The opportunities to improve how the region plans, delivers and manages infrastructure are considerable. They emerge primarily through size and scale. This was a key conclusion in the recent Report of the Local Government Infrastructure Efficiency Expert Advisory Group¹⁸:

“Greater use of infrastructure delivery at a regional scale will facilitate substantial benefits where the assets being managed are also at that scale. For significant expenditure, scale can provide the specialist skills needed to manage scope, procurement, timing, financing and operational issues.”

¹⁶ 2012 Wellington Region Annual Economic Profile, Infometrics Ltd, 2012

¹⁷ Regional Economic Activity Report, Ministry of Business, Innovation and Employment, 2013

¹⁸ Page 7, Report of the Local Government Infrastructure Efficiency Expert Advisory Group, Department of Internal Affairs, March 2013.

Size and scale can also provide real benefits in terms of planning for regional and strategic infrastructure as well as statutory planning under the various Acts that guide local government. A unitary authority with local boards would enable much better integration between plans. The benefits would occur horizontally - that is, better integration and consistency between similar or interrelated plans developed for different parts of the region. Benefits would also accrue vertically – that is better integration between strategic planning, statutory planning, and operational planning and asset management.

This is discussed in detail in the Section 6 of this application.

5.5 Delivering better local government

Local government cannot resolve all of the problems facing the Wellington region on its own. It can, however, do much better to ensure that it is part of the solution, not part of the problem. Detailed and independent analysis of the current arrangements demonstrates that the ability to collaborate and deliver on regional issues and initiatives invariably falls over because parochialism prevails when decisions have to be made. This has been confirmed in three separate reports on local government reform in the Wellington region¹⁹.

Reflecting the sentiments of these reports, and in particular the Wellington Region Local Government Review Panel Report²⁰, delivering better local government in the Wellington region relies on governance structures that provide:

- ▶ Unified regional leadership on strategic issues and local leadership on local issues: A unitary authority model with local boards provides leadership empowered and mandated to speak on Wellington's behalf, both at the regional scale and locally. This is backed up by a single coherent organisation with significant capacity and resource to deliver.
- ▶ A clearly articulated strategy for the entire Wellington region, backed up with place-based responses for local communities: One of the key benefits of the unitary authority model with local boards is that it provides an opportunity to develop a clear and coherent vision for Wellington's future. At the same time, there is an opportunity to develop community-centred village plans and place-based responses attuned to local circumstances and local communities.
- ▶ An efficient and effective administration with serious implementation capability and expertise: The proposed single administration would eliminate the duplication that currently exists between the region's nine councils, resulting in more efficient service delivery and better value for money. The increase in scale also provides significant opportunity build on and better utilise the capability and expertise of staff.

¹⁹ See: 2009 Report on regional reform in the Wellington region, PricewaterhouseCoopers, 2009; Wellington Region Local Government Review Panel Report, October 2012; and the Joint Working Party Report - section on shared services, 2013.

²⁰ Paragraph 9 in page 5, in the report of the Wellington Region Local Government Review Panel *Future Wellington: proud, prosperous and resilient*

- ▶ Inclusive democratic structures and processes: The unitary authority model with local boards is structurally designed to provide representation and decision-making at both local and regional levels. The subsidiarity principle, when applied to the Wellington context, has a good level of fit with the democratic structures of this model. It also allows for new and innovative approaches to participation and engagement with communities and partners.

World-class and resilient social, cultural and physical infrastructure: Local government structures and processes can significantly influence outcomes in this area. Currently, there are many councils with different priorities and approaches. This can make decision-making on shared interests and shared resources, such as regionally significant roads, slow and complex. The proposed unitary authority model with local boards would overcome these constraints, opening the way for more effective, efficient infrastructure planning and delivery. It would also ensure that Wellington's communities are better able to respond to hazards and risks such as earthquakes and tsunamis, floods, coastal erosion, and the effects of climate change such as sea level rise.

Analysis of a unitary authority model with local boards for the Wellington region shows that it can deliver better local government and bring a significant number of benefits to ratepayers and the wider community. These improvements are outlined in greater detail in the following section. Further evidence is provided within appendices and through references, where appropriate.

DRAFT

6 REALISING THE POTENTIAL OF THE WELLINGTON REGION

Relevant requirements of the Local Government Act 2002:

Schedule 3, Clause 5(1):

(e) a description of the potential improvements that would result from the proposed changes and how they would promote good local government as described in clause 12

Schedule 3, Clause 12 requirements – promotion of good local government

(a) will best promote, in the affected area, the purpose of local government as specified in section 10; and

(b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include:

(i) efficiencies and cost savings; and

(ii) productivity improvements, both within the local authorities and for businesses and households that interact with those local authorities; and

(iii) simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority

Schedule 3, Clause 11 requirements – Commission to determine preferred option

(5) The Commission must be satisfied that any local authority proposed to be established or changed under a reasonably practical option will -

(a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers; and

(b) have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and

(c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest; and

(d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.

6.1 Stronger and more effective regional leadership

The Wellington region currently lacks a united and effective leadership structure and representative mandate.

No representative body is recognised as empowered to speak for the region or deal with central government on the region's behalf. Led by eight mayors and a regional council chair, councils in the region compete for attention with different visions of growth and different

priorities, and a focus on local rather than regionally strategic issues. This is not surprising, given the Local Government Act provisions that require individual councils to give effect to the purpose of local government in relation to each district or region. Even at the regional level, the mandate of elected members relates only to the specific functions assigned to regional councils under legislation such as the Resource Management Act 1991.

This lack of regional leadership and a regional voice constrains the ability of local government to negotiate partnerships with central government agencies, which have a significant role in infrastructure provision and regional economic and social development. The structural changes introduced recently both in Auckland and Canterbury (the other major urban centres in the country) and the cohesive strategic visions they now have, further highlight this weakness in Wellington.

The inability to develop a unified strategic vision for the region and articulate Wellington region's role in New Zealand, also constrains the region's ability to promote itself internationally as a location for business location and investment.

The management of key regional infrastructure is divided across a number of councils and council controlled organisations. Even in the area of regional economic development, where the Wellington Regional Strategy provides a common approach, both responsibility and accountability are duplicated and dependent on complicated regional co-operative structures. This is an inefficient way to make decisions and it adds to costs. It also weakens the effectiveness of the strategy.

The proposed Wellington Council would have the necessary mandate and structure to support a wider and more strategic view of the future direction of the region and enable it to represent that view more effectively to key partners, including central government, the private sector, key infrastructure providers and potential investors. It would enable stronger and more effective regional leadership on a range of matters that cross current jurisdictional boundaries and which require partnerships with others. These include transport and water infrastructure and services, land development, resource management planning, economic development, and resilience planning.

Recent comments from Auckland Mayor Len Brown indicate the types of benefits expected from improved leadership and consolidation. Mayor Brown stated that local government changes in the Auckland region had created "a much stronger sense of cohesion and much less infighting". There have also been major benefits for planning and the pace of change. "Agglomeration meant we could deliver change at a much faster pace. With a number of our projects there has been extraordinary momentum. There's no way they'd have been delivered at that pace under the former councils."²¹

The Australian Centre of Excellence for Local Government²², in reviewing amalgamation schemes across Australia and New Zealand further concluded that:

21 Comment from Mayor Len Brown, Dominion Post, Saturday 19 January 2013

22 Chris Aulich, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Sansom *Consolidation in Local Government: A Fresh Look* (Australian Centre of Excellence for Local Government, Local Government Association of South Australia, Local Government New Zealand, May 2011).

“The study has revealed that consolidation provides important opportunities to capture economies of scope and enhance the strategic capacity of local government. Economies of scope increase the capacity of councils to undertake new functions and deliver new or improved services that previously were not possible. Significantly, they enable councils to shift their focus towards a more strategic view of their operations. We argue that this enhanced strategic capacity is in part a function of increased size and resource level, but it is also related to the potentialities that are created by the pooling of knowledge and expertise. The process of consolidation can generate a focus that transcends individual local government boundaries and encourages councils to operate in a broader context – one that is more regional or system-wide and enables them to relate more effectively to central governments. Enhanced strategic capacity appears essential to local government’s long term success as a valued partner in the system of government, and this emerged as probably the most important issue for councils to consider in examining different modes of consolidation.”

6.2 Simplified planning processes

In the Wellington region there are nine local authorities, servicing a population of around 490,100 residents²³. There are a significant number of plans produced by the local authorities, many required by legislation, such as the Local Government Act 2002, the Resource Management Act 1991, the Land Transport Management Act 2003 and the Reserves Act 1977.

An analysis of the strategies, plans and policies currently in place in the region (see Table 6 below) shows that there are a total of 321 plans. These range from large complex documents such as Long-term Plans (required under the Local Government Act 2002) to other statutory and non-statutory plans such as the Public Conveniences Policy, Dog Control Policy, and Walking Policy.

²³ 2012 estimated population for the Wellington Region, Statistics New Zealand

Table 6: Strategies, plans and policies in the Wellington Region²⁴

Council area	Local Government Act			Resource Management Act			Transport Strategies and Plan	Operational Plans and Policies	TOTAL
	LTP	Annual Plan	Annual Report	District Plan	Regional Plan	Regional Policy Statement			
Carterton	1	1	1	1*				7	11*
South Wairarapa	1	1	1	1*				21	25*
Masterton	1	1	1	1*			1	12	17*
Hutt City	1	1	1	1			4	46	54
Upper Hutt	1	1	1	1				36	40
Kapiti Coast	1	1	1	1			3	29	36
Porirua	1	1	1	1			1	16	21
Wellington	1	1	1	1			5	73	82
GWRC	1	1	1		5	1	15	13	37
Total	9	9	9	6	5	1	29	253	321*

*the Combined Wairarapa District Plan covers the jurisdictions of Carterton, South Wairarapa and Masterton

The sheer number of strategies, plans and policies in place within the region indicates that with the proposed governance changes there will be an opportunity to significantly streamline planning processes and reduce the number of plans. This is likely to result in a reduction of resources required to prepare plans and will reduce compliance costs for businesses and residents. With a reduction in the number of statutory plans, there will be the opportunity to reduce costs and have more effective and efficient planning processes. Some of the key areas are examined in further detail below.

²⁴ Excludes local area plans and place-specific plan and policies

6.2.1 Plans prepared under the Local Government Act 2002

Under the Local Government Act 2002 all local authorities are required to publish a Long-term Plan once every three years, and an Annual Plan and Annual Report every year. The Long-term Plan describes the council's activities, priorities and work programmes for the next 10 years and is a key planning tool that outlines all of the activities that a council intends to do, how these will fit together and what they will cost. The Annual Plan outlines the activities to be undertaken in the next year and their funding, and the Annual Report reviews performance against funding targets and expected service levels. The Long-term Plan and Annual Plan are required to follow the special consultative procedure under the Local Government Act. The Long-term Plan and Annual Report documents are also audited.

The proposed unitary authority model with local boards would mean that nine Long-term Plans, nine Annual Plans and nine Annual Reports would be replaced by one of each and eight Local Board Plans (prepared 3-yearly). This would have the following significant improvements:

- ▶ Reduced resources required to prepare, consult, publish and audit these plans. The resources required to prepare a Long-term Plan are significant. It is estimated that the operational cost of preparing a Long-term Plan is over \$350,000 for an average local authority in the Wellington region. This does not take account of un-costed officer and councillor time, which would be well over 2000 person hours per plan.
- ▶ More effective and efficient monitoring of outcomes, using one set of measures across the region rather than nine different sets of measures.
- ▶ Reduced resource costs for businesses and residents. Businesses, sector groups and interest groups often make submissions and attend hearings on multiple plans across the region. One combined regional plan provides the opportunity to significantly reduce the resources required by these groups to participate in the planning process. Local Board Plans will address local issues and have relevance primarily to local communities.
- ▶ Reduced audit costs. In 2012, the audit fees for Wellington Regional Council's Long-term Plan and Annual Report was around \$300,000. Repeated across all nine local authorities this is a significant cost to ratepayers that could be reduced through reducing the number of plans.
- ▶ More effective funding for activities that cross jurisdictional boundaries. At present, a cumbersome process is required to agree funding for activities spanning multiple authorities and to consult on them with different communities. In some cases agreement is not reached and important activities remain unfunded or funding is applied unevenly across the region.
- ▶ Clearer priorities and strategic outcomes. Any business looking to invest in the region would struggle to identify any strategic approach due to the complexity of the plans and the number of overlapping and potential contradictory outcomes being planned for. This may be a barrier to investment and certainly makes it much more complex to communicate any regional approach.

Case study – shared funding approach for regional amenities

A recent attempt by the region’s territorial authorities to agree shared funding for regional amenities demonstrates the difficulty in achieving agreement to a single approach and fair funding model.

A collaborative approach was desired to support services, activities, events and facilities that are of regional benefit. While a region-wide survey found that most of the region’s residents were willing to pay to support regional amenities and a regional fund²⁵, the process to agree the best way to collect and administer this funding (initiated five years ago by the then incumbent WCC mayor) proved to be challenging.

There was a wide range of conflicting views between the different councils as to the total level of funding, what it should be used for and how it should be administered. Funding through a regional rate mechanism administered by the regional council was not considered by the Mayoral Forum, where the debate was conducted, despite its efficiency. A partial solution was eventually agreed, with Wellington City Council administering the fund for regional amenities and continuing to fund the major share (i.e. more than what had previously been determined to be its fair share). WCC collected ‘top up’ funding to supplement its own current funding and build upon opportunities to enhance these types of amenities from local councils²⁶.

Each of the territorial local authorities in the region needed to consult on the regional amenities funding proposal through their separate Long-term Plans. Following consultation, not all of the region’s territorial authorities agreed to participate and therefore funding is unequal across the region.

6.2.2 Local area planning

Local area plan development and implementation is a fundamental component of local government. The proposed unitary authority with local boards would allow for the continuation of programmes of local area planning prepared under the general provisions of the Local Government Act 2002. Local area planning includes village plans, centre plans, local action plans, neighbourhood plans and community plans. These local area plans are essential to translate the broader strategic direction into specific programmes at the local level, and would be a key responsibility of local boards.

The following table provides an example of how local area planning could work under the unitary authority model with local boards.

²⁵ Wellington City Council website. Regional Amenities Review – Key findings from the survey. Sourced from: <http://www.wellington.govt.nz/aboutwgtm/mayorforum/amenities/amenities.html>

²⁶ Wellington City Council, Report 5 to the Strategy and Policy Committee 20 September 2012, *Establishment of the Wellington Regional Amenities Fund*.

Table 7: Example of local area planning under a unitary authority model with local boards

Level of Council	Responsibility	Activities
Local boards	Lead, design and implement	<p>Prioritise local requests for local area planning</p> <p>Design engagement with the local community and provide supporting resources</p> <p>Endorse the final plan and draft implementation programme Negotiate funding for local projects/programmes with governing council</p> <p>Oversee the local implementation programme – this could include infrastructure upgrades or drafting unitary plan rules (if delegated by the governing council)</p>
Governing council	Oversees regional policy, funding and implementation	<p>Receive local area plans and uses them to inform spatial, network and infrastructure planning</p> <p>Prioritise and fund local area projects or programmes that relate to regional networks, assets and infrastructure</p> <p>Allocate local boards funding for local projects</p> <p>Advocate with other regional agencies for priorities in local area plans that have network implications e.g. NZTA/ KiwiRail</p>
Staff	Support and administer	<p>Chief Executive allocates staff resources to support local area planning processes</p> <p>Provide community development/engagement support to build local capacity for local area planning</p> <p>Promote and communicate the local area planning success</p> <p>Provide technical input and advice to the community, local board and governing council</p> <p>Prepare advice to the local boards and governing council on implementation</p> <p>Work with the community on implementation</p>

6.2.3 Plans prepared under the Resource Management Act

The Royal Commission on Auckland Governance considered that the complexity of the land use planning system was one of the main issues for Auckland. In their view complexity was caused by several factors, including:

- ▶ The large number of key decision makers who exercise resource management powers (including central government decision makers and requiring authorities)
- ▶ The overlaps in jurisdiction

- ▶ The sheer number of plans and rules, each with their own style and presentation
- ▶ The number of resource consents required to authorise the development of land, buildings, business and infrastructure.

These problems are also evident in the Wellington region context, perhaps to a greater degree. For a region that has about a third of the population of Auckland²⁷ (which previously had seven district plans and a set of regional plans), there are a total of six district plans as well as the Regional Policy Statement and five regional (natural resource) plans. Since the first generation of district plans has been completed, there have been a total of 253 plan changes and variations, as well as a number of comprehensive reviews, such as the Combined Wairarapa District Plan made operative in 2011, the proposed Kapiti Coast District Plan notified in 2012, and the Regional Policy Statement made operative in 2013.

Preparing, reviewing and maintaining this set of six district plans across the region comes at a significant cost to ratepayers. Each council needs to employ a team of specialist planners or, where these skills are not available, bring in additional consultant expertise. The preparation, notification and legal defence of each plan can take a considerable amount of council officer and councillor time. Consultation processes prescribed by legislation and the Environment Court require considerable resources, through mailouts to all affected property owners, submissions, further submissions, and hearings. Legal costs for defending appeals to plan changes are also considerable. Wellington City Council maintains a budget of around \$250,000 for legal costs arising out of the district plan process, and across the region the annual legal costs for RMA plan processes are likely to be well into the millions.

For residents, businesses and landowners participating in the planning process, there is also a high cost. This is linked to participation in planning processes (policy development and resource consents) and in compliance, due to the need to interact with six different district plans and a number of regional plans. Developers and investors with a portfolio that crosses current local authority boundaries are required to deal with a different set of rules in each area, as well as different approaches to administering each plan. This increases complexity and costs.

6.2.4 Opportunities to reduce complexity

The Royal Commission outlined options to overcome the level of unnecessary complexity, which are directly relevant to the Wellington context, including:

- ▶ Reducing the number of local authorities and thus the number of plans
- ▶ Requiring the production of fewer district plans whether or not there are fewer local authorities
- ▶ Requiring common standards to be adopted in district plans throughout the region

²⁷ 2012 projections indicate the Wellington region has a population of 490,100 and Auckland has 1,507,700.

- ▶ Removing unnecessary overlaps in jurisdiction between territorial authorities and the regional council
- ▶ Requiring the production of fewer regional plans/policy statements
- ▶ Providing call-in powers for proposals of regional significance
- ▶ Providing for a single planning agency for growth areas of regional significance²⁸.

The proposed unitary authority model with local boards will enable one unitary plan to be prepared instead of six district plans, a Regional Policy Statement and regional plans. This will result in the following improvements:

- ▶ Alignment and integration between the district and regional layers of plans. This will resolve the current jurisdictional overlaps for particular issues such as the management of natural hazards, hazardous substances and contaminated sites, earthworks controls, management of stormwater systems and management of coastal margins.
- ▶ Ability to issue resource consents covering both land use and water impacts in an integrated process, avoiding the need for separate and potentially conflicting approvals from two different consenting authorities.
- ▶ Common definitions, zones, and rules for similar activities across the region, reducing compliance and administration costs for businesses, landowners, residents and ratepayers.
- ▶ Reduced preparation, monitoring, review and maintenance costs for resource management plans. Whilst there will be increased costs in the short term whilst the unitary plan is prepared, this will be outweighed by significantly reduced costs in the medium to longer term for review and maintenance.
- ▶ Greater availability of specialist expertise to input to plan preparation and review (such as urban design, geotechnical, engineering, transport planning, environmental design, hazard management and development economics), reducing the cost of using specialist consultants and improving the quality of plan provisions and their administration.
- ▶ Significant reductions in the costs of consultation both in terms of the total rates cost for the unitary council in complying with the requirements of the Resource Management Act and for participants in the process through reducing the total number of consultation processes.

The Wellington Branch of the New Zealand Planning Institute agrees with this view. In its submission to the Independent Review Panel, the Branch Committee acknowledged the significant duplication of effort and that there has been a proliferation of planning documents and responses. Specifically it stated: “There are too many plans and consequently too many varied planning responses to the same issues across the region. This has resulted in ineffective and inefficient planning and resource management outcomes”.²⁹

²⁸ Royal Commission on Auckland Governance at 519-520.

²⁹ Submission #155 from the New Zealand Planning Institute, to the Wellington Region Local Government Review Panel, *Future Wellington – Proud, Prosperous and Resilient*

6.2.5 Providing for local circumstances

The preparation of one unitary plan does not mean that all communities will be required to adopt uniform provisions and that forms of development will therefore not respond to the diverse environments and communities in which they sit.

All existing territorial authorities have prepared unique district plan provisions that respond directly to the current demands and challenges and character associated with different parts of their jurisdiction. There are many ways that a unitary plan could appropriately incorporate newly developed policies and respond to different contexts, including through area-specific overlays and design guides.

Local area planning also offers an appropriate way for communities to influence the shape of their environments. This is already well established in the region, with notable examples being Wellington City Council's centre planning, Porirua City Council's village planning, Kapiti District Council's centre planning and Hutt City Council's "making places" project for the Hutt City central business district. The unitary authority model with local boards will enable these community based processes to continue under the guidance of local boards.

6.3 Delivering effective, efficient and appropriate infrastructure

Delivering effective, efficient and appropriate infrastructure requires forward planning. This includes consideration of the best locations for accommodating growth, the appropriate shape and form of development, adoption of appropriate delivery models and effective prioritisation. Ensuring the right infrastructure is delivered at the right time is critical to driving and supporting economic development and achieving sustainable management. For many forms of infrastructure the appropriate scale of planning and delivery is at the regional level, as this acknowledges the economic and physical connections within different parts of the region and provides for economies of scale.

6.3.1 Importance of size and scale

Size and scale are critical, particularly for the planning and delivery of capital intensive infrastructure. This was highlighted in a recent study on water infrastructure prepared for Water New Zealand and the New Zealand Council for Infrastructure Development, where it is stated:

"The study found a clear correlation between an operator's scale and its results. Larger operators scored better than smaller operators. Increased size enabled

*improved strategic focus, specialisation of technical staff, purchasing power and economies of scale.*³⁰

Responsibility for planning and delivery of infrastructure is presently split between the regional council (bulk water supply (the four cities), public transport, flood protection, regional parks) and territorial authorities (local roads, other transport infrastructure, local water supply, stormwater, wastewater, solid waste, community infrastructure and local parks). Whilst attempts have been made to address the fragmentation of decision-making for key regional infrastructure, none has provided the comprehensive planning framework needed to guide and prioritise decisions on a regional basis, and there is no agreed mandate to develop a wider spatial plan.

There have been various attempts at shared services relating to key infrastructure. However, these have shown only limited success in the Wellington region. Many of the examples are between one or two local authorities, not at a regional scale, and they have failed to provide the desired economies of scale or wider political endorsement.

The proposed unitary authority with local boards will help to streamline the planning and delivery of infrastructure by creating a single governance body for decisions on key regional infrastructure with sufficient critical mass to achieve economies of scale. A unitary authority will also be able to effectively guide future growth and prioritise across the different parts of the region, and seamlessly deal with issues that cross current administrative boundaries.

One of the key mechanisms that could be utilised by the proposed Wellington Council to guide delivery of effective, efficient and appropriate infrastructure is a spatial plan. This would only be possible with unified governance arrangements for the region.

6.3.2 Regional spatial plan

A regional scale spatial plan has been developed by the Auckland Council, providing a clear strategic direction for the growth and development of Auckland, as well as outlining Auckland's long-term social, economic, cultural and environmental objectives.

In 2007, the Wellington region's local authorities agreed jointly on the Wellington Regional Strategy, which was intended to incorporate some elements of a spatial plan. This was developed through a non-statutory process on a collaborative basis but had limited success due to its non-statutory nature and the difficulty of negotiating agreement amongst nine local authorities. As a result, the Wellington Regional Strategy was refreshed in 2012 and refocused solely towards enhancing the region's economic performance.

The creation of a Wellington Council would provide an opportunity to develop a comprehensive spatial plan for the Wellington region that can have real influence through the decisions of the Council. A spatial plan for the Wellington region would enable:

30 PWC and GHD, *Implementing the National Infrastructure Plan in the Water Industry*, July 2012

- ▶ *Effective investment decisions*: providing opportunities for more efficient use of existing and new infrastructure investment and more effective strategic investment decisions. Effective infrastructure investment and delivery is vital to a healthy economy.
- ▶ *Improved integration and relationships*: the complex and multi-layered nature of regional issues means there is a need for a far greater level of integration of decisions and services between all parties who influence growth and development. Regional spatial planning provides a means to significantly improve integration across all tiers of government. Successful spatial planning is built on strong relationships with central government, other local authorities, key infrastructure providers, businesses and the community. They all need to be partners in both the planning and the delivery. Even if the current Wellington councils could get all these other parties to the planning table, delivery would still entail the lining up of six district plans and the regional plans.
- ▶ *Scope and influence*: the majority of spatial planning issues extend well past the current city and district boundaries. This suggests regional scale planning is more appropriate for these issues. Addressing affordable house issues, for example, only makes sense in Wellington on a regional scale through a spatial planning model.
- ▶ *Improved ability to deal with complex land use issues*: spatial planning at a regional scale would provide an improved ability to address complex land use issues associated with transport infrastructure investment, flood protection, water quality, industrial and commercial zoning, and residential growth management. Policy solutions for many of these issues could then be given statutory weight through the Regional Policy Statement and unitary plan.
- ▶ *Better data management*: better decisions could be made through having consistent reporting and evaluation processes and procedures.
- ▶ *Efficiency*: combining or using resources on a regional basis will be more efficient than work done on an individual basis by each local authority.

6.3.3 Transport infrastructure and services

Transport infrastructure and services are one of the key matters that would be better managed through a single council in the region. Delivery of effective transport infrastructure is critical to the future of the regional economy and due to the high cost of new infrastructure, the ability to plan and deliver this efficiently is important to the affordability of local government in the region.

Whilst regional transport planning is a function of the Wellington Regional Council, effective planning and delivery can be hampered by the current governance arrangements and fragmented decision making. The current governance arrangements for transport are described and evaluated against criteria for local government in Table 8 below.

Table 8: Evaluation of current transport governance arrangements

Evaluation Criteria	Application to the current arrangements for transport planning, funding and implementation
<p>Provides effective regional leadership:</p> <ul style="list-style-type: none"> – Common purpose and vision – Directs planning and delivery – Assists investment certainty 	<p>Each local authority is represented on the Regional Transport Committee, which prepares projects for funding under the National Land Transport Fund (NLTF). While there is a regionally coordinated approach to the submission of projects for funding from the NLTF through the Regional Land Transport Programme, each of the nine councils has the choice of which projects it puts forward for consideration and prioritisation, irrespective of any Regional Transport Committee-approved regional transport plan provisions.</p> <p>The current arrangements limit certainty that the region can implement a cohesive regional vision, or deliver major and system-wide initiatives.</p> <p>Projects under the responsibility of an individual council may be considered regionally important by the Regional Transport Committee, but may not make it into the regional programme because the responsible council may decide it does not have the same importance.</p>
<p>Enables the development of an integrated ‘one network’ approach and more efficient decision-making:</p> <ul style="list-style-type: none"> – Transport and land use decisions are interdependent – Regional approach to planning – Joined-up policy and decision making 	<p>While current regional transport planning practices provide for collaborative development of multi-modal ‘corridor plans’ under the wider Regional Land Transport Strategy, implementing these plans as part of a one network approach is challenging given fragmented responsibilities across eight territorial authorities, New Zealand Transport Agency and the Wellington Regional Council.</p> <p>This is leading to slow and overly-complex decision-making. An example is the proposed Basin Reserve bridge which is a project of significance for the Regional Transport Committee (owner of the Ngaraunga-Airport Corridor Plan), the NZTA (owner of the road and finder of the improvements), Wellington Regional Council (which relies on the improvements to improve bus reliability) and Wellington City Council (owner of adjoining roads and responsible for urban design). The process to get the project to the consent application stage has involved uncertainty and difficulty as the various players make decisions on the merits of the project.</p> <p>In addition, the Wellington Regional Policy Statement (developed by Wellington Regional Council) is the only document able to direct land use planning at a regional scale. However, partly due to the difficulties of reaching agreement with all the councils, this document has only limited influence on the integration of transport and land use planning.</p> <p>Having one council as the planning authority and responsible for owning and managing local roading and public transport assets and services, and to partner with the NZTA would contribute to a more integrated approach and streamlined decision-making.</p>
<p>Builds organisational capability and capacity:</p> <ul style="list-style-type: none"> – Range of skills and retaining skilled staff 	<p>The capacity of local authorities within the region is mixed and smaller authorities have limited staff and resources, which impacts on their capability and capacity to react to the increasing complexity of the transport planning and funding system. While the region generally co-ordinates its responses to government policy changes, this takes considerable time and resources.</p>

Drawing together the collective transport resources of all the region’s local authorities within a single entity will increase the overall capability and capacity of transport planning and delivery in the region. It will also avoid the current duplication, and enhance the coordination and connection between strategy and delivery. The result will be an overall improvement in the efficiency and effectiveness of the regional response to the region’s transport issues. Reducing the number of different organisations with transport responsibilities will help to improve the clarity and transparency of transport decision-making, and reduce complexity in terms of public and stakeholder participation.

6.3.4 Water Infrastructure

Opportunities related to size and scale of local government also apply to the management of water infrastructure (water supply, wastewater and stormwater) in the Wellington region.

Providing effective and resilient water infrastructure and services is a core responsibility for local government. This is also an expensive responsibility. The following tables illustrate the current extent of water infrastructure and proposed capital expenditure over the next ten years³¹.

Table 9: Water supply and reticulation summary

Local Authority	Pipe network (kms)	Reservoirs / storage lakes	Pump stations	Treatment plants	Planned capital investment 2012 – 2022 (\$000)		
					Level of service	Growth / new assets	Renewals
Wellington	1,245	80	33		\$61,594	\$7,052	\$142,009
Hutt City	683	24	13		\$12,510	0	\$26,013
Upper Hutt	277	16	8		\$166	0	\$13,351
Porirua	321	17	13		0	\$8,552	\$13,231
Kapiti	528	8	8	5	0	\$20,888	\$27,434
South Wairarapa	104			Local schemes	0		\$5,036
Carterton	50	3		1	0	\$328	\$5,628

³¹ Pages 125-126 in *Future Wellington – Proud, Prosperous and Resilient*, report of the Wellington Region Local Government Review Panel, October 2012. Note: information has been sourced from Councils 2012-2013 Long Term Plan or Asset Management Plan

Masterton	168	2		2+ local schemes	0		\$23,068
Greater Wellington Regional Council	183	2	18	4	\$19,024	\$18,178	\$38,141
TOTAL					\$93,294	\$54,998	\$293,911

Table 10: Wastewater networks and treatments plants summary

Local Authority	Pipe network (kms)	Pump stations	Peak flow storage tanks	Treatment plants	Planned 10-year investment 2012 – 2022 (\$000)		
					Level of service	Growth/ new assets	Renewals
Wellington	1,058	62		2	\$8,880	\$3,202	\$115,960
Hutt City	677	44	2		\$41,230	0	\$63,225
Upper Hutt	215	12			\$21,215	0	\$13,882
Porirua	403	44		1 ³²	\$10,131	\$3,729	\$31,392
Kapiti	280	142		2		\$11,678	\$20,931
South Wairarapa				4 local schemes	\$6,120	0	\$3,616
Carterton	31	11		1	\$655	\$1,092	\$6,663
Masterton	150	4		1 + 3 local schemes			\$27,869
TOTAL					\$88,231	\$19,701	\$283,538

³² The Porirua wastewater treatment plant is shared in ownership and operation between WCC and PCC.

Table 11: Stormwater systems summary

Local Authority	Pipe and tunnel network (kms)	Open drains (kms)	Pump stations	Planned 10-year investment 2012 – 2022 (\$000)		
				Level of service	Growth/ new assets	Renewals
Wellington	740			\$14,137	\$1,896	\$59,881
Hutt City	546		14	\$19,478	0	\$8,238
Upper Hutt	147	11.5	6	\$2,338	0	\$11,228
Porirua	304			\$6,493	0	\$428
Kapiti	193	40	12	0	\$27,467	\$5,187
South Wairarapa						\$1,747
Carterton	11	27		\$124		
Masterton	33					\$1,743
Greater Wellington Regional Council						
TOTAL				\$42,570	\$29,363	\$88,452

Issues related to the delivery of water infrastructure and services, include:

- ▶ *Duplication and different approaches to asset management:* In general, all of the region’s local authorities are facing many of the same issues in dealing with the management of their strategic infrastructure. This means there is duplication of effort and cost, and varying asset management standards.
- ▶ *Competition for, and access to, skilled resources:* It is difficult for some councils to afford and attract suitably qualified and experienced staff in the asset planning and management. Local authorities compete for skilled staff against the private sector and major projects such as the Canterbury rebuild. Pooling resources into a single larger entity provides greater depth, development and succession for the key specialist resource. This also has the benefit of a larger pool being available to call on in the event of an emergency. A more substantial in-house expertise also reduces the chance of “consultant capture”, which is a risk for smaller councils and was commented on in the review of the Kaipara wastewater decisions.
- ▶ *Affordability:* Affordability is also a key concern, particularly in areas where upgrades have been delayed or where investment is required to respond to the needs and demands of an ageing population.

Case study – capacity and capability issues with ageing wastewater treatment systems in Wairarapa

The wastewater treatment plants in Featherston, Greytown and Martinborough (South Wairarapa District) are currently operating under the terms of their old consents that have expired. Historically, these councils have struggled to deal with consent application process and provide the level of funding necessary to update their infrastructure and treatment systems to achieve appropriate environmental standards.

Improvements to Carterton’s wastewater treatment system have been very slow to progress, with a limited term consent being granted in 2012. The consent conditions have been appealed by the Carterton District Council which considered the work to be unaffordable and unfeasible. There has also been a history of non-compliance with the Carterton wastewater consents, including a prosecution in 2011 for an on-going discharge of partially treated effluent to the Mangatarere Stream.

Case study – strategic issues with potable water supply

Current situation

Kapiti Coast District Council plus the three Wairarapa councils run their own water supply systems independently, using their own staff, outsourced contractors/consultants, or a combination of both.

Greater Wellington delivers bulk water to Wellington City, Porirua City, Hutt City and Upper Hutt City through an in-house business unit. Wellington City Council and Lower Hutt (through Capacity - a council controlled organisation) use a combination of in-house staff and contractors/consultants to deliver their retail supply. Capacity also delivers under contract to Upper Hutt.

Porirua runs its own retail supply with in-house staff.

Issues

Wellington Regional Council and Kapiti Coast District Council are both planning for future supply. Both councils are using different processes and timeframes – as a result the wider regional benefits associated with more strategic and resilient options have not had sufficient consideration.

Water supply grading - there are over 20 council owned and registered water treatment plants in the region. Outside of the four Regional Council plants and the Masterton plant, all other supplies are either ungraded or graded D or E which indicates a likely unacceptable level of risk.

All councils in the region have similar water supply issues. Each council has staff attempting to deal with these issues, often with limited funds and using the same consulting companies to solve the same problems.

The Wellington region would benefit from one unified water supply unit for the entire region, with centralised operational control with a high level of expertise, and with maintenance work carried out locally.

Potential improvements

A unitary authority model with local boards would provide a more coherent approach to the management of water infrastructure and the delivery of water services, including the following improvements:

- ▶ Improved strategic capacity with a regional approach and more integrated long term planning
- ▶ Greater cost effectiveness with economies of scale, reduced duplication and more focus on services
- ▶ Better in-house expertise and reduced contractor and consultant costs
- ▶ Reduced material costs through greater purchasing power and negotiating strength
- ▶ Better coordination of capital works - timing and funding
- ▶ Reduced risk to public health with better management of water and wastewater treatment across the entire region
- ▶ Better post-event recovery capability
- ▶ Improved information through single ownership and management of data.

6.4 Catchment-based fresh water and coastal management and flood protection

Water is one of New Zealand's key economic advantages and arguably the country's most valuable asset. *"It is highly valued for economic, recreational, aesthetic, ecological and cultural reasons. Given these multiple and often conflicting values, its best management is a constant challenge for local authorities"*³³.

The Wellington region, like most of New Zealand, is facing significant pressure on our fresh and coastal water environments from changing and more intensive land uses. This is reflected by recent reporting that shows some of our receiving environments deteriorating or having poor health³⁴.

In addition, the statutory context for managing fresh water and coastal environments under the Resource Management Act 1991 is a very complex area of resource management. Effective water management can only be carried out if councils have the tools and skills to do the job, including:

- ▶ Robust and comprehensive data on the resource, systems and processes

³³ Para 488 in *Future Wellington – Proud, Prosperous and Resilient*, Report of the Wellington Region Local Government Review Panel, October 2012

³⁴ Regional Overview on the state and trends for land, air and water in the Wellington region, Greater Wellington Regional Council, 2012

- ▶ Staff with an in-depth understanding of technical and engineering matters, science and environmental systems
- ▶ Resources and expertise in planning and developing policy under the Resource Management Act 1991.

Similar resources and tools are required for flood protection, and both areas of environmental management are closely connected.

Complexity around integration of land use and water and coastal management is a key issue for local government to deal with. Under current arrangements, land use planning is the responsibility of territorial authorities, and it can be difficult getting wider agreement on integrated solutions that benefit freshwater and coastal receiving environments. This is a particular issue when dealing with non-point source discharges. It is also difficult dealing with issues in the coastal margins as a literal “line in the sand” determines where responsibility lies between regional councils and territorial authorities.

A similar situation exists for flood management. The overlap of responsibilities between territorial authorities and regional councils and hesitancy to commit to change land use, can slow down the process and constrain the ability to develop long term and resilient solutions. Implications of climate change mean that this is likely to become more important into the future.

The integrated and multi-party nature of water management has facilitated the move by the Wellington Regional Council towards more a **more collaborative approach**, similar to that promoted through the Government initiated Land and Water Forum. The Wellington Regional Council, through Te Upoko Taiao (its Natural Resources Committee), is devolving to local communities the development of catchment specific policies and rules for the regional plan, through zone committees called “Whaitua Committees”. This is a fundamental form of local democracy and decision making on local places and will be retained under the proposed unitary authority model with local boards.

To be successful, the work of the “Whaitua Committees” will need to be underpinned by science-based knowledge. This knowledge is only able to be generated through resources and investment made by a regional scale council.

The proposed unitary authority model with local boards will help to address these issues by:

- ▶ Enabling better integration and consistency between land use planning, flood management, and fresh and coastal water management
- ▶ Creating scale to ensure local government in the Wellington region has access the necessary resources, technical skills and information, and capability
- ▶ Building on current best practice for collaborative planning approaches.

6.5 Resources necessary to carry out its responsibilities, duties and powers

Relevant requirements of the Local Government Act 2002:

Schedule 3, Clause 11(5) requirements: The Commission must be satisfied that any local authority proposed to be established or changed under a reasonably practical option will -

- (a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers

The proposed unitary authority, with a single amalgamated administration and combined assets, will have the scale, size and resources necessary to carry out its responsibilities.

Amalgamating the nine current administrations will improve the resources available to carry out local government activities and decision-making across the Wellington region, including skills and technical knowledge. The governing body and local boards will be advised and supported by a single chief executive and staff with knowledge of both local and regional issues. Through pooling IT, science, planning, financial and people management and other technical and specialist capability currently residing in nine separate councils, it will be possible to provide better advice and services across the region. The amalgamated administration will also have the benefit of the best systems and adopting the best practice in all aspects of local government activities from the current nine councils. We note that this will take some time to achieve, but also note that in Auckland some efficiency gains are already being experienced.

The council will be of a sufficient scale to attract the skilled resources it requires to undertake its activities. It will also be able to achieve significantly improved procurement arrangements through increased scale and will have the potential to achieve improved investment management, again through increasing scale.

6.6 Efficiencies and cost savings

This section focuses on efficiencies and cost savings. Further information on debt and potential implications for rates is included in Section 8.2 below.

The financial scale of local government operations in the Wellington region is significant. The combined operating expenditure for the local authorities in the region in the 2012/13 year is \$932,936,000, as outlined in Table 12 below:

Table 12: Forecast operating expenditure and funding sources – 2012/13

Council	Total Operating Expenditure \$000	Revenue from Rates (General, Targeted, Water Usage) \$000	Revenue from Fees and Charges \$000	Other Sources of Revenue \$000	% of Revenue from Rates
Wellington City	\$365,289	\$239,567	\$97,421	\$28,301	66%
Hutt City	\$131,079	\$91,306	\$29,570	\$10,203	70%
Upper Hutt City	\$38,057	\$30,228	\$5,505	\$2,324	79%
Porirua City	\$58,751	\$46,490	\$9,883	\$2,378	79%
Kapiti Coast District	\$58,639	\$47,180	\$9,654	\$1,805	80%
South Wairarapa District	\$18,551	\$11,057	\$604	\$6,890	60%
Carterton District	\$11,211	\$8,514	\$1,431	\$1,267	76%
Masterton District	\$32,836	\$24,040	\$5,800	\$2,996	73%
Wellington Regional Council	\$218,523	\$90,258	\$4,448	\$123,817	41%
Total Wellington region	\$932,936	\$588,640	\$164,316	\$179,981	63%

Source: 2012/22 LTPs, Funding Impact Statement adjusted for calculation, Targeted Rates for Water Supply, Residents as per LTP

6.6.1 Potential efficiencies

Many of the submissions on the models developed by the Joint Working Party on Local Government Reform supported change on the basis that amalgamation of individual local authorities should result in significant cost savings. Similar messages were received by the Independent Local Government Review Panel.

In the case of Auckland, the Royal Commission on Auckland Governance forecast 2.5% - 3.5% efficiency gains from amalgamation of the eight councils in the Auckland region. We note that Auckland Council has recently reported that it is on track to achieve its forecast levels of savings and efficiencies. In its 2012-22 Long-term Plan, Auckland Council forecast 1% gross

savings in year one, 2.7% in year two, and around 4% on-going annual savings against total operating costs – a total of around \$1.8 billion over 10 years.

While the efficiency gains in Auckland have begun, evidence from change processes overseas indicate that efficiency savings are more realistically expected in the medium to long term³⁵. The process and timeframes of reorganisation and integration take time and, in the short-term, there are likely to be increased costs associated with local government reform. Evidence also indicates that any efficiency savings may not result in a corresponding reduction in rates for households and businesses, as there is often a need for reinvestment of savings in other areas.

The 2010 PricewaterhouseCoopers study, commissioned by the Wellington Mayoral Forum, drew on UK research that was undertaken into the size of local government and its relationship to efficiency.³⁶ In that research, it noted that the UK Government (Department for Communities and Local Government 2006) stated the primary reason for encouraging the development of unitary structures and a new two-tier model was to make substantial efficiency gains. The research noted:

*“... local authorities with a small client population are likely to reap efficiency gains on administrative costs by reorganising into a larger unit or by sharing back office functions”.*³⁷

The Auckland Council experience and overseas examples strongly suggest that there should be a reasonable expectation of efficiency savings from the creation of a combined Wellington Council. Opportunities would likely come from the following areas:

- ▶ Common administrative and support functions (human resources, procurement, ICT, finance, property management, corporate and executive services)
- ▶ Common data management systems and processes
- ▶ Common regulatory functions, activities and processes (building consents, resource consents, liquor licensing, dog permits, and other permits and licensing)
- ▶ Streamlined planning processes for resource management, transport planning as well as plans required under the Local Government Act
- ▶ Single ownership of assets and a comprehensive asset management approach
- ▶ Services that are delivered at both a regional and local level (economic development and tourism marketing)
- ▶ Combined contract for services, for example rubbish collection and road maintenance.

If the proposed Wellington Council is able to deliver a level of efficiency savings comparable to the expectation identified in the Auckland Commission report (2.5%-3.0%), then this would

³⁵ *Consolidation in local government: A Fresh Look*, Report by the Australian Centre of Excellence for Local Government, Local Government Assn of South Australia, and Local Government New Zealand, May 2011

³⁶ Rhys Andrews and George Boyne “Size, Structure and Administrative Overheads: An Empirical Analysis of English Local Authorities” 2006 46(4) *Urban Studies*, 739-759.

³⁷ Rhys Andrews and George Boyne, as above n 107 at 17.

translate into operational efficiency savings of between \$300 million - \$360 million across the Wellington region over a 10-year period.

6.6.2 Service delivery

Achieving greater efficiencies in service delivery often requires a critical mass to realise savings through economies of scale. The point at which a critical mass is reached will differ between services.

The experience of central government in looking for efficiencies in administrative and support services is relevant. A recent annual review of 31 state sector agencies by Treasury³⁸ reveals that the larger agencies are significantly more efficient than the small and medium-sized agencies for all functions - except for ICT. This illustrates the impact of fixed costs and indicates opportunities to improve efficiency by leveraging scale.

In the Wellington region with nine councils, some of which have a population of less than 10,000³⁹, there is a similar issue with scale and the ability to retain skilled staff and upgrade systems.

Some of the opportunities for the proposed unitary authority model with local boards are:

- ▶ **Capacity** - concentrating the experts and managers, and providing the capacity to make high-quality decisions available to all levels of governance while avoiding more expensive consultant services. Several of the smaller local authorities in the region lack sufficient capacity to undertake a full range of services effectively.
- ▶ **Financial cost reduction** - reductions in borrowing costs (the Local Government Fund Agency uses scale to access improved borrowing rates that only Auckland can achieve on its own);
- ▶ **Procurement** - increased critical mass to secure lower cost and longer contracts for materials and services.
- ▶ **Technological efficiencies** – technology can enable significant efficiency savings.
- ▶ **Rationalise resourcing** – Removing duplication from a networked system to deliver an effective service with less resources.

The current governance structures in the region do not effectively facilitate coordination of council service delivery across the region. Without coordinated service delivery the region will remain unable to obtain the full extent of the advantages of economies of scale and scope.

There are a number of examples of two or more of the region's local authorities working together through shared services, combining resources or performing activities in a consistent coordinated manner (for example, water management services, joint venture arrangements for solid waste collection or landfills). However, while there has been some success with these

³⁸ Administrative & Support Services Benchmarking Report for the Financial Year 2010/11, Treasury Department, New Zealand Government,

³⁹ South Wairarapa District Council has a population of 9,400 and Carterton District Council has a 7,730.

shared services approaches, they have proven politically difficult to achieve and in practice they rarely deliver optimal efficiency savings because they do not cover the entire region. In 2009 the Mayoral Forum launched a programme to achieve regional shared services. Of the eighteen work streams on the agenda, only one (Regional Civil Defence and Emergency Management) was completed. In other cases, there has been some partial buy-in – and this in itself can be problematic. For example, a shared services arrangement for libraries (the Smart Libraries Group) does not include Wellington City which is important due to the high number of commuters who might like to borrow or return books while they working in the city during the day.

The 2010 PricewaterhouseCoopers study and the more recent Morrison Low study commissioned by the Wairarapa local authorities also considered options for greater shared service arrangements.⁴⁰ The premise was that efficiency savings could reasonably be expected if current local service provision and delivery (including “back office” functions) were efficiently and effectively reorganised and provided on a region-wide basis.

The Queensland Local Government Reform Commission⁴¹ also examined alternative options for shared services and concluded that:

“Regional co-operative structures and shared service arrangements generally offer less efficiency and economies of scale than could be achieved through amalgamation (essentially because of the additional overheads they incur). In the Commission’s view, shared service models generally do not offer a superior alternative to amalgamation in respect of either retention of jobs or delivering greater cost efficiencies.”

The proposed unitary authority model with local boards is better placed to obtain efficiency savings without requiring a mandate from central government and will have the flexibility to resolve many of the issues that have constrained the success of the shared services model.

The ‘aggregated’ financial size, strength and leverage of having a combined Wellington Council would provide an opportunity to provide more effective financial governance through investment and debt management, as well as better management of service delivery. This would better meet the future needs and challenges faced by the region. Some of the current councils in the region with relatively small rating bases are highly susceptible to significant cost and rates increases associated with the renewal or upgrade of essential infrastructure assets services. The establishment of a single rating entity for the region as a whole, and the development of a single uniform rating and funding system, create opportunities for enhanced leverage and improved financial and risk management across the region.

⁴⁰ Morrison Low *Assessment of options for joint management and service delivery* (South Wairarapa District Council, Masterton District Council and Carterton District Council, May 2012).

⁴¹ Local Government Reform Commission *Report of the Local Government Reform Commission – Volume 1* (Local Government Reform Commission, State of Queensland, 2007).

Case study 1: potential savings from rationalising economic development activities

Potential exists to achieve efficiency savings in the area of economic development. While the Wellington Regional Strategy is the regionally agreed and funded mechanism in which to deliver services in this area, a number of the current local authorities also provide for similar economic development activities at the local level. Some of this local spend appears to directly overlap with the focus areas of the Wellington Regional Strategy.

For example:

- ▶ Hutt City Council provides resources for tourism promotion, business support and sister cities
- ▶ Upper Hutt City Council provides resources for tourism, events promotion and business support
- ▶ Kapiti Coast District Council provides resources for tourism, business support, and the clean tech centre
- ▶ Porirua City Council provides resources for tourism, business support and grants, and city marketing
- ▶ Wellington City Council provides significant support (\$19million over the 2012/13 year) for tourism, city marketing, events, sister cities, events facilities, workforce support, business support and attraction
- ▶ South Wairarapa District Council provides resources for tourism marketing and community grants.

Case study 2 – productivity improvements from more consistent food licensing processes

Productivity improvements go hand and hand with efficiencies and cost savings. For local government, these would accrue primarily as a result of increased size and scale, and reducing duplication as discussed in the previous section.

For businesses and households, productivity improvements are most likely to accrue from reducing compliance costs and having fewer and more consistent processes when businesses and households interact with local government. The proposed Wellington Council would significantly increase opportunities for reducing red tape, as demonstrated in the following example on food licensing set out in the Report of the Wellington Regional Local Government Review Panel⁴²:

“Under current arrangements, if a hotdog vendor wants to sell food in Hutt City, Wellington City and Porirua City, the vendor is required to obtain three different environmental health certificates, pay three different fees, undergo three inspections from three different councils, and all impose significant costs on the business. This is

⁴² Para 706, pg 150 in the report of the Wellington Region Local Government Review Panel *Future Wellington: proud, prosperous and resilient*

despite the fact all three council are acting in accordance with the same central standard, the Food Hygiene Regulations 1974. To operate in all three areas, the hotdog vendor would be required to pay a minimum combined total of \$661.00 in its first year. The pricing in the table below demonstrates the duplication and inconsistency that exists across the region, not only in price but also the way the fee is calculated.

Table 13: Current mobile stall fees for the first year

Council	Fee structure (mobile food stall or equivalent)
Porirua	\$215.00 (flat fee)
Hutt	\$266.00 (discounted in second year)
Wellington	\$180.00 (minimum charge plus additional hourly rate)
	\$661.00

Appendix 3 of the report of the Joint Working Party on Local Government Reform at Appendix Six provides further information on possible efficiency savings under both the two-tier and single-tier unitary authority model.

6.7 Appropriate community of interest

Previous parts of this application have referred to issues relating to the fit of the proposed unitary authority model with local boards with existing and future communities of interest. “Communities of interest” does not have a statutory definition, so for the purposes of this application it is considered to be a combination of the following factors:

- ▶ The geographical pattern of people’s activities (where people live and work and play)
- ▶ Linkages between places and local communities
- ▶ Social and economic interdependence
- ▶ Sense of place and identity.
- ▶ Natural geographic features and water catchments
- ▶ The use of key facilities (such as hospitals, schools, airports, ports)

Clearly the Wellington region already contains many communities of interest that are reflected at various levels, from individual streets, to local centres, to suburbs, towns and cities, existing local government areas and the region as a whole. At a regional scale there are a number of factors that combine to create a significant community of interest. These include:

- ▶ There are essential economic connections between all parts of the region. The Wellington CBD is acknowledged as the economic hub of the region and provides direct and indirect employment for significant numbers of the region’s residents, including from Wairarapa. In

2006 over 53,000 people commuted into the CBD to work each day – 30,000 of them from outside of Wellington City boundaries. Over 9,000 people also commute from Wellington City to other places to work⁴³.

- ▶ Health services, especially specialist and tertiary treatment, are spread across the region. The three Wellington District Health Boards are moving rapidly to deliver clinical services and programmes region-wide. This process began some years ago and is increasing in pace. Planning and service delivery by the four hospitals, provision of funding for health services, and future planning are now becoming indistinguishable across the three District Health Boards – Wairarapa, Hutt Valley and Capital & Coast.
- ▶ Thousands of students travel daily, not only to the region’s tertiary institutions but also to schools in other local government jurisdictions.
- ▶ At weekends, specialist stores and large retail complexes draw shoppers from their homes to different parts of the region.
- ▶ The same pattern occurs amongst sports players, who travel to netball and tennis courts, rugby and soccer fields golf courses and other sports facilities that may be nowhere near their homes. Most sports codes are administered on a regional basis.
- ▶ Major events attract crowds from all parts of the region – the NZ International Arts Festival (mainly in Wellington City but also with events in other parts of the region), Toast Martinborough (South Wairarapa), Wings over Wairarapa (Masterton), the International Rugby Sevens (Wellington City), ANZ Netball (Porirua and Wellington City) and other sports fixtures in different places. Some major regional arts and entertainment facilities are located in Wellington City - including the regional stadium, St.James Theatre, the Opera House, and theatres such as Circa and Downstage. Other regional facilities are located around the rest of the region, for example The New Dowse in Hutt City and Pataka Museum and Te Rauparaha Arena in Porirua.
- ▶ Transport links provide effective connections across the region, by road and rail. The commuter rail network extends from Waikanae in the north-west, to Masterton in the north-east to Wellington in the south. The strategic walking and cycling network connects the whole region as well, generally following the State Highways but also with several off-road sections such as the Hutt River Trail and the proposed Wellington to Wairarapa cycle trail.
- ▶ CentrePort and Wellington Airport provide sea and air links for people and businesses throughout the region and are essential to the regional economy.
- ▶ The region’s broadband connections operate at the regional scale, which requires regional collaboration to ensure that ultra-fast broadband is deployed in the most efficient way possible. This work includes working with private companies on options to reduce the cost of installing fibre and encouraging uptake of ultra-fast broadband services.
- ▶ The seat of Government located in Wellington City has major implications for the wider region and relates to a regional community of interest. Much of the Government workforce live outside Wellington City.

⁴³ 2006 census data for journey to work, Statistics New Zealand

- ▶ Emergency services such as the Police, Fire Service and Wellington Free Ambulance, already align to the regional scale of local government, as do other government agencies.
- ▶ The region contains within it a number of different water catchments and major geographical features, including the Rimutaka and Tararua ranges. Whilst these are on a sub-regional basis, it is important to note that some of the existing territorial boundaries bisect these natural catchments
- ▶ The tourism sector, a critical component of the regional economy, also relies on the region's interconnectedness, with visitors to the major accommodation and entertainment centre in Wellington City, also being attracted to other parts of the region. Wairarapa is a fundamental part of the "tourism offer", as highlighted by Positively Wellington Tourism in a recent submission to Wellington Regional Council's Annual Plan⁴⁴:

"The Wairarapa region is a unique and exciting place to visit. Indeed the Wairarapa has for some time been an important selling point in PWT's international marketing initiatives. Central to PWT's international marketing messages is that Wellington is a gateway to the wine regions of the Wairarapa and Marlborough."

In terms of sense of place and identity, people connect at various levels, from individual streets, to local centres, to suburbs, to towns and cities, existing local government areas. However they also have a strong sense of identity as the Wellington region. This strong community of interest that already exists at the Wellington regional level is *not reflected* in the current governance structure.

6.8 Facilitating improved economic performance

As referred to in the introduction to this section, there is evidence over recent years that the Wellington region is not keeping pace with the rest of the New Zealand economy.

The Infometrics Economic Profile 2012⁴⁵ (see Appendix Seven) confirms that the region's overall GDP growth has slowed over the last decade, dropping last year to average economic growth of just 0.2% against the New Zealand rate of 2.3%. A similar situation exists for employment – by last year the region had reached negative employment growth with a net loss of around 1400 jobs over the previous two years. The regional unemployment rate is the highest since 1994. Economic benchmark reporting also confirms that the Wellington region has significant strengths, particularly around skills and education, and knowledge based industries⁴⁶. Wellington's performance in these sectors has not improved, even though local government has been targeting these areas through the Wellington Regional Strategy.

⁴⁴ Submission from Positively Wellington Tourism, 26 April 2013

⁴⁵ 2012 Wellington Region Annual Economic Profile, Infometrics Ltd

⁴⁶ Regional Economic Activity Report, New Zealand Government, 2013

These downward trends are consistent with population growth patterns. The region's population growth over the last decade has consistently been lower than the New Zealand average and net migration reached new low of 880 in the year to June 2012⁴⁷.

Wellington's reliance on a few key sectors can make it difficult for the economy to respond to national and global economic shocks. The Wellington region has now dropped to second lowest of all New Zealand regions in terms of sector diversity⁴⁸. Wairarapa, with its rural based economy, offers complementary strengths and has a high level of economic interdependence with the rest of the region⁴⁹. Without Wairarapa, the region would be even less diverse and have a considerably narrower based economy, with accompanying risks.

6.8.1 The Wellington Regional Strategy

The Wellington Regional Strategy provides an overall regional approach to improving the economic performance of the Wellington region. When it was developed nearly a decade ago, it was considered a leading example of collaborative thinking in local government. However, it has not delivered its original promise and has been scaled back to fewer areas of focus.

The budget overseen by the Wellington Regional Strategy Committee is relatively small at \$4.6 million. Territorial authorities in the metropolitan part of the region spend considerably more on local economic development outside of the regionally agreed Wellington Regional Strategy and its principle delivery vehicle, Grow Wellington. Some of this local spend directly overlaps with the focus areas in the Wellington Regional Strategy.

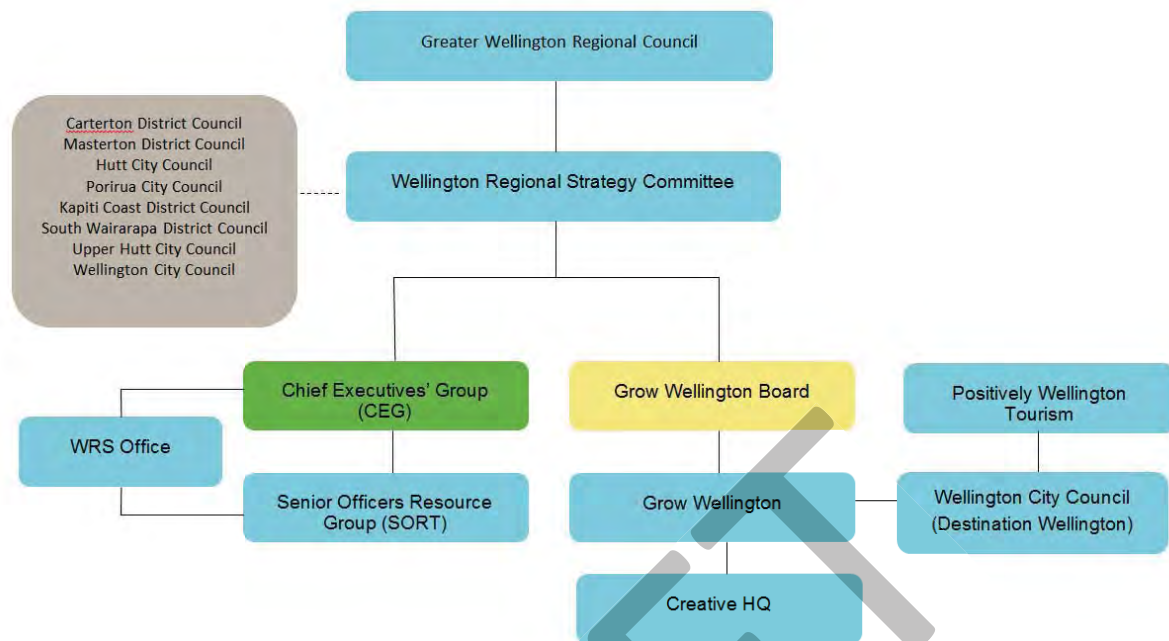
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⁴⁷ Page 55, *2012 Wellington Region Annual Economic Profile*, Infometrics Ltd

⁴⁸ Hirfindahl-Hirshman Index of industrial diversity, pg 15 in *2012 Wellington Region Annual Economic Profile*, Infometrics Ltd

⁴⁹ *Economic Interdependence between the Western Area of the Wellington region and Wairarapa*, MartinJenkins Ltd, February 2012.

Governance arrangements for the Wellington Regional Strategy



One of the underlying issues is that the current governance arrangements for the Wellington region do not maximise the potential for facilitating economic development and have high transaction costs. They:

- ▶ have a complex governance arrangement, especially for such a small budget resulting in high administration and coordination costs relative to the size of the activity
- ▶ allow duplication between plans and strategies at the local and regional level
- ▶ duplicate implementation of programmes on economic development
- ▶ are not fully integrated with decisions on future key infrastructure provision
- ▶ result in internal competition between different parts of the region, a zero sum game.

6.8.2 Duplication of economic planning

The Wellington Regional Strategy is supplemented by a range of plans and programmes at the local level and, as noted above, this can result in duplication and inefficient use of resources. This is demonstrated in Table 14 below. Similarities of intent and purpose are evident with all of the local economic development documents and most focus on local economic development activities. Some issues of strategic regional importance are highlighted in these documents, for example in Wellington City Council’s Economic Development Strategy – Smart Wellington.

Table 14: Territorial authority policies and strategies on economic development

Council	Title	Purpose/Aims
Hutt City Council	Economic Development Strategy 2009 – 2014	To maintain Hutt City’s economic viability and lift productivity
Kapiti Coast District Council	Strategy for Supporting Economic Development for Kapiti	To help deliver a thriving and resilient future for Kapiti’s communities
Porirua City Council	Economic Development Strategy and Action Plan 2009-2019	To achieve sustainable economic outcomes and quality of life in the future for residents of Porirua
Wellington City Council	Economic Development Strategy – Smart Wellington	To attract, retain and grow investment, to create jobs, and to support sustainable economic growth of Wellington City
	Digital Strategy and Action Plan 2011	To achieve global recognition as a creative digital city

6.8.3 Potential improvements

The proposed unitary authority model with local boards is significantly better placed to deal with the key strategic and economic issues of the region and take a more coordinated and coherent approach to regional and local economic development. It will provide for:

- ▶ Effective collaboration between public (local and central government), private and not-for-profit sectors on policy development and implementation of regional economic development initiatives
- ▶ The best of local initiatives and a regional approach for issues of regional impact
- ▶ Delivery mechanisms with coordinated or a single stream of funding and a mandate to implement
- ▶ The ability and authority to marshal resources behind transformative projects that have the potential to deliver multiple economic development outcomes and provide long-term benefits for the region as a whole - for example the Wellington airport runway extension and the Wairarapa Water Use project.
- ▶ A single local authority that can effectively partner with the private sector to deliver key economic development projects in a transparent and cost-effective way
- ▶ Alignment with central government policy and funding for economic development that is targeted at the regional level.

7 DEMONSTRABLE COMMUNITY SUPPORT

Relevant requirements of the Local Government Act 2002:

Schedule 3, clause 8(1) requirements:

If the Commission decides to assess a reorganisation application, the Commission must first be satisfied that there is demonstrable community support in the district or each affected territorial authority for local government reorganisation in the affected area.

Schedule 3, Clause 5(1) requirements:

(f) Information that demonstrates that the application has community support in the district of each affected territorial authority

7.1 Overview of community support

This application has been prepared following an extensive engagement and consultation programme. There is demonstrable support for change to the current local government arrangements across the region. This support has grown as the structure of local government has been publicly debated over the last three years.

There is also demonstrable support of the unitary authority model with local boards, as the most appropriate form of local government for the Wellington region, in each of the affected areas in the region.

Many region-wide engagement processes on reorganisation of local government in the Wellington region have been run since 2010. Four of these are directly relevant to this application and the details are outlined below. At each engagement the regional community was asked its view on the current structure and alternative structures. Support for change has generally increased at each engagement.

However, it was only the final engagement in March-May 2013, carried out by the four councils participating in the Joint Working Party on Local Government Reform, where the local board model was presented and described in detail to the community as an option. In most other engagements, including Wairarapa by the three Wairarapa district councils, people have been asked about a “Supercity” option without much, if any, definition. Indeed, in some cases the definition was of a single-tier entity.

Through these processes the communities in the region have been presented with many different views and information about local government structures and issues. Some of this information has been conflicting and at times incomplete. According to informal feedback the Wellington Regional Council has received, this has led to confusion about the models and the issues. This has certainly been the case for the two-tier local board model. The parties to this

application look forward to a single, well defined proposal being released by the Commission in due course, giving the community a single option to consider.

It has been difficult for many people to fully understand the various options being promoted and their implications. We believe this has impacted on the level of engagement with the various processes.

7.2 Support for reorganisation

Throughout the various survey, engagement and feedback processes undertaken by councils in the Wellington Region since 2010 there has been consistent support for changing the structure of local government in the region. While this support is lowest in the Hutt Valley, even in Upper Hutt and Hutt cities there is support for change. This was confirmed in the submission feedback the four councils received in response to the report of the joint Working Party on Local Government Reform in April/May 2013. Support for some sort of reorganisation (though not necessarily for the proposal in this application) is strongest in Wairarapa and in the Kapiti Coast District.

We believe that the Local Government Commission can be satisfied that there is community support for local government reorganisation in all the affected areas, as required by clause 8(1) of the Local Government Act.

7.3 Support for proposed model

In addition to the requirement for the Commission to be satisfied there is community support for local government reorganisation, the application must also demonstrate that the application has community support in the district of each affected territorial authority.

The various engagement processes undertaken in the region, including surveys, submissions and direct feedback to the Wellington Region Local Government Review Panel and the joint Working Party on Local Government Reform's proposed single council models, have all identified community support for a unitary authority model with local boards. While not universally popular in each of the territorial areas in the region, there is demonstrable support in each of those areas.

Support for the proposal is described below.

7.4 Processes and outcomes of engagement processes

7.4.1 PricewaterhouseCoopers Report (2009)

PricewaterhouseCoopers was engaged by the Mayoral Forum in late 2009 to review the local government structures in the Wellington region. The report addressed:

- ▶ The long-term drivers of change and their impact on the Wellington region, and an assessment of the region's ability to respond to future opportunities and challenges
- ▶ The relationship with the new Auckland unitary authority
- ▶ The social and economic pressures faced by communities across the region.
- ▶ The allocation of regional and local responsibilities - responsibilities for service delivery, and holding and managing infrastructure assets
- ▶ Processes (including planning and consultation requirements)
- ▶ Governance and representation arrangements.

The report was publicly released by each of the nine councils in the region and communities were invited to provide feedback. Some councils promoted the invitation to comment to more or lesser extents, while others did not. As a result, there was considerable variation in the number of responses from the different parts of the region. In total 165 responses were made, 28 of these were from organisations.

MartinJenkins Ltd was asked to analyse the feedback and report its findings to the Mayoral Forum. The MartinJenkins report was completed in August 2011. A copy of this report is in Appendix Eight. Sixty-nine percent of those who had a view expressed a preference for structural change. However, there was a generally held view across all submitters that the scope and focus of the local government arrangements debate was unclear and confusing for many people. For this reason the feedback could at best provide an indication of the community's likely views, rather than carrying any particular weight.

7.4.2 Colmar Brunton survey (June 2012)

In June 2012 Colmar Brunton was commissioned by the eight territorial authorities in the Wellington region to undertake a telephone survey in which 3,300 adults were surveyed. Wellington Regional Council was not invited to be part of the survey. The sample was designed so that it included 400 respondents in each district and 500 in Kapiti.

In response to the question "Do you think the way councils in the Greater Wellington region are organised should remain the same/change/don't know", 49% of respondents said "remain the same" and 41% of respondents said "change". Those wanting change ranged from 32% in Upper Hutt, 39% in Lower Hutt and Wellington, 40% in Porirua and 55% in Kapiti. In the three Wairarapa areas the range was from 44% to 58%.

Respondents were then asked their views of various options, including 1 council for the region, 2 councils (one for Wairarapa and one for the balance of the region and 3 councils. No details were provided for these options and there was no reference to a two-tier local board option. For this reason the responses to the survey cannot provide an indication of the degree of support, or otherwise, for a local board model.

7.4.3 Wellington Region Local Government Review Panel (October 2012)

The Wellington Region Local Government Review Panel carried out a wide-ranging engagement with the community across the whole region. As well as holding nine public

meetings, the Panel held 134 meetings with stakeholder groups, councils and key individuals. In addition it received written submissions from 234 organisations and individuals.

The Wellington Region Local Government Review Panel sought feedback on the functions of local government, rather than on the form/structure. The feedback included views about:

- ▶ Local democracy, voice and representation
- ▶ Local functions at the local level and regional functions at the regional level
- ▶ Developing resilience
- ▶ The value of community boards
- ▶ Creating a stronger regional voice
- ▶ Overcoming duplication
- ▶ Economies of scale and efficiency gains
- ▶ Rates and finance
- ▶ Integration of infrastructure and service delivery
- ▶ Economic development
- ▶ Spatial planning
- ▶ Maori representation
- ▶ Council controlled organisations
- ▶ Wairarapa's independence

The Wellington Region Local Government Review Panel's engagement process is outlined in its report⁵⁰. Chapter 3 includes a detailed synopsis of the feedback. The two key messages received by the Panel were the need for regionalism and the importance of local democracy and local engagement on local issues.

Where people expressed views on structure the majority indicated change in the region was needed. Based on this feedback, and its other research, the Panel identified a two-tier council structure for the region including Wairarapa.

7.4.4 Joint Working Party on Local Government Reform Working Party report engagement (March 2013)

The four Councils participating in the joint Working Party on Local Government Reform carried out an extensive engagement process on two change options and the status quo. The change options were a one tier unitary authority and a unitary authority model with local boards. These are described in the Working Party's report (see Appendix Six). The change options had two variants – they could include or exclude Wairarapa.

⁵⁰ Chapter 3 in the report of the Wellington Region Local Government Review Panel *Future Wellington: proud, prosperous and resilient*

Feedback on the options was sought through various means. These are outlined below. The objective of the engagement process was twofold. Firstly the Working Party wanted to determine the level of support for changing the local government arrangements in the region (demonstrable support for change). Secondly, they wanted to determine if there was support for a single council model, and if so, the level of support for the single-tier and two-tier local board models (i.e. demonstrable support for a possible proposal). The submission form and questions used through the process were designed to elicit that information.

Public meetings

Porirua City Council, Kapiti Coast District Council, and Wellington City Council each held public meetings in their own districts. Wellington Regional Council held public meetings in Upper Hutt, Lower Hutt, Masterton, Carterton and South Wairarapa.

Stakeholder meetings

Each of the participating councils hosted discussion and information sessions with various stakeholder groups such as community boards, health providers, education providers, business groups, environmental groups, ethnic councils and charity organisations.

Submissions

Submissions were invited from people and organisations across the region. As well as inviting written free-form submissions, to assist submitters' two different submission forms were made available. The "long form" submission form invited people to rate the importance of various aspects related to local government relevant to the reorganisation debate. These included issues such as leadership, planning, infrastructure delivery, local voice, etc. It then asked people to rate the two single council change options against five statements relevant to how people would see the two models applying:

- ▶ "This option will be effective in making strategic regional decisions"
- ▶ "This option will be effective in addressing local neighbourhood issues"
- ▶ "I know who the decision-makers are and who to approach for getting my issue resolved"
- ▶ "I know who to hold account for decisions under this model"
- ▶ "The option will deliver effective and efficient decision-making".

A question was asked about which of the two change models the respondents would prefer, if they had to make a choice. This was simply to gauge support for the two models relative to each other in order to assist informing a final decision on an application. The final question was whether or not the respondent believed Wairarapa should be included in a council for the region.

Finally, submitters were provided the opportunity on the form to make any other comments.

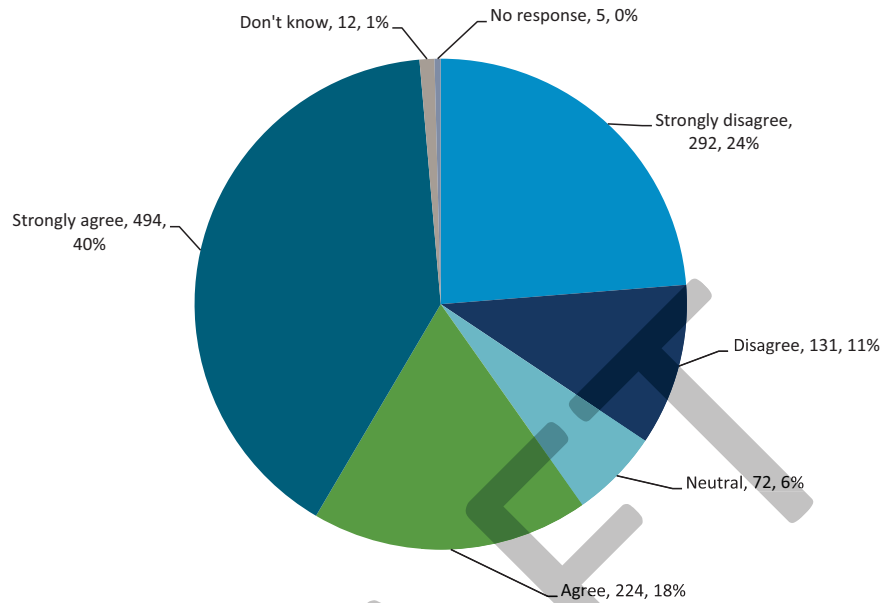
A short version submission form was also available. This asked three question and invited a yes/no/don't know response. The questions were:

- ▶ "Do you think our councils need to change?"
- ▶ "Do you favour one single-tier council or a two-tier council with local boards?"
- ▶ "Do you think Wairarapa is part of the Wellington region?"

Both submission forms were made available on line and in hard copy format. A total of 1,892 submissions were received. The full analysis of the feedback is in Appendix Two.

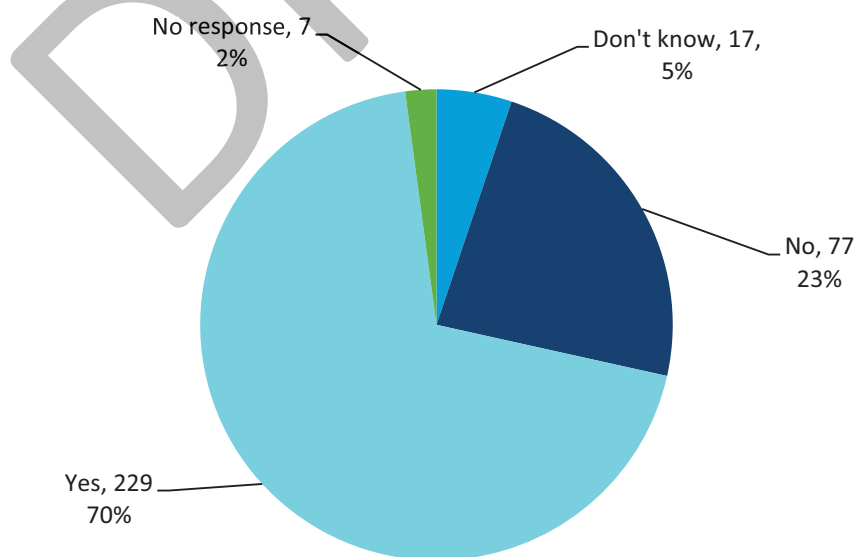
When asked in the long form submission “how much do you agree or disagree this [local government] structure needs to change?” 58% agreed or strongly agreed.

Q.15 How much do you agree or disagree this structure needs to change
1,230 Long form submissions

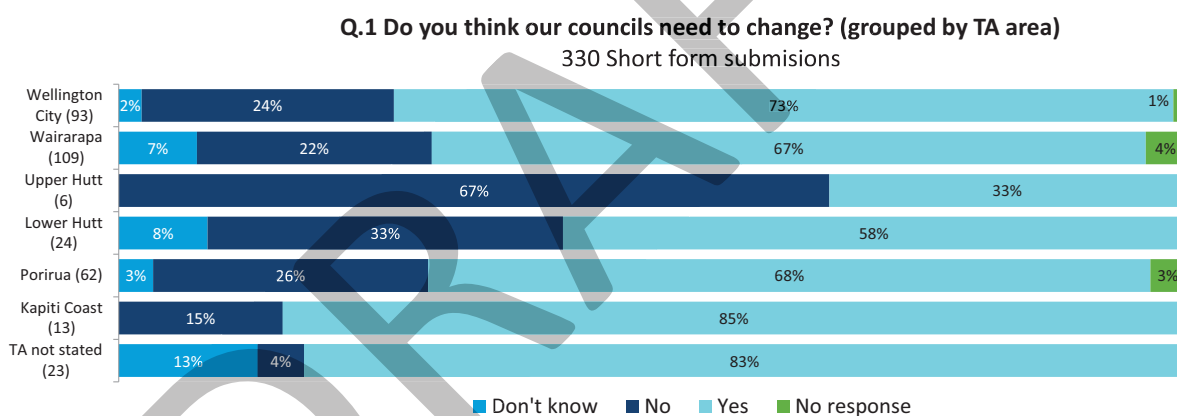
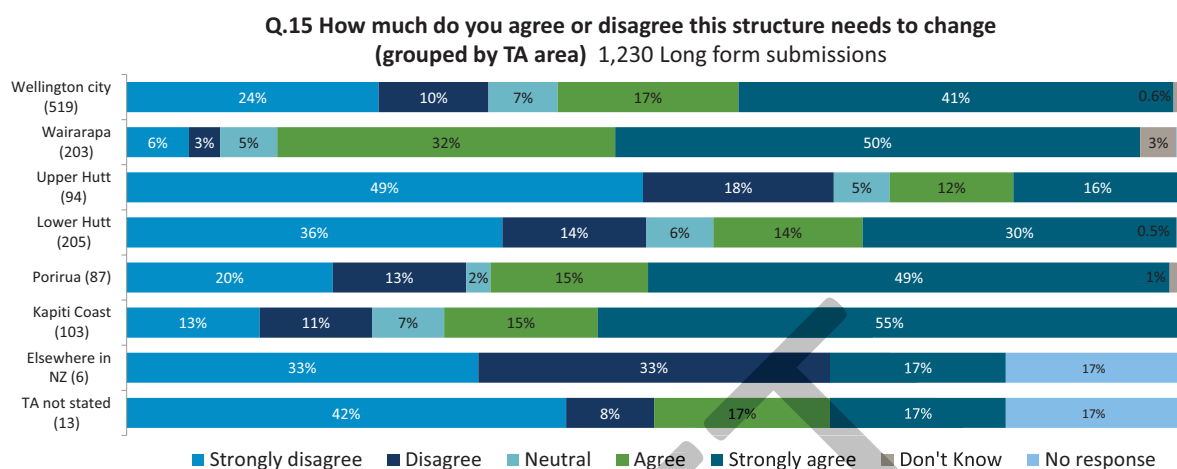


The support was even stronger from those responding to the short submission form. When asked “do you think the councils need to change” 70% of submitters said “yes”.

Q.1 Do you think our councils need to change?
330 Short form submissions



Support for change was highest in Porirua, Wairarapa, Wellington City and Kapiti Coast and lowest in Lower Hutt and Upper Hutt.⁵¹



The most common feedback provided by those in support of change was that change is necessary in order to overcome duplication, address inefficiencies, and avoid wastage of effort, funds and resources. Many people expressed a view that the status quo is untenable and no longer fit for purpose.

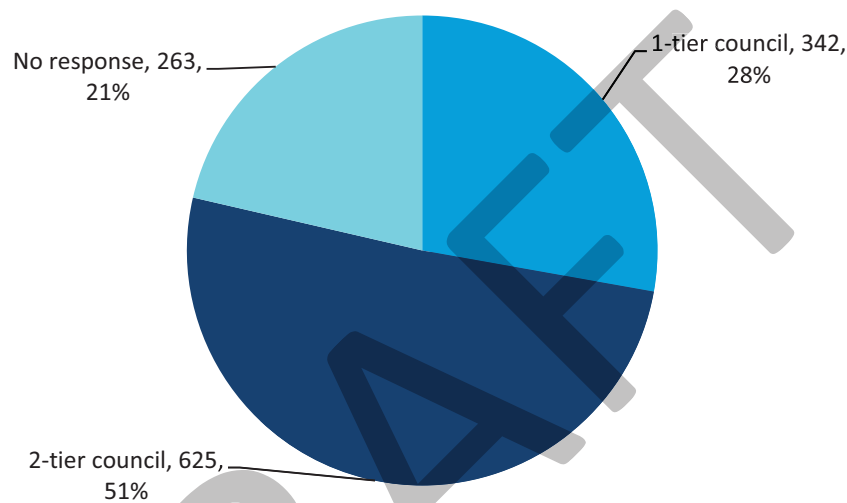
Submitters supporting the status quo fell broadly into two categories: expressions of satisfaction with the status quo on the one hand, and expressions of concern about the implications of a single council structure on the other. The most common sentiment among

⁵¹ Note: some areas in the region has low numbers of submitters using the short submission form

supporters of the status quo was that the current situation is working and there is no need to change.

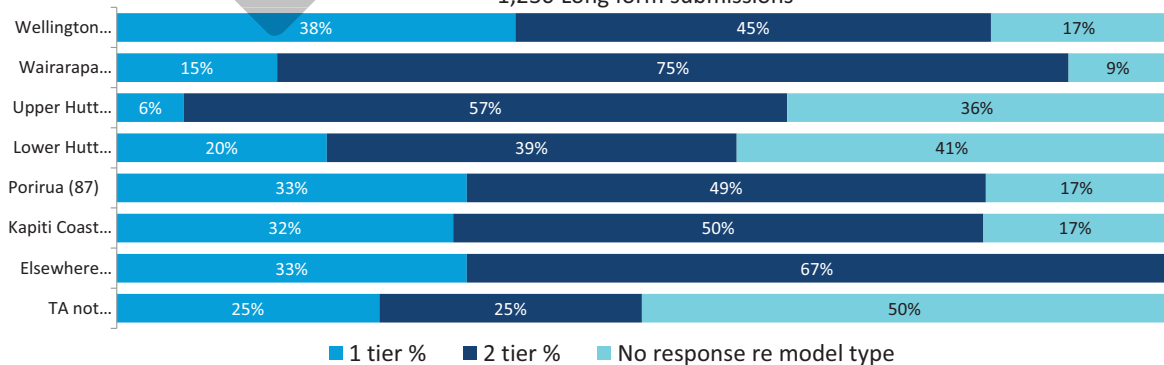
Of those who submitted and expressed a view on a model, there was a preference for the two-tier (local board) model.

Q.18 If you had to choose one of these two models of local government for the Wellington region would you choose: The 1 tier or the 2 tier?
1,230 Long form submissions

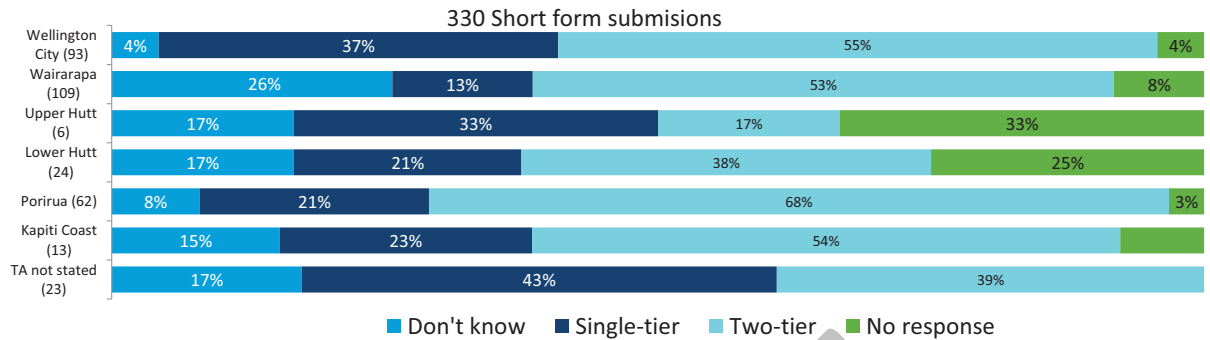


The level of support for the options was consistent across different areas of the region, although among submitters from Lower Hutt and Upper Hutt, a number of submitters indicated they did not prefer either of the single council models.

Q.18 If you had to choose one of these two models of local government for the Wellington region would you choose: The 1 tier or the 2 tier? (grouped by TA area)
1,230 Long form submissions

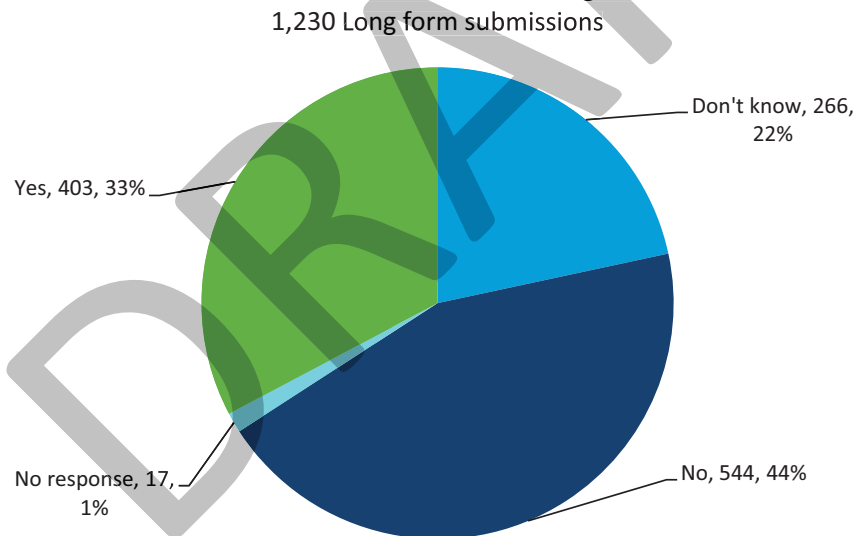


**Q2. Do you favour one single-tier council or a two-tier council with local boards?
(grouped by TA area)**



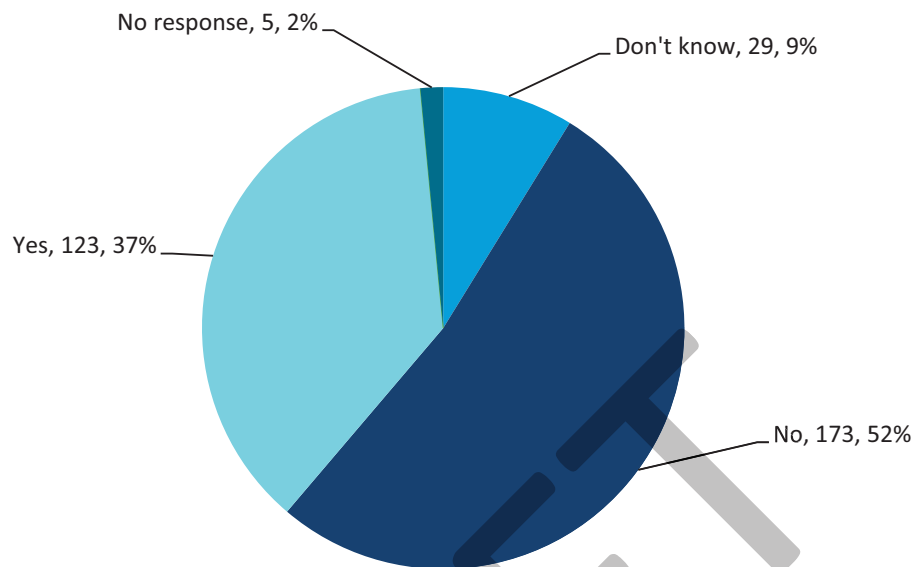
On the question of whether Wairarapa should continue to be part of the Wellington region, more submitters using both the long and short submission forms indicated they should be excluded. However there was still significant support for its inclusion.

Q.19 Do you believe the Wairarapa should be included or not included in a council for the region?



Q.3 Do you think Wairarapa is part of the Wellington region?

330 Short form submissions



Of the 396 of submitters from Wairarapa who used the long form submission, 87% were in favour of Wairarapa's inclusion in a council for the whole region.

There were many reasons given by submitters for including Wairarapa. These included:

- ▶ The costs of a Wairarapa Unitary Council would be too great for the population base; fiscally it would be unable to support itself
- ▶ Economic integration into a more dynamic region will give Wairarapa strength. An isolated Wairarapa would become a backwater with parochial arguments distracting from good decision making
- ▶ There are already strong transport connections between Wairarapa and the rest of the region and these can be strengthened under a single council structure. Particularly, strong commuter ties exist already – many people living in Wairarapa work in Wellington – and better access for commuters in an integrated system would open up more opportunities for all
- ▶ The small population and large land area mean a Wairarapa Unitary Authority would impose a rating burden which would severely impact on growth – Wairarapa needs the benefit of the larger population to the West to maximise its potential
- ▶ Wairarapa is an integral part of the greater region with historical ties established through commerce, employment, infrastructure and recreation
- ▶ As part of the Wellington hinterland, Wairarapa is a fundamental source of well-being for the whole region, with events such as Toast Martinborough and Wings over Wairarapa attracting large numbers from across the region. Being separate would result in a drop in tourism in Wairarapa
- ▶ The substantial investment and expertise required to carry out functions such as irrigation, biodiversity, flood control and land management in Wairarapa would not be manageable without the support of the wider region

- ▶ The complementarity of the largely rural Wairarapa and predominantly urban rest of the region means the union between the two under the same structure will be mutually beneficial
- ▶ Wellington City and Wairarapa are interdependent and as such having separate decision making bodies opens the potential for inefficient and conflicting decision making
- ▶ The Rimutaka Range is a mental barrier for many people but not for the individuals and organisations that use the hill. Residents of Wairarapa commute to work/play in the Hutt Valley, Wellington and even Kapiti. Putting aside the 555m elevation, it is simply a route to travel and takes less time than many routes in Auckland, Christchurch or elsewhere in NZ.
- ▶ The wider the region-wide council, the stronger it will be.

The main reason given by those who believe it should stand alone was that it is largely rural, while the western part of the region is largely urban and therefore the two areas have irreconcilably different outlooks and concerns. Others also noted the geographical division created by the Rimutaka Range which provides a clear barrier dividing Wairarapa with the rest of the region.

There were many submitters from Tawa requesting that, in any changed structure, Tawa should remain with Wellington City, rather than being part of Porirua. Likewise, there were some submitters in Stokes Valley who objected to being included in Upper Hutt.

Research

▶ Online and telephone surveys

Porirua City Council, Kapiti Coast District Council and Wellington City Council conducted surveys of residents in their respective areas.

▶ Wellington City Survey

Colmar Brunton surveyed Wellington City residents for Wellington City Council. It adapted the long form submission as the basis of its survey. The results of the survey are in Appendix Two. The key results from the survey, which was statistically relevant at the 95% confidence level, were:

- » 52% of respondents agreed that the structure of local government in Wellington should change, 15% disagreed it should change and 30% were neutral
- » When asked if change was inevitable, 43% of respondents supported the single tier model, 37% supported the local board model, and 18% supported the status quo
- » When asked if change was inevitable and the status quo was not available, 50% supported a single tier model, 46% supported a local board model
- » 49% of respondents think Wairarapa should be excluded from the restructured local government, 29% believe it should be included and 22% were unsure.

The reasons for supporting change are similar to the feedback from submitters. These included a belief that there are currently too many councils, that changing the structure will result in cost or financial efficiency gains, and there is a need for regional leadership. For the 15% not supporting change, the main reasons given were a fear of a loss of “local voice”, a belief that the current structure is working fine, and a concern that a “one size fits all” approach will not work for everyone in the region.

As with submitters, the respondents to the Colmar Brunton survey identified the two-tier model as more effective in addressing local neighbourhood issues (54%) than the single tier model (29%).

► **Kapiti Coast District survey**

SIL Research surveyed Kapiti Coast District residents for Kapiti Coast District Council. The results of the survey are in Appendix Two. The key results from the survey, which was statistically relevant at the 95% confidence +/- 2-2.5%, were:

- » When asked if they preferred the status quo or a “single city” option, 54.7% said they preferred the status quo, 42.9% of respondents said they preferred the “single city”, 2.5% said “other”
- » Of those respondents who indicated they would prefer the “single city” option, 51% supported the “two-tier” council and 44.5% indicated they supported the “single tier” council
- » Across all respondents, 78.9% indicated they did not prefer any other local government structure option and 21.1% said there was another option they preferred
- » In answer to direct questions about the importance of community boards, 65.4% said they considered them to be “very or somewhat important”.

► **Porirua City survey**

To be completed when results available

► **Focus groups**

Wellington City Council conducted a series of focus groups. The results of these have not yet been made available.

7.4.5 Iwi views

The joint Working Party on Local Government Reform discussed local government reform with the leaders of the six mana whenua iwi in the Wellington region. This was under the umbrella of Ara Tahi⁵².

Three meetings were held between the groups to discuss possible reform, the options and the iwi leaders’ preferences for Maori representation under a reorganised local government structure. In addition, each iwi was invited to submit its views in writing to the Working Party and/or the chair of Ara Tahi for collation and submission to the councils. A report from the Tangata Whenua of Ara Tahi was received. Te Runanga o Toa Rangatira Inc. and The Port Nicholson Block Settlement Trust/The Wellington Tenths Trust/The Palmerston North Maori

⁵² Ara Tahi is a regional leadership group with membership of mana whenua iwi leaders and Greater Wellington Regional Council leaders

Reserve Trust also made submissions. A further submission was received from Nelson Rangi as kaumatua of Ngati Kahangunu o Wairarapa. All four responses are in Appendix Nine.

Only one iwi indicated a preference for one or two tiers, which was Ngati Toa who indicated a preference for the single tier model. All others have said they would support either model. It is unclear if the Wairarapa iwi (Ngati Kahangunu ki Wairarapa and Ngati Rangitane o Wairarapa) support the single council model. As the Ara Tahi report notes:

“in the case of Wairarapa, the main options put before both iwi are a stand-alone Wairarapa unitary authority versus a “super-city” model. Both iwi have adopted a stance of reserving a decision on preference, or “not stating a preference”. This has mainly come about because of the highly charged nature of campaigning for options in Wairarapa with individual members supporting either one or the other or not prepared to comment publicly”.

In summary the Ara Tahi report concluded:

- ▶ Iwi prefer the Ara Tahi model of engagement with council
- ▶ Iwi are insistent that the current status of council/Tangata whenua engagement is maintained
- ▶ The Te Upoko Taiao model of natural resource planning must be retained
- ▶ Iwi have dismissed Maori seats as not meeting tangata whenua needs compared to the status quo
- ▶ Council engagement with taurahere must be resolved some time but the responsibility is council's
- ▶ Iwi strongly value the enhanced influence of a single voice through their collaboration in Ara Tahi.

Ngati Kahangunu kaumatua Nelson Rangi provided a detailed analysis of the various local government structural options and concluded that a single council for the current region, including Wairarapa, and a local board model is the most appropriate option to meet the needs of whanau of Kahangunu in Wairarapa.

7.4.6 Tararua property owners' views

Eleven properties in the current Wellington region fall within the Tararua District. All land owners were invited to complete a survey form asking them:

- ▶ Do you agree or disagree that our council structure in Wellington region should change?
- ▶ If there was to be a local government reorganisation, would you prefer your property being included with the Manawatu-Wanganui region or the Wellington region?
- ▶ What are your reasons for your preference?
- ▶ The proposal being considered by Greater Wellington Regional Council and others is for a single unitary authority for the Wellington region, either with a second tier of local boards, or without local boards. If you had to choose, would you choose one-tier council without local boards/two-tier council with local boards?"

Three forms were completed and returned. Of those who returned forms:

- ▶ One agreed the structure should change, two responded “don't know”

- ▶ One preferred to stay in the Wellington region, one preferred to transfer to the Manawatu-Wanganui region, and one didn't respond, on the basis that the respondent didn't see why there needed to be a change.
- ▶ Two respondents elected the 2-tier (local board) model, one didn't respond (the respondent who didn't see why there needed to be a change).

7.5 Letters in support of the application

As outlined in Section 3 of this application, a number of parties have written letters of support for this application. These are from:

- ▶ To be listed (note: A number of parties have indicated they would like the application to include their letter of support. These will be received once GWRC has made its decision on the application)

DRAFT

8 SUPPORTING INFORMATION

8.1 Consideration of alternatives

Alternative options were considered as part of the process to identify the best local government arrangements for the Wellington region. These are outlined and discussed below.

8.1.1 Two unitary authorities – Wairarapa and western part of current region

This option involves the creation of a unitary authority for Wairarapa, and one for the rest of the current Wellington region, to the west of the Tararua and Rimutaka ranges. The “western” unitary authority option could be a council with local boards.

We are aware the Commission has received an application for the creation of a unitary authority in Wairarapa. This is not supported for the following reasons.

Implications of a projected declining and ageing population

Wairarapa, like most small and rural communities in New Zealand, is projected to experience significant changes to its population (decline and ageing) over the next 20-30 years⁵³. Some of these changes are already happening. For example entry: exit employment ratios (which provide a snapshot of the labour force) declined significantly over the period 1996-2011, with the greatest declines in the region occurring in South Wairarapa (48%) and Carterton Districts (52%). In both cases, the decline was much greater than the national trend, as it also was in the Masterton District (33 %). This compares with Wellington City (20.0%) and the Kapiti Coast District (17.5%). These trends are expected to continue over the long term.

The 2031 population projections for Wairarapa include:

- ▶ An expected decline of most ages below 55 years
- ▶ Overall decline in the size of Masterton (-4.0%) and South Wairarapa (-5.1%) districts. This compares with Wellington City projected growth of 19.1% and the Kapiti Coast District growth of 20.4%. The national population growth projection for this period is 6.3%
- ▶ South Wairarapa District to have the lowest ratio in the Wellington region of people at market entry: exit at 6:10. Masterton and Carterton districts also continue to be below 10:10. This compares with Wellington City which is projected to be 14 per 10 in 2031.

⁵³ *Greater Wellington – Socio-demographic Profile 1986-2031*. Professor Natalie Jackson, National Institute of Demographic and Economic Analysis, University of Waikato, August 2012. See Appendix Three

The declining and aging population will place significant pressure on a Wairarapa Council to deliver services that meet the community's needs and that the community can afford. Over time, the shrinking labour force may impact on the ability of smaller councils in rural areas to find and retain skilled employees to run its services.

Interconnectedness with the wider Wellington region

Wairarapa is a distinct part of the Wellington region in a physical geographical sense. In this respect establishing a separate council for Wairarapa has attraction as it appears to be a community of interest different to the rest of the current Wellington region. However, there are a number of significant connections between the two parts of the region that challenge that view.

The first are the economies. Wellington Regional Council commissioned a report from MartinJenkins and Associates Ltd in late 2011, which confirmed there are strong economic ties between Wairarapa and the western part of the Wellington region. The report is in Appendix Four. In summary it concludes that:

“At an aggregate level, the industry structures of the two economies often lead to their relationship being characterised as a traditional hinterland supplying an urban centre. However this underplays the connections that exist between businesses in the two areas, the integration that exists in the labour markets, and the lifestyle factors that are an integrally important part of attracting people to the region.

The study has identified a myriad of linkages and connections between the two areas.... The linkages are of significance to the people and businesses involved in both areas, although in the aggregate the Western Area is more significant to Wairarapa than in reverse. Notwithstanding the relative size differences, the different industrial specialisations of Wairarapa contribute a degree of stability and diversification to the Region's economy.” (pp1-2).

This is illustrated by the 1,400 (2006 census figures) of commuters who travel from Wairarapa into the western part of the region each week day, with approximately 680 travelling the other way.

The two parts of the region also have significant social connections. According to the MartinJenkins report:

“At a social and personal level, the proximity of the two areas is a key factor in strong tourism, recreation and family linkages acting in both directions”.

There are also strong economic connections between Wairarapa and the western part of the Wellington region through the tourism sector, as referred to earlier and confirmed by Positively Wellington Tourism in a recent submission to Wellington Regional Council's Annual Plan⁵⁴.

⁵⁴ Submission from David Perks, CEO Positively Wellington Tourism, 26 April 2013. *“The Wairarapa region is a unique and exciting place to visit. Indeed the Wairarapa has for some time been an important*

We believe these connections inextricably link Wairarapa and the rest of the region, and so what might appear to be a natural split, is not in reality as pronounced as the geography suggests.

Affordability

Over the past year Wellington Regional Council has undertaken two exercises to assess the cost of delivery of its services against the amount of rates collected in Wairarapa. The first of these was at the request of the three Wairarapa Councils and analysed the Wellington Regional Council spending in Wairarapa against the rates collected there. It was based on the Wellington Regional Council draft Annual Plan budget for the year 2012/13. The conclusion was that Wellington Regional Council expenditure in Wairarapa for that year would be \$11.2M more than the rates it collected.

The second exercise was done in response to a request by the other councils in the region who asked to receive an expenditure analysis of their areas, similar to that undertaken for Wairarapa. The exercise, undertaken by PricewaterhouseCoopers, allocated as far as possible all of the Wellington Regional Council expenditure across all of the territorial authority areas in the region. As a result of the analysis, PricewaterhouseCoopers concluded that for the 2011/12 year, the net level of rates support from Wellington Regional Council to Wairarapa was \$10.932M. A copy of the PricewaterhouseCoopers report is attached in Appendix Eleven.

There is a significant gap between the level of rates collected in Wairarapa and the amount spent in providing regional council services. This raises a serious affordability issue for Wairarapa under a separate unitary authority model. The Wairarapa Governance Review Working Party engaged MartinJenkins & Associates Ltd and Taylor Barry Duignan Ltd to investigate the financial feasibility of a Wairarapa unitary authority. While the report concluded that it was feasible, the applicant believes the conclusions cannot be relied on because the report contained significant errors. There was a lack of evidence for many of the report's assumptions and the approach used, based on overly optimistic assumptions about a Wairarapa unitary authority. This presented an unrealistic and unbalanced assessment of the viability of a unitary authority for Wairarapa.

For example, the Wellington Regional Council has budgeted \$1.25 million each year for three years to undertake research and investigations for the Wairarapa Water Use Project. The level of funding required to consent the project has been estimated at \$5 million based on other like projects, and the cost of construction will be in the \$100s of millions. This level of expenditure has not been factored into the analysis commissioned by the Wairarapa councils.

A copy of the MartinJenkins/Taylor Barry Duignan report is attached in Appendix Eleven, along with an assessment carried out by Wellington Regional Council. This assessment concluded that the report seriously underestimates the financial risk of Wairarapa breaking away from the Wellington region and "*is an unreliable basis for considering the strategic and economic case for a Wairarapa unitary authority*" (p2). Either rates would need to increase significantly,

selling point in PWT's international marketing initiatives. Central to PWT's international marketing messages is that Wellington is a gateway to the wine regions of the Wairarapa and Marlborough."

or lower levels of service delivered. If the latter, it would be difficult for Wairarapa to deliver its statutory obligations, especially in environmental management.

Wellington Regional Council sought legal advice on one of the major issues of contention - the funding of the Wairarapa train. This advice is attached in Appendix Five. It confirms the views expressed by Wellington Regional Council officers in the response letter to the MartinJenkins report, that the current funding arrangements would need to be reviewed under a new set of considerations and tests applied as to where benefits flow. It also confirmed the administrative and governance challenges in running an inter-regional service.

Diseconomies and ability to deliver all functions and services

In relation to current regional council functions, especially in the areas of environmental science and flood protection, creating a separate unitary authority in Wairarapa will result in smaller management and operational units and diseconomies. For example, there is a growing need for better scientific understanding of the natural environment arising from the Government's freshwater and other reforms. Wellington Regional Council is investing heavily in this area. Because Wairarapa makes up a large part of the Wellington region's natural environment, much of the work is currently invested in Wairarapa. However, the science programme applies across the entire region. Splitting the region and therefore the science capacity will either increase the cost of this work, or reduce the capacity and value. This would impact on both unitary authorities' ability to deliver high quality environmental and land management. The same applies to flood protection, where the engineering expertise currently in Wellington Regional Council benefits the various schemes in Wairarapa and the rest of the region. Splitting this expertise will reduce scale and capability of each area to deliver appropriate levels of service.

The MartinJenkins report Assessment of the Viability of a Wairarapa Unitary Authority (page 39, Para 114) addressed how a newly-formed Wairarapa Unitary Authority might approach its funding challenges. It stated:

“Although a period of operating deficits is not desirable..... we note that the combined Wairarapa Councils have significant cash balances and investments to fund deficits over the next few years. Potentially, consideration could be given to drawing down on these to fund the deficit pending the return to surplus”.

Suggesting the council might run at a deficit and thereby use up all existing cash reserves and investments, would carry extremely high risk for Wairarapa ratepayers. Under these circumstances, the effect of a one-off major event such as a flood would be a major financial challenge for a Wairarapa Unitary Authority, which would presumably have to debt-fund its response to the flood.

8.1.2 Multiple unitary authorities

This option includes three or more unitary authorities for the region:

- ▶ Unitary authorities in Wairarapa, the Hutt valley, and the area along the west coast of the current region
- ▶ Unitary authorities in Wairarapa, the Hutt Valley, Wellington/Porirua and Kapiti Coast
- ▶ Unitary authorities in Wairarapa and in each of the current territorial authority areas.

Managing interconnected networks

The region is inextricably bound together. The economic, social, cultural and environmental futures of all the constituent parts are interconnected and inter-reliant. Major transport networks are completely integrated across boundaries. Water supply infrastructure, for example, is integrated between the Hutt Valley, Wellington City and Porirua City.

There are significant social and economic interconnections between all parts of the current region, for example:

- ▶ Sports stadiums, grounds and other facilities such as swimming pools, where social and competitive events span across current council area boundaries
- ▶ Jobs
- ▶ Social and cultural events and facilities
- ▶ Business connections.

Wellington City and the Hutt Valley share natural catchments that include the Wellington harbour, and Wellington City and Porirua share catchments that include Porirua harbour. These catchments must be managed in an integrated way if water quality is to be maintained and improved.

Any fragmenting of the current region through reorganisation will result in a situation that not only replicates the disadvantages of the status quo but actually worsens the current situation. It will erode regional collaboration and reduce oversight on regional matters as a number of larger unitary authorities with strengthened powers compete for success.

If multiple unitary authorities were to be formed, council controlled organisations or some form of joint committees would be needed to manage the regionally interconnected activities such as public transport and water. They would also be required for environmental management. This would be both inefficient and would potentially undermine democratic principles. Shared-services or cooperation agreements rely heavily on a culture of participating councils making the same decisions (for example, funding levels for public transport), and to remain part of any agreement over time. This approach carries high risks for the management of such integrated networks as exist in the Wellington region. In addition, the Wellington region has few good examples of successful, fully integrated regional shared approaches. The starting point, therefore, is not a culture of effective shared companies or services.

Wellington Regional Council sought legal advice on how the planning, funding, and delivery of public transport could best occur under a scenario with multiple unitary authorities. This advice is attached in Appendix Five (DLA Phillips Fox; Public Transport with Multiple Regional Authorities in the Wellington Region). The advice identified significant issues with public transport funding under all models, as well as difficulty achieving a stable public transport planning environment. These issues would not be addressed by the use of a council controlled organisation as a delivery mechanism.

Strengthening regional leadership and representation

A multiple unitary authority model will not enable the shared interests of Wellingtonians across the current region to be articulated any more effectively than under the current arrangements, and for those interests currently addressed by the regional council, it will be more difficult as the regional council's current responsibilities will be split. Under a multiple unitary authority model promoting the shared interests nationally and internationally will be reliant on the various authorities agreeing to priorities and responses to issues.

There will continue to be different and likely competing voices and messages in a way that repeats the current issues and most probably would exacerbate the status quo.

Improving Wellington's resilience

Wellington is vulnerable to a number of threats – earthquakes, sea level rise, storm events and tsunamis. Dividing the region into multiple unitary authorities will not assist in improving resilience as there will be no better integration of strategies, plans and decision-making to address these threats than there is currently.

Planning

Multiple unitary authorities in the Wellington region will not enable the region to address its need to have a clear strategy and be able to articulate that strategy for the benefit of its residents and businesses. Based on current attempts at regional planning, and due to each council having its own set of priorities and desired outcomes, it will be extremely difficult to agree on a shared vision and strategies. A single spatial plan or economic development strategy under a multiple unitary authority model will be at least as difficult to achieve as under the status quo and with fewer but larger and more resourced councils, it is likely that the current competing priorities will be exacerbated. Duplication and consistency issues with district plans will continue to be an issue under a multiple authority model.

Financial sustainability

Improving the efficiency of local government in Wellington would require that the various unitary authorities work together through a shared services approach. The applicant shares the Commission's view, expressed in the final decision on the union of Nelson City and Tasman District released on 30 January 2012, about the major shortcomings in relation to shared services as an approach to working across the region on key regional matters. The applicant does not believe a multiple unitary authority model would meet the Local Government Act's performance and productivity, efficiency and cost savings criteria.

8.1.3 Single tier unitary authority

This model is a unitary council with the option of community boards. It is an option the joint Working Party on Local Government Reform consulted the community about alongside the local board option and the status quo.

A single tier unitary authority model without local boards will deliver many of the benefits and local government improvements that the proposed local board model will deliver. And in the case of some efficiency and cost savings, may be marginally better. However, it will be significantly less effective at enabling democratic local decision-making and action than the unitary authority model with local boards being proposed in this application.

Local decision-making and democracy

Under a single tier unitary authority model, all decisions affecting communities would be taken by the one council. This council would decide matters and set policy on issues such as the location of dog exercise areas in Otaki through to setting the strategy for the regional transport network. Matters that are very local in nature and for which only neighbourhoods have an interest, will be made by a Council whose members represent communities from the entire region. The local communities' ability to influence these decisions will be difficult. Directly interacting with councillors and attending council meetings where "local" decisions are made will be time consuming and costly for local residents, especially where meetings are held

some distance from their local area. The individual councillors' understanding of, and interest in, those local issues will vary and it is likely the further away geographically from those affected communities, the less understanding there will be.

Having local boards with the responsibilities for addressing local issues provides local communities with a voice and decision-makers who will understand and be directly accountable to the communities on whose behalf decisions are made.

Workload and focus of council

As described above, the single council will be responsible for deciding matters from investing in supporting local galleries through to major infrastructure investments. To manage this workload some of these decisions would have to be delegated to the chief executive, which will potentially undermine democratic principles. People generally expect their elected representatives, not council officers, to make policy decisions that affect them. While committee structures could be established to assist workloads, it will still be the same elected representatives sitting on those committees.

Inevitably local issues will be prioritised below the regional strategic issues, which will impact on local communities.

8.1.4 Transfer of obligations

This model involves transferring statutory obligations and other functions, such as major infrastructure management (for example roads, water supply, wastewater and stormwater), Resource Management Act planning, and other regional-scale functions from territorial authorities to the regional council.

This model is less optimal than a unitary authority option. While transferring functions would enable regional issues to be addressed regionally, and would assist in achieving economies of scale and scope in relation to those activities, it would not provide the best opportunity for efficiencies and effective local government in Wellington for the reasons briefly outlined below.

Power of general competence

The powers of general competence under the Local Government Act allow councils to undertake a full range of activities. There are currently no provisions in the Local Government Act that restrict a territorial authority replicating an activity undertaken by a regional council, unlike section 16 that applies to regional councils. Transferring powers and responsibilities to the regional council will therefore not guarantee that there will not be duplication of those activities. If a territorial authority in the region was unhappy with the levels of service being delivered by the regional council in its area, it could choose to address that through carrying out the activity itself. This would reduce any efficiency savings and effectiveness gains from transferring the obligations and could result in conflicts and more costs for ratepayers. In addition, although the rates support for any particular activity would be transferred to the regional council, there is a risk that territorial authorities could increase rates at a later stage by adding new activities without bearing in mind the sum total of the financial burden on ratepayers.

Agreed priorities and single voice

The benefits of having a mandated single voice and local government with a shared and agreed vision and priorities would not be achieved by transferring obligations. Each council would

continue to have a mandate to represent only its citizens' interests and there would be no requirement for any council to agree with the regional council's view. There is no hierarchy within the current local government structure which means all councils are autonomous. The status quo issues would continue.

Streamlined planning easier, but not optimised

Depending on the obligations transferred, planning would be more streamlined under this model. However, it would not reduce significantly the estimated 321 strategies, plans and operational policies the currently exist in the region. Each council would still need to produce their statutory annual and long term plans, and their various operational and other plans relating to their functions.

Strategic planning and implementation

Much of the strategic planning that would potentially be led by the regional council would still rely on implementation by territorial authorities. This is particularly the case with a potential regional spatial plan which would need to be implemented through a series of district plans. This would impede the degree of improvement in efficiency and effectiveness as a result of the transfer of obligations option.

8.2 Financial considerations

This section considers the financial implications of creating the proposed Wellington Council with local boards. Efficiency and cost savings are discussed in section 6 above. The following provides further information about the implications of the proposed change on rates and on councils' debts and assets.

Much of this information is contained in the joint Working Party on Local Government Reform's report (see Appendix Six). The Working Party drew information from Greater Wellington Regional Council, Wellington City Council and from the Independent Wellington Region Local Government Review Panel's report.

8.2.1 Key financial considerations

There are a number of factors to be considered when assessing the possible financial impact of the creation of a unitary authority with local boards. The first of these is the sources of income. All local authorities within the region receive a proportion of their income from user charges and other sources.

At the regional level, a total of 63% of local authority operating funding is provided from rates, with 18% from user charges, 11% from subsidies and grants for operating expenditure purposes, 7% from fines and infringement fees, and 1% from investments.

The funding of depreciation is another consideration. Some councils in the region fully fund depreciation while others fund the cost of replacing assets in the year in which the expenditure is incurred. Analysis suggests that where the timing of major asset renewal (such as stormwater or sewerage networks) is irregular and a council has no other debt repayment policy, funding asset renewal can lead to lower rates being collected in years when there is no major asset replacement planned. This means current ratepayers may not be paying their share of the assets they consume and can give rise to higher debt and/or the potential of a

bow-wave of borrowing and related servicing costs as and when assets require renewal in future.

A further consideration is service levels and asset condition. These vary across the region. Lower current infrastructure servicing and maintenance costs do not necessarily reflect future asset investment requirements and the impost this may have on ratepayers.

Weather-tightness costs are also treated inconsistently between councils. Some councils have included in their Long-term Plans funding of a provision for leaky buildings claims against the council. These are not significant in terms of the total rates requirement for the region. There is some risk that the future liability for all councils (including those that do not currently include funding in their plans) may be more significant than currently forecast.

The same differences exist with earthquake strengthening provisions. Some councils have included in their Long-term Plans funding for earthquake strengthening of council-owned buildings. The cost of earthquake strengthening council-owned buildings is not significant in the context of total local government expenditure in the region.

Fundamental to the proposal for a unitary authority with local boards is an expectation that the impact of amalgamating the variable service levels, condition of assets, level of investments and debt will be shared across the region. To isolate the impact of these variables for each amalgamating council would be counter to the underlying principles of amalgamation. It is anticipated that the rating policy of the new council will seek to address situations where the impacts of amalgamation unfairly impact on the rating impost for a particular council area or sector.

While analysis below focuses on current funding requirements, the rates and borrowing sections that follow provide some perspective of the impact of changes in funding requirements over the next ten years.

8.2.2 Rates impacts of the proposed amalgamation

The level of rates determined by each council is based on its own financial strategy, revenue and financing policy and its operational programme. There is also some variation in the rating systems used across the region. Rating systems vary based on the following factors:

- ▶ Use of general vs targeted rates
- ▶ Rating differentials for business and residential properties
- ▶ Use of uniform general charges
- ▶ Use of capital vs land value for setting rateable values
- ▶ Use of levies and charges.

An analysis of these factors shows that:

- ▶ Despite variation in capital values between local authorities in the region, current residential rates are reasonably similar ranging from around \$2,200 to \$2,800 for the average property.
- ▶ Wellington City's business sector makes up a significant proportion of the Wellington City Council rating base, and that of the region. Overall around 48% of the total rates within the region are collected from within the Wellington City boundary. 28% comes from the

Wellington business sector, which makes up around 11% of the region’s total capital value. This illustrates the importance of the central city in its role as the economic, service and funding hub for the region and in providing regional resilience.

- ▶ Conversely, despite their significant geographical area, the Wairarapa councils make up less than 10% of the regional capital value and contribute a similar proportion of the total rates collected across the region.
- ▶ Most of Kapiti Coast District and a smaller portion of Masterton and South Wairarapa district rates are levied based on land value. Since the 1989 local government reform other councils have moved to a capital value rating basis. Those that remain on land value tend to be rurally based councils, with smaller business sectors.
- ▶ Kapiti Coast District does not currently have a business differential. This means that businesses pay similar rates relative to their property value as residents do. In other parts of the region businesses pay between 1.5 and 3.5 times more general rates per dollar of capital value than residential properties.
- ▶ There is variation across the region in the proportion of rates collected from general rates, which are spread across all ratepayers compared to targeted rates, which are paid by specific groups.
- ▶ Smaller councils tend to provide fewer rateable services beyond base activities, whereas larger metropolitan councils help fund a number of regional services such as Te Papa, regional event centres and facilities, and major events.
- ▶ Under Wellington Regional Council’s current funding policy Wellington City business sector pays higher rates for public transport compared to other areas, as the policy uses destination as a key driver, particularly for the allocation of rail costs.
- ▶ The 2012-22 Long Term Plans indicate differing rates requirements between councils within the region.

Table 12: Rates increases forecast in Long-term Plans

Rates increases*	3 yr cumulative increase	10 yr cumulative increase
Masterton	15%	33%
Carterton	17%	38%
South Wairarapa	11%	38%
Upper Hutt	15%	48%
Lower Hutt	10%	34%
Wellington	12%	35%
Porirua	12%	42%
Kapiti	24%	75%
Regional Council	26%	62%
Average across region	16%	44%

* Source: Statement of Comprehensive Income - Council 2012-22 Long-term Plans (note - exclude growth in ratepayer base)

A single rating entity will enable a clear, coherent and consistent approach and policy to be applied to funding decisions across the region. However, it is not possible to be precise about changes to future rates levels as this will be determined by the new council’s revenue and

financing policy and rating mechanisms, which will only be set once the new council is elected. It is, however, possible to test a range of rating policy scenarios to identify the key factors that are likely to cause the most significant changes. The likely key drivers of changes to rates are discussed below.

Use of capital value versus land value for setting rateable values

It is likely that a uniform rating system would include capital value as the valuation basis on which to base the majority of rating allocation and distribution decisions. Currently, Kapiti Coast District Council and South Wairarapa District Council use land value as the basis for rates levied based on property values. Masterton District Council uses land value as the basis to levy transport rates, while all other local authorities in the region use capital value. This change will impact significantly on properties that are currently rated on land value that have either a very low or very high level of improvements relative to their land value. High improvement value properties are likely to incur rates increases because they will pay a greater share of the rates requirement, equivalent to similar properties that are already rated on a capital value basis. Conversely low improvement value properties are likely to experience a rates decrease from this factor.

This impact could be partially mitigated by:

- ▶ Introducing a lower business differential (of assistance to businesses only) for rural townships; and/or
- ▶ Introducing a rates transition policy. For example, following amalgamation in Auckland a three-year transition policy was introduced whereby rates increases were limited to a maximum of 10% per year and decreases to 2.5% per year.

Rating differentials

Business differentials vary between 1.0 (meaning no differential) and 3.5 across councils within the Wellington region. This differential reflects the amount of general rate paid per dollar of capital value compared to a residential property. The rates differentials applied to rural properties vary between 0.5 and 0.9. Applying consistent differentials across the region is likely to result in rates increases for businesses in Kapiti Coast District where there is no current differential and to a lesser degree South Wairarapa and Carterton districts whose business differentials, at 2.0, are below the average. The impact of variability in rural differentials is less pronounced because many of the services provided by councils with lower differentials are targeted to urban properties that receive the services (e.g. water, sewerage and rubbish collection).

This impact could be partially mitigated by:

- ▶ Setting a lower general rate differential for businesses in rural townships than that which applies to metropolitan businesses;
- ▶ Introducing a transition policy as outlined above; and /or
- ▶ Reducing the general rate pool of funding and increasing the level of targeted rates.

Current rates relative to property values

Ratepayers within existing council boundaries with higher rates per dollar of capital value are likely to benefit through a consolidation and redistribution of rates across the region. Porirua City Council has the highest current total rates per dollar of capital value in the region followed by Hutt City Council. Those with lower rates relative to capital value are more likely to incur

rates increases. South Wairarapa District Council has the lowest total rates per dollar of capital value within the region.

This impact could be partially mitigated by:

- ▶ Targeting rates for services that are more closely aligned to a user charge e.g. water.

The split between general rates and targeted rates within existing local authorities

Some councils funding policies mean that they levy proportionately low general rates relative to targeted rates compared to other councils. This is most prevalent in smaller councils such as South Wairarapa and Carterton where a large proportion of their existing rates fund water, wastewater, stormwater and rubbish. Like the point above, consolidating and redistributing the general rates pool across the region means that ratepayers within these council areas may be required to fund a greater share of general rate-funded services provided elsewhere in the region.

This impact could be partially mitigated by:

- ▶ Use of targeted rates to fund differing levels of services; and/or
- ▶ Introducing a lower general rate differential for sectors that receive a lower level of service (e.g. rural).

Relative size (total value) of different sectors within each local authority area

The make-up of the ratepayer base of each council in the region has an impact on the funding policy and rating mechanisms used to meet the rates funding requirement. For example, where the business sector makes up around half of Wellington City's rating base (based on capital value), the business sectors in all other local authorities in the region make up less than 20% of their rating base. Not surprisingly, the rating base for South Wairarapa and Carterton districts are predominantly rural.

Wellington City makes up around half of the total rating base of the region. To avoid significant rates shifts across the region, the substantive rating policies of the proposed Wellington Council will need to be reasonably closely aligned to current Wellington City policy. However, modelling shows that this could result in significant rates changes for certain sectors in other councils where there are significant differences in the make-up of the rating base and in the rating policies applied. Modelling suggests that some rates increases in Wellington City may be required to offset some of these anomalies.

This impact could be partially mitigated by:

- ▶ Introducing a rates transition policy.

8.2.3 Debt and assets

The region's councils are responsible for the management of significant portfolios of assets, totalling \$12.8 billion. The majority of these assets are land and infrastructure, including network infrastructure (for example, water, sewerage, stormwater, roads, and public transport) and community infrastructure (for example, libraries, swimming pools, recreation centres). They also include investments by councils in subsidiary entities (such as CentrePort). Of the region's assets, approximately 52% are under the management of Wellington City Council.

Debt is generally used by councils to fund the upgrade of existing assets, and to construct or purchase new assets. When councils upgrade existing assets or invest in new assets such as swimming pools, libraries, sports stadiums, roads, landfills and sewage treatment plants, the benefits of these assets flow to the community across many years. Borrowing is generally considered the most cost-effective and prudent way to fund such capital expenditure because it spreads the cost of the asset over the future generations of ratepayers who will benefit from the use of the asset. The use of borrowings as a source of funding for capital investment therefore generally supports the principle of inter-generational equity.

There are significant variations in borrowing strategies, parameters and practice across the region. Total liabilities across the region are \$1.047 billion, the majority of which are council debt.

A high-level summary of the actual and forecast level of borrowings and indebtedness across the region is summarised in Table 13 below. Total borrowings for the region are forecast to be \$909 million at the end of the 2012/13 financial period, increasing to \$1.336 billion by 30 June 2022.

Borrowing levels for individual councils vary significantly, and are likely to be influenced by the size and scale of both historical and planned capital investment programmes. In general, councils are planning significant levels of capital investment over the next 10 years, either to replace or upgrade ageing infrastructure, to meet changing demands on asset service levels or to effectively plan and manage forecast growth in the population.

The Independent Wellington Local Government Review Panel's report identifies the level of borrowings per resident within each local authority area as a means of assessing relative borrowing levels between councils in the region⁵⁵. It shows that forecast borrowings per resident ranges from around \$600 per resident in Upper Hutt City to over \$2,600 per resident in the Kapiti Coast District.

Debt per dollar of capital value is another indicator of the impact that combining debt between the councils across the region would have on the ratepayers within each of the amalgamating councils.

It is also relevant to consider the level of investments held by each council. If debt is amalgamated, investments will be too. These investments (e.g. investment property, shareholdings etc.) generate significant revenue for some councils, which allow them to offset debt servicing costs. In some cases investments may also be able to be sold to reduce debt.

After considering investments, another relevant measure of the financial health of a council is the level of debt compared to total assets for each council. Aside from investments (including property and shareholdings), councils have varying levels of property plant and equipment asset, generally aligned to their size. Table 13 below illustrates the relative level of debt to assets, and shows that most councils have a low level of debt relative to their asset base.

⁵⁵ Pg 64 in the report of the Wellington Region Local Government Review Panel *Future Wellington: proud, prosperous and resilient*

Table 13: Debt to Total Assets

LTP forecast 2013		KDCD	PCC	WCC	HCC	UHCC	SWDC	CDC	MDC	GWRC	Total
Gross debt	\$ m	\$135m	\$53m	\$374m	\$69m	\$25m	\$10m	\$9m	\$52m	\$182m	\$909m
Debt to assets	%	15%	4%	5%	5%	4%	3%	6%	7%	20% *	7%

* Note: The table above is based on information contained in council Long-term Plans (LTPs), which include the assets and liabilities of the council 'parent' only. For GWRC this means that rail assets worth \$320m, which are held in a separate entity, are excluded from the table above. If included, this would reduce the debt to asset ratio of GWRC to 15%.

One of the concerns expressed through the various engagement processes on local government reorganisation in Wellington is a perception that higher level of debt in one existing council will mean increased costs or risks to be shared across the region.

In general, the majority of council debt is associated with planned investment in essential infrastructure, such as water and roads. This is mostly allocated across all ratepayers to be efficient and equitable. Where the cost of investment can be identified as being for the sole benefit of an individual or business then a council may consider other forms of targeted funding allocation (e.g. targeted rates, development contributions).

To get perspective on what the level of debt means it is necessary to consider the overall status of the each council's balance sheets, and in particular the level of investments that can earn income to off-set debt.

Table 14 below illustrates debt per resident and debt per rateable dollar of capital value. It also shows the impact of including offsetting investments.

It shows that Kapiti Coast District Council has the highest debt levels under all ratios of the eight territorial authorities in the region, but that there are significant variations between councils depending on what measure is used. For example, Hutt City Council and Upper Hutt City Council have the lowest gross debt levels per resident, but a similar or higher level of net debt less investments per dollar of rateable capital value compared to Wellington City Council. South Wairarapa District Council's debt per resident is close to the average across the region but significantly lower than other councils relative to the district's rateable capital value.

Ratepayers in councils with higher current net debt (debt less investments) per dollar of capital value relative to other councils are likely to benefit from the amalgamation of borrowing and investments. However, as discussed above, this is likely to be overshadowed by the impacts of other factors.

Table 14: Debt comparisons between councils in the Wellington region

LTP forecast 2013		Kapiti	Porirua	Wellington	Hutt City	Upper Hutt	Sth Wai	Carterton	Masterton	GWRC	Total
Gross debt	\$m	\$135m	\$53m	\$374m	\$69m	\$25m	\$10m	\$9m	\$52m	\$182m	\$909m
Debt to assets	%	15%	4%	5%	5%	4%	3%	6%	7%	20%	7%
Population	No.	51,160	52,940	202,760	103,740	41,580	9,386	7,560	23,400	492,526	492,526
Debt per resident	\$	\$ 2,642	\$ 1,002	\$ 1,843	\$ 662	\$ 601	\$ 1,080	\$ 1,245	\$ 2,222	\$ 367	\$ 1,846
Rateable CV \$m	\$m	\$10171m	\$7755m	\$46375m	\$16902m	\$6450m	\$3192m	\$1897m	\$4449m	\$97197m	\$97197m
Debt per \$m of rateable CV	\$	\$ 13,292	\$ 6,842	\$ 8,058	\$ 4,066	\$ 3,872	\$ 3,176	\$ 4,962	\$ 11,685	\$ 1,875	\$ 9,356

LTP forecast 2013		Kapiti	Porirua	Wellington	Hutt City	Upper Hutt	Sth Wai	Carterton	Masterton	GWRC	Total
Debt less investments		\$132m	\$30m	\$120m	\$44m	\$25m	\$2m	\$7m	\$41m	\$54m	\$455m
Debt less investments per resident	\$	\$ 2,573	\$ 575	\$ 593	\$ 424	\$ 591	\$ 181	\$ 963	\$ 1,747	\$ 108	\$ 1,747
Rateable CV \$m	\$m	\$10171m	\$7755m	\$46375m	\$16902m	\$6450m	\$3192m	\$1897m	\$4449m	\$97197m	\$97197m
Debt less investments per \$m rateable CV	\$	\$ 12,941	\$ 3,928	\$ 2,591	\$ 2,601	\$ 3,807	\$ 532	\$ 3,836	\$ 9,191	\$ 555	\$ 4,677

Note: For consistency, investment values included in the table above are based on values included in council LTPs i.e. valued at cost. For example, Wellington City Council's investment in Wellington Airport is shown at cost in the LTP at \$18 million, whereas the equity share shown in the 2012 annual report is approximately \$130 million. While the market value may differ from this, it indicates that if the actual value of investments was included, net debt could be significantly lower than indicated.

At a regional level, funding the average debt over 20 years equates to approximately \$92 per year per resident, or \$230 per year per rating unit per annum (not taking into account the proportion of debt that is externally funded). This represents less than 10 % of the average rate per rating unit per year across the region.

The proposed Wellington Council would have a range of options to manage this funding requirement and the impact on rates from amalgamating debt across the region. These include:

- ▶ Ring fencing current debt or net debt to current territorial boundaries
- ▶ Reviewing debt to be charged regionally or locally
- ▶ Reviewing investments to ensure they provide an appropriate level of return
- ▶ Paying down debt from investments.

For the creation of the Auckland Council the debt of each local authority in the region were combined into the new unitary authority. Debt is now managed and funded on a regional basis, except for a small portion of borrowings funded by a city centre upgrade targeted rate. This means that legacy debt from previous local authorities have not been attributed only to ratepayers in those previous areas.

Given the size of the new Auckland Council, it has the power to borrow money offshore at preferential rates. It is the only local authority in New Zealand permitted to raise finance offshore in its own right.

It is envisaged that debt will for the most part be managed on a similar basis by the proposed Wellington Council, however, this will be subject to the future policies of the new council.

8.3 Wellington local government review process

The process to review the local government arrangements in Wellington has been undertaken over three years. This was preceded by the Government's Royal Commission into Auckland governance.

A summary of the process is outlined in Table 15 below.

Table 15 – Summary of the local government review process

Date	Regional Governance Decisions and Activities
October 2007	<p>Royal Commission into Auckland Governance set up by Labour-led Government to look at local government decision-making structures and processes in Auckland region.</p> <p>Found systemic problems of weak and fragmented regional governance and poor community engagement leading to delayed and suboptimal decisions.</p>
March 2009	<p>Report of Royal Commission published</p> <p>Recommended new single unitary authority to hold all assets and employ all staff, develop one long term council plan, one spatial plan and one district plan, have one rating system and one rates bill, have one Auckland voice to lead the region. Auckland Council functions to centre on regional policy, investment, planning, regional infrastructure and networks and service delivery. CCOs for transport and water and wastewater, 40 CCOs to be rationalised</p> <p>Second tier of six elected local councils (mainly equivalent to current city councils), functions to be set out in statute, responsible for local delivery and engagement with communities.</p>
April 2009	Discussions began on impacts of Commission's report and any likely reorganisation on other regions.
April 2009	<p>Making Auckland Greater – report on the new government's decisions on Auckland Governance.</p> <p>One unitary Auckland Council amalgamating seven territorial authorities and one regional council with 20 – 30 local boards and a number of CCOs, one Mayor elected at large with governance powers.</p>
May 2009	Auckland Reorganisation Act passed into law under urgency. Transition Board for Auckland established.
September 2009	Auckland Council Act passed establishing Auckland Council with governing body and local boards plus CCOs for transport and water supply and wastewater services, plus requirement for a spatial plan. Local Government Commission to determine Auckland boundaries, local board areas and wards.
November 2009	Local Government Commission announced proposals for 12 wards (constituencies for election of Auckland Council councillors) and 19 local boards (eventually 21 boards established).
November 2009	<p>Wellington Mayoral Forum approved terms of reference for a review by PriceWaterhouseCoopers.</p> <p>The focus of the proposed work programme included identification of any "problems" in governance of the Wellington region including:</p> <ul style="list-style-type: none"> ▶ The long-term drivers of change and their impact on the Wellington region, and an assessment of the region's ability to respond to future opportunities and challenges ▶ The relationship with the new Auckland unitary authority ▶ The social and economic pressures faced by communities across the region.

	<ul style="list-style-type: none"> ▶ The allocation of regional and local responsibilities - responsibilities for service delivery, and holding and managing infrastructure assets ▶ Processes (including planning and consultation requirements) ▶ Governance and representation arrangements.
June 2010	<p>Auckland Transitional Provisions Act passed covering CCOs, rating planning, development and financial contributions, employment, etc.</p> <p>Seven substantive CCOs established – investments, property, tourism and economic development, transport, waterfront development, regional facilities, and watercare services.</p>
October 2010	<p>PWC published 'Wellington Region Councils Governance Review'. The report analysed the present arrangements, highlighted a number of issues and opportunities, and identified six structural options for the future.</p> <p>Specific concerns from external stakeholders were the capability and capacity of the smaller councils, differing philosophies of councils leading to a lack of regional coherency, political boundaries that did not reflect the workings of the region, inequitable funding of regional facilities and shallow regional collaboration.</p> <p>Key opportunities identified included</p> <ul style="list-style-type: none"> ▶ spatial planning ▶ stronger regional collaboration and local community engagement ▶ centralised service planning and building authority functions ▶ regional planning and delivery of transport services ▶ integrating water and wastewater regionally ▶ better integration of region and local stormwater and flood management ▶ Wairarapa irrigation ▶ funding and development of regional facilities ▶ back office shared services. <p>The six structural options were:</p> <ul style="list-style-type: none"> ▶ status quo ▶ strengthened regional council ▶ local clusters/amalgamations ▶ two tier local government – regional services delivered by a single regional council, local services delivered by local councils with all services funded through a single regional rating system ▶ sub regional unitary authorities for Wellington and Wairarapa and ▶ single regional unitary authority.
October 2010	<p>Local body elections were held. Five new Mayors were elected.</p>
February 2011	<p>Cabinet paper issued. 'Smarter Government, Stronger Communities: Towards Better Local Governance and Public Services' proposed a 3 year project to review:</p> <ul style="list-style-type: none"> ▶ the structure, functions and funding of local government, including the usefulness of unitary authorities for metropolitan areas, and ▶ the relationship between local government and central government, including the efficiency of local government's participation in regulatory systems.

	<p>The drivers for change were:</p> <ul style="list-style-type: none"> ▶ small and rural councils considered to be vulnerable (lack of \$ and capability) ▶ inconsistency in how central government internally deals with local government (ministers, departments & successive governments) ▶ fragmentation between organisations (central government, local government and sector groups) when dealing with central functions and interactions (e.g. legislation, operational and best practice, policy advice, financial auditing) ▶ capacity and ability of local government to efficiently carry out regulatory responsibilities set by central government – considered to be a difficult burden ▶ low voter interest in local government elections ▶ poor track record of self-determined local government reorganisation via the LGA and Local Government Commission ▶ ability/inability of local government to deal with change and complexity of issues ▶ differences in expectations regarding the role/place of lwi in local government ▶ ageing infrastructure and inability to fund renewal ▶ Auckland – resulted in heightened awareness to improve the way local government is done elsewhere in NZ.
April 2011	<p>Councils sought submissions from their communities on the PWC report and regional governance options.</p> <p>The Regional Council published a report on their website with a fuller description of each of the options and an assessment by the Council of the benefits of each option for the Wellington regional community. The assessment was based on the four guiding principles for restructuring governance developed by the Auckland Regional Commission – common identity and purpose, effectiveness, transparency and accountability and responsiveness – with 9 criteria. The two tier option was assessed as having most benefits, scoring 8 highs and one medium, and a single level unitary second most with 5 highs, three mediums and one low.</p>
May 2011	<p>The Australian Centre of Excellence for Local Government (ACELG) published a report Potential Diminution of Local Democracy, Service Improvement & Innovation, Strategic Capacity and Efficiency & Economies of Scale. The report analysed the impact of consolidation in local government, primarily in Australia but also referencing some New Zealand experience. It summarised the attributes of four different forms of consolidation along a continuum of structural change:</p> <ul style="list-style-type: none"> ▶ regional collaboration ▶ shared services ▶ boundary change ▶ amalgamation. <p>It concluded that the amalgamation option had the strongest link to delivering the outcome in every category except Potential Diminution of Local Democracy. In respect of this issue, the report said the amalgamation option had a distinct risk but that it could be managed.</p>
June 2011	<p>Close of submissions sought by Councils on PWC options. 165 submissions were received – 129 from individuals, 28 from organisations, 66 to GWRC, 52 to Porirua CC, 29 to Wairarapa Councils, 11 to Wellington CC, 4 to Upper Hutt CC, 2 to Hutt CC and 1 to Kapiti Coast DC.</p>
July 2011	<p>Mayoral Forum commissioned MartinJenkins to produce an analysis of those written submissions gathered from across the region and to prepare draft consultation material for a comprehensive engagement plan to make sure the public were engaged in the review of governance in the</p>

	Wellington region.
August 2011	<p>Martin Jenkins released analysis of submissions. 69% were in favour of change and of these 19% favoured the two tier option, 12% favoured each of the local clusters, 2 unitary authorities and single unitary authority options and 11% favoured the strengthening the regional council option.</p> <p>The large variation in the depth and breadth of responses was seen to reflect the broad and open-ended invitation to the public to comment on the PWC report. The report concluded that that submissions from across the Wellington region showed a widely held view that change should be determined by and within the region rather than by central government. However, there was no single vision for the Wellington region in the future and no shared view on what submitters would like from their local and regional government.</p>
September 2011	The territorial council mayors in the Mayoral Forum decided not to proceed with the engagement plan on regional governance but to concentrate on the development of more shared services.
October 2011	Concerned that regional governance reform discussions and decisions were no longer going to be progressed by the Mayors, the Chair of the regional council and a group of regional councillors circulated an informal paper 'Some ideas for local government reform in Wellington – neighbourhood decisions with pan-regional strategy.' The paper outlined the case for two tier local governance in the region and how change could still be made in time for the 2013 local body elections.
December 2011	The three Wairarapa councils gave a Shared Services Working Group a mandate to conduct a strategic review and assess options for the future delivery of Wairarapa local government services comparing status quo, combined council, unitary authority and other relevant options. Morrison Low was commissioned to undertake the review.
March 2012	<p>Then Minister of Local Government the Hon Dr Nick Smith published a new blueprint, Better Local Government, setting out an eight point programme of reform:</p> <ol style="list-style-type: none"> 1. Refocus the purpose of local government 2. Introduce fiscal responsibility requirements 3. Strengthen council governance provisions 4. Streamline council reorganisation procedures 5. Establish a local government efficiency taskforce 6. Develop a framework for central/local government regulatory roles 7. Investigate the efficiency of local government infrastructure provision 8. Review the use of development contributions. <p>The first four points were to be included in legislation to be passed by September to enable the Local Government Commission to consider council reorganisation proposals in time for the 2013 local government elections.</p> <p>Later in the year, the Government passed the Local Government Amendment Act 2012 which allows any individual or organisation to make an application to the Local Government Commission to reorganise local government in their area.</p>
March 2012	The Mayoral Forum produced a media release stating that Wellington region Mayors had agreed to begin dialogue with their communities on how the region should be governed at a local level. In particular it was agreed that each council would adopt its own approach to the subject in consultation with their respective communities.
April 2012	The Regional Council decided to establish an independent panel to investigate local government reform in the Wellington region and to identify an optimal model and to invite each of the territorial

	authorities in the region to join it as a partner. Porirua City Council agreed to participate.
May 2012	The Wellington Region Local Government Review Panel of Sir Geoffrey Palmer (Chair), Sue Driver, Sir Wira Gardiner and Bryan Jackson was established by the Porirua City and Wellington Regional Councils.
May 2012	<p>Wellington City, Lower Hutt, Upper Hutt and Kapiti Coast District Councils all undertook consultation processes with their constituents between May and August 2012 based on a discussion document entitled 'Local Government Reform in Wellington - what do you think?' which presented four options for reform in the region:</p> <ol style="list-style-type: none"> 1. Status quo with formalised shared services 2. 3 unitary authorities for Wairarapa, the Hutt Valley and Wellington/Porirua/Kapiti 3. 2 unitary authorities for Wairarapa and the rest of the Wellington region 4. 1 Council with 10 boards <p>Results of these consultations varied across the region. For example, Wellington City Council received over 1200 submissions of which 77% wanted some change – 25% chose option 1, 15% option 2, 30% option 3, 23% option 4, and 7% another choice, so the majority wanted either a single unitary authority with local boards or dual unitary authority (one for Wairarapa and one for the rest of the region), whereas Upper Hutt received over 1400 submissions of which 74% chose option 1.</p>
May 2012	The Morrison Low report 'Assessment of options for joint management and service delivery' was issued, stating that their high level analysis concludes that the best local government arrangements for the Wairarapa are likely to be a Wairarapa Unitary Authority or a Wairarapa District Council. It concluded that it was unlikely that shared services would make a long term difference to the financial sustainability of the Councils. Further work was needed on the inclusion in a Greater Wellington Unitary Authority.
June 2012	<p>Colmar Brunton was commissioned by all territorial authorities to undertake a telephone survey in which 3,300 adults were surveyed across the Wellington region, including the Wairarapa. The sample was designed so that it included 400 respondents in each local authority, 500 in Kapiti. The survey was coordinated by Wellington City Council and jointly funded by all eight territorial authorities in the region.</p> <p>Across the region, 58% chose option 1, but some sort of merger was the first choice for 31%. However, on a direct change/no change comparison, 41% chose change, 49% no change and 9% did not know. Those wanting change ranged from 32% in Upper Hutt, 39% in Lower Hutt and Wellington, 40% in Porirua and 55% in Kapiti. In the three Wairarapa areas the range was from 44% to 58%. Across the western region, of those who wanted change 73% favoured a merger option with 45% choosing a single or dual unitary authority, ranging from 21% in Lower Hutt to 50% in Wellington. The most important factor for people's choice of option was effective delivery of service (59%), followed by cost, efficiency and rates (51%).</p>
July 2012	<p>The Local Government Review Panel published an 84-page document <i>Future Wellington - An Issues Paper</i> on local government reform in the Wellington Region which sets out 17 issues and 31 questions which the Panel wanted to hear people's views and feedback on.</p> <p>The panel received 234 submissions on the Issues paper, held 134 stakeholder meetings, 9 public meetings, meetings with all Councils and undertook other research and discussion and consultations with a number of groups.</p>
October 2012	The Review Panel presented its final report to the commissioning Councils. It recommended a two tier unitary authority covering the whole region, with six local boards for Central Wellington, Lower Hutt, Upper Hutt, Porirua, Kapiti and a combined Wairarapa. The new Greater Wellington Council would be the rating authority and employer of all staff. The establishment of CCOs should not be

	legislated but left to the new Council to determine. The functions of each tier would be defined and entrenched but it recommended functions such as planning, infrastructure, transport and the three waters would be delivered at the regional level.
November 2012	The Local Government 2002 Amendment Act 2012 was passed. It allowed for any person, not just Councils, to make an application for reorganisation to the Local Government Commission. The LGC would have to then consider all affected areas, other applications affecting those areas, and could develop their own option. The Act provided for any region of 400,000+ population to have a two tier unitary authority with local boards, as per the Auckland Council legislation.
November 2012	The Wairarapa working party report, <i>Wairarapa's Future: local government reform in Wairarapa</i> was released with support from the three Wairarapa Councils. This recommended a single unitary authority for the Wairarapa.
November 2012	A region-wide hui took place where presentations on reform options being considered were made by the Wellington Regional Council and Porirua City, Wellington City Council staff, the Wairarapa, and separately the Hutt Valley.
December 2012	The three Wairarapa councils began joint public consultation on their reorganisation options. They agreed on a preferred option of a Wairarapa unitary authority.
January 2013	Kapiti Coast District Council, Porirua City Council, Wellington City Council and Wellington Regional Council set up the Local Government Reform Working Party with the aim of developing a two tier integrated unitary authority as the preferred model for local government in the Wellington region. Membership consisted of the 3 or 4 councillor representatives from each participating Council, including the mayors and GW Chair, plus the Chief Executives of each Council. The working party planned to develop a joint application for local government reorganisation for approval by their Councils to submit to the Local Government Commission by the end of May 2013. Hutt and Upper Hutt City Councils commission Morrison Low to work on the option of a separate Hutt unitary authority.
February 2013	The Wairarapa Governance Review Working party closed the call for feedback from the public. 1100 feedback forms were received, two-thirds of which supported a separate independent unitary authority. Further research was commissioned on a number of funding questions that had been raised.
March 2013	The Wellington Joint Working Party published its conclusions in 'Realising the Potential of the Wellington Region' for a unitary authority with either one or two tiers of decision-making. Six weeks of consultation followed, including 18 public meetings.
April 2013	MartinJenkins report to the Wairarapa Councils concluded there was a strong strategic and economic (cost effectiveness) case for a Wairarapa Unitary Authority. Greater Wellington challenged the report as unreliable and misleading, with incorrect data and invalid assumptions, underestimating the financial risk of Wairarapa breaking away from the Wellington region. MartinJenkins rejected the criticisms.
April 2013	Hawkes Bay Regional Council proposes a single regional council including Hawkes Bay and Wairarapa in response to Better Hawkes Bay's application to the Local Government Commission for a Hawkes Bay unitary authority.
May 2013	The results of the consultation on the Joint Working party's recommendations are published: 2000 submissions received, 60% agreed on the need for change, 52% supported the 2 tier model, 27% the one tier and 18% did not respond; of the 1230 long form submissions 44% did not want Wairarapa to be included in the region, 33% wanted it included, 22% did not know, but 87% of the Wairarapa

	respondents were in favour of inclusion. Kapiti Coast, Porirua and Wellington city councils are conducting their own independent surveys, as are Upper Hutt and Hutt City.
May 2013	The three Wairarapa Councils submit an application to the Local Government Commission for a Wairarapa Unitary Authority.
June 2013	Wellington City Council agrees to a single tier metropolitan unitary authority model as its preferred alternative to applications accepted by the Local Government Commission

DRAFT

APPENDICES

- Appendix One: Suggested ward boundaries
- Appendix Two: Joint Working Party on Local Government Reform feedback on possible models, May 2013
- Appendix Three: *Greater Wellington – Socio-demographic Profile 1986-2031*. Professor Natalie Jackson, National Institute of Demographic and Economic Analysis, University of Waikato, August 2012
- Appendix Four: *Economic Interdependence between the Western Area of the Wellington Region and Wairarapa*. Martin, Jenkins and Associated Limited, February 2012
- Appendix Five: Legal advice, DLA PhillipsFox and Grant Hewitson and Associates Ltd, 2013
- Appendix Six: *Realising the potential of the Wellington region, Conclusions of the joint Working Party on Local Government Reform*, March 2013
- Appendix Seven: *Wellington Annual Economic Profile 2012*. Infometrics, 2013
- Appendix Eight: *Submissions Analysis of Wellington Region Governance Review*. Martin, Jenkins and Associated Limited, August 2011
- Appendix Nine: Manawhenua iwi views on local government reorganisation in the Wellington region
- Appendix Ten: *Allocation of Greater Wellington Regional Council financials by territorial authority geographic area*. Letter to Greater Wellington Regional Council from PricewaterhouseCoopers, February 2013
- Appendix Eleven: *Assessment of the viability of a Wairarapa Unitary Authority*. Martin, Jenkins and Associated Limited and Taylor Duigan Barry Ltd, April 2013; and Wellington Regional Council's response to the report, 2013.

FEVA PRO



Proposed Kapiti Coast Ward

0 4 8 Kilometers





Proposed Porirua Ward

0 4 8 Kilometers

Legend

- Proposed Porirua Ward
- Current Local Government Boundaries





Proposed North Wellington Ward

0 2 4 Kilometers

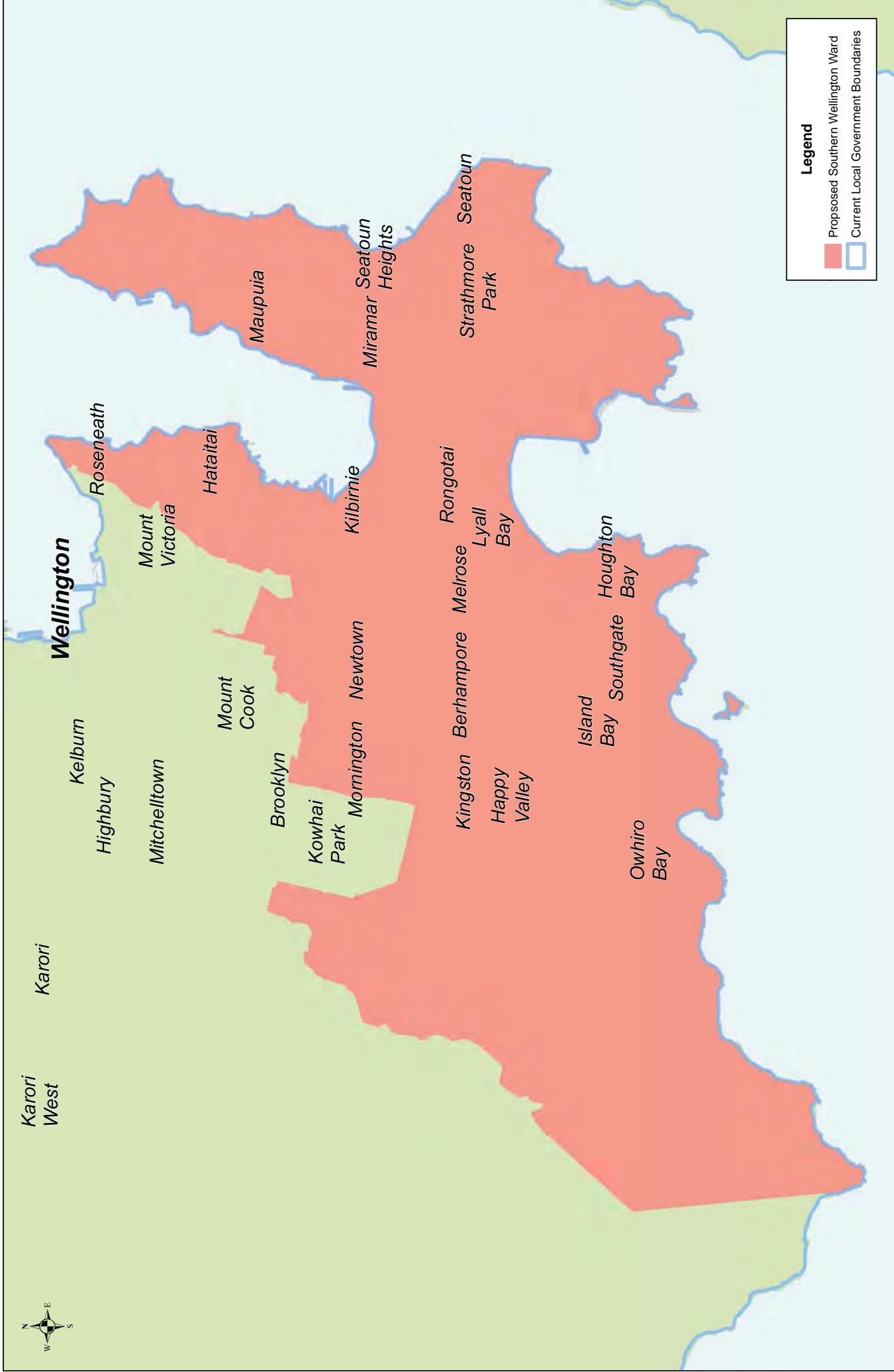




Proposed Central Wellington Ward

0 1 2 Kilometers





Proposed South Wellington Ward

Topographic and Cadastral data is copyright LINZ





Proposed Lower Hutt Ward

0 4 8 Kilometers

Legend

- Proposed Lower Hutt Ward
- Current Local Government Boundaries



Topographic and Cadastral data is copyright LINZ



Proposed Upper Hutt Ward

0 4 8 Kilometers



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WELLINGTON: YOUR CHOICE

OPTIONS FOR LOCAL GOVERNANCE

Regional Reform: analysis of public feedback

This report will be made available to form part of an application to the Local Government Commission.

Overview

The cross-council Working Party conducted a process of public engagement to raise awareness and seek feedback on its proposed governance models between mid-March and early-May 2013. A number of different forms of engagement were undertaken across the greater Wellington region.

- **Submissions**

Long and short version submission forms were made available in both an on-line and paper copy format. General submissions were also received by post as well as via the info@regionalreform.org.nz email account. A total of **1,892** submissions were received, comprising:

- 1,230 long submission forms
- 330 short submission forms
- 332 general submissions

Copies of the forms are attached in Appendix 1.

- **Public meetings**

Porirua City Council, Kapiti Coast District Council, and Wellington City Council each held public meetings in their own areas. Greater Wellington Regional Council held public meetings in Upper Hutt, Lower Hutt, Masterton, Carterton and South Wairarapa.

- **Stakeholder meetings**

Each of the participating councils hosted discussion and information sessions with various stakeholder groups from across the region such as community boards, health providers, education providers, iwi groups, business groups, environmental groups, ethnic councils and charity organisations.

- **Research**

- **Online and telephone surveys**

Porirua City Council, Kapiti Coast District Council and Wellington City Council conducted surveys of residents in their respective areas. This information will be made available as separate reports when the surveys are completed.

- **Focus groups**

Wellington City Council conducted a series of focus groups. The results of these will also be made available.

- **Online discussion forum and ‘Ask a Question’ tool**

The public was invited to discuss issues related to local government reorganisation by joining an online discussion forum on the Regional Reform website. People could also post questions through the website’s Ask a Question function and the answer would then be supplied by a representative of the Working Party. There was not a significant level of engagement with the online tools- around 30 questions and comments were posted, covering a broad range of themes.

The following analysis is based on public feedback received via each of the engagement mechanisms outlined above with the exception of surveys and focus groups, the results of which have been summarised separately by the respective councils and are attached to this report. Most of the discussion of findings and all of the statistical data presented in graphs in this report is based on feedback from submissions.

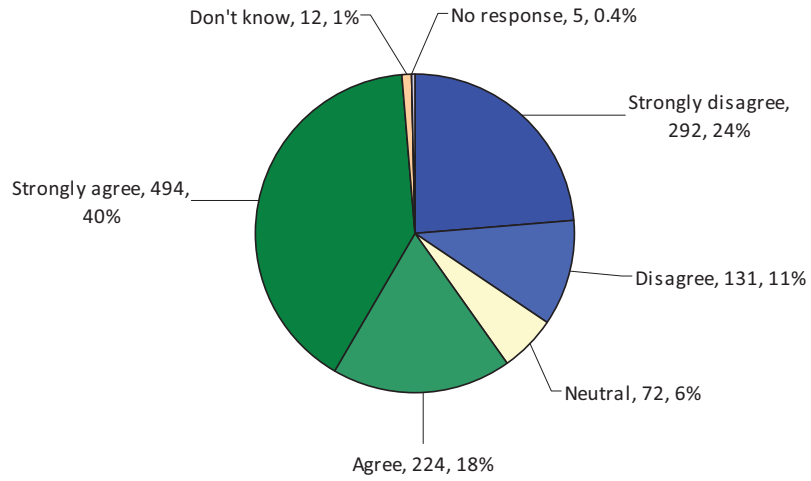
It is important to note that the vast majority of general submissions (total=332) did not express any preference commensurate with questions posed in the long submission form. Therefore, including these submissions in the data presented below would have resulted in very large (and misleading) ‘no response’ fields for those questions. As such, the general submissions were removed for the production of graphs relating to questions in the submission form. Comments from general submissions have been captured in the discussion below.

Key findings

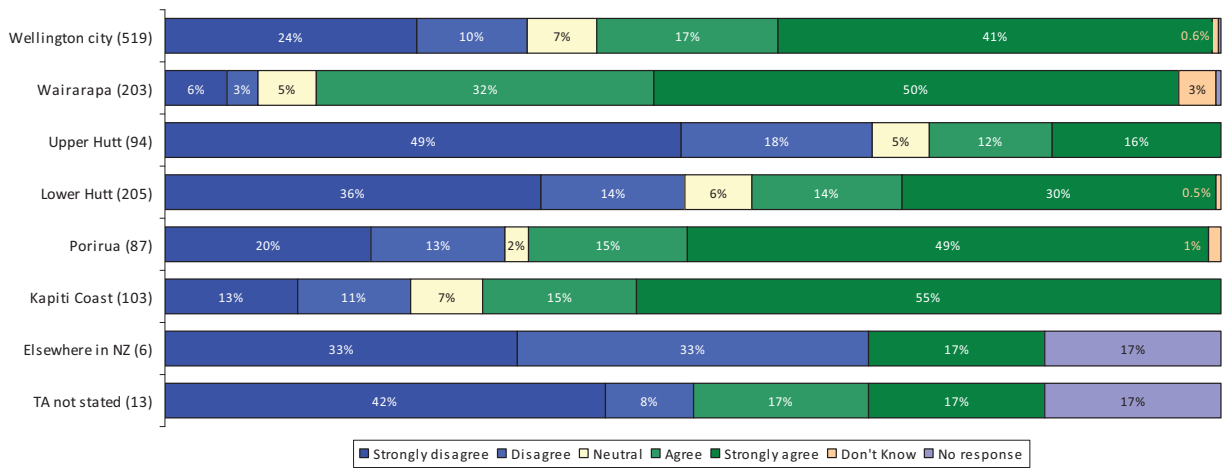
Support for change

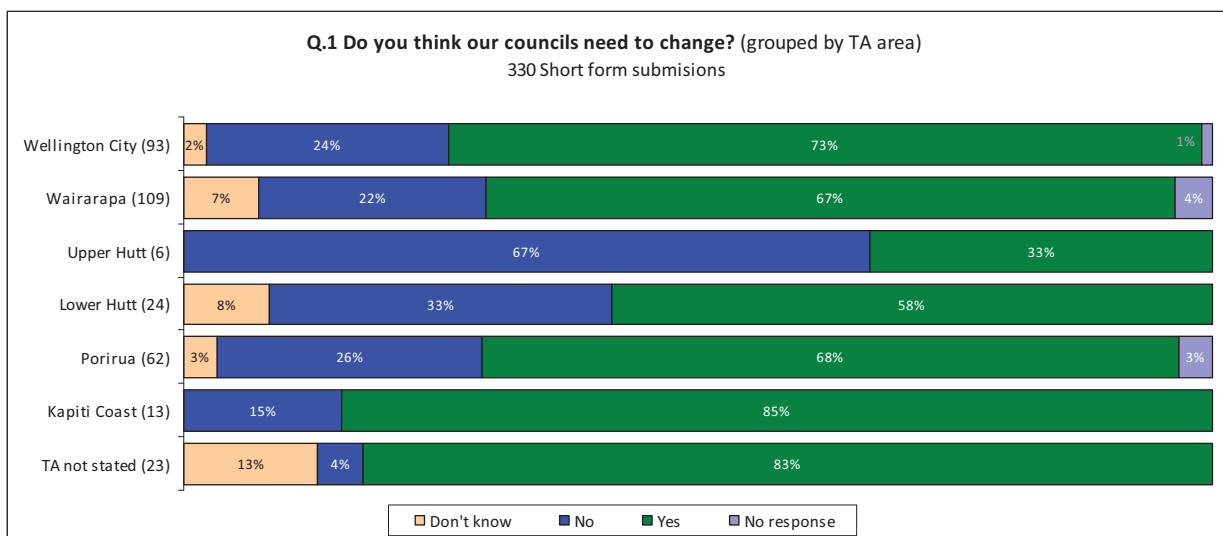
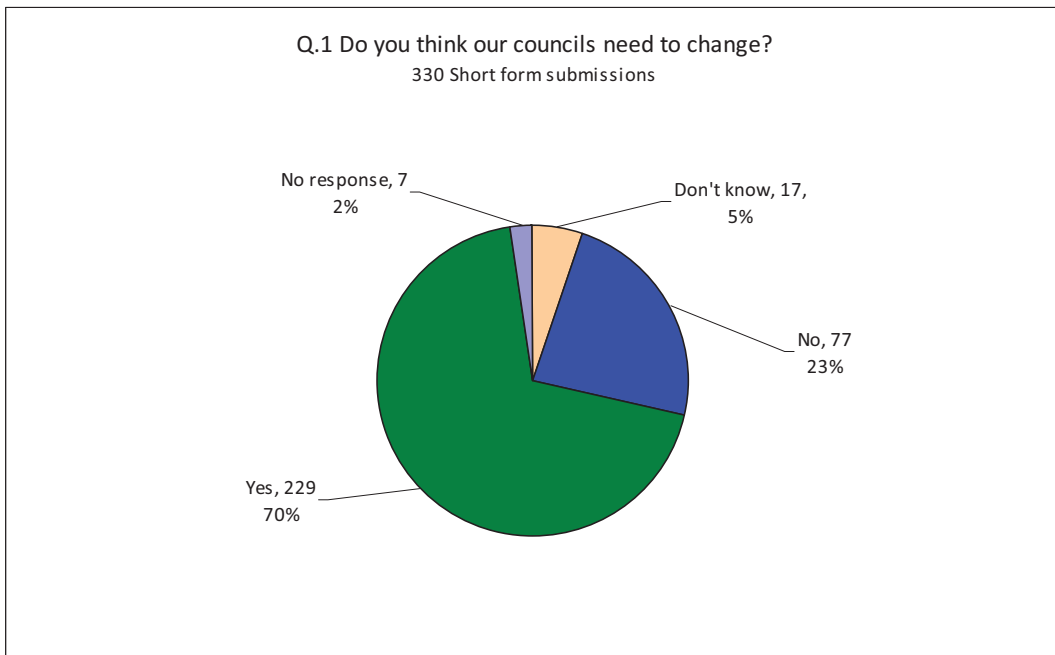
Support for change was assessed via responses to a question in the *Wellington: Your Choice* short and long style submission forms (questions one and fifteen respectively). The phrasing of the questions on the long and short style submission forms was different as were the response options provided on each form, and therefore the statistical data from each is presented separately. Overall results indicate that there are more people who support change than those who do not. Support for change was highest in Porirua, Wairarapa, Wellington City and Kapiti Coast and lowest in Lower Hutt and Upper Hutt.

Q.15 How much do you agree or disagree this structure needs to change
1,230 Long form submissions



Q.15 How much do you agree or disagree this structure needs to change (grouped by TA area)
1,230 Long form submissions





Why there is a need for change

The most common feedback provided by those in support of change was that change is necessary in order to overcome duplication, address inefficiencies, and avoid wastage of effort, funds and resources. Many people expressed a view that the status quo is untenable and no longer fit for purpose.

There were numerous other reasons given in support of change that reflect specific criticisms of the current system. The main arguments can be summed up as:

- The current structure is outdated and does not reflect the way people live, work, play and communicate across the region
- There is inefficiency resulting from too many parallel structures; the Wellington region is too small to justify having nine councils and the number of councillors represents an excessive governance regime
- Decisions made in the current fragmented structure are often conflicting and not beneficial to the region as a whole; current councils appear to compete with each other rather than working together to achieve common aims
- The current structure is overly-bureaucratic and uncoordinated across the region and creates silos of information and factionalism
- There is overlap, inconsistency and lack of clarity of roles
- Having so many councils is cumbersome and confusing for the public because of divergent systems, processes and policies
- The current structure is too expensive and unwieldy, imposing unnecessary financial and time costs on a small population
- There is a lack of clear leadership and ownership of problems
- The resilience of the region is compromised because the current governance arrangements make it difficult to collaborate on critical regional issues such as civil defence
- Different imperatives for different areas in the region make for tension and ambiguity and fail to take a holistic view for the whole region. The current structure incentivises self-interest and prevents local body politicians from making brave decisions
- The need to overcome parochialism, patch-guarding and in-fighting in current councils
- Issues of capacity and capability – smaller councils in particular struggle to attract people with the right skill sets, especially for specialised roles

The principal reason why supporters of change were in favour of a single council model was that they believed it would result in a better quality of decision making and a clearer vision and agenda (as opposed to competing agendas) for the region. Many people spoke of the need for a cohesive, strategic plan, which it was felt could only be realised under a unified regional governance structure. Stagnation was seen as an inevitable consequence of the region's failure to change and move in the same direction, rather than pulling in different directions.

Other perceived advantages stemming from a single council structure were:

- Strength in numbers - the ability of one council to speak with a coherent voice to central government and the private sector
- Economies of scale and scope

- It is an opportunity for more coordinated local input into the council
- Clearer accountability on region-wide issues
- It will be a more powerful and influential entity, capable of holding its own against the pull of Auckland and Christchurch
- The ability to take a more coordinated and integrated approach to service delivery, infrastructure, economic development and planning processes
- More effective distribution of resources and delivery of services
- A single council will strengthen inter-connectedness in terms of dealing with cross-over issues like the economy and the environment
- A single authority will be capable of attracting a higher calibre of candidates, providing the necessary skills and expertise to carry out functions and services in an efficient and effective manner.

Why there is no need to change the status quo

Among those who disagreed there is a need for change to the current local government arrangements, the supporting comments fell broadly into two categories: expressions of satisfaction with the status quo on the one hand, and expressions of concern about the implications of a single council structure on the other. The most common sentiment among supporters of the status quo was ‘If it isn’t broken, don’t fix it’ – things are fine as they are so there is no need to change.

Additional reasons given for why the status quo should be maintained were:

- The current councils possess good local knowledge specific to their respective areas. Each local area has different needs and strengths that are best met by local people who are personally invested in their area
- Like knowing who to go to and the more ‘personal touch’ of small local councils, which are more ‘community-minded’ than a large conglomerate. Local government should be just that: local
- Smaller local government is more responsive and less corrupt. There is no need to change the structure, the current councils just need to work together more effectively.

The main concern about a single council model was that a larger entity would be further away from the people and this would make it more difficult for local voices to be heard.

Other objections to the single council model were that:

- A single council for the region will inevitably be Wellington City-centric and the needs of the rest of the region will be ignored
- It will have a homogenising effect, resulting in a loss of individuality and identity for the diverse communities that make up the region

- Local representation will decrease, amounting to an erosion of democracy
- The purported efficiency gains from amalgamation are illusory and theoretical
- The estimated cost-savings do not take into account the costs of transition and of implementing a new single council structure
- Each local authority area has a different environment and future-focus, as well as distinct issues, demographics and strengths. Putting them all together into ‘the same bucket’ will only result in some having more funding and resources to flourish, and the others falling behind
- Amalgamation will disempower the average citizen while heightening the power of the business community
- Large organisations become inward looking and unresponsive, tending toward bureaucracy and empire building
- The current system is bad enough; the proposed changes will only make things worse

Need for change – neutral

Those who stated they were neither strongly for nor against change often commented that they could see advantages and disadvantages of both the status quo and the single council model. Many stated that the success of local government relies just as heavily on the culture of the council and quality of councillors and staff as it does on the form or structure of the organisation itself and it would be impossible to say in advance whether these things would improve in a new council for the region.

Support for the proposed models

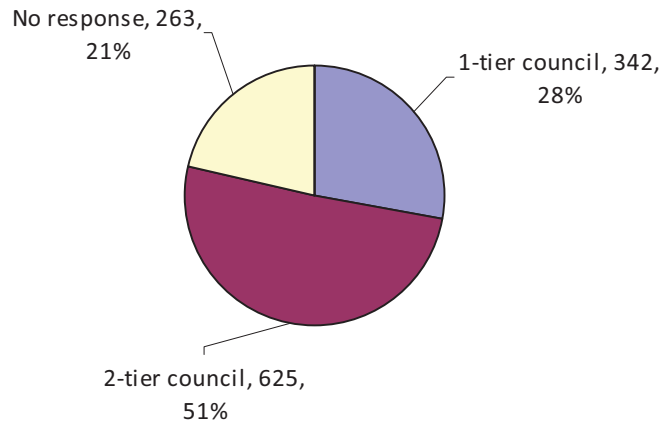
Support for each of the proposed models was assessed via responses to two separate questions in the *Wellington: Your Choice* short and long style submission forms (questions two and eighteen respectively). As with the questions relating to support for change, the phrasing of the questions on the long and short submission forms relating to model preference differs, and therefore the statistical data from each is presented separately.

Overall, the results indicate a preference for the two-tier model. This result was consistent across different areas of the region, although among respondents from Lower Hutt and Upper Hutt, significant numbers indicated they did not prefer either of the single council models.

Q.18 If you had to choose one of these two models of local government for the Wellington region would you choose:

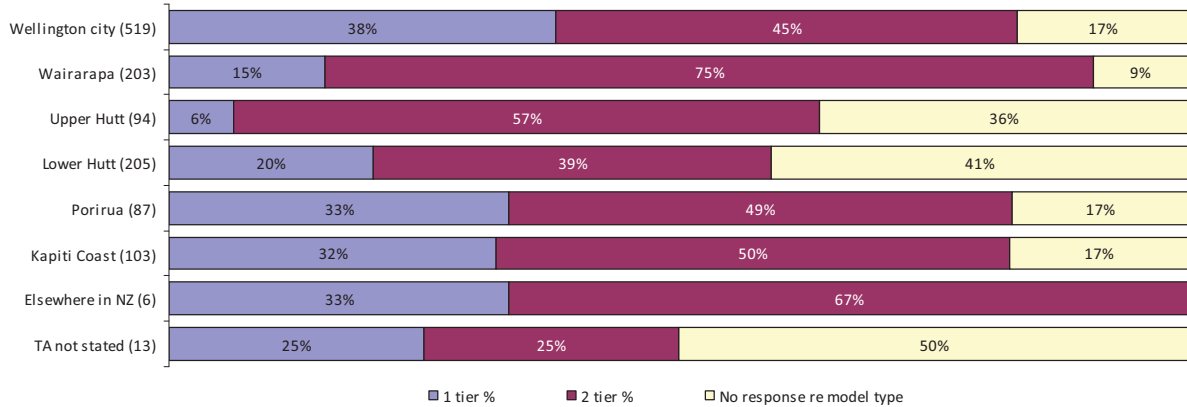
The 1 tier or the 2 tier?

1,230 Long form submissions

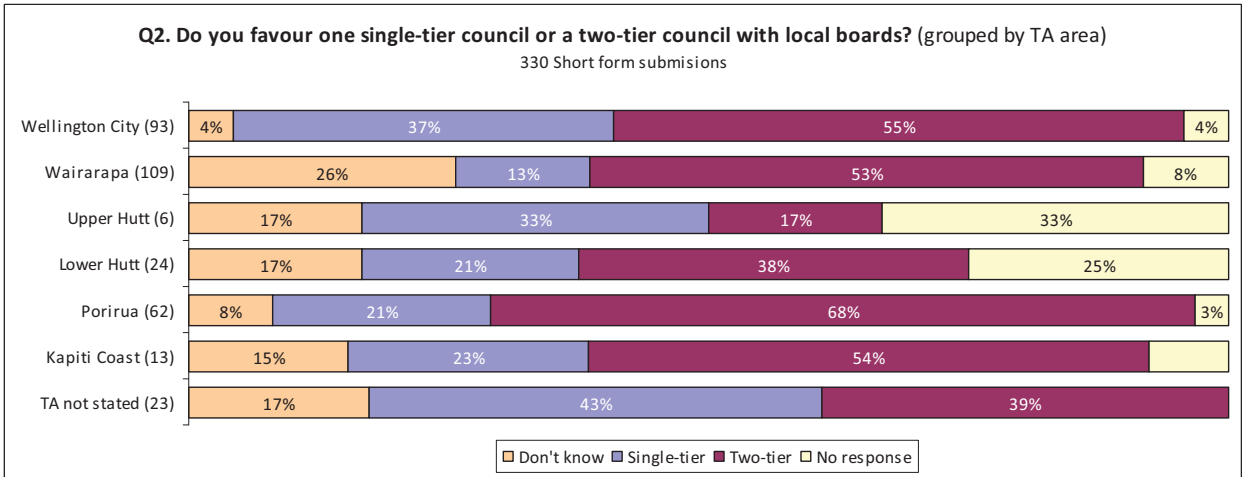
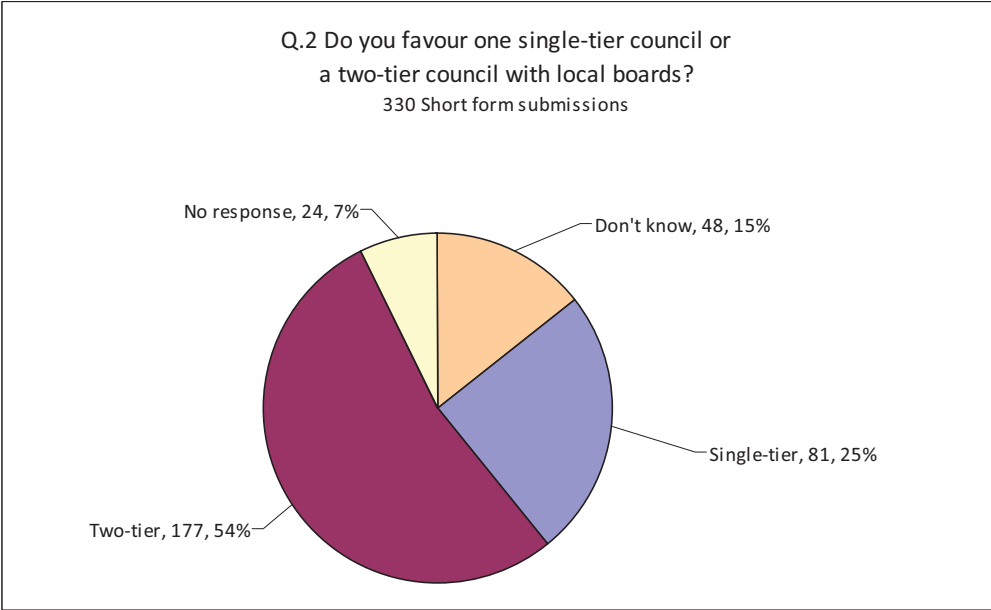


Q.18 If you had to choose one of these two models of local government for the Wellington region would you choose: The 1 tier or the 2 tier? (grouped by TA area)

1,230 Long form submissions



Note that this question was optional, and the high number of ‘no responses’ represents those who did not wish to complete the question as they had already indicated support for either the status quo or else a different governance model to those proposed by the Working Party.



One-tier model

The one-tier council model was broadly viewed as the most simple and cost effective option. Some submitters commented that having a single tier of governance would be more efficient in terms of both time and resources because decision making would be unified. Some also commented that a single-tier structure would be easier to administer and that there would be less opportunity for local groups to capture council processes.

Some people were worried that moving to a single-tier governance structure would be too radical a change and would run the risk of throwing out much of the value and strengths of the existing structure. In particular a major weakness of the one-tier model was thought to be the potential for it

to weaken local democracy. A suggestion for mitigating this was to have well resourced local (i.e. village and neighbourhood) groups who could lobby, plan and have their say about issues that they care passionately about. This network could be built from existing residents associations and village planning groups etc. A substantial number of submitters commented that the proposed number of councillors under this model (27-29) should be reduced as it could prove cumbersome and unwieldy to reach decisions with 25+ elected representatives around the table.

Community Boards

The majority of submissions that commented on community boards saw them as a useful conduit between local communities and the council. This was particularly true of people from Eastbourne and Tawa. Some viewed community boards as a means for local people to pre-negotiate issues so as to guide their elected representative on the council. Community boards were also seen as a mechanism for ensuring better accountability and transparency, because the council may need to publicly justify decisions if they are contrary to community board recommendations. A very high number of submissions were received from Tawa residents in favour of retaining the Tawa Community Board, which was seen to play a vital role in fostering community cohesion, preserving local identity and providing a strong voice for the Tawa community.

A small number of submissions were less positive about the value of community boards. Those critical of community boards saw them as being not particularly effective in influencing council and therefore an unnecessary tier of administration and cost.

Two-tier model

Those who stated a preference for the two-tier model perceived a key strength to be that it strikes a good balance between the positive aspects of the status quo and the benefits that a single council model could entail. Specifically, the two-tier model was seen to allow strong local input, while providing regional leadership, economies of scale and avoiding duplication of services. A significant number of submissions, especially those from organisations, referred to the principle of subsidiarity - the idea that a central authority should perform only those tasks which cannot be performed effectively at a more immediate or local level. Many commented that they supported the two-tier model because they believed this model allowed for subsidiarity to be the driving ethos, with local decisions affecting local people being made at the local level.

Some submitters commented that a two-tier organisation allows for the separation of functions so that local issues and regional issues can each be dealt with at the appropriate scale. There was concern, though, that if the two-tier option is to be progressed, citizens will need clear information on the role and powers of the local boards, relative to the governing council. An education programme was suggested to help people understand exactly what decisions will be made where, and how they can get involved should they wish to.

Those critical of the two-tier council proposal questioned whether under this model it would simply *look* more democratic, but that in reality the politics of having two-tiers and a division of responsibilities would prove difficult for rate payers to understand and participate in. Another criticism of the two-tier model was that it was not clear whether the benefits for communities in

terms of local voice and representation would actually prove to be commensurate with the additional funds required to administer a second tier of governance.

Local boards

Many questions about local boards arose in the submissions. People wondered what level of remuneration local board members would receive; whether local board members would be employed part-time or full-time; and what level of support staff they would need. Some queried whether nine members per local board might be excessive, given their remit would be limited to local-level activities. In this vein, some submitters argued that the region is already over-governed for the population size, and that local boards may only lead to cronyism and wastage. One reservation was that, while the local board model may be appropriate for a large unit like Auckland, it may be cumbersome for a relatively small unit with under half a million people, as in the greater Wellington region. Some submitters were of the view that local boards should have no specific areas of policy making responsibility. It was argued that giving local boards executive authority would create division and complexity in policy making and planning processes and encourage competition between wards to get a bigger slice of the rates ‘cake’. Critics commented that diversified local boards were likely to be ineffectual, racked with parochial politics and difficult for council officers to effectively and cohesively work with.

Contrastingly, a substantial number of submissions highlighted the value of local boards in enabling community self-determination and argued that local boards should be given the maximum delegation with regards to engaging local communities and implementing plans prepared by the governing council. Additionally, a large number of people who expressed concerns about preserving and enhancing local voice and access to decision making were of the view that local boards would serve an essential purpose in facilitating local democracy.

Status quo

Most submissions pledging support for the status quo commented that they see no real need for change, as they perceive nothing much wrong with the current system. Some did see areas in which improvements could be made, but felt that these could be achieved with ‘tweaks’ to the status quo, rather than a major structural overhaul. There was a general view among these submitters that while people may take issue with some aspects of their current council, disestablishing all eight territorial authorities as well as the regional council would amount to ‘throwing the baby out with the bath water’. There was considerable support for a modified status quo, with greater use of shared services (this is discussed further under ‘Service delivery’, page 17-18).

Plenty of submitters did, however, think the current nine-structure system leaves much to be desired. Dysfunctional and parochial were often-used terms, and quite a few submissions referred to the status quo as being a situation in which there are ‘too many chefs in the kitchen’ or words to that effect.

Multiple Unitary Authorities

A significant number of people detailed a different preferred option for restructuring local government in the region to those proposed by the cross-council Working Party. The most common

suggestion was a multiple unitary model comprising three authorities: a Hutt Valley council, a Wairarapa council, and a Porirua-Kapiti Coast-Wellington City council. The main reason given for why several councils for the region was favoured over a single council was to preserve the identities of the different communities within the region. A related reason was that a single Wellington Council would ‘swallow up’ other distinct areas like the Hutt Valley.

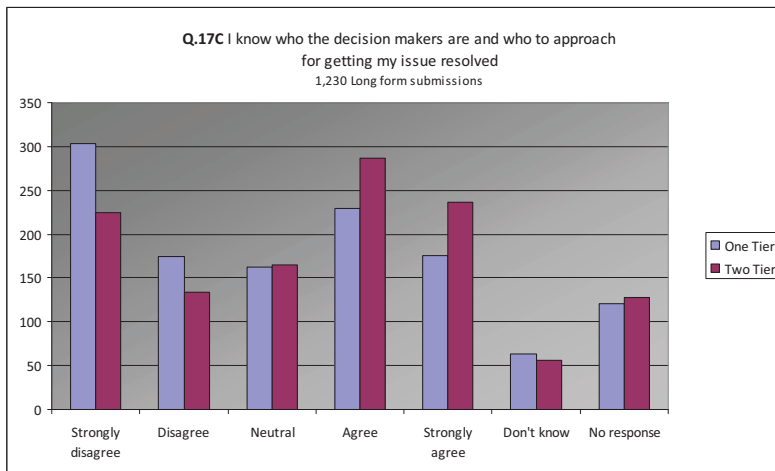
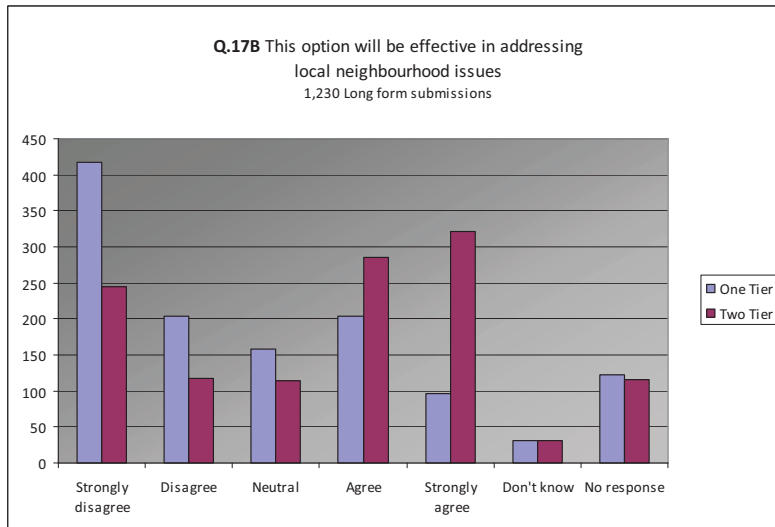
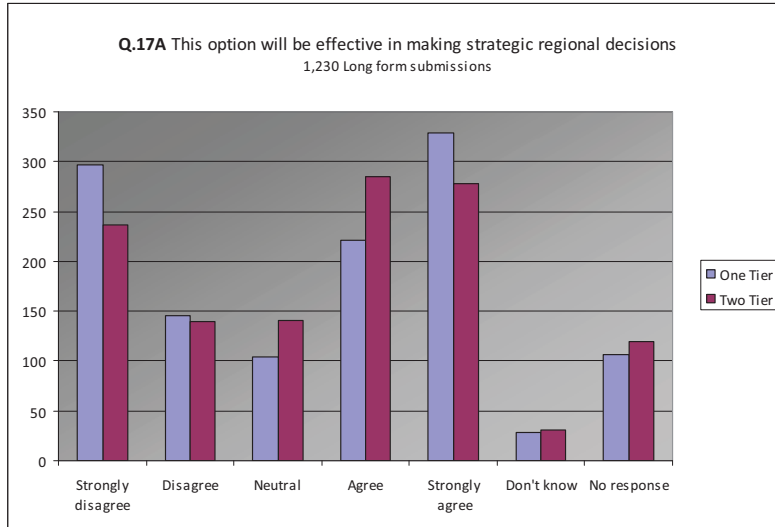
However, there was also concern among some people about the Hutt Valley’s preference to form a separate authority. It was suggested that this would disadvantage Porirua and Kapiti because without the inclusion of the Hutt Valley, Kapiti and Porirua would have less influence in regional decisions (i.e. the inclusion of the Hutt Valley would reduce Wellington City’s dominance). Additionally, it was suggested that the inclusion of Hutt Valley is important to create a larger council that can attract the best personnel, both elected and administrative. Some feedback, both from within the Hutt Valley and outside of it, suggested that a Hutt Valley Unitary Authority would be an imprudent move economically, given the very high number of Hutt Valley residents that commute into Wellington City and use facilities in the capital.

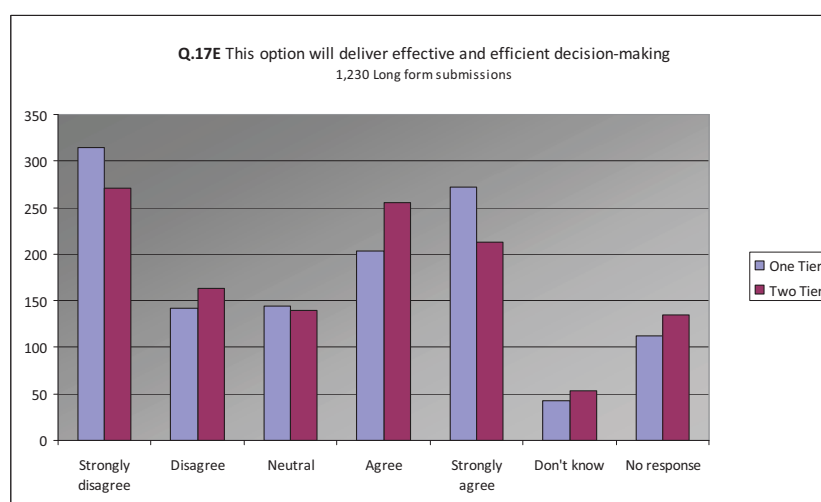
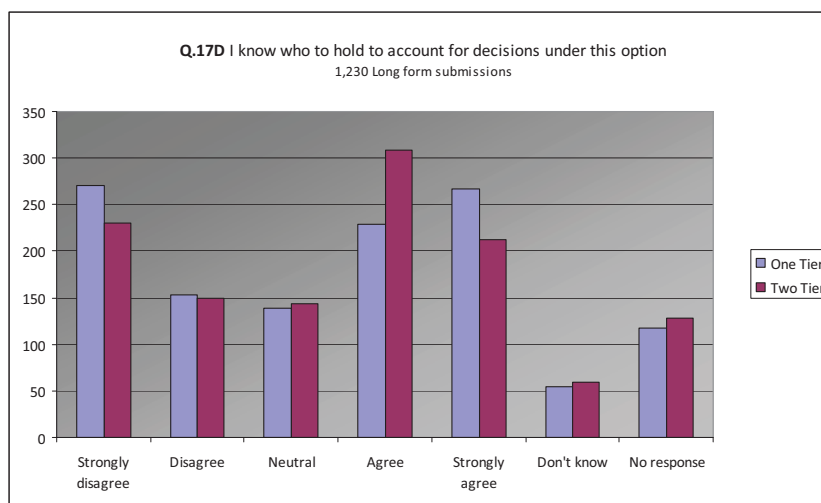
Preference for each model based on different factors

The following five graphs relate to responses to Questions 17a – 17e in the long submission form, relating to:

- regional strategic decision making
- addressing local neighbourhood issues
- getting issues resolved
- accountability
- effective and efficient decision making.

The responses were extremely mixed, making it difficult to draw any firm conclusions. One clear result, which is consistent with comments from submissions, is that people perceive that the two-tier model would be more effective than the one-tier model in addressing local neighbourhood issues.





Main themes from long-style submission form

Leadership

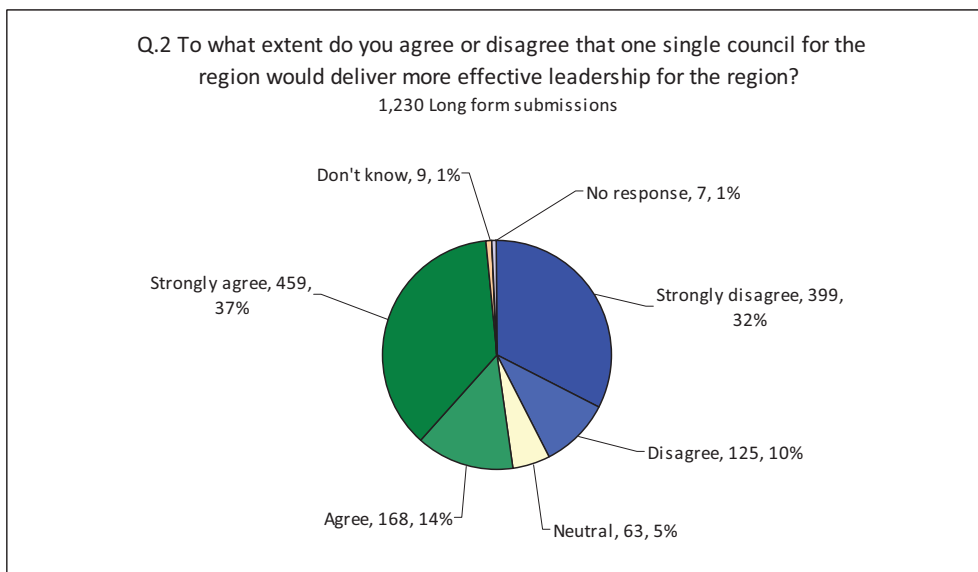
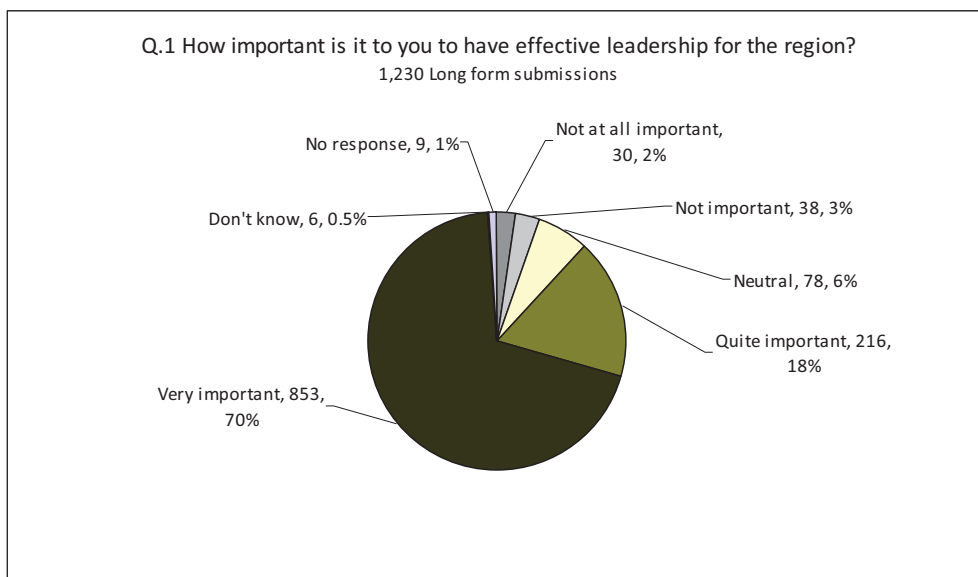
Much feedback advocated for coordinated, coherent leadership for the region, with the Wellington region seen to be lacking a decisive and consistent voice and a clear direction. Some people perceived that alternative proposals to form multiple unitary authorities would deny the region the unified leadership and political mass that are vital to its future prospects.

Highlighting the need for flexibility and adaptiveness among the region's leaders, some commented on the rapid changes that are occurring in the types of challenges the region faces and the technology available to address these challenges. In view of this, some feedback stressed the importance of elected representatives being prepared to adapt to changes being thrust upon them.

A lot of feedback progressed the view that a unified front for the region would constitute a far more powerful advocate at a national level than the current nine council system. Some regarded a council

to be like a business, which should be run as such, with a strong leader supported by a strong but lean executive management team with the skills and vision to deliver on targets for which they are accountable to the rate payers of the region.

However some people cautioned that the danger of a more powerful and concentrated leadership structure was that personal agendas could be played out on a much larger scale, with the strongest personalities ‘bulldozing’ over other voices in a dictatorial manner. For this reason it was considered essential by some that the right people with all the region’s interests at heart were selected to lead. While there was significant support for the idea that a larger council would attract better quality candidates to key leadership roles, a number of people commented that amalgamation is no guarantee of better leadership.

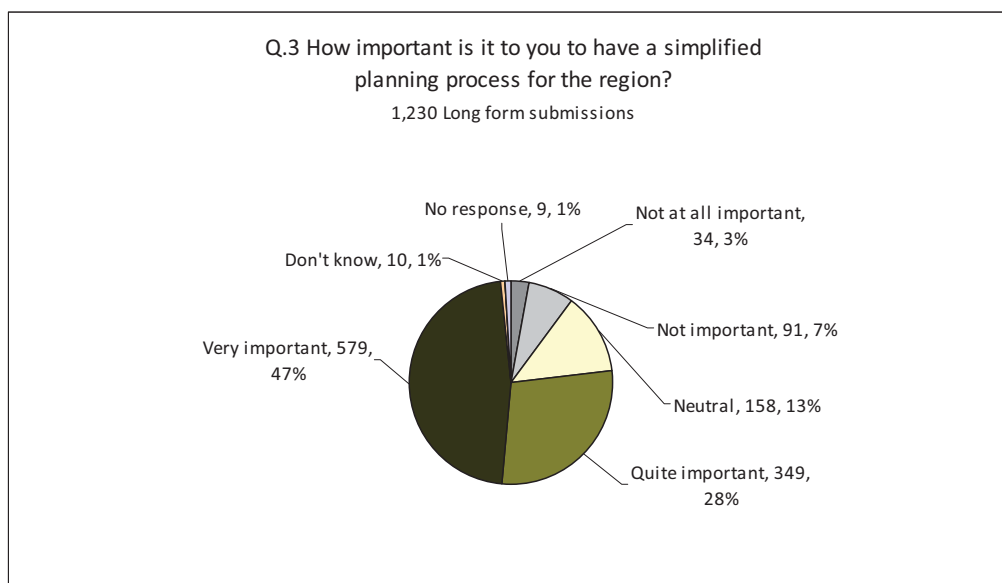


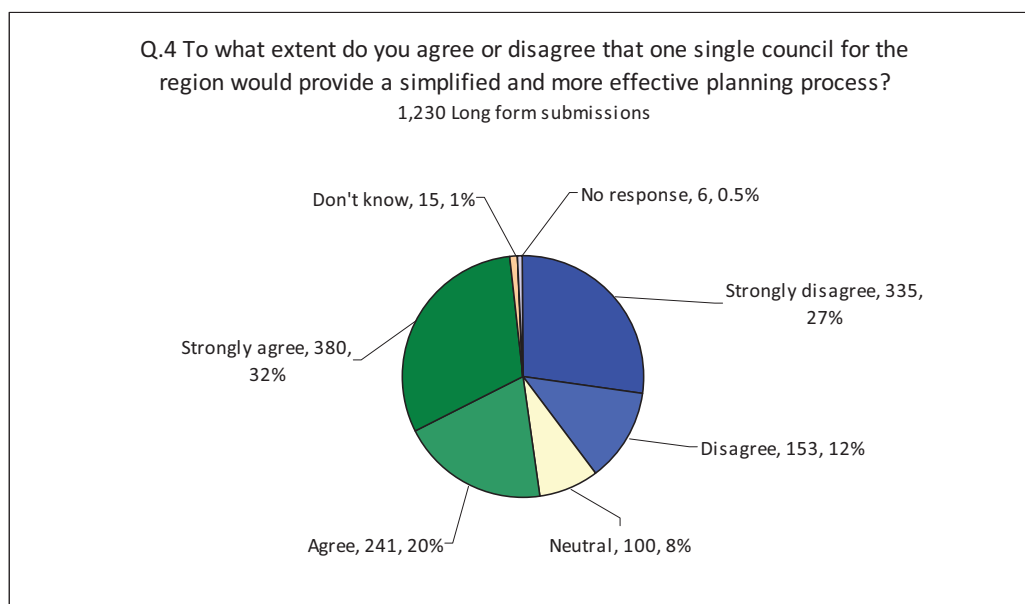
Planning process

The overwhelming majority of comments on this topic expressed support for a more unified approach to planning. A typical view was that regional planning with a harmonised council would mean that instead of eight councils trying to grow and promote their own 'patches' and thereby replicating plans and, at times, competing with each other for resources, a single council would be able to identify the key attributes of each area and invest in their ongoing success. It was also thought that a single council would bring an overall cohesiveness to planning for region-wide issues including the future use of the region's resources. Further, there was a view that a more integrated spatial planning approach, covering aspects such as waste disposal, commuter systems and water use would result in better environmental outcomes and the achievement of broader collective aims. There was also discussion of other benefits that may result from better regional coordination. One example mentioned in a number of submissions was cycling. It was suggested that a stronger governing body for the region would likely be beneficial for cycling as it would create a more coherent planning system, a more integrated network and one set of standards to be applied across the region.

Some feedback commented that it would be important to provide provisions for local communities to connect into the planning cycle especially on matters of local concern. Some expressed fear that, under a single council model, large region-wide or national-level projects would dominate planning decisions and small projects (that are still important but more locally focused) will be deprioritised.

A final point was that in order to do good planning, robust information is required. Some feared that the region will be headed for a planning crisis if more emphasis is not put on conducting good quality investigations into critical areas such as heritage, biodiversity, flood risk from stormwater, implications of climate change including sea level rise, dealing with seismic risks, slope stability and sustainable urban design.





Service delivery

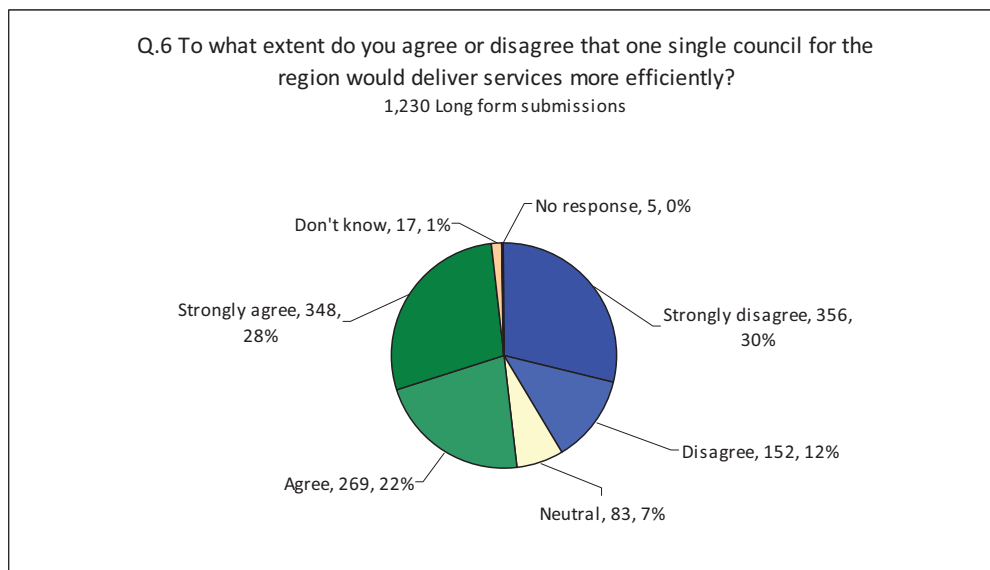
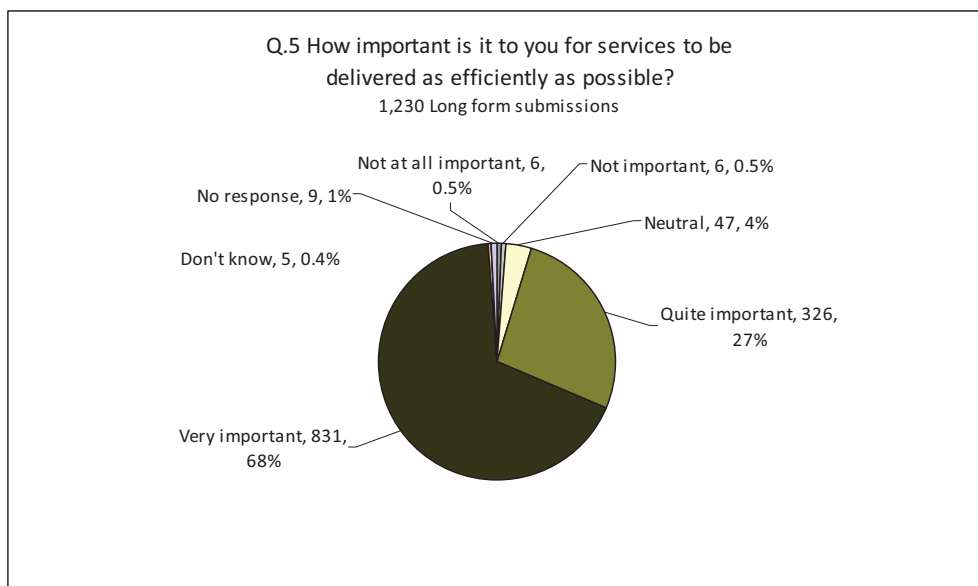
A number of those in favour of the status quo highlighted the benefits of shared services across the region. Some thought this could be done whether there was an overarching regional governance structure or not; some pointed to instances in which this was already the case. However it was observed that progress towards achieving meaningful shared services under the current system seemed to be very slow. Some people believed strongly that structural reform was not the solution and that a solid commitment to shared services among existing councils would achieve the efficiency gains being sought through the amalgamation proposal. However, many had no confidence that renewed commitments to shared services would provide the governance arrangements necessary to ‘future proof’ Wellington in uncertain times.

Many people stated that water was a service delivery area that should be dealt with at a regional level. People also felt that having one library system for the region would make sense. Several submitters believed that councils should focus solely on delivering ‘core’ services such as water and waste to the highest standards, rather than investing in ‘less essential’ activities like social events.

There were different perspectives on delivery of council services by Council Controlled Organisations (CCOs) or other arm’s length entities. A common concern was that CCOs lack accountability and openness to public scrutiny. Some felt that outsourcing of services should only occur where it is difficult or expensive to maintain a capability or expertise. Some individuals and organisations cited international evidence suggesting that over time outsourcing of activities such as waste management and recreation services does not reduce overall costs to councils, but does result in workers’ wages and conditions being eroded and as a result leads to a decline in service delivery and service quality. Another perceived consequence of contracting out services was a loss of experience and skill within councils.

However some people argued that contracting out some services was more economical than keeping everything in-house. It was argued that certain services, such as engineering and legal services, should be regularly tendered out to the open market, the rationale being that maintaining competition for contracts would avoid sole-source providers and keep costs down.

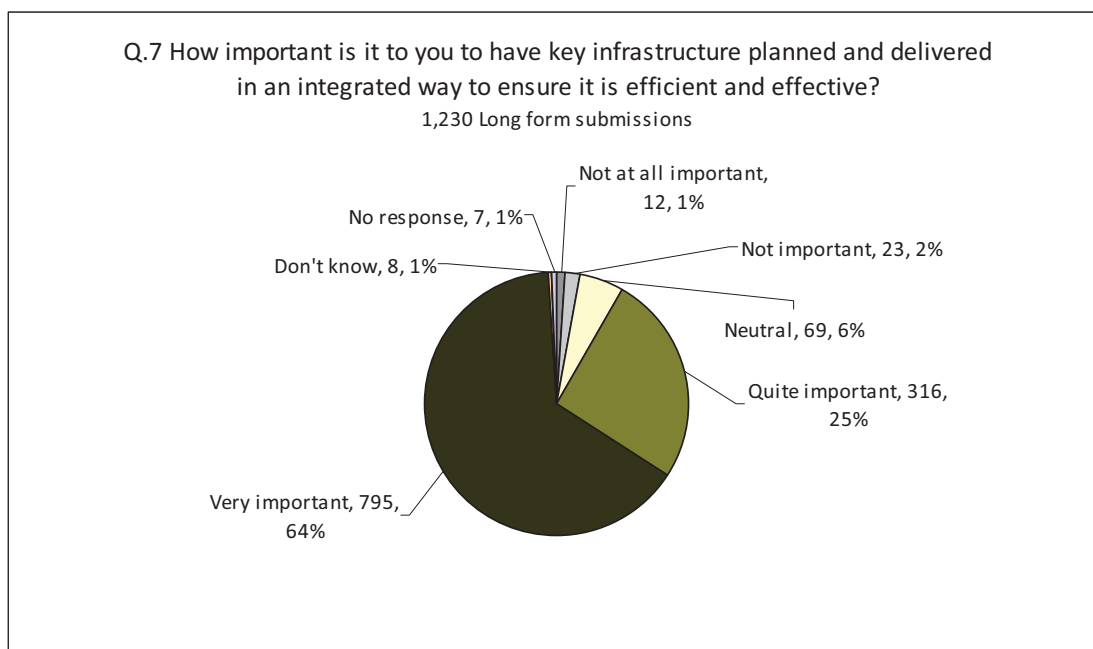
There was considerable support for the idea that a single council model could deliver services more efficiently through sheer economies of scale and scope and also through taking a more integrated, holistic approach. One suggestion was that there should be a focus on informing people of how each neighbourhood can access all council services, in terms of both physical access and removal of barriers. It was thought that this would go a long way to allaying suspicions that moving to a single structure and single set of processes will make the council distant and inaccessible for communities.

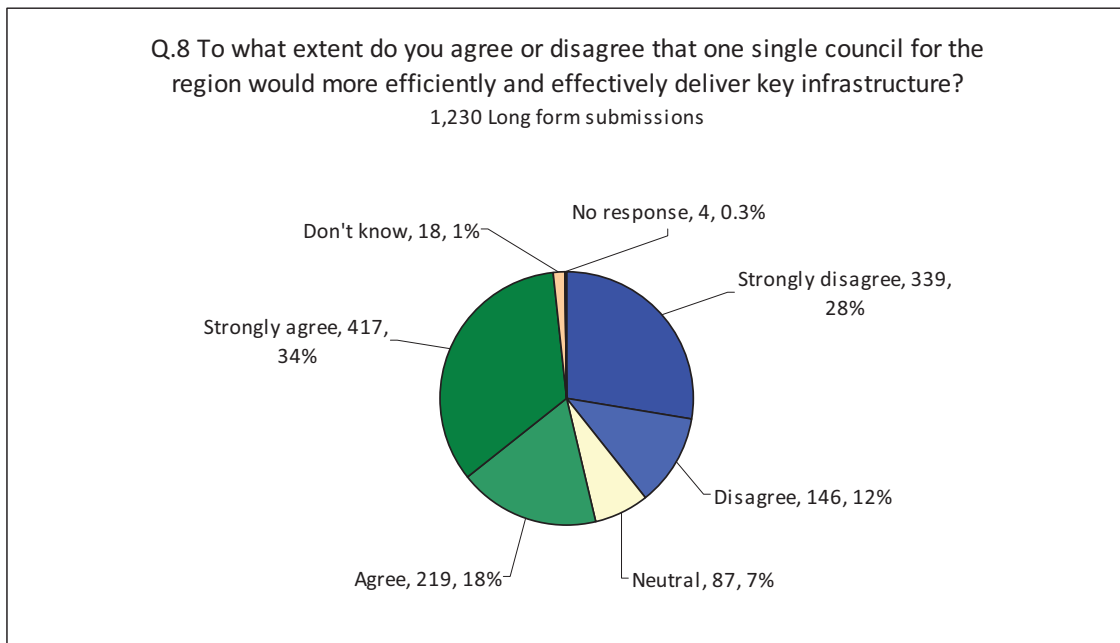


Infrastructure

Some Hutt Valley and Kapiti residents were worried that infrastructure projects in those areas would be neglected in favour of Wellington City's infrastructure priorities under a single council model. However, the majority of people who discussed infrastructure planning and delivery commented that they would like to see a more coherent and consistent approach to infrastructure development across the region. Some people stated that their primary reason for advocating for a change to how local government is structured in the Wellington region was the lack of agreement and coordination on macro infrastructure and planning work across the existing councils. There was a perception that this creates a significant risk to the future relevance and viability of the region's cities and associated communities. A lot of people thought that a single council for the region would be better equipped (in skills and funding) to undertake complex and expensive infrastructure projects. There was a strong view that major infrastructural expenditure needs a co-ordinated and committed response to avoid delays and drawn-out negotiations between councils. In particular, people identified transport as an important area that requires regional, integrated, long-term planning. A high proportion of comments from Wairarapa residents expressed a view that integrated regional planning for public transport and roading is critical. People also predicted that a region-wide governing body would be more likely to attract funding for transport infrastructure from central government agencies. It was suggested that there is too much city influence and insufficient regional direction of transport developments at present and that key regional access requirements need to be given greater weight.

Core infrastructure for the three waters (water supply, wastewater and stormwater) was also seen to require coordinated regional policy and delivery. Current arrangements were viewed as myopic and costly.





Economic development

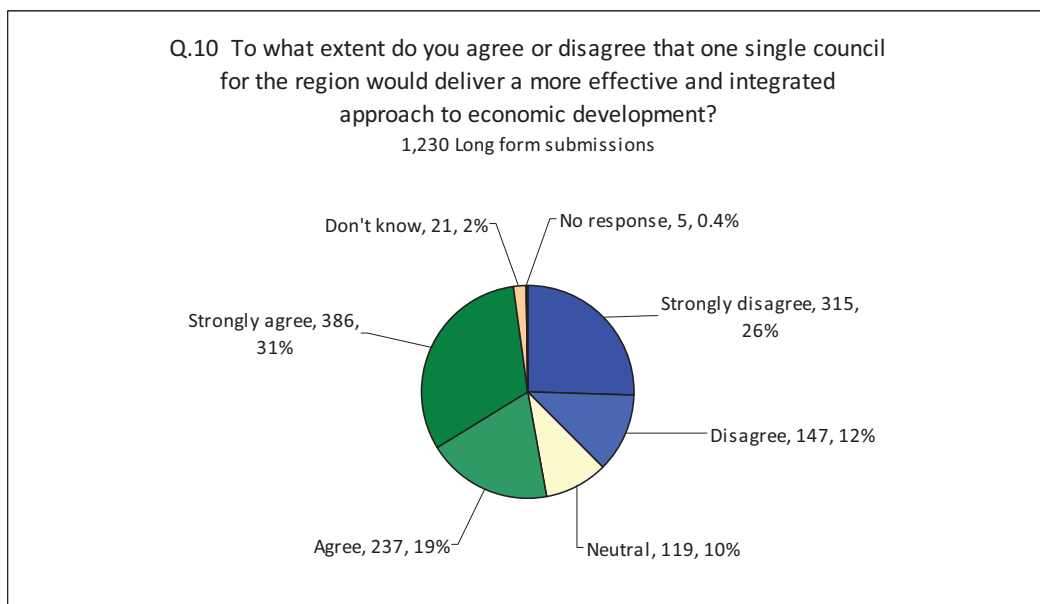
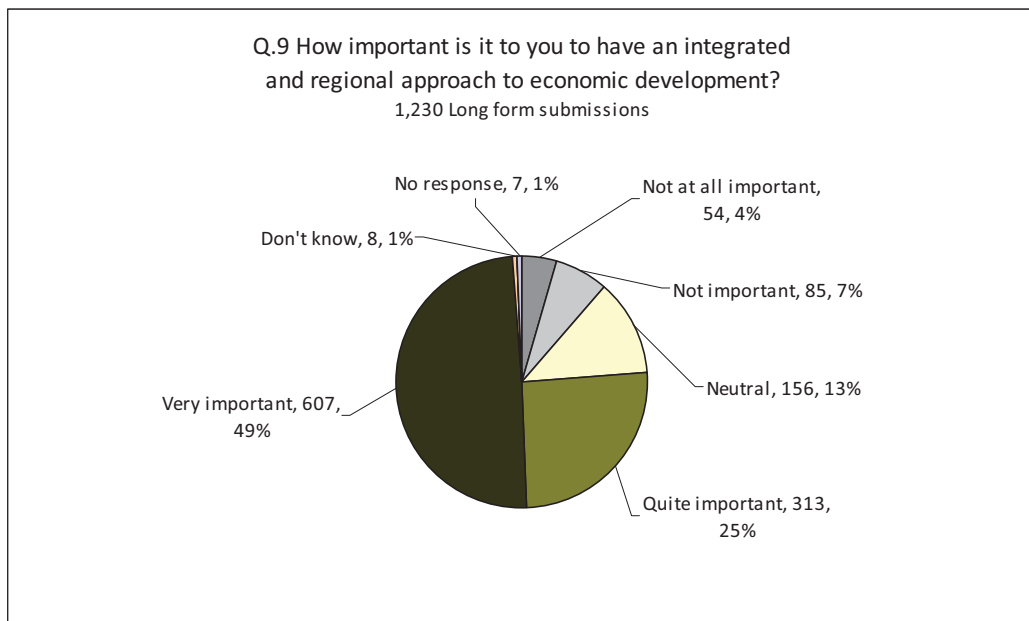
Many comments expressed the view that under the current structure the region has failed economically. A significant number of people believed that too often the politics of rival neighbouring cities and districts result in bad decisions from a regional economic perspective. It was thought that the current economic challenges, such as the shift of large businesses to Auckland, and greater infrastructure funding for Christchurch, cannot be met by each of the eight local councils alone.

To remedy this it was suggested that local government needs to be positioned to put together a bold and coherent plan that can draw on the combined resources of the region. Some people noted that although the structure of local governance itself doesn't guarantee that such a plan would be forthcoming, it seems more likely than under the current multiple council structure. Some felt there was a degree of urgency with which coordinated regional economic development must happen because of the Wellington region's current economic standing.

A number of people said that an overall vision for the growth of the whole region is desirable providing local input is sought and heard in the framing of that vision. Some stated that if Wellington is to remain competitive as a region and is to attract investment, then it needs to be looked at as an entire region and to show that both urban and rural opportunities can be accommodated. Particularly, it was suggested that a strategic regional approach to domestic and international tourism promotion and initiatives is wise. There were fears that separating the region into a number of unitary authorities would ensure the Wellington region would become an isolated and disconnected economy. Some feedback from businesses highlighted the benefits of having a 'one-stop shop' - a single set of rules and point of contact for businesses and developers operating across the region. It was argued that this would reduce time and effort in understanding the range of rules, district plans and standards emanating from each of the local authorities in the region, as well

as allowing businesses to streamline their operations accordingly and altogether make it much easier to do business.

A smaller number of people were cynical about the ability of amalgamation to provide effective and integrated approaches to economic development and believed, conversely, that under a larger structure economic development could get tied up in consultations, committees, and bureaucracy. Others stated that it is not the job of local government to support private enterprise and that economic development should be left to the private sector. These submitters indicated they would welcome the removal of economic development as a local government function.

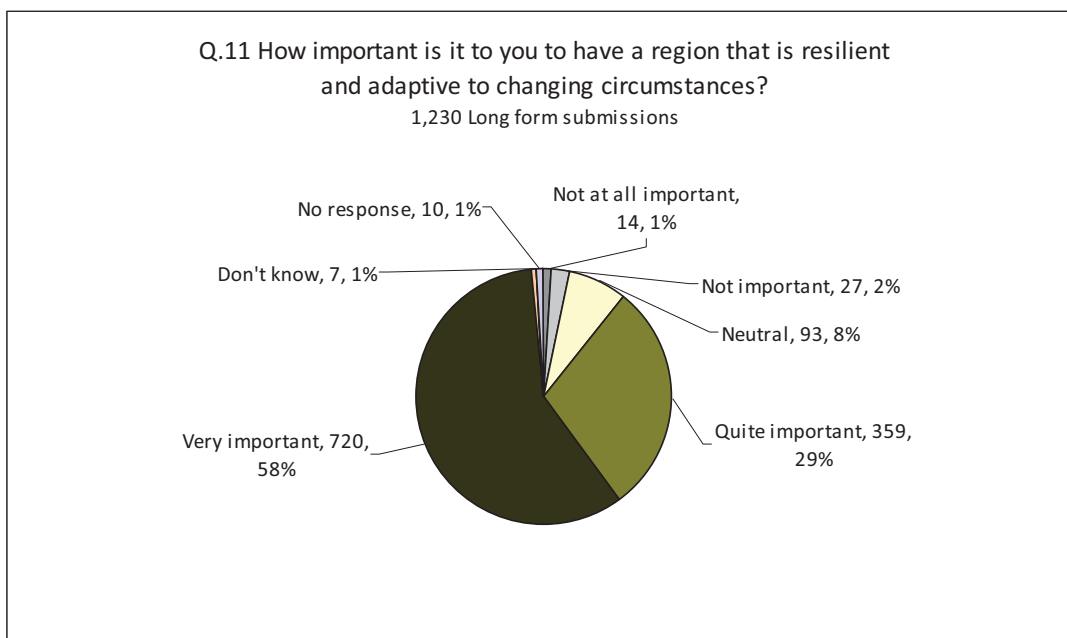


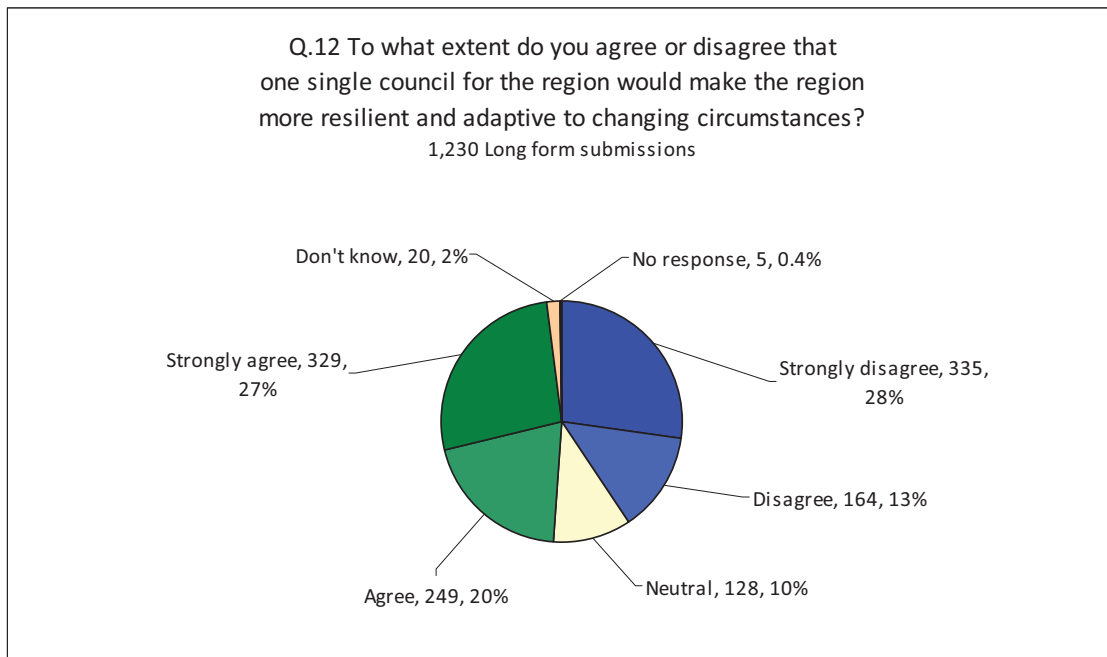
Resilience and adaptability

Feedback about resilience and the ability of local government to respond to change revealed a diversity of perspectives. There were mixed views on whether a larger, region-wide council structure would be better able to withstand change or recover quickly from challenges. Some pointed to experiences they had had of large and small organisations and observed that smaller organisations seemed better able to evolve and respond to changes, while larger organisations often seemed to become change-resistant and out of touch with their smaller constituent parts. One argument was that super city style structures reduce local involvement and disempower people. It was argued that this compromises resilience because resilience is about empowering local communities. However some people perceived that what is required is a sensible balance between central control and local autonomy - the aim being total regional resilience.

Some submitters were of the definite view that the region will need to have a single effective governing body in order to cope in the event of a major regional disaster such as an earthquake, tsunami, flooding, or a major storm event. This was chiefly because people perceived that integrated planning and unified leadership would be increasingly required to deliver a coordinated response to big challenges such as the wide-ranging effects of climate change. It was posited that the capacity and capability of local government needs to be lifted to meet these growing challenges.

Some people pointed out that centralised governance does not necessarily require centralised location or co-location. It was contended that given Wellington City's earthquake risk, there will be an increased vulnerability if all assets/staff are located within Wellington and, as such, a hub approach would be better.





Democracy

A very large number of submitters discussed issues of democracy, with several sub-topics emerging within this overarching theme. *Local voice and representation* was the most prevalent of these. Many people spoke of the need for local input on local issues as well as democratic representation at the local level. A common concern was that local communities could lose their voice in a larger centralised council structure and that a bigger organisation would be less agile and therefore less responsive to local needs. Many felt that concentrating power into one body would mean local concerns and issues would receive less attention than in a more decentralised structure. Local representatives were seen by many to possess the requisite knowledge to best serve their local areas. A high proportion of comments from Hutt Valley residents expressed fear that in a single council structure they would not have the same rapport as they do with their current local authorities and residents would end up feeling isolated and disconnected. Some people felt that notions of loss of local identity and voice were simply scaremongering and that local democracy is a valuable safeguard but is not dependant on the ‘artificially-scaled’ city and district councils now operating in the region.

A significant number of submissions were received from Tawa residents who feared their community would lose its voice in a new council structure. Because of this, some Tawa residents advocated for the continuation of the status quo. However, a greater number of Tawa residents did not have strong views on the proposed single council structures but did feel strongly that, whatever the outcome of the local government debate, Tawa should continue to have a community voice.

Access to decision making was another area of concern for many. Some commented that, without safeguards, local communities may be left out of the decision-making process in a larger, more

regionally-focused council. There were calls for more localised control and local decision making and concerns about a move away from this towards a system of governance where more power is concentrated in fewer hands. Some predicted that amalgamation would result in communities being unsure of the path to follow in order to have their concerns addressed. A common sentiment was that councillors would be distant and inaccessible and that local issues would get neglected or else delegated to people with limited power to effect change. However, some dismissed fears of local disenfranchisement as myths, saying that local access both to 'shop front services' and councillors and staff would remain. In order to facilitate physical access to decision makers, a number of people suggested that an equitable approach would be for a new council to either be housed, or at least hold meetings, outside of Wellington City.

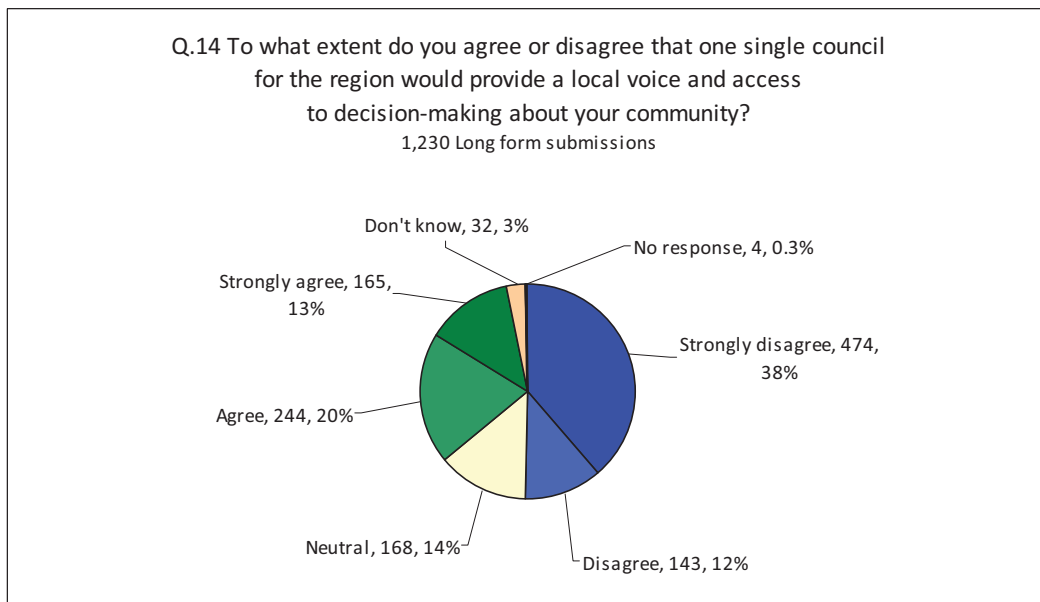
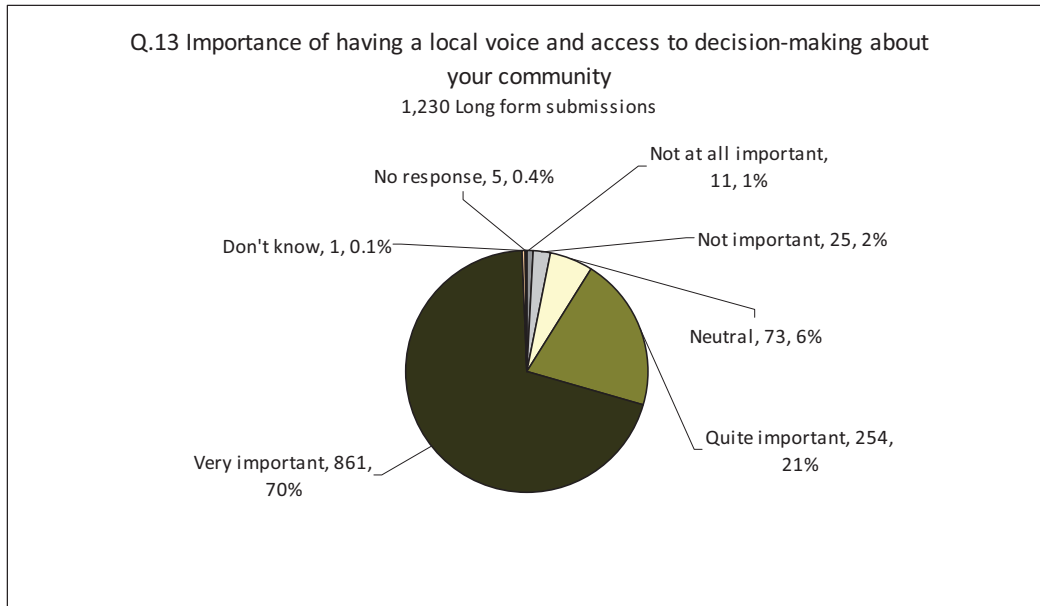
Some people thought that having elected representatives who were too closely involved with local groups could result in a narrow focus and bad decision making. There was a view that the smaller a local authority, the more likely that lobbying will have an undue effect on decision-makers because councillors of small local authorities may be more susceptible to capture by persistent individuals and interest groups in their community.

Fairness and transparency were concepts mentioned in quite a lot of the feedback received. Having an open and transparent local government structure with clear lines of accountability was viewed by some submitters as being more important than achieving optimum efficiency. Transparency around councillor affiliations to groups or business interests was advocated. It was also thought that a fairer council would be a more interactive one that was capable of reflecting the diversity of the region. The fairness of the current system in terms of constituents across the region being able to have a say in decisions that affect them was questioned. An example was that Wellington City has amenities that are heavily relied upon by the rest of the region, yet the majority of the region's populace have no say in the election of the mayor and councillors who decide how such amenities are developed and function.

A related issue discussed in a number of submissions was *participation*. More e-government, modelled on the Scandinavian style of online referendum, was one suggestion for increasing local government participation; mandatory polls for determining policies on important issues was another. A number of people suggested that local government should be pro-active in utilising new technologies and communication tools to inspire and empower people to engage with local government. Several people outlined the importance of minority voices being heard. It was felt that in the current structure it is generally hard for minority groups to have a say and efforts should be made to avoid disenfranchising minority voices.

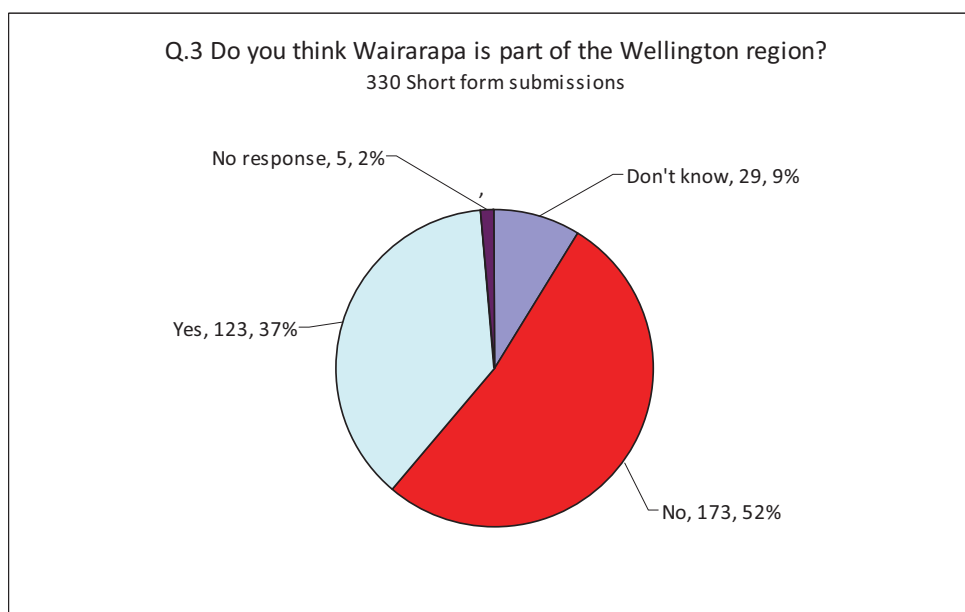
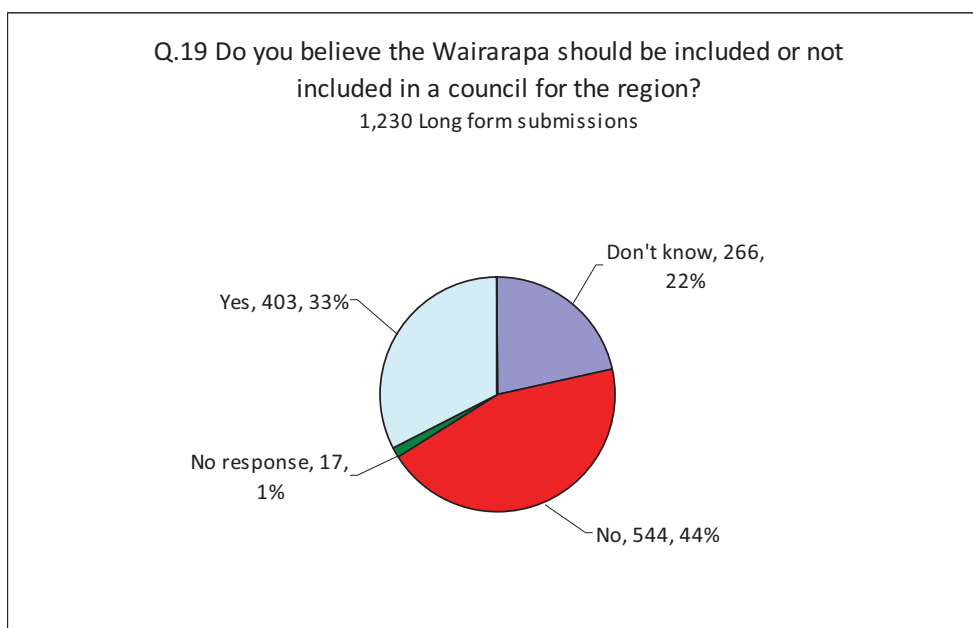
Neighbourhood and village planning generated some discussion in meetings and submissions. There was some concern that amalgamation could result in communities having little ability to shape the areas they live in. Not everyone shared this concern; those who did not perceived that there would easily be scope to convey community wishes to council through a village planning type framework, as has been successfully implemented in Porirua. It was suggested that if the Porirua model of village planning could be fine-tuned and then duplicated all over the Wellington region then local identity would be strengthened not lost. It was also suggested that village planning could make a valuable contribution to a regional unitary plan.

A final topic related to democracy, which received considerable attention in the public feedback, was the *urban-rural divide*. A common sentiment here was that urban and rural needs can differ significantly and that rural communities within the region will either get neglected or else have poor decisions made on their behalf in a large (urban-based) council structure. A less prominent perspective but one put forward by a number of Wairarapa residents was that the urban and rural aspects of the region should together be considered as a regional advantage, providing balance, strength and resilience.



Wairarapa

Statistical support for including Wairarapa in a single council for the region was assessed via responses to two separate questions in the *Wellington: Your Choice* short and long style submission forms (questions three and nineteen respectively). As with the questions relating to support for change, and model preference, the phrasing of the questions on the long and short style submission forms relating to Wairarapa differs, and therefore the statistical data from each is presented separately. The most prevalent response was that Wairarapa should not be included as part of the Wellington region, or as part of a region-wide council.



Why Wairarapa should be included

A wide variety of reasons for why Wairarapa should be included in a single council for the region were given by submitters in favour of this position. There was a strong view that Wairarapa is too small to go it alone. Further comments given in support for Wairarapa' inclusion in the region can be summarised as:

- The costs of a Wairarapa Unitary Council would be too great for the population base; fiscally it would be unable to support itself
- Economic integration into a more dynamic region will give Wairarapa strength. An isolated Wairarapa would become a backwater with parochial arguments distracting from good decision making
- There are already strong transport connections between Wairarapa and the rest of the region and these can be strengthened under a single council structure. Particularly, strong commuter ties exist already – many people living in Wairarapa work in Wellington – and better access for commuters in an integrated system would open up more opportunities for all
- The small population and large land area mean a Wairarapa Unitary Authority would impose a rating burden which would severely impact on growth – Wairarapa needs the benefit of the larger population to the West to maximise its potential
- Wairarapa is an integral part of the greater region with historical ties established through commerce, employment, infrastructure and recreation
- As part of the Wellington hinterland, Wairarapa is a fundamental source of well being for the whole region, with events such as Toast Martinborough and Wings over Wairarapa attracting large numbers from across the region. Being separate would result in a drop in tourism in Wairarapa
- The substantial investment and expertise required to carry out functions such as irrigation, biodiversity, flood control and land management in Wairarapa would not be manageable without the support of the wider region
- The complementarity of the largely rural Wairarapa and predominantly urban rest of the region means the union between the two under the same structure will be mutually beneficial
- Wellington City and Wairarapa are interdependent and as such having separate decision making bodies opens the potential for inefficient and conflicting decision making
- The Rimutaka Range is a mental barrier for many people but not for the individuals and organisations that use the hill. Residents of Wairarapa commute to work/play in the Hutt Valley, Wellington and even Kapiti. Putting aside the 555m elevation, it is simply a route to travel and takes less time than many routes in Auckland, Christchurch or elsewhere in NZ.
- The wider the region-wide council, the stronger it will be

Most people from Wairarapa who were in favour of Wairarapa's inclusion in a single council for the Wellington region stressed that it would be vital to have the second tier of local boards to ensure that community input from across Wairarapa would be heard.

Why Wairarapa should not be included

The main reason why people said they did not believe Wairarapa should be included as part of regional governance arrangements was that Wairarapa is largely rural, while the Western part of the Wellington region is largely urban and therefore the two respective areas have irreconcilably different outlooks and concerns. The other most frequently cited reason for keeping Wairarapa separate was geographical – it was thought that the Rimutaka Range provides a clear natural barrier dividing Wairarapa and the rest of the region.

Further reasons for why people thought Wairarapa should stand alone were that:

- Decisions made for the greater region will not necessarily be the right decisions for Wairarapa
- Wairarapa has totally different needs, concerns, challenges and strengths from the rest of the region. Its inclusion will not add to either Wellington or Wairarapa
- A centralised body based in the urban part of the region would neither understand nor care about the needs of remote and rural Wairarapa. Wairarapa has its own unique identity that would be lost in a single council structure – it is its own distinct, self-contained and clearly defined community of interest
- Wairarapa has already indicated it wishes to create its own separate authority. It needs to be Wairarapa's choice under a democratic process, not one imposed upon them by others. Also there is no point in including a community that does not want to be part of the Wellington region
- Including Wairarapa as part of a single council would make the region too big to govern effectively. 'Spreading the net too far' would make regional governance unmanageable
- There is no logic in including Wairarapa in the Wellington Council, just as there is no logic in including Hamilton in the Auckland Council. If you are to include Wairarapa, then why not Palmerston North and Levin too?
- Coordination between Wairarapa and Wellington can be achieved without amalgamation

Some people also believed that Wairarapa would more appropriately fit into a new larger central North Island region rather than the greater Wellington region because Wairarapa has a greater affinity with areas with a more agricultural focus such as Tararua and Manawatu or Hawkes Bay.

Wairarapa – undecided

A significant number of people returned a position of 'don't know' regarding the question of whether Wairarapa should be included as part of a single council for the region. It should be noted that of all submissions from Wairarapa (total =396) under 1% of those provided a 'don't know' response to this question (of those who completed the long submission form, 87% were in favour of Wairarapa's inclusion in a council for the region). This indicates that Wairarapa residents hold a

more decisive position on this issue than others in the region. Almost every submission that was uncertain about the issue gave one or both of the following reasons for that uncertainty:

- Don't know enough about Wairarapa and its needs to make an informed decision
- It should be up to the citizens of Wairarapa to decide whether they wish to be a part of a single council or whether they wish to stand alone

Other themes from public feedback

Auckland super city

Many comments referred to the changes in Auckland's local government structure. Overall, the majority referred to the Auckland super city in a negative way. For example, some very common views were that:

- The situation in Auckland should act as a warning that bigger does not necessarily mean better
- Amalgamation in Auckland has proven costly, due to high transition costs and major rebranding
- It has not benefited the majority of rate payers
- The Wellington region should not follow Auckland's example as the situations are not comparable; Wellington is not as dysfunctional as Auckland was
- Amalgamation in Auckland has been bad for local democracy. Access to councillors has been jeopardised, which has disenfranchised people, made it much harder for individuals to be heard, and removed power from local communities
- As with Auckland the one with the largest voice - which would be Wellington City in this case - would be treated preferentially
- It seems that the worst features of each former council have dominated the Auckland restructure, rather than the best or most efficient
- As has been demonstrated recently, central government can still intervene and try to overrule Auckland Council's decisions. If they do not have the freedom to make their own decisions, what chance has any other amalgamation of councils?

A smaller number of people (about 15% of all comments about Auckland) referred to the Auckland super city in a positive light, saying that the Auckland model is working well and is leaving all other regions behind by moving forward as a unified force. Some felt that the 'fragmented' Wellington region is at a severe disadvantage compared to Auckland's now one unitary council and noted that the mayor of Auckland has emerged as a strong spokesman for that council and region. Some people who have interacted with the Auckland Council at a central government level commented that, after an inevitable settling in process, they have observed the improvements in delivery cohesiveness and future thinking that Auckland is now achieving from a single city focus and with consistent and

standardised service delivery models. A lot of feedback advised that Wellington ought to watch Auckland with interest to see what lessons from the Auckland experience are yet to emerge. However, quite a few people cautioned that what is needed here is a structure that is fit for purpose in the Wellington region, not something that simply seeks to replicate the Auckland model.

Māori representation

There were mixed views on the issue of Māori representation. While a significant number of people felt that Māori who wished to stand for council should go through the same channels as all other candidates, others believed that specific mechanisms for Māori representation must be established in order to formally provide a voice for tangata whenua and maata waka across the region and give expression to the Treaty of Waitangi. Several submissions stated that iwi need to be visible partners, in line with the provisions of the Treaty. Local iwi that provided feedback during the engagement process indicated they value the relationships that have been established with the various councils over many years and that, under a new structure, iwi in the region would not expect the relationships that are currently in place to be diminished in any way. Local iwi indicated they would participate in discussions on how to enhance Māori and tangata whenua participation with local government.

A handful of submissions supported the establishment of a separate Māori ward or dedicated Māori seats, though it was suggested that this form of representation may not be able to adequately address the diverse nature of Māori opinion.

A small number suggested that some form of advisory board or committee might be an appropriate way for mana whenua iwi to influence decision making, especially where leadership and direction on issues significant to Māori is needed.

Rates and council debt

Rates were a contentious issue. Some people held the adamant opinion that amalgamation would not result in any savings for rate payers of the region. Further, there was an expectation among some people that their rates bill would increase faster under a single council. Some said they felt more comfortable knowing their rates were being invested locally, rather than somewhere else in the region that they seldom or never visit.

There were diverging views about the ability of a single region-wide council to distribute rates fairly. Some speculated that there would be an unfair redistribution of rates to the outlying areas. A common perception was that residents in areas that have been 'fiscally responsible' would be unfairly penalized under a new single rating system for the region as they would be saddled with the debt of other, less frugal councils. However, there were a lot of discrepancies on this point, as feedback from rate payers in different parts of the region revealed that many believed that their local authority had managed debt and investments more responsibly than other local authorities in the region and as a consequence there were highly conflicting views on which areas would be better or worse off under amalgamation. For example, a large number of rate payers from the Hutt Valley

expressed serious concern that they would be forced to take on the burden of Wellington City and Kapiti Coast's debt in a unified council. In contrast, some Wellington City rate payers commented that, as the longest established city, the capital has paid off much of its historic development cost, and that other areas, especially Porirua, Kapiti and Upper Hutt, have capital investments in roads and facilities that are less paid off. These Wellington City rate payers therefore predicted that cross subsidisation between different ratepayers, especially by Wellington, will occur and will need to be addressed, and that Wellington City ratepayers should not have to pay for local infrastructure outside their city. Another opinion was that it is more sensible for all rate payers to look at the bigger picture, not just next year's rate bill. A high number of Wairarapa residents commented that they fear that the establishment of a Wairarapa Unitary Authority would result in a crippling rates hike for Wairarapa rate payers.

Among those in support of change, many predicted that a single council structure would be able to address the current rates disparity across the region, providing a more equitable system and uniform service delivery. A number of people commented that any change to the current structure will require a careful review of the services provided to different ratepayers and the costs they should be paying and may require much greater usage of differential rating to better reflect the value of services received. People in favour of a single rating system noted that under a single council model administrative and operational overheads should be rationalised enough to ease pressure on rates. There was an acknowledgement that there will inevitably be 'winners' and 'losers' in the process of 'equalising' the rating base. There was some feedback on the type of rating system that should be adopted. A number of people were critical of Capital Value Rating, which they viewed as a penalty tax on investment and improvements. These submitters advocated for either a Land Value Rating system or some other type of incentive rating system that would reward renewal and maintenance of properties and penalise property owners who simply wait for land values to rise. Others argued that Land Value Rating is inequitable and out of step with the substantially increased residential and business development in the region.

There were suggestions for how the transition to a new rating system could be managed and what information should be provided to rate payers in advance of any change. One suggestion was to create a ten year plan including revenue, operating expenditure, assets and liabilities, Capex Projects and debt structure with annual rate changes. There was also a call for a re-balancing plan by ratepayer class and existing local authority, as well as a quality transition plan. Additionally it was proposed that post-change disciplines be set up to ensure the new single council would be financially frugal and would not duplicate central government functions. Several business organisations argued it is imperative to guard against the creation of a large bureaucracy and any resulting rates and spending rises, which they viewed as a risk under amalgamation in spite of the countervailing efficiency gains. These submitters maintained that savings, in general, must be passed back to rate payers.

Number of councillors, remuneration, term length and voting

Among those in support of change, a very clear view emerged that councillor numbers could be significantly reduced from current numbers, and many also thought that councillor numbers could be

further reduced from those proposed in the Working Party's consultation documents. There was concern that the larger the number of councillors, the more difficult to reach consensus and the more cumbersome and ineffective decision making would be. 'Less is more' was a commonly preferred approach. Many people felt that getting a group of more than twenty elected representatives to cohere, trust and work together seemed challenging with a high likelihood of factions. The cost savings that might be expected from a reduction in councillor numbers was seen by a number of people as a positive and even necessary efficiency gain.

However, an opposing view was that fewer representatives would mean more scope for central government and the private sector to coerce councillors into satisfying particular agendas that may not be in the greater public interest. Several people raised concerns about local government senior officials' salaries. Reference was made to the remuneration rates for some of the executives in the Auckland Council, which were seen as unjustifiably high. Some submitters felt that salary caps should be introduced. A number of people also commented on remuneration for elected representatives. There was a concern that equity issues could arise with a single council model because if councillor salaries increase, potential candidates without significant financial resources will be ill equipped to compete against well-resourced candidates with the ability to spend large sums on publicity and campaign materials.

There were quite a few calls for term limits for councillors. Most suggested that a limit of three or four electoral terms would help to bring in fresh energy and ideas and keep personal agendas at bay.

Some feedback discussed the issue of low level of voter engagement in local government elections, and there were suggestions that this was a compelling reason for increased clarity and simplification of governance structures and engagement processes, as excessive complexity may further deter participation. Some believed the problem is that under the current system of multiple relatively small councils there is limited buy-in and interest from local residents. It was proposed that, under a single council model, with considerably more power and influence over regional affairs, there was likely to be a lot more interest and participation in local body elections. The expectation was that this, in turn, should result in better quality candidates or candidates with less parochial attitudes and a broader view of the region.

Some people were critical of the ward system and viewed it as fostering divisiveness and competitiveness. It was suggested that there could be some ward councillors, but also some councillors elected at large so that councillors would hopefully maintain a broader and more strategic outlook. Alternatively, some argued that the ward system could be abolished completely and constituents could vote for every councillor at large, the rationale being that decisions affecting rate payers are made by all councillors, not just the person representing your ward.

Boundaries

There was some support for the idea that the Kapiti Coast district should join with Horowhenua. The main reason provided in support of this position was that there are existing commonalities between Kapiti Coast and Horowhenua, such as being in the same electorate and being comprised of a number of small towns.

A very large number of submissions from Tawa residents stated a strong preference for Tawa to be part of a Wellington Ward and not part of a Porirua Ward if ward boundaries were to change under a new council structure. (It was proposed by the cross-council Working Party that Tawa and Glenside North, currently in the Wellington City area, be included in the Porirua Ward under a single council model in order to provide fair representation, as required under the Local Electoral Act 2001). The main concern among Tawa residents was that the Tawa Community Board would be disestablished under a new council structure, resulting in a loss of voice for that community. While this was the overwhelming view on this issue, this position was not unanimous. A small number of people commented that including Tawa in the Porirua Ward makes geographic and economic sense particularly in terms of delivery of some services such as refuse collection and water.

A small number of Eastbourne residents raised the possibility of Eastbourne becoming a part of a new Wellington Ward, rather than being part of Lower Hutt.

Some advocates of the single council model suggested that the Wellington region ought to look to form strategic alliances with areas currently outside of the region's boundaries, for instance up the lower western side of the North Island to Palmerston North or even the Rangitikei District. The rationale provided for such an alliance was the transport, power and food supply links that exist between the Wellington region and some of the areas to the near north.

Greater Wellington Regional Council

A lot of public feedback expressed a view on the role and value of the current Regional Council. Broadly speaking, opinions about the Regional Council fell into two categories: those that thought the Regional Council should be abolished and its functions devolved to territorial authorities through shared services or transferred to CCOs, and those that thought the Regional Council works effectively in its current form and should continue as is.

Those in the former group expressed dissatisfaction with too many layers of governance and a perceived lack of accountability and transparency. Those in the latter group argued that the current Regional Council carries out many important responsibilities at present and many expressed concern about how roles and functions such as having an overall environmental oversight in the region and providing public transport networks would be managed if the Regional Council were to be disestablished.

This latter group included many Wairarapa residents who emphasized the importance of the Regional Council's current functions in Wairarapa. They expressed concern that a single Wairarapa Unitary Authority would not have the resources to continue work currently conducted by the Regional Council. Concerns of this kind resulted in calls for either a continuation of the status quo, or Wairarapa's inclusion in a single council for the region.

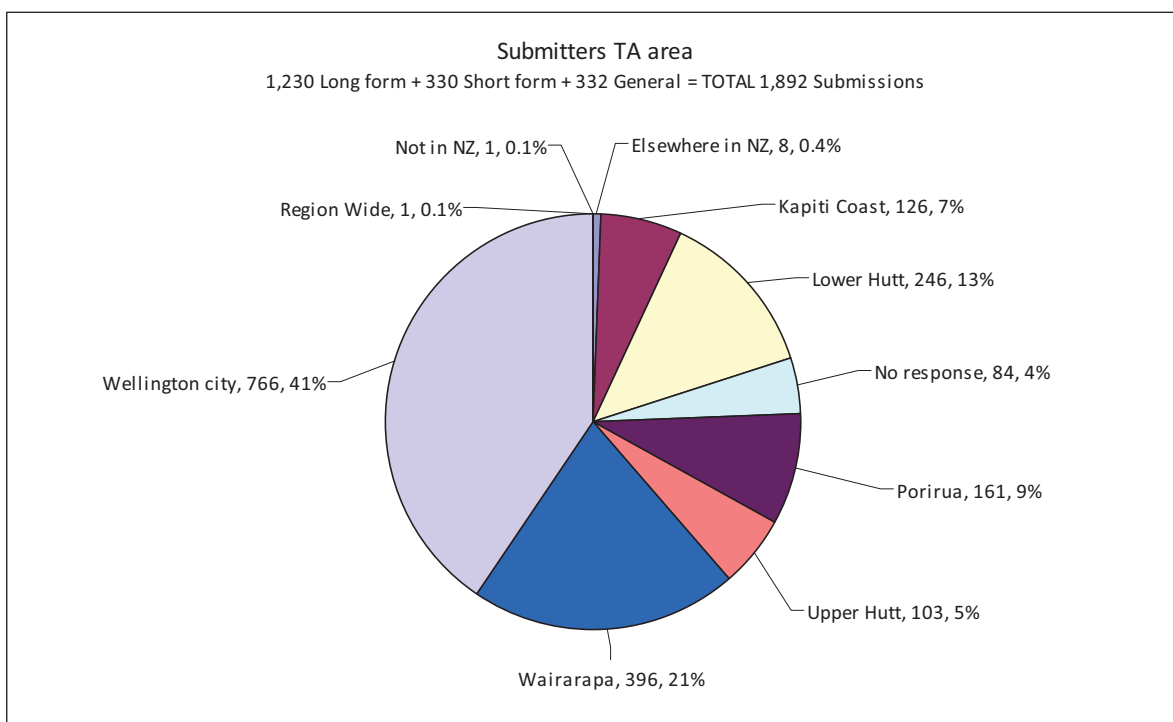
Comments on submission form/engagement process

Quite a lot of comments were made about the way the public engagement process was undertaken. A significant number of people at public meetings, in submissions, and on the Regional Reform website criticised the Working Party’s consultation materials on the grounds that they were seen to be biased in favour of change.

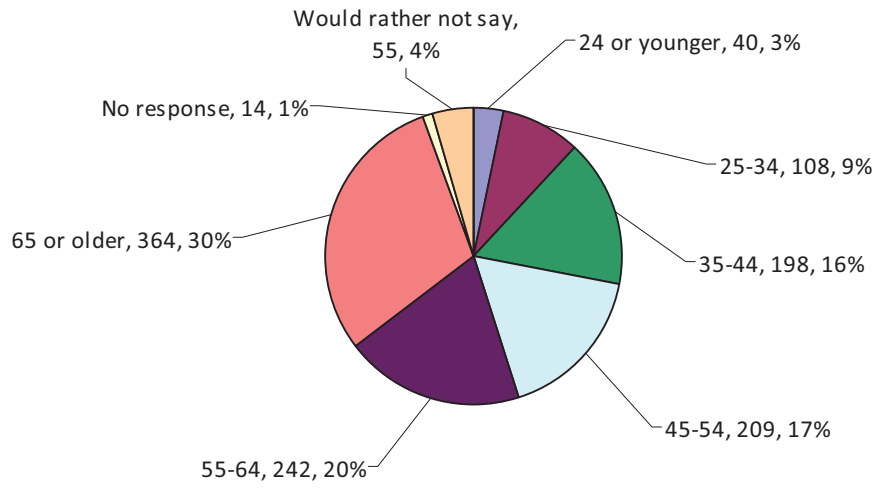
Comments on local government reorganisation process

With regards to proceeding with a reorganisation process from here, two contrasting views emerged: the first was that change must occur rapidly and without hesitation; the other was that if any structural change is to occur, it should be slow and incremental. Those in favour of reorganisation sooner rather than later felt that swift action is necessary in order to address the current challenges facing the region, and the longer a decision is delayed, the more Auckland and Christchurch will forge ahead in the areas where Wellington is being left behind. Those advocating for a more incremental approach argued that smaller, more gradual changes would prevent unnecessary disruption to council staff, communities and overall social harmony.

Demographics:



Q.22 Submitter ages
1,230 Long form submissions

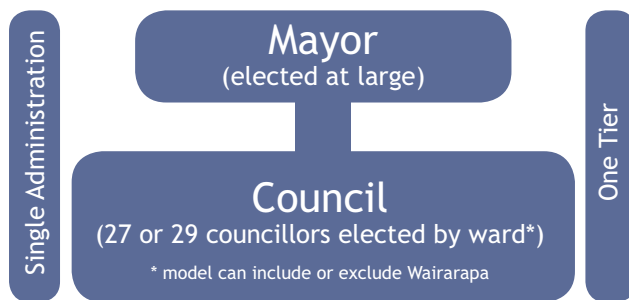


LOCAL GOVERNMENT REFORM IN THE WELLINGTON REGION – WHAT DO YOU THINK?

Four councils in our region believe we can do better. Wellington currently has nine councils. We think a single council offers huge benefits – co-ordinated planning, efficient use of resources, better infrastructure, focussed decision-making, more accountability, effective economic development, less duplication and red tape, plus savings of between \$12m and \$29m a year.

We've developed two options: a council with a single tier of representation; and a council with two tiers of representation – region-wide councillors and local boards. The alternative is the status quo. We want to know which you prefer. Overleaf is a simple questionnaire, plus some space for your ideas. Please fill it in and send it back to us. Or go online to www.regionalreform.org.nz to complete a more comprehensive survey. Submissions close on May 3. The website has lots of information to help you with your choice. But if you're short on time, here's an overview:

Option one: single-tier council



A mayor elected across the region and up to 29 councillors elected from wards make all decisions. Councillors represent regional and local interests at the decision-making table.

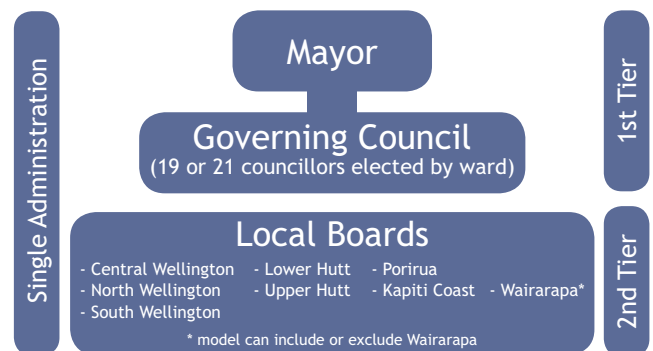
Status quo

We consider the status quo to be the third option. After consultation, an application for change may go to the Local Government Commission, which will undertake more consultation before issuing a final detailed proposal. There is then the opportunity for a public poll on the proposal. If it fails to get 50 per cent support, the status quo remains.

Wairarapa

Either model can work with or without Wairarapa remaining in the region. Some believe Wairarapa should remain as an integral part of the region. Others believe Wairarapa should be a separate region. We want your view.

Option two: two-tier council



Decision-making is shared between a governing council (mayor/councillors) and local boards. Both these tiers share a single administration and one chief executive, and council staff support two levels of elected representatives.

The governing council consists of a mayor elected across the region and up to 21 councillors elected from wards. It focuses on region-wide matters such as planning, infrastructure and economic development. Local boards (there may be seven or eight) have up to nine elected members each. Local boards represent local communities and make decisions on local matters.

**For more information go to
www.regionalreform.org.nz**

Questions:

1.	Do you think our councils need to change?	Yes <input type="radio"/>	No <input type="radio"/>	Don't know <input type="radio"/>
2.	Do you favour one single-tier council or A two-tier council with local boards?	Single-tier <input type="radio"/>	Two-tier <input type="radio"/>	Don't know <input type="radio"/>
3.	Do you think Wairarapa is part of the Wellington region?	Yes <input type="radio"/>	No <input type="radio"/>	Don't know <input type="radio"/>

Tell us your ideas on regional reform:

.....
.....
.....

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Regional Reform
PO Box 11646
Wellington 6142

WELLINGTON: YOUR CHOICE OPTIONS FOR LOCAL GOVERNANCE

Submissions close 3 May 2013

What you tell us will help decide the future shape of local government in the region.

You can find out more and make your submission online at www.regionalreform.org.nz

Enter your name and contact details

Mr / Mrs / Ms / Miss (circle which applies)

First name _____

Last name _____

I am making this submission

As an individual

On behalf of an organisation

Name of organisation _____

Submissions may be made publicly available under the Local Government Official Information and meeting Act 1987. If you make a submission, we will consider removing your personal details if you request this in your submission.

A SINGLE UNITARY COUNCIL FOR THE WELLINGTON REGION?

We believe a single council in the region (with one or two tiers of representatives) could offer significant advantages over the status quo structure (8 local councils and 1 regional council). We would like to know if you agree or disagree.

1. How important is it to you to have effective leadership for the region? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

2. To what extent do you agree or disagree that one single council for the region would deliver more effective leadership for the region? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

3. How important is it to you to have a simplified planning process for the region? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

4. To what extent do you agree or disagree that one single council for the region would provide a simplified and more effective planning process? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

5. How important is it to you for services to be delivered as efficiently as possible? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

6. To what extent do you agree or disagree that one single council for the region would deliver services more efficiently? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

7. How important is it to you to have key infrastructure planned and delivered in an integrated way to ensure it is efficient and effective? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

8. To what extent do you agree or disagree that one single council for the region would more efficiently and effectively deliver key infrastructure? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

9. How important is it to you to have an integrated and regional approach to economic development? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

10. To what extent do you agree or disagree that one single council for the region would deliver a more effective and integrated approach to economic development? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

11. How important is it to you to have a region that is resilient and adaptive to changing circumstances? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

12. To what extent do you agree or disagree that one single council for the region would make the region more resilient and adaptive to changing circumstances? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

13. How important is it to you to have a local voice and access to decision-making about your community? (circle option)

Very important	Quite important	Neutral	Not important	Not at all important	Don't know
1	2	3	4	5	X

14. To what extent do you agree or disagree that one single council for the region would provide a local voice and access to decision-making about your community? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

15. Thinking about your answers above, and about how the region's local government is currently structured (8 Local Councils and 1 Regional Council), how much do you agree or disagree this structure needs to change? (circle option)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
1	2	3	4	5	X

16. Why?

SHOULD CHANGE COME, WHICH LOCAL GOVERNMENT STRUCTURE WOULD YOU PREFER?

Regardless of whether or not you support change, we would like to know your views on the two options below.

Please note by completing this section below does not imply you support change from the status quo.

The two options are both unitary council models. The key difference is that one model has a single tier of elected representatives, and the other option has two tiers of elected representatives (using local boards).

We would like your view on each option.

17. How much do you agree or disagree with each of the following statements? Please make sure to indicate a preference for both models for each question

#	Question	Option	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Don't know
A	This option will be effective in making strategic regional decisions	Option 1 (one tier)	1	2	3	4	5	X
		Option 2 (two tiers)	1	2	3	4	5	X
B	This option will be effective in addressing local neighbourhood issues	Option 1 (one tier)	1	2	3	4	5	X
		Option 2 (two tiers)	1	2	3	4	5	X
C	I know who the decision-makers are and who to approach for getting my issue resolved	Option 1 (one tier)	1	2	3	4	5	X
		Option 2 (two tiers)	1	2	3	4	5	X
D	I know who to hold to account for decisions under this option	Option 1 (one tier)	1	2	3	4	5	X
		Option 2 (two tiers)	1	2	3	4	5	X
E	This option will deliver effective and efficient decision-making	Option 1 (one tier)	1	2	3	4	5	X
		Option 2 (two tiers)	1	2	3	4	5	X

18. If you had to choose one of these two models of local government for the Wellington region would you choose:

- a The one-tier Council
- b The two-tier Council

19. Do you believe the Wairarapa should be included or not included in a council for the region?

- 1. Yes – included
- 2. No – not included
- 3. Don't know / would rather not say

Why is that? _____

20. Is there anything you would like to add about the way that local government should be organised in the Wellington region?

DEMOGRAPHIC QUESTIONS:

We use this for statistical purposes only. It will not be made publicly available.

21. Where do you live?

- Kapiti Coast
- Porirua
- Wellington City
- Lower Hutt
- Upper Hutt
- Wairarapa
- elsewhere in New Zealand

22. Are you:

- 24 or younger
- 25–34
- 35–44
- 45–54
- 55–64
- 65 or older
- would rather not say

If you wish to receive an acknowledgement letter, please provide an email or postal address: _____

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**Fold, fasten and post this form
using the address below**

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**Regional Reform (COST01)
PO Box 11646
Wellington 6142**



Greater Wellington – Socio-Demographic Profile 1986-2031

Report prepared for the Wellington Region by
Professor Natalie Jackson

August 2012

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EXECUTIVE SUMMARY

Population size and growth

1. The population of the Wellington Region has grown steadily over the past twenty-five years, from 395,610 in 1986 to approximately 487,700 in 2011 (23.3 per cent). Steady, albeit slowing, growth is projected to continue throughout the projection period, reaching approximately 541,000 by 2031 (10.7 per cent above 2011). Over three quarters of this growth is projected to be at 65+ years.
2. Wellington City has consistently comprised the largest proportion of the region's population (in 2011 accounting for 41.0 per cent), and has accounted for the majority of the growth between 1986-2011 period (55.3 per cent), followed by the region's fourth-largest TA, the Kapiti Coast District (22.1 per cent). Lower Hutt City and Porirua City have each contributed similar proportions (7.5-8.5 per cent each), and Upper Hutt City and the Masterton, South Wairarapa and Carterton Districts each contributing very little (4.6, 1.1, 0.7 and 1.4 per cent respectively).

Ethnic composition, size and growth

3. In all cases, the number in each ethnic group has grown, but substantially less so for the European-origin population. Overall this group grew by less than five per cent during the period 1996-2006, although accounting for about 35 per cent of the region's growth, while the Māori population grew by 12 per cent, accounting for 14 per cent of growth. The region's Pacific Island population grew by almost 17 per cent, contributing 12 per cent of growth, while the Asian population grew by 60 per cent to account for about one third of growth. The relatively small Middle Eastern/Latin American/African (MELAA) group nearly doubled in size, contributing approximately 6 per cent of growth.
4. These trends are reflected in sizeable differences by TA in terms of each ethnic group's contribution to overall growth. Despite low growth, large initial numbers meant that Europeans made the greatest contribution to growth in Upper Hutt City (33.7 per cent), Wellington City (45.7 per cent), Kapiti Coast District (74.6 per cent), and the Carterton District (113.7 per cent). The Asian population accounted for nearly 38 per cent of Wellington City's growth and was the largest source of growth for both the Masterton District and Lower Hutt City. Māori and Pacific Island populations made substantial contributions to growth in Lower Hutt, Porirua and Upper Hutt Cities (as well as Kapiti Coast District for Pacific Islanders). Despite very high growth rates, the numerically smaller MELAA population made a somewhat smaller contribution to growth in all TAs.

Components of change

5. The main component of the Wellington Region's growth has been natural increase, with net migration loss in the early 1990s and across the 1997-2001 and 2007-2008 periods partially offsetting that growth.

6. The Kapiti Coast and Carterton Districts experienced greater than average growth over the 1991-2011 period, mainly due to higher than average contributions from net migration (particularly in the case of the Kapiti Coast). The opposite was true for the more modest growth of Upper Hutt City and, in particular, Porirua City, both of which experienced relatively high levels of natural increase. This was also the case for Lower Hutt City and the South Wairarapa and Masterton Districts, although for these TAs, substantial net migration loss has resulted in low overall growth. Interestingly, natural increase has also been the main driver of growth for Wellington City, with net migration loss occurring in the early and late 1990s.
7. Components of change by age that are free of cohort effects show that the Wellington Region's net migration gains between 1996 and 2006 were concentrated at 15-24 years of age, while between 2001 and 2006, the gains were greater and more widespread, occurring at ages 15-39 years.

Age structure and population ageing

8. From a cross-sectional perspective (that is, change by age group rather than cohort), all age groups above 40 years grew across the period 1996-2011, while those aged 5-9 and 25-34 years declined (as they did nationally at 30-39 years). The proportion aged 15-24 years remained remarkably stable across the period, resulting in the 20-24 age group forming a slight bulge in the age structure, while as elsewhere, growth was particularly strong across the Baby Boomer age groups.
9. In comparison with other regions, the population of the Wellington Region is relatively youthful, with a very similar age structure to Total New Zealand. However, as elsewhere, it is also ageing, with the proportion aged 0-14 years declining monotonically over the period, and that at 65+ years increasing. This shift is occurring despite a recent increase at ages 0-4 years.
10. The age-sex structures of the TAs which comprise the Wellington Region differ greatly. Wellington City has a disproportion of people aged in their twenties and thirties while the Lower Hutt and Porirua Cities have disproportions of children. Contrasting with both, Upper Hutt City and the Kapiti Coast, Masterton, South Wairarapa and Carterton Districts have deeply 'waisted' (hour-glass shaped) age structures, typically reflecting the net migration loss of young adults. Although much less pronounced, this age structure can also be seen for Lower Hutt and Porirua Cities.
11. Underlying these differences are different mixes of the components of population change. A significant bulge at 20-29 years for Wellington City, for example, is due to large net migration gains at these ages, as well as net migration losses at younger and older ages – making this bulge appear even larger. By contrast, a disproportion of children in the Lower Hutt and Porirua Cities appears to be the result of relatively high birth rates, as net migration loss primarily occurring at 20-29 years has left somewhat of a 'bite' at the younger reproductive ages. The respective age-sex structures of Upper Hutt City and the Kapiti Coast, Masterton, South Wairarapa and Carterton Districts also have sizeable deficits at 15-29 years, primarily reflecting net migration loss at those ages, but (in the case

of all but the Masterton District) also reflecting net gains at younger and older ages, which make the losses at 15-29 years look greater than they are.

Labour market implications of changing age structure

12. The changes by age have important implications for the labour market. The Labour Market 'entry/exit ratio' (populations aged 15-24 : 55-64 years) for the Wellington Region has fallen steadily since 1996, from 18.6 people at labour market entry age for every 10 in the retirement zone, to just 13.6 in 2011 (a decline of 27 per cent). By comparison, Total New Zealand still has 13 people at entry age per 10 at exit age.
13. All entry: exit ratios declined significantly over the period 1996-2011, the greatest declines occurring for the structurally older South Wairarapa and Carterton Districts (respectively 48 and 52 per cent). In both cases, the decline was much greater than the national trend, as it also was in the Masterton District and Upper Hutt City (33-34 per cent). Decline in this index was smallest for Wellington City (20.0 per cent) and – despite its very old age structure – the Kapiti Coast District (17.5 per cent). In the latter case, the decline was from an already low entry: exit ratio of 9.5, falling to just 7.8 in 2011. In 2011, three other TAs had entry: exit ratios below parity (10 entrants per 10 exits): Masterton (9.5), South Wairarapa (6.0) and Carterton (6.3).

Ethnic age composition and ageing

14. As elsewhere in New Zealand, the age structures of the Wellington Region's major ethnic groups differ markedly, with the European-origin population relatively old and the Māori and Pacific Island populations relatively young. The Asian population falls somewhere between, closer to the older age structure of European. When considered together, the general picture is that the Māori and Pacific Island populations increase their share as age decreases, while the European-origin population increases its share as age increases. The picture is significantly less linear for the Asian population, where the largest shares are concentrated at 15-24 and 25-54 years. Within that picture, young Māori and those of Asian origin comprise a slightly smaller share of the Wellington Region's youth than they do at national level, and the situation is similar at each older age. By contrast, the region's European, Pacific Island and MELAA populations generally claim a larger share of each age group than they do nationally.

Population projections

15. In addition to increasing by around 10.7 per cent between 2011 and 2031, the medium variant population projections indicate that more than three quarters of the Wellington Region's projected growth will be at 65+ years, while decline is expected at 0-4 and 15-29 years.
16. Only Wellington City is projected to experience gains in most age groups, with five TAs (Lower Hutt and Upper Hutt Cities, and Masterton, Carterton and South Wairarapa Districts) expected to see

decline at most ages below 55 years. All TAs are projected to experience substantial growth at 65+ years, although only Wellington City and Porirua City show growth rates higher than the national average. The outcome of these shifts is projected overall growth of less than 6 per cent for most TAs, with Masterton and South Wairarapa Districts expected to decline in size (-4.0 per cent and -5.1 per cent respectively). Comparatively greater growth is projected for Wellington City (19.1 per cent) and the Kapiti Coast District (20.4 per cent), with both expected to grow by more than the national population (16.3 per cent).

Projections by ethnicity

17. Projections for the Wellington Region by major ethnic group (multiple count ethnicity) show the Māori population increasing between 2011 and 2021 by approximately 13.0 per cent and the European/Other population by just 3.2 per cent. Respective increases of 16.5 and 27.7 per cent are projected for the Pacific Islands and Asian populations. In all cases, natural increase is the primary driver of growth, and for the European, Māori and Pacific Island populations, offsets accompanying net migration loss.
18. The ethnic projections also indicate marked differences by age. The 65+ year European/Other population is projected to increase by 30.2 per cent, compared with 76.9 per cent for Māori, 61.1 per cent for the Pacific Island population and 100.0 per cent for the Asian population. For the European/Other population the increase in the elderly population accounts for the vast majority of the overall 3.2 per cent projected growth, with net losses projected at 0-14 and 40-64 years (2.6 and 1.1 per cent respectively) and minimal growth at 15-39 years (0.5 per cent). Growth is projected at all ages for all other ethnic groups, disproportionately so at 0-14 and 15-39 years for the Māori and Pacific Islands populations, and at 15-39 and 50-64 years for the Asian population.
19. The data suggest only modest change in the overall ethnic composition of the region, with European/Other falling by three percentage points to 67.7 per cent by 2021. Māori and Pacific Island shares are expected to increase slightly (by 0.6 percentage points in both cases), and the Asian population is anticipated to reach 10.8 per cent by 2021, up from 9.1 per cent in 2011. The projections indicate that the European/Other population will continue to account for the majority of each age group, ranging in 2021 from 55.7 per cent at ages 0-14, to 82.1 per cent at ages 65+ years.

Labour market implications of projected change in age structure

20. The Wellington Region is likely to maintain more people at labour market 'entry' (15-24 years) than 'exit' (55-64 years) age across the projection period, falling from 14.9 (fifteen 'entrants' per 10 'exits') in 2011, to below 11.0 between 2021 and 2026, returning to 11.6 in 2031 as the current baby blip enters the labour market. However these population-based ratios may say little about labour market availability, given the Wellington Region's role as a centre for education and international migration.

21. Reflecting its disproportionate bulge at 20-29 years, Wellington City has the highest ratio of people at labour market entry to exit age (18.4 per 10 in 2011), and South Wairarapa District the lowest (6:10), with the ratios of three other TAs (Kapiti Coast, Masterton and Carterton Districts) also already below one. These ratios are projected to decline by at least 10 per cent for all TAs (with the exception of the Carterton District) between 2011 and 2031, with the decline most pronounced for Wellington City (20.2 per cent), albeit the ratio remaining above 14:10 in 2031.

Natural increase implications of changing age structure

22. For the Wellington Region, the ratio of elderly (65+ years) to children (0-14 years) is projected to increase rapidly from its present 0.64 (six elderly for every ten children), to 1.16 by 2031 (twelve for every 10). This profound shift to more elderly than children (the cross over coinciding with that for Total New Zealand around 2026) will by then be contributing to diminishing levels of natural increase, as will the decreasing proportion projected by then to be at the key reproductive ages (28.9 per cent in 2031, down from 27.2 per cent in 2011) compared with Total New Zealand (25-27 per cent).

23. Reflecting the differing drivers of population growth in each TA, the picture differs somewhat at TA level, with the ratio of elderly to children projected to rise most substantially in Upper Hutt City and South Wairarapa and Carterton Districts, where it is anticipated there will be more elderly than children by 2016, joining Kapiti Coast which has already passed this point. All TAs, however, see a significant increase in this index. A concomitant reduction in the proportion of the population of each TA at the key reproductive ages results in a projected decline in natural increase for all but the relatively youthful Wellington City, where natural increase rises slightly.

Industrial Change

24. A special topic section provides an overview of the Wellington Region's changing industrial age structure across the 1996-2006 period, focussing first on the six largest industries (in rank order, Government Administration, Marketing and Business Management Services, School Education, Other Business Services, Computer Services, and Cafes and Restaurants), and then on the 22 industries which each employ more than 3,000 people. In 2006 the six largest industries accounted for 25 per cent of the region's employed labour force, and (inclusive of these six) the 22 employing more than 3,000 people, for 56 per cent.

25. Within the group comprising the six largest industries are three that have relatively old age structures (as indicated by labour market entry: exit ratios that are below parity, i.e., fewer than ten people aged 15-24 years per ten aged 55+ years), two that have entry: exit ratios at or very close to parity (1.2 and 1.0), and one that is extremely youthful. In all cases these ratios had fallen dramatically since 1996, in three cases reducing by more than half. Of equal importance are that five of these industries are significantly feminised, particularly the oldest (School Education), with

implications for future recruitment, retention and succession planning as women tend to work fewer hours than men in order to balance work and family commitments.

26. In total, 11 of the 22 industries employing more than 3,000 people in 2006 had fewer people at entry than exit age, up from eight in 1996. The two largest industries – Government Administration, and Marketing and Business Management Services, had entry: exit ratios of just 0.6 (sex entrants per ten exits), while the third largest – School Education, had an entry exit ratio of just 0.2. Other industries with fewer people at entry than exit age were Legal and Accounting Services (0.7), Technical Services (0.6), Post School Education (0.5), Other Health Services (0.4), Public Order and Safety Services (0.4), Interest Groups (0.4), Hospitals and Nursing Homes (0.3), and Community Care Services (0.3). Together these 11 industries accounted for 30 per cent of the Wellington Region's employed workforce in 2006, and point to an urgent need for these industries to engage with the inter-related issues of recruitment, retention and succession planning.

What you need to know about these data

Data sources: All data used in this report have been sourced from Statistics New Zealand. Most have been accessed via Infoshare or Table Builder, while some have come from purchased, customised databases specially prepared for NIDEA by Statistics New Zealand. Because the data come from different collections and/or are aggregated in different ways, for example by ethnicity or labour force status, and small cell sizes have been rounded by Statistics New Zealand to protect individuals, they often generate different totals. While considerable care has been taken to ensure that such inter- and intra-collection discontinuities are acknowledged and accounted for, for example via footnotes to tables or in the text, the disparities are not usually large, and typically do not affect the story being told. The matter is drawn to the attention of readers who are often concerned when numbers which ‘should’ be the same, are not. The time-series data in Figures 1.1 and 1.2, collected under different methods of aggregation, are a particular case in point.

Ethnicity: The ‘multiple count’ method of enumerating the population by ethnic group is another case worthy of special note. The ethnic concept underlying data used in in this report is:

‘the ethnic group or groups that people identify with or feel they belong to. Ethnicity is self-perceived and people can belong to more than one ethnic group. For example, people can identify with Māori ethnicity even though they may not be descended from a Māori ancestor. Conversely, people may choose to not identify with Māori ethnicity even though they are descended from a Māori ancestor’ (Statistics New Zealand 2011).

Counting people more than once makes analysis of the data and its interpretation particularly difficult. Some analysts prefer to calculate proportions based on the summed numbers in each ethnic group, which is the approach taken here, while others prefer to use the total population count as the denominator (eg., for a region). The problem with the latter method is that proportions sum to well over 100 per cent, making it difficult to interpret the resulting graphs. The approach in this paper has been to identify the extent of the ‘over count’.

Residual method for estimating total net migration: This paper uses a residual method for estimating net migration. First, deaths for a given observation (e.g., one single year) are subtracted from births to give an estimate of natural increase. Second, the population at one observation is subtracted from the population at the previous observation, to give an estimate of net change between the two observations. Third, natural increase for that observation is subtracted from net change, to give the component due to net migration.

Residual method for estimating inter-censal migration by age and sex: A similar method is used for estimating net migration by age between two observations for which there are existing data (e.g., five year census periods). First, numbers by age and sex for one observation are 'survived' based on the probability of surviving to the next age group. Second, births are apportioned male/female according to the sex ratio (105 males/100 females), and entered at age 0-4. Third, the survived numbers for each age/sex group are 'aged' by five years, to become the expected population for the next observation. Fourth, expected numbers for each age/sex group are subtracted from actual numbers at the next census, to derive an estimate of net migration for each age/sex.

Projections: The population projections used in this paper are in most cases based on Statistics New Zealand's (2009) medium set of assumptions, but comparison with the high and low variants have been included where useful. At national level the medium assumptions are that the total fertility rate (TFR) will decline from its present 2.1 births per woman to 1.9 births per woman by 2026; that life expectancy will continue to increase, but at a decelerating rate, and that annual net international migration will be 10,000 per year. International and internal migration at the subnational level is also accounted for, the assumptions reflecting observed net migration during each five-year period 1981-2006. The assumptions are included at Appendix 3. When interpreting these data it is important to remember that demographic projections of future demand are not forecasts in the sense that they incorporate interventions that may change the demographic future. Rather, they simply indicate what future demand will be if the underlying assumptions regarding births, deaths, migration prevail.

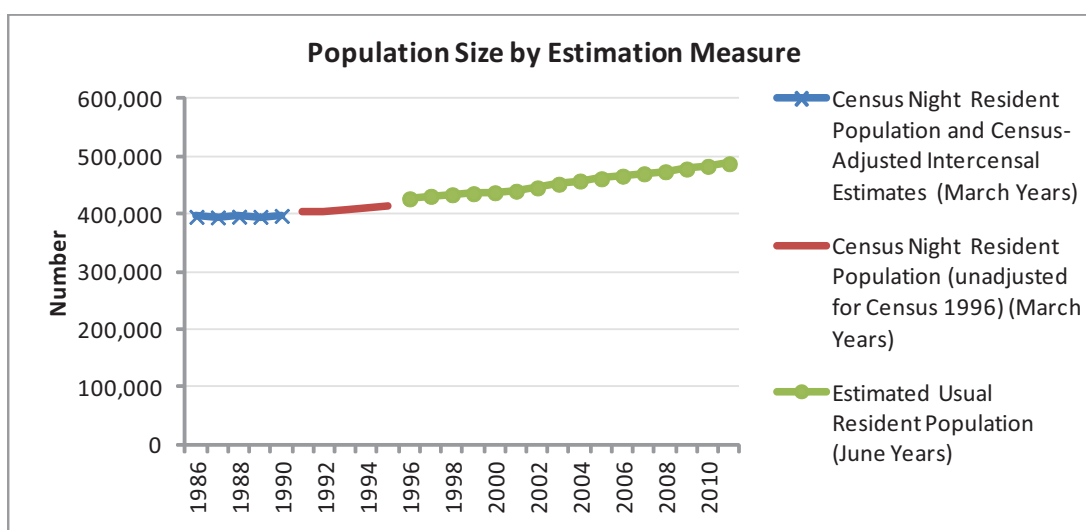
Industry: The industry data used in the Special Topic (Section 6) are drawn from a time-series database developed by Statistics New Zealand to NIDEA specifications. They pertain to the employed population only. Data are given for three Census observations (1996, 2001 and 2006) and have been customised so that the industrial classification and geographic region is internally consistent across the period. The industrial classification is based on ANZSIC96 V4.1 at the three-digit level.

1.0 Population Trends

1.1 Population Size and Growth

The population of the Wellington Region has grown steadily over the past twenty-five years, from 395,610 in 1986 to approximately 487,700 in 2011, an increase of 23 per cent (Figure 1.1.1; see Appendix 1.1 for underlying data). Differences in the timing and methods of estimating population size across the period mean that the trends cannot be presented as continuous; however there is sufficient correspondence to indicate that growth has been approximately as depicted.

Figure 1.1.1: Population of Wellington Region, 1986-2011

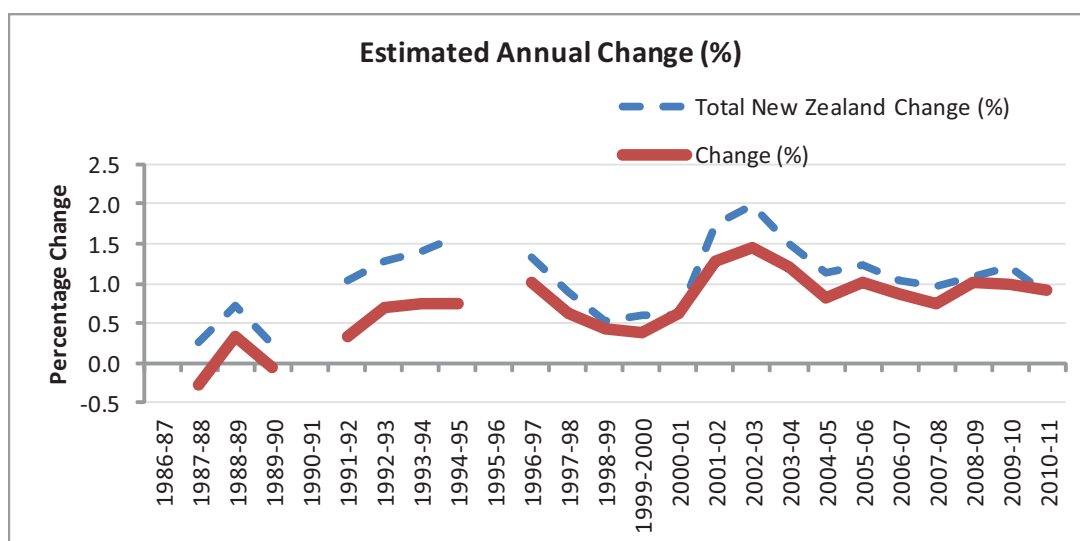


Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Notes: Changes in the timing and method of estimating Resident Population between 1990-1991 and 1995-1996 mean that the three sets of trends should be understood as discontinuous

Figure 1.1.2 shows the trends in terms of annual growth rates, with the data collection discontinuities identified by gaps. Data are also compared with Total New Zealand. Growth for the Wellington Region across the period 1986-2011 has followed national trends very closely, albeit remaining slightly lower at each observation. In particular, the late 1980s, early-mid 1990s and early 2000s were periods where national growth was notably higher than in the Wellington Region.

Figure 1.1.2: Annual Population Growth Rate, Wellington Region and Total New Zealand, 1986-2011



Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Notes: Changes in the timing and method of estimating Resident Population between 1990-1991 and 1995-1996 mean that the three sets of trends should be understood as discontinuous

Table 1.1.1 compares the annual growth rates of the seven Territorial Authority (TA) areas which comprise the Wellington Region, and Table 1.1.2, the contribution of each TA to the region’s population (see Appendix 1.2 for underlying numbers).

Wellington City has consistently comprised the largest proportion of the region’s population (in 2011 accounting for 41.0 per cent - Table 1.1.2). The capital city increased by 33.5 per cent over the period 1986-2011 (Table 1.1.1) and contributed to the majority of the region’s growth (54.5 per cent) (Table 1.1.2). Although accounting for only 10.2 per cent in 2011, the Kapiti Coast District saw the greatest growth, increasing by 67.4 per cent between 1986 and 2011 and accounting for 21.8 per cent of the region’s growth. The relatively large Lower Hutt and Porirua cities (comprising about 21 per cent and 11 per cent of the region respectively) each contributed a smaller amount to overall growth, accounting for only 8.3 and 7.6 per cent respectively. Upper Hutt City grew by a modest 11.3 per cent, accounting for 4.6 per cent of the region’s growth, while the Masterton and South Wairarapa Districts experienced the lowest growth rates in the region (less than 8 per cent in both cases) and each contributed just one per cent to overall growth. The relatively fast growth of the Carterton District (20.7 per cent between 1986 and 2011) was also significant, but similarly contributed just 1.4 per cent to the Wellington Region’s growth, due to very small initial numbers.

Table 1.1.1.1: Annual Population Change (%), Wellington Region, TAs, Total New Zealand 1986-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	Wellington Regional Council	Total New Zealand
1986 Pop.	149,868	95,342	45,663	29,754	37,290	22,508	87,470	6,336	395,610	3,307,084
1986-87	...	...	...	...	...	...	...	...	...	...
1987-88	-1.0	-0.7	0.3	3.2	-0.5	0.4	0.6	2.0	-0.3	0.3
1988-89	0.0	-0.2	0.4	3.6	0.0	0.0	0.7	1.9	0.3	0.7
1989-90	-0.5	-0.5	0.2	2.5	-0.5	0.0	0.6	1.5	-0.1	0.2
1990-91	...	...	...	...	...	...	...	...	...	...
1991-92	-0.1	0.0	0.9	2.8	-0.2	0.2	0.9	1.7	0.3	1.0
1992-93	0.5	0.1	0.9	2.8	0.0	0.9	1.1	1.6	0.7	1.3
1993-94	0.9	0.3	0.8	1.9	0.3	0.9	1.1	0.6	0.7	1.4
1994-95	1.1	0.1	1.0	1.8	0.0	0.4	0.9	0.6	0.8	1.6
1995-96	...	...	...	...	...	...	...	...	...	...
1996-97	1.6	0.6	0.6	2.3	0.3	0.0	-1.3	-0.6	1.0	1.1
1997-98	0.8	0.2	0.6	2.2	0.0	0.0	-0.1	-0.7	0.6	0.7
1998-99	0.7	-0.2	0.6	1.7	-0.3	-0.4	-0.4	-0.4	0.4	0.6
1999-2000	0.5	-0.1	0.2	1.9	0.0	0.0	0.2	0.3	0.4	0.6
2000-01	0.9	-0.2	0.6	2.1	0.0	0.0	-0.7	2.3	0.6	1.1
2001-02	1.9	0.7	0.6	1.6	1.1	0.4	0.6	0.7	1.3	1.9
2002-03	2.5	0.5	1.0	1.8	1.0	0.0	0.0	1.0	1.5	1.8
2003-04	1.8	0.6	0.4	1.8	1.0	0.0	0.3	0.7	1.2	1.3
2004-05	1.3	0.3	-0.2	1.7	0.8	0.0	0.3	0.4	0.8	1.1
2005-06	1.7	0.1	0.4	1.7	1.3	-0.4	0.8	0.8	1.0	1.2
2006-07	1.5	0.2	0.2	1.1	0.8	-0.4	0.2	0.6	0.9	1.0
2007-08	1.2	0.2	0.6	0.8	0.5	0.4	0.5	0.8	0.7	0.9
2008-09	1.4	0.4	1.0	1.0	1.0	0.4	0.7	0.8	1.0	1.3
2009-10	1.1	0.6	1.2	1.0	1.2	0.4	1.0	1.6	1.0	1.1
2010-11	1.2	0.3	1.2	0.8	1.0	0.4	0.9	1.5	0.9	0.3
1986-2011	33.5	8.0	15.4	67.4	11.3	4.4	7.7	20.7	23.3	33.2
2011 Pop.	200,100	103,000	52,700	49,800	41,500	23,500	9,420	7,650	487,700	4,405,200

Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Table 1.1.2: Contribution (%) to the Wellington Region's Population by TA, 1986-2011

Year	Wellington City		Lower Hutt City		Porirua City		Kapiti Coast District		Upper Hutt City		Masterton District		South Wairarapa District		Carterton District		Wellington Regional Council	
	City	City	City	City	City	City	District	District	City	City	District	District	District	District	District	District	District	District
1986	37.9	24.1	11.5	7.5	9.4	5.7	2.2	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1987	37.6	24.0	11.6	7.8	9.4	5.7	2.2	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1988	37.5	23.9	11.6	8.0	9.4	5.7	2.2	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1989	37.3	23.8	11.7	8.2	9.3	5.7	2.3	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1990	37.2	23.7	11.6	8.5	9.3	5.7	2.3	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	37.3	23.5	11.6	8.8	9.2	5.7	2.2	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1992	37.1	23.4	11.6	9.0	9.2	5.7	2.3	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1993	37.1	23.2	11.6	9.2	9.1	5.7	2.3	1.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1994	37.1	23.1	11.7	9.3	9.0	5.7	2.3	1.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1995	37.2	23.0	11.7	9.4	9.0	5.7	2.3	1.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1996	38.3	23.1	11.3	9.2	8.8	5.5	2.1	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1997	38.5	23.1	11.2	9.3	8.8	5.4	2.1	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1998	38.6	23.0	11.2	9.5	8.7	5.4	2.1	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1999	38.7	22.8	11.3	9.6	8.7	5.3	2.1	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2000	38.7	22.7	11.2	9.8	8.6	5.3	2.1	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	38.9	22.5	11.2	9.9	8.6	5.3	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2002	39.1	22.4	11.2	9.9	8.5	5.2	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2003	39.5	22.2	11.1	10.0	8.5	5.2	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004	39.8	22.0	11.0	10.0	8.5	5.1	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2005	40.0	21.9	10.9	10.1	8.5	5.0	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2006	40.3	21.7	10.9	10.2	8.5	5.0	2.0	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2007	40.5	21.6	10.8	10.2	8.5	4.9	1.9	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2008	40.7	21.5	10.8	10.2	8.5	4.9	1.9	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2009	40.8	21.3	10.8	10.2	8.5	4.9	1.9	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2010	40.9	21.2	10.8	10.2	8.5	4.8	1.9	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2011	41.0	21.1	10.8	10.2	8.5	4.8	1.9	1.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986-2011	54.5	8.3	7.6	21.8	4.6	1.1	0.7	1.4	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Notes: *Changes in the timing and method of estimating Resident Population between 1990-1991 and 1995-1996 mean that the three sets of trends should be understood as discontinuous

1.2 Ethnic Composition and Growth

Figure 1.2.1 indicates the extent to which the major ethnic groups comprise and have contributed to the Wellington Region's growth over the period 1996-2006 (see also Table 1.2.1). These 'multiple ethnic group' data¹ show that the proportion identifying as European/New Zealander/Other – hereafter European - in the region declined somewhat (-5 per cent) over the decade, from 75.2 per cent in 1996 to 71.5 per cent in 2006. This is a slightly smaller change than for Total New Zealand, with the proportion European reducing from 75.2 to 70.1 per cent (a decline of 6.7 per cent). In contrast to the European population, the remaining four ethnic groups increased their share of the Wellington Region population. Only small increases were experienced by Maori (rising from 11.6 per cent in 1996 to 11.9 per cent in 2006) and Pacific Peoples (7.1 per cent in 1996 to 7.5 per cent in 2006). Proportions identifying as Asian increased substantially, from 5.5 per cent in 1996 to 7.9 per cent in 2006 (44 per cent increase), as did those identifying as Middle Eastern/Latin American/African (MELAA), from 0.7 per cent to 1.1 per cent (57 per cent increase).

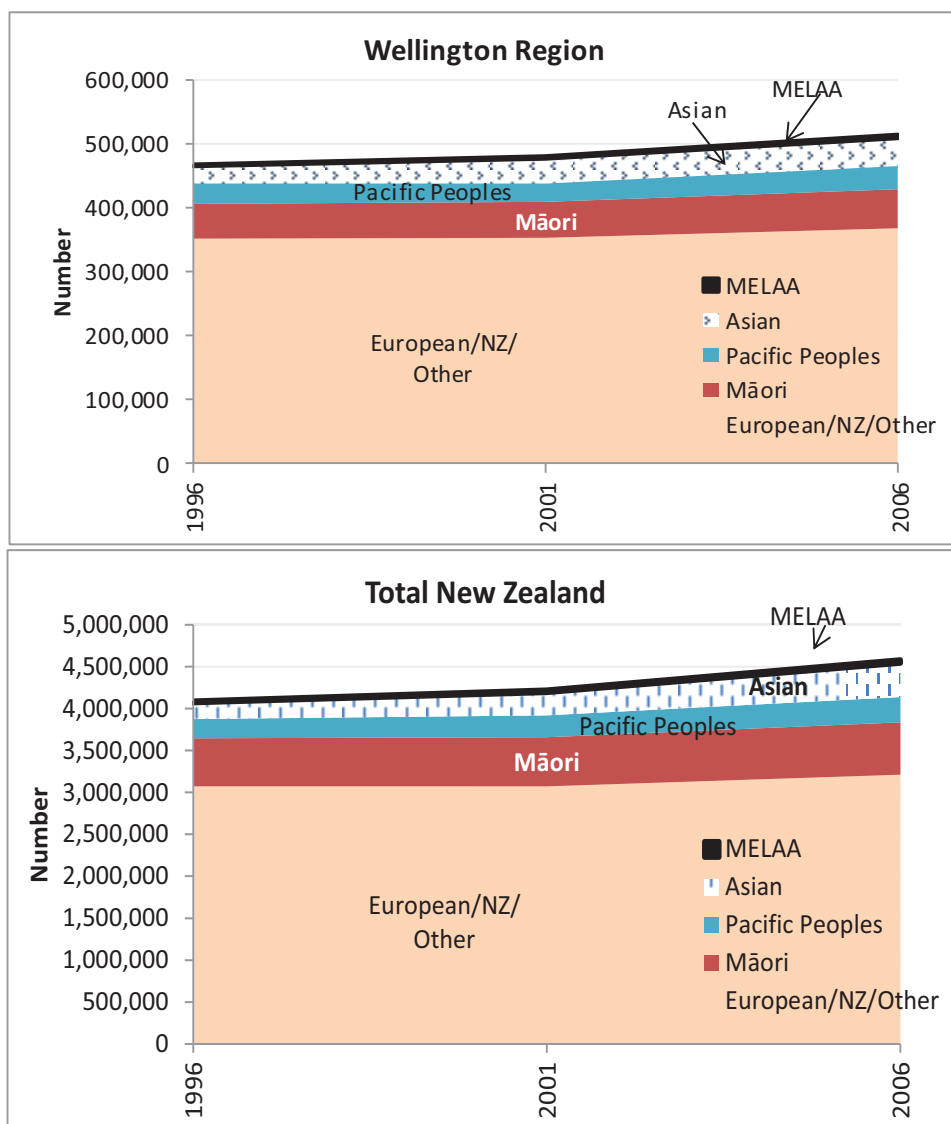
In all cases the number in each ethnic group has grown, but substantially less so for the European-origin population. For the Wellington Region this population grew by 4.6 per cent during the period 1996-2006, very similar to the 4.5 per cent for Total New Zealand (Table 1.2.1). However, the dominant size of the European population means that it still accounted for 34.8 per cent of the Wellington Region's growth and 28.2 per cent of national growth.

In absolute terms, the Māori population of the Wellington Region grew by 12.3 per cent (Table 1.2.1), accounting for 14.3 per cent of the region's growth, compared to 10.4 per cent nationally. Pacific Peoples also experienced significant growth between 1996 and 2006, almost 17 per cent regionally compared with 32 per cent for Total New Zealand. They accounted for 12 per cent of the Wellington Region's growth over the period, compared to 14.7 per cent of that for Total New Zealand.

The Asian-origin and MELAA populations of the Wellington Region each experienced substantial absolute growth (Table 1.2.1), growing by around 60 per cent and 92 per cent respectively. Between 1996 and 2006 the Asian-origin population accounted for about a third of the Wellington Region's growth, compared with 42.6 per cent for Total New Zealand; the numerically smaller MELAA population accounted for 6.0 and 4.1 per cent of growth respectively.

¹ The multiple ethnic group method of enumeration means that a proportion of people are counted more than once. Table 1.2.1 gives an approximation of the extent to which the method results in an over-count.

Figure 1.2.1: Population by Major Ethnic Group (Multiple Count), Wellington Region and Total New Zealand 1996, 2001, 2006



Statistics New Zealand, *Estimated Subnational Ethnic Population (RC,TA) by Age and Sex at 30 June 1996, 2001 and 2006*

Notes: *People may be counted in more than one ethnic group

Table 1.2.1: Population by Major Ethnic Group* (Multiple Count), Wellington Region and Total New Zealand 1996-2006

	NUMBER			Change (%)	DISTRIBUTION (%)*			Contribution to Change 1996-2006	
	1996	2001	2006		1996	2001	2006	Number	(%)
Wellington Region									
European/NZ/Other	351,840	353,130	368,060	4.6	75.2	73.4	71.5	16,220	34.8
Māori	54,300	56,220	60,980	12.3	11.6	11.7	11.9	6,680	14.3
Pacific Peoples	33,140	35,930	38,740	16.9	7.1	7.5	7.5	5,600	12.0
Asian	25,570	31,290	40,820	59.6	5.5	6.5	7.9	15,250	32.8
MELAA#	3,050	4,230	5,860	92.1	0.7	0.9	1.1	2,810	6.0
TOTAL	467,900	480,800	514,460	10.0	100.0	100.0	100.0	46,560	100.0
Total without multiple count	426,900	440,300	466,300	9.2	...	...	...	...	...
Ethnic 'overcount' (%)	9.6	9.2	10.3	7.5	...	...	...	...	...
TOTAL NEW ZEALAND									
European/NZ/Other	3,074,610	3,074,010	3,213,330	4.5	75.2	72.8	70.1	138,720	28.2
Māori	573,180	585,970	624,310	8.9	14.0	13.9	13.6	51,130	10.4
Pacific Peoples	229,280	261,820	301,640	31.6	5.6	6.2	6.6	72,360	14.7
Asian	194,750	272,440	404,320	107.6	4.8	6.5	8.8	209,570	42.6
MELAA#	18,450	27,660	38,550	108.9	0.5	0.7	0.8	20,100	4.1
TOTAL	4,090,270	4,221,900	4,582,150	12.0	100.0	100.0	100.0	491,880	100.0
Total without multiple count	3,732,000	3,880,500	4,184,500	12.1	...	...	...	...	...
Ethnic 'overcount' (%)	9.6	8.8	9.5	-1.0	...	...	...	...	...

Source: Statistics New Zealand, Estimated Subnational Ethnic Population (RC, TA) by Age and Sex at 30 June 1996, 2001 and 2006

Notes: *Multiple Count means that people may be counted in more than one ethnic group - see Ethnic 'overcount' rows

MELAA = Middle Eastern/Latin American/African

Table 1.2.2 gives these data for the TA's which comprise the Wellington Region. They show the European-origin population of Lower Hutt City declining in both absolute (-5.8 per cent) and relative terms (from 72.5 to 65.7 per cent) between 1996 and 2006, as well as declining slightly in the Masterton District (-0.2 per cent). In all other cases, European numbers grew; although, with the exceptions of the South Wairarapa and Carterton districts, growth rates for the European population were consistently the lowest compared with other ethnic groups (or second lowest in the case of Wellington City). Māori populations also experienced comparatively low growth, including negative in the South Wairarapa (-16.8 per cent) and Carterton (-5.7 per cent) Districts.

By contrast, the Asian and MELAA populations experienced very large increases in almost every TA in both absolute numbers and population share (although shares remained unchanged for the MELAA group in the Kapiti Coast, South Wairarapa and Carterton Districts). In particular, MELAA numbers more than doubled in Upper Hutt, Lower Hutt and Porirua Cities, and Asian numbers grew by more than 50 per cent in Wellington and Lower Hutt cities and the Kapiti Coast District.

Trends for Pacific-origin populations are mixed. Growth rates rank in the middle of the other ethnic groups; however, they range from comparatively high as in the Kapiti Coast District (45 per cent) to the lowest as in Wellington City (8.5 per cent) and Carterton District (-8.7 per cent).

These trends are reflected in sizeable differences by TA in terms of each ethnic group's contribution to overall growth. Despite low growth, their large numbers mean that Europeans made the greatest contribution to growth in Upper Hutt City (33.7 per cent), Wellington City (45.7 per cent), Kapiti Coast District (74.6 per cent), and the Carterton District (113.7 per cent). By comparison, the Asian population accounted for nearly 38 per cent of Wellington City's growth across the decade, and was the largest source of growth for both the Masterton District and Lower Hutt City. Despite high growth rates, the numerically smaller MELAA population made a smaller contribution to growth.

NB. The issue of ethnic 'over-count' should be kept in mind when interpreting these data; as high as 17.8 per cent for Porirua City in 2006. That is, the aggregate population for each area is inflated by the given proportion as the result of multiple counting by ethnicity, and is generally higher where the proportion Māori is higher (Pearson's correlation $r = 0.8$)². Of interest is that this proportion has increased for most TAs between 1996 and 2006, but decreased for Lower Hutt City and Carterton and South Wairarapa Districts, with the latter two also experiencing declines in the Māori population.

² The Pearson's correlation coefficient (r) measures the strength of association between two arrays of data on a scale ranging from -1.0 to +1.0. An r of 1.0 would indicate that both indices moved in the same direction at the same rate; an r of -1.0, that each moved in the opposite direction at the same rate. In the present case, an r of 0.8 indicates that the higher the proportion Māori, the higher the level of multiple counting.

Table 1.2.2: Population by Major Ethnic Group* (Multiple Count), TA's of Wellington RC 1996-2006

	1996	2001	2006	Change (%)	1996	2001	2006	Contribution to Change 1996-2006	
	NUMBER				DISTRIBUTION (%)*			Number	(%)
Wellington City									
European/NZ/Other	135,700	138,550	148,180	9.2	77.3	75.5	73.0	12480	45.7
Māori	13,130	13,270	15,100	15.0	7.5	7.2	7.4	1970	7.2
Pacific Peoples	9,100	9,370	9,870	8.5	5.2	5.1	4.9	770	2.8
Asian	15,450	19,230	25,760	66.7	8.8	10.5	12.7	10310	37.8
MELAA#	2,210	2,990	3,980	80.1	1.3	1.6	2.0	1770	6.5
TOTAL	175,590	183,410	202,890	15.5	100.0	100.0	100.0	27300	100.0
Total without multiple count	163,400	171,100	187,700	14.9	...	...	...	...	...
Ethnic 'overcount' (%)	7.5	7.2	8.1	8.5	...	...	...	...	...
Lower Hutt City									
European/NZ/Other	78,920	75,370	74,380	-5.8	72.5	69.0	65.7	-4540	-106.4
Māori	15,190	16,280	17,550	15.5	13.9	14.9	15.5	2360	55.3
Pacific Peoples	8,470	9,660	11,000	29.9	7.8	8.8	9.7	2530	59.3
Asian	5,930	7,160	9,120	53.8	5.4	6.6	8.1	3190	74.8
MELAA#	420	700	1,145	172.6	0.4	0.6	1.0	725	17.0
TOTAL	108,930	109,170	113,195	3.9	100.0	100.0	100.0	4265	100.0
Total without multiple count	266,500	298,200	347,100	30.2	...	...	...	...	...
Ethnic 'overcount' (%)	13.3	11.5	11.8	-11.3	...	...	...	...	...
Porirua City									
European/NZ/Other	31,730	31,250	32,170	1.4	56.5	54.4	54.0	440	12.7
Māori	10,150	10,400	10,700	5.4	18.1	18.1	18.0	550	15.8
Pacific Peoples	12,400	13,580	14,100	13.7	22.1	23.6	23.7	1700	48.9
Asian	1,755	2,040	2,380	35.6	3.1	3.6	4.0	625	18.0
MELAA#	90	190	250	177.8	0.2	0.3	0.4	160	4.6
TOTAL	56,125	57,460	59,600	6.2	100.0	100.0	100.0	3475	100.0
Total without multiple count	48,200	49,600	50,600	5.0	...	...	...	...	...
Ethnic 'overcount' (%)	16.4	15.8	17.8	8.2	...	...	...	...	...
Kapiti Coast District									
European/NZ/Other	36,660	40,010	43,320	18.2	85.7	84.7	83.8	6,660	74.6
Māori	4,580	5,310	6,030	31.7	10.7	11.2	11.7	1,450	16.2
Pacific Peoples	730	900	1,060	45.2	1.7	1.9	2.1	330	3.7
Asian	730	935	1,195	63.7	1.7	2.0	2.3	465	5.2
MELAA#	80	75	100	25.0	0.2	0.2	0.2	20	0.2
TOTAL	42,780	47,230	51,705	20.9	100.0	100.0	100.0	8,925	100.0
Total without multiple count	39,500	43,700	47,400	20.0	...	...	...	...	...
Ethnic 'overcount' (%)	8.3	8.1	9.1	9.4	...	...	...	...	...
Upper Hutt City									
European/NZ/Other	33,430	32,770	34,280	2.5	81.3	80.0	78.5	850	33.7
Māori	4,980	5,110	5,620	12.9	12.1	12.5	12.9	640	25.3
Pacific Peoples	1,410	1,570	1,810	28.4	3.4	3.8	4.1	400	15.8
Asian	1,200	1,340	1,680	40.0	2.9	3.3	3.8	480	19.0
MELAA#	105	165	260	147.6	0.3	0.4	0.6	155	6.1
TOTAL	41,125	40,955	43,650	6.1	100.0	100.0	100.0	2,525	100.0
Total without multiple count	37,700	37,700	39,600	5.0	...	...	...	...	...
Ethnic 'overcount' (%)	9.1	8.6	10.2	12.6	...	...	...	...	...
Masterton District									
European/NZ/Other	20,560	20,440	20,520	-0.2	80.2	80.6	80.0	-40	-133.3
Māori	4,020	3,900	4,020	0.0	15.7	15.4	15.7	0	0.0
Pacific Peoples	660	640	660	0.0	2.6	2.5	2.6	0	0.0
Asian	345	350	400	15.9	1.3	1.4	1.6	55	183.3
MELAA#	35	40	50	42.9	0.1	0.2	0.2	15	50.0
TOTAL	25,620	25,370	25,650	0.1	100.0	100.0	100.0	30	100.0
Total without multiple count	23,300	23,200	23,200	-0.4	...	...	...	...	...
Ethnic 'overcount' (%)	10.0	9.4	10.6	6.1	...	...	...	...	...
South Wairarapa District									
European/NZ/Other	8,290	8,130	8,380	1.1	83.1	85.1	84.9	90	-85.7
Māori	1,425	1,190	1,185	-16.8	14.3	12.5	12.0	-240	228.6
Pacific Peoples	160	120	135	-15.6	1.6	1.3	1.4	-25	23.8
Asian	95	110	160	68.4	1.0	1.2	1.6	65	-61.9
MELAA#	5	-	10	100.0	0.1	0.0	0.1	5	-4.8
TOTAL	9,975	9,550	9,870	-1.1	100.0	100.0	100.0	-105	100.0
Total without multiple count	9,150	8,940	9,110	-0.4	...	...	...	...	...
Ethnic 'overcount' (%)	9.0	6.8	8.3	-7.5	...	...	...	...	...
Carterton District									
European/NZ/Other	6,510	6,610	6,800	4.5	87.1	87.7	88.0	290	113.7
Māori	795	755	750	-5.7	10.6	10.0	9.7	-45	-17.6
Pacific Peoples	115	120	105	-8.7	1.5	1.6	1.4	-10	-3.9
Asian	50	50	70	40.0	0.7	0.7	0.9	20	7.8
MELAA#	5	-	5	0.0	0.1	0.0	0.1	0	0.0
TOTAL	7,475	7,535	7,730	3.4	100.0	100.0	100.0	255	100.0
Total without multiple count	6,940	7,000	7,260	4.6	...	...	...	...	...
Ethnic 'overcount' (%)	7.7	7.6	6.5	-16.0	...	...	...	...	...

Source: Statistics New Zealand, Estimated Subnational Ethnic Population (RC, TA) by Age and Sex at 30 June 1996, 2001 and 2006

Notes: *Multiple Count means that people may be counted in more than one ethnic group - see Ethnic 'overcount' rows

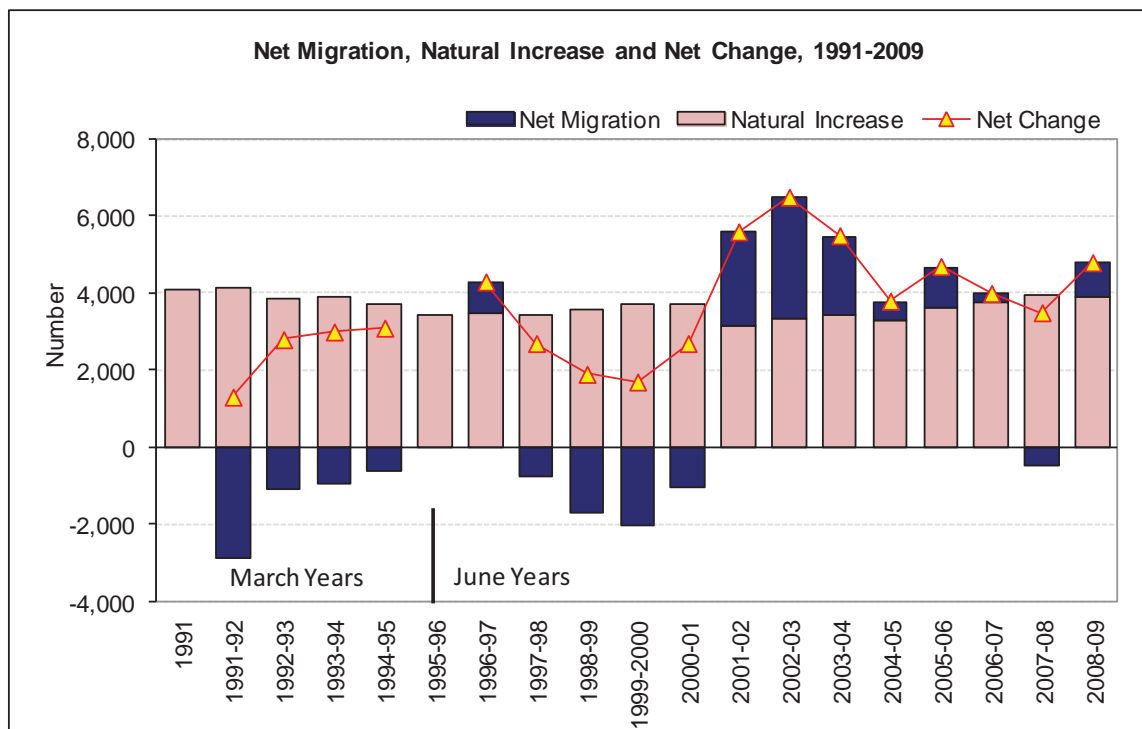
MELAA = Middle Eastern/Latin American/African

2.0 Components of Change

2.1 Natural Increase and Net Migration

Figure 2.1.1 shows the estimated components of change contributing to growth for the Wellington Region across the period 1991-2011 (see Table 2.1.1 for underlying data, and note the lack of residual migration data for 1991 and the 1995-1996 period due to methodological changes in the underlying data collection). Clearly, natural increase (the difference between births and deaths) has been the major component of growth since 1991. Net migration loss in the early 1990s and across the 1997-2001 and 2007-2008 periods partially offset that growth.

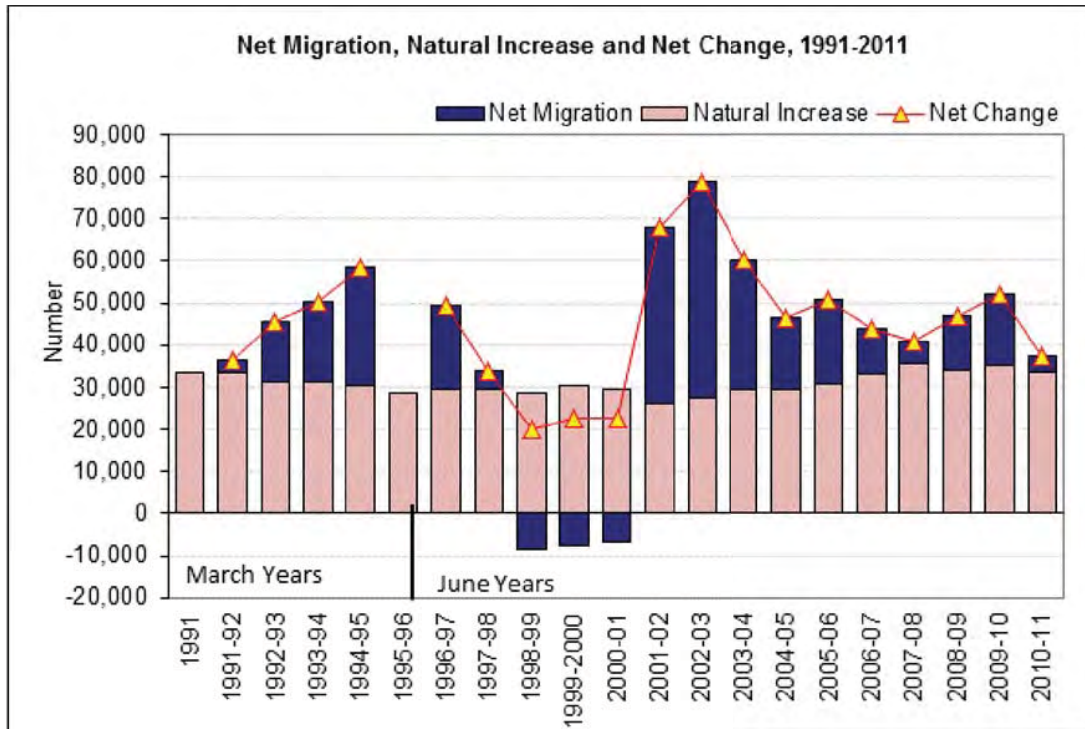
Figure 2.1.1: Natural Increase, Net Migration and Net Change 1991-2011, Wellington Region



**Changes in the timing and method of estimating Resident Population between 1991-1992 and 1995 and 1996 mean that only natural increase can be shown for those years*

Comparison with data for Total New Zealand (Figure 2.1.2) indicates similar trends, although net migration levels have been consistently much higher than the Wellington Region, with positive net migration in the early 1990s when it was negative for the Wellington Region.

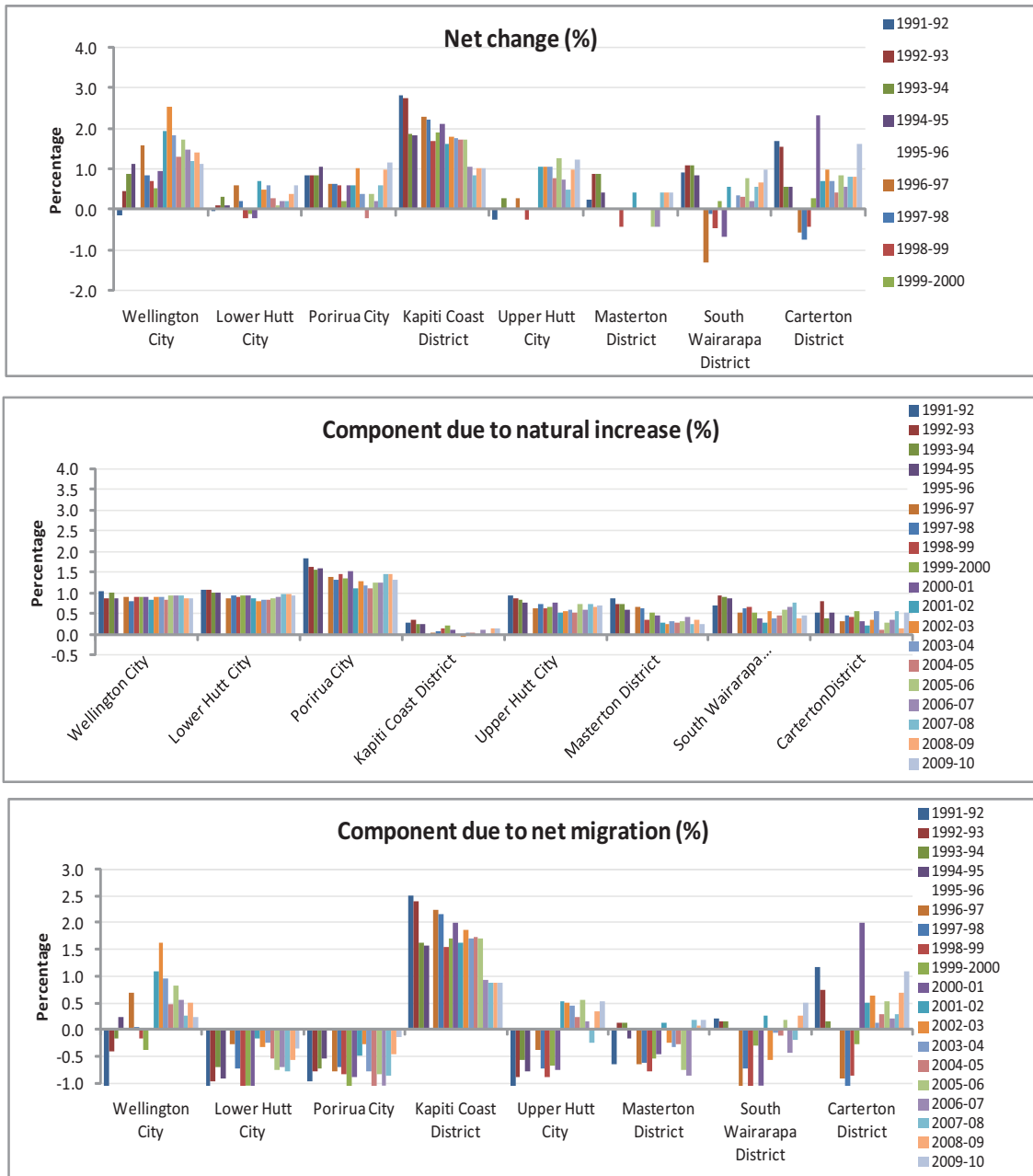
Figure 2.1.2: Natural Increase, Net Migration and Net Change 1991-2011, Total New Zealand



*Changes in the timing and method of estimating Resident Population between 1991-1992 and 1995 and 1996 mean that only natural increase can be shown for those years

Comparative data for the TAs comprising the Wellington Region are given in Figure 2.1.3 (see Appendices 1.2-1.5 for underlying data). The greater than average growth over the 1991-2011 period seen earlier in Table 1.1.1 for the Kapiti Coast District (67.4 per cent) and Carterton District (20.7 per cent) is mainly due to their higher than average contributions from net migration (particularly in the case of the Kapiti Coast). The opposite is true for the moderate growth of Upper Hutt City (11.3 per cent) and, in particular, Porirua City (15.4 per cent), which both experienced increases primarily from high levels of natural increase. The same is true for Lower Hutt City and the South Wairarapa and Masterton Districts, although in these cases substantial net migration losses resulted in low overall growth. Interestingly, natural increase has also been the main driver of growth for Wellington City, with net migration loss occurring in the early and late 1990s.

Figure 2.1.3: Net change and components of change, TAs of the Wellington Region, 1991-2011



Compiled from Statistics New Zealand Infoshare: Tables DPE051AA, VSB016AA, VSD018AA
 (a) 1991-1995 Estimated Defacto; 1996-2011 Estimated Usual Resident
 Natural Increase, Net Migration and Net Change as a percentage of previous year's URP

Table 2.1.1.1: Components of Change, 1991-2011, Wellington Region and Total New Zealand

March Year	Wellington Region										Total New Zealand		
	Components					Contribution to Net Change					Contribution to Net Change		
	Births	Deaths	Natural Increase	Estimated Resident Population	(a) Net Change	Estimated Migration	Estimated Natural Increase~ (%)	Estimated Migration~ (%)	Net Change~ (%)	Estimated Natural Increase~ (%)	Estimated Migration~ (%)	Net Change~ (%)	
1991	7,067	2,938	4,129	402,892	...	...	...	...	...	...	...	...
1992	7,118	2,949	4,169	404,200	1,308	-2861	1.03	-0.71	0.32	0.95	0.08	1.03	
1993	6,819	2,947	3,872	407,000	2,800	-1072	0.96	-0.27	0.69	0.89	0.40	1.28	
1994	6,754	2,813	3,941	410,000	3,000	-941	0.97	-0.23	0.74	0.87	0.53	1.40	
1995	6,636	2,916	3,720	413,100	3,100	-620	0.91	-0.15	0.76	0.84	0.76	1.60	
June Year													
1996	6,411	2,978	3,433	426,900	...	...	...	...	...	...	...	...
1997	6,430	2,934	3,496	431,200	4,300	804	0.82	0.19	1.01	0.79	0.53	1.32	
1998	6,353	2,903	3,450	433,900	2,700	-750	0.80	-0.17	0.63	0.78	0.11	0.89	
1999	6,468	2,872	3,596	435,800	1,900	-1696	0.83	-0.39	0.44	0.75	-0.22	0.53	
2000	6,638	2,925	3,713	437,500	1,700	-2013	0.85	-0.46	0.39	0.79	-0.20	0.59	
2001	6,547	2,825	3,722	440,200	2,700	-1022	0.85	-0.23	0.62	0.76	-0.17	0.59	
2002	6,045	2,893	3,152	445,800	5,600	2448	0.72	0.56	1.27	0.67	1.08	1.75	
2003	6,219	2,867	3,352	452,300	6,500	3148	0.75	0.71	1.46	0.69	1.30	1.99	
2004	6,414	2,938	3,476	457,800	5,500	2024	0.77	0.45	1.22	0.74	0.76	1.50	
2005	6,225	2,927	3,298	461,600	3,800	502	0.72	0.11	0.83	0.72	0.41	1.14	
2006	6,371	2,724	3,647	466,300	4,700	1053	0.79	0.23	1.02	0.75	0.48	1.23	
2007	6,657	2,864	3,793	470,300	4,000	207	0.81	0.04	0.86	0.79	0.25	1.04	
2008	6,876	2,905	3,971	473,800	3,500	-471	0.84	-0.10	0.74	0.84	0.12	0.96	
2009	6,906	2,994	3,912	478,600	4,800	888	0.83	0.19	1.01	0.80	0.30	1.10	
2010	6,846	2,994	3,852	483,300	4,700	848	0.80	0.18	0.98	0.82	0.39	1.20	
2011	6,716	3,006	3,710	487,700	4,400	690	0.77	0.14	0.91	0.76	0.10	0.86	

Compiled from Statistics New Zealand Infoshare: Usual Resident Population, Table DPE051AA; Births, Table VSB016AA; Deaths, Table VSD018AA

(a) 1991-1995 Estimated Defacto; 1996-2011 Estimated Usual Resident

~ Births minus Deaths

* Residual (Net Change minus Natural Increase)

^ Natural Increase, Net Migration and Net Change as a percentage of previous year's URP

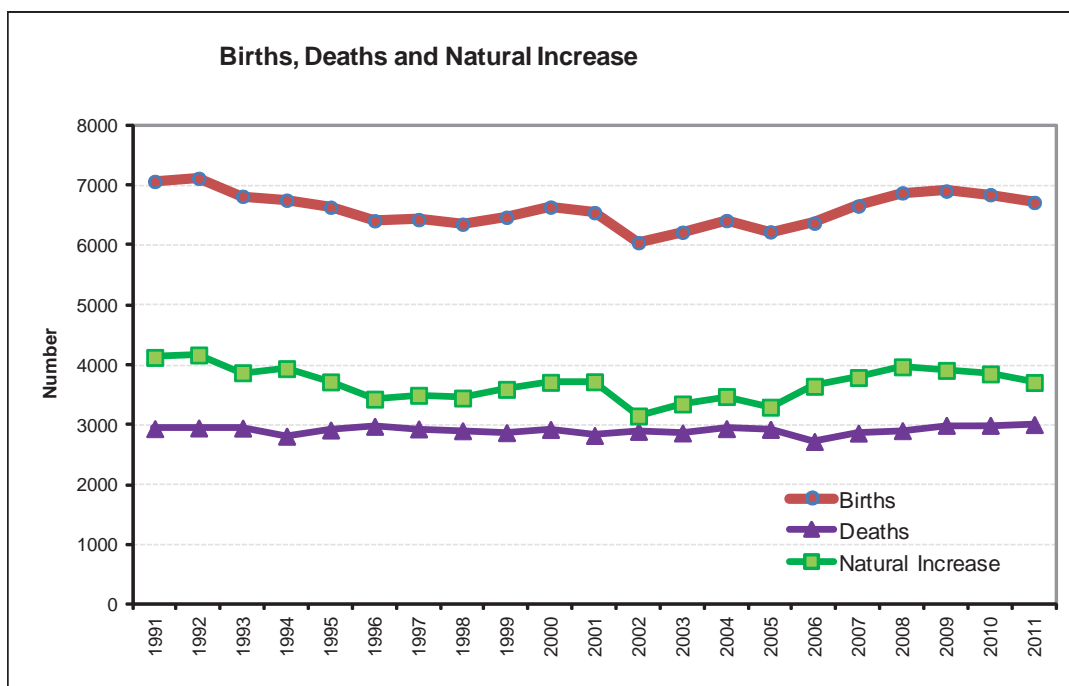
2.2 Births, Deaths and Natural Increase

Underlying the trends in natural increase shown above are those for births and deaths, depicted in Figure 2.2.1. Here as might be expected we see that the main driver of natural increase has been births which – as elsewhere in most of New Zealand – have increased since the early 2000s, peaking for the Wellington Region around 2008. For a number of reasons outlined below (most particularly the relatively reducing size of the reproductive age cohort indicated in the section on age structures), birth numbers are unlikely to see major increase in the future.

Deaths have also remained remarkably stable across the period, ending the period at 3,006, only a little above their 1991 level of 2,938 (2.3 per cent). However, the present small increase will almost certainly soon accelerate as the Baby Boomer wave moves through the older age groups.

As the projections further below will show, the overall outcome of these opposing trends will be a steady reduction in natural increase. As indicated above, this trend will have a negative impact on the region’s longer-term potential for growth.

Figure 2.2.1: Births, Deaths and Natural Increase, Wellington Region 1991-2011



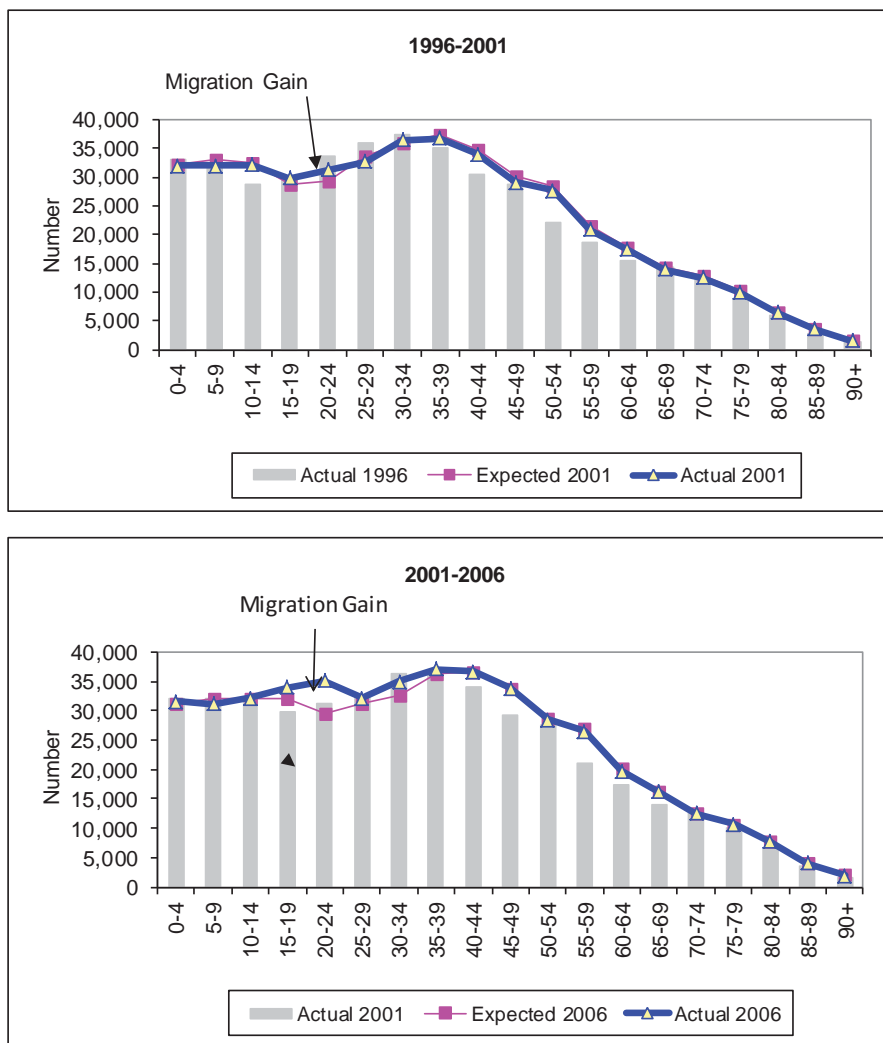
Compiled from Statistics New Zealand Infoshare: Births, Table VSB016AA; Deaths, Table VSD018AA

3.0 Components of Change by Age

3.1 Expected versus Actual Population

Using the residual method for estimating net migration described earlier, the components of change can be plotted by age. Figure 3.1.1 shows that between 1996 and 2001 the small net migration gain outlined above occurred primarily (as is conventional) at the 15-24 year age groups, while between 2001 and 2006 gains were greater and more widespread, occurring at ages 15-39 years. Notable also is the impact of structural ageing which shows at 50-54 years across the 1996-2001 period, and 55-59 years for 2001-2006. That is, the gap between numbers at the previous Census (columns) and Expected/Actual numbers at the subsequent Census reflects the movement of the Baby Boomer wave through the age structure (see also Appendices 2.1 - 2.9 for data and TA graphs).

Figure 3.1.1: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Wellington Region

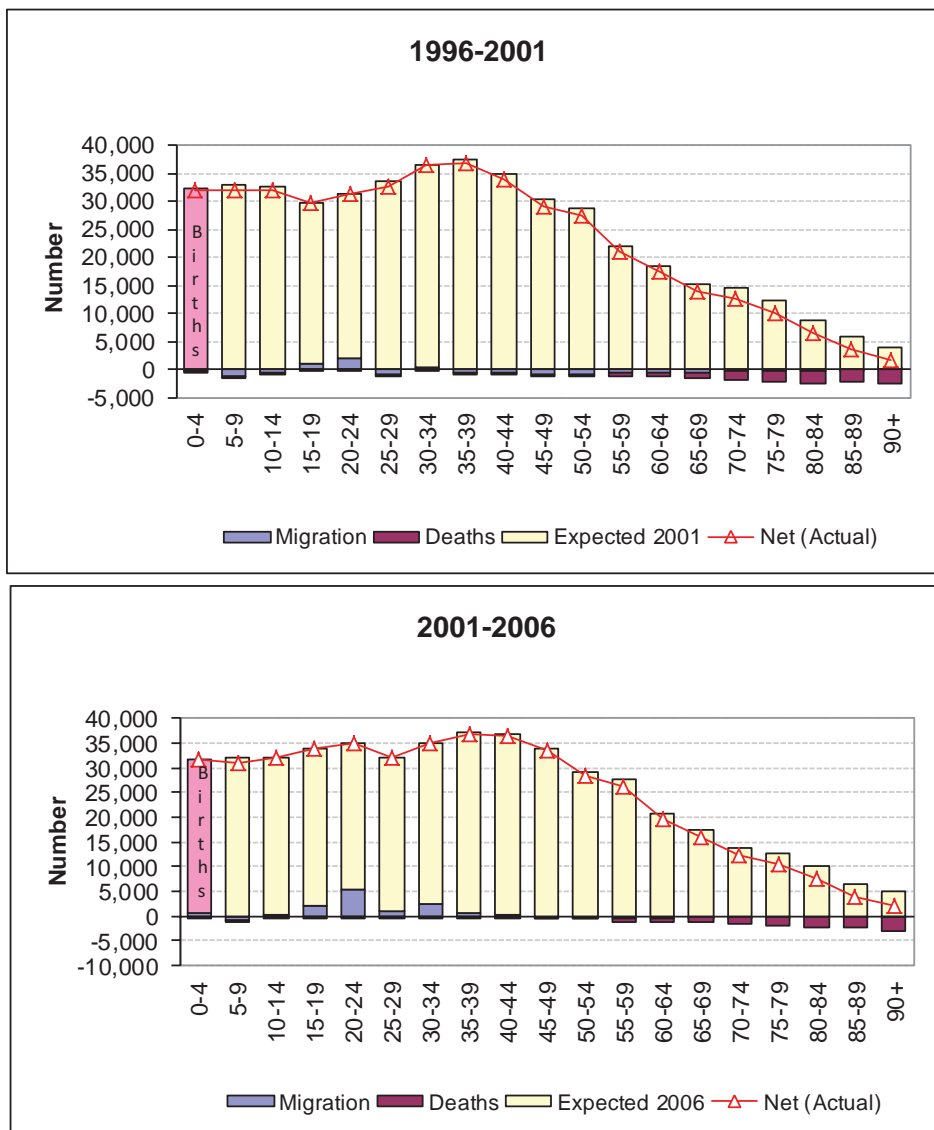


Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

3.2 Expected versus Actual Change by Component

The same data are plotted in Figure 3.2.1, this time to highlight the role of the other components of change (births and deaths). As indicated above, the primary driver increasing expected numbers at younger and (between 2001 and 2006) mid-adult ages is migration, while at older ages, migration is negligible and numbers are reduced by deaths. The information in Sections 3.1 and 3.2 is important because it is free of cohort size effects, which have already been accounted for in the methodology.

Figure 3.2.1: Population Change by Age and Component, 1996-2001 and 2001-2006, Wellington RC



Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

4.0 Age Structure and Population Ageing

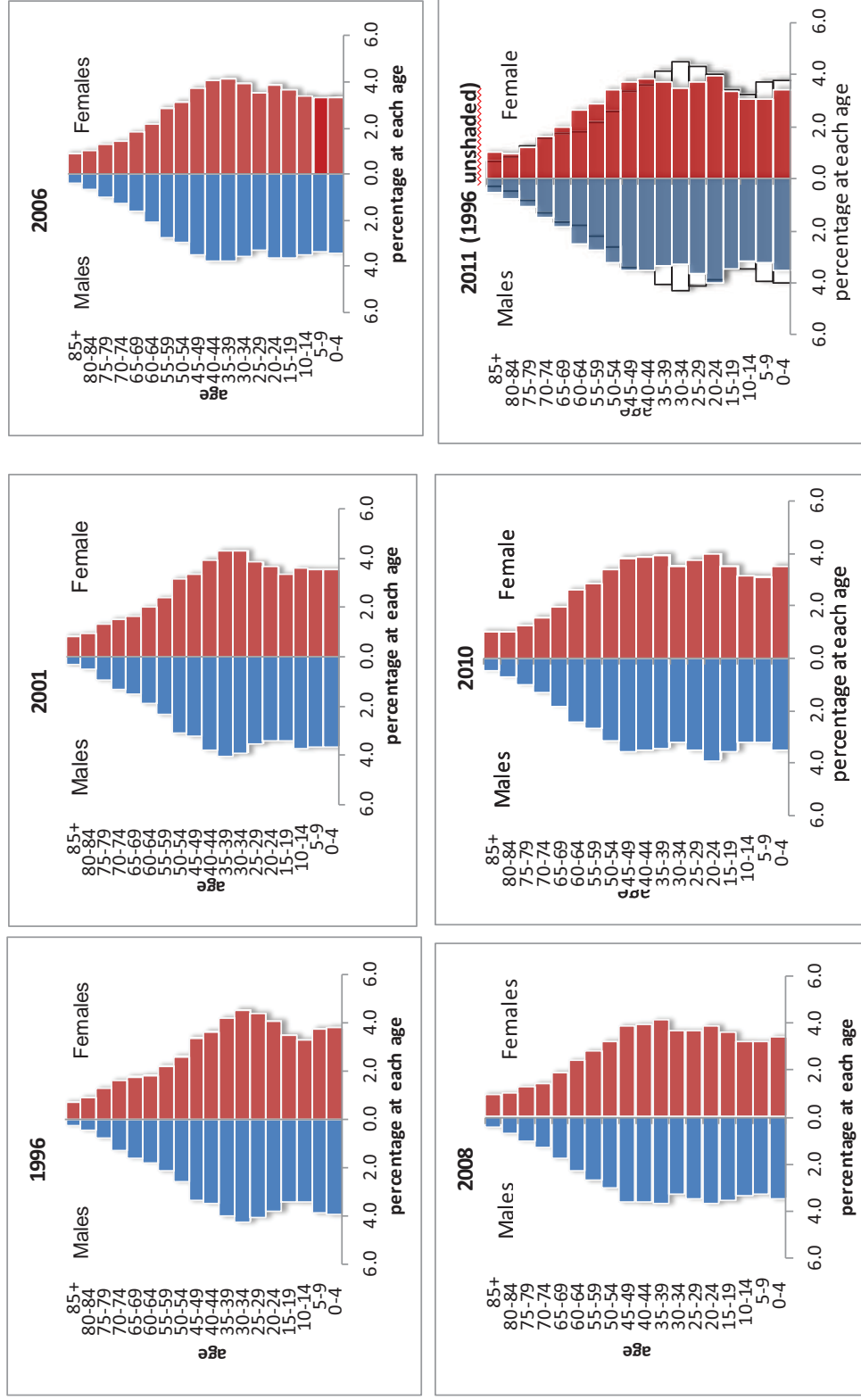
4.1 Numerical and Structural Ageing

By comparison with many other regions, the age structure of the Wellington Region is relatively young. It is very similar to the overall age structure of Total New Zealand (although with slightly larger proportions at ages 20-44 years, and slightly smaller proportions at ages above and below this). Nevertheless, as elsewhere, the region's population is ageing. It is ageing numerically, as more people survive to older ages, and structurally, as lower birth rates deliver relatively fewer babies and children into the base of the age structure *vis-à-vis* the size of the parental generation. It is also ageing structurally as previous youthful migrants grow older. Together these dynamics cause the proportions at younger ages to decrease, and the increased numbers at older ages to also become increased proportions.

The shifts can be detected in Figure 4.1.1 (see especially the lower right panel which directly compares the region's age structure in 1996 and 2011). However they are clearer from Table 4.1.1, which shows that despite the recent increase in births, the proportion of the Wellington Region population aged 0-14 years has declined monotonically; from 22.1 per cent in 1996 to 19.5 per cent in 2011, while the proportion aged 65+ years has increased from 10.7 to 12.4 per cent. For Total New Zealand the proportion aged 65+ years in 2011 is 13.3 per cent, making the nation's age structure nearly seven per cent older than that of the Wellington Region. Also despite the net migration gains at 15-24 and 25-39 years, the proportions at these ages have scarcely changed, that at 15-24 years remaining unchanged at 14.8 per cent between 1996 and 2006, and at 25-54 years actually falling slightly, from 44.5 per cent in 1996 to 42.5 per cent in 2011. The trends have resulted in the 20-24 year age group increasingly appearing as a slight bulge in the age structure. In sum, the gains at the younger ages from both migration and births are slowing the pace of the Wellington Region's structural ageing, but are unable to prevent it.

Perhaps more important than ageing *per se* from Figure 4.1.1 is the recent increase at age 0-4 years, resulting in the development of third 'wave' within the age structure, a phenomenon referred to as an (advanced) age-structural transition (AST). As the people in these waves grow older and are replaced by differently sized cohorts, the peaks and troughs move through the age structure, and result in concomitant peaks and troughs in demand. For example, the current peak at 20-24 years will be replaced by a trough which will deepen over the next 15 years; then numbers will again grow.

Figure 4.1.1.1: Age-Sex Structure Wellington Region, 1996-2010, and 2011 compared with 1996



Source: Jackson, N.O (2012) Subnational Age Structure Resource 1996-2011, NIDEA, University of Waikato

Source data from Stats NZ Infoshare Estimated Subnational Population and TableBuilder

Notes: (RC, TA,AU) by Age and Sex at 30 June 1996, 2001, 2006-2011 (2006 Boundaries)

Table 4.1.1: Summary Indicators of Change by Age, 1996-2011, Wellington Region and Total New Zealand

Wellington RC	1996	2001	2006	2007	2008	2009	2010	2011	1996-01	2001-06	2006-11	2006-07	2007-08	2008-09	2009-10	2010-11	
Broad Age Group																	
0-14	94,430	96,180	94,870	94,780	94,740	94,760	94,950	95,100	0.4	-0.3	0.0	-0.1	0.0	0.0	0.2	0.2	
15-24	63,190	61,010	69,050	69,500	69,940	71,050	72,210	72,410	-0.7	2.6	1.0	0.7	0.6	1.6	1.6	0.3	
25-54	189,880	196,710	203,060	204,270	204,770	205,880	206,420	207,360	0.7	0.6	0.4	0.6	0.2	0.5	0.3	0.5	
55-64	33,960	38,300	46,210	47,180	48,590	49,790	50,900	52,190	2.6	4.1	2.6	2.1	3.0	2.5	2.2	2.5	
65+	45,510	48,050	53,060	54,600	55,730	57,140	58,800	60,630	1.1	2.1	2.9	2.9	2.1	2.5	2.9	3.1	
Wellington Region	426,970	440,250	466,250	470,330	473,770	478,620	483,280	487,690	0.6	1.2	0.9	0.9	0.7	1.0	1.0	0.9	
Total NZ	3,731,970	3,880,500	4,184,600	4,228,330	4,315,770	4,268,870	4,367,780	4,405,180	0.8	1.6	1.1	1.0	2.1	-1.1	2.3	0.9	
0-14	22.1	21.8	20.3	20.2	20.0	19.8	19.6	19.5	-0.2	-1.4	-0.8	-1.0	-0.8	-1.0	-0.8	-0.7	
15-24	14.8	13.9	14.8	14.8	14.8	14.8	14.9	14.8	-1.3	1.4	0.1	-0.2	-0.1	0.6	0.7	-0.6	
25-54	44.5	44.7	43.6	43.4	43.2	43.0	42.7	42.5	0.1	-0.5	-0.5	-0.3	-0.5	-0.5	-0.7	-0.5	
55-64	8.0	8.7	9.9	10.0	10.3	10.4	10.5	10.7	1.9	2.8	1.6	1.2	2.2	1.4	1.2	1.6	
65+	10.7	10.9	11.4	11.6	11.8	11.9	12.2	12.4	0.5	0.9	1.8	2.0	1.3	1.5	1.9	2.2	
Wellington Region	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	...	...	...	...	...	...	...	...
Total NZ %65+ ye.	11.5	11.9	12.2	12.5	12.8	12.6	13.0	13.3	0.6	0.6	1.8	1.9	2.8	-1.6	3.4	2.3	
Ratio Labour Market Entrants to Exits (Number aged 15-24 per 10 persons aged 55-64)																	
Wellington RC	18.6	15.9	14.9	14.7	14.4	14.3	14.2	13.9	-2.9	-1.2	-1.4	-1.4	-2.3	-0.9	-0.6	-2.2	
Total NZ	18.3	15.2	14.1	13.9	13.4	13.6	13.2	13.0	-3.3	-1.5	-1.5	-1.2	-3.7	1.5	-2.6	-1.9	
Ratio Elderly to Children (Number 65+ per Child 0-14)																	
Wellington RC	0.48	0.50	0.56	0.58	0.59	0.60	0.62	0.64	0.7	2.4	2.8	3.0	2.1	2.5	2.7	2.9	
Total NZ	0.50	0.53	0.58	0.59	0.62	0.60	0.64	0.66	1.0	1.9	2.8	2.9	4.6	-2.5	5.2	3.1	

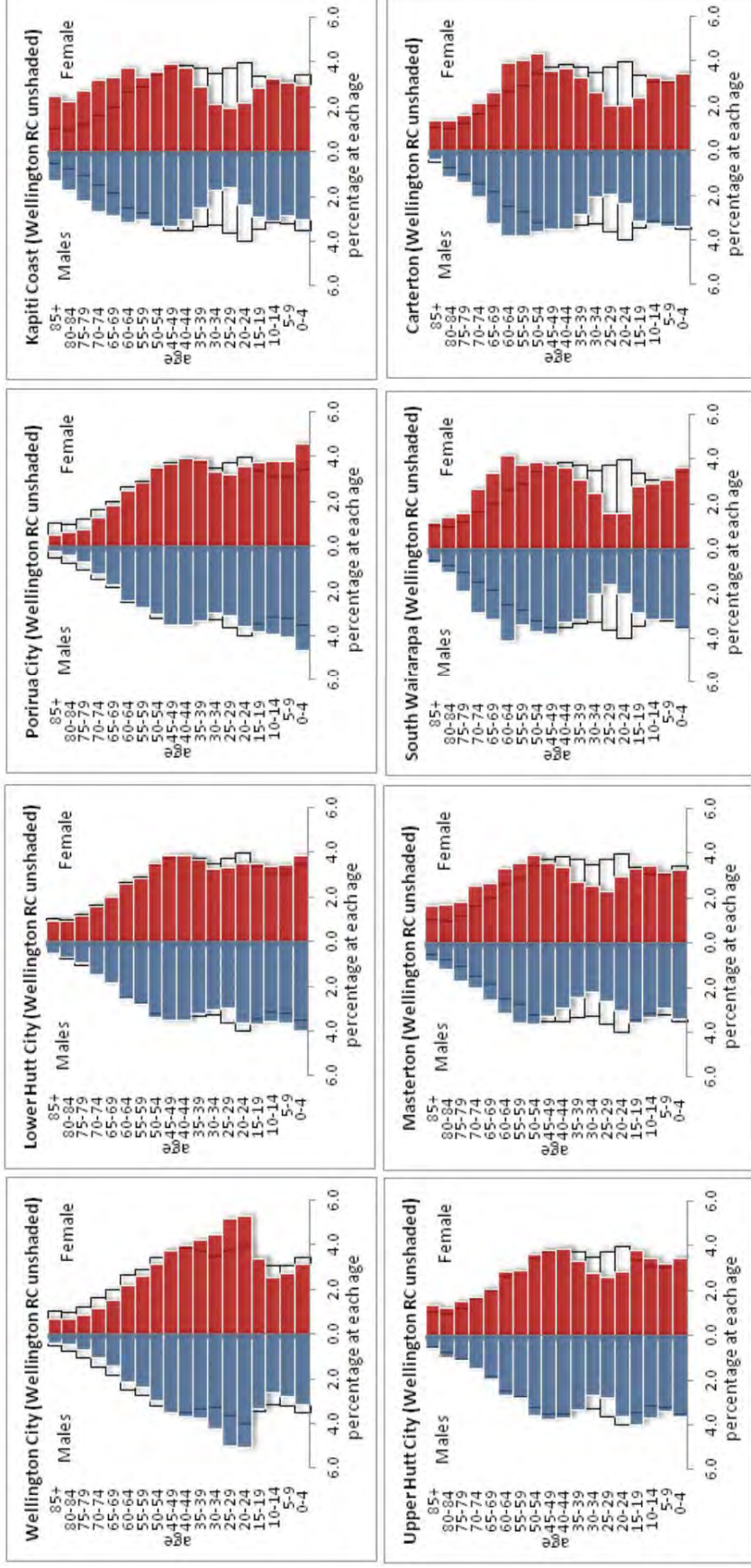
Source: Jackson, N.O (2012) Subnational Age Structure Resource 1996-2011, National Institute of Demographic and Economic Analysis (NIDEA), University of Waikato

Notes: Source data from Stats NZ Infoshare Estimated Subnational Population (RC, TA, AU) by Age and Sex at 30 June 1996, 2001 and 2006-2011 (2006 Boundaries)

The age-sex structures of the TAs which comprise the Wellington Region differ greatly. As Figure 4.1.2 shows, Wellington City has a disproportion of people aged in their twenties and, to a lesser extent, thirties, while Lower Hutt City and Porirua City have a disproportion of children. Contrasting with both of these age structural 'types', Upper Hutt City and the Kapiti Coast, Masterton, South Wairarapa and Carterton Districts all have deeply 'waisted' (hour-glass shaped) age structures, a form typically observed in more rural areas and tending to reflect the net migration loss of young (mainly 20-29 year old) adults. Although much less pronounced, this age structure can also be seen in Lower Hutt and Porirua Cities.

As indicated in Section 3.0, underlying these differences are different mixes of the components of population change (see Appendix 2 for the role of migration by age). The bulge at 20-29 years for Wellington City, for example, is due to large net migration gains at these ages, as well as net migration losses at younger and older ages – making this bulge appear even larger (see Appendix 2.3). By contrast, the disproportion of children in the Lower Hutt and Porirua Cities appears to be the result of slightly higher birth rates, as net migration loss at 20-29 years has left somewhat of a 'bite' at these key reproductive ages. The deep waists in the respective age-sex structures of Upper Hutt City and the Kapiti Coast, Masterton, South Wairarapa and Carterton Districts reflect net migration loss at 15-29 years, but (in the case of all but the Masterton District) are equally driven by net gains at younger and older ages, which make the losses at 15-29 years look greater than they are.

Figure 4.1.2: Age-Sex Structures of the TAs of the Wellington Region in 2011, compared with that of Wellington Region



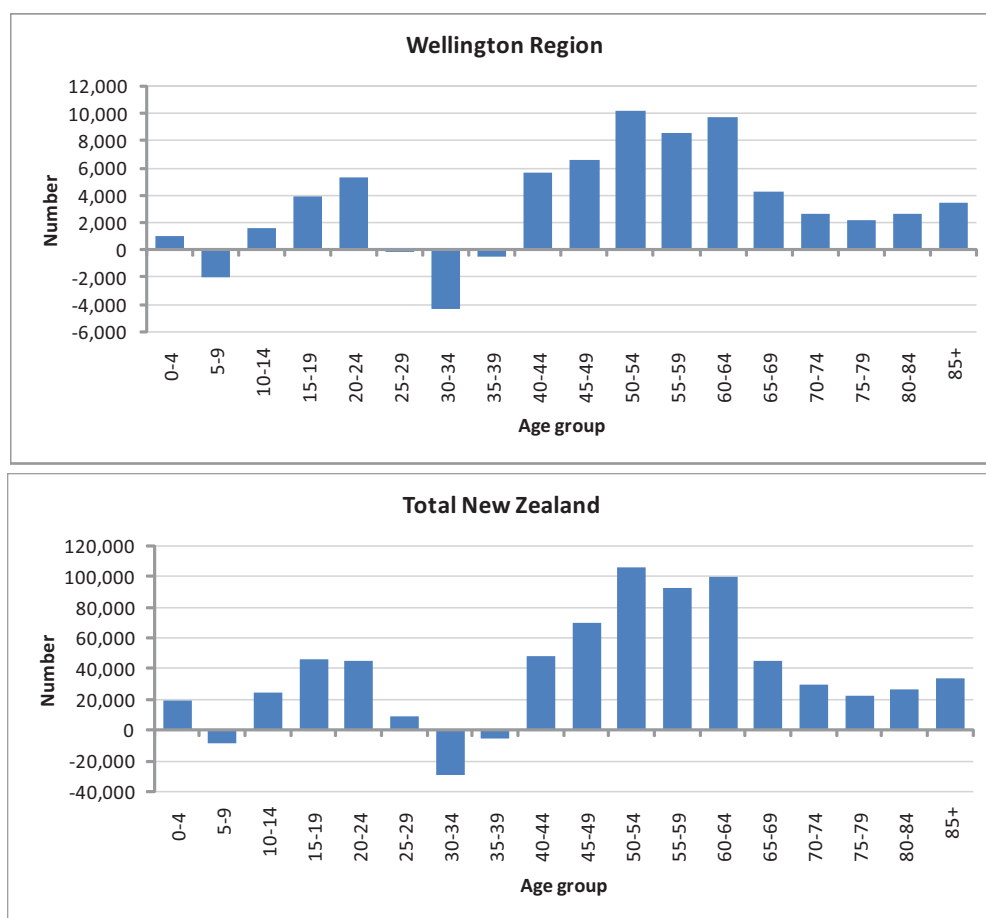
Source: Jackson, N.O (2012) *Subnational Age Structure Resource 1996-2011*, NIDEA, University of Waikato

Source data from Stats NZ *Infoshare Estimated Subnational Population*

Notes: (RC, TA, AU) by Age and Sex at 30 June 1996, 2001, 2006-2011

Overall trends by five-year age group for the Wellington Region for the period 1996 to 2011 are summarised in Figure 4.1.3 (see also Table 4.1.2). Between 1996 and 2011, all age groups above 40 years grew, while those aged 5-9 years and 30-39 years show notable decline. Growth was most significant across the Baby Boomer age groups. However, as indicated in Section 3 (above), some of these changes reflect cohort size effects, with smaller cohorts replacing larger cohorts at the younger ages, and vice-versa at older ages. Data for Total New Zealand display very similar trends.

Figure 4.1.3: Change by Age (Number), Wellington Region and Total New Zealand, 1996-2011



Source: Jackson, N.O (2012) Subnational Age Structure Resource 1996-2011, NIDEA, University of Waikato
 Source data from Stats NZ Infoshare Estimated Subnational Population (RC, TA,AU) by Age and Sex at 30 June 1996, 2001, 2006-2011

Data by five-year age group for the TAs which comprise the Wellington Region are given in Table 4.1.2. Here we see that six TAs experienced decline at 30-34 and 35-39 years between 1996 and 2011, with the remaining two TAs (Wellington City and the Kapiti Coast District) declining at 30-34 years only, contributing to the overall outcome of regional decline for those age groups. All TAs but Wellington City also declined at ages 5-9 years and 25-29 years, with Masterton, South Wairarapa and Carterton Districts experiencing losses at nearly every age group below 45 years.

Table 4.1.2: Change by Age (%), Wellington Region and Total New Zealand, 1996-2011

	Wellington City		Lower Hutt City		Porirua City		Kapiti Coast District		Upper Hutt City		Masterton District		Wairarapa District		South Carterton District		Wellington Regional Council		Total New Zealand	
		%		%		%		%		%		%		%		%		%		%
0-4	11.2	-3.0	2.6	6.3	-4.3	-16.8	-10.7	8.0	2.5	6.6										
5-9	5.3	-10.0	-13.2	-4.4	-9.0	-25.1	-24.1	-19.4	-6.5	-2.9										
10-14	14.6	2.6	2.3	18.6	6.4	-17.6	-13.0	-5.3	6.3	8.9										
15-19	25.5	8.4	13.4	36.5	6.6	-2.9	-11.7	-11.8	15.8	17.2										
20-24	26.0	-0.4	3.1	25.6	-10.2	1.5	-22.7	0.0	12.9	16.0										
25-29	12.9	-18.9	-10.0	-13.5	-20.0	-16.2	-42.3	-10.5	-2.4	3.1										
30-34	-0.5	-22.6	-19.3	-25.0	-22.6	-31.2	-33.3	-25.0	-13.0	-9.8										
35-39	15.1	-8.4	-1.8	5.2	-6.4	-27.8	-11.4	-7.7	2.0	-1.8										
40-44	27.4	10.4	12.6	31.8	15.5	-14.8	-3.1	-5.2	17.5	18.4										
45-49	31.4	15.1	18.2	41.2	22.1	9.9	2.8	2.0	23.8	27.8										
50-54	43.2	37.0	33.6	57.5	48.5	44.6	28.3	48.8	42.3	54.8										
55-59	47.8	29.9	33.3	60.2	44.7	50.0	38.0	78.8	43.3	56.5										
60-64	63.6	49.7	65.3	53.7	50.7	45.5	92.5	80.6	57.9	72.5										
65-69	29.5	19.9	42.5	24.5	20.7	20.8	53.7	21.2	26.9	33.5										
70-74	9.3	5.5	27.4	22.9	12.7	19.5	22.2	21.7	14.0	25.5										
75-79	14.7	8.0	32.8	37.9	56.2	22.7	37.5	14.3	23.4	26.4										
80-84	19.7	16.4	86.2	71.7	89.1	50.0	57.1	72.7	42.3	46.4										
85+	46.5	46.9	63.6	140.5	153.3	100.0	70.0	37.5	76.4	86.6										
Total	21.0	3.9	8.1	25.1	9.0	0.4	2.1	8.5	13.2	18.0										

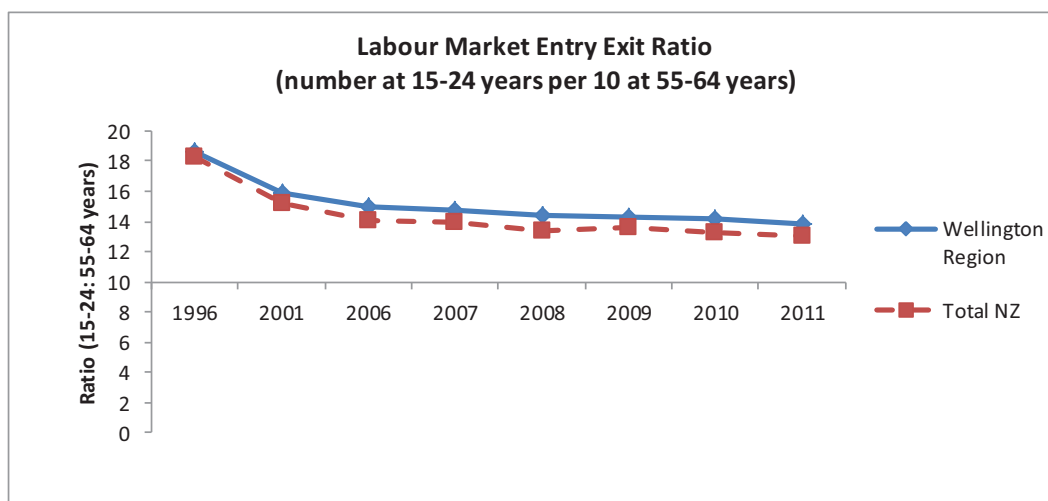
Source: Jackson, N.O (2012) Sub national Age Structure Resource 1996-2011, NIDEA, University of Waikato

Notes: Source data from Stats NZ TableBuilder. Estimated Sub national Population by Age and Sex at 30 June

4.2 Labour Market Implications

Reflecting structural population ageing, Table 4.1.1 (above) showed that the Wellington Region’s Labour Market ‘entry/exit ratio’ has fallen since 1996, from 18.6 people at labour market entry age (15-24 years) for every 10 in the retirement age zone (55-64 years), to 13.9 per 10 in 2011 (illustrated here in Figure 4.2.1 – and note differences in periodicity, the seemingly sharp decline at the beginning of the period reflecting five year observations which then shift to annual). However as Figure 4.2.1 shows, the entry: exit index for the Wellington Region remains slightly higher than for Total New Zealand, which in 2011 had only 13.0 people at entry age per 10 at exit age (down from 18.3 in 1996). If older age groupings are used, for example 20-29 and 60-69 years, the difference is greater. The Wellington Region in 2011 had 17.1 entrants per 10 exits, while Total New Zealand had just 14.8 (not shown on Table 4.1.1). In both cases the disparity reflects the relative youth of the Wellington Region, particularly its small bulge at these labour market entry ages, although the presence of a university means that it says nothing about labour market availability *per se*.

Figure 4.2.1: Labour Market Entry/Exit Ratio, Wellington Region and Total New Zealand, 1996-2011



Source: Jackson, N.O (2012) *Subnational Age Structure Resource 1996-2011*, NIDEA, University of Waikato

Source data from Stats NZ *Infoshare Estimated Subnational Population (RC, TA,AU) by Age and Sex at 30 June 1996, 2001, 2006-2011 (2006 Boundaries)*

Table 4.2.1 gives the data for the TAs which comprise the Wellington Region, along with those for Total New Zealand. All entry:exit ratios declined significantly over the period 1996-2011, the greatest declines in the Wellington Region occurring for the structurally older South Wairarapa and Carterton Districts (48 and 52 per cent respectively). In both cases the decline was much greater than occurred nationally (29 per cent), as it was also in the Masterton District and Upper Hutt City (33-34 per cent). Decline in this index was smaller for Wellington City (20.3 per cent) and, despite its significantly older age structure, the Kapiti Coast District (17.5 per cent); in the latter case decline occurring from an already low ratio of 9.5. These trends mean that in 2011, four Wellington Region TAs had fewer people at labour market entry than exit age: Kapiti Coast (7.8 per 10), Masterton District (9.5:10), South Wairarapa District (6.0:10), and Carterton (6.3:10). For Kapiti Coast, South Wairarapa and Carterton these are exceedingly low levels.

Table 4.2.1: Labour Market Entry/Exit Ratio (15-24:55-64 years), Wellington Region and its Territorial Authorities compared with Total New Zealand, 1996-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION	Total NZ
1996	23.1	18.2	20.2	9.5	19.1	14.5	11.6	13.1	18.6	18.3
2001	20.7	15.4	17.3	7.9	15.4	12.2	7.4	9.2	15.9	15.2
2006	20.4	14.2	15.4	7.8	13.0	10.7	5.5	7.7	14.9	14.1
2007	19.9	14.0	15.3	8.0	12.9	10.2	5.6	7.4	14.7	13.9
2008	19.1	13.9	15.1	7.9	12.6	10.1	5.8	7.4	14.4	13.4
2009	19.0	13.6	15.0	8.0	12.7	10.1	5.8	7.0	14.3	13.6
2010	18.8	13.6	14.9	8.0	12.8	9.7	6.0	6.8	14.2	13.0
2011	18.4	13.3	14.1	7.8	12.7	9.5	6.0	6.3	13.9	13.0
Change 1996-2011 (%)	-20.3	-26.8	-30.1	-17.5	-33.4	-34.5	-48.3	-51.9	-25.4	-28.8

Source: Jackson, N.O (2012) *Subnational Age Structure Resource 1996-2011*, NIDEA, University of Waikato

Source data from Stats NZ *Infoshare Estimated Subnational Population (RC, TA,AU) by Age and Sex at 30 June 1996, 2001, 2006-2011*

4.3 Ethnic Age Composition and Ageing

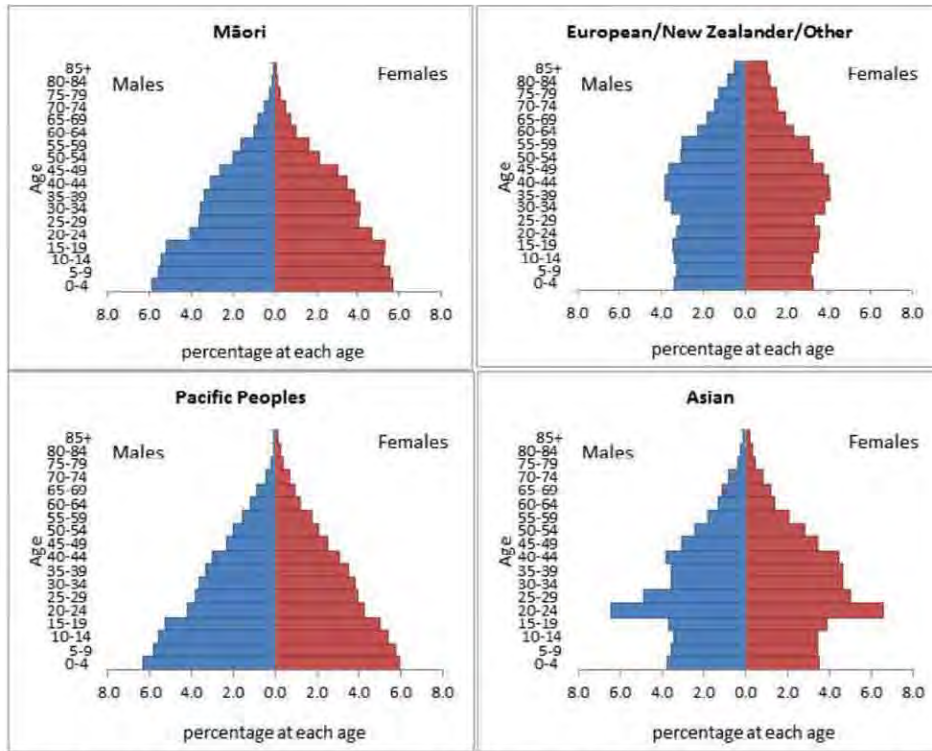
Figure 4.3.1 provides a comparison of the Wellington Region's major ethnic groups in 2006, according to the multiple count enumeration method discussed above. As was indicated in Table 1.2.1 (p. 18), this method of enumeration means that a portion of the population is counted in more than one ethnic group. In the Wellington Region's case, the over-count for 2006 (when the totals by ethnic group are summed) was approximately 10.3 per cent, a little higher than at the 1996 Census when it was 9.6 per cent. However, as can be seen by the markedly different age structures of each group in Figure 4.3.1, this methodological complexity would have very little impact on the story by age composition.

The data identify that the relative youthfulness of the region's population discussed above is very much contributed to by the extremely youthful Māori and Pacific Island populations, which at 0-14 and 15-24 years greatly exceed their total share, accounting for almost 30 per cent at age 0-14 (see Table 4.3.1). The significant 'wings' on the Asian population at 20-24 years (presumably reflecting education-related migration) also stand in marked contrast to the others, and account for 10.6 per cent of the population at that age.

Figure 4.3.2 provides a comparison with Total New Zealand. In each case the age structures for each ethnic group are similar to those for the Wellington Region. However at national level the 'bite' at 20-29 years for the European-origin population is somewhat deeper than for the total Wellington Region, while the Wellington Region Māori population is slightly younger, and the Pacific Island population slightly older, than their national level counterparts (denoted by smaller and larger ratios of elderly to children than for the Wellington Region).

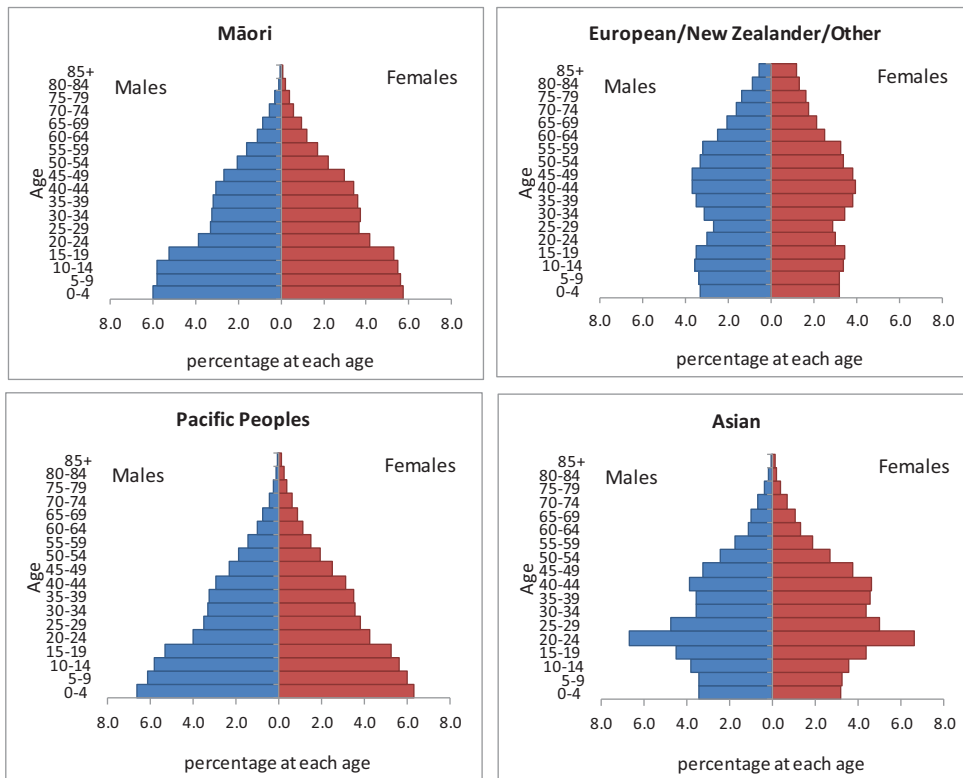
Table 4.3.1 provides an overview of each group's population share by age for 2006. The general picture is that the Māori and Pacific Island populations increase their share as age decreases, while the European-origin population increases its share as age increases. The picture is significantly less linear for the Asian population, where the largest shares are concentrated at 15-24 and 25-54 years. Within that picture, young Māori and those of Asian origin comprise a slightly smaller share of the Wellington Region's youth (17.5 and 7.4 per cent respectively) than they do at national level (20.2 and 7.9 per cent respectively), and the situation is similar at each older age. By contrast, the region's European, Pacific Island and MELAA populations generally claim a larger share of each age group than they do nationally.

Figure 4.3.1: Age-Sex Structure by Major Ethnic Group*, Wellington Region, 2006



Source: Statistics New Zealand, Estimated Subnational Ethnic Population (RC, TA) by Age and Sex at 30 June 2006
 Notes: *Multiple count ethnicity means that people may be counted in more than one ethnic group

Figure 4.3.2: Age-Sex Structure by Major Ethnic Group*, Total New Zealand, 2006



Source: Statistics New Zealand, Estimated Subnational Ethnic Population (RC, TA) by Age and Sex at 30 June 2006
 Notes: *Multiple count ethnicity means that people may be counted in more than one ethnic group

Table 4.3.1: Ethnic Group* Percentage Share by Age Group and Region, 2006

	Māori	Pacific Island	Asian	MELAA	European /NZ/Other	Total*	Number*
Wellington Region							
0-14	17.5	11.6	7.4	1.4	62.1	100.0	116,150
15-24	14.9	9.2	10.6	1.4	64.0	100.0	78,990
25-54	10.9	6.6	8.7	1.2	72.7	100.0	218,000
55-64	6.7	4.6	5.6	0.6	82.4	100.0	47,460
65+	3.8	2.8	4.3	0.4	88.7	100.0	53,860
Total	11.9	7.5	7.9	1.1	71.5	100.0	514,460
Total NZ							
0-14	20.2	10.4	7.9	1.0	60.6	100.0	1,064,730
15-24	17.0	8.3	13.1	1.1	60.5	100.0	684,330
25-54	12.4	5.8	10.0	1.0	70.8	100.0	1,870,490
55-64	7.9	3.4	5.6	0.4	82.7	100.0	442,280
65+	4.9	2.2	3.6	0.2	89.0	100.0	520,320
Total	13.6	6.6	8.8	0.8	70.1	100.0	4,582,150

Source: Jackson, N.O (2011) *Subnational Ethnic Age Structure Resource 1996, 2001, 2006, NIDEA*

Source data: Statistics New Zealand, *Estimated Subnational Ethnic Population (RC,TA) by Age and Sex at 30 June*

Notes: *Multiple count ethnicity means that people may be counted in more than one ethnic group

Tables 4.3.2 to 4.3.5 provide summary data for the Wellington Region’s Māori, Pacific Island, Asian, and European origin populations by age across the 1996-2006 period. Data for the MELAA population are not presented because of relatively small numbers by age.

Table 4.3.2 shows that the very youthful age structure of the Wellington Region’s Māori population results in at least one-third aged 0-14 years across all three observations, falling from 35.7 per cent in 1996 to 33.3 per cent in 2006. These proportions are in stark contrast to that population’s 11.9 per cent total share in 2006 shown earlier in Table 1.2.1, and are clearly where the Māori population’s contribution to the region’s growth is concentrated, i.e., at the youngest ages. The population’s relative youth is also evidenced in its very high labour market entry exit ratio in 2006 of 36.7 at labour market entry age per 10 in the retirement zone (by comparison the national ‘all ethnic groups combined’ ratio was 14.1 per 10, and for the Wellington Region, 14.9 per 10). However the region’s Māori population is also ageing, with the Labour Market entry: exit ratio having fallen from 48.3 per 10 in 1996.

At 65+ years, both numbers and proportions have grown, albeit the proportion in 2006 is still only 3.3 per cent. The data indicate that the Wellington Region's Māori population is slightly younger than its national counterpart, where the proportion aged 65+ is a little higher (4.1 per cent), and the labour market entry: exit ratio concomitantly fractionally lower (see also Section 6 on this topic).

Table 4.3.2: Summary Indicators, Wellington Region Māori Population, 1996, 2001, 2006

Māori	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Broad Age Group						
0-14	19,390	20,360	20,310	5.0	-0.2	4.7
15-24	10,960	10,240	11,750	-6.6	14.7	7.2
25-54	20,480	21,790	23,680	6.4	8.7	15.6
55-64	2,270	2,430	3,200	7.0	31.7	41.0
65+	1,200	1,400	2,040	16.7	45.7	70.0
Wellington Region	54,300	56,220	60,980	3.5	8.5	12.3
Total NZ Māori	573,180	585,970	624,310	2.2	6.5	8.9
	Percentage			Change (%) over 5 years		(10 years)
0-14	35.7	36.2	33.3	1.4	-8.0	-6.7
15-24	20.2	18.2	19.3	-9.8	5.8	-4.5
25-54	37.7	38.8	38.8	2.8	0.2	3.0
55-64	4.2	4.3	5.2	3.4	21.4	25.5
65+	2.2	2.5	3.3	12.7	34.3	51.4
Wellington Region	100.0	100.0	100.0	...	...	...
Total NZ Māori % 65+ years	3.0	3.4	4.1	11.8	22.0	36.4
Ratio Labour Market Entrants to Exits (Number aged 15-24 per 10 persons aged 55-64)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	48.3	42.1	36.7	-12.7	-12.9	-23.9
Total NZ Māori	42.0	36.9	33.1	-12.1	-10.2	-21.1
Ratio Elderly to Children (Number 65+ per Child 0-14)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	0.06	0.07	0.10	11.1	46.1	62.3
Total NZ Māori	0.08	0.09	0.12	11.8	30.5	45.9

Source: Jackson, N.O. (2011) *Subnational Age Structure Resource 1996, 2001, 2006*, NIDEA, University of Waikato.

Notes: Source data from Stats NZ TableBuilder *Estimated Subnational Population (RC,TA,AU) by Age and Sex at 30 June 96,01,06*.

Notes: Multiple count ethnicity means that people may be counted in more than one ethnic group

The Pacific Island population of the Wellington Region has an even greater proportion at the youngest ages than Māori, 34.7 per cent in 2006 (Table 4.3.3), but also a slightly higher proportion aged 65+ years (3.9 per cent). The latter was also a little higher than for the national Pacific Island population (3.8 per cent). As can be seen from Tables 4.3.2 and 4.3.3, both populations are also ageing, and, as was the case for Māori, the Pacific Island population's contribution to the growth of the region is clearly also heavily concentrated at the youngest ages.

Table 4.3.3: Summary Indicators, Wellington Region Pacific Island Population, 1996, 2001, 2006

Pacific Island	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Broad Age Group						
0-14	12,070	13,120	13,450	8.7	2.5	11.4
15-24	6,540	6,640	7,240	1.5	9.0	10.7
25-54	12,030	13,250	14,320	10.1	8.1	19.0
55-64	1,470	1,770	2,200	20.4	24.3	49.7
65+	1,030	1,150	1,530	11.7	33.0	48.5
Wellington Region	33,140	35,930	38,740	8.4	7.8	16.9
Total NZ Pacific Island	229,280	261,820	301,640	14.2	15.2	31.6
	Percentage			Change (%) over 5 years		(10 years)
0-14	36.4	36.5	34.7	0.3	-4.9	-4.7
15-24	19.7	18.5	18.7	-6.4	1.1	-5.3
25-54	36.3	36.9	37.0	1.6	0.2	1.8
55-64	4.4	4.9	5.7	11.1	15.3	28.0
65+	3.1	3.2	3.9	3.0	23.4	27.1
Wellington Region	100.0	100.0	100.0	...	...	...
Total NZ Pacific Island % 65+ years	3.1	3.4	3.8	11.8	11.8	25.0
Ratio Labour Market Entrants to Exits (Number aged 15-24 per 10 persons aged 55-64)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	44.5	37.5	32.9	-15.7	-12.3	-26.0
Total NZ Pacific Island	47.1	40.0	37.2	-14.9	-7.0	-20.9
Ratio Elderly to Children (Number 65+ per Child 0-14)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	0.09	0.09	0.11	2.7	29.8	33.3
Total NZ Pacific Island	0.08	0.09	0.10	12.0	16.8	30.8

Source: Jackson, N.O (2011) Subnational Ethnic Age Structure Resource 1996, 2001, 2006, NIDEA

Notes: Source data from Stats NZ TableBuilder Estimated Subnational Population (RC,TA,AU) by Age and Sex at 30 June 96,01,06.

Notes: Multiple count ethnicity means that people may be counted in more than one ethnic group

As noted above, the region's Asian population has a significantly different and somewhat older age structure, with little over one-fifth aged 0-14 years in 2006, and 5.7 per cent aged 65+ years (Table 4.3.4), the latter being somewhat greater than its national counterpart (4.7 per cent). The most distinctive feature of the region's Asian population is, however, its particularly large disproportion at 20-24 years, as noted above presumably reflecting the pursuit of higher education, and a somewhat larger and stable proportion at 25-54 years. At 31:10 in 2006, the ratio of Asian people at labour market entry to exit age was strongly positive; however for the Wellington Region this index says little about labour market availability, with so many young Asian people known to be studying.

Table 4.3.4: Summary Indicators, Wellington Region Asian Population, 1996, 2001, 2006

Asian	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Broad Age Group						
0-14	6,640	7,270	8,630	9.5	18.7	30.0
15-24	4,390	5,690	8,340	29.6	46.6	90.0
25-54	12,130	14,740	18,860	21.5	28.0	55.5
55-64	1,410	2,020	2,680	43.3	32.7	90.1
65+	1,000	1,570	2,310	57.0	47.1	131.0
Wellington Region	25,570	31,290	40,820	22.4	30.5	59.6
Total NZ Asian	194,750	272,440	404,320	39.9	48.4	107.6
	Percentage			Change (%) over 5 years		(10 years)
0-14	26.0	23.2	21.1	-10.5	-9.0	-18.6
15-24	17.2	18.2	20.4	5.9	12.4	19.0
25-54	47.4	47.1	46.2	-0.7	-1.9	-2.6
55-64	5.5	6.5	6.6	17.1	1.7	19.1
65+	3.9	5.0	5.7	28.3	12.8	44.7
Wellington Region	100.0	100.0	100.0	...	...	...
Total NZ Asian % 65+ years	3.0	4.2	4.7	37.9	11.4	53.6
Ratio Labour Market Entrants to Exits (Number aged 15-24 per 10 persons aged 55-64)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	31.1	28.2	31.1	-9.5	10.5	0.0
Total NZ Asian	51.0	37.5	36.3	-26.3	-3.3	-28.7
Ratio Elderly to Children (Number 65+ per Child 0-14)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	0.15	0.22	0.27	43.4	23.9	77.7
Total NZ Asian	0.12	0.19	0.23	58.7	21.6	93.0

Source: Jackson, N.O (2011) Subnational Ethnic Age Structure Resource 1996, 2001, 2006, NIDEA

Notes: Source data from Stats NZ TableBuilder Estimated Subnational Population (RC,TA,AU) by Age and Sex at 30 June 96,01,06.

Notes: Multiple count ethnicity means that people may be counted in more than one ethnic group

The data for the Wellington Region's European-origin population (Table 4.3.5) also stand in stark contrast to that for the other ethnic groups. With 13.0 per cent aged 65+ years in 2006, the European-origin population of the Wellington Region is much older than each of the other ethnic groups, but simultaneously somewhat younger than its national counterpart (14.4 per cent) and ageing somewhat more slowly. This disparity is also evident in the entry exit ratio for the region's European-origin population being just 12.9 people at entry age per 10 at exit age in 2006, the ratio also having fallen from 16.8 across the period, albeit that decline being less pronounced than for its national counterpart.

Table 4.3.5: Summary Indicators, Wellington Region European/New Zealand/Other Population, 1996, 2001, 2006

European/NZ/Other	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Broad Age Group						
0-14	73,560	73,480	72,120	-0.1	-1.9	-2.0
15-24	49,700	45,720	50,570	-8.0	10.6	1.8
25-54	156,100	156,980	158,510	0.6	1.0	1.5
55-64	29,640	32,650	39,090	10.2	19.7	31.9
65+	42,840	44,300	47,770	3.4	7.8	11.5
Wellington Region	351,840	353,130	368,060	0.4	4.2	4.6
Total NZ European/Other/NZ	3,074,610	3,074,010	3,213,330	0.0	4.5	4.5
	Percentage			Change (%) over 5 years		(10 years)
0-14	20.9	20.8	19.6	-0.5	-5.8	-6.3
15-24	14.1	12.9	13.7	-8.3	6.1	-2.7
25-54	44.4	44.5	43.1	0.2	-3.1	-2.9
55-64	8.4	9.2	10.6	9.8	14.9	26.1
65+	12.2	12.5	13.0	3.0	3.5	6.6
Wellington Region	100.0	100.0	100.0	...	...	...
Total NZ European/Other/NZ % 65+)	13.2	13.8	14.4	4.6	4.1	8.8
Ratio Labour Market Entrants to Exits (Number aged 15-24 per 10 persons aged 55-64)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	16.8	14.0	12.9	-16.5	-7.6	-22.8
Total NZ European/Other/NZ	15.9	12.7	11.3	-20.1	-11.0	-28.9
Ratio Elderly to Children (Number 65+ per Child 0-14)						
	1996	2001	2006	1996-2001	2001-2006	1996-2006
	Number			Change (%) over 5 years		(10 years)
Wellington Region	0.58	0.60	0.66	3.5	9.9	13.7
Total NZ European/Other/NZ	0.61	0.65	0.72	6.1	10.0	16.7

Source: Jackson, N.O (2011) Subnational Ethnic Age Structure Resource 1996, 2001, 2006, NIDEA

Notes: Source data from Stats NZ TableBuilder Estimated Subnational Population (RC,TA,AU) by Age and Sex at 30 June 96,01,06.

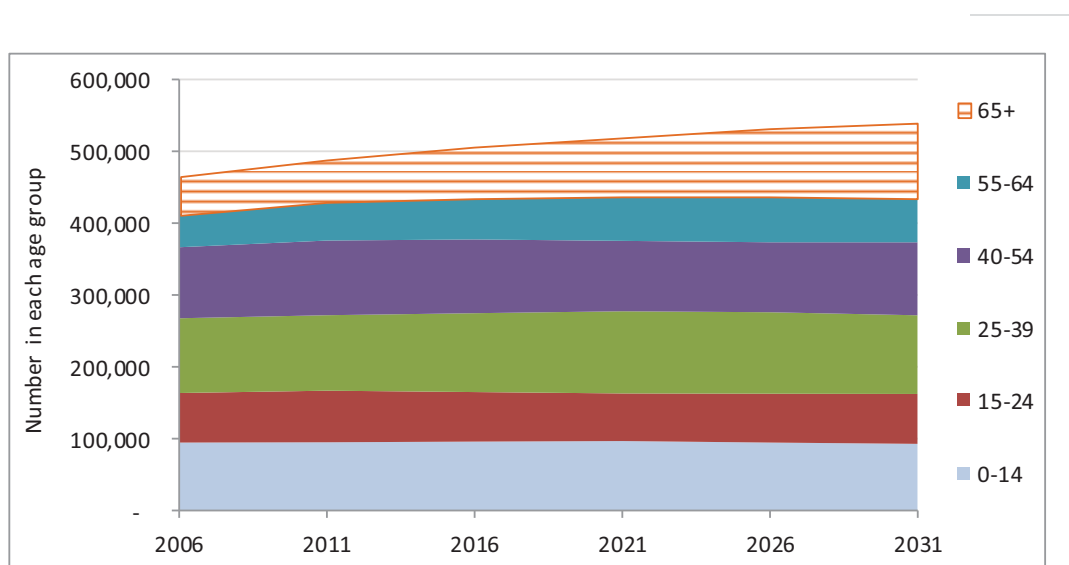
Notes: Multiple count ethnicity means that people may be counted in more than one ethnic group

5.0 Population Projections

5.1 Size, Growth and Population Ageing

Under the medium series assumptions, the population of the Wellington Region is projected to continue to grow steadily, reaching approximately 541,000 by 2031, an increase of 10.7 per cent over 2011 (Table 5.1.1). The gains are not shared evenly across the age distribution, however, with decline projected for age groups 0-14 years (-2.3 per cent), 15-24 years (-3.3 per cent) and 40-54 years (-2.3 per cent), and those aged 25-39 years experiencing only minor growth (4.3 per cent). By contrast, the population aged 65+ years is anticipated to grow both numerically (77.2 per cent between 2011 and 2031) and structurally (from 12.4 per cent in 2011 to 19.9 per cent by 2031), with the changes even more marked at 75+ and 85+ years.

Figure 5.1.1: Projected Change in Numbers by Broad Age Group, Wellington Region, 2006-2031, Medium Series



Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

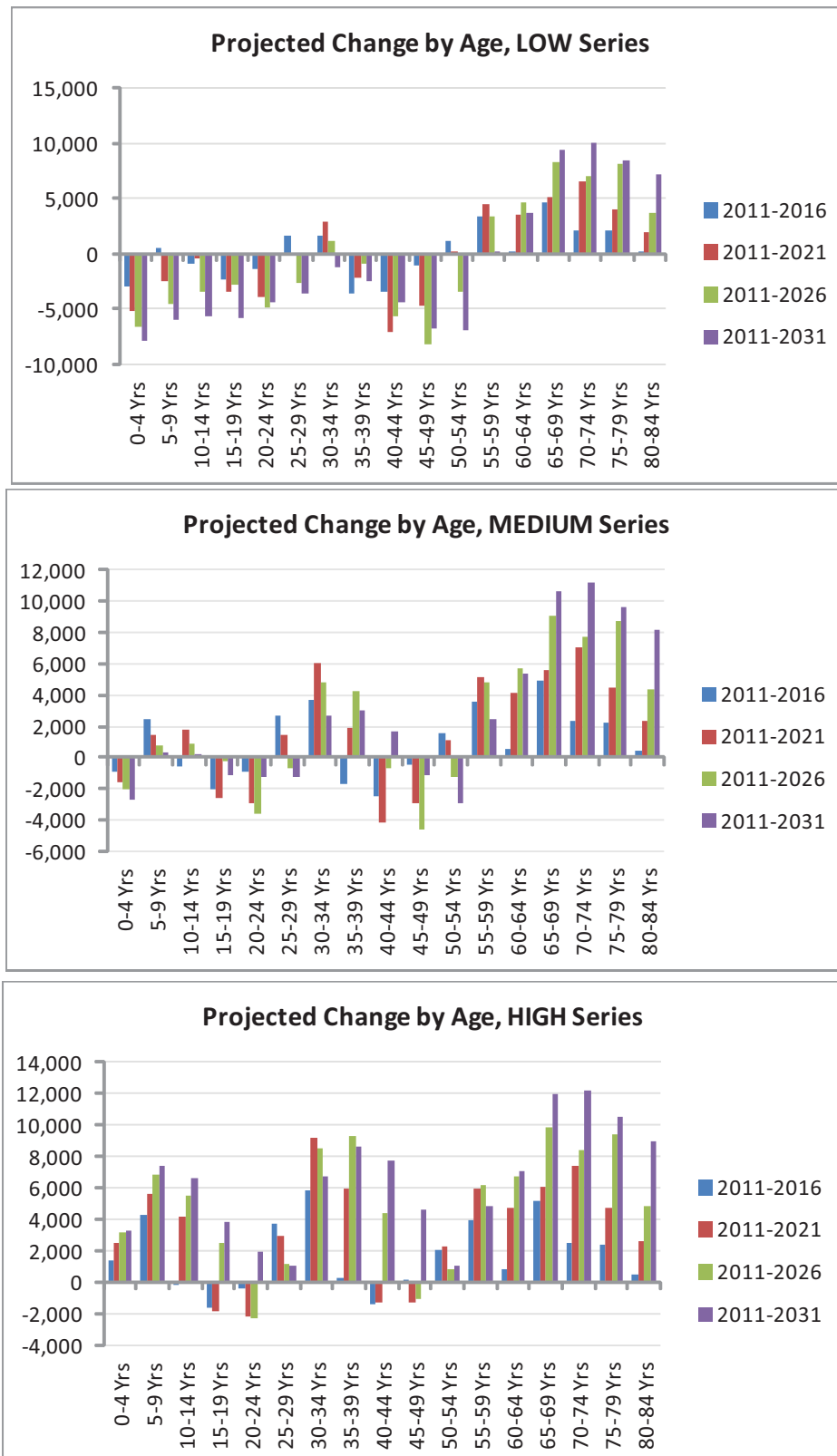
Figure 5.1.2 compares these changes under the low and high variant assumptions. Very few gains are projected for age groups below 55 years under either the low and medium variant assumptions, while growth is overwhelmingly at 65+ years. Of note is the resilience of growth at the older ages irrespective of the projection assumptions. Only under the high assumptions is growth spread more evenly across the younger, middle, and older age groups. Also of note is the ebbing and flowing of inter-censal change in the age groups, for example, numbers aged 15-24 years declining between both 2011-2016 and 2016-2021 but growth then resuming; this is also the case nationally.

Table 5.1.1: Projected Population, Wellington Region, 2006-2021 (Medium Series)

Wellington Region	2006	2011	2016	2021	2026	2031	Change (%) 2011-2031	
Numbers by age								
0-14	94,870	95,270	96,220	97,000	94,880	93,090	-2.3	
15-24	69,050	71,880	69,020	66,310	68,070	69,490	-3.3	
25-39	104,130	105,140	109,880	114,500	113,490	109,620	4.3	
40-54	98,930	104,040	102,730	98,020	97,460	101,660	-2.3	
55-64	46,210	52,020	56,230	61,350	62,530	59,830	15.0	
65-74	28,680	33,510	40,800	46,160	50,360	55,350	65.2	
75-84	18,400	19,540	22,170	26,350	32,660	37,300	90.9	
85+	5,980	7,660	9,090	10,150	12,230	14,920	94.8	
Total	466,250	489,060	506,140	519,840	531,680	541,260	10.7	
65+	53,060	60,710	72,060	82,660	95,250	107,570	77.2	
Intercensal Change by Age - Numbers								
		2006-2011	2011-2016	2016-2021	2021-2026	2026-2031	Change (N) 2011-2031	Contribution to growth (%)
0-14	...	400	950	780	-2120	-1790	-2180	-4.2
15-24	...	2830	-2860	-2710	1760	1420	-2390	-4.6
25-39	...	1010	4740	4620	-1010	-3870	4480	8.6
40-54	...	5110	-1310	-4710	-560	4200	-2380	-4.6
55-64	...	5810	4210	5120	1180	-2700	7810	15.0
65-74	...	4830	7290	5360	4200	4990	21840	41.8
75-84	...	1140	2630	4180	6310	4640	17760	34.0
85+	...	1680	1430	1060	2080	2690	7260	13.9
Total	...	22810	17080	13700	11840	9580	52200	100.0
65+	...	7650	11350	10600	12590	12320	46860	89.8
Age Distribution (percentage at each age)								
	2006	2011	2016	2021	2026	2031	Change (%) 2011-2031	
0-14	20.3	19.5	19.0	18.7	17.8	17.2	-11.7	
15-24	14.8	14.7	13.6	12.8	12.8	12.8	-12.6	
25-39	22.3	21.5	21.7	22.0	21.3	20.3	-5.8	
40-54	21.2	21.3	20.3	18.9	18.3	18.8	-11.7	
55-64	9.9	10.6	11.1	11.8	11.8	11.1	3.9	
65-74	6.2	6.9	8.1	8.9	9.5	10.2	49.2	
75-84	3.9	4.0	4.4	5.1	6.1	6.9	72.5	
85+	1.3	1.6	1.8	2.0	2.3	2.8	76.0	
Total	100.0	100.0	100.0	100.0	100.0	100.0	...	
65+	11.4	12.4	14.2	15.9	17.9	19.9	60.1	
Summary measures								
	2006	2011	2016	2021	2026	2031	2011-2031	
LM Entrants/Exits								
(15-24/55-64 years)	1.5	1.4	1.2	1.1	1.1	1.2	...	
(20-29/60-69 years)	1.9	1.7	1.6	1.4	1.2	1.2	...	
Elderly/Children	0.56	0.64	0.75	0.85	1.00	1.16	...	
Reproductive (20-39 yrs)	29.8	29.4	29.2	28.9	27.9	27.2	...	
65+	11.4	12.4	14.2	15.9	17.9	19.9	...	
75+	5.2	5.6	6.2	7.0	8.4	9.6	...	
Growth (%) - 5 years	...	4.89	3.49	2.71	2.28	1.80	10.67	
Annual average growth (%)	...	0.98	0.70	0.54	0.46	0.36	0.53	

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Figure 5.1.2: Projected Population Change by Age and Projection Series, Wellington Region

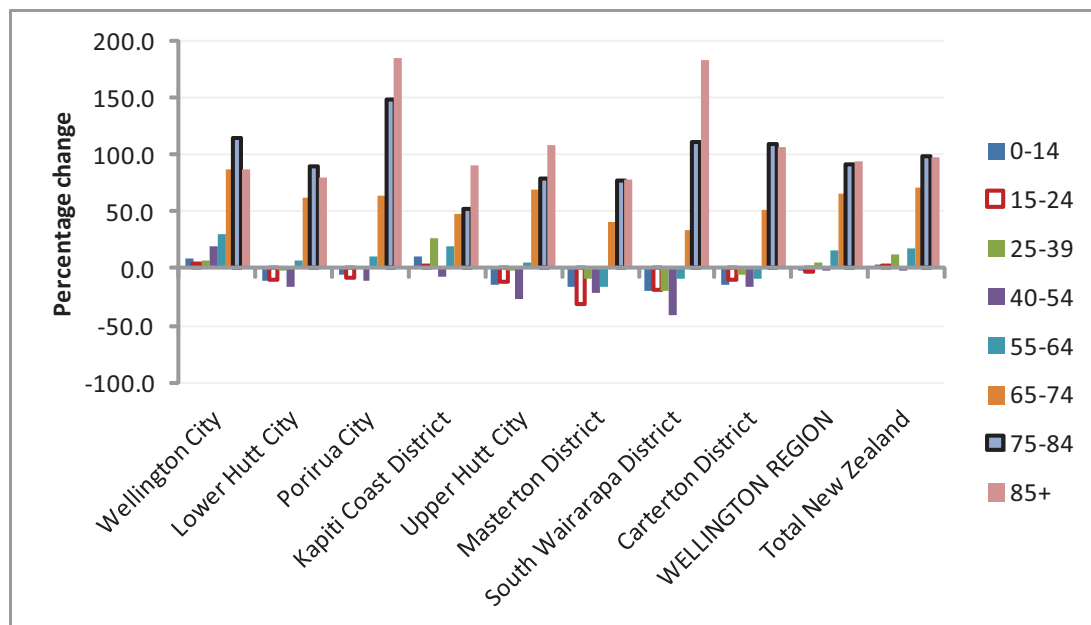


Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Figure 5.1.3 and Table 5.1.2 summarise the projected changes for the region, its TAs, and total New Zealand, under the medium variant assumptions. Reflecting the trends at regional level, only Wellington City is projected to experience gains at every age group, with five TAs (Lower Hutt City, Upper Hutt City, and Masterton, Carterton and South Wairarapa Districts) projected to decline at all age groups below 55 years – although it should be recalled that there is likely to be an underlying ebbing and flowing across the different inter-censal periods, as larger cohorts (of recently born children) replace smaller ones, and vice-versa. All TAs are also projected to experience substantial growth at 65+ years. Still, only Wellington City and Porirua City show growth rates at 65+ years greater than the national average.

The outcome of these shifts (Table 5.1.2) is projected overall growth of less than 6 per cent for most TAs, with Masterton and South Wairarapa Districts expected to decline in size (-4.0 per cent and -5.1 per cent respectively). Substantial growth is projected for Wellington City and the Kapiti Coast District only, with both expected to experience greater growth than Total New Zealand (16.3 per cent).

Figure 5.1.3: Projected Change (%) in Numbers by Broad Age Group, Wellington Region, its TAs, and Total New Zealand 2011-2031, Medium Series



Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

Table 5.1.2: Projected Change (%) in Numbers by Broad Age Group, Wellington Region, its TAs and Total New Zealand, 2011-2031, Medium Series

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION	Total New Zealand
0-14	8.0	-11.1	-5.7	9.7	-14.4	-15.6	-20.5	-14.0	-2.3	3.2
15-24	4.4	-9.9	-8.3	2.3	-12.5	-30.4	-18.4	-10.5	-3.3	2.2
25-39	6.6	-1.6	1.6	26.1	-0.3	-9.6	-20.3	-5.4	4.3	12.7
40-54	18.8	-16.9	-11.1	-6.4	-27.2	-21.5	-40.8	-15.7	-2.3	0.0
55-64	30.7	6.5	10.0	19.9	6.0	-16.4	-8.8	-8.7	15.0	16.9
65-74	86.6	62.4	64.1	48.5	69.1	41.1	33.0	51.4	65.2	70.7
75-84	115.1	89.1	147.4	53.0	78.4	76.7	110.9	109.8	90.9	97.9
85+	86.0	80.1	184.2	89.8	107.3	78.3	182.4	107.1	94.8	98.1
Total	19.1	1.5	5.4	20.4	0.8	-4.0	-5.1	3.3	10.7	16.3
65+	95.1	72.9	96.0	56.3	77.7	58.3	70.1	76.4	77.2	82.8

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Table 5.1.3 shows the projected contribution to growth of each TA comprising the Wellington Region. By far the majority of growth is anticipated to occur in Wellington City (73.2 per cent), followed by the Kapiti Coast District (19.8 per cent). While the remaining TAs account for relatively small proportions of total growth, their contributions to growth at the youngest ages (0-14 years) are quite the opposite, particularly for Lower Hutt City. At the older ages (65+ years), contributions to growth are spread a little more evenly among TAs, with the greatest for Wellington City (35.9 per cent) and Lower Hutt City (19.1 per cent) contributions around 10 per cent or greater for the three largest TAs.

Table 5.1.3: Projected Contribution to Growth by Broad Age Group, Wellington Region, its TAs and Total New Zealand, 2011-2031, Medium Series

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION	Number
0-14	-123.9	114.7	33.9	-40.8	56.9	32.6	17.4	10.1	100.0	-2,180
15-24	-61.9	61.1	27.6	-5.0	30.5	38.1	6.7	3.3	100.0	-2,390
25-39	80.6	-7.1	3.8	38.2	-0.4	-7.4	-5.8	-1.3	100.0	4,480
40-54	-334.0	159.2	51.3	28.6	106.3	43.7	35.3	10.9	100.0	-2,380
55-64	72.5	9.2	6.9	16.9	3.6	-6.7	-1.7	-1.3	100.0	7,810
65-74	40.0	20.0	9.5	13.4	9.5	4.3	1.7	1.7	100.0	21,840
75-84	34.4	19.4	11.2	13.4	9.0	6.5	3.4	2.5	100.0	17,760
85+	27.0	15.6	9.6	23.0	12.1	6.5	4.3	2.1	100.0	7,260
Total	73.2	3.0	5.5	19.8	0.6	-1.8	-0.9	0.5	100.0	52,200
65+	35.9	19.1	10.2	14.9	9.7	5.5	2.8	2.1	100.0	46,860

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

5.2 Projections by Ethnicity

While counting population by ethnicity is difficult, projecting populations based on ethnic affiliation is even more difficult. The following projections have many caveats attached to them and should be read as indicative only. Among them is their multiple count base, the high degree of rounding of numbers involved, and numbers by age and sex are less reliable because of very small cell sizes.

Table 5.2.1 shows the European/Other population of the Wellington Region growing only slightly (3.2 per cent) between 2011 and 2021 against a 13.0 per cent increase for Māori. The percentage increases projected for the Pacific Island and Asian populations (16.5 and 27.7 per cent respectively) are somewhat larger, partly reflecting their smaller bases.

In all cases, natural increase is the primary driver of growth, and for the European, Māori and Pacific Island populations, offsets accompanying net migration loss. By 2021, natural increase for Māori is three-quarters of that for European/Other in absolute terms (6,900 compared with 9,400). There are marked differences by age. The 65+ year European/Other population is projected to increase by 30.2 per cent, compared with 76.9 per cent for Māori, 61.1 per cent for the Pacific Island population and 100.0 per cent for the Asian population. For the European/Other population the increase in the elderly population accounts for the vast majority of that population's overall 3.2 per cent projected growth, with net losses projected at 0-14 and 40-64 years (2.6 and 1.1 per cent respectively) and minimal growth at 15-39 years (0.5 per cent). Growth is projected at all ages for all other ethnic groups, disproportionately so at 0-14 and 15-39 years for the Māori and Pacific Islands populations, and at 15-39 and 50-64 years for the Asian population.

By 2021 the median age of the European/Other and Asian populations will be approximately 39.4 and 34.6 years respectively, that for European/Other around 14 or 15 years greater than for the Māori and Pacific Islands populations (25.6 and 24.2 years respectively), leaving the differences much the same as in 2011.

Table 5.2.1: Population Projections for Wellington Region by Ethnic Group and Broad Age Group

Wellington Region	Population(2, 3) by age group (years) at 30 June					Projected components of population change, five years ended 30 June					Median age(5) (years) at 30 June
	0-14	15-39	40-64	65+	All ages	Births	Deaths	Natural increase	Net migration	Inter-ethnic mobility(4)	
European/Other											
1996	73,600	137,100	98,400	42,900	351,900	...	...	...	...	...	34.0
2001	73,500	128,400	107,000	44,300	353,100	...	...	...	...	...	35.6
2006 (base)	72,100	129,900	118,300	47,800	368,100	...	...	...	...	...	36.9
2011	71,500	129,000	125,100	53,900	379,500	25,900	12,800	13,100	-1,700	0	38.0
2016	70,600	128,500	125,300	62,800	387,100	24,600	13,800	10,900	-3,200	0	38.9
2021	69,100	129,700	122,900	70,200	391,800	24,000	14,600	9,400	-4,700	0	39.4
Change 2011-2021 (%)	-3.4	0.5	-1.8	30.2	3.2	...	...	...	...	...	...
Māori											
1996	19,400	24,500	9,200	1,200	54,300	...	...	...	...	...	22.1
2001	20,400	23,800	10,700	1,400	56,200	...	...	...	...	...	22.6
2006 (base)	20,300	25,500	13,100	2,000	61,000	...	...	...	...	...	23.5
2011	21,900	26,200	15,300	2,600	66,100	8,700	1,100	7,600	-1,500	-1,000	24.0
2016	23,200	27,000	16,800	3,500	70,600	8,500	1,300	7,200	-1,700	-1,000	24.9
2021	24,300	28,200	17,600	4,600	74,700	8,300	1,400	6,900	-1,700	-1,000	25.6
Change 2011-2021 (%)	11.0	7.6	15.0	76.9	13.0	...	...	...	...	...	...
Pacific Islands											
1996	12,100	14,100	5,900	1,000	33,100	...	...	...	...	...	21.8
2001	13,100	14,900	6,700	1,200	35,900	...	...	...	...	...	22.2
2006 (base)	13,500	15,800	8,000	1,500	38,700	...	...	...	...	...	23.0
2011	14,700	16,700	9,100	1,800	42,300	5,500	700	4,800	-800	-400	23.1
2016	15,700	17,700	10,000	2,400	45,900	5,600	800	4,800	-800	-400	23.6
2021	16,600	19,000	10,800	2,900	49,300	5,600	900	4,700	-800	-500	24.2
Change 2011-2021 (%)	12.9	13.8	18.7	61.1	16.5	...	...	...	...	...	...
Asian											
1996	6,600	12,100	5,800	1,000	25,600	...	...	...	...	...	28.8
2001	7,300	14,300	8,200	1,600	31,300	...	...	...	...	...	30.1
2006 (base)	8,600	19,000	10,800	2,300	40,800	...	...	...	...	...	29.3
2011	10,200	21,600	13,400	3,900	49,100	3,900	500	3,400	5,300	-400	30.7
2016	12,100	23,200	14,900	5,600	55,900	4,500	700	3,800	3,500	-500	32.7
2021	14,100	24,000	16,700	7,800	62,700	4,800	900	3,800	3,500	-500	34.6
Change 2011-2021 (%)	38.2	11.1	24.6	100.0	27.7	...	...	...	...	...	...

Source: Statistics New Zealand, Subnational Ethnic Population Projections (2006 Base - 2009 Update) Tables 3e, 3m, 3p, 3a

(1) Boundaries at 30 June 2009.

(2) These projections have as a base the estimated resident population of each ethnicity, of each area, at 30 June 2006 and incorporate medium fertility, medium migration, medium mortality, and medium inter-ethnic mobility assumptions for each area. Population estimates for 1996-2006 are derived from the respective 1996-2006 census usually resident population counts.

(3) Numbers reflect the multiple count enumeration methodology and their sum is somewhat greater than the total projection for the TA. Projections are not available for all ethnic groups for all TA's.

(4) The net effect of people changing their ethnic identity.

(5) Half the population is younger, and half older, than this age.

Table 5.2.2 and Figure 5.2.1 provide an overview in terms of resulting population share by age. The data suggest moderate change in the overall ethnic composition of the region, with European/ Other falling by three percentage points to 67.7 per cent by 2021, Māori and Pacific Island shares increasing slightly (by 0.6 percentage points in both cases), and the Asian population reaching 10.8 per cent by 2021, up from 9.1 per cent in 2011. However there are greater differences by age. The projections indicate that the European/Other population will continue to account for the majority of each age group, ranging in 2021 from 55.7 per cent at ages 0-14 years, to 82.1 per cent at ages 65+ years. Equivalent data are not available for the MELAA population and thus projected contribution for each ethnic group by TA is not shown.

Table 5.2.2: Projected Distribution (% Population Share) by Age and Ethnic Group*, Wellington Region

	0–14	15–39	40–64	65+	All ages
2011					
European	60.4	66.7	76.8	86.7	70.7
Māori	18.5	13.5	9.4	4.2	12.3
Pacific Island	12.4	8.6	5.6	2.9	7.9
Asian	8.6	11.2	8.2	6.3	9.1
Total	100.0	100.0	100.0	100.0	100.0
Number (3)	118300	193500	162900	62200	537000
2016					
European	58.1	65.4	75.0	84.5	69.2
Māori	19.1	13.7	10.1	4.7	12.6
Pacific Island	12.9	9.0	6.0	3.2	8.2
Asian	10.0	11.8	8.9	7.5	10.0
Total	100.0	100.0	100.0	100.0	100.0
Number (3)	121600	196400	167000	74300	559500
2021					
European	55.7	64.6	73.2	82.1	67.7
Māori	19.6	14.0	10.5	5.4	12.9
Pacific Island	13.4	9.5	6.4	3.4	8.5
Asian	11.4	11.9	9.9	9.1	10.8
Total	100.0	100.0	100.0	100.0	100.0
Number (3)	124100	200900	168000	85500	578500

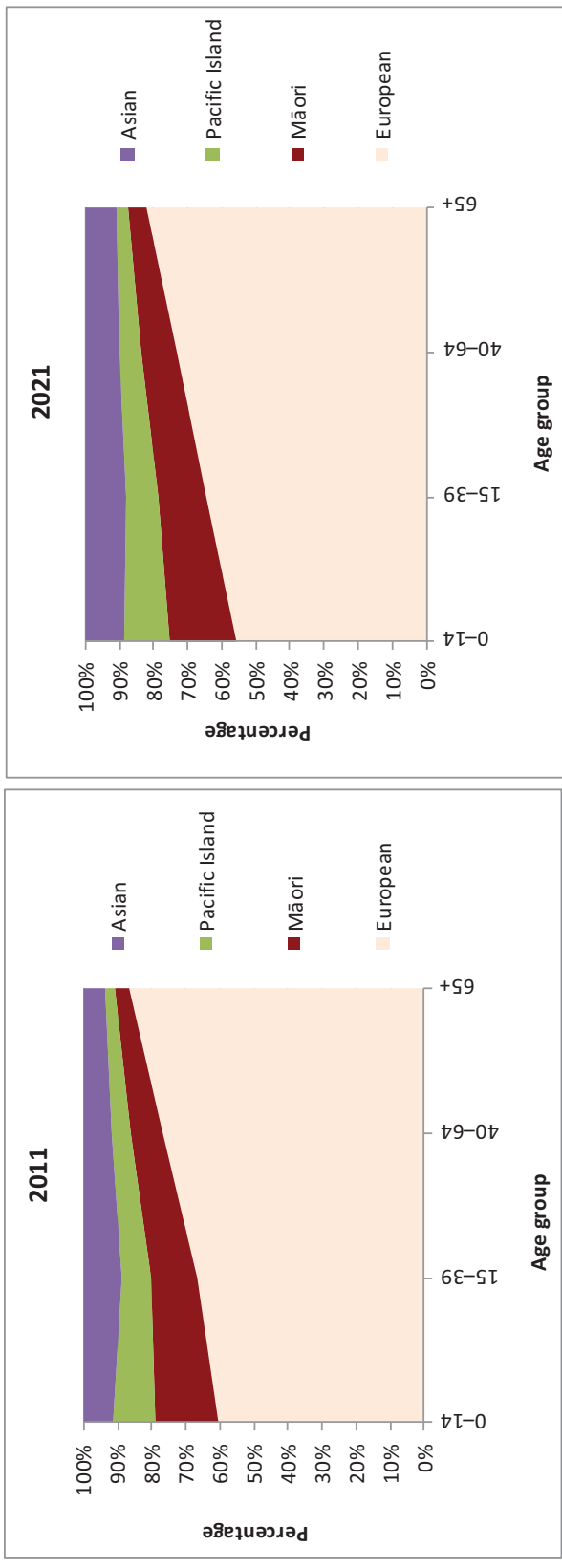
Source: Statistics New Zealand, *Subnational Ethnic Population Projections (2006 Base - 2009 Update)* Tables 3e, 3m, 3p, 3a

(1) Boundaries at 30 June 2009.

(2) These projections have as a base the estimated resident population of each ethnicity, of each area, at 30 June 2006 and incorporate medium fertility, medium migration, medium mortality, and medium inter-ethnic mobility assumptions for each area.

(3) Underlying numbers reflect the multiple count enumeration methodology and their sum is somewhat greater than the total projection for the region. Projections not available for all ethnic groups for all regions.

Figure 5.2.1: Projected Population of the Wellington Region by Major Ethnic Group* and Broad Age Group, 2011 and 2021



Source: Statistics New Zealand, Subnational Ethnic Population Projections (2006 Base - 2009 Update) Tables 3e, 3m, 3p.3a

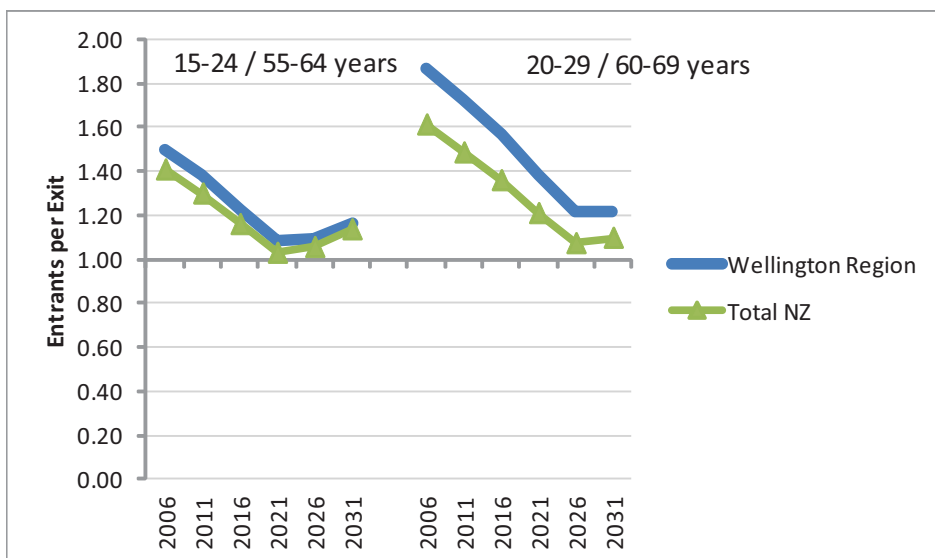
- (1) Boundaries at 30 June 2009.
- (2) These projections have as a base the estimated resident population of each ethnicity, of each area, at 30 June 2006 and incorporate medium fertility, medium migration, medium mortality, and medium inter-ethnic mobility assumptions for each area. Population estimates for 1996–2006 are derived from the respective 1996–2006 census usually resident population counts.
- (3) The underlying numbers reflect the multiple count enumeration methodology and their sum is somewhat greater than the total projection for the region.

5.3 Labour Market Implications of Changing Age Structure

As noted earlier, population ageing drives other important demographic changes. One of the most important is change in the ratio of people at labour market entry age to those at ‘exit’ age. Various age groupings can be employed to calculate this ratio; here we use two: people aged 15-24 to those 55-64 years, and people aged 20-29 to those 60-69 years (Figure 5.3.1). Based on the first of these indices, the Wellington Region can expect to maintain more people at ‘entry’ than ‘exit’ age across the projection period, falling from 1.4 (fourteen ‘entrants’ per 10 ‘exits’) in 2011, to a low of 1.1 between 2021 and 2026, returning to 1.2 in 2031 when the current baby blip reaches labour market entry ages (see also Table 5.1.1 above). When the ratio is based on those aged 20-29 and 60-69 years, it also falls, but does not reach the low levels at 15-24:55-64 years, dropping to 1.2 between 2026 and 2031. These population-based ratios say little about future labour market availability however, given the Wellington Region’s role as a centre for education and international migration.

Nationally the ratios similarly decline, falling to near-parity in 2021 (Appendix 3.3). All are linked, however, in a national (and international) labour market that will see increased competition for the participation of the young and greater need to encourage the retention of older workers. This demographically-tight labour market will have significant implications for labour costs as it unfolds. This will be particularly so for industries which have older age structures and are ageing faster than average, as outlined in the following special topic (Section 6.0), and for non-urban areas.

Figure 5.3.1: Projected Ratio of People at Labour Market Entry Age to Those Approaching Exit Age, Wellington Region and Total New Zealand, 2006-2031 (Medium Variant Assumptions)



Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

Table 5.3.1 provides similar information for the TAs which comprise the Wellington Region. As noted earlier, Wellington City has the highest ratio of people at labour market entry to exit age under both scenarios (that is, younger and older age groupings), a reflection of its disproportion at 20-24 years. The ratios for South Wairarapa District are the lowest, with those of three other TAs (Kapiti Coast, Masterton and Carterton Districts) already somewhat below ten entrants per ten exits and continuing to fall across the projection period. The labour market entry to exit ratio is projected to decline by at least 10 per cent for all TAs under both age groupings (with the exception of Carterton District under the younger age grouping), with the decline most pronounced for Wellington City under both scenarios.

Table 5.3.1: Projected Ratio of People at Labour Market Entry Age to Those Approaching Exit Age, Wellington Region and its Territorial Authority Areas, 2006-2031 (Medium Variant Assumptions)

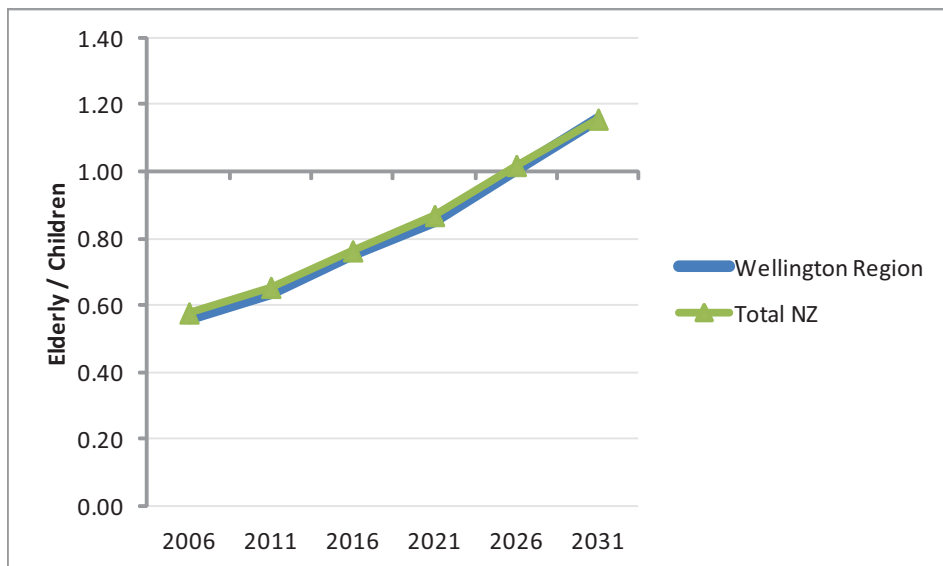
	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION
(15-24 years per 10 aged 55-64 years)									
2006	20.4	14.2	15.4	7.8	13.0	10.7	5.4	7.7	14.9
2011	18.2	13.3	14.6	7.9	12.5	9.4	5.9	6.6	13.8
2016	16.4	14.5	12.8	7.2	11.2	7.6	5.6	5.5	12.3
2021	14.5	10.1	10.8	6.2	9.4	6.6	4.5	5.9	10.8
2026	14.1	10.4	11.0	6.2	9.5	7.0	5.1	6.4	10.9
2031	14.5	11.2	12.2	6.8	10.3	7.8	5.3	6.5	11.6
2011-2031 (% change)	-20.2	-15.4	-16.7	-14.6	-17.6	-16.8	-10.5	-2.0	-16.0
(20-29 years per 10 aged 60-69 years)									
2006	32.3	16.3	17.1	5.8	13.9	9.5	5.4	7.3	18.7
2011	28.9	15.1	16.5	6.3	12.1	9.1	4.5	6.8	17.3
2016	25.1	13.1	15.4	6.5	11.7	8.3	4.9	5.7	15.7
2021	22.2	11.9	13.4	5.9	10.4	6.5	4.5	4.8	13.8
2026	19.4	10.4	11.2	5.2	8.6	5.4	3.6	5.0	12.2
2031	18.7	10.8	11.3	5.2	8.7	5.6	4.0	5.5	12.2
2011-2031 (% change)	-35.2	-28.8	-31.5	-18.6	-28.3	-38.2	-13.0	-20.2	-29.4

Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

5.4 Natural Increase Implications of Changing Age Structure

For the Wellington Region, the ratio of elderly (65+ years) to children (0-14 years) is projected to increase rapidly from its present 0.64 (six elderly for every ten children), to 1.16 by 2031 (twelve for every 10 - Figure 5.4.1). This profound shift to more elderly than children (the cross over coinciding with that for Total New Zealand around 2026) will by then be contributing to diminishing levels of natural increase (Figure 5.4.2), as will the decreasing proportion projected to be at the key reproductive ages (28.9 per cent in 2031, down from 27.2 per cent in 2011) compared with Total New Zealand (25-27 per cent) (Figure 5.4.3).

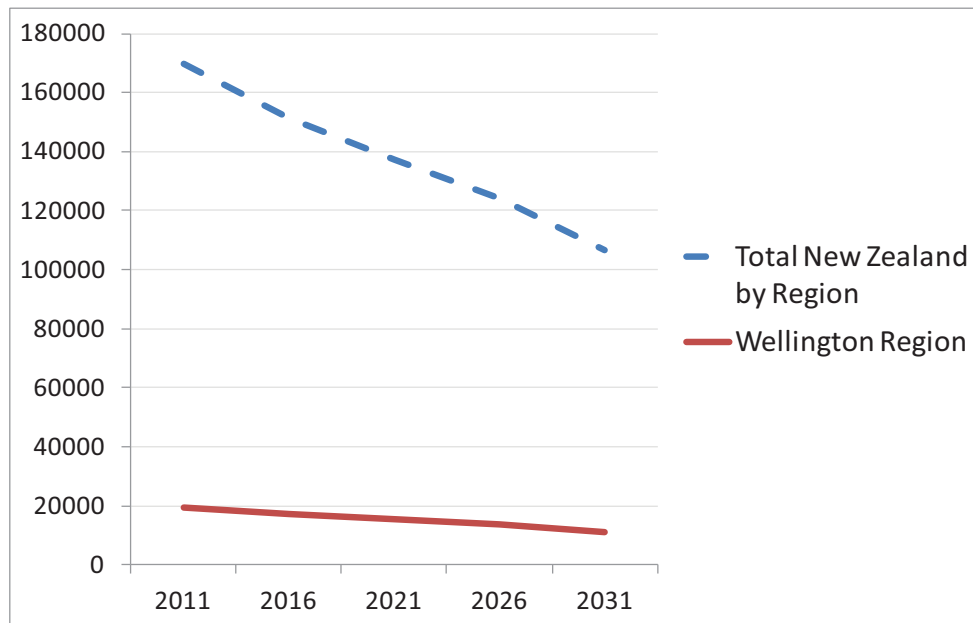
Figure 5.4.1: Projected Ratio of Elderly (65+ Years) to Children (0-14 Years), Wellington Region and Total New Zealand, 2006-2031 (Medium Variant Assumptions)



Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

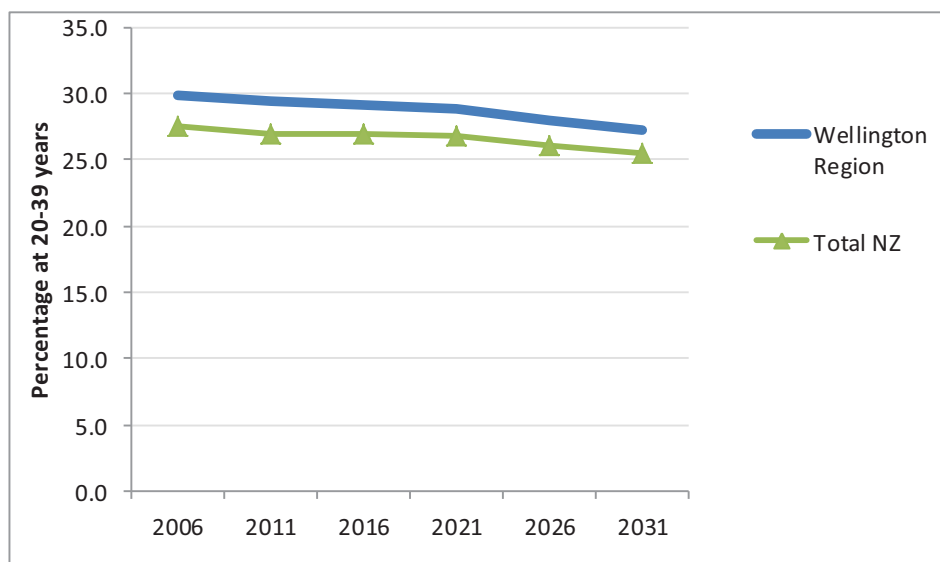
The proportion at key reproductive ages (Figure 5.4.3) appears to be a particularly critical indicator of future growth. In 2010, 15 of New Zealand's 67 Territorial Authorities (22 per cent) had either stopped growing or declined in size (Jackson 2011: 20). All had proportions aged 20-39 years lower than the national average (then 26.9 per cent), and thereby severe 'hour-glass' shaped age structures which are no longer conducive to sustained natural growth. Referring back to Section 2, natural increase is currently the major component of the Wellington Region's growth and particularly of some TAs. As that component declines, growth – or maintenance of population size – will become ever more dependent on migration.

Figure 5.4.2: Projected Natural Increase, Wellington Region and Total New Zealand, 2011-2031 (Medium Variant Assumptions)



Source: Statistics NZ Subnational Projected Population Characteristics, 2006(base)-2031 Update

Figure 5.4.3: Projected Proportion at Key Reproductive Ages (20-39 Years), Wellington Region and Total New Zealand, 2006-2031 (Medium Variant Assumptions)



Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Tables 5.4.1 to 5.4.3 give the data for the TAs which comprise the Wellington Region, beginning with the proportion of each TA at the key reproductive ages (Table 5.4.1). These data indicate that all TAs are projected to experience a decline in the proportion at these ages, although for the Kapiti Coast District the decline is very slight (note as earlier that the change is based on a 2011 baseline, not 2006). Decline is greatest for the region's three smallest TAs (Masterton, South Wairarapa and Carterton Districts), where 2011 figures are already comparatively low. Decline in this index for Wellington City is also substantial, although the capital city will continue to have the highest proportion at 20-39 years over the next two decades.

Table 5.4.1: Projected Proportion at Key Reproductive Ages (20-39 Years), Wellington Region and its Territorial Authority Areas, 2006-2031 (Medium Variant Assumptions)

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION
2006	37.6	27.4	27.4	18.4	25.5	20.8	19.9	20.1	29.8
2011	37.5	26.8	27.0	17.5	23.8	20.5	17.3	19.5	29.4
2016	37.1	26.3	26.7	17.7	23.4	20.9	15.9	18.4	29.2
2021	36.1	26.3	26.8	18.2	23.7	20.6	15.0	18.5	28.9
2026	34.3	25.9	25.9	18.1	23.5	19.6	14.9	18.1	27.9
2031	33.2	25.4	25.3	17.5	23.2	17.8	15.2	17.2	27.2
2011-2031 (% change)	-11.5	-5.0	-6.2	-0.3	-2.7	-13.4	-12.2	-11.8	-7.6

Source: Statistics New Zealand, *Subnational Population Projections by Age and Sex, 2006(base)-2031 Update*

The changing proportions at reproductive age are closely associated with shifts in the ratio of elderly to children (Table 5.4.2), which is projected to rise most substantially in Upper Hutt City and the South Wairarapa and Carterton Districts. Kapiti District already has more elderly than children, and is expected to be joined by three TAs as early as 2016: Masterton, South Wairarapa, and Carterton. More elderly than children is also projected for Upper Hutt City by 2021 and Lower Hutt City by 2031. Only Wellington and Porirua Cities do not experience a crossover to more elderly than children over the coming two decades.

The general reduction in the proportion at the key reproductive ages, alongside the underlying assumptions regarding future birth and life expectancy rates which change the ratio of old to young, result in a projected decline in natural increase for all TAs, with the sole exception of the relatively youthful Wellington City (Table 5.4.3). In general, declines are progressively greater for smaller TAs, in part reflecting their lower proportions at 20-39 years and greater proportions at 65+ years.

Table 5.4.2: Projected Ratio of Elderly (65+ Years) to Children (0-14 Years), Wellington Region and its Territorial Authority Areas, 2006-2031 (Medium Variant Assumptions)

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION
2006	0.48	0.48	0.31	1.21	0.57	0.80	0.80	0.72	0.56
2011	0.52	0.54	0.38	1.35	0.68	0.97	0.99	0.81	0.64
2016	0.60	0.64	0.48	1.52	0.85	1.17	1.27	1.02	0.75
2021	0.68	0.75	0.56	1.63	1.00	1.36	1.49	1.21	0.85
2026	0.80	0.91	0.68	1.78	1.22	1.61	1.84	1.48	1.00
2031	0.94	1.06	0.79	1.92	1.42	1.82	2.13	1.66	1.16
2011-2031 (% change)	80.7	94.4	107.7	42.5	107.6	87.5	114.1	105.1	81.3

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Table 5.4.3: Projected Natural Increase Wellington Region and its Territorial Authority Areas, 2006-2031 (Medium Variant Assumptions)

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	WELLINGTON REGION
2006									
2011	9600	5200	3800	300	1500	500	300	150	21400
2016	10300	5300	3800	200	1300	500	230	120	21700
2021	10600	5300	3800	300	1200	400	150	100	21800
2026	10300	5100	3700	300	1100	400	100	70	21200
2031	9900	4800	3500	200	1000	200	50	30	19700
2011-2031 (% change)	3.1	-7.7	-7.9	-33.3	-33.3	-60.0	-83.3	-80.0	-7.9

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

As outlined throughout this profile, the trends mean that the Wellington Region will continue to grow, although at a decreasing rate. As elsewhere in New Zealand, the region's overall growth will also become increasingly patchy, as its underlying drivers – births, deaths and migration - change.

6.0 Industrial Change – Special Topic 1

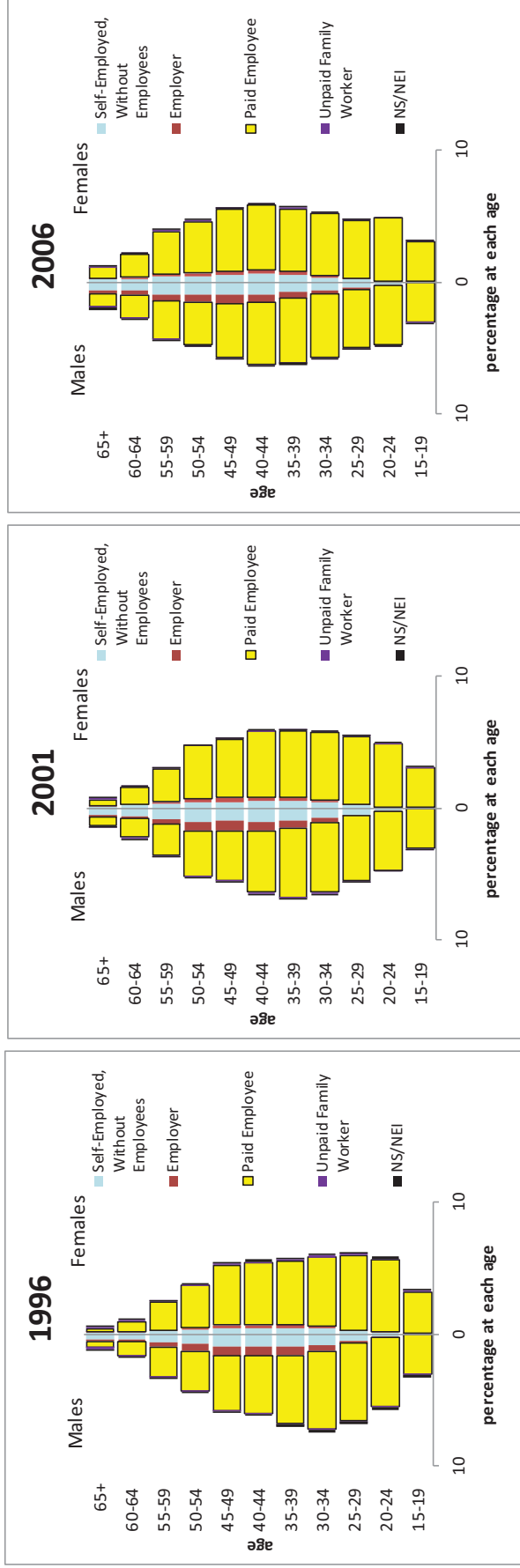
6.1 Industrial Age-Sex Structures (1996, 2001, 2006)

The extent (and speed) of population ageing and its impact on the ratio of those at the labour market entry ages to those in the retirement zone also differs by industry. Industries which employ large proportions of younger people, such as supermarkets and grocery stores, by definition have youthful age structures; those employing large proportions of older people (especially in senior management positions) have older age structures. However industrial employment patterns by age are not of interest simply because they differ, but rather, in the context of population ageing, they provide important information for issues such as future labour supply and succession planning. Most importantly, in this section the index is not based on population *per se*, but rather, on those actually employed in each industry: it is thus an *employment* ratio, as opposed to a labour *market* ratio.

This section provides an overview of the changing age-sex structure of the Wellington Region's employed labour force (and briefly touches on employment status) first for the total labour force, then for the region's six largest industries at the three digit level: Government Administration, Marketing and Business Management Services, School Education, Other Business Services, Computer Services, and Cafes and Restaurants. The data have been customised by Statistics New Zealand to be consistent in terms of industry and employment status across time. The section concludes with a brief look at all industries employing over 3,000 persons in 2006.

Reflecting the trends outlined above, the average age of the region's employed persons at each census was respectively 37.9, 39.3 and 40.4 years (Figure 6.1.1, see also Appendix 4.1); an overall increase of 2.5 years (6.7 per cent). By comparison, the national average at each observation was 38.2, 40.0 and 41.1 years (an increase of 2.9 years, 7.5 per cent), the Wellington Region thus experiencing a slightly slower rate of labour force ageing. As might be expected, employers and the self-employed have the oldest average ages, around eight years greater than paid employees, with all employments statuses from the Wellington Region slightly younger than nationally. The sex ratio is slightly masculinised, especially above age 60, while this has diminished over time. Of most significance, however, is that the employment entry: exit ratio has declined from 1.7 to 1.0 (17 persons aged 15-24 years per 10 in the retirement zone 55+ years in 1996, to ten per ten in 2006). Reflecting this trend, the proportion of the employed workforce aged 55+ years has increased from 10.7 to 16.9 per cent (59 per cent), albeit not quite as much as nationally where the equivalent figures are 11.7 to 18.4 per cent (a 60.3 per cent increase).

Figure 6.1.1.1: Age-Sex Structure and Employment Status of Employed Labour Force 1996, 2001, 2006, Wellington Region



Source: Jackson/Statistics NZ Customised Database,

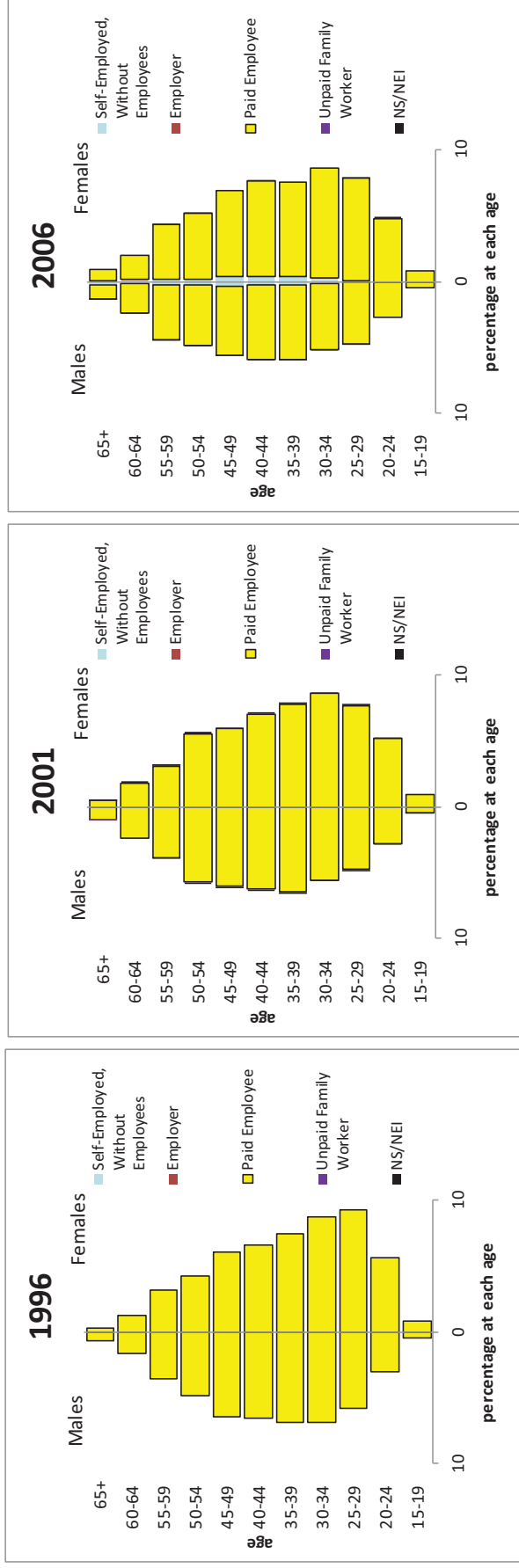
Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Employing 18,303 persons at the 2006 Census, the region's single largest industrial grouping, **Government Administration** (ANZSIC96 V4.1 code M811), is slightly older than the region's total labour force and significantly more feminised (sex ratio 0.9 and 0.8 males per female in 1996 and 2006 respectively), most notably under age 34 (Figure 6.1.2). The average age of employed persons at each census was respectively 39.3, 40.6 and 41.1 years, an increase of 1.9 years (4.7 per cent) (Appendix 4.2). In 2006 the industry accounted for 7.8 per cent of the Wellington Region's employed workforce, up from 7.0 per cent in 1996, when it was also the largest. As for the total labour force, the employment entry: exit ratio for this industry has similarly declined significantly, from 0.9 in 1996 to 0.6 in 2006, that is, there are now only six persons aged 15-24 for every ten aged 55+ years.

Slightly less feminised is the region's second largest industrial grouping, **Marketing and Business Management Services** (ANZSIC96 V4.1 code L785) (Figure 6.1.3 and Appendix 4.3). The average age of persons employed in this industry (41.3 years in 2006) is just a little older than the region's total labour force, and has shifted upwards since 1996 by 3.5 years (9.2 per cent); the proportion aged 55+ years increasing from 8.7 to 15.1 per cent (73.7 per cent). This industry is thus ageing relatively rapidly. Reflecting these trends, the ratio of those at employment entry age to those in the retirement zone has fallen by more than half, from 1.7 in 1996, to 0.6 in 2006 (from 17 to just six at entry age per 10 aged 55+ years). This workforce is also fractionally older than its national counterpart (average age 41.0 years in 2006) but it is ageing slightly more slowly. Employing 9,750 persons in 2006, the industry accounted for 4.2 per cent of the region's workforce, up from 2.8 per cent in 1996.

The Wellington Region's third largest industry, **School Education** (ANZSIC96 V4.1 code N842), in 2006 employed 8,919 persons (Figure 6.1.3, Appendix 4.4). The average age of employees in this highly feminised industry (sex ratio 0.3 in both 1996 and 2006) is somewhat older than the region's total employed labour force, and similarly increasing, from 42.7 years in 1996 to 44.8 years in 2006 (2.1 years, 4.8 per cent). Reflecting this trend, the percentage aged 55+ years increased from 13.4 per cent in 1996 to 21.4 per cent in 2006 (60.5 per cent), and the ratio of people at employment entry age (15-24 years) to those in the retirement zone (55+ years) more than halved, from 0.5 (five per 10) in 1996 to just 0.2 (two per 10) in 2006. Those employed in this industry in the Wellington Region are slightly younger than their national counterparts, whose average age in 2006 was 45.1 years; otherwise the trends are similar, both painting a picture of an imminent shortage of teachers and associated personnel.

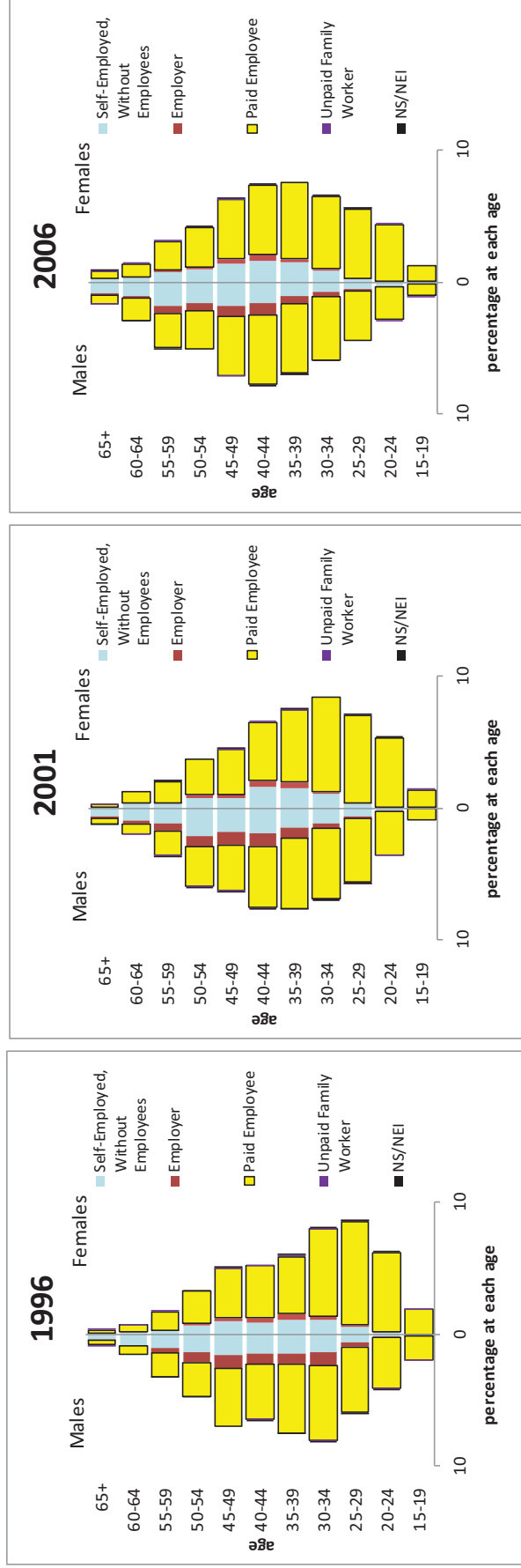
Figure 6.1.2: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: Government Administration (M811)



Source: Jackson/Statistics NZ Customised Database,

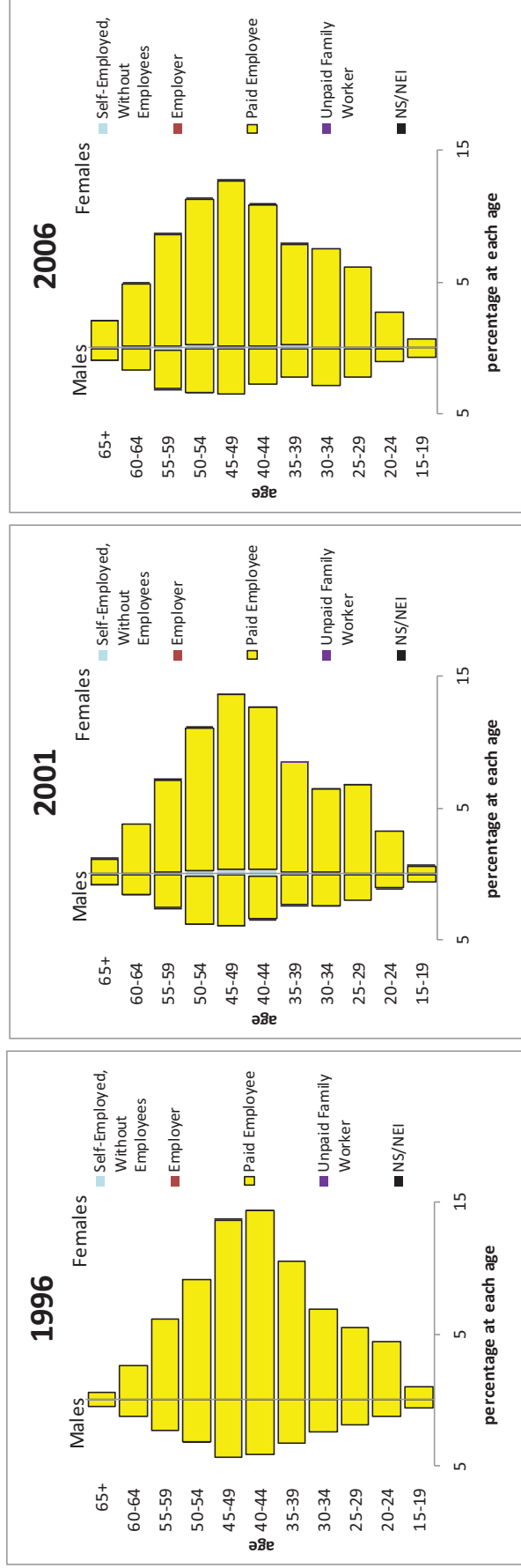
Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Figure 6.1.3: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: Marketing and Business Management Services (L785)



Source: Jackson/Statistics NZ Customised Database, Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Figure 6.1.4: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: School Education (N842)



Source: Jackson/Statistics NZ Customised Database, Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

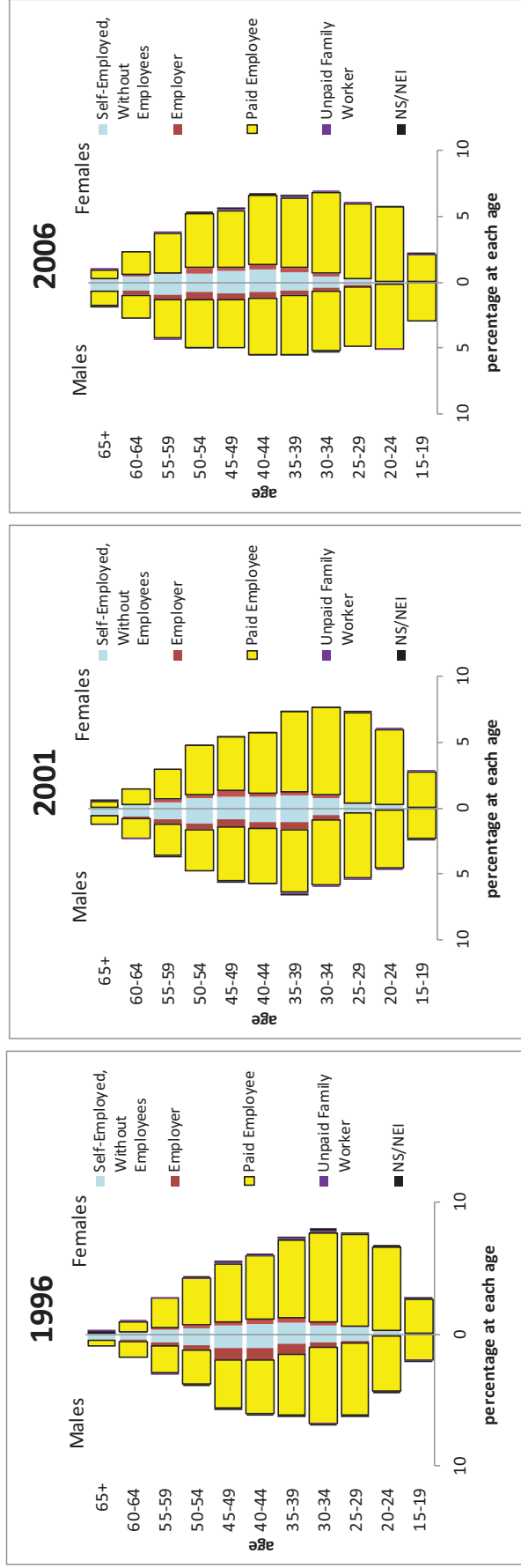
Another industry with a disproportion of females – albeit less so in 2006 than in 1996 – is the region's fourth largest: **Other Business Services** (ANZSIC96 V4.1 code L786); see Figure 6.1.5 and Appendix 4.5. Employing 7,965 people in 2006 (3.4 per cent of the region's employed labour force, up from 3.0 per cent in 1996), the industry has increased its share of the employed labour force but also fallen from third position in 1996 and 2001. Relatively youthful, with an average age in 2006 of 40.1 years, up from 37.8 in 1996, this industry is also ageing structurally, the percentage aged 55+ years increasing from 9.7 to 16.0 per cent (64.7 per cent) and the ratio of people at employment entry age (15-24 years) declining from 17.0 per ten at 55+ years in 1996, to parity (ten per ten) in 2006 (a 40.6 per cent decline).

Ranking 5th in size in 2006, up from 12th in 1996, the **Computer Services** industry (ANZSIC96 V4.1 code L783) is both heavily masculinised and becoming more so (the sex ratio increasing from 1.7 males per female in 1996 to 2.3 in 2006) (Figure 6.1.6, see also Appendix 4.6). Relatively youthful, with an average age of 38.5 years in 2006, this industry too is ageing, with that index having increased from 35.9 years in 1996 (7.3 per cent), and the percentage aged 55+ years increasing from 4.3 to 7.3 (68.1 per cent). Concomitantly the ratio of people at employment entry age (15-24 years) to those in the retirement zone (55+ years) has declined substantially, from 3.1 in 1996 to 1.2 in 2006 (31 per 10, to 12 per 10).

The final industry examined here, ranking 6th in size in 2006 (employing 6,324 persons), up from seventh in 1996, is **Cafes and Restaurants** (ANZSIC96 V4.1 code H573) (Figure 6.1.7, see also Appendix 4.7). Youngest of the six industries examined here, the average age of those employed in the industry increased from 29.5 years in 1996 to 30.6 years in 2006, and the percentage aged 55+ years rose from 4.0 to 6.5. In 2006 this somewhat feminised workforce (sex ratio 0.7 in both 1996 and 2006) had 7.5 persons at the employment entry ages (15-24 years) for every person in the retirement zone (55+ years), down from 12.5 per person in 1996. This extreme youth is readily observable from Figure 6.17.

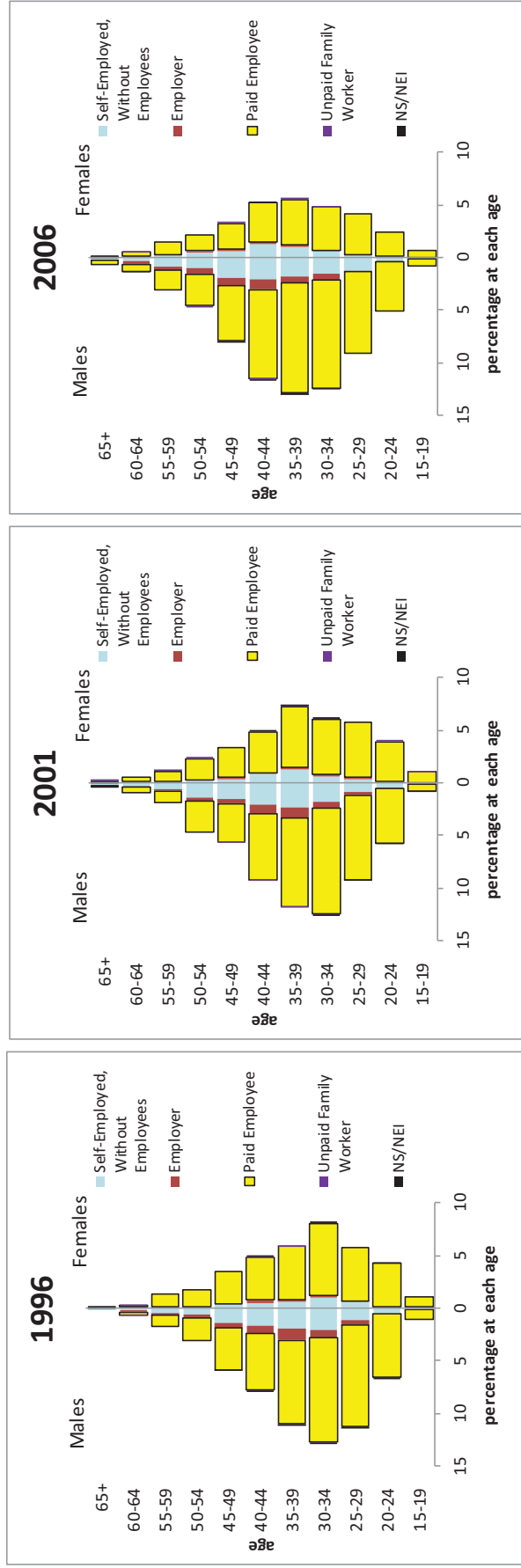
Together the six featured industries accounted for 25 per cent of the region's 2006 employed workforce, up from 21 per cent in 1996. As illustrated, some are younger or older, others are more feminised or masculinised, but all are ageing structurally. This is the case for all 157 industries at the three digit level and is a trend that must be prepared for, particularly in the older industries like school education which need to ensure that recruitment, retention and succession planning are urgently attended to.

Figure 6.1.5: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: Other Business Services (L786)



Source: Jackson/Statistic NZ Customised Database, Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

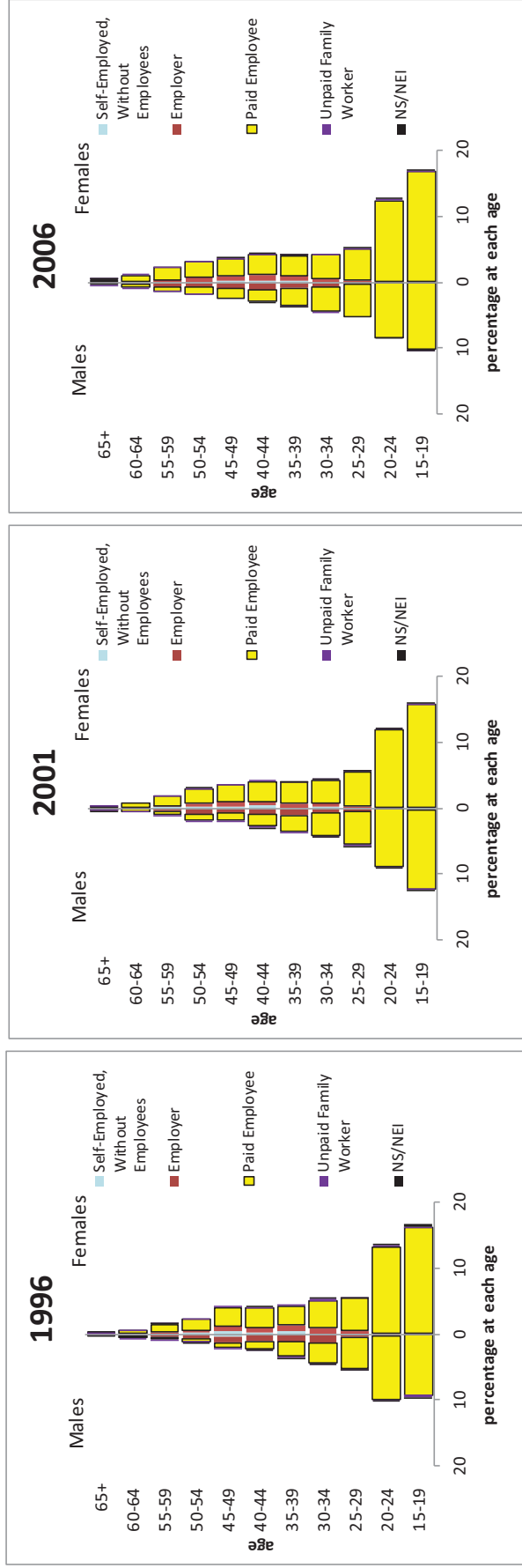
Figure 6.1.6: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: Computer Services (L783)



Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Figure 6.1.7: Age-Sex Structure of Major Industries 1996, 2001, 2006, Wellington Region: Cafes and Restaurants (H573)



Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Table 6.1.1 concludes this section with a brief summary of data for all industries in the Wellington Region with more than 3,000 employed persons in 2006, together accounting for over 56 per cent of the region's employed persons.

In 2006, 11 of the 22 industries employing more than 3,000 people had fewer people at entry than exit age, up from eight in 1996. The mature age structures of the School Education, Marketing and Business Management Services, and Government Administration industries discussed above are joined here by Legal and Accounting Services (0.7), Technical Services (0.6), Post School Education (0.5), Other Health Services (0.4), Public Order and Safety Services (0.4), Interest Groups (0.4), Hospitals and Nursing Homes (0.3), and Community Care Services (0.3). Together these 11 industries accounted for 30 per cent of the Wellington Region's employed workforce in 2006. The ratios for some of these industries do of course reflect the relatively low proportions of people at younger ages who have yet attained the necessary qualifications or experience; however in all but one case (Specialised Food Retailing) they have declined significantly in just the one decade, and all are part of the larger story which depicts increasing national (and international) competition for employees. Indeed, while the very high ratios for those employed in the Wellington Region's Cafes and Restaurants and Supermarkets and Grocery Stores stand in stark contrast for their youthfulness, they too have declined at an astonishing rate. All point to an urgent need to engage with the forthcoming even more rapid ageing of, and succession planning within, local industries. This urgency is even more pronounced in the more feminised industries, because of the different hours that men and many women prefer (or need) to work in order to balance family commitments.

Table 6.1.1: Ratio of Employed Population at Employment Entry Age (15-24 Years) to Exit Age (55+ Years) in Industries Employing Over 3,000 Persons, Wellington Region and Total New Zealand, 1996, 2001, 2006

Employed Labour Force by Industry and Employment Entry/Exit Ratio (15-24:55+ Years) 1996-2006 Industries over 3,000 persons	Wellington Region			Total New Zealand		
	Entry/Exit Ratio (entrants per exit)		Change	Entry/Exit Ratio (entrants per exit)		Change
	1996	2001	2006	1996	2001	2006
M811 Government Administration	0.9	0.7	0.6	0.8	0.5	0.4
L785 Marketing and Business Management Services	1.7	1.1	0.6	1.7	1.1	0.7
N842 School Education	0.5	0.3	0.2	0.6	0.3	0.2
L786 Other Business Services	1.7	1.3	1.0	1.6	1.1	0.9
L783 Computer Services	3.2	2.3	1.2	3.5	2.6	1.3
H573 Cafes and Restaurants	12.3	10.1	7.5	9.4	7.9	6.1
G511 Supermarket and Grocery Stores	14.3	8.0	4.8	11.5	6.8	4.1
K732 Deposit Taking Financiers	5.3	3.2	1.9	5.3	2.2	1.4
O863 Other Health Services	0.8	0.4	0.4	0.8	0.4	0.3
E411 Building Construction	1.6	1.2	1.3	1.8	1.1	1.2
L784 Legal and Accounting Services	1.6	1.1	0.7	1.6	0.9	0.6
O861 Hospitals and Nursing Homes	0.9	0.5	0.3	0.9	0.4	0.3
O872 Community Care Services	1.1	0.5	0.3	0.9	0.4	0.3
L782 Technical Services	0.9	0.6	0.6	1.2	0.7	0.6
N843 Post School Education	0.7	0.5	0.5	0.8	0.6	0.4
G525 Other Personal and Household Good Retailing	1.7	1.6	1.4	1.5	1.2	1.1
E423 Installation Trade Services	2.1	1.2	1.4	1.9	1.2	1.2
G512 Specialised Food Retailing	4.5	4.9	5.1	5.0	4.1	4.0
Q952 Other Personal Services	3.8	2.0	1.2	2.7	1.6	1.1
G532 Motor Vehicle Services	4.4	2.3	1.7	4.3	2.4	1.6
Q963 Public Order and Safety Services	0.9	0.6	0.4	0.8	0.5	0.3
Q962 Interest Groups	0.7	0.5	0.4	0.8	0.6	0.4
TOTAL EMPLOYED (Wellington Region)	1.7	1.2	1.0	1.6	1.1	0.9

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

Appendices

Appendix 1.1: Population Size and Growth, Wellington Region and Total New Zealand 1986-2011

Wellington Region	Night Resident Population and Census-Adjusted	Night Resident Population (unadjusted for Census)	Estimated Usual Resident Population (June Years)	Wellington Region	Change (%)	Total New Zealand Change (%)
1986	395,610	...	...	
1987	394,500	...	...	1986-87	...	...
1988	395,800	...	...	1987-88	-0.3	0.3
1989	395,600	...	...	1988-89	0.3	0.7
1990	397,200	...	...	1989-90	-0.1	0.2
1991	...	402,892	...	1990-91	...	...
1992	...	404,200	...	1991-92	0.3	1.0
1993	...	407,000	...	1992-93	0.7	1.3
1994	...	410,000	...	1993-94	0.7	1.4
1995	...	413,100	...	1994-95	0.8	1.6
1996	...	...	426,900	1995-96		
1997	...	...	431,200	1996-97	1.0	1.3
1998	...	...	433,900	1997-98	0.6	0.9
1999	...	...	435,800	1998-99	0.4	0.5
2000	...	...	437,500	1999-2000	0.4	0.6
2001	...	...	440,200	2000-01	0.6	0.6
2002	...	...	445,800	2001-02	1.3	1.8
2003	...	...	452,300	2002-03	1.5	2.0
2004	...	...	457,800	2003-04	1.2	1.5
2005	...	...	461,600	2004-05	0.8	1.1
2006	...	...	466,300	2005-06	1.0	1.2
2007	...	...	470,300	2006-07	0.9	1.0
2008	...	...	473,800	2007-08	0.7	1.0
2009	...	...	478,600	2008-09	1.0	1.1
2010	...	...	483,300	2009-10	1.0	1.2
2011	...	...	487,700	2010-11	0.9	0.9
1986-2011*			92,090		23.3	33.2

Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Notes: *Changes in the timing and method of estimating Resident Population between 1990-1991 and 1995-1996 mean that the three sets of trends should be understood as discontinuous

Appendix 1.2: Population Size and Growth, Wellington Region and its Territorial Authorities, 1986-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	Wellington Regional Council	Total New Zealand
1986	149,868	95,342	45,663	29,754	37,290	22,508	8,747	6,336	395,610	3,307,084
1987	148,300	94,700	45,800	30,700	37,100	22,600	8,800	6,460	394,500	3,315,410
1988	148,300	94,500	46,000	31,800	37,100	22,600	8,860	6,580	395,800	3,339,160
1989	147,600	94,000	46,100	32,600	36,900	22,600	8,910	6,680	395,600	3,347,140
1990	147,700	94,000	46,200	33,700	36,900	22,700	8,960	6,800	397,200	3,373,400
1991	150,301	94,540	46,601	35,309	37,092	22,947	9,037	6,913	402,892	3,515,980
1992	150,100	94,500	47,000	36,300	37,000	23,000	9,120	7,030	404,200	3,552,240
1993	150,800	94,600	47,400	37,300	37,000	23,200	9,220	7,140	407,000	3,597,850
1994	152,100	94,900	47,800	38,000	37,100	23,400	9,320	7,180	410,000	3,648,260
1995	153,800	95,000	48,300	38,700	37,100	23,500	9,400	7,220	413,100	3,706,710
1996	163,400	98,800	48,200	39,400	37,700	23,300	9,150	6,940	426,900	3,762,360
1997	166,000	99,400	48,500	40,300	37,800	23,300	9,030	6,900	431,200	3,802,710
1998	167,400	99,600	48,800	41,200	37,800	23,300	9,020	6,850	433,900	3,829,160
1999	168,600	99,400	49,100	41,900	37,700	23,200	8,980	6,820	435,800	3,851,130
2000	169,500	99,300	49,200	42,700	37,700	23,200	9,000	6,840	437,500	3,873,000
2001	171,100	99,100	49,500	43,600	37,700	23,200	8,940	7,000	440,200	3,916,130
2002	174,400	99,800	49,800	44,300	38,100	23,300	8,990	7,050	445,800	3,989,530
2003	178,800	100,300	50,300	45,100	38,500	23,300	8,990	7,120	452,300	4,061,580
2004	182,100	100,900	50,500	45,900	38,900	23,300	9,020	7,170	457,800	4,114,290
2005	184,500	101,200	50,400	46,700	39,200	23,300	9,050	7,200	461,600	4,161,000
2006	187,700	101,300	50,600	47,500	39,700	23,200	9,120	7,260	466,300	4,211,380
2007	190,500	101,500	50,700	48,000	40,000	23,100	9,140	7,300	470,300	4,252,570
2008	192,800	101,700	51,000	48,400	40,200	23,200	9,190	7,360	473,800	4,291,600
2009	195,500	102,100	51,500	48,900	40,600	23,300	9,250	7,420	478,600	4,347,110
2010	197,700	102,700	52,100	49,400	41,100	23,400	9,340	7,540	483,300	4,393,470
2011	200,100	103,000	52,700	49,800	41,500	23,500	9,420	7,650	487,700	4,405,200
1986-2011*	50,232	7,658	7,037	20,046	4,210	992	673	1,314	92,090	1,098,116

Source: Statistics New Zealand Infoshare, Tables DPE006AA; DPE051AA

Notes: *Changes in the timing and method of estimating Resident Population between 1990-1991 and 1995-1996 mean that the three sets of trends should be understood as discontinuous

*Numbers for each TA do not sum to the total for the Wellington Region, due to the above differences.

Appendix 1.3: Annual Net Change (%), Wellington Region and its Territorial Authorities, 1991-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	Wellington Regional Council	Total New Zealand
March Year (a)										
1991-92	-0.13	-0.04	0.86	2.81	-0.25	0.23	0.92	1.69	0.32	1.03
1992-93	0.47	0.11	0.85	2.75	0.00	0.87	1.10	1.56	0.69	1.28
1993-94	0.86	0.32	0.84	1.88	0.27	0.86	1.08	0.56	0.74	1.40
1994-95	1.12	0.11	1.05	1.84	0.00	0.43	0.86	0.56	0.76	1.60
June Year (a)										
1995-96										...
1996-97	1.59	0.61	0.62	2.28	0.27	0.00	-1.31	-0.58	1.01	1.32
1997-98	0.84	0.20	0.62	2.23	0.00	0.00	-0.11	-0.72	0.63	0.89
1998-99	0.72	-0.20	0.61	1.70	-0.26	-0.43	-0.44	-0.44	0.44	0.53
1999-2000	0.53	-0.10	0.20	1.91	0.00	0.00	0.22	0.29	0.39	0.59
2000-01	0.94	-0.20	0.61	2.11	0.00	0.00	-0.67	2.34	0.62	0.59
2001-02	1.93	0.71	0.61	1.61	1.06	0.43	0.56	0.71	1.27	1.75
2002-03	2.52	0.50	1.00	1.81	1.05	0.00	0.00	0.99	1.46	1.99
2003-04	1.85	0.60	0.40	1.77	1.04	0.00	0.33	0.70	1.22	1.50
2004-05	1.32	0.30	-0.20	1.74	0.77	0.00	0.33	0.42	0.83	1.14
2005-06	1.73	0.10	0.40	1.71	1.28	-0.43	0.77	0.83	1.02	1.23
2006-07	1.49	0.20	0.20	1.05	0.76	-0.43	0.22	0.55	0.86	1.04
2007-08	1.21	0.20	0.59	0.83	0.50	0.43	0.55	0.82	0.74	0.96
2008-09	1.40	0.39	0.98	1.03	1.00	0.43	0.65	0.82	1.01	1.10
2009-10	1.13	0.59	1.17	1.02	1.23	0.43	0.97	1.62	0.98	1.20
2010-11	1.21	0.29	1.15	0.81	0.97	0.43	0.86	1.46	0.91	0.86

Compiled from Statistics New Zealand Infoshare: Usual Resident Population, Table DPE051AA; Births, Table VSB016AA; Deaths, Table VSD018AA.

(a) 1991-1995 Estimated Defacto; 1996-2011 Estimated Usual Resident

Appendix 1.4: Percentage Point Contribution to Annual Net Change due to Natural Increase, Wellington Region and its Territorial Authorities, 1991-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	Wellington Regional Council	Total New Zealand
March Year (a)										
1991-92	1.04	1.07	1.84	0.29	0.93	0.88	0.71	0.52	1.03	0.95
1992-93	0.87	1.09	1.64	0.34	0.89	0.75	0.95	0.81	0.96	0.89
1993-94	1.03	1.01	1.56	0.26	0.85	0.75	0.92	0.41	0.97	0.87
1994-95	0.89	1.01	1.60	0.26	0.77	0.59	0.86	0.54	0.91	0.84
June Year (a)										
1995-96										...
1996-97	0.90	0.87	1.40	0.06	0.64	0.66	0.51	0.33	0.82	0.79
1997-98	0.81	0.93	1.33	0.08	0.73	0.62	0.62	0.46	0.80	0.78
1998-99	0.90	0.92	1.46	0.15	0.62	0.35	0.68	0.42	0.83	0.75
1999-2000	0.92	0.96	1.37	0.21	0.67	0.53	0.51	0.57	0.85	0.79
2000-01	0.91	0.93	1.51	0.12	0.77	0.47	0.38	0.34	0.85	0.76
2001-02	0.85	0.86	1.10	-0.02	0.53	0.30	0.29	0.21	0.72	0.67
2002-03	0.90	0.82	1.28	-0.06	0.56	0.25	0.57	0.37	0.75	0.69
2003-04	0.90	0.85	1.18	0.06	0.60	0.33	0.39	0.58	0.77	0.74
2004-05	0.85	0.84	1.13	0.00	0.54	0.29	0.44	0.13	0.72	0.72
2005-06	0.93	0.87	1.25	0.00	0.72	0.32	0.61	0.31	0.79	0.75
2006-07	0.93	0.91	1.26	0.12	0.61	0.44	0.66	0.36	0.81	0.79
2007-08	0.94	0.98	1.45	-0.03	0.75	0.26	0.75	0.55	0.84	0.84
2008-09	0.89	0.97	1.45	0.15	0.66	0.37	0.40	0.14	0.83	0.80
2009-10	0.89	0.93	1.31	0.14	0.70	0.24	0.48	0.54	0.80	0.82
2010-11	0.86	0.90	1.20	0.10	0.61	0.31	0.41	0.74	0.77	0.76

Compiled from Statistics New Zealand Infoshare: Usual Resident Population, Table DPE051AA; Births, Table VSB016AA; Deaths, Table VSD018AA.

(a) 1991-1995 Estimated Defacto; 1996-2011 Estimated Usual Resident

Appendix 1.5: Percentage Point Contribution to Annual Net Change due to Net Migration, Wellington Region and its Territorial Authorities, 1991-2011

	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District	Wellington Regional Council	Total New Zealand
March Year (a)										
1991-92	-1.17	-1.11	-0.98	2.51	-1.18	-0.65	0.21	1.17	-0.71	0.08
1992-93	-0.40	-0.98	-0.79	2.41	-0.89	0.12	0.14	0.75	-0.27	0.40
1993-94	-0.16	-0.69	-0.72	1.62	-0.58	0.11	0.16	0.15	-0.23	0.53
1994-95	0.23	-0.91	-0.56	1.58	-0.77	-0.16	0.00	0.01	-0.15	0.76
June Year (a)										
1995-96										...
1996-97	0.69	-0.27	-0.78	2.23	-0.37	-0.66	-1.83	-0.91	0.19	0.53
1997-98	0.04	-0.73	-0.71	2.15	-0.73	-0.62	-0.73	-1.19	-0.17	0.11
1998-99	-0.18	-1.12	-0.85	1.55	-0.88	-0.78	-1.12	-0.86	-0.39	-0.22
1999-2000	-0.38	-1.06	-1.16	1.70	-0.67	-0.53	-0.29	-0.28	-0.46	-0.20
2000-01	0.03	-1.13	-0.90	1.99	-0.77	-0.47	-1.04	2.00	-0.23	-0.17
2001-02	1.08	-0.16	-0.49	1.63	0.53	0.13	0.27	0.50	0.56	1.08
2002-03	1.62	-0.32	-0.27	1.86	0.49	-0.25	-0.57	0.62	0.71	1.30
2003-04	0.94	-0.25	-0.78	1.71	0.44	-0.33	-0.06	0.13	0.45	0.76
2004-05	0.46	-0.54	-1.33	1.74	0.23	-0.29	-0.11	0.29	0.11	0.41
2005-06	0.81	-0.77	-0.85	1.72	0.55	-0.75	0.17	0.53	0.23	0.48
2006-07	0.56	-0.71	-1.06	0.93	0.15	-0.87	-0.44	0.19	0.04	0.25
2007-08	0.27	-0.79	-0.86	0.86	-0.25	0.17	-0.21	0.27	-0.10	0.12
2008-09	0.51	-0.58	-0.47	0.89	0.33	0.06	0.25	0.68	0.19	0.30
2009-10	0.24	-0.34	-0.14	0.89	0.53	0.18	0.50	1.08	0.18	0.39
2010-11	0.35	-0.60	-0.05	0.71	0.37	0.12	0.45	0.72	0.14	0.10

Compiled from Statistics New Zealand Infoshare: Usual Resident Population, Table DPE051AA; Births, Table VSB016AA; Deaths, Table VSD018AA.

(a) 1991-1995 Estimated Defacto; 1996-2011 Estimated Usual Resident

Appendix 2.1: Components of Change by age (Wellington Region 1996-2001)

	Actual (Observed) 1996	Expected 2001	Actual (Observed) 2001	Actual (Observed) change 1996-2001	Change due to migration	Change due to Deaths	Change to cohort size	Actual (Observed) change (1996-2001)	Change due to migration~	Change due to Deaths~	Change to cohort size~
					Number	Percentage					
0-4	33,100	32,218	32,020	-1,080	-198	-218	-664	-3.3	-0.6	-0.7	-2.0
5-9	32,600	33,051	32,010	-590	-1,041	-49	500	-1.8	-3.2	-0.2	1.5
10-14	28,730	32,573	32,150	3,420	-423	-27	3,870	11.9	-1.5	-0.1	13.5
15-19	29,490	28,665	29,760	270	1,095	-65	-760	0.9	3.7	-0.2	-2.6
20-24	33,700	29,362	31,250	-2,450	1,888	-128	-4,210	-7.3	5.6	-0.4	-12.5
25-29	35,990	33,548	32,680	-3,310	-868	-152	-2,290	-9.2	-2.4	-0.4	-6.4
30-34	37,490	35,829	36,410	-1,080	581	-161	-1,500	-2.9	1.5	-0.4	-4.0
35-39	34,980	37,304	36,790	1,810	-514	-186	2,510	5.2	-1.5	-0.5	7.2
40-44	30,410	34,757	34,070	3,660	-687	-223	4,570	12.0	-2.3	-0.7	15.0
45-49	28,850	30,116	29,110	260	-1,006	-294	1,560	0.9	-3.5	-1.0	5.4
50-54	22,160	28,395	27,650	5,490	-745	-455	6,690	24.8	-3.4	-2.1	30.2
55-59	18,610	21,584	20,940	2,330	-644	-576	3,550	12.5	-3.5	-3.1	19.1
60-64	15,350	17,826	17,360	2,010	-466	-784	3,260	13.1	-3.0	-5.1	21.2
65-69	14,450	14,313	13,930	-520	-383	-1037	900	-3.6	-2.7	-7.2	6.2
70-74	12,260	12,921	12,560	300	-361	-1529	2,190	2.4	-2.9	-12.5	17.9
75-79	8,850	10,245	9,980	1,130	-265	-2015	3,410	12.8	-3.0	-22.8	38.5
80-84	5,840	6,611	6,430	590	-181	-2239	3,010	10.1	-3.1	-38.3	51.5
85-89	2,889	3,562	3,562	674	0	-2278	2,951	23.3	0.0	-78.9	102.2
90+	1,221	1,587	1,588	366	1	-2523	2,889	30.0	0.0	-206.5	236.5
Total	426,970	444,468	440,250	13,280	-4,218	-14938	32,436	3.1	-1.0	-3.5	7.6

Source: Jackson/From Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Notes: ~As a percentage of Previous Observed Population

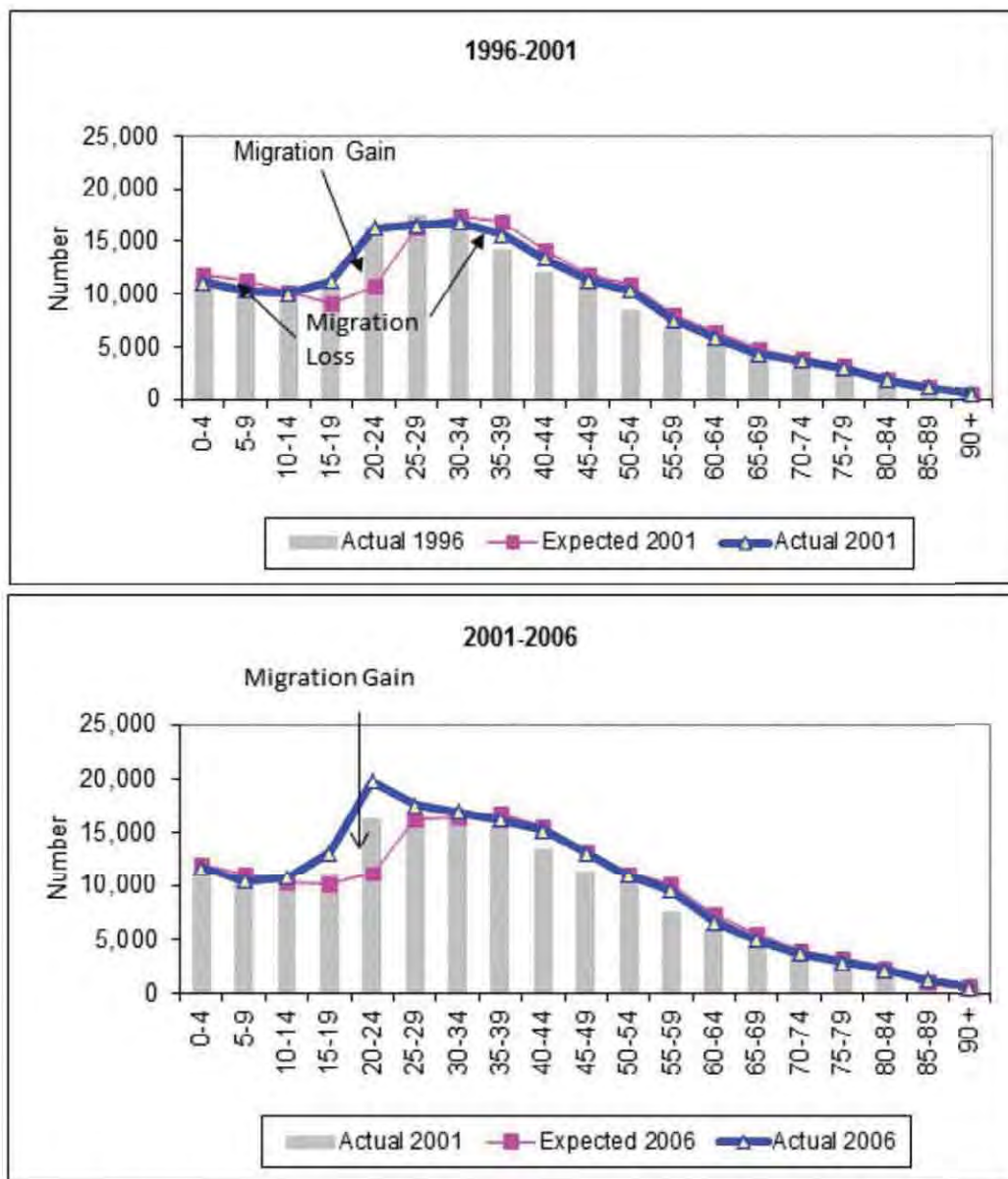
Appendix 2.2: Components of Change by age (Wellington Region 2001-2006)

	Actual (Observed) 2001	Expected 2006	Actual (Observed) 2006	Actual (Observed) change 2001-06	Change due to migration	Change due to Deaths	Change to cohort size	Actual (Observed) change (2001-2006)	Change due to migration~	Change due to Deaths~	Change to cohort size~
				Number					Percentage	Percentage	
0-4	32,020	31,092	31,630	-390	538	-182	-746	-1.2	1.7	-0.6	-2.3
5-9	32,010	31,979	31,080	-930	-899	-41	10	-2.9	-2.8	-0.1	0.0
10-14	32,150	31,988	32,160	10	172	-22	-140	0.0	0.5	-0.1	-0.4
15-19	29,760	32,089	34,010	4,250	1,921	-61	2,390	14.3	6.5	-0.2	8.0
20-24	31,250	29,656	35,040	3,790	5,384	-104	-1,490	12.1	17.2	-0.3	-4.8
25-29	32,680	31,135	32,070	-610	935	-115	-1,430	-1.9	2.9	-0.4	-4.4
30-34	36,410	32,556	35,000	-1,410	2,444	-124	-3,730	-3.9	6.7	-0.3	-10.2
35-39	36,790	36,245	37,060	270	815	-165	-380	0.7	2.2	-0.4	-1.0
40-44	34,070	36,565	36,660	2,590	95	-225	2,720	7.6	0.3	-0.7	8.0
45-49	29,110	33,764	33,760	4,650	-4	-306	4,960	16.0	0.0	-1.1	17.0
50-54	27,650	28,712	28,510	860	-202	-398	1,460	3.1	-0.7	-1.4	5.3
55-59	20,940	27,050	26,440	5,500	-610	-600	6,710	26.3	-2.9	-2.9	32.0
60-64	17,360	20,208	19,770	2,410	-438	-732	3,580	13.9	-2.5	-4.2	20.6
65-69	13,930	16,386	16,160	2,230	-226	-974	3,430	16.0	-1.6	-7.0	24.6
70-74	12,560	12,683	12,520	-40	-163	-1247	1,370	-0.3	-1.3	-9.9	10.9
75-79	9,980	10,759	10,650	670	-109	-1801	2,580	6.7	-1.1	-18.0	25.9
80-84	6,430	7,706	7,750	1,320	44	-2274	3,550	20.5	0.7	-35.4	55.2
85-89	3,562	4,108	4,021	458	-88	-2322	2,868	12.9	-2.5	-65.2	80.5
90+	1,588	2,079	1,959	372	-119	-3071	3,562	23.4	-7.5	-193.4	224.4
Total	440,250	456,760	466,250	26,000	9,490	-14764	31,274	5.9	2.2	-3.4	7.1

Source: Jackson/From Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

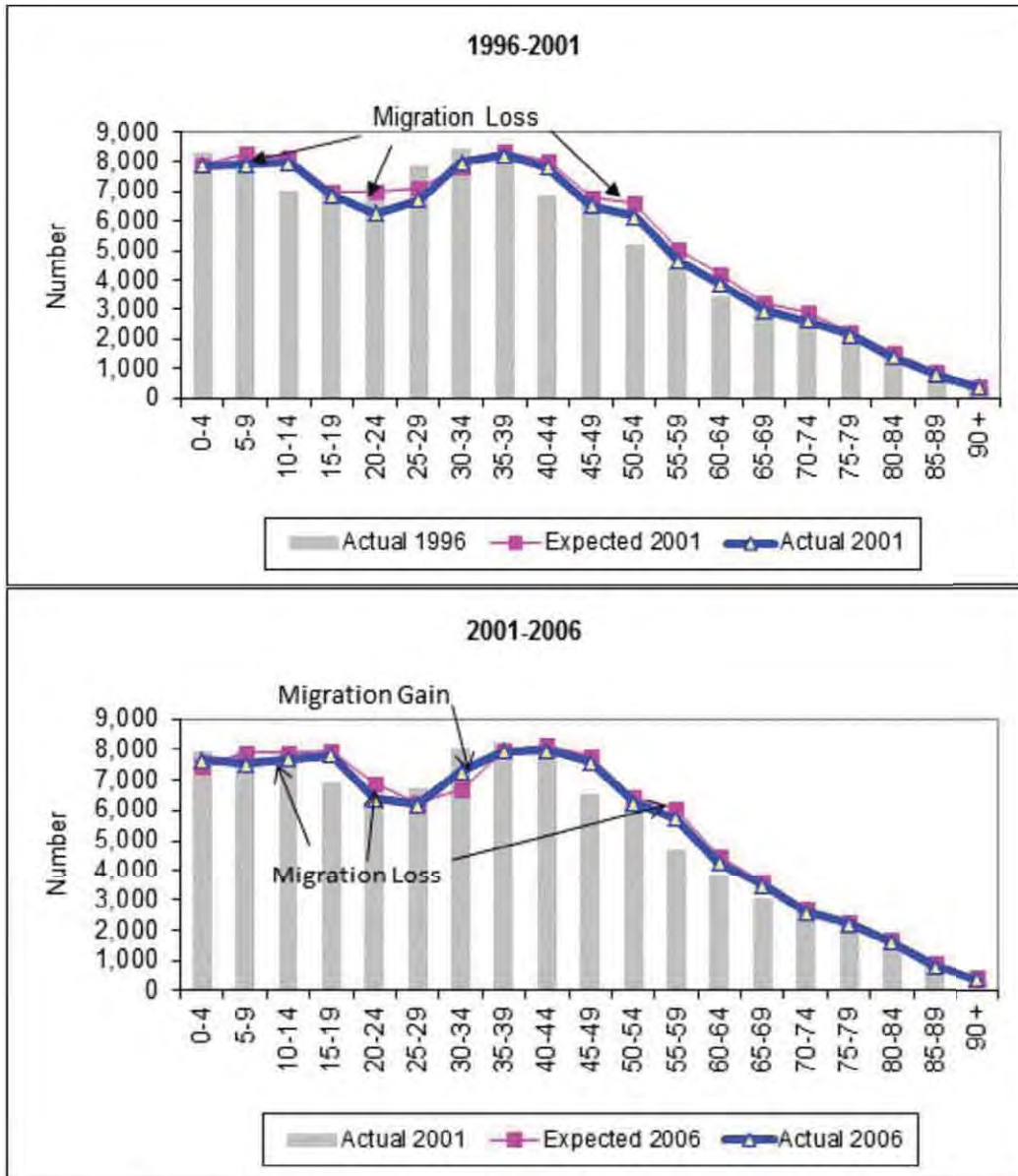
Notes: ~As a percentage of Previous Observed Population

Appendix 2.3: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Wellington City



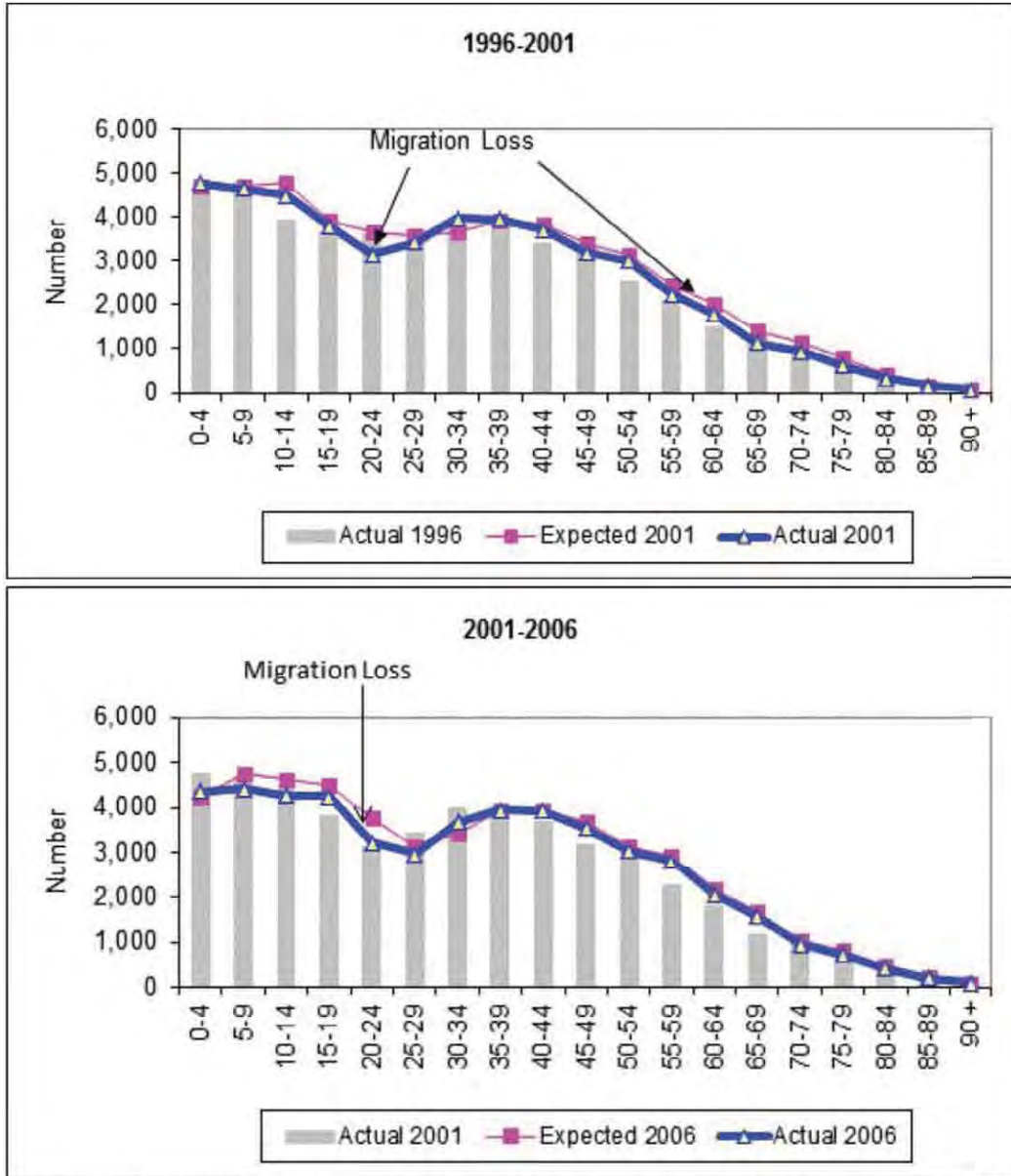
Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorshp 1995-2007

Appendix 2.4: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Lower Hutt City



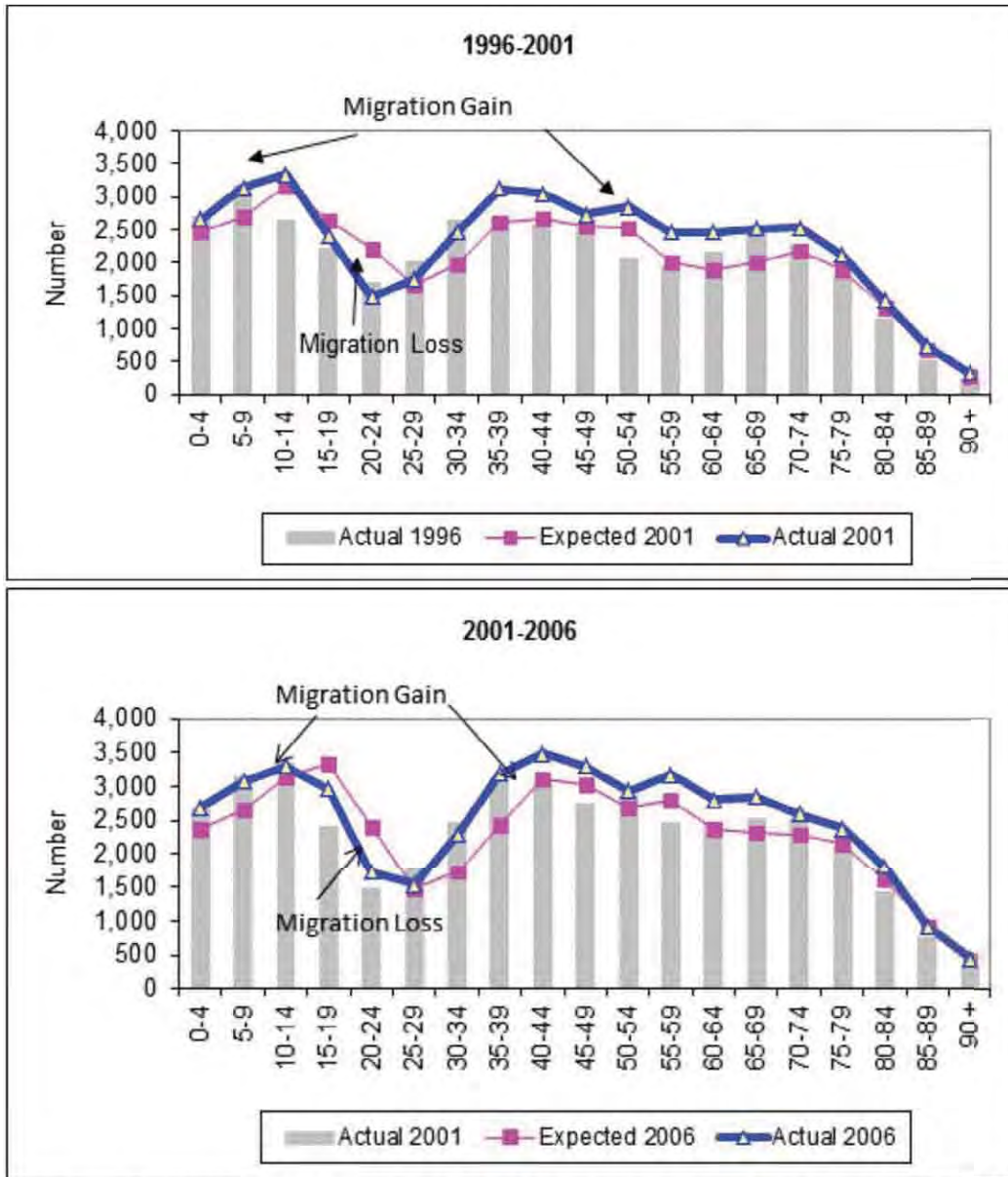
Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Appendix 2.5: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Porirua City



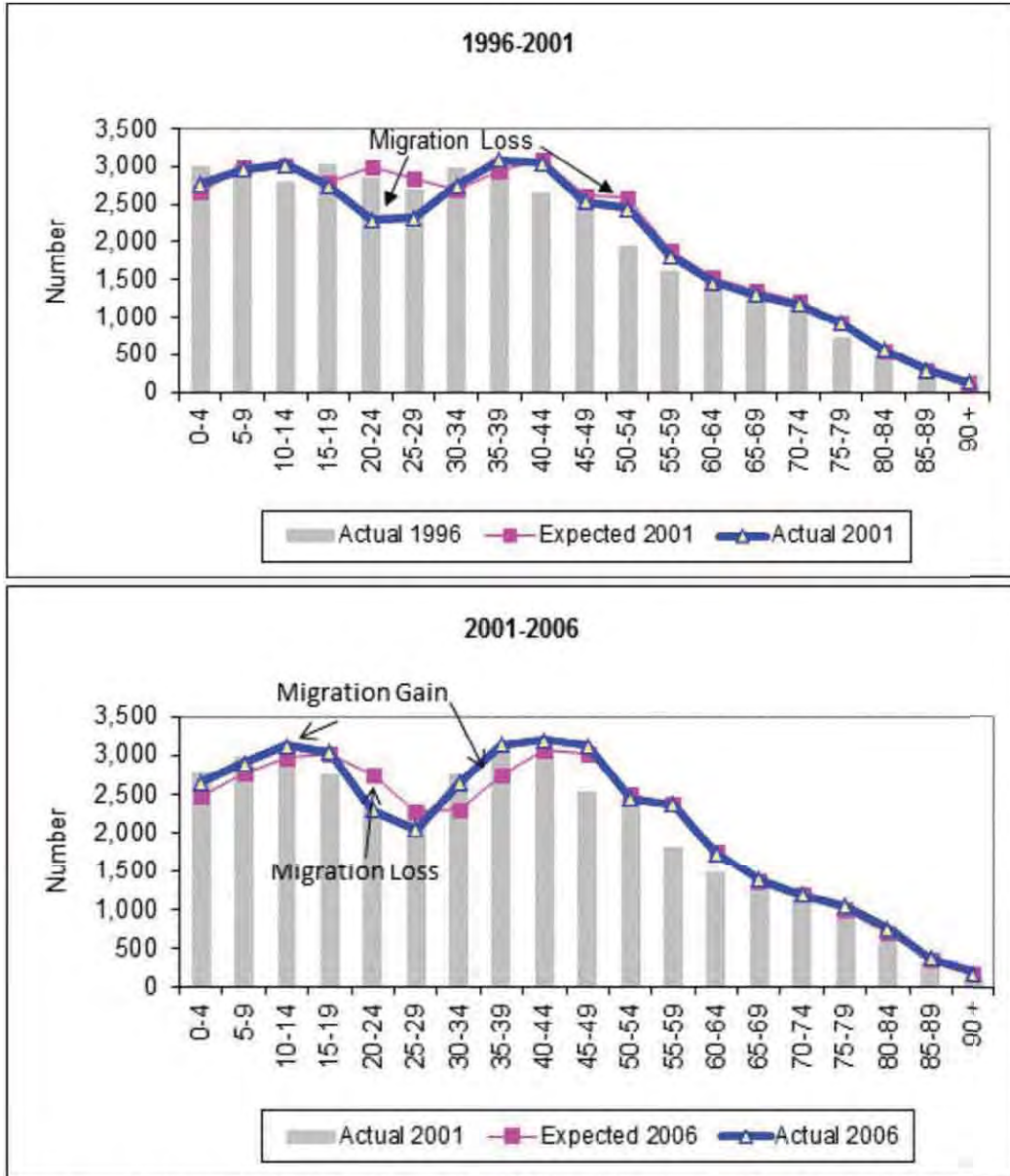
Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorshp 1995-2007

Appendix 2.6: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Kapiti Coast District



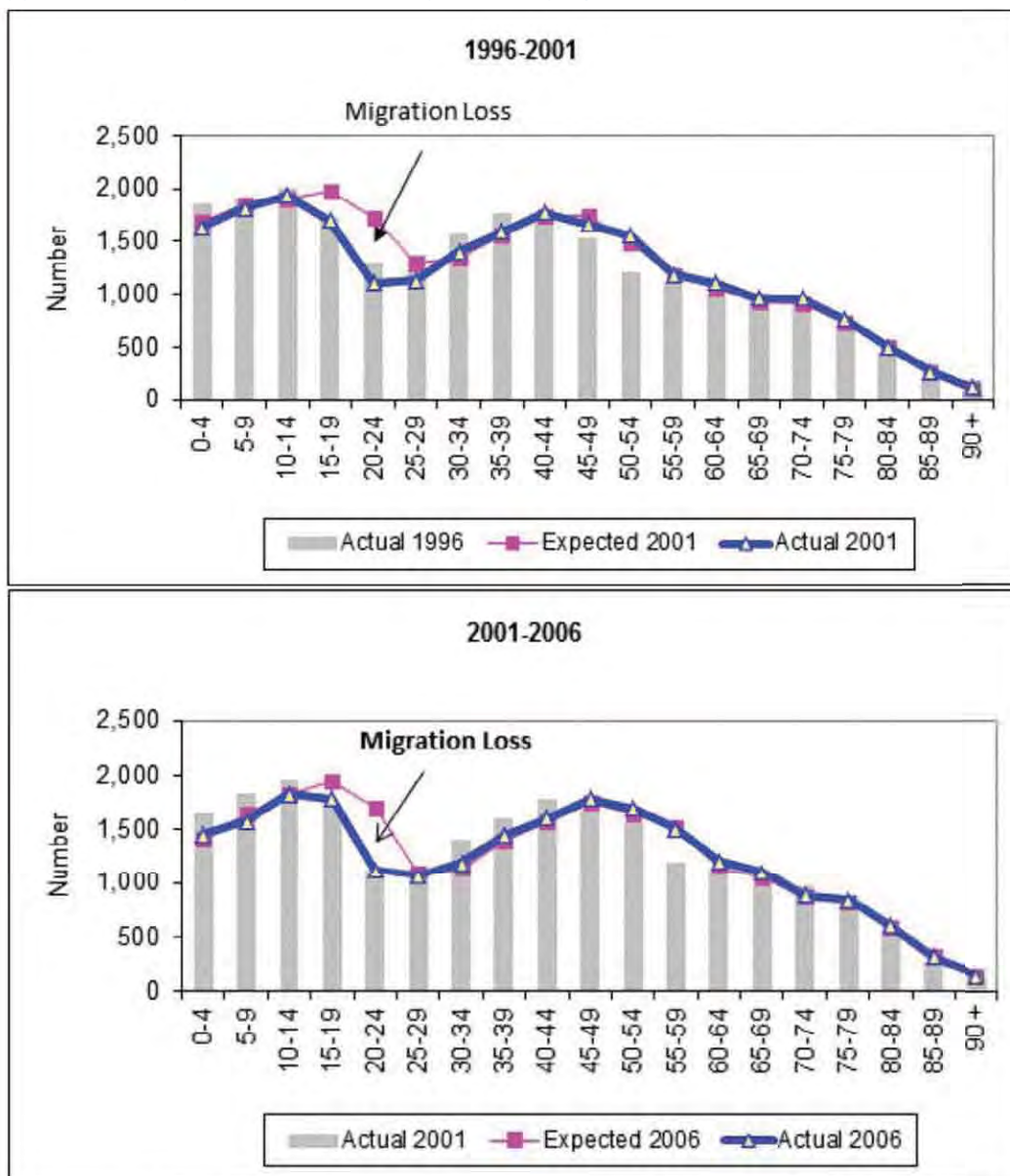
Source: Jackson/ from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Appendix 2.7: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Upper Hutt City



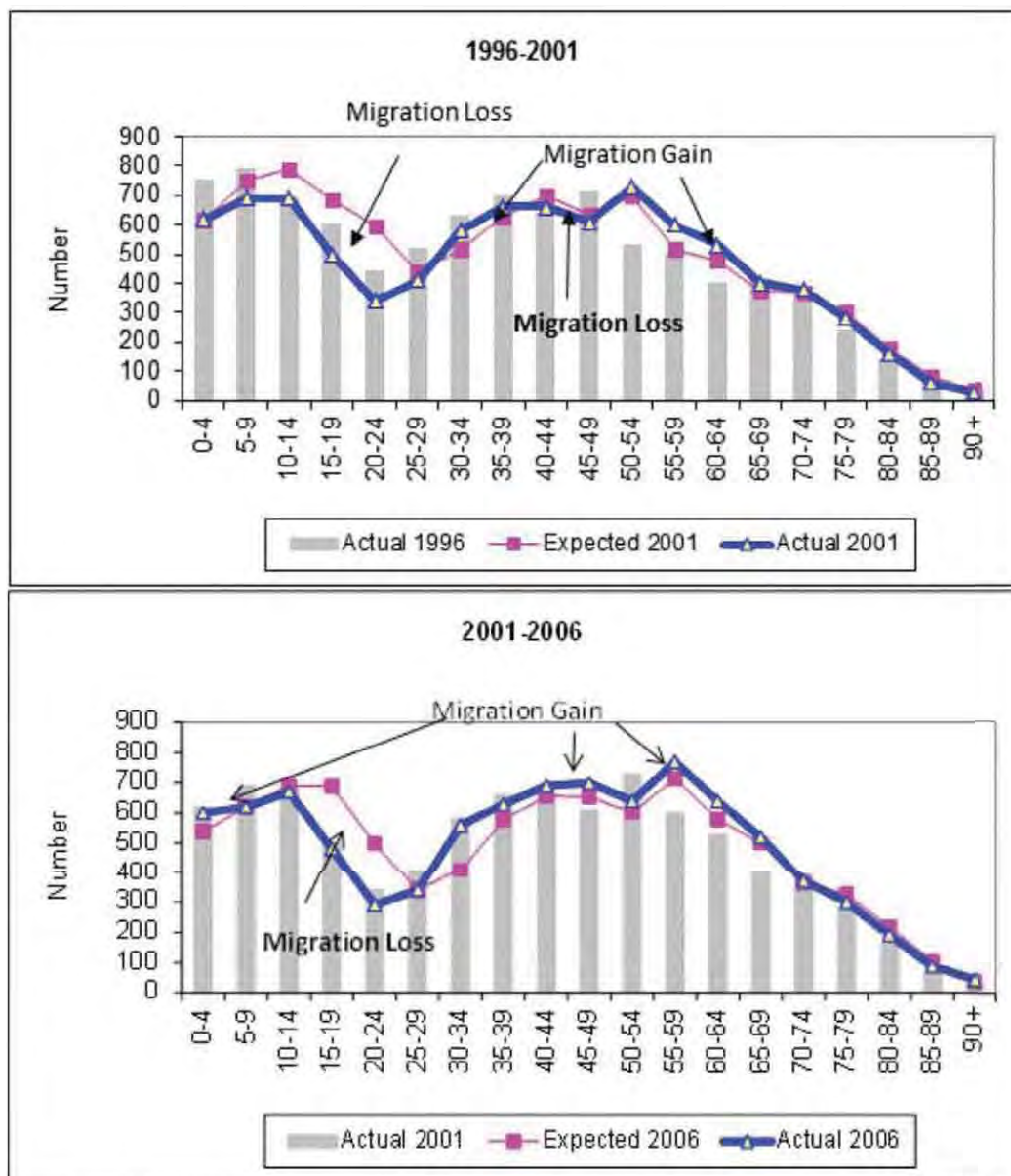
Source: Jackson/ from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Appendix 2.8: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Masterton District



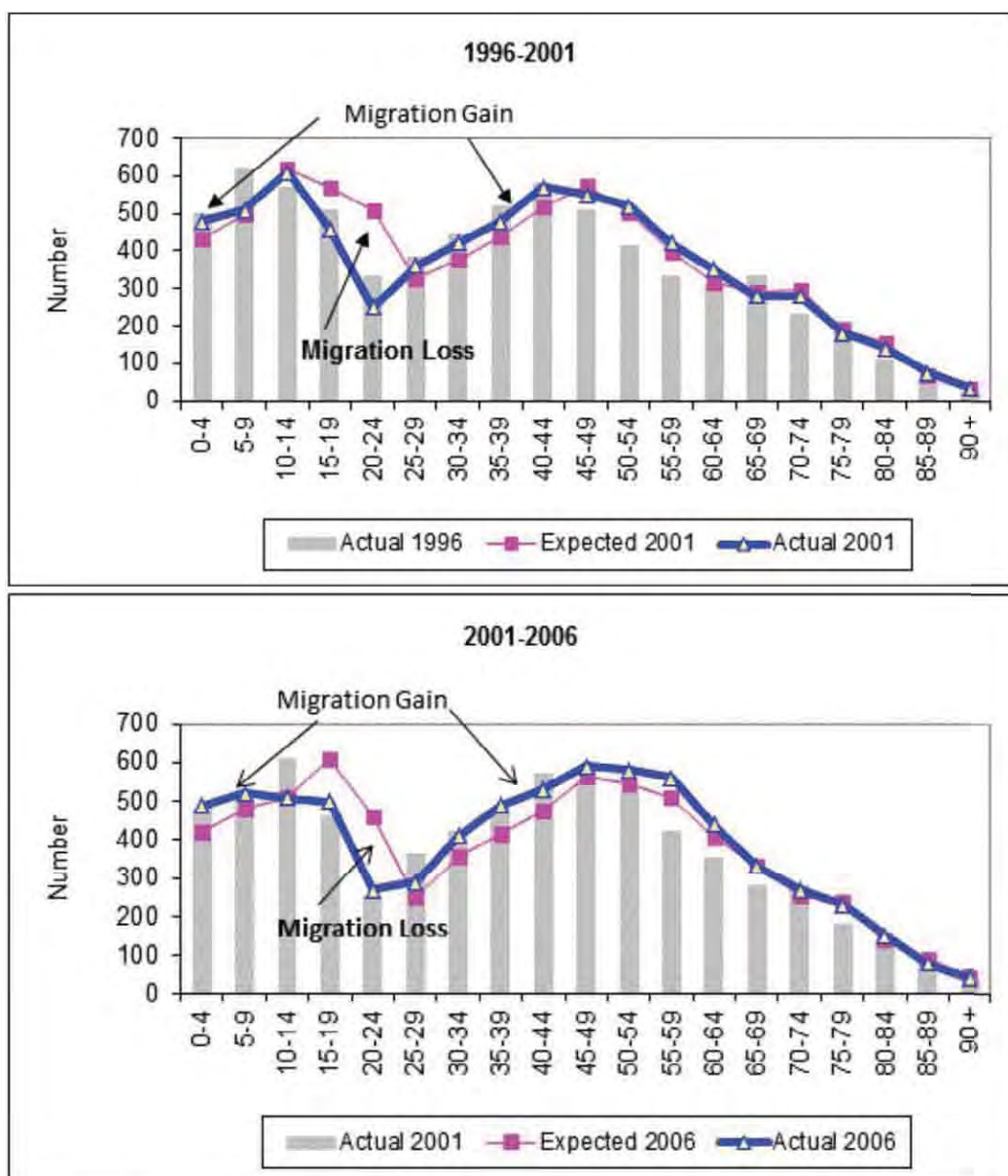
Source: Jackson/from Statistics New Zealand ERP and New Zealand Survivorshp 1995-2007

Appendix 2.9: Expected and Actual Population by Age, 1996-2001 and 2001-2006, South Wairarapa District



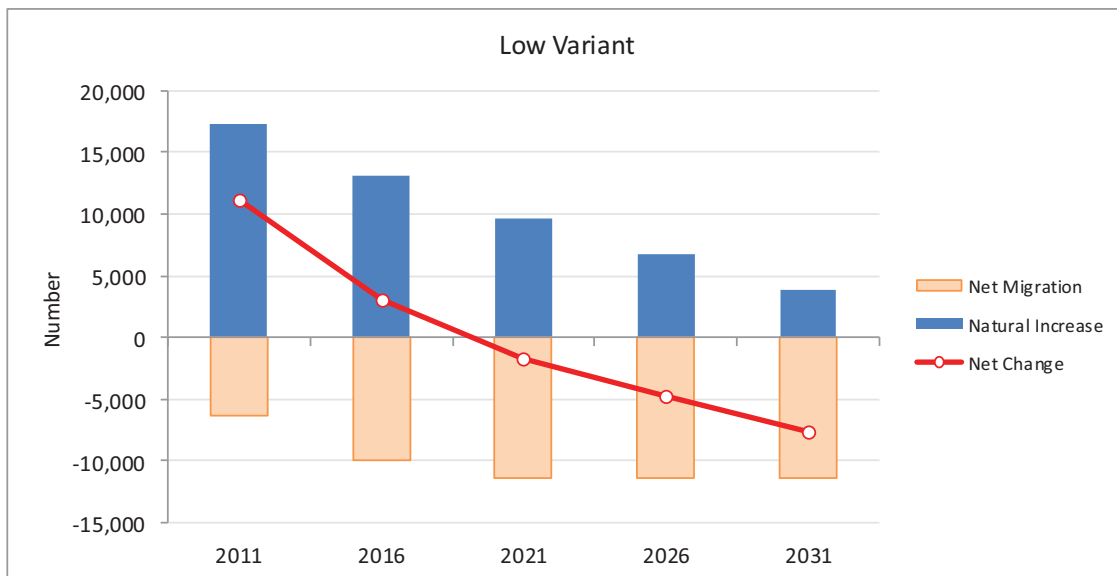
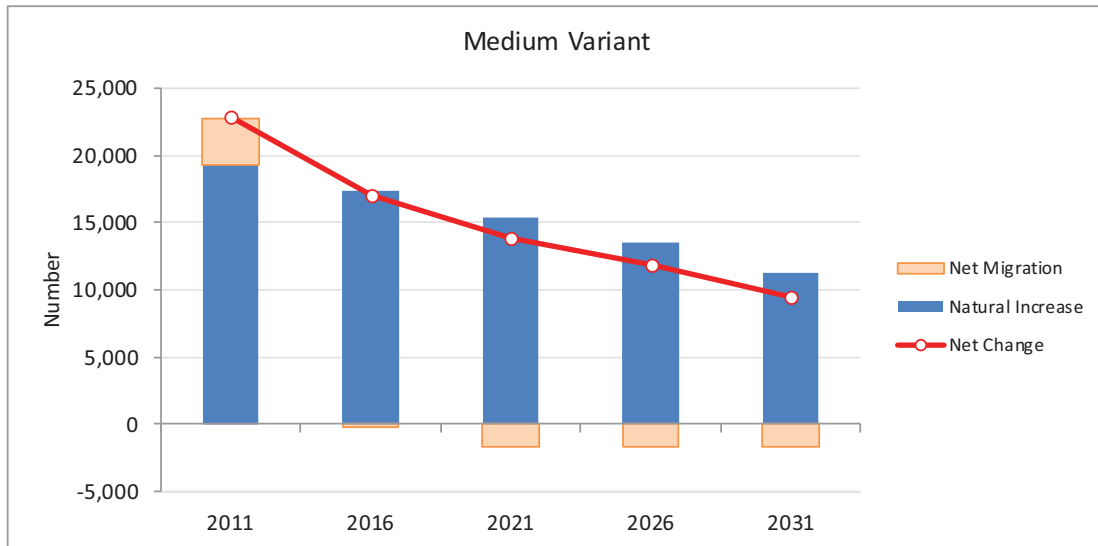
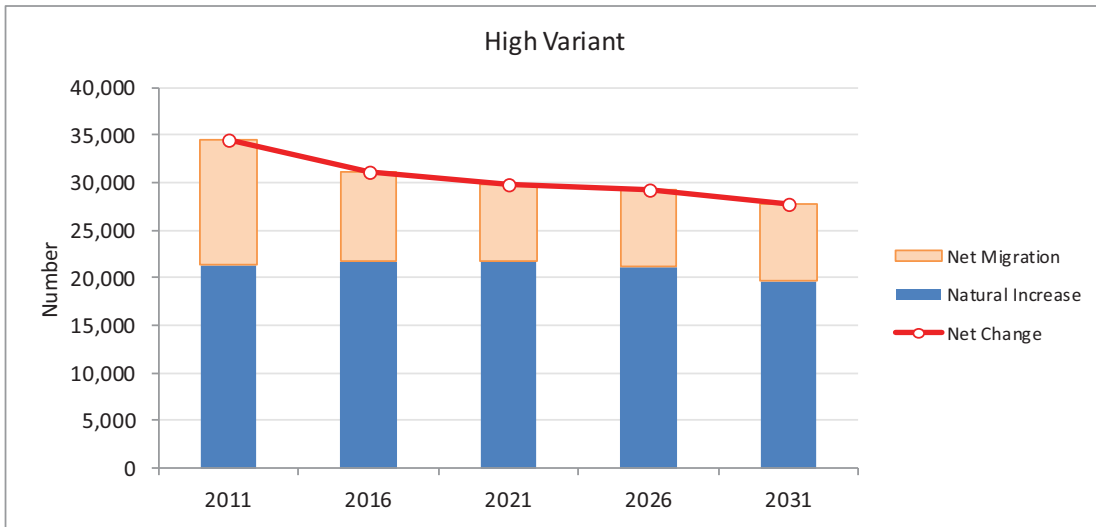
Source: Jackson from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Appendix 2.10: Expected and Actual Population by Age, 1996-2001 and 2001-2006, Carterton District



Source: Jackson from Statistics New Zealand ERP and New Zealand Survivorship 1995-2007

Appendix 3.1: Projected Assumptions by Projection Variant, Wellington Region



Note different Y-axis

Source: Statistics NZ Subnational Projected Population Characteristics, 2006(base)-2031 Update

Appendix 3.2: Projection Assumptions by Variant, Wellington Region

Wellington Region	2011	2016	2021	2026	2031
HIGH					
Births (Live)	36000	37400	38600	39200	39300
Deaths	14600	15700	16800	18000	19600
Natural Increase	21400	21700	21800	21200	19700
Net Migration	13150	9500	8000	8000	8000
Population	500800	532000	561800	591000	618700
Median Age (Years)	35.6	36	36.7	37.7	38.7
MEDIUM					
Births (Live)	34300	33400	32800	32300	31600
Deaths	14900	16200	17400	18700	20400
Natural Increase	19300	17300	15400	13500	11200
Net Migration	3450	-200	-1700	-1700	-1700
Population	489100	506100	519900	531700	541200
Median Age (Years)	36.0	36.7	37.6	38.6	39.8
LOW					
Births (Live)	32700	29700	27600	26100	24900
Deaths	15300	16700	17900	19400	21100
Natural Increase	17300	13100	9600	6700	3800
Net Migration	-6250	-9900	-11400	-11400	-11400
Population	477400	480500	478800	474100	466500
Median Age (Years)	36.4	37.5	38.6	39.8	41.2

Source: Statistics NZ Subnational Projected Population Characteristics, 2006(base)-2031 Update

Appendix 3.3: Projected Population, Total New Zealand, 2006-2021 (Medium Series)

Total New Zealand

	2006	2011	2016	2021	2026	2031	Change (%) 2011-2031
Numbers by age							
0-14	888,320	898,880	917,400	936,520	928,840	928,020	3.2
15-24	604,740	642,530	631,120	611,040	635,720	656,930	2.2
25-39	858,960	867,230	915,380	977,760	992,370	977,670	12.7
40-54	891,290	935,560	924,010	886,920	888,330	935,510	0.0
55-64	429,670	494,900	544,530	593,920	602,570	578,610	16.9
65-74	275,700	325,340	397,410	458,230	507,220	555,350	70.7
75-84	177,780	188,360	214,970	257,970	320,330	372,710	97.9
85+	58,140	72,560	85,950	95,590	116,530	143,740	98.1
Total	4,184,600	4,425,360	4,630,770	4,817,950	4,991,910	5,148,540	16.3
65+	511,620	586,260	698,330	811,790	944,080	1,071,800	82.8

Intercensal Change by Age - Numbers							Change (N) 2011-2031
	2006-2011	2011-2016	2016-2021	2021-2026	2026-2031		
0-14	...	10560	18520	19120	-7680	-820	29140
15-24	...	37790	-11410	-20080	24680	21210	14400
25-39	...	8270	48150	62380	14610	-14700	110440
40-54	...	44270	-11550	-37090	1410	47180	-50
55-64	...	65230	49630	49390	8650	-23960	83710
65-74	...	49640	72070	60820	48990	48130	230010
75-84	...	10580	26610	43000	62360	52380	184350
85+	...	14420	13390	9640	20940	27210	71180
Total	...	240760	205410	187180	173960	156630	723180
65+	...	74640	112070	113460	132290	127720	485540

Age Distribution (percentage at each age)							Change (%) 2011-2031
	2006	2011	2016	2021	2026	2031	
0-14	21.2	20.3	19.8	19.4	18.6	18.0	-11.3
15-24	14.5	14.5	13.6	12.7	12.7	12.8	-12.1
25-39	20.5	19.6	19.8	20.3	19.9	19.0	-3.1
40-54	21.3	21.1	20.0	18.4	17.8	18.2	-14.1
55-64	10.3	11.2	11.8	12.3	12.1	11.2	0.5
65-74	6.6	7.4	8.6	9.5	10.2	10.8	46.7
75-84	4.2	4.3	4.6	5.4	6.4	7.2	70.1
85+	1.4	1.6	1.9	2.0	2.3	2.8	70.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	...
65+	12.2	13.2	15.1	16.8	18.9	20.8	57.1

Summary measures							
	2006	2011	2016	2021	2026	2031	2011-2031
LM Entrants/Exits							
(15-24/55-64 years)	1.4	1.3	1.2	1.0	1.1	1.1	...
(20-29/60-69 years)	1.6	1.5	1.4	1.2	1.1	1.1	...
Elderly/Children	0.58	0.65	0.76	0.87	1.02	1.15	...
Reproductive (20-39 yrs)	27.5	26.9	26.9	26.8	26.1	25.5	...
65+	12.2	13.2	15.1	16.8	18.9	20.8	...
75+	5.6	5.9	6.5	7.3	8.8	10.0	...
Growth (%) - 5 years	...	5.75	4.64	4.04	3.61	3.14	16.34
Annual average growth r	...	1.15	0.93	0.81	0.72	0.63	0.82

Source: Statistics New Zealand, Subnational Population Projections by Age and Sex, 2006(base)-2031 Update

Appendix 4.1: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006

Total Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee	12,711	5,949	18,660	2.1	43.8
Employer	8,253	3,000	11,253	2.8	44.4
Paid Employee	79,305	78,696	158,001	1.0	36.6
Unpaid Family Worker	1,572	2,127	3,699	0.7	42.2
NS/NEI	2,841	2,703	5,544	1.1	37.9
Total	104,682	92,475	197,157	1.13	37.9
2001					
Self Employed, no employee	15,348	7,461	22,809	2.1	45.7
Employer	8,496	3,345	11,841	2.5	46.3
Paid Employee	81,594	85,311	166,905	1.0	37.8
Unpaid Family Worker	1,152	1,608	2,760	0.7	44.0
NS/NEI	2,442	2,094	4,536	1.2	39.3
Total	109,032	99,819	208,851	1.09	39.3
2006					
Self Employed, no employee	16,335	9,204	25,539	1.8	47.0
Employer	9,096	3,735	12,831	2.4	47.5
Paid Employee	91,617	95,826	187,443	1.0	38.9
Unpaid Family Worker	1,122	1,602	2,724	0.7	46.1
NS/NEI	2,739	2,322	5,061	1.2	40.4
Total	120,909	112,689	233,598	1.07	40.4
Change 1996-2006					
Number	16,227	20,214	36,441		
(%)	15.5	21.9	18.5		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	1.7	1.2	1.0	-44.2	
Percentage aged 55+ Years	10.7	13.2	16.9	59.0	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	1.0	1.0	1.0	2.5	
20-24	1.0	1.0	1.0	2.8	
25-29	1.1	1.0	1.1	-1.9	
30-34	1.2	1.1	1.1	-9.9	
35-39	1.2	1.2	1.1	-9.8	
40-44	1.1	1.1	1.1	-3.0	
45-49	1.1	1.0	1.0	-6.0	
50-54	1.2	1.1	1.0	-10.7	
55-59	1.3	1.2	1.1	-14.0	
60-64	1.6	1.4	1.2	-22.0	
65+	1.9	1.8	1.6	-17.8	
TOTAL*	1.1	1.1	1.1	-5.2	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.2: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 Government Administration [M811]

M811 Government Administration Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee Employer	-	-	-	...	...
Paid Employee	6,405	7,332	13,737	0.9	39.3
Unpaid Family Worker NS/NEI	-	-	-	...	...
Total	6,405	7,332	13,737	0.87	39.3
2001					
Self Employed, no employee Employer	-	-	-	...	...
Paid Employee	6,594	7,890	14,484	0.8	40.5
Unpaid Family Worker NS/NEI	12	3	15	4.0	...
	45	36	81	1.3	...
Total	6,651	7,929	14,580	0.84	40.6
2006					
Self Employed, no employee Employer	339	366	705	0.9	...
Paid Employee	21	18	39	1.2	...
Unpaid Family Worker NS/NEI	7,530	9,990	17,520	0.8	40.8
	-	-	-
	27	15	...	...	...
Total	7,917	10,389	18,264	0.76	41.1
Change 1996-2006					
Number	1,512	3,057	4,527		
(%)	23.6	41.7	33.0		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	0.9	0.7	0.6	-39.1	
Percentage aged 55+ Years	10.5	12.7	15.4	46.5	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	0.6	0.5	0.5	-14.3	
20-24	0.5	0.5	0.6	2.5	
25-29	0.6	0.6	0.6	-5.6	
30-34	0.8	0.6	0.6	-24.1	
35-39	0.9	0.8	0.8	-14.4	
40-44	1.0	0.9	0.8	-22.4	
45-49	1.1	1.0	0.8	-24.7	
50-54	1.1	1.0	0.9	-18.3	
55-59	1.1	1.2	1.0	-8.9	
60-64	1.3	1.3	1.2	-9.1	
65+	2.1	1.9	1.4	-34.5	
TOTAL*	0.9	0.8	0.8	-12.8	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex
for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.3: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 Marketing and Business Management Services [L785]

L785 Marketing and Business Management Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee Employer	588	327	915	1.8	43.7
Paid Employee	303	108	411	2.8	42.0
Unpaid Family Worker	1,974	2,172	4,146	0.9	36.1
NS/NEI	15	39	54	0.4	42.8
	36	27	63	1.3	37.8
Total	2,916	2,673	5,589	1.09	37.8
2001					
Self Employed, no employee Employer	918	534	1,452	1.7	45.2
Paid Employee	390	135	525	2.9	45.2
Unpaid Family Worker	2,553	2,964	5,517	0.9	37.1
NS/NEI	21	36	57	0.6	47.0
	15	33	48	0.5	39.3
Total	3,897	3,702	7,599	1.05	39.3
2006					
Self Employed, no employee Employer	1,095	801	1,896	1.4	46.7
Paid Employee	444	171	615	2.6	46.0
Unpaid Family Worker	3,393	3,750	7,143	0.9	39.4
NS/NEI	24	42	66	0.6	46.8
	15	18	33	0.8	41.3
Total	4,971	4,782	9,753	1.04	41.3
Change 1996-2006					
Number	2,055	2,109	4,164		
(%)	70.5	78.9	74.5		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	1.7	1.1	0.6	-61.9	
Percentage aged 55+ Years	8.7	10.6	15.1	73.7	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	1.0	0.6	0.9	-16.9	
20-24	0.7	0.7	0.7	-4.9	
25-29	0.7	0.8	0.8	13.6	
30-34	1.0	0.8	0.9	-11.0	
35-39	1.2	1.0	0.9	-26.0	
40-44	1.3	1.2	1.0	-16.4	
45-49	1.4	1.4	1.1	-17.2	
50-54	1.4	1.6	1.2	-16.8	
55-59	1.8	1.8	1.6	-11.8	
60-64	2.1	1.6	2.0	-2.4	
65+	2.0	3.4	1.9	-6.9	
TOTAL*	1.1	1.1	1.0	-4.7	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.4: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 School Education [N842]

N842 School Education Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee	-	3	3	...	...
Employer	-	-	-	...	...
Paid Employee	1,869	5,574	7,443	0.3	42.7
Unpaid Family Worker	-	-	-	...	...
NS/NEI	3	6	9	0.5	...
Total	1,872	5,583	7,455	0.34	42.7
2001					
Self Employed, no employee	63	117	180	0.5	46.2
Employer	6	21	27	0.3	47.5
Paid Employee	1,998	6,276	8,274	0.3	43.9
Unpaid Family Worker	3	3	6	1.0	...
NS/NEI	24	45	69	0.5	44.0
Total	2,094	6,462	8,556	0.32	44.0
2006					
Self Employed, no employee	63	105	168	0.6	47.5
Employer	-	21	21	0.0	46.8
Paid Employee	2,088	6,606	8,694	0.3	44.7
Unpaid Family Worker	-	-	-	...	...
NS/NEI	9	21	30	0.4	44.8
Total	2,160	6,753	8,913	0.32	44.8
Change 1996-2006					
Number	288	1,170	1,458		
(%)	15.4	21.0	19.6		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	0.5	0.3	0.2	-56.2	
Percentage aged 55+ Years	13.4	17.1	21.4	60.5	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	0.6	0.8	1.0	52.4	
20-24	0.3	0.3	0.4	27.3	
25-29	0.3	0.3	0.4	6.8	
30-34	0.3	0.4	0.4	7.2	
35-39	0.3	0.3	0.3	-13.4	
40-44	0.3	0.3	0.3	-12.3	
45-49	0.3	0.3	0.3	-13.4	
50-54	0.3	0.3	0.3	-13.5	
55-59	0.4	0.4	0.4	-2.8	
60-64	0.5	0.4	0.3	-29.5	
65+	0.9	0.7	0.5	-51.4	
TOTAL*	0.3	0.3	0.3	-4.9	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.5: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 Other Business Services [L786]

L786 Other Business Services Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee Employer	384	279	663	1.4	43.7
Paid Employee	2,118	2,607	4,725	0.8	36.7
Unpaid Family Worker	15	48	63	0.3	40.4
NS/NEI	33	48	81	0.7	37.8
Total	2,775	3,102	5,877	0.89	37.8
2001					
Self Employed, no employee Employer	531	426	957	1.2	45.2
Paid Employee	2,751	3,297	6,048	0.8	37.4
Unpaid Family Worker	15	27	42	0.6	37.1
NS/NEI	27	21	48	1.3	38.8
Total	3,567	3,915	7,482	0.91	38.8
2006					
Self Employed, no employee Employer	456	435	891	1.0	47.9
Paid Employee	3,066	3,489	6,555	0.9	38.6
Unpaid Family Worker	9	39	48	0.2	42.5
NS/NEI	18	24	42	0.8	40.1
Total	3,801	4,143	7,944	0.92	40.1
Change 1996-2006					
Number	1,026	1,041	2,067		
(%)	37.0	33.6	35.2		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	1.7	1.3	1.0	-40.6	
Percentage aged 55+ Years	9.7	12.1	16.0	64.7	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	0.7	0.8	1.3	78.9	
20-24	0.7	0.8	0.9	33.2	
25-29	0.8	0.7	0.8	-0.3	
30-34	0.9	0.8	0.8	-11.5	
35-39	0.9	0.9	0.8	-1.1	
40-44	1.0	1.0	0.8	-17.3	
45-49	1.0	1.0	0.9	-14.6	
50-54	0.9	1.0	0.9	5.1	
55-59	1.1	1.2	1.1	5.3	
60-64	1.7	1.5	1.2	-29.6	
65+	3.4	1.9	1.8	-46.6	
TOTAL*	0.9	0.9	0.9	2.7	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.6: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 Computer Services [L783]

L783 Computer Services Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee	354	132	486	2.7	38.8
Employer	150	30	180	5.0	39.8
Paid Employee	1,635	1,113	2,748	1.5	35.1
Unpaid Family Worker	12	12	24	1.0	43.8
NS/NEI	24	9	33	2.7	35.9
Total	2,175	1,296	3,471	1.68	35.9
2001					
Self Employed, no employee	639	231	870	2.8	40.9
Employer	219	48	267	4.6	40.6
Paid Employee	2,580	1,716	4,296	1.5	36.1
Unpaid Family Worker	24	12	36	2.0	39.2
NS/NEI	9	12	21	0.8	37.1
Total	3,471	2,019	5,490	1.72	37.1
2006					
Self Employed, no employee	741	297	1,038	2.5	42.0
Employer	297	69	366	4.3	44.1
Paid Employee	3,420	1,575	4,995	2.2	37.3
Unpaid Family Worker	12	15	27	0.8	43.1
NS/NEI	15	3	18	5.0	38.5
Total	4,485	1,959	6,444	2.29	38.5
Change 1996-2006					
Number	2,310	663	2,973		
(%)	106.2	51.2	85.7		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	3.1	2.2	1.2	-59.8	
Percentage aged 55+ Years	4.3	5.2	7.3	68.1	
Sex Ratio by age (males/fem)	1996	2001	2006	Change 1996-2006 (%)	
15-19	0.9	0.8	1.1	22.8	
20-24	1.6	1.5	2.1	37.0	
25-29	2.0	1.6	2.2	11.2	
30-34	1.6	2.0	2.6	64.3	
35-39	1.9	1.6	2.3	25.0	
40-44	1.6	1.9	2.2	36.0	
45-49	1.7	1.7	2.4	41.6	
50-54	1.8	2.0	2.2	27.0	
55-59	1.3	1.6	2.1	67.5	
60-64	2.0	1.6	2.4	20.8	
65+	1.0	2.0	4.3	333.3	
TOTAL*	1.7	1.7	2.3	36.5	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

Appendix 4.7: Average Age of Employed Labour Force by Employment Status, Wellington Region, 1996, 2001, 2006 Cafes and Restaurants [H573]

H573 Cafes and Restaurants Wellington Region	Males	Females	Total	Sex Ratio Males/Females	Average Age (Total)*
1996					
Self Employed, no employee	81	99	180	0.8	42.5
Employer	255	219	474	1.2	40.8
Paid Employee	1,557	2,436	3,993	0.6	27.3
Unpaid Family Worker	69	75	144	0.9	38.1
NS/NEI	33	39	72	0.8	29.5
Total	1,995	2,868	4,863	0.70	29.5
2001					
Self Employed, no employee	81	87	168	0.9	42.1
Employer	276	231	507	1.2	42.8
Paid Employee	2,079	2,826	4,905	0.7	27.8
Unpaid Family Worker	51	72	123	0.7	39.5
NS/NEI	24	27	51	0.9	29.8
Total	2,511	3,243	5,754	0.77	29.8
2006					
Self Employed, no employee	78	90	168	0.9	44.4
Employer	291	285	576	1.0	43.6
Paid Employee	2,223	3,225	5,448	0.7	28.6
Unpaid Family Worker	27	63	90	0.4	41.3
NS/NEI	12	30	42	0.4	30.6
Total	2,631	3,693	6,324	0.71	30.6
Change 1996-2006					
Number	636	825	1,461		
(%)	31.9	28.8	30.0		
Employment Entry/Exit Ratio	1996	2001	2006	Change 1996-2006 (%)	
15-24: 55+ years	12.5	10.2	7.5	-40.0	
Percentage aged 55+ Years	4.0	4.8	6.5	60.9	
Sex Ratio by age (males/females)	1996	2001	2006	Change 1996-2006 (%)	
15-19	0.6	0.8	0.6	4.9	
20-24	0.7	0.7	0.7	-10.7	
25-29	1.0	1.0	1.0	1.1	
30-34	0.9	1.0	1.0	22.8	
35-39	0.8	0.9	0.9	4.5	
40-44	0.6	0.7	0.7	15.0	
45-49	0.5	0.5	0.6	26.4	
50-54	0.5	0.7	0.6	6.9	
55-59	0.5	0.6	0.6	14.3	
60-64	1.0	0.7	0.8	-21.7	
65+	1.0	1.4	0.8	-20.0	
TOTAL*	0.7	0.8	0.7	3.4	

Source: Jackson/Statistics NZ Customised Database,

Area of Usual Residence, Industry (ANZSIC96 V4.1) and Status in Employment by Age Group and Sex for the Employed Census Usually Resident Population Count Aged 15+ Years, 1996, 2001, 2006

* Age not available for small cell sizes, thus summed totals by employment status are lower than summed totals by industry

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Economic Interdependence between the Western Area of the Wellington Region and Wairarapa

24 February 2012

Final Report

MARTIN^IJENKINS

Preface

This report has been prepared for the Greater Wellington Regional Council by Nick Davis, Elisabeth Numan-Parsons, Donella Bellett and Robyn Ward from MartinJenkins (Martin, Jenkins & Associates Limited).

Our goal is to improve the effectiveness and efficiency of the organisations we work with. We do this by providing strategic advice and operational support in the following areas:

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Executive Summary

The purpose of this study is to explore the economic integration between Wairarapa and Western Area economies.¹ It does this in two main ways. First, by exploring the different industrial structures and economic specialisations of the two economies, which act as a pointer to economic inter-dependency at the macro-level. Secondly, and the primary focus of this study, is an examination of the nature and strength of micro-economic linkages between Wairarapa and the Western Area of the Wellington Region (WA), including employment and training, freight & distribution, production supply chain and intra-regional tourism linkages.

The report draws on a wide range of data sources and 15 qualitative interviews with businesses and organisations based in the two areas.

Economic integration between two geographic areas is generally associated with greater economic performance for both areas through benefits from trade. The benefit that each area gains from economic integration will be influenced by the nature and strength of the economic linkages between the two areas. Linkages grow from the countless decisions made by individual organisations day-to-day and year after year.

The geographic proximity of Wairarapa to the Western Area of the Wellington Region is such that they have historically had a close relationship. The Western Area is densely populated and provides the key economic infrastructure to support the Region – educational institutions, transport networks, distribution hubs and business services. It also hosts a range of events, sporting, recreational and cultural activities which are consumed and part-funded by Wairarapa residents. By contrast, Wairarapa has a low population density, is predominantly rural, and has a continuing dependence on primary production. It is recreationally important to the Western Area of the Region and generates significant business for the sea and air ports.

At an aggregate level, the industry structures of the two economies often lead to their relationship being characterised as a traditional hinterland supplying an urban centre. However this underplays the connections that exist between businesses in the two areas, the integration that exists in the labour markets, and the lifestyle factors that are an integrally important part of attracting people to the region.

This study has identified a myriad of linkages and connections between the two areas. Understanding these linkages gives a richer picture of the relationship between Wairarapa and Western Area economies, with a wide range of connections occurring in both directions. The linkages are of significance to the people and businesses involved in both areas, although in the aggregate the Western Area is more significant to Wairarapa than in reverse. Notwithstanding

¹ For the purposes of this analysis, Wairarapa comprises Masterton District, Carterton District and the South Wairarapa District. The Western Area of the Wellington Region comprises Wellington City, Lower Hutt City, Upper Hutt City, Porirua City and Kapiti Coast District.

the relative size differences, the different industrial specialisations of Wairarapa contribute a degree of stability and diversification to the Region's economy. Interviews also clearly indicate the personal and social importance of linkages, with each area enriching the life and offering of the other.

Linkages between the two areas can be found throughout the supply chain and there are examples of individual businesses in each area working closely with and relying on businesses and individuals from the other area. Each area has a differing offer:

- The importance of Wairarapa to the Western Area of the Region includes being a supplier of primary and manufactured products (logs, food and wine products); a key user of distribution networks; an important domestic tourism destination; and a steady source of consumer demand/retail spend
- The importance of the Western Area to Wairarapa: includes being a source of highly skilled professional services and skilled labour; provider of distribution and transport networks; and source of domestic tourism spending.

Examples of current linkages and connections include:

- Production inputs – Wairarapa businesses source inputs either transported through or located in the Western Area of the Region (eg. professional services) and inputs that come via Wellington as a distribution point (eg. machinery); while the Western Area sources a range of inputs from Wairarapa businesses (e.g. logs, wooden products and a range of food products). Labour is an important linkage between the two areas with specialist Wairarapa positions often advertised and secured from the Western Area of the Region and a number of highly skilled commuters travelling from Wairarapa to professional jobs in the Western Area daily.
- Consumption linkages – the Western Area of the Wellington Region is important as a final destination for a number of Wairarapa manufactured goods (eg. manufactured food products and wine) and is also important as a distribution centre nationally and internationally. The Western Area also provides training opportunities and specialist business services to Wairarapa-based businesses. In reverse, Wellingtonians are important consumers of tourism, food and accommodation in Wairarapa, providing a very significant share of the tourism spend. Many individuals and businesses located in Wairarapa also access specialised tertiary services (eg. health and education) in the Western Area of the Region.
- Other linkages are personally and geographically driven. Connections operate in both directions with many people having friends and family located in the other area and so visit frequently to maintain connections, shop, relax and enjoy the alternative attractions that the other area offers. Wairarapa is often described as a rural playground for Wellingtonians, offering respite from city life, while the Western Area is seen as a convenient and exciting place for a city break.

Wairarapa and Western Area labour markets, production processes, distribution channels and goods and services markets are all connected – both to each other and beyond. The economies have uniquely different structures with two important economic consequences: a degree of resilience and complementary offering.

Analysis of economic data shows that the difference in the two areas' industry structures provides a degree of resilience to the other, although there is a reasonably strong degree of concordance between employment growth patterns at an industry level suggesting some common drivers for both economies.

Although economic benefit is demonstrably in favour of Wairarapa, this needs to be viewed in the context of the differing economic structures and scales of the two areas. The Western Area of the Region is the seat of government, a large urban area and has significant sea and port facilities and, as such, it needs to maintain and develop strong links well beyond its immediate neighbours. In Wairarapa, the close geographic proximity of the Western Area and its assets (people, transport and distribution networks) makes it economically advantageous to prioritise linkages with the Western Area. At a social and personal level, the proximity of the two areas is a key factor in strong tourism, recreational and family linkages acting in both directions.

Introduction

Greater Wellington Regional Council commissioned MartinJenkins to undertake this study of the economic integration between the economies of Wairarapa and the Western Area of the Wellington Region. This report describes how the two areas are linked and the economic consequences of those linkages.

This study is being undertaken to inform the refresh of the Wellington Regional Strategy.

Scope

The scope of this study is to describe the economic inter-linkages that exist between Wairarapa and Western Area economies.

For the purposes of this analysis, Wairarapa comprises Masterton District, Carterton District and South Wairarapa District. The Western Area of the Wellington Region comprises Wellington City, Lower Hutt City, Upper Hutt City, Porirua City and the Kapiti Coast District.

Economic linkages are defined as movements between the two areas that impact on production and consumption activities. Movements of interest are those of factors of production (such as labour and raw materials) and intermediate and final goods and services. The specific linkages examined are data dependent but include employment (eg. commuting and migration), training, freight and distribution, supply chain and tourism.

The following are out of scope:

- Estimates of the aggregate value of economic linkages (such as % contribution to GDP), as available data does not allow such computations to be made.
- Economic linkages outside the Wellington Region nor any comparison about the strength of linkages vis-à-vis other regions.
- An assessment of the contribution of activities to improve linkages (for example, programmes to support major events/tourism promotion, business facilitation etc).

Approach

Economic integration between two geographic areas is generally associated with greater economic performance for both areas. The benefit that each area gains from integration will be influenced by the nature and strength of actual linkages between two areas.

Economic linkages are largely the aggregate result of many decisions by individual people and organisations – decisions that occur in the context of economic geography, networks and relationships, and firm specific conditions.

To gain insights into the economic linkages between Wairarapa and the Western Area economies, this study draws conclusions from:

- the structure of the respective area economies and their relative competitive strengths (key elements of economic geography);
- the nature and strength of interconnections within production and consumption chains at firm and industry levels (economic linkages).

Data

Information on the structure of the two economies and their relative competitive strengths is largely drawn from data collected by Statistics New Zealand. Employment data is relied on as there is limited economic production data available at the territorial authority level². This information is supplemented with data from the 2006 Census, the most recent available.

Information on economic inter-linkages within production and consumption chains is drawn from a wide range of secondary data sources, supplemented with insights gained from interviews of key businesses and organisations involved at the interface between Wairarapa and the Western Area of the Wellington Region economies.

A total of 15 interviews were undertaken for the project, including:

- five businesses located in Wairarapa (from the manufacturing, primary production and construction sectors);
- seven representative organisations and individuals who work closely with a number of Wairarapa businesses;
- three Wellington businesses/organisations who work closely with Wairarapa businesses.

² Official GDP statistics are not produced at the required level of disaggregation. However, employment and business count data is available both at territorial authority level and at a high level of industry disaggregation. Employment data is a good proxy for output, at least in the short term where the ratio of employment to output doesn't vary.

The interviews were conducted face-to-face³ and lasted for one hour. They were semi-structured to cover linkages between Wairarapa and Western Area economies along the production and consumption chain. Interviewees were asked to identify linkages, to discuss their perceived strength and to outline expectations for the future.

Several sources of quantitative data were drawn on including data supplied by KiwiRail, Greater Wellington Regional Council, Wairarapa Workforce Development Trust, Statistics New Zealand, and MarketView. In drawing on these sources the focus was to establish general relationships. It is noted that data from many of these sources are not strictly comparable. Appendix 1 contains further information on the data sources used in this report.

³ One interview was conducted over the telephone due to scheduling difficulties.

Economy Structure and Competitive Strengths

The Wellington regional economy comprises several local economies with differing profiles. This report decomposes the region into two areas: Wairarapa and the Western Area. The two economies have significantly different scales, industry structure and specialisations that provide important context for understanding and interpreting the nature and extent of economic interconnections between Wairarapa and the Western Area of the Region.

This part of the report sets the scene for subsequent sections, providing an overview of key characteristics driving the economic performance of Wairarapa and the Western Area. Identifying these characteristics, and the key differences between the two areas, informs our analysis of their relationship and the linkages between the two.

Wairarapa and Western Area Profiles

Overview

Wairarapa population is less than 1/10th the size of the Western Area of the Wellington Region, although it comprises over 70% of the Wellington Region by land area. There are eight times as many business units in the Western Area compared with Wairarapa, and significantly more large businesses.

Table 1. Area Profiles

	Population	Density (/km ²)	Number of households	Employed residents	Business count	Business units with 20+ employees
Western Area of the Wellington Region	410,328	193.3	151,704	214,500	45,789	1,946
Wairarapa	38,613	6.5	15,267	19,101	5,693	150

Source: Statistics New Zealand

Industrial structure

A comparison of the top 10 ranked industries by employment count in the Western Area of the Region and Wairarapa shows both similarities and differences.

As shown in Table 2, the employment profile of the Western Area is dominated by the public sector (central government, education and health) and business services. Retail trade makes a moderate contribution while manufacturing falls toward the bottom of the list. Wairarapa employment is concentrated in the primary industry (and associated manufacturing), retail trade and public services (health and education).

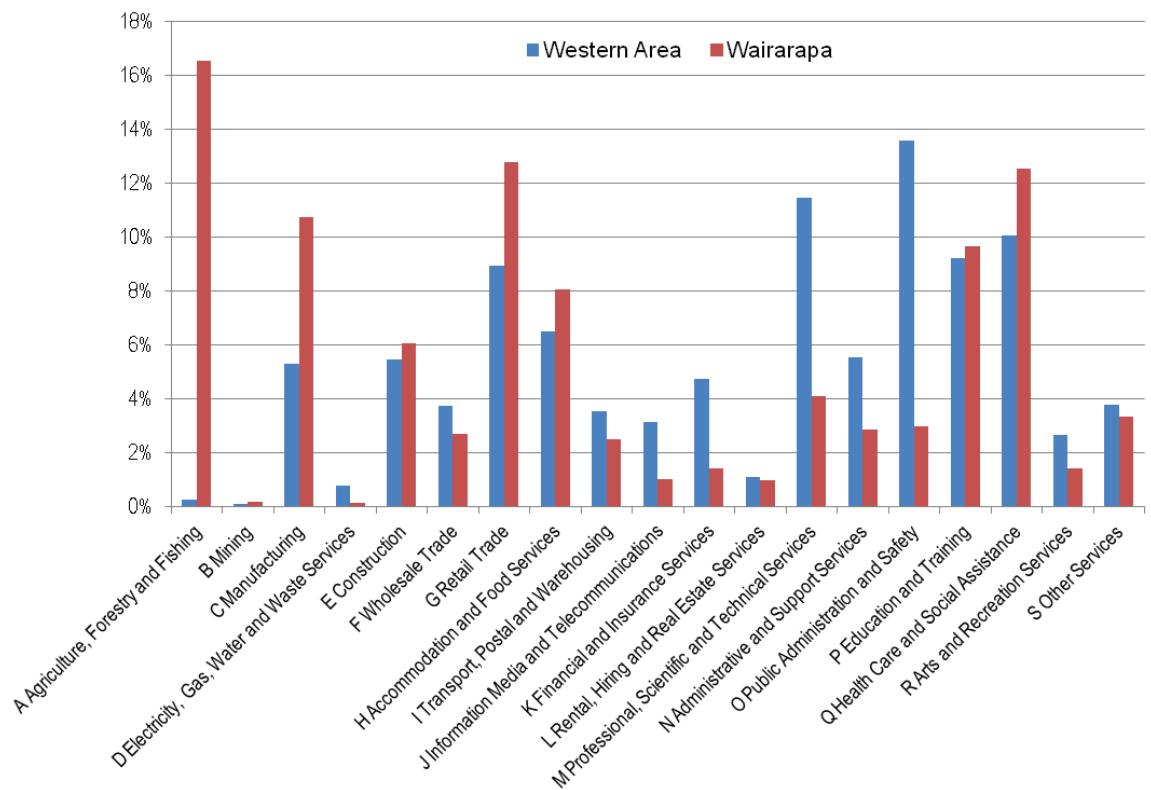
Table 2. Top 10 industries, ranked by employment count, in the Western Area of the Wellington Region and Wairarapa

Industry (ANZSIC06)	Western Area of the Wellington Region		Wairarapa	
	Rank	Employment count	Rank	Employment count
O Public Administration and Safety	1	30,030	10	470
M Professional, Scientific and Technical Services	2	25,320	8	640
Q Health Care and Social Assistance	3	22,200	3	1,960
P Education and Training	4	20,380	5	1,510
G Retail Trade	5	19,720	2	2,000
H Accommodation and Food Services	6	14,370	6	1,260
N Administrative and Support Services	7	12,280	11	450
E Construction	8	12,050	7	950
C Manufacturing	9	11,700	4	1,680
K Financial and Insurance Services	10	10,460	15	224
A Agriculture, Forestry and Fishing	18	610	1	2,590
S Other Services	11	8,380	9	525

Source: Statistics New Zealand

Figure 1 compares the industry employment shares for the two area economies. In proportionate terms, the Wairarapa economy has significantly higher shares in Agriculture, Forestry and Fishing, Manufacturing and Retail Trade, whereas the Western Area economy has significantly higher shares in Professional, Scientific and Technical Services, Financial and Insurance Services, Public Administration and Safety.

Figure 1. Industry employment share



Source: Statistics New Zealand

Industry Specialisation

The following table shows that many of the top 10 industries in both areas are not only locally significant employers but are also relatively more dominant than in the national industrial profile (as measured by location quotients).

Location quotients provide a measure of the significance of an industry to the local economy relative to that industry's significance in the national economy. A value over 1 indicates a local competitive strength in that industry. 2011 employment data was used (at the lowest ANZSIC⁴ level of disaggregation). Additional analysis at a more disaggregated level was included for Manufacturing, where analysis at the aggregate level obscures significant specialisation.

Table 3. Industry specialisation in the Western Area of the Wellington Region and Wairarapa (for top 10 industries by employment count in each area)

Industry (ANZSIC06)	Location Quotient	
	Western Area of the Wellington Region	Wairarapa
O Public Administration and Safety	2.41	0.53
M Professional, Scientific and Technical Services	1.54	0.55
Q Health Care and Social Assistance	0.93	1.16
P Education and Training	1.03	1.08
G Retail Trade	0.88	1.26
H Accommodation and Food Services	0.94	1.17
N Administrative and Support Services	1.15	0.59
E Construction	0.92	1.02
C Manufacturing	0.47	0.96
C12 Beverage and Tobacco Product Manufacturing	0.25	2.22
C14 Wood Product Manufacturing	0.26	3.48
C16 Printing	1.09	2.73
C17 Petroleum and Coal Product Manufacturing	2.94	6.78
K Financial and Insurance Services	1.69	0.51
A Agriculture, Forestry and Fishing	0.05	2.85
S Other Services	1.13	1.00

Source: Statistics New Zealand and MartinJenkins analysis

⁴ Australia and New Zealand Standard Industrial Classification

The location quotients show there are some important differences in industrial specialisation between the Western Area and Wairarapa. For most of the top 10 industries in each area, the direction of the location quotients are opposite for the two areas. That is, where the LQ is > 1 in one area, it tends to be < 1 in the other area. For example:

- In Wairarapa, Professional, Scientific and Technical Services are under represented in the area's employment profile⁵ but over-represented in the Western Area. While the industry structure of Wairarapa may be contributing to this, it is likely that the availability of these services in Wellington means that they are not needed in Wairarapa. This is consistent with the economic geography idea that Wairarapa is, in some respects, in the hinterland of the Western Area of the Region, with some specialised tertiary service provision being concentrated in the larger urban area.
- The concentration of central government and the public service in Wellington City explains the high location quotient for Public Administration and Safety in the Western Area of the Wellington Region (and it being low in Wairarapa).
- The geography of Wairarapa, compared to the Western Area of the Region, accounts for the high location quotient in Agriculture, Fishing and Forestry, as well as associated Manufacturing industries (eg. Beverage and Tobacco Product (wine), Wood Products). This industry profile also accounts for the high industrial specialisation in Petroleum and Coal Products – manufacturing of roading products such as bitumen, presumably for Forestry roading.

Industry Growth

One approach to exploring the economic interdependence at the macro-level is to consider respective trends in industry growth. When industry output growth rates trend together, this may be evidence of either a common driver and/or interdependence (ie. spillovers) between the two area economies. We use changes in employment to proxy industry output growth⁶, thereby allowing exploration of the degree of correspondence in industry growth patterns. This is supplemented with shift-share analysis, which decomposes the general growth trends from region specific factors.

Employment growth patterns

The following table shows the top 5 ranked industries by employment count for each of the two economic areas and the relative employment growth rates each has experienced between 2006 and 2011.

⁵ Employment growth over the last five years has been broadly inline with the rest of the Wellington Region and, while ahead of the national growth rate, the gap is unlikely to close in the near-term.

⁶ Employment growth is a reasonably proxy for industry output growth in the short-term. Over a longer-period, the relationship between employment and output growth can become weaker due to labour productivity improvements which change the ratio between employee count and output.

Table 4: Employment growth for top 5 industries by employment count

	Employment growth 2006-2011		
	New Zealand	Western Area of the Wellington Region (count rank)	Wairarapa (count rank)
Total Industry	1%	1%	-1%
Western Area of the Wellington Region			
O Public Administration and Safety	13%	8% (1)	-10%
M Professional, Scientific and Technical Services	11%	17% (2)	16%
Q Health Care and Social Assistance	14%	12% (3)	12% (3)
P Education and Training	13%	16% (4)	21% (5)
G Retail Trade	-4%	-6% (5)	1% (2)
Wairarapa			
A Agriculture, Forestry and Fishing	2%	-10%	-11% (1)
G Retail Trade	-4%	-6% (5)	1% (2)
Q Health Care and Social Assistance	14%	12% (3)	12% (3)
C Manufacturing	-15%	-26%	-7% (4)
P Education and Training	13%	16% (4)	21% (5)

Source: Statistics New Zealand

Overall, in these top 5 industries, there is a high level of correspondence between industry employment growth rates for New Zealand as a whole and the Western Area of the Wellington Region, but a significantly weaker correspondence between New Zealand and Wairarapa. There is a moderately strong correspondence between industry employment growth in the Western Area of the Wellington Region and Wairarapa.

Notwithstanding the general concordance in employment trends at an individual industry level, differences in industry structure mean there were differences in overall employment growth for the two area economies. Of the top 4 industries (by employment count) in Wairarapa, only two had positive employment growth between 2006 and 2011. In contrast, the top 4 industries in the Western Area of the Region all had positive employment growth rates in the five years to 2011 (and all are in the top 6 industries by employment growth at a national level).

Analysis of the employment growth data suggests that:

- There are only limited employment spillovers between industries based in Wairarapa and the Western Area. Examples of differing levels of performance between the two areas (indicating lack of spillover) are:
 - *Manufacturing*: employment declined significantly *more* in the Western Area than nationally, however, the decline in Wairarapa was *less* than nationally. The declines seen in both areas are likely to be driven by different factors (the decline in Wairarapa is more closely linked to the fortunes of the agriculture industry). Wairarapa is unlikely to have picked up additional business as a result of the decline in activity in the Western Area.
 - *Retail Trade*: employment contracted proportionately *more* in the Western Area than nationally, while Wairarapa out performed both showing some growth.
- There are likely to be employment spillovers for some industries between Wairarapa and the Western Area of the Wellington Region.
 - *Arts and Recreation Services*: Wairarapa performed better than the national average, some of which is likely to have spilled over from the Western Area and regional initiatives. Increased activity may also be contributing to the growth in employment in retail trade in Wairarapa.
- There may be negative employment spillovers for a small number of industries between Wairarapa and the performance of that industry in the Western Area. That is, growth in one area may come at the expense of that industry in the other area.
 - *Public Administration and Safety*: Wairarapa saw a reduction in employment, whilst nationally and in the Western Area employment in this industry increased.

Note: This analysis is indicative rather than conclusive. Finer grained relationships, such as between different industries cannot be isolated through this form of analysis. In addition, there is a significant difference in the relative size of Wairarapa and the Western Area of the Wellington Region. The employment decisions of one or two companies can plausibly have a significant impact on employment growth rates in small industries/areas.

Composition of employment growth

A shift share analysis of employment changes can reveal the degree of change in employment that is attributable to the competitiveness of the region itself – beyond the effects of national employment change and industry employment change at a national level. The results, in Table 5, reflect how three factors contribute to industry employment change in the area (the three factors add to total employment change):

- **National share:** the employment growth in the area that is attributable to national employment growth.
- **Industry share:** the growth in the area that is attributable to industry trends in employment at a national level.
- **Regional share:** the growth in the area that is attributable to unique regional factors.

Table 5. Shift-share analysis for top 5 industries by employment count

	Employment change	National share	Industry share	Regional share
Western Area of the Wellington Region				
O Public Administration and Safety	2,210	266	3,416	-1,472
M Professional, Scientific and Technical Services	3,620	207	2,260	1,153
Q Health Care and Social Assistance	2,430	189	2,504	-263
P Education and Training	2,800	168	2,156	476
G Retail Trade	-1,280	201	-1,110	-371
Wairarapa				
A Agriculture, Forestry and Fishing	-330	28	23	-381
G Retail Trade	10	19	-105	96
Q Health Care and Social Assistance	210	17	222	-28
C Manufacturing	-120	17	-281	143
P Education and Training	260	12	153	95

Source: Statistics New Zealand with MartinJenkins analysis

According to this analysis, the decline in employment in Agriculture in Wairarapa is entirely attributable to unique regional factors – given national employment growth and industry growth at a national level, we would have expected to see employment growth in Wairarapa, other things being equal. This is particularly concerning for Wairarapa given that the industry is one where Wairarapa has a high degree of specialisation (LQ=2.85, see Table 3).

In the case of Wairarapa Retail Trade, the picture is more positive – results show that growth in the industry was specifically attributable to unique regional factors: growth outstripped that predicted by national employment growth, and industry employment in fact declined at a national level.

This level of analysis also reveals that although Wairarapa experienced a decline in employment in Manufacturing, it was in fact largely attributable to a general decline in the industry at a national level –regional factors actually mitigated the impact of this.

For the Western Area, the analysis shows that industry employment trends at a national level were dominant in determining employment growth for all industries. For the Area's dominant industry, Public Administration and Safety, regional factors actually attenuated employment growth.

Overview of micro economy

Firm demographics

While the number of business units in the Western Area of the Wellington Region significantly outstrips Wairarapa business units, the proportion of each size firm is actually very similar. In terms of difference between the two areas, there are more firms, proportionately, who have 1 to 5 employees in Wairarapa, while the proportion of larger firms (20 plus) is smaller.

Table 6. Business units by employee size (2011)

Number of employees	Western Area of the Wellington Region		Wairarapa	
	Count	% of total business units	Count	% of total business units
0	29,813	65%	3,696	65%
1 to 5	9,583	21%	1,349	24%
6 to 9	2,418	5%	265	5%
10 to 19	2,029	4%	233	4%
20 to 49	1,198	3%	109	2%
50 to 99	396	1%	28	0%
100+	352	1%	13	0%
Total	45,789	100%	5,693	100%

Source: Statistics New Zealand

Occupations

Table 7 presents the occupational profiles of residents in the two areas. Given the industrial profile of Wairarapa, the occupational profile of Wairarapa residents appears unusual when taken at face value. Consistent with the profile of Wairarapa businesses there is a relatively higher proportion of labourers than in the Western Area. However, there are a high proportion of residents employed in managerial and professional roles living in Wairarapa (with the proportion of managers higher than in the Western Area). This is likely to reflect a strong commuting connection.

The Western Area's employment profile shows the dominance of industries that rely on managers, professionals and clerical and administrative workers. The area is also home to a significant pool of workers in technical and trade occupations.

Table 7: Occupational profile of Western Area of the Wellington Region and Wairarapa residents (2006)

Occupation	Western Area of the Wellington Region resident count	% of Western Area of the Wellington Region employment	Wairarapa resident count	% of Wairarapa employment
Managers	27,627	16%	3,606	19%
Professionals	48,135	28%	2,961	16%
Technicians and trades workers	17,133	10%	2,400	13%
Community and personal service workers	13,623	8%	1,530	8%
Clerical and administrative workers	24,654	14%	2,022	11%
Sales workers	15,585	9%	1,587	8%
Machinery operators and drivers	6,090	4%	1,086	6%
Labourers	10,758	6%	2,952	15%
Not elsewhere included	8,100	5%	960	5%
Total	171,714	100%	19,098	100%

Source: Statistics New Zealand, 2006 Census.

Summary

This section outlined key features of Wairarapa and Western Area economies, with a view to exploring at a macro level the nature of economic integration. At this aggregate level, economic linkages between Wairarapa and the Western Area do not appear to be particularly strong, although it would be wrong to conclude from this aggregate analysis that there are no material impacts. Indeed, economic links are likely to be more evident at a micro-economic or individual firm level, which is the focus of the next section.

Key points made in this section are:

- The local economies that make up the Wellington Region are significantly different in terms of scale, industry structure and specialisation.
- Given the structure of the two economies and the relative scale differences, the overall growth performance of the Western Area of the Wellington Region over the last five years is unlikely to have been materially affected (either positively or negatively) by the performance of Wairarapa economy and its component industries.
- In contrast, Wairarapa's overall growth performance is likely to have been supported by the performance of the Western Area such as through Wholesale Trade and distribution, Arts and Recreation Services, Professional, Scientific and Technical Services and also possibly Education and training activities. Small changes in demand from the Western Area of the Region can be significant for Wairarapa businesses.

Economic Linkages

This section takes a closer look at the nature and strength of economic linkages between Wairarapa and Western Area economies using a more micro-economic lens. It is these micro-economic linkages that are the core focus of this study.

The focus is on economic flows between the two areas that impact on production and consumption activities. That is, we explore the types of flows, the volume of flows and (where possible) the industrial/firm level destinations of those flows.

Flows are considered in both the production and consumption components of supply and demand chains.

- Production: Flows in factors of production (eg. labour, raw materials), flows of intermediate goods in production supply chains (both internal and external to a business), flows of final goods through distribution chains (eg. transport hubs) and goods through to consumer markets;
- Consumption: Flows of consumers (migration and tourism) and the consumption of goods and services by those consumers in the local market.

Analysis of key economic flows covers:

- employment linkages (commuters and migrants)
- training linkages
- freight and distribution linkages
- production supply chain linkages
- intra-regional tourism.

Employment linkages

The degree to which the two areas are sources of labour for each other can be measured by flows of workers between the two geographic areas. Some flows involve a change in work address (eg. from the Western Area to Wairarapa) that may, or may not be accompanied by a change in residential address. Other flows involve a change in residential address (eg. from the Western Area to Wairarapa) but no change in work address.

There are economic effects associated with both types of movements. Those choosing to reside in one area but work in another often benefit the passenger transport industry and contribute to the economy of their place of residence through consumption behaviours, and to the local community such as through participation on school boards. Those choosing to shift work address may become a productive loss to the originating location (if unable to be replaced) and a gain to the new area bringing with them new skills, experiences and connections (connections that may also create some benefit to the originating area).

Commuters

For the purposes of this study, commuters are defined as those residents of one area who are employed in the other area and regularly travel across the boundary for the purpose of that employment.

According to the 2006 Census, 1,400 people who usually reside in Wairarapa gave a workplace address in the Western Area of the Wellington Region. The flow in the other direction was 680.⁷

Commuters to Wairarapa:

- Most of the commuters working in Wairarapa come from Wellington City (350) with Lower Hutt the other significant contributor (170)
- Within Wairarapa, the Masterton District receives the greatest number of commuters from the Western Area of the Wellington Region (320).

Commuters to Wellington:

- A similar pattern applies in reverse with most commuters from Wairarapa working in Wellington City (860 out of 1400)
- There is one important difference in the pattern - over half of commuters to the Western Area of the Wellington Region reside in the South Wairarapa District, being the nearest Wairarapa district to the Western Area.

A number of interviewees alluded to the importance of geographic proximity, commenting that commuting staff tended to live relatively closely to their place of work. What is interesting to note is that the volume commuting from the Western Area is often underestimated. Several interviewees commented that commuting to Wairarapa was rare but this is contradicted by the data.

Maybe 50-60 a day [commute to Wairarapa], mainly people working in trades or horticulture, often from Upper Hutt. (Wairarapa organisation)

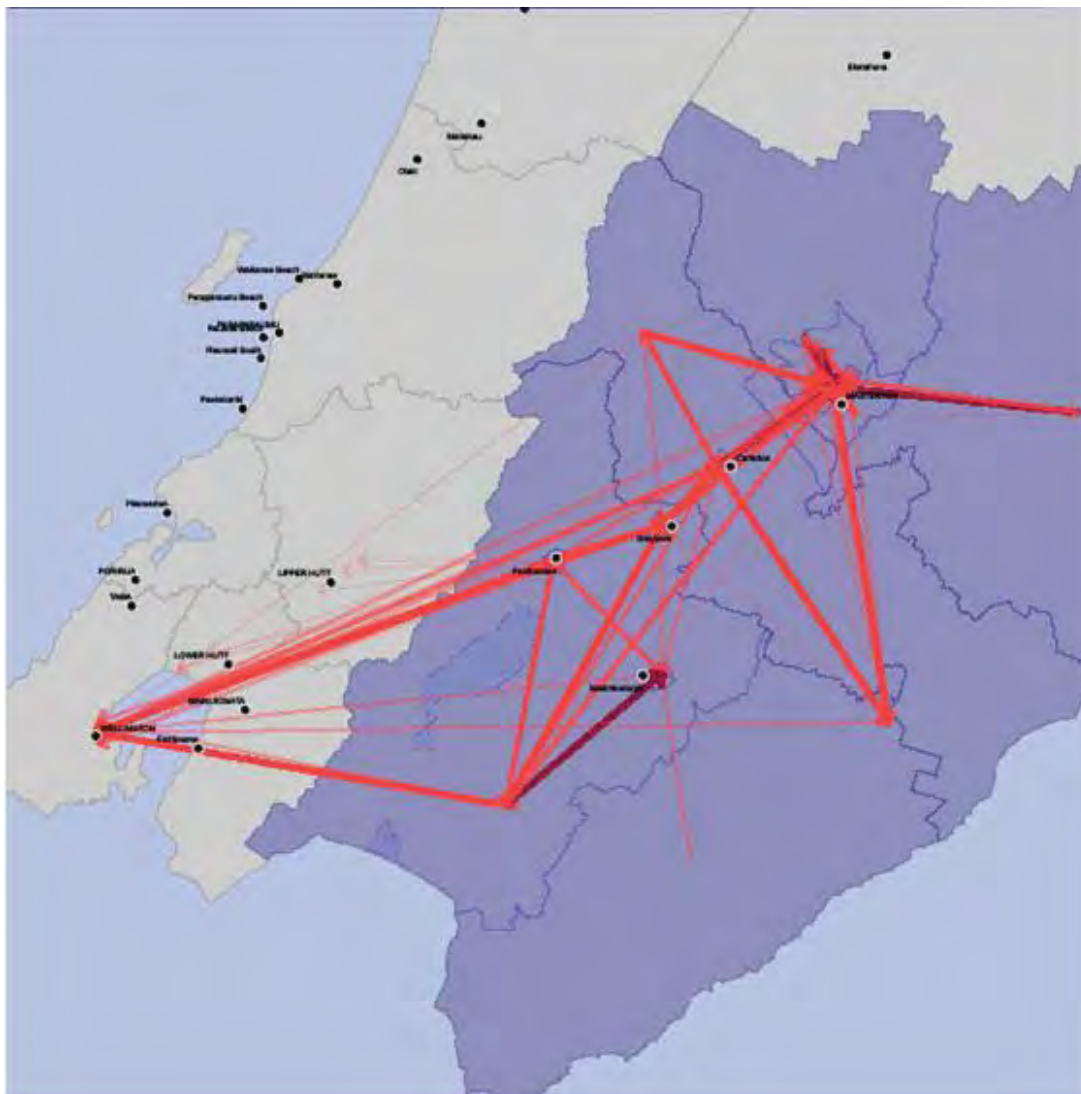
We have a few staff that come from South Wairarapa [to work in the CBD]. (Wellington business)

I know of one person who commuted to Wairarapa until recently – she's overseas now. She lived in Wellington to look after her mother but commuted every other day to be the head of [an education institution]. (Wairarapa organisation)

⁷ For a full breakdown by Territorial Authority origin/destination, see Appendix 2

The commuter patterns are evident in the following graphic:

Figure 2. Commuting destinations of those resident in Wairarapa, 2006 Census day



Source: CommuterView New Zealand, 2006 Census

Mode of travel

Passenger train is a prominent mode of travel for commuters between Wairarapa and the Western Area of the Region, as is private passenger vehicle. Official data is unavailable on choice of mode by commuters between the Western Area and Wairarapa⁸. Instead, for this study we draw on information provided by Greater Wellington Regional Council's Regional Transport model (for car trips) and KiwiRail (for rail passenger numbers). These sources are not directly comparable to the Census data but are indicative of the patterns of mode choice.

Private passenger car trips

On a typical work day morning in 2006 over 500 car trips were made from Wairarapa to the Western Area of the Region.⁹ A larger number of trips were made in the other direction. Of the 900 cars travelling to Wairarapa, most come from Upper Hutt (420) and a further 198 from Hutt City. In the Western Area, workplaces are generally far more concentrated in one area, while for Wairarapa workplaces are likely to be more dispersed – this may contribute the higher car flow into Wairarapa

Commuter train passengers

Contrary to the car trips, a greater number of passengers travel from Wairarapa by train than in the other direction. Anecdotal evidence from interviews suggests that Wairarapa commuters specifically target jobs near the railway station. While there are numerous passenger services from Wairarapa in the morning, there is only one service heading in the other direction (ie. from Wellington City) and this leaves too late to truly be considered a commuter service (see Table 8). This is also likely to contribute, at least in part, to the greater number of cars travelling from the Western Area of the Wellington Region to Wairarapa in the morning.

⁸ The 2006 Census contained questions that could be tabulated to estimate mode volumes if Statistics New Zealand were commissioned to undertake this. Given the other available sources of data, while not comparable, illustrate the patterns of interest for this study, further data from Statistics New Zealand has not been sought.

⁹ Source: GWRC Regional Transport Model (2006).

Table 8. Passenger numbers on peak time morning trains (departing before 9am)¹⁰

Service	Departure Time	Passenger Count
From Wairarapa		
1601	05:45	298
1603	06:21	361
1605	06:48	282
Total		941
From Wellington		
1602	08:25	55
Total		55

Source: KiwiRail

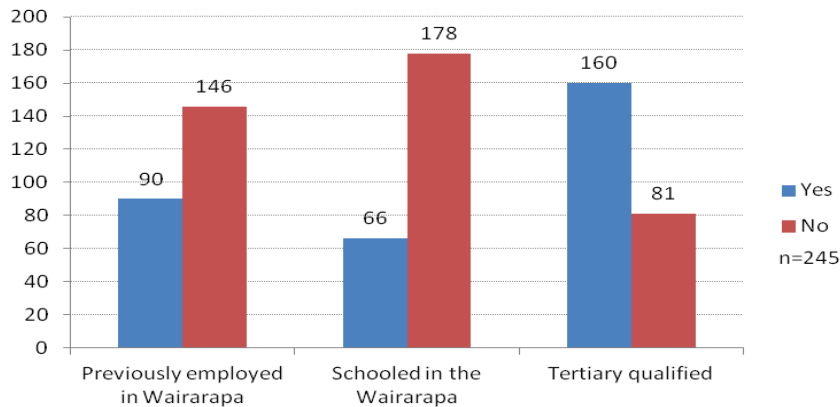
Commuter profiles

Wairarapa commuters

Commuters to the Western Area residing in Wairarapa are more likely to not have had a previous work or educational connection to Wairarapa (although there is a significant minority who have). Given the migration from the Western Area (see page 25), commuter numbers will also include new residents that continue to work in the Western Area.

The skill level of Wairarapa commuters is higher than the general Wairarapa population, with the majority being tertiary qualified.

¹⁰ Figures are a daily average taken over August and November 2011. Passenger figures are recorded at Masterton, Featherston, Upper Hutt, Waterloo and Wellington, and the highest count from these figures is the number reported.

Figure 3. Employment and education history of Wairarapa commuters

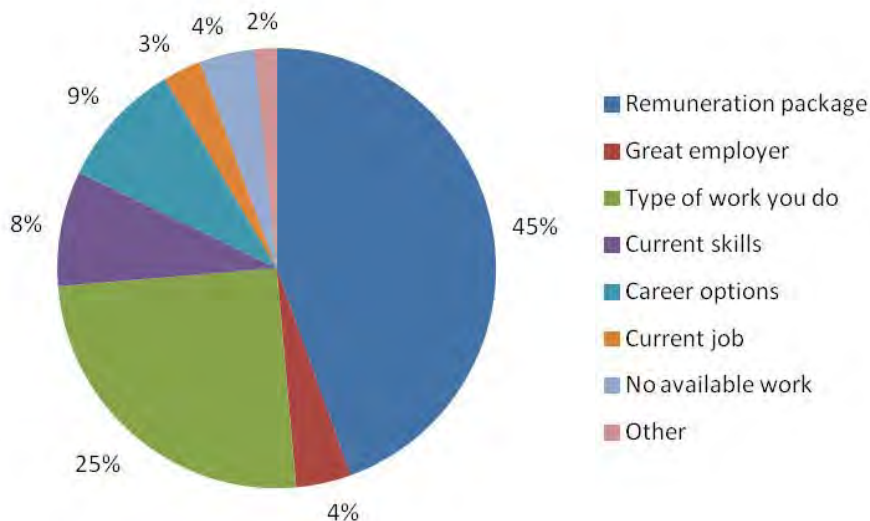
Source: Wairarapa Workforce Development Trust, 2008 Commuter Survey

According to Statistics New Zealand “The highest proportion of workers who lived outside of the four cities of the Wellington region but gave a workplace address there, were engaged in Property and Business Services (19 percent), and Government Administration and Defence (14 percent) industries.” (Census, 2006)

The reasons Wairarapa commuters give for commuting to the Western Area are predominantly pull factors such as higher wages and business and career opportunities. In addition, given the skill level of this commuter group, for many it is likely that the roles they perform are either limited or unavailable in Wairarapa. Remaining in their chosen field of employment necessitates commuting or migration. However, one interviewee commented that this commuter group could be targeted to fill jobs that were open at the higher-skilled end of the market:

We told a local IT company that needed people that there were lots of IT specialists commuting into Wellington on the train everyday. [The company] went and handed out flyers on the morning train saying ‘what great jobs they had – how you wouldn’t have to commute anymore – how they’d pay Wellington rates’, they successfully recruited seven people. (Wairarapa organisation)

Figure 4. Main reason for commuting from Wairarapa to the Western Area of the Wellington Region



Source: Wairarapa Workforce Development Trust, 2008 Commuter Survey

Interviewees commented:

It is frustrating seeing so many skilled people commute to Wellington or move there – talented, skilled people, because they can’t get a job here. It’s a huge loss to all of us. (Wairarapa organisation)

Occasionally people will move [to Wairarapa] to work from Wellington – usually for family or lifestyle reasons. They tend to be management level, trades qualified or mature specialists – not general labour. (Wairarapa organisation)

There is a high-skill group living in Wairarapa primarily for the lifestyle who want big-city pay and opportunities: they are happy to do this long-term...there are only limited opportunities for this group to work in Wairarapa, generally the right jobs are not available. (Wairarapa organisation)

Western Area commuters

There is little published information about the profile of commuters residing in Wellington and travelling to Wairarapa for work. Statistics New Zealand publishes information on New Zealand regions and flows into those regions, however similar information has not been published describing flows from cities to their hinterlands.

Given the destination profile of the commuters, the industry profiles of those towns, the opportunities that exist in the Western Area and the higher living costs in Wellington, those choosing to commute (rather than relocate) are likely to be skilled workers in larger Wairarapa companies.

Anecdotal evidence about Western Area commuters, from interviews, suggests:

- skill gaps exist for managers, while unskilled labour is readily sourced from within Wairarapa: businesses try to actively recruit managers from the Western Area;
- some commuters travel from the Western Area into Wairarapa to work in the trades and horticulture industry.

Migrants

For the purposes of this study migrants are residents of one area who move residential address to the other area. This group is not mutually exclusive of commuters. Migrants who do not also change employment address to the new area will also be considered commuters. Migrants also include those not in the workforce.

Between the 2001 and 2006 census years, 2,400 people migrated from the Western Area of the Wellington Region to Wairarapa. Over the same period 2,166 people migrated from Wairarapa to the Western Area of the Wellington Region.

Of those migrating from the Western Area of the Wellington Region, the majority were from Wellington City (42%), and the most popular destination was South Wairarapa (40%). These people are likely to be lifestyle migrants. In the other direction, most migrants to the Western Area of the Wellington Region from Wairarapa were from Masterton (55%), with the most popular destination being Wellington City (42%). Employment is likely to be a major driver for these migrants.

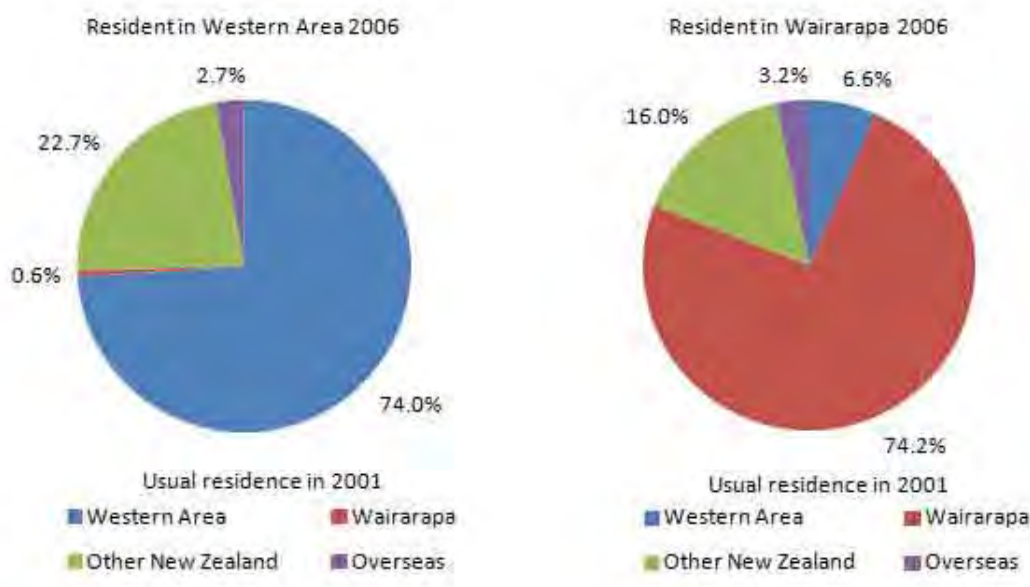
Table 9. Internal migration for the Western Area of the Wellington Region and Wairarapa, 2001-2006

2006 Usual residence	2001 Usual residence				
	Western Area of the Wellington Region	Wairarapa	Other New Zealand	Overseas	Total
Western Area of the Wellington Region	283,077	2,166	86,799	10,335	382,377
Wairarapa	2,400	26,850	5,787	1,143	36,180

Source: Statistics New Zealand

Areas outside the Wellington Region are more significant sources of migrants than the intra-regional transfer. Within this context, however, a higher proportion of residents in Wairarapa in 2006 were previously from the Western Area of the Wellington Region (6.6%) than in reverse (0.6%).

Figure 5. Internal migration for the Western Area of the Wellington Region and Wairarapa, 2001-2006



Source: Statistics New Zealand

Figure 6. Wairarapa based companies - real life examples of employment profiles

- Company A: is a large manufacturing firm with a core staff of 80 people, increasing to around 130, depending on the season. All their staff live locally to be able to work shifts – they work around the clock 24/7. Recruitment is not really an issue at the moment because retention is so good – but they were struggling to get staff a few years ago.
- Company B: is a large manufacturing firm employing almost 350 staff – all of them live in Wairarapa. They operate 24/7 and need their staff to live close to the business, with general labour being required to do shift work. Recruiting semi-skilled and skilled (trades qualified) and management can be difficult. They advertise widely – in Wellington, through the internet and through their networks. Occasionally people will move from Wellington to work for them – they tend to be more senior staff. The reasons they come are for their family or a better lifestyle – some of them would have been commuting into Wellington and are ready for a change for the better. Retention, especially at the senior level, is good.
- Company C: is a large manufacturing firm. They employ 135 permanent staff and up to 40 casuals to meet fluctuating demand. They have a high ratio of well qualified trades people on their staff. To find the right people they have to look far and wide – they are like a league

of nations with staff sourced from around the globe. They are absolutely delighted to relocate here – they see it as a great opportunity for their families. Other positions tend to be filled locally with some managers coming from Wellington.

- Company D: works in construction, they are a medium sized firm employing 90 people. All their staff live locally. Recruitment is difficult but once they have staff, they tend to stay – retention is excellent. Many staff have been with the firm for between 20 and 40 years.

Training linkages

In the previous section the focus was on the movement of labour supply. In this section we focus on activities to raise the skill level of existing employees.

Training activities include both onsite and offsite courses in which employees take time out from their day-to-day roles. Training includes block courses that may extend over several months or one off sessions. Training can be categorised as trade, profession or managerial/leadership in focus.

Training is provided by industry training organisations (ITOs) who typically focus on particular trades, professional associations (such as the Law Society), private training providers (such as Results and Catapult), tertiary education providers (such as WelTec, Victoria University) and in-house (such as of new staff by more senior staff).

Both the Western Area and Wairarapa provide training services. Naturally, the scale of provision in the Western Area is greater and typically geared toward the dominant industry employers. For many industries and training needs, the Western Area provides the region's (and in some cases the nation's) centre of excellence. As the needs of the Western Area within the region are largely met locally, it is unlikely that there is much of a training service flow from Wairarapa training providers to firms in the Western Area.

However, trainers in the Western Area of the Wellington Region provide an important service for many of the industries and training needs in Wairarapa – in particular WelTec in Petone (providing specialist training to the construction sector), and professional development at the management level. For some industries, the Western Area does not provide the right training (eg. agricultural training is most commonly sourced from Taratahi, located between Masterton and Carterton).

Figure 7. Wairarapa based companies - real life examples of training links with the Western Area of the Wellington Region

- Company A (Manufacturing): do nearly all their training in-house and if any trainers are used they come from Wairarapa. There are exceptions though, primarily at the management level – strategic, management training comes from Wellington firms, and office staff are trained in ACC requirements via Wellington too.
- Company B (Manufacturing): have a large number of staff (almost 350) and have spent time and resources to develop their own in house training officer who is now in-demand by other companies. While a lot of staff get sent for specialised block courses in Rotorua, Wellington is important for engineering training (50% get sent to Wellington) and electrical training (all go to Wellington). Another area that they do a lot of training in is leadership and management. This is all done through Wellington. They will either send senior people down to Wellington or bring in a tutor for the day (from Wellington).
- Company C (Manufacturing): they have a very strong training link to Wellington. Apprenticeships are really important to the business and they are handled through Wellington – but block courses are actually run in Auckland. They also put their managers through training or send them to get Diplomas in Wellington.
- Company D (Construction): does most of their training in-house – staff are pretty much trained on the job. They provide good training – occasionally other local firms join in, for particular specialised topics. Besides the day-to-day stuff, lots of their staff are completing trades qualifications and they work with a Wellington based ITO. This is pretty straight forward – it's well set-up and just ticks over, the staff just go through their work books. They also have some specialist staff who go to WelTec in Petone to complete block training courses.

Freight and distribution linkages

Freight movements and the origins and destinations of those movements provide a strong indication of the inter-linkages between the goods production activities in one area and production and consumption activities in another area.

Freight movements can involve, for example, production in Wairarapa being transported for consumption in the Western Area of the Wellington Region; production from the Manawatu/Hawke's Bay being transported through Wairarapa; and production in Wairarapa being transported for onward shipping to markets further afield. The economic impacts of these different types of freight movements for Wairarapa and the Western Area economies vary.

Freight movements between Wairarapa and the Western Area are principally by road (State Highway 2) and rail (key freight service providers include KiwiRail and Mainfreight). Within the Urban Area, Wellington City acts as an important gateway for goods moving in both directions – in and out of the region, to destinations around the country and offshore. Both the port (CentrePort) and the Wellington Airport are important transport hubs for firms both in Wairarapa and Western geographic areas of the region.

Freight movements

Data from 2006 shows heavy vehicle movements in the Wellington Region (number of trucks) was fairly evenly balanced between trucks originating in Wairarapa and trucks originating in the Western Area of the Region. Data is not available on the volume of goods transported.

Table 10. HCV movements between Western Area of the Wellington Region and Wairarapa

Origin	Destination		
	Annual ('000)		
	Western Area of the Wellington Region	Wairarapa Total	Total
Western Area of the Wellington Region	19,507	227	19,734
Wairarapa Total	249	1,225	1,474
Total	19,756	1,452	21,208

Source: GWRC Regional Transport Model, 2006

Information from KiwiRail, displayed in Table 11, shows that the *number* of freight trains to the Wairarapa from the Western Area has steadily increased over the last three years. In contrast, freight trains to the Western Area from Wairarapa have been stable – although this does not include transit services which occasionally carry small volumes of Wairarapa freight. Freight volume is consistently much higher in the Wairarapa-Wellington direction and has fluctuated significantly over the same period, suggesting that train *numbers* are not a good measure of freight movement (see Table 12).

Table 11. Train count between Wellington and Wairarapa (excludes passenger trains)

	Financial Year				
	2007	2008	2009	2010	2011
Wairarapa - Wellington	248	250	243	254	247
Wellington - Wairarapa	250	253	249	263	274

Source: KiwiRail

Freight origin and destination

Rail freight data from KiwiRail provides detail on the general composition of rail freight, its origin and its destination. Table 12 shows:

- Nearly two-thirds of rail freight volume is intra-regional, originating and terminating between Wairarapa and the Western Area.
- The Western Area of the Wellington Region is a significant transport hub for Wairarapa: large amounts of freight originating in Wairarapa moves through the Western Area to other destinations.
- Freight to Wairarapa:
 - the volume of goods being transported by rail to Wairarapa is significantly less than in the other direction (while we don't have road freight information we would expect a similar pattern – especially given that logs from Wairarapa are transported by road not rail)
 - the majority of goods being transported by train to Wairarapa are in the category of 'freight forwarding'; which includes wholesale and retail goods being transported for sale in Wairarapa
 - transport of flour and grain: anecdotal evidence from interviews suggests that much of this may be destined for the wood processing industry.
- Forestry (wood products):
 - these products dominate rail freight movement to the Western Area from Wairarapa; a large portion of these products have the Western Area listed as the destination, and around a third are listed as being for destinations beyond; presumably a significant amount of the wood products that end up in the Western Area are subsequently exported through the port to Australia and Japan;
 - wood products also move in the other direction, from the Western Area to Wairarapa; an interviewee indicated that this was probably wood to cover short term supply shortages for Wairarapa based manufacturers.

While we do not have data related to other commodity movements (eg. by road), Wairarapa also exports a range of other products, such as wine, fruit and livestock, for which the Wellington sea and air ports will be relevant.

Table 12. Rail Freight between the Western Area of the Wellington Region and Wairarapa (net product weight, tonnes)

			Financial Year					
Direction	Transit/Within Region	Commodity Category	2007	2008	2009	2010	2011	
To Wairarapa	From outside WA	Forestry (including wood products)					1,446	
		Other	10	148	0	213	160	
		Flour & grain	1,729	1,850	341	191	238	
		Freight forwarding	1,469	830	1,100	1,582	1,105	
		KiwiRail internal	381				80	
	From outside WA Total			3,589	2,828	1,441	1,986	3,029
	From within WA	Forestry (including wood products)	140	64	928	865	539	
		Other	0	0	0	1,096	77	
		Freight forwarding	2,176	5,083	5,957	297	4,049	
		KiwiRail internal	120		232	493	865	
	From within WA Total			2,436	5,147	7,117	2,751	5,530
	To Wairarapa Total			6,025	7,975	8,558	4,737	8,559
	From Wairarapa	Destination beyond WA	Forestry (including wood products)	24,925	12,969	9,060	13,802	24,762
			Other	5		0	9	78
Freight forwarding			184	533	408	1,429	406	
KiwiRail internal			40	22	30		60	
Destination beyond WA Total			25,154	13,524	9,498	15,240	25,306	
Destination WA		Forestry (including wood products)	52,371	43,144	47,809	40,845	42,375	
		Other	10	0	0	350	0	
		Freight forwarding		472	223	25	61	
		KiwiRail internal	180	250	90	6	2	
Destination WA Total			52,561	43,866	48,122	41,226	42,438	
From Wairarapa Total			77,715	57,390	57,620	56,466	67,744	

Figure 8: Freight movement from Wairarapa based companies – real life examples

- Company A (Manufacturing): most of their products go through distribution centres – with about one-third of their products distributed from Wellington. Where products actually get consumed is a different story. Products will end up in Wellington retailers from Auckland and Wellington distribution centres. Wellington is important to them as a distribution hub because of its shipping links to the South Island. Everything travels to distribution centres via road, much of this is done using a Wellington freight company. The Wellington airport is an important hub for business travel, but they also use the (relatively) new link from Masterton to Auckland.
- Company B (Manufacturing): Wellington is critical for them when it comes to transporting their goods and as an export hub. They are a big customer for KiwiRail – and KiwiRail looks after them well. They are primarily an exporter, and 80% of their exports go to Wellington, via rail. A very small amount (approximately 1%) of their output actually gets used in Wellington. They use the Wellington airport for staff travel, it is especially useful for links with their parent company internationally.
- Company C (Manufacturing): they send out 60 tonnes of product every day. Most of this is freighted (in all directions) by a Wellington freight company. They have a large distribution centre in Wellington which relies on them for business. All their international orders go via Auckland. Wellington’s central location makes it perfect for distribution to the South Island – they expect more and more products to go through there in the future.
- Company D (Construction): most of their product stays in the local region – they either use it themselves or sell it to local competitors (only a tiny fraction goes to local retail); overall it makes no economic sense to haul or freight their product elsewhere as it’s too heavy and each region has their own source. If there’s a shortage in Wellington they might send some there, they don’t expect this will ever change much.
- Wairarapa based individual L: The Wellington port is essential – particularly for logging, but we need to get them off the roads; would like to see go north to Napier (to protect against losing the Masterton to Woodville rail link). The port has a real bottle-neck with logs, general freight is no problem.
- Wellington business O: logs from Wairarapa are one of the biggest exports through CentrePort. They all currently come to the port via road. Logs are a low value product – as such there is economic value in ensuring efficient transport links exist between Wairarapa and CentrePort. There is no doubt the use of rail for logs would strengthen the port’s links with Wairarapa.

Production supply chain linkages

The freight data in Table 12 provides some evidence of economic linkages in production activities occurring in Wairarapa – for example, the transit of flour and grain that is used in wood product manufacturing. Beyond this data, statistics are not available on intra and inter-industry connections between Wairarapa and Western Area of the Wellington Region based companies.

National level data is available on inter-industry connections (input-output tables) and estimates have been made, presumably on the basis of national relationships, of the inputs that particular industries in a local area are likely to have drawn on during production (irrespective of their location). An example is the economic profile of Wairarapa economy by BERL.¹¹ Estimating the geographic origin of those inputs, however, on the basis of existing data would be more complex and unlikely to produce reliable results. This section, therefore, draws on information from the interviews conducted for this study.

Inputs to Wairarapa production sourced from the Western Area

Wairarapa's key industries are based on inputs that, on the whole, are not produced within the Western Area of the Wellington Region. For example, food processing in Wairarapa draws predominantly on livestock and cropping farming, wholesale and retail trade, other food manufacturing, other business services, road freight and transport.¹² For many of these industries the Western Area of the Wellington Region is not a significant producer.

At the level of individual companies, however, a number of important linkages were evident between Wairarapa and the Western Area of the Wellington Region. Interviewees highlighted the importance of historical relationships, quick turn-around times and the ability to conduct business face-to-face as being important motivators for using suppliers in the Western Area of the Wellington Region in preference to others. In cases where certain goods and services were sourced further afield, this was typically driven by the business being affiliated with a parent company or group who sourced things centrally.

Table 13: Inputs to Wairarapa production – real life examples

- Company D (Construction): they source their pipes from Wellington - because it is close and good relationships exist. Everything like that comes by road and the supply chain is good. Most professional services come through their parent company, but legal advice is an exception – this will often be sourced from Wellington; specialist design and contract management consultants all come from Wellington.
- Company B (Manufacturing): most inputs are sourced locally or from overseas. The materials they do get from Wellington are packaging, flour, mechanical spare parts and their vehicle fleet. Materials come by road and they are hugely reliant on excellent courier links. Many business services come from Auckland because that's where their head office is but heaps of things still come from Wellington such as engineering services, environmental management and consultancy, advice on logistics and freight, HR and recruitment advice.
- Company A (Manufacturing): Wellington is relatively unimportant as nearly all of their primary input comes from a supplier that is much further away, despite there being a supplier in Wellington. This is because of their parent company affiliations – the Wellington

¹¹ BERL (2008). Economic profile and projections for Wairarapa Region.

¹² Ibid

supplier works with their competitor. The things they do get from Wellington include their packaging and all their professional services. They use a number of services including recruitment, accountancy, management advice and recruitment services. Wellington is preferred for its proximity – face-to-face, real people.

- Company C (Manufacturing): most of their inputs come from Wellington and are transported by a Wairarapa based company who operate across the wider Wellington region. They transport up to 100 containers a month to them from the port – they are a really significant part of the transport firm's business.

Inputs to Western Area production sourced from Wairarapa

Similar to the situation with Wairarapa based industries, industries in the Western Area are primarily based on inputs that are not sourced from Wairarapa's agricultural base. The interviews indicated that a number of small but important linkages do exist however, including wood as an input to construction and food and wine for retail, manufacture and wholesale.

Tourism

Tourism linkages between Wairarapa and the Western Area of the Wellington Region include:

- Intra-regional tourism: residents of the Western Area visiting Wairarapa (and vice versa)
- national and international tourism: New Zealand or international visitors to the Region who visit both areas (for example, predominately attracted by offerings in the Western Area but who also visit Wairarapa).

Existing tourism measures are unavailable at the level of disaggregation required for this study. Instead, we use electronic payments data to estimate the volume of tourist movements and the total value of tourism spend.¹³ This data is supplemented with information gathered through interviews which investigated issues impacting on tourism.

Note: due to the nature of the links between the two areas being studied, spend in tourism related industries also captures the spend of commuters, eg. supermarket spending.

¹³ For the purposes of this report we draw on electronic card data held by the Bank of New Zealand (BNZ) to give an indication of the tourism spend in the Region. BNZ cardholders represent 20% of electronic card transaction volume in New Zealand. See Appendix 2 for further details. The nature of the electronic card data means that it is not possible to identify people who are visiting both regions, so it cannot be used to explore this aspect of tourism.

Intra-regional tourism

Electronic card data from 2011 shows close linkages between the two areas – with residents from each area spending in the other:

- Nearly 5,000 Wairarapa BNZ cardholders made transactions in the Western Area of the Wellington Region in 2011 – that is, nearly as many cardholders from Wairarapa who made local transactions. This suggests a high proportion of Wairarapa cardholders travel to the Western Area of the Wellington Region and make transactions there.
- Western Area cardholders are significant spenders for Wairarapa based merchants: the number of cardholders spending in Wairarapa from the Western Area was virtually equivalent to the number from across the rest of the country combined (16,889 and 16,533 respectively), indicating that Western Area residents are the single largest tourist market.

Table 14. Cardholder counts by merchant location and cardholder origin (2011)

Merchant location	Cardholder Origin		
	Western Area	Wairarapa	Rest of NZ
Western Area	68,190	4,998	163,850
Wairarapa	16,889	6,435	16,533

Source: MarketView, BNZ cardholder data

The interviews conducted for this study sought feedback from tourism organisations on tourism linkages. In addition to this, personal feedback was sought in each of the business interviews as to why individuals personally travel between the areas.

Interviewees commonly talked about the balance the two areas offer. Tourist promoters and operators promote the two areas as complementary propositions that add value and options to each other and the region as a whole. Many international tourists are familiar with the concept of a cosmopolitan city with a nearby rural hinterland, and this is how the two areas are both promoted and viewed by the domestic and international tourists.

Key reasons given for travel between the two areas were:

- Travel from Wairarapa to the Western Area: Wairarapa residents travel to the Western Area for recreation, shopping and time out in an urban setting; often seeing shows or sporting events and visiting friends and family; the distance and road are not seen as a barrier and Wairarapa residents will often drive home at night rather than stay the night.

My son is at Victoria [University]... so our family often goes into Wellington for the day – for retail, dinner and ‘touristy’ things. We might also with to events or sports with friends. I get the best of both worlds – I get all the city stuff. The road and distance are not a big deal at all. (Wairarapa resident)

The family goes to Wellington approximately twice a month – my daughter is there so that’s a real draw-card. We don’t often stay the night. This month the whole family is going to see Ronan Keating at the Stadium. We pay rates to the Region and see the facilities as ours. (Wairarapa resident)

I go to Wellington for four to five meetings a month, it is an intellectual respite to the dogs and the pot-holes. The road used to be a psychological barrier, it is both good and bad for tourism [in Wairarapa] – it is easy enough to get people over, but also easy enough to go home at the end of the day and so there is no need for people to stay here. (Wairarapa resident)

- Travel from the Western Area to Wairarapa: residents visit for an escape from the city and the geographic contrast (rural rather than urban); food, wine and gourmet activities are common; less commonly mentioned were access to beaches and mountains; Wellingtonians will commonly stay for one to two nights over a weekend.

Before we had kids, me and my wife used to have regular trips over [to Wairarapa], to stay in Martinborough for the weekend. (Wellington resident)

Wings over Wairarapa and Toast Martinborough both attract Wellingtonians. (Wellington resident)

It is a constant source of amazement how many people turn up from Wellington on a Friday night still wearing their suit and tie saying ‘I really needed to get out of that place’. (Wairarapa tourist operator)

Wellington on a Plate, a ‘culinary festival’ that spans the region, was also mentioned by a number of interviewees as an event that was contributing to growing tourism between the two areas. The most recent festival (2011) was seen to have provided good coverage across the whole region – encouraging gourmet tourism between the two areas.¹⁴

National and international tourism: linkages between the two areas

The key tourism organisations in the region work closely together to promote both areas to national and international tourists. The Western Area (Wellington City in particular) is relatively well known nationally and internationally and is the primary destination in the area. Wairarapa is promoted as a ‘gateway’ or add-on to Wellington, in the hope that tourists will stay additional nights in the region. Interviewees commented that:

¹⁴ The event was also viewed as a successful showcase for food and wine products produced across the region.

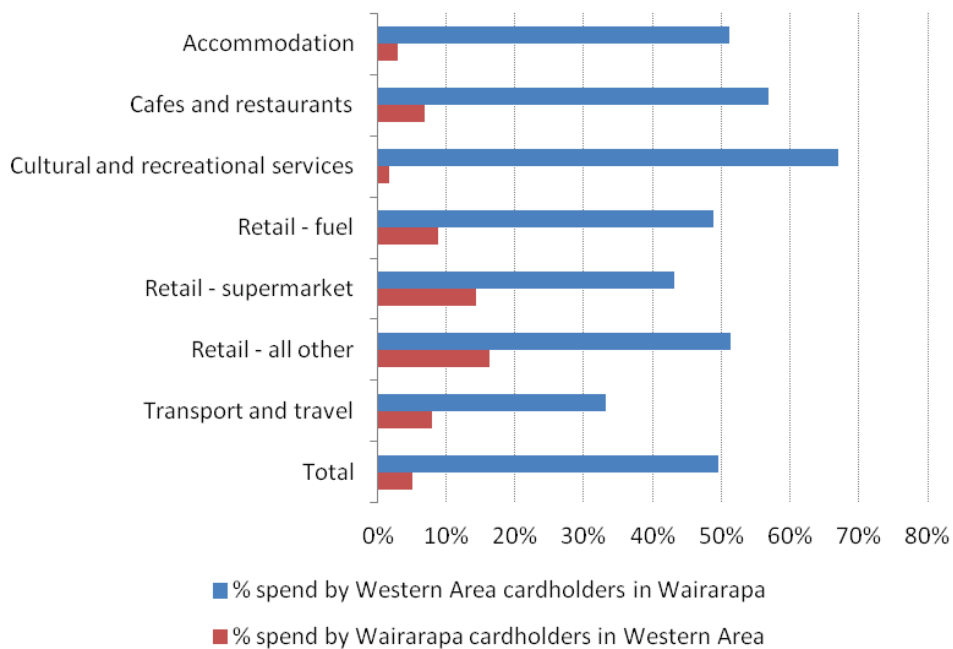
- Wellington is an ‘easy-sell’ to those who enjoy cities; the sophisticated townships of Wairarapa and gourmet food experiences are a complementary link; the primary focus when selling Wairarapa to tourists is the wineries
- In or out of Auckland, Wairarapa is a good way to get down to the South Island via Wellington – it is off the main highway and well linked to self-drive tourist highways (Thermal Explorer and the Classic New Zealand Wine Trail)
- The conference and convention market in Wairarapa is currently being developed and is already a preferred location for many Western Area of the Wellington Region businesses and training providers (especially for residential courses).

Economic impact of those movements

The 2011 electronic card data shows that, of the money spent on tourism by BNZ cardholders:

- Western Area of the Wellington Region residents accounted for nearly half of the tourism spending in Wairarapa
- A much smaller proportion of tourism spending in the Western Area came from Wairarapa residents (5% overall)
 - Wairarapa cardholders make their most significant contribution in the retail sectors, presumably a reflection of their close geographic proximity to the larger urban area, and the large commuter population. Arguably, much of this is not tourism spending but general household purchases including commuters shopping while in transit.

Figure 9. Percentage of tourism spend by visiting cardholders

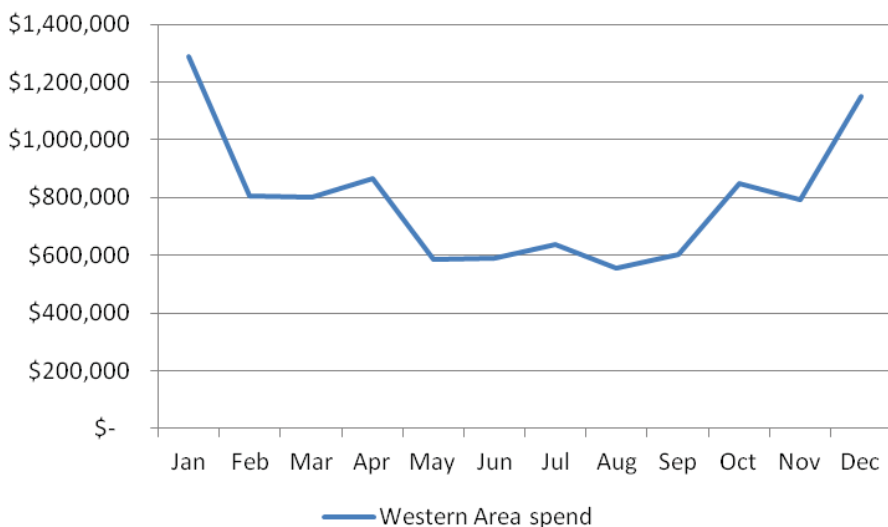


Source: MarketView, BNZ cardholder data

By value, BNZ cardholders from the Western Area of the Wellington Region contributed \$4.8 million to Wairarapa economy in 2011 in domestic tourism spend. Assuming that BNZ cardholders are representative of all cardholders, it is estimated that the total spend by Western Area of the Wellington Region residents in Wairarapa is around \$39.7 million per year.¹⁵

This contribution is made throughout the year but with a strong seasonal pattern. During the summer months, expenditure increases significantly. Events such as school holidays are also noticeable in the data – in 2011 these were in April, July and October.

Figure 10. Domestic tourism card spend by Western Area BNZ cardholders in Wairarapa (2011)



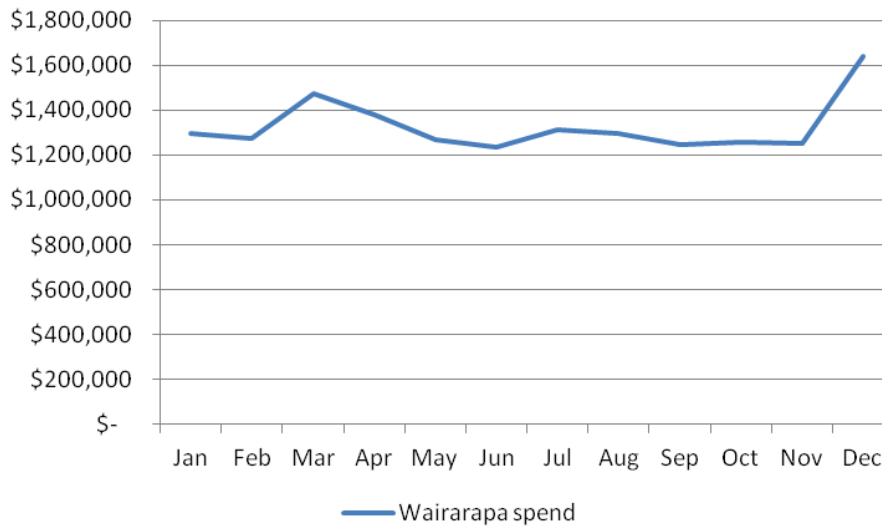
Source: MarketView, BNZ cardholder data

By value, BNZ cardholders from Wairarapa contributed \$7.9 million to the Western Area economy in 2011. Assuming that BNZ cardholders are representative of all cardholders, it is estimated that the total spend by Wairarapa residents in the Western Area of the Wellington Region is \$66.4 million per year.

In contrast to spending in Wairarapa by Western Area cardholders, there is significantly less seasonality in the pattern of spending by Wairarapa cardholders in Wellington, with the exception of a peak in the month of December reflecting pre-Christmas retail spending.

¹⁵ This figure is derived taking account of the proportion of transactions in New Zealand represented by BNZ cardholders (20%) and the proportion of electronic transactions in the retail sectors (as they dominate the tourism industries; 60%).

Figure 11. Domestic tourism card spend by Wairarapa BNZ cardholders in the Western Area (2011)



Source: MarketView, BNZ cardholder data

Comparisons of the average spend per cardholder from both locations in 2011 show some interesting patterns:

- The average transaction value is the same for both Western Area and Wairarapa cardholders
- However, the total spend per cardholder from Wairarapa in the Western Area is more than five times greater than the average cardholder spend by Western Area residents in Wairarapa
 - this suggests that Wairarapa cardholders either make more trips to the Western Area during the year and/or complete more transactions per trip, to result in the much larger average spend per cardholder.

Reflecting interviewees' feedback that the Western Area is a significant destination for urban experiences, per cardholder spend on cafes and restaurants and recreation services is higher by Wairarapa residents in the Western Area of the Wellington Region than in reverse.

Fuel and retail spend patterns indicate the significance of the Western Area to Wairarapa consumers – not just tourism but general household spending. By virtue of its size, the Western retail landscape is much more varied than that of Wairarapa, and offers the prices afforded by an economy of scale – making it an attractive option for retail purchases for Wairarapa residents.

Table 15. Profile of cardholder spend

Industry category	Domestic tourism spend by Western Area BNZ cardholders in Wairarapa 2011			Domestic tourism spend by Wairarapa BNZ cardholders in the Western Area 2011		
	Sum of Spend	Average transaction	Average spend per cardholder	Sum of Spend	Average transaction	Average spend per cardholder
Accommodation	\$689,708	\$155	\$230	\$261,215	\$146	\$270
Cafes and restaurants	\$741,534	\$34	\$80	\$777,205	\$21	\$221
Cultural/rec services	\$26,958	\$56	\$85	\$127,368	\$61	\$173
Retail – fuel	\$601,541	\$53	\$118	\$711,151	\$51	\$306
Retail – supermarket	\$726,700	\$41	\$123	\$1,386,317	\$50	\$557
Retail – all other	\$1,845,557	\$71	\$210	\$4,019,286	\$84	\$962
Transport and travel	\$131,021	\$323	\$533	\$683,797	\$115	\$408
Total	\$4,763,020	\$58	\$282	\$7,966,338	\$58	\$1,594

Source: MarketView, BNZ cardholder data

Summary of economic linkages

Taken as a whole, the analysis of economic flows shows a complex interdependence between the two areas.

Employment linkages

- Commuter traffic is skewed towards the Western Area of the Wellington Region. By volume a significant number of commuters work in Wairarapa but, as a proportion of the Western Area total employment count, flows to Wairarapa from the Western Area are small.
- Commuters tend to be higher skilled - both from the Western Area and Wairarapa. Lower skilled jobs tend to be filled from labour sourced locally. Dominant industries for commuters to the Western Area of the Wellington Region are Property and Business Services and Government Administration and Defence.
- Migration between the two areas is two way and fairly evenly balanced. Motivations for migration, however, differ. One is about lifestyle the other is about opportunity.

Freight linkages

- Freight moves in both directions between Wairarapa and the Western Area, with both road and rail playing important roles. The geographic proximity of the two areas to each other and Western Area's distribution networks – national and international – mean that freight linkages between the two areas are strong and stable.
- Wairarapa businesses depend on Western Area based transport and freight linkages (and at the same time, some of the larger Wairarapa businesses are viewed as key clients of the port, rail and freight companies).
- There is significant movement between the two areas, but with higher volumes coming from Wairarapa to the Western Area. Whether or not either area is truly a final destination for freight (or whether or not freight is being used as an input or later exported) is difficult to establish.

Production supply linkages

- Professional services were most commonly cited as an important input from Western Area to Wairarapa businesses – providing further evidence of the complementarity of the two regions. The concentration of highly skilled professionals in the Western Area means that it is not necessary or feasible to locate many of these services within Wairarapa.
- A number of small but important linkages exist in the other direction, including wood as an input to construction and food and wine for retail, manufacture and wholesale.

Tourism

- Visitors from the Western Area are nearly 50% of all domestic visitors to Wairarapa, while Wairarapa residents make up only 5% of domestic visitors to the Western Area.
- In terms of total spend, Wairarapa tourists in fact contribute a much higher dollar amount to the Western Area economy than in the opposition direction - \$66.4 million compared with \$39.7 million respectively.
- Tourist promoters and operators promote the two areas as complementary propositions that add value and options to each other and the region as a whole. The key tourism organisations in the region work closely together to promote both areas to national and international tourists.

Appendix 1 Data Sources

Data type	Purpose	Source
Journey to work	Intra-regional commuting patterns	Intra-regional community tables and maps, derived from Census 2006 usual residence and workplace address data (Statistics New Zealand); KiwiRail passenger counts; GWRC regional transport model; Wairarapa Workforce Development Trust Commuter Survey (2008).
Freight volumes	Intra-regional freight movements	KiwiRail freight volumes; GWRC regional transport model.
Internal migration	Intra-regional migration patterns	Intercensal data (2001, 2006) based on relationship between Usual Residential Address and Place of Residence at previous Census (Statistics New Zealand).
Domestic tourism	Intra-regional original-destination tourism patterns	Electronic card data – spend in tourism industries (MarketView)
Economic specialisation and comparative advantage	Understand the relative economic specialisations of Wairarapa and Western Area of the Wellington Region economies	Industry Employment Shares and Location Quotients, derived from Statistics New Zealand Business Demography Data.
Economic growth drivers	Understand the drivers of employment changes (national, industry and local conditions) of Wairarapa and Western Area of the Wellington Region economies	Shift-Share Analysis for Wairarapa and Western Area of the Wellington Region economies, based on changes in employment by industry derived from Statistics New Zealand Business Demography Data.
Intra-regional demand-supply linkages	Understand the value of goods exchanged between Wairarapa and Western Area of the Wellington Region economies	BERL Input-Output Analysis for key Wairarapa industries.

Appendix 2 Commuting Destinations

Usual Residence	Commuting destination											Total
	Kapiti Coast District	Porirua City	Upper Hutt City	Lower Hutt City	Wellington City	Western Area	Masteron District	Carterton District	South Wairarapa District	Wairarapa		
Kapiti Coast District	10,490	880	170	760	3,770	16,070	20	10	20	50		16,120
Porirua City	260	7,780	300	1,450	8,190	17,980	20	10	10	40		18,020
Upper Hutt City	50	400	7,320	4,050	3,990	15,810	40	10	20	70		15,880
Lower Hutt City	110	680	1,490	24,600	13,520	40,400	70	50	50	170		40,570
Wellington City	280	2,620	630	5,260	79,150	87,940	170	100	80	350		88,290
Western Area	11,190	12,360	9,910	36,120	108,620	178,200	320	180	180	680		178,880
Masteron District	10	10	40	90	210	360	7,580	680	210	8,470		8,830
Carterton District	.C	.C	40	80	200	320	820	1,600	260	2,680		3,000
South Wairarapa District	.C	20	90	160	450	720	330	170	2,490	2,990		3,710
Wairarapa Total	10	30	170	330	860	1,400	8,730	2,450	2,960	14,140		15,540
Total	11,200	12,390	10,080	36,450	109,480	179,600	9,050	2,630	3,140	14,820		388,840

Source: Statistics New Zealand

Appendix 3 Card data as a measure of domestic tourism

Although it does not cover all spending by all tourists, electronic card data promises to deliver some direct evidence about actual visitor spend in specified locations unsullied by the problems of inaccurate recall about spend by tourists interviewed after their trips. Electronic transactions are commonplace in New Zealand, accounting for 55%¹⁶ of all transactions and around 60% of retail transactions.¹⁷

MarketView card data

The data provided by MarketView comprises card spend in domestic tourism by BNZ customers. The reason for using this data set is that BNZ card data provides home location recorded for the cardholder. The home location for the cardholder is crucial in defining where spend comes from, as is needed in this project.

While the data is restricted to BNZ customers, it still covers approximately 20 per cent of transactions in New Zealand with a tolerable spread of users across regions nationwide. The BNZ cardholder profile is skewed slightly to an older, higher socio-economic customer. It is important to note that the data set does not include data from corporate cards, so would not capture business tourism spend using these.

ANZSIC categories

We are reporting on seven ANZSIC categories. This enables us to capture important tourism spend/numbers separately and look spend in different areas of tourism. The seven categories are:

- Accommodation
- Cafes and Restaurants
- Cultural and recreational services
- Retail – fuel
- Retail – supermarket and grocery shops
- Retail – all other
- Transport and travel.

The ANZSIC codes that comprise these categories are based on previous work in the domestic tourism space, informed by the Tourism Satellite Accounts of both New Zealand and Australia.

¹⁶ https://www.paymark.co.nz/cms_display.php?sn=138&st=1&pg=4967

¹⁷ Statistics NZ (2011) *Electronic Card Transactions Series, September*



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Public transport with multiple unitary authorities in the Wellington region

DLA Phillips Fox is a
member of DLA Piper Group,
an alliance of independent
legal practices.

Introduction

- 1 The Wellington area, from Cook Strait in the south, to Otaki in the west, and Masterton in the east (**Wellington Region**), is currently undergoing discussions for possible changes to the existing local government arrangements.
- 2 Policy development and implementation of agreed outcomes for public transport within the Wellington Region is currently led by Greater Wellington Regional Council (**GWRC**).
- 3 Changes to the planning and funding framework for public transport on a national basis are currently being implemented through changes to the Land Transport Management Act 2003 which also incorporates consolidation of the Public Transport Management Act 2008.
- 4 Options under consideration in the potential reform of existing local government in the Wellington Region include the creation of two or more unitary authorities in place of the existing one regional council covering the Wellington Region.
- 5 The purpose of this report is to outline briefly:
 - 5.1 The current framework for policy development and implementation of public transport.
 - 5.2 The principal changes to that framework arising from the Land Transport Management Amendment Bill 2013 (**Bill**).
 - 5.3 Examples of the possible different reorganisational models which may arise for the Wellington Region.
 - 5.4 Commentary on the basis to access national funding for public transport via the National Land Transport Fund, and the basis via rating for contribution of the required local component.
 - 5.5 How could public transport planning, funding and delivery best occur under the various scenarios currently being considered for the reorganisation of local government in the Wellington Region.

Summary

- 6 Reorganisation of local government in the Wellington Region may possibly result in a split of the current area served solely by GWRC for public transport services. This would result in existing integrated services, such as the Wellington to Masterton rail service, becoming an inter-regional service.
- 7 Any reorganisation of the current Wellington local authorities and GWRC, which combines them into one or more unitary authorities, will result in material benefits for better co-ordination of planning and delivery of public transport activities which are

currently split between the local and regional authorities. However, a split of the current Wellington Region into two or more unitary authorities will raise fresh issues to achieve a co-ordinated regional response to public transport issues which are common to the whole of the Wellington Region.

- 8 Great care and co-ordination will be required between multiple unitary authorities to optimise the planning, funding and delivery of public transport services which are common over the Wellington Region. Delivery of inter-regional services in particular is likely to be more difficult to optimise with multiple authorities than is the current status quo.

Current regime

- 9 GWRC's current mandate for the provision of public transport policy development and implementation arises from a combination of:
- 9.1 The general powers of competence contained in the Local Government Act 2002 (**LGA 2002**).
 - 9.2 The responsibility for preparing and approving a Regional Land Transport Programme and Strategy under section 13 of the Land Transport Management Act 2003 (**LTMA**), and the requirement to adopt a Regional Public Transport Plan contained in section 9 of the Public Transport Management Act 2008 (**PTMA**).
- 10 The power of general competence is contained in section 12 of the LGA 2002. That also provides that a regional council must exercise its powers wholly or principally for the benefit of all or a significant part of its region. While this does not prevent participation in joint activity with another local authority, the general ability of local authorities to transfer responsibilities under section 17 of the LGA 2002, does not empower transfers between regional councils.
- 11 This legislative framework requires GWRC, for the Wellington Region, to appoint a Regional Transport Committee to prepare a Regional Land Transport Strategy and a Regional Land Transport Programme for GWRC approval.
- 12 Joint committees may be appointed by adjoining regional authorities, but the decision to adopt the regional land transport strategies and programme are separately approved by each of them.
- 13 GWRC also prepares a Regional Public Transport Plan and approves it (although this instrument is not obligatory, and may be dispensed with if it is not proposed to contract for public transport services, impose controls on commercial public transport services, impose any contracting requirement, or provide financial assistance to any operator or user of a taxi or shuttle service). There are no specific legislative provisions relating to the joint preparation of the Regional Public Transport Plan.
- 14 In terms of the provision of public transport, the LTMA instruments enable services to be coordinated with other transport initiatives (such as roads), and provide a platform for seeking funding from the National Land Transport Fund (**NLTF**). Due to the

combined effect of sections 19C(f)(i) and 20(2) of the LTMA, an activity must be included in the Regional Land Transport Programme to receive funding under the NTLF (unless it is in the urgent needs of public safety or necessary to effect immediate or temporary repair or damage caused by a sudden and unexpected event). The sources of other funding for the activities included (i.e. the local share) must also be included in the Regional Land Transport Programme.

- 15 The Regional Public Transport Plan is to give effect to the public transport service components of the Regional Land Transport Strategy (refer section 7(a) of the LTMA).
- 16 Overall funding for the Land Transport Programme is also met from fare revenues and rates. GWRC, under the guidelines set out in LGA 2002, adopts funding policies as part of its LTP which sets out the basis of how its share of the cost of provision of land transport funding is to be provided (see for example pages 173-175 of the GWRC 2012-2022 LTP).

Changes resulting from implementation from the Bill

- 17 Here we set out the key changes that arise as a result of the likely enactment of the Bill, most of which are intended to have effect from 1 April 2013. The intention behind the changes is set out in a series of cabinet papers available at <http://www.transport.govt.nz/legislation/acts/Pages/LandTransportManagementAmendmentBill-policy.aspx>.
- 18 For present purposes, the key changes made to the regional level planning regime include:
 - 18.1 Replacing the Regional Land Transport Strategy and the Regional Land Transport Programme with one combined Regional Land Transport Plan so as to streamline their completion and avoid duplication;
 - 18.2 Repealing the PTMA, and providing for Regional Public Transport Plans to be promulgated under the LTMA;
 - 18.3 A new statutory purpose, and new purpose principles and criteria for Regional Public Transport Plans as explained below;
 - 18.4 Changing the composition of regional transport committees, although their role remains largely unchanged; and
 - 18.5 The introduction of the concept of 'units' of public transport services, and related provisions on 'exempt services' to give regional councils more flexibility in terms of contracting for public transport services.
 - 18.6 There are other changes not directly relevant to this report.

New decision-making criteria

- 19 The current purpose of both the LTMA and the PTMA is to, "contribute to the aim of achieving an affordable, integrated, safe, responsive, and sustainable land transport system".
- 20 The Bill substitutes a more focussed purpose, which is, "to contribute to an effective, efficient and safe land transport system in the public interest" (refer clause 4).
- 21 The change in wording echoes the recent amendments to the purpose of local government, as set out in section 10 of the Local Government Act 2002:

10 Purpose of local government

- (1) The purpose of local government is—
- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
 - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- (2) In this Act, **good-quality**, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—
- (a) efficient; and
 - (b) effective; and
 - (c) appropriate to present and anticipated future circumstances.

- 22 The effect of the new purpose will be to simplify the decision-making process under the LTMA, by narrowing the scope of the relevant considerations.
- 23 It is important, however, to recognise that other criteria apply to the promulgation of Regional Land Transport Plans and of Regional Public Transport plans.
- 24 For Regional Land Transport Plans, these include various 'core requirements'.
- 25 For Regional Public Transport Plans there is a separate purpose provision, and also a range of matters that must be considered when they are being adopted.
- 26 The new purpose of the Regional Public Transport Plans is set out at proposed section 116 of clause 69:

116 Purpose of regional public transport plans

The purpose of a regional public transport plan is to provide—

- (a) a means for encouraging regional councils and public transport operators to work together in

- developing public transport services and infrastructure; and
- (b) an instrument for engaging with the public in the region on the design and operation of the public transport network; and
- (c) a statement of—
 - (i) the public transport services that are integral to the public transport network; and
 - (ii) the policies and procedures that apply to those services; and
 - (iii) the information and infrastructure that support those services.

27 The matters required to be considered are set out in the new section 123 of clause 69:

123 Matters to take into account when adopting regional public transport plans

A regional council must, before adopting a regional public transport plan,—

- (a) be satisfied that the plan—
 - (ii)¹ contributes to the purpose of this Act; and
 - ...
 - (iv) has been prepared in accordance with any relevant guidelines that the Agency has issued; and
 - (v) is, if it includes a matter that is not within the scope of the regional land transport plan, otherwise consistent with that plan; and
- (ab) be satisfied that it has applied the principles specified in **section 114A(1)**²; and

¹ Note that the numbering is not complete due to deletions made by the Select Committee from the Bill as originally introduced.

² Proposed section 114A reads:

114A Principles

(1) All persons exercising powers or performing functions under this Part in relation to public transport services must be guided by each of the following principles to the extent relevant to the particular power or function:

(a) regional councils and public transport operators should work in partnership and collaborate with territorial authorities to deliver the regional public transport services and infrastructure necessary to meet the needs of passengers;

(b) the provision of public transport services should be coordinated with the aim of achieving the levels of integration, reliability, frequency, and coverage necessary to encourage passenger growth;

(c) competitors should have access to regional public transport markets to increase confidence that public transport services are priced efficiently;

(d) incentives should exist to reduce reliance on public subsidies to cover the cost of providing public transport services;

- (b) take into account—
 - (i) any national energy efficiency and conservation strategy; and
 - (ii) any relevant regional policy statement, regional plan, district plan, or proposed regional plan or district plan under the Resource Management Act 1991; and
 - (iii) the public transport funding likely to be available within the region; and
 - (iv) the need to obtain the best value for money, having regard to the desirability of encouraging a competitive and efficient market for public transport services; and
 - (v) the views of public transport operators in the region; and
- (c) consider the needs of persons who are transport-disadvantaged

28 For present purposes, the most notable criteria relate to the requirement to have regard to the desirability of encouraging a competitive market, albeit that the overriding consideration is the need to obtain best value for money (refer proposed section 123(2)(c)(iv)); and the importance placed on collaboration between regional authorities and public transport operators (refer proposed sections 116(a) and 114A(a)) and coordination between adjoining authorities.

Regional Transport Committees

29 The Bill also clarifies the composition of regional transport committees that include more than one regional council or unitary authority. The parties that must be appointed to a joint regional transport committee are (refer clause 66):

- 29.1 2 persons to represent each regional council that is a party to the agreement;
- 29.2 1 person to represent each territorial authority in the region of each regional council that is a party to the agreement;
- 29.3 1 person to represent the New Zealand Transport Agency (**Agency**).

(e) the planning and procurement of public transport services should be transparent.

“(2) Without limiting subsection (1), the principles specified in subsection (1) must be taken into account by—

(a) the Agency when—

- (i) approving procurement procedures under section 25(1);
- (ii) preparing guidelines to be issued under section 95(1);
- (iii) approving the approach to procurement under section 119(3);

(b) the Environment Court when it considers an appeal against a regional public transport plan under section 139;

(c) the Minister when the Minister considers making a recommendation under section 149.

- 30 The current requirement to appoint a person to represent each of the objectives of economic development, safety and personal security, public health, access and mobility, environmental sustainability and cultural interests is gone.
- 31 As with the current regime, committees are responsible for preparing the required instruments, but it is regional councils who approve them.
- 32 On the other hand, regional councils have the primary responsibility for preparing a Regional Public Transport Plan, although they must consult with the relevant regional transport committee. (Note that there still appears to be an ability to delegate the preparation of public transport plans under proposed section 118(4), although not the adoption of them).

Units of Public Transport and 'exempt' services

- 33 A public transport service under the Bill means the carriage of passengers for hire in vehicles, ferries, hovercrafts rail or other modes (not air) that is available to the public with certain exclusions. Any public transport service in a region must be provided under contract with a regional council as part of a unit unless it is an exempt service.
- 34 Under section 129(2) of the Bill a public transport service is deemed to be an 'exempt service' if it is:
- 1 an inter-regional public transport service
 - 2 a public transport service in a region with a Regional Public Transport Plan that is not integral to the public transport network and operates without a subsidy or is in a region without a Regional Public Transport Plan and operates in that region
 - 3 a public transport service that is specified as an exempt service by Order in Council
- 35 The Bill requires that certain public transport services must be provided under exclusive contract with a regional council as part of a 'unit' (refer proposed section 115 of clause 69). There are no particular constraints on what units are comprised of, but the Regional Public Transport Plan must include policies on the process for establishing them (refer proposed section 119(2)(c)), and also for the procurement of the delivery of the services in a unit (refer proposed section 119(2)(d)). The latter must be approved by the Agency even in cases where the regional council does not intend to provide financial assistance for the service involved (refer proposed section 119(3)).
- 36 The Bill also provides for 'exempt services' that are open to competition. These will generally be services that aren't identified by the regional council as being 'integral' to the network, see paragraph 34 above, but notably, these include inter-regional public transport services (refer proposed section 129(2)).
- 37 The Order in Council provisions of proposed section 149 may be used to change this. That provides that an Order in Council may be made on the recommendation of the Minister at the request of the Agency to:
- 37.1 specify a public transport service is an exempt service

- 37.2 requiring an exempt service to be replaced by a unit or part of a unit to be provided under contract
- 37.3 requiring an inter-regional service operating now to be contracted as part of a unit, provided the service was receiving a subsidy.
- 38 Before such Order in Council can be made the Agency must consult with the regional council and:
- 38.1 in respect of 37.1 above the Minister must be satisfied that the service will not receive a subsidy, is a service not integral to the network and is a service that will not need its fares to be regulated
- 38.2 in respect of 37.2 above the Minister must be satisfied that the service is an integral part of the network and needs its fares to be regulated
- 38.3 in respect of 37.3 above the operator must agree.
- 39 As an example we apply this proposed regime to three examples:
- 39.1 An existing subsidised service such as the Wairarapa rail service which becomes inter-regional due to a boundary change. So long as that service is converted to a unit and remains regarded as integral to the network, we consider the Order in Council procedure could be appropriately used to enable this service to be changed from exempt to allow a subsidy to continue, under the proposed section 149(1)(c).
- 39.2 An existing unsubsidised inter-regional service such as the Capital Connection or an existing unsubsidised service that becomes inter-regional due to a boundary change. We consider the Order in Council procedure could be appropriately considered under the proposed section 149(1)(b) to enable such a service to be changed from an exempt service if it was included as an integral part of the network and the Minister was satisfied it needs its fares to be regulated.
- 39.3 A proposed new service that would be inter-regional. In our view the Order in Council procedure under the proposed section 149(1) could not be used to change the automatic exempt status as that section only contemplates an existing service and not a new service. This may not be intended.
- 40 A key change to these provisions around exempt services is that private contractors will no longer be able to pick and choose what services they will provide, leaving regional councils to 'fill in the gaps' (which can be uneconomic, and also result in fragmented and poorly coordinated services). You may wish to discuss the inability to establish a subsidised new inter-regional service with the Agency.
- 41 In terms of the implications for the reorganisation, if services are dealt with as 'units', there will need to be related policies on the procurement process, agreed with the Agency. We think that there will probably need to be some degree of contestability provided for in the procurement process (even if it is highly unlikely that another provider could participate).

- 42 If it is not considered necessary for the services to be provided under exclusive contract, there may be an ability to exempt the services. This would of course mean that there was less certainty about on-going provision of the services, since nobody would be obligated to continue to provide them and the service could not be subsidised.
- 43 In order to access funding via the NLTF for an activity, the activity or service will still need to be provided for in the Regional Land Transport Plan which also needs to identify the source of any additional funding necessary for the provision of the activity, i.e. the local share.

Possible Local Government reorganisation for the Wellington Region

- 44 There are various different scenarios being discussed but currently there is no certainty as to what may emerge as the preferred structure for the reorganisation of local government in the Wellington Region.
- 45 However, for the purposes of this report, we assume that in place of one regional council for the whole Wellington Region (the current model) there are introduced two or more unitary authorities (i.e., a local authority combining for that area both the territorial authority or authorities and the regional council). Examples that could emerge for the current Wellington Region are:
- 45.1 One covering the Wairarapa, and
 - 45.2 A second covering the balance of the current Wellington Region; or
 - 45.3 A second covering the Hutt Valley and a third covering the balance of the Wellington Region.

Funding

- 46 The provision of funding for public transport, both capital requirements, i.e. rolling stock for rail, and for operations, is funded from three sources:
- 46.1 Fare revenue. The policy behind the Bill seeks to generate an increase in this contribution.
 - 46.2 National contribution. This is principally through accessing funds from the NLTF. In order to achieve this, the activities to be funded must be included in the Regional Land Transport Plan and then be approved for inclusion in the National Land Transport Plan.
 - 46.3 A local share is required which is funded by rates.
- 47 While the share to be contributed by rates must be specified in the Regional Land Transport Plan, the authority, principles and process for this are covered by the general rating powers of the relevant authority and must comply with the governance and process requirements of the LGA 2002.

- 48 Local authorities cannot delegate the power to make a rate unless an enactment expressly provides for them to do so³. If, for example, a local authority was responsible for providing services beyond its boundaries, it could not be delegated the power to rate in the areas involved. While there may be an ability for the power to rate being transferred under section 17 of the LGA 2002, this does not empower transfers between region councils.
- 49 Decisions to levy rates must be reasonable, and must be exercised in the interests of the particular region or district of the local authority involved⁴. This is important to bear in mind with regards to inter-regional services, where there is the potential for an element of 'cross-subsidy' to be involved in the way costs are met.
- 50 More particularly, the approach to funding decisions needs to ensure that costs are fairly apportioned by reference to (among other things) the benefits provided to those required to pay. In determining the appropriate source of funding for services, local authorities must consider, "the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals"⁵.
- 51 For example, for the ratepayers of a new solely Wellington unitary authority to be able to be required to contribute to the cost of providing rail services beyond its boundaries, there would need to be a demonstrable benefit to them in doing so. Moreover, the extent of the contribution would, in our view, need to correlate to the benefit they received.

Delivery of public transport with multiple unitary authorities

- 52 In this section we examine at a high level, how in practice continued delivery of public transport could occur under a multiple unitary scenario for the Wellington Region. In this section we have looked at practical delivery under the existing legislation but as proposed to be amended by the Bill.
- 53 We have identified three broad possibilities:
- 53.1 *Option 1* - The adoption of a joint regional transport committee to be established under section 105 of the LTMA which would complete a joint Regional Land Transport Plan (and if required the Regional Public Transport Plan) for the Wellington Region for each of the participating authorities, followed by the approval and adoption by all the unitary authorities, and then agreed delegation for implementation to one unitary authority or a CCO on behalf of all.

³ Refer clause 32(1)(a) of Schedule 7 to the LGA 2002.

⁴ Refer to the principles relating to local authorities in section 14 of the LGA 2002, which include that:
a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region

⁵ Refer section 101(3)(a)(ii) of the LGA 2002.

- 53.2 *Option 2* - The assumption of the statutory obligations of all the unitary authorities in the Wellington Region by one in respect of public transport effected under section 24 of the Reorganisation Provisions of the LGA Act 2002.
- 53.3 *Option 3* - The completion of separate Regional Land Transport Plans and Regional Public Transport Plans for adjoining authorities but with any inter-regional activities or units treated on an identical basis though co-operation of the two (or more) authorities. Each would adopt a consistent approach via rating to contribute the local share of funding. One unitary authority or a CCO of all would then assume service delivery on behalf of all for services to others which are interregional for those respective authorities. We use as a specific example one unitary authority is created for the Wairarapa and a second for the balance of the Wellington Region. The unitary authority for Wellington or a CCO undertakes provision of all inter-regional services (e.g. for rail) and contracts service delivery for an agreed fee to the Wairarapa.

54 We comment on each in more detail as follows:

Option 1

Joint Committee under the LTMA

- 55 As noted above, the LTMA will continue to enable the establishment of joint committees to prepare the Regional Land Transport Plans for adjoining regional or unitary authorities.
- 56 See paragraph 29 for the composition of the committee. The requirement for two representatives from each authority may not be a balanced composition having regard to the scale of activities in each area.
- 57 It should be borne in mind however that a joint committee could be disestablished at any stage if one or more of the regional or unitary authorities no longer wished to participate. As such, the joint committee option enables a coordinated approach to be taken to planning, but does not provide any long term certainty as to the outcome.
- 58 Once a joint committee has prepared the Regional Land Transport Plan it will need to be separately considered by each unitary council. This combined plan must cover all of the land transport activities not just those that are common to each. If one of them decides to approve the plan, but another does not, there may be practical difficulties in revisiting the areas of disagreement. Neither the LTMA nor the Bill provides for this situation, and a committee is only empowered to reconsider the contents of a plan if it is 'forwarded' back, along with a statement saying that it is not approved. Any changes to the plan that had been approved might have to be made by way of a variation, and this could trigger a requirement for a fresh round of consultation. After reconsideration, if a plan is still not approved, it is forwarded to the Agency with a statement of reasons as to why it is not approved.
- 59 The joint committee could also be delegated the responsibility for preparing the Regional Public Transport Plans for the adjoining councils, but each council would need to separately consider and approve the plan.

Delegations

- 60 If the regional or unitary authorities did all agree and adopt the joint Regional Land Transport Plan, the next step would be to proceed to implement by each for their region or if a co-ordinated response was still desired to delegate implementation to another entity. This delegation could be achieved under Schedule 7 of the LGA 2002. Delegation could occur just for specified parts of the activities identified in the plan, e.g. inter-regional services.
- 61 The Schedule 7 powers could be used to either establish a new joint committee to manage the implementation of a plan under delegation (refer clause 30⁶), or to extend the role of a joint committee already established under the LTMA. A delegation would then be made pursuant to clause 32. It is important to note that this delegated committee would not have the power to rate. This would need to be done by the relevant unitary authority itself.⁷
- 62 Alternatively, a delegation could be made to another type of 'subordinate' entity or from one of the unitary authorities to the other (note that cl 32(5) expressly deals with delegations from one local authority to another, and establishes that they can be used for the 'enforcement, inspection, licensing, and administration related to bylaws and other regulatory matters'. We think this would include much of the work involved in implementing Regional Land Transport Plans and Regional Public Transport Plans).
- 63 As with joint committees under the LTMA, joint committees under Schedule 7 can be disestablished at the behest of the local authority, and of course delegations can also be withdrawn. To make a joint committee permanent, legislation is required. This approach is used, for example, for joint committees relating to Treaty of Waitangi settlements.
- 64 As the delegated committee could not have the power to make a rate, the decisions regarding the funding policy and rating approach would in all cases need to be made by the relevant unitary authority.

⁶ **30 Power to appoint committees, subcommittees, other subordinate decision-making bodies, and joint committees**

(1) A local authority may appoint—

(a) the committees, subcommittees, and other subordinate decision-making bodies that it considers appropriate; and

(b) a joint committee with another local authority or other public body.

(5) Unless expressly provided otherwise in an Act,—

(a) a local authority may discharge or reconstitute a committee or subcommittee or other subordinate decision-making body; and

⁷ **32 Delegations**

(1) Unless expressly provided otherwise in this Act, or in any other Act, for the purposes of efficiency and effectiveness in the conduct of a local authority's business, a local authority may delegate to a committee or other subordinate decision-making body, community board, or member or officer of the local authority any of its responsibilities, duties, or powers except—

(a) the power to make a rate; or

65 In summary, this option should enable co-ordination of transport planning, but lacks permanence and certainty. It also requires the coordination of decisions on funding relating to rating powers.

Option 2

66 The second option could involve one of the unitary authorities being given the responsibility for public transport beyond its own boundaries as part of the reorganisation process (note that section 17 of the LGA 2002 does not enable functions to be transferred from one regional, territorial or unitary authority to another. It only enables transfers between regional and territorial authorities).

67 Section 24(1)(e) of the LGA 2002 provides that a local government reorganisation can include the transfer of a 'statutory obligation' from one local authority to another.

68 If reorganisation proceeds, then potentially the Local Government Commission could reorganise public transport in a way which required one of the new entities created to take responsibility for public transport beyond its own regional boundaries. The transfer would be relatively permanent, unlike the delegation options identified elsewhere in this advice.

69 The reference to 'statutory obligation' in section 24(1)(e) is more restricted than the transfer of 'rights and powers', a term also used in the legislation. This implies that it is less than a full transfer. In particular, we doubt that it could be safely relied upon as a transfer of an authorities power to rate, even if the two authorities wished that and it was limited to the particular obligation transferred, i.e. public transport functions. The lack of an ability for regional councils to transfer responsibilities between each other under section 17 of the LGA 2002, could also suggest that a full transfer under section 24 would be problematic.

70 As a consequence, we doubt that this option would be optimal given that local funding is an essential element in respect of the provision of public transport. A co-ordinated funding approach between all authorities or complementary powers to secure funding from ratepayers and / or residents of the region involved, would be required.

Option 3

71 Option 3 could be considered best suited to where only a limited number of transport issues had inter-regional impact. If there were just two unitary authorities, one for Wairarapa and one for the balance of the current Wellington Region, then provision of the current Wairarapa passenger train service is an example.

72 Each authority (via the appropriate committee) would complete their own separate Regional Land Transport Plan and Regional Public Transport Plan but would agree, and include in each on an identical basis, the treatment of agreed inter-regional activities such as the train service. This would require advance agreement on all aspects relevant to that service including the amount and basis of contribution by each authority to funding the 'local share'.

73 Funding decisions for the local share would thus need to be determined in advance so consistency was achieved when included in the Regional Land Transport Plan.

The basis for funding the local share via rates would need to have regard to the comments on rating approach outlined in paragraphs 46 to 51 of this report.

- 74 The Regional Land Transport Plan would need to treat the service as 'integral' and an Order in Council would be necessary to ensure that it is not treated as an exempt service.
- 75 If an identical approach can be agreed, including as to each authorities contribution to the local share of funding, actual implementation of provision of the service could then occur either by use of the delegation provisions outlined in paragraphs 60 to 63, or by way of the Wellington authority (or a CCO of it or both authorities) providing the service by contract.
- 76 We consider this model is workable, but not optimal. It requires advance agreement with no clear statutory framework to resolve differences of opinion and thus lacks permanence which in our view is desirable for ongoing services and long life assets. It may not provide the long term certainty needed to enable investment in services on a major scale.

DLA Phillips Fox



J R Strahl
Consultant

5 May 2013

Tass Larsen
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Dear Tass,

Local Government Reform – public transport funding

Thank you for your instructions.

You have asked us to consider a possible reorganisation scenario where the current Wellington region is split into two unitary authorities, with separate Wairarapa and Wellington unitary authorities established.

By way of background, you have advised that the Greater Wellington Regional Council ('GWRC') has estimated the cost of providing Wairarapa bus and train services at around \$3.22 million. The contribution from Wairarapa ratepayers is currently only \$700,000. The remaining \$2.52 million is contributed through rates taken from the rest of the region. This results from applying a region-wide approach to the financing of transport services. However, the question is whether this would be appropriate under any future scenario where there are two separate unitary authorities.

You have asked us to consider the legal issues involved if the ratepayers of a Wellington unitary authority were to be asked to continue to contribute \$2.5 million to the costs of providing Wairarapa bus and train services provided beyond the Wellington unitary authority's boundaries.

In summary:

- a) we agree with the views expressed in paragraphs 46 to 51 of the DLA Phillips Fox Report.
- b) in particular, we agree that although a local rates share of funding must be specified in a regional public transport plan, the authority, principles and process for justifying the funding are set out in the Local Government Act 2002 ('LGA 2002') and the rates must be set under the Local Government (Rating) Act 2002 ('LGRA').
- c) in accordance with the LGA 2002, decisions made by a unitary authority must wholly or principally benefit communities within the authority's boundaries. Funding decisions must ensure that costs are fairly apportioned by reference to the benefits provided to those required to pay.
- d) we agree with DLA Phillips Fox that for the ratepayers of a new Wellington unitary authority to be required to contribute to the cost of providing rail services beyond its

boundaries, there would need to be a demonstrable benefit to them in doing so and the extent of the contribution would need to correlate with the benefit they received.

- e) local authorities cannot delegate the power to make a rate unless an enactment expressly provides for them to do so. There is no ability for the power to rate to be transferred between unitary authorities.
- f) decisions to set rates must be made fairly, reasonably and rationally, and accord with the objectives and funding choices set out in the Long-term Plan ('LTP') and Annual Plan.
- g) rating and funding is at times a contentious issue between local authorities and their ratepayers. There are numerous examples of challenges made to rating and funding decisions by way of judicial review. Local authorities need to be careful and cautious in their approach to these matters.

As part of the Wellington region, the Wairarapa currently receives public transport funding from other parts of the region. If the region were to be split into two unitary authorities, the legal requirements (as set above) in relation to the rates share of public transport funding cast doubts on the on-going provision of cross subsidisation at the level that is currently provided.

Should you have any further questions, please let us know.

Yours sincerely,



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ANALYSIS

Introduction

1. You have asked us to consider a possible scenario being considered for reorganisation in the Wellington region.
2. The proposal is for the current Wellington region to be split into two unitary authorities, with a Wairarapa unitary authority established in the area currently served by the Masterton, Carterton and South Wairarapa district councils, and another unitary authority for the remainder of the existing Wellington region.
3. You have asked us to consider the transport funding implications of this. In particular, you have asked our opinion on whether a Wellington unitary authority would be able to raise rates to contribute to public transport services beyond its boundaries.
4. Please note that we have included a copy of the statutory references we refer to in an Appendix.

Background

5. We understand that the Greater Wellington Regional Council ('GWRC') has been investigating the implications of a split unitary authority structure for the purposes of informing public debate; preparing information for the Local Government Commission's consideration in the event a Reorganisation Proposal is submitted; and providing input to officials working on proposed amendments to the Land Transport Management Act 2008 ('LTMA').
6. As noted above, one option currently being investigated would see the existing Wellington region split into two unitary authorities.
7. You have advised that GWRC has undertaken a high-level desktop estimate of the cost of providing Wairarapa bus and train services, which gave a cost of services of about \$3.22 million. The contribution from Wairarapa ratepayers is currently only \$700,000. The remaining \$2.5 million is contributed through rates taken from the rest of the region, primarily from the CBD. This results from applying the current GWRC financing and revenue policy, which takes a systematic approach using rates as a proxy for a congestion charge. This focuses on requiring payment for causing dis-benefits, rather than for benefits, and as people travelling to and from the Wellington City CBD are a major cause of congestion, a proportion of congestion costs is charged directly to the CBD. You have provided us a policy extract setting this out.
8. You have advised that, as the Wairarapa transport demand makes up a very small proportion of the total demand, it is not a significant factor in determining the overall existing regional funding policy, which is driven by the congestion impact of the very high demand from commuters travelling along the Western and Hutt Corridors and on key arterials within Wellington City into the Wellington CBD. The congestion impact of Wairarapa travellers has not been separately identified, but instead the approach developed for the majority of demand has been applied across the network as a whole. Nonetheless, the question is whether this approach would be appropriate under any future scenario where there are two separate unitary authorities. If they are no longer part of the same region, what are the legal issues to be considered if the ratepayers of a Wellington unitary authority were to be asked to continue to contribute \$2.5 million to the costs of providing Wairarapa bus and train services beyond that authority's boundaries.
9. You have advised that a recent report by Martin Jenkins and Taylor Duignan Barry ('Martin Jenkins Report') completed for the Wairarapa councils suggests that there is

no reason why the current funding policy for public transport should not continue under the split - two unitary authority scenario.¹ On this point, the Martin Jenkins Report concludes:

“The provision of public transport services between Wairarapa and the Western Area confer benefits on both areas. Reflecting this, the services and the benefits they confer should continue to exist irrespective of any changes to local government governance structures. A pan-region approach to the funding and provision of public transport is, therefore, highly desirable and a key part of this is ensuring that the public transport services continue to be eligible for funding from the New Zealand Transport Agency (NZTA). Public transport funding and provision arrangements would not be affected by the Supercity option. We understand that mechanisms exist to enable continuation of NZTA funding under a Unitary Authority option (this would require a joint arrangement between the Wairarapa Unitary Authority and whatever local government structure emerges for the Western Area).”

10. In a further document you sent us prepared by the GWRC, titled *Assessment of Martin Jenkins report on a Wairarapa Unitary Authority* ('WUA'), it is noted that:²

“ ... While it may be possible to access NZTA funding via an Order in Council, the MJ report appears to have overlooked the fact that Wellington region ratepayers will be asked under a WUA to fund another different region. Under the Local Government Act 2002, rating decisions are not taken "pan-regionally". Decisions must be reasonable, and must be exercised in the interests of the particular region or district of the local authority involved.”

11. You have also sent us advice received from DLA Phillips Fox ('DLA Phillips Fox Report') on the management of public transport in a scenario where there are multiple unitary authorities in the Wellington region. In particular, you have asked us to consider the rates funding issues raised by the advice (paragraphs 46-51 and particularly paragraph 51):³

“Funding

46 The provision of funding for public transport ... is funded from three sources: ...

46.3 A local share is required which is funded by rates.

47 While the share to be contributed to by rates must be specified in the Regional Land Transport Plan, the authority, principles and process for this are covered by the general rating powers of the relevant authority and must comply with the governance and process requirements of the LGA 2002.

48 Local authorities cannot delegate the power to make a rate unless an enactment expressly provides for them to do so. If, for example, a local authority was responsible for providing services beyond its boundaries, it could not be delegated the power to rate in the areas involved. While there may be an ability for the power to rate being transferred under section 17 of the LGA 2002, this does not empower transfers between regional councils.

¹ Martin Jenkins & Associates Ltd and Taylor Duignan Barry Ltd, *Assessment of the viability of a Wairarapa Unitary Authority – Report to the Wairarapa Councils* (8 April 2013).

² GWRC, *Assessment of Martin Jenkins report on a Wairarapa Unitary Authority*, page 4.

³ DLA Phillips Fox, *Public transport with multiple unitary authorities in the Wellington Region* (2 April 2013).

- 49 Decision to levy rates must be reasonable, and must be exercised in the interests of the particular region or district of the local authority involved. This is important to bear in mind with regards to inter-regional services, where there is the potential for an element of 'cross subsidy' to be involved in the way the costs are met.
- 50 More particularly, the approach to funding decisions needs to ensure that costs are fairly apportioned by reference to (among other things) the benefits provided to those required to pay. In determining the appropriate source of funding for services, local authorities must consider "the distribution of the benefits between the community as a whole, any identifiable part of the community, and individuals."
- 51 For example, for the ratepayers of a new solely Wellington unitary authority to be able to be required to contribute to the cost of providing rail services beyond its boundaries, there would need to be a demonstrable benefit to them in doing so. Moreover, the extent of the contribution would, in our view, need to correlate with the benefit they received."
12. You also believe the advice provided by DLA Phillips Fox appears to contradict the view held in the Martin Jenkins Report that there is no reason why the current funding policy for public transport should not continue under the two unitary authority scenario.
13. You have asked us to consider these issues in more detail, including obtaining a view whether a Wellington unitary authority would be able to raise rates to contribute to public transport services beyond its boundaries.

The funding of public transport activities

14. As set out in the DLA Phillips Fox Report, the funding of public transport activities involves the exercise of powers under the Local Government Act 2002 ('LGA 2002'), the LTMA, the Public Transport Management Act 2008 ('PTMA'), and the Local Government (Rating) Act 2002 ('LGRA').

Power of general competence

15. In our view, the starting point is that unitary authorities may, under their power of general competence, fund public transport services. DLA Phillips Fox make a general reference to this in paragraph 47 of their report.
16. The power of general competence is set out in Part 2 of the LGA 2002. Section 10 sets out the purpose of local government and as you'll be aware, has recently been amended by the introduction of a new section 10(1)(b). The purpose of local government now includes meeting "*the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.*" In addition, "*good quality, in relation to local infrastructure, local public services, and performance of regulatory services, means infrastructure, services and performance that are – (a) efficient; and (b) effective; and (c) appropriate to present and anticipated future circumstances.*"
17. As can be seen, the amendments emphasis cost-effectiveness and efficiency, suggesting that affordability is an important bottom line for determining how these outcomes are to be delivered.

18. The words "*communities*" and "*local*" in section 10 are used in a descriptive sense to identify a geographic community of interest or population primarily within the boundaries of the local authority. This is reinforced by the requirements in section 12 of the LGA 2002, sub-sections (4) and (5), which, read together, require a unitary authority to exercise its powers "*wholly or principally for the benefit of its [area].*" While this does not prevent local authorities engaging in joint undertakings or transferring their responsibilities, the exercise of the powers must be still be wholly or principally for the benefit of a local authority's area and communities. Further, section 11A requires that, when performing its role, a local authority must have particular regard to the contribution that core services, such as public transport services make, to "its" communities.
19. In accordance with these provisions of the LGA 2002, in our view, for the ratepayers of a new solely Wellington unitary authority to be required to contribute to the cost of providing rail services beyond its boundaries, the Council would need to demonstrate, first, that the service was 'local' and then, that it met the current and future needs of its communities in a way that was the most cost-effective for its households and businesses. The service would need to be efficient and effective, and appropriate to present and anticipated future circumstances. Furthermore, the Council would have to demonstrate that the exercise of its powers to fund such a service would be wholly or principally for the benefit of its area and not a neighbouring region. It would have to show that the service it funded mainly made a contribution to its communities and ratepayers.

Identifying the public transport funding requirement

20. Alongside making a decision within its power of general competence, the Wellington unitary authority would also need to comply with its obligations under the LTMA and the PTMA.
21. At a high level, such a decision would need to be identified in the regional land transport strategy and the regional land transport programme.
22. In particular, under the current PTMA, the Wellington unitary authority (having the responsibilities, duties, and powers of a regional council) would have to include this decision in its "regional public transport plan" ('RPTP'). DLA Phillips Fox refer to this in paragraph 47 of their report. They also explain how the amendments to the LTMA and PTMA will affect this process. While you have not asked us to comment on these proposed amendments in detail, we note that the Land Transport Management Amendment Bill 2012 (as reported back) now brings these provisions within the Land Transport Management Act arrangements.
23. In accordance with the Land Transport Management Amendment Bill 2012, apart from a raft of other requirements, when preparing a RPTP in future, the new section 123(b)(iii) (inserted by clause 69) provides that a regional council must take into account the public transport funding likely to be available within the region.
24. As noted in the NZTA *Guidelines for the development of regional public transport plans*,⁴ (which will largely still apply in this respect to the new amendments) to meet this requirement for the RPTP, the regional council should include an estimate of the likely funding available from its own resources – the 'local share' - (having reference to the Long-term Plan ('LTP')). As part of this process, the RPTP should also reflect the community's willingness to pay for public transport services and the relationship between fares and subsidy.
25. The RPTP should also demonstrate the relationship between the funding available, the description of services to be provided in the region, and the public transport

⁴ NZTA, *Guidelines for the development of regional public transport plans* (2009), para 4.7.7 (page 23).

policies. The purpose of this is to demonstrate the extent to which those services and policies are affordable within expected funding levels. This is intended to enable a better alignment between policy and affordability, including a better understanding of what the proposed services in the RPTP will cost, how they will be paid for and a more explicit connection to the LTP.⁵

Providing for the public transport funding requirement or 'local share'

26. While the regional public transport plan must include an estimate from the council of the likely funding available from its own resources – or the 'local share', it is the LTP or Annual Plan (governed by the decision-making requirements under the LGA 2002) where a decision is made to provide for this funding. DLA Phillips Fox also refer to this in paragraph 47 of their Report.
27. The planning, decision-making and accountability provisions under Part 6 of the LGA 2002 are all important in terms of how such a decision is made. Briefly, all decisions made by a local authority must be made in accordance with section 76(1). In the course of decision-making, local authorities must identify and assess all reasonably practicable options, consider the costs and benefits of each option and must give consideration to the views of all those affected by a decision.
28. Section 14 of the LGA 2002 also includes a series of principles that local authorities must act in accordance with. While these include collaborating and cooperating with other local authorities, they also include ensuring prudent stewardship and the efficient and effective use of resources in the interests of their district or region.
29. However, as noted by DLA Phillips Fox in paragraph 50 of their Report, section 101 of the LGA 2002 concerning financial management is worthy of special mention.
30. Section 101(3) provides that the *"funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of ... the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals ..."*. As noted in one of the foremost cases on local authority funding, *Neil Construction Ltd v North Shore City Council*,⁶ section 101(3) is a "critical filter" by which funding sources in respect of each activity must be considered and determined. All the factors in section 101(3) must be considered, weighed and evaluated in reaching funding determinations in respect of each activity. A council may not "consider" then reject or exclude a factor completely.
31. We agree with the conclusions drawn by Phillips Fox, in paragraphs 50 and 51 of their Report, that the approach to funding decisions needs to ensure that costs are fairly apportioned by reference to (among other things) the benefits provided to those required to pay. For the ratepayers of a new solely Wellington unitary authority to be required to contribute to the costs of providing rail services beyond their boundaries, there would need to be a demonstrable benefit to them in doing so and the contribution would need to correlate with the benefit they received.

Collecting or rating for the public transport funding requirement or 'local share'

32. In addition to the LTP or Annual Plan requirements (governed by the LGA 2002), as noted by DLA Phillips Fox, the 'local share' will ultimately be funded from rates.
33. Accordingly, further questions arise about the appropriateness of a local authority setting a rate within its boundaries to contribute to the cost of providing rail services beyond its boundaries.

⁵ NZTA, *Guidelines for the development of regional public transport plans* (2009), para 4.7.7 (page 23).

⁶ *Neil Construction Ltd v North Shore City Council* [2008] NZRMA 275 (HC) at [211] to [214]

34. Before turning to that question, we note by way of clarification, that there is no power for a local authority to rate land beyond its own boundaries. As set out various sections of the LGRA, local authorities may only set rates for rateable land within their district or region.⁷ Moreover, under clause 32, Schedule 7 of the LGA 2002, unless expressly provided for in another Act, local authorities cannot delegate the power to make a rate. Finally, as noted by DLA Phillips Fox, although a regional council may transfer 1 or more of its responsibilities under section 17 of the LGA 2002 to a territorial authority (which may include the power to rate), this section does not empower transfers between territorial authorities or regional councils (or between unitary authorities).
35. Although local authorities are empowered to set and assess rates on all rateable land within their district, they must do so fairly and reasonably. Safeguards against an excessive amount or level of rates include the obligation to set out objectives and funding choices in the LTP and Annual Plan. The LTP, Annual Plan and Annual Report are also subject to audit by the Auditor-General who may investigate any inappropriate expenditure. Finally, setting rates in an unreasonable or irrational way could be the subject of judicial review. It might be noted that there have been numerous challenges by way of judicial review to rating decisions over the years, particularly those decisions involving differential rating (which we understand is used in the Wellington CBD to fund rail services).⁸

Conclusions

36. In conclusion, we agree with the views expressed in paragraphs 46 to 51 of the DLA Phillips Fox Report.
37. In particular, we agree that although the local rates share of funding must be specified in the Regional Public Transport Plan, the authority, principles and process for justifying the funding are in the LGA 2002 and the rate must be set under the LGRA.
38. In accordance with the LGA 2002, decisions made by a unitary authority must wholly or principally benefit communities within the authority's boundaries. Funding decisions must ensure that costs are fairly apportioned by reference to the benefits provided to those required to pay.
39. We agree with DLA Phillips Fox that for the ratepayers of a new Wellington unitary authority to be required to contribute to the cost of providing rail services beyond its boundaries, there would need to be a demonstrable benefit to them in doing so and the extent of the contribution would need to correlate with the benefit they received.
40. Local authorities cannot delegate the power to make a rate unless an enactment expressly provides for them to do so. There is no ability for the power to rate to be transferred between unitary authorities.
41. Decisions to set rates must be made fairly, reasonably and rationally, and accord with the objectives and funding choices set out in the LTP and Annual Plan.
42. Rating and funding is at times a contentious issue between local authorities and their ratepayers. There are numerous examples of challenges made to rating and funding

⁷ See, for example, sections 13, 15 and 16, Local Government (Rating) Act

⁸ See, for example, *Mackenzie District Council v Electricity Corporation of New Zealand* [1992] 3 NZLR 41 (CA) (high capital value for hydro works – uniform rating resolution unreasonable); *South Waikato District Council v Electricity Corporation of New Zealand* HC Wellington CP16/93, 18 August 1994 (council required to reconsider rating system); *Wellington City Council v Woolworths New Zealand Ltd* (No 2) [1996] 2 NZLR 537 (CA).

decisions by way of judicial review. Local authorities need to be careful and cautious in their approach to these matters.

Appendix of Statutory References

This Appendix contains the following statutory references printed from the New Zealand Legislation website - <http://www.legislation.govt.nz/>

Local Government Act 2002

Section 10
Section 11A
Section 12
Section 14
Section 17
Section 76
Section 101
Clause 32, Schedule 7

Land Transport Management Amendment Bill 2012

Section 123 (inserted by clause 69)

Local Government (Rating) Act 2002

Section 13



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

Subpart 1—Purpose of local government

10 Purpose of local government

- (1) The purpose of local government is—
 - (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
 - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- (2) In this Act, **good-quality**, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—
 - (a) efficient; and
 - (b) effective; and
 - (c) appropriate to present and anticipated future circumstances.

Section 10(1)(b): replaced, on 5 December 2012, by [section 7\(1\)](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).

Section 10(2): inserted, on 5 December 2012, by [section 7\(2\)](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

11A Core services to be considered in performing role

In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:

- network infrastructure;
- public transport services;
- solid waste collection and disposal;
- the avoidance or mitigation of natural hazards;
- libraries, museums, reserves, recreational facilities, and other community infrastructure.

Section 11A: inserted, on 27 November 2010, by [section 5](#) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

12 Status and powers

- (1) A local authority is a body corporate with perpetual succession.
- (2) For the purposes of performing its role, a local authority has
 - (a) full capacity to carry on or undertake any activity or business, do any act, or enter into any transaction; and
 - (b) for the purposes of paragraph (a), full rights, powers, and privileges.
- (3) Subsection (2) is subject to this Act, any other enactment, and the general law.
- (4) A territorial authority must exercise its powers under this section wholly or principally for the benefit of its district.
- (5) A regional council must exercise its powers under this section wholly or principally for the benefit of all or a significant part of its region, and not for the benefit of a single district.
- (6) Subsections (4) and (5) do not—
 - (a) prevent 2 or more local authorities engaging in a joint undertaking, a joint activity, or a co-operative activity; or
 - (b) prevent a transfer of responsibility from one local authority to another in accordance with this Act; or
 - (c) restrict the activities of a council-controlled organisation; or
 - (d) prevent a local authority from making a donation (whether of money, resources, or otherwise) to another local authority or to a person or organisation outside its district or region or outside New Zealand—
 - (i) if the local authority considers, on reasonable grounds, that the donation will benefit its district or region, or the communities within its district or region; or
 - (ii) if the local authority considers, on reasonable grounds, that a benefit will be conferred on the local government sector as a whole; or
 - (iii) for emergency relief; or
 - (e) prevent a local authority from making a donation (whether of money, resources, or otherwise) to a local government body outside New Zealand to enable it to share its experience and expertise with that body.

Section 12(6)(c): amended, on 28 June 2006, by [section 6](#) of the Local Government Act 2002 Amendment Act 2006 (2006 No 26).

Section 12(6)(d): added, on 28 June 2006, by [section 6](#) of the Local Government Act 2002 Amendment Act 2006 (2006 No 26).

Section 12(6)(e): added, on 28 June 2006, by [section 6](#) of the Local Government Act 2002 Amendment Act 2006 (2006 No 26).



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

14 Principles relating to local authorities

- (1) In performing its role, a local authority must act in accordance with the following principles:
- (a) a local authority should—
 - (i) conduct its business in an open, transparent, and democratically accountable manner; and
 - (ii) give effect to its identified priorities and desired outcomes in an efficient and effective manner;
 - (b) a local authority should make itself aware of, and should have regard to, the views of all of its communities; and
 - (c) when making a decision, a local authority should take account of—
 - (i) the diversity of the community, and the community's interests, within its district or region; and
 - (ii) the interests of future as well as current communities; and
 - (iii) the likely impact of any decision on the interests referred to in subparagraphs (i) and (ii);
 - (d) a local authority should provide opportunities for Māori to contribute to its decision-making processes;
 - (e) a local authority should collaborate and co-operate with other local authorities and bodies as it considers appropriate to promote or achieve its priorities and desired outcomes, and make efficient use of resources; and
 - (f) a local authority should undertake any commercial transactions in accordance with sound business practices; and
 - (fa) a local authority should periodically—
 - (i) assess the expected returns to the authority from investing in, or undertaking, a commercial activity; and
 - (ii) satisfy itself that the expected returns are likely to outweigh the risks inherent in the investment or activity; and
 - (g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region; and
 - (h) in taking a sustainable development approach, a local authority should take into account—
 - (i) the social, economic, and cultural interests of people and communities; and
 - (ii) the need to maintain and enhance the quality of the environment; and
 - (iii) the reasonably foreseeable needs of future generations.
- (2) If any of these principles conflict in any particular case, the local authority should resolve the conflict in accordance with the principle in subsection (1)(a)(i).

Section 14(1)(e)(iii): replaced, on 5 December 2012, by [section 8\(1\)](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).

Section 14(1)(fa): inserted, on 27 November 2010, by [section 6](#) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 14(1)(h)(i): amended, on 5 December 2012, by [section 8\(2\)](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).

Section 14(2): amended, on 5 December 2012, by [section 8\(3\)](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

17 Transfer of responsibilities

- (1) A regional council may transfer 1 or more of its responsibilities (other than a responsibility that may be transferred under [section 33](#) of the Resource Management Act 1991) to a territorial authority in accordance with this section.
- (2) A territorial authority may transfer 1 or more of its responsibilities (other than a responsibility that may be transferred under [section 33](#) of the Resource Management Act 1991) to a regional council in accordance with this section.
- (3) A transfer of responsibilities under this section—
 - (a) must be made by agreement between the local authorities concerned and may be on the terms and conditions that are agreed; and
 - (b) may be, as agreed, either—
 - (i) a substantive transfer of responsibilities; or
 - (ii) a delegation of the undertaking of responsibilities with the transferring local authority remaining responsible for the exercise of those responsibilities.
- (4) A local authority may not transfer a responsibility, or accept a transfer of a responsibility, unless—
 - (a) it has—
 - (i) included the proposal in its annual plan or draft long-term plan; or
 - (ii) used the special consultative procedure; and
 - (b) it has given prior notice to the Minister of the proposal.
- (5) From the time a transfer takes effect, the responsibilities and powers of the local authority receiving the transfer are extended as necessary to enable the local authority to undertake, exercise, and perform the transferred responsibilities.
- (6) If a transfer of responsibilities has been made, either local authority that was party to the transfer may, through the process set out in subsections (3) to (5), initiate—
 - (a) a variation of the terms of the transfer; or
 - (b) the reversal of the transfer.

Compare: 1974 No 66 [ss 37SC, 37SD](#)

Section 17(4)(a)(i): amended, on 27 November 2010, by [section 49](#) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

Subpart 1—Planning and decision-making

Decision-making

76 Decision-making

- (1) Every decision made by a local authority must be made in accordance with such of the provisions of sections 77, 78, 80, 81, and 82 as are applicable.
- (2) Subsection (1) is subject, in relation to compliance with sections 77 and 78, to the judgments made by the local authority under section 79.
- (3) A local authority—
 - (a) must ensure that, subject to subsection (2), its decision-making processes promote compliance with subsection (1); and
 - (b) in the case of a significant decision, must ensure, before the decision is made, that subsection (1) has been appropriately observed.
- (4) For the avoidance of doubt, it is declared that, subject to subsection (2), subsection (1) applies to every decision made by or on behalf of a local authority, including a decision not to take any action.
- (5) Where a local authority is authorised or required to make a decision in the exercise of any power, authority, or jurisdiction given to it by this Act or any other enactment or by any bylaws, the provisions of subsections (1) to (4) and the provisions applied by those subsections, unless inconsistent with specific requirements of the Act, enactment, or bylaws under which the decision is to be made, apply in relation to the making of the decision.
- (6) This section and the sections applied by this section do not limit any duty or obligation imposed on a local authority by any other enactment.



New Zealand Legislation

Local Government Act 2002

- Warning: Some amendments have not yet been incorporated

101 Financial management

- (1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.
- (2) A local authority must make adequate and effective provision in its long-term plan and in its annual plan (where applicable) to meet the expenditure needs of the local authority identified in that long-term plan and annual plan.
- (3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—
 - (a) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
 - (b) the overall impact of any allocation of liability for revenue needs on the community.

Compare: 1974 No 66 s 122C(1)(a)–(e), (f)

Section 101(2): amended, on 27 November 2010, by [section 49](#) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 101(3)(b): amended, on 5 December 2012, by [section 29](#) of the Local Government Act 2002 Amendment Act 2012 (2012 No 93).

who is not a member of the local authority or committee if, in the opinion of the local authority, that person has the skills, attributes, or knowledge that will assist the work of the committee or subcommittee.

- (4) Despite subclause (3),—
 - (a) at least 1 member of a committee must be an elected member of the local authority; and
 - (b) an employee of a local authority acting in the course of his or her employment may not act as a member of any committee unless that committee is a subcommittee.
- (5) If a local authority resolves that a committee, subcommittee, or other decision-making body is not to be discharged under [clause 30\(7\)](#), the local authority may replace the members of that committee, subcommittee, or other subordinate decision-making body after the next triennial general election of members.
- (6) The minimum number of members—
 - (a) is 3 for a committee; and
 - (b) is 2 for a subcommittee.

Compare: 1974 No 66 s 114R

Delegations

32AA Meaning of officer

For the purposes of [clauses 32, 32A](#), and [32B](#), **officer** means—

- (a) a named person; or
- (b) the person who is for the time being the holder of a specified office.

Schedule 7 clause 32AA: inserted, on 28 June 2006, by [section 28\(1\)](#) of the Local Government Act 2002 Amendment Act 2006 (2006 No 26).

32 Delegations

- (1) Unless expressly provided otherwise in this Act, or in any other Act, for the purposes of efficiency and effectiveness in the conduct of a local authority's business, a local authority may delegate to a committee or other subordinate decision-making body, community board, or member or officer of the local authority any of its responsibilities, duties, or powers except—
 - (a) the power to make a rate; or
 - (b) the power to make a bylaw; or
 - (c) the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or
 - (d) the power to adopt a long-term plan, annual plan, or annual report; or
 - (e) the power to appoint a chief executive; or
 - (f) the power to adopt policies required to be adopted and consulted on under this Act in association with the long-term plan or developed for the purpose of the local governance statement; or
 - (g) *[Repealed]*
 - (h) the power to adopt a remuneration and employment policy.
- (2) Nothing in this clause restricts the power of a local authority to delegate to a committee or other subordinate decision-making body, community board, or member or officer of the local authority the power to do anything precedent to the exercise by the local authority (after consultation with the committee or body or person) of any power or duty specified in subclause (1).
- (3) A committee or other subordinate decision-making body, community board, or member or officer of the local authority may delegate any of its responsibilities, duties, or powers to a subcommittee or person, subject to any conditions, limitations, or prohibitions imposed by the local authority or by the committee or body or person that makes the original delegation.
- (4) A committee, subcommittee, other subordinate decision-making body, community board, or member or officer of the local authority to which or to whom any responsibilities, powers, or duties are delegated may, without confirmation by the local authority or committee or body or person that made the delegation, exercise or perform them in the like manner and with the same effect as the local authority could itself have exercised or performed them.
- (5) A local authority may delegate to any other local authority, organisation, or person the enforcement, inspection, licensing, and administration related to bylaws and other regulatory matters.
- (6) A territorial authority must consider whether or not to delegate to a community board if the delegation would enable the community board to best achieve its role.
- (7) To avoid doubt, no delegation relieves the local authority, member, or officer of the liability or legal responsibility to perform or ensure performance of any function or duty.
- (8) The delegation powers in this clause are in addition to any power of delegation a local authority has under any other enactment.

Compare: 1974 No 66 s 114Q

Schedule 7 clause 32(1)(c): amended, on 27 November 2010, by [section 49](#) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

- “(2) A regional council may publish a regional public transport plan and a regional land transport plan as a single document.
- “121 **When regional public transport plans take effect**
A regional public transport plan takes effect on the day that is 20 working days after the date on which the regional council adopts the plan. 5
- “122 **General Good-faith exclusion of regional councils from liability to pay compensation**
- “(1) Nothing included in a regional public transport plan in good faith makes a regional council liable to pay compensation to any person. 10
- “(2) Nothing makes a regional council liable to pay compensation to any person for anything that is done in good faith by the regional council in—
- “(a) removing an exempt service from the register; or 15
- “(b) removing details of a variation to an exempt service from the register; or
- “(c) declining to register an exempt service; or
- “(d) declining to record a variation to an exempt service in the register. 20
- “123 **Matters to take into account when adopting regional public transport plans**
A regional council must, before adopting a regional public transport plan,—
- “(a) be satisfied that the plan— 25
- “(i) is consistent with the public transport service components of the regional land transport plan; and
- “(ii) contributes to the purpose of this Act; and
- “(iii) is consistent with the GPS on land transport; and 30
- “(iv) has been prepared in accordance with any relevant guidelines that the Agency has issued; and
- “(v) is, if it includes a matter that is not within the scope of the regional land transport plan, otherwise consistent with that plan; and 35

- “(ab) be satisfied that it has applied the principles specified in section 114A(1); and
- “(b) take into account—
- “(i) any national energy efficiency and conservation strategy; and 5
 - “(ii) any relevant regional policy statement, regional plan, district plan, or proposed regional plan or district plan under the Resource Management Act 1991; and
 - “(iii) the public transport funding likely to be available within the region; and 10
 - “(iv) the need to obtain the best value for money, having regard to the desirability of encouraging a competitive and efficient market for public transport services; and 15
 - “(v) the views of public transport operators in the region; and
 - “(vi) ~~any guidelines that the Agency has issued for the purposes of developing regional public transport plans;~~ and 20
- “(c) consider the needs of persons who are transport-disadvantaged.
- “124 Consultation requirements for regional public transport plans**
- “(1) When preparing a draft regional public transport plan, a regional council must consult— 25
- “(a) the relevant regional transport committee (and, in the case of Auckland Transport, the Auckland Council and each affected local board of the Auckland Council); and
 - “(b) the Agency; and 30
 - “(c) every operator of a public transport service in the region; and
 - “(d) every person who has notified the regional council of a proposal to operate an exempt service in the region; and
 - “(e) the Minister of Education; and 35
 - “(f) the territorial authorities in the region; and
 - ~~“(g) the New Zealand Railways Corporation.~~
 - “(g) the relevant railway track access provider.



New Zealand Legislation

Local Government (Rating) Act 2002

- Warning: Some amendments have not yet been incorporated

What kinds of rates may be set?

13 General rate

- (1) A local authority may set a general rate for all rateable land within its district.
- (2) A general rate may be set—
 - (a) at a uniform rate in the dollar of rateable value for all rateable land; or
 - (b) at different rates in the dollar of rateable value for different categories of rateable land under [section 14](#).
- (3) For the purposes of this section, the **rateable value** of the land—
 - (a) must be—
 - (i) the annual value of the land; or
 - (ii) the capital value of the land; or
 - (iii) the land value of the land; and
 - (b) must be identified in the local authority's funding impact statement as the value for setting a general rate.

Compare: 1988 No 97 ss 12–15, 33, 43, 48

Section 13(3)(b): amended, on 1 July 2003, by [section 262](#) of the Local Government Act 2002 (2002 No 84).



Realising the potential of the Wellington region

Conclusions of the joint Working Party
on Local Government Reform

8 March 2013

Future Wellington

– Proud, Prosperous and Resilient

Future Wellington – Proud, Prosperous and Resilient was the vision statement in the report of the Wellington Region Local Government Review Panel, chaired by Sir Geoffrey Palmer. The Panel's report was the catalyst for the current joint Working Party¹:

The Panel's vision is for a prosperous and resilient Wellington region that stands out among its peers; a region that builds on its strengths and is acknowledged around the world as a place that has something to offer.

We think this is about:

- *Having an outstanding quality of life, full of opportunities for people to work, live and play*
- *Being proud about the quality of place*
- *A place where talent wants to live and people want to learn and innovate*
- *Being proud to host Government and be the capital of New Zealand*
- *Being highly connected socially as well as physically in all areas for all people*

... there is a lot that local government in Wellington can do to achieve this vision and 'realise the potential of Wellington'. The activities and structures of local government play a major role in providing for the long-term prosperity and wellbeing of the Wellington regional community. For communities to flourish, they need to have the basic building blocks in place, including:

- *A resilient economy that retains and creates jobs*
- *Social and cultural cohesiveness*
- *Living environments that are safe, attractive and hold interest*
- *Identity and a sense of place*
- *A sustainable and healthy natural environment*
- *Stable and effective government that is engaged with the community*

The Wellington region has many of these building blocks and has long been characterised by the diversity of its communities and the strength of its culture, economy and people. There are challenges ahead that need to be addressed.

Economic growth has slowed, jobs are harder to find, technology is changing rapidly, we have an ageing population, and managing the environment – particularly water – is becoming more complex. We face an uncertain future in relation to climate change and natural hazards. From a political economy perspective, we are caught between two major centres of heavy economic activity – Auckland and Christchurch. The eye of central government is being drawn away from Wellington. We think Wellington's relatively small size and New Zealand's geographic isolation from global markets make the challenges substantial.

The Wellington region needs to keep up and adapt if it is to succeed. This applies to the region as a whole, but equally to the business of local government, which has been the focus of this review.

... The Panel has the view that local government can, and needs to, do a lot more to ensure that optimal conditions again exist to enable the Wellington community to flourish.

“
The vision is for a prosperous and resilient Wellington region that stands out among its peers; a region that builds on its strengths and is acknowledged around the world as a place that has something to offer.
”

¹Excerpts from the vision statement in *Future Wellington – Proud, Prosperous and Resilient*, Report of the Wellington Region Local Government Review Panel, October 2012, pages 4 and 5



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1. INTRODUCTION

1.1 THE WORKING PARTY'S CONCLUSIONS

This paper sets out the Joint Working Party's¹ conclusions regarding local government reform in the Wellington region.

The Working Party's conclusions are based on the establishment of a unitary authority council (a body combining regional council and local council roles), with two different ways in which this structure could be realised.

They are:

- One council with a **single tier** of decision-making
- One council with **two tiers** of decision-making - a governing council and local boards

Both of the models assume the disestablishment of the regional council and all current territorial authorities in the region. The Working Party has been aware of criticisms of the Auckland super city model and has gathered feedback from Auckland. A review of the Office of the Controller and Auditor General's report on the Auckland Council has been carried out. The lessons from the Auckland amalgamation have been taken into account in the development of the two models described in the paper.

The models are proposed to form the basis of consultation with the public, subject to endorsement by the participating councils.

1.2 WHY CHANGE?

The title of this report, *Realising the Potential of the Wellington region*, provides an indication of why the councils in the joint Working Party are investigating local government reform in the region.

Local government is leading this discussion because the region's local government structures, while not broken, are certainly not as well placed as they could be to respond to the challenges facing local communities and the wider region. The Working Party is of the view that local government in our region should be doing a lot more to ensure that optimal conditions exist to enable the Wellington community to flourish here and on the world stage. Businesses know this, individuals know this, the Government knows this - and councils acknowledge this.

The recent Report of the Wellington Region Local Government Review Panel² provided a compelling case for change - in particular for stronger regional leadership and shared regional responsibilities for planning and infrastructure.

¹ The Joint Working Party comprises representatives from Kapiti Coast District Council, Porirua City Council, Wellington City Council and Greater Wellington Regional Council.

Based on the Panel's findings, and on experiences elsewhere (Auckland, Christchurch and overseas), the following benefits can be expected from a realignment of Wellington's local governance structures.

- **Stronger and more effective regional leadership** - There is no single person or organisation empowered to speak on Wellington's behalf; instead, nine leaders with differing visions and priorities compete for attention and resources. This puts Wellington at a disadvantage when negotiating with central government agencies, and when promoting the region's economic development. Stronger regional and strategic leadership is important to support growth, provide jobs, and generate the conditions for ongoing success.
- **The demand for world-class infrastructure** - The development of world-class infrastructure requires a regional approach. This includes airports, ports, roads and cycleways; it also includes the infrastructure associated with water supply and drainage. Currently, there are many councils with differing priorities and approaches. This can make decision-making slow and complex. A regional approach would result in more effective, efficient infrastructure planning and delivery.
- **Reduced duplication with greater efficiency and effectiveness** - A regional approach would eliminate the duplication that currently exists between the region's nine councils. It would also enable more efficient service delivery that provides better value for money. It is estimated that annual efficiency savings of between \$12 million and \$29 million per annum could be achieved from the proposals contained in this report - money that could be spent on improving services.
- **Greater resilience** - A regional approach would ensure that Wellington's communities are better able to respond to hazards and risks such as earthquakes and tsunamis, floods, coastal erosion, and the effects of climate change such as sea level rise. As the Wellington Region Local Government Review Panel noted: "Resilient communities require resilient infrastructure."
- **Simpler, faster, clearer planning** - One of the key benefits of a regional approach is simplified planning for the region's future development. Instead of a multitude of overlapping and sometimes conflicting plans and priorities, there is an opportunity to develop a single, coherent approach to future growth and development, and to planning and decision-making about specific projects. Similarly, instead of nine annual plans there would be one, creating more certainty about the region's overall direction and faster, clearer decision-making.

Auckland Mayor Len Brown recently wrote that local government changes in that city had created "a much stronger sense of cohesion", and much less infighting. There had also been major benefits for planning and the pace of change.

"Agglomeration meant we could deliver change at a much faster pace. With a number of our projects there has been extraordinary momentum. There's no way they'd have been delivered at that pace under the former councils."

² *Future Wellington - Proud, Prosperous and Resilient*, Report of the Wellington Region Local Government Review Panel, October 2012, pages 8 and 9

Finally, the Working Party is keen to emphasise that realising the potential of the Wellington region is also about enhancing local democracy and improving the way local authorities engage with and involve communities on matters that are important to them. Both models recommended in this report provide for direct representative democracy and allow for new and innovative approaches to participation and engagement with communities and partners.

1.3 PROCESS FROM HERE

A process of public engagement is planned to raise awareness and seek feedback on the proposed models.

Submissions will be invited from the public and a dedicated website outlining all information relevant to the proposal will be launched. The website will include 'bang the table' - an on-line forum used to test ideas and concepts.

An application to the Local Government Commission is proposed to be made late May 2013, depending on the nature of support for either model. The Local Government Commission will consider this (and any other applications received) before deciding to prepare a draft proposal. A poll of public opinion may be petitioned for once the final proposal has been released. This is likely to be mid 2014.



2. A PRINCIPLES-BASED APPROACH

The Working Party followed a principles-based approach when considering governance options for the Wellington region.

2.1 PRINCIPLES FOLLOWED BY THE WORKING PARTY

The principles used by the Working Party in developing the two preferred models are primarily based on a series of characteristics of good local governance prepared by MartinJenkins Ltd (2011)³, but also take into account the Auckland Royal Commission's guiding principles for shaping Auckland governance (2009)⁴; and the joint Australia-New Zealand research report *Consolidation in Local Government - A Fresh Look* (2011)⁵.

To be relevant and successful, local government structures need to be:

- **Strategic:** Capable of generating a shared vision for the region, but also having the capacity to be able to deliver on regional and local priorities, strategies and plans. This developing view of the role of councils requires that they are not just financially robust but also have the skills and resources “to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change”.
- **Resilient and adaptive:** Able to accommodate changing circumstances, including unexpected and high-impact events; and resilient into the future.
- **Democratic and ensure engagement and decision-making occurs at the right level:** Provide for authentic neighbourhood level engagement and decision-making on local issues while allowing the regional community to make decisions on issues that span a larger area and impact on more people.
- **Integrated and co-ordinated:** Enable an integrated approach to key regional networks, infrastructure, assets, amenities, and services, making the most of the scarce resources and capabilities available across the region.
- **Representative and responsive:** Able to represent and be used by diverse communities to serve their own needs and aspirations; provide individual citizens with opportunities to access decision makers and to influence decisions on the issues that matter to them.
- **Transparent and accountable:** Transparent and providing clear accountabilities for delivering outcomes, using public funds, and stewardship of public assets.
- **Financially sustainable:** Cost-efficient and financially viable, with adequate and appropriate funding tools to support activities.

³ MartinJenkins & Associates, *Wellington Region Governance: draft material for consultation* (2011).

⁴ Royal Commission on Auckland Governance, March 2009, volume 2 at 309

⁵ Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look* (May 2011) Volume 1.

- **Effective and efficient:** Deliver the core local government services to citizens effectively and efficiently.

2.2 APPLICATION OF THE PRINCIPLES

The single council model, with either one or two tiers, offers significant advantages over the status quo, including:

- **Stronger and more effective regional leadership** on a range of matters that cross current jurisdictional boundaries and which require partnerships with central government and the private sector. These include: transport infrastructure and services, land development, economic development, and resilience planning.
- **Greatly simplified planning processes** for statutory and non-statutory plans that deliver more streamlined and integrated results, with greater efficiency and effectiveness. This will make it easier to implement integrated planning and will significantly reduce compliance costs for businesses and residents.
- **Greater efficiency and cost savings** through: economies of scale, streamlined plans and processes, reduced compliance costs, more efficient service delivery, and avoiding duplication and waste.
- **More efficient and effective delivery of key infrastructure** and services through economies of scale, more integrated planning, better prioritisation of resources, and a greater pool and depth of expertise.
- **A more effective and integrated approach to economic development**, which avoids duplication and competition within the region and enables key decisions to be made to enhance economic performance, supported by the prioritised delivery of essential regional infrastructure.
- **Better reflection of the existing strong community of interest** that exists at the Wellington regional level.

The single council model will deliver on these principles because it brings all the current fragmented councils together.⁶

An alternative restructure model currently being considered by the Lower Hutt and Upper Hutt city councils is a separate unitary authority for the Hutt Valley. This implies the establishment of multiple unitary authorities for the region.

It is the Working Party's view that the region, particularly the metropolitan part of the region, is inextricably bound together. The economic, social, cultural and environmental futures of all the constituent parts are interconnected and interreliant. Major transport and water infrastructure networks are completely integrated across boundaries. The catchment in which both Wellington City and the Hutt Valley are located must be

⁶ Please note Wairarapa provisions set out in the next section.

managed in an integrated way to protect the harbour. Any fragmenting of the metropolitan area under a reorganisation process will result in a situation that not only replicates the disadvantages of the status quo but actually makes the situation worse. It will erode regional collaboration and reduce oversight on regional matters as a number of larger unitary authorities with strengthened powers compete for economic success.

If multiple unitary authorities were to be formed, Council Controlled Organisations (CCOs) or some form of joint committees would be needed to manage the regionally-interconnected activities such as public transport and water. This would be both inefficient and would potentially undermine the democratic principles.

In addition to this, a multiple unitary authority model will struggle to fulfil the *Strategic* and *Resilient and adaptive* principles. Based on current attempts at regional planning, and due to each council having its own set of priorities and desired outcomes, it will be extremely difficult to agree on a shared vision and strategies. A single spatial plan or economic development strategy under a multiple unitary authority model will be at least as difficult to achieve as under the status quo and with fewer but bigger, more resourced councils, it's likely that competing priorities will be exacerbated.

Meeting the *Integrated and co-ordinated*, *Financially sustainable* and *Effective and efficient* principles would require that the various unitary authorities work together through a shared services approach. In its final decision on the union of Nelson City and Tasman District released on 30 January 2012, the Local Government Commission identified major shortcomings in relation to shared services as an approach to working across the region on key regional matters. In considering any reorganisation application, the Local Government Commission will also need to be convinced that the proposed model meets the Local Government Act's performance and productivity, efficiency and cost savings criteria. Establishing one plan for key regional activities is a cornerstone of the single council model, and is crucial in satisfying the criteria for achieving relevant and successful local government structures that have guided the Working Party's principles-based approach.

Based on the principles, the Working Party has concluded that the single council models proposed in this report have significant advantages over both the status quo and the multiple unitary authority approach. For further information refer to Appendix 2, Improvements Resulting From Change.

3. OVERVIEW OF THE MODELS

3.1 SINGLE COUNCIL ALTERNATIVES

The Working Party's overall view is that a single council model provides the best opportunity to improve local government in the Wellington region.

This report describes two alternative models to achieve this:

- One council with a **single tier** of decision-making
- One council with **two tiers** of decision-making - a governing council and local boards.

The Working Party acknowledges that an important question is whether Wairarapa should be included in any single council proposed for the region or whether it should be a stand-alone council. While views differ among Working Party members on the inclusion of Wairarapa in the proposed models, both the models recommended in this paper can accommodate either the inclusion or the exclusion of Wairarapa. This has been illustrated in the descriptions of both models.

3.2 COMMON ELEMENTS

The **single-tier** and **two-tier** models have a good deal in common:

A single administration

Because the new unitary authority would be one council, all operations, assets and staff would be managed under a single Chief Executive. All corporate services and major back office functions would be provided by the unified administration. However the preference of the Working Party is that front office services should continue to be based in local service centres and community locations to ensure the public face of council is maintained and accessible. For example, customers with enquiries on planning and building consent matters would go to their local service centre, as they do now. If their enquiry relates to a matter not normally dealt with by that service centre, provisions would be put in place to enable the matter to be dealt with locally.

Local service centres could include dedicated space for the local councillors. In the **two-tier** model, local board meetings would also be held in these existing facilities.

Māori representation

An enduring partnership approach between Māori and the council is proposed, building on the existing relationships between councils and mana whenua iwi in the region.

Determining the exact nature of this partnership will be subject to on-going discussions with mana whenua iwi.

The Treaty of Waitangi acknowledges the special relationship that Māori have with the land, water and natural environment, and it makes sense for local government to have formal relationships with iwi who hold mana whenua status in the Wellington region. Subject to the outcome of discussions with mana whenua iwi, the proposed models would enable this to occur should the new council decide to adopt this approach.

There is already an excellent basis on which to build, both at the regional level and within individual districts, including:

- The regional Ara Tahi forum - a leadership group with membership of mana whenua iwi leaders and Greater Wellington Regional Council leaders
- Te Upoko Taiao - a formal natural resource management committee of Greater Wellington Regional Council with specific mana whenua iwi representation and dedicated decision-making responsibilities
- Specific committees (some with voting rights), charters of understanding, and other, less formal partnership mechanisms between local councils and mana whenua iwi of their area.

The need to consider the role of *taura here* (resident Māori who affiliate to iwi in other places) has been raised in the Working Party's discussions. One possibility could be to have direct representation on the new council based on a single Māori ward for the whole council area. All resident Māori on the Māori Electoral Roll - mana whenua and taura here - would have the right to choose to vote for these representatives. If this proposal was agreed to, it would likely result in two additional members on the governing council.

This proposal could form part of the application to the Local Government Commission. Another approach could be to have an informal taura here forum or forums as appropriate. These matters need to be resolved through discussion.

Ward boundaries

Both models assume that the area covered by the council would be divided into wards to ensure fair representation as required in the legislation. The key assumptions under this approach include:

- Provides for multiple member representation within the governing council
- Boundaries for wards generally align with existing territorial authority boundaries or existing wards in territorial authorities, subject to modification in some areas to provide for fair representation of electors - this provides a good overall fit with communities of interest.

- Voting is conducted under the Single Transferable Vote system currently used in four local authorities in the region.⁷

It should be noted that the Local Government Commission is the body responsible for determining boundaries and representation for any local authority established as a result of a local government reorganisation application.

In order to provide fair representation for electors as well as effective representation for communities of interest, as required under the Local Electoral Act 2001, some wards include areas of population that are currently located in other territorial authority units:

- The Stokes Valley area, currently in the Lower Hutt City area, is included in the Upper Hutt Ward
- The Horokiwi area, currently in the Wellington City area, is included in the Lower Hutt Ward
- The areas of the current Tawa Community and Glenside North, currently in the Wellington City area, are included in the Porirua Ward.

Ward boundaries and proposed representation arrangements are detailed in the description of each model, and ward maps are provided in appendix 5.

Council Controlled Organisations

For many communities in the region the issue of CCOs, especially for water services, is particularly important and they should be given the opportunity to participate in decision-making through the council engagement processes.

For this reason the Working Party is of the view that any decisions on what functions and activities should be governed through a CCO should be left to a new council.

3.3 WAIRARAPA

As noted, there are differing views among Working Party members on the inclusion of Wairarapa in the proposed models.

Some believe that it would be preferable to establish two unitary authorities in the region - a rural one covering Wairarapa and a metropolitan one covering the local authorities west of the Rimutaka ranges - on the basis that the interests and concerns of the rural and metro areas are distinct.

Others believe that Wairarapa is an essential part of the Wellington region and should be included in a single unitary authority. There is also concern that Wairarapa's future prosperity could be adversely affected if it were cut off from the Wellington region.

⁷ For the 2013 elections, the STV electoral system will apply for all electors in the region with regard to the elections for the Greater Wellington Regional Council and District Health Boards. The elections for the Kapiti Coast District Council, Porirua City Council and Wellington City Council are also conducted under STV.

Wairarapa councillors have stated a preference for the option of setting up a stand-alone unitary authority. It is important any final application to the Local Government Commission is informed by the views of the Wairarapa community.

Whatever the outcome of Wairarapa's deliberations, both of the Working Party's models can accommodate either the inclusion or exclusion of Wairarapa. Given this, the approach proposed through any subsequent Local Government Commission application process would be to include a statement that if the Local Government Commission prefers a Wairarapa unitary authority, then the model proposed in the application would still apply to the western part of the Wellington region.

3.4 TARARUA BOUNDARY ISSUE

An unusual situation currently exists, whereby 10 properties (6745 ha) within the Tararua district, adjoining Masterton District, fall within the Wellington region. These properties have road access from the Horizons (Manawatu-Wanganui) region. They were included in the Wellington region for catchment boundary reasons, and following landowner preference for the service levels offered for land management and pest management in Wairarapa at the time the Wellington Regional Council was established (1989). Today, differences in service levels are minimal between the Wellington region and the Horizons region in this area.

An option would be to remove this area from the Wellington Region, passing on regional council responsibilities for these properties to the Horizons Regional Council. Consultation with the affected properties and the local authorities (Tararua District Council and Horizons Regional Council) will be undertaken to test/confirm this approach.



Opportunity for improved local democracy

Councils within the region already use innovative approaches to engage and involve their communities including:

- Village planning in Porirua
- Our Capital Voice, an online panel where citizens can give their views on Wellington City Council proposals and plans
- Local Outcomes Statements process at Kapiti Coast
- Flood plain management committees

With a single council model there is more opportunity for regional cross-pollination. The following points illustrate how a new council might address issues of efficient operation, effective representation and public engagement in non-structural ways. These would not form part of any reorganisation proposal; they are, however, important considerations for the culture and decision-making approach of any new council. These factors are more critical for the success of the **single-tier** model (option 1) as it has one decision-making body.

- **Sub-council bodies**

Advisory bodies could have an important role in enhancing the quality of decisions the new council makes for the region. The establishment of such bodies could enable clusters of councillors with specific portfolio interests to engage with a broader base from the community by crossing ward boundaries and focusing on specific subjects.

These bodies would receive administrative support from the council and would be valuable in informing the council on emerging issues, temporary issues, and issues that affect specific groups.

- **Strengthened support for councillors**

Councillors have responsibilities to their communities to advocate, represent and make decisions. The council organisation has a responsibility to deliver high-quality, value-for money services and activities to residents throughout the region.

To ensure that councillors have freedom to engage as representatives and to fulfil their duties to their communities, the council could have offices in each ward. These could be shared between the ward councillors. In the **two-tier** model, these offices would be used by local boards. Some of these offices could be located alongside local service centres and local meeting rooms, making use of existing territorial authority civic offices.

The council staff at these local offices would deal with a range of administrative matters such as setting up clinic days, making appointments for residents to meet councillors, and a range of other administrative duties.

- **Greater use of participatory democracy**

Public participation has the potential to generate honest and constructive feedback on local government performance and ideas. It can also provide opportunities for innovative solutions and partnerships to emerge that might not otherwise be achievable. A vital part of community and civic engagement, and a measure of a healthy democracy, is the willing participation of citizens in generating and offering ideas, views, options and solutions, and taking local action.

A key element of good practice is utilising new and innovative techniques through social media. Local government is increasingly relying on tools such as Facebook, Twitter and online newsletters to communicate alongside websites, public notices and supplements in community and regional newspapers. There is a public expectation that communications will be made in this way and that new channels for participation will help make local government more responsive and in turn strengthen local democracy. Social media provides great opportunities to reach many people quickly and to get feedback. For some people, this may be the only contact with the council they have on a topic. Effective use of these channels, however, depends heavily on staff capacity to establish, maintain and moderate, because it is a rapidly changing environment.

4. DETAILS OF THE TWO MODELS

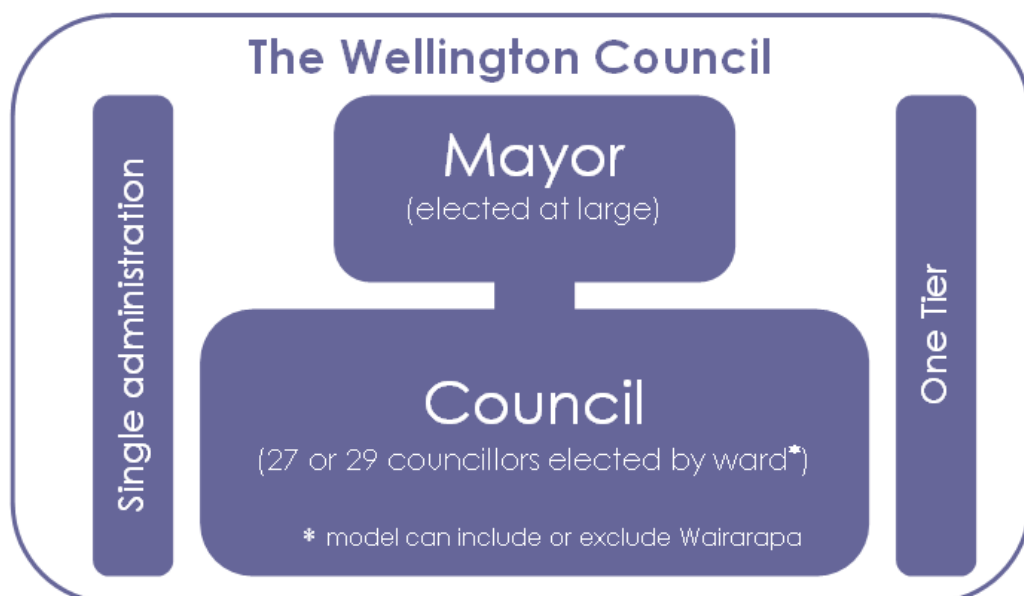
This section describes the key details of each of the two models proposed by the Working Party.

4.1 SINGLE-TIER COUNCIL

Under the **single-tier** model, there is one council with a single tier of decision-making, made up of a Mayor elected at large (that is, by all of the region's voters) and 27 or 29 councillors elected from local wards. In the **single-tier** model, councillors represent regional and local interests at the decision-making table.

This model is reliant on a council culture based on a single, accessible democratic governance arrangement, underpinned by a high-quality customer service delivery organisation⁸. Possible community boards, committees, formal engagement tools and reporting on how decisions are influenced by engagement are all important mechanisms for reinforcing the connection between councillors and residents.

4.1.1 PROPOSED GOVERNANCE STRUCTURE



Each of Wellington's local authorities already offers direct access to decision-makers. But establishment of a **single-tier** decision-making council provides an opportunity to build on that across the region.

As in any democratic system, residents will be able to hold their councillors accountable for the decisions they make at the council table. With one tier of decision-making, it is

⁸ See *Opportunities for improved local democracy* above.

clear where decision-making accountability lies. All decision-making will occur around the council table, or within the single administration as appropriate.

Under this model, the council would be accountable for decision-making at both the regional level *and* the local level.

4.1.2 OPTIONAL COMMUNITY BOARDS

Community boards could be established at the discretion of the new council.

This approach supports the idea that community boards form where communities can demonstrate support for them and the council agrees. The law says that community boards can do a range of things depending on what responsibilities a council decides to delegate to them. A community that wanted a community board could negotiate with the council over its establishment and what functions and powers were delegated to it. The council retains the ability to remove community board delegations.⁹

4.1.3 FUNCTIONS, DUTIES AND POWERS

Under this model the council has sole responsibility for all functions, duties and powers assigned to it under relevant legislation. This includes both regional responsibilities and district and city council responsibilities.

As is currently the case, the council may delegate functions (subject to exceptions set out in the Local Government Act 2002¹⁰) to community boards or other arm's length entities such as CCOs.

4.1.4 REPRESENTATION AND BOUNDARIES

The law allows up to a maximum of 29 councillors and a Mayor.

Under this model each ward would have multiple members proportionate to its population numbers. The ward-based approach is supported over having councillors elected at large because it enables local communities to elect their own representatives to the council. To enable continuity, wards are generally proposed to be consistent with the current boundaries of existing territorial authorities.

Representation arrangements for the **single-tier** council would depend on whether Wairarapa is included, or whether Wairarapa councils amalgamate to form a separate unitary authority. The implications for representation and boundaries are set out in the following sections.

Scenario A: single-tier council excluding Wairarapa

This scenario shows the proposed representation arrangements for a **single-tier** council for the metropolitan part of the region only.

⁹ Refer to *Glossary of key terms* at the end of the report for a description of community boards and local boards.

¹⁰ Section 32(1) Schedule 7 of Local Government Act 2002 – regarding delegations

The council (Wairarapa excluded)			
	Number of Councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	6	93,200	15,533
Kapiti Coast Ward	3	49,900	16,633
Porirua Ward	4	68,520	17,130
Upper Hutt Ward	3	51,340	17,113
Wellington Ward	11	186,540	16,958
Totals	28	449,500	

The Local Electoral Act 2001 requires electoral boundaries to be set in a fair way so that the population per councillor in each ward is within plus or minus 10 percent of the average across all wards. In this model, all wards are compliant with the fair representation requirements of the Act.

The representation arrangements outlined above do not provide for Māori representation on the council. Representation arrangements will be subject to discussion with Māori. Under this scenario, if after discussion with iwi it was determined that there should be Māori representation on the council, there would be an entitlement to two Māori members, which would bring the total membership up to the maximum statutory limit of 30 members.

Scenario B: single-tier council including Wairarapa

This scenario shows the representation arrangements for a **single-tier** council for the entire current region.

The council (Wairarapa included)			
	Number of Councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	6	93,200	15,533
Kapiti Coast Ward	3	49,900	16,633
Porirua Ward	4	68,520	17,130
Upper Hutt Ward	3	51,340	17,113
Wairarapa Ward	2	40,630	20,315
Wellington Ward	11	186,540	16,958
Totals	30	490,130	

For Scenario B of the **single-tier** model, the Wairarapa Ward's population is under-represented by 20.2% compared with the average population per councillor across the whole council. It is considered this under-representation is difficult to avoid in order to achieve fair representation over the entire region in light of Wairarapa's total population. The allocations also reflect the current communities of interest. This under-representation could be addressed through establishment of advisory committees or something similar.

In the case of Scenario B of this model, the proposed council has a membership of 30, which is the maximum prescribed under the Local Electoral Act 2001. If Māori representation was to be included on the council, the proposed ward membership allocations would need to be reconsidered.

Maps showing these Ward areas are set out in Appendix 5.

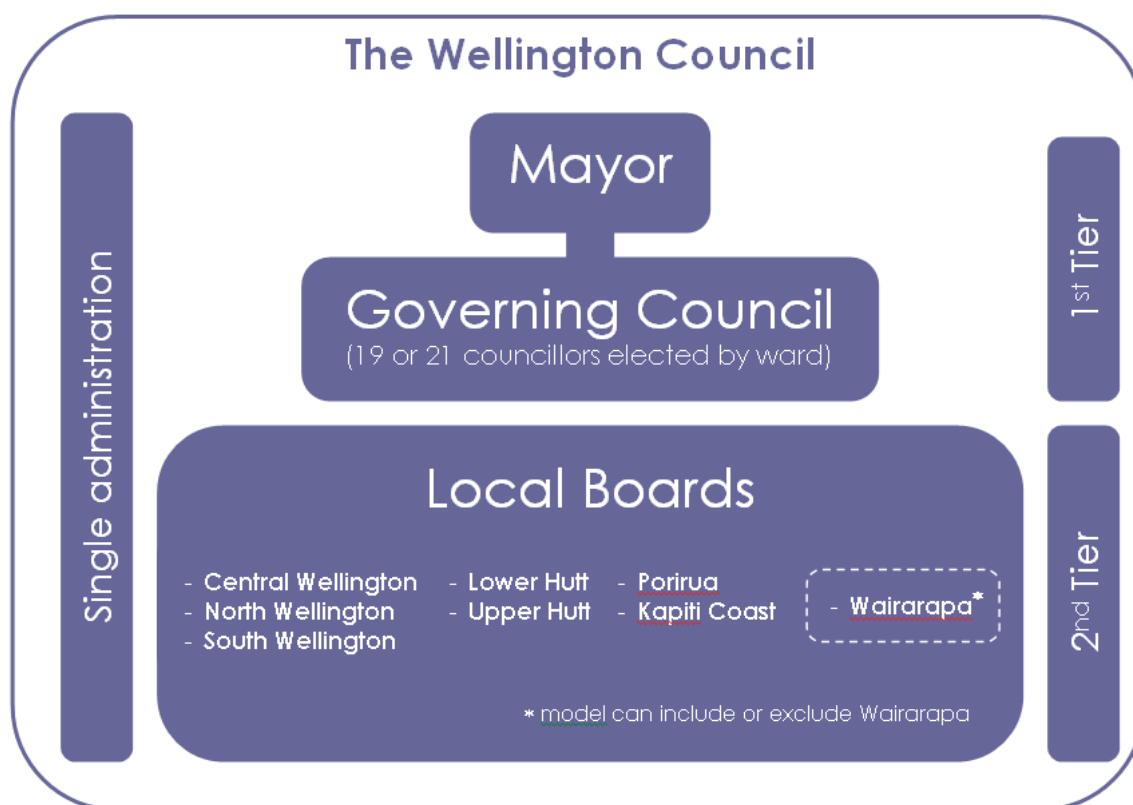


4.2 TWO-TIER COUNCIL

Under the **two-tier** model, there is one council with two tiers of decision-making - a governing council and local boards. The first tier is made up of a Mayor elected at large and councillors elected on a ward basis, and the second tier comprises seven to eight local boards, each with nine members and a chairperson elected by the board members. In the **two-tier** model, the governing council represents regional interests and the local boards represent local interests at the decision-making table.

The introduction of local boards, as the second tier, was made possible in the Wellington region through the 2012 changes to the Local Government Act 2002.

4.2.1 PROPOSED GOVERNANCE STRUCTURE

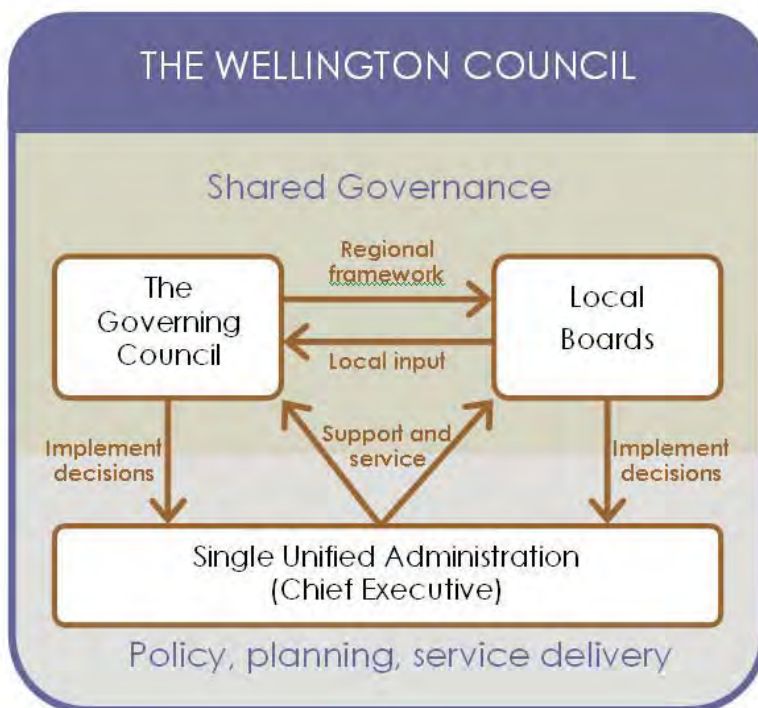


The proposed structure has two complementary and shared decision-making parts:

- **The governing council** - consisting of a Mayor elected at large and councillors elected on a ward basis. The governing body would focus on the big picture and on region-wide strategic decisions and regional scale infrastructure and services.
- **Seven to eight local boards** - each with nine members and a chairperson elected by their peers. Local boards would represent their local communities and make decisions on those local issues, activities and facilities allocated to it. Local

boards would also provide important local input into region-wide policies and would be funded through the annual planning process in accordance with their functions, duties and powers under the Local Government Act 2002.¹¹ It is considered appropriate that some local board areas be subdivided for electoral purposes in order to provide effective representation for communities of interest; it is noted that the details of any subdivisions would be determined by the Local Government Commission. Further information on the functions, powers and duties for local boards is set out below.

The diagram below shows how the different parts of the council would interact under a **two-tier** model.



4.2.2 REPRESENTATION AND BOUNDARIES

As previously noted, the Local Electoral Act 2001 requires electoral boundaries to be set in a fair way. For this exercise, it would mean that ward boundaries would need to be drawn so that the population per councillor in each ward was within plus or minus 10 percent of the average across all wards.

As is the case for the **single-tier** model, representation arrangements for this model can include or exclude Wairarapa. The implications for representation and boundaries are set out in the following sections.

Maps showing ward areas are set out in Appendix 5.

¹¹ Local boards are significantly different to existing community boards in the Wellington region. The functions, powers and duties of local boards are prescribed and protected under the Local Government Act 2002.

Scenario A: two-tier council excluding Wairarapa

This scenario shows the proposed representation arrangements for a **two-tier** council for the metropolitan part of the region only.

The governing council (Wairarapa excluded)			
	Number of councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	4	93,200	23,300
Kapiti Coast Ward	2	49,900	24,950
Porirua Ward	3	68,520	22,840
Upper Hutt Ward	2	51,340	25,670
North-Central Wellington Ward	5	118,540	23,708
South Wellington Ward	3	68,000	22,667
Totals	20	449,500	

Scenario A fully complies with the fair representation requirements of the Local Electoral Act 2001.

The representation arrangements outlined above do not provide for Māori representation on the council. Representation arrangements will be subject to discussion with Māori. Under this scenario, if it was determined that there should be Māori representation on the council there would be an entitlement to two Māori members, which would bring the total membership up to 22 members.

Local boards

It is proposed that seven local boards are established under Scenario A:

- Lower Hutt local board
- Kapiti Coast local board
- Porirua local board
- Upper Hutt local board
- North Wellington local board
- Central Wellington local board
- South Wellington local board

The boundaries of local boards would align with the boundaries of wards, subject to the North-Central Wellington Ward being divided into two, to create an additional local board for the Wellington Central Business District and inner city suburbs.

Each local board would have nine members elected to it.

Scenario B: two-tier council including Wairarapa

This scenario shows the proposed representation arrangements for a **two-tier** council for the entire current region.

The governing council (Wairarapa included)			
	Number of councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	4	93,200	23,300
Kapiti Coast Ward	2	49,900	24,950
Porirua Ward	3	68,520	22,840
Upper Hutt Ward	2	51,340	25,670
Wairarapa Ward	2	40,630	20,315
North-Central Wellington Ward	5	118,540	23,708
South Wellington Ward	3	6,8000	22,667
Totals	22	490,130	

In this scenario, the Wairarapa Ward is the only ward that is non-compliant with the fair representation requirements of the Local Electoral Act 2001. It is over-represented by 12.9%, compared with the average population per councillor across the whole council. It is considered that this over-representation is justified on the basis that the non-compliance is not significantly outside the 10% limit, there is no practical means of adding an area of population on to the Wairarapa Ward to address the over-representation, and the Wairarapa Ward comprises 74% of the area of the proposed unitary authority.

Under scenario B, if it was determined that there should be Māori representation on the council there would be an entitlement to two Māori members, which would bring the total membership up to 24 members.

Local boards

It is proposed that eight local boards are established under Scenario B:

- Lower Hutt local board
- Kapiti Coast local board
- Porirua local board
- Upper Hutt local board
- Wairarapa local board
- North Wellington local board
- Central Wellington local board
- South Wellington local board

The boundaries of local boards would align with the boundaries of wards, subject to the North-Central Wellington Ward being divided into two, to create an additional local board for the Wellington Central Business District and adjoining suburbs.

Each local board would have nine members elected to it.

Maps showing these Ward areas and the area of the Central Wellington Local Board are set out in Appendix 5.

4.2.3 SHARED DECISION-MAKING BETWEEN THE GOVERNING COUNCIL AND LOCAL BOARDS

Under this model, the governing council and local boards would share decision-making responsibilities.

The governing council would focus on strategic issues and make decisions important to the region as a whole. Local boards would focus on improving the well-being and prosperity of their communities in a way that retains and supports the special character and identity of each local board area.

The recently amended Local Government Act 2002 provides a framework for the sharing of decision-making responsibilities between the governing council (termed governing body in the Act) and local boards. The governing council, as the primary governing entity under the Act, would have overall responsibility for regulatory functions and duties under that Act and other legislation. Local boards obtain their decision-making responsibility for activities from three primary sources:

- a. Responsibility directly conferred by the Local Government Act 2002** - This applies to activities such as community engagement, preparing local board plans, negotiating, agreeing and monitoring local board agreements, and proposing by-laws. Local boards are also responsible for identifying the views of local people on regional strategies, policies and plans and communication of these views to the governing body.
- b. Allocation of decision-making for non-regulatory activities** - The Local Government Commission would initially determine decision-making responsibilities for non-regulatory activities to local boards. The Local Government Act requires the Local Government Commission to include this allocation of non-regulatory activities in the final re-organisation scheme.¹² The Council, once established, is able to review the initial allocations in consultation with local boards. A dispute resolution process is included in the Act to ensure this is done fairly.

A framework based on the concept of subsidiarity (where decisions are made closest to the community affected) is included in the Local Government Act 2002 to guide the allocation of non-regulatory activities to local boards.

¹² Subclause 10 (15) of Schedule 3.

- c. **Delegation of regulatory decision-making responsibilities** - Under the Local Government Act 2002, the council may delegate decision-making responsibility for regulatory activities to local boards with some exceptions.

The funding of local board activities is subject to a negotiation process between local boards and the governing council. This is done via a Local Board Plan. Local boards are responsible for proposing and overseeing the implementation of the Local Board Plan including budget responsibilities for specific activities (e.g. for activities specific to a local area that are subject to a targeted rate).

The following tables summarise how decision-making responsibilities and functions *could* be shared between the governing council and local boards. The Local Government Commission will make an initial allocation of the non-regulatory functions to local boards in its reorganisation proposal. Once in place, the new council could decide to delegate some regulatory functions to the local boards as well.

In addition to the guidance in the Local Government Act 2002 and the Wellington Region Local Government Review Panel's report,¹³ the table has been informed by the lessons learned from Auckland. The Auckland experience shows that the effectiveness of the local board model depends largely on the clarity with which responsibilities and functions are applied. We have an opportunity, through clearly defined allocation of functions and funding, to develop a local board model for Wellington that is both clearer and significantly more efficient than the Auckland model.



¹³ *Future Wellington – Proud, Prosperous and Resilient*, Report of the Wellington Region Local Government Review Panel, October 2012

Table 1 - Proposed governing council functions, powers and duties

Regional policy-making functions	Regional network/service delivery functions	Administrative services
<ol style="list-style-type: none"> 1. Spatial planning¹⁴ <ul style="list-style-type: none"> - Integrated strategy - Regional growth - Coordinate with other regions 2. Transport planning <ul style="list-style-type: none"> - Statutory strategy - Includes public transport, road and rail planning 3. Economic development <ul style="list-style-type: none"> - Infrastructure development - Tourist promotion, branding, broadband, business and film support - Tertiary education and skills 4. Social and cultural development <ul style="list-style-type: none"> - Infrastructure and facilities - Arts and culture advocacy and funding 5. Environmental planning <ul style="list-style-type: none"> - Regional policy statement - Coastal, air, and water controls, pollution, soil conservation, climate change - Hazards management - Urban design - Heritage conservation (natural and cultural) 6. District plan making under Resource Management Act 1991 7. Regional parks and recreational planning 8. Other regulatory matters 	<ol style="list-style-type: none"> 1. Regional planning applications and consents and regionally significant land use and transport proposals 2. Civil defence emergency management, rural fire 3. Regional promotion of sport and physical activity 4. Biosecurity 5. Harbourmaster 6. Public transport - procurement and network management 7. Road construction and maintenance - for entire network 8. Water supply, wastewater, stormwater and rural drainage 9. Solid waste management 10. Regionally significant urban redevelopment 11. Zoo, Zealandia and regional parks 12. Regional facilities for sports, culture, entertainment: art galleries, museums, theatres, stadiums, arena 13. Monitoring, data collection and analysis, reporting on all functions 14. Libraries systems 15. Swimming pools 16. Social housing 17. Cemeteries and crematoria 18. Discharge of regulatory functions 	<ol style="list-style-type: none"> 1. Consult with local boards about budgets, receive funding recommendations from local boards, undertake financial management services 2. Prepare LTCCP and annual plans and administer associated statutory processes 3. Make and administer rates for the Wellington Council area, including targeted rates for local board areas 4. Oversee management of shared service centres 5. Asset and liability management 6. Regional investment management 7. Public information services 8. Oversee local boards, set performance criteria, monitor performance, issue policy directions 9. Direct local boards on matters affecting regional functions 10. Monitor local boards' performance of delegated functions. <p>Delegation of functions to local boards The governing council may delegate any of its functions except</p> <ul style="list-style-type: none"> - Regional policy-making functions - Power to make or levy rates - Power to make a by-law - Power to make a regional or district plan or make plan changes

¹⁴ A spatial plan is an integrated plan that brings together a wide range of issues, such as economy, environment, transport, and sets out strategic priorities such as how and when a region will grow and develop.

Table 2 - Proposed local board functions, powers and duties

<p>Policy</p> <ol style="list-style-type: none"> 1. Prepare a local board plan, setting out aspirations, priorities and actions for the local board area 2. Prepare neighbourhood or village plans 3. Input into key regional policy making 4. Input into district plan policy making 5. Making operational policy for local bylaws and matters such as: <ul style="list-style-type: none"> - Dog control policy - Gambling and gaming machine policy - Liquor licensing and locations for liquor bans - Brothels - control of location and signage <p>Local service delivery functions</p> <p><i>Non-regulatory</i></p> <ol style="list-style-type: none"> 1. Local arts and culture facilities such as galleries and museums (use, programmes, promotion, funding and sponsorship) 2. Local events (memorials, markets, promotion and development, delivery, sponsorship) 3. Local civic duties, engagements and functions, including citizenship ceremonies 4. Community services and facilities (advisory services, local funding and grants, use and fit out of local community facilities, community safety programmes, public toilets - locations) 	<ol style="list-style-type: none"> 5. Local library facilities, knowledge services and information (local exhibitions, programmes and events, design of facilities within libraries) 6. Local recreation facilities and initiatives (use, programmes, design and fitout of new facilities, funding and grants) 7. Local parks services and facilities (use, programmes, maintenance improvements and place shaping, naming) 8. Local heritage protection (identification of sites and values, funding and grants, initiatives) 9. Local environmental initiatives (wetland restoration, pest control, rubbish clean up, community gardens, biodiversity projects, funding and grants) 10. Local business area planning and funding (business events, branding and marketing, business improvement districts) 11. Town centre and street environments (implementing town centre improvements, maintenance of local street environments, graffiti removal) 12. Local transport (walking and cycling networks and plans, funding, oversee local infrastructure improvements and signage, road and public place safety) 13. Community safety <p><i>Regulatory (subject to delegation)</i></p> <ol style="list-style-type: none"> 14. Administer district plan, hear and decide resource consents, monitor and enforce, except as called in for regionally significant proposals by the governing council 	<ol style="list-style-type: none"> 15. Anything else delegated by the governing council, such as: <ul style="list-style-type: none"> - Health and food licensing - Signage decisions for brothels and commercial sex premises - Parking signage and restrictions <p>Administrative functions</p> <ol style="list-style-type: none"> 1. Establish mechanisms to ensure a collaborative working relationship with the governing council and staff 2. Monitor and report on local board performance 3. Maintain an overview of services provided at the regional level 4. Prepare budget requests for local works and services as part of the Long Term Plan and Annual Plan process 5. Prepare targeted rates for special local projects and budget management <p>Advocacy and community engagement functions</p> <ol style="list-style-type: none"> 1. Identify the needs and preferences of local communities, and articulate them to the governing council, and other public and private sector entities 2. Broker, liaise and consult with relevant local organisations on behalf of the Wellington Council 3. Support local organisations and community groups, sporting, recreational, and cultural groups, including, where appropriate, by grants of money 4. Consider what form of community engagement is appropriate
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Examples of how this model could work for spatial planning, village planning, pools and libraries, food licencing and stormwater are included in Appendix 1.

Local board budgets

A local board's budget is not likely to be significant in terms of total council spend. However the size of the budget does not define the value or broader role of a local board. A local board will also have influence over other council processes and decisions through its community engagement and advocacy role. Local boards may also be given specific responsibilities via delegations from the governing council that doesn't require a budget.

The local boards will be required to prepare and implement a local board plan. These will include budgets for the activities for which the local board is responsible. A preliminary analysis of local board functions and decision-making allocation indicates that the budgets allocated to local boards could be in the order of about 5 percent of total council operating expenditure.



5. KEY DIFFERENCES BETWEEN THE TWO MODELS

The table below summarises the key differences between the two options.

	<u>Single-tier council</u>	<u>Two-tier council</u>
Democracy	<ul style="list-style-type: none"> Elected single council, makes all decisions The Council, made up of ward councillors, will make local decisions on behalf of local interests Community boards are optional. 	<ul style="list-style-type: none"> Elected governing council, made up of ward councillors, makes decisions on region-wide issues Elected local boards make local decisions and advocate to the governing council on behalf of local interests High levels of local representation and accountability.
Representation	<ul style="list-style-type: none"> A Mayor and 29 Councillors, averaging one Councillor for every 16,338 residents. <i>Note: These figures differ if the Wairarapa is excluded.</i> 	<ul style="list-style-type: none"> A Mayor and 21 Councillors, averaging one Councillor for every 22,279 residents Up to 72 local board members, averaging one elected representative for every 5,219 residents. <p><i>Note: These figures differ if Wairarapa is excluded.</i></p>
Powers and functions	<ul style="list-style-type: none"> All decision-making accountability sits with the single-tier council Decision-making about local issues will be made by the council, made up of ward councillors Accountability for decisions concerning Council-related activity is clear. 	<ul style="list-style-type: none"> Shared governance: Functions and powers are shared between the governing council and the local boards All regional scale or regional network decisions are made by the governing council, made up of ward councillors Decisions on many local issues and services will be made by local boards This model is more complex with two levels of decision-making; one regional, one local.
Financial costs	<p>It is not possible to quantify the actual costs at this point, but there will be some costs in providing the level of administrative support for councillors that will be necessary under this model, including:</p> <ul style="list-style-type: none"> Administrative support for individual councillors Operating local offices. <p>Estimated annual cost savings over time when compared with the current arrangements is in the order of \$16m - \$29m depending on whether there is a separate council for Wairarapa or not.</p>	<p>It is not possible to quantify the actual costs at this point, but there will be some costs providing support for and operating the local boards, including:</p> <ul style="list-style-type: none"> Administrative and advisory support for local boards, including the preparation of local board plans and budgets Liaison between the boards and governing council Board member salaries Operating local offices. <p>Estimated annual cost savings over time when compared with the current arrangements is in the order of \$12m - \$22m depending on whether there is a separate council for Wairarapa or not.</p>

6. FINANCIAL SUMMARY

The public view on amalgamation in regard to financial matters largely focuses on the impact on rates, whether savings can be achieved, and how debt gets redistributed.

These are important considerations and can only be meaningfully assessed in the context of: the level of investments and overall financial health of each existing council and their financial strategy, including how each council funds depreciation and the overall condition of their assets (roads, water pipes etc); the range and level of services provided by each council to their communities; and other factors such as earthquake strengthening and weathertightness costs, and how accurately they are forecast.

Appendix 3 contains information that answers some key financial questions including:

- Will amalgamation save money?
- What are the other key financial considerations?
- What will happen to rates if councils amalgamate?
- What will happen to debt and assets if councils amalgamate?

In summary it concludes that:

- There are significant opportunities to make cost savings from an amalgamated governance structure.
- Depending on which of the proposed models is preferred, it is possible that between \$12 million and \$29 million of efficiencies/savings could be made per year from amalgamation of the councils in the region.
- In the short to medium term these efficiency/savings are likely to be eroded by costs associated with a transition to the new council structure.
- In the mid to long-term it is reasonable to expect that on an aggregated basis savings will reduce rates increases from those currently forecast.
- There are a number of funding mechanisms that can be used to help limit the impact of rates changes as a result of amalgamation, including greater use of targeted rates and introducing a rates transition policy to spread the impact of any changes to rates over a period of time.
- Analysis has been undertaken to assess the factors that are likely to have the most significant impact on rates under a single unitary authority for the region. Appendix 3 includes an explanation of these factors and the extent to which ratepayers in existing council areas are likely to be impacted. However, the final decisions on who pays and how much will be made by the new council.

- All councils in the region generally use debt to fund the upgrade of existing assets, and to construct or purchase new assets (e.g. roads, swimming pools etc). This ensures that future generations who benefit from a new asset contribute towards its cost.
- Debt levels vary between each council in the region. Overall the aggregate level of debt for the region is not high compared to local government benchmarks.
- There are a number of ways debt can be compared between councils. The impact on ratepayers of amalgamating debt across the region is best understood by comparing net debt (borrowing minus investments) per dollar of rateable capital of all properties within each council boundary. Comparing this ratio shows the impact amalgamating debt is likely to have on rates. The results of this analysis are included in Appendix 3.
- Fundamental to the proposal for an amalgamated council is an expectation that the impact of amalgamating the variable service levels, condition of assets, level of investments and debt will be shared across the region. To isolate the impact of these variables for each existing council would be counter to the underlying principles of amalgamation, summarised in Section 2 of this report. However, it is anticipated that the rating policy of the new council will seek to address situations where the impacts of amalgamation unfairly impact on the rating impost for a particular council area or sector.

7. CONCLUSION

This report outlines the conclusions of the joint Working Party on local government reform. It describes two different ways in which the Working Party's preference for a unitary authority council for the Wellington region could be realised. Subject to agreement among the four participating councils, the next step will be a process of public engagement to raise awareness and seek feedback on the proposed models.

Following public consultation, an application to the Local Government Commission is proposed to be made in late May 2013, depending on the nature of support for either model. The Local Government Commission will consider this (and any other applications received) before deciding to prepare a draft proposal. A poll of public opinion may be petitioned for once the final proposal has been released. This is likely to be mid 2014.



APPENDICES

APPENDIX 1 - WORKING EXAMPLES UNDER A TWO-TIER MODEL

It is important to note that these are indicative examples only. The Local Government Commission, guided by the new Local Government Act 2002, has initial responsibility for determining the initial extent of non-regulatory local board functions. The governing body would also decide the extent of delegation for regulatory activities and it may also provide boards with additional non-regulatory functions.

Example 1 - developing a regional spatial plan	
Mayor and governing council lead and oversee	<ul style="list-style-type: none"> - Provide leadership on key regional issues and priorities - Decide the overall engagement process, including guidance for local boards - Signs off the final plan and implementation programme
Local boards advocate	<ul style="list-style-type: none"> - Engage with local communities to determine local views on regional issues and priorities - Lobby the governing council on local positions on key regional spatial issues and priorities
Staff support and administer	<ul style="list-style-type: none"> - Administer the engagement process on behalf of the governing council and local boards - Provide technical input and prepare material for engagement - Prepare the final plan for endorsement by the governing council

Example 2 - village and neighbourhood planning	
Local boards lead, design and implement	<ul style="list-style-type: none"> - Prioritise local requests for neighbourhood/village planning - Design engagement with the local community and provide supporting resources - Endorse the final plan and draft implementation programme (funding may be subject to governing council signoff) - Negotiate funding for local projects/programmes with governing council - Oversee the local implementation programme - this could include infrastructure upgrades or draft district plan rules (if delegated by the governing council)
Governing council oversees regional policy, funding and implementation	<ul style="list-style-type: none"> - Receive village/neighbourhood plans and uses them to inform spatial, network and infrastructure planning - Prioritise and fund village/neighbourhood projects or programmes that relate to regional networks, assets and infrastructure - Allocate local boards funding for local projects - Advocate with other regional agencies for priorities in neighbourhood/village plans that have network implications e.g. NZTA/ KiwiRail
Staff support and administer	<ul style="list-style-type: none"> - Chief Executive allocates staff resources to support neighbourhood/ village planning processes

	<ul style="list-style-type: none"> - Provide community development/engagement support to build local capacity for neighbourhood/village planning - Promote and communicate village neighbourhood planning success - Provide technical input and advice to the community, local board and governing council - Prepare advice to the local boards and governing council on implementation - Work with the community on implementation
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Example 3 - facilities networks: pools, libraries etc	
Governing council prioritises and oversees management of the networks of facilities	<ul style="list-style-type: none"> - Prepare regional policy on the number and location of the facilities and the prioritisation of major upgrades - Set baseline service standards - Oversee overall management of the facilities, including asset management plans and maintenance, and regional programmes and events
Local boards monitor and tailor service delivery for local preferences	<ul style="list-style-type: none"> - Monitor the use and preferences of local facilities - Oversee the development of local programmes and events. This could include overseeing local revenue generating programmes, which could be re-invested to improve programme quality and service levels - Determine and seek funding (from the governing council possibly via a targeted or direct from the community) for variations to region wide service standards
Staff manage	<ul style="list-style-type: none"> - Manage the operation of the facilities - Prepare asset management plans and provide technical input into reviews and upgrade projects - Assist the governing council and local boards in their roles

Example 4 - food licensing	
Governing council adopts a regional standard and sets funding regime	<ul style="list-style-type: none"> - Adopts a regional food bylaw - Adopts general bylaws and district plan requirements that affect trade - Sets funding for licensing regime including fees
Local boards advocate	<ul style="list-style-type: none"> - Requests or proposes changes to bylaws - Monitor local preferences in relation to site locations and spatial planning requirements
Staff implement national and regional standards	<ul style="list-style-type: none"> - Issue licenses in accordance with the Registration of Premises Regulation 1966 - Monitor and take enforcement action in accordance with the Health Act 1956 and bylaws - Maintain a register of licensed premises - Provide support to Local Boards in relation to local preferences

Example 5 - stormwater	
Governing council prioritises and oversees management of regional network	<ul style="list-style-type: none"> - Prepare regional policy on stormwater as part of a 'whole of supply' network approach to three waters (water supply, waste water and storm water) and integrated with catchment and environmental planning - Prioritise upgrades, set baseline service levels and oversee the overall asset management of the stormwater network - Monitor implementation
Local boards advocate	<ul style="list-style-type: none"> - Understand local views on stormwater network issues and priorities - Lobby the governing body on local positions on key upgrades and priorities
Staff manage	<ul style="list-style-type: none"> - Manage the operation of the stormwater network as part of a 'whole of supply' network approach - Prepare asset management plans and provide technical input into reviews and upgrade projects - Implement asset management plans - Work with the governing council and local boards on engaging communities on stormwater issues and upgrades - Respond to issues and complaints

APPENDIX 2 - IMPROVEMENTS RESULTING FROM CHANGE

The Local Government Act 2002

The recently revised Local Government Act 2002 requires the Local Government Commission to assess any application in terms of the proposed improvements that would result from the proposed changes and whether it has significant community support. It must be satisfied that the proposed change improves local government in the area and facilitates:

- Efficiencies and cost savings
- Productivity improvements
- Simplified planning processes.

The Commission is also required to ensure that the proposed local authority has sufficient resources to carry out its functions, that it reflects a distinct community of interest, and that catchment-based flooding and water management issues can be effectively dealt with.

What improvements will result from a single unitary authority model for the Wellington region?

Analysis of a proposed single unitary authority model for the Wellington region has shown that it will bring a significant number of benefits to ratepayers and businesses. These can be summarised as follows:

- **Stronger and more effective regional leadership** on a range of matters that cross current jurisdictional boundaries and which require partnerships with central government and the private sector. These include: transport infrastructure and services, land development, economic development, and resilience planning.
- **Greatly simplified planning processes** for statutory and non-statutory plans that deliver more streamlined and integrated outputs, with greater efficiency and effectiveness. This will reduce the resources required to develop and implement the plans and significantly reduce compliance costs for businesses and residents.
- **Greater efficiency and cost savings** through: economies of scale, streamlined plans and processes, reduced compliance costs, more efficient service delivery models, and avoiding duplication and waste.
- **More efficient and effective delivery of key infrastructure** and services through economies of scale, more integrated planning, better prioritisation of resources, and a greater pool and depth of expertise.
- **A more effective and integrated approach to economic development**, which avoids duplication and competition within the region and enables key decisions to be made to enhance economic performance, supported by the prioritised delivery of essential regional infrastructure.

- **Better reflection of the existing strong community of interest** that exists at the Wellington regional level.

Much of the analysis for this paper has been drawn from the report of the Wellington Region Local Government Review Panel (October 2012). The case for change is summarised on page 37 of that report.

Strong regional leadership

The Wellington region currently lacks a strong and effective leadership structure and mandate. No single elected person is empowered to speak for the region or deal with central government on the region's behalf. Nine leaders compete for attention with often different visions of growth and priorities, and a focus on local rather than strategic issues. This lack of a strong regional voice is of significant disadvantage in negotiating partnerships with central government agencies, which have a significant role in infrastructure provision and regional economic development. The lack of a unified and integrated strategic vision and a single leader is also of significant disadvantage to the region's ability to promote itself on the international stage as a location for business investment.

A single council model would provide the necessary mandate and governance structure to support taking a wider and more strategic view of the future direction of the region and enable it to represent that view more effectively to key partners, including central government, the private sector, key infrastructure providers, and potential investors. It would enable stronger and more effective regional leadership on a range of matters that cross current jurisdictional boundaries and which require partnerships with others. These include: transport infrastructure and services, land development, economic development, and resilience planning.

Simplified planning

The region's nine local authorities prepare a significant number of plans and strategies. It is estimated that there are currently a total of 321 strategies, plans and operational policies in the region. There could be a significant reduction in these with one unitary council.

A number of these plans and strategies are required by legislation. Because we have nine local authorities covering the region, we are required to have nine Long Term Plans, nine Annual Plans, and nine Annual Reports. In terms of land use planning under the Resource Management Act, there are also 6 District Plans and 5 Regional Plans. Each plan is also subject to a number of formal plan changes - since the first generation of plans have been in place (approximately the mid 2000s) there have been at least 253 formal plan changes across the region.

Each plan prepared requires significant amount of staff and other resources, an extensive formal process of consultation, and imposes costs on interest groups, individuals and businesses who participate in the process. For a region with a relatively modest population of around 490,000 this is not an efficient use of ratepayers' money.

Because of the number of plans, each with a different set of rules and approaches, any business or investor looking to locate or expand in the region would struggle to get a clear picture of the overall policy approach, and will face additional costs where they have to comply with different regimes in different parts of the region.

To prepare and maintain their planning frameworks, each local authority needs to employ its own staff resources. Particularly for the smaller councils, keeping sufficient expertise across a wide range of areas is challenging and expensive.

Having one unitary authority for the whole region will mean in most cases only one plan is needed for each policy area. It will be much more efficient and effective, and provide clearer more integrated direction to guide the future growth and prosperity of the region.

Efficiencies and cost savings

There are significant opportunities for efficiencies in the way local government does its business across the region. A combined council would have a much greater financial strength and the leverage to achieve better prices from suppliers. Some of the key areas for efficiencies will include:

- Combining functions into larger more efficient groups.
- Procuring services in larger contracts that achieve lower costs per unit.
- Better utilisation of skilled staff resources.
- Avoiding duplication of planning and services, which currently overlap in some areas.

It is estimated that annual savings of between \$12 million and \$29 million per annum of efficiency savings could be achieved from the proposals contained in this report. It should be noted that the process of reorganisation may result in increased costs in the short-term and that efficiency savings may not result in corresponding rates reductions for households and businesses, as there may be a need for reinvestment of savings in other areas.

Appendix 3 - Financial Matters (page 40) provides further information on possible efficiency savings under each of the two structural options proposed within this report.

Better infrastructure delivery

The planning and delivery of infrastructure is a responsibility currently split between the regional council (bulk water supply, public transport, flood protection, regional parks) and territorial authorities (local roads, other transport infrastructure, local water supply, stormwater, wastewater, solid waste, community infrastructure and local parks).

However much of the region's infrastructure is part of a network that crosses administrative boundaries. Fragmented decision-making has led to inconsistent standards being applied across the region, a lack of joined-up planning, and duplication of effort.

Transport is one particular area where the current responsibilities are very fragmented, with planning and delivery split between the nine local authorities and the New Zealand Transport Agency. This makes it difficult to agree on priorities, is expensive to administer, and reduces the scope for more efficient delivery.

In the three waters (water supply, sewerage, and stormwater) there are also significant opportunities to be more effective in planning and delivery.

A spatial plan that was agreed across the region would provide clear priorities for investment. Joining together the planning and delivery of infrastructure along a whole-of-network approach would provide for more effective solutions to be found.

Economic Development

The economy of the Wellington region is under stress as a result of the global financial crisis and the rationalisation of central government, and there is evidence that the region is not keeping pace with the rest of the country. Whilst the nine local authorities do work together on this issue, the process of working together is cumbersome and complex. There is also some duplication of programmes and competition between different parts of this region.

A unitary authority would be better placed to take a coordinated and united approach, and would have the financial strength and influence to achieve greater results. It would have a much greater chance of bringing investment into the region by working with central government and the private sector.

Community of Interest

The Wellington region has a strong identity that is shared by everyone that lives in the region. It is connected by strong economic ties, with the Wellington CBD providing direct and indirect jobs for a significant proportion of the region's residents. The region's transport networks link us together, with a rail service that spans from the Wairarapa to Wellington and up to Kapiti, and a strategic highway network that connects across and through the region. Our major facilities are regional in the coverage, including the hospital, the port, the airport, the Westpac Stadium, and the major arts and cultural facilities in the Wellington CBD. These connections provide a strong community of interest that is under-represented in current governance structures.

In a structure that provides for local boards (or community boards with a wide range of functions), the local community of interest will also continue to be well represented through this second tier. In a structure that provides for a single unitary with no second tier, the local community of interest would need to be represented through an alternative form of direct engagement with citizens.

APPENDIX 3 - FINANCIAL MATTERS

1. Introduction

This section considers the financial implications of amalgamation.

With the exception of efficiency savings and local board budgets, the key financial considerations are generally the same for both the two tier and one tier council models discussed in this report.

The following section provides some context around local government finances and how funding decisions are made. It also summarises the current and forecast financial state of existing councils, before focusing on some key high level questions:

- Will amalgamation save money?
- What are the other key financial considerations?
- What will happen to rates if councils amalgamate?
- What will happen to debt and assets if councils amalgamate?

Information has been drawn from analysis prepared by the Greater Wellington Regional Council and Wellington City Council and from the independent Wellington Region Local Government Review Panel (the Panel) report. Rather than repeating commentary from the Panel report, this section seeks to provide additional information and should be read in conjunction with pages 57-79 of the Panel report which can be found online at <http://wellingtonreviewpanel.org.nz/>.

2. Financial and Legislative Context

The Local Government Act 2002 provides the overall context within which local authorities manage their finances. Under section 101(1) of the Act, each local authority must ... “manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community”.

The tools to achieve this include the preparation of a Long Term Plan (LTP) every three years, which includes a financial strategy, and preparation of an Annual Plan every year.

Each council has the flexibility to determine the financial and funding policies and expenditure levels to best promote the interests of the community. This has resulted in different financial strategies amongst the region’s nine local authorities.

Differing financial strategies and policies can have a significant financial impact when amalgamating across existing council boundaries and between residential, rural and business sectors. These can be managed to an extent through the funding policy of an amalgamated council. Later in this section we use a set assumptions to help illustrate the key impacts of change and how these potential impacts might be managed, but it will be up to those elected under a new council to make the final decisions on who pays and how much.

3. Efficiency savings - will amalgamation save money?

The short answer is yes - but this does not necessarily mean a corresponding reduction in rates. Factors such as transition costs, achieving consistency in service levels across the region, and funding policy decisions by a new council, can all impact on the degree to which savings are reflected in the level of rates. However, it is reasonable to expect that on an aggregated basis savings will reduce rates increases from those forecast in current Long-term Plans.

There are significant opportunities for efficiencies that arise from an amalgamated governance structure. Some of the key areas for efficiencies will include:

- Combining functions into larger more efficient groups. This could apply to back-office functions (such as ICT, human resources, property management); regulatory functions (such as dog permits, liquor licensing and building consents); and management of community facilities (such as libraries, pools).
- Using the council's greater financial strength to leverage better prices from suppliers.
- Procuring services in larger contracts that achieve lower costs per unit. This would apply to materials and services.
- Better utilisation of skilled staff resources. Instead of each local government having to try to employ its own set of experts or contractors, a single pool of skilled staff would be available.
- Avoiding duplication of planning and services, which currently overlap in some areas.

The 2009 report of the Royal Commission on Auckland Governance forecast 2.5% - 3.5% efficiency gains from amalgamation of the eight councils in the Auckland region. Post-amalgamation and in its 2012-22 LTP, Auckland Council forecast 1% gross savings in year one, 2.7% in year two, and around 4% on-going annual savings against total operating costs - a total of around \$1.8 billion over 10 years.

In Wellington this level of savings could equate to a potential \$300 to \$360 million over a 10 year period (including depreciation as a proxy for capital expenditure savings). However, experience from overseas is that efficiency savings are more realistically expected in the medium to long term. The process and timeframes of reorganisation and integration take time and in the short-term there may in fact be increased costs associated with restructuring, reorganisation and integration. Evidence also indicates that any efficiency savings may not result in a corresponding reduction in rates for households and businesses, as there is often a need for reinvestment of savings in other areas.

The extent to which these potential savings - equivalent of \$24 million to \$32 million (excluding depreciation) per year - might be realised depends on the number of councils under an amalgamation scenario and the structure of those councils.

This report focuses on two specific amalgamation options. A high level analysis suggests that potential savings could vary between \$12 million (under a two unitary authority model, with local boards) and \$29 million per annum (under a single tier council for the entire Wellington region).

Table 1: Possible efficiency savings

Efficiency/savings category	OPTIONS			
	Two-tier council plus a Wairarapa unitary authority	Single-tier council plus a Wairarapa unitary authority	Two-tier council including Wairarapa	Single-tier council including Wairarapa
General indication of efficiency savings potential	Medium	High / medium	High / medium	Maximised
Indicative savings per annum (if assumed 3% opex or \$24m savings potential)	\$12m	\$16m	\$16m	\$22m
Indicative savings per annum (if assumed 4% opex or \$32m savings potential)	\$17m	\$22m	\$22m	\$29m

Of the two structural options proposed in this report, a single council for the region with shared governance between the council and local boards is expected to achieve around \$4 million to \$6 million less in savings per year than a single tier council. The difference is the additional cost of having more elected representatives, supporting local boards and their relationship with the council, and higher planning requirements.

There are a number of factors to weigh up when deciding on a preference for a governance structure where either the governing body shares decision-making with local boards, or a single tier structure where councillors are directly responsible for all decision-making.

Like the Wellington Region Local Government Reform Panel, the Working Party is supportive of the principle of subsidiarity, where a decision is made closest to the community that is impacted by it. A structure that includes local boards may provide local communities with a local voice but this extra layer of governance will result in a marginally more expensive structure than the single-tier alternative.

5. What are the other key financial considerations?

From a public perspective the funding lens is usually fixed on rates rises and debt. It is important to recognise that not all local authority funding comes from rates. All local authorities within the region receive a proportion of their income from user charges and other sources.

At the regional level, a total of 63% of local authority operating funding is provided from rates, with 18% from user charges, 11% from subsidies and grants for operating expenditure purposes, 7% from fines and infringement fees, and 1% from investments.

There are also a number of other factors that should be considered when making funding (and wider financial impact) comparisons between councils and assessing the possible financial impact of amalgamation. These include:

- *Council policies on funding depreciation*

Some councils in the region fully fund depreciation while others fund the cost of replacing assets in the year in which the expenditure is incurred. Analysis suggests that where the timing of major asset renewal (such as stormwater or sewerage networks) is irregular and a council has no other debt repayment policy, funding asset renewal can lead to lower rates being collected in years when there is no major asset replacement planned. This means current ratepayers may not be paying their share of the assets they consume and can give rise to higher debt and/or the potential of a bow-wave of borrowing and related servicing costs as and when assets require renewal in future.

- *Service levels and asset condition*

These vary across the region. Lower current infrastructure servicing and maintenance costs do not necessarily reflect future asset investment requirements and the impact this may have on ratepayers.

- *Weathertightness costs*

Some councils have included in their long-term plans funding of a provision for leaky homes claims against the council. These are not significant in terms of the total rates requirement for the region. There is some risk that the future liability for all councils (including those that do not currently include funding in their plans) may be more significant than currently forecast.

- *Earthquake strengthening*

Some councils have included in their long-term plans funding for earthquake strengthening of council-owned buildings. The cost of earthquake strengthening

council-owned buildings is not significant in the context of total local government expenditure in the region.

- *Changes in expenditure, rates and debt over the period of the current long-term plans and beyond*

Fundamental to the proposal for an amalgamated single council is an expectation that the impact of amalgamating the variable service levels, condition of assets, level of investments and debt will be shared across the region. To isolate the impact of these variables for each amalgamating council would be counter to the underlying principles of amalgamation. It is anticipated that the rating policy of the new council will seek to address situations where the impacts of amalgamation unfairly impact on the rating impost for a particular council area or sector.

While analysis in this report focuses on current funding requirements, the rates and borrowing sections that follow provide some perspective of the impact of changes in funding requirements over the next ten years.

6. What will happen to rates if councils amalgamate?

Current rating policies

The level of rates determined by each council is based on its own financial strategy, revenue and financing policy and its operational programme. There is also some variation in the rating systems used across the region. Rating systems vary based on the following factors:

- Use of general v targeted rates
- Rating differentials for business, rural and residential properties
- Use of uniform general charges
- Use of capital v land value for setting rateable values
- Use of levies and charges

An analysis of these factors shows that:

- Despite variation in capital values between local authorities in the region, current residential rates are reasonably similar ranging from around \$2,200 to \$2,800 for the average property.
- Wellington City's business sector makes up a significant proportion of its rating base, and that of the region. Overall around 48% of the total rates within the region are collected from within the Wellington City boundary. 28% comes from the Wellington business sector, which makes up around 11% of the region's total capital value. This illustrates the importance of the central city in its role as the

economic, service and funding hub for the region and in providing regional resilience.

- Conversely, despite their significant geographical area, the Wairarapa councils make up less than 10% of the regional capital value and contribute a similar proportion of the total rates collected across the region.
- Most of Kapiti Coast District and a smaller portion of Masterton and South Wairarapa rates are levied based on land value. Since the 1989 local government reform other councils have moved to a capital value rating basis. Those that remain on land value tend to be rurally based councils, with smaller business sectors.
- Kapiti Coast District does not currently have a business differential. This means that businesses pay similar rates relative to their property value as residents do. In other parts of the region businesses pay between 1.5 and 3.5 times more general rates per dollar of capital value than residential properties.
- There is variation across the region in the proportion of rates collected from general rates, which are spread across all ratepayers compared to targeted rates, which are paid by specific groups.
- Smaller councils tend to provide fewer rateable services beyond base activities, whereas larger metropolitan councils help fund a number of regional services such as Te Papa, regional event centres and facilities, and major events.
- Greater Wellington Regional Council’s current funding policy results in the Wellington City business sector paying higher rates for public transport compared to other areas, as the policy uses destination as a key driver, particularly for the allocation of rail costs.
- The 2012-22 LTPs indicate differing rates requirements between councils within the region.

Table 2: Rates increases forecast in Long-term Plans

Rate increases*	3 yr cumulative increase	10 yr cumulative increase
Masterton	15%	33%
Carterton	17%	38%
South Wairarapa	11%	38%
Upper Hutt	15%	48%
Lower Hutt	10%	34%
Wellington	12%	35%
Porirua	12%	42%
Kapiti	24%	75%
Regional Council	26%	62%
Average across region	16%	44%
* Source: Statement of Comprehensive Income – Council 2012-22 Long-term Plans (note – exclude growth in ratepayer base)		

Possible rates changes from amalgamation

All of the factors discussed in the previous section will potentially impact on the overall rates distribution and the impact for individual ratepayers under any amalgamation scenario.

The Working Party supports a uniform rating system to apply across an amalgamated region, noting that if a separate unitary council was adopted for Wairarapa, the rating policy for that council could differ. A uniform rating system does not discount the use of separate differentials or targeted rates, but would result in changes to the current level of rates. Some will go up and some will go down. The impacts of change are likely to be different for ratepayers within each of the existing council boundaries due to variations in services provided and the current rating policies and mechanisms used.

A single rating entity will enable a clear, coherent and consistent approach and policy to be applied to funding decisions across the region. However, it is not possible to be precise about changes to future rates levels as this will be determined by the new council's revenue and financing policy and rating mechanisms, which will only be set once the new council is elected.

It is however possible to test a range of rating policy scenarios to identify the key factors that are likely to cause the most significant changes. Aside from the potential differences in overall efficiency savings already discussed, most of the potential changes in rates are likely to apply to either of the options proposed in this report. A number of the drivers of change are relevant whether there is a single council for the whole region, or a separate council is created for Wairarapa. Where there is potential for significant differences between the two scenarios, these are discussed in the commentary below.

The key drivers of changes to rates are likely to include:

- *Use of capital value versus land value for setting rateable values*

It is likely that a uniform rating system would adopt capital value as the preferred valuation basis on which to base the majority of rating allocation and distribution decisions. Currently, Kapiti Coast District Council and South Wairarapa District Council use land value as the basis for rates levied based on property values. Masterton District Council uses land value as the basis to levy transport rates, whilst all other local authorities in the region use capital value. This change will impact significantly on properties that are currently rated on land value that have either a very low or very high level of improvements relative to their land value. High improvement value properties are likely to incur rates increases because they will pay a greater share of the rates requirement, equivalent to similar properties that are already rated on a capital value basis. Conversely low improvement value properties are likely to experience a rates decrease from this factor.

This impact could be partially mitigated by:

- Introducing a lower business differential (of assistance to businesses only) for rural townships
- Introducing a rates transition policy. For example, following amalgamation in Auckland a three-year transition policy was introduced whereby rates increases were limited to a maximum of 10% per year and decreases to 2.5% per year.

- *Rating differentials*

Business differentials vary between 1.0 (meaning no differential) and 3.5 across councils within the Wellington region. This differential reflects the amount of general rate paid per dollar of capital value compared to a residential property. The rates differentials applied to rural properties vary between 0.5 and 0.9. Applying consistent differentials across the region is likely to result in rates increases for businesses in Kapiti Coast where there is no current differential and to a lesser degree South Wairarapa and Carterton whose business differentials, at 2.0 are below the average. The impact of variability in rural differentials is less pronounced because many of the services provided by councils with lower differentials are targeted to urban properties that receive the services (e.g. water, sewerage and rubbish collection).

This impact could be partially mitigated by:

- Setting a lower general rate differential for businesses in rural townships than that which applies to metropolitan businesses
- Introducing a transition policy as outlined above
- Reducing the general rate pool of funding and increasing the level of targeted rates.

- *Current rates relative to property values*

Ratepayers within existing council boundaries with higher rates per dollar of capital value are likely to benefit through a consolidation and redistribution of rates across the region. Porirua City Council has the highest current total rates per dollar of capital value in the region followed by Hutt City Council. Those with lower rates relative to capital value are more likely to incur rates increases. South Wairarapa District Council has the lowest total rates per dollar of capital value within the region.

This impact could be partially mitigated by:

- Targeting rates for services that are more closely aligned to a user charge e.g. water

- *The split between general rates and targeted rates within existing local authorities*

Some councils' funding policies mean that they levy proportionately low general rates relative to targeted rates compared to other councils. This is most prevalent in smaller councils such as South Wairarapa and Carterton where a large proportion of their existing rates fund water, wastewater, stormwater and rubbish. Like the point above, consolidating and redistributing the general rates pool across the region means that ratepayers within these council areas may be required to fund a greater share of general rate-funded services provided elsewhere in the region.

This impact could be partially mitigated by:

- Other factors (as discussed in this section) which may offset this driver of change
- Use of targeted rates to fund differing levels of services
- Introducing a lower general rate differential for sectors that receive a lower level of service (e.g. rural).

- *Relative size (total value) of different sectors within each local authority area*

The make-up of the ratepayer base of each council in the region has an impact on the funding policy and rating mechanisms used to meet the rates funding requirement. For example, where the business sector makes up around half of Wellington City's rating base (based on capital value), the business sectors in all other local authorities in the region make up less than 20% of their rating base. Not surprisingly, the rating base for South Wairarapa and Carterton districts are predominantly rural.

Wellington City makes up around half of the total rating base of the region. To avoid significant rates shifts across the region, the substantive rating policies of any amalgamated council will need to be reasonably closely aligned to current Wellington City policy. However, modelling shows that this could result in significant rates changes for certain sectors in other councils where there are significant differences in the make-up of the rating base and in the rating policies applied. Modelling suggests that some rates increases in Wellington City may be required to offset some of these anomalies.

This impact could be partially mitigated by:

- Introducing a rates transition policy (such as the Auckland policy referred to above).

- *GWRC funding policy*

A range of possible impacts of amalgamation of existing council rating policies are discussed in the points above. As stated earlier in this report, these impacts may differ depending on the funding policies adopted by a new amalgamated council.

Rates impacts are also likely to differ if there is more than one unitary authority for the region. This is because the impact of redistributing the rates requirement will depend on the policies of the councils within each group of councils proposed to be amalgamated, and on the rating base of those areas. This impact is likely to be most pronounced in relation to the allocation of the costs currently provided by the Greater Wellington Regional Council, whose services differ from but span the boundaries of existing territorial councils.

The options considered within this report provide an alternative for a separate unitary authority for Wairarapa. Analysis completed by Price Waterhouse Coopers (PWC) indicates that if GWRC operating expenditure was split purely based on where the activity occurred, the Wairarapa would incur an additional \$7.9m of costs (excluding Public Transport which is estimated by GWRC to be \$3.32m as discussed below) that under current GWRC policy are funded by ratepayers in other areas within the region. This amount can vary depending on the assumptions used to allocate items such as debt servicing costs. The impost could also be reduced by changes to the policies of an amalgamated Wairarapa unitary authority, through amalgamation efficiency savings or through changes to service levels. Nevertheless it is a very relevant consideration for a Wairarapa unitary authority option.

For comparative purposes, the PWC analysis also assessed the difference between the current rating distribution and where GWRC activity occurred across other councils in the region. This indicates that the impact on other councils is less pronounced; the difference between what they pay for and what they receive is less than +/- \$2 million, with the exception of the Wellington City Council, whose ratepayers contribute the approximate \$10 million in rates funding that other council areas benefit from under current GWRC policy.

The PWC analysis excluded public transport, which is operated as a network across existing council boundaries and makes up approximately 50% of the GWRC rates requirement. GWRC has assessed that the current net expenditure for public transport in the Wairarapa is \$3.32million. Wairarapa rates currently fund \$0.68 million of this spend.

Summary of rates change impacts

The preceding section discusses the factors that are likely to have the most significant impact on rates under a single unitary authority for the region. Their combined impact will undoubtedly result in some redistribution of rates between properties across the existing council boundaries and between residential, business and rural sectors. These factors and the funding policy of any new council will determine the amount of rates that will be paid by each property under any amalgamation scenario.

The final decisions on who pays and how much will be made by the new council. This is likely to include a rates transition policy which would enable the impact of change to be spread over a number of years.

The impact of changes in the distribution of rates could be reduced by more complex rates modelling, such as through increased use of targeted rates. However, this approach would need to be balanced against the additional administrative requirements this might entail and the impact a more disparate funding policy could have on the broader rationale for an amalgamated council for the region.

It would be necessary for a new amalgamated council to complete the detailed analysis and work required to build the preferred rating system and policy as a matter of priority, and this will need to be the subject of extensive consultation before it is finally adopted. Preliminary work could occur during the transition phase, if a transition authority is established to prepare for amalgamation. The results of this work would then need to be considered and adopted by the elected council once established.

Until the details of the rating system are determined it is difficult to accurately determine and predict the impact that this may have on individual ratepayers. However it is clear that the 'aggregated' financial size, strength and leverage of a single council would provide an opportunity to provide more effective financial governance, and improved risk management and service delivery to better meet the future needs and challenges faced by the Wellington region.

7. What will happen to debt and assets if councils amalgamate?

Existing council policies

The region's councils are responsible for the management of significant portfolios of assets, totalling \$12.8 billion. The majority of these assets are land and items of infrastructure, including network infrastructure (water, sewerage, stormwater, roads, public transport) and community infrastructure (libraries, swimming pools, recreation centres). They also include investments by councils in subsidiary entities (such as Centreport). Of the region's assets, approximately 52% are under the management of Wellington City Council.

Debt is generally used by councils to fund the upgrade of existing assets, and to construct or purchase new assets. When councils upgrade existing assets or invest in new assets such as swimming pools, libraries, sports stadiums, roads, landfills and sewage treatment plants, the benefits of these assets flow to the community across many years. Borrowing is generally considered the most cost-effective and prudent way to fund such capital expenditure because it spreads the cost of the asset over the future generations of ratepayers who will benefit from the use of the asset. The use of borrowings as a source of funding for capital investment therefore generally supports the principle of inter-generational equity.

There are significant variations in borrowing strategies, parameters and practice across the region. Total liabilities across the region are \$1.0 billion, the majority of which are council debt.

A high-level summary of the actual and forecast level of borrowings and indebtedness across the region is summarised in Table 3 below. Total borrowings for the region are forecast to be \$909 million at the end of the 2012/13 financial period, increasing to \$1.3 billion by 30 June 2022.

Borrowing levels for individual councils vary significantly, and are likely to be influenced by the size and scale of both historical and planned capital investment programmes. In general, councils are planning significant levels of capital investment over the next ten years, either to replace or upgrade ageing infrastructure, to meet changing demands on asset service levels or to effectively plan and manage forecast growth in the population.

How to compare debt levels between councils

The panel report identifies the level of borrowings per resident within each local authority area as a means of assessing relative borrowing levels between councils in the region. It shows that forecast borrowings per resident ranges from around \$600 per resident in Upper Hutt to over \$2,600 per resident in the Kapiti District.

- *The impact of debt on rates*

Modelling work completed by officers over recent months suggests that debt per dollar of rateable capital value is a more accurate indicator of the impact that combining debt between the councils across the region would have on the ratepayers within each of the amalgamating councils.

- *Investments*

It is also relevant to consider the level of investments held by each council. If debt is amalgamated, investments will be too. These investments (e.g. investment property, shareholdings etc.) generate significant revenue for some councils, which allows them to offset debt servicing costs. In some cases investments may also be able to be sold to reduce debt. More information on the impact of including investments to assess the impact of net debt on rates is included in the *“What might happen to debt under a single council for the region?”* section that follows.

- *Financial health*

After considering investments, another relevant measure of the financial health of a council is the level of debt compared to total assets for each council. Aside from investments (including property and shareholdings), councils have varying levels of property plant and equipment asset, generally aligned to their size. Table 3 below illustrates the relative level of debt to assets, and shows that most councils have a low level of debt relative to their asset base.

Table 3: Debt to Total Assets

LTP forecast 2013		Kapiti	Porirua	Wellington	Hutt City	Upper Hutt	Sth Wai	Carterton	Masterton	GWRC	Total
Gross debt	\$m	\$135m	\$53m	\$374m	\$69m	\$25m	\$10m	\$9m	\$52m	\$182m	\$909m
Debt to assets	%	15%	4%	5%	5%	4%	3%	6%	7%	20% *	7%

* Note: The table above is based on information contained in council Long-term Plans (LTPs), which include the assets and liabilities of the council 'parent' only. For GWRC this means that rail assets worth \$320m, which are held in a separate entity, are excluded from the table above. If included, this would reduce the debt to asset ratio of GWRC to 15%.

In summary:

- The ratio that shows the impact of debt on rates is net debt per dollar of capital value
- The measures of financial health are the debt to asset and debt to investment ratios.

What might happen to debt under a single council for the region?

One of the concerns of ratepayers will be whether a perceived higher level of debt in one existing council will mean increased costs or risks to be shared across the region.

In general, the majority of council debt is associated with planned investment in essential infrastructure, such as water and roads. This is mostly allocated across all ratepayers to be efficient and equitable. Where the cost of investment can be identified as being for the sole benefit of an individual or business then a council may consider other forms of targeted funding allocation (e.g. targeted rates, development contributions).

To get perspective on what the level of debt means it is necessary to consider the overall status of the each council's balance sheets, and in particular the level of investments that are held.

Table 4 below illustrates the differences between using debt per resident and debt per rateable dollar of capital value. It also shows the impact of including offsetting investments.

It shows that Kapiti Coast District Council has the highest debt levels under all ratios of the eight territorial councils in the region, but that there are significant variations between councils depending on what measure is used. For example, Hutt City Council and Upper Hutt City Council have the lowest gross debt levels per resident, but a similar or higher level of net debt less investments per dollar of rateable capital value to Wellington City Council. South Wairarapa District Council's debt per resident is around the average across the region, but significantly lower than other councils relative to the district's rateable capital value.

Ratepayers in councils with higher current net debt (debt less investments) per dollar of capital value relative to other councils are likely to benefit from the amalgamation of borrowing and investments. However, as referenced in the earlier section covering rates impacts, this is likely to be overshadowed by the impacts of other factors.

Table 4: Debt comparisons between councils in the Wellington region

LTP forecast 2013		Kapiti	Porirua	Wellington	Hutt City	Upper Hutt	Sth Wai	Carterton	Masterton	GWRC	Total
Gross Debt	\$m	\$135m	\$53m	\$374m	\$69m	\$25m	\$10m	\$9m	\$52m	\$182m	\$909m
Population	No	51,160	52,940	202,760	103,740	41,580	9,386	7,560	23,400	492,526	492,526
Debt per resident	\$	\$2,642	\$1,002	\$1,843	\$662	\$601	\$1,080	\$1,245	\$2,222	\$367	\$1,846
Rateable CV \$m	\$m	\$10,171m	\$7,755m	\$46,375m	\$16,902m	\$6,450m	\$3,192m	\$1,897m	\$4,449m	\$97,197m	\$97,197m
Debt per \$m of rateable CV	\$	\$13,292	\$6,842	\$8,058	\$4,066	\$3,872	\$3,176	\$4,962	\$11,685	\$1,875	\$9,356

LTP forecast 2013		Kapiti	Porirua	Wellington	Hutt City	Upper Hutt	Sth Wai	Carterton	Masterton	GWRC	Total
Debt less investments	\$m	\$132m	\$30m	\$120m	\$44m	\$25m	\$2m	\$7m	\$41m	\$54m	\$455m
Debt less investments per resident	\$	\$2,573	\$575	\$593	\$424	\$591	\$181	\$963	\$1,747	\$108	\$923
Rateable CV \$m	\$m	\$10,171m	\$7,755m	\$46,375m	\$16,902m	\$6,450m	\$3,192m	\$1,897m	\$4,449m	\$97,197m	\$97,197m
Debt less investments per \$m rateable CV	\$	\$12,941	\$3,928	\$2,591	\$2,601	\$3,807	\$532	\$3,836	\$9,191	\$555	\$4,677

Note: Population numbers are extrapolated from Statistics New Zealand data. For consistency, investment values included in the table above are based on values included in council LTPs i.e. valued at cost. For example, Wellington City Council's investment in Wellington Airport is shown at cost in the LTP at \$18 million, whereas the equity share shown in the 2012 annual report is approximately \$130 million. While the market value may differ from this, it indicates that if the actual value of investments was included, net debt could be significantly lower than indicated.

At a total regional level, funding the average debt over 20 years equates to approximately \$92 per year per resident, or \$230 per year per rating unit per annum (not taking into account the proportion of debt that is externally funded). This represents less than 10 % of the average rate per rating unit per year across the region.

A future unitary Wellington Council would have a range of options to manage this funding requirement and the impact on rates from amalgamating debt across the region. These include:

- Ring fencing current debt or net debt to current territorial boundaries
- Reviewing debt to be charged regionally or locally
- Reviewing investments to ensure they provide an appropriate level of return
- Paying down debt from investments

For the creation of the Auckland Council the debt of each local authority in the region were combined into the new unitary authority. Debt is now managed and funded on a regional basis, except for a small portion of borrowings funded by a city centre upgrade targeted rate. This means that legacy debt from previous local authorities have not been attributed only to ratepayers in those previous areas.

Given the size of the new Auckland Council, it has the power to borrow money offshore at preferential rates. It is the only local authority in New Zealand permitted to raise finance offshore in its own right.

It is envisaged that debt will for the most part be managed on a similar basis in a unitary Wellington Council; however, this will be subject to the future policies of the new council.

APPENDIX 4: LESSONS FROM AUCKLAND

Auckland Council: Transition and Emerging Challenges - Office of the Auditor General, December 2012

Purpose

This paper considers similarities and differences between a Wellington single unitary authority model with local boards and the Auckland model, and aspects that could be managed differently given some of the lessons that have emerged.¹⁵ This paper generally applies to the two tier model.

Introduction

The Office of the Auditor General (OAG) report identifies several challenges faced by Auckland Council that could be avoided or minimised in Wellington by modifying the unitary authority **two-tier** model. Lessons are:

- Avoid high numbers of local boards to reduce the administrative burden and complexity
- Take care with the powers of CCOs as they can impede the autonomy of local boards (for example Auckland Transport reducing local boards' place-shaping capability)
- The division of responsibilities between the two tiers needs to be clearly articulated and understood by both tiers
- A pragmatic approach needs to be taken regarding the level of input needed from local boards on regional policy. Consulting local boards on every regional policy may be laudable from a democratic principle but in effect has proved to be rather cumbersome.

PART ONE: Points of similarity and difference between the Auckland model and the Working Party's single council two-tier option

The following table describes some similarities with drivers of change such as the desire for a stronger regional voice and a unified regional vision. Differences include the process of a Royal Commission and then Auckland-specific legislation; and the scale, population and geography. The Wellington model is developing in a different legislative environment and programme of local government reform.¹⁶

¹⁵ Office of the Auditor General - *Auckland Council: Transition and emerging challenges*. December 2012
<http://www.oag.govt.nz/2012/auckland-council>

¹⁶ Phase I of Better Local Government lead to amendments to the Local Government Act 2002 in late 2012. Further amendments are expected in 2013 from Phase II workstreams.

Comparing the Auckland model with a Wellington council two-tier option

	Auckland model	Wellington two-tier option
Why change is needed?	<p>Royal Commission</p> <ul style="list-style-type: none"> Weak and fragmented regional governance and poor community engagement¹⁷ Lack of collective purpose between councils, constitutional ability and momentum to address issues effectively¹⁸ <p>Critical Issues identified by Akld Plan (OAG summary)</p> <ul style="list-style-type: none"> Population growth and demographic change Housing availability and affordability Climate change and energy security International economic competitiveness Social and economic inequality Environmental quality Infrastructure planning, provision and funding 	<p>Martin Jenkins¹⁹</p> <ul style="list-style-type: none"> Stronger regional leadership Better relationship with central government Better regional decision-making Single regulatory authority (or one set of regulations) to reduce compliance costs and make interacting with councils easier for business and developers Improved efficiency - economies of scale, reduced duplication, improved financial management Improved capacity - more expertise, enhanced strategy management <p>Palmer Report</p> <p>5 drivers of change - need for:</p> <ul style="list-style-type: none"> regional leadership greater resilience more strategic (need for single plan under RMA) world class infrastructure efficiency & effectiveness
Change Process	<ul style="list-style-type: none"> Own process with Royal Commission on Auckland Governance 2009 Final model a product of the LG (Auckland Council) Act 2009 and Local Government Commission determinations 	<ul style="list-style-type: none"> Working Party developing an application to Local Government Commission. Other applications for Wellington governance likely e.g. Wairarapa Reorganisation made simpler under Local Government Act 2002 amendments in 2012
Legislative Environment	<ul style="list-style-type: none"> Own legislation - 5 separate Acts of Parliament 	<ul style="list-style-type: none"> Recently amended Local Government Act 2002 allows for a similar structure to Auckland More legislation pending late 2013 covering phase II Better Local Government Reforms²⁰ <p>Note: a new work-stream was added in March 2012 - an investigation of a dual or two-tier governance model.</p>

¹⁷ Two broad systemic issues identified by the Royal Commission and cited in the OAG report (para 2.32)

¹⁸ Problems identified by Royal Commission and confirmed in OAG report (para.2.33)

¹⁹ Analysis of PwC review commissioned by Mayoral Forum. 165 submissions received

Comparing the Auckland model with a Wellington council two-tier option

	Auckland model	Wellington two-tier option
Structure	<ul style="list-style-type: none"> • Unitary authority and 21 local boards • One Mayor with enhanced powers, elected at large, 20 councillors elected from 13 wards and 149 board members • Serving population 1.5m • Scale - the biggest difference: Auckland amalgamation brought together 8 councils, \$32b assets, \$3b annual budget and 8000 staff²¹ 	<p>Unitary authority, two tiers with fewer local boards serving a smaller population (est. 400,000).</p> <p>Likely multimember representation in governing body i.e. more than one elected member from each local board area.</p> <p>Fewer boards will ease the administrative burden and complexity experienced in Auckland.</p>
Boundaries and Representation	In 2010 the Local Government Commission determined the wards, local boards and boundaries for the Auckland Council (as required by the LG (Auckland Council) Act 2009.	Some minor modifications of existing TA boundaries to manage representation options. ²² Final decision on boundaries and representation determined by Local Government Commission.
Māori Representation	Separate legislation establishing an Independent Māori Statutory Board.	Will recognise existing mana whenua iwi relationships and mechanisms.
Role of Mayor	<p>Unique statutory role to articulate and promote vision for Auckland and provide leadership including leading development of Council's plans, policies and budget.</p> <p>Powers to appoint Deputy Mayor, establish public engagement process, establish committees of governing body and appoint chair. Staffed Mayoral office with budget of 0.2% of operating expenditure.</p>	Similar role for all Mayors in NZ from October 2013, enabled by amendments to the Local Government Act 2002 last year, with the exception of the 0.2% budget. Model proposes one Mayor for the Wellington region.
Roles and Responsibilities	<p>The LG (Auckland Council) Act 2009 details structure, functions, duties and powers of the Auckland Council.</p> <p>OAG report identified some confusion and tension between two tiers regarding roles and responsibilities.</p>	Working Party has endeavoured to more clearly describe the role and responsibilities between two tiers. Noted that the Local Government Commission will allocate non-regulatory functions in its reorganisation proposal. The new council could also decide to delegate some regulatory functions.

²⁰ The phase two work programme involves the efficiency taskforce, a taskforce on infrastructure efficiency, a review of development contributions, a framework to guide the roles between local and central government, an investigation of a dual of two tiered governance model and development of options for a performance framework for local government. Each stream will feed into a second amendment Act in late 2013. (<http://www.dia.govt.nz/better-local-government/>)

²¹ Figures cited in OAG overview

²² Refer to paper on Boundaries and Representation on the Working Party agenda 15 February 2013. Governing body likely to be similar to Auckland with less local boards.

Comparing the Auckland model with a Wellington council two-tier option		
	Auckland model	Wellington two-tier option
	Some issues around budgets and asset management.	A tension is that delegation of fewer responsibilities to local boards may help efficiency but weaken local democracy.
CCOs	7 substantive CCOs established under unique legislation ²³	CCOs to be determined by governing body

Examples of Differences

Scale: An amalgamation of Wellington councils will face similar challenges to those experienced in Auckland but not to the same scale. The single council **two-tier** option involves a more manageable number of local boards than Auckland. Similarly, there will not be the same scale of systems and process coordination and integration.²⁴

Roles and responsibilities between two tiers: The Auckland experience reveals difficulties with allocation and delegation of responsibilities from the governing body to local boards, resulting in tensions between the two tiers. For example, local boards have considerable responsibility for local amenities (e.g. pools, libraries) despite these being part of regional networks. More care also needs to be taken in establishing levels of service from the outset.

In Auckland, the governing body consults with local boards on every regional policy, creating a large workload for both tiers. The Wellington single council **two-tier** model could prioritise where local input is required and where not, in order to avoid work pressure on boards.

The Local Government Commission will make the final decision regarding the size of the governing body, the number of local boards and the basis for election of councillors. The Commission has initial responsibility for determining the extent of non-regulatory local board functions. The governing body also has a role in deciding the extent of delegation, and while not required to do so, they can delegate regulatory activities to the second tier.

PART TWO: Office of the Auditor General Report Overview

What's working well?

- Auckland Plan gives a unified and integrated direction.
- Enhanced Mayoral role and powers strengthened regional leadership and planning.
- Strong leadership and management in Council has been important during transition.

²³ A substantive CCO is established under Auckland specific legislation and is a CCO responsible for delivering a significant service or activity on behalf of Council or that owns or manages assets with of value of more than \$10m.

²⁴ For example, Auckland needed to manage integration of over 5,000 different software applications and 40 CCOs existing pre-amalgamation

Challenges

- Inherent tensions between two tiers (governance body and local boards) need to be managed.
- Need to strengthen relationship between governing body and local boards.
- Governance relationships take time to develop, current focus on CCOs and shareholders expectations.
- Council is large and complex. Internal communication is difficult - work needed to standardise policies, regulations, services etc.
- Too much reading required by both tiers to stay informed and make good decisions - streamlining needed.
- OAG recommends Department of Internal Affairs and Council consider whether legislative changes are needed to manage requirements under the Local Government Act 2002 such as public consultation and hearing submissions. Auckland Council needs processes appropriate to its unique regional scale.

Transition - first two years

- Embedding a culture of a 'can-do' organisation is important based on principles of:
 - common purpose
 - transparency
 - accountability
 - effectiveness
 - responsiveness.
- Change takes time. Two years on, progress has been made but much more to be done. Auckland Council - 'a work in progress':
 - IT integration (essential to achieve savings, provide local boards with information and to reduce staff workloads)
 - shared performance management system (currently operating under legacy systems)
 - further standardisation of systems and policies
 - a unitary resource management plan.
- A unitary resource management plan is expected to take several years. To speed up the process, the Government intends to amend the RMA 1991 to provide a once only process for Auckland Council's first unitary plan.
- Efficiency savings from economies of scale and leveraging buying power.
- Taxation approach to rating rather than attempting to set rates to reflect the benefits received from services in each area. Some rates have gone up, others down; a staged approach has been taken over three years. Rate payment patterns are largely unchanged suggesting general public acceptance of rates reforms.

- Council's governance structure is complex and there is a growing need for staff capable of navigating administrative bureaucracy.
- Some people interviewed by OAG suggested the Auckland Transition Agency should have left more senior appointments to the Council to make. Others wanted more time spent on governance role definition.

Regional Leadership - the Mayor and Committees

- Auckland Council consists of four committees of the whole, nine standing committees and sub-committees, seven forums, six local board joint committees and sub-committees and six advisory panels.
- Mayoral Office useful and effective in terms of leadership and promotion of Auckland Plan.
- Governing body members spread across committees and forums. OAG observed that this approach helped governing body to be inclusive and share decision-making but meetings and preparation time-consuming. This is the tension, balance and trade-off that needs to be considered: efficiency versus democracy.
- Mayoral staff employed by Council for term of the Mayor. Some question over how to apply political neutrality to Mayoral Office staff especially at election time.
- Some evidence of functional sub-committees having confused governance.
- Public communication complex and requires goodwill between Mayoral Office, Council and CCOs which will develop over time.

Two-tier governance - balancing local, regional and functional perspectives

- Key challenge - how to deal with regional issues and yet stay connected and responsive to local communities.
- LG (Auckland Council) Act 2009 established a **two-tier** governance structure, comprising the governing body and 21 local boards. 13 wards elect 20 councillors to the governing body. Governing body deals with strategic and regional issues and local boards with community based engagement, shaping and monitoring local services and bringing local perspectives to region-wide policies and plans.
- It was hoped that local board areas would reflect communities of interest, but the number of communities of interest made this unfeasible to manage and expensive.
- Decision-making is shared between two tiers and functions defined under sections 15-17 of the Act. These functions have also been enabled under the recent amendments to the Local Government Act 2002.
- Communications between two tiers has proved to be challenging.
- There has been some public confusion as to who to make submissions to and why some matters are considered by both tiers.
- Some wanted better role definition, others wanted the governance body to have a clearer mandate for setting budgets, as they are accountable.

- It's difficult to know what level of resourcing is needed for a new model - be prepared to make adjustments.
- Some felt that local boards have less power as 'place shapers' than former community boards. Example given was that Auckland Transport has not delegated decision-making powers to local boards, preferring to prioritise regional integration.
- Governing body members are in a difficult position when the regional perspective on an issue differs from a ward view.
- **Two-tier** structure complicates planning and budgeting processes.
- Some duplication and confusion has arisen from statutory requirements for consultation.
- Council is working through ways to streamline processes -regular meetings, joint workshops, new consultation processes being developed and codes and conduct and protocols being considered.
- Shorter, more concise reports being developed to reduce reading burden (similar to cabinet committee of central government).
- Review of consultation provisions of the Local Government Act might be needed as new techniques needed for community consultation on an Auckland scale.

Māori Participation, representation and giving effect to the Treaty of Waitangi

- Independent Māori Statutory Board (IMSB) established through LG (Auckland Council) Amendment Bill 2010. The IMSB has a statutory role to provide leadership and direction to council on issues significant to Māori and ensuring Council complies with statutory provisions re Treaty.
- Treaty of Waitangi Audit found significant weaknesses for compliance with Treaty.
- IMSB challenging council to improve its decision-making to responsive and effective for Māori.
- IMSB and Council relationships generally work.
- IMSB has representation on many council committees, panels, forums etc however there is little relationship between IMSB and local boards, leaving some Māori confused about who to see for advice and action.
- Some council officers want IMSB to give more constructive advice on how to make improvements.
- IMSB describes its role as monitoring and auditing. The OAG sees opportunities for the IMSB to broaden its role to include advisory support and the development of tools and good practice examples.

Delivering Core Services through substantive CCOs

- The Local Government (Tamaki Makaurau) Reorganisation Act 2009 and Local Government (Auckland Council) Act 2009 enable substantive CCOs to be established.

- Auckland Council has 7 substantive CCOs.
- Public concerned about transparency of CCOs, however CCOs subject to Local Government Official Information and Meetings Act 1968.
- Some tensions between Council and CCOs about who controls certain types of decision-making.
- Some CCOs have intersecting areas of interest that need to be managed.
- Auckland Council intends to carry out a full review of CCOs after the next election.
- OAG told that CCOs are responsive to the Mayor, CE and relevant committee but not so responsive to staff requests for information.
- CCOs have difficulty responding to the needs of 21 local boards.
- Some compliance duplication between council and CCO staff.
- CCO accountability to council needs to be through its board.

This was a background paper to inform the Local Government Working Party.

APPENDIX 5A - Ward maps for both the single-tier and two-tier models: Kapiti Coast Ward, Porirua Ward, Upper Hutt Ward and Lower Hutt Ward



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Proposed Porirua Ward



Proposed Upper Hutt Ward

0 4 8 Kilometers



Topographic and Cadastral data is copyright LINZ



Legend

- Proposed Lower Hutt Ward
- Current Local Government Boundaries

Proposed Lower Hutt Ward



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APPENDIX 5B - Ward map for both models if Wairarapa were included: Wairarapa Ward

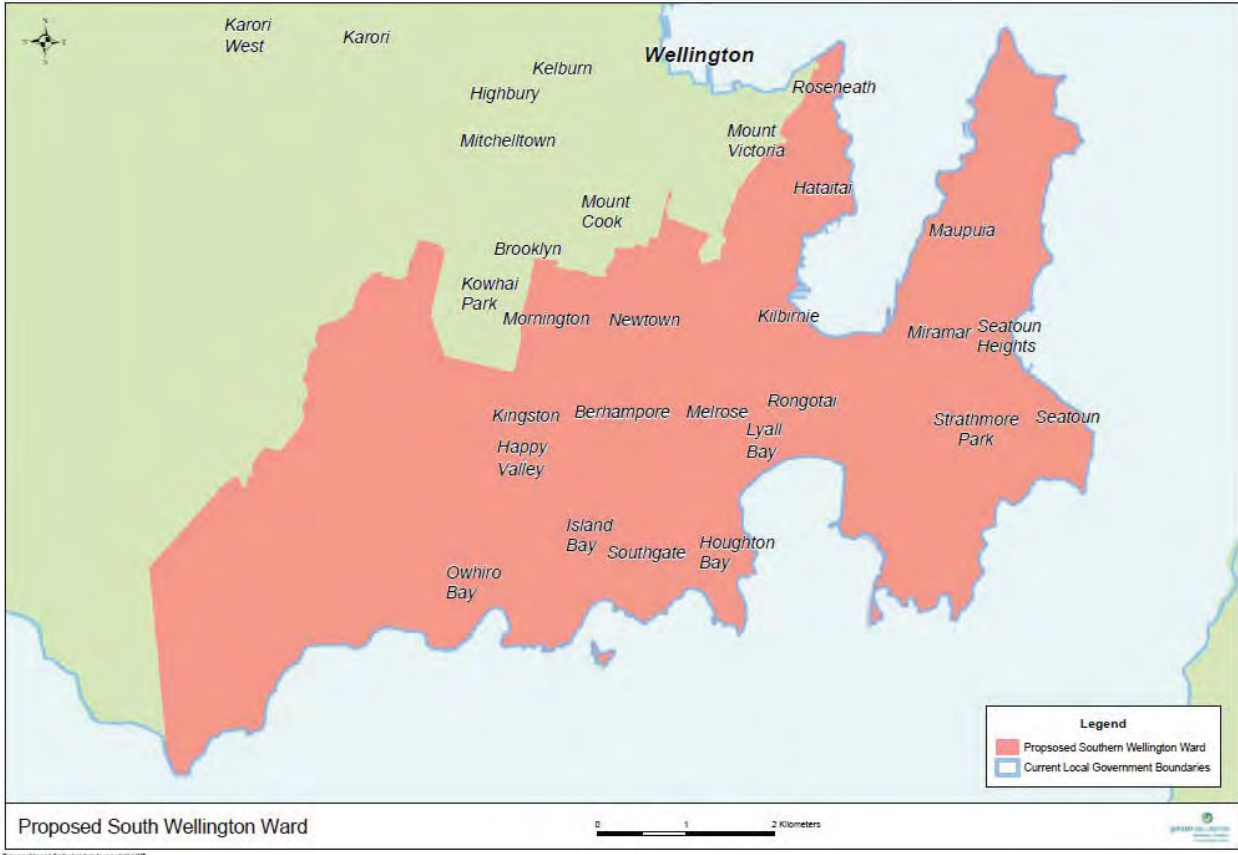


Topographic and Cadastral data is copyright LINZ

APPENDIX 5C - Ward map for Wellington area for single-tier council: Wellington Ward

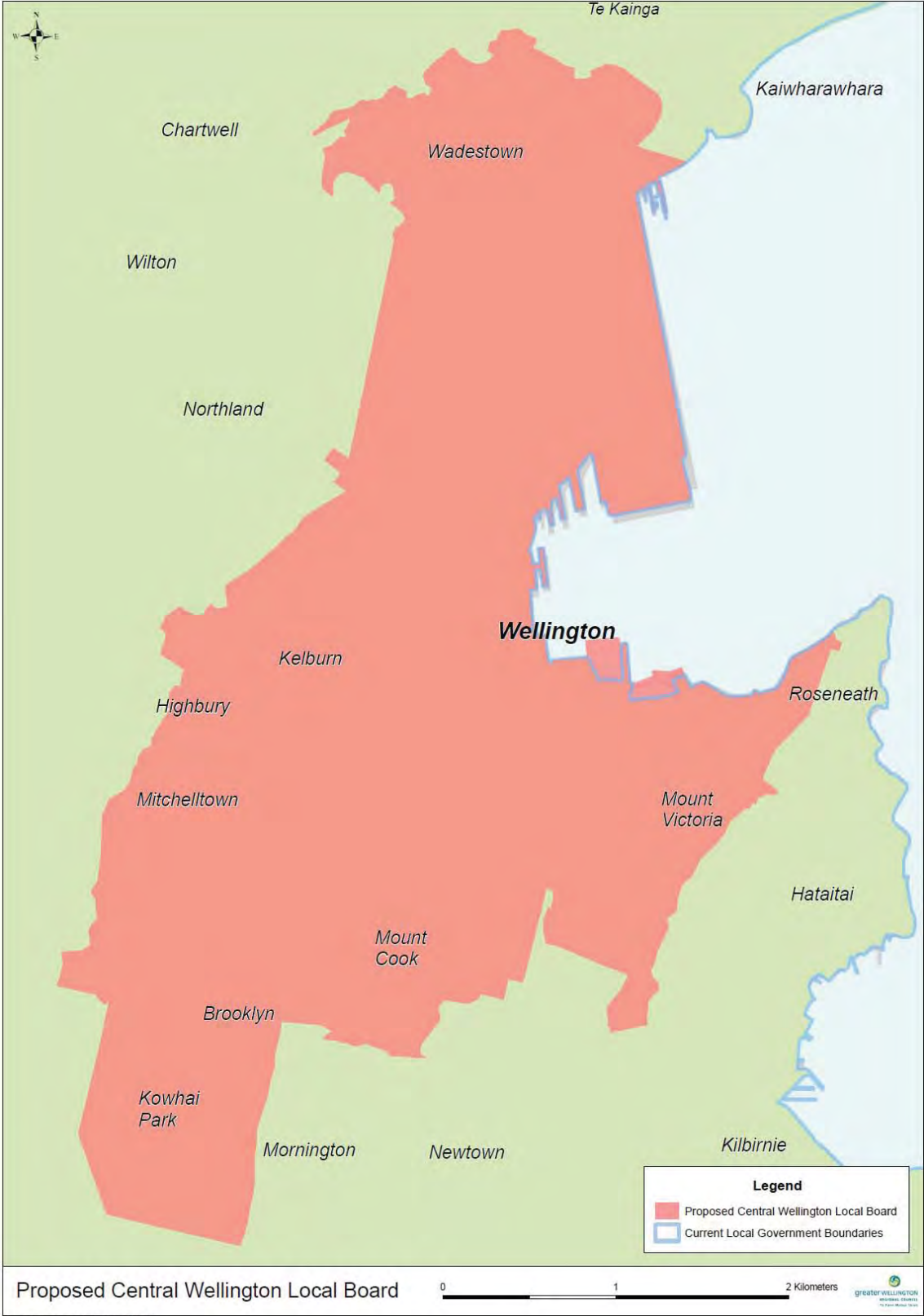


APPENDIX 5D - Ward maps for Wellington area for two-tier council: South Wellington Ward and North-Central Wellington Ward





APPENDIX 5E - Local Board map for Wellington CBD area: Central Wellington Local Board



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9. GLOSSARY OF KEY TERMS

Annual plan	A plan produced by councils each year that sets out what they intend to do each year, how much it will cost, and where they intend to get their funding. Every 3 years the councils produce a more detailed 10 year Long Term Plan.
Capital value	The value of land plus additions such as buildings, driveways and fences.
Community Board	<p>They can be established by a territorial authority and given powers and functions by the council. The role of community boards is to:</p> <ul style="list-style-type: none"> • represent, and act as an advocate for, the interests of its community • consider and report on all matters referred to it by the territorial authority, or any matter of interest or concern to the community board • maintain an overview of the services provided by the territorial authority within the community • prepare an annual submission to the territorial authority for expenditure within the community • communicate with community organisations and special interest groups within the community • undertake any other responsibilities that are delegated to it by the territorial authority. Also, under clause 32(6) of Schedule 7 of the Local Government Act, a council must consider whether or not to delegate to a community board if the delegation would enable the community board to achieve its role. <p>Some of the current territorial authorities in the Wellington region have community boards.</p>
Community of interest	A regional or local population with common social and economic interests that would benefit from unified political representation. The shared characteristics that contribute to a community of interest may include socio-economic status, culture, transportation patterns, shared infrastructure, shopping patterns, geography/climate, or shared history among other factors. Communities of interest can exist at different scales, for instance the Wellington region constitutes a community of interest with its shared identity and strong economic ties, and within the Wellington region there are other, smaller communities of interest at a more local level.
Constituency	The body of voters that elect one representative to a governing body (such as local or central government). For example, a ward is a constituency.
Consultation	Consultation means asking people what they think about an issue, and doing so according to minimum standards in law and practice.
Council Controlled Organisation (CCO)	Any organisation owned by one or more councils or in which councils have a controlling interest. CCOs are expected to achieve the objectives of their shareholders as specified in an annual statement of intent.
Democracy	In a local government context, democracy refers to the way we govern ourselves. It can be used to mean community participation in decision-making between elections, as well as at elections.
Integrated planning	A strategic planning approach that considers all related issues from wider contextual issues through to local issues, and takes account of how different components of a system interact and impact upon each other. For example integrated transport planning considers the interactions between a range of factors such as land use, transport infrastructure and use, and urban design.

Joint Working Party on Wellington Region Local Government Reform	A cross-council group comprising representatives of Kapiti Coast District Council, Porirua City Council and Wellington City Council and Greater Wellington Regional Council set up with the aim of developing a preferred model for local government in the Wellington region.
Jurisdictional boundaries	In a local government context, this refers to the limits within which any particular power may be exercised by a council, or within which a governing body has authority.
Local board	<p>Local boards currently only exist in Auckland. Under the recently-amended Local Government Act they can be considered when a unitary authority model is being proposed, and the area has a population of at least 400,000 and is predominantly urban. This means the local board option would only be available in the Wellington region and possibly in Canterbury.</p> <p>Local boards are set up by the Local Government Commission through a reorganisation process. They share decision-making with a governing body, and together form the new council. Elections for local boards are held at the same time as the local body elections. Each local board can have between four and nine elected members, and is led by a chairperson who is elected by their peers.</p> <p>Local boards have defined functions and must be funded by the governing body to carry out those functions. Any disputes between the governing body and local boards, especially about roles and functions, can be referred to the Local Government Commission to determine.</p> <p>There are some things that local boards are required to do under the Local Government Act:</p> <ul style="list-style-type: none"> • Advocacy and local leadership - local boards are required to advocate for local communities, providing leadership and a local perspective on regional strategies, policies, plans and bylaws • Planning and funding - local boards are required to prepare local board plans setting out the priorities for the local area and what activities they will do. A key part of this is negotiating an agreement with the governing body on the funding of local activities and service levels • Preparing draft bylaws - local boards are required to identify and develop draft bylaws on local matters but these must be approved by the governing body.
Local Government Commission	An independent statutory body established under the Local Government Act 2002. The Commission has three members who are appointed by the Minister of Local Government. Amongst other tasks, the Local Government Commission receives applications and makes decisions on local government reform.
Metropolitan area	An area that combines an urban agglomeration (the contiguous, built-up area) with zones not necessarily urban in character, but closely bound to the centre by employment or other commerce. In contrast, rural areas are settled places outside of cities with low population density (for example Wairarapa is a largely rural area).
Rates	A charge levied on private and business property owners or lease-holders by councils to contribute to the funding of local government services.

Regional Council	<p>Regional councils' responsibilities include:</p> <ul style="list-style-type: none"> • Managing the effects of using freshwater, land, air and coastal waters • Managing rivers, mitigating soil erosion and providing flood control • Regional emergency management and civil defence preparedness • Regional land transport planning and contracting passenger transport services • Harbour navigation and safety, oil spills and other marine pollution • Sustainable regional well-being, including economic wellbeing <p>There is one regional council in Wellington - Greater Wellington Regional Council.</p>
Resource consent	Where a council, using delegated authority under the Resource Management Act, gives an applicant permission for a particular land use activity.
Single Transferable Vote (STV)	An electoral system in which voters are able to rank candidates in order of preference. Under STV, voters can rank as many or as few candidates as they wish. To get elected, candidates need to reach a quota of the votes.
Spatial planning	<p>A high-level strategy for developing a region that relates to its geography and addresses environmental, social and economic conditions. It establishes desired outcomes and sets out how they will be achieved.</p> <p>Developed and implemented via collaboration between multiple parties (e.g. central government, local government, key infrastructure providers and the community), it provides a mechanism for agreeing joint priorities, actions and investment.</p>
Statutory	Enacted by legislation.
Strategic capacity	The set of capabilities, resources, and skills that strengthen an organisation's ability to perform effectively.
Submission	Feedback or proposal from a citizen or group on an issue to influence a decision.
Territorial authority	<p>Territorial authorities are either city or district councils (the population size determines whether they are called a city or district; there are no differences in the way that they operate). Territorial authorities' responsibilities include:</p> <ul style="list-style-type: none"> • the provision of local infrastructure, including water, sewerage, storm water, roads • environmental safety and health • district emergency management and civil defence preparedness • building control • public health inspections and other environmental health matters • managing land use (district plans) • noise control • sustainable district well-being. <p>There are currently 4 city and 4 district councils in the Wellington region.</p>
Unitary authority	Unitary authorities are territorial authorities that have all the functions of a territorial authority and a regional council.
Ward	An area within a territorial or unitary authority that has its own constituency and representative.

2012

WELLINGTON REGION

annual economic profile

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ECONOMY

The New Zealand economy expanded by 2.3% in the March 2012 year. Economic growth was boosted by the agricultural sector, which grew by 30% over the year. Much of this growth was from the dairy sector which experienced one of its best years ever with high international prices and favourable weather conditions.

Spending in the domestic economy continued to gradually recover during the year to March 2012. Private consumption climbed 2.0% on the back of Rugby World Cup related spending and increased purchases of durable goods, more than offsetting cutbacks in private and public investment. The flood of milk from a buoyant dairy sector helped sustain growth in exports, at a time when import growth began to moderate.

How fast has Wellington's economy grown?

This section measures economic performance in Wellington during the year to March 2012 and previous years. All GDP estimates are measured in constant 1995/96 prices.

- GDP in Wellington measured \$20,050m in the year to March 2012, up 0.2% from a year earlier. New Zealand's GDP increased by 2.3% over the same period.
- Economic growth in Wellington averaged 2%pa since 2001 compared with an average of 2.5%pa in the national economy.
- Since 2001 growth in Wellington reached a high of 4.6% in 2002 and a low of -0.7% in 2009.
- Wellington accounted for 13.9% of national GDP.

Figure 1. GDP growth (year to March 2012)

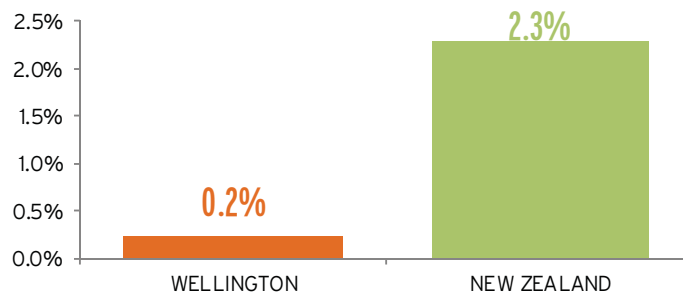


Figure 2. Annual average GDP growth (2002-2012)

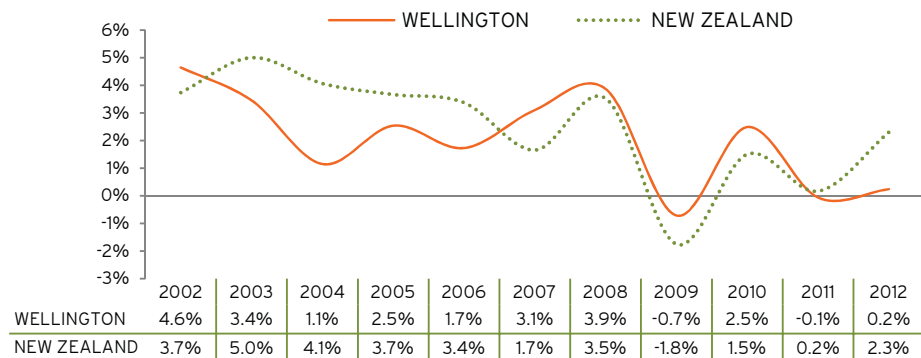


Figure 3. GDP growth last 1, 2, 5 and 10 years

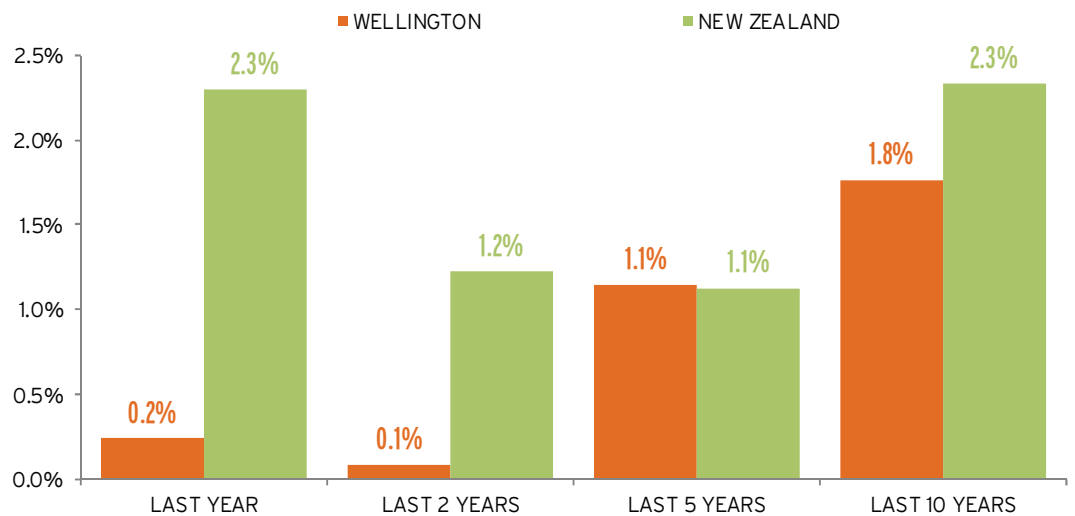


Figure 4 shows how Wellington's GDP growth compares with other regions in New Zealand over the last year, two years, five years and 10 years.

- Wellington's GDP growth of 0.2% in the year to March 2012 ranked it number 15 among the 16 regions in New Zealand.
- Over the past two years GDP in Wellington grew by an average of 0.1%pa ranking it number 11.
- Over the past five years GDP in Wellington grew by an average of 1.1%pa ranking it number 8.
- Over the past ten years GDP in Wellington grew by an average of 1.8%pa ranking it number 12.

Figure 4. Regional GDP growth rankings: last 1, 2, 5 and 10 years

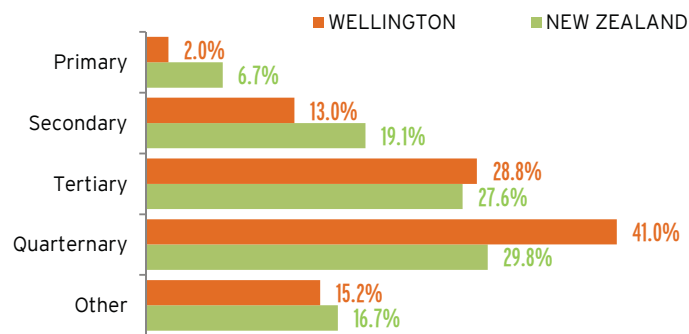
Rank	2011 to 2012		2010 to 2012		2007 to 2012		2002 to 2012	
1	Waikato	6.7%	West Coast	3.5%	West Coast	3.5%	West Coast	3.2%
2	West Coast	6.3%	Waikato	3.3%	Taranaki	2.9%	Marlborough	3.0%
3	Southland	5.4%	Auckland	2.4%	Southland	1.7%	Auckland	3.0%
4	Northland	4.2%	Bay of Plenty	2.3%	Tasman	1.5%	Canterbury	2.3%
5	Bay of Plenty	3.8%	Southland	2.2%	Waikato	1.4%	Bay of Plenty	2.2%
6	Auckland	3.2%	Nelson	1.7%	Auckland	1.4%	Otago	2.2%
7	Nelson	3.2%	Northland	1.5%	Bay of Plenty	1.2%	Tasman	2.1%
8	Tasman	2.9%	Hawke's Bay	0.5%	Wellington	1.1%	Hawke's Bay	2.0%
9	Otago	2.2%	Tasman	0.5%	Marlborough	1.0%	Northland	1.9%
10	Gisborne	2.2%	Marlborough	0.1%	Nelson	0.9%	Gisborne	1.9%
11	Hawke's Bay	1.8%	Wellington	0.1%	Northland	0.8%	Waikato	1.8%
12	Marlborough	1.2%	Gisborne	-0.1%	Otago	0.6%	Wellington	1.8%
13	Manawatu-Wanganui	0.8%	Otago	-0.2%	Manawatu-Wanganui	0.4%	Nelson	1.7%
14	Taranaki	0.3%	Manawatu-Wanganui	-0.2%	Gisborne	0.3%	Taranaki	1.6%
15	Wellington	0.2%	Taranaki	-0.3%	Canterbury	0.2%	Southland	1.5%
16	Canterbury	-1.7%	Canterbury	-1.5%	Hawke's Bay	0.1%	Manawatu-Wanganui	1.5%

What is the industrial structure of Wellington's economy?

This section describes the structure of the economy in terms of the broad sectors: primary, secondary, tertiary and quarternary. The primary sector makes direct use of natural resources. It extracts or harvests products from the earth. The secondary sector produces manufactured and other processed goods. The tertiary sector includes the lower value-adding service industries while the quarternary sector includes the higher value-adding, knowledge-based service industries. A full definition of the sectors is given in the 'Industry Sectors' section of the technical appendix.

Figure 5 contrasts the distribution of economic output across the four sectors between Wellington and the national economy.

Figure 5. Share of total GDP (2012)



- Quarternary industries accounted for the largest proportion of GDP (41.0%) in Wellington, which is higher than in the national economy (29.8%).
- Tertiary industries accounted for 28.8% of GDP which was higher than for New Zealand as a whole (27.6%)
- Secondary industries accounted for 13.0% compared with 19.1% in the national economy.
- Primary industries accounted for the smallest proportion in Wellington: 2.0% compared with 6.7% in the national economy.

Table 1 on the following page shows GDP by broad industry categories - referred here as 1-digit categories. For further information about industry categories see the Technical Notes at the end of the report.

Table 1. Broad (1-digit) industries ranked by contribution to GDP (2012)

Rank	Industry	Wellington		New Zealand
		GDP (\$ m)	% of total	% of total
1	Information Media and Telecommunications	1982	9.9%	6.1%
2	Public Administration and Safety	1914	9.5%	4.1%
3	Financial and Insurance Services	1522	7.6%	4.8%
4	Professional, Scientific and Technical Services	1348	6.7%	6.3%
5	Manufacturing	1326	6.6%	12.8%
6	Wholesale Trade	1263	6.3%	5.5%
7	Rental, Hiring and Real Estate Services	1246	6.2%	5.6%
8	Transport, Postal and Warehousing	948	4.7%	5.2%
9	Health Care and Social Assistance	884	4.4%	5.2%
10	Retail Trade	834	4.2%	5.1%
11	Construction	774	3.9%	4.2%
12	Education and Training	578	2.9%	3.2%
13	Arts and Recreation Services	506	2.5%	1.2%
14	Electricity, Gas, Water and Waste Services	499	2.5%	2.2%
15	Other Services	386	1.9%	1.9%
16	Administrative and Support Services	328	1.6%	1.7%
17	Accommodation and Food Services	272	1.4%	1.5%
18	Mining	205	1.0%	0.8%
19	Agriculture, Forestry and Fishing	190	0.9%	5.9%
	Ownership of owner-occupied dwellings	1075	5.4%	6.8%
	Unallocated	1971	9.8%	9.9%
Total		20,050	100.0%	100%

- Information media and telecommunications was the largest industry in Wellington in 2012 accounting for 9.9% of total GDP.
- The second largest industry was public administration and safety (9.5%) followed by financial and insurance services (7.6%).
- The industry most highly represented in Wellington relative to the national economy is public administration and safety. This industry contributes 9.5% to the region's economy compared with 4.1% to the national economy. The next most highly represented industries are arts and recreation services (2.5% compared to 1.2% nationally) and information media and telecommunications (9.9% compared with 6.1% nationally).

Figure 6. Share of total GDP (2012)

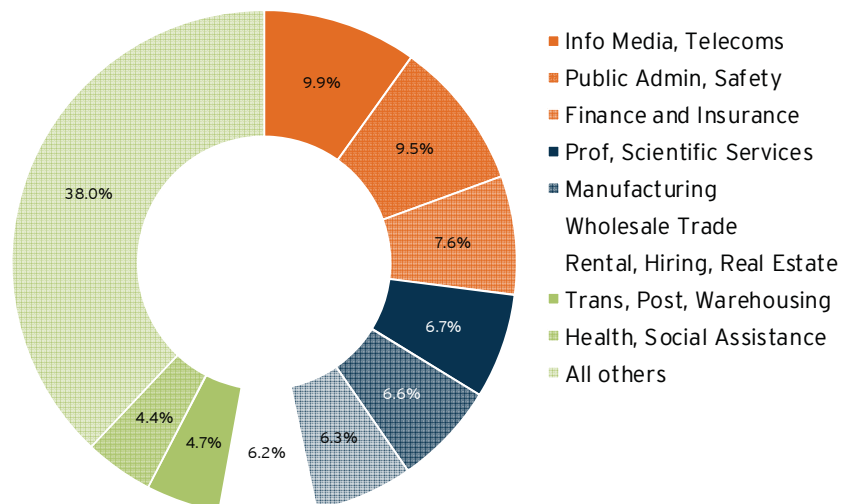


Table 2 on the following page shows 54 industries ranked according to their contribution to GDP. These industry categories are used by Statistics New Zealand in the national accounts. They are a mix of various levels of industries on the ANZSIC-06 classification. Further information about the industrial classification is given in the Technical Notes at the end of the document.

- Central government administration, defence and public safety was the largest industry in Wellington in 2012 accounting for 9.1% of total GDP.
- The second largest industry was telecommunications, internet and library services (8.7%) followed by professional, scientific and technical services (6.7%).
- The industry most overrepresented in Wellington relative to the national economy is petroleum and coal product manufacturing. This industry contributes 3% to the region's economy compared with 1.1% to the national economy.
- The next most overrepresented industries are central government administration, defence and public safety (9.1% and 3.6%) and arts and recreation services (2.5% and 1.2%).

Table 2. GDP by 54 industry categories (2012)

Rank	Industry	Wellington		New Zealand
		GDP (\$ m)	% of total	% of total
1	Central Government Administration, Defence and Public Safety	1821	9.1%	3.6%
2	Telecommunications, Internet and Library Services	1747	8.7%	5.2%
3	Professional, Scientific and Technical Services	1348	6.7%	6.3%
4	Wholesale Trade	1263	6.3%	5.5%
5	Finance	1063	5.3%	3.3%
6	Property Operators and Real Estate Services	984	4.9%	4.3%
7	Health Care and Social Assistance	884	4.4%	5.2%
8	Petroleum and Coal Product Manufacturing	601	3.0%	1%
9	Education and Training	578	2.9%	3.2%
10	Other Store-Based Retailing and Non Store Retailing	545	2.7%	3.3%
11	Arts and Recreation Services	506	2.5%	12%
12	Construction Services	495	2.5%	2.4%
13	Other Services	386	19%	19%
14	Electricity and Gas Supply	384	19%	15%
15	Postal, Courier Transport Support, and Warehousing Services	367	18%	2.2%
16	Administrative and Support Services	328	16%	17%
17	Insurance and Superannuation Funds	325	16%	10%
18	Rail, Water, Air and Other Transport	322	16%	14%
19	Accommodation and Food Services	272	14%	15%
20	Rental and Hiring Services (except Real Estate)	262	13%	13%
21	Road Transport	260	13%	16%
22	Information Media Services	235	12%	10%
23	Mining	205	10%	0.8%
24	Supermarket, Grocery Stores and Specialised Food Retailing	195	10%	1%
25	Heavy and Civil Engineering Construction	151	0.8%	12%
26	Auxiliary Finance and Insurance Services	134	0.7%	0.5%
27	Building Construction	127	0.6%	0.6%
28	Water, Sewerage, Drainage and Waste Services	114	0.6%	0.7%
29	Motor Vehicle and Motor Vehicle Parts and Fuel Retailing	94	0.5%	0.7%
30	Local Government Administration	93	0.5%	0.5%
31	Machinery and Other Equipment Manufacturing	86	0.4%	14%
32	Pulp, Paper and Converted Paper Product Manufacturing	83	0.4%	0.8%
33	Fabricated Metal Product Manufacturing	70	0.3%	10%
34	Fruit, Oil, Cereal and Other Food Product Manufacturing	68	0.3%	12%
35	Polymer Product and Rubber Product Manufacturing	66	0.3%	0.6%
36	Sheep, Beef Cattle and Grain Farming	56	0.3%	12%
37	Dairy Cattle Farming	51	0.3%	2.4%
38	Printing	51	0.3%	0.4%
39	Wood Product Manufacturing	48	0.2%	0.8%
40	Forestry and Logging	47	0.2%	10%
41	Meat and Meat Product Manufacturing	40	0.2%	10%
42	Dairy Product Manufacturing	38	0.2%	13%
43	Beverage and Tobacco Product Manufacturing	37	0.2%	0.8%
44	Textile, Leather, Clothing and Footwear Manufacturing	35	0.2%	0.4%
45	Non-Metallic Mineral Product Manufacturing	28	0.1%	0.5%
46	Furniture and Other Manufacturing	22	0.1%	0.2%
47	Basic Chemical and Chemical Product Manufacturing	19	0.1%	0.3%
48	Transport Equipment Manufacturing	17	0.1%	0.3%
49	Primary Metal and Metal Product Manufacturing	15	0.1%	0.3%
50	Agriculture, Forestry and Fishing Support Services and Hunting	14	0.1%	0.6%
51	Poultry, Deer and Other Livestock Farming	11	0.1%	0.2%
52	Horticulture and Fruit Growing	8	0.0%	0.4%
53	Fishing and Aquaculture	4	0.0%	0.1%
54	Seafood Processing	1	0.0%	0.2%
	Owner-Occupied Property Operation	1075	5.4%	6.8%
	Unallocated	1971	9.8%	9.9%
	Total	20,050	100.0%	100.0%

Which broad industries made the largest contribution to economic growth?

Although an industry may be growing rapidly, if it is small relative to a region's total economy its contribution to overall GDP growth may also be small. This section therefore investigates which broad industries made the largest contribution to the overall growth of Wellington's economy taking into account their relative sizes.

- Manufacturing made the largest contribution to overall growth in Wellington between 2011 and 2012. The industry grew by 8.1% over the year and contributed 0.5 percentage points to the region's total growth of 0.2%.
- The next largest contributor was professional, scientific and technical services (0.4 percentage points) followed by mining (0.3 percentage points).
- The largest detractor from growth over the year was information media and telecommunications which declined by 7.6% and contributed -0.8 percentage points to the total growth of 0.2%. Financial and Insurance Services (-0.4 percentage points) and construction (-0.4 percentage points) were the next largest detractors.

Table 3. 1-digit industries ranked by percentage point contribution to GDP growth (2011 -2012)

Rank	Industry	GDP		% point contribution to growth	Annual % growth
		2011	2012		
1	Manufacturing	1227	1326	0.5%	8.1%
2	Professional, Scientific and Technical Services	1278	1348	0.4%	5.5%
3	Mining	146	205	0.3%	40.5%
4	Rental, Hiring and Real Estate Services	1201	1246	0.2%	3.8%
5	Retail Trade	795	834	0.2%	4.8%
6	Transport, Postal and Warehousing	918	948	0.2%	3.3%
7	Agriculture, Forestry and Fishing	168	190	0.1%	13.1%
8	Administrative and Support Services	310	328	0.1%	5.7%
9	Accommodation and Food Services	255	272	0.1%	6.5%
10	Other Services	374	386	0.1%	3.1%
11	Education and Training	579	578	0.0%	-0.2%
12	Wholesale Trade	1273	1263	-0.1%	-0.8%
13	Health Care and Social Assistance	899	884	-0.1%	-1.7%
14	Arts and Recreation Services	533	506	-0.1%	-5.1%
15	Public Administration and Safety	1949	1914	-0.2%	-1.8%
16	Electricity, Gas, Water and Waste Services	568	499	-0.3%	-12.1%
17	Construction	856	774	-0.4%	-9.6%
18	Financial and Insurance Services	1609	1522	-0.4%	-5.4%
19	Information Media and Telecommunications	2,144	1982	-0.8%	-7.6%
	Owner-Occupied Property Operation	1066	1075	0.0%	0.8%
	Unallocated	1853	1971	0.6%	6.4%
Total		20,002	20,050	0.2%	0.2%

Table 4. 1-digit industries percentage point contribution to growth: last 1, 2, 5 and 10 years

Industry	Last year	Last 2 years	Last 5 years	Last 10 years
	11 to 12	10 to 12	07 to 12	02 to 12
Agriculture, Forestry and Fishing	0.1%	0.0%	0.0%	0.0%
Mining	0.3%	0.2%	0.1%	0.0%
Manufacturing	0.5%	0.2%	-0.3%	-0.1%
Electricity, Gas, Water and Waste Services	-0.3%	-0.1%	0.2%	0.1%
Construction	-0.4%	-0.2%	-0.1%	0.1%
Wholesale Trade	-0.1%	0.0%	-0.1%	0.0%
Retail Trade	0.2%	0.1%	0.0%	0.1%
Accommodation and Food Services	0.1%	0.1%	0.0%	0.0%
Transport, Postal and Warehousing	0.2%	0.1%	0.1%	0.1%
Information Media and Telecommunications	-0.8%	-0.1%	0.2%	0.0%
Financial and Insurance Services	-0.4%	-0.4%	0.1%	0.1%
Rental, Hiring and Real Estate Services	0.2%	0.1%	-0.2%	0.0%
Professional, Scientific and Technical Services	0.4%	0.2%	0.1%	0.1%
Administrative and Support Services	0.1%	0.1%	0.0%	0.0%
Public Administration and Safety	-0.2%	-0.1%	0.2%	0.4%
Education and Training	0.0%	0.0%	0.0%	0.0%
Health Care and Social Assistance	-0.1%	0.1%	0.1%	0.1%
Arts and Recreation Services	-0.1%	0.0%	0.1%	0.1%
Other Services	0.1%	0.0%	0.0%	0.0%
Owner-Occupied Property Operation	0.0%	0.0%	0.0%	0.1%
Unallocated	0.6%	-0.2%	0.5%	0.4%
Total	0.2%	0.1%	1.1%	1.8%

- Over the past 10 years the broad industries making the largest contribution to GDP growth in Wellington were public administration and safety (0.4 percentage points), financial and insurance services (0.1 percentage points), and health care and social assistance (0.1 percentage points).
- The broad industries making the lowest contributions were manufacturing (-0.1 percentage points), information media and telecommunications (0.0 percentage points), and agriculture, forestry and fishing (0.0 percentage points).

Which detailed industries made the largest contribution to economic growth?

Table 5 shows a ranking of the detailed industries by their contribution to economic growth over the past year.

- Petroleum and coal product manufacturing made the largest contribution to growth in Wellington in the year to March 2012. The industry grew by 15.8% over the year and contributed 0.4 percentage points to the region's total growth of 0.2%.
- The next largest contributor was professional, scientific and technical services which contributed 0.4 percentage points followed by mining (0.3 percentage points).
- The largest detractor from growth over the year was telecommunications, internet and library services which declined by 9.1% and contributed -0.9 percentage points to the total growth of 0.2%. Finance (-0.4 percentage points) and construction services (-0.3 percentage points) were the next largest detractors.

Table 5. 54 industries ranked by percentage point contribution to growth (2011 -2012)

Rank	Industry	GDP (\$ m)		% point contribution to growth	Annual % growth
		20 11	20 12		
1	Petroleum and Coal Product Manufacturing	519.1	601.0	0.4%	15.8%
2	Professional, Scientific and Technical Services	1278.1	1348.5	0.4%	5.5%
3	Mining	145.7	204.7	0.3%	40.5%
4	Property Operators and Real Estate Services	935.8	983.8	0.2%	5.1%
5	Other Store-Based Retailing and Non Store Retailing	517.6	544.6	0.1%	5.2%
6	Rail, Water, Air and Other Transport	296.9	321.7	0.1%	8.3%
7	Administrative and Support Services	310.2	327.9	0.1%	5.7%
8	Accommodation and Food Services	255.3	271.8	0.1%	6.5%
9	Dairy Cattle Farming	36.5	51.3	0.1%	40.6%
10	Information Media Services	223.4	235.4	0.1%	5.4%
11	Other Services	374.3	385.7	0.1%	3.1%
12	Dairy Product Manufacturing	27.4	37.9	0.1%	38.3%
13	Road Transport	251.4	259.7	0.0%	3.3%
14	Beverage and Tobacco Product Manufacturing	29.2	37.1	0.0%	27.3%
15	Supermarket, Grocery Stores and Specialised Food Retailing	187.2	194.7	0.0%	4.0%
16	Sheep, Beef Cattle and Grain Farming	50.7	55.5	0.0%	9.6%
17	Pulp, Paper and Converted Paper Product Manufacturing	78.2	82.5	0.0%	5.4%
18	Motor Vehicle and Motor Vehicle Parts and Fuel Retailing	90.4	94.3	0.0%	4.3%
19	Meat and Meat Product Manufacturing	38.2	40.5	0.0%	6.1%
20	Forestry and Logging	44.4	46.7	0.0%	5.1%
21	Machinery and Other Equipment Manufacturing	83.3	85.6	0.0%	2.7%
22	Fabricated Metal Product Manufacturing	68.1	70.0	0.0%	2.8%
23	Auxiliary Finance and Insurance Services	132.0	133.5	0.0%	1.1%
24	Transport Equipment Manufacturing	16.0	17.1	0.0%	7.4%
25	Poultry, Deer and Other Livestock Farming	10.1	11.2	0.0%	11.1%
26	Polymer Product and Rubber Product Manufacturing	64.8	65.8	0.0%	1.6%
27	Primary Metal and Metal Product Manufacturing	14.2	15.0	0.0%	5.6%
28	Fishing and Aquaculture	3.1	3.6	0.0%	14.8%
29	Seafood Processing	1.3	1.5	0.0%	13.0%
30	Fruit, Oil, Cereal and Other Food Product Manufacturing	68.0	68.1	0.0%	0.2%
31	Horticulture and Fruit Growing	8.7	8.2	0.0%	-6.1%
32	Agriculture, Forestry and Fishing Support Services and Hunting	14.5	13.6	0.0%	-6.7%
33	Education and Training	579.1	577.9	0.0%	-0.2%
34	Printing	52.0	50.6	0.0%	-2.7%
35	Basic Chemical and Chemical Product Manufacturing	20.8	19.0	0.0%	-8.3%
36	Furniture and Other Manufacturing	25.0	22.3	0.0%	-10.7%
37	Rental and Hiring Services (except Real Estate)	264.7	261.9	0.0%	-1.0%
38	Postal, Courier Transport Support, and Warehousing Services	369.8	367.0	0.0%	-0.8%
39	Wood Product Manufacturing	51.3	48.4	0.0%	-5.5%
40	Non-Metallic Mineral Product Manufacturing	31.2	28.2	0.0%	-9.9%
41	Textile, Leather, Clothing and Footwear Manufacturing	39.1	35.3	0.0%	-9.8%
42	Local Government Administration	101.4	93.2	0.0%	-8.1%
43	Wholesale Trade	1273.4	1262.9	-0.1%	-0.8%
44	Building Construction	137.7	127.0	-0.1%	-7.7%
45	Heavy and Civil Engineering Construction	162.6	151.1	-0.1%	-7.0%
46	Insurance and Superannuation Funds	339.4	325.1	-0.1%	-4.2%
47	Health Care and Social Assistance	899.1	884.3	-0.1%	-1.7%
48	Electricity and Gas Supply	410.7	384.4	-0.1%	-6.4%
49	Central Government Administration, Defence and Public Safety	1848.1	1821.2	-0.1%	-1.5%
50	Arts and Recreation Services	533.2	505.8	-0.1%	-5.1%
51	Water, Sewerage, Drainage and Waste Services	157.1	114.4	-0.2%	-27.2%
52	Construction Services	555.8	495.4	-0.3%	-10.9%
53	Finance	1137.5	1063.3	-0.4%	-6.5%
54	Telecommunications, Internet and Library Services	1920.5	1746.6	-0.9%	-9.1%
	Owner-Occupied Property Operation	1065.7	1074.6	0.0%	0.8%
	Unallocated	1853.1	1971.0	0.6%	6.4%
	Total	20,002	20,050	0.2%	0.2%

Table 6. 54 industries percentage point contribution to growth: last 1, 2, 5 and 10 years

Industry	Last year	Last 2 years	Last 5 years	Last 10 years
	11 to 12	10 to 12	07 to 12	02 to 12
Horticulture and Fruit Growing	0.0%	0.0%	0.0%	0.0%
Sheep, Beef Cattle and Grain Farming	0.0%	0.0%	0.0%	0.0%
Dairy Cattle Farming	0.1%	0.0%	0.0%	0.0%
Poultry, Deer and Other Livestock Farming	0.0%	0.0%	0.0%	0.0%
Forestry and Logging	0.0%	0.0%	0.0%	0.0%
Fishing and Aquaculture	0.0%	0.0%	0.0%	0.0%
Agriculture, Forestry and Fishing Support Services and Hunting	0.0%	0.0%	0.0%	0.0%
Mining	0.3%	0.2%	0.1%	0.0%
Meat and Meat Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Seafood Processing	0.0%	0.0%	0.0%	0.0%
Dairy Product Manufacturing	0.1%	0.0%	0.0%	0.0%
Fruit, Oil, Cereal and Other Food Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Beverage and Tobacco Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Textile, Leather, Clothing and Footwear Manufacturing	0.0%	0.0%	0.0%	0.0%
Wood Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Pulp, Paper and Converted Paper Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Printing	0.0%	0.0%	0.0%	0.0%
Petroleum and Coal Product Manufacturing	0.4%	0.2%	0.0%	0.0%
Basic Chemical and Chemical Product Manufacturing	0.0%	0.0%	-0.1%	0.0%
Polymer Product and Rubber Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Non-Metallic Mineral Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Primary Metal and Metal Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Fabricated Metal Product Manufacturing	0.0%	0.0%	0.0%	0.0%
Transport Equipment Manufacturing	0.0%	0.0%	0.0%	0.0%
Machinery and Other Equipment Manufacturing	0.0%	0.0%	0.0%	0.0%
Furniture and Other Manufacturing	0.0%	0.0%	0.0%	0.0%
Electricity and Gas Supply	-0.1%	-0.1%	0.2%	0.1%
Water, Sewerage, Drainage and Waste Services	-0.2%	-0.1%	0.0%	0.0%
Building Construction	-0.1%	0.0%	0.0%	0.0%
Heavy and Civil Engineering Construction	-0.1%	0.0%	0.0%	0.0%
Construction Services	-0.3%	-0.1%	-0.1%	0.1%
Wholesale Trade	-0.1%	0.0%	-0.1%	0.0%
Motor Vehicle and Motor Vehicle Parts and Fuel Retailing	0.0%	0.0%	0.0%	0.0%
Supermarket, Grocery Stores and Specialised Food Retailing	0.0%	0.0%	0.0%	0.0%
Other Store-Based Retailing and Non Store Retailing	0.1%	0.1%	0.0%	0.1%
Accommodation and Food Services	0.1%	0.1%	0.0%	0.0%
Road Transport	0.0%	0.0%	0.0%	0.0%
Rail, Water, Air and Other Transport	0.1%	0.1%	0.0%	0.0%
Postal, Courier Transport Support, and Warehousing Services	0.0%	0.0%	0.0%	0.0%
Information Media Services	0.1%	0.0%	0.0%	0.0%
Telecommunications, Internet and Library Services	-0.9%	-0.2%	0.2%	0.0%
Finance	-0.4%	-0.3%	0.1%	0.2%
Insurance and Superannuation Funds	-0.1%	-0.1%	-0.1%	0.0%
Auxiliary Finance and Insurance Services	0.0%	0.0%	0.0%	0.0%
Rental and Hiring Services (except Real Estate)	0.0%	0.0%	-0.1%	0.0%
Property Operators and Real Estate Services	0.2%	0.1%	-0.1%	0.0%
Professional, Scientific and Technical Services	0.4%	0.2%	0.1%	0.1%
Administrative and Support Services	0.1%	0.1%	0.0%	0.0%
Local Government Administration	0.0%	0.0%	0.0%	0.0%
Central Government Administration, Defence and Public Safety	-0.1%	-0.1%	0.2%	0.4%
Education and Training	0.0%	0.0%	0.0%	0.0%
Health Care and Social Assistance	-0.1%	0.1%	0.1%	0.1%
Arts and Recreation Services	-0.1%	0.0%	0.1%	0.1%
Other Services	0.1%	0.0%	0.0%	0.0%
Ownership of owner-occupied dwellings	0.0%	0.0%	0.0%	0.1%
Unallocated	0.6%	-0.2%	0.5%	0.4%
Total	0.2%	0.1%	1.1%	1.8%

In which industries does Wellington have a comparative advantage?

A high concentration of certain industries in a region may be indicative of that region having a comparative advantage in those industries. This may be due to its natural endowments, location, skills of its labour force or other reasons. The location quotient indicates in which industries a region has comparative advantage. A region has a location quotient larger (smaller) than one when the share of that industry in the regional economy is greater (less) than the share of the same industry in the national economy.

Table 7 shows a ranking of 54 industries by their location quotients.

- The industries in which Wellington has the largest comparative advantages are petroleum and coal product manufacturing¹ (location quotient = 2.2), arts and recreation services (1.8), and telecommunications, internet and library services (1.4).

¹ Much of the economic activity that was classified under petroleum and coal product wholesaling in the old industrial classification (ANZSIC96) has been reclassified under petroleum and coal product manufacturing in the new classification (ANZSIC06).

Table 7. Location quotient as a measure of comparative advantage

Rank	Industry	Location Quotient	Share of total GDP	
			Wellington	New Zealand
1	Petroleum and Coal Product Manufacturing	2.2	3.0%	14%
2	Arts and Recreation Services	1.8	2.5%	14%
3	Telecommunications, Internet and Library Services	1.4	8.7%	6.2%
4	Insurance and Superannuation Funds	1.3	16%	12%
5	Finance	1.3	5.3%	4.0%
6	Auxiliary Finance and Insurance Services	1.2	0.7%	0.6%
7	Electricity and Gas Supply	1.1	19%	18%
8	Mining	1.0	10%	10%
9	Information Media Services	1.0	12%	12%
10	Property Operators and Real Estate Services	1.0	4.9%	5.1%
11	Wholesale Trade	1.0	6.3%	6.6%
12	Rail, Water, Air and Other Transport	0.9	16%	17%
13	Professional, Scientific and Technical Services	0.9	6.7%	7.6%
14	Building Construction	0.9	0.6%	0.7%
15	Construction Services	0.9	2.5%	2.9%
16	Rental and Hiring Services (except Real Estate)	0.8	13%	16%
17	Other Services	0.8	19%	2.3%
18	Administrative and Support Services	0.8	16%	2.0%
19	Accommodation and Food Services	0.7	14%	18%
20	Education and Training	0.7	2.9%	3.9%
21	Supermarket, Grocery Stores and Specialised Food Retailing	0.7	10%	13%
22	Postal, Courier Transport Support, and Warehousing Services	0.7	18%	2.6%
23	Health Care and Social Assistance	0.7	4.4%	6.3%
24	Other Store-Based Retailing and Non Store Retailing	0.7	2.7%	3.9%
25	Road Transport	0.7	13%	19%
26	Water, Sewerage, Drainage and Waste Services	0.7	0.6%	0.9%
27	Printing	0.6	0.3%	0.4%
28	Motor Vehicle and Motor Vehicle Parts and Fuel Retailing	0.6	0.5%	0.8%
29	Heavy and Civil Engineering Construction	0.5	0.8%	14%
30	Polymer Product and Rubber Product Manufacturing	0.5	0.3%	0.7%
31	Pulp, Paper and Converted Paper Product Manufacturing	0.4	0.4%	10%
32	Furniture and Other Manufacturing	0.4	0.1%	0.3%
33	Textile, Leather, Clothing and Footwear Manufacturing	0.4	0.2%	0.5%
34	Fabricated Metal Product Manufacturing	0.3	0.3%	12%
35	Wood Product Manufacturing	0.3	0.2%	0.9%
36	Basic Chemical and Chemical Product Manufacturing	0.2	0.1%	0.4%
37	Machinery and Other Equipment Manufacturing	0.2	0.4%	17%
38	Non-Metallic Mineral Product Manufacturing	0.2	0.1%	0.6%
39	Poultry, Deer and Other Livestock Farming	0.2	0.1%	0.2%
40	Fruit, Oil, Cereal and Other Food Product Manufacturing	0.2	0.3%	15%
41	Fishing and Aquaculture	0.2	0.0%	0.1%
42	Transport Equipment Manufacturing	0.2	0.1%	0.4%
43	Forestry and Logging	0.2	0.2%	12%
44	Beverage and Tobacco Product Manufacturing	0.2	0.2%	10%
45	Sheep, Beef Cattle and Grain Farming	0.2	0.3%	15%
46	Primary Metal and Metal Product Manufacturing	0.2	0.1%	0.4%
47	Meat and Meat Product Manufacturing	0.2	0.2%	12%
48	Dairy Product Manufacturing	0.1	0.2%	16%
49	Agriculture, Forestry and Fishing Support Services and Hunting	0.1	0.1%	0.7%
50	Horticulture and Fruit Growing	0.1	0.0%	0.4%
51	Dairy Cattle Farming	0.1	0.3%	2.9%
52	Seafood Processing	0.0	0.0%	0.2%

How diversified is Wellington's economy?

The more concentrated a region's economy is in a few industries the more vulnerable it is to adverse events such as climatic conditions and commodity price fluctuations. This section presents the Herfindahl-Hirschman Index which measures the level of diversification of Wellington's economy. An index of 0 represents a diversified economy with economic activity evenly spread across all industries. The higher the index the more concentrated economic activity is in a few industries.

- Wellington had an HHI of 50.8 in 2012 which ranks it number 15 among all 16 regions ranked from most to least diverse. This means that only one region had a less diversified economy than Wellington.
- Since 2001 Wellington's HHI has increased from 47.8 indicating a decrease in industrial diversity. During the same period the national economy has become less diversified with the HHI increasing from 34.4 to 38.9.

Figure 7. Herfindahl-Hirschman Index of industrial diversity

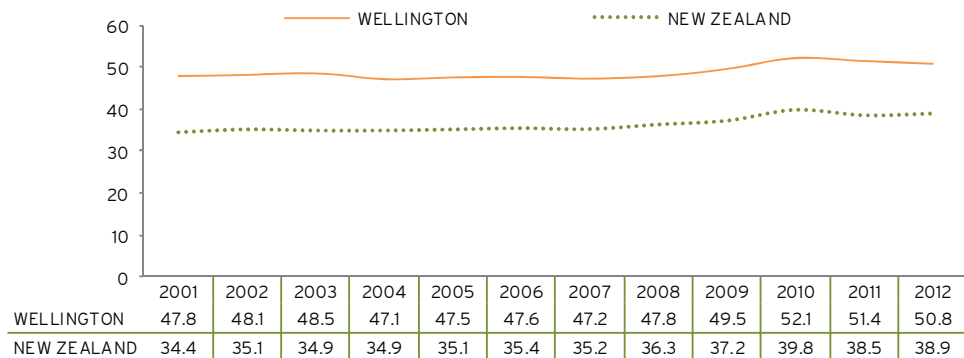


Table 8. Regions ranked by the value of the Herfindahl-Hirschman Index

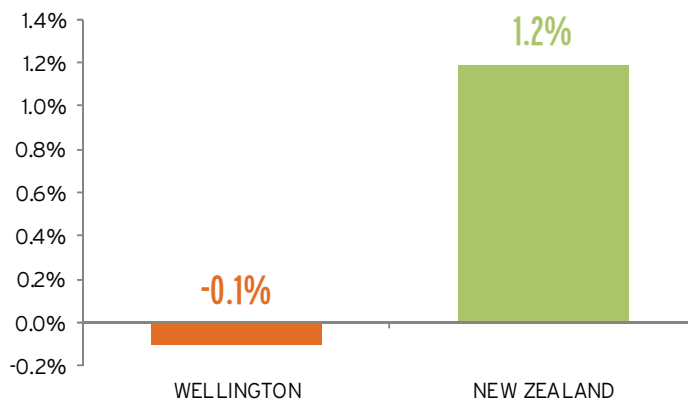
Rank	Region	HHI
1	Canterbury	39.9
2	Bay of Plenty	40.0
3	Hawke's Bay	40.7
4	Tasman	41.4
5	Waikato	42.3
6	Otago	42.3
7	Auckland	44.7
8	Manawatu-Wanganui	44.9
9	Marlborough	45.4
10	Southland	46.0
11	Northland	46.0
12	West Coast	46.1
13	Gisborne	48.6
14	Taranaki	49.9
15	Wellington	50.8
16	Nelson	53.2

EMPLOYMENT AND UNEMPLOYMENT

How fast has employment grown in Wellington?

Employment growth provides new opportunities for the region's population to earn income and contribute to the region's economy. This section contrasts Wellington's recent performance in creating jobs with other regions in the country.

Figure 8. Employment growth (year to March 2012)



- Total employment in Wellington averaged 260,115 in the March 2012 year, down 0.1% from a year earlier. Employment in New Zealand increased by 1.2% over the same period.
- Employment growth in Wellington averaged 1.2%pa since 2001 compared with 1.7%pa in the national economy.
- Employment growth in Wellington reached a high of 3.2% in 2005 and a low of -1.6% in 2010.

Figure 9. Annual average employment growth (2002-2012)

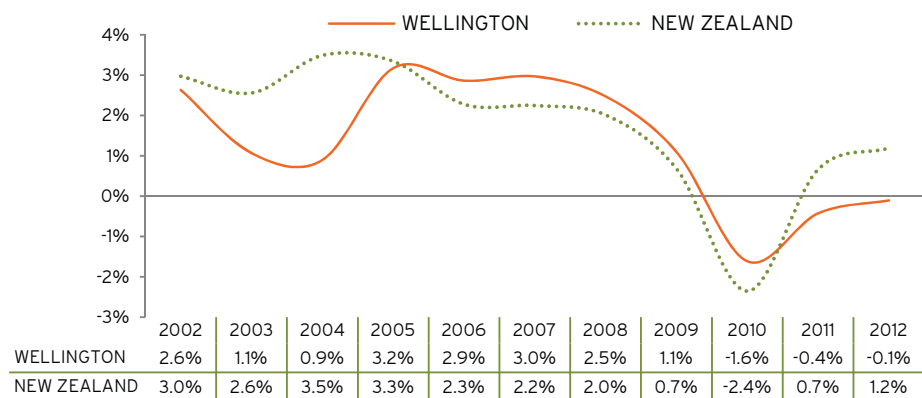


Table 9 shows how Wellington's employment growth compares with other regions in New Zealand over the past one, two, five and ten years.

Table 9. Employment growth decile rankings: last 1, 2, 5 and 10 years

Rank	2011 to 2012		2010 to 2012		2007 to 2012		2002 to 2012	
1	Auckland	3.5%	Auckland	2.9%	West Coast	2.2%	Auckland	2.3%
2	West Coast	2.8%	West Coast	1.6%	Auckland	1.1%	West Coast	2.2%
3	Waikato	2.2%	Nelson	1.3%	Tasman	0.8%	Marlborough	1.9%
4	Nelson	2.0%	Waikato	1.0%	Taranaki	0.8%	Bay of Plenty	1.7%
5	Bay of Plenty	0.7%	Bay of Plenty	0.9%	Nelson	0.6%	Tasman	1.6%
6	Otago	0.5%	Taranaki	0.4%	Southland	0.5%	Nelson	1.6%
7	Southland	0.4%	Tasman	0.3%	Bay of Plenty	0.4%	Otago	1.5%
8	Wellington	-0.1%	Southland	0.2%	Wellington	0.3%	Canterbury	1.4%
9	Taranaki	-0.1%	Otago	-0.1%	Otago	0.1%	Waikato	1.4%
10	Canterbury	-0.5%	Canterbury	-0.2%	Waikato	0.1%	Taranaki	1.3%
11	Hawke's Bay	-0.8%	Wellington	-0.3%	Canterbury	0.0%	Wellington	1.2%
12	Northland	-0.8%	Hawke's Bay	-0.6%	Marlborough	-0.2%	Northland	1.1%
13	Tasman	-0.9%	Northland	-0.9%	Hawke's Bay	-0.5%	Hawke's Bay	1.0%
14	Gisborne	-1.2%	Gisborne	-1.1%	Northland	-0.5%	Southland	0.7%
15	Manawatu-Wanganui	-1.8%	Manawatu-Wanganui	-1.4%	Gisborne	-0.6%	Manawatu-Wanganui	0.5%
16	Marlborough	-2.2%	Marlborough	-1.8%	Manawatu-Wanganui	-0.7%	Gisborne	0.3%

- Wellington's employment change of -0.1% between 2011 and 2012 ranked it number 8 among the 16 regions.
- Over the past two years (2010 to 2012) employment change in Wellington was -0.3%pa ranking it number 11.
- Over the past five years (2007 to 2012) employment change in Wellington was 0.3%pa ranking it number 8.
- Over the past ten years (2002 to 2012) employment change in Wellington was 1.2%pa ranking it number 11.

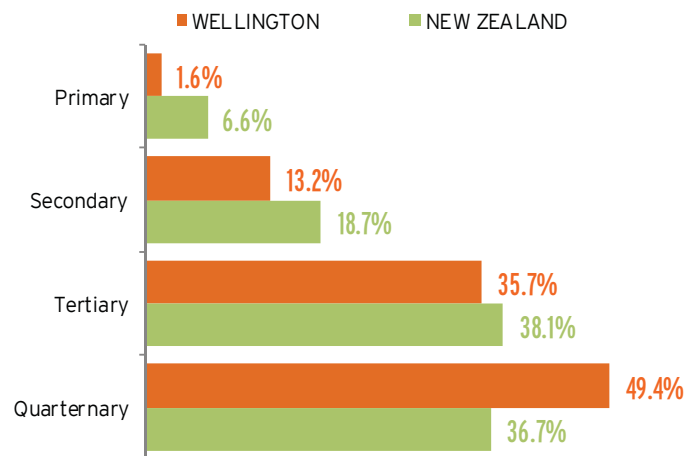
Figure 10. Employment growth over last one, two, five and 10 years



What is the industrial structure of employment in Wellington?

This section describes the structure of the labour market in terms of the primary, secondary, tertiary and quarternary categories and the industries that fall within these categories. The primary sector makes direct use of natural resources. It extracts or harvests products from the earth. The secondary sector produces manufactured and other processed goods. The tertiary sector includes the lower value-adding service industries while the quarternary sector includes the higher value-adding, knowledge-based service industries. A full definition of the sectors is given in the 'Industry sectors' section of the technical appendix.

Figure 11. Employment by broad sector (2012)



- Quarternary industries accounted for the largest proportion of employment (49.4%) in Wellington, which is higher than in the national economy (36.7%).
- Tertiary industries accounted for 35.7% of employment which was lower than in New Zealand (38.1%).
- Secondary accounted for 13.2% in Wellington compared with 18.7% in the national economy.
- Primary accounted for 1.6% in Wellington compared with 6.6% in the national economy.

Which are the largest employing industries in Wellington?

This section identifies the broad industries that make the largest contribution to employment in Wellington.

Table 10. 1-digit industries ranked by size of employment (2012)

Rank	Industry	Wellington		New Zealand
		Employment	% of total	% of total
1	Professional, Scientific and Technical Services	34,823	13.4%	9.0%
2	Public Administration and Safety	27,496	10.6%	4.7%
3	Health Care and Social Assistance	24,495	9.4%	9.9%
4	Education and Training	22,599	8.7%	8.3%
5	Retail Trade	22,567	8.7%	9.5%
6	Construction	18,430	7.1%	7.8%
7	Accommodation and Food Services	16,302	6.3%	6.2%
8	Manufacturing	14,265	5.5%	10.2%
9	Administrative and Support Services	14,016	5.4%	4.9%
10	Financial and Insurance Services	10,701	4.1%	2.8%
11	Other Services	10,574	4.1%	3.8%
12	Transport, Postal and Warehousing	9,322	3.6%	4.3%
13	Wholesale Trade	9,307	3.6%	5.2%
14	Information Media and Telecommunications	8,421	3.2%	2.0%
15	Arts and Recreation Services	6,237	2.4%	1.9%
16	Rental, Hiring and Real Estate Services	4,629	1.8%	2.3%
17	Agriculture, Forestry and Fishing	3,990	1.5%	6.3%
18	Electricity, Gas, Water and Waste Services	1,676	0.6%	0.6%
19	Mining	267	0.1%	0.3%
Total		260,115	100%	100%

- Among broad industries professional, scientific and technical services was the largest employer in Wellington in 2012, accounting for 13.4% of total employment.
- The second largest employer was public administration and safety (10.6%) followed by health care and social assistance (9.4%).
- The industry most highly represented in Wellington relative to the national economy is public administration and safety. This industry accounts for 10.6% of the region's employment compared with 4.7% to the national economy.
- The next most highly represented industries are information media and telecommunications (3.2% compared with 2.0% nationally) and financial and insurance services (4.1% compared with 2.8% nationally).

Table 11 on the following page shows the 50 detailed industries of the approximately 500 7-digit ANZSIC industry categories which employ the highest number of people in Wellington.

Table 11. 50 largest employing 7-digit ANZSIC industries (2012)

Rank	Industry	Wellington		New Zealand
		Jobs	% of total	% of total
1	Central Government Administration	13,360	5.1%	13%
2	Computer Systems Design and Related Services	8,296	3.2%	14%
3	Cafes and Restaurants	7,037	2.7%	2.5%
4	Hospitals (except Psychiatric Hospitals)	7,035	2.7%	2.9%
5	Supermarket and Grocery Stores	6,496	2.5%	2.5%
6	Management Advice and Other Consulting Services	5,559	2.1%	15%
7	Corporate Head Office Management Services	5,534	2.1%	12%
8	Higher Education	5,381	2.1%	16%
9	Primary Education	5,032	1.9%	2.2%
10	Banking	4,689	1.8%	1.1%
11	Secondary Education	3,913	1.5%	1.8%
12	Other Allied Health Services	3,842	1.5%	1.3%
13	Aged Care Residential Services	3,407	1.3%	1.4%
14	House Construction	3,298	1.3%	1.4%
15	Buildings Cleaning Services	3,031	1.2%	1.1%
16	Accounting Services	2,991	1.1%	1.1%
17	Labour Supply Services	2,916	1.1%	1.2%
18	Legal Services	2,878	1.1%	0.8%
19	Accommodation	2,851	1.1%	1.4%
20	Other Social Assistance Services	2,714	1.0%	1.0%
21	Preschool Education	2,640	1.0%	1.1%
22	Engineering Design and Engineering Consulting Service	2,592	1.0%	0.9%
23	Takeaway Food Services	2,545	1.0%	1.0%
24	Defence	2,343	0.9%	0.6%
25	Local Government Administration	2,193	0.8%	0.9%
26	Regulatory Services	2,183	0.8%	0.3%
27	Electrical Services	2,139	0.8%	0.8%
28	Other Administrative Services n.e.c.	2,139	0.8%	0.6%
29	Police Services	2,116	0.8%	0.6%
30	Wired Telecommunications Network Operation	2,067	0.8%	0.3%
31	Road Freight Transport	2,054	0.8%	1.3%
32	Employment Placement and Recruitment Services	2,000	0.8%	0.4%
33	Real Estate Services	1,996	0.8%	0.9%
34	Clothing Retailing	1,919	0.7%	0.7%
35	Pubs, Taverns and Bars	1,918	0.7%	0.6%
36	Adult, Community and Other Education n.e.c.	1,910	0.7%	0.6%
37	Office Administrative Services	1,906	0.7%	0.4%
38	Department Stores	1,805	0.7%	0.7%
39	Other Auxiliary Finance and Investment Services	1,783	0.7%	0.4%
40	Hairdressing and Beauty Services	1,771	0.7%	0.6%
41	Other Interest Group Services n.e.c.	1,714	0.7%	0.5%
42	Hardware and Building Supplies Retailing	1,693	0.7%	0.8%
43	General Practice Medical Services	1,627	0.6%	0.7%
44	Non-Residential Building Construction	1,574	0.6%	0.5%
45	Justice	1,507	0.6%	0.2%
46	Catering Services	1,483	0.6%	0.5%
47	Scientific Research Services	1,475	0.6%	0.4%
48	Technical and Vocational Education and Training	1,455	0.6%	0.4%
49	Child Care Services	1,442	0.6%	0.6%
50	Other Heavy and Civil Engineering Construction	1,436	0.6%	0.8%

Which industries have created the most jobs?

This section investigates which industries have created and lost the most number of jobs in Wellington. The employment numbers differ from those published in Business Demography by Statistics New Zealand. The reasons for these differences are explained in the 'Employment by industry' section of the technical appendix.

Table 12. 1-digit industries ranked by number of jobs created (2011-2012)

Rank		Employment		Jobs created	Annual % growth
		2011	2012		
1	Professional, Scientific and Technical Services	34,252	34,823	570	1.7%
2	Administrative and Support Services	13,539	14,016	477	3.5%
3	Accommodation and Food Services	15,864	16,302	438	2.8%
4	Education and Training	22,519	22,599	80	0.4%
5	Transport, Postal and Warehousing	9,256	9,322	66	0.7%
6	Mining	211	267	56	26.3%
7	Agriculture, Forestry and Fishing	3,949	3,990	41	1.0%
8	Health Care and Social Assistance	24,468	24,495	27	0.1%
9	Information Media and Telecommunications	8,430	8,421	-10	-0.1%
10	Other Services	10,592	10,574	-18	-0.2%
11	Rental, Hiring and Real Estate Services	4,648	4,629	-20	-0.4%
12	Arts and Recreation Services	6,262	6,237	-25	-0.4%
13	Electricity, Gas, Water and Waste Services	1,712	1,676	-37	-2.1%
14	Retail Trade	22,753	22,567	-186	-0.8%
15	Manufacturing	14,454	14,265	-189	-1.3%
16	Wholesale Trade	9,549	9,307	-241	-2.5%
17	Construction	18,744	18,430	-314	-1.7%
18	Public Administration and Safety	27,851	27,496	-355	-1.3%
19	Financial and Insurance Services	11,331	10,701	-630	-5.6%
Total		260,385	260,115	-270	-0.1%

- Professional, scientific and technical services made the largest contribution to employment growth in Wellington between 2011 and 2012 with the industry adding 570 jobs.
- The next largest contributor was administrative and support services (477 jobs) followed by accommodation and food services (438 jobs).
- The largest detractor from growth over the year was financial and insurance services in which employment declined by 630.

- Over the past 10 years the broad industries making the largest contribution to employment growth in Wellington were public administration and safety (8,488 jobs), professional, scientific and technical services (6,350 jobs), and education and training (5,175 jobs).
- The industries making the lowest contribution to employment growth in Wellington were manufacturing (-4,078 jobs), information media and telecommunications (-1,268 jobs), and agriculture, forestry and fishing (-1,120 jobs).

Table 13. Job creation by broad industries: last 1, 2, 5 and 10 years

Industry	Last year 11 to 12	Last 2 years 10 to 12	Last 5 years 07 to 12	Last 10 years 02 to 12
Agriculture, Forestry and Fishing	41	91	-271	-1,120
Mining	56	74	63	103
Manufacturing	-189	-524	-3,763	-4,078
Electricity, Gas, Water and Waste Services	-37	10	785	712
Construction	-314	-755	-468	4,444
Wholesale Trade	-241	-486	-1,075	-872
Retail Trade	-186	-644	-1,419	1,409
Accommodation and Food Services	438	379	629	3,054
Transport, Postal and Warehousing	66	-94	-569	29
Information Media and Telecommunications	-9	310	90	-1,268
Financial and Insurance Services	-630	-1,235	325	888
Rental, Hiring and Real Estate Services	-20	-90	-765	-278
Professional, Scientific and Technical Services	570	159	1,444	6,350
Administrative and Support Services	477	508	-680	-816
Public Administration and Safety	-355	-739	3,475	8,488
Education and Training	80	592	2,127	5,175
Health Care and Social Assistance	27	890	2,703	4,651
Arts and Recreation Services	-25	69	1,009	1,950
Other Services	-18	108	-62	1,075
Total	-270	-1,380	3,576	29,897

Table 14 on the next page shows the 50 industries (out of a total of approximately 500 industries of the ANZSIC 2006 industry classification) that created the most number of jobs over the past year. Table 31 shows the 50 detailed industries that made the lowest contribution to job creation over the same period.

- Computer systems design and related services was the largest creator of jobs in Wellington between 2011 and 2012 generating an additional 577 positions. This was followed by employment placement and recruitment services (+389 jobs) and cafes and restaurants (+307 jobs).
- Banking was the industry that experienced the largest fall in employment (-554 jobs) followed by defence (-541 jobs) and other residential care services (-287 jobs).

Table 14. The 50 seven-digit industries that created most jobs between 2011 and 2012

Rank	Industry	Jobs		Change
		2011	2012	
1	Computer Systems Design and Related Services	7,720	8,296	577
2	Employment Placement and Recruitment Services	1,612	2,000	389
3	Cafes and Restaurants	6,731	7,037	307
4	Hospitals (except Psychiatric Hospitals)	6,736	7,035	299
5	Corporate Head Office Management Services	5,276	5,534	258
6	Justice	1,270	1,507	237
7	Central Government Administration	13,176	13,360	184
8	Preschool Education	2,466	2,640	174
9	Higher Education	5,211	5,381	170
10	Paint and Coatings Manufacturing	160	319	158
11	Secondary Education	3,773	3,913	140
12	Catering Services	1,365	1,483	118
13	Performing Arts Venue Operation	175	276	101
14	Other Electrical and Electronic Goods Wholesaling	1,139	1,240	101
15	Child Care Services	1,346	1,442	96
16	Water Passenger Transport	475	569	94
17	Other Public Order and Safety Services	694	785	92
18	Auxiliary Insurance Services	757	844	87
19	Department Stores	1,720	1,805	86
20	Combined Primary and Secondary Education	762	843	81
21	Libraries and Archives	1,002	1,081	79
22	Call Centre Operation	366	443	78
23	Aged Care Residential Services	3,329	3,407	78
24	Takeaway Food Services	2,472	2,545	73
25	Motion Picture and Video Production	856	928	72
26	Other Social Assistance Services	2,649	2,714	65
27	Road Freight Transport	1,991	2,054	63
28	Other Personal Services n.e.c.	389	450	61
29	Other Heavy and Civil Engineering Construction	1,377	1,436	59
30	Non-depository Financing	203	260	57
31	Other Transport Support Services n.e.c	352	408	56
32	Health and Fitness Centres and Gymnasia Operation	798	850	52
33	Office Administrative Services	1,856	1,906	50
34	Other Machinery and Equipment Repair and Maintenance	273	318	46
35	Houseware Retailing	127	170	42
36	Newspaper Publishing	592	634	42
37	Credit Reporting and Debt Collection Services	119	160	42
38	Cigarette and Tobacco Product Manufacturing	120	161	41
39	Air and Space Transport	642	683	41
40	Non-Residential Property Operators	974	1,015	41
41	Advertising Services	632	672	40
42	Oil and Gas Extraction	98	137	40
43	Other Specialised Design Services	1,001	1,040	39
44	Other Publishing (except Software, Music and Internet)	29	68	39
45	Sports and Physical Recreation Venues, Grounds and Facilities Oper	654	693	38
46	Travel Agency and Tour Arrangement Services	643	679	36
47	General Practice Medical Services	1,591	1,627	35
48	Motion Picture Exhibition	288	323	35
49	Business and Professional Association Services	1,157	1,190	33
50	Electricity Transmission	490	523	33

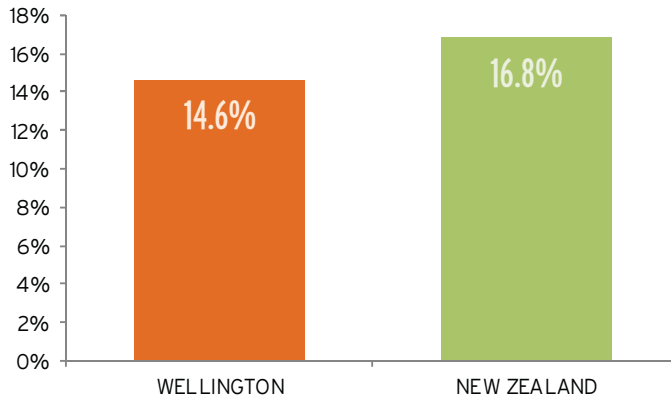
Table 15. The 50 seven-digit industries that lost the most jobs between 2011 and 2012

Rank	Industry	Jobs		Change
		2011	2012	
1	Banking	5,243	4,689	-554
2	Defence	2,883	2,343	-541
3	Other Residential Care Services	1,667	1,381	-287
4	Wired Telecommunications Network Operation	2,298	2,067	-230
5	Other Allied Health Services	4,062	3,842	-219
6	Adult, Community and Other Education n.e.c.	2,125	1,910	-215
7	Educational Support Services	1,013	851	-162
8	Regulatory Services	2,326	2,183	-144
9	Postal Services	1,246	1,102	-144
10	Local Government Administration	2,336	2,193	-143
11	Supermarket and Grocery Stores	6,632	6,496	-136
12	Religious Services	1,263	1,129	-134
13	Management Advice and Other Consulting Services	5,681	5,559	-122
14	Site Preparation Services	807	705	-102
15	General Line Groceries Wholesaling	532	432	-100
16	Polymer Film and Sheet Packaging Material Manufacturing	274	178	-97
17	Waste Treatment and Disposal Services	273	181	-92
18	Market Research and Statistical Services	880	789	-92
19	Telecommunication Goods Wholesaling	619	532	-87
20	Technical and Vocational Education and Training	1,541	1,455	-87
21	Other Gambling Activities	564	485	-79
22	Other Auxiliary Finance and Investment Services	1,858	1,783	-75
23	Buildings Cleaning Services	3,105	3,031	-74
24	Other Food Products Manufacturing n.e.c.	617	544	-73
25	Electrical, Electronic and Gas Appliance Retailing	792	720	-72
26	House Construction	3,364	3,298	-66
27	Horse and Dog Racing Administration and Track Operation	193	131	-62
28	Primary Education	5,093	5,032	-61
29	Grape Growing	267	206	-61
30	Financial Asset Investing	675	616	-59
31	Nature Reserves and Conservation Parks Operation	614	557	-57
32	Newspaper and Book Retailing	541	485	-56
33	Architectural Services	1,033	979	-55
34	Superannuation Funds	108	56	-53
35	Other Administrative Services n.e.c.	2,191	2,139	-52
36	Amusement Parks and Centres Operation	103	52	-51
37	Wooden Structural Fittings and Components Manufacturing	532	481	-51
38	Radio Broadcasting	509	458	-51
39	Scientific Research Services	1,524	1,475	-50
40	Other Building Installation Services	309	263	-46
41	Antique and Used Goods Retailing	374	328	-46
42	Printing	1,374	1,329	-45
43	Psychiatric Hospitals	96	53	-44
44	Video and Other Electronic Media Rental	322	278	-43
45	Accommodation	2,893	2,851	-43
46	Book Publishing	402	361	-42
47	Other Depository Financial Intermediation	65	25	-39
48	Electric Lighting Equipment Manufacturing	67	28	-39
49	Life Insurance	1,233	1,195	-38
50	Accounting Services	3,028	2,991	-38

What proportion of the workforce is self-employed in Wellington?

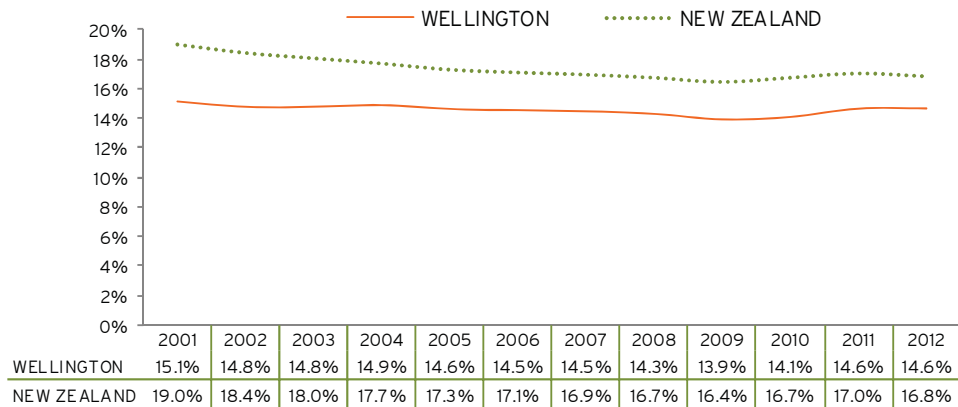
Self-employment makes up a sizeable proportion of total employment in New Zealand although it declined through the economic boom years and stabilised since the recession. This section contrasts self-employment in Wellington with the national economy.

Figure 12. Self-employment rate (year to March 2012)



- Self-employed workers accounted for 14.6% of the workforce in Wellington in 2012, which was a lower rate than in the national economy (16.8%).
- A total of 38,097 workers were self-employed in Wellington in 2012.
- The self-employment rate reached a high of 15.1% in 2001 and a low of 13.9% in 2009.

Figure 13. Self-employment rate (2001-2012)



Which industries have the highest self-employment rate in Wellington?

Self-employment rates differ across industries with agriculture, construction, and rental, hiring and real estate services typically having high self-employment rates. This section describes self-employment rates by industry in Wellington.

Table 16. Self-employment by 1-digit industry (2012)

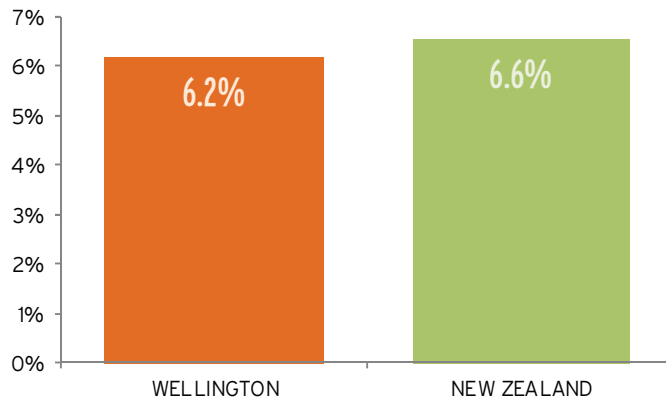
Industry	Wellington			New Zealand Self-employment rate
	Employees	Self-employed	Self-employment rate	
Agriculture, Forestry and Fishing	2,394	1,596	40.0%	38.2%
Mining	267	0	0.0%	4.3%
Manufacturing	12,576	1,689	118%	9.9%
Electricity, Gas, Water and Waste Services	1,574	102	6.1%	6.8%
Construction	11,950	6,480	35.2%	35.1%
Wholesale Trade	8,215	1,092	117%	12.0%
Retail Trade	20,260	2,307	10.2%	12.1%
Accommodation and Food Services	14,706	1,596	9.8%	11.9%
Transport, Postal and Warehousing	7,792	1,530	16.4%	14.8%
Information Media and Telecommunications	6,528	1,893	22.5%	18.3%
Financial and Insurance Services	9,915	786	7.3%	11.9%
Rental, Hiring and Real Estate Services	2,439	2,190	47.3%	49.1%
Professional, Scientific and Technical Services	25,835	8,988	25.8%	26.8%
Administrative and Support Services	11,979	2,037	14.5%	17.6%
Public Administration and Safety	27,025	471	17%	3.5%
Education and Training	21,852	747	3.3%	3.2%
Health Care and Social Assistance	22,836	1,659	6.8%	7.1%
Arts and Recreation Services	5,304	933	15.0%	16.7%
Other Services	8,573	2,001	18.9%	23.6%
Total	222,018	38,097	14.6%	16.8%

- Rental, hiring and real estate services had the highest self-employment rate (47.3%) in Wellington in 2012 (49.1% at the national level). This was followed by agriculture, forestry and fishing (40.0%) and construction (35.2%). At the national level these industries had self-employment rates of 38.2% and 35.1%, respectively.
- Mining had no self-employment.

What is Wellington's unemployment rate?

The unemployment rate is the number of unemployed people expressed as a percentage of the labour force. An unemployed person is someone of working-age who is without work, but is actively seeking employment and is available to immediately begin work. The labour force is the sum of people who are currently in employment and those that are unemployed.

Figure 14. Unemployment rate (year to March 2012)



- The unemployment rate in Wellington was 6.2% in March 2012, which was lower than the national rate of 6.6%.
- Since 2002 the unemployment rate in Wellington reached a high of 6.2% in the March 2012 year, and a low of 3.6% in the March 2008 year.

Figure 15. Unemployment rate (2002-2012)

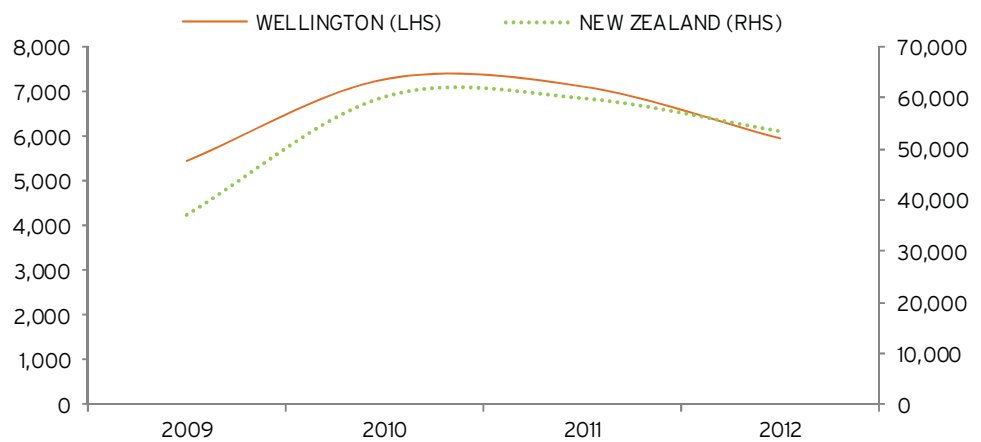


How many unemployment beneficiaries are there in Wellington?

The number of unemployment beneficiaries in the national economy has fallen significantly since peaking at more than 65,000 in September 2010 following the recent recession. Gradual improvements to the domestic economy will have contributed slightly to this overall downward trend, but with the underlying unemployment rate still elevated, the government's tightening of benefit eligibility conditions will have also played a significant role.

- There were 5,952 unemployment beneficiaries in Wellington in March 2012 down from 7,114 in March 2011.
- The number declined by 16.3% over the year to March 2012 compared with a decrease of 10.8% at the national level.

Figure 16. Number of unemployment beneficiaries (2009-2012)



PERFORMANCE OF KEY INDUSTRIES

How well has the primary (agriculture, forestry & fishing) industry performed?

This section describes the performance of the first key industry in Wellington: primary (agriculture, forestry & fishing). It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 17. Economic indicators for the primary (agriculture, forestry & fishing) industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$190.1	0.9%	2.2%	13.1%	20.8%
Employment	3,990	15%	2.9%	10%	0.5%
Business Units	2,513	4.8%	3.4%	-14%	-17%

Economic output

- The primary (agriculture, forestry & fishing) industry contributed \$190.1 million towards GDP in Wellington in 2012. This amounted to 0.9% of the region's economic output in 2012, down from 1.3% ten years ago.
- Economic output in Wellington's primary (agriculture, forestry & fishing) industry grew by 13.1% in 2012 compared with growth of 20.8% in the industry nationally.
- Growth in the industry in Wellington has averaged -1.2%pa over the last ten years, varying from a low of -18% in 2008 to a high of 13.1% in 2012.

Figure 17. Output growth in the primary (agriculture, forestry & fishing) industry

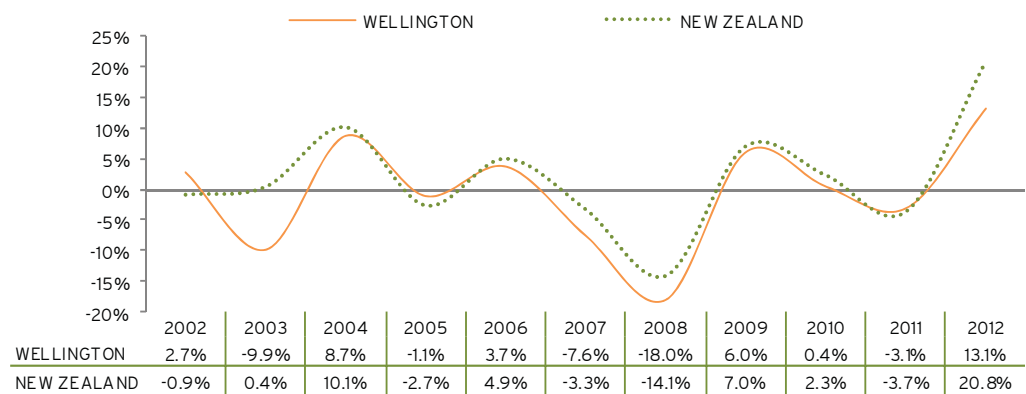
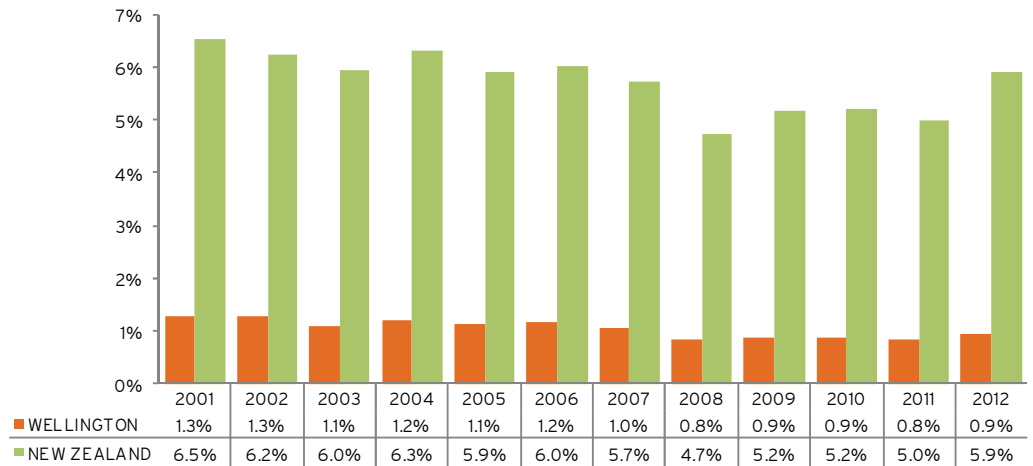


Figure 18. Primary (agriculture, forestry & fishing)'s share of total economic output



Employment

- The primary (agriculture, forestry & fishing) industry employed an average of 3,990 persons in Wellington in 2012 which was up from 3,949 in 2011.
- Employment growth in the industry averaged -2.4% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the industry peaked at 5.0% in 2002.

Business units

- Approximately 2,513 business units were in operation in the primary (agriculture, forestry & fishing) industry in Wellington in 2012, which was down from 2,549 in 2011.
- The number of business units peaked at 3,068 in 2002.

How well has the agrifoods (food and beverage) industry performed?

This section describes the performance of the second key industry in Wellington: agrifoods (food and beverage). It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 18. Economic indicators for the agrifoods (food and beverage) industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$955.4	4.8%	5.4%	5.0%	116%
Employment	29,626	11.4%	7.9%	0.8%	0.7%
Business Units	4,734	9.1%	5.2%	0.0%	-0.5%

Economic output

- The agrifoods (food and beverage) industry contributed \$955.4 million towards GDP in Wellington in 2012. This amounted to 4.8% of the region's economic output in 2012, down from 5.0% ten years ago.
- Economic output in Wellington's agrifoods (food and beverage) industry grew by 5% in 2012 compared with growth of 11.6% in the industry nationally.
- Growth in the industry in Wellington has averaged 1.4%pa over the last ten years, varying from a low of -3.2% in 2004 to a high of 7% in 2005.

Figure 19. Output growth in the agrifoods (food and beverage) industry

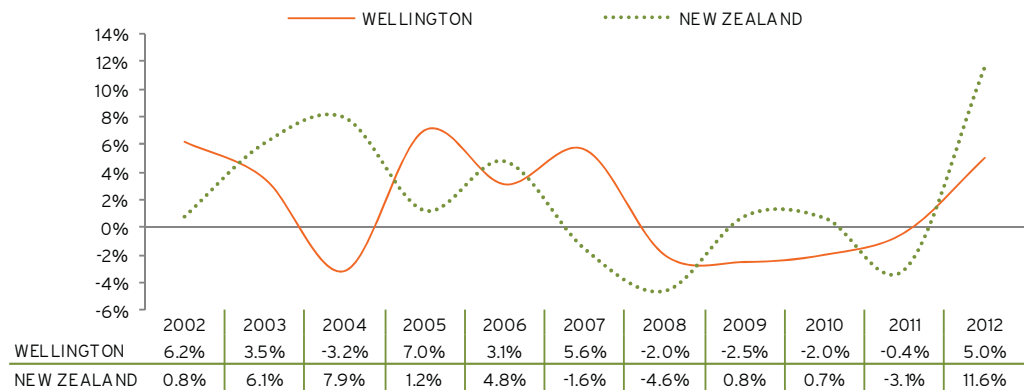


Figure 20. Agrifoods (food and beverage)'s share of total economic output



Employment

- The agrifoods (food and beverage) industry employed an average of 29,626 persons in Wellington in 2012 which was up from 29,386 in 2011.
- Employment growth in the industry averaged 0.6% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the industry peaked at 5.1% in 2002.

Business units

- Approximately 4,734 business units were in operation in the agrifoods (food and beverage) industry in Wellington in 2012, which was up slightly from 4,733 in 2011.
- The number of business units peaked at 4,950 in 2006.

How well has the screen and digital industry performed?

This section describes the performance of the third key industry in Wellington: screen and digital. It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 19. Economic indicators for the screen and digital industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$489.7	2.4%	17.5%	2.4%	-0.7%
Employment	9,293	3.6%	16.2%	18%	-0.6%
Business Units	2,409	4.6%	18.1%	-3.1%	-0.5%

Economic output

- The screen and digital industry contributed \$489.7 million towards GDP in Wellington in 2012. This amounted to 2.4% of the region's economic output in 2012, down from 3.3% ten years ago.
- Economic output in Wellington's screen and digital industry grew by 2.4% in 2012 compared with a decline of 0.7% in the industry nationally.
- Growth in the industry in Wellington has averaged -1.4%pa over the last ten years, varying from a low of -9.2% in 2006 to a high of 6.6% in 2008.

Figure 21. Output growth in the screen and digital industry

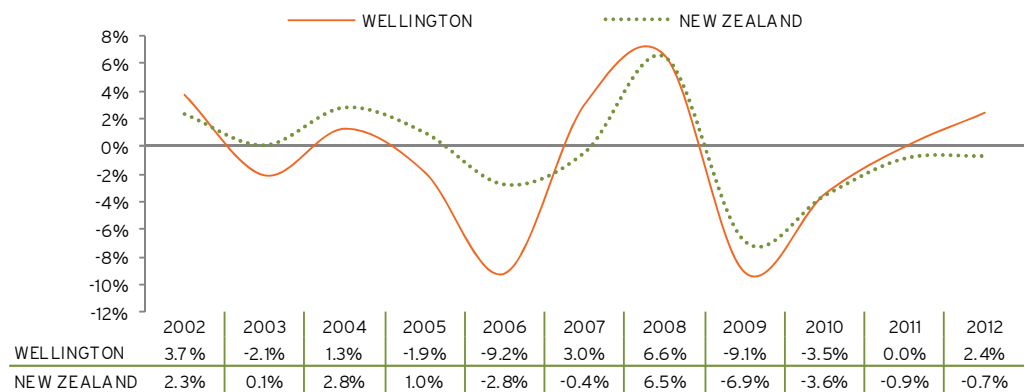
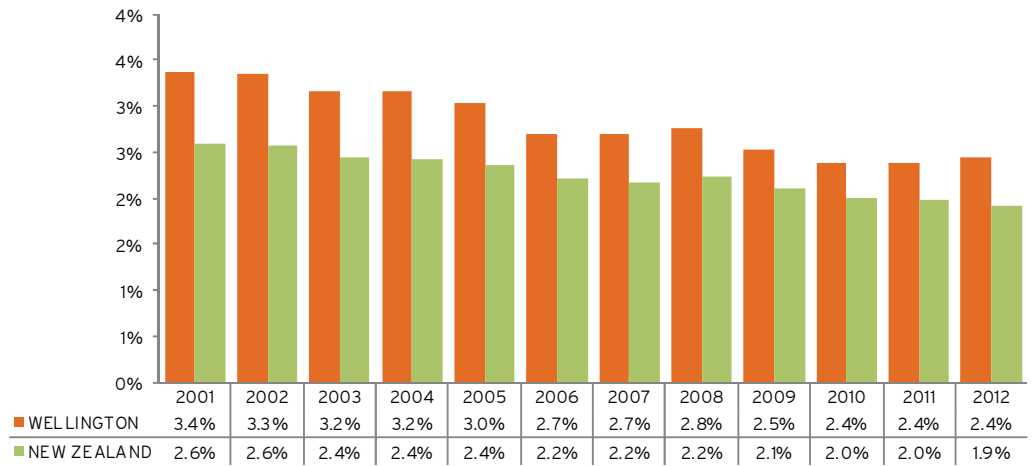


Figure 22. Screen and digital's share of total economic output



Employment

- The screen and digital industry employed an average of 9,293 persons in Wellington in 2012 which was up from 9,126 in 2011.
- Employment growth in the industry averaged -0.7% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the sector peaked at 1.8% in 2012.

Business units

- Approximately 2,409 business units were in operation in the screen and digital industry in Wellington in 2012, which was down from 2,486 in 2011.
- The number of business units peaked at 2,500 in 2010.

How well has the information media & telecommunications industry performed?

This section describes the performance of the fourth key industry in Wellington: information media & telecommunications. It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 20. Economic indicators for the information media & telecommunications industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$1982.0	9.9%	22.4%	-7.6%	-1.9%
Employment	8,421	3.2%	19.8%	-0.1%	1%
Business Units	1,294	2.5%	22.9%	-4.9%	0.9%

Economic output

- The information media & telecommunications industry contributed \$1982.0 million towards GDP in Wellington in 2012. This amounted to 9.9% of the region's economic output in 2012, down from 12.0% ten years ago.
- Economic output in Wellington's information media & telecommunications industry declined by 7.6% in 2012 compared with a decline of 1.9% in the industry nationally.
- Growth in the industry in Wellington has averaged -0.2%pa over the last ten years, varying from a low of -9.1% in 2006 to a high of 10.5% in 2002.

Figure 23. Output growth in the information media & telecommunications industry

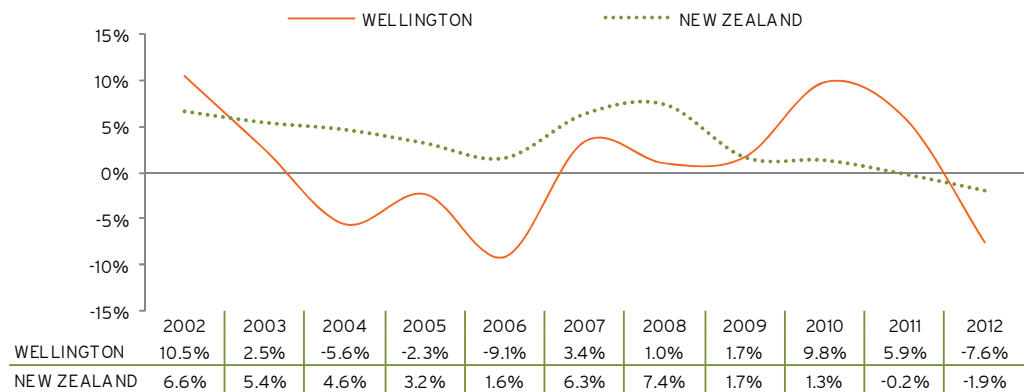
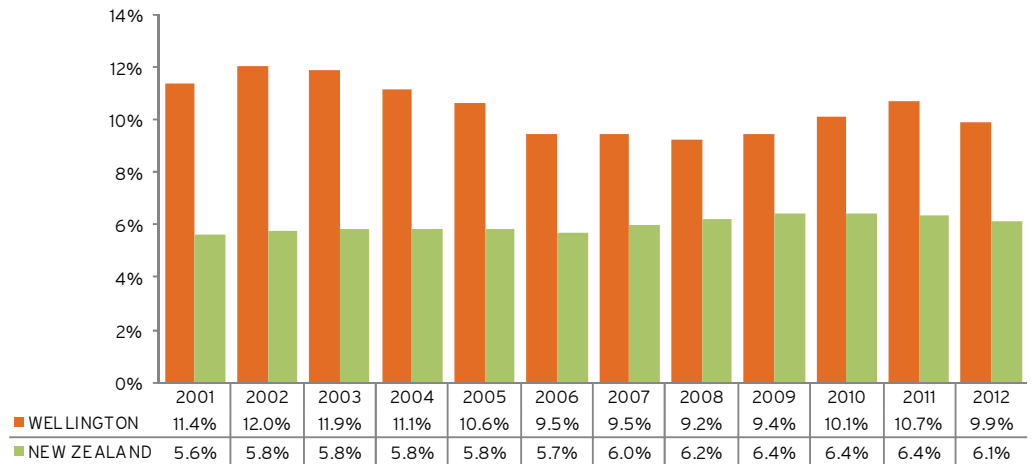


Figure 24. Information media & telecommunications' share of total economic output



Employment

- The information media & telecommunications industry employed an average of 8,421 persons in Wellington in 2012 which was down from 8,430 in 2011.
- Employment growth in the industry averaged -1.4% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the industry peaked at 3.9% in 2011.

Business units

- Approximately 1,294 business units were in operation in the information media & telecommunications sector in Wellington in 2012, which was down from 1,361 in 2011.
- The number of business units peaked at 1,361 in 2011.

How well has the business services industry performed?

This section describes the performance of the fifth key industry in Wellington: business services. It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 21. Economic indicators for the business services industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$3,198.4	16.0%	17.3%	0.0%	4.4%
Employment	59,539	22.9%	16.5%	0.7%	3.1%
Business Units	14,417	27.8%	14.6%	17%	-0.7%

Economic output

- The business services industry contributed \$3198.4 million towards GDP in Wellington in 2012. This amounted to 16.0% of the region's economic output in 2012, down from 16.5% ten years ago.
- Economic output in Wellington's business services industry stayed constant in 2012 compared with growth of 4.4% in the industry nationally.
- Growth in the industry in Wellington has averaged 1.4%pa over the last ten years, varying from a low of -1.3% in 2009 to a high of 7.3% in 2007.

Figure 25. Output growth in the business services industry

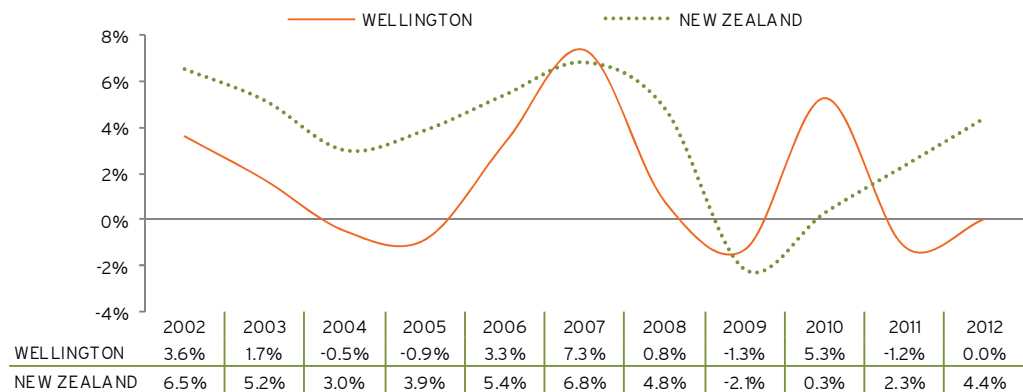


Figure 26. Business services's share of total economic output



Employment

- The business services industry employed an average of 59,539 persons in Wellington in 2012 which was up from 59,122 in 2011.
- Employment growth in the industry averaged 1.1% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the industry peaked at 3.5% in 2005.

Business units

- Approximately 14,417 business units were in operation in the business services industry in Wellington in 2012, which was up from 14,175 in 2011.
- The number of business units peaked at 14,652 in 2010.

How well has the clean technology industry performed?

This section describes the performance of the sixth key industry in Wellington: clean technology. It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 22. Economic indicators for the clean technology industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington	New Zealand
GDP (\$ million)	\$507.0	2.5%	13.5%	-8.0%	-19%
Employment	3,486	1.3%	9.7%	4.1%	4.3%
Business Units	461	0.9%	9.3%	13%	0.5%

Economic output

- The clean technology industry contributed \$507.0 million towards GDP in Wellington in 2012. This amounted to 2.5% of the region's economic output in 2012, up from 1.8% ten years ago.
- Economic output in Wellington's clean technology industry declined by 8% in 2012 compared with a decline of 1.9% in the industry nationally.
- Growth in the industry in Wellington has averaged 5.1%pa over the last ten years, varying from a low of -11.5% in 2005 to a high of 41.8% in 2007.

Figure 27. Output growth in the clean technology industry

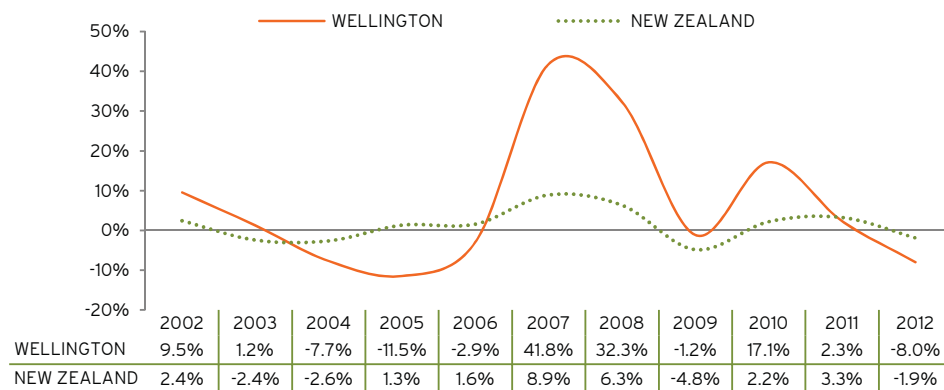
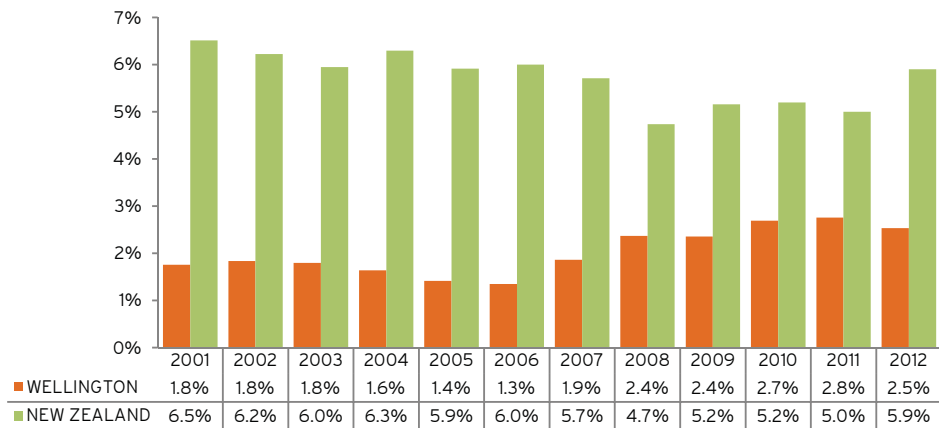


Figure 28. Clean technology's share of total economic output



Employment

- The clean technology industry employed an average of 3,486 persons in Wellington in 2012 which was up from 3,348 in 2011.
- Employment growth in the industry averaged -1.1% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the industry peaked at 5.0% in 2007.

Business units

- Approximately 461 business units were in operation in the clean technology industry in Wellington in 2012, which was up from 455 in 2011.
- The number of business units peaked at 499 in 2008..

How well has the biomedical industry performed?

This section describes the performance of the seventh key industry in Wellington: biomedical. It compares how the sector has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 23. Economic indicators for the biomedical industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington City	New Zealand
GDP (\$ million)	\$124.7	0.6%	9.0%	2.7%	1.7%
Employment	2,836	1%	118%	-0.3%	0.2%
Business Units	348	0.7%	113%	-2.8%	2.1%

Economic output

- The biomedical sector contributed \$124.7 million towards GDP in Wellington in 2012. This amounted to 0.6% of the region's economic output in 2012, down from 0.7% ten years ago.
- Economic output in Wellington's biomedical sector grew by 2.7% in 2012 compared with growth of 1.7% in the sector nationally.
- Growth in the sector in Wellington has averaged 0.1%pa over the last ten years, varying from a low of -7% in 2009 to a high of 11.2% in 2002.

Figure 29. Output growth in the biomedical industry

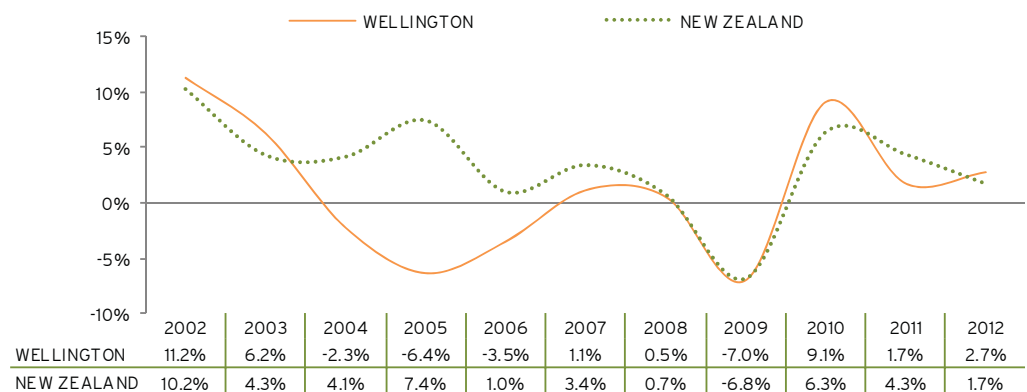
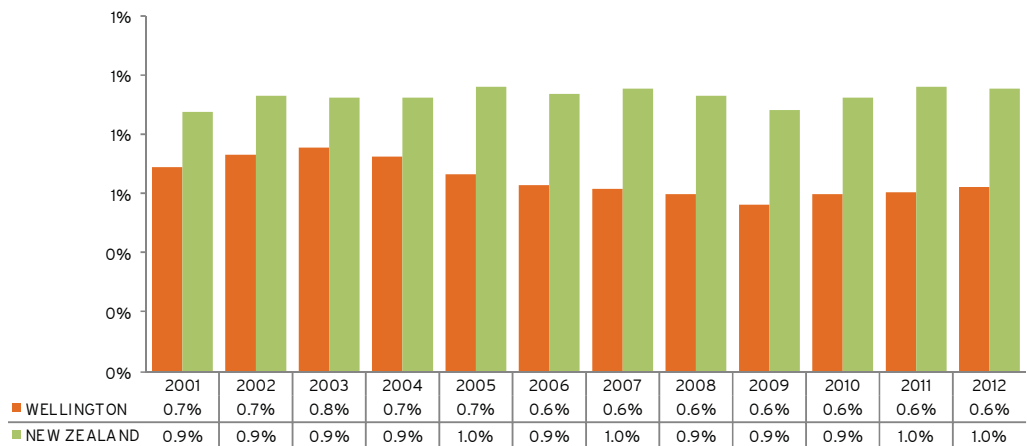


Figure 30. Biomedical's share of total economic output



Employment

- The biomedical sector employed an average of 2,836 persons in Wellington in 2012 which was down from 2,844 in 2011.
- Employment growth in the industry averaged 0.8% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the sector peaked at 6.6% in 2002.

Business units

- Approximately 348 business units were in operation in the biomedical sector in Wellington in 2012, which was down from 358 in 2011.
- The number of business units peaked at 365 in 2009.

How well has the education & training industry performed?

This section describes the performance of the eighth key industry in Wellington: education & training. It compares how the industry has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 24. Economic indicators for the education & training industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington City	New Zealand
GDP (\$ million)	\$577.9	2.9%	12.4%	-0.2%	10%
Employment	22,599	8.7%	12.6%	0.4%	18%
Business Units	1,160	2.2%	11.6%	0.6%	1.1%

Economic output

- The education & training sector contributed \$577.9 million towards GDP in Wellington in 2012. This amounted to 2.9% of the region's economic output in 2012, down from 2.9% ten years ago.
- Economic output in Wellington's education & training industry declined by 0.2% in 2012 compared with growth of 1% in the sector nationally.
- Growth in the sector in Wellington has averaged 1.7%pa over the last ten years, varying from a low of -2.8% in 2006 to a high of 5% in 2007.

Figure 31. Output growth in the education & training industry

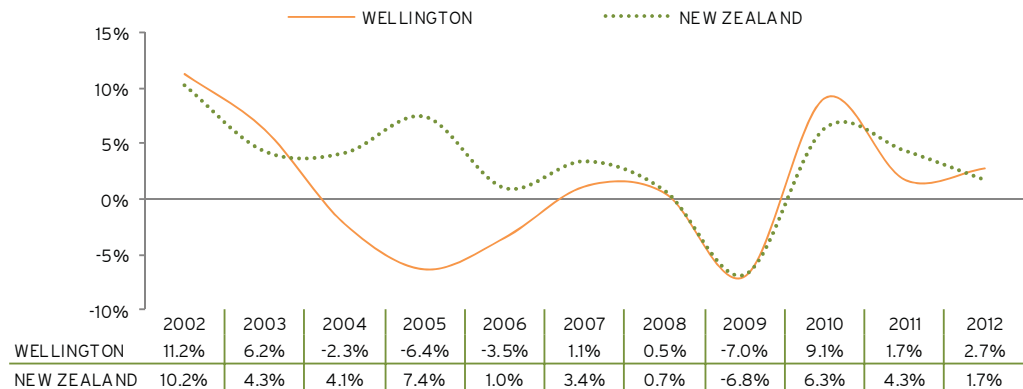


Figure 32. Education & training's share of total economic output



Employment

- The education & training industry employed an average of 22,599 persons in Wellington in 2012 which was up from 22,519 in 2011.
- Employment growth in the industry averaged 2.6% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the sector peaked at 5.2% in 2003.

Business units

- Approximately 1,160 business units were in operation in the education & training industry in Wellington in 2012, which was up from 1153 in 2011.
- The number of business units peaked at 1,172 in 2010.

How well has the manufacturing industry performed?

This section describes the performance of the ninth key industry in Wellington: manufacturing. It compares how the industry has performed relative to the rest of the region's economy in terms of economic output, employment and business unit growth.

Table 25. Economic indicators for the manufacturing industry

Indicator	2012	% of region total	% of national industry	Growth (2011 to 2012)	
				Wellington City	New Zealand
GDP (\$ million)	\$1326.0	6.6%	7.2%	8.1%	2.0%
Employment	14,265	5.5%	6.4%	-13%	-0.2%
Business Units	1,748	3.4%	7.9%	-2.7%	-16%

Economic output

- The manufacturing industry contributed \$1326.0 million towards GDP in Wellington in 2012. This amounted to 6.6% of the region's economic output in 2012, down from 8.7% ten years ago.
- Economic output in Wellington's manufacturing sector grew by 8.1% in 2012 compared with growth of 2.0% in the industry nationally.
- Growth in the industry in Wellington has averaged -1.0%pa over the last ten years, varying from a low of -10.2% in 2010 to a high of 8.4% in 2003.

Figure 33. Output growth in the manufacturing industry

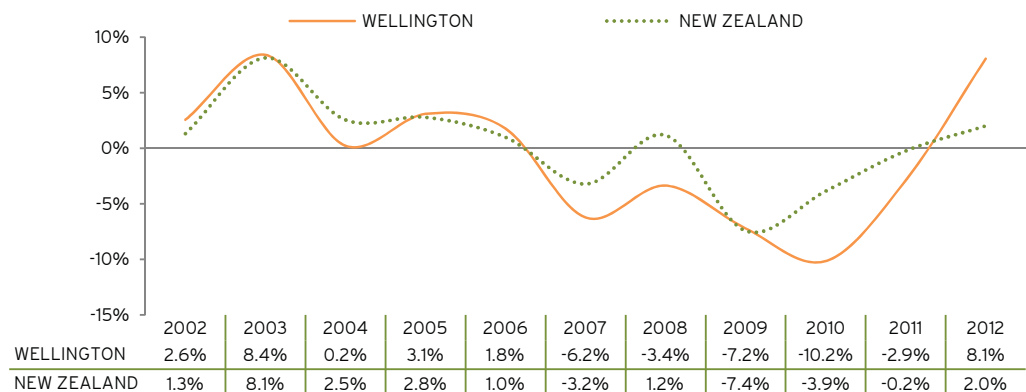
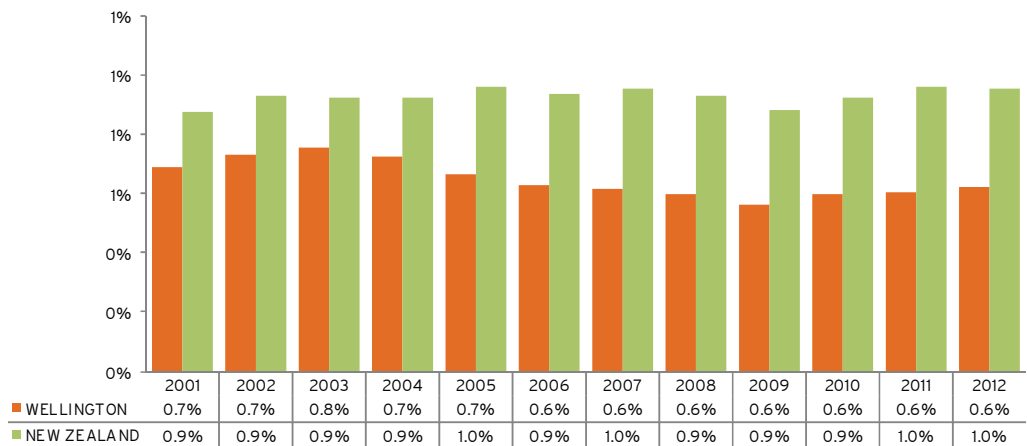


Figure 34. Manufacturing's share of total economic output



Employment

- The manufacturing industry employed an average of 14,265 persons in Wellington in 2012 which was down from 14,454 in 2011.
- Employment growth in the industry averaged -2.5% over the past ten years compared with total employment growth in the region of 1.2%.
- Employment growth in the sector peaked at 1.3% in 2006.

Business units

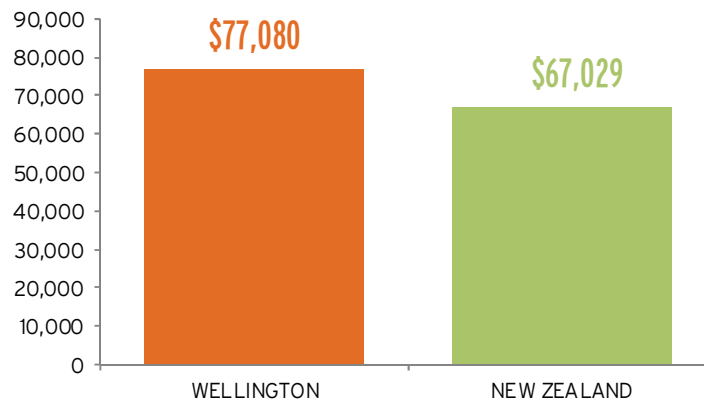
- Approximately 1,748 business units were in operation in the manufacturing sector in Wellington in 2012, which was down from 1797 in 2011.
- The number of business units peaked at 1,931 in 2002.

PRODUCTIVITY

Productivity is a way of describing the efficiency of production. In this section, we investigate GDP per employee to determine how much economic activity is generated on average by each employee. When looking at this indicator, one needs to consider that labour is only one input into production. As a result, a comparison of a region's labour productivity growth to its own history or to other regions, implicitly assumes that each worker has the same access to machinery, technology, and land.

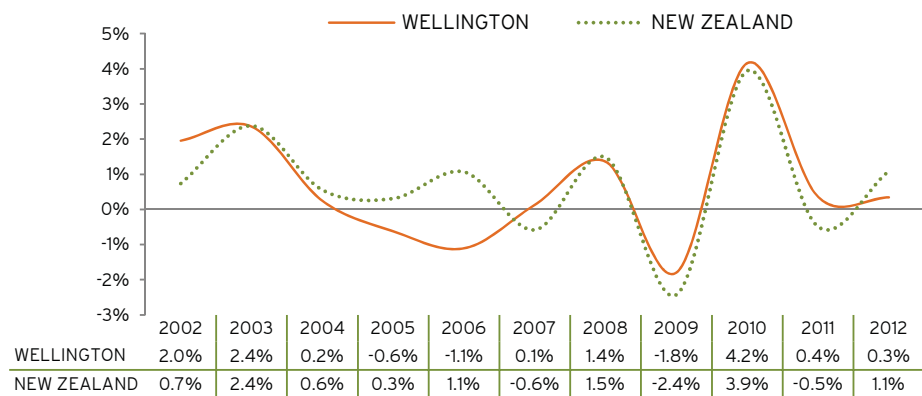
This section describes Wellington's productivity level during the year to March 2012 and previous years. Productivity is measured by GDP per employee (in constant 1995/96 prices).

Figure 35. GDP per employee (year to March 2012)



- GDP per employee in Wellington measured \$77,080 in the year to March 2012, which was 15% higher than at the national level.
- Productivity in Wellington, increased by 0.3% from a year earlier compared with an increase of 1.1% in the national economy.
- Productivity growth in Wellington averaged 0.7%pa since 2001 compared with an average of 0.7%pa in the national economy.

Figure 36. Annual average productivity growth (2002-2012)



What are the most productive industries in Wellington?

This section ranks industries according to their level of GDP per employee in Wellington. The level of GDP per employee may differ between industries because of the skill levels of workers and their inherent efficiency, as well as due to different amounts of machinery, technology, and land being used as production inputs. Table 23 below ranks broad industries by GDP per employee in Wellington and shows the corresponding GDP per employee in the national economy. Since the capital intensity of industries is often a significant explainer of productivity we also show the capital intensity of each industry in the table. Capital intensity is measured as the share of GDP which is attributable to capital. Industries with a high proportion are thus highly capital intensive.

Table 26. 1-digit industries ranked by productivity (2012)

Industry	GDP per employee		Capital intensity
	Wellington	New Zealand	New Zealand
Mining	768,164	190,460	0.78
Electricity, Gas, Water and Waste Services	297,700	233,508	0.86
Rental, Hiring and Real Estate Services	269,153	163,045	0.82
Information Media and Telecommunications	235,366	208,267	0.66
Financial and Insurance Services	142,227	116,508	0.56
Wholesale Trade	135,691	70,877	0.42
Transport, Postal and Warehousing	101,739	80,769	0.40
Manufacturing	92,955	83,522	0.42
Arts and Recreation Services	81,097	41,455	0.51
Public Administration and Safety	69,624	58,529	0.20
Agriculture, Forestry and Fishing	47,639	63,148	0.41
Construction	41,973	35,886	0.23
Professional, Scientific and Technical Services	38,724	46,785	0.20
Retail Trade	36,942	35,893	0.31
Other Services	36,481	34,198	0.22
Health Care and Social Assistance	36,100	35,370	0.22
Education and Training	25,572	26,052	0.22
Administrative and Support Services	23,398	23,055	0.20
Accommodation and Food Services	16,671	16,297	0.29
Total	77,080	67,029	0.42

- Mining was the industry with the highest GDP per employee in Wellington in 2012 with GDP per employee of \$768,164.
- The second highest was electricity, gas, water and waste services (\$297,700) followed by rental, hiring and real estate services (\$269,153).
- The industries with the lowest GDP per employee were accommodation and food services (\$16,671), administrative and support services (\$23,398) and education and training (\$25,572).

EXPORTS

How fast have exports from Wellington grown?

This section investigates Wellington’s export performance during the year to March 2012 and previous years. Lack of regional specific data on exports by industry requires us to make some assumptions. The main assumption is that the industries in the region have the same export orientation as the national average. Regional exports of industries are thus driven by the economic performance of the industry in the region coupled with the export-output ratio of the industry at the national level. Further details of our method are in the Technical Notes section at the end of this document.

Estimates of exports are presented in constant 1995/96 prices.

- Exports from Wellington measured \$2,348m in the year to March 2012, up 6.8% from a year earlier.
- New Zealand's exports increased by 3.3% over the same period.
- Since 2008, export growth in Wellington reached a high of 6.8% in 2012 and a low of -5.5% in 2009.

Figure 37. Export growth (year to March 2012)

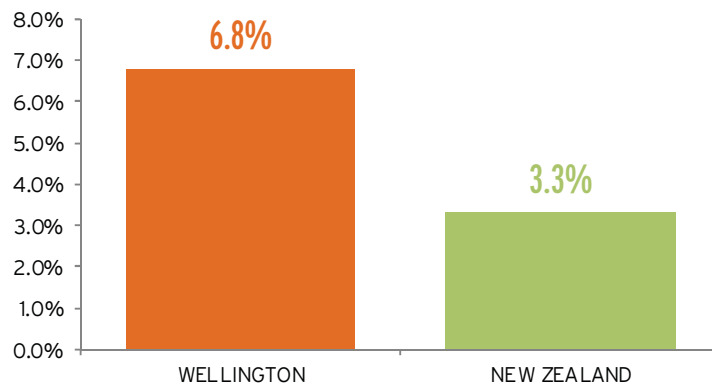
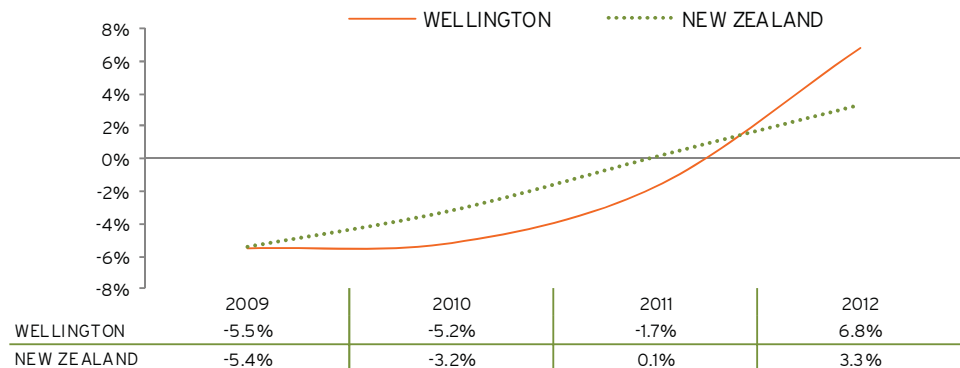
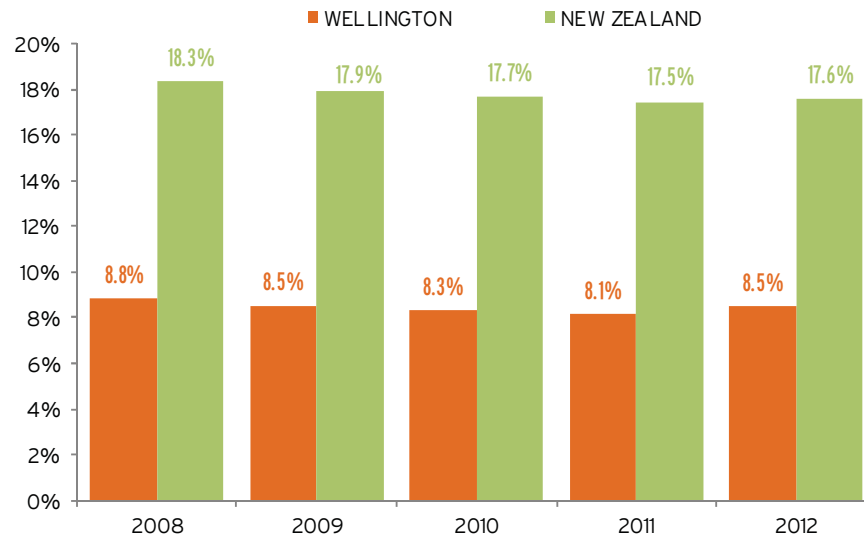


Figure 38. Export growth (2009-2012)



- Wellington exported 8.5% of its gross output. This means it has a lower export orientation than the economy as a whole which exported 17.6% of its output.
- The proportion of Wellington's gross output that was exported decreased from 8.8% in 2008 to 8.5% in 2012.

Figure 39. Export orientation (% of output exported)



Which industries make the largest contribution to exports?

Table 25 on the next page shows a ranking of 54 industries by their contribution to Wellington's total exports.

- Rail, water, air and other transport was the largest exporting industry in Wellington in 2012, accounting for 11.5% of total exports.
- The second largest exporter was accommodation and food services (8.3%) followed by dairy product manufacturing (8.3%).
- The industry most highly represented in Wellington's exports relative to the national economy is petroleum and coal product manufacturing. This industry contributes 2.5% to the district's exports compared with 0.4% to the national economy.
- The next most highly represented exporting industries are central government administration, defence and public safety (1.8% and 0.3%) and arts and recreation services (1.7% and 0.3%).

Table 27. 54-industry categories ranked by contribution to total exports (2012)

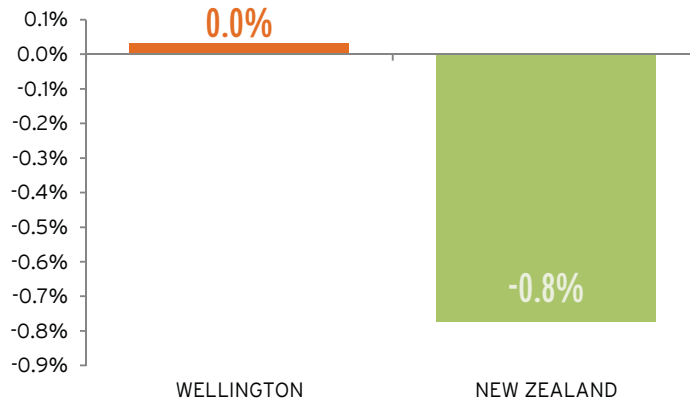
Rank	Industry	Wellington				New Zealand	
		Exports (95/96 prices)		Change (2011-12)		% of total	Change (2011-12)
		(\$ m)	% of total	\$ m	%		
1	Rail, Water, Air and Other Transport	270	115%	21	8.3%	4.4%	0.8%
2	Accommodation and Food Services	195	8.3%	12	6.5%	4.0%	3.3%
3	Dairy Product Manufacturing	195	8.3%	54	38.3%	24.8%	7.2%
4	Professional, Scientific and Technical Services	160	6.8%	8	5.5%	2.8%	5.5%
5	Postal, Courier Transport Support, and Warehousing Services	133	5.7%	-1	-0.8%	2.9%	0.8%
6	Pulp, Paper and Converted Paper Product Manufacturing	131	5.6%	7	5.4%	4.8%	0.0%
7	Meat and Meat Product Manufacturing	121	5.1%	7	6.1%	10.8%	4.4%
8	Mining	107	4.6%	31	40.5%	1.6%	-14.5%
9	Machinery and Other Equipment Manufacturing	98	4.2%	3	2.7%	6.1%	6.8%
10	Education and Training	93	4.0%	0	-0.2%	1.9%	1.0%
11	Fruit, Oil, Cereal and Other Food Product Manufacturing	81	3.5%	0	0.2%	5.4%	10.5%
12	Road Transport	74	3.1%	2	3.3%	1.7%	0.8%
13	Textile, Leather, Clothing and Footwear Manufacturing	64	2.7%	-7	-9.8%	2.7%	-8.8%
14	Administrative and Support Services	60	2.6%	3	5.7%	1.1%	5.1%
15	Petroleum and Coal Product Manufacturing	59	2.5%	8	15.8%	0.4%	0.0%
16	Wood Product Manufacturing	56	2.4%	-3	-5.5%	3.3%	0.1%
17	Wholesale Trade	48	2.0%	0	-0.8%	0.8%	3.1%
18	Primary Metal and Metal Product Manufacturing	46	2.0%	2	5.6%	3.9%	0.9%
19	Central Government Administration, Defence and Public Safety	43	1.8%	-1	-1.5%	0.3%	-0.4%
20	Arts and Recreation Services	41	1.7%	-2	-5.1%	0.3%	-3.8%
21	Other Services	41	1.7%	1	3.1%	0.8%	0.7%
22	Fishing and Aquaculture	40	1.7%	2	5.1%	3.2%	3.2%
23	Polymer Product and Rubber Product Manufacturing	30	1.3%	0	1.6%	1.0%	-0.1%
24	Finance	24	1.0%	-2	-6.5%	0.3%	2.8%
25	Beverage and Tobacco Product Manufacturing	21	0.9%	4	27.3%	1.7%	-6.9%
26	Basic Chemical and Chemical Product Manufacturing	20	0.8%	-2	-8.3%	1.2%	-0.1%
27	Fabricated Metal Product Manufacturing	18	0.7%	0	2.8%	0.9%	0.8%
28	Horticulture and Fruit Growing	14	0.6%	-1	-6.1%	2.3%	3.2%
29	Poultry, Deer and Other Livestock Farming	11	0.5%	1	11.1%	0.7%	3.0%
30	Insurance and Superannuation Funds	10	0.4%	0	-4.2%	0.1%	2.8%
31	Transport Equipment Manufacturing	8	0.3%	1	7.4%	0.6%	6.8%
32	Furniture and Other Manufacturing	8	0.3%	-1	-10.7%	0.3%	-5.6%
33	Forestry and Logging	5	0.2%	1	14.8%	0.4%	1.5%
34	Sheep, Beef Cattle and Grain Farming	5	0.2%	0	9.6%	0.4%	10.7%
35	Information Media Services	4	0.2%	0	5.4%	0.1%	-2.0%
36	Seafood Processing	4	0.2%	0	13.0%	1.7%	4.4%
37	Construction Services	2	0.1%	0	-10.9%	0.0%	-8.2%
38	Non-Metallic Mineral Product Manufacturing	2	0.1%	0	-9.9%	0.1%	-2.1%
39	Printing	1	0.1%	0	-2.7%	0.0%	-1.2%
40	Rental and Hiring Services (except Real Estate)	1	0.0%	0	-10%	0.0%	1.9%
41	Health Care and Social Assistance	1	0.0%	0	-17%	0.0%	-2.2%
42	Other Store-Based Retailing and Non Store Retailing	0	0.0%	0	5.2%	0.0%	4.7%
43	Dairy Cattle Farming	0	0.0%	0	40.6%	0.1%	52.4%
44	Agriculture, Forestry and Fishing Support Services and Hunting	0	0.0%	0	-6.7%	0.0%	1.3%
45	Building Construction	0	0.0%	0	0.0%	0.0%	0.0%
46	Supermarket, Grocery Stores and Specialised Food Retailing	0	0.0%	0	0.0%	0.0%	0.0%
47	Local Government Administration	0	0.0%	0	0.0%	0.0%	0.0%
48	Telecommunications, Internet and Library Services	0	0.0%	0	0.0%	0.0%	0.0%
49	Motor Vehicle and Motor Vehicle Parts and Fuel Retailing	0	0.0%	0	0.0%	0.0%	0.0%
50	Water, Sewerage, Drainage and Waste Services	0	0.0%	0	0.0%	0.0%	0.0%
51	Auxiliary Finance and Insurance Services	0	0.0%	0	0.0%	0.0%	0.0%
52	Heavy and Civil Engineering Construction	0	0.0%	0	0.0%	0.0%	0.0%
53	Property Operators and Real Estate Services	0	0.0%	0	0.0%	0.0%	0.0%
54	Electricity and Gas Supply	0	0.0%	0	0.0%	0.0%	0.0%
Total		2,348	100.0%	150	6.8%	100.0%	3.3%

BUSINESS GROWTH

How fast did the number of business units grow in Wellington?

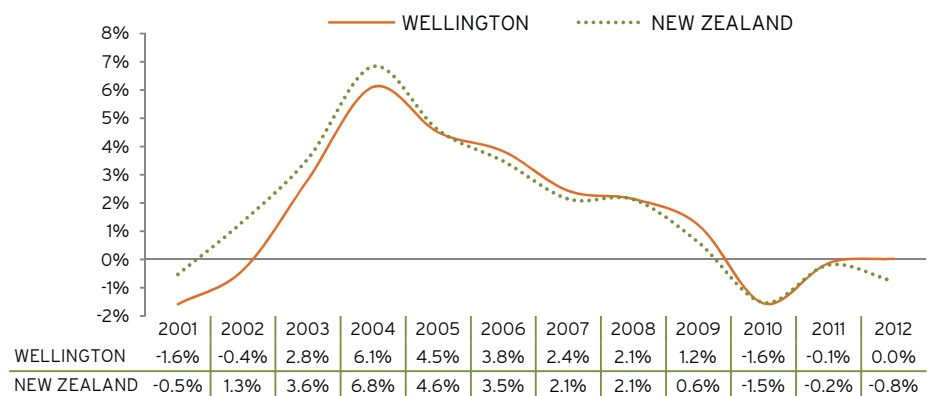
Growth in the number of business units is an indicator of entrepreneurial activity. It indicates an environment in which entrepreneurs are prepared to take risks to start new ventures. This section contrasts Wellington's recent performance in business unit growth with other regions in the country.

Figure 40. Business unit growth (year to March 2012)



- A total of 51,848 business units were recorded in Wellington in 2012, slightly up from a year earlier.
- The number of business units in New Zealand declined by 0.8% over the same period.
- Growth in the number of business units in Wellington averaged 1.6%pa since 2000 compared with 1.8%pa in the national economy.
- Business unit growth in Wellington varied from a high of 6.1% in 2004 to a low of -1.6% in 2010.

Figure 41. Annual average business unit growth (2001-2012)



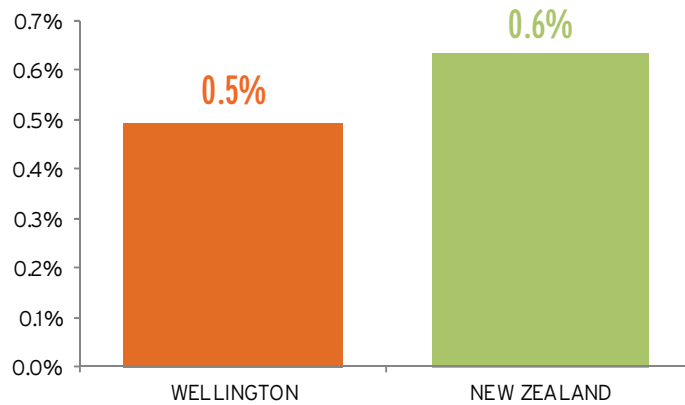
POPULATION GROWTH

New Zealand's population reached 4.4 million in June 2012. The population increased by 0.6% in the June year, which was the lowest growth rate since 2001. The growth slowdown was due to a fall in net migration, with more people leaving New Zealand on a permanent or long term basis than arriving.

How fast has Wellington's population grown?

Population growth is an indicator of a region's attractiveness as a place to live and work. A strong regional economy with plentiful job opportunities will help a region retain its population and attract new residents from other regions and abroad. This section contrasts Wellington's recent population growth with other regions and the country as a whole.

Figure 42. Population growth (year to June 2012)



- Wellington's population was 490,100 in 2012, up 0.5% from a year earlier. New Zealand's total population grew by 0.6% over the same period.
- Population growth in Wellington averaged 1.0%pa since 2002 compared with 1.4%pa in the national economy.
- Since 2002 growth in Wellington reached a high of 1.5% in 2003 and a low of 0.5%pa in 2012.

Figure 43. Annual population growth (June years)

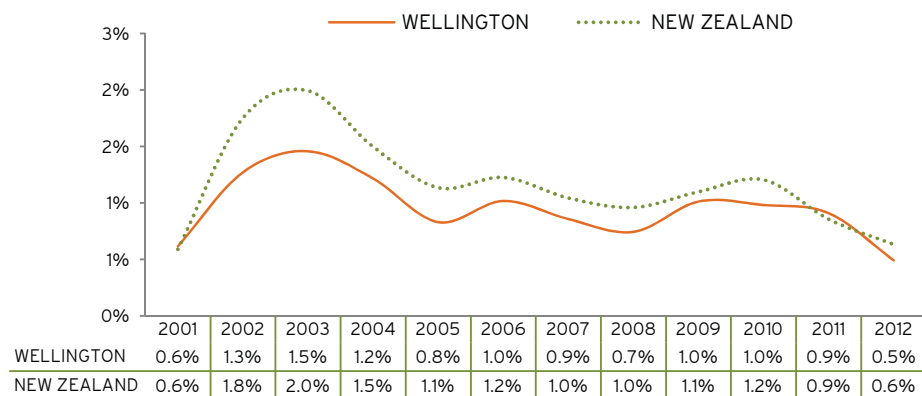
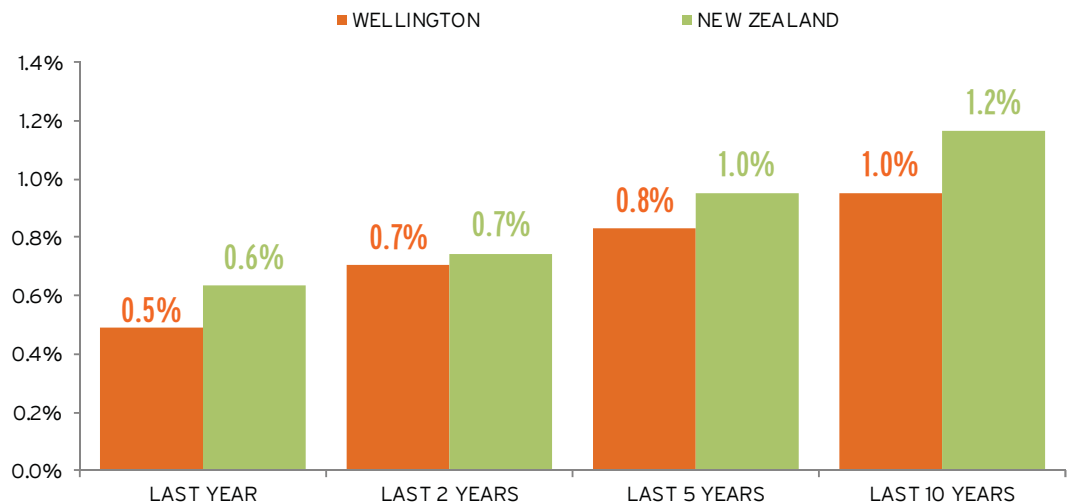


Table 28. Regions ranked by population growth

Rank	2011 to 2012		2010 to 2012		2007 to 2012		2002 to 2012	
1	Auckland	15%	Auckland	16%	Auckland	15%	Auckland	18%
2	Nelson	0.9%	Nelson	12%	Tasman	10%	Tasman	11%
3	Waikato	0.8%	Tasman	12%	Waikato	10%	Waikato	11%
4	Otago	0.7%	Otago	0.9%	Nelson	10%	Marlborough	10%
5	Tasman	0.6%	Waikato	0.8%	Otago	0.9%	Canterbury	10%
6	Wellington	0.5%	Wellington	0.7%	Wellington	0.8%	Otago	10%
7	Gisborne	0.4%	Taranaki	0.5%	Marlborough	0.8%	Bay of Plenty	10%
8	Taranaki	0.4%	Marlborough	0.4%	Bay of Plenty	0.7%	Wellington	10%
9	Marlborough	0.2%	Bay of Plenty	0.4%	Northland	0.6%	Northland	0.8%
10	Northland	0.1%	Southland	0.4%	Taranaki	0.5%	Nelson	0.8%
11	Manawatu-Wanganui	0.0%	West Coast	0.3%	Canterbury	0.4%	West Coast	0.6%
12	Bay of Plenty	0.0%	Northland	0.3%	West Coast	0.4%	Hawke's Bay	0.4%
13	West Coast	0.0%	Manawatu-Wanganui	0.2%	Southland	0.4%	Taranaki	0.4%
14	Southland	0.0%	Gisborne	0.2%	Gisborne	0.4%	Gisborne	0.3%
15	Hawke's Bay	-0.2%	Hawke's Bay	0.1%	Hawke's Bay	0.3%	Manawatu-Wanganui	0.2%
16	Canterbury	-0.3%	Canterbury	-0.6%	Manawatu-Wanganui	0.3%	Southland	0.1%

- Wellington's population growth of 0.5% between 2011 and 2012 ranked it number 6 among the 16 regions for rate of population growth.
- Over the past two years (2010 to 2012) population in Wellington grew by 0.7%pa ranking it number 6.
- Over the past five years (2007 to 2012) population in Wellington grew by 0.8%pa ranking it number 6.
- Over the past ten years (2002 to 2012) population in Wellington grew by 1.0%pa ranking it number 8.

Figure 44. Population growth last 1, 2, 5 and 10 years

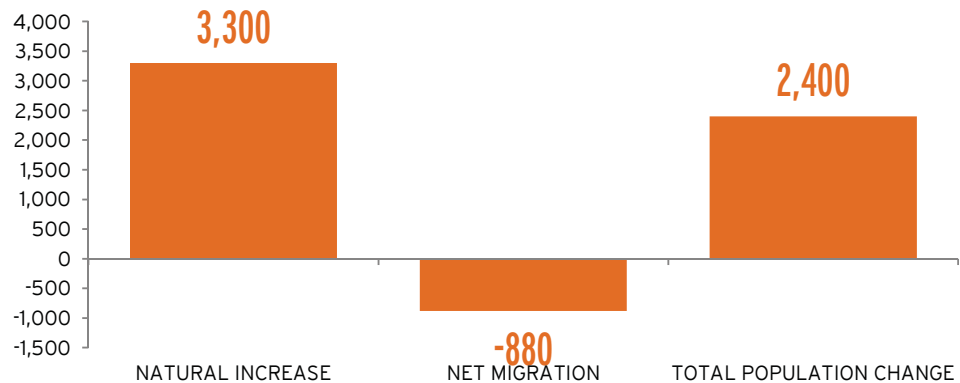


What is the source of Wellington's population growth?

A region's population can grow through natural growth (births less deaths) and net migration (arrivals less departures). This section describes the relative contributions of these two sources to population growth in Wellington.

- Wellington's population increased by 2,400 people in the year to June 2012. This net increase was made up of net migration of -880 and natural increase of 3,300.

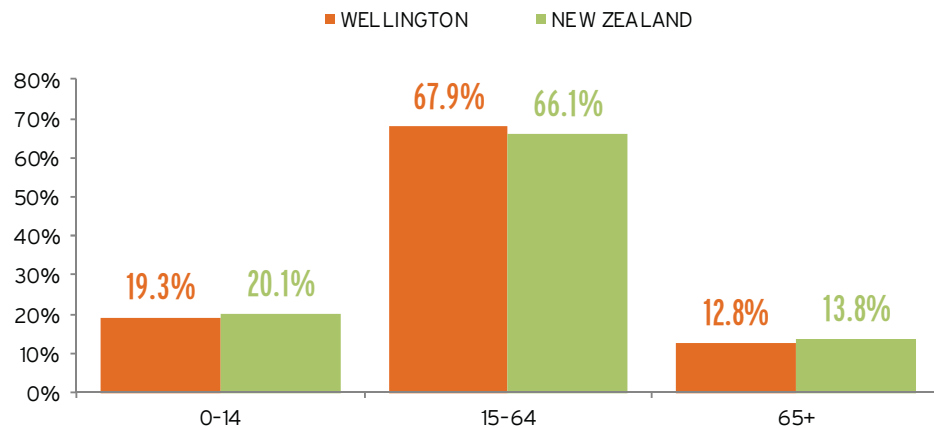
Figure 45. Source of population growth (year to June 2012)



What is the age structure of Wellington's population?

- Wellington's median age of 36.3 years in 2012 was slightly lower than the median age of the national population (37.0).
- In 2012, 67.9% of Wellington's population was of working age (15-64). This was slightly higher than the proportion of the national population (66.1%).
- Wellington had a slightly lower proportion (19.3%) of young people (0-14) than the country as a whole (20.1%) and a significantly lower proportion (12.8%) of people 65 years and older compared with the national (13.8%). Overall the dependency ratio in Wellington (47.3%) was lower than in the national economy (51.3%). The dependency ratio expresses the number of persons outside of the working age as a proportion of the number of persons of working age (15 to 64 years).

Figure 46. Age composition of the population (year to June 2012)



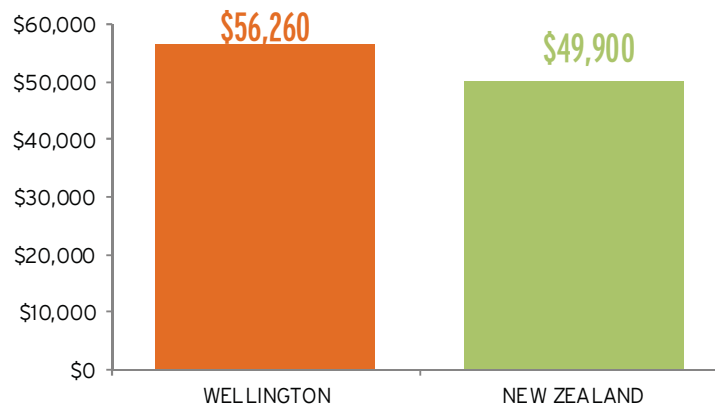
STANDARD OF LIVING

This section describes a few indicators of economic standard of living. It investigates average earnings, house prices and housing affordability. Note that due to data constraints earnings data are provided for the year to March 2011.

What are the median earnings in Wellington?

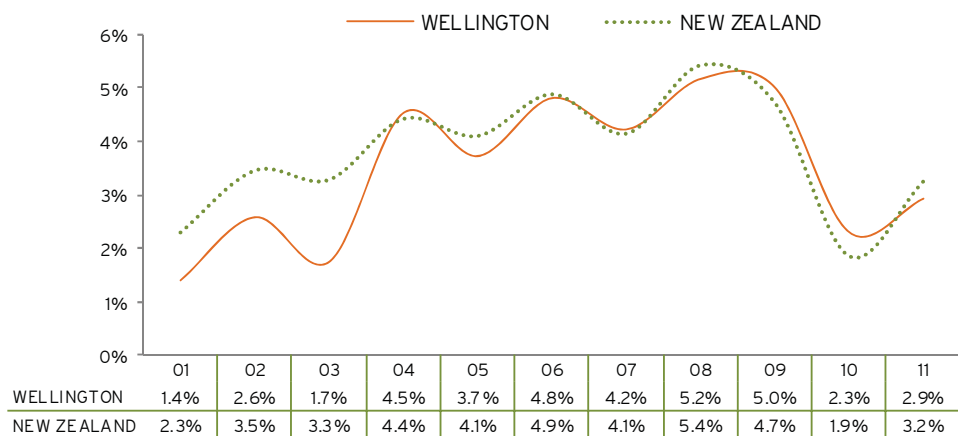
Income earned in the labour market is an important source of household income. This section contrasts Wellington’s median annual earnings with the country as a whole.

Figure 47. Median annual earnings (year to March 2011)



- The median annual earnings in Wellington was \$56,260 in the year to March 2011, which was higher than the national median of \$49,900.
- Median earnings in Wellington increased by 2.9% over the year to March 2011 compared with an increase of 3.2% at the national level.
- Since 2001 earnings growth in Wellington reached a maximum of 5.2% in 2008 and a minimum of 1.4% in 2001.

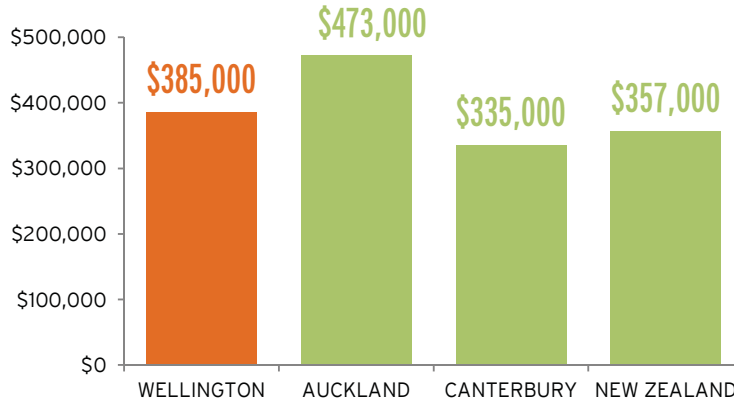
Figure 48. Earnings growth (2001-2011)



How do house prices in Wellington compare?

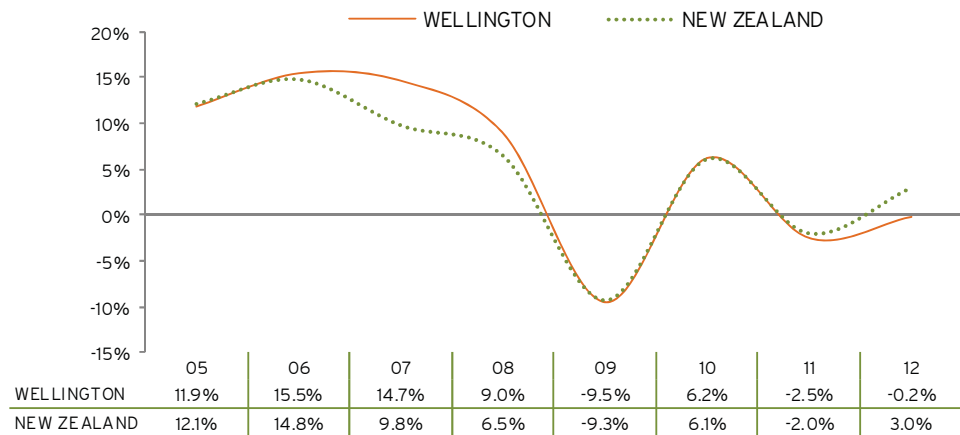
The cost of housing is a major component of household spending. This section describes the cost of housing in Wellington relative to the rest of the country.

Figure 49. Median house price (year to March 2012)



- The median house price in Wellington was \$385,000 in 2012, which was 8% higher than the national median of \$357,000.
- House prices in Wellington declined by 0.2% over the year to March 2012 compared with an increase of 3.0% at the national level.
- Since 2005 house price growth in Wellington reached a maximum of 15.5% in 2006 and a minimum of -9.5% in 2009.

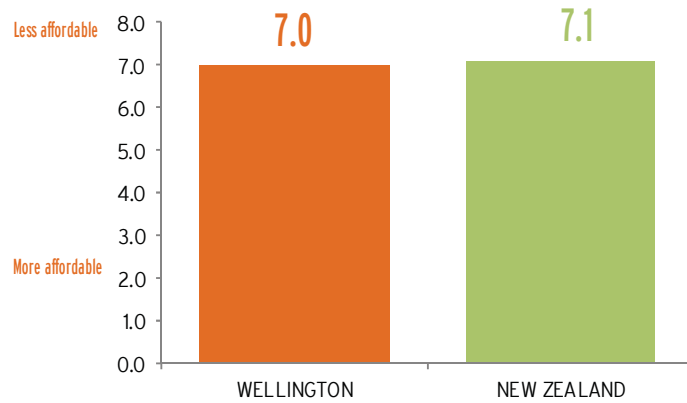
Figure 50. Annual median house price growth (2005-2012)



How affordable is housing in Wellington?

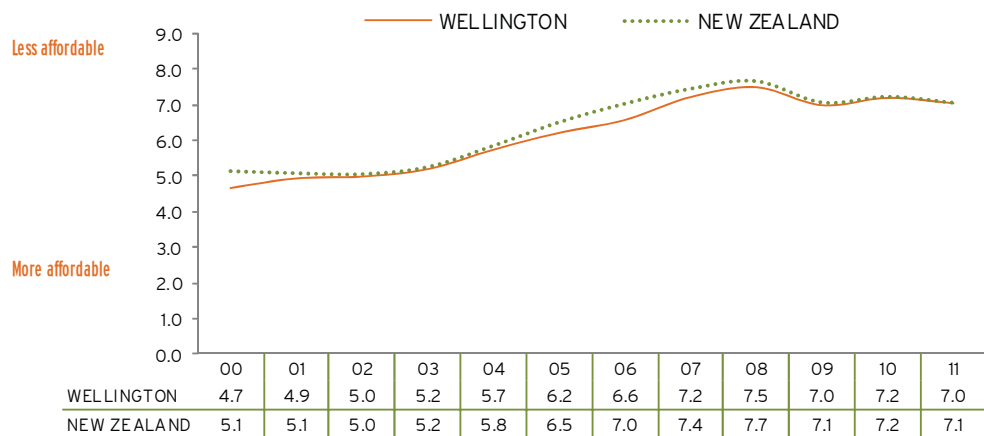
This section investigates the affordability of housing by comparing median house prices with average earnings. We have estimated a housing affordability index which is the ratio of the median house price to annual average earnings measured in the Linked Employer Employee Data. A higher ratio therefore indicates lower housing affordability.

Figure 51. Housing affordability index (year to March 2011)



- The housing affordability index in Wellington was 7.0 in the year to March 2011, which was lower than the national index of 7.1. This means that housing is more affordable in Wellington than in the country as a whole.
- Although housing in Wellington has become less affordable since 2000, affordability has improved in Wellington relative to the national average.

Figure 52. Housing affordability index (2001-2011)



WORKFORCE AND SKILLS

How do skill levels in Wellington compare with New Zealand?

A region that can offer high skilled jobs can generally offer a higher standard of living to its residents. It is also has a better chance of retaining its residents and attracting new skills. This section contrasts the skill levels required by jobs in Wellington with those required in the national economy. The broad skill categories used are defined in the technical section at the end of the report.

Table 29. Employment by broad skill level (2012)

Skill level	Employment		% of total	
	Wellington	New Zealand	Wellington	New Zealand
Highly skilled	103,048	785,671	39.6%	36.4%
Medium-high skilled	28,689	217,638	11.0%	10.1%
Medium skilled	31,486	277,669	12.1%	12.9%
Low Skilled	96,891	878,296	37.2%	40.7%
Total	260,115	2,159,274	100.0%	100.0%

- Approximately 39.6% of Wellington's workforce is employed in highly skilled occupations. This is higher than in the national economy (36.4%).
- Approximately 37.2% of Wellington's workforce is employed in low skilled occupations, which is lower than in the national economy (40.7%).

What is the occupational structure of employment in Wellington?

This section describes the types of occupations that are employed in Wellington. Figure 45 shows the distribution of employment across broad occupational categories (1-digit occupations).

- Professionals accounted for the largest share of employment (26.7%) in Wellington, which is higher than the national average (21.9%).
- Managers accounted for the second largest share of employment (17.1%) in Wellington, which is lower than the national average (18.5%).
- Machinery Operators and Drivers accounted for the lowest share of employment (4.2%) in Wellington, which is lower than the national average (5.8%).

Figure 53. Employment by broad (1-digit) occupation (2012)

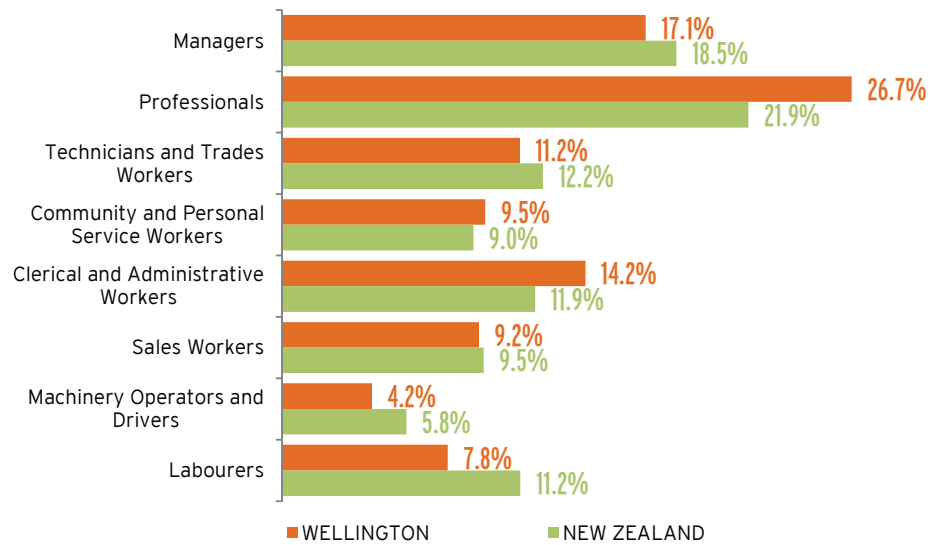


Table 30 shows employment by 1 and 2-digit occupations.

Table 30. Employment 1 and 2-digit occupations (2012)

Occupation	Employment		% of total	
	Wellington	New Zealand	Wellington	New Zealand
Chief Executives, General Managers and Legislators	9,357	76,221	3.6%	3.5%
Farmers and Farm Managers	2,491	67,964	1.0%	3.1%
Specialist Managers	22,630	175,443	8.7%	8.1%
Hospitality, Retail and Service Managers	9,922	80,159	3.8%	3.7%
Managers	44,401	399,787	17.1%	18.5%
Arts and Media Professionals	3,175	19,234	1.2%	0.9%
Business, Human Resource and Marketing Professionals	17,321	101,627	6.7%	4.7%
Design, Engineering, Science and Transport Professionals	8,049	63,949	3.1%	3.0%
Education Professionals	15,542	122,812	6.0%	5.7%
Health Professionals	9,760	83,222	3.8%	3.9%
ICT Professionals	7,770	39,704	3.0%	1.8%
Legal, Social and Welfare Professionals	7,938	42,041	3.1%	1.9%
Professionals	69,554	472,590	26.7%	21.9%
Engineering, ICT and Science Technicians	5,712	42,201	2.2%	2.0%
Automotive and Engineering Trades Workers	4,689	57,704	1.8%	2.7%
Construction Trades Workers	5,775	49,909	2.2%	2.3%
Electrotechnology and Telecommunications Trades Workers	2,818	24,334	1.1%	1.1%
Food Trades Workers	3,634	31,386	1.4%	1.5%
Skilled Animal and Horticultural Workers	2,071	22,594	0.8%	1.0%
Other Technicians and Trades Workers	4,348	36,355	1.7%	1.7%
Technicians and Trades Workers	29,046	264,483	11.2%	12.2%
Health and Welfare Support Workers	2,300	18,217	0.9%	0.8%
Carers and Aides	8,764	72,877	3.4%	3.4%
Hospitality Workers	5,027	40,893	1.9%	1.9%
Protective Service Workers	4,893	30,954	1.9%	1.4%
Sports and Personal Service Workers	3,828	31,058	1.5%	1.4%
Community and Personal Service Workers	24,813	193,998	9.5%	9.0%
Office Managers and Program Administrators	5,381	39,409	2.1%	1.8%
Personal Assistants and Secretaries	2,946	19,525	1.1%	0.9%
General Clerical Workers	8,477	61,495	3.3%	2.8%
Inquiry Clerks and Receptionists	4,424	35,171	1.7%	1.6%
Numerical Clerks	7,274	46,154	2.8%	2.1%
Clerical and Office Support Workers	2,983	17,341	1.1%	0.8%
Other Clerical and Administrative Workers	5,546	37,422	2.1%	1.7%
Clerical and Administrative Workers	37,031	256,518	14.2%	11.9%
Sales Representatives and Agents	8,775	69,559	3.4%	3.2%
Sales Assistants and Salespersons	11,976	106,775	4.6%	4.9%
Sales Support Workers	3,283	27,929	1.3%	1.3%
Sales Workers	24,034	204,262	9.2%	9.5%
Machine and Stationary Plant Operators	3,096	37,889	1.2%	1.8%
Mobile Plant Operators	1,321	20,268	0.5%	0.9%
Road and Rail Drivers	4,850	48,598	1.9%	2.3%
Storepersons	1,729	19,250	0.7%	0.9%
Machinery Operators and Drivers	10,997	126,004	4.2%	5.8%
Cleaners and Laundry Workers	5,139	44,533	2.0%	2.1%
Construction and Mining Labourers	1,749	19,480	0.7%	0.9%
Factory Process Workers	2,893	46,031	1.1%	2.1%
Farm, Forestry and Garden Workers	2,535	50,830	1.0%	2.4%
Food Preparation Assistants	2,021	16,861	0.8%	0.8%
Other Labourers	5,904	63,897	2.3%	3.0%
Labourers	20,240	241,631	7.8%	11.2%
Total	260,115	2,159,274	100.0%	100.0%

Which are the largest occupations in Wellington?

Table 31 shows a ranking of 2-digit occupations from largest to smallest.

- The largest occupations are specialist managers (8.8% of total employment), business, human resource and marketing professionals (8.6%) and education professionals (5.2%).

Table 31. Broad occupations ranked by size of employment (2012)

Rank	Occupation	Wellington City		New Zealand
		Employment	% of total	% of total
1	Specialist Managers	22,630	8.7%	7.9%
2	Business, Human Resource and Marketing Professionals	17,321	6.7%	5.6%
3	Education Professionals	15,542	6.0%	5.2%
4	Legal, Social and Welfare Professionals	7,938	3.1%	4.7%
5	ICT Professionals	7,770	3.0%	3.8%
6	Hospitality, Retail and Service Managers	9,922	3.8%	3.7%
7	Sales Assistants and Salespersons	11,976	4.6%	3.5%
8	Health Professionals	9,760	3.8%	3.3%
9	Sales Representatives and Agents	8,775	3.4%	3.2%
10	Chief Executives, General Managers and Legislators	9,357	3.6%	3.1%
11	Numerical Clerks	7,274	2.8%	2.9%
12	General Clerical Workers	8,477	3.3%	2.9%
13	Design, Engineering, Science and Transport Professionals	8,049	3.1%	3.0%
14	Carers and Aides	8,764	3.4%	2.7%
15	Other Clerical and Administrative Workers	5,546	2.1%	2.4%
16	Engineering, ICT and Science Technicians	5,712	2.2%	2.4%
17	Office Managers and Program Administrators	5,381	2.1%	2.3%
18	Hospitality Workers	5,027	1.9%	2.2%
19	Cleaners and Laundry Workers	5,139	2.0%	2.2%
20	Protective Service Workers	4,893	1.9%	2.1%
21	Other Labourers	5,904	2.3%	1.9%
22	Inquiry Clerks and Receptionists	4,424	1.7%	2.0%
23	Sports and Personal Service Workers	3,828	1.5%	1.9%
24	Arts and Media Professionals	3,175	1.2%	1.7%
25	Road and Rail Drivers	4,850	1.9%	1.8%
26	Other Technicians and Trades Workers	4,348	1.7%	1.7%
27	Construction Trades Workers	5,775	2.2%	1.7%
28	Personal Assistants and Secretaries	2,946	1.1%	1.7%
29	Food Trades Workers	3,634	1.4%	1.7%
30	Clerical and Office Support Workers	2,983	1.1%	1.5%
31	Automotive and Engineering Trades Workers	4,689	1.8%	1.4%
32	Sales Support Workers	3,283	1.3%	1.4%
33	Factory Process Workers	2,893	1.1%	1.3%
34	Electrotechnology and Telecommunications Trades Workers	2,818	1.1%	1.1%
35	Health and Welfare Support Workers	2,300	0.9%	1.1%
36	Machine and Stationary Plant Operators	3,096	1.2%	0.9%
37	Food Preparation Assistants	2,021	0.8%	1.0%
38	Skilled Animal and Horticultural Workers	2,071	0.8%	0.9%
39	Storepersons	1,729	0.7%	0.9%
40	Farm, Forestry and Garden Workers	2,535	1.0%	0.9%
41	Construction and Mining Labourers	1,749	0.7%	0.8%
42	Farmers and Farm Managers	2,491	1.0%	0.8%
43	Mobile Plant Operators	1,321	0.5%	0.8%
Total		260,115	100.0%	100.0%

Which occupations have gained and lost the most positions in Wellington?

This section identifies which detailed (4-digit) occupations experienced the largest increase and decrease in employment over the past two years.

- Early Childhood (Pre-primary School) Teachers are estimated to have experienced the highest growth in jobs in Wellington between 2010 and 2012 with an additional 215 positions.
- This was followed by software and applications programmers (+201 jobs) and registered nurses (+195 jobs).

Table 32. Detailed occupations ranked by number of jobs created (2010 - 2012)

Rank	Occupation	Jobs		New jobs
		2010	2012	
1	Early Childhood (Pre-primary School) Teachers	2,764	2,980	215
2	Software and Applications Programmers	3,276	3,476	201
3	Registered Nurses	4,129	4,324	195
4	Advertising, Public Relations and Sales Managers	4,314	4,483	169
5	Secondary School Teachers	3,172	3,302	130
6	ICT Business and Systems Analysts	1,798	1,910	112
7	Chefs	1,970	2,078	108
8	ICT Managers	1,200	1,307	106
9	Sales Representatives	6,459	6,563	104
10	Court and Legal Clerks	538	640	102
11	Contract, Program and Project Administrators	2,539	2,638	99
12	Policy and Planning Managers	3,349	3,444	95
13	Human Resource Professionals	1,234	1,323	89
14	Graphic and Web Designers, and Illustrators	1,177	1,259	82
15	Nursing Support and Personal Care Workers	4,631	4,712	81
16	Nurse Managers	594	658	64
17	Generalist Medical Practitioners	1,028	1,089	61
18	Other Machine Operators	872	932	60
19	Corporate Services Managers	1,753	1,812	59
20	Judicial and Other Legal Professionals	661	715	54
21	Beauty Therapists	495	548	53
22	Other Education Managers	624	674	50
23	Food and Drink Factory Workers	663	712	50
24	Chief Executives and Managing Directors	5,168	5,212	44
25	Conference and Event Organisers	488	530	42
26	Journalists and Other Writers	770	808	38
27	Film, Television, Radio and Stage Directors	358	395	37
28	Mixed Crop and Livestock Farm Workers	720	757	37
29	Call or Contact Centre and Customer Service Managers	894	930	36
30	Human Resource Managers	785	821	36
31	Other Specialist Managers	896	931	34
32	Medical Laboratory Scientists	205	239	33
33	Multimedia Specialists and Web Developers	296	329	33
34	Mixed Crop and Livestock Farmers	548	581	33
35	Livestock Farmers	1,533	1,565	33
36	Computer Network Professionals	511	542	31
37	Performing Arts Technicians	423	454	31
38	Meat, Poultry and Seafood Process Workers	383	413	30
39	Child Carers	1,458	1,488	30
40	Pharmacists	472	501	29

- Bank Workers was the occupation that experienced the largest fall in employment (-523 jobs) followed by general clerks (-423 jobs) and sales assistants (general) (-404 jobs).

Table 33. Detailed occupations ranked by number of jobs lost (2010 - 2012)

Rank	Occupation	Jobs		Jobs lost
		2010	2012	
1	Bank Workers	3,218	2,695	-523
2	General Clerks	8,099	7,675	-423
3	Sales Assistants (General)	10,865	10,461	-404
4	Commercial Cleaners	4,177	3,953	-224
5	Defence Force Members - Other Ranks	1,139	958	-181
6	Secretaries	1,852	1,680	-172
7	Personal Assistants	1,430	1,266	-164
8	Survey Interviewers	1,262	1,115	-147
9	Construction Managers	3,732	3,595	-137
10	Keyboard Operators	929	802	-127
11	Carpenters and Joiners	1,839	1,714	-125
12	Financial Investment Advisers and Managers	1,167	1,052	-115
13	Retail Managers	4,289	4,184	-105
14	Accountants	4,018	3,935	-83
15	Accounting Clerks	3,049	2,968	-81
16	Storepersons	1,805	1,729	-76
17	Bus and Coach Drivers	810	736	-74
18	General Managers	4,031	3,958	-72
19	Other Hospitality, Retail and Service Managers	1,316	1,245	-71
20	Receptionists	3,715	3,652	-62
21	Ministers of Religion	694	635	-59
22	Management and Organisation Analysts	1,981	1,923	-58
23	Truck Drivers	2,454	2,396	-58
24	Primary School Teachers	4,278	4,220	-57
25	Printers	695	639	-56
26	Welfare, Recreation and Community Arts Workers	1,529	1,474	-55
27	Commissioned Officers (Management)	360	306	-54
28	Motor Mechanics	1,750	1,700	-49
29	Electricians	1,777	1,728	-49
30	Other Miscellaneous Labourers	3,993	3,948	-46
31	Primary Products Inspectors	615	570	-45
32	Sewing Machinists	540	498	-41
33	Civil Engineering Professionals	1,119	1,079	-40
34	ICT Sales Professionals	341	301	-40
35	Credit and Loans Officers (Aus)/Finance Clerks (NZ)	539	499	-40
36	Private Tutors and Teachers	912	875	-37
37	Metal Fitters and Machinists	1,037	1,000	-37
38	Production Managers	799	763	-37
39	Mail Sorters	362	330	-32
40	Checkout Operators and Office Cashiers	2,057	2,025	-32

Employment in knowledge intensive industries in Wellington

Knowledge intensive industries are those in which the generation and exploitation of knowledge play the predominant part in the creation of wealth. These sectors represent an increasing share of the New Zealand economy's output and employment, and will most likely be the source of the future productivity growth.

An industry is defined as knowledge-intensive if it meets two criteria: at least 25 per cent of the workforce is qualified to degree level and at least 30 per cent of the workforce is in professional, managerial and scientific and technical occupations. Further details of the definition are providing in the technical notes at the end of the report.

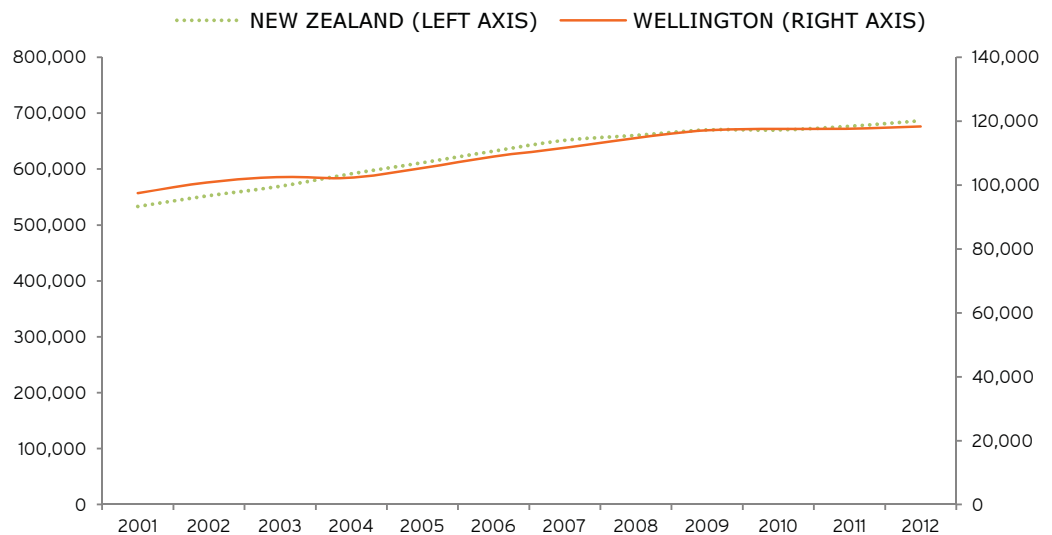
This section describes employment in knowledge intensive industries in Wellington.

Table 34. Employment in knowledge intensive industries (2012)

	Employment in KI industries 2012	% of total employment in KI industries 2012	Annual % change in KI industries (2011-2012)	Annual % change in KI industries (2002-2012)
Wellington	118,321	45.5%	0.6%	1.6%
New Zealand	686,316	31.8%	1.5%	2.2%

- During 2012, there were 118,321 jobs in Wellington's knowledge intensive industries. At 45.5% of total employment, this was higher than the New Zealand average (31.8%).
- Over the past year, employment in knowledge intensive industries increased by 0.6% per annum, which compares with a change of 1.5% in the national economy.

Figure 54. Employment in knowledge intensive industries (2001-2012)



What are the top knowledge intensive industries in Wellington?

- The largest knowledge intensive industry was 'Central Government Administration' with 13,831 jobs, followed by 'Computer Systems Design and Related Services' (7,341), 'Hospitals (except Psychiatric Hospitals)' (6,314) and 'Corporate Head Office Management Services' (6,088).

Table 35. Top knowledge intensive industries in Wellington

Rank	KI Industry	Employment
1	Central Government Administration	13,831
2	Computer Systems Design and Related Services	7,341
3	Hospitals (except Psychiatric Hospitals)	6,314
4	Corporate Head Office Management Services	6,088
5	Management Advice and Other Consulting Services	5,736
6	Higher Education	5,153
7	Primary Education	4,954
8	Other Allied Health Services	4,014
9	Secondary Education	3,731
10	Accounting Services	3,084
11	Legal Services	2,868
12	Engineering Design and Engineering Consulting Services	2,538
13	Regulatory Services	2,347
14	Local Government Administration	2,316
15	Other Auxiliary Finance and Investment Services	2,260
16	Other Administrative Services n.e.c.	2,219
17	Adult, Community and Other Education n.e.c.	2,135
18	Wired Telecommunications Network Operation	2,075
19	Other Interest Group Services n.e.c.	1,763
20	General Practice Medical Services	1,542

Which qualifications are in demand in Wellington?

This section describes the types of qualifications, in terms of NZQA level and field of study, that are in demand in Wellington. The demand for qualifications is derived from our estimates of the demand for occupations by using assumptions about the types of qualifications which are ideally required for each occupation. Thus our estimates do not describe the educational profile of the region's workforce but rather the type of qualifications that are ideally required in the region. Further details are provided in the technical notes at the end.

Table 36. Employment by level of qualification and field of study in Wellington (2012).

Field of Study	Degree	Diploma	Certificate		Total
	Level 7+	Level 5-6	Level 4	Level 1-3	
Number					
Natural and Physical Sciences	3,710	922	136	1,488	6,257
Information Technology	3,530	688	112	2,073	6,402
Engineering and Related Technologies	8,421	2,698	4,737	7,451	23,306
Architecture and Building	3,134	924	2,396	2,267	8,721
Agriculture, Environmental and Related Studies	1,033	390	468	1,336	3,227
Health	6,801	1,393	472	3,365	12,030
Education	6,172	707	489	3,029	10,398
Management and Commerce	14,151	4,597	2,809	15,671	37,227
Society and Culture	12,495	2,671	1,430	7,923	24,519
Creative Arts	3,378	427	541	2,506	6,852
Food, Hospitality and Personal Services	622	2,024	1,713	4,587	8,946
Unallocated					
Total	63,447	17,439	15,303	51,695	147,884
% of total					
Natural and Physical Sciences	2.5%	0.6%	0.1%	10%	4.2%
Information Technology	2.4%	0.5%	0.1%	14%	4.3%
Engineering and Related Technologies	5.7%	18%	3.2%	5.0%	15.8%
Architecture and Building	2.1%	0.6%	16%	15%	5.9%
Agriculture, Environmental and Related Studies	0.7%	0.3%	0.3%	0.9%	2.2%
Health	4.6%	0.9%	0.3%	2.3%	8.1%
Education	4.2%	0.5%	0.3%	2.0%	7.0%
Management and Commerce	9.6%	3.1%	19%	10.6%	25.2%
Society and Culture	8.4%	18%	10%	5.4%	16.6%
Creative Arts	2.3%	0.3%	0.4%	17%	4.6%
Food, Hospitality and Personal Services	0.4%	14%	12%	3.1%	6.0%
Unallocated	0.0%	0.0%	0.0%	0.0%	0.0%
Total	42.9%	11.8%	10.3%	35.0%	100.0%

- The greatest demand in Wellington in 2012 was for qualifications at the level of degree (level 7+). Approximately 43% of all positions in Wellington required this level of qualification.
- By field of study the highest demand was for management and commerce. Approximately 25% of all positions in Wellington required this field of study.

Which qualifications are growing in demand in Wellington?

This section describes the growth in demand for qualifications by NZQA level and field of study. It measures the growth in qualifications ideally required by employers rather than the change in the education profile of the workforce in Wellington. This issue is discussed further in the technical notes at the end of the report.

Table 37. Change in employment by level of qualification and field of study in Wellington (2007 - 2012)

Field of Study	Degree	Diploma	Certificate		Total
	Level 7+	Level 5-6	Level 4	Level 1-3	
Absolute change					
Natural and Physical Sciences	447	46	5	-43	455
Information Technology	356	22	-14	-94	270
Engineering and Related Technologies	730	171	-197	-57	647
Architecture and Building	166	33	-177	-19	3
Agriculture, Environmental and Related Studies	99	54	-4	28	176
Health	939	92	-25	-106	901
Education	429	51	-33	-86	362
Management and Commerce	1076	428	-227	-573	703
Society and Culture	927	223	28	-71	1,107
Creative Arts	160	16	-54	-77	46
Food, Hospitality and Personal Services	41	194	-154	-26	55
Unallocated					
Total	5,370	1,331	-854	-1,123	4,725
% change					
Natural and Physical Sciences	12.1%	5.0%	3.6%	-2.9%	7.3%
Information Technology	10.1%	3.2%	-12.8%	-4.5%	4.2%
Engineering and Related Technologies	8.7%	6.3%	-4.2%	-0.8%	2.8%
Architecture and Building	5.3%	3.6%	-7.4%	-0.8%	0.0%
Agriculture, Environmental and Related Studies	9.5%	13.7%	-1.0%	2.1%	5.5%
Health	13.8%	6.6%	-5.3%	-3.1%	7.5%
Education	7.0%	7.3%	-6.7%	-2.8%	3.5%
Management and Commerce	7.6%	9.3%	-8.1%	-3.7%	1.9%
Society and Culture	7.4%	8.4%	2.0%	-0.9%	4.5%
Creative Arts	4.7%	3.8%	-9.9%	-3.1%	0.7%
Food, Hospitality and Personal Services	6.6%	9.6%	-9.0%	-0.6%	0.6%
Unallocated					
Total	8.5%	7.6%	-5.6%	-2.2%	3.2%

- The number of positions in Wellington requiring a degree (level 7+) increased by 5,370 between 2007 and 2012, ranking it as the qualification level with the largest absolute increase in demand.
- Qualifications with a field of study in society and culture experienced the highest increase in demand between 2007 and 2012. The number of positions requiring this field of study increased by 1,107 over the five year period.

Table 38. Change in employment by level of qualification and field of study in Wellington (2002 - 2012)

Field of Study	Degree		Diploma		Certificate		Total
	Level 7+	Level 6	Level 5-	Level 4	Level 3	Level 1-	
Absolute change							
Natural and Physical Sciences	1,096	73	12	7	188		
Information Technology	763	34	-24	-77	696		
Engineering and Related Technologies	1,958	522	-100	193	2,574		
Architecture and Building	885	196	37	103	1,220		
Agriculture, Environmental and Related Studies	162	135	4	71	373		
Health	1,811	291	-34	-171	1,898		
Education	2,160	178	-19	72	2,392		
Management and Commerce	3,196	1,239	-412	-653	3,379		
Society and Culture	2,975	692	62	251	3,979		
Creative Arts	607	62	-59	30	640		
Food, Hospitality and Personal Services	145	427	-14	98	656		
Unallocated							
Total	15,759	3,849	-547	-76	18,985		
% change							
Natural and Physical Sciences	29.5%	7.9%	8.9%	0.5%	19.0%		
Information Technology	216%	4.9%	-213%	-3.7%	10.9%		
Engineering and Related Technologies	23.3%	19.4%	-2.1%	2.6%	11.0%		
Architecture and Building	28.2%	21.2%	15%	4.5%	14.0%		
Agriculture, Environmental and Related Studies	15.7%	34.7%	0.9%	5.3%	11.6%		
Health	26.6%	20.9%	-7.2%	-5.1%	15.8%		
Education	35.0%	25.2%	-3.9%	2.4%	23.0%		
Management and Commerce	22.6%	27.0%	-14.7%	-4.2%	9.1%		
Society and Culture	23.8%	25.9%	4.3%	3.2%	16.2%		
Creative Arts	18.0%	14.6%	-10.9%	12%	9.3%		
Food, Hospitality and Personal Services	23.2%	21.1%	-0.8%	2.1%	7.3%		
Unallocated							
Total	24.8%	22.1%	-3.6%	-0.1%	12.8%		

- The number of positions in Wellington requiring a degree (level 7+) increased by 15,759 between 2002 and 2012, ranking it as the qualification level with the largest absolute increase in demand
- Qualifications with a field of study in society and culture experienced the highest increase in demand between 2002 and 2012. The number of positions requiring this field of study increased by 3,979 over the ten year period.

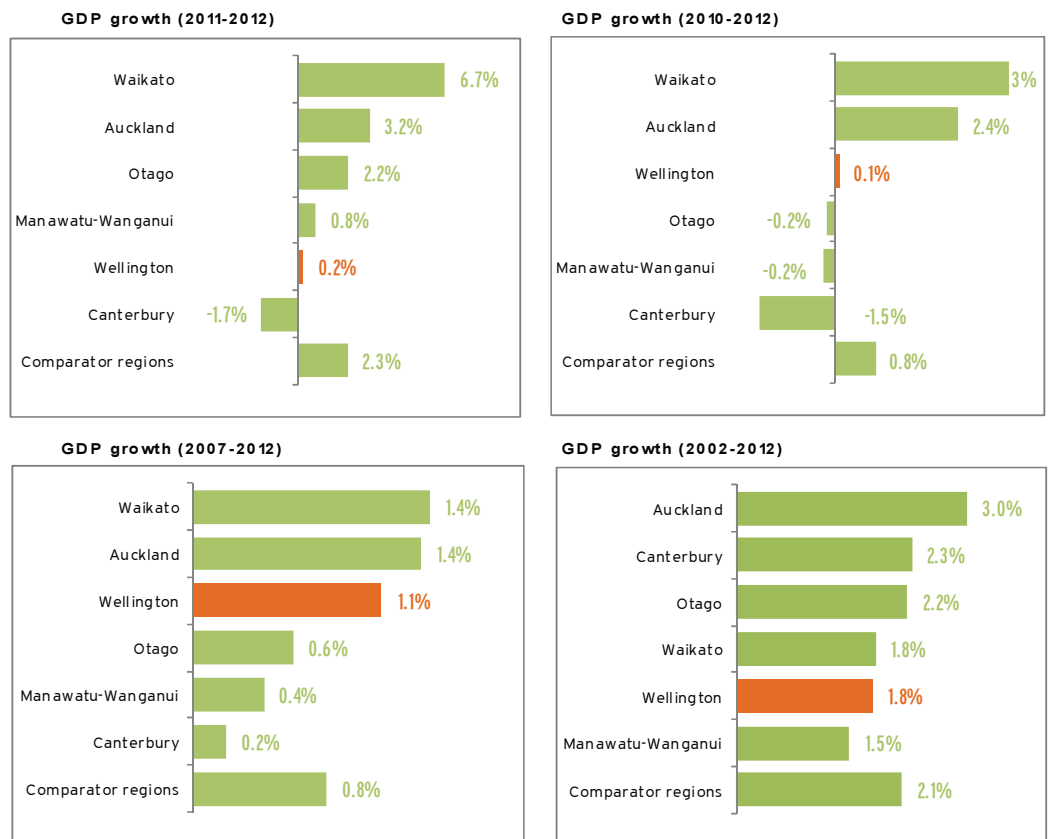
HOW DOES WELLINGTON COMPARE?

This section contrasts the performance of Wellington with five comparator regions according to a number of indicators. The selected comparator regions are: Auckland, Waikato, Manawatu-Wanganui, Canterbury and Otago.

How does Wellington's economic growth compare?

This section compares Wellington's GDP growth with the five comparator districts over the past one, two, five and 10 year periods.

Figure 55. Change in GDP: Wellington versus comparator regions over various time periods

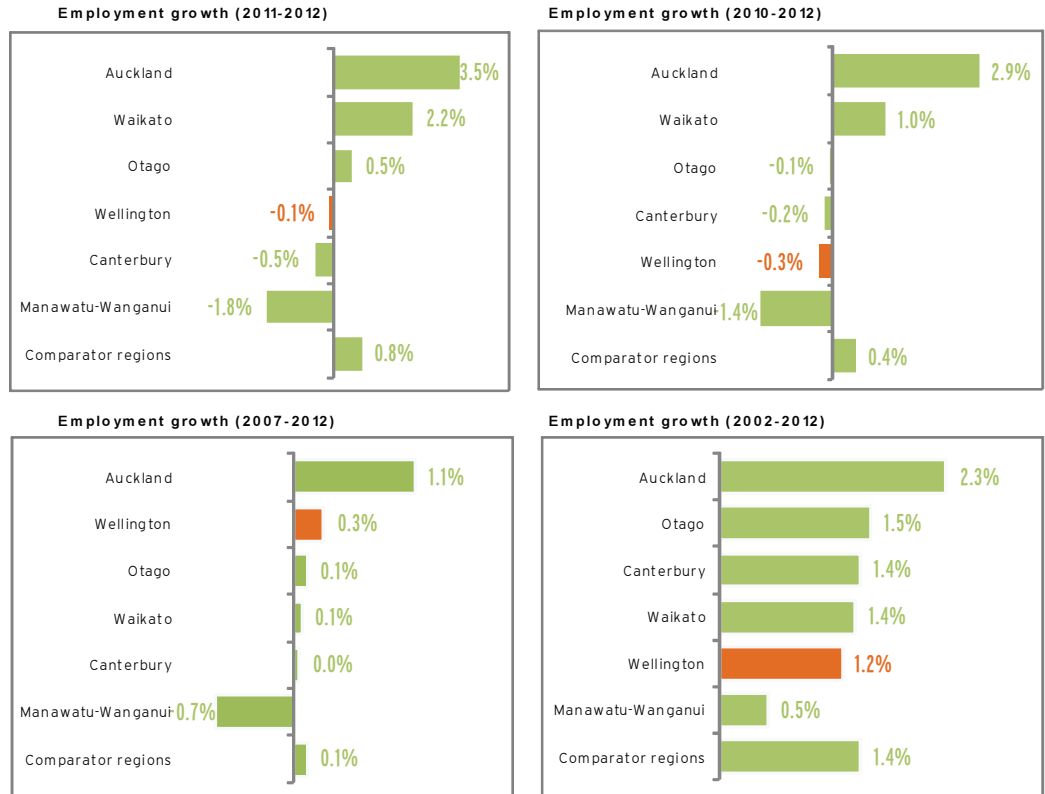


- Over the last year (2011-2012) Wellington's GDP increased by 0.2%, ranking it fifth among the six comparator regions.
- The region's GDP increased by 0.1% over the last two years (2010-2012), ranking it third among the six comparator regions.
- Wellington ranked third over the last five years (2007-2012) and fifth over the last ten years (2002-2012).

How does Wellington’s employment growth compare?

This section compares Wellington’s employment growth with the five comparator regions over the past one, two, five and 10 year periods.

Figure 56. Change in employment: Wellington versus comparator regions over various time periods



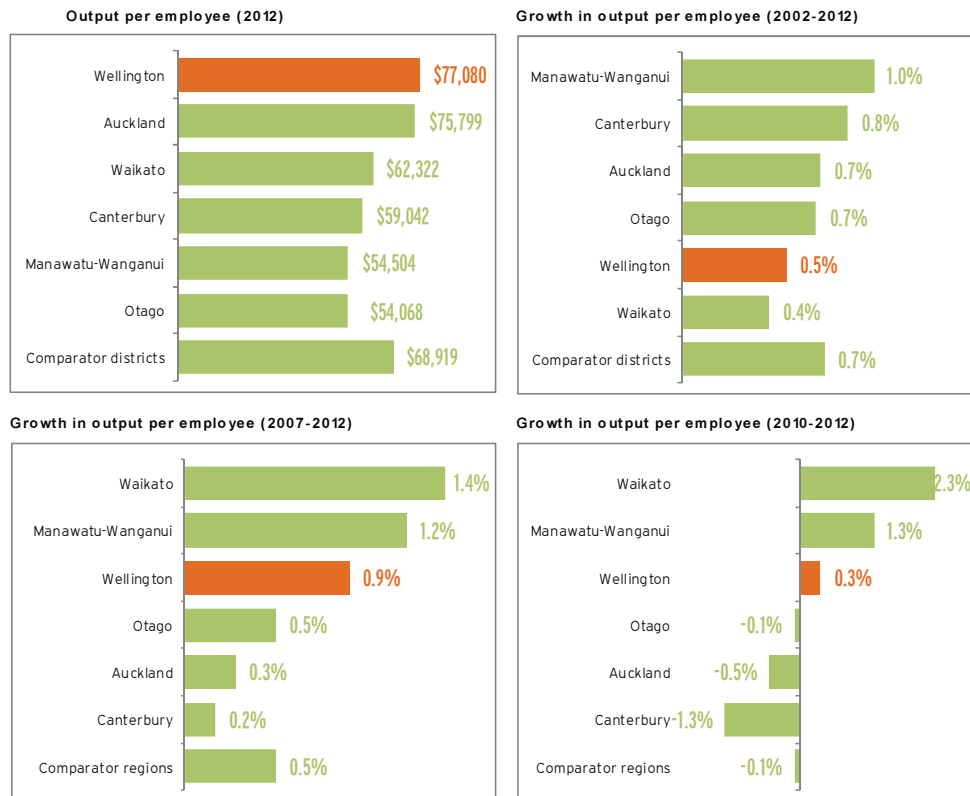
- Over the last year (2011-2012) employment in Wellington decreased by 0.1%, ranking it fourth among the six comparator regions.
- The region's employment decreased by 0.3% over the last two years (2010-2012), ranking it fifth among the six comparator regions.
- Wellington ranked second over the last five years (2007-2012) and fifth over the last ten years (2002-2012).

How does Wellington's productivity compare?

This section compares Wellington's productivity with the five comparator regions. We use GDP per employee as a proxy for productivity. Productivity is a measure of the value created by each employee in the region's economy. Growth in productivity can lead to sustainable growth in real wages.

- Wellington's GDP per employee was \$77,080 in 2012 ranking it first among the six regions being compared. This compares with a weighted average of \$68,919 for the comparator regions.
- Over the past decade Wellington's GDP per employee has increased by 0.5% per annum, ranking it fifth among the comparator regions.

Figure 57. Comparative productivity measures

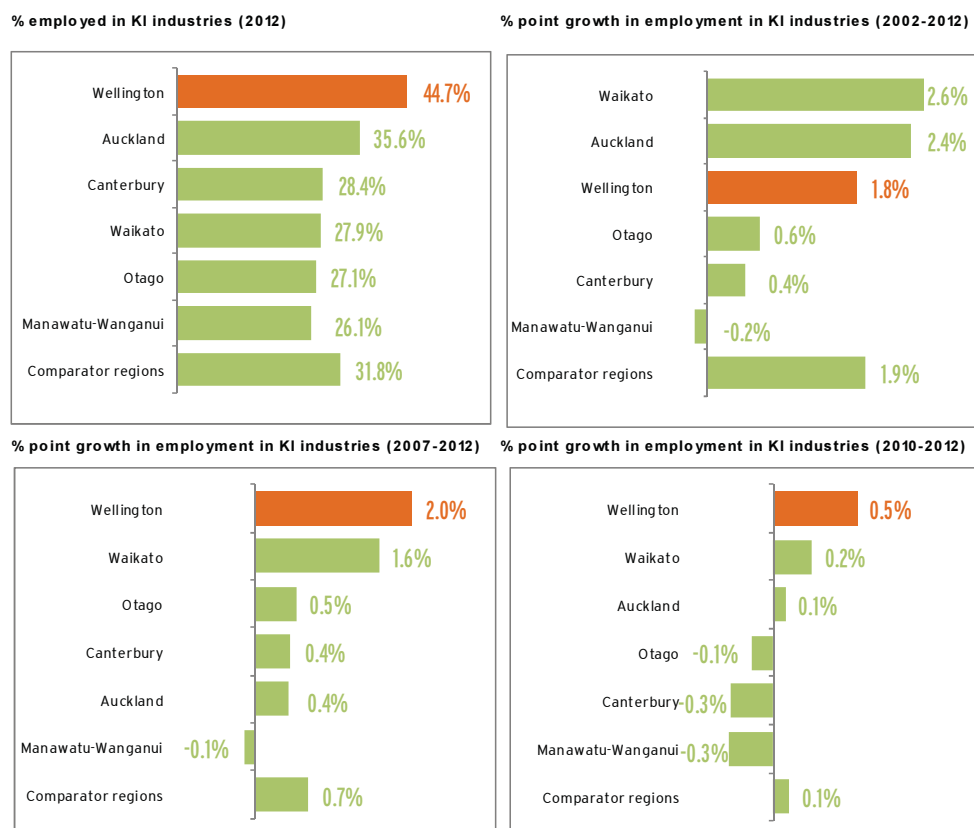


How does Wellington's employment in knowledge intensive industries compare?

This section compares employment in knowledge intensive industries in Wellington with the five comparator regions. Knowledge intensive industries are those in which the generation and exploitation of knowledge play the predominant part in the creation of wealth.

An industry is defined as knowledge intensive if it meets two criteria: at least 25 per cent of the workforce is qualified to degree level and at least 30 per cent of the workforce is in professional, managerial and scientific and technical occupations. Further details of the definition are providing in the technical notes at the end of the report.

Figure 58. Comparative measures of employment in knowledge intensive industries



- Approximately 44.7% of Wellington's employment was in knowledge intensive industries in 2012. This ranks it first highest among the six regions being compared. By comparison the weighted average of comparator regions was 31.8%.
- Over the past decade Wellington's share of employment in knowledge intensive industries increased by 1.8 percentage points, ranking it third among the comparator regions. By comparison the comparator regions increased by 1.9%.

How does Wellington’s employment in highly skilled occupations compare?

This section compares employment in highly skilled occupations in Wellington with the five comparator regions. We define highly skilled occupations as those consistent with skill level 1 in the Australia New Zealand Standard Classification of Occupations. These occupations have a level of skill commensurate with a bachelor degree or higher qualification. The category includes the vast majority of managerial and professional occupations.

Figure 59. Comparative measures of employment in highly skilled occupations



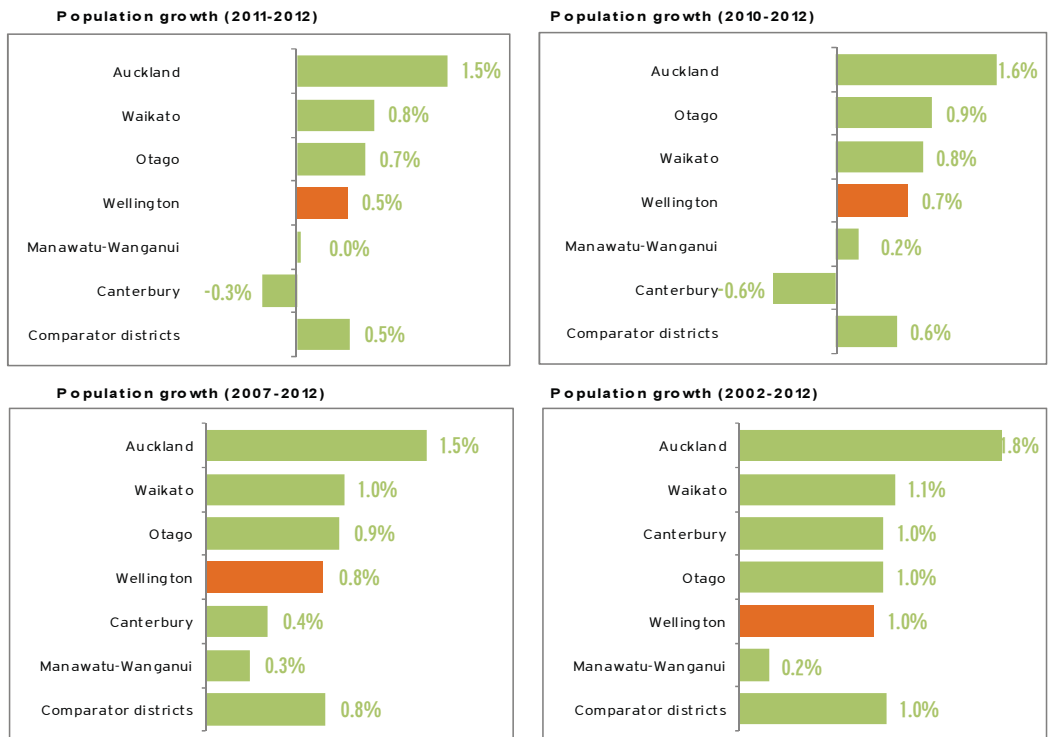
- Approximately 39.6% of Wellington's workforce was employed in highly skilled occupations in 2012. This ranks it first highest among the six regions being compared. By comparison the weighted average of comparator regions was 36.3%.
- Over the past decade the proportion of Wellington's workers employed in highly skilled positions increased by 5.0 percentage points, ranking it second among the comparator regions. By comparison the proportion in comparator regions as a whole increased by 4.1%.

How does Wellington’s population growth compare?

This section compares Wellington’s population growth with the five comparator regions.

- Over the last year (2011-2012) the population in Wellington increased by 0.5%, ranking it fourth among the six comparator districts.
- The district's population increased by 0.7% over the last two years (2010-2012), ranking it fourth among the six comparator districts.
- Wellington ranked fourth over the last five years (2007-2012) and fifth over the last ten years (2002-2012).

Figure 60. Comparative measures of employment growth



TERRITORIAL AUTHORITY INFORMATION

Summary indicators

This section provides summary statistics on GDP, employment, business unit and population growth in the eight territorial authorities making up Wellington region.

The Wairarapa districts have performed well off the back of strong growth in agriculture. The majority of Carterton's growth was from the dairy industry. Wellington City's growth has been constrained by a slowdown in telecommunications and finance while Upper Hutt's decline in GDP was due to a decline in IT services, manufacturing and construction.

Table 39. Summary indicators by territorial authority

Territorial authority	GDP		Employment		Business Units		Population	
	Level (\$m)	Change (11-12)	Level	Change (11-12)	Level	Change (11-12)	Level	Change (11-12)
Kapiti Coast	665	-1.0%	15,249	-1.0%	4,779	-0.6%	49,900	0.2%
Porirua City	932	0.4%	16,866	-2.4%	3,959	2.0%	53,000	0.6%
Upper Hutt City	754	-3.4%	12,649	-1.9%	2,889	-0.1%	41,600	0.2%
Lower Hutt City	3,404	0.4%	48,164	-1.3%	9,456	0.1%	102,700	-0.3%
Wellington City	13,454	0.3%	149,029	0.7%	25,086	0.0%	202,200	1.0%
Masterton	570	2.5%	11,379	0.9%	2,963	0.6%	23,500	0.0%
Carterton	125	9.6%	3,127	1.6%	1,161	-2.0%	7,730	1.0%
South Wairarapa	144	3.8%	3,651	0.0%	1,568	-1.6%	9,400	-0.3%

Performance of key industries

This section provides summary indicators for the key industries identified for Wellington Region.

	GDP		Employment		Business Units	
	Level (\$m)	Change (11-12)	Level	Change (11-12)	Level	Change (11-12)
Primary (agric, forestry & fishing)						
Kapiti Coast	12.4	20.9%	414	1.3%	318	-3.3%
Porirua City	1.1	-13.3%	70	1.1%	97	-9.3%
Upper Hutt City	6.7	-2.9%	99	-0.7%	137	-5.5%
Lower Hutt City	0.6	13.2%	63	12.0%	65	10.2%
Wellington City	15.5	4.7%	220	4.8%	151	7.1%
Masterton	77.4	13.1%	1,494	3.9%	796	-0.9%
Carterton	30.3	28.1%	622	1.6%	418	-1.2%
South Wairarapa	46.1	9.1%	1,009	-4.4%	531	-2.0%
Agrifoods (food and beverage)						
Kapiti Coast	89.9	20.9%	2,527	3.9%	459	-0.6%
Porirua City	53.6	6.8%	1,929	0.7%	242	0.0%
Upper Hutt City	74.2	-4.7%	1,740	-3.6%	231	0.0%
Lower Hutt City	160.9	-0.8%	4,601	-1.5%	611	-0.8%
Wellington City	395.6	2.8%	13,808	2.3%	1,416	2.2%
Masterton	77.9	12.2%	2,416	1.1%	746	-0.8%
Carterton	39.3	22.8%	1,033	0.6%	425	0.0%
South Wairarapa	64.2	8.0%	1,573	-4.5%	604	-2.4%
Screen and digital						
Kapiti Coast	13.4	9.3%	398	1.0%	155	-2.5%
Porirua City	14.1	10.7%	354	17.3%	133	-3.6%
Upper Hutt City	5.7	2.3%	170	2.4%	68	-8.1%
Lower Hutt City	71.1	-2.1%	1,472	-2.8%	295	-2.6%
Wellington City	368.8	2.4%	6,406	1.8%	1,667	-3.3%
Masterton	14.8	14.0%	426	10.8%	50	0.0%
Carterton	0.5	31.4%	8	25.0%	12	-7.7%
South Wairarapa	1.2	-9.6%	60	-8.0%	29	16.0%

	GDP		Employment		Business Units	
	Level (\$m)	Change (11-12)	Level	Change (11-12)	Level	Change (11-12)
Information media & telecommunications						
Kapiti Coast	17.9	-31.6%	227	-12.4%	66	10.0%
Porirua City	29.7	9.6%	208	23.8%	51	2.0%
Upper Hutt City	52.4	-25.2%	193	-13.1%	25	-3.8%
Lower Hutt City	130.7	-1.0%	710	4.5%	112	-4.3%
Wellington City	1,737.5	-7.3%	6,915	-0.5%	1,008	-6.3%
Masterton	10.2	-5.1%	150	9.7%	17	6.3%
Carterton	1.8	17.0%	7	33.3%	6	0.0%
South Wairarapa	1.8	1.8%	10	-6.8%	9	-10.0%
Business services						
Kapiti Coast	50.9	2.1%	1,960	1.5%	1,060	2.3%
Porirua City	68.5	-0.4%	2,095	1.0%	916	2.6%
Upper Hutt City	28.1	-5.9%	1,054	-4.9%	592	2.6%
Lower Hutt City	312.4	-0.5%	8,433	-2.2%	2,194	1.5%
Wellington City	2,678.6	-0.1%	44,220	1.3%	8,997	1.4%
Masterton	47.3	11.6%	1,102	1.6%	321	-0.9%
Carterton	8.4	6.6%	344	4.8%	140	21.7%
South Wairarapa	4.2	14.1%	333	7.3%	197	-0.5%
Clean technology						
Kapiti Coast	12.3	-17.3%	186	-12.1%	54	1.9%
Porirua City	5.9	6.1%	119	12.6%	35	-2.8%
Upper Hutt City	8.5	22.7%	132	14.5%	36	-7.7%
Lower Hutt City	172.3	3.7%	1,703	8.2%	159	2.6%
Wellington City	304.1	-13.7%	1,184	0.4%	144	4.3%
Masterton	2.8	-27.7%	68	-1.5%	16	0.0%
Carterton	0.9	16.7%	85	0.6%	9	12.5%
South Wairarapa	0.3	-3.6%	10	-2.6%	8	-20.0%
Biomedical						
Kapiti Coast	1.8	-10.0%	53	-3.2%	25	8.7%
Porirua City	10.3	-12.7%	326	-7.2%	21	-12.5%
Upper Hutt City	1.7	-42.6%	50	-54.2%	12	-7.7%
Lower Hutt City	51.2	3.8%	1,156	1.7%	88	0.0%
Wellington City	58.0	7.6%	1,205	4.5%	182	-2.2%
Masterton	1.5	9.9%	37	8.0%	9	-30.8%
Carterton	0.1	133.3%	2	133.3%	5	25.0%
South Wairarapa	0.2	98.8%	7	125.0%	6	-14.3%
Education & Training						
Kapiti Coast	33.1	-1.6%	1,459	-1.5%	98	6.5%
Porirua City	75.3	-12.1%	2,699	-9.4%	125	-5.3%
Upper Hutt City	31.5	11.6%	1,290	8.9%	75	0.0%
Lower Hutt City	107.3	0.6%	4,105	-0.5%	223	1.8%
Wellington City	293.2	1.0%	11,451	1.7%	537	0.2%
Masterton	27.5	8.5%	1,169	8.1%	64	1.6%
Carterton	4.8	9.8%	202	4.5%	17	6.3%
South Wairarapa	5.4	6.4%	225	5.8%	21	5.0%
Manufacturing						
Kapiti Coast	85.7	12.6%	1,015	1.3%	230	1.8%
Porirua City	45.6	-10.8%	900	-7.6%	144	2.9%
Upper Hutt City	61.2	-11.0%	1,060	-5.7%	137	-5.5%
Lower Hutt City	386.3	8.1%	5,307	1.8%	501	-4.6%
Wellington City	693.6	11.4%	4,249	-2.4%	526	-3.0%
Masterton	26.2	4.6%	776	-1.4%	106	-10.9%
Carterton	14.8	0.5%	710	-5.3%	51	2.0%
South Wairarapa	12.5	7.4%	249	-1.8%	53	6.0%

DATA APPENDIX

The table below provides a time series of the major indicators for Wellington region.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP (\$m)	16,087	16,834	17,414	17,614	18,060	18,370	18,940	19,672	19,531	20,016	20,002	20,050
Employment	224,310	230,218	232,676	234,765	242,217	249,149	256,538	262,883	265,778	261,495	260,385	260,115
Business units	42,873	42,196	42,038	43,231	45,873	47,938	49,775	50,985	52,078	52,715	51,897	51,832
Population	440,200	445,800	452,300	457,800	461,600	466,300	470,300	473,800	478,600	483,300	487,700	490,100

TECHNICAL NOTES

Time period

This annual profile reports on March years (eg 2012 refers to the 12 months to March 2012) for all indicators except population. Population statistics are presented for the year to June.

Industrial classification

This report uses industry categories from the 2006 Australia New Zealand Standard Industrial Classification (ANZSIC). The ANZSIC is a hierarchical classification with four levels, namely divisions (the broadest level also referred to as 1-digit categories), subdivisions (3-digit), groups (4-digit) and classes (7-digit). There are approximately 500 7-digit industries.

In this report we also use a grouping of 54 industries which are those used by Statistics New Zealand in the national accounts. They are a mix of various levels of industries on the ANZSIC-06 classification.

Gross Domestic Product

Gross Domestic Product for each region and district is estimated by Infometrics. The methodology used in this current report differs from that used in previous regional economic profiles. A top down approach breaks national production-based GDP (published by Statistics New Zealand) down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on the share of earnings measured in LEED. This captures differences in productivity between TAs and changes over time. GDP is measured in 1995/96 prices. Further details of this methodology can be obtained from Infometrics.

Employment by industry

Employment in this report is measured as an average of the four quarters making up each year. Regional employment is estimated by Infometrics' Regional Industry Employment Model (RIEM). The model draws heavily on quarterly and annual Linked Employer Employee Data (LEED) and Business Demography (BD) series published by Statistics New Zealand. RIEM differs from BD in that it is a quarterly series (BD is annual) and it includes both employees and self-employed whereas BD only includes employees. Further details of this methodology can be obtained from Infometrics.

Industry sectors

The report uses four broad industry sectors: primary, secondary, tertiary and quaternary. The quaternary sector includes the higher value-adding, knowledge-based service industries which are: Information Media Services, Telecommunications, Internet and Library Services, Finance, Insurance and Superannuation Funds, Auxiliary Finance and Insurance Services, Professional, Scientific and Technical Services, Local Government Administration, Central Government Administration, Defence and Public Safety, Education and Training, and Health Care and Social Assistance.

Unemployment rate

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of unemployment beneficiaries at TA level are used to break down regional unemployment rates to TA level.

Earnings

Earnings data are from the quarterly Linked Employer Employee Data. Average annual earnings are the sum of mean earnings for each quarter of full quarter jobs.

House prices

House price levels (dollar value) are sourced from REINZ. The levels are based on median sale prices for the month when the sale and purchase becomes unconditional.

Employment by occupation

Employment in each industry is converted to occupational employment using the relationship between industry and occupational employment observed in various Population Censuses. The Population Census measures the occupational composition of employment in each industry and how this changes over time.

Employment by qualification and field of study

Employment by occupation is converted to employment by qualification using the unique matching between occupation and the five qualification or skill levels used in the Australian New Zealand Standard Classification of Occupations. Fields of study for each combination of occupation and skill are obtained from Population Census. Shares of employment in a particular occupation - skill combination for each field of study can thus be aggregated into demand for labour by skill/qualification.

Business Units

Data on the number of business units are sourced from the Business Demography statistics from Statistics New Zealand.

Population

Demographic statistics are sourced from Statistics New Zealand.

Exports

Lack of regional specific data on exports requires us to employ a modeling approach. The main assumption of our approach is that the industries in the regions have the same export characteristics as those at the national level, i.e., their export orientation (export / gross output ratio) is the same as the national average. The export characteristic of the industry is calculated as an average for the period 2008-2010 and remains constant over time. Thus, an industry's contribution to export growth in a region is different to the country as a whole (or another region) because of the relative importance of the industry in the region compared to the country as a whole (or another region). If a region becomes better represented in an industry with a relatively high export orientation, this industry is expected to make a higher positive contribution to the region's overall export orientation and the latter will improve as a result. We therefore do not account for national level industry specific changes in export orientation nor for regional level industry specific export orientation or changes thereof.

All export estimates are measured in constant 1995/96 prices.



Submissions Analysis of Wellington Region Governance Review

31 August 2011

Final Report

MARTIN^IJENKINS

Preface

This report has been prepared for the Wellington region's councils by Susan Shipley and Sonia Ogier from MartinJenkins (Martin, Jenkins & Associates Limited). It has been peer reviewed by Nick Davis.

Our goal is to improve the effectiveness and efficiency of the organisations we work with. We do this by providing strategic advice and operational support in the following areas:

- Strategy, Transformation & Performance
- Policy & Economics
- Evaluation & Research.

MartinJenkins was established in 1993 and is 100% New Zealand owned. It is governed by executive directors Doug Martin, Kevin Jenkins, Michael Mills, Nick Davis and Nick Hill, plus independent directors Peter Taylor (Chair) and Sir John Wells.

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Introduction

Our brief

- 1 Last year the Wellington Mayoral Forum commissioned PriceWaterhouseCoopers to review the current local governance arrangements to establish whether they are optimal for the Wellington region and its communities into the future. The report analysed the present arrangements, highlighted a number of issues and opportunities, and identified six possible scenarios for the future.
- 2 Each of the region's nine councils (four city councils, four district councils and one regional council) held a consultation process on the PriceWaterhouseCoopers report and 165 written submissions were received from the public. MartinJenkins was commissioned by the Mayoral Forum to produce an analysis of those written submissions gathered from across the region.

Overview

- 3 This report summarises the key findings of an analysis of 165 written submissions from the public on the PriceWaterhouseCoopers (PWC) report on its review of Wellington region governance. It includes important background and contextual information about the submissions process. As the submissions from organisations are generally more in-depth than those received from individuals, the analysis framework was based on the 28 submissions received from organisations.
- 4 There was a different pattern of public response across the different councils' areas. There was a very low level of response to the invitations from the Hutt City Council, the Upper Hutt City Council and the Kapiti Coast District Council for public submissions. The particular process followed by each council and the additional information provided may have influenced the way that people responded.
- 5 Moreover, the small number of submissions (as a proportion of the region's population) means that the views expressed cannot be seen as representative of the region's residents. There is also a large variation in the depth and breadth of responses. This reflects the broad and open-ended invitation to the public to comment on the PWC report. As a result, there are significant limitations on the use of the data for statistical analysis and this report provides largely qualitative information. However, it does include indicative patterns of responses which provide insights into the concerns, issues and ideas conveyed in the public submissions.
- 6 The submissions from across the Wellington region show a widely held view that change should be determined by and within the region rather than by central government. However, there is no single vision for the Wellington region in the future and no shared view on what submitters want from their local and regional government.

- 7 The submissions analysis found that a majority of submissions (69% of those that state a view) express a preference for change in regional governance arrangements rather than the status quo. Submissions from several organisations identify opportunities for the region in embarking on a programme of change and want the Mayoral Forum to establish some momentum around it. However, many submitters (individuals and organisations) are concerned that the PWC report does not provide the evidence base for major change and want more information and analysis of the various structural options before they come to a view. So the discussion of submitters' preferred options for change in this report is indicative only.
- 8 All submissions were analysed from the viewpoint of whether the submission supports the retention of the status quo or one of the other Options in the PWC report. Most submitters indicate that they see the need for change in governance arrangements but they record a fairly even spread of preferred options for future governance arrangements (using the six Options in the PWC report).
- 9 This report looks at the stated reasons for the need for change to regional governance arrangements and the benefits that might be expected from that change, according to the submissions. These include:
- Stronger regional leadership
 - Better management of relationship with central government
 - Better regional decision making (transport, water in all its forms, natural disaster response) and strategies that deliver results
 - A single regulatory authority (or one set of regulations) to reduce compliance costs and make interacting with councils easier for business and developers
 - Improved efficiency – economies of scale, reduced duplication, increased focus on services provided and improved financial management
 - Improved capability - more technical expertise, enhanced strategic management.
- 10 Submitters who support retention of the status quo seriously challenge some of the reasons for change generally cited. The efficiency benefits of amalgamations are particularly contentious, and for many, that issue forms the major basis of their rejection of the findings of the PWC report. Supporters of the status quo are not necessarily arguing a case for 'no change' at all but they are not in favour of structural change at this time.

- 11 Some commonly held views are evident in the submissions. **Wairarapa and Wellington** are seen by people across the region as distinctly different, predominantly rural and urban areas respectively, separated by geography and lifestyle – they are understood as different communities of interest. This leads most submitters to the view that Wellington and Wairarapa’s local government should remain separate to a large degree. Wairarapa submitters are most in favour of a change to the status quo in local governance arrangements, compared to the other council areas.
- 12 **Business people and business organisations** across the region can see opportunities for reducing compliance costs and increasing the ease of doing business, by councils either agreeing one set of planning regulations or combining into fewer authorities.
- 13 **Residents’** submissions reflect a concern that any local government changes will lead to a review of the current rates system and of local service provision. Many are concerned about the possibility of higher rates and/or reduced services and want to see some analysis of the potential impacts of the change options before any decisions are made.
- 14 Finally, both opponents and supporters of structural change submit that ‘local democracy’ must be maintained - and assisted to flourish under any new governance arrangements. Many submissions make the case that effective local democracy and community participation are more important than economic and financial considerations when evaluating any proposals for change.

Submissions process

- 15 The Mayoral Forum published the PWC report on Wellington Regional Governance and invited feedback from the public, through various media.
- 16 The process for consulting on the findings of the PWC report varied. Some councils advertised the consultation on their websites and some in local newspapers. Some Councils also presented additional information and analysis. Some held public meetings in which speakers gave their views on the Options presented in the PWC report and others simply relied on a paper-based submissions process. Appendix 1 has a table that sets out the details.
- 17 165 unique submissions were received in total. At least 15 of these submissions were sent to multiple councils but they are counted only once in Table 1, against the local council (in many cases, a duplicate was sent to the Greater Wellington Regional Council).

Table 1: Submissions received by each council

	Individuals	Organisations	Total	Percentage of total
Wairarapa district councils (3)	25	4	29	18%
Wellington City Council	8	3	11	7%
Porirua City Council	47	5	52	32%
Greater Wellington Regional Council	43	13	66	40%
Upper Hutt City Council	2	2	4	2%
Hutt City Council	2	-	2	1%
Kapiti Coast District Council	-	1	1	>1%
Total	127	28	165	100%

- 18 Significantly, there were very different levels of response across the different councils' areas. The highest number of submissions was to the Greater Wellington Regional Council (66), followed by Porirua City Council (52) and the three Wairarapa district councils (29). Wellington City Council received 11 submissions. Upper Hutt City, Hutt City and Kapiti District Councils received fewer than five submissions each. The vast majority of submissions were made by individuals and 28 were from organisations. The latter included 15 community organisations, six business organisations, the Public Service Association, three political organisations/representatives and three service providers. A complete list of submitters by council is included as Appendix 2.
- 19 The particular process followed by each council and the additional information provided may have influenced the way that people responded. For example, some submitters focus exclusively on their choice of the structural Options set out in the PWC report while others debate the scope of the governance review and argue that it is premature to be deciding on any options and structures.

- 20 The submissions received are from interested individuals and organisations that decided to respond to the councils' invitation, and are not based on a statistically representative sample of the population in the Wellington region. As might be expected, they provide a wide range of perspectives on Wellington governance issues and on the need for any change to local government structures. There is large variation in the depth and breadth of responses. This reflects the broad and open-ended invitation to the public to comment on the PWC report.
- 21 In these circumstances, there are substantial limitations on our ability to draw any statistically-based conclusions from the submissions received. The constraints on the use of the data we have gathered from the public submissions are acknowledged. While we have carefully categorised the submitters' views and main concerns as objectively as possible, this does not provide a reliable basis for any quantitative analysis beyond a count of responses on key points. Therefore this submissions report largely provides qualitative information, indicative of the range of submitters' views on major concerns and issues raised by the PWC report.

Key findings

- 22 Many submitters welcomed the opportunity to be involved in the debate about the future governance of the Wellington region and commented on the importance of 'getting it right'. There is a widely held view that change should be determined by and within the region rather than by central government. However, there is no single vision for the Wellington region and no shared view on what submitters want from their local and regional government.
- 23 The majority of submissions (69% of those that state a view) express a preference for change in regional governance arrangements rather than the status quo.¹ Submissions from several organisations identify opportunities for the region in embarking on a programme of change and want the Mayoral Forum to establish some momentum around it. However, many submitters (individuals and organisations) are concerned that the PWC report does not provide the evidence base for major change and want more information and analysis - particularly of the costs and benefits of the various options - before they come to a view. Many also make the point that a commitment must be made by all the councils to engage in further consultation with the public in the region before any decisions are made.
- 24 An overview of all the submissions indicates that the scope and focus of the current debate is unclear and many people are confused about what is being proposed. Their comments and concerns cover governance frameworks and principles, local government structures and accountability, rates systems and delivery of services, and many other things. Some are clearly reacting to a perceived imminent threat of the imposition of a super-city model like Auckland's. Others take the view that there is no point in changing anything unless it can be demonstrated to be more cost-effective than the status quo.
- 25 The Options described in the PWC report and expanded on in the GWRC papers provide a focus for the discussion for some submitters but they are not seen necessarily as discrete options, and some options may have been misunderstood. Because there is no common view on the drivers of change, or agreement on the principles and criteria against which the Options might be evaluated, many submitters found it difficult to decide on a preferred Option. This means that the discussion of the submitters' preferred options for change in this report is indicative only. Many submissions emphasised that much more information is required and thorough consultation with the community must take place before any options are ready to be put to a decision.

¹ It is noted that the status quo also includes opportunities for change, while retaining current structures.

26 An understanding of all aspects of the issues around 'community of interest' is a key part of any decision about proposals for change to governance arrangements. The submissions show that people have very different expectations about what it means to live in the Wellington region or in a part of it. Individual residents have different expectations of local government and value different things about living in their local area. Discussions about local government reorganisation go to the heart of people's sense of place and of 'belonging'. This presents an important diversity of views and frameworks which are inherently difficult to capture in a descriptive report such as this.

27 Despite all of the above factors, some commonly held views are evident in the submissions:

Wairarapa and Wellington are seen by people across the region as distinctly different, predominantly rural and urban areas respectively, separated by geography and lifestyle – they are understood as different communities of interest. This leads most submitters to the view that Wellington and Wairarapa's local government should remain separate to a large degree. (It is also generally acknowledged that Wellington and Wairarapa are economically bound together and that regional transport links are joint in nature).

Wairarapa – most Wairarapa submissions (84%) state that there is a need for change. Around half of Wairarapa submitters are in favour of combining their three district councils, whether as an end point or as an intermediate stage in the evolution of local government. Submitters that want to keep the status quo express support for greater collaboration between existing councils.

Porirua – many submitters express concerns about losing their local identity in a larger regional entity which would be dominated by Wellington city. Some submissions also make suggestions for mitigating this, such as the retention of the Village Planning programme and its integration into regional planning.

Business people and business organisations across the region can see opportunities for reducing compliance costs and increasing the ease of doing business, by councils either agreeing one set of planning regulations or combining into fewer authorities.

Residents anticipate that any local government changes will lead to a review of the current rates system and of local service provision. Many are concerned about the possibility of higher rates and/or reduced services and want to see some analysis of the potential impacts of the change options before any decisions are made.

Local democracy – there is also a lot of concern expressed by both opponents and supporters of change that 'local democracy' must be maintained - and assisted to flourish under any new governance arrangements. Many submissions make the case that effective local democracy and community participation are more important than economic and financial considerations when evaluating proposals for change.

The need for change

- 28 Many submissions are critical of the PWC report on a number of grounds but in particular for applying an economic or efficiency focus to questions of regional governance. Several challenged the PWC report's assertion that larger authorities and organisations are more efficient and therefore could potentially achieve savings and be more cost effective. Many submitters make the point that 'bigger is not necessarily better'. Many also take the view that the political representation and community engagement functions of local government are more important considerations than organisational efficiency.
- 29 For some, the PWC report provides a convincing case for the need for change. However, many submitters are concerned that the report does not provide enough information, evidence or analysis of the options to enable an informed debate to happen. For these submitters, people need access to:
- A clear case for the need for change which is evidenced-based and independent.
 - An agreed set of criteria to assess options against (suggestions made include Local Government Act, GWRC principles of governance, PSA guideline developed for Auckland, HPSTED², ecologic principles for collaborative governance).
 - Options that clearly articulate how issues will be addressed and therefore what outcomes should be expected. This should be backed up by evidence-based analysis including costs and benefits analysis.
 - Other options should be presented that are not based on structural change (e.g. boundary changes). And all options need to be further detailed (e.g. they should include proposed electoral processes and voting mechanisms – these are intertwined issues).
- 30 There is some confusion among submitters about the reasons for proposing changes to Wellington regional governance now, and who is driving the change. There is some concern that PWC did not consult with residents as part of their consultation with stakeholders in the development of the report. There is a fear that a short-term perspective is being taken when there is a need to think long-term about the governance of the Wellington region. This led some submitters to choose the status quo option and advocate that more time be taken to consider the longer term issues before embarking on major change. Others believe that if they don't choose to support a structural change option now, they may miss the opportunity to have some say in the future (which is going to happen regardless). So people's perceptions of where we are in the change process and why, and whether the focus is firmly on the

² Regional Public Health recommends using HPSTED, a framework with 14 dimensions that link environmental design and community health and wellbeing.

long term benefits of change or on reacting to short term pressures, may have had an impact on their submissions and choice of Options at this time.

31 All 165 written submissions were examined with respect to whether they see a need for change to governance arrangements for the Wellington region or not. Of those, 145 give information which is able to be categorised and are distributed as follows:

Table 2: Submitters' views on whether or not change is needed to the status quo

Yes, there is a need for change to the status quo	100	(69%)
No, there is no need to change the status quo	26	(18%)
Undecided but not opposed to change	8	(5.5%)
No indication given	11	(7.5%)
TOTAL	145	(100%)

32 Wairarapa submitters are most in favour of a change to the status quo (21 out of 25 submitters or 84%) and Porirua submitters least in favour of change (26 out of 43 submitters or 60%). Submitters to the Greater Wellington Regional Council (37 out of 56 or 66%) were close to the average across all councils. Based on only 10 submissions to Wellington City Council, submitters are 80% in favour of change to the status quo. The other councils received fewer than five submissions each.

Reasons for the need for change

33 These are typical points made by submitters who see a need for change to the status quo:

- Local government is too fragmented - an amalgamation of the three district councils would strengthen the Wairarapa
- A structure that brings the Wairarapa councils together will be more efficient and improve the capability available
- It is imperative to move away from the status quo which is too expensive and lacking coordinated leadership to carry the region forward
- A new model needs to be efficient and effective, provide an overall plan for the region and have a coherent structure

- Businesses operating across the Wellington region currently face compliance costs associated with the need to understand and deal with different district plans, standards and other regulations
- Different councils won't agree unless there is overall governance by one organisation
- We would benefit from greater cooperation and coordination at a regional level but not at the expense of local democracy
- We don't have the skills and expertise within the Wairarapa to bring irrigation projects to fruition. Such projects will need to be owned and led on a regional basis.

34 Many submitters who support change to regional governance arrangements cite the expected benefits from change. The benefits identified can be summarised as:

- Stronger regional leadership
- Better management of relationship with central government
- Better regional decision making and strategies that deliver results
- Better regional planning (transport, water in all its forms, natural disaster response)
- A single regulatory authority (or one set of regulations) to reduce compliance costs and make interacting with councils easier for business and developers
- Improved efficiency – economies of scale, reduced duplication, increased focus on services provided and improved financial management
- Improved capability - more technical expertise, enhanced strategic management.

35 The need for **stronger regional leadership** lies at the heart of the issues facing the region, according to many submissions. The current GWRC is seen as lacking the mandate and powers to provide that leadership and a stronger regional voice is required. This also manifests itself in a sub-optimal **management of the region's relationship with central government**.

- The GWRC falls too short of ensuring that decisions taken at the territorial local authority level are compatible with regional strategies and programmes. The region is managed by nine authorities and the principle of subsidiarity does not apply (40)
- Wellington needs a strong unified voice to develop, e.g. transport infrastructure developments currently serve local interests rather than the whole (144)
- The Wellington region could be better positioned to influence central government – and other leadership models could be explored (19)

- The region needs to agree transport priorities so that it can convince third parties to change the funding parameters (40)
- Need to forge a strong Wellington identity and voice to keep up with Auckland and Christchurch when it is rebuilt. (47) (50) (61) (91).

36 **Better regional decision-making** is required for **better regional planning** and the need to develop regional strategies that deliver results, according to submissions that favour a change to current governance arrangements. For example:

- Better quality decision-making is needed for the region – this is a key issue. Currently too many sub-optimal decisions from a regional perspective because of territorial battles (39)
- Too much fragmentation means infighting and inferior judgements. A single unitary authority would be able to take the broader view and be more objective, making better decisions (91)
- Should explore and agree the role and priority of the Wellington CBD in relation to other CBDs in the regional and in the context of wider regional economic development (45)
- Agree with the PWC report that there is inherent planning dysfunctionality in the current legislative framework. (40) (106)
- Support a hierarchy (national, regional, local) of mandatory policies and plans which set binding minimum standards for the next, lower level (30)
- A spatial planning approach and decision-making are supported (19) (45)
- Integrate Village Planning with the process of spatial planning across the region (64)
- Issues affect people across city/council boundaries – we should look for solutions that would give the greatest benefit to the most people, in the most efficient way. It affects water, land management, economic development, environmental protection, road transport and sports facilities (42)
- Need to think collectively about services for the whole region – take an overall view of development needs and get away from councils being competitive which leads to ‘nice to have’ rather than essentials (100)
- Local land planning often doesn’t reflect regional interests (30)
- Water would benefit from more effective regional planning. GWRC and other TLAs are not participating in Capacity which runs water services for Wellington and Hutt. This should be a regional activity (40)

- All regulatory roles should sit together and be managed by one body in an integrated way – because of the inter-twined nature of managing: water, land use, transport and biosecurity. For example, coastal management depends on land and water management. (141).

37 **One set of regulations for business** - whether after some local council amalgamations or with the establishment of a unitary authority, it would be beneficial to minimise or eliminate variations in rules and regulations, and to harmonise procedures between councils.

- Fragmented government means that businesses must deal with a variety of authorities (40)
- A single regulatory authority could harmonise regulations, standards and procedures to make a simpler, more efficient system for developers and others (72)
- We need to encourage new enterprise and discourage existing businesses from moving off-shore so we need to reduce these types of compliance costs (118)
- A single council would provide a single set of rules and point of contact for businesses – a one-stop shop making it much easier to do business. (39).

38 **More efficient and effective regional governance** arrangements will likely lead to improvements in service delivery, asset management and financial management, according to many submitters.

- Rationalisation of local government in Wellington is essential to achieve efficiency gains, allow better planning and give us a chance to compete with the new Auckland (31)
- It's reasonable to expect some economies of scale by some form of amalgamation (45)
- Combine areas of operations and administration where appropriate, removing duplications (98) (100) (110) (111) (160)
- Combine services and have fewer Mayors and Councils (64)
- Need a structure (like a super city) that would keep costs in line with services and be able to manage a fairer distribution of resources than local councils can (112)
- Need better regional management of the three waters that increases efficiency, builds resilience and substantially reduces energy inputs and costs. (142).

- 39 **Improved capability** available to councils and council operations by amalgamating authorities. This would also support economic development in the region.
- A single Wairarapa council would be able to attract good quality staff (including specific skill areas) and improve staff capability (13) (15)
 - Option 5 would provide opportunities to employ more specialist staff across the region. (65)

No need for change to the status quo

- 40 There are some typical points made by submitters who do not see the need for change to the status quo:
- Keep local councils to deal with local issues
 - The current system works well and effectively reflects the needs, values and desires of its residents
 - The status quo includes the opportunity to transfer some infrastructure responsibilities to the GWRC and to amalgamate some operations if that would be beneficial
 - Structural change is not going to fix any of the issues that the region faces
 - The case for change hasn't been made – the PWC analysis is insufficient and not specific to the needs of Wellington.
- 41 Submitters who support retention of the status quo seriously challenge some of the reasons for change generally cited by its supporters. The efficiency benefits of amalgamations are particularly contentious and for many, that issue forms the major basis of their rejection of the PWC report. Proponents of change also acknowledge that efficiencies and savings are by no means guaranteed. Some submitters hold the view that the status quo can be adapted and improved without the costs and disruption of major change. The following points made in submissions illustrate that supporters of the status quo are not necessarily arguing a case for 'no change' in local council management – but in some cases, they still need to be convinced.
- Keep the status quo and improve accountability to the public for outcomes – make management responsibilities more transparent (26)
 - Keep the status quo and get the finances in order and secure efficiencies (76)
 - The PWC report assumes that bigger is better and does not reflect the views of residents associations, ratepayers and consumers of council services... Efficiency and effectiveness are not necessarily achieved through shared services and just because most may see 'a necessity for change' does not mean that any set of changes will be better overall. (30)

- 42 Some submitters are in favour of other non-structural ways of making changes which will provide benefits to the Wellington region (e.g. boundary changes, alignment of regulations and procedures).

The need for effective local representation

- 43 Effective local representation is a major theme in submissions from both those who support change to governance arrangements and those who are opposed to change.
- 44 Many submissions make the point that statistics show that the Wellington region is over-governed at present and that a simplified structure could deliver better results. However, others say that effective local representation is their most important concern and must be at the centre of any proposals to restructure local government. These views are not necessarily mutually exclusive but do reflect some key tensions in the development of proposals for change.
- 45 There is a fear of disempowerment running through some of the individual submissions. Access to local councillors and officials is highly valued by many people who see that as their route to a remedy for particular problems. Local councils are seen by others as an essential element in giving a voice to community concerns, and the prime mechanism for community engagement and participation in decision-making. A few submitters challenge this view, saying that effective community engagement does not necessarily equate with local representation – particularly as the internet and social media are increasingly available to all.
- 46 Several submissions are concerned that Iwi need to be appropriately represented in any new regional governance arrangements and that the Treaty of Waitangi is acknowledged. It is also important that Maori participate early in the process of change. However, other submitters don't support particular Maori representation on future councils.
- 47 Wairarapa submissions in particular make the point that rural areas would find it harder to be heard in a bigger, unitary authority and suggest that rural representation be built in to any new local government structures.
- 48 Four submissions expressed strong negative views about either the current Community Boards in South Wairarapa or in principle, objected to a second layer of community governance structure. However, others were interested in exploring the concept further, either as an adjunct to larger regional council structures, or as a potentially new basis for sustainable communities.

- 49 It should be noted that, in sharp contrast to those submitters who put effective local representation at the forefront of their concerns, there are also several individual submissions that assess local government structures against a single criterion: efficient and effective service delivery. One submitter puts it succinctly:
- People don't really care who provides the services as long as there is a good level of service. So the shape of local government is less important than its ability to provide efficient and effective services. (50)

Structural options

- 50 Most submitters (69%) indicate that they see the need for change in governance arrangements but they record a fairly even spread of preferred options for future governance arrangements (using the six Options in the PWC report).

All submissions were analysed from the viewpoint of whether the submission supports the retention of the status quo or one of the other Options in the PWC report. The results are set out in Table 3 below. Note that the count is of the Preferred Option of submitters, although a few put some caveats on their support for that option. A small number of others wanted to combine aspects of the different options and these have been categorised as far as possible in the Option first mentioned (most submitters in this instance nominated Option 3 with another). It also seems likely that there was some blurring of Option 3 and Option 4, taking into account submitters' comments.

Table 3: Preferred option for future governance arrangements

	Number and % of submissions in favour	
Option 1 Status quo	27	(17%)
Option 2 Strengthen regional council	17	(11%)
Option 3 Local clusters/amalgamation	19	(12%)
Option 4 Two tiers	30	(19%)
Option 5 Two unitary authorities	19	(12%)
Option 6 Single unitary authority	19	(12%)
No preferred option yet	19	(12%)
None of the options	8	(5%)
TOTAL	158	(100%)

- 51 Note that Federated Farmers recorded three different preferred options for change on behalf of its members: Options 3, 4 and 5. Their submission is not counted in Table 3.
- 52 It should also be noted that 15 submissions explicitly recorded their opposition to Option 6 a single unitary authority for the Wellington region (the 'super-city model').
- 53 Wairarapa has a greater proportion of its submitters in favour of Option 3 than the average across all councils (in some cases, combined with Option 2 or Option 4). There is evidence of some interest in Option 5 which would involve a sub-regional unitary authority for the Wairarapa but others doubt that it would be financially viable. No Wairarapa submissions mention a preference for Option 6 in the short term.
- 54 Porirua submissions broadly follow the average pattern of responses set out in Table 3. Submissions to the GWRC are slightly more likely than the average to favour Option 2, Option 4 or Option 6.

Specific ideas that could be developed further

- 55 Several submissions were in favour of establishing a new spatial planning framework that would go beyond traditional land use planning and integrate land use, urban planning transport and infrastructure. Under a unitary authority it would be an important tool to start addressing the social, economic, environmental and cultural dimensions of wellbeing.
- A spatial plan with statutory backing would provide the certainty and timeliness necessary to foster the conditions for improved profitability for businesses and job opportunities for workers (40)
 - Spatial planning is a positive response to declining global and regional capacity to use fossil fuels. (142)
- 56 Some submissions by organisations and individuals wanted to create a much stronger future focus for the vision for the Wellington region and consequently, for the analysis of local governance requirements and possible structures.
- Decision-making is based on advice that looks at past trends and short-term predictions. There is a need to look for futures thinking advice. The recent changes in the world's finances, climate change and peak oil suggest that the past is not a good predictor for the future. (165)
- 57 Several submitters advocated a review of the effectiveness of existing unitary authorities such as Gisborne and Nelson-Tasman, in order to inform the next stage of discussion.

- 58 Porirua City has a Village Planning programme which could be investigated and perhaps used as part of a two-tier local government structure or a unitary authority.
- 59 A research organisation suggests that a charter could be agreed between community groups and councils to establish a framework for meaningful relationships.
- 60 More use of Council Controlled Organisations (CCOs) in the future could facilitate planning and implementation of solutions to complex problems.
- All public transport and bulk water supply should be given to a CCO, owned by the councils, to run – they will have the expertise necessary to deliver a quality service. (126)

A service provider (NZBUS) relates its own recent experience:

- Dealing with a CCO in Auckland has resulted in rapid and efficient planning and implementation – the speed of this is unprecedented and the transport bottlenecks will be more quickly overcome as a result. CCOs seem to be more insulated from the influence of politics and hence better able to look to the overall good rather than to local considerations (e.g. dairy owner influencing community board to keep parking outside their shop which is on a major arterial road). (122)

However, there are opposing views among submitters:

- There should be no CCOs – this looks like empire building. Proper commitment by elected representatives should negate any need for them. (156)
- 61 Many submissions discussed the importance of improving communications between local government and the public, and thereby improving community engagement in decision-making. Technology could be used to much greater advantage than at present and increase access whichever structural solution is ultimately adopted. There is the potential for communications technology to transform the public's relationship with local governance in future.

Appendix 1 Submissions process used by each council

	Advertised	Additional material	Public Meeting	Submission format	Submissions period
Wairarapa district councils: Masterton, Carterton and South Wairarapa	✓	<ul style="list-style-type: none"> GWRC paper on Options Smarter Government Smarter Communities. 	Three councils joint hearing 11 Aug 2011.	<ul style="list-style-type: none"> Written Oral 	Period closed 30 Jun 2011. Oral submissions 11 August
Wellington City Council	Website	X	Regular Council Strategy and Policy meeting 17 Feb 2011.	Written.	26 Nov 2010 – 11 Feb 2011.
Porirua City Council	✓	<p>Summary of six Options in PWC report</p> <p>Regional Governance Review webpage information</p> <p>Active promotion of the submissions process through communications to stakeholders.</p>	Community Forum with six speakers 23 June 2011.	Written – with forms available to complete.	Period closed 30 June 2011.
Wellington Regional Council	✓	<p>GWRC paper on Options</p> <p>Principles of good governance</p> <p>Summary assessment of the options v Auckland's Royal Commission criteria.</p>	X	Written.	Period closed 30 Jun 2011.

	Advertised	Additional material	Public Meeting	Submission format	Submissions period
Upper Hutt	Website.	Brief summary of Options.	X	Written.	Six weeks to 30 June 2011.
Hutt City Council	✓	X	X	Written.	4 May 2011 - 30 Jun 2011.
Kapiti Coast District Council	Website with online form provided.	X	X	Written.	8 Dec 2010 – 11 Feb 2011.

Appendix 2 List of submitters by council

Council	Number	Submitter	Category
Wairarapa	1	EB Watkins	Individual
	2	Brent Goodwin	Individual
	3	Bridget Canning	Individual
	4	Jamie, Georgie and Philippa Falloon	Individuals
	5	Michael Bott and Wairarapa Labour	Individual on behalf of Wairarapa Labour
	6	Mike Grace and Stephanie Turner	Individuals
	7	Frank Cody	Individual
	8	Liz Waddington	Individual
	9	Gerald Tait	Individual
	10	Alan Sadler	Individual
	11	Ron and Sue Southey	Individuals
	12	Wairarapa Development Group [Governance Review]**	Business representatives
	13	R J Dunlop	Individual
	14	Nigel Boniface	Individual
	15	Anders and Emily Crofoot	Individuals
	16	Federated Farmers	Business representatives
	17	Neil and Greg Montgomerie-Crowe	Individuals
	18/135	Emily Greenberg	Individual
	19	Matt Adams	Individual
	20	S V Barton	Individual

Council	Number	Submitter	Category
	21/132	Perry Cameron	Individual
	22	Wairarapa Chamber of Commerce	Business representatives
	23	Rex McKay	Individual
	24	Minty Hunter	Individual
	25	Michael Hewison	Individual
	26	Alan Roy	Individual
	27	Nancy Sutthoff	Individual
	28	David Johnson	Individual
	28 B	Roddy McKenzie	Individual
	Total	29	
Wellington	29	Miles Athea	Individual
	30/35/167	Michael Taylor	Individual
	31	Charles Finny	Individual
	32	Curtis Nixon	Individual
	33	Francis Hyland	Individual
	34	Gordana Vukomanovic	Individual
	36	Ngairé Oliver	Individual
	37/97/180	PSA	Unions
	38	Roland Oliver	Individual
	39/162	Wellington Chamber of Commerce	Business representatives
	40/103	Wellington Civic Trust	Community representatives
	Total	11	

Council	Number	Submitter	Category
Porirua	41	John Seddon JP	Individual
	42	Pukerua Bay Residents' Association	Community representatives
	43/152	Rob Partridge	Individual
	44	Canopy Connections	Business representatives
	45	Porirua Chamber of Commerce	Business representatives
	46	George Seconi	Individual
	47	Jenny Brash	Individual
	48	Brian McKeon	Individual
	49/131	NZ Social and civic policy institute	Research organisation
	50	Jim Dearsly	Individual
	51	Karen Apperley	Individual
	52	Beryl Hawthorne	Individual
	53	Frederick McMahon	Individual
	54	Dr Judith Whitcombe	Individual
	55	Barbara Blanchard	Individual
	56	Margaret Faulkner	Individual
	57	Kay M Paget	Individual
	58	Christine J Jacobson	Individual
	59	David A Heather	Individual

Council	Number	Submitter	Category
	60	Te Runanga	Iwi
	61	Derek M Shepherd	Individual
	62	Gordon J Robinson	Individual
	63	Katherine M Smith	Individual
	64	Robyn Moore and Julian Meadow	Individuals
	65	Pip Piper	Individual
	66	Cannons Creek Residents Association	Community representatives
	67	Mary Galliven	Individual
	68	Shirley I Cherrie	Individual
	69	Jenny Williamson	Individual
	70	Bruce Twidle	Individual
	71	Michael Ansteih	Individual
	72	A R Branson	Individual
	73	Dr John Wren and Robyn-Jane Wren	Individuals
	74	Kilian V de Lacy	Individual
	75	David Bradford	Individual
	76	Maurice J Field	Individual
	77	Donald Borrie	Individual

Council	Number	Submitter	Category
	78	Arthur Graves	Individual
	79	Peter Davies	Individual
	80	Jenny McLeod	Individual
	81	Garry Ferguson	Individual
	82	Ray	Individual
	83	Megan Sarty	Individual
	84	Greg Hall	Individual
	85/100	Bryan Helm	Individual
	86	Egon Gutke	Individual
	87	John Watson	Individual
	88	Brian Mosen	Individual
	89	Graeme Ebbett	Individual
	90	Russell Morrison	Individual
	91	M J Williams	Individual
	92	Clive Millanta	Individual
	Total	52	

Council	Number	Submitter	Category
Greater Wellington Regional Council	93	Gillian Hunt	Individual
	94	Marian Emma Brooks	Individual
	96	OneWellington	Community representatives
	98	Janet Macdonald	Individual
	99	Possibilitiez	Community representatives
	102	Phil Hayward	Individual
	104	Dr John Munro	Individual
	105	Edwin Crampton	Individual
	107	Wayne Perkins	Individual
	108	Dorothy Baker	Individual
	109	Stuart Taylor	Individual
	110	Alwyn Parry	Individual
	111	Solveig Mikkelsen	Individual
	112	Elizabeth Tremayne	Individual
	113	Crimestoppers	Service provider
	114	Linda Mead	Individual
	115	Lance Wiggins	Individual
	116	John Dalziell	Individual
117	Phil Malpas	Individual	
118	Roger Walker	Individual	

Council	Number	Submitter	Category
	119	Sandy Ryan	Individual
	120	Peter Petterson	Individual
	122	NZBUS	Service Provider
	123	The City is Ours	Community representative
	124	Simeon Copsey	Individual
	125	Pam Hanna	Individual
	126	Max and Saria Shierlaw	Individual
	127	Barry Kelliher	Individual
	128	Rosamund Averton	Individual
	129	Ben Zwartz	Individual
	130	Phil and Jenny Dickson	Individual
	133	John Carruthers	Individual
	134	Nigel Tapitklis	Individual
	136	Jason Markham	Individual
	137	Mary & Maurice Brown	Individual
	138	Miramar / Maupuia Progressive Association	Community representatives
	139	Wellington Residents' Coalition	Community representatives
	140	Green Party	Elected representatives
	141	Paula Warren	Individual
	142	Liz Springford	Individual
	143	Phys Phillips	Individual
	144	Philip Harland	Individual
	145	Frank Cook	Individual

Council	Number	Submitter	Category
	146	Dr Margaret Gordon	Individual
	147	Maria Gobbi	Individual
	148	Rob Tomkies	Individual
	149	Alan Jamieson	Individual
	150	Colin Clench	Individual
	151	Petone Community Board	Elected representatives
	153	Alison Hoffman	Individual
	154	Mark Gobbi	Individual
	155	A J Barton	Individual
	156	Albie Gaskin	Individual
	157	Allan and Sarah	Individual
	158	Gervasio Lavo	Individual
	159	Ray and Karen Stewart	Individual
	160	Nancy Buckley	Individual
	161	Tracey Weir	Individual
	163	Chris Parkin	Individual
	164	Regional Public Health	Service provider
	168	Kahungunu Wairarapa	Iwi
	169	Bernard Harris	Individual
	170	Normandale Residents Association	Community representatives
	171	Dr Marie O'Sullivan	Individual
	172	Tom LeGrice	Individual
	173	Victoria University	Research organisation
	Total	66	

Council	Number	Submitter	Category
Upper Hutt	174	Helene Ritchie	Elected representative
	175	Lynne McLellan	Individual
	176	Roz Brown	Individual
	177/ 178/ 165/ 166	Transition Town Upper Hutt	Community representatives
	Total	4	
Kapiti	179/ 106	Grey Power	Community representatives
	Total	1	
Hutt City	181/121	Barbara Branch	Individual
	182/95	Alan Waller	Individual
	Total	2	

SUBMISSION TO THE LOCAL GOVERNMENT COMMISSION

ON LOCAL GOVERNMENT REFORM IN WAIRARAPA

This attachment in support of the Greater Wellington Regional Council application to the Local Government Commission on proposals to reform local government in the greater Wellington region, focuses on the needs, wants and aspirations of individuals, families and whanau who are affiliated to hapu of Ngati Kahungunu having mana whenua in Wairarapa.

Matters of particular concern to Kahungunu people in Wairarapa include:

- **Rates:** We are more affected by rates rises with more of our people on low or fixed incomes
- **Public Transport:** Similarly our whanau would be affected by fare rises
- **Jobs:** Lack of industry is the main reason for so many of our families leaving Wairarapa
- **Water:** Water quality, management, allocation and use of water is of great concern to our people
- **Rivers:** We are extremely opposed to the run-off of human wastes into our rivers
- **Coastal Areas:** Coastal erosion is a problem. Customary and commercial fisheries are of concern
- **Aquatic Life:** Strong concerns about loss and destruction of native aquatic species including eels
- **Land:** We must have oversight of modification/disturbance of sites of significance and waahi tapu
- **Sewage:** Four Wairarapa towns need sewage upgrades in the near future. How will we pay for them?
- **Bio Security:** Protection and revitalisation of native species of flora and fauna of every kind.

These points are of special concern to tangata whenua in Wairarapa. Other factors affecting the general population are also relevant to Kahungunu people and should be considered. We need options for future governance that will provide:-

- a) Strength of leadership
- b) Quality of services
- c) Cost efficiencies
- d) Competitiveness with other regions and access to new markets
- e) Stronger influence with central government
- f) Connectedness to the powerhouse of business and politics
- g) Ability to attract more business and investment (and jobs)
- h) A great place to live, work, play and retire

Inter-Iwi Unity and Influence:

Since the inception of the current form of local government in 1989, the major iwi groups holding mana in the region have jointly worked with the regional council under the requirements of the Local Government and Resource Management acts. A formal charter of understanding was signed by the iwi parties and council in 1993 as Ara Tahi. Through evolution and reviews, and the strengthening of tangata whenua involvement in regional affairs, a new memorandum of partnership was signed by the parties in 2013. That Ara Tahi partnership covers a structural and operational relationship of mutual benefit between the council and tangata whenua as shown below:

- **Ara Tahī Leadership Committee** The formal partnership of tangata whenua and council leaders dealing with high level and strategic issues
- **Te Upoko Taiao** The regional planning committee of equal numbers of iwi nominated members and councillors with equal voting rights to develop and monitor the regional plan and regulatory matters
- **Pou Whakarae** Maori relations manager employed by GW and part of its executive leadership team. This position was created through tangata whenua initiative
- **Council Standing Committees** One tangata whenua nominated member on each council standing committee with full voting rights
- **Iwi Leadership Groups** Council and individual iwi leaders meet to identify and deal with key local issues and priorities.
- **Iwi Consultants** Council / iwi contracts for service as determined individually
- **Resource Consents Hearings** Iwi and councillor hearing commissioners make decisions on resource consents applications
- **Operational Work** Collaborative working relationship to develop and deliver shared work plans
- **Cross-Cultural Competencies** To increase mutual understanding of roles and culture to be undertaken by all involved through workshops, wananga, secondments, internships etc.

Tangata whenua members of Ara Tahī are strongly insistent that the levels of engagement currently maintained by its iwi partners, continue with any new council formed after the reformation of local bodies in the Wellington region. They are also vitally concerned that the strengthened unity and goodwill of iwi working collaboratively with the regional council be maintained into the future. They note that tangata whenua, speaking as a united body can and does exercise considerable influence with local and central government, and other public bodies.

Options for Future Governance in Wairarapa:

Three options for a future council covering the Wairarapa area are being considered at this time,

1. A single-tiered council covering the whole of the greater Wellington region
2. A two-tiered council covering the whole of the greater Wellington region
3. A single Wairarapa unitary authority

Single-Tiered Council:

Advantages

- A single strong political and business voice, one administration, a co-ordinated approach to both local and regional matters, ability to apportion costs to best effect and priority areas, more clout in dealings with government, businesses, national and international affairs. Greater ability to meet infrastructure and other major commitments through prioritisation.
- Wairarapa adds balance to a mainly urbanised western region. Much of Wairarapa's rural industry goes through Wellington. In the community of common interest Wairarapa regional rates go toward Wellington amenities such as arts, events, sports etc and in return Wairarapa receives funding for land management, flood protection, public transport, water and coastal management, bio-security and so on. With a single rating regime for the whole region, funds are expended where most needed, regardless of location. Natural and physical resources are prime areas of expenditure, such as the airport, harbour and land management.
- Tangata whenua groups through Ara Tahī are expected to maintain the status quo of being included in decision-making at council level.

Disadvantages

- Councillors will be elected on a population basis which means that Wairarapa would only be entitled to two councillors.
- Community boards may be established at the discretion of the council. Council would decide what powers and functions would be delegated to them. Community boards have little control of local affairs
- Community boards will be seen by Wairarapa residents as a poor substitute for loss of local control
- On the likelihood that the mayor would be Wellington based, Wairarapa citizens would have further to travel to meet with him/her than they have now.

Two-Tiered Council:

Advantages

- A governing council focussing on region-wide strategic decisions, regional scale infrastructure and services such as natural resources, bio-security, flood-plain management, water, sewage and public transport.
- A second tier of local boards to represent their local communities and make decisions on local issues, activities and facilities, and provide important local input into region-wide policies. They will be funded through the annual planning process.
- The first two bullet points of a single-tiered council are the same for a two-tiered council.
- Tangata whenua groups through Ara Tahi are expected to maintain the status quo of being party to decision-making at governing council level. It is also expected that local Maori committees would work with local boards with some share in decision-making.

Disadvantages

- Councillors will be elected on a population basis which means that Wairarapa would only be entitled to two councillors.
- A probably Wellington-based mayor would be more remote to Wairarapa citizens than at present.
- Local boards while making decisions on local matters are still answerable to the governing council.

Wairarapa Unitary Authority:

Advantages

- A single council for the whole of Wairarapa administering all local body functions, both district commitments and Wairarapa region-wide natural, physical and environmental responsibilities.
- A single voice on Wairarapa matters to government, business and national and international affairs.
- Full control of all local body matters in Wairarapa. Own mayor.
- Some savings on single administration from the present three councils structure.

Disadvantages

- Ara Tahi tangata whenua partnership will be broken up. Their strength and unity will be fractured. Reduced influence of Wairarapa iwi with government and major organisations.
- The Wairarapa mayoral working group showed their attitude to Maori by presenting a proposal that reduced Maori input to council affairs to a minor advisory role.

- MartinJenkins produced a report to the Wairarapa mayoral group that whilst showing where savings can be made, still showed a budgetary loss. In addition it did not include the cost of public transport.
- The report recommended reduction of environmental and physical services in an attempt to keep costs down and considered the current level of environmental spending to be unnecessary.
- No costs have been allowed for Maori or tangata whenua input.
- Reductions in environmental management and funding is likely to result in job losses for Kahungunu ki Wairarapa staff.

Recommendation:

In comparing the three options above and taking into account peripheral matters associated with those listed, I recommend that the most appropriate option to meet the needs of whanau of Kahungunu in Wairarapa is that of Option 2, a two-tiered council covering the whole of the greater Wellington region.

The main points in support of this submission are:

- 20 years of close co-operation with the regional council bringing tangata whenua to a position of real influence will be maintained, and the strength and unity that now exists among the iwi of the region will continue.
- Contractual arrangements with the governing council are expected to continue, providing work for Kahungunu ki Wairarapa staff and representatives and opportunities for knowledge and growth.
- Public transport, especially rail, will be maintained without additional expense of a Wairarapa council having to contract those services.
- Local boards will undertake council commitments of a local nature and local Maori will have input in local matters.
- Current levels of council services of particular interest to our whanau are expected to continue.

Other reasons for this recommendation are:

- Planned reduction of environmental and natural resource services by a Wairarapa unitary authority (WUA) will impact on cultural well-being and likely to cost the jobs of Kahungunu ki Wairarapa staff and representatives.
- Additional costs of region-type functions by a WUA indicated by MartinJenkins will likely result in rates rises. Train fares are also expected to rise.
- The establishment of a WUA will fracture the long-term partnership of region-wide tangata whenua which includes Kahungunu ki Wairarapa and Rangitane o Wairarapa. This will impact heavily on our ability to influence government, public bodies and other power brokers.
- The Wairarapa mayoral working group proposes to reduce local Maori input into council affairs to a minor advisory role as indicated in their presentations to whanau groups.

I will make myself available to speak to this recommendation if required.

**Nelson Rangi
Kaumatua**



PO Box 12164, Wellington 6144

1 May 2013

Regional Reform
Wellington
info@regionalreform.org.nz

Wellington Your Choice – Options for Local Governance

This is the Taranaki Whanui response to the consultation which the four Councils are holding on the report the potential of the Wellington Region; Conclusions of the joint working Party on Local Government Reform.

The Port Nicholson Block Settlement Trust, The Wellington Tenth's Trust, and The Palmerston North Maori Reserve Trust are making this joint submission.

The Port Nicholson Block Settlement Trust is the entity established to receive and administer the settlement for Taranaki Whanui as a result of Waitangi Tribunal Claims for Wellington, Lower Hutt and Upper Hutt Cities. The people who make up Taranaki Whanui descend from the original peoples who lived around Wellington harbour and throughout the Hutt Valley in 1839. Our Rangatira met with the NZ Company representatives and established a relationship for moving forward. The same Rangatira signed the Treaty of Waitangi in Wellington on 29 April 1840. The tupuna were from whanau, hapu and iwi of Te Atiawa, Taranaki, Ngati Tama and Ngati Ruanui.

Wellington Tenth's Trust and Palmerston North Maori Reserve Trust are trusts that operate under the Te Ture Whenua Act 1993 and have been in existence in other guises since 1839 and 1866 respectively. The owners in these Ahu Whenua Trusts are the people of the Port Nicholson Block Settlement Trust.

The three Trusts represent in excess of 14,000 people. The people of the three trusts are known as Mana Whenua. They hold the responsibility of Kaitiakitanga in the region outlined and the takiwa is acknowledged in the settlement legislation.

The wider Wellington region is known as Te Upoko O Te Ika, or the head of the fish. Wellington harbour is one of the eyes of the fish and Lake Wairarapa is known as the other eye of the fish. Culturally this relates back to the story of the birth of Aotearoa with Maui Tikitiki-a-rangi fishing up the island we now call the North Island or Te Ika a Maui.

This submission addresses the following matters:

- Single – tier or two-tier council
- Status Quo – current arrangements to continue but capacity be increased to reflect changing demands for iwi to participate effectively
- Taurahere

Single – tier or two-tier council

Taranaki Whanui does not have a preference for either the single-tier or two-tier council but the interest as Mana Whenua and Treaty partner must be accommodated in either model.

Status Quo

Taranaki Whanui wants to ensure that the existing arrangements with local government continue. These arrangements include but are not limited to:

- Te Upoko Taiao
- Obligations arising from local government legislation, the Resource Management Act and the Treaty of Waitangi settlement legislation
- Capacity building arrangements which ensure Taranaki Whanui are able to carry out our role fully and effectively as Mana Whenua

Taurahere

We understand advice is being sought from us in relation to Taurahere and local government engagement in terms of the proposed reform. We are primarily concerned with our duties as Tangata Whenua of our rohe and therefore do not have a view of how local government may engage with Taurahere. Our own relationship with Taurahere has been established through Whakapapa and observance of our Tikanga and Kawa by Taurahere. We suggest decision makers engage directly with Taurahere on this matter, recognising their status.

Taranaki Whanui thank you for the opportunity to submit to the process and seek to speak to this submission.

Heoi ano

Liz Mellish
Natural Resources Advisor
Port Nicholson Block Settlement Trust



Te Rūnanga o Toa Rangatira Inc

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Options for local governance a submission on behalf of Ngati Toa Rangatira

Emailed to: info@regionalreform.org.nz

This submission is made by Te Runanga o Toa Rangatira Inc (the Runanga) the mandated iwi organisation for Ngati Toa Rangatira.

Te Runanga o Toa Rangatira currently has a formal relationship with six city, district and regional councils within the Wellington Region and Te Tau Ihu (top of the South Island). Ngati Toa signed its historical Treaty of Waitangi Claim in December 2012 which will enable the facilitation of formal arrangements to be established with an additional five district and city councils.

Representatives of the Runanga have attended a number of consultation hui facilitated by the various local government authorities within the Wellington Region regarding the proposed options for consideration.

Maori Participation on council

Ngati Toa value the relationships that have been established with the various councils over many years. Under a proposed structure we would not expect the relationships we currently have in place being diminished in any way. We would participate in discussions how to enhance Maori and tangata whenua participation within local government.

In addition Ngati Toa would support the establishment of Maori wards or constituencies as outlined under the Local Electoral Act 2001.

Single Tier versus Two tier model

The preferred Ngati Toa option is the single tier option to be the most effective means of governance within the region aside from the status quo. A single tier supported through an effective administrative arm would meet the requirements of the region to actively achieve the regional needs of constituents and iwi.

Nāku noa, nā

Jennie Smeaton

Te Runanga o Toa Rangatira



David Benham
Chief Executive
Greater Wellington Regional Council
PO Box 11646
Wellington 6142

15 February 2013

Allocation of GWRC costs to territorial authority areas

Dear David

We issued a letter to the Greater Wellington Regional Council (“the Council”) dated 30 January 2013 in which we set out an allocation of the Council’s 2012 revenues, costs, assets and liabilities to the territorial authority areas in the Council’s Region (“the allocation letter”). A description of the approach used to allocate the revenues, costs, assets and liabilities and the associated assumptions was included in the letter.

You requested that we discuss the allocation letter with representatives of Wellington City Council (“WCC”). The intent of those discussions has been to explain the allocation assumptions and calculations to enable WCC to confirm that it is comfortable with the resulting allocations of revenue, costs, assets and liabilities, taking into account that:

- There is a range of approaches to the allocations. As we have noted in the allocation letter, there is not a single “right” approach to the allocations.
- The results of the allocations will change from year to year given changes in relative expenditure on individual activity areas.

We have provided detailed information to WCC and explained the allocation approach and calculations. WCC asked us to quantify the impact of changes to two of the allocation assumptions. These changes related to:

- The allocation of flood protection costs.
- The allocation of debt held in WRC Holdings Limited (“WRCH”). This has a balance sheet impact only – there is no impact on the statement of financial performance or the funding statement.

For the purpose of the allocation letter, flood protection assets, liabilities and costs were allocated to territorial authority areas based on the physical location of the related flood protection assets. This was consistent with the approach taken to other activity areas.

WCC asked us to produce an alternative allocation scenario assuming:

- Flood protection debt is related to the level of internal debt allocated to this activity area.





- The percentage of flood protection costs allocated to the Wairarapa is consistent with the allocation percentage used in the Wairarapa area cost allocation exercise undertaken by the Council late last calendar year.

In addition to the flood protection reallocation and the WRCH debt, an adjustment has been made to reflect more accurate information from the Council on the allocation of the 2012 river rate and costs relating to democratic and emergency services (“other adjustments”).

The net impact of the flood protection scenario and the other adjustments is a reallocation that moves some cost from the Wairarapa to other territorial authority areas, primarily Hutt City and Kapiti, which both have substantial flood protection assets, as well as a transfer of cost from WCC to the other territorial authority areas in relation to democratic and emergency services.

We have reproduced the tables presented in the allocation letter but including the changes requested by the WCC and the other adjustments. These tables are included in Appendix A. We have also included in Appendix B the description of assumptions from the allocation letter.

The changes to the allocation assumptions requested by WCC result, in our view, in a valid allocation scenario. However, the changes do not invalidate the allocation approach used in the allocation letter. Rather, they reinforce the point that there is a range of valid alternative allocation approaches and that there is no single “right” allocation approach.

In addition to the changes to the calculations, WCC also suggested that the public transport cost included for Wairarapa should be removed as no costs have been included for the other territorial authority areas. The public transport cost was included for Wairarapa to enable a comparison with the Wairarapa cost allocation exercise undertaken late last year.

The tables in Appendix A exclude the Wairarapa public transport cost in accordance with WCC’s suggestion. If this cost was to be included, the Wairarapa net income statement deficit would be \$8.8 million and the funding deficit would be \$10.6 million.

The results in this letter (and in the allocation letter) should not be interpreted as a view of the level of net cost required to provide the services in each area under an alternative stand-alone governance structure. Cost structures will be different under alternative governance structures, and the level of service under those structures may differ to the level of service the Council currently provides.

This letter has been produced in accordance with our engagement letter with the Council and should be read in conjunction with the allocation letter and the important notice included in Appendix 2 of that letter.

Please do not hesitate to contact us if you have any questions or require further information.

Yours sincerely

A handwritten signature in black ink that reads 'Bruce Wattie'.

Bruce Wattie
Partner
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Appendix A Modelling results

Note: numbers in the following tables have been rounded. Therefore, the tables may not add exactly.

Table 1 Summary income statement by territorial authority area

Summary Income Statement (\$'000)	Wellington	Hutt City	Upper Hutt	Porirua	Kapiti	Wairarapa	Total excluding PT	Public Transport including PT	Total
Targeted Rates & Levies	16,882	9,849	3,358	3,339	1,840	2,108	37,377	46,352	83,728
General Rates	12,535	4,542	1,707	2,022	2,702	2,533	26,041	-	26,041
Port Dividend	1,816	650	243	289	387	367	3,752	-	3,752
Grant & subsidies revenue	2	4	6	6	3	452	473	168,204	168,676
Reserve investment revenue	(188)	(222)	34	(21)	53	56	(289)	289	-
Other investment revenue	2,825	1,678	441	431	215	1,073	6,663	-	6,663
Unrealised revaluation gains	(839)	(1,457)	(249)	(183)	(271)	993	(2,005)	(1,337)	(3,342)
Other External Revenue	4,262	2,444	1,876	1,305	1,171	4,589	15,646	639	16,285
Total Operating Revenue	37,295	17,486	7,418	7,189	6,098	12,171	87,658	214,146	301,804
Operating expenditure	24,428	16,318	10,812	8,784	7,913	20,353	88,608	217,817	306,425
Less: internal revenue	(5,104)	(3,397)	(2,808)	(1,715)	(1,630)	(3,762)	(18,416)	(120)	(18,536)
Total Operating Costs	19,324	12,921	8,003	7,069	6,283	16,591	70,191	217,697	287,888
EBITDA	17,971	4,565	(585)	120	(184)	(4,420)	17,466	(3,551)	13,915
Total Financing Costs	1,729	2,333	236	335	283	759	5,675	1,559	7,233
Depreciation	4,946	2,728	1,315	1,214	388	1,108	11,699	672	12,372
Loss(Gain) on Assets	94	8	(33)	1	(45)	(132)	(107)	(11)	(118)
Bad Debts & Provision for Bad Debts	(4)	(5)	(5)	(5)	(5)	(23)	(47)	-	(47)
Operating surplus (deficit)	11,206	(499)	(2,098)	(1,425)	(805)	(6,132)	246	(5,771)	(5,525)

Table 2 Targeted rates and levies collected by territorial authority area

Targeted Rates & Levies \$'000	Wellington	Hutt City	Upper Hutt	Porirua	Kapiti	Wairarapa	Total excluding PT	Public Transport	Total
Regional water supply levies	13,053	6,139	2,264	2,708	-	-	24,164	-	24,164
Regional Transport Rate	-	-	-	-	-	-	-	46,352	46,352
River rate	100	2,168	577	66	1,221	19	4,152	-	4,152
Stadium purposes rate	1,589	522	141	192	130	102	2,676	-	2,676
WRS rate	2,060	862	327	339	464	448	4,500	-	4,500
Bovine tuberculosis rate	1	0	2	0	1	138	143	-	143
River Management plan	-	-	-	-	-	83	83	-	83
Wairarapa scheme rate	-	-	-	-	-	1,290	1,290	-	1,290
Warm greater Wellington	79	157	48	34	24	29	371	-	371
Total	16,882	9,849	3,358	3,339	1,840	2,108	37,377	46,352	83,728

Table 3 Funding statement by territorial authority area

Funding Statement (\$'000)	Wellington	Hutt City	Upper Hutt	Porirua	Kapiti	Wairarapa	Total excluding PT	Public Transport	Total
Total Operating Costs	19,324	12,921	8,003	7,069	6,283	16,591	70,191	217,697	287,888
Plus: financial costs (interest only)	1,729	2,333	236	335	283	759	5,675	1,559	7,233
Total costs	21,054	15,255	8,239	7,404	6,566	17,349	75,866	219,256	295,122
Less: external revenue									
Port dividend	(1,816)	(650)	(243)	(289)	(387)	(367)	(3,752)	-	(3,752)
Grant & subsidies revenue	(2)	(4)	(6)	(6)	(3)	(452)	(473)	(168,204)	(168,676)
Other investment revenue	(2,825)	(1,678)	(441)	(431)	(215)	(1,073)	(6,663)	-	(6,663)
Other External Revenue	(4,262)	(2,444)	(1,876)	(1,305)	(1,171)	(4,589)	(15,646)	(639)	(16,285)
Total external revenue	(8,905)	(4,775)	(2,567)	(2,032)	(1,775)	(6,480)	(26,534)	(168,842)	(195,376)
Net cost	12,149	10,480	5,672	5,372	4,791	10,869	49,332	50,413	99,746
Funded by:									
Targeted rates and levies	16,882	9,849	3,358	3,339	1,840	2,108	37,377	46,352	83,728
General rates	12,535	4,542	1,707	2,022	2,702	2,533	26,041	-	26,041
Total	29,417	14,390	5,066	5,362	4,542	4,641	63,418	46,352	109,769
Operating funding Surplus (deficit)	17,269	3,911	(606)	(11)	(249)	(6,228)	14,085	(4,062)	10,023
Loan repayments	(2,530)	(2,444)	(547)	(527)	(377)	(1,730)	(8,156)	(1,972)	(10,127)
Funding surplus (deficit)	14,738	1,467	(1,153)	(538)	(626)	(7,958)	5,930	(6,034)	(104)



Table 4 Summary balance sheet

Summary Balance Sheet (\$'000)	Wellington	Hutt City	Upper Hutt	Porirua	Kapiti	Wairarapa	Total excluding PT	Public Transport including PT	Total Reconciliation to AR	Total
Current assets										
Bank Accounts and Call Deposits	2,711	3,360	674	580	533	1,347	9,205	0	-	9,205
Other Current Assets	7,577	7,127	4,280	2,392	2,059	5,594	29,029	12,048	-	41,077
Investments										
Financial investments	9,720	12,050	2,414	2,079	1,908	4,828	33,000	-	-	33,000
Investment in Pringle House	6,400	-	-	-	-	-	6,400	-	-	6,400
Investment in CentrePort	21,295	7,621	2,854	3,393	4,539	4,299	44,000	-	-	44,000
Other investments	16,473	6,966	4,669	3,598	1,088	17,381	50,176	9,214	9,581	68,970
Fixed assets										
Water supply fixed assets	177,955	83,695	30,866	36,919	-	-	329,435	-	-	329,435
Fixed Assets and Capital WIP	13,172	67,144	45,858	11,688	36,789	187,024	361,675	11,601	-	373,276
Total Assets	255,303	187,963	91,615	60,650	46,916	220,473	862,919	32,862	9,581	905,363
Current Liabilities										
External Debt	(4,772)	(4,276)	(2,668)	(1,556)	(1,572)	(5,257)	(20,100)	(44,590)	2,812	(61,878)
Internal Debt	(46,067)	(38,393)	(9,057)	(8,730)	(9,450)	(16,603)	(128,300)	(43,191)	44,000	(127,491)
Other Liabilities	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	-	(0)
Total Liabilities	(50,839)	(42,669)	(11,725)	(10,286)	(11,022)	(21,860)	(148,400)	(87,781)	46,812	(189,369)
Net Assets	204,464	145,294	79,890	50,364	35,894	198,612	714,519	(54,918)	56,393	715,993

Appendix B: Summary of allocation methodologies by activity area

Activity area	Allocation Approach	Comment
Investment Management		
Liquid Financial Deposit	Debt	<ul style="list-style-type: none"> Allocated consistent with the allocation of debt. Includes \$33 million in commercial paper.
WRC Holdings Investment	Debt	<ul style="list-style-type: none"> Income from the Port and Pringle House allocated on the same basis as the Port and Pringle house investment assets.
Stadium Investment	Geographic Location	<ul style="list-style-type: none"> Allocated based on the regional stadium rate.
WRC Admin Properties	Geographic Location	<ul style="list-style-type: none"> Allocated based on the location of the assets. Fixed asset register has been analysed to estimate allocation proportions.
Strategic investments	Debt	<ul style="list-style-type: none"> Allocated based on debt. Includes the financial investment in the local government funding authority.
Treasury Management	Debt	<ul style="list-style-type: none"> Contains Council debt, financial investments and associated interest costs and income.
People and Capability		
Elected Members	Population	<ul style="list-style-type: none"> The cost of elected members is driven by the number of Councillors, which is related to population.
Democratic Services	Population	<ul style="list-style-type: none"> As above.
Non-divisional		
Warm Greater Wellington	Cost recovered	<ul style="list-style-type: none"> Costs associated with the Warm Greater Wellington scheme are allocated based on the total cost recovery amounts, by territorial authority area, collected from households participating in the scheme.
Environment Management Group		
Harbours	Estimate	<ul style="list-style-type: none"> Based on estimates by Harbours personnel and analysis of the fixed asset register. Most costs relate to Beacon Hill communication centre in Wellington City.
Regional Parks	Geographic Location	<ul style="list-style-type: none"> Based on analysis of the geographic location of parks. Assumes that the operating costs are proportionate to the assets in each territorial

Activity area	Allocation Approach	Comment
		authority area.
Consents Management	Estimate	<ul style="list-style-type: none"> Resource consent volume is largely driven by either water take/use/discharge activity in Wairarapa or developments in the Wellington region. Revenues, costs, assets and liabilities have been split 50:50 between Wairarapa and non-Wairarapa territorial authority areas. The amount allocated to non-Wairarapa territorial authority areas has been divided equally among those territorial authority areas.
Resource investigation	Estimate	<ul style="list-style-type: none"> Science groups are allocated 60% to Wairarapa and 40% to non-Wairarapa territorial authority areas, reflecting that the majority of monitoring equipment is located in Wairarapa. The amount allocated to non-Wairarapa territorial authority areas has been divided equally among those territorial authority areas.
Resource policy	Estimate	<ul style="list-style-type: none"> Based on judgement; 50:50 split between non-Wairarapa territorial authority areas and Wairarapa. The amount allocated to non-Wairarapa territorial authority areas has been divided equally among those territorial authority areas.
Catchment Group		
Flood Protection	Geographic location/estimate	<ul style="list-style-type: none"> Flood protection assets: based on geographic location. Operating costs: based on estimates of where costs are incurred. Debt, debt repayment and financing costs: based on relative level of flood protection internal debt.
Akura Conservation Centre	Geographic location	<ul style="list-style-type: none"> This project relates to Wairarapa, therefore 100% allocated to this area.
Integrated Catchment Management	Geographic location	<ul style="list-style-type: none"> Mainly personnel that service Wairarapa, therefore 100% allocated to this area.
Land Management	Estimate	<ul style="list-style-type: none"> Allocated based on estimates of the geographic location of land management activities, which occur mostly in Wairarapa.
Biodiversity	Estimate	<ul style="list-style-type: none"> Estimates of where costs are incurred.
Bio security (other)	Estimate	<ul style="list-style-type: none"> Estimates of where costs are incurred.

Activity area	Allocation Approach	Comment
Bio works	Estimate	<ul style="list-style-type: none"> Estimates of where costs are incurred.
<i>Strategy Community Engagement Group</i>		
Grow Wellington	Targeted Rates	<ul style="list-style-type: none"> Targeted rates applied to each territorial authority area based on a fixed charge for each residential and business property in that territorial authority area.
Parks Planning	Geographic Location	<ul style="list-style-type: none"> Based on the same allocation approach as parks (geographic location of parks).
Forests	Geographic Location	<ul style="list-style-type: none"> The costs, revenues, assets and liabilities associated with reserve forests (all located in Wairarapa) have been allocated to Wairarapa. Plantation forests are generally located on water catchment land. The costs, revenues assets and liabilities associated with plantation forests have been allocated on the same basis as water supply costs (i.e. the water levy)
<i>Water supply group</i>		
Greater Wellington water	Water Levy	<ul style="list-style-type: none"> Allocated based on the water levy paid by each council.
<i>Other</i>		
Other activities	Total expenditure allocated to each territorial authority	<ul style="list-style-type: none"> Includes all the “overhead” activities. Allocated based on the total costs incurred by each area.
<i>Subsidiaries</i>		
Pringle House Limited	Geographic location	<ul style="list-style-type: none"> The investment in Pringle house has been allocated based on geographic location, 100% allocated to Wellington.
Port Investment Limited	General rates	<ul style="list-style-type: none"> The investment in CentrePort has been allocated based on general rates. Consistent with CentrePort dividends being used to reduce the general rates.

Assessment of the viability of a Wairarapa Unitary Authority

8 April 2013

Report to the Wairarapa Councils

MARTIN^IJENKINS

Taylor |
Duignan |
Barry |

Preface

This report has been prepared for the Wairarapa Councils (through a Wairarapa Governance Review Working Party) by Martin, Jenkins & Associates Limited (MartinJenkins) and Taylor Duignan Barry Ltd.

MartinJenkins was established in 1993 and is 100% New Zealand owned. It is governed by executive directors Doug Martin, Kevin Jenkins, Michael Mills, Nick Davis and Nick Hill, plus independent directors Peter Taylor (Chair) and Sir John Wells.

Taylor Duignan Barry Ltd (TDB) is a boutique corporate finance and economics advisory company. TDB was established in 2002 and has offices in Wellington, Auckland and Christchurch.

Restrictions

This Report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose.

To the fullest extent permitted by law, we accept no duty of care to any third party in connection with the provision of this Report. We accept no liability of any kind to any third party and disclaim all responsibility for the consequences of any third party acting or refraining to act in reliance on the Report.

We have not been required, or sought, to independently verify the accuracy of information provided to us. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. We reserve the right, but will be under no obligation, to review or amend this Report, if any additional information, which was in existence on the date of this Report, was not brought to our attention, or subsequently comes to light.

This Report is issued pursuant to the terms and conditions set out in our Letter of Engagement dated 21 January 2013.

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Executive summary

- There is a strong strategic and economic (cost effectiveness) case for a Wairarapa Unitary Authority
- From Wairarapa's perspective, the additional strategic and economic benefits for a Supercity that includes Wairarapa are unproven and there are significant financial risks associated with the Supercity option
- A Wairarapa Unitary Authority would be financially viable.

Introduction

Wairarapa Councils¹ have been considering governance options for the Wairarapa. The Councils have previously arrived at an "in principle" decision that a Wairarapa Unitary Authority² would best provide for the interests of Wairarapa. Feedback from communities on this option was sought and this raised questions from some stakeholders as to whether the Unitary Authority option is viable and whether a better option would be for Wairarapa to join a region-wide Supercity.³

In light of this, Wairarapa Councils have sought advice regarding the issue of viability and they have also sought comment on how the Unitary Authority Option compares to the Supercity option. This report assesses these issues from strategic, economic and financial perspectives. Our report is based on information available as at March 2013.

Context

It is useful to begin by outlining some of the characteristics of Wairarapa and the Western Area.⁴ In geographic, demographic and economic terms, the two areas are quite distinct. They are separated by a clear boundary formed by the Rimutaka and Tararua mountain ranges. Wairarapa is a widely spread, low population rural/provincial community. The Western Area has a much larger population (around 450,000 compared to about 40,000 in Wairarapa) and is, for the most part, a densely populated urban zone.

¹ Carterton District Council, Masterton District Council and South Wairarapa District Council.

² A Wairarapa Unitary Authority would involve forming a single Council for Wairarapa and it would have responsibility for the territorial functions currently undertaken by the Wairarapa Councils and the regional functions (as they apply to Wairarapa) currently undertaken by the Greater Wellington Regional Council.

³ The Supercity option would involve establishing a single unitary authority for the whole of the greater Wellington region including Wairarapa.

⁴ Defined as the area within the greater Wellington region but excluding Wairarapa and the small section of Tararua district north-east of Masterton district.

Economic activity in Wairarapa is predominantly rural and the primary sector is the single largest source of employment. In contrast, the major areas of employment in the Western Area are public administration and other service industries.

Strategic and economic assessment of the options

If there are to be changes to governance arrangements, applications need to be made to the Local Government Commission (the Commission). Under the Local Government Act, the Commission is required to satisfy itself that any proposed new arrangement will meet a number of requirements including, for example, the proposed local authority will have the resources to effectively carry out its responsibilities, the purposes of local government will be promoted (including enabling democratic decision making and meeting current and future needs of communities) and arrangements will facilitate improved economic performance (including efficiencies and cost savings).

We have had regard to these requirements and our assessment of the options, from strategic and economic perspectives, is structured in general around the requirements outlined above.

Local democracy

We conclude that, from Wairarapa's perspective, an independent Wairarapa Unitary Authority is the preferred governance structure in terms of engagement with, and representing the needs of, the local community.

We would expect a Wairarapa Unitary Authority to be more approachable, find it easier to engage and consult with the local community and be more in tune with the needs and desires of local Wairarapa residents and businesses than a Supercity council. Wairarapa would have minority representation on a Supercity Council and most of the important decisions will be made centrally rather than through, for example, a local board. There is a significant risk that under a Supercity option the voices of the 40,000-strong population of the Wairarapa will be drowned out by those of the 450,000 people in the Western Area.

A Wairarapa Unitary Authority would provide Wairarapa's community with strategic control over land use, environmental management, asset management and water use policies.

Communities of interest

While there are economic and social relationships and interdependencies between the Wairarapa and the Western Area, these do not of themselves provide a rationale for co-governance of the areas. Moreover, the inter-dependencies and relationships are not wholly reliant on, or necessarily impacted by, local governance arrangements.

For several reasons, we conclude that communities of interest are likely to be better recognised and served under the Wairarapa Unitary Authority option than they are the Supercity option.

The assessment of population, economic and geographic characteristics of Wairarapa and Western Area indicate there is a stronger argument for differences in community of interest than there is for commonality of interest. In terms of these characteristics, it could be argued that Wairarapa shares more in common with communities to its north than it does with those to the West.

Reflecting the different characteristics, specific preferences regarding land use planning, environmental management and water use are likely to differ significantly between Wairarapa and the Western Area.

There is alignment of Wairarapa governance boundaries with rohe of Ngāti Kahungunu⁵ under the Wairarapa Unitary Authority and this is likely to facilitate closer cooperation between local government and matters of special interest and importance to Māori (a Wairarapa Council would also want to have strong links and participation with Rangitane o Wairarapa).

Implications for major strategic and economic issues facing Wairarapa

There are three main aspects of local government functions that are particularly important in terms of their impact on strategic and/or economic issues facing Wairarapa. These are the provision of public transport services (mainly commuter rail services), environmental regulation and management and economic strategy and development.

- The provision of public transport services between Wairarapa and the Western Area confer benefits on both areas. Reflecting this, the services and the benefits they confer should continue to exist irrespective of any changes to local government governance structures. A pan-region approach to the funding and provision of public transport is, therefore, highly desirable and a key part of this is ensuring that the public transport services continue to be eligible for funding from the New Zealand Transport Agency (NZTA). Public transport funding and provision arrangements would not be affected by the Supercity option. We understand that mechanisms exist to enable continuation of NZTA funding under a Unitary Authority option (this would require a joint arrangement between the Wairarapa Unitary Authority and whatever local government structure emerges for the Western Area).
- Specialist personnel are needed for environmental regulation and management functions. Many of these are currently located in Wairarapa and it is assumed that they would continue to be willing to work in Wairarapa if governance arrangements changed. There are significant differences in economic activities between Wairarapa and the Western Area. Furthermore, Wairarapa has its own water catchments and shares no water connections with the west. Reflecting these and other differences between the two areas, planning and

⁵ The larger of the Wairarapa iwi in terms of population.

policy preferences and priorities relating to land use, environmental management and water use are likely to differ between Wairarapa and the Western Area. A Wairarapa Unitary Authority is likely to be better placed than a Supercity to take account of the interests and needs that are specific to Wairarapa.

- There are many factors bearing on the economic health and development of Wairarapa. Important among these from a Wairarapa perspective is irrigation, tourism and local roads. In each of these areas, Wairarapa is likely to have preferences and priorities that are different to those of the Western Area and we doubt that these would be adequately recognised under a Supercity option. Irrigation is a major issue for Wairarapa but much less so for the Western Area. From a Wairarapa perspective, the risk is that under a Supercity option, the focus is directed toward local roads in densely populated urban areas (because these are used by many people) at the expense of lightly used, but nonetheless vital, rural roads. In terms of what drives tourism, there are differences between Wairarapa and the Western Area but, there are also overlaps (eg some international tourists who come to Wellington also visit Wairarapa and many domestic tourists to Wairarapa come from Wellington). There is, therefore, a case for joint destination marketing but this can be achieved through contract with Positively Wellington Tourism without the need for changed governance arrangements.

Cost effectiveness of service delivery

Many people would expect there to be economies from joining councils together. Economies of scope⁶ are likely to be realised by bringing together the territorial functions performed by the Wairarapa Councils with the regional functions performed by the Greater Wellington Regional Council (GWRC) including, for example, regulatory and policy functions. We would also expect there to be some economies of scale⁷ compared to the status quo.

Evidence from a joint New Zealand/Australia study into local government consolidation⁸ indicates that economies of scope are likely to be more significant than economies of scale. Moreover, evidence and common sense points to economies of scale and scope diminishing the greater are the physical distances between the parts of the overall organisation. For example, it is hard to see how economies in sports field administration and management would be achieved in situations where fields are over 100 kilometres apart.

The evidence points, therefore, to a situation where economies of scope and scale should be expected for the Unitary Authority option. It is much less clear, however, whether there would

⁶ Economies of scope refer to a situation where it is more cost efficient for one organisation to undertake two functions rather than have each function performed by a separate organisation.

⁷ Economies of scale exist where the average cost of providing a service falls as the quantity of service increases.

⁸ Aulich, C., et al (May 2011) "Consolidation in Local Government: A Fresh Look" Vol 2 report prepared for Australian Centre of Excellence for Local Government, Local Government Association of South Australia and Local Government New Zealand p17.

be any additional economies for Wairarapa from going to the next level and becoming part of a Supercity. Possible additional benefits stemming from the larger size of a Supercity include greater purchasing power (leading to lower costs) and increased ability to undertake more large-scale projects. There is, however, a risk that economies of scale and scope under the Supercity option may be less compared to the Unitary Authority option when distance is taken into account. In short, there is a case on cost effectiveness grounds for a unitary authority, but whether there are additional benefits for Wairarapa from moving to the next level and being part of a Supercity is not proven.

Financial viability

Compared to the status quo, there will be several factors impacting on costs under a Unitary Authority option. We have made a number of assumptions.

The first of these relates to the “subsidy” associated with regional functions that are undertaken by the GWRC and that benefit residents of the Wairarapa. The GWRC has previously stated the value of the subsidy is estimated to be \$11.2 million.⁹ GWRC’s advisers - PwC – have subsequently revised this estimate to \$8.0 million as a result of excluding the “subsidy” associated with public transport and making adjustments to various income and expenditure items (a reconciliation is provided in Appendix 1).

We agree that public transport should be excluded from the subsidy figure because funding arrangements reflect a balance of who benefits and who should pay. We see no reason why this should change because of changes in local government structures.

We have made some adjustments to the \$8.0 million subsidy figure. Among these, we have:

- eliminated costs attributed to Wairarapa forests because cutting rights are in the process of being sold by GWRC (which means no ongoing cost and may mean there are net sale proceeds that should be attributed to the Wairarapa)
- reduced costs associated with environmental policy, regulation and science activities as we consider a review of the scope of these services and the way they are provided is warranted.

We have also assumed that cost efficiencies can be achieved under a Unitary Authority option across the territorial functions performed by the Wairarapa Councils. Evidence from New Zealand and overseas indicate a 3% saving is realistic.¹⁰ A modest amount (\$400,000) has been allowed for to cover the costs of maintaining a pan-region approach to the funding and provision of public transport services. The impact of these adjustments is summarised in Figure 1 below.

⁹ GWRC press release dated 13 December 2012. <http://www.gw.govt.nz/wairarapa-subsidy-figures-released>.

¹⁰ Refer to section 2 (paragraph 99) for a summary of the evidence.

Figure 1: Wairarapa Unitary Authority income and costs

<u>Current State 2013/14</u>	<u>Adjustments</u>	<u>Future State 2013/14</u>																																																																												
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Overall, we estimate a deficit in the region of \$2.0 million under a Unitary Authority option. There are several options for addressing this including reprioritising existing plans, seeking to achieve further efficiency gains, implementing a phased rates adjustment (rather than one-off change), borrowing, or do nothing. Any one of these options would, in our view, render the Unitary Authority option financially viable.

The Councils have roughly \$10 million in cash and investments and these are forecast to increase in value steadily over the 10 year horizon of the long term plan. Councils have debt totalling around \$70 million. The net cost of servicing this amounts to only 5% of total operating expenditure – a very manageable level. Reflecting these points, we consider that the combined Councils are in a reasonably good financial position with an ability to withstand financial shocks, which is an important feature of viability.

As a further check on the viability of a Wairarapa Unitary Authority, we have benchmarked other existing unitary authorities. The graphs in Figure 2 below are based on 2012/13 budgets and do not take into account adjustments to the Wairarapa Council or GWRC costs described earlier. They indicate that the cost level for a Wairarapa Unitary Authority would be within the norms of other unitary authorities.

Figure 2: Benchmarking against other unitary authorities

The graphs also illustrate that, in size terms, a Wairarapa Unitary Authority would be comparable with other existing unitary authorities. This helps to provide confidence that a Wairarapa Unitary Authority would have the scale and critical mass to manage, and secure technical and other capabilities needed for, major projects such as the Wairarapa Water Use project (for which funding has been allocated by the GWRC and Ministry for Primary Industries).

In summary, from a financial perspective we consider that the Wairarapa Unitary Authority is a viable option.

It is harder to assess in a quantitative sense the financial implications of the Supercity option. Possibly, the Wairarapa subsidy might be retained for the benefit of Wairarapa under a Supercity option, but there can be no guarantee of this. From Wairarapa's perspective, there are several financial risks associated with the Supercity option.

- Wairarapa would probably face the cost of supporting a local board. The annual cost of this could be anywhere between \$0.5 million (based on an estimate by the joint Working Party on Local Government Reform) and \$1.0 million (based on Auckland experience).
- There would be an exposure to liabilities (and assets) of other territorial authorities and costs associated with major capital projects.
- Financial Assistance Rates (FARs) provided by the NZTA for roads is likely to fall under a Supercity option. Preliminary indications are that this could involve a reduction from around 52% under a Unitary Authority option to 47% under a Supercity option. The extra contribution required from Wairarapa would amount to around \$1.0 million per year. Moreover, policy decisions regarding standards and priorities for Wairarapa roads would no longer be within the full control of Wairarapa.
- It is likely that Wairarapa would be required to increase its financial contribution to regional amenities. We have estimated this could be an additional \$0.5 million per year.

Financial comparisons with the Wairarapa's fate under a Supercity is difficult, not least because no one can say how a future Supercity would recalibrate its rating and funding policies as required when it merges all the current policies together. This has the potential to completely

overwhelm any other factors, such as additional efficiencies or whether the 'Wairarapa subsidy' is continued or not, for individual ratepayers.

In summary, while we consider that the case for a Wairarapa Unitary Authority to be strong, and that it would be financially viable, it is ultimately up to people of Wairarapa and, potentially, the Local Government Commission to decide whether Wairarapa should form a Wairarapa Unitary Authority, retain the status quo, or join a region-wide Supercity.

1. Introduction

Background and context

- 1 Councils within the greater Wellington region are investigating options for local government reform in the region. A recent Report of the Wellington Region Local Government Review Panel set out a case for change – in particular, for stronger regional leadership and shared responsibilities for planning and infrastructure.
- 2 The three Wairarapa Councils have also been considering the case for reform of local government. The Wairarapa Governance Review Working Party (the Working Party) has been formed to ensure that the Wairarapa Councils and their communities are well positioned and informed, to consider governance choices and identify a preferred option for Wairarapa.
- 3 Much work and consultation has been done. The three Wairarapa Councils have arrived at the ‘in principle’ decision that a Wairarapa Unitary Authority, combining the three territorial authorities and the regional functions for the Wairarapa currently undertaken by the GWRC, is the governance model that will best provide for the interests of their constituents. The Wairarapa Councils have recently sought feedback from their communities on this preferred option, with a view to submitting an application for reform to the Local Government Commission (the Commission) at the appropriate time in 2013.
- 4 During the course of consultation, some residents and stakeholder groups questioned whether a Wairarapa Unitary Authority is viable. Some have a view that a better option is for Wairarapa to join a region-wide Supercity structure (or remain with the status quo, or adopt some other option).
- 5 In short, there is a need for advice on the viability of a Wairarapa Unitary Authority and what, if any, conditions or compromises this might involve. There is also a need to consider whether the case for an independent Wairarapa is stronger than the alternatives including, in particular, a Supercity option.

Viability defined

- 6 Viability has several components. There is a financial dimension which we have defined as being the ability to meet the cost of day-to-day operations, to fund larger, less frequent investments in assets and debt repayment and to withstand large financial shocks (such as a large capital investment that fails).

- 7 Viability can also be defined in organisational terms. That is, would a Wairarapa Unitary Authority have the appropriate capacity and capability to be an efficient, effective and sustainable organisation that best promotes good local government? In this respect, consideration needs to be given to a series of requirements set out in section 10 and Schedule 3 of the Local Government Amendment Act (these relate to the reorganisation of local authorities). Among other things, in considering a proposal to establish a unitary authority, the Commission must be satisfied that the proposed unitary authority will have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers.
- 8 Ultimately, the key question of interest is whether Wairarapa benefits from, or is disadvantaged by, alternative governance arrangements in terms of the major strategic and economic issues facing Wairarapa.

Report structure

- 9 Beyond this introduction section, the report is structured into two main parts. The next section considers governance options from strategic and economic perspectives. To put the assessment into context, we provide an overview of key population, economic and geographic characteristics of Wairarapa and the Western Area. We then assess the Unitary Authority and Supercity options in terms of local democracy, community of interest, the implications for major strategic and economic issues facing Wairarapa and cost effectiveness.
- 10 Section three of the report considers viability from a financial perspective. It starts with the current situation and considers the potential financial implications of the Unitary Authority and Supercity options.

2. Strategic and economic viability assessment

Introduction

Purpose

11 In this section of the report, we consider the strategic and economic case for Wairarapa being an independent unit of local government that is separate from the rest of the greater Wellington region. We assess whether Wairarapa can reasonably expect to be better off retaining full decision-making and democratic input into local government functions as it affects Wairarapa residents, businesses and stakeholders.

Scope and approach

12 Consistent with our terms of reference, we have focused on two main governance options for Wairarapa: a Wairarapa Unitary Authority or a Supercity. We consider which of the two options offers the greatest net benefits, strategically and economically, for Wairarapa.

13 In assessing the options, we have given consideration to various requirements under the Local Government Act (the Act). Clause 12 of Schedule 3 of the Act identifies that the preferred option will:

- best promote in the affected area the purpose of local government as specified in Section 10 of the Act
- will facilitate, in the affected area, improved economic performance, which may (without limitation) include:
 - efficiencies and cost savings
 - productivity improvements, both within the local authorities and for businesses and households that interact with those local authorities
 - simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.

14 The purpose of local government, as laid out in Section 10 of the Act, is as follows:

“(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.”

- 15 Having regard to the legislative requirements outlined above, our strategic and economic assessment of the options focuses on the implications for:
- enabling local democracy and decision making
 - communities of interest and the extent to which these are recognised and served
 - the extent to which Wairarapa benefits from, or is disadvantaged by, alternative governance arrangements in terms of the major strategic and economic issues facing Wairarapa
 - the cost effectiveness of service delivery (this aspect of the assessment crosses over into the assessment of financial viability that is discussed further in section 3).
- 16 To put the assessment of these elements into context, we begin by comparing and contrasting Wairarapa with the Western Area in terms of their population, economic and geographic characteristics.

Information sources

- 17 In undertaking our assessment, we have drawn on:
- a MartinJenkins report (2012) commissioned by GWRC on “Economic Interdependence between the Western Area of the Wellington Region and Wairarapa”
 - an undated presentation prepared by Wellington City Council (WCC) regarding Wellington regional governance and covering a functional assessment of local government roles and responsibilities
 - a joint NZ/Australia review (2011) of consolidation in local government undertaken by the Australian Centre of Excellence for Local Government
 - the Wellington Region Local Government Review Panel report (2012) “Future Wellington – Proud, Prosperous and Resilient”
 - a report by Morrison Low (2012) commissioned by the three Wairarapa Councils: “Investigation into the formation of an Amalgamated Wairarapa District Council and a Wairarapa Unitary Authority”.

Overview of Wairarapa and Western Area

Population

- 18 The Western Area has a population of approximately 450,000 people and over 45,000 businesses. There are over 193 people per square kilometre in this area. The demographics of Wairarapa are markedly different with approximately 40,000 people in an area that makes up 74% of the total greater Wellington region land area, resulting in a population density of only 6.5 people per square kilometre. Wairarapa has over 5,500 businesses. Overall, the Western Area is a well-populated urban region while Wairarapa is a rural/provincial community.

Industry employment

- 19 The largest industries in the two areas by employment count are a strong indication of the differences between the Western Area and Wairarapa. There are some similarities between the two areas in that both have significant numbers employed in the retail trade, education and training and health care and social assistance industries. Wairarapa is, however, a relatively rural community with the agriculture, forestry and fishing and manufacturing industries being large employers. The Western Area is dominated by the public sector and highly skilled service provision.

Table 1: Top five industries by employment

Western Area			Wairarapa		
Industry	Rank	Employment	Employment	Rank	Industry
Public administration & safety	1	30,030	2,590	1	Agriculture, forestry & fishing
Professional, scientific & technical services	2	25,320	2,000	2	Retail trade
Health care and social assistance	3	22,200	1,960	3	Health care & social assistance
Education & training	4	20,380	1,680	4	Manufacturing
Retail trade	5	19,720	1,510	5	Education & training
Total Employed		214,500	19,101		

- 20 As can be seen from Table 1, the labour force in the Western Area is significantly larger than in Wairarapa. The top two industries in the Western Area are not among the top five in Wairarapa. Similarly, the largest employment sector in Wairarapa does not feature in the Western Area. In short, the two areas have markedly different employment bases.
- 21 Given the relative sizes of the labour force in both areas, downturns in the economy in the Western Area are likely to impact on Wairarapa but downturns in Wairarapa's economy are unlikely to have a significant impact on the Western Area.

Commuting

- 22 The greater the number of people living in one area but working in another, the more likely it is that council services provided in one area will benefit residents of another area.
- 23 According to the most recent census data (2006), 680 Western Area residents regularly commute to the Wairarapa while 1,400 Wairarapa residents commute to the Western Area. The majority of the Wairarapa commuters live in the South Wairarapa district and most are employed in Wellington City. Over 7% of people who live in Wairarapa and are employed commute to the Western Area (the majority of these take the train). Only 0.3% of those who live in the Western Area and are employed make the commute in the other direction (ie to Wairarapa) and of these the majority travel by private passenger car.

Migrants

- 24 Between the 2001 and 2006 censuses, a similar number of people migrated between Wairarapa and the Western Area: 2,400 migrated from the Western Area to Wairarapa, while 2,166 migrated from Wairarapa to the Western Area. To put this into context, between 2001 and 2006, 9,330 people migrated to Wairarapa of whom, approximately 26% previously lived in the Western Area. Over the same time period, 99,300 people migrated to the Western Area, but only 2% of these originated from Wairarapa.
- 25 The most common motivation for those moving from the Western Area to Wairarapa was a change in lifestyle. The main reason migrants shifted from Wairarapa to the Western Area was to pursue better work and training opportunities.

Economic linkages

Freight and distribution

- 26 CentrePort and Wellington airport make Wellington City an important distribution hub for goods entering and leaving the greater Wellington region. These distribution channels provide relatively easy access to national and international markets for businesses operating in Wairarapa. Annually, 249,000 heavy vehicles originating from Wairarapa travel to the Western Area, while 227,000 make the opposite trip.
- 27 Table 2 below provides details of the net product weight in tonnes transported by rail to and from Wairarapa from 2007 to 2011.

Table 2: Rail freight (net product weight, tonnes)

Direction	Origin/Destination	Financial Year				
		2007	2008	2009	2010	2011
To Wairarapa	From outside Western Area	3,589	2,828	1,441	1,986	3,029
	From within Western Area	2,436	5,147	7,117	2,751	5,530
Total		6,025	7,975	8,558	4,737	8,559
From Wairarapa	To outside Western Area	25,154	13,524	9,498	15,240	25,306
	To within Western Area	52,561	43,866	48,122	41,226	42,438
Total		77,715	57,390	57,620	56,466	67,744

28 Table 2 indicates that significantly more rail freight, by total weight, travels from Wairarapa to the Western Area and beyond (mostly forestry products) than travels the other way. For example, in 2011 only 8,559 tonnes (5,530 tonnes from the Western Area) of product was transported via rail to Wairarapa compared with 67,744 tonnes (42,438 tonnes bound for the Western Area) originating from Wairarapa. This comparison should be treated with some caution as only product weight, not value, has been considered. Nevertheless, both the rail freight volumes and the annual heavy vehicle traffic are higher from Wairarapa to the Western Area. This suggests that Wairarapa is far more reliant on the Western Area as a customer base and as a distribution channel than the reverse.

Domestic tourism

29 Intra-regional tourist trips occur regularly in both directions between the Western Area and Wairarapa. The MartinJenkins Economic Interdependence report uses BNZ cardholder transactions as a proxy for domestic tourism across the greater Wellington region. In 2011, almost 80% of Wairarapa cardholders made transactions in the Western Area, spending a total of \$66.4 million. However, these cardholders made up only 3% of out-of-region New Zealand cardholders that made transactions in the Western Area, and about 5% of the total tourism spend. In contrast, approximately 25% of Western Area cardholders made transactions in Wairarapa in 2011. They spent a total of \$39.7 million. These cardholders accounted for approximately 50% of all out-of-region cardholders making transactions in Wairarapa and their transactions accounted for around 50% of total tourist spend in the area. On average, the total spend per cardholder from Wairarapa in the Western Area was more than five times greater than the average cardholder spend by Western Area residents visiting Wairarapa.

- 30 For those tourists originating from further afield than the lower North Island, Wellington City tends to be the primary focus of a trip to the region. This is true for domestic tourists but even more so for international tourists. In this respect, the Western Area acts as a tourist gateway to the Wairarapa. In terms of generating tourism spending, the Wairarapa benefits from the proximity of the Western Area to a far greater extent than vice versa. Judging from the average spend per person the Western Area is also a far more popular tourism destination for Wairarapa residents than vice versa.

Production inputs

- 31 The Western Area is a densely populated urban region with key economic infrastructure in place: the distribution networks, educational institutions, professional services, and the expertise and variety a large city population attracts are all present in the Western Area. Although Wairarapa makes much use of the transport networks in place in the Western Area and to a lesser extent the business services and expertise available, most production inputs are not produced in the Western Area.
- 32 Wairarapa is a rural community reliant on its primary industries and provides a recreational option for those living in the Western Area. A small reliance in the Western Area on inputs from Wairarapa exists including primary industry goods used in construction and others sold at retail outlets. However, Wairarapa is not a significant source of production inputs for businesses in the Western Area.

Training

- 33 Wairarapa and the Western Area both have training and educational institutions. The Western Area is an important source of education for Wairarapa. The scale and expertise of tertiary institutions, private training providers and professional associations found in the Western Area can only be delivered where there is a population sizeable enough to attract such services. In many instances the training needs of Wairarapa cannot be met within the region because it is a relatively small, rural community and the Western Area is a convenient and important source for the provision of these training services.

Geographic linkages

Natural boundary

- 34 Wairarapa and the Western Area are separated by the Rimutaka and Tararua mountain ranges. This is a distinct physical boundary that clearly defines the two areas, but also ensures that the two areas are unlikely to encroach on the territory of the other as they develop and spread.

Water catchments

- 35 Wairarapa and the Western Area have separate water catchments and there is no shared connection between the two regions. Within the Western Area there are common catchment sources and infrastructure networks and a shared receiving environment for discharged water (except for Kapiti). The same overlap does not exist between the Western Area and Wairarapa so it would be unlikely to lead to significant problems if the water sources continue to be managed separately.

Assessment of the options

Local democracy

- 36 The relationship between the size of a local council and its ability to enable democratic local decision making that best addresses the needs of the local community is generally considered an inverse one. We would expect a Wairarapa Unitary Authority to be more approachable, find it easier to engage and consult with the local community and be more in tune with the needs and desires of local Wairarapa residents and businesses than a Supercity council. Central decision-making under a Wairarapa Unitary Authority, compared to a Supercity council, would be impacting a much smaller, more closely-related, constituent base.
- 37 The important and difficult question is then: to what extent would local representation be lost if Wairarapa were to become part of a Wellington Supercity?
- 38 It is difficult to predict how effectively a proposed Supercity will meet the needs of the Wairarapa region. The greater the size and more diverse the constituency the more difficult the task facing the Supercity council. In terms of service provision, perhaps the majority of residents or businesses in Wairarapa will have a different or opposite preference to those constituents in the Western Area. How well a single unitary authority will adapt to different needs across the region will depend on its structure and the procedures set up concerning public consultation and service provision across the region.
- 39 There is a risk that within a Supercity, the voices of the 40,000-strong population of Wairarapa will be drowned out by the 450,000 in the Western Area. This risk may be the main reason behind 95% of Wairarapa's community saying 'no' to becoming part of a Wellington Supercity.¹¹ The larger local government becomes, the greater the risk local residents feel disempowered or dissatisfied because of the perceived

¹¹ Colmar Brunton poll of 3,300 residents, including 1,200 Wairarapa residents, undertaken in 2012 for all territorial authorities across the Wellington region.

distance between decision-makers and those affected by the decisions. It may not be in the best interests of Wairarapa residents and businesses for councillors in the urbanised Western Area determining policy and making decisions for a rural community.

- 40 We note that local government legislation provides for a two tier system of governance under which local boards can be formed to provide for aspects of local decision making. Although local boards would more than likely be established under a Supercity, we also note that local boards are intended for only urban or predominantly urban areas.
- 41 We question whether a local Wairarapa board would have anywhere near the same level of control or decision making power on issues affecting the Wairarapa as a Wairarapa Unitary Authority. For example, in the context of proposals developed by a Joint Working Party on Local Government Reform, the Wellington City Council (WCC) have estimated that less than 5% of the budget in the Wellington area would be under the control of a local board. It is reasonable to assume that the same could apply in the case of Wairarapa.
- 42 Many important decisions under a Supercity will be made centrally with Wairarapa having a minority representation. Unifying under a Supercity effectively outsources major environmental, land and water use decisions to a central urban decision-maker. Such a loss of autonomy and strategic control may have a significant negative impact on day-to-day democratic local decision-making in Wairarapa region.
- 43 In contrast, a Wairarapa Unitary Authority would provide Wairarapa's community with strategic control over land use, environmental management, asset management and water use policies. This would make integrated decision making possible and allow policies and procedures to be implemented that best suit the needs of Wairarapa businesses and residents.
- 44 Reflecting the points above, a Wairarapa Unitary Authority is the preferred option in terms of providing a governance structure that will best engage with, and represent the needs of, the local community.

Communities of interest

- 45 The Act suggests that council jurisdictions should coincide with common communities of interest. There are economic and social linkages between Wairarapa and the Western Area. Notwithstanding this, however, the comparisons described earlier regarding demographic, economic and geographic characteristics of Wairarapa and the Western Area indicate there is a stronger argument for the differences in community of interest between the two regions as evidenced by:

- Wairarapa is a rural community; the Western Area is predominantly urban.
- Wairarapa covers around 74% of the greater Wellington region but is sparsely populated with around 40,000 people (a population density of about 6.5 people per square kilometre). In contrast, there are over 450,000 people living in the Western Area with a population density of 193 people per square kilometre.
- Wairarapa has a heavy reliance on primary industries for employment whereas employment in the Western Area is predominantly government and services sector oriented.
- The Rimutaka and Tararua mountain ranges physically separate the two regions.

46 The differences between Wairarapa and the Western Area are quite stark. The values, preferences and lifestyles may differ significantly between a rural community and a metropolitan community so it may not be in the best interests of the region as a whole for councillors with a metropolitan lifestyle to be making decisions for a rural community, or vice versa. Specific preferences regarding land use planning, environmental management and water use are likely to differ significantly between Wairarapa and the Western Area.

47 There is alignment of Wairarapa governance boundaries with rohe of Ngāti Kahungunu under the Wairarapa Unitary Authority and this is likely to facilitate closer cooperation between local government and matters of special interest and importance to Maori.¹²

48 From a communities of interest perspective, the factors above lead us to conclude that an independent Wairarapa Unitary Authority would better reflect where the boundaries of common interest lie and ensure decision makers are more in tune with the local culture and preferences.

Implications for major strategic and economic issues facing Wairarapa

49 There are three main aspects of local government functions that are particularly important in terms of their impact on strategic and/or economic issues facing Wairarapa. These aspects are the provision of public transport services (mainly commuter rail services), environmental regulation and management and regional economic strategy and development. We consider the implications of the two main governance options in each of these areas.

¹² A Wairarapa Council would also want to have strong links and participation with Rangitane o Wairarapa.

Public transport

- 50 Although the commuter numbers are relatively modest, there is no doubt that the provision of public transport services between Wairarapa and the Western Area confer benefits for both areas. For example, from the perspective of the Western Area, commuter train services assist in broadening the labour pool available to businesses in that area. Wairarapa benefits from having residents who work in the Western Area but spend at least part of their incomes in Wairarapa.
- 51 The benefits that are conferred on the Western Area and Wairarapa as a result of having public transport services will not disappear if there are changes to local government structures in the greater Wellington region. The benefits will still exist. What is important in terms of maintaining those benefits is that there continues to be a coordinated approach across the greater Wellington region to the provision and funding of public transport services. This can be achieved under a Supercity. We are not aware of any legislative impediment to also achieving this under a Wairarapa Unitary Authority option (by, for example, formation of a Council Controlled Organisation with whatever form of council structure emerges in the metropolitan area).
- 52 In short, public transport is a significant issue, but it is not an issue that is impacted one way or the other by either of the two governance options.

Environmental regulation and management

- 53 The provision of environmental regulation and management services relies on relatively specialist capabilities. For example, pest control, environmental science and land management services are currently conducted by specialist staff at the GWRC to serve the entire region. A possible view is that it would be harder to attract specialist capabilities to a Wairarapa Unitary Authority than it would a Supercity council.
- 54 While this is a risk, we note that some of these specialist services are already based in the Wairarapa (eg pest control and land management). We understand that GWRC has around 85-90 staff in Wairarapa working on regional functions and we assume most of these staff would continue to be willing to work in the Wairarapa even if there are changes in local government governance structures.
- 55 As noted earlier, there are significant differences in economic activities between Wairarapa and the Western Area. Furthermore, Wairarapa has its own water catchments and shares no water connections with the west. Reflecting these and other differences between the two areas, we consider it reasonable to expect that planning and policy preferences and priorities relating to land use, environmental management and water use differ between Wairarapa and the Western Area. The issue then becomes one of whether a Wairarapa Unitary Authority is likely to better

reflect and take into account different preferences and priorities than is a Supercity. We consider that the Unitary Authority option is likely to serve better Wairarapa interests than would a Supercity.

Economic development

56 There are many factors that impact on Wairarapa's economic health and development, but from a Wairarapa perspective, irrigation, tourism promotion and maintenance of the local road network are particularly important.

Irrigation

57 Irrigation is a major issue for Wairarapa reflecting the heavy dependence on primary industries. As part of its regional strategy, the GWRC has irrigation as an issue for focus. Benefit cost analysis indicates that there is the potential to transform Wairarapa's land use and rural productivity if irrigation projects were to proceed.

58 Under a Unitary Authority option, irrigation is likely to be a high priority issue. It is less certain how high a priority would be given to irrigation, compared to other drivers of economic development, under a Supercity option. Reflecting the urbanised and services oriented nature of the Western Area, it is reasonable to assume that irrigation would be of relatively lesser priority under a Supercity than it would under a predominantly rural Wairarapa Unitary Authority.

Tourism

59 Wairarapa has interest in regional tourism promotion. There are likely to be differences between the interests of Wairarapa and the Western Area in terms of the focus for tourism promotion. The Western Area (and Wellington City in particular) has several cultural and sporting facilities that, in addition to the city itself, are important to tourism development. Wairarapa has greater focus on outdoor recreation. The composition of tourists visiting Wellington City is generally different to that visiting the Wairarapa. For example, international tourists visiting the greater Wellington region tend to focus on the city with relatively few also including Wairarapa in their itinerary.

60 It is reasonable to assume that a tourism strategy developed by a Wairarapa Unitary Authority is likely to give stronger focus than is a Supercity to the factors that attract tourists to the Wairarapa as distinct from Wellington City.

61 Notwithstanding that there are some differences between Wairarapa and the Western Area in terms of what drives tourism in each area, equally there are also overlaps. Some international tourists who come to Wellington also visit Wairarapa and many domestic tourists to Wairarapa come from Wellington. There is, therefore, a case for

joint destination marketing in some respects but this can be achieved through contract with Positively Wellington Tourism without the need for changed governance arrangements.

Local roads

- 62 Local roading is by far the single largest area of expenditure across the three Wairarapa Councils accounting for approximately a quarter of operating expenditure and much of the asset base. From a Wairarapa perspective, the risk is that under a Supercity option, the focus is directed toward local roads in densely populated urban areas (because these are used by many people) at the expense of lightly used, but nonetheless vital, rural roads.

Cost effectiveness of service delivery

- 63 One justification for increasing the size of local councils is that cost savings may be possible where services can be delivered to a larger consumer base by the same provider. Cost savings can arise because of economies of scale and/or economies of scope. Economies of scale exist when average costs fall as production levels increase. Economies of scope refers to lowering the average cost in producing two or more products when production is combined within a single organisation. In the context of local government, the key issue is whether there are scope economies in combining regional council roles with those of territorial authorities.
- 64 Scale and scope economies may be achievable for particular services under both the Unitary Authority and Supercity options. This would improve the cost-effectiveness of local council activity and result in either savings to ratepayers or a more comprehensive provision of services for a given level of rate payments.
- 65 It is likely that some cost savings will be made possible through merging governing bodies under a single unitary authority. This issue is discussed further in the section dealing with financial viability but, in general, evidence from here and overseas indicates that cost savings in the order of at least 3% should be achievable by amalgamating local councils.
- 66 What is less clear is whether the savings from a Wairarapa perspective would be more under a Supercity or a Wairarapa Unitary Authority, or about the same under either option. Possible additional benefits stemming from the larger size of a Supercity include greater purchasing power (leading to lower costs) and increased ability to undertake more large-scale projects. It is unclear, however, whether economies of scale and scope under the Supercity option would be greater than, about the same as, or less than those under a Unitary Authority option.

67 Evidence from a joint New Zealand/Australia study into local government consolidation¹³ indicates that economies of scope may be a more important and likely benefit than economies of scale. By implication, combining the functions of territorial authorities with those of regional council should confer some cost and capability advantages. The Unitary Authority and Supercity options should, therefore, both provide the opportunity for economies of scope. The Australian evidence also means that, for Wairarapa, there is probably not a lot of additional scale advantage in the Supercity option over and above the Unitary Authority option. There are several possible reasons for this but we note the following points.

- Not all services will be prone to economies of scale through increasing the scale of operations.
- If the new governing structure is made too complex, or suffers from coordination issues and confusion then possibly the potential cost-savings will not be realised due to increased bureaucracy. From the Wairarapa's perspective, we would assess this risk as being more likely under the Supercity option.
- The addition of the 40,000 people in the Wairarapa is likely to have a relatively immaterial impact on cost-effectiveness of a structure governing 450,000 people in the remainder of the greater Wellington region.

68 In conclusion, from a cost effectiveness viewpoint, we would expect the Unitary Authority and Supercity options to have some cost advantage compared to the status quo but it is less clear that there would be any greater cost efficiency from Wairarapa's perspective under Supercity compared to the Unitary Authority option. By way of final comment on this issue, we note that if the desire for cost effectiveness leads to homogenised service provision across the greater Wellington region, then in some respects the Western Area and Wairarapa may be worse off if local desires are not being met.

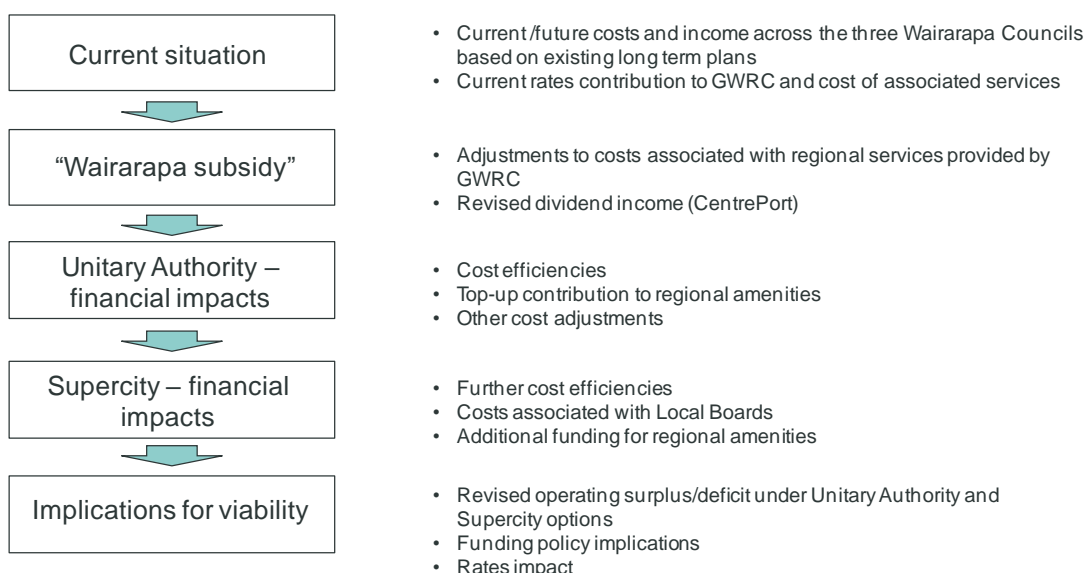
¹³ Aulich, C., et al (May 2011) Consolidation in Local Government: A Fresh Look Vol 2 report prepared for Australian Centre of Excellence for Local Government, Local Government Association of South Australia and Local Government New Zealand p17.

3. Financial viability assessment

Approach

69 The assessment of financial viability has involved five main steps as illustrated in Figure 3 below. The objective has been to estimate the impact on Wairarapa ratepayers under the Wairarapa Unitary Authority and Supercity options. This has involved assessing changes to the level of costs under both options and how resulting levels of cost compare to revenues (including rates) based on forecasts contained in the long term plans for each of the three Wairarapa Councils. Based on this comparison, conclusions have been formed on the need for rates adjustments, if any, under the Unitary Authority and Supercity options.

Figure 3: Approach to assessing viability



70 It is important to note that it has not been our role to undertake a detailed assessment of the costs associated with the Supercity option as this is something that is being worked on by others. Accordingly, we have had to rely on making some assumptions regarding the possible costs of the Supercity option (the assumptions are described later in this section under the heading of Supercity option).

Current state

Wairarapa Councils

71 The first step has been to define existing costs under the current state. This has two components. The first of these is the costs associated with services provided by the three Wairarapa Councils based on the forecasts contained in the Long Term Plan (LTP) of each Council. Figure 4 summarises the income and expenditure (2013/14) for each of the three Wairarapa Councils (and summed across the three Councils) based on current LTPs for the three Councils.

Figure 4: 2013/14 Income and Expenditure

Carterton		Masterton		South Wairarapa		Combined	
Rates	\$9.0m	Rates	\$24.8m	Rates	\$11.5m	Rates	\$45.3m
Other income	\$4.2m	Other income	\$11.7m	Other income	\$5.4m	Other income	\$21.2m
Total income	\$13.2m	Total income	\$36.5m	Total income	\$16.9m	Total income	\$66.6m
Expenditure	\$12.9m	Expenditure	\$36.5m	Expenditure	\$16.5m	Expenditure	\$66.0m
Surplus	\$0.3m	Surplus	\$0.0m	Surplus	\$0.3m	Surplus	\$0.6m

72 Figure 5 below presents the aggregated forecast statement of financial performance for the three Wairarapa Councils as shown in the latest LTP for each (the LTPs cover the period 2012/13- 2021/22). As can be seen, across the three Councils, income is expected to exceed costs in every year covered by the 10-year LTP with a peak operating surplus in 2019/20 of \$5.8 million.

**Figure 5: Prospective statement of financial performance 2012 – 2022
aggregated across the three Wairarapa Councils**

PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income										
Rates	43,103	44,941	47,100	49,127	50,717	52,450	53,924	55,674	57,128	58,290
Rates penalties	343	354	366	378	391	405	418	432	447	463
Finance income	1,025	1,095	1,209	1,308	1,465	1,708	1,894	2,055	2,214	2,415
Internal interest loans	38	38	38	38	21	21	21	21	21	21
Fees and charges	5,821	5,999	6,196	6,385	6,585	6,788	6,977	7,172	7,391	7,618
Recoveries	1,232	1,202	1,232	1,272	1,314	1,356	1,397	1,440	1,488	1,537
Commissions	105	108	112	116	120	124	128	132	137	141
LTA subsidy	8,371	7,955	8,205	8,373	8,573	8,813	8,991	10,825	9,460	9,668
Petrol tax	311	315	321	326	331	336	342	349	355	362
Grants, subsidies and donations	305	238	239	246	252	259	265	271	278	285
Rental income	1,509	1,558	1,614	1,662	1,713	1,764	1,811	1,860	1,914	1,971
Development and financial contributions	996	1,005	1,025	1,080	1,131	1,168	1,221	1,326	1,344	1,390
Forestry harvest			186		197			146		
Assets vested in council	850	800	800	800	800	800	800	800	800	800
Profit on sale of assets		57								
Share revaluation										
Revaluation gains	41	41	41	41	41	42	42	42	42	43
Miscellaneous income	1,271	1,348	1,334	1,254	1,337	1,323	1,357	1,447	1,430	1,469
Internal charges	(64)	(66)	(68)	(70)	(73)	(75)	(78)	(80)	(83)	(86)
Total income	65,256	66,989	69,950	72,334	74,915	77,281	79,510	83,911	84,366	86,367
Expenditure										
Governance	2,476	2,106	2,077	2,142	2,300	2,226	2,277	2,435	2,392	2,454
Internal functions	3,746	3,833	3,928	4,023	4,125	4,227	4,319	4,409	4,511	4,617
Roads and footpaths	16,823	17,123	18,018	18,358	18,780	19,797	20,202	20,621	21,751	22,143
Water supply	6,681	6,879	7,110	7,258	7,669	8,154	8,303	8,493	8,788	8,968
Sewerage	7,705	8,508	8,841	8,925	9,042	9,236	9,207	9,311	9,599	9,660
Stormwater	1,011	1,055	1,108	1,110	1,132	1,190	1,204	1,237	1,296	1,332
Waste management	4,856	5,018	5,193	5,345	5,450	5,621	5,756	5,903	6,048	6,210
Community support - community development	1,856	1,935	1,990	2,026	2,082	2,126	2,177	2,227	2,282	2,343
Community support - parks and reserves	3,678	3,700	3,815	3,998	4,065	4,177	4,295	4,388	4,465	4,605
Community support - community amenities	9,652	10,082	10,486	10,698	11,106	11,445	11,693	11,934	12,138	12,455
Regulatory and planning	6,167	6,149	6,339	6,564	6,706	6,876	7,046	7,130	7,388	7,533
Bad debts	54	56	58	60	62	64	66	68	71	73
Loss on sale of assets										
Revaluation losses										
Internal charges	(62)	(64)	(66)	(68)	(71)	(73)	(76)	(78)	(81)	(84)
Total expenditure	64,642	66,379	68,898	70,438	72,447	75,066	76,470	78,078	80,648	82,308
Surplus/(deficit)	614	609	1,053	1,895	2,468	2,215	3,040	5,833	3,719	4,059

Greater Wellington Regional Council

73 The second component of the current state is the costs of services currently provided by the GWRC and the rates contributed by Wairarapa toward the funding of those services. We have focused on the costs and rates associated with those services provided by, or arranged through, the GWRC that confer benefits on the Wairarapa (among other areas). Examples of the main services include environmental services, flood protection and public transport.

74 Estimating the costs of GWRC services is not straightforward. Because the services confer benefits on the Wairarapa and other areas within the greater Wellington region, some way of allocating costs between the Wairarapa and other areas has to be found. In this regard, we have relied on cost allocations developed by PricewaterhouseCoopers (PwC) for the GWRC. The PwC advice contains a description of the approach taken to allocating the costs associated with GWRC services across the councils within the greater Wellington region. We do not repeat the approach to allocation here, but we do note and concur with PwC's advice that

there is “not a single right approach to the allocations”. Below, we adopt different assumptions with respect to some of the services.¹⁴

75 In summary, PwC has estimated that the Wairarapa’s share of costs associated with GWRC services amounts to approximately \$14 million.¹⁵ Wairarapa residents contribute approximately \$4.6 million in GWRC rates and there is a further \$1.4 million in other revenue attributed to the Wairarapa Councils (this comprises PwC’s estimate of the Wairarapa Councils’ share of CentrePort dividends and other investment income). Figure 6 summarises the revenue and cost estimate developed by PwC. It should be noted that the estimates are derived from the GWRC’s financial accounts for the year ending June 2012.¹⁶

Figure 6: PwC estimate of GWRC revenue and costs attributable to Wairarapa Councils (excluding public transport)

Revenue	
	\$m
Rates	4.6
CentrePort dividend	0.4
Investment/other income	1.1
Sub-total	6.1
Costs	
Land management	1.6
Flood protection	2.7
Pest control / biosecurity	1.0
Biodiversity	0.8
Environmental science	2.4
Environmental regulation	1.2
Environmental policy	1.1
Other	1.0
Forestry	2.2
Sub-total	14.0
PwC Funding Deficit	(8.0)

76 The funding deficit is, in effect, a subsidy that is conferred on Wairarapa. For the purposes of assessing financial viability, we have assumed that under the Unitary Authority option, Wairarapa would lose the subsidy. In other words, if a Wairarapa Unitary Authority wanted to continue to obtain the same services as currently provided

¹⁴ We note that we have not been required to, or sought to, review the way in which the GWRC’s overheads are allocated across services.

¹⁵ PwC letter to GWRC dated 15 February 2013.

¹⁶ PwC have not updated the figures above for 2013/14 revenues and costs.

by the GWRC, the starting point assumes that it would have to pay \$14.0 million (ie \$8.0 million more than under current arrangements).¹⁷

- 77 It should be noted that the numbers in Figure 6 exclude costs and revenue associated with public transport. GWRC has previously estimated the costs of public transport that can be attributed to Wairarapa Councils at \$3.32 million.¹⁸ This figure was included in PwC's initial report to the GWRC¹⁹ (but not estimated by PwC) and that earlier report indicated the cost of public transport net of the Wairarapa Regional Transport rate (\$0.7 million) was \$2.64 million.
- 78 We consider it appropriate, as GWRC and PwC have also concluded, to exclude public transport from the estimation of the "Wairarapa subsidy". Our main reason for this is that current public transport service levels and funding arrangements recognise that the provision of public transport, linking Wairarapa to the Wellington urban area, confers economic and other benefits on Wellington (eg access to a broader labour market, the output produced by Wairarapa-based employees, spending by Wairarapa commuters in Wellington and so on). Those benefits will not disappear if there are changes to local government structures in the greater Wellington region. The benefits will still exist and, accordingly, we have no grounds to assume that the share of public transport revenues and costs attributed to the Wairarapa would change under the Unitary Authority (or Supercity) options. Reflecting this line of argument, the current state numbers used in this report exclude public transport.

Summary – current state of Wairarapa territorial and regional services

- 79 Figure 7 below summarises the current state combining the operating surplus across the three Wairarapa Councils and the deficit (Wairarapa subsidy) associated with GWRC services. The overall net deficit is approximately \$7.3 million assuming that Wairarapa loses the subsidy.

¹⁷ GWRC has previously indicated (13 December 2012) that the value of the subsidy is \$11.2 million <http://www.gw.govt.nz/wairarapa-subsidy-figures-released>. That press release noted that the figures underpinning the deficit had been reviewed by PwC. PwC has reviewed its original advice to the GWRC and have modified some of the income and expenditure estimates and excluded public transport. The deficit of \$8.0 million reflects PwC's updated advice. Refer to Appendix 1 for a reconciliation.

¹⁸ Quoted in Joint Working Party on Local Government Reform (March 2013) "Realising the potential of the Wellington region" page 49.

¹⁹ The PwC report dated 30 January 2013.

Figure 7: Current state (2013/14) with and without the GWRC view of the subsidy

CURRENT STATE WITH GWRC SUBSIDY		CURRENT STATE WITHOUT GWRC SUBSIDY	
Local Rates	\$45.3m	Local Rates	\$45.3m
Other Local	\$21.2m	Other Local	\$21.2m
Local Income	\$66.6m	Local Income	\$66.6m
GWRC Income	\$6.1m	GWRC Income	\$6.1m
Total Income	\$72.7m	Total Income	\$72.7m
Local Costs	\$66.0m	Local Costs	\$66.0m
Regional Costs ⁽¹⁾	\$6.1m	Regional Costs ⁽²⁾	\$14.0m
Total Costs	\$72.1m	Total Costs	\$80.0m
Local surplus	\$0.6m	Local surplus	\$0.6m
Regional deficit	\$0.0m	Regional deficit	(\$8.0m)
Net Surplus	\$0.6m	Net Deficit	(\$7.3m)

⁽¹⁾ Effective costs to Wairarapa rate-payers after subsidy provided by GWRC

⁽²⁾ Full costs to Wairarapa rate-payers with no subsidy from GWRC

Unitary Authority option

80 Taking the current state as a starting point, we have sought to assess the financial implications of establishing a Unitary Authority for the Wairarapa (the Supercity option is considered later in this section). Several adjustments need to be made to the current state under a Unitary Authority option. These include adjustments to the Wairarapa subsidy as well as adjustments to the costs associated with each of the existing Wairarapa Councils.

Adjustments to the “Wairarapa subsidy”

81 We concur with the view expressed by PwC that there is no single right way of allocating the costs associated with GWRC services across the Councils.²⁰ There are several legitimate approaches that could be taken. Reflecting this, there are four adjustments to the estimated subsidy figures that we consider can be made. The first three of these arise irrespective of whether there are any changes to local government arrangements in the greater Wellington region.

²⁰ As noted earlier, we have not sought to review the GWRC’s approach to the allocation of its overheads.

Forestry

- 82 The subsidy estimated by PwC includes \$2.156 million relating to forestry. We understand that this includes operating and debt servicing costs associated with forests located on reserve land in the Wairarapa.²¹
- 83 Steps are being taken by the GWRC to sell the cutting rights associated with these forests.²² The proceeds from sale will be used to repay all outstanding forest-related debt. For the purposes of analysis, we have assumed there is no surplus, or deficit, of sale proceeds following that repayment (and, for the purposes of analysis, we have ignored whether there is any residual value in the Wairarapa's share of the underlying land asset). We have also assumed that the day-to-day management and operation of the forests will pass to whoever is successful in acquiring the cutting rights. Based on these assumptions, and following the sale of the cutting rights, there will no longer be any operating or debt servicing costs incurred by the GWRC and, hence, no need to allocate these costs to Wairarapa (and other areas). The subsidy estimate should be adjusted to reflect this. Even if GWRC did not complete the sale, we assume that any future Wairarapa Unitary Authority would seek to complete the sale process.

CentrePort dividends

- 84 Ordinary shares in CentrePort are held by GWRC (76.9%) and the Manawatu-Wanganui Regional Council (23.1%). The relative shareholdings reflect a Local Government Commission decision that Manawatu-Wanganui Regional Council would have 3/13ths of the ownership of CentrePort (and GWRC the balance). The allocation of ownership was based on the number of members each region had on the former Harbour Board immediately prior to its disestablishment (and formation of CentrePort).
- 85 PwC have estimated the Wairarapa share of CentrePort dividends in proportion to the general rates paid by the councils in the greater Wellington region. On this basis, they have attributed a dividend of \$0.4 million to the Wairarapa Councils.
- 86 We consider that the allocation should be made on the basis of the Local Government Commission precedent established when conferring ownership rights in favour of the Manawatu-Wanganui Regional Council. At the time that CentrePort was established, Wairarapa had two members on the 13-member Harbour Board. Accordingly, we have assumed that the Wairarapa Councils are entitled to a 2/13ths ownership share of CentrePort. On this basis, the Wairarapa's share of CentrePort's 2012 dividend (\$5.2 million) should be \$0.8 million (ie twice the amount estimated by PwC).

²¹ There are approximately 1700 ha of GWRC-owned forest located in Wairarapa. GWRC's total forest holding amounts to about 5500 hectares.

²² GWRC Long-term Plan 2012-2022 page 122 and GWRC media release 17 December 2012.

Resource management

- 87 In its report to the GWRC, PwC have estimated that Wairarapa's share of the net costs associated with resource management amounts to about \$4.8 million (or about 55% of the total net cost of around \$8.8 million). In the PwC advice, resource management comprises activities in relation to resource policy, consents management and resource investigation (science and monitoring). The costs associated with resource management functions therefore represent slightly over a third of all costs attributed by the GWRC to the Wairarapa Councils. Reflecting this, the costs associated with resource management functions warrant close scrutiny.
- 88 Morrison Low have previously estimated the costs of planning and regulatory services for a Wairarapa Unitary Council and benchmarked these against the cost of the functions for other unitary authorities. In summary, costs, expressed in per capita terms, are shown in Table 3 below.

Table 3: Benchmarking of unitary authority planning and regulatory costs (rating cost per capita)

Gisborne	Marlborough	Tasman	Wairarapa Unitary
\$73	\$107	\$66	\$170

Source: Morrison Low (2012) Investigation into the formation of an Amalgamated Wairarapa District Council and a Wairarapa Unitary Authority p36.

Note: The estimates are based on Statistics NZ Local Authority Financial Data for the year ending June 2011.

- 89 The figures in Table 3 above are net costs (ie after deducting revenues from fees and charges and grants and subsidies). It is worth considering also gross costs. Data provided to us by Morrison Low indicates that for 2012/13, the gross operating costs for regulatory and planning functions in Wairarapa, including a share of the GWRC's costs associated with these functions, amounts to \$11.4 million. On a per head of population basis, that amounts to approximately \$282.²³
- 90 We have compared this cost against that of the Marlborough District Council (MDC) as reported in the MDC's current LTP. We have chosen the MDC because the way in which functions are reported in its LTP appear to be reasonably well aligned with scope of regulatory and planning functions used in the Wairarapa context (there is not

²³ We have not sought to verify Morrison Low's estimates and do not have details as to how the estimates for Wairarapa were determined.

the same degree of alignment in the case of the Gisborne District Council or Tasman District Council).

- 91 Based on its LTP, the cost of regulatory functions²⁴ performed by the MDC in 2012/13 is approximately \$164 per person. In short, there is a large difference between this figure and that of \$282 per person relating to Wairarapa. Given the size of the difference we consider there is a case for reviewing expenditure in the area of regulatory and planning functions with a view to assessing whether the scope of services is appropriate to the needs of Wairarapa and whether arrangements for the provision of services are as efficient as possible.
- 92 For the purposes of assessing financial viability, we have assumed that the review would assess whether the services are appropriately aligned to the needs of the Wairarapa and delivered in a cost efficient way. Furthermore, we have assumed that the outcome of the review process would be a reduction in costs of between \$0.5 and \$1.0 million (a reduction of this magnitude would still result in costs well above the level in the MDC and, reflecting this, the assumed reduction in cost could be viewed as being conservative).

Other adjustment

- 93 In addition to the adjustments above, there is one further adjustment that should be made to the Wairarapa subsidy numbers. This relates to the cost of providing “democratic services”. A figure of \$236,000 has been included in the subsidy numbers estimated by PwC. The need for adjustment arises if a Wairarapa Unitary Authority is to be established.
- 94 Democratic services are essentially the costs of supporting the governance of the GWRC. Under the Unitary Authority scenario, Wairarapa would no longer be a part of the GWRC. Moreover, the cost of democratic services has been included in our estimates of the costs of a Wairarapa Unitary Authority (on the basis that there would be 12 councillors).²⁵ Given this, there is no case for continuing to attribute a part of GWRC costs to Wairarapa ratepayers.

²⁴ These functions comprise environmental policy, environmental science and monitoring, resource consents and various environmental protection activities (eg monitoring of activities with significant environmental impact and dealing with alleged breaches of the Resource Management Act).

²⁵ The costs of supporting governance of a Wairarapa Unitary Authority will be lower than the current level of cost incurred by the three Wairarapa Councils reflecting fewer councillors and this has been taken into account of cost efficiencies discussed below.

Adjustments to Wairarapa Councils' costs

Cost efficiencies

- 95 One of the drivers for local government reform is to achieve increased cost efficiency through a number of mechanisms including:
- economies through combining back-office functions and achieving greater scale economy
 - adopting common regulatory systems and processes that, in addition to reducing administrative costs, would also help to reduce compliance costs and deliver more effective and consistent services
 - being able to exercise greater buying power as a result of amalgamating councils into larger entities
 - enabling more efficient utilisation of staff (more ability to align staff resources with areas of work demand).
- 96 Under a Unitary Authority option, there will be cost savings in some fairly obvious areas. For example, under a Unitary Authority, there would be one rather than three mayors and the number of councillors will reduce from 27 currently to 12 plus 21 community board members. Morrison Low have estimated that these changes would yield savings of \$140,000 per annum.²⁶
- 97 Similarly, there will be one chief executive rather than three and fewer senior managers (but with some offset of increased remuneration for at least some of the positions in the new organisation). Morrison Low have estimated these savings to be in the region of \$1 million per annum.²⁷
- 98 The scale of potential savings across all areas of council activities is difficult to know with certainty. There will be significant savings in some areas (such as governance/corporate noted above) but, equally, there are likely to be areas of little or no saving. For example, there is already a single contract across the three councils for solid waste management and, accordingly, it is much less likely that there is scope for further savings in this particular area of activity.
- 99 For the purposes of the viability assessment, it is sensible to take a global view across all of the council activities and make an informed assumption regarding the overall level of saving. In this regard, we consider that a 3% saving in operating expenditure

²⁶ Morrison Low (September 2012) "Phase Three Report: Investigation into the formation of an Amalgamated Wairarapa District Council and Wairarapa Unitary Authority" p24.

²⁷ Ibid, p13.

is an appropriate and defensible assumption to make. We have settled on the 3% figure based on the following considerations.

- Advice presented to the Royal Commission on Auckland Governance indicated that in the context of the Auckland reforms efficiency gains in the range of 2.5% - 3.5% of total expenditure could be achieved. This comprised gains of around 3% - 4% in operating expenditure and 2% - 3% for capital expenditures.²⁸ The information presented to the Commission cited reviews of Australian local government reorganisations where savings of between 2% and 8.5% have been achieved. Reference was also made to 5% savings in operating expenditure in the United Kingdom.²⁹
- The Wellington Region Local Government Review Panel (the Palmer report) noted estimated efficiency savings of between 2.5% and 3.5% arising from local government reform and noted that Auckland Council has recently reported that it is on track to achieve the forecast level of savings and efficiencies.³⁰
- The Joint Working Party examining local government reform options in Wellington is assuming operating expenditure savings in the range of 3% - 4%.³¹
- Analysis undertaken by Morrison Low for the Wairarapa Councils indicated the potential for cost efficiencies of between 2% and 20% for expenditure on road materials and contracts³² and 2% for materials and contracts for other services other than solid waste management.³³
- There is considerable evidence from the UK of savings in local government through sharing of back-office functions well in excess of the 3%-4% figures referred to above.³⁴

100 We note the evidence presented to the Royal Commission on Auckland Governance that savings in capital expenditure of around 2% - 3% could also be expected. We have chosen not to include this (our main focus has been on operating expenditure) because it would risk an element of double counting savings relating to depreciation that have already been taken into account.

²⁸ Royal Commission on Auckland Governance (March 2009) page 751.

²⁹ Sir Peter Gershon, CBE (July 2004) "Releasing resources to the front line; Independent review of public sector efficiency".

³⁰ Wellington Region Local Government Review Panel (October 2012) p 66.

³¹ Joint Working Party on Local Government Reform (March 2013) "Realising the potential of the Wellington region" p42.

³² Morrison Low (September 2012) "Phase Three Report: Investigation into the formation of an Amalgamated Wairarapa District Council and Wairarapa Unitary Authority" p18.

³³ Ibid, p22.

³⁴ Audit Commission (October 2008) "back to front: efficiency of back office functions in local government.

Potential diseconomies

- 101 Notwithstanding the evidence that significant savings are achievable, it is possible that there may be areas of diseconomy under a Unitary Authority option. Regional functions currently undertaken by the GWRC would, under a Unitary Authority option, become the responsibility of the Wairarapa Unitary Authority. There is a likelihood of losing some economy of scale in functions currently performed by the GWRC. Offsetting this, however, there is potential for economy of scope by combining regional and territorial authority functions under a single unitary authority (eg the ability to more efficiently utilise staff across land management and natural resource management functions rather than having these functions split between the Wairarapa Councils and the GWRC as is currently the case). There is also the travel time inefficiencies with Wellington based staff travelling frequently to the Wairarapa.
- 102 As noted earlier from the joint NZ/Australia study into local government consolidation, economies of scope may be more significant than economies of scale. Accordingly, compared to the status quo, we consider that the risk of overall diseconomy arising from a Wairarapa Unitary Authority taking on the functions of the GWRC to be relatively low. Furthermore, based on the findings from the joint study, we doubt that there is a significant diseconomy of scale associated with the Unitary Authority option relative to the Supercity option.

Additional costs

Public transport planning and procurement

- 103 We consider it prudent to allow for additional costs, under the Wairarapa Unitary Authority option, in two respects. The first of these relates to public transport. The provision of public transport services confers region-wide benefits and, as noted above, we consider that these warrant continuation of the existing public transport funding arrangements. Under a Unitary Authority option, it would not make sense for the Wairarapa Unitary Authority and its Wellington counterpart to separately negotiate with the NZTA terms for the provision and funding of public transport services. A pan-region approach to the funding and provision of public transport is highly desirable and a key part of this is ensuring that the public transport services continue to be eligible for funding from the New Zealand Transport Agency (NZTA).
- 104 We understand that mechanisms exist to enable continuation of funding under a Unitary Authority option. This would require a joint arrangement between the Wairarapa Unitary Authority and whatever local government structure emerges for the Western Area. We consider it prudent to allow a modest amount for the costs of establishing and maintaining the mechanisms for a pan-region approach to the

provision and funding of passenger transport. We have allowed \$400,000 for the administration costs associated with this.

Funding for regional amenities

- 105 In 2011, the territorial authorities in the greater Wellington region considered options for the development of a regional amenities fund. The purpose of the fund was to provide additional financial support for entities of regional significance with day-to-day operational expenses and innovative projects that contribute to regional outcomes. The focus was on entities in the arts and culture sector, environmental attractions and events. The top-up funding contribution from the Wairarapa Councils summed to 3.8% of the value of the fund. This amounted to \$38,000 in 2012/13 increasing year-by-year as the size of the top-up fund increased.
- 106 The Masterton District Council is already contributing its share of top-up funding and has incorporated this into its LTP budgets. In contrast, Carterton and South Wairarapa District Councils have yet to incorporate the top-up funding into their budgets. For the purposes of assessing financial viability, we have adjusted the budgets of these two Councils to incorporate the top-up funding. The impact of doing this is small. However as stated this is only top-up funding. Under a Supercity, Wairarapa would risk having to pay a more significant contribution as it would be part of the one entity.

Summary of cost changes under Unitary Authority option

- 107 Figure 8 below summarises the:
- current state after removing the GWRC/PwC view of the “Wairarapa subsidy”
 - the adjustments to the “Wairarapa subsidy” cost estimates (ie regional costs) and adjustments to the costs associated with the Wairarapa Councils (ie local costs) that we consider are warranted
 - the costs of a Wairarapa Unitary Authority and how these compare to rates and other income.

Figure 8: Wairarapa Unitary Authority compared to current state

<u>Current State 2013/14</u>	<u>Adjustments</u>	<u>Future State 2013/14</u>
CURRENT STATE WITHOUT GWRC SUBSIDY	➔	UNITARY AUTHORITY
Local Rates \$45.3m	Remove democratic services cost (\$0.2m)	Local Rates \$45.3m
Other Local \$21.2m	Reduce environmental policy, regulation and science costs (\$1.0m)	Other Local \$21.2m
Local Income \$66.6m	Remove net forestry cost (to be sold) (\$2.2m)	Local Income \$66.6m
GWRC Income \$6.1m	Increase Port Dividend (additional income) (\$0.4m)	Regional Income \$6.5m
Total Income \$72.7m	Net reduction in regional costs (\$3.8m)	Total Income \$73.1m
Local Costs \$66.0m	Cost efficiencies (3% of local opex) (\$2.0m)	Local Costs \$64.4m
Regional Costs \$14.0m	Admin costs relating to public transport \$0.4m	Regional Costs \$10.6m
Total Costs \$80.0m	Contribution to funding amenities currently funded by other TAs \$0.04m	Total Costs \$75.1m
Local surplus \$0.6m	Net reduction in local costs (\$1.5m)	Local surplus \$2.2m
Regional deficit (\$8.0m)	➔	Regional deficit (\$4.2m)
Net Deficit (\$7.3m)		Net Deficit (\$2.0m)

108 It is important to note that the numbers in Figure 8 above assume no change in rates and other income. The only changes have been with respect to costs.

109 Overall, the changes in costs would result in the Wairarapa Unitary Authority having a deficit of around \$2.0 million compared to the surplus (expected for 2013/14) across the three Wairarapa Councils of \$0.6 million. The difference between these two figures comprises the removal of the Wairarapa subsidy (\$8.0 million) offset by the reduction in regional and local costs (\$3.8 million and \$1.5 million respectively).

Funding implications

110 The adjustments noted above coupled with the impact of losing the “Wairarapa subsidy” results in a notional deficit of \$2.0 million.³⁵ A Wairarapa Unitary Authority would have a number of options for addressing this as outlined below.

³⁵ For the purposes of describing the options, we have assumed that the Unitary Authority would be established with effect from 1 July 2013.

No further change to rates

- 111 One option is to review and reprioritise existing plans, and further explore opportunities for improved cost efficiency, with a view to retaining the current profile of rates adjustments that are foreshadowed in the LTP of each of the Wairarapa Councils (ie no change to rates over and above those already planned). The annual rates change across the three Wairarapa Councils based on current LTPs is summarised in Table 4 below.

Table 4: Annual change in rates income - status quo

Status Quo	2014	2015	2016	2017	2018	2019	2020	2021	2022
Percentage annual change in rates income	5.1%	4.8%	4.2%	3.2%	3.4%	2.7%	3.2%	2.6%	1.9%

- 112 The review of existing plans could include a review of service levels and funding policies across all functions; for example, flood management and land management funding policies that are currently far more beneficial to individuals than elsewhere in the country.
- 113 In theory, there is also a “do nothing” option of retaining the current profile of rates adjustments and not undertaking a review of existing plans. All other things remaining the same, the impact of this would be to result in an operating deficit over the next six years but no additional rate impact from forming a unitary authority.³⁶ In 2018/19, the Wairarapa Unitary Authority operating balance would turn to surplus. Table 5 below summarises the financial outlook under the “do nothing” option.

Table 5: Financial impact – no further change in rates

Wairarapa Unitary Authority option	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current LTP Rates Forecast	43,155	45,344	47,500	49,494	51,061	52,791	54,226	55,940	57,377	58,485
Current LTP Surplus	614	609	1,053	1,895	2,468	2,215	3,040	5,833	3,719	4,059
Cost efficiency savings by the three Wairarapa District Councils	0	1,979	2,055	2,100	2,160	2,238	2,279	2,326	2,403	2,451
Cost of establishing a CCO for purposes of Public Transport	0	(400)	(410)	(419)	(430)	(442)	(452)	(463)	(475)	(487)
Removal of GWRC subsidy	0	(4,158)	(4,285)	(4,408)	(4,540)	(4,681)	(4,818)	(4,961)	(5,124)	(5,300)
Contribution to funding the cost of amenities currently funded by other TAs	0	(36)	(40)	(45)	(50)	(52)	(53)	(55)	(57)	(59)
Total change to costs & income compared to LTP	0	(2,615)	(2,679)	(2,772)	(2,861)	(2,936)	(3,045)	(3,152)	(3,252)	(3,396)
New Unitary Authority Surplus / (Deficit)	614	(2,005)	(1,627)	(876)	(392)	(721)	(5)	2,681	466	664

³⁶ These would be funded from debt, and could be repaid from forecast future surpluses in the LTPs.

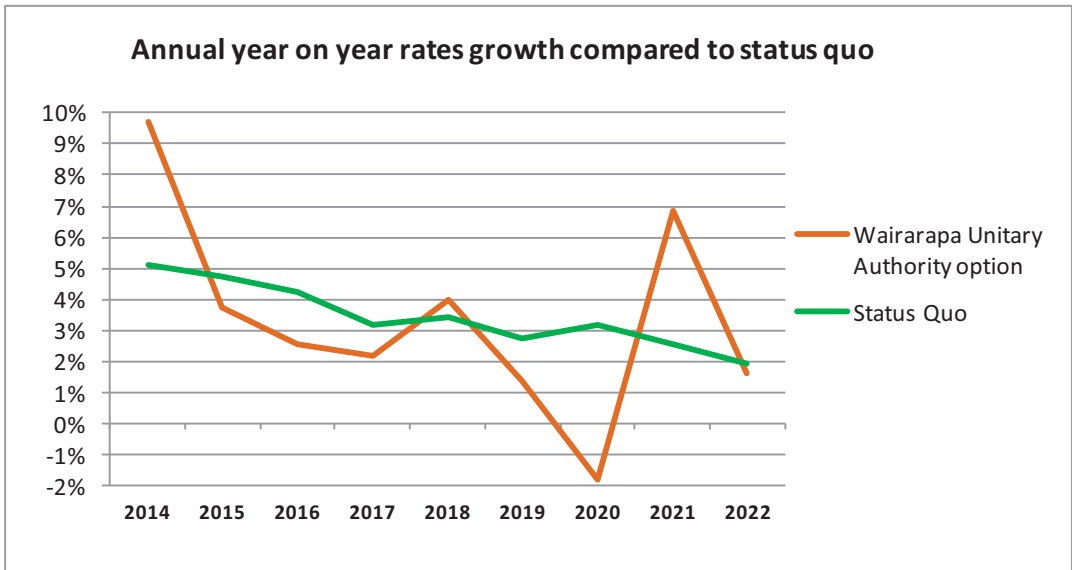
114 Although a period of operating deficits is not desirable (and we do not advocate the “do nothing” option), we note that the combined Wairarapa Councils have significant cash balances and investments to fund deficits over the next few years. Potentially, consideration could be given to drawing down on these to fund the deficit pending the return to surplus.

Adjust rates to achieve breakeven in operating terms

115 Under the current state, the combined Wairarapa Councils have budgeted for an operating surplus of about \$0.6 million for the current and next financial year. The surplus is expected to increase in most years reaching a peak of \$5.8 million in 2019/2020.

116 A Unitary Wairarapa Authority could budget for a breakeven rather than surplus. The impact of this would be a rates increase in 2013/14 of 9.7%. In out-years, the rates increases needed will generally be less than those that would otherwise have occurred under the status quo as shown in Figure 9 below.

Figure 9: Rates growth – breakeven scenario

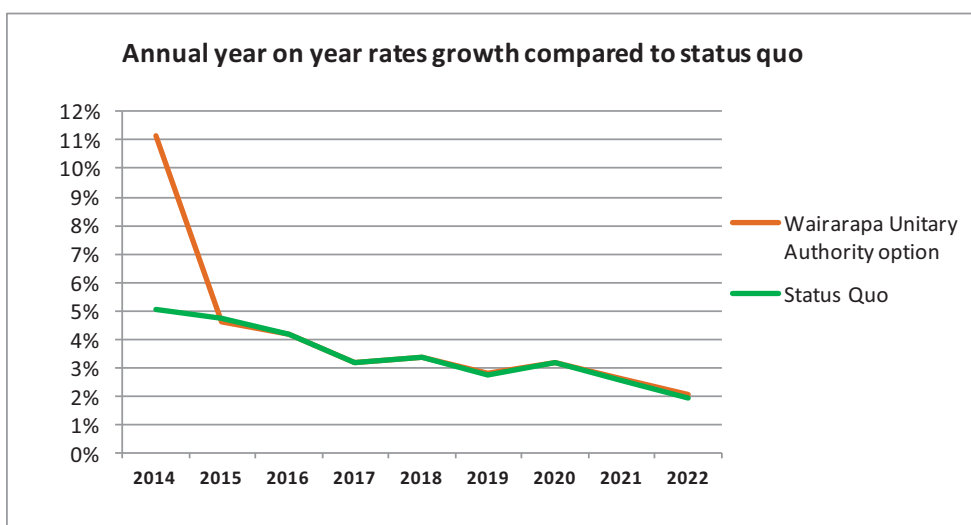


117 Under a scenario where a Wairarapa Unitary Authority budgets for breakeven, rather than surplus, cash balances and investments would not accumulate to the same level as that foreshadowed in the existing LTPs. We have not sought to further explore the ramifications of this.

Adjust rates to restore current projected surpluses

118 To restore the operating balance to the surpluses currently projected in the LTPs, rates revenue would have to increase in 2013/14 by approximately 6% (one-off) over and above the 5.1% that, on average, is incorporated in the LTPs of the three Wairarapa Councils. Beyond 2013/14, the percentage increase in rates year-by-year would be the same as that projected for the combined Wairarapa Councils (ie the status quo). This is shown in Figure 10 below.

Figure 10: Rates growth to maintain projected surpluses



Adopt a phased approach to rates adjustment

119 Taking into account the current balance sheet position of the three Councils and the expected net cash flows (under the current state), there would be scope to adjust to the higher level of rates over a two or three year period rather than make the adjustment in a single step. For example, this could take the form of adjusting rates by an additional 2% each year for three years. Beyond the period of adjustment, the year-by-year increases in rates would be the same as that projected for the combined Wairarapa Councils.

Supercity option

- 120 Although the main focus of this report is on the viability of a Wairarapa Unitary Authority, it is likely that some residents and stakeholder groups will view the Supercity option as being a more attractive proposition. There are several possible reasons for this including the following.
- From a whole-of-region perspective, there is an expectation that it costs more in total to have two unitary authorities than it costs to have one (ie the Supercity council) for the whole region reflecting the need for two sets of systems, structures, policies, plans, governance and so on.
 - There is a risk of some diseconomies of scale from splitting the functions, currently performed by the GWRC, across two unitary authorities.
 - A larger single unitary authority could be perceived as providing more financial security for its constituent areas.
 - Under the Supercity option, there could be an expectation that Wairarapa might keep its subsidy.
- 121 On the last of the points above, we caution against assuming that the subsidy will be retained. There is no guarantee of this in a situation where Wairarapa has around 10% of the voting rights in a Supercity council.
- 122 It has not been within the scope of our terms of reference to estimate the costs associated with a Supercity option. This is a task that is being undertaken by other councils in the Western Area. Notwithstanding that, we have given qualitative consideration to the points above and the possible cost impacts under a Supercity option compared to the Unitary Authority option.

Cost efficiencies

- 123 The greater scale of the Supercity option could be seen as providing scope for additional cost efficiencies over and above the Unitary Authority option. In some respects, there will clearly be some additional savings under the Supercity option compared to a Wairarapa Unitary Authority. For example, under a Supercity, it is assumed that there would be two councillors representing the Wairarapa. The cost of this would obviously be less than that associated with a Unitary Authority comprising a Mayor and 12 councillors (and leaving aside the more than offsetting additional cost of a local board as discussed below). Furthermore, the larger size of a Supercity council may confer financial benefits in terms of greater buying power.

- 124 Overall, however, we are not convinced that the Supercity option would deliver material cost efficiencies for the Wairarapa over and above the Unitary Authority option. Our reasons for this are as follows.
- 125 Compared to the Unitary Authority option, it is unclear to us whether there would be additional scope economies under the Supercity option compared to those that can be captured through the Unitary Authority option. The economies that come from combining regional council and territorial authority functions are, from a Wairarapa perspective, captured anyway under the Unitary Authority option. Any scope economies that come from combining regional and territorial authority functions for the other councils in the greater Wellington region would, we assume, be largely to the benefit of those other regions. Moreover, the benefits of scope (and scale) economies are likely to diminish the greater is the distance between the area receiving services and the principal location of the council (which, under the Supercity option, we assume would be Wellington). By implication, the economies of scope that come from combining territorial and regional functions are likely to be more pronounced for Wairarapa under the Unitary Authority option (based in the Wairarapa) than the Supercity option (based in Wellington).
- 126 With respect to economies of scale, the larger size of the Supercity may confer benefits over and above those achievable under a Unitary Authority. This could also include greater capacity and capability to undertake larger scale projects and developments. The magnitude of economies of scale are, however, uncertain and they potentially diminish for the distance reason noted above. Moreover, we note the evidence from amalgamation, contained in a joint New Zealand and Australian study, that economies of scope are likely to be more significant than economies of scale.³⁷
- 127 It is reasonable to infer from this that economies of scale tend to diminish as the size of an organisation increases, implying that while economies of scale are relevant when amalgamating small entities, they are less material when merging larger entities. In other words, there will be greater economies of scale when combining small councils in Wairarapa than combining much larger councils in the metropolitan area.
- 128 We note that the joint Working Party on Local Government Reform has recently reported on options for changes to governance in the greater Wellington region. The Working Party's report appears to suggest that having one governance structure (under a Supercity) would save up to \$7 million annually compared to a situation of having two governance structures (ie a Wairarapa Unitary Authority).³⁸ Although the

³⁷ Aulich, C., et al (May 2011) Consolidation in Local Government: A Fresh Look Vol 2 report prepared for Australian Centre of Excellence for Local Government, Local Government Association of South Australia and Local Government New Zealand.

³⁸ Joint Working Party on Local Government Reform (March 2013) "Realising the potential of the Wellington region" p42.

basis for this estimate is not discussed in any detail in the report of the Working Party, we assume it reflects assumptions regarding the savings expected from having a one, rather than two governance and administration structures. We question the level of saving expected from moving to a single governance structure because it looks excessive when compared against the savings expected in the Auckland context.

Cost increases

- 129 The possibility that there may be cost efficiencies with the Supercity option need to be balanced by the potential for increased costs in some areas.

Local boards

- 130 One of the two Supercity governance options being consulted on by the Joint Working Party on Local Government Reform proposes a local board for the Wairarapa. Costs would need to be incurred to support the local board as well as the cost of the Board itself. These could be in the region of anywhere between \$0.5 million (we understand this is the figure being assumed by the Joint Working Party on Local Government Reform) and \$1.0 million (which we understand is emerging experience with local boards in Auckland). Costs of this magnitude are likely to largely, if not completely, offset any additional economies of scope and scale that come with the Supercity option over and above the Unitary Authority option.

Regional amenities

- 131 If the Wairarapa was to form part of a Supercity, we consider there is a realistic possibility that Wairarapa ratepayers would be asked to contribute more to funding those amenities that confer regional benefits. As noted earlier, there is already a mechanism for top-up funding for regional amenities. The risk is that Wairarapa ratepayers would end up being required to contribute to the full cost of regional amenities and not just the top-up fund.
- 132 We have estimated the additional cost to Wairarapa ratepayers could be in the order of \$0.5 million per year based on the following assumptions.
- Contributions are required for Te Papa, Wellington Zoo, convention centres and events attraction (eg for events such as the New Zealand International Festival of the Arts). These regional amenities have been chosen on the basis that they feature prominently in a Colmar Brunton survey³⁹ that asked respondents to

³⁹ Colmar Brunton (March 2011) "Regional Residents Survey on Regional Amenities".

identify amenities of regional importance and consider that regional contributions should be made to fund the cost of these amenities.

- Regional contributions would be made in place of existing general ratepayer funding (levied on Wellington City ratepayers) rather than in place of user charges, commercial targeted rates or the downtown rate (for example, convention venues are funded 55% from general rates and the rest is from user charges and the downtown rate).
- The assumed \$0.5 million contribution from Wairarapa ratepayers is set at 3.8% of the cost of the regional amenity (ie based on the existing top-up rate of funding).

Other considerations

Exposure to assets and liabilities of other territorial authorities

- 133 Under a Supercity option, Wairarapa ratepayers gain exposure to the assets and liabilities of the other territorial authorities in the wider Wellington region. We have not been required to undertake any analysis of the implications of this. We note, however, that this potentially means having to share in any uninsured costs associated with large and not yet fully quantified liabilities in such areas as leaky buildings and strengthening of earthquake-prone buildings (and possibly the flow-on consequences for communities associated with these liabilities). More generally, Wairarapa ratepayers would be exposed to the risk of having to contribute to the cost of major future capital works. While it is true that the other territorial authorities would gain exposure to the assets and liabilities of the three Wairarapa Councils, we suggest that any gains from sharing risk in this regard are likely to be outweighed by the exposure that Wairarapa would have to the liabilities of the other territorial authorities.

Impact of changes in approach to funding/rates policy

- 134 From a financial perspective, a key difference between the Supercity and Unitary Authority options is that under the Supercity option Wairarapa will no longer have control over funding and rates policies. The issue extends well beyond the implications this would have for the future of the “Wairarapa subsidy” although this, of itself, is potentially a significant issue.
- 135 For example, under a Supercity there is the potential for wide-ranging changes to the mix of funding sources (eg rates versus user charges), the mix of rate types (general versus targeted) and fixed/uniform charges versus in proportion to property value, the attitude toward debt and so on. Changes in any of these areas could have the potential to substantially impact the level of rates paid by Wairarapa ratepayers for the

better or worse. Moreover, the size of impact arising from any changes to funding/rates policies would almost certainly far outweigh the financial impact associated with differences in economies of scale and scope between the Supercity and Unitary Authority options and/or any of the other cost adjustments discussed earlier.

- 136 Any changes in funding and rates policies under the Supercity option would almost certainly result in some groups of ratepayers paying more and others less. By implication, the impact of funding policy changes is likely to be more variable and pronounced at the individual ratepayer level than is true for Wairarapa as a whole.
- 137 In short, the Supercity option introduces a level of financial uncertainty for Wairarapa ratepayers over and above that associated with the Unitary Authority option.

Appendix 1 Reconciliation of the Wairarapa subsidy

Late last year, the GWRC released a media statement indicating that the subsidy provided to the Wairarapa amounts to \$11.2 million. Advice received by GWRC from PricewaterhouseCoopers has resulted in some modifications to the initial figures indicated by the GWRC. As a result of these, and excluding public transport, the subsidy is estimated by PwC to be \$8.0 million. A reconciliation between the two figures is provided below.

RECONCILIATION OF GWRC WAIRARAPA SUBSIDY	
	\$m
GWRC reported subsidy 13 December 2012	11.2
Change in expenditure ⁽¹⁾	(0.3)
Change in income ⁽²⁾	(0.4)
Removal of Public Transport	(2.6)
Funding Surplus / (Deficit) excl Public Transport	\$8.0m

⁽¹⁾ Difference to GWRC per PwC, partially relating to re-allocation of flood protection; and better GWRC data for the river rate, democratic and emergency services costs

⁽²⁾ Difference to GWRC per PwC, relating to CentrePort dividend

Appendix 2 Glossary of terms

Term	Description
ACELG	Australian Centre of Excellence for Local Government
(the) Commission	Local Government Commission
Economy of scale	As output increases, the average cost of production falls
Economy of scope	It is more cost efficient for one organisation to undertake two functions rather than have each function performed by a separate organisation
FAR	Financial Assistance Rate – the proportion of funding contributed by the NZTA to the funding of local roads (ie roads under the control of the three Wairarapa Councils)
GWRC	Greater Wellington Regional Council
Joint Working Party on Local Government Reform	A working party comprising representatives from Kapiti Coast District Council, Porirua City Council, Wellington City Council and Greater Wellington Regional Council. The Working Party is also referred to as the Western Working Party
LGNZ	Local Government New Zealand
LTP	Long term plan
NZTA	New Zealand Transport Agency
PwC	PricewaterhouseCoopers
Supercity	The Supercity option would involve establishing a single unitary authority for the whole of the greater Wellington region including the Wairarapa that would undertake the roles currently performed by the territorial authorities and regional council
Wairarapa Unitary Authority	A Wairarapa Unitary Authority would involve forming a single Council for the Wairarapa and it would have responsibility for the territorial functions currently undertaken by the Wairarapa Councils and the regional functions (as they apply to the Wairarapa) currently undertaken by the Greater Wellington Regional Council
WCC	Wellington City Council
Western Area	The area within the greater Wellington region but <u>excluding</u> the Wairarapa and the small section of Tararua district north-east of Masterton district

Assessment of MartinJenkins report on a Wairarapa Unitary Authority

1. Introduction

This paper is a response to the report entitled *Assessment of the viability of a Wairarapa Unitary Authority* (the MJ report) undertaken by MartinJenkins & Associates Ltd and Taylor Barry Duignan Ltd on behalf of the three Wairarapa councils. Although the MJ report contains - and in fact is largely based on - the work programme delivered in Wairarapa by the Greater Wellington Regional Council (GW) the authors of the report did not meet with GWRC to clarify or gain further information during the course of their work. They did have a brief meeting with PriceWaterhouseCoopers (PwC) which had previously undertaken an assessment of the distribution of GWRC funding in the different TA areas of the Wellington region. The MJ report not only incorrectly quotes the PwC work, but goes far beyond the scope of the work that PwC was engaged to deliver. Overall, it appears that the MJ report is flawed because of a lack of evidence. This assessment is reasonably narrow, focusing on the assertions and numbers in the MJ report but there are a number of other Wairarapa issues that we note the report does not address.

2. Overview of MartinJenkins Report

The MartinJenkins (MJ) report concludes that

- *“There is a strong strategic and economic (cost effectiveness) case for a Wairarapa Unitary Authority*
- *From Wairarapa’s perspective, the additional strategic and economic benefits for a Supercity that includes Wairarapa are unproven and there are significant financial risks associated with the Supercity option*
- *A Wairarapa Unitary Authority would be financially viable”.*

These conclusions cannot be relied on because the report contains errors and misleading. There is a noticeable lack of evidence for many of the report’s assumptions and the approach used by MJ is based on overly optimistic assumptions about a Wairarapa unitary authority (WUA) and the most pessimistic assumptions for a regional unitary authority (RUA) with local boards. This presents an unrealistic and unbalanced assessment of the viability of a unitary authority for Wairarapa.

The assessment of local democracy is vague and mostly opinion - not backed up by evidence. The report incorrectly assumes that the western part of the region is homogenous and that the elected representatives on what it calls a "supercity" would not understand Wairarapa's issues. There is no analysis of representation and decision-making under a local board model. In fact the report ignores the roles that local boards might have in providing for local decision-making on local issues.

In addition, many of the assertions and assumptions made in this report are factually wrong. For example, the report excludes the cost of public transport when assessing the Greater Wellington Regional Council (GW) 'subsidy' to Wairarapa. Public transport costs cannot be ignored and there is a serious risk to Wairarapa if this number is underestimated. Either service levels will drop or rates will need to increase.

A similar lack of understanding of the facts applies to the analysis of activities currently overseen by GWRC such as environmental and land management, forestry cutting rights, the port and flood protection. In the absence of a detailed understanding of these activities, the MJ report consistently understates the costs of providing regional council services in Wairarapa.

In summary, the MJ report seriously underestimates the financial risk of Wairarapa breaking away from the Wellington region and is an unreliable basis for considering the strategic and economic case for a Wairarapa unitary authority.

3. Incorrect data and invalid assumptions re cost savings in MartinJenkins Report

Cost attribution

Over the past year GWRC has undertaken two exercises to assess the cost of delivery of its services against the amount of rates collected in a particular area. The first of these was at the request of the three Wairarapa Councils and analysed the GWRC spending in Wairarapa against the rates collected there. It was based on the GWRC draft Annual Plan budget for the year 2012/13. The conclusion was that GWRC expenditure in Wairarapa for that year would be \$11.2M more than the rates it collected.

The second exercise was done in response to a request by the other councils in the region who asked to receive an expenditure analysis of their areas, similar to that undertaken for Wairarapa. The exercise undertaken by PwC allocated as far as possible all of the GWRC expenditure across all of the territorial authority areas in the region. In respect of this exercise, it is important to note two things:

- the CEOs of all the affected councils (i.e. all councils in the region (including Wairarapa) agreed on the assumptions underlying the analysis)

- the analysis was not undertaken to revise the Council's Wairarapa estimate (as claimed in the MJ report). Rather, the PwC exercise was based on the Council's actual financial results for the 2011/12 financial year (as distinct from the GWRC exercise which used draft 2012/13 budget). It also used a different allocation methodology).

As a result of the analysis, PwC concluded that for the 2011/12 year, the net level of rates support from GWRC to Wairarapa was \$10.932M.

GWRC does not consider that this rates support represents a "subsidy" to Wairarapa. Rather, the expenditure is driven by the mandate that GWRC has as a regional authority and the money is spent where the work requires it.

The MJ report has misconstrued or ignored the PwC work. The report simply ignores a number of issues and makes invalid assumptions about potential cost savings for a future WUA. Had the MJ report authors met with and discussed with GWRC its work programmes (both statutory and non-statutory) this would likely have been avoided. The errors are discussed below.

Public Transport

When assessing the GWRC support to Wairarapa, the MJ report explicitly excludes the cost of public transport (p5, p28). The report says *"We consider it appropriate, as GWRC and PwC have also concluded, to exclude public transport from the estimation of the "Wairarapa subsidy"*. The report claims that PwC revised GW's original estimate of \$11.2 to \$8M. This is not correct. As explained above, the two assessments were of different years and, more crucially, PwC were explicit that the \$2.6m net cost of Wairarapa public transport needed to be included, bringing the total figure for Wairarapa to \$10.932M.

In its report, PwC said that because of the integrated nature of the public transport network, it would not allocate to particular TA districts the public transport revenues, costs, assets and liabilities, but it made it clear that those costs still existed. Nevertheless, because the costs to Wairarapa are more easily identifiable, it did actually list the net figure for Wairarapa public transport costs. This has been confirmed to GWRC in a letter from PwC following release of the MJ report. In that letter PwC states *"We did not exclude net public transport costs in the way this comment suggests.....the fact that we didn't allocate the costs doesn't mean they no longer exist"*.

There are a number of reasons why costs of Wairarapa public transport services are more easily able to be separately identified than they are for other parts of the network. The Wairarapa rail services use separate rolling stock from the rest of the network and Wairarapa bus services operate only in that area. Other costs would need to be apportioned (for example, the total mobility service, customer information, call centre, contract management and indirect rail costs including insurance, asset management etc).

Future operation of public transport and retention of current GWRC subsidy

Under a proposed WUA, the cost of providing public transport in Wairarapa would need to be included, as stated by PwC. In addressing this issue, the MJ report states (p. 20, para 50-52) that there is no legislative impediment to taking a coordinated approach to the provision and funding of public transport services. While this is correct, the management of public transport would need to be coordinated very closely to be

effective. The report also says that public transport is not an issue that is impacted one way or the other by either of the two governance options. This is incorrect. Under the WUA option, for inter-regional services to operate, funding and policies (e.g. fare policy) relating to them would need to be consistent (in some cases identical) in the statutory plans for each region. There is no statutory framework to resolve differences in opinion, so this approach would rely on maintaining ongoing agreement over the long term. An uncertain environment such as this is undesirable for the management of ongoing services and long life assets.

If Wairarapa was to become a unitary authority then the Wairarapa rail service would become an inter-regional service. While it may be possible to gain the NZTA subsidy through an Order in Council under Ministerial direction, this does not address the issue of the Wellington region ratepayer contribution. The MJ report concludes that under a WUA the benefits would continue to accrue to the two “regions” and therefore the funding would continue as at present. The assumption is that the current rating allocation is based on benefits. The MJ report states that public transport should be excluded from the subsidy figure because funding arrangements reflect a balance of who benefits and who should pay (p. 5) and *“there is no reason why this should change because of changes in local government structure”*. This is incorrect. The MJ report also states earlier that the provision of public transport between Wairarapa and the “Western Area” of Wellington benefits both areas, and *“a pan-region approach to the funding and provision of public transport is therefore highly desirable”*. (p. 3).

This is simply wishful thinking. While it may be possible to access NZTA funding via an Order in Council, the MJ report appears to have overlooked the fact that Wellington region ratepayers will be asked under a WUA to fund another different region. Under the Local Government Act 2002, rating decisions are not taken “pan-regionally”. Decisions must be reasonable, and must be exercised in the interests of the particular region or district of the local authority involved.

The current GWRC funding policy for public transport takes a systemic approach that uses rates as a proxy for a congestion charge (i.e. focuses on requiring payment for causing disbenefits, rather than for benefits). An approach focused on who benefits from the provision of public transport to Wairarapa would result in a very different allocation of costs, given that Wairarapa commuters only make up <2% of the total commute into Wellington CBD. In all likelihood Wairarapa residents would pay significantly more in rates, or Wairarapa fares would have to be increased substantially.

CentrePort dividend and other investments

PwC/GWRC assumed that a WUA would receive 10% of the shares of CentrePort, based on its relative population. In contrast, the MJ report assumes that a WUA would receive 2/13 of CentrePort, based on the number of Wairarapa members of the former Harbour Board at the time it was disestablished. In fact the Harbour Board had 16 members at the time. The MJ calculation gave a WUA a dividend of \$800,000 per year on the current earnings of the Port. Even accepting a 2/13 share, the dividend to a WUA on that basis would in fact be \$615,000 – this appears to be an arithmetical error by MJ. Further, it cannot be assumed the CentrePort earnings will always remain at the current level. However, even if they did, the figures calculated by MJ are incorrect because they do not take into account other aspects of the relationship between GWRC and CentrePort.

Generally GWRC receives a tax advantage by virtue of its 76% shareholding in CentrePort. If this shareholding were diluted as a result of a transfer of some ownership to a WUA these tax advantages would disappear. GWRC also currently guarantees the CentrePort debt (to lower borrowing costs for the port) and receives a guarantee fee in exchange for this. If GWRC shareholding were diluted it is unlikely that the guarantee would continue and the fee to GWRC would be lost. This would also result in a net increase in the cost of borrowing for CentrePort which would, in turn, affect the dividend.

In summary, any calculation of a WUA share of GW's current total investment income (i.e. CentrePort dividend, other port income and cash investments income) needs to account for the following:

- Percentage of CentrePort shares transferred to a WUA
- Impact on GWRC income through loss of current subvention payment
- Impact on GWRC income through loss of guarantee fee (shown by PWC/GWRC in its "Investment/other income" category)
- Impact on the actual CentrePort dividend by increased borrowing costs.

It should be noted that all of these issues could have been explained to MJ had they discussed the matter with GW.

Potential sale of forestry cutting rights

The financial assumptions behind the possible sale of cutting rights for forests located in Wairarapa fail to take account of the uncertainty of the process. While GWRC is actively considering the possibility, the process is in its very early stages and there is significant risk in assuming likely sales proceeds. First there is a possibility that there will be no sale, in which case the Wairarapa forests in question will still carry \$16.8 million debt that will need to be serviced. The cost of servicing this debt is currently \$2million per annum. Even if the cutting rights are sold there is also a real possibility that the final sales revenue will not completely cover the current debt for the forests. Because the Wairarapa forests have soil conservation/land management roles, a sale on a straightforward commercial basis will be difficult, which means there is likely to be a discount on any sale price. The same does not apply to the other GWRC forests in other parts of the region.

Environmental regulation and land/water management

Using some very rudimentary benchmarking against Marlborough District Council, the MJ report assumes savings of up to \$1M in the environment and land management activities. The report also discusses flood management and land management funding policies which it says are currently more beneficial to individuals than elsewhere in the country. This presumably implies that the proportion of rates and landowner funding could change but it does not acknowledge that presently most of the ratepayer share is funded from outside of Wairarapa and that under a WUA any ratepayer share would need to be funded entirely from within Wairarapa. The issue here is that unless environmental regulation and land/water management are funded adequately, service levels will drop significantly, with a consequential negative impact on the environment and also on the Wairarapa economy. In addition, as outlined below, much of

the regulatory work is mandatory and central government requirements of regional and unitary authorities are at present increasing, thus adding more cost. The discussion on these issues in the MJ report is extremely generic and fails to address financial viability issues.

Benchmarking resource management costs

The MJ report uses Marlborough District Council (MDC) as a benchmark because according to the report *“the way in which functions are reported are well aligned with the scope of regulatory and planning functions in the Wairarapa context”*. In other words, MDC and GWRC have a similar reporting format. However, this is a meaningless basis for a true benchmark comparison. It does not take into account issues such as the complexity of environmental issues and problems, the size and scale of the monitoring networks, the number and complexity of consents processed, the amount of enforcement and compliance work undertaken, targeted investigations or policy processes and timing.

Staff

The assumption is made that existing staff working for GW, located in the Masterton office, will continue to work for a unitary authority. This is simplistic. In fact, almost all of the GWRC Wairarapa-based jobs have aspects of the roles that are spread across the work programme of the entire region and they are integrated into the larger support network that the existing structure provides. Many staff in the Wellington office also work on Wairarapa issues. These include, for example, scientists and senior planners. In general, smaller councils are challenged to attract and retain staff for a number of reasons including the lack of internal professional support, the range and variety of work, and the available financial resources. The report does not address these issues.

Having sufficient scale to carry out the investigation, policy development and research (currently supported by the larger environmental group within GWRC and not isolated in GW’s Masterton office) is important and will determine the quality of the policy and delivery.

Non-regulatory programmes

The approach completely ignores investment in working on non-regulatory programmes with communities and stakeholders, and community demand for information. This non-regulatory approach is now being discussed at government level with the prospect of institutionalizing it as part of what is being described as the “collaborative process”. GWRC is in the vanguard of this approach, which is likely to be required more widely in future. Costs will certainly not go down. Cutting the environment programme by \$1m as suggested would mean less information, poorer decision making, less staff and slower or no delivery of some existing services.

Inability for a WUA to opt out of RMA requirements

Possibly the most important consideration in this area that is omitted from the MJ report is that Councils cannot simply opt out of their obligations under the Resource Management Act. The area of RMA policy which regional and unitary councils are required to deliver is becoming significantly more complex. In particular, Regional Plan development and setting water quality limits under the National Policy Statement on Freshwater will take years to fully implement. It is science-based and led by community values. This is not a voluntary activity for regional and unitary councils. They have no choice and will be audited by central government on their performance. The simplistic assumption that a WUA could simply 'do less' would not

stand up to any form of scrutiny when assessed against the requirements of the RMA. Under the assumptions in the report a WUA would fail in its basic statutory obligations under the Act.

Cost of forward work programme

Preparing new regional policies for Wairarapa will be time-consuming and potentially expensive. This has not been factored into the predicted costs of a WUA. Even if GWRC had completed its regional plan review prior to any separation, there would be significant procedural and technical issues associated with the application of the new plan just to Wairarapa. The new WUA would also have to prepare and adopt a new Regional Policy Statement. Again, a budget would need to be established for this work.

The foreshadowed changes to the RMA are likely to make it more complex and challenging, not easier, for councils to deliver. This applies particularly to water management, which is a big issue in Wairarapa. Again, the report is silent on the financial and resource implications of these matters.

In addition to RMA changes currently under consideration by the Government, there is also the cost of servicing any future consents that are considered by a Board of Enquiry (BOI) under the auspices of the Environmental Protection Agency (EPA). This is a relatively recent mechanism but GWRC has been one of the first regional councils affected, with the large Roads of National Significance (RoNS) programme along State Highway 1.

For example, current non-recoverable costs to GWRC for the McKay's to Pekapeka BOI have been in the vicinity of \$250-300k. This is to participate in the hearing process and provide expert advice as a local authority on a number of matters under GWRC's jurisdiction, including transport, parks, ecology, biodiversity and planning. Costs are associated with staff time, legal advice and expert technical evidence in around 10 different areas of technical expertise.

Similar costs and scope of work/expertise could be expected in future for a WUA or an RUA participating in any BOI process. In Wairarapa, it is conceivable that there may be such processes for any future wind farm development, and most probably for the Wairarapa Water Use Project. If the proposed WUA were to be the applicant to the EPA for water use project (as is currently likely under GW), then the costs of that would be well in excess of simply participating - quite conceivably this would be a million dollar-plus process for an applicant to simply acquire a consent through the EPA.

Land and water management

A number of GW's land and water management programmes are co-funded by general ratepayers and the land owners. In terms of river schemes, this includes many people who reside in urban areas such as Greytown. Loss of the regional rate contribution would mean Wairarapa ratepayers contributing much more. Changing the ratio so that the landowners pay more would be moving the impost onto people who are also paying through their rates.

Another issue related to future costs is that the PwC numbers were for the previous financial year (2011/12) and yet in this current year GWRC has already allocated further money to Wairarapa. The most recent example is an additional allocation of \$260k for the development of a floodplain management plan for the Wairarapa Valley north of the Waiohine River.

Transferring cost to land owners

The report suggests that as an alternative to rates increases, the current costs relating to land and water management and regulation could be transferred to land owners. This risks two outcomes. The first is the soil conservation and land runoff work will not be undertaken, or will be slowed down significantly. This will have consequential impacts on the quality of Wairarapa rivers and lakes, including Lake Wairarapa. This is unlikely to be acceptable to the wider Wairarapa community, as it will potentially impact on recreation and other users of those waterways. Most importantly, such a result is also unlikely to meet legislative requirements for improved water quality.

The second potential outcome is a negative impact on landowners' incomes and the consequential impacts on the rural supply chain as farmers spend less on farm supplies to pay the additional costs. This would impact on the Wairarapa economy, including on the towns and villages. The report has not identified any of these risks.

Advocacy and participation at national level

The final issue relating to resource management issues is the report's failure to acknowledge GWRC advocacy on behalf of the region in resource management matters. This currently occurs in multiple forums - special interest group networks across the country, inputting to RMA legislative processes via the Ministry for the Environment (e.g. RMA review, NPS and NES development), discussion documents on RMA and water reform, participation in the Land and Water Forum discussions and air quality management. GWRC staff participate in all of these forums, and more, at a national level. This work is typically Wellington-based, is usually undertaken by Wellington-based staff and is extremely time consuming.

Wairarapa Water Use Project

The MJ report claims that *"it is reasonable to assume that irrigation would be of relatively lesser priority under a Supercity than it would under a predominantly rural Wairarapa Unitary Authority"*. (p. 21 para 58)

The project, called the Wairarapa Water Use Project (WWUP) is a regional economic initiative intimately linked with environmental management issues (including water quantity and water quality). It has been identified as a project of regional significance for some time and the concept has been promoted in Wairarapa over a period of 15-20 years. However, it is only since GWRC took over the management and funding in 2009/10 that significant progress has been made. Since taking over the project, GWRC has been able to access matched funding from the Government's Irrigation Acceleration Fund but is still required to contribute money on a 50/50 basis.

The report does not put forward any reason as to why a project such as this (which is considered a regional priority and funded by the current regional council) would not be similarly a priority for an RUA, which would have a similar balance of urban and rural concerns. As noted above, the cost of gaining resource consent for this project is likely to be high and would be a direct impost on ratepayers. Once more the report does not address the financial and organisational risks relating to the capacity and capability of a small WUA to attract the specialist staff or provide the financial resource required to take over the project.

Tourism

The MJ report is contradictory in its discussion of tourism. In its conclusion with regard to funding and promoting Wairarapa, it suggests working through Positively Wellington Tourism as the solution for being able to fund and promote Wairarapa tourism. In contrast, it also suggests, wrongly, that an integrated tourism strategy that takes the best opportunities from both metropolitan Wellington and Wairarapa is not possible. An integrated tourism strategy would, in fact, be more effective and make the Wellington region more attractive to tourists, especially international tourists, than two separate strategies. This supports a previous report prepared by MartinJenkins that *“tourism promoters and operators promote the two areas [Wairarapa and Wellington western region] as complementary propositions that add value and options to each other and the region as a whole.”*

Local Roads

The MJ report suggests (p.22, para 62) that under the RUA model the focus of road funding policy could be directed toward local roads in densely populated urban areas (because these are used by many people) at the expense of lightly used, but nonetheless vital, rural roads

There is no evidence to support this statement. Currently the region advocates strongly for all aspects of the regional transport network, through the Regional Transport Committee and the collaborative approach adopted by GWRC at the officer level. No evidence exists to suggest this would change. In addition, having the expertise and scale of a larger council entity would assist Wairarapa in both planning for and managing its roading network, and advocating its interests to NZTA and the government. Indeed, a stand-alone WUA would most likely struggle to influence both NZTA, which has a major focus on the Roads of National Significance (RoNS) programme (effectively SH1) and the Government, which has a focus on Auckland and Canterbury.

Transition Costs

The report fails to acknowledge the transition costs of establishing a Wairarapa unitary council. These costs are likely to be significant and should have been included in the financial assessment. Instead, the report misleadingly suggests that, if a unitary council was established in 2013/14, the council could return to current rates forecast levels by 2014/15 (see pages 37 – 40).

4. Different Treatment of Regional Unitary Authority Options and Wairarapa Unitary Authority option

Overall, the report’s assessment of the financial impact of the RUA option is disingenuous. It takes a worst-case scenario to the various considerations of this option and presents these as the likely situation. This is the opposite of the report’s discussion of the viability of a Wairarapa Unitary Authority.

For example, the report “cautions” the reader about the continuation of the current “subsidy”. However, the same report proposes savings under a Wairarapa Unitary Authority (to fund the funding deficit) in the

form of reducing or removing ratepayer subsidies of land management and flood protection activities and increasing the amount paid by landowners (who are also ratepayers, both urban and rural). It also makes the assumption that the public transport “subsidy” that is currently enjoyed by Wairarapa would continue. As set out above, this is unlikely to happen.

On the basis of consistent GWRC funding policies over many years, there is no evidence at all that such a worst case scenario would arise. In addition, as noted earlier, much of the work GWRC carries out in Wairarapa, which the report suggests may lose funding, is work required to comply with legislation. These are not discretionary activities. The approach taken in the report is misleading and suggests a very biased assessment of the RUA option.

The report does identify that additional savings are likely to accrue to a regional unitary authority over a Wairarapa unitary authority model. It then, however, dismisses these savings on the basis the authors do not believe they would benefit Wairarapa and would be applied to other parts of the region. There is no rationale for this. The report suggests that scale or scope economies are likely to diminish the further from Wellington city the activity takes place. The assumption that there is a geographical factor to the use of cost savings is flawed. Under an RUA model, as with the current GW, the organisation would have a physical presence around the region, not just in Wellington City. In addition, information technology systems significantly reduce geographical separation costs, and this is likely to be even more prevalent in the future. More importantly, the activities of any regional or unitary authority are not allocated on the basis of geography. They are allocated according to the requirements of the community and the legal mandate of the council. There is simply no evidence at all to support the conclusion that the economies of scope benefits for a Wairarapa unitary authority would be “more pronounced” than they would for an RUA option.

For the same reasons the following passage from the MartinJenkins report is misleading:

With respect to economies of scale, the larger size of the Supercity may confer benefits over and above those achievable under a Unitary Authority. This could also include greater capacity and capability to undertake larger scale projects and developments. The magnitude of economies of scale are, however, uncertain and they potentially diminish for the distance reason noted above. Moreover, we note the evidence from amalgamation, contained in a joint New Zealand and Australian study, that economies of scope are likely to be more significant than economies of scale.”

This is an extremely selective and incorrect use of the review published by the Australian Centre of Excellence for Local Government (ACELG). In summarizing the attributes of different forms of consolidation (i.e. from amalgamation through to shared services and regional collaboration) the ACELG noted: “*There is little evidence that amalgamation will automatically yield substantial economies of scale. Efficiency gains can be achieved through various forms of consolidation, but are unlikely to produce reductions in local rates and charges due to other expenditure needs. What is more obvious is that various forms of consolidation have the capacity to yield economies of scope. More importantly, consolidation offers opportunities to achieve economies of scope or enhanced strategic capacity. This effect may well be the strongest in the case of amalgamation into relatively large units”*. The ACELG also noted that the strongest link to efficiency and economies of scale, as well as to enhanced strategic capacity, was through amalgamation.

The MJ report also fails to recognise the benefits for Wairarapa of being “at the table” alongside the balance of the region, to influence policy that would promote wellbeing in Wairarapa – i.e. part of that enhanced strategic capacity discussed in the ACELG report. For example, the report recognises that what happens in the rest of the region in industry and employment will impact on Wairarapa, but not via versa. It argues, instead, that this is a reason for being separate from the rest of the region. The same applies to its assessment of transport/freight linkages, where it concludes Wairarapa is more reliant on the rest of the region as a customer base and a distribution channel. It also makes the same case for tourism.

The influence of the rest of the region on Wairarapa is correct and, given Wairarapa’s reliance on the region, a case can obviously be made for the advantages of it being in a position to influence regional decisions. The report totally ignores this and the possible disadvantages to Wairarapa of being separated from decisions that are likely to impact on its residents and businesses and therefore presents a very unbalanced assessment.

5. Funding and rates

As well as the many factual errors, omissions and incorrect or unsubstantiated assumptions noted above, the MJ report includes some overly optimistic views on a number of key assumptions affecting Wairarapa’s ability to pay for the services currently provided by GW. Clearly there are different methodologies for allocating current GWRC costs, but the MJ report takes a somewhat unrealistic approach and certainly did not conform to the assumptions agreed by the CEOs of the region’s Councils on the PwC assessment.

As already discussed, there are a number of areas where the approach taken in the report either misrepresents current requirements for all local authorities or else presents a misleadingly optimistic view.

Also the interchange between net and gross numbers in some instances makes the assessment unclear and potentially misleading, and makes any comparison even less meaningful.

Cost efficiencies and potential diseconomies

There are a number of assumptions that are questionable in the assessment of cost efficiencies. The report fails to account for diseconomies that would arise from lack of scale (i.e. the costs from splitting some of the significant activities of the regional council). In particular this applies to specialized areas such as public transport planning and management, flood protection, land management and much of the environmental management work, as noted earlier. The report says that a 3% saving in operational expenditure is “an appropriate and defensible assumption to make” for a WUA. To support this it quotes figures from the Royal Commission on Auckland, the Wellington Region Governance Review Panel, the Wellington Region Joint Working Party, the Morrison Low report for the Wairarapa Councils and unnamed UK reports. The issue here is that with the exception of the Morrison Low report, the other report and reviews were all looking at consolidation on a much larger scale than is proposed for the WUA. There is a strong case that the disbenefits of splitting off from a much larger entity would be larger than the benefits of combining three relatively small entities.

The MJ report acknowledges that there “*may be areas of diseconomy under a Unitary Authority option*” and that “*there is a likelihood of losing some economy of scale in functions currently performed by the GWRC*”. It

then states that such loss would be offset: *“potential for economy of scope by combining regional and territorial authority functions under a single unitary ... rather than having these functions split between the Wairarapa Councils and the GWRC as is currently the case”*. The report again quotes the ACELG study and says that *“accordingly, compared to the status quo, we consider that the risk of overall diseconomy arising from a Wairarapa Unitary Authority taking on the functions of the GWRC to be relatively low. Furthermore, based on the findings from the joint study, we doubt that there is a significant diseconomy of scale associated with the Unitary Authority option relative to the Supercity option”*.

Contrary to these claims, there is little opportunity for economies of scope by moving all current GWRC functions into a WUA. This is because most of the activities undertaken by GWRC and the current TAs in Wairarapa are different and many of the GWRC activities are highly specialized. The report fails to acknowledge, much less assess, these differences and overstates potential savings from economies of scope.

The report discusses the contributions to “regional amenities” that are now being paid by some TAs in the region, including Masterton (but not SWDC or Carterton DC). It suggests that under the RUA model Wairarapa would risk having to pay more. It is not appropriate to make the assumption about how amenity funding would accrue without carrying out the same exercise on the potential for savings and allocation of costs under an RUA model, which the report does not attempt to do.

Rates

The report also suggests that under the RUA model there is potential for “wide ranging” changes to the mix of funding sources (e.g. rates versus user charges), the mix of rate types (general versus targeted) and fixed/uniform charges versus in proportion to property value, the attitude toward debt and so on. It claims that changes in any of these areas could have the potential to substantially impact the level of rates paid by Wairarapa ratepayer “for the better or worse” This is absolutely correct – but clearly it applies to either model and, in fact, it applies under the current circumstances wherein any council is able to change its funding policy provided it complies with the required processes.

In discussing the impact of either model on rates., the report concludes that the RUA option *“introduces a level of financial uncertainty for Wairarapa ratepayers over and above that associated with the Unitary Authority option.”* (Pg 45, paras 136, 137)

While no one can provide certainty about any changes (given that decisions about policies will be made by a future council) the key issue is that under the RUA option it is uncertain if rates policies will result in increased costs for Wairarapa ratepayers. However under the WUA option the overall Wairarapa rate take is guaranteed to increase unless service levels are lowered significantly for the activities currently undertaken by GWRC.

Adjusting rates to achieve breakeven in operating terms

The MJ report addressed how a newly-formed WUA might approach its funding challenges. *“Although a period of operating deficits is not desirable..... we note that the combined Wairarapa Councils have*

significant cash balances and investments to fund deficits over the next few years. Potentially, consideration could be given to drawing down on these to fund the deficit pending the return to surplus". (Pg 39, Para 114)

Suggesting the council might run at a deficit and thereby use up all existing cash reserves and investments, would carry extremely high risk for Wairarapa ratepayers. Under these circumstances, the effect of a one-off major event such as a flood would be a major financial challenge for a WUA which would presumably have to debt-fund its response to the flood.

6. Local Democracy

In a discussion of local democracy the report says: *"In terms of service provision, perhaps the majority of residents or businesses in Wairarapa will have a different or opposite preference to those constituents in the Western Area"*. There is no evidence to back up this statement. The report overstates the issue of "difference" a number of times. There is no acknowledgement that the western part of the region consists of many different communities. The major land area of Wellington City Council, for example, is rural.

It is not reasonable to expect, as the report does, that planning and policy preferences and priorities will differ so markedly between the many local urban, semi-rural and rural communities. Under a new RUA, all of GW's current activities would be delivered by the RUA. Historically, GW's environmental policy programme is predominantly developed with a regional view in mind. It is highly technical and driven by scientific information. While there are geographic differences around water allocation and water quality (for instance) which will be addressed by the setup of Whaitua (community zone committees) across the region over the next few of years, the science that informs the debate in communities, and the policy and tools that allow for resolutions to these problems, are applicable across the entire region.

The report states that under the RUA model there is a risk that the voices of the 40,000 residents of Wairarapa would be drowned out. This statement fails to also identify the strong possibility that a community of 40,000 people will struggle to be heard on its own, especially when it sits alongside a population of 450,000, and that being part of that louder voice will be of advantage to the Wairarapa community.

The MJ report suggests that under the RUA option many important decisions would be made centrally with Wairarapa having a minority representation. It is correct that Wairarapa would have "minority" representation – as would all parts of the region by themselves. The MJ report says that having a RUA *"effectively outsources major environmental, land and water use decisions to a central urban decision-maker"* and that *"such a loss of autonomy and strategic control may have a significant negative impact on day-to-day democratic local decision-making in Wairarapa region"* (p.18, para 42). These comments ignore the current role of GWRC in Wairarapa's major environmental, land and water use decisions and incorrectly assume that the western part of the region is homogenous and that the elected representatives under the RUA model would not understand Wairarapa's issues. The current GWRC is an example of a council, with a head office based in Wellington City and one of 13 councillors elected from Wairarapa, performing in a manner that contradicts the report's predictions. The report fails to provide any evidence to support its conclusion about the potential for *"significant negative impacts"*.

The MJ report does mention the formation of local boards, but the limited discussion and the approach taken by the report on this possibility is unhelpful to the reader. It says: *“Although local boards would more than likely be established under a Supercity, we also note that local boards are intended for only urban or predominantly urban areas.”* This comment is inaccurate and misleading. While the Act states that the overall model is intended for predominantly urban regions, the provisions relating to local boards are flexible and able to provide local decision-making for non-urban parts of regions as well – as demonstrated in Auckland (Rodney and Waiheke). In addition, the Government has signaled that it is likely to introduce the model for the rest of the country in the future.

Finally, the report ignores the role that local boards might have in providing for local decision-making on local issues. It is disappointing that the report fails to discuss this in any detail given its importance in the public debate.