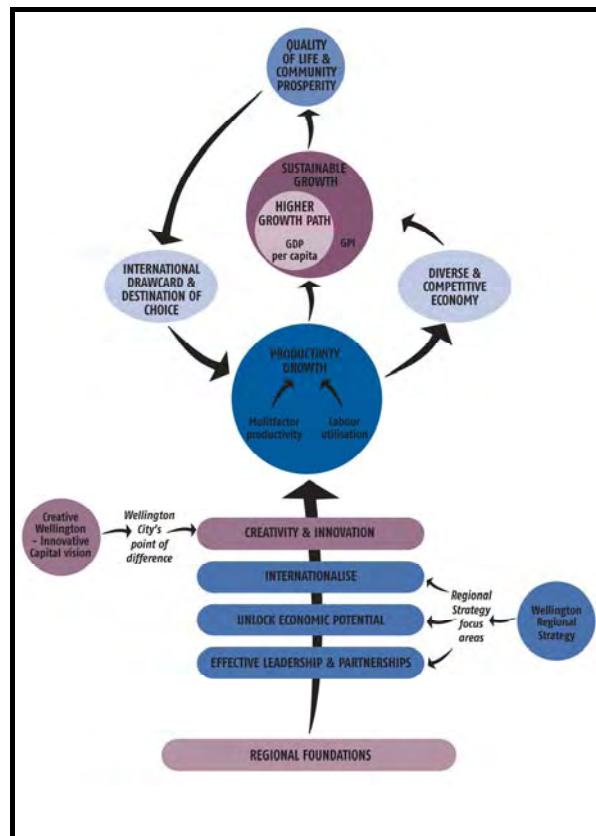


Economic Development Strategy

Growing the regional economy for a prosperous community

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Wellington City Council

July 2006

1. Introduction

The Economic Development Strategy is about achieving long-term and sustainable growth in GDP per capita to improve citizen's quality of life.

The strategy provides a high-level statement of the Council's long-term economic intentions for the city. The Economic Development Strategy will be consistent with the strategic directions adopted in the Wellington Regional Strategy (WRS) which, combined with the *Creative Wellington-Innovation Capital* (CWIC) vision, will provide a new overarching strategic direction for the Council.

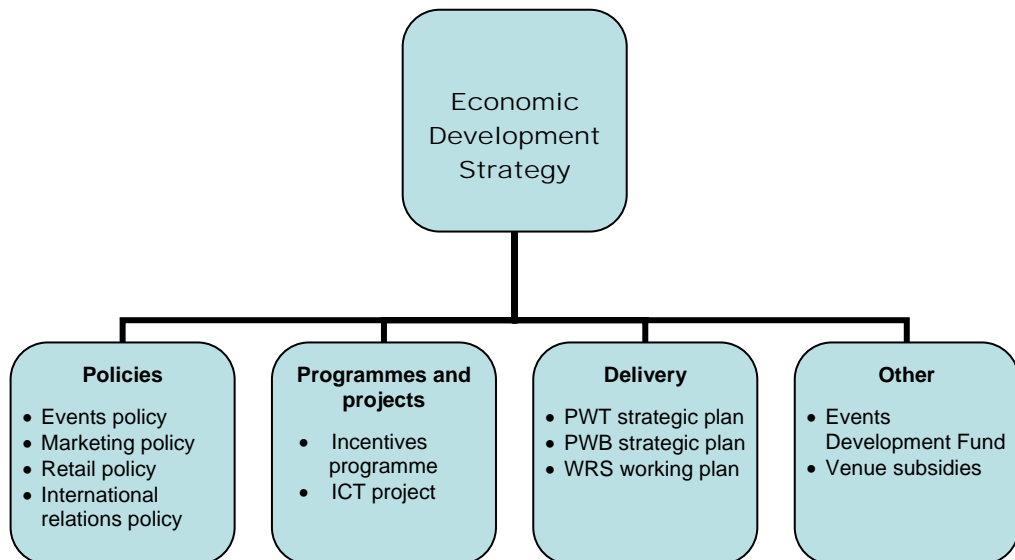
In essence the Wellington region, along with New Zealand as a whole, is not reaching its potential for economic performance. While the region has a well qualified workforce and one of the highest GDP per capita outputs, New Zealand's level of labour productivity (a key determinant of economic performance) is significantly lower than other OECD countries. It is expected that economic performance can be improved through targeted interventions focused on internationalising the region and unlocking economic potential leading to increasing exports from the region (the key platforms of the WRS).

To make a real difference the Strategy must work in line with the Wellington Regional Strategy to ensure a common approach to how it looks after (and funds) key interventions.

Through service provision, facilitation, advocacy, and funding activities, the Council will play a key role in managing, directing, and shaping Wellington's future economic development so that high community prosperity and quality of life are achieved. These activities are summarised in the Economic Development Strategy Tree.

2. Context

Existing Framework



The context

Cities are facing increased competition globally for talent and business attraction. Coupled with increased economic uncertainty, and a dynamic and changing operating environment, this presents some key economic development challenges for Wellington:

- Wellington needs to boost labour force productivity, which is relatively low compared to other OECD countries, influencing our ability to compete internationally.
- Wellington needs to ensure talented youth return to the region. A disproportionate number of 25-35 year olds leave the region, affecting the structure of our workforce and skills available.
- Whilst Wellington has a strong research base, the city is relatively poor at translating ideas into saleable product.
- Growth in GDP and employment is steady but unspectacular. There is potential to assist the economy onto a higher growth path
- Wellington needs a common investment philosophy that addresses equitable funding of investment and maximising its benefits. The region will not move ahead if there are significant variations between cities in the quality of the underlying economic, infrastructure and amenity foundations, or in the lifestyle that the region delivers.

Wellington is experiencing a shift in employment and business structure towards more service based industries. The city shares key characteristics of successful international cities in terms of the presence of its creative sector, finance and business services, science and technology, and research. These industries generate relatively higher productivity than 'bulky' industries and present opportunities for meeting the challenges that the city faces.

The challenge

Economic prosperity is a key driver of community prosperity and quality of life. Our ability to sustain strong relative and absolute economic performance is therefore critical. The challenge is to ensure that the Wellington Regional Strategy delivers bold and effective direction that meets the needs of Wellington City.

The solution

The Wellington Regional Strategy (WRS) aims to achieve long-term and sustainable growth in GDP¹ per capita to improve citizen's quality of life and community prosperity.

Wellington's success as a city relates closely to its ability to work as a coherent regional body. The Wellington Regional Strategy focuses on keeping and attracting the required skills and businesses for economic success, acknowledging that this depends on the lifestyle and environment the region can offer.

The Wellington Regional Strategy has to provide a strategic framework for the City's economic development strategy that sets out the Council's long-term economic intentions for the city.

Achieving long-term and sustainable growth in GDP per capita will contribute to:

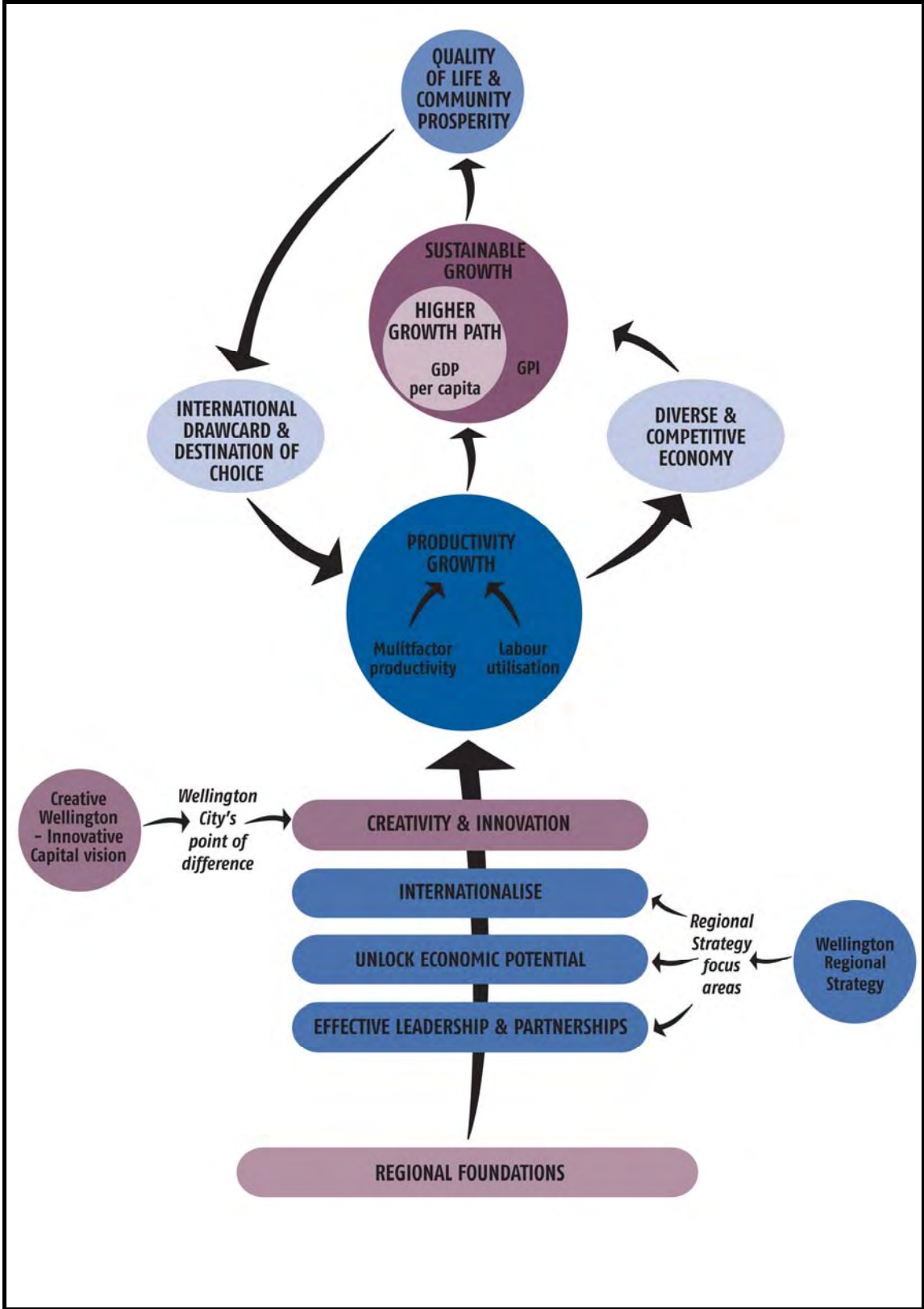
- increasing quality of life - in turn making the area a more attractive place to invest, work and live
- making the city more prosperous – communities will enjoy and prosper from a strong and growing economy
- enabling the city to compete on an international scale – by offering and encouraging diverse and sustainable business opportunities.

The pre-conditions

The successful realisation of this strategy will require ensuring that economic growth contributes to sustainable development as measured by the WRS's Genuine Progress Indicator (GPI).

¹ Growth Domestic Product

3. Long-term direction for economic development



Our long-term outcomes

Our overall economic development goal is to achieve long-term, sustainable growth in GDP per capita, in order to improve citizens' quality of life and community prosperity. Over the next 10 years, we aspire to the following outcomes:

3.1 Stronger sense of place: *Wellington will be a prime tourist and conference destination, with diverse and changing attractions that fit and highlight Wellington's best features.*

The tourism industry makes a significant contribution to the Wellington economy. Tourism has enjoyed strong growth over recent years and the region has played host to an increasing number of international visitors. There is scope to leverage this opportunity, and the presence of the region, which is still considered to be an emerging destination offshore. Making the city a destination of choice for international and domestic visitors means:

- advocating for tourism products that promote Wellington's unique sense of place
- maximising the economic value Wellington can generate from visitors through its strategic central location, capital city status, and location on a main travel route
- growing Wellington's market presence in the key target markets and within New Zealand
- maximising the revenue Wellington tourism businesses can generate through increasing visitor nights and expenditure, whilst enhancing the city's natural capital
- investigating the need for greater depth of commissionable tourism product
- ensuring tourism perspectives are well considered in regional planning and development, so visitor growth is adequately supported by quality infrastructure.

3.2 More compact: *Wellington's central city will be the premier and most rapidly growing specialty retail, entertainment, service and knowledge centre for the region, and Wellington's thriving suburban and rural areas will offer enhanced services and lifestyle choices.*

Wellington's central business district (CBD) is the 'heart' of the city and the wider region. The Council takes an active role in promoting the area for business and as a visitor destination. CBD employment activities are concentrated on office jobs and close communication between businesses, whilst specialist manufacturing can occur in other locations. Similarly, the CBD, as a focus of tourism, is able to offer a concentrated range of entertainment and dining options as well as boutique, high-value retail activity. Each precinct of the CBD has a distinct character and feel, which adds to the Wellington experience. There is scope to build on these strengths and focus support to key sectors. Developing the central city as a premier centre means:

- retaining key businesses in Wellington
- working closely with the business community
- further developing and branding Wellington as a centre of excellence for creative industries, businesses, and education.

3.3 More eventful: *Wellington will maximise the economic value from promoting and hosting high-profile events.*

The aim is to ensure Wellington develops and attracts high-profile events so that maximum economic benefit to the city is achieved. Targeting events with high returns will enhance the city's status as 'events capital', will help in increasing the city's profile outside the Wellington region, and increase the quality, variety and vibrancy in the city. Making the city more eventful means:

- enhancing and promoting the city's image as an 'events capital'
- ensuring Wellington targets and attracts top international and national events
- investigating opportunities to co-ordinate and promote events at a regional level.

3.4 Better connected: *Wellington will be connected locally, nationally, and globally by offering world-class accessibility and linkages. That includes having high-capacity broadband communication networks, and top-quality seaports, airports and transport networks.*

Access to key transport facilities that handle exports boosts productivity and economic growth. Improved communications networks that enable quicker and expanded data capture, analysis and sharing also boost productivity and increase economic growth. In terms of national connectivity, there is scope to better leverage our strategic positioning as the gateway to both the North and South Island. Ensuring the city is more connected means:

- engaging more with government and private sector partners to ensure that funding for transport and communications infrastructure is targeted to areas of greatest benefit
- understanding the affordability of providing communications infrastructure, and knowing where the benefits and costs fall
- selling our strategic and logistical position as centre of the nation more effectively.

3.5 More prosperous: *Wellington will have a strong and growing economy including a high-quality, innovative and diverse public sector. Wellington will offer a wide range of sustainable employment and business opportunities.*

Wellington has a smart and diverse population and strong communities. Our legislative centre sits within our business centre. The aim is to build on these strengths to generate high incomes and ensure exceptional quality of life, underpinning a strong and growing economy. A more prosperous city means:

- providing employment for all
- attracting and retaining a highly skilled productive population base and business sector
- maximising the benefits of being the capital city, the hub of New Zealand and the centre of our nationhood
- creating wealth by raising the productivity of all businesses.

3.6 More competitive: *Wellington will attract and retain an increasing diversity of vibrant, internationally competitive people, targeted investment, and businesses and industries of all sizes.*

The city has a role as a business centre for the region, founded on a solid base of services. We want to internationalise in order to achieve a state where businesses locate in Wellington because this is the place where ideas with global application and global market connections can best be

created. A key aspect is to attract people who will create investment, business and jobs in targeted areas, and people in the education and research fields. The competitiveness of the city's economy can be enhanced through productivity gains which can be achieved by:

- reducing regulatory and institutional barriers where these impede development of existing business and discourage new business
- attracting and retaining migrant and international students in key high-value industry areas
- targeting investments in the identified key growth sectors and clusters
- increasing support to the emerging advanced business services sector
- achieving balance between cost of living and quality of life.

3.7 More entrepreneurial and innovative: *Wellington will have high levels of innovation underpinned by strong education and training, research, entrepreneurship and investment.*

The aim is to make Wellington a place of new ideas, whereby entrepreneurial activity and innovation are key. Wellington has a head start in achieving this aim as it is endowed with sound public research institutions and receives significant public investment in research. There is excellent scope within Wellington for improving the emphasis on commercialisation of research and ideas. This involves ensuring effective linkages between education and research organisations (that develop ideas), and business (that can assist in making these ideas a commercial reality).

This will be made possible by:

- improving the conditions that spur innovation, such as increasing the linkages between the private sector and public research, and ICT capability within firms
- increasing the level of economic activity generated from research work undertaken at the region's tertiary institutions
- developing linkages between businesses and government to ensure that available funds for innovation can be accessed
- adopting facilitative policies designed to improve the ability of firms to identify opportunities and translate them into commercial success
- promoting businesses that provide innovative solutions to environmental problems.

How we will measure our progress towards these outcomes

To assess whether Wellington is developing a **stronger sense of place** (in terms that the city is a prime tourist and conference destination), we will monitor trends in visitor numbers, accommodation occupancy rates, and guest nights. We will also measure the number of international and national conferences held in the city each year.

To assess whether Wellington is becoming **more compact** (in the sense that the central city is the region's fastest-growing retail, entertainment, service and knowledge centre) we will monitor employment trends and business numbers in these sectors.

To assess whether Wellington is becoming **more eventful**, we will record the number of 'iconic' and 'A-level' events held in the city and their estimated contribution to the economy.

To assess whether the city is becoming **better connected**, we will monitor trends in broadband usage, the value of cargo volumes at the airport and seaport, and the number of national and international airline passengers entering Wellington airport.

To assess whether Wellington is becoming **more prosperous**, we will monitor trends in city and regional GDP growth, regional economic activity, unemployment, job vacancies, number of people employed in each industry, and labour force participation.

To assess whether Wellington is becoming **more competitive**, we will monitor the number of top-200 companies based in the city, and monitor trends in the number of business start-ups and closures.

To assess whether Wellington is becoming **more entrepreneurial and innovative**, we will monitor trends in industry training, number of businesses and employees in the research and development sector, and number of tertiary students enrolled in the region.

4. Our three-year priorities

For the period 2006/09, we've identified the following two priorities for our economic development work. The priorities are important stepping stones towards our long-term goals:

- We will contribute significantly to the completion and successful implementation of the Wellington Regional Strategy.
- We will strengthen and further develop the city's status as a centre of creativity and innovation.

How we plan to achieve these priorities

Economic development has been an area of high priority for the Council in recent years. We've worked to attract events, promote the city as a tourism and business destination, and support the development of creative and high-tech industries. We've also worked to support business development, promote vibrant retail areas, foster a city culture that values enterprise, and ensure Wellington remains one of the country's premier providers of tertiary education. Over the next three years, we plan to continue all of this work and to take several new steps to enhance the city's economic well-being.

During 2005/06, we've been working with our neighbouring local authorities on a Wellington Regional Strategy which aims to enhance economic performance and quality of life by internationalising the region and unlocking its economic potential. This strategy will be finalised in September 2006 and implementation will begin during 2006/07.

We are working to attract a daily long-haul airline service between Wellington and Asia to increase tourism, help the Carter Observatory redevelop itself as a centre of learning and visitor attraction, and investigate the possibility of establishing a world-class sound recording and scoring stage for use by the film and music industries.

Detailed information about our proposed activities is provided on the following pages.

5. Strategy Tree – Economic Development

