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WELLINGTON CITY COUNCIL

**STRATEGY AND POLICY COMMITTEE**
**13 MAY 2010**

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**REPORT 1**
*(1215/52/IM)*

# POLICY SCOPING PAPER

**Title: CITY STRATEGY 2040 (VIBRANT, INTERNATIONALLY COMPETITIVE, AFFORDABLE CITY)**
**Portfolio: Organisation-wide**

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This paper seeks agreement to the scope of the review of the City Strategy, which aims to assess what mix of core foundations, distinctive attributes and comparative advantages will make Wellington successful up to and beyond the bicentennial in 2040.

This paper covers:
- key outcomes sought from the City Strategy work
- where Wellington is today
- forces of change in the past 30 years
- megatrends that provide context for the next 30 years
- specific questions and opportunities to explore
- a summary of the overall process.

A supplementary presentation will be made on this paper.

## 1. Executive Summary

Wellington today is generally in good shape, but we need to take a fresh look at the points of difference that will take Wellington to its next phase of development as a successful city-region. The last 30 years saw Wellington emerge from a difficult period of national economic reform as a city with a confident identity and superior quality of life. We need to build on this track record of success.

Every era brings both challenges and opportunities and the next 30 years will bring its own set of changes. This is due to the constantly changing global environment that cities throughout time have had to adapt to. At a local level this influences choices and expectations that people have of services and a city's offerings. This extends to the role of councils and the public sector generally. This was confirmed again in the latest Kiwi Counts survey[1] that found that people have higher expectations of the public sector than the private.

[1] This is a national survey led by the State Services Commission that looks at New Zealanders' views on the drivers of service satisfaction.

Given the dynamic forces at play, and the fact that the pace of change itself is accelerating, a 'business-as-usual' approach over the next few decades will not be sufficient to leverage or sustain Wellington's comparative advantages. Nor will this be enough to meet communities' changing expectations.

The City Strategy is an important approach for ensuring that Wellington is well positioned for the future and builds on its past success. The development of this process will provide the basis for a common understanding of Wellington's future. It will underpin a clear set of long-term strategic priorities and the alignment of resources across the city around these. It will also inform other critical work, including: regional governance; Central City Framework; and the international relationships review.

This scoping paper presents initial research on the major trends that will shape the environment for cities of the future. The greatest change – and therefore the greatest opportunities and challenges – is found in the places where different trends converge (we present these below as "megatrends"). This paper asks if these are the right factors for exploring future plausible scenarios. It proposes a research process to test these. This will include further review of what is important to Wellingtonians. The paper does not attempt final answers, but raises some possible areas of opportunity to explore further and provide those answers.

The work will be developed over the coming months and progress will be reflected in report backs on future-focused agenda items (ie Wellington 2040: Central City Framework briefing in August). A draft of the City Strategy will be reported back in November/December. Broad public discussion and engagement will follow in early 2011 before Council's strategic priorities are developed for the draft 2012/22 Long Term Plan.

## 2. Recommendations

Officers recommend that the Committee:

1. *Receive the information.*

2. *Agree to the scope of the review of the City Strategy as described in:*

    (a) *Section 4.1 which sets out the key outcomes of the review.*

    (b) *Section 5.3 which identifies the megatrends that will form the basis of our future analysis and research.*

    (c) *Attachment A which identifies specific questions / opportunities to explore further.*

## 3. Current Situation and Context

The Council's current vision of Wellington as a "vibrant, affordable, and internationally competitive city" remains valid, but we need to clarify what this means for the future. The fact that cities are becoming more globally interconnected than ever before means that the pace and nature of change will affect us more.

A city's "competitiveness" is continually being redefined and means different things to different people. For Wellington this has never meant that we will compete on the same scale with the likes of London, New York or Tokyo, though some industries located in Wellington are world class. What it has meant is that we will hold appeal to Londoners or New Yorkers or anyone who has a choice about where they live and do business.

For some businesses, competitiveness may mean seeing merit in investing in a particular place for the long term and help grow or create new jobs there. For workers, it may mean being able to earn a reasonable living and raise a family in one place and travel overseas. Or it may simply mean that people feel connected and a part of the wider world. For others still, competitiveness means that we invest in ways that protect the environment for future generations to come.

A city's overall competitiveness or comparative advantage is determined by how it defines itself in response to changing global realities and perceptions, making the most of its strengths. Such strengths are those things that cannot be easily replicated by others – or the opportunities a city offers by association (such as the China Free Trade Agreement). Conversely, a failure to grapple with new developments and opportunities limits a city's overall advantages.

Tomorrow's successful cities will be those that respond proactively to global opportunities and challenges as well as local needs at all levels of planning and coordination.

## 4. Policy Assumptions

### *4.1 Key outcomes*

Given the above, the proposed City Strategy review seeks to:

- take a strategic view of Wellington's future success over the next 30 years, bearing in mind the long-term trends (megatrends), opportunities and challenges on the horizon
- achieve a common understanding of Wellington's future between the Council, partners and communities
- guide the prioritisation of Council's future activities (develop a set of strategic priorities) for the next 2012/22 Long Term Plan
- provide a platform for aligning Council and community partners' activities and resources in positioning Wellington in the longer-term (including collaborating with other parties to achieve meaningful outcomes)

- inform the regional governance debate and any future arrangements for the leadership of the city-region
- contribute to other key pieces of Council's work (see section 4.3).

The key questions the review seeks to answer are:

- What are the conditions that need to be in place to ensure a successful city in 2040?
- What is Wellington's function in the world and nationally?
- What will set us apart in the future:
    - why should you do business here?
    - why should you build a career here?
    - why should you live here or raise a family here?
- How should the city's form be shaped?
- What do Wellingtonians value and how do they want to contribute to the city's future?
- How do we maximise our connections with other places?

At its simplest the process aims to identify what will be the core foundations of the city in 30 years, what distinctive attributes will need protecting or enhancing, and what comparative advantages will set Wellington apart.

### *4.2 30-year horizon*

The time horizon we have chosen for the purposes of the City Strategy is 2040 (approximately 30 years). This is a period over which change will occur but in ways that can be planned for and managed. It is also a reasonable timeframe for planning major asset decisions that will either have long-term impact or risk becoming obsolete. The year 2040 also coincides with the bicentennial.

### *4.3 Links to other work*

The review of the City Strategy will have links to several major pieces of work currently underway or scheduled for this year. The City Strategy review will inform, and be informed by these pieces of work.

The major work-streams are:

- Wellington 2040: Central City Framework
- regional governance (including taking a broad look at the role of the city-region and what this means for city-region leadership)
- Local Government Act 2002 Amendment Bill
- stakeholder engagement programme
- international relationships review
- major strategic policy, including regional amenities, Climate Change Action Plan etc.

In addition, the City Strategy review will inform future work including: development of the 2012/22 Long Term Plan; and a review of the Wellington Regional Strategy.

### *4.4 Long Term Plan*

Note that the review does not displace the current Long Term Plan, nor does it include the development of the new 2012/22 Long Term Plan. However, it should provide a clear rationale for business prioritisation and planning for the purposes of all future council activity, as well as for future branding and organisational structure.

## 5. Issues, Options and Implications

### *5.1 Where Wellington is today*

Our current strategic direction has focused on consolidating Wellington's unique quality of life and overall points of difference. Today, Wellington can boast of having a superior quality of life to many advanced cities. Relative to its peers in New Zealand and Australia, Wellington is well positioned demographically with an educated population and a low dependency ratio (dependants versus working age). Wellington historically enjoys a relatively high labour participation rate with low unemployment.

It has also built a reputation as the nation's cultural and events capital, which the majority of New Zealanders acknowledge. The Council has invested in the city's foundations - the infrastructure and amenities on which the city is built. This includes the water treatment plant, the stadium, and public spaces such as the waterfront, Oriental Bay beach and green open spaces among many others. The city has had some notable successes in terms of the creative individuals and businesses that call Wellington home (eg WETA, Icebreaker).

However, a longer term view would say we are reaching the "high watermark" of Wellington's development or potential turning point in the city's fortunes. While our quality of life may be attractive to skilled talent, so far it has not translated into sustained economic gains. This is borne out by the economic indicators, for example: the gradual but relentless northward drift of corporate business in the last two decades, slowing migration to the city (or projected negative migration to the region in the next 20 years), rising office vacancy rates, generally low workforce population growth and a narrow jobs sector. The recent economic downturn has been a reminder that "quality of jobs" is equally important to quality of life when it comes to a city's long-term success.

While the strategic choices we made have placed the city in good shape, there are signs that our current direction could deliver diminishing returns in the longer run. Many underlying forces behind Wellington's economic performance are beyond our direct control, as illustrated below, but there is room to consider how the city might better position itself against these. The City Strategy process aims to do that.

This includes building off the enthusiasm that Wellingtonians have for their city and emphasising the important place that collaboration with others will have in securing a positive future.

### *5.2 Forces of change in past 30 years*

New Zealand and by extension Wellington's fortunes in the past three to four decades were defined by a particular set of historical driving forces. These driving forces were often of a global nature, such as the continued globalisation and freeing up of market economies, the freer movement of labour, and the rise of political and economic power blocs like the EU/European Community, which saw New Zealand being cut off from its former favourable terms of trade with an increasingly Europe-facing Britain.

In the midst of these changes, cities found themselves having to compete harder for business, investment and talent. It was also during this time that New Zealand went through its most radical economic restructuring, from heavily regulated to free market economy. This had lasting repercussions for Wellington.

The following is a summary of the implications these historical forces had and how Wellington has responded to these changes:

| The changing role of government |
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| Government is the foundation of Wellington's economy, and a source of relative stability, even though government activity translates into more moderate economic growth than other regions in the country. The changing nature of government in the last few decades has impacted Wellington enormously. Public sector reform and deregulation in the late-1980s marked the decline of Wellington as the centre of economic power and the beginning of corporate flight from the city. Wellington is likely to remain the seat of political power for the foreseeable future. However, there are indications that the nature of government will continue to evolve in ways that will fundamentally impact on Wellington as a city-region and economy. The current Government's priorities reflect this reality, including local government reform, the continued rationalisation of public services, and the prospect of private sector third parties becoming increasingly involved in the provision of public services for example water. |
| **The rise of Auckland** |
| With the deregulation of the nation's economy since the 1980s, the centre of gravity has been consistently shifting to Auckland, as evidenced by the northward drift of financial and commercial offices formerly based in Wellington. This is part of a larger global trend that is seeing economic power concentrate around city-regions of larger scale. As traditional industries in Wellington, such as finance, insurance, manufacturing and telecommunications, have increasingly felt the pull of Auckland's larger consumer base, new sectors, eg business services, information technology and creative industries have grown in their place. However, even these new |

sectors have not been entirely immune to the lure of Auckland and other larger regional centres. The reality of an Auckland 'super-city' is likely to reinforce Auckland's pre-eminent role in the national economy. It naturally follows that Auckland's success will be critical to the success of New Zealand as a whole including Wellington.

### 'Jobs for all' versus 'quality jobs'

The past few decades has seen a shift in the make-up of Wellington's economic and employment base. In the 1980s, most employment in the region was dominated by five or six key sectors (including government, manufacturing, trade/hospitality, finance and insurance, transport and communications). Today's top six employment sectors account for only 63 percent of all jobs in the region, reflecting a more diverse employment base. These six sectors are business services and property, government and defence, retail, health and community services, construction and manufacturing. A diversified economy may be said to be more resilient and responsive to change. On the other hand, it remains to be seen whether newer niche sectors can achieve the robustness of the traditional lead industries. For example, despite the rise of creative industries in the last decade, growth in creative employment has not kept pace with national trends (due to the shift of TV and advertising services to Auckland and Australia). Similarly, Wellington's ICT sector has been vulnerable to strong growth in Auckland and Christchurch, but has managed to thrive by continuing to specialise, eg in consultancy services.

Future economic productivity is likely to be driven by high innovation, which typically favours niche sectors. This suggests a potential continued trade-off between high job security (or jobs for all) and high productivity. Sir Paul Callaghan (McDiarmid Institute, Victoria University) argues that while traditional sectors like tourism and agriculture generate significant jobs, revenue per worker is modest (in the case of tourism), and those sectors face significant sustainability challenges. In his view, New Zealand's focus should instead be on knowledge-intensive (rather than land-intensive) high revenue generators, eg Rakon's global positioning systems (GPS) on a chip, Fisher & Paykel Healthcare's hospital technology, and Tait Electronics' radio communications equipment (each of these firms are worth $100-200 million per year). Knowledge intensive activities in turn depend on being able to attract the right skill base and having connections with complementary agencies and sectors and into wider markets.

### Quality of life as defining advantage

The 1990s saw Wellington successfully shed its 'grey suits' image in favour of a positive makeover, building a new identity and reputation as an attractive place to live, work and visit. Wellington's quality of life is based on a unique combination of several factors: the city's public spaces, attractive natural setting, compactness, (internal) accessibility, and its cultural and lifestyle offerings. The city is not without its issues, however, as seen in steadily rising house prices, which puts pressures on liveability. There are also questions around whether Wellington can continue to sustain

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| its overall quality of life advantage in the face of the continuing evolution of lifestyle preferences, as well as increasing competition from other cities on various fronts (see further below). |
| Core city foundations are constantly expanding |
| The last few decades have continued to redefine what makes a city liveable – in terms of both core foundations and how these add up to overall quality of life. The reasons for this are multiple, including increased living standards, rising consumer preferences and expectations, and increased competition between cities as they vie for a limited pool of global talent. Whether it be waterfront renewals and other public space developments, or events programmes, these are fast becoming standard fare in developed cities. If the bar is constantly being raised in terms of a city's basic foundations, it is necessary to ask how these might be redefined in the future and what it takes to stay ahead. While there will continue to be demand for essential services as we know them today (basic infrastructure and community facilities), an ever increasing pool of requirements are considered as making up the core foundations of a city. In the future, people may have higher expectations around environmental security in an age of climate change, or the quality of telecommunications and technology networks, for example. |

### *5.3 "Megatrends" of the next 30 years*

We have identified six major trends that are likely to define the next 30 years and which all cities will need to grapple with in the future. Often, there is a tendency to consider a single trend and extrapolate that forward without considering how it interacts with other trends. However, real impacts are felt in the places where different trends converge. (For example, labour mobility or the tendency of skilled talent to migrate to other places is an important trend that has been occurring for some time, but only when this is also considered in the context of other factors does it become interesting, such as the fact that people have much higher expectations than in the past about what makes cities attractive places to live and work.) We have therefore chosen to call these significant convergences "megatrends."

We describe the six megatrends below. Many of these are playing out already, as seen in the themes above on Wellington's development to date. However, it is useful to consider them in terms of their ongoing future implications.

| Megatrend | Implications for Wellington |
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| ***1. Place is everything***<br>We will increasingly value and expect more from our local communities – its location, access to services, neighbouring people, connectivity, and safety – while living in a much more globally connected world. Those with sought after skills will become more discerning about where they choose to | • Wellington will need to continually improve the range, quality and efficient delivery of its services to attract or retain the people it needs.<br>• Wellington will need to decide how to define its quality of life advantage in respect of other cities and in the face of changing consumer preferences. Eg |

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| live, and those less mobile will have higher expectations about locally available services. | should it continue to invest in areas considered 'global city' attractions? Should it invest elsewhere? |
| **2. *i-City***<br>We are using the internet more and more and the web will soon be at the centre of everyday life. Hand-held devices and social networking will give us anywhere/ anytime connectivity and new norms of social interaction. We will become immersed in immediate and personalised transactions. The mix of consumer culture, affordable technologies, the entrance of the digital native generation into the work force are all factors that bring this about. The choice facing cities is whether to be an early adopter or fast follower of new technology. | • Wellington will need to decide how to keep pace with changing business needs and practices. (What is our level of economic ambition and what sort of technology and innovation will we need to support this?)<br>• Council may be expected to anticipate (rather than respond to) customer service needs as information becomes increasingly personalised.<br>• Services may become virtual/interactive. Eg e-library offerings, digitalised information about a park's history, or art work. |
| **3. *Older and bolder***<br>Baby boomers, people born during a period of high birth rates from 1945-65, have shaped our political and economic landscape over the past 25 years and look set to continue that influence into their retirement. They will put an increasing affordability burden on public services, which has economic and social repercussions. How we respond to this and public attitudes towards other demographic changes, such as increasing diversity, will be important to maintain a sense of social cohesion. | • Wellington will need to decide how to manage these pressures: eg grow the workforce? Be a boomer friendly city and support healthy longer working lives? How will we manage diverse needs?<br>• There may be conflict between boomers and younger generations' views over what services are desirable in the city and for quality of life.<br>• Housing affordability is likely to be a deepening issue for younger people.<br>• A growing pool of 'asset-rich income-poor' boomers may place pressure on Council to review funding models. |
| **4. *It's not easy being green***<br>Sustainability is increasingly becoming part of our everyday lives and with it, our personal responsibility grows. Technology becomes more influential but how do we balance its use with environmental issues? Cities, rather than countries, will be the key to tackling the sustainability problem. | • Wellington needs to decide how to capitalise on its current sustainability advantage: Is it about quality of life? Is it also about economic opportunity, and if so what? What technological applications can be drawn on to reduce delivery costs of infrastructure? What impact will a 'price' on carbon have on attitudes to public provision of services? |
| **5. *Basic resource as scarce commodities***<br>Ensuring the security of supply and access to water, food, energy and | • Wellington will need to decide what role it plays in a high-commodity producing economy, eg transit hub between North |

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| housing remains essential. Global population pressures and demands places pressure on the distribution and affordability of these resources. We stand to benefit from our abundant natural and renewable energy resources and indirectly from the country's agricultural producing status.<br>Benefiting from this will be dependent on managing our vulnerability to global shifts and the impact of natural disasters. | & South islands for transporting food? What value might our water resources have for water-stressed areas?<br>• Wellington will need to decide how to harness its abundant natural resources for economic advantage, eg develop/ export own technology? Become a trial ground for outside companies? |
| ***6. Big cities, big growth***<br>Mega-regions, like the European Union, and mega-cities, like Shanghai, will dominate economic growth and countries like New Zealand may struggle to get a piece of the action. It remains to be seen whether future step-changes in technology will dilute the dominance of mega-region blocs and allow smaller players like ourselves to close the gap with overseas markets. | • Wellington has a fundamental choice to make in terms of positioning for future economic development.<br>- Do we go it alone and compete with larger cities? Eg by developing strong links and exports to overseas markets.<br>- Do we align ourselves with other players and share in their prosperity? Eg by developing strong networks with Auckland, Sydney etc as part of Australasian economy.<br>- Can we compete in ways other than on GDP or high growth terms? |

### *5.4 What does this mean for Wellington's comparative advantage?*

We have carried out an initial assessment of how Wellington measures up against the megatrends over the next 30 years, based on its current strengths and weaknesses. As the result of this, we have identified questions and opportunities that we intend to explore further as part of identifying Wellington's future comparative advantage. (These are outlined in **Attachment A**.)

The research programme and testing we propose to undertake is detailed below.

## 6. Research

Our research will include a combination of primary sources (eg customer surveys, interviews with key experts) and secondary sources (existing literature on specific topics). Examples of broad areas to explore include:

- Migration and mobility patterns, and how quality of life advantage relates to this.
- Generational and inter-generational trends (understanding lifestyle patterns and impact of mass retiree population, potential inter-generational tensions).

- Wellingtonians' values and attitudes to change, eg social, environmental, cultural, technological etc.
- Economy, including Wellington business profile, economics of being 'green', economics of innovation and the role of cities, global trends, potential niche opportunities.

There is an opportunity to partner with or tap into the work of other organisations, eg Victoria University, Ministry of Economic Development as part of our programme of research. In seeking opinions of key experts and players on Wellington's future, we may interview some select stakeholders.

## 7. Risks

There are a number of potential risks associated with this project:

- There is potential for confusion over how the City Strategy review impacts on current and planned activities in the organisation. Efforts will be made to communicate the purpose of the review to the rest of the organisation including how it may or may not impact on Council activities. As a general rule, it is not envisaged that the review will impact on currently planned activities. The review will set new priorities and a common approach to assessing the benefits of Council's activities.

- There is a risk the City Strategy fails to achieve support outside Council. The success of Wellington's future strategic direction and vision depends on the support and cooperation of key players in the community. Our stakeholder engagement plan will aim to build support and encourage community leadership on aspects of the City Strategy and vision that Council cannot deliver by itself.

## 8. Engagement

Broad engagement on the City Strategy will occur. This will take place after the elections following the Council's consideration of the future City Strategy and vision. Engagement will also occur through related streams of work. For example a communication and engagement plan is being developed in conjunction with the work around the Wellington 2040: Central City Framework to ensure the synergies between future economic development, social, environmental and cultural objectives, and the spatial implications these have for the city are fully reflected.

## 9. Timelines

The critical phases of work are set out in **Attachment B.**

Subject to the committee's views, our next steps will be to carry out further analysis and research on the past, current and future trends/megatrends that we have identified. We will look to test these independently (see section 6) and reflect progress back as part of related workstreams (ie briefing on the Central City Framework). The work will be presented back as part of the briefing of the incoming Council in November/December.

Broad engagement will follow in 2011. The conversations we have with the public will be used to guide our decisions on specific strategic priorities and organisational strategies, which in turn will pave the way for the development of the Long Term Plan 2012/22.

Contact Officer: *Vivian Blake, Senior Strategic Analyst*

**Attachments:**

1. Attachment A *Strategic Questions*
2. Attachment B *City Strategy Process*
3. Attachment C *Selected Bibliography of Futures Scan*