
REPORT 1
(1215/52/IM)

DRAFT ECONOMIC DEVELOPMENT STRATEGY - REPORT BACK FROM CONSULTATION

1. Purpose of Report

The report provides the Strategy and Policy Committee with a summary of the feedback received during consultation on the draft Economic Development Strategy.

It recommends some editorial changes to the strategy based on this feedback and that Strategy and Policy Committee refer the draft Economic Development Strategy to Council for adoption.

2. Executive Summary

On 15 September 2011, the Strategy and Policy Committee agreed to seek feedback on the Draft Economic Strategy.

The strategy was developed because of concerns about the urgent need for Wellington to respond to significant challenges in the global economy, the increasing focus by central government on Auckland and Christchurch for investment, and the downsizing of the public sector in Wellington.

The sense of urgency has been further reinforced by the recent National Bank Report on regional economic growth (November 2011). This report highlighted that, while Auckland in particular and some other regions have posted positive growth to the year ended September 2011, Wellington has shown zero growth rate during the same period.

Central government's domestic investment focus appears to be very much on Auckland and the rebuild of Christchurch. However building on the success of the Business, Innovation and Growth (BIG) event, which raised the economic profile of the city's businesses with key Ministers, and the development of the draft Economic Development Strategy, the Council now has the vehicle and opportunity to engage with central government on potential joint projects, investment and Wellington's significant contribution to the national economy.

Consultation

Feedback on the direction and priorities contained in the draft Economic Development strategy was sought over the four week period from the 11 October 2011 to 11 November 2011. As part of this process the Mayor, Cr Coughlan as Economic Development Portfolio leader and officers held discussions with key government agencies such as the Ministry of Foreign Affairs, Ministry for Economic Development, embassies, the tertiary and finance sectors, participants from the BIG event and the wider business community.

Forty five formal submissions were received from a range of business organisations, central and local government, organisations, tertiary institutions and individuals.

Overall feedback has been very positive towards both the direction and the priorities identified in the draft Economic Development Strategy. Several of the submitters have highlighted the desire to work in partnership with the Council to support its successful implementation, while others commented on the timely nature of the strategy and the urgency to progress key priorities.

This report contains an analysis of the responses and recommendations for some editorial changes based on public feedback which will clarify and strengthen the strategy. The strategy has been amended in line with these recommendations, marked as tracked-changes to the document and **attached** as Appendix A.

Implementation

Many of the priorities identified in the strategy can be undertaken within existing resources and in partnership with others. However some of the activities have budget implications and officers propose that these be developed for consideration as new initiatives as part of the 2012/22 Long Term Plan deliberations. These are the development of:

- Long Haul Attraction Fund
- A talent and business attraction strategy and programme of activity
- Economic research and intelligence capacity within Council
- A Business Improvement Districts programme, subject to further work including the development of a BID Policy.

It is recommended that the draft Economic Development Strategy be adopted by Council at its meeting of 16 December.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Note the written submissions on the draft Economic Development Strategy attached as Appendix B.*

3. *Note that the amended Economic Development Strategy, attached as Appendix A, incorporates changes (marked as 'track changes') as a result of the following public feedback and clarifications:*
 - (a) *Partnership opportunities strengthened through more explicit commitment to ensure the strategy aligns with the activities of key national agencies such as New Zealand Trade and Enterprise, Ministry of Science and Innovation, Ministry for Foreign Affairs and Trade, and with the regional approach to economic development.*
 - (b) *Expansion of 'smart business' definition to include advanced manufacturing and make it clear that SMEs are not excluded from the definition of smart business.*
 - (c) *Assessment of the adequacy and future needs of City amenities that attract talent and investment being brought forward to 2012*
 - (d) *Strengthen references to support key infrastructure projects that support economic growth*
 - (e) *Strengthen commitment to working with mana whenua.*
4. *Agree to delegate to the Portfolio Leader for Economic Development and Chief Executive the authority to amend the draft Economic Development Strategy to include any amendments agreed by the Committee and any associated minor consequential edits.*
5. *Agree that the following new initiatives be developed for consideration as part of the 2012/22 draft Long Term Plan deliberations:*
 - (a) *Long Haul Attraction Fund*
 - (b) *A talent and business attraction strategy and programme of activity*
 - (c) *Economic intelligence capacity within Council*
 - (d) *Business Improvement Districts (BIDs) programme, subject to further work including the development of a BID Policy.*
6. *Recommend to Council that it:*
 - (a) *Approve the Economic Development Strategy*
 - (b) *Agree to delegate to the Portfolio Leader for Economic Development and Chief Executive the authority to amend the Economic Development Strategy to include any amendments agreed by Council and any associated minor consequential edits.*

4. Background

The draft Economic Development Strategy was developed because of concerns about the urgent need for Wellington to respond to significant changes in the global economy, the increasing focus by central government on Auckland and Christchurch for investment, and the downsizing of the public sector in Wellington.

The draft Strategy identified four strategic areas that are vital to drive future economic growth in the city. These are:

- **Destination Wellington** – developing and promoting the City in a way that attracts the visitors, skilled people, business and investment needed to achieve greater prosperity including through events, amenities and promotional activities
- **Smart capital** – generating a significant proportion of future economic growth from smart, innovative, knowledge-intensive businesses
- **Connected capital** – increasing physical and virtual connectivity within the region, with other parts of New Zealand, and internationally
- **Open for business** – delivering the Council's services with a "can do" attitude, providing a quality built and business environment where it is easy, efficient and affordable to invest and do business.

A focus on short term priorities

Whilst the strategy provides the city with a long-term economic vision for the city, it also identified six priority areas to be progressed immediately to respond to the short term challenges facing the economy. These priorities are:

- establishment of a Long Haul Attraction Fund to secure direct flights from Wellington to Asia by 2013
- development of an integrated talent, business and investment attraction strategy and associated programme of activity by 2012
- relationship development and engagement with key businesses to ensure they remain in Wellington
- explore with suburban business communities the opportunity for the establishment of Business Improvement Districts as a way of stimulating local business vitality by 2012
- further development of Creative HQ as an incubator for innovative high-growth companies by 2013
- develop a 'business friendly' culture within the Council to support business growth.

The draft Economic Development Strategy also contains a number of additional actions to be undertaken in the short term:

- Assess the adequacy and future needs of City amenities that attract talent and investment
- Develop 'smart' infrastructure to support Wellington's creative, knowledge-intensive economy. This could include:
 - Encouraging the availability of suitable affordable space for smart, high-technology start-ups connected with business development services such as those offered by Creative HQ
 - Investigating an 'innovation hub' concept by providing space for innovative companies, research and education interests to collaborate
- Explore opportunities for supporting professional services firms to sell more services internationally (in particular IT firms and firms with experience in the provision of services to public sector organisations)

- Explore the creation of a capital markets forum to better connect Wellington's financial institutions (such as NZX, merchant banks, venture capitalists) with the needs in high growth Wellington firms
- Take advantage of Wellington's national institutions, embassies and consulates to better connect Wellington businesses to markets and knowledge internationally (with New Zealand Trade and Enterprise and Ministry of Foreign Affairs and Trade).

Economy in the balance

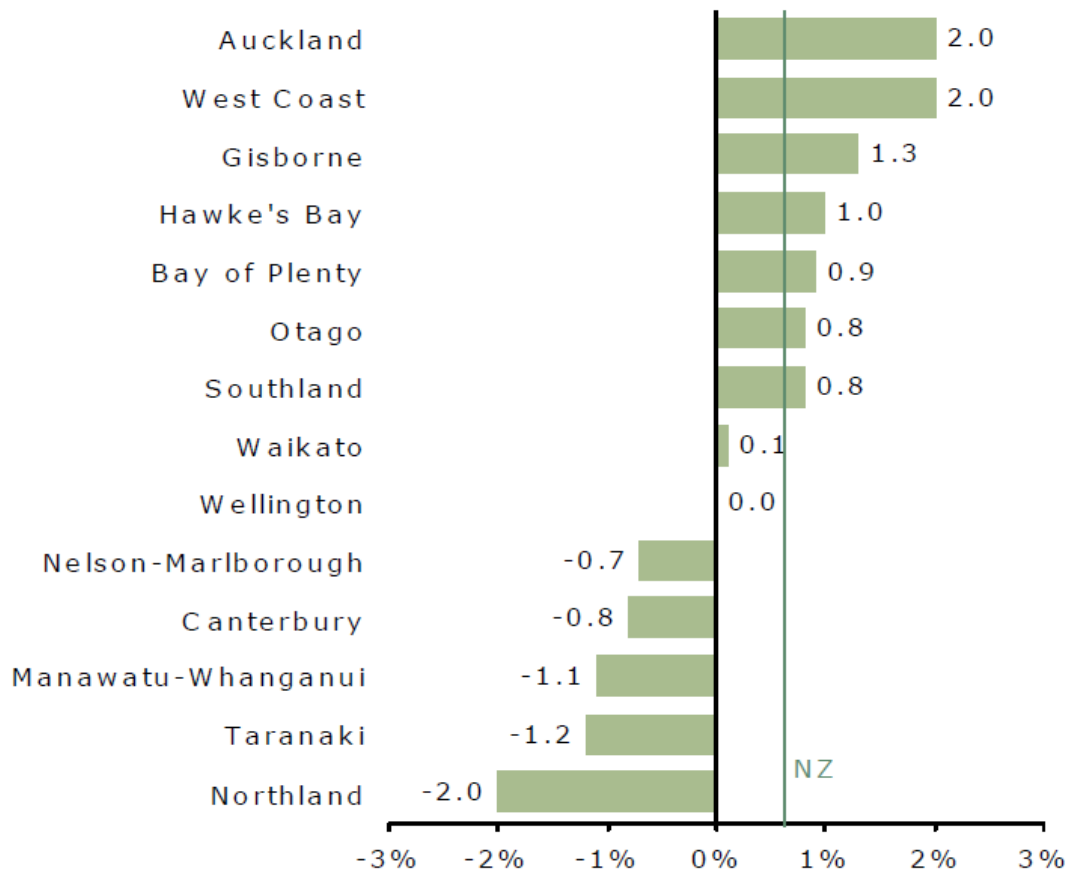
The sense of urgency for a strategic approach to economic development for the City has been further reinforced by the recent National Bank Report on regional economic development. This report highlighted that whilst both Christchurch and Auckland have posted growth in economic activity in the September quarter of 1.8% and 1.2% respectively, Wellington returned a 0.2% growth rate despite activity generated by the Rugby World Cup.

As the graph below illustrates, Auckland and the West Coast achieved 2% growth for the year ended September 2011, while Gisborne, Hawkes Bay, Bay of Plenty, Otago and Southland regions all achieved higher than average growth. During this period the Wellington region showed a 0.0% growth rate.

This would suggest the Wellington regional economy has absorbed public sector cuts over the year, but has not yet managed to sufficiently offset these reductions elsewhere in the economy to achieve growth. There is clearly an urgent need for the city to begin to address this lack of growth if it is to remain a vibrant and attractive destination for business talent and investment, in partnership with key stakeholders and agencies.

REGIONAL ECONOMIC ACTIVITY

Year-on-Year Growth, Sept 2011



Wellington's contribution to 'NZ Inc'

Wellington has a significant contribution to make to the growth of the New Zealand economy through its innovative business base, its close international links through embassies based in the city and as a global destination for talent in the creative industries. However urgent action is needed to raise awareness of this contribution with central government ministers and their agencies if we are to attract increased levels of investment and support.

The success of the BIG Event at parliament was a first stage in this process. For the first time it brought together a wide range of successful innovative business to raise the economic profile of the city and region with key Ministers and their agencies, the international community, finance institutions and other key organisations.

This, coupled with the development of the Economic Development Strategy with its strategic direction and priorities, provides the City with a strong platform to engage with central government and other organisations such as Grow Wellington in discussions around potential joint projects and investments. Such projects may include the delivery of some of the strategy's priorities for action around the expansion of Creative HQ, the development of the proposition for the Marine Energy Testing Centre and collaborative working on a talent and investment attraction strategy with Ministry of Science and Innovation and New Zealand Trade & Enterprise.

5. Discussion

5.1 Consultation and Engagement Process

Substantial targeted engagement was undertaken in the formation of the draft Strategy with a wide range of stakeholders working in economic development, businesses and key central government agencies such as New Zealand Trade & Enterprise, Ministry for Science and Innovation.

Further targeted engagement was undertaken by the Mayor and Cr Coughlan during the consultation period with key government agencies such as the Ministry of Foreign Affairs, Ministry for Economic Development, embassies, tertiary sector, finance sector, participants from the BIG event and business community.

Engagement on the draft Economic Development strategy was undertaken over the four week period from the 11 October 2011 to 11 November 2011, using Wellington City Councils Website, targeted circulation to key stakeholders, local businesses and business organisations and networks. The strategy was also available in print with copies being distributed through libraries or on request.

Feedback was sought on the proposed direction and focus of the strategy, the priorities identified, and any potential actions or priorities that had been missed in the strategy.

Submissions received

Forty five (45) written submissions were received, which are **attached** as Appendix B. Of these, 29 were submitted using the feedback form that was developed to support the consultation process, and 16 submissions were received in a format determined by the submitter.

The consultation feedback form posed a number of specific questions:
The questions were:

Q. Are we on the right track with the draft Economic Development Strategy?

Q. State how much you agree or disagree with the following areas being priority areas for economic development in the city using strongly agree, agree, neutral, disagree, and strongly disagree.

A. Develop a Long-haul Attraction Fund to attract an airline carrier able to operate direct flights from Wellington to Asia?

B. Develop an integrated talent, business and investment attraction strategy?

C. Engage proactively with key businesses to ensure they remain in Wellington?

D. Create 'Business Improvement Districts' to support suburban business growth?

E. Further develop the 'Creative HQ' to support the growth of innovative businesses?

F. Develop a 'business-friendly' culture within the Council to support business growth?

Q. Which of the six priorities outlined in the strategy is your top priority?

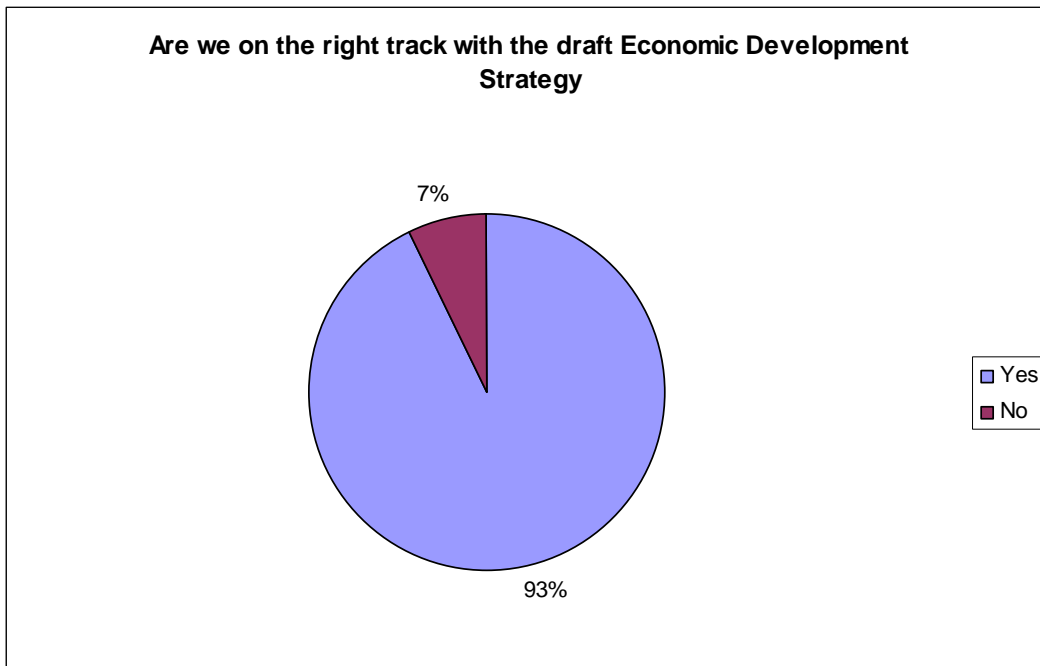
Q. Are there any priorities or actions we have missed in the draft strategy?

Analysis

The overall response to the draft Economic Strategy has been very positive - in terms of the general direction of the strategy, the priorities identified by Council, and support for acting with a sense of urgency.

As the Council has received submissions using both the feedback form (29) and a format determined by the submitter (16), there are two elements to the submissions analysis in this paper. Firstly a statistical one based on the completion of the feedback forms, and secondly a qualitative analysis of the non-form responses which were analysed for key themes.

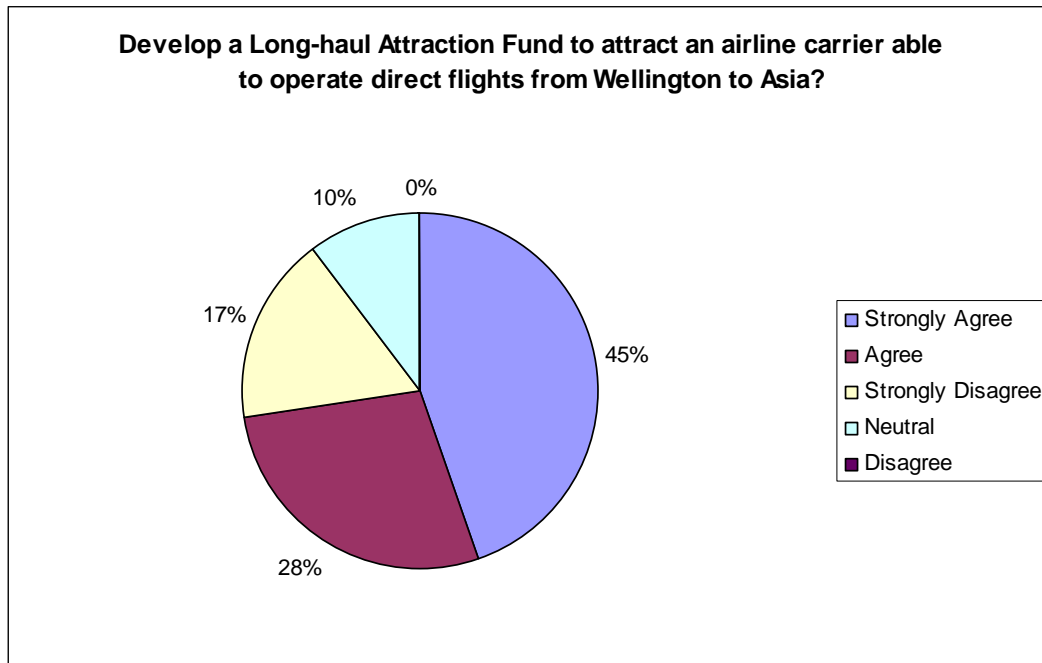
5.2 Key Findings from the questions contained in Feedback Forms



Yes	26
No	2
Unclear	1

93% of respondents using the feedback forms supported the overall direction of the strategy. Two respondents disagreed. This was due to technical issues surrounding airport runway and the ability to support long haul flights, and a desire for a greater focus on small businesses. One respondent said both yes and no to this question.

Question 2: State how much you agree or disagree with the following areas being priority areas for economic development in the City:

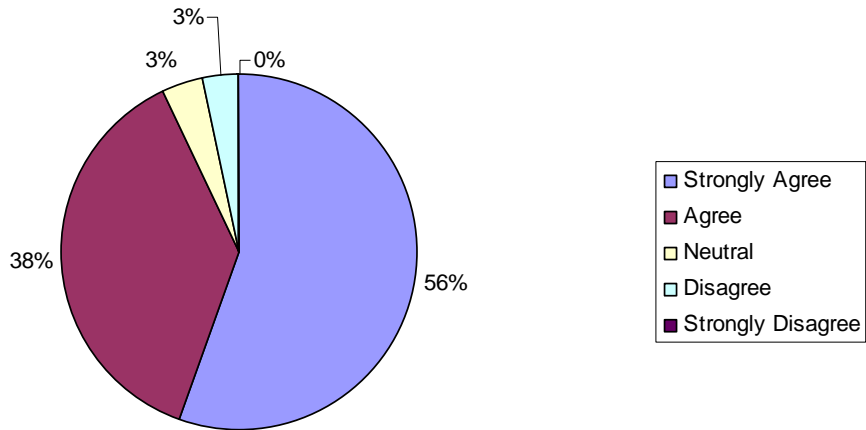


Strongly Agree	13
Agree	8
Strongly Disagree	5
Neutral	3
Disagree	0

73% of the response either strongly agreed or agreed with the need to develop a Long Haul Attraction Fund to attract an airline carrier able to operate direct flights to Asia. This was especially important to members of the business community that responded. Many see this as important for the Wellington economy and for improving access to larger markets.

Two respondents suggested that the Government and Airport should shoulder the main costs. One respondent raised issues around the feasibility of current aircraft to use the existing runway, while another raised the issue of increased pollution.

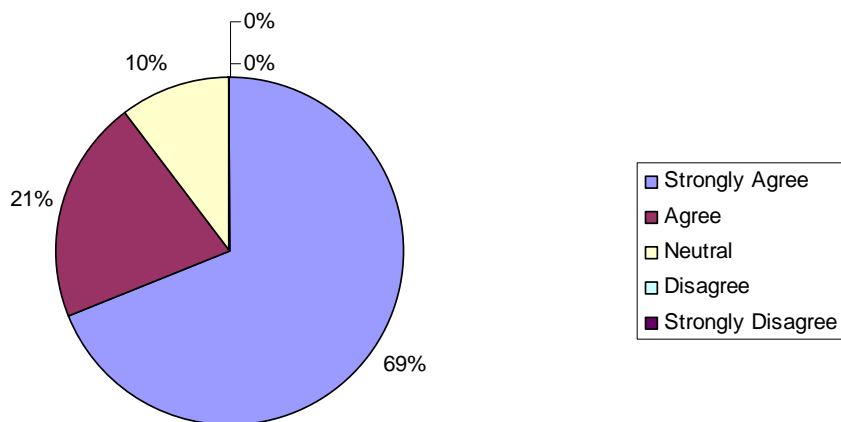
Develop an integrated talent, business and investment attraction strategy?



Strongly Agree	16
Agree	11
Neutral	1
Disagree	1
Strongly Disagree	0

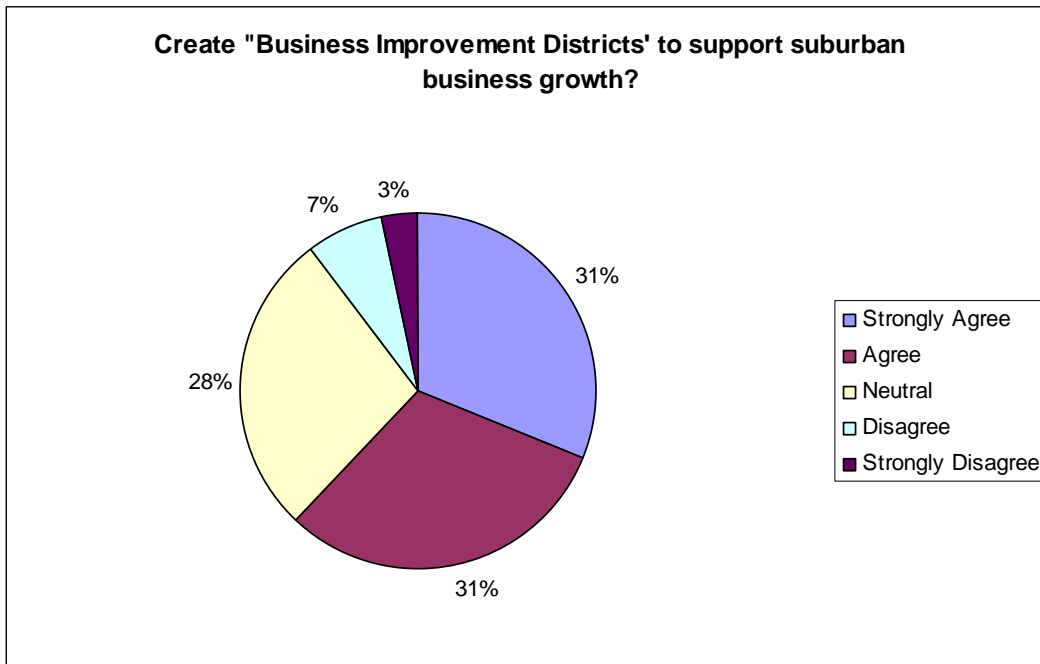
This priority received strong support with 94% of respondents strongly agreeing or agreeing to this initiative. Respondents noted that such an approach would also support the attraction of international students and talented individuals to fill the skills gaps that are constraining some businesses.

Engage proactively with key businesses to ensure they remain in Wellington?



Strongly Agree	20
Agree	6
Neutral	3
Disagree	0
Strongly Disagree	0

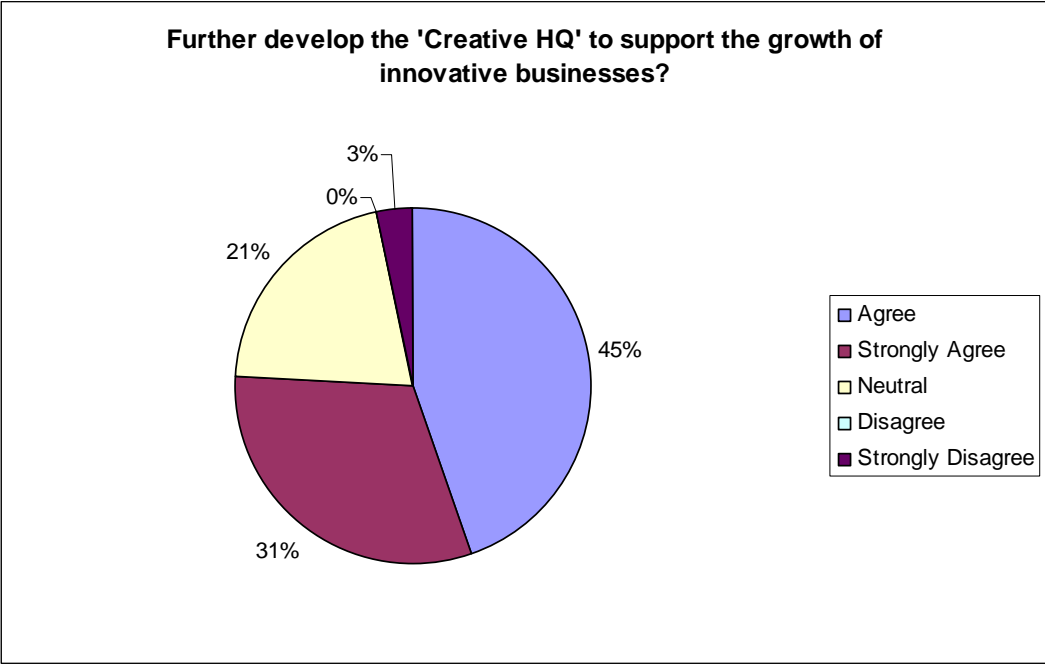
90% of respondents strongly agreed or agreed with this priority. The responses indicate that there is a strong desire for the Council to engage with a wide range of business including small business. A key theme was the need for Council staff to “spend more time talking to business” to understand their needs and constraints.



Strongly Agree	9
Agree	9
Neutral	8
Disagree	2
Strongly Disagree	1

62% of respondents strongly agreed or agreed with this priority, with 28% neutral and 10% disagreeing/strongly disagreeing. From the comments it appears that the initiative has a general level of support, but there is a desire for more information on BIDs, how they work and what opportunities or impacts it might have on the business community. This information gap would be addressed through the development of the Council’s BIDs Policy.

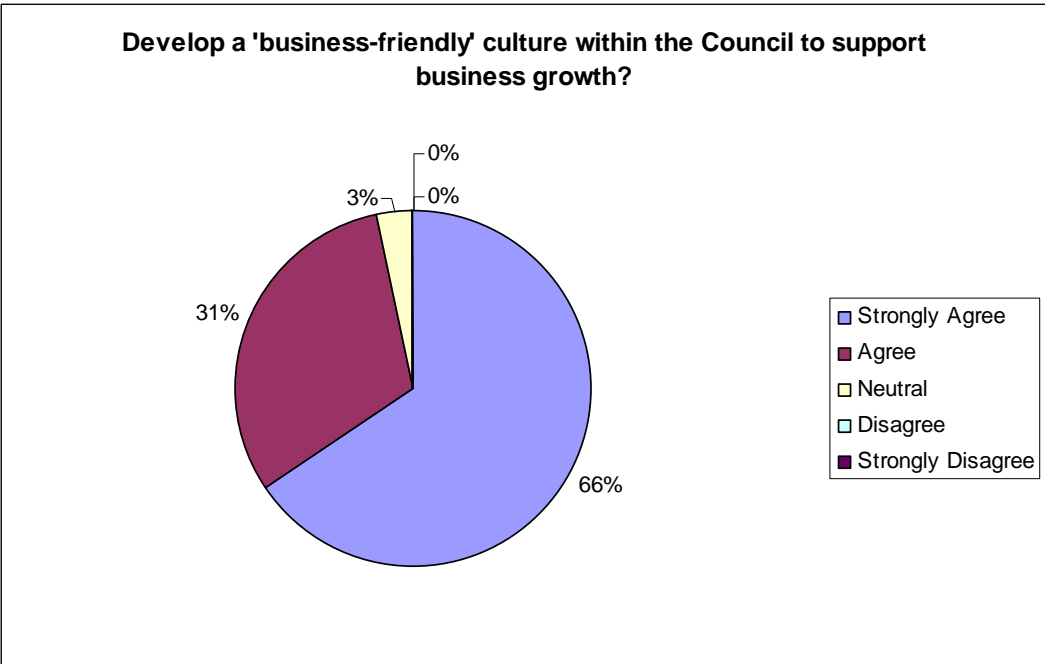
One submitter not in support of this initiative was concerned that the development of BIDs would draw investment away from the CBD.



Agree	13
Strongly Agree	9
Neutral	6
Disagree	0
Strongly Disagree	1

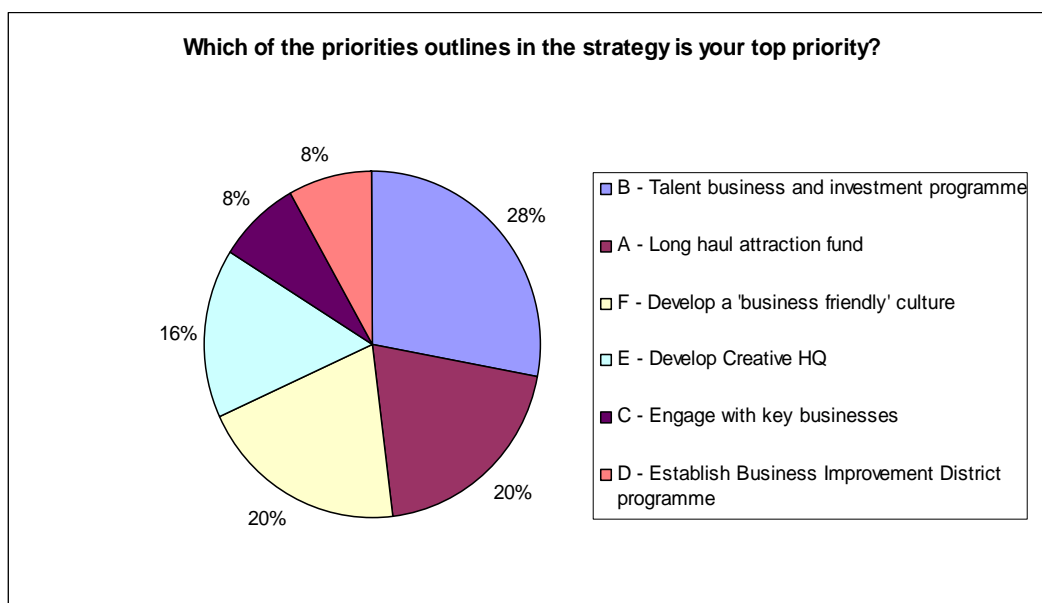
The further development of Creative HQ (CHQ) received strong levels of support - 76% of respondents strongly agreed or agreed. 21% of respondents were neutral and one submitter strongly disagreed.

The support was especially strong from the business community. CHQ is seen as a key player in supporting innovative business in the City and region. Some respondents indicated the need to make sure CHQ had both the capacity to grow and capability to support a wide range of businesses.



Disagree	0
Strongly Disagree	0

97% of respondents that that this was a key priority for the Council. Respondents felt that such a focus for the Council would ensure a business friendly environment that would both attract and retain business. Some general suggestions were made about how this “business friendly” culture could be achieved and areas of focus e.g. compliance and licensing functions.



No one priority was identified as clearly more important than the others, however 68% of respondents supported the following three priorities:

- Develop a Long Haul Attraction Fund to attract an airline carrier able to operate direct flights from Wellington to Asia
- Develop an integrated business investment and attraction strategy and programme of activity
- Develop a business friendly culture within the Council to support business growth.

5.3 Key themes from other submissions

The majority of the 16 letter-based responses were from key partners and agencies such as Wellington Employers Chamber of Commerce, Grow Wellington Greater Wellington Regional Council, tertiary institutions, New Zealand Trade & Enterprise and Council Controlled Organisations. Many of the responses commended the Council on its strategic approach to economic development and indicated a commitment to work collaboratively with the Council to achieve the strategy’s ambitions.

Respondents such as Victoria University, Massey, Whitireia, Wellington Chamber, Positively Wellington Tourism, Positively Wellington Venues and the Property Council are all strongly supportive of the priorities around the Long Haul Attraction and talent and business attraction. All of these key stakeholders see such activities as essential to maintaining the city’s competitiveness and

vibrancy, and that many of the other outcomes sought through the strategy would be reliant on and supported by this initiative.

CentrePort and the Wellington Chamber of Commerce have made comment about specific infrastructure opportunities, including the Roads of National Significance projects, which they considered are important to include in the final strategy.

A number of responses requested that there be a more explicit recognition of the need for the strategy to align with the regional approach to prevent duplication and to identify opportunities to work more collaboratively with central government.

Additional priorities for the Strategy

The feedback from the 45 submitters did not highlight any particular gaps or missed opportunities. However respondents have made a number of suggestions that would clarify some issues and strengthen the strategy. These are around:

- A focus on partnership opportunities should be strengthened through more explicit commitment to ensure the strategy aligns with the activities of key agencies (such as New Zealand Trade and Enterprise, Ministry of Science and Innovation, Ministry for Foreign Affairs and Trade, Wellington Chamber of Commerce, Grow Wellington), economic entities (such as CentrePort and the Airport) and with economic efforts across the wider region
- Expansion of 'smart business' definition to include advanced manufacturing and make it clear that SMEs are not excluded from the definition of smart business
- the assessment of city amenities being brought forward from 2013 to 2012
- Strengthen references to supporting key infrastructure projects that support economic growth
- Strengthen commitment to working with mana whenua on matters that support economic development.

Changes to reflect these suggestions have been made in the updated draft Economic Development Strategy, marked as tracked changes and **attached** as Appendix A.

5.4 Next Steps

Subject to any further changes this Committee agrees to as a result of the consultation feedback, officers recommend that the attached draft Strategy be referred to Council to formerly approve the Strategy at its meeting of 16 December.

The focus then turns to implementing the strategy. Many of the priorities identified in the strategy can be undertaken within existing resources and in partnership with others – for example moves in support of being a 'business friendly' Council.

Some of the activities identified by the Strategy have budget implications. Officers propose that these be developed for consideration as new initiatives as part of the 2012/22 Long Term Plan deliberations:

- Long Haul Attraction Fund
- A talent and business attraction strategy and programme of activity
- Developing economic research and intelligence capacity within the Council
- Business Improvement Districts programme, subject to further work including the development of a BID Policy.

5.5 Climate Change Impacts and Considerations

The strategy's focus on developing smart business is generally considered to be a means of reducing emissions from economic activity over time.

The attraction of direct long haul flights will have some impact on the city's carbon footprint. However this is likely to be off set to a large degree by the reduced number of return flights required to Auckland and Christchurch to connect to international destinations.

5.6 Long-Term Council Community Plan Considerations

Several activities proposed under the draft Economic Development Strategy will require new or reallocated resources. Officers propose to develop these as new initiatives for consideration as part of the 2012/22 Long Term Plan deliberations.

6. Conclusion

The feedback on the draft Economic Development Strategy has been very positive, with the vast majority supporting the direction of the Strategy and its sense of urgency. There is a clear desire for the Council to take a leadership role in economic development, and a desire and commitment from key stakeholders to be involved in the implementation of the strategy.

Feedback from respondents has been incorporated in the proposed final Strategy document, which officers propose be agreed by Council at its meeting of 16 December.

Contact Officers: Allan Prangnell, Executive Strategist and Aileen Edwards, Senior Strategy Advisor

Supporting Information

1) Strategic Fit / Strategic Outcome

The Draft Economic Development Strategy proposes a new strategic focus for Wellington City's economic development activity. This builds on the Council's overall vision outlined in Wellington 2040: Smart Capital. The strategic direction aims to support the increased economic resilience of Wellington City.

2) LTCCP/Annual Plan reference and long term financial impact

The Draft Economic Development Strategy will inform the 2012/22 Long-Term Plan. Those proposed actions with financial implications are proposed to be developed as new initiatives for consideration as part of the 2012/22 Long-Term Plan deliberations.

3) Treaty of Waitangi considerations

The Draft Economic Development Strategy acknowledges the role of mana whenua and Iwi in Wellington City and the contribution that they make to the economy. It proposes that the Council explore opportunities for working in partnership with Iwi on economic development projects and Maori business issues

4) Decision-Making

The Strategy and Policy Committee is asked to agree that the amended Draft Economic Development Strategy be agreed by Council.

5) Consultation

a) General Consultation

Engagement has been undertaken with residents, educational institutions, central government and the wider business community as detailed in section 5 of this report

b) Consultation with Maori

No targeted consultation with mana whenua in this engagement period

6) Legal Implications

There are no legal implications

7) Consistency with existing policy

The draft Economic Development Strategy is aligned with the vision and strategic direction for the City outlined in Wellington 2040: Smart Capital, and will replace the Council's existing Economic Development Strategy.