

AKBIDS

BUSINESS IMPROVEMENT DISTRICTS OF AUCKLAND

16 March 2020

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Submission to Auckland Council Annual Budget 2020/2021

Auckland Council is seeking feedback on the Auckland Council Annual Budget 2020/21 and related annual budget policy documents.

This submission was compiled by a BID collective including Heart of the City, Newmarket, Parnell, Greater East Tamaki and North Harbour Business. It was distributed to several other BIDs who may use all or part of the content in their individual submissions.

Our feedback covers:¹

- (1) Annual Budget 2020/2021 Rating Proposals
- (2) Concerns regarding the impact of the Coronavirus (COVID-19)
- (3) Regional Fuel Tax, the New Zealand Upgrade Programme and Climate Change

(1) Annual Budget 2020/2021 Rating Proposals

Our overall feedback is that what businesses need most from Council is a fair, transparent and stable approach to rates.

Business differential

While we appreciate that the business differential is being reduced and look to that being further reduced in the Long Term Plan 2021/31, fundamentally, we do not accept the view that a business differential should be applied to rates especially for reasons that “businesses are better able to manage additional costs than residential properties” or because “businesses can claim back GST and expense rates against tax.”² These reasons do not justify the business differential, particularly for small businesses who make up most businesses in Auckland. The Shand Report on *Funding Local Government* recommended against rating differentials. In 2020/2021 the business differential ratios will be set so that 31.68 per cent of general rates (UAGC and value-based general

¹ With regard to the amendments to the Rates Remission and Postponement Policy and Revenue and Financing Policy, please treat our feedback below as also being feedback on the amendments to those Policies.

² As set out in the Additional supporting information to the Long Term Plan 2018/2028. For example, if income for a small business is relatively flat, but there is a significant rates increase, the extra rates expense will impact negatively on the profitability of the business and may even force the business to run at a loss.

rate) come from business. By comparison, Tauranga City Council has no business rates differential at all.

Waste Management Targeted Rate³

Our overall feedback is that while we accept the need to pay for increases in the costs of responsibly dealing with our kerbside recycling (paper, cardboard and plastics) due to international market conditions, and that increasing the targeted rate is the most appropriate way of achieving this, we question whether rates are fair to businesses when the activities funded by this waste management targeted rate (particularly the increases) largely benefit residential users. In addition, we hold concerns that many small businesses are being encouraged to take individual responsibility, especially for food waste, which places additional financial burdens on small businesses.

Refuse Collection in the former Auckland City and Manukau City areas⁴

Again, our overall feedback is that while we accept that the new refuse collection contracts (including for food scraps) will increase costs in the former Auckland City and Manukau City areas (and that they will also help Council divert materials from landfill and likely be more cost effective over the longer term), we also question whether these rates are fair to businesses when the activities funded by the rates largely benefit residential users.

The Waitākere rural sewerage service and targeted rate

As our business association is not located in the Waitākere Ranges, we won't be making any specific submissions on this proposal, other than to say that this service should not be funded from all general ratepayers.

(2) Concerns regarding the impact of the Coronavirus (COVID-19)

Concerns expressed from our local business members are that the Coronavirus (COVID-19) is already having a significant impact on their businesses.

The impacts to date include direct financial impacts on businesses (especially hospitality, tourism and some retail categories), supply chain and market disruption as well as effects on production. There are also significant impacts for importers and exporters. Should these impacts be prolonged, the economic impact will be severe.

Although preparations for the Annual Budget 2020/2021 preceded the outbreak of the Coronavirus (COVID-19), we need to alert the Council to the concerns of our local business members. While the Government is due to announce a package to support business, we ask Council to urgently consider measures that it might take to assist businesses. We believe the urgency and significance of the impacts on businesses and the economy necessitate Council considering options such as deferring rates increases, interim rates relief, and accelerating the reduction in the business differential.

This is set against a back-drop of a minimum wage increase on 1 April 2020, that will further impact the cashflow of many businesses under stress because of the Coronavirus (COVID-19).

³ Your Consultation Document says that the cost of responsibly dealing with our kerbside recycling (paper, cardboard and plastics) has increased due to international market conditions. To pay for this you are proposing to charge only those who use the service by increasing the targeted rate by \$19.97 a year or \$0.38 a week (the total cost changing from \$121.06 to \$141.03 incl. GST). You say that if Council does not do this, you will have to fund the shortfall by increasing general rates for all ratepayers, including those who don't get a kerbside collection service.

⁴ Your Consultation Document says that in the old Auckland City and Manukau City Council areas, households pay for rubbish through a targeted rate. In other parts of the city, residents pay for their collection via Pay As You Throw. The targeted rate for the Auckland City and Manukau City Council areas no longer meets the cost of collection. To cover this extra cost you are proposing increasing the targeted rate in these areas by \$14.23 a year or \$0.27 a week for a 120 litre bin (the total cost changing from \$129.93 to \$144.16 incl. GST), and a \$20.91 increase a year or \$0.40 a week for a large 240 litre bin (the total cost changing from \$191 to \$211.91 incl. GST). You say that if you do not do this, Council will have to increase general rates for all ratepayers, including those living outside these two areas who would subsidise residents of old Auckland and Manukau cities.

We are also conscious that the city has a big year ahead in 2021 with significant international events including the America's Cup and we need to mitigate the impact on businesses as much as possible in order to benefit fully from the upside when it does come.

(3) Regional Fuel Tax, the New Zealand Upgrade Programme and Climate Change

At a recent BID Manager's meeting on the Annual Budget 2020/2021, we asked Council finance officers what work is underway regarding the Regional Fuel Tax as BIDs have supported it as an interim measure only.

Regional Fuel Tax

Our preference is to introduce initiatives that both manage demand and raise funding equitably as soon as possible, balanced with investment into affordable and more frequent public transport in order to effect sustainable behavioural change. We understand, for example, that technical work on the 'Congestion Question' project that has been examining the potential to apply congestion charging in Auckland is progressing. We understand that Council anticipates that the technical investigatory phase of this project will be completed in the first half of 2020 and subsequently be reported to Government and Auckland Council for decisions on any further work. As a consequence, we look forward to this work becoming publicly available.

In the interim, while we have supported a regional fuel tax of 10 cents per litre (plus GST), we ask for greater transparency regarding the spending of this tax on specific transport projects and services. We wish to avoid the regional fuel tax, which is the equivalent of a significant rates increase (especially for transport operators), being used as a 'top up' for overall transport budgets.

We are also concerned about the underspend of the Regional Fuel Tax by \$268m in its first year. Although we appreciate that the spend of funds raised by the Regional Fuel Tax is planned over the ten-year term of the RFT and that in some years the spend will be less than the revenue (with the balance being held in a specific reserve to be released for projects scheduled later in the decade), you will appreciate we are worried that businesses are being over-taxed if the RFT is being underspent or that infrastructure is not being built at the required pace.

New Zealand Upgrade Programme

The government has allocated \$6.8 billion into transport (\$5.3 billion on roads and \$1.1 billion on rail) with Auckland receiving \$3.48 billion of the transport funding. Mayor Goff says this will be put toward the \$1.3 billion Mill Road highway, the \$411 million Penlink toll road, the widening of State Highway 1 between Papakura and Drury South and the \$360 million SeaPath walking and cycling path across the Harbour Bridge.

We understand that Auckland Council is working with central government to establish the impact of the New Zealand Upgrade Programme investment on Council's budgets. You say that decisions on both revenue settings and/or additional investment will be made through the 10-year Budget 2021-2031 process. We ask that this be managed transparently with a view to making fair and equitable decisions regarding how this government infrastructure package impacts on the levels of the regional fuel tax and rates funding for transport provided for in the LTP 2021-2031.

Climate Change

We note the Council's emphasis in the Annual Budget on climate change with actions like electrification of the vehicle fleet, moving to sustainable energy at council facilities and tree planting specified.

BIDs are involved with a variety of initiatives relating to climate change, such as supporting mode shift in transport, electrification of the bus fleet and sustainable waste initiatives.

As the majority of businesses across the Auckland Region are small to medium sized, we welcome initiatives that support business to make the necessary changes. Funding for education is particularly important to raise awareness and drive change.

Conclusions

As we enter a very uncertain period, especially for small and medium sized businesses and those reliant on international markets, we ask the Council to consider carefully whether there are options for Council to consider relief for these businesses in the Annual Budget 2020/2021.

Yours sincerely,
Cheryl Adamson, Parnell Business Association on behalf of the collective mentioned on page 1