AKBIDS

BUSINESS IMPROVEMENT DISTRICTS
OF AUCKLAND

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Submission to Auckland Council 10-Year Budget 2018-28

Introduction

AKBIDS – the Business Improvement Districts of Auckland - is a collective of BIDs that come together to give feedback when required as 'one voice' at an Auckland regional level.

There are currently 48 BIDs in Auckland, representing over 25,000 businesses with a combined capital value estimated at $24 billion. Through the BID programme, Auckland's BIDs work with the Auckland Council to improve the local business environment and grow the regional economy.

Auckland Council is seeking feedback on the 10-year Budget (Long Term Plan), the Auckland Plan as well as the Draft Auckland Waste Management and Minimisation Plan 2018.

Our feedback is set out below.

10-year Budget (Long Term Plan)

The 10-year Budget (Long Term Plan) sets out the Council's priorities and how you will pay for them. You are seeking feedback on a number of issues. Our response will focus on: (1) Introducing a Regional Fuel Tax; (2) Approach to rates; (3) Cleaning up our harbours, beaches and streams; (4) Protecting our Endangered Species; and (5) Other Issues.[1]

(1) Introducing a Regional Fuel Tax

Your Consultation Document says that Council wants to improve the transport system. As the population grows, congestion (and the pollution it creates) is getting worse, safety is declining and businesses are struggling to move freight and people. To address the problems, you say you need to identify new funding sources as Council is at the limit of what it can sustainably borrow. You are proposing that a regional fuel tax of 10 cents per litre (plus GST) be used to raise more funding for transport projects and services.

[1] With regard to Local Priorities, each BID will be responding as necessary to its own local board about their priorities. As for the amendments to the Revenue and Financing Policy, please treat our feedback below as also being feedback on that Policy.

We agree that congestion (and the pollution it creates) is getting worse, safety is declining and businesses are struggling to move freight and people. We also agree that we are not going to address this problem simply by building more roads. Demand management of our existing network has to be a key solution, especially creating priority for freight and delivery movements.

However, we do recognise the need to raise more funding for transport projects and services.

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.[2]

In the interim, we support a regional fuel tax of 10 cents per litre (plus GST). However, it is essential that this tax is hypothecated to spending on specific transport projects and services and is reported on with complete transparency. We ask that the forthcoming Regional Land Transport Plan clearly identify this source of funding and the specific transport projects and services it will be spent on. 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 ask that as the legislation is drafted, you advocate for the GST portion to also be hypothecated to Auckland's transport projects/services and that non-road fuel not be subject to the tax.

To ensure transparency, we also ask that the projects and services being funded by the tax be distributed following a clear rationale and identified clearly in future Council Budgets. We also ask that central government's contribution to Auckland transport funding be included transparently in such budgets so we are clear about its ongoing contribution.

While we understand that the Government can pass the legislation necessary, if for some reason that does not occur and the Interim Transport Levy must remain in place for another year, we support it remaining set as $113.85 for residential and farm/lifestyle ratepayers and $182.85 for business ratepayers.

Finally, we note that a regional fuel tax of 10 cents per litre is only a small step towards addressing the funding gap the Auckland Transport Alignment Project (ATAP) identified at $5.9 billion. We request Auckland Council and the Government commit to urgently delivering fair and equitable solutions to fund this gap not only in order to ensure that Auckland's transport system does not grind to a halt, but to enable the continued growth and vitality of New Zealand's largest city.

(2) Your approach to rates

Your Consultation Document says Council needs to continue funding other projects and services for our growing city and that requires an increase to general rates. You are proposing an average general rates increase of 2.5 per cent for years one and two and then 3.5 per cent for years three to ten.

Our overall feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates. In that regard, we support the Council being clear about how general rates increases will be made over time. We also appreciate the funding gap for major infrastructure.

However, because businesses are still paying a disproportionately high level of rates, we question whether an overall average urban business increase of 6% (without the accommodation providers targeted rate and fuel tax impact) is justified. Using the Council on-line rates calculator, we found considerable variations within business areas and across the region, with some significantly higher than the average.

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[2] One concern we have with a regional fuel tax is that some people who will use the Auckland motorway system (e.g. driving into Auckland from the regions or driving through Auckland), will purchase fuel outside Auckland and avoid the tax.

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.”[3]

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.

Auckland businesses pay 2.73 times more rates than other ratepayers, or around $150 million more. By comparison, Tauranga City Council has no business rates differential at all.

Finally, we recognise that increases in the UAGC place a greater burden on small businesses and support these being tied to the increases in general rates.

Cleaning up our harbours, beaches and streams

Your Consultation Document says that Council wants to improve infrastructure to save our harbours, beaches and streams from being polluted by overflows from ageing sewerage and stormwater systems, especially in the Western Isthmus. You are proposing a new targeted rate to increase funding of water infrastructure and speed up delivery of cleaner harbours, beaches and streams. This would equate to an average 2.1% rates rise for an urban business ratepayer or 2.0% for a rural business ratepayer.

We agree that Auckland must improve infrastructure to save our harbours, beaches and streams from being polluted by overflows from ageing sewerage and stormwater systems. Inaction will cause reputational damage to the city.

While we are supportive of transparently ‘ring fencing’ spending on this kind of infrastructure, we do not accept that a business differential (even at 25.8%) should be applied to this targeted rate. We accept that business should pay a share, but not a differential.

Protecting our Endangered Species

Your Consultation Document says that Auckland’s rapid growth is putting pressure on the environment, as is the spread of pests, weeds and diseases that are threatening many of our native species. Your proposal is to invest more in environmental initiatives and to fund this through a targeted rate at one of two levels (equating to either an average 0.7% or 1.5% rates rise for an urban business ratepayer or 0.6% or 1.4% for a rural business ratepayer).

We agree overall that Auckland must reverse the decline of biodiversity in the region, stop kauri dieback and address the spread of pests, weeds and diseases.

However, we note that these matters are not ‘core services’ under the Local Government Act 2002, but more properly the responsibility of central Government or taxpayers. Auckland Council should seek increased funding from central Government because all New Zealand benefits from increased tourism and our international clean green branding. Auckland ratepayers should not be the first direct source of funding for projects which have a wider benefit than just the Auckland region.

While we are supportive of transparently ‘ring fencing’ spending on this kind of infrastructure, we do not accept that a business differential (even at 25.8%) should be applied to this targeted rate. We accept that business should pay a share, but not a differential.

[3] As set out in Section 7.4 ‘Natural environment initiatives and funding’ of the Additional supporting information to the Long Term Plan. 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.

(3) Other Issues

There are a range of other issues in your Consultation Document for feedback, such as rating online accommodation providers (like Airbnb), disestablishing Auckland Council Investments Ltd, changes to the CCO Accountability Policy and a few other specific rates and charges.

<u>Savings and efficiencies</u>

We also believe there are more savings available to the Council. We would like the Council to focus more on efficiencies, savings and less on introducing new revenue sources that will increase rates for business. We believe significant savings can be made by reducing silos and improving efficiencies across the Council and CCOs. We welcome the s17A Reviews being undertaken by the Mayor as a means of establishing 'value for money'.

<u>Rating online accommodation providers</u>

With regard to rating online accommodation providers (like Airbnb), we have been told by accommodation providers both locally and regionally that they do not accept that they should fund ATEED's tourism promotion and event costs from this targeted rate.

We still do not support this intervention and our preference is for the Government to introduce a levy on international visitors to fund tourism projects.

For some accommodation providers, the current accommodation providers targeted rate has resulted in a rates increase of 250 per cent or more and for many, a doubling of already significant rates. Some providers have benefitted from exemptions while others have not. This contradicts the Council's view that there should be rates stability.

Accommodation providers have also advised us that it is unfair to shift the rates burden to them when only around 10% of the total visitor spend is on commercial accommodation.

However, if the Council decides to retain the accommodation providers targeted rate, then we agree that it should be extended to rating online accommodation providers (like Airbnb).

Finally, on this topic, whilst we appreciate the value of tourism and events to the economy, we ask that Council spending be carefully scrutinised to ensure the returns justify the investment.

<u>Draft CCO Accountability Policy</u>

We support the Draft CCO Accountability Policy and especially the common expectations to be placed on CCOs of building public trust and confidence, providing value for money and building a group approach. In particular, we ask that the common expectations reflect a holistic and integrated approach to planning and project design/delivery across the Council group, with clear lines of communication and a commitment to seek local and regional BID input (as appropriate) early enough to influence outcomes and deliver improved results for businesses. We ask that the expectations reflect a requirement for effective co-ordination of projects within local areas and a "do it once, and do it right" approach to all works and projects, avoiding expensive rework and ensuring a better use of resources.

The Auckland Plan

As your Consultation Document says, the Auckland Plan is a statutory spatial plan for Auckland that looks ahead to 2050. It considers how Auckland will address our key challenges of high population growth, shared prosperity, and environmental degradation.[4]

We ask that the proposed Auckland Plan continue to include Directive 6.3 of the current Auckland Plan, that directs Auckland to: "Protect, enhance and improve business-zoned areas and business improvement districts" and also continues to include paragraph 384, which states:

"384_ To boost the economic growth of town centres and business precincts, the Auckland Council has a Business Improvement District (BID) policy to assist local associations. BIDs are funded by targeted rates and allow businesses to use the funding to improve the local business environment and promote business growth in a way that meets their communities' needs. There are currently 46 [now 48] BIDs operating in Auckland, representing over 25,000 businesses. The local boards are joint partners in the BID Partnership Programme with the Business Associations. This relationship will build on established local priorities."

Draft Auckland Waste Management and Minimisation Plan 2018

The Auckland Waste Management and Minimisation Plan has been reviewed and you are seeking feedback on proposals to: work with the commercial sector to find ways to reduce and divert waste from landfill; prioritise the three largest waste items - construction and demolition, plastic and organic waste; continue to establish community recycling centres; and to ask central government to introduce a container deposit scheme for plastic/glass bottles and cans and a product stewardship scheme for hard to dispose products like tyres and e-waste.

First, we would like to say that the business improvement district model is an excellent way for Council to partner with the commercial sector to find ways to reduce and divert waste from landfill. Some BIDs have introduced initiatives to assist local businesses to minimise waste to landfill. These include educational forums, annual pallet collections and recycling initiatives.

We ask that Council use a portion of the current Council Waste Minimisation Fund to partner with BIDs and business sectors so that we can maintain and enhance these initiatives in a sustainable ongoing way.

We agree that the priority must be the three largest waste items - construction and demolition, plastic and organic waste. We ask that Council pay particular attention to the nature and frequency of its collections in business areas as one way of addressing these waste streams. We support Council continuing to establish community recycling centres and leading by example through its own operations and procurement practices.[5]

We also support Council asking central government to introduce a container deposit scheme for plastic/glass bottles and cans, and product stewardship schemes for hard to dispose products like tyres and e-waste. We also support Council asking central government for an increase in the Waste Levy beyond $10 per tonne provided the revenue is 'ringfenced' to provide the necessary infrastructure to ensure waste is diverted from landfills and that any increase is phased in over a well signalled time period.

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[4] With regard to Auckland Plan, each BID will be responding as necessary to its own local issues regarding the Auckand Plan.

[5] For example, by using recycled demolition concrete in its own works.