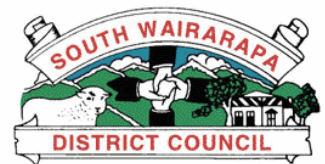


Wellington Regional Strategy



In association with Positively Wellington Business

Focus Area Background reports

Date: 5 July 2005

Prepared by: Wellington Regional Strategy Project Office

FOCUS AREA ONE: EFFECTIVE LEADERSHIP AND PARTNERSHIPS

The focus areas covered in this paper are on ‘effective leadership and partnerships’. The information in this document is provided for comment back to the WRS Forum meeting on 28 July. The WRS Forum will consider your feedback and amend the Growth Framework discussion document and supporting papers as appropriate.

Economic growth in the Wellington region can only be sustained if we work together, at a local governance level and also with the Central Government. Leadership needs to come from the private sector as well as from the public sector. Close linkages and understandings need to be forged and maintained.

How will we achieve this? Under “Effective leadership and partnerships” we have developed four action areas:

- 1. Working for the regional good**
- 2. Engagement with Central Government**
- 3. Reducing barriers to achieving regional outcomes**
- 4. Shared benefits – making sure no-one falls behind**

Action Area 1.1

Working for the regional good

a) What this is about:

The Successful Cities report (WRS Working Paper 5) was unequivocal that one of the key characteristics of cities that had done better than their peers is the quality of the governance of those cities or city regions.

“Holding all else constant... the common features of success are largely attributable to a proactive and innovative local government¹...”

Leadership in collaboration and partnership with the private sector and Central Government are fundamental in this regard. The report further noted that the role and direction of local government in the successful cities related to:

- Development and understanding of the differing roles to be played by local government, e.g. what areas require a directive approach and in what areas local government should be a facilitator.
- Having a high level of interaction between local and higher level government in terms of ensuring integration of their respective policies.
- Quality integration and co-ordination between different government body portfolios, e.g. between transport and planning.
- Acting as a facilitator to encourage community engagement both directly with the local body itself and amongst members of the community.
- Moving towards local government enterprise including exploring alternative funding tools, and the implementation mechanisms such as public led land development, or public/private partnerships.
- Appropriate use of regulation and de-regulation including, where appropriate, the provision of incentives, e.g. for good design and sound structural location.

A key to developing a coherent Strategy for Wellington that works, therefore lies in maintaining the effective relationships amongst the local councils, including the Regional Council, and with Central Government. There are inevitably blurred boundaries between the various responsibilities of the different authorities. The role of Central Government in New Zealand generally is even more critical than in other jurisdictions given that it is the direct provider of elements of infrastructure and policy that are provided by local authorities in countries with larger populations. Central Government is also a major player in its role as a direct and indirect employer in Wellington.

¹ MacroPlan Australia , Successful Cities – Lessons for the Wellington region, Working paper 5, November 2004

Leadership needs to come from the private sector as well as from the public sector. Close linkages and understandings need to be forged and maintained. All indications are that the private sector is more than willing to invest time and resources provided common and coherent leadership is forthcoming from the elected representatives.

b) Examples of what could or should be done:

1. A range of ***regular fora between elements of local government and Central Government*** exist. Such fora must continue with *specific actionable issues* being addressed which need leadership and resolution for the good of the region. Local government must use a strong, united, voice, to advocate for the Region, especially on issues that are of vital importance to sustainable growth of the region, such as migration policy and education.
2. There is starting to be ***greater engagement with non local government agencies*** whose support is crucial (e.g. District Health Boards). These mechanisms have been encouraged by the Local Government Act 2002 provisions, especially relating to partnerships for community outcome processes. Local authority leaders must continue to use and build on such linkages to address common concerns, but not as “talk shops”.
3. ***Maintain the Strategic Partners Forum.*** The Strategic Partners Forum set up as one of the mechanisms to develop the Wellington Regional Strategy need to be maintained to give opportunities for shared understanding of issues affecting economic prosperity and sustainable development. Such dialogue is a vital element of ensuring that the Regional Strategy remains relevant and dynamic and to support its implementation.
4. ***Build on or maintain existing strategies.*** Existing strategies and initiatives are in place to further regional economic development goals (e.g. the Wellington region’s Migrant Settlement Strategy). Where it is evident that existing strategies are working consideration is needed of the extent to which they are maintained or built upon.
5. Clearly the ***Regional Strategy needs to be completed*** in its first iteration. The Regional Strategy is the means to articulate what is required in the region based on an understanding of where we are, where we want to be and how we get there. It needs to be widely accepted based on the best information available. It also needs to be seen as a live process that allows changes and learnings to be incorporated. A competitive advantage can be developed through our ability to learn and adapt more quickly than competitors².

It could be logical to link more formal reviews of the Strategy to the local authority LTCCP cycle, but nimbleness requires that the ***assumptions and activities included in the WRS be frequently monitored*** so that out-of-cycle changes can be incorporated to respond to significant change. While one authority or agency may in due course take a lead role in the monitoring and

² Simon Arnold (2005), Wellington Regional Strategy: Focus Areas, page 2, arnold.co.nz. Wellington.

review, it is essential that all partnering agencies remain as drivers and owners of the Strategy.

6. Wellington region's local authorities and their elected representatives are not alone in focusing on some of the issues facing us. ***Greater alignment needs to be pursued with initiatives of organisations such as the Regional Chamber of Commerce, and other private sector institutions.***
7. *Ensure we let residents know about the positive things happening. To be successful our strategy has to be understood and supported by our communities. We need to make sure we get the message out and that it is understood.*

c) What else this links to:

Leadership and partnerships will underpin the entire Wellington Regional Strategy. This topic therefore links to all parts of the Strategy. Commitments need to be made to ensure an enduring and meaningful dialogue and regularly reviewed agenda for action.

d) What extra information is needed:

Review of existing dialogue channels between Wellington's private and public sector institutions.

Action Area 1.2

Engagement with Central Government

a) What this is about:

A productive engagement with Central Government will be essential to make a difference in each of the focus areas identified for the WRS.

This is because Central Government:

- Sets the framework for operation of the national economy, including for local government regulation;
- Funds much of the regional infrastructure, and sets the rules by which this occurs;
- Funds and delivers many of the programmes that help disadvantaged households;
- Collectively, is the biggest single employer and industry in the region;
- Is the “owner” and funder of the applied research centres in the region; and
- Funds and delivers a wide range of services designed to help business and industry development, including trade facilitation.

In addition Central Government through other macro and micro economic interventions is the main influence over regional economic performance. If the Region wants better economic growth then it will need to be a strong advocate for national policies that support growth. Thus Central Government is critical to achieving the Strategy.

b) Examples of what could or should be done:

1. *The Wellington Regional leaders (Local Authorities, community and business interests) need to reinforce or formalise mechanisms that will allow engagement to take place with Central Government on the Strategy.* We can support and build upon existing channels such as the Wellington Regional Leaders Forum. We need to do more though. This focus of the Strategy means the engagement that is required is different from and much more focused than that which occurs in the variety of fora that already exist.
2. *Partnership opportunities on skills and productivity programmes.* An initiative under the auspices of the WRS is under way with the Ministry of Economic Development and Department of Labour and Labour Market strategy.
3. *Direct engagement is required with agencies responsible for addressing the disadvantaged, including social housing provision planning.*

4. ***Exploring the scope for policy deregulation*** as a source of positive change, counterbalanced where appropriate by the provision of incentives, e.g. for good design and sound spatial location.
5. ***Work with Central Government to better enable and resource local government enterprise***, by ensuring the appropriate instruments are available to local governments such as mechanisms to achieve land development consistent with WRS goals. This includes formation of public private partnerships that ensure developments are socially desirable and allow local governments to take advantage of non-government resources.
6. ***Build models for engagement and decision making that are action oriented.*** We need to ensure we get past talking about good ideas and find ways to put them into action.

c) What else this links to:

Without ongoing support and alignment of goals with central government the Strategy risks achieving much traction. The relationship with Central Government is therefore critical to the Strategy, and links to all of the focus areas.

d) What extra information is needed:

1. Evaluation of existing fora and mechanisms for engagement with Central Government with a view to establishing if existing channels can be build upon or evolved, or whether new arrangements need to be put in place.
2. Identification of all programmes and initiatives from the public and private sector relevant to the identified Focus Areas.

Action Area 1.3

Reducing barriers to achieving regional outcomes

a) What this is about:

It is widely acknowledged that efficiency and effectiveness of local authority processes are significant factors in enabling and promoting economically competitive regions.

Within the Wellington Region a number of initiatives are already in place or are underway to take advantage of efficiencies of scale, pooling of technical expertise, or scope to encourage consistency in service delivery, training and standards. Examples are the establishment and joint funding of Positively Wellington Business and projects of Positively Wellington Tourism, and development of a regional approach to Building Act requirements.

What is evident is that more can be done. Expert advice gathered for the WRS project, plus initial stakeholder feedback suggests further opportunities exist for gains.

In some cases this is around achieving greater consistency and integration of thinking around local authority policy (e.g. Resource Management Act 1991), while in others it is the potential for greater efficiency and effectiveness through alternative mechanisms for improving delivery of services, or intervening to address market failures or unlock development opportunities.

One of the barriers identified through having a multiplicity of agencies being responsible for different functions, is a lack of good quality integrated information. Such information is cited as a pre-requisite for quality interventions.

Overseas and New Zealand experience suggests a range of possible models need to be explored to successfully implement the Focus Area actions identified to date.

b) Examples of what could or should be done:

1. Commit to steps to achieve *better alignment of Resource Management Act policy and implementation*.
2. Commit to steps to foster alignment *between Long Term Council Community Plans*.
3. Commit to steps to *promote alignment and to continue to enhance quality standards around delivery of local government services* (recognising initiatives already in place or underway for the Building Act, and other legislation). *Look at new approaches*, eg opportunities for specialisation and collaboration on particular services.
4. *Collaborate on the provision of local and regional facilities* so that they are complementary rather than unnecessarily competing and take into account, so far as is reasonable, issues of “who pays” and different funding bases.

5. Establish a *'one-stop shop' monitoring unit* for regional development information (statistics, building data, demographics, locational opportunities, modelling capacity)³.
6. *Identify and commit the means to deliver the Wellington Regional Strategy* (such as appropriate institutional arrangements and delivery tools for funding and promoting Strategy actions).

c) What else this links to:

Reducing barriers is a fundamental requirement to underpin all elements of the Regional Strategy.

d) What extra information is needed:

1. As part of the Regional Strategy development, detailed studies should be undertaken of all opportunities to achieve better alignment between different councils' regulatory and other interventions.
2. Specific requirements for monitoring and provision of integrated information need to be assessed.
3. Evaluation of options for alternative delivery mechanisms and where they might be appropriate in the Wellington regional context needs to take place and the pros and cons of each debated.

³ Urbanisa Limited, page 20

Action Area 1.4

Shared benefits – making sure no-one falls behind

a) What this is about:

One of the learnings from the Successful Cities report and other studies is that failure to maintain the social fabric, social cohesion and sense of safety within communities will lead to an inability to achieve the overall quality of life being sought as well as significant specific economic losses. Similarly, many 'successful cities' are characterised by high levels of public participation in civic duties and 'ownership' of the outcomes within their community⁴.

Social Capital

Central and Local Government therefore play a vitally important role in creating an environment whereby social capital within communities is either hindered or supported, particularly through the encouragement of public participation and strong leadership in local democracy / decision-making.

Social capital is defined as "*features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions.*"

Some ways in which local government can positively affect social capital are by encouraging:

- *Social Trust*, e.g. through modelling trustworthiness and integrity in relationships within a Council and between Councils.
- *Shared Values*, e.g. through accurately reflecting community values in our Long Term Council Community Plans; shared sense of community heritage and identity; district plans, by-laws or policies which promote positive social values.
- *Reciprocity and altruism*, e.g. through community grants which provide support to community organisations; encouragement of donations by community groups or individuals toward community facilities.
- *Local participation*, e.g. through open Local Government which encourages people to participate in local democratic processes; community development support to up skill community groups and encourage local leadership;
- *Networks and collaboration* e.g. through encouraging collaboration between Local Government and the voluntary sector, e.g. Healthy Safer City Trusts, collaboration between Local Government and business, support for environmental trusts; assisting community members to form alliances (e.g. supporting hui for youth workers).
- *Involvement of citizens in government processes*, e.g. through campaigns to encourage people to register for elections, stand for Council and vote; policy consultations where submissions are thoroughly considered; promotion of concepts of active citizenship; Local Government information which is widely and easily accessible to people and communities.

⁴ Infometrics (2005), 'Human Capital – Issues and Directions', see also Putnam, R. D. (1993) *Making Democracy Work. Civic traditions in modern Italy*, Princeton, NJ: Princeton University Press.

Social Cohesion

A related concept to “social capital” is “social cohesion”. Social cohesion is underpinned by the following four conditions:

- *Individual Opportunity*, including education, health, jobs;
- *Family Wellbeing*, including parental responsibility;
- *Strong Communities*, including safe and self reliant communities; and
- *Identity* including community heritage, culture, rights, and entitlements of citizenship.

New Zealanders, generally, and the leaders in the Wellington Region, specifically, have identified that the four conditions set out above and reducing disadvantage and making use of underutilised human capital is important. This is not only for altruistic reasons, but because it improves the sense of safety and wellbeing overall, as well as strengthening our overall economic performance.

It makes sense because under-employment and unemployment and low skills increase dependency, reduce labour productivity and are a resource waste at a time of growing skill shortages – all of which hold back economic growth. Greater inclusion also increases social capital which itself may have an impact on economic performance⁵.

Analysis of the Wellington region indicates pockets of relatively high ‘deprivation levels’. Regional leadership will be needed from the public, private and institutional sectors to tackle these issues.

b) Examples of what could or should be done:

1. ***Regional leadership is needed to co-ordinate and facilitate specific actions around urban form development and ‘connectedness’.*** These are further discussed in other Focus Area papers.
2. ***Engagement with the Government*** is critical in this area, as the owner and funder of many of the programmes that help disadvantaged households and individuals and is the key education provider. Particular examples of issues to be addressed are:
 - Education is a key. The N.Z. Treasury identifies that “The quality of schooling is probably the best way to address neighbourhood effects...”⁶
 - Public housing policy effects. Concentrations of households relying on income support fundamentally influence the responses needed to ensure ‘no one gets left behind’.

⁵ Simon Arnold (2005), Wellington Regional Strategy: Focus Areas, page 7, arnold.co.nz. Wellington.

⁶ New Zealand Treasury, Geography and the Inclusive Economy: A Regional Perspective, 2001

3. ***Establish a regional monitoring capacity*** which measures indicators relevant to social capital in our communities (eg. The number of people who undertake some form of voluntary unpaid work in their community; the number of people who participate in sports clubs; service clubs; community groups etc). Such capacity should not duplicate work carried out elsewhere (eg by Central Government) but should integrate such sources.
4. ***Reflect regional principles and outcomes*** - Ensure the regional principles and outcomes contained in the Regional Strategy, which reflect community values and aspirations – particularly where they promote and protect positive social values, are reflected in individual council’s Long Term Council Community Plan’s, district / regional plans, by-laws or policies
5. ***Ensure the availability and affordability of services that assist participation.***
6. ***Facilitate networks*** – this is a means by which local government can potentially improve the efficiency of its local economy. An example would be to promote communication and networks between research and commercial communities”.

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FOCUS AREA TWO: QUALITY REGIONAL FORM AND SYSTEMS

The focus areas covered in this paper on Quality Regional Form and Systems are identified below. The information in this paper is provided for comment back to the WRS Forum on 28 July. The WRS Forum will consider your feedback and modify the Growth Framework discussion document and supporting papers as appropriate.

This paper identifies a suite of focus and action areas relating to reinforcing and maintaining the quality of decisions around urban and spatial form and ensuring the links to growing the Region's economy in a sustainable way.

How will we achieve this? Under "Quality Regional form and systems" we have developed nine Action Areas which have been packaged into three groups:

Part A: Further strengthen current good regional form

- 1. Reinforce and improve compact corridor form;**
- 2. Build mature sub-regional centres;**
- 3. Reinforce a strong regional CBD;**
- 4. Strengthen green belts and open space corridors;**

Part B: Continue to deliver good quality urban environments

- 5. Integrate transport corridor design with centres and local communities;**
- 6. Build on culture and place;**
- 7. Support marae as centres for change;**

Part C: Maintain long-term resilience and adaptability

- 8. Improve the range and location of housing stock;**
- 9. Maximise efficient use of existing infrastructure and land resources**

The Wellington Regional Strategy is focused on sustainable economic growth and a sustainable long-term pattern of physical development as key paths for delivering on the desired vision for the region.

The quality and structure or form of the urban system (including its rural hinterland) has been identified as central to this growth strategy.

The way development, particularly within the urban areas of the region, occurs over time has been identified as an important foundation on which to enhance the quality of life for residents and build sustainable economic growth. How the transport system relates to urban centres, the ability of people to get to services on the periphery, the range and mix of activities in the centres, the quality of open spaces etc are all factors in building successful regional form. Good urban form and good quality urban

environments can contribute to health and a sense of wellbeing and can be a major factor in deciding how and at what cost people have access to services and facilities. It can play a major role in deciding how efficiently resources and energy are used within a metropolitan area.

Research on economic productivity and efficiency suggests human settlement patterns can either hinder or promote economic prosperity. This is through effects arising from:

- adaptability and quality of physical business settings which in turn influence use of areas with location and accessibility advantages.
- the availability of local employment and services;
- the degree of regional transport connection and the choice available to people via public transit and private means, and
- the quality of urban environments as an attractor for investment, investors and a skilled workforce.

Urban form which contains good ‘connectivity’ and integration with centres and areas of relatively dense settlement⁷ can assist social cohesion and inclusiveness⁸. Increasingly, the latter are seen as significant platforms for long term sustainable economic growth. This is especially important for Wellington, where there will be increasing reliance on currently relatively disadvantaged Maori and Pacific Island communities, as a significant part of the future workforce.

There is a cultural aspect to the urban environment. Form is shaped by what is considered to be culturally as well as economically important, at any one time. Areas of public open space, design and layout of suburbs, recognition of different kinds of community focal points, have all had something to say about the relative importance and significant of different community groups and ideas over time. This cultural recognition is also an important contributor to social cohesion and has the potential to contribute to economic growth⁹.

In general terms, the form of development in the Wellington region shows many of the form and structure elements identified around the world as underpinning sustainable successful cities. The task here is to build on these strengths, to identify possible areas of weakness change direction where needed, and to encourage local communities and the region collectively to reinforce the ‘competitive advantage’ the region already has in this area, over other parts of the country.

The term quality regional structure has been used to group together a number of Action Areas or levers for economic growth and sustainable urban development, which are concerned with the physical shape and form of the metropolitan area.

The Action Areas have been set out in a particular order, moving from the broad defining features of urban form, such as transport and urban corridors, interweaving

⁷ MacroPlan Australia, Successful Cities – Lessons for the Wellington region, Working paper 42, November 2004

⁸ Simon Arnold (2005), Wellington Regional Strategy: Focus Areas, page 7, arnold.co.nz. Wellington

⁹ Kemp / Mentz, Key Economic and Urban Development Intervention Focus Areas, page 39

green corridors, centres and CBD, down to a finer grain of local place and neighbourhoods, to housing stock and then the rural hinterland.

The purpose of this is to emphasise the importance of defining features of the Wellington region's current urban form and the fact that the region exhibits many of the recognised aspects of 'good or sustainable urban structure', which contribute to quality of life and to sustainable economic growth. Note: transport initiatives are also covered under 'Unleashing Economic Potential'.

FURTHER STRENGTHEN CURRENT GOOD URBAN FORM

Action Area One:

Reinforce and improve compact, corridor form:

a) What this is about:

Chiefly as a result of the strong north-south ridgelines and valleys, the wider Wellington urban area has developed along three corridors: southern (Wellington City), north-western (Ngauranga to Kapiti) and north-eastern (Hutt). Each corridor contains road and mass transit arterial systems, with the north-western corridor having the most closely combined road and rail corridor. Wairarapa's population centres also align with the transport corridor with the main towns straddling State Highway 2 and the railway. The exception is Martinborough.

East – west transport links are relatively weak. Moderate to small scale employment and commercial centres lie along the north - south transport spine. This situation begins to change in the Wairarapa, where Masterton plays a key servicing role to the rural hinterland. Regional employment is predominantly clustered in and around the Wellington CBD and the Lower Hutt, resulting in strong commuting flows in and out to other parts of the regions.

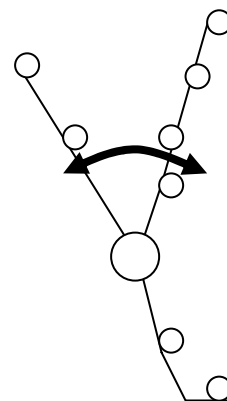
This kind of linear relatively compact urban form delivers significant efficiencies around transport use, infrastructure investment, energy use and impacts, and viable and robust centres.

It is a significant strength for the region and assists both economic growth and quality of life outcomes. However there are a number of aspects that need to be addressed:

- **Strengthened east-west linkages**

There is a need for greater freight movement efficiencies between corridors, particularly if the brownfields sites in the Hutt Valley are to be re-developed. Equally, greater ease of movement across corridors is likely to increase workforce travel efficiencies and possibly reduce the currently high costs to households as they move house between corridors in pursuit of work.

There is the existing State Highway 58 but it is concluded that additional access to the south is also needed. This increase in cross-corridor linkages is not likely to break down the essentially linear transport/ settlement node pattern that exists in the region.



- **Retention of the compact form concept (strong transport routes linked to nodes of development) in those areas where topography does not so obviously drive settlement patterns**

The obvious places are Kapiti Coast, Upper Hutt and the Wairarapa. In the case of Kapiti Coast the coastal plain provides more opportunity for a spread pattern, while the severance impacts of the transport corridor has some potential to break down the link between nodes and transport. For Upper Hutt, the relatively benign lower hill slopes also presents opportunities for spread settlement. The release of greenfields land is an issue for the Wairarapa related to the use of productive land. There is significant in-fill capacity in most towns which is being used for urban form housing. Currently all areas, have a relatively strong local system of centres or nodes, and links to arterial routes.

The challenge may be to strengthen a finer grain linear pattern within local areas and neighbourhoods, in these parts of the region. In Upper Hutt, the key issue is the extent to which growth is channelled into a more compact linear pattern, as a way of achieving / maintaining infrastructure efficiencies. The spread has already happened for Kapiti Coast and the issue there is the limits on northwards spread and efficient use of infrastructure investment at Otaki.

- **Maintenance/ strengthening of the way centres link to the transport corridors.**

This is especially important for the Hutt City centre, where the rail and road services do not come all the way into the centre. Hutt City centre's limited links with the main rail passenger transport services, is unlikely to undermine the role of the centre but will reduce the potential benefits of intensification. (see also Action Area 2)

- **Communities along corridors**

There is also a risk on the north-western corridor in particular, that a single minded focus on strengthening of the national transport corridor could contribute to the severance of communities, their decline as local/ neighbourhood centres and a consequent pressure on other areas for development.

b) Examples of what could be done:

1. ***Targeted residential intensification and mixed uses at key centres and nodes, complemented by reduction of infill development capacity in some areas.*** This will reinforce the transport spine/ nodes or centres relationship through intensification. (Note: intensification of uses at centres supports GDP per capita growth).
2. ***Establish a mechanism for staging the release of greenfields (undeveloped) land*** to reduce northern sprawl pressures on the north-western corridor and reduce risk of population loss on the north-eastern spine.

3. ***Establish a development mechanism*** (see Action Area 1):
4. ***Introduce a metropolitan urban limits concept*** linked to environmental capacity and effects, infrastructure investment impacts and support for compact/ linear growth management.
5. ***Identify and provide for efficient locations for 'footloose activities'*** that do not naturally follow residential population growth (i.e. activities not readily provided for by the market).

c) What else this links to:

This Action Area supports optimising infrastructure use and strengthening sub-regional centres. The quality of urban form as a marketing tool for Wellington and our brand internationally is also relevant. There are strong links to the Effective Leadership and Partnerships Focus Areas in terms of the need for co-ordinated and concerted effort to implement the types of initiatives set out above.

d) What extra information is needed:

1. More detailed understanding of growth context and current approaches of each TA to land release and impacts across the urban system.
2. Analysis of the effectiveness of growth management regulatory tools in the Wellington context.
3. Analysis of the viability/ effectiveness of a regional development agency;
4. Increased understanding of economic geography of metropolitan area.

Action Area Two:

Build mature sub-regional centres:

a) What this is about:

The region has a number of significant sub-regional centres, which play, or have the potential to play, a more significant role at the regional level. They vary in size but generally have a function that goes beyond being simple neighbourhood or local suburb focus. They are usually recognised by wider communities as significant focal points for activities and interest. Examples of these centres are:

- Masterton Town Centre
- Upper Hutt City Centre
- Hutt City Centre
- Petone
- Johnsonville
- Kilbirnie
- Porirua City Centre
- Paraparaumu Town Centre

These centres show varying degrees of complexity. For example, most provide some sort of retail function to the surrounding area, and often have retail catchments that lie across a number of suburbs. Many include business services, civic functions, such as Council service centres, and some are linked to educational institutions. The Wellington metropolitan area is also notable for the fact that most of these centres are also public transport 'nodes', both as destinations and as access points from surrounding residential areas.

Centres that contain a range of activities or uses are likely to be more resilient in the face of change. The clustering of employment and improved housing choice around centres can reduce travel costs, reinforce retail activities and reduce impacts on the transport system. Research has also shown that the complexity and relative sophistication of businesses locating in centres is an important indicator and factor in increasing GDP per capita. This points to the idea of mature centres that exhibit a range or complexity of landuses and show the location of higher value economic activities.

While the region's centres are very strong in terms of their civic roles and/ or retail focus, they can be described, against the above model, as being relatively 'immature'. By that it is meant that the range of uses is fairly simple, with a heavy reliance on retail and civic activity. Some of them have links to associated commercial/ industrial areas but often these areas exhibit small scale local businesses. The Petone/

Seaview industrial areas and the traditional Porirua manufacturing area, have gone through periods of decline, with the latter in particular, seeing a move back to retail.

Changes, and in particular decline, in major industrial and distribution sectors within the Wellington region over recent decades have resulted in a mismatch between residential locations and employment centres to the north of Wellington City.

There are a number of reasons why this relative immaturity is significant:

- increases reliance on the CBD for employment and therefore regional vulnerability should CBD employment be threatened at any time;
- increases pressure on the transport system to move commuters and workers along the two corridors into the CBD;
- low densities and limited mixing of uses wastes opportunities to improve labourforce productivity;
- reinforces the identified Wellington risk of having a highly skilled/cutting edge economic development happening at the core and the exclusion of population locked into the low cost urban fringe and smaller centres.

However, it is also clear that the sub-regional centres are further diversifying and strengthening with an increased range of activities in the centres (mainly Porirua City and Hutt City centres), as land-values in the CBD make it more efficient for some uses to find lower cost space elsewhere. There are signs of increased intensity and value of uses in the Hutt Valley and Porirua centres. Other changes relate to a shift from primary servicing roles to tourism as is occurring in the Wairarapa. This is also associated with a trend towards people having two homes and two workplaces – 1 urban and 1 rural. Action to promote a better balance within the region through projects at points along the main corridors appears warranted.

A strategic thrust is to achieve the best possible outcomes from the land and infrastructure the Wellington Region already has. To this end it is evident that currently the Wellington Region has not taken full advantage of its multiple centres. It needs to work out what competitive advantages and special characteristics each has, and how they can best be exploited.

The key issue is whether the region simply facilitates this knock-on effect into the local centres by reducing any constraints on this happening, or whether it actively pursues a policy of encouraging higher value economic activities and intensification of population around these centres.

Management of land uses to increase population density around the centres is a relatively straight-forward process. Methods to encourage a more active shift of higher value economic activities are less well understood. At a minimum, increased investment in the quality of the centres and careful management of land availability and controls on land-use may be warranted.

An important issue will be to better understand the current strengths of each centre, how they contribute to the whole and how this can be strengthened.

b) Examples of what could be done:

1. *Support the clustering and location of 'higher value' new economy activities in outer Metropolitan sub-regional locations.* This includes developing superior locations for clusters of small creative, knowledge and information based businesses and the incubation and 'grow-out' of home based businesses.
2. Proactively *support the clustering and relocation of 'high growth activities'* to locations identified as most efficient for these activities.
3. *Review the way each local authority is providing for mixed uses and intensification around centres.* This includes analysis under the TOD framework to assess relevance and current performance.
4. *Ensure economic development initiatives are made over time with a clear understanding of the changing roles of the sub-regional centres.* .
5. *Establish a development investment mechanism:* (see Action Area 1)
6. *Invest in transport systems and infrastructure that supports maturing of sub-regional centres.*
7. *Require strong urban design qualities to be implemented around connection, and integration with adjoining areas,* for all types of development, but particularly for conventional or lower density suburban and greenfields development into new catchments

c) What else this links to:

This Action Area has strong links to provision of a diversity of lifestyles and experiences through addressing likely market segment demands for some parts of the Wellington region's future demography (particularly singles, couples and older persons, plus preferences of some ethnic groups e.g. Asian persons).

It also supports optimising infrastructure use. The quality of urban centres as a marketing tool for Wellington and our brand internationally is also relevant.

There are strong links to the Effective Leadership and Partnerships Focus Areas in terms of the need for co-ordinated and concerted effort to implement the types of initiatives set out above.

d) What extra information is needed:

1. More detailed understanding of the current state, function and role of each sub-regional centre.
2. Sub-regional evaluation is needed and proposed as part of the next phase of the WRS process. A range of analytical tools are available to determine economic sector trends and opportunities, what locations along corridors are suitable for a growth focus, and to distinguish opportunities for specialisations and complementary roles for different parts of the region.

3. Application of methodologies used to inform the Growth Framework development process around economic sector and value chain trends within different parts of the region, and scope for strategic responses or interventions to address these.

Action Area Three:

Reinforce a strong regional Central Business District

a) What this is about:

The region has a strong CBD that is supported by the regional and national role of the port and airport and central government services. The regional CBD includes the seaport, the rail yards and the road and rail routes into the centre. The CBD is recognised as a major catalyst for growth within the region. It is the point of initial entry and settlement for new arrivals and provides an excellent urban environment which supports many of the region's aspirations as a creative centre and as a place that attracts talent. It contains a sophisticated urban structure: complex interweaving of civic, government, business, cultural, natural environment, transport and residential living. Retention and continued enhancement of the Wellington regional CBD is seen essential to both economic growth and quality of life aspirations for the region.

Many north American cities which have grown up with a major emphasis on private car travel, have suffered the decline of the urban core of their areas. The effect has been the loss of a civic sense, or sense of being a city. One consequence is greater difficulty in defining what makes a city memorable or unique. This is significant for an economic growth strategy which seeks to market the quality of Wellington as reason for investment and settlement.

A strategy which emphasises a strong regional CBD **and** the maturing of sub-regional centres is mutually reinforcing. There is considerable capacity to grow the sub-regional centres as land-values rise in the CBD and some uses choose to re-locate away from that area. Continued growth in the value of businesses and economic activity in the CBD does not draw growth away from the other centres. Rather the CBD serves the function of bringing investment into the region, with a parallel trend of activities which cannot afford the ground rents in the CBD starting to move to the sub-regional centres. This 'agglomeration effect' does not mean that there cannot be or should not be direct investment into the sub-regional centres. It merely points to the strong interrelationship between CBD health and growth and sub-regional centre growth and strength.

While population and employment forecasts suggest sustained growth for the Wellington CBD and inner city over coming decades, it will be important to ensure that the pre-eminent role of the Wellington CBD is not undermined.

b) Examples of what could or should be done:

1. *Continued implementation of the current CBD growth and enhancement strategy* including a focus on:
 - retention and attraction of high value businesses;
 - continued improvements to the quality of the CBD environment;
 - resolution of transport issues:

- CBD to Johnsonville, western and eastern corridors;
- access from CBD to airport
- port development strategy, (to hub status);
- enhancement as a centre of government, recreation and entertainment.

2. *Establish a development investment mechanism.* (See Action Area 1

c) What else this links to:

This Action Area has strong links to the internationalisation grouping of focus areas and to the ‘unleashing of economic potential’. Often it is the qualities of a CBD which anchor an image of a metropolitan area nationally or internationally. The efficiency of the CBD in terms of resource use, communication and access, and the role it plays in welcoming new immigrants is important for a range of economic growth initiatives.

d) What extra information is needed:

Action Area Four:

Further Strengthen Green Belts and Green Corridors

a) What this is about

An outstanding feature of the Wellington region is the penetration of natural areas and public open space into the urban areas. This is partly a function of the region's topography but it has also been created by a very strong commitment by the various communities to the concept. Wellington City shows this early commitment with the creation of the Town Belt in the 1840s. This has been extended to the development of the Outer Green Belt concept and has been a feature of Porirua and the two cities in the Hutt Valley. Kapiti Coast and the Wairarapa communities have benefited from the proximity to the Tararua Ranges and the early acquisition of regional parkland. Kapiti Coast, the southern Wellington suburbs, Petone, Eastbourne and parts of Porirua benefit from direct access to the coast, while access to the Hutt River is a feature of the Hutt Valley. There are very few places across the region where people cannot get access to extensive natural areas within five minutes drive, or even walk, from their homes. There is an extensive network of walkways of varying degrees of difficulty.

This strong natural shaping of urban structure is hugely valuable to all communities within the region. It is valued highly by the communities from a quality of life perspective, from a biodiversity and restoration perspective, as well as access and recreation, heritage and landscape.

This strong natural form is also a strength in terms of economic growth. The qualities of the urban environments have been identified as a major tool in attracting and retaining people who will contribute to building an innovative and adaptive economy. This is increasingly recognised by cities around the world and there is growing emphasis on investing in this aspect of urban life from an economic growth perspective. The Wellington region has a competitive advantage in this area, which could be strengthened further.

However, while there is considerable interest in and emphasis on land acquisition and improvements to areas of public open space, there is only a limited overall vision. Each local authority has developed concepts of corridors and linking spaces to varying degrees and there is some sense of connection to a wider corridor concept but this could be stronger. Apart from the Hutt River trail, the regional parks tend to be marketed and managed as stand alone entities rather than as part of an integrated natural space vision. Pest control is probably the main operational activity that links the overall network.

The Regional Council already acquires land for regional parks but the focus is on access and recreation, rather than biodiversity, landscape protection or in terms of the role open space takes in creating good urban form of structure. What has been acquired has contributed significantly to ensuring the population has access to large natural areas away from the main areas of settlement. Flood management requirements have also contributed significantly to open space areas. However, it has been the acquisition and development efforts of the city and district councils, which have contributed significantly to the unique 'penetration' of natural areas into the

urban environment. Often acquisition of significant areas of land by these councils is unaffordable and opportunities are lost.

The high ratio of public open space to numbers of residents is very valuable but it also imposes significant maintenance and development costs, which most communities find difficult to meet. Perhaps the most important issue here is pest control and maintenance and development of walkways and access points. Traditionally no value has been placed on the natural asset beyond a nominal value for the land. Increasingly there is a shift to place a value on the vegetation cover and the capital improvements arising from planting. There may be merit in pursuing this issue, to assist with a much clearer understanding of the 'returns' on investment in this area.

b) What could or should be done.

1. *Develop an integrated regional open space network with a development plan that identifies acquisition, development/ improvement priorities in terms from an ecological, social, cultural and economic benefit perspective and in terms of good urban structure*
2. *Undertake a valuation of the open space asset, in terms of land and vegetation cover;*
3. *Establish a regional investment mechanism to assist in land acquisition and development* (see Action Area 1) .

c) What else this links to:

This Action Area supports strengthening sub-regional centres, for example, as places from which access to local natural areas can be achieved. The quality of urban form as a marketing tool for Wellington and our brand internationally is also relevant. There are strong links to the Effective Leadership and Partnerships Focus Areas in terms of the need for co-ordinated and concerted effort to implement the types of initiatives set out above.

d) What extra information is needed:

1. More detailed understanding of opportunities and needs for open space acquisition in the urban context, as well as in terms of key landscapes.
2. Improved understanding of the asset value, maintenance and development costs.

CONTINUE TO DELIVER ON GOOD QUALITY URBAN ENVIRONMENTS

Action Area Five:

Integrate transport corridor design with urban centres

a) What this is about

Transit oriented design (TOD) is focused on the idea of using intensification and the management of growth to support passenger transit systems and vice versa. This can translate down into detailed design issues with in centres, to ensure strong linkages with rail and bus systems. The links between TOD and good transport outcomes is well-documented. The reverse of the coin often receives less encouragement: ensuring design parameters for the actual transport systems, especially for roading, respect and enhance centres. This is not just an issue of further reinforcement of passenger transport, but also recognises the link between maturing of centres and economic growth.

At present there is disconnect between the imperatives driving design of our main roading corridors and these other regional aspirations. When transport investment decisions are currently made, there is relatively limited analysis of the implications for surrounding centres, at the neighbourhood and local level, as well as for sub-regional centres. The costs of investing in local centres to support passenger transport initiatives (e.g. access to stations, street lighting, integration with street design etc) are borne locally. The costs of a centre changing and adapting to new roading transport requirements is generally not documented and the impacts on wider economic growth aspirations are generally not assessed.

Equally, there is considerable variation across the region in the extent to which land-use decisions, such as intensification and quality of centres design can support transport outcomes and aspirations.

b) Examples of what could be done:

1. *Require an integrated design framework for major roading corridors and centres*
2. *Review public transit decisions in the outer areas to ensure linear patterns are maximised.*
3. *Develop integrated transport/ urban development concept plans for all sub-regional centres and major public transport nodes.* Note: in terms of process this should be driven from the local level, to ensure that any concept plan respects local character and aspirations.
4. *Increase collaboration across local authorities around methods to manage intensification and good design around centres.*

c) What else this links to:

This Action Area supports strengthening sub-regional centres, the quality of the urban environment and improved efficiency of transport investment decisions. The quality of urban form as a marketing tool for Wellington and our brand internationally is also relevant. There are strong links to the Effective Leadership and Partnerships Focus Areas in terms of the need for co-ordinated and concerted effort to implement the types of initiatives set out above.

d) What extra information is needed:

1. SWOT (strengths, weaknesses, opportunities and threats) of sub-regional centres major transport nodes, local centres and neighbourhood centres in terms of integration around transport decisions, access to transport services, quality of urban environment as supports access to services, intensification etc;
2. SWOT analysis of any proposed transport investment decisions (e.g. current corridor plans) as relate to integration with centres form and structure;

Action Area Six:

Build on Culture and Place

a) What this is about

The work to date has identified that there are considerable economic growth benefits in having a metropolitan area which exhibits a strong sense of place, with high qualities of design, aesthetics and sense of personal safety¹⁰. Wellington City for example, has been very successful in projecting a sophisticated urban core, which is surrounded by a very important and valued natural environment. Another example is Petone, which has succeeded in maintaining the older 'mainstreet' feel. Upper Hutt city centre presents a good quality urban environment. Conversely, the Kapiti Coast community has clearly signalled dissatisfaction with the quality of its main Town Centre and the economic importance of improvement.

There have been economic spin-offs regionally, particularly in the area of tourism. However, economic growth concerns aside, it is an aspiration of the Regional Strategy to ensure that future growth management is sensitive to, and reflects the unique character of, each area and neighbourhood within the region.

A strong sense of place, safety and a respect for local character is also valued across the region as an end in itself. The Wellington region has very distinct and very strong local neighbourhoods and areas. For example, Greytown, Featherston, Carterton and Martinborough all have strong local character which is increasingly valued by the local communities. The different periods of development in the Hutt and along the western corridor have also given rise to some very different local neighbourhoods. The recognition and retention of character, the sense of belonging locally have been strong themes in the development of the Regional Strategy to date.

For New Zealanders, the cultural aspects of urban form concerns include:

- the qualities of the local centres, including neighbourhood centres, and how they are reinforced;
- access to open space and coastal areas for recreation;
- variety in residential living choices;
- the retention and survival of the low density suburb in an environment where there is pressure for intensification;
- increased recognition of the cultural 'loci' of other ethnic groups and new immigrants.

Successful regions research indicates that there is generally provision across a range of living and working environments¹¹. Evidence does however point strongly to greater regional economic productivity where there is a good supply of medium or higher density living options, access to local employment opportunities, plus strong public transit travel choice in addition to private modes.

¹⁰ Kemp / Mentz, Key Economic and Urban Development Intervention Focus Areas, page 40

¹¹ MacroPlan Australia, Successful Cities – Lessons for the Wellington region, Working paper 5, November 2004

International experience is that to achieve such conditions often requires proactive interventions, clear leadership and partnerships. The Wellington region has strong natural advantages in terms of diversity of environments within close proximity. Untapped potential is however evident for providing a better balance of residential and employment opportunities around the region. Evaluation work suggests this would assist with improving social cohesion, assist with inclusion across social and ethnic dimensions, and provide a valuable 'point of difference' for marketing the Wellington region.

The Wellington region has a very good record in terms of open space and open space access. It reinforces linear form and ensures relatively easy access for all communities. Some parts of the region experience difficulties in managing the impacts of use on open space, particularly, on the coastal areas.

The question of variety in residential living choices and the retention is often neglected. The Wellington region offers good choice across a range of residential lifestyle and lower density housing forms in all parts of the region, but only very limited medium or higher density housing choice outside of the Wellington CBD and inner suburbs¹².

Equally, the low density suburb has often been seen as a driver of urban sprawl and inconsistent with the compact city idea. To some extent, this is a function of much urban form and development theory, being developed and received from beyond New Zealand. It is also possibly a function of a lack of cultural confidence in advocating for certain types of distinctive New Zealand urban form as culturally important. Low density suburban living is not necessarily inconsistent with sustainable and efficient urban form, provided that connectivity, access and good design are emphasised, within a generally linear framework are emphasised.

Increasingly, there is recognition that low density suburbs are a 'legitimate' cultural value, which suggests that there is a need to reassess the implications for how 'compact city' aspirations are achieved in the New Zealand context. Targeted intensification around nodes, paralleled by limits on infill housing to protect the traditional suburb and good urban design within suburbs (e.g. to ensure connectivity) are powerful economic growth and urban development tools which may address this issue.

A key question for the Strategy development process is the extent to which provision of lower density development styles continues (recognising the desirability and willingness to pay for these development forms) against strong international evidence of urban efficiency benefits and better economic productivity from urban settlement patterns with more provision of higher density¹³. With overall modest growth rates the mix of these options will affect economic performance.

Recognition of the cultural 'loci' of other ethnic groups and new immigrants is fairly new. . . issue and one that is neglected in urban development decisions. Pacific Island immigrants have had a strong cultural focus around churches and church facilities. They have not always found it easy to gain recognition of this, with land-

¹² Property Economics Stocktake Report 2005 and SGS PLC evaluation 2005

¹³ BERL, Rationale For Focus Areas – Background Paper, May 2005, page 12

use decisions tending to exclude the churches from main centres and neighbourhoods. The 'places' that other ethnic groups and new immigrants focus on will become increasingly important. Often these are places of worship. Christian churches, the Hindu and Muslim temples and mosques (e.g. at Kilbirnie), Buddhist centres etc are likely to be significant drivers of change and places of connection. Their location in and around centres is likely to be an important urban development/ economic growth matter.

b) Examples of what could be done:

1. *Increase focus on design and investment in high quality local spaces as well as sub-regional centres;*
2. *Targeted management of infill development capacity* and increased opportunities for intensification around centres as a means of reducing pressure on the low density suburb while making best use of population growth.
3. *Work with new immigrant communities to better understand use by immigrants of urban system and the role of cultural centres and focal points in their economic and social development;*
4. *Provide the vision and leadership to 'unlock' existing land with the greatest location and accessibility advantages* through urban renewal and revitalisation, creating superior business settings and 'public place making' as needed.

c) What else this links to:

This Action Area supports wider outcomes around quality of place strengthening sub-regional centres and the quality of the urban environment. The quality of urban form as a marketing tool for Wellington and our brand internationally is also relevant. There are also links to the unleashing of economic potential, particularly in terms of supporting social cohesion and providing a strong local base for the development of social capital. In one sense, the Action Area provides reassurance and certainty that what is fundamentally valued about the Wellington region's urban environment will be supported, as a change occurs.

d) What extra information is needed:

1. A broad level character analysis of key areas and a risk analysis of pressures.
2. Improved understanding of aspirations and needs of new immigrants around places of meeting and worship.

Action Area Seven:

Support Marae as Centres for Change

(a) What this is about:

Research clearly shows that a significant proportion of the future regional workforce will be Maori. It also shows that Maori business development is making significant strides, particularly in terms of overseas links and initiatives¹⁴. When coupled with the flow of resources from resolution of Treaty of Waitangi claims, this makes for a powerful economic growth 'engine' over the next few decades.

The report on Maori Business Development shows clearly that tikanga lies at the core of how Maori business development will unfold. The work on Maori economic development identified the growing number of initiatives in this area and the importance of cultural structures of whenua, of whanau, hapu and iwi in driving that development. Marae lie at the cultural heart of that structure and network, and at the heart of a wider web of tikanga. This is true for many taurahere groups (also sometimes known as 'Nga hau e wha) as well as the iwi/ hapu based structures. Given this centrality of the marae to the dynamism of Maori development, then the profile and physical place of marae in the region needs to be given more attention.

Economic growth aside, marae are increasingly the location for access to social and health services, many of which are provided via iwi structures or Maori agencies and incorporations. Marae are the social heart of many communities.

The Wellington region has very strong iwi/ hapu based marae, and some more general urban marae. Many are located in or near existing business centres and nodes; indeed some centres developed originally because there was strong Maori settlement and because of deliberate policies on the part of tribal leaders. Often however, the experience has been of marginalisation of marae as centres, with many in the wider community unaware of their presence and importance.

b) Examples of what could be done:

1. ***Review the role and function of marae within the region*** and develop a clear policy that links marae into wider urban form decisions.
2. ***Development of a regional marae enhancement strategy*** which focuses on:
 - existing strategies and vision for marae, associated business development plans;
 - potential for regional support;
 - opportunities to enhance wider regional population understanding and appreciation of the role of marae;
3. ***Establish a Regional Economic Development mechanism*** which allows for regional investment support for marae development.

¹⁴ See the report commissioned by Ara Tahī for the WRS and Greater Wellington, James, B. May 2005

c) What else this links to:

This Action Area has strong links to the unleashing of economic potential and to the focus on sub-regional centres.

d) What extra information is needed:

1. Role, current state and aspirations for marae within the region

MAINTAIN LONG-TERM RESILIENCE AND ADAPTABILITY

Action Area Eight:

Improve Range and Location of Housing Stock

a) What this is about

There appears to be considerable latent demand for a wider range of housing types in the outer suburbs and outlying centres¹⁵. The actual choice of housing stock available is limited in many of these areas. Good housing choice is generally available for lifestyle and lower density settlement forms around the region, however medium and higher density options are limited beyond the Wellington CBD, and within walking distance of public transit.

Ironically, the large numbers of people who retire to the Kapiti Coast encounter limited housing choice, apart from the three bedroom home or purpose built retirement villages. This is leading to social isolation as people age and find it difficult to move within their community into more appropriate housing.

The nature, range and quality of the housing stock is relevant to both economic growth and desired quality of life outcomes as follows:

- Flexibility of the workforce to respond to business needs is compromised, if locked into limited housing choice and high transaction costs;
- Impacts of poor housing choice on building human capital – economic growth impacts;
- limits or delays the ability to influence more macro urban growth decisions;
- increases risks of social conflict and exclusion – issue as an end in itself and in terms of impacts on groups which will form major part of the regional workforce over the next twenty years.

b) Examples of what could or should be done:

1. *Support the provision of good quality affordable housing in places with high accessibility and high amenity* for vulnerable people with socio-economic disadvantages¹⁶.
2. As there is evidence that impediments exist to establishment of higher density residential and mixed development, take steps within or adjacent sub-regional

¹⁵ SGS Economic and Planning, Key Policy Levers – Urban Form and Economic Development, page 18

¹⁶ Kemp / Mentz, Key Economic and Urban Development Intervention Focus Areas, page 45

centres to *ensure medium and higher density residential market segment needs are provided for.*

3. *Establish a development investment mechanism agency.* (See Action Area).
4. *Renew and revitalise areas with good accessibility and concentrations of vulnerable people with multiple socio-economic disadvantage* to improve the overall level of ‘liveability’ and individual well-being in the Wellington Region, and to improve scope for development of this human capital¹⁷.

c) What else this links to:

This Action Area has strong links to provision of a diversity of lifestyles and experiences through addressing likely market segment demands for some parts of the Wellington region’s future demography (particularly singles, couples and older persons, plus preferences of some ethnic groups).

d) What extra information is needed

1. Information in relation to market segmentation demand, and the materiality of the extent and nature of changes in the mix between lower and higher density development forms needs to be evaluated for the next stages of Strategy development.

¹⁷ Kemp / Mentz, Key Economic and Urban Development Intervention Focus Areas, page 51

Action Area Nine:

Maximise efficient use of existing infrastructure and land resources.

a) What this is about

This relates directly to the overarching growth principle of efficient use of resources and long term reliance, as well as the sustainable urban development principle of protecting life supporting functions of the environment. There is the potential to undermine or squander the potential contribution that each of these community resources makes to long-term growth and wellbeing.

Significant/ outstanding landscapes:

The quality of the natural environment has been identified as a significant quality of life and economic growth resource for the region. There is a tradition in the older urban areas for some development on the hill slopes; this is especially powerful in the Wellington City area where some very charming and attractive hill suburbs have been established. At the same time, a number of coastal escarpments and ridgelines have been identified as outstanding landscapes, which provide a powerful frame for the qualities for the regional urban and rural environments. Increasingly rural areas are being seen as landscapes available for urban dwellers to enjoy visually and in terms of recreation. Some areas are coming under pressure from rural lifestyle development; this is especially true for Kapiti Coast and the Wairarapa.

Productive Land And Good Quality Soils

The Wairarapa has 434,583 hectares of productive land, while the rest of the Wellington Region has relatively limited areas (68,919 ha.) of good quality rural lands, capable of supporting rural productive activity. The good quality soils are located mainly in the Otaki / Hautere area and in some parts of the Hutt Valley but also in pockets in other parts of the region. The Otaki area is especially important for more intensive horticultural use. The Wairarapa is the major farming and horticultural hinterland of the region.

The good quality urban soils are under pressure, in some cases for intensive residential development but in most cases from rural lifestyle living.

The key strategic concerns:

- the importance of a metropolitan area retaining capacity to grow food for local markets;
- the potential for local and regional economic growth based on rural productive activity, and associated tourism development;
- sustainability of land use (including water as an economic resource)
- underpinning issues diversity of land use, long-term resilience and flexibility.

The Wairarapa and the Otaki/ Hautere area do have a role in wider horticultural, dairying, sheep and beef and viticulture production activities, with the most important in the Wairarapa. The regional rural productive sector plays a relatively small role in providing the regional community with food. The issue therefore is the extent to which the opportunity and ability to grow food locally should be retained as much as possible. Anticipated increasing transportation costs, plus the need to provide local employment opportunities (one way, for example for relieving pressure on the western transport corridor are two potential reasons for maintaining local relatively productive soils as much as possible.

Community Capacity to Afford Major Infrastructure Investment.

Inefficient land development decisions can lead to unnecessary demands for increased investment in public health and transport services. This in turn can reduce the capacity of communities to absorb impacts of change and reinvest in a new future. The key issues are:

- development in rural areas (e.g. rural lifestyle) which brings demand for extension of urban services (water supply, wastewater and transport);
- development on the periphery of urban areas which increases pressure on the capacity of existing infrastructure;
- underutilised existing infrastructure capacity which place affordability pressures on communities and unnecessarily increases pressure for investment in other areas. .

Ideally the region and every local authority wants to direct new growth to where there is spare capacity in the various infrastructure networks, or in other words, where the marginal costs are low. Growing where there is no spare capacity requires new investment (some times major new investment) that often needs to be subsidised by existing users through rates or debt funding. Conversely, directing growth to where there is spare capacity helps reduce the operating and maintenance costs for existing users. In short, its smart to direct growth to where the benefits for everyone are greatest.

Another issue is that the Wellington region has considerable interdependency in infrastructure systems. Wellington City, Porirua City, Hutt City and Upper Hutt City are part of a bulk water supply system. Wellington City and Porirua City share some wastewater treatment services. Upper Hutt City and Hutt City share their wastewater treatment system and landfill. All communities are linked by the regional transport system.

b) Examples of what could or should be done:

1. *Introduce a regional financial contributions policy that makes sure that all new development pays for its marginal costs* - based on a thorough understanding of the capacity of regional and local infrastructure networks

2. *Improve understanding of land release impacts and peri-urban and rural lifestyle across the region as a basis for better informing local decisions;*
3. *Integrate decisions around the region about rural land uses, e.g. agree some general principles for making local decisions;*
4. *Develop a consistent approach to the management of lifestyle developments across the region;*
5. *Improve understanding of the link between urban development decisions and pressures on investment in public health infrastructure*
6. *Improve analysis around regional impacts, especially transport impacts, of investment and location choices for key social infrastructure.*

c) What else this links to:

d) What extra information is needed

1. Analysis of current approaches to management of development in the rural areas;
2. Increased understanding of the links between management regimes and pressures on good quality soils and productive rural lands.
3. Improved analysis of infrastructure capacity/ current development decisions.

FOCUS AREA THREE: UNLOCKING ECONOMIC POTENTIAL

The focus areas covered in this paper on “unlocking economic potential” are identified below. The information in this paper is provided for comment back to the WRS Forum on 28 July. The WRS Forum will consider your feedback and modify the Growth Framework discussion document and supporting papers as appropriate.

The Wellington regional economy has much strength, but it is not reaching its full potential. This section looks at a range of mechanisms that seek to unleash this potential with a particular focus on increasing business productivity, not only at an individual level but also within the business environment and the region as a whole.

This section addresses three areas - the first focuses on businesses productivity, which focuses on the business environment necessary to enable productivity improvements. Specifically we will look at plugging the infrastructure gaps and connecting the networks (transport and communication). We will also address the issue of underutilised land and how it can be put to better use. Making it easier for business by streamlining regulatory processes and reducing ‘red-tape’ reduce barriers for business and thereby contribute to increased business productivity. These preconditions can also be direct contributors to productivity gains.

The second area is improvements within businesses. This looks at how businesses can produce greater outputs using less inputs. Addressing skill shortages and growing the labour pool are critical issues that the region will need to address in its long-term economic strategy. Access to capital and generating wealth from our knowledge and ideas through commercialisation of research and development are also important.

The third area is at the industry level. This looks at encouraging location and collaboration of similar businesses to drive improvements in productivity. Improvements generally occur as a positive effect of having similar types of businesses working together (or in close proximity) and so improving access to resources, services, innovation and technology. We need to make the most of our regional industry strengths and market niches.

How will we achieve this? Under “Unlocking economic potential” we have developed six Action Areas:

- 1. Plugging the infrastructure gaps and connecting the networks**
- 2. Putting underutilised land to better use**
- 3. Making it easier to do business**
- 4. Addressing skill shortages and growing the labour pool**
- 5. Generating wealth from our knowledge and ideas**

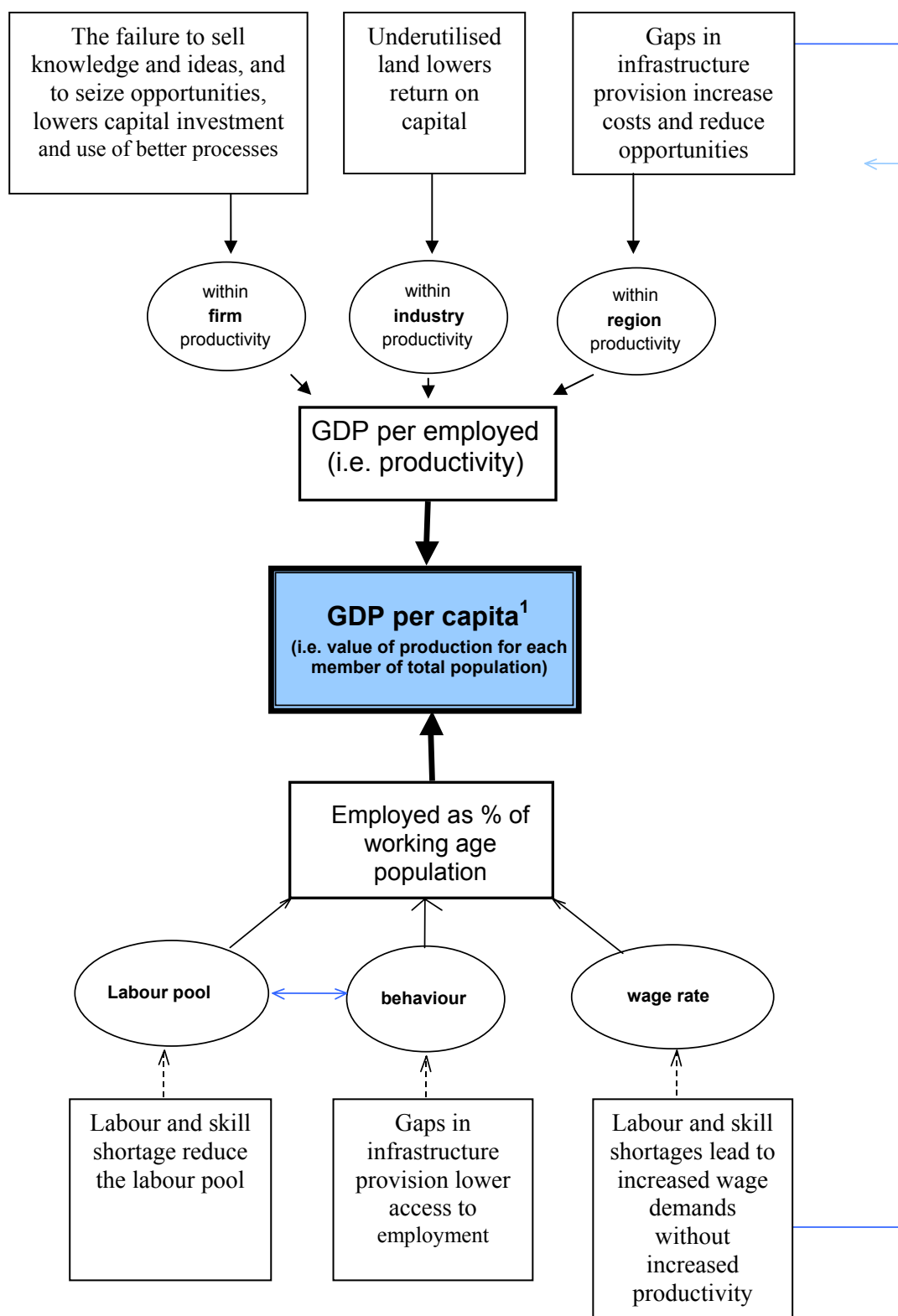
6. Making the most of our regional strengths and market niches

Productivity is a key driver of GDP per capita growth, and removing or mitigating these barriers will result in higher GDP per capita growth.

The relationship between these key barriers and GDP per capita is illustrated in the following diagram.

Lifting New Zealand's productivity levels is an issue which is being addressed at the national level. As we consider how to boost productivity levels in the region, it will be important to work with central government agencies.

The negative impact of barriers on GDP per capita



Source: adapted from BERL March 2005

- (1) **Gross Domestic Product (GDP)** is a measure of the total value of goods and services produced within that territory during a specified period, and is widely used as a measure to indicate the wealth of a region.
- (2) **Gross Domestic Product (GDP) per capita** is a measure of is the GDP divided by population and helps to measure relative wealth. GDP per capita provides a generally accepted indicator of material living

standards and is suitable for country comparisons.

Action Area 3.1

Plugging the infrastructure gaps and connecting the networks

a) What this is about:

A sufficient provision of network and social infrastructure is a pre-requisite for an efficiently functioning economy, and provides a fundamental platform from which new initiatives and provision of services are driven. In particular, under-performing infrastructure networks can act as a barrier to economic development.

There is extensive empirical evidence that positively links infrastructure investment to GDP per capita growth. Investment in infrastructure can increase business and labour productivity within the region. It can also tangibly improve the quality and choice of urban lifestyles, workplaces and residences. For example traffic congestion can lead to delays and increased costs in the transportation of goods. It can also lead to a perceived decline in quality of life by those who are daily stuck in traffic jams and can contribute to increases in air pollution and thereby affect the quality of the environment.

In New Zealand, Macquarie Economics (2004) have estimated that raising the rate of infrastructure investment by just one percentage of GDP, has the potential to permanently raise the country's average GDP growth rate by 0.5 percent per year.

However, it is important to keep in mind that infrastructure on its own cannot grow an economy – it is the activities and services that people use infrastructure for that generates GDP growth in the longer term. Infrastructure investment will therefore only have a positive economic impact if it is well-planned, regulated and managed, i.e. quality of service (rather than quantity) determines whether infrastructure has a positive impact on economic growth (refer Lachler & Ashauer, 1998; Wang, 2002; Hossain, 1999; Canning & Bennathan, 2000)¹⁸.

International airports and ports

In general, cities with close proximity to (well-connected) international airports and ports do significantly better in terms of economic development than cities with access only to smaller airports (refer Begg et al, 2002; Johnson, 2002). This is because international airports and ports have emerged as critical nodes in the global economy – airports in particular have become critical focal points in networks of relationships and connections that cannot be satisfied simply through electronic and communication media. For example, Auckland International Airport has become a very important driver for the Auckland economy. A 1995 study found that around 85% of all New Zealand airfreight is handled through the Auckland Airport and that this facility was

¹⁸ This point has to be strongly emphasized – how infrastructure is used is more important than how much of it there is. For example, Dekker (2001) and Dodonov et al (2002) found in their respective research that improvements in the efficiency of infrastructure services (e.g. through improved maintenance and management) has a stronger positive impact on GDP growth than the construction of new infrastructure. Investment in infrastructure that is then inefficiently managed can actually increase costs to firms and thereby lower economic growth (refer Feltenstein & Ha, 1995).

linked (through various value chains) to 11% of New Zealand's national GDP and 27% of Auckland Region's GDP (refer Le Heron & McDermott, 2001).

The most significant infrastructure issue that has been debated for many years is overcoming the short length of the Wellington Airport runway which limits the size of aircraft that can use the airport. This limits the choice of routes that can fly out of Wellington and thereby limits the region's direct international connections for passengers and goods. Until recently the debate has centered on whether or not to physically extend the runway. Recent developments in aircraft technology may assist in overcoming this limitation by allowing bigger aircraft to take off on shorter runway. However, it is by no means certain to what extent Wellington will benefit. (See International section). Technology is also only one factor. The marketing focus of Wellington International Airport Ltd and the airlines is another. For example, the airlines may want to retain their main through put of passengers through Auckland and Christchurch regardless of the ambitions of the Wellington region.

Within the region there are two other aerodromes Paraparaumu Airport on the Kapiti Coast and Hood Airport near Masterton which typically service small charter aircraft.

The Wellington port has many rival ports nationally and there is a nationwide process of rationalisation underway that is driven by major industry players. CentrePort will have a key role to ensure the Wellington port will be one of the few major ports. The region needs to consider how it will support this major infrastructure investment and CentrePort's ambitions. Other issues for the port are the smooth transition of particularly freight between transport roads i.e. ship to rail and road and for particularly congestion on the roads North that affects the cost of transportation and delivery times.

Telecommunications, particularly Broadband

There is a significant positive relationship between investing in broadband and GDP growth, especially when a critical mass of telecommunications infrastructure is present (refer Marrison & Schwartz, 1996). For example, Johnson (2002) and Crandall & Jackson (2001) argue that investment in airports and broadband technology are the most important factors that position a city to compete in the global economy. This is because investment in telecommunications and transport infrastructure can significantly lower production costs, thereby increasing productivity growth (refer also to Feltenstein & Ha, 1995).

While on a national comparison the region has "well wired" telecommunications infrastructure, it has arguably lost the early-starter comparative advantage it had until the mid-late 1990s through projects such as the fibre-optic broadband network in Wellington CBD. In order to unlock the region's economic potential the telecommunications infrastructure needs to continue to push the boundaries, as well as being widely accessible at affordable pricing across the majority of the region (PWB 2002)

The New Zealand Government has committed to the development and construction of an Advanced Network (AN) for New Zealand, which is designed to provide

extremely high speed connectivity between research and education users in New Zealand and to other international advanced networks. This would be of direct benefit for the region's universities and polytechnics, and Crown Research Institutes. Forty other countries around the world currently have one or more advanced networks which allow such sharing and interconnectivity between their research institutes and education providers.

New Zealand is significantly disadvantaged from not being able to fully participate in this sharing of knowledge and collaboration with similar institutions. The Government does not intend to own the Advanced Network, nor does it want the service to be captured by a single provider. They are interested in presenting it as a possible opportunity to support regionally based access fibre initiatives, if possible.

Transport services

As already mentioned, good transport services are key determinants of productivity growth (refer Kresl, 2002). For example, Finn (1993) and Garcia-Mila et al (1996) found that investment in motorway infrastructure has a positive and significant impact on economic output. The link between economic growth and investment in roads is most obvious and strongest when there is congestion due to rapid economic growth (refer Canning & Bennathan, 2000).

Wellington is noted as having an above-average availability and use of public passenger transport. However, we are still facing issues of increasing traffic congestion and an associated increase in transport related investment costs. Notably, traffic delays affect the Wellington region's desirability as a freighting hub and reduce its competitive advantage when compared to other port-associated areas such as Nelson or Tauranga.

The volume of freight is constrained by the size of runway of the Wellington airport which limits the size of aircraft that can land. The constraints on freighting by rail, road and air are felt throughout our regional economy. The ability to move goods or services to or from markets is a key factor in influencing business location decisions and also plays a key role in the ability of a business to grow or sustain growth. The need for an effective and efficient air and highway system has increasing importance if we want to build a sustainable, internationally competitive economy.

In addition to the need for the efficient movement of freight, Wellington also needs to ensure the effective movement of people, particularly between places of employment and residence. Currently the four other local authorities of Porirua, Hutt City, Upper Hutt City and Kapiti Coast District have 58% of the population, but provide 38% of the jobs (McDermott Miller 2005). Roading network initiatives and new links between the western and eastern corridors would help to integrate the regional labour market and create wider employment opportunities and higher labour force productivity, by reducing commuting distances and travel times between residences and places of employment. (Refer to Smart Urban Structure)

In addition to providing for the movement of people between their place of employment and residence, Wellington needs to ensure the efficient movement of business visitors to and from the region. Over 25,000 people came to New Zealand

via Wellington airport on business in the year 2000, compared to fewer than 11,500 people in 1990 and just over 6,500 people in 1980. On the outflow side, over 30,000 New Zealand residents departed from Wellington airport on business in 2000. This compares with just fewer than 10,000 people who left in 1990 and 6,500 people in 1980. The growth is strong and roughly equates to a doubling of business travellers every decade, suggesting strengthening services trade growth.

(b) Examples of what could or should be done:

1. ***Launch a ‘Connect our region’ strategy.*** An ambitious, far-reaching and fully integrated transport *and* telecommunications strategy that would dramatically improve the level of inter-regional and intra-regional connectedness. The primary goal would be to lift multi-factor productivity (e.g. improving business-to-business connections) and labour mobility, rather than reducing peak hour travel times.

This strategy could include initiatives such as:

- *Improved east-west linkages* optimising the performance of sub-regional centre, thereby providing a multi-destination region and providing business with added opportunities.
- *Enhanced traffic connections* from the Wellington region to the wider North Island along the Western corridor.
- *Enhanced transport connection to the airport* such as developing a fast, frequent rapid transit system which can link key areas within a short distance and which seamlessly transitions with the central railway station and therefore to other destinations with the region by public transport.
- *Enhanced public transport service and patronage through the provision of 21st century facilities/functionalities and improved urban form/transportation linkages.*
- *Ensure both the port and airport realise their full potential through enhancing sea/air and land connections.* Refer to “Internationalisation”
- *Extended broadband networks to ensure accessibility across the region at affordable prices.* Refer to “Internationalisation”
- *Continued discussions with Central Government regarding opportunities for the region related to the provision of an Advanced Network*

(c) What else this links to:

The quality of the transport infrastructure, in particular, needs to be developed in association with addressing the attractiveness and efficiency of the urban form. The infrastructure also needs to support good accessibility for all sectors as an element of sharing of benefits. Good linkages by land transport are part of supporting the internationalisation of Wellington.

(d) What extra information is needed:

1. An audit on telecommunications accessibility and affordability of broadband, and whether current initiatives to address the issues are progressing at the speed and extent required or whether further interventions are needed.

Action Area 3.2

Putting underutilised land to better use

a) What this is about:

The availability and quality of land for business and investment purposes along with issues such as accessibility for suppliers, workers, and customers and the quality of underground services are all issues that need to be addressed to ensure that the base line for local investment is of a high standard internationally.

Currently the location and style of land uses reflect the era in which the Wellington region has developed over the last 150 years. Many of those areas could / should be redeveloped for future needs. Along with this, the sub-regional centres suffer from a number of issues, including (a) land ownership fragmentation (b) long history of de-industrialisation (c) limited provision for medium or higher density housing forms.

The wider Wellington urban area contains some areas of under-utilised 'brown-field' sites at highly accessible, high amenity locations within the existing urban fabric, for example adjacent the rail corridor with industrial land used for storage purposes. It is critical that Wellington becomes well informed as to where there is spare capacity in the land, infrastructure, services and facilities already available in the existing urban areas, throughout the Wellington region. These need to be 'unlocked' and released for residential and new economy business purposes, allowing the region to benefit from past investment by the public and private sector (Kemp 2005). This redevelopment needs to be balanced with the need to have concentrated industrial nodes that allows for industrial and commercial activities to occur.

Property Economics (2005) have observed that while the industrial sector has shown a decline in employees over the past decade in the Wellington region, the demand for industrial land has continued to increase. This is because industrial activity in the major mixed use centres is being displaced by office, retail and residential activity, and that the key industrial centres of the region are being eroded by non-industrial uses which are able to pay a higher price for land and premises. It is imperative that the key industrial centres in Wellington are not undermined by the introduction of competing uses, as they reduce the economies of scale of these centres, and elevate land prices to a level where it is uneconomic for industrial business to operate. In the longer term, under a declining industrial sector, it will be inefficient to have large numbers of small-medium industrial nodes scattered around the urban periphery. A balanced and regional approach to the rezoning of additional industrial land will be required over the period out to 2011.

In addition, the region needs to determine whether it is critical for each territorial authority within its area to cater for every activity type. For example does each territorial authority need to cater for every industrial/commercial land use type? Alternatively the region could collectively determine demand and consider where the appropriate land use activities would best take place as a whole, rather than each council considering this in isolation.

b) Examples of what could or should be done:

1. *Establish a mechanism for focused land development* that pro-actively works with businesses and local authorities to assemble and market underutilised areas and sites to unlock its value for the region.
2. *Consistency between district plans for the metropolitan urban area* that would guide site and area development in a consistent and integrated manner, thereby lowering transaction costs not only for businesses but also for local authorities.
3. *And of course, do our homework (much better than now):* undertake land use capacity/capability studies to address (a) Commercial and industrial areas to see if redefining, repackaging of land parcels (i.e. land consolidation) or buildings could better serve the future (b) Residential areas to check where intensification may be appropriate (c) City or sub-regional centres be checked for more intensification, mixed land use potential (d) Transportation routes and whether land use patterns are logical in context of such investments (and vice versa) (e) Identification of areas which are to retain a commercial/industrial focus, rather than being opened up to residential development. Such studies could be part of the development of the Growth Strategy itself.

c) What else this links to:

This Action Area has particular links to the governance strategy package and to considerations of improving labour market productivity, as well as the urban growth decisions.

d) What extra information is needed:

1. Feasibility study on the establishment of a public/private sector partnership of a land development corporation.

Action Area 3.3

Making it easier to do business

a) What this is about:

A business-friendly environment is characterised by positive attitudes towards entrepreneurship and wealth creation. In a business-friendly environment new strategies, rules and bylaws is carefully framed so that it is consistent with business growth and does not inadvertently impose compliance costs and constraints on businesses.

Over recent years businesses have asked for commitments from central and local government commitment to reduce compliance costs. In response the Government's Ministerial Panel on Business Compliance Costs in 2001 identified three areas in which progress should be made:

1. Better Regulation – in particular, change the culture in which regulations are made and to increase recognition of the impacts of regulation on business.
2. Provision of Quality Information and Electronic Technology – a key way the government could help business reduce the costs of complying with regulation is by providing better and more relevant information. Some departments and local authorities are providing incentives to use e-technology through reduced fees, for example the Companies Office. The Panel sought a commitment from government departments to improve their websites and provide information written specifically for business.
3. More effective Implementation – Government departments and local authorities should consider ways they can more effectively implement the regulations for which they are responsible. Examples include:
 - Trained front line staff and enforcement officers;
 - Changed forms and developed electronic templates to make it quicker and easier to lodge forms;
 - Worked together to develop complementary strategies to reduce duplication and cost to business, e.g.. ACC and OSH and IRD and SNZ;
 - Improved information.

Since the Panel undertook its review the Government has considered ways that it can work with local government to improve the way it carries out its regulatory responsibilities, including under the RMA. The focus will be on improving the capacity of some councils to undertake these responsibilities effectively, and promote a more customer focused approach between councils and business.

The Ministry for the Environment, Department of Internal Affairs and Local Government New Zealand have developed a comprehensive work programme that will respond to this need. LGNZ has been actively involved in this work programme.

b) Examples of what could or should be done:

1. ***Reduce compliance costs*** for businesses across a wide spectrum of local government functions by streamlining processes within and between local authorities in the region
2. ***Make information held by local authorities available*** to businesses in an efficient and value adding manner
3. ***Work to minimise the legal and other process barriers*** to operating a successful business in all parts of the region e.g. reduce 'red tape' by keeping restrictions, bylaws and District Plan rules focused on key issues

Action Area 3.4

Addressing skill shortages and growing the labour pool

a) What this is about:

Getting the right mix of labour skills and supply is important for the healthy growth of the economy.

While the Wellington region has a well qualified workforce and one of the highest GDP per capita output, New Zealand's level of labour productivity is significantly lower than other countries like Australia. In essence the Wellington region, along with New Zealand as a whole, is not reaching its potential for economic performance. The report by Infometrics on *Human Capital – issues and directions* (May 2005) highlights that although the Wellington's workforce is of high calibre, this is not being reflected in a high pace of growth. There is currently a strong reliance on the public sector as employer. This is a strength for Wellington, but it is also important that we continue to grow the private sector in order to build up our resilience. It is also through the private sector that Wellington will be able to achieve its growth aspirations.

It is expected that economic performance can be improved through targeted interventions. Lifting productivity is being targeted by central government as a means to increasing New Zealand's overall economic growth.

The Wellington region has a relatively high labour market participation rate of 69.0%, as compared to the national average of 66.5% (Dept of Labour March 2005). This is good, but in order to maintain and grow our labour market participation rate we need to ensure that all people who are work ready and able can participate in the workforce. There is particular scope for supporting more women in the workforce. The number of women participating in the workforce has increased and the need for good quality childcare is important. We also need to ensure that those coming through the education system are going to meet the skill needs of business.

Care for the elderly will continue to grow as an issue with families not only wanting quality day care for children but also appropriate care for the elderly. Other examples of support to raise participation rates are encouraging mature workers to stay in the workforce and targeting other groups with lower participation rates with 'getting work ready' programmes. Another is encouraging the businesses to value the contribution of mature workers who have knowledge and skills that can be used particularly in mentoring and training in the workplace.

The nature of how people work is changing. The proportion of people who work the standard 40 hour per week has fallen from 35 to 30 percent in the past 15 years with most of the change taking place prior to 1997. Over the same period the share of people working 0 to 29 hours per week jumped from 17 to 23 percent. (Dept of Labour 2005) A greater range of working hours indicates that, for many, work is increasingly fitting into our lives, rather than the reverse of life having to fit around work. The Department of Labour predicts that this trend of increased part time work is likely to continue as the demographic developments (fewer young workers, more experienced older workers) are likely to enhance the bargaining power of workers

who seek more choices for balancing work at different stages of life. Businesses are likely to increasingly have to adapt to workers requests for more flexible work hours as there increasing labour shortages.

Demographics and international trends indicate major challenges in having appropriately skilled labour forces to meet economic growth, as there will be increasing competition globally for skilled labour. For example over the next 20 years the working age population in Europe could decline by 65 million (Infometrics 2004). The region already experiences a significant leakage of skilled 25-35 year olds who are going offshore (MERA 2005). This group is initially leaving for their OE, but there is no guarantee of their return to New Zealand, let alone Wellington.

If we can grow, retain, and attract back, appropriately skilled young people to Wellington, we can strengthen our labour market in the medium to long term. If we reduce the loss of skilled younger workers, we reduce costs and build depth of experience. Overall, a strong, growing economy with career choice will provide an attractive environment in which to grow and retain the population.

The issue of most concern to small and large sized businesses alike is a lack of skilled labour (National Bank Survey 2005, NZIER June 2005). This is perhaps not surprising given New Zealand has the lowest unemployment rate in the OECD countries (at a mere 3.6 %). Attracting skilled migrants and expatriates to Wellington is an important strategy to help businesses meet their skill shortages. Quality of life is an important component in a migrant/expatriate deciding whether to migrate to Wellington. There is scope to better market the region's lifestyle. There is also a strong relationship in this Action Area with Smart Urban Structure to ensure that our quality of life is a compelling reason for migrants/expatriates to come to Wellington to live, work and play.

b) Examples of what could or should be done:

1. ***Plan, then do it - develop*** (with Central government) ***a regional labour market strategy*** with specific actions to address skill shortages and develop the future skills that we need in the areas of expected growth. Use the strategy to fill the gaps through initiatives such as:
 - (a) *A targeted international campaign to attract skilled expatriates and migrants to fill job vacancies in the region*
 - (b) *Providing support centres and other advisory services to assist new migrants to settle well into the region.*
 - (c) *Facilitating and support the provision of childcare facilities.*
 - (d) *Encouraging workplaces that are family friendly and flexible tenure.*
 - (e) *Encouraging workplaces to value the mature worker by working with employer groups.*

- (f) *Building strong networks* between the education and training providers and the business community to ensure courses are targeted to meet the needs of business.
- (g) Businesses entering *into bonded scholarship programmes* that provides support for students while studying and work placement after studying in return for working for a specified amount of time.
- (h) *Alumni Programme* that builds strong, ongoing information and relationships with former students that studied at tertiary institutions in the Wellington region. This would have two particular target audiences – expatriates who could be attracted to return to Wellington, and international students who could be attracted to migrate to Wellington.
- (i) *Targeted events* that are attractive to the 20 – 35 year age group to help reinforce positive images that the Wellington region is a vibrant place that caters for their lifestyle.
- (j) *Career advisors at intermediate and secondary school levels* encourage manufacturing and commerce as valued careers option

c) What else this links to:

This Action Area has strong linkages to a need for greater internationalisation, targeting of investment and improving infrastructure. Links also exist to the Wellington region marketing strategy and making the most of our regional strengths and market niches.

d) What extra information is needed:

1. Before this focus area can be fully developed there needs to be an in-depth study of the skill sets needed for business in the 21st century and how they can be better utilised in the areas of expected growth in export potential.
2. Understand more about how we can effectively attract the 25 to 35 year old expatriates back to Wellington and investigate additional potential retention and attraction strategies and programmes.
3. An audit on the range availability and demand for childcare facilities in the Wellington region and the extent to which this is impacting labour market participation rates. More information on the mature worker and how we can encourage greater utilisation of this resource.

Action Area 3.5

Generating wealth from our knowledge and ideas

a) What this is about:

In her analysis of Canadian cities, Kresl (2002) found that one of the key influences on urban competitiveness is the presence of research centres linked to universities. Applied research can have significant impact on productivity growth and labour utilization rates, and generate new competitive advantages for a city or region in global value chains (refer Le Heron & McDermott, 2001). Research universities are important to GDP growth because of the considerable role they play in spinning off new ventures (Steffensen et al, 2000).

The Wellington region is endowed with public research institutions, including two Universities, a medical school and associated medical institutes, Crown Research Institutes (CRIs), three polytechnics and Te Wananga O Aotearoa. The region is the recipient of significant public investment in research - in the order of \$100m per annum (Arnold 2005). Very little of this, however, translates into tangible commercial activity for the region. Arnold outlines a number of reasons why this is happening:

- Much of the spending going on R&D service activities rather than business creation, and in this case there is a failure to generate wider commercial activities, particularly income from service capability.
- The incentives on R&D providers to commercialise are relatively weak. Performance Based Research Funding determines academic standing under rewards commercialisation. CRIs are mainly monitored on operating performance, not value creation.
- Outside of the areas of biotechnology and ICT, there is a lack in the region of firms capable working with R&D providers. This means that R&D providers are facing the difficult challenge of pushing technology into the market, which creates strong incentives to adopt licensing and other approaches to commercialisation that are easier and less risky, but add less value to the region.
- There is a lack of capability and/or linkages to help push R&D up the value chain locally. This includes the capability of businesses to translate technologies and technology based market opportunities into business cases, thin venture financing markets, limited number of people with experience in taking advanced technology companies to market.

In addition to these factors, the New Zealand business community tends to have low quality international networks (NZTE 2003; also see internationalisation section) which can significantly affect the successful commercialisation of new R&D products and services

A key element in commercialising ideas is the nurturing of business start-ups. Start up businesses face many barriers, internal and external, to becoming sustainable commercial enterprises. They can be supported through hot-house style business

incubators, which provide a conducive environment for high growth companies with mentoring and assistance, as well as through general support services such as start up business training.

The boosting of venture capital and private quality investment activity is a requirement to enable the commercialisation of some of the smart ideas, to build key parts of the value chain and generally to take advantage of the smart ideas developed in the region.

There is excellent scope within the Wellington region for improving the emphasis on science through supporting our national research centres to link with business. The focus of such effort would be on commercialisation of ideas.

In summary, while the Wellington economy may be knowledge and idea rich, however we could do much better at translating ideas into saleable product – we need to unlock this untapped potential. The public and private sector both have roles in this. Building stronger links between the educational, research and business communities will be a key to Unlocking our economic potential.

b) Examples of what could or should be done:

1. ***Launch an ‘Innovation explosion’ strategy.*** An ambitious package that aims for a dramatic increase in the level of economic activity generated from research work undertaken at the region’s tertiary and research institutions. Based on precedent from around the world, this strategy will make funds available to bridge the gap between ideas and products, between researchers and entrepreneurs, and between entrepreneurs and funding. This strategy could include initiatives such as:

- *Business sponsorship of major areas of research, such as a Chair position, at a university with high commercial growth potential.* (This is to also be linked to the region’s regional strengths and market niches.)
- *Grow and sharpen the incubators* in new areas that support the niche industry strengths of the region, and where appropriate *initiate their development.*
- *Work with government agencies and local business development agencies to support the development and sustainability of start-up businesses* through training, mentoring and advice.
- *Getting that critical access to venture capital* through initiatives such as hosting a major international venture capital fair every two year and Wellington business opportunities being represented at international venture capital fairs overseas.
- Introduce programmes similar to the *Jump Start programme* between IRL, Weltec and SMEs, that give staff and students the chance to gain real life experience working in cross-functional, and often virtual, project teams on projects that are based on actual business needs. In

return, the SMEs gain the additional capability and resources they require to complete significant R&D projects.

- Explore options to strengthen the science component of the Wellington region's tertiary education offering.

c) What else this links to:

There are strong linkages between investment, infrastructure and smart urban structure focus areas.

d) What extra information is needed:

1. Feasibility study on attracting and sustaining an international venture capital fair being held in Wellington on a regular basis.
2. Further analysis on the R&D links between existing institutions and the business community and where these can be improved.

Action Area 3.6

Making the most of our regional industry strengths and market niches

a) What this is about:

The Wellington region is a service driven economy, buying and selling to other parts of New Zealand and the world (NZIER 2000). We have particular strengths in the areas of business services, government administration, marketing and business management services, computing services, cafes and restaurants, legal and accounting services, postal and courier services (Kemp 2005; McDermott Miller 2005). We also have 'future stars' that they have the ability to grow such as technical services, finance and investment, and film and video (Kemp 2005). While we have been doing well in these areas, it is not guaranteed that we will continue to do so. We need to continually lift our game and have a longer term vision of where we want to be in 20 years time.

There are also other industries that are in decline in Wellington only and those that are also in decline nationally – 'sunset industries'. The Wellington region will continually be faced with a changing and challenging global environment. An example is the rise of China as a powerful economic force over the next two decades (Delaney 2004). Managing the decline of certain industries and segments of industries is equally important to enable the region to reinvent itself into industries that we can be competitive in.

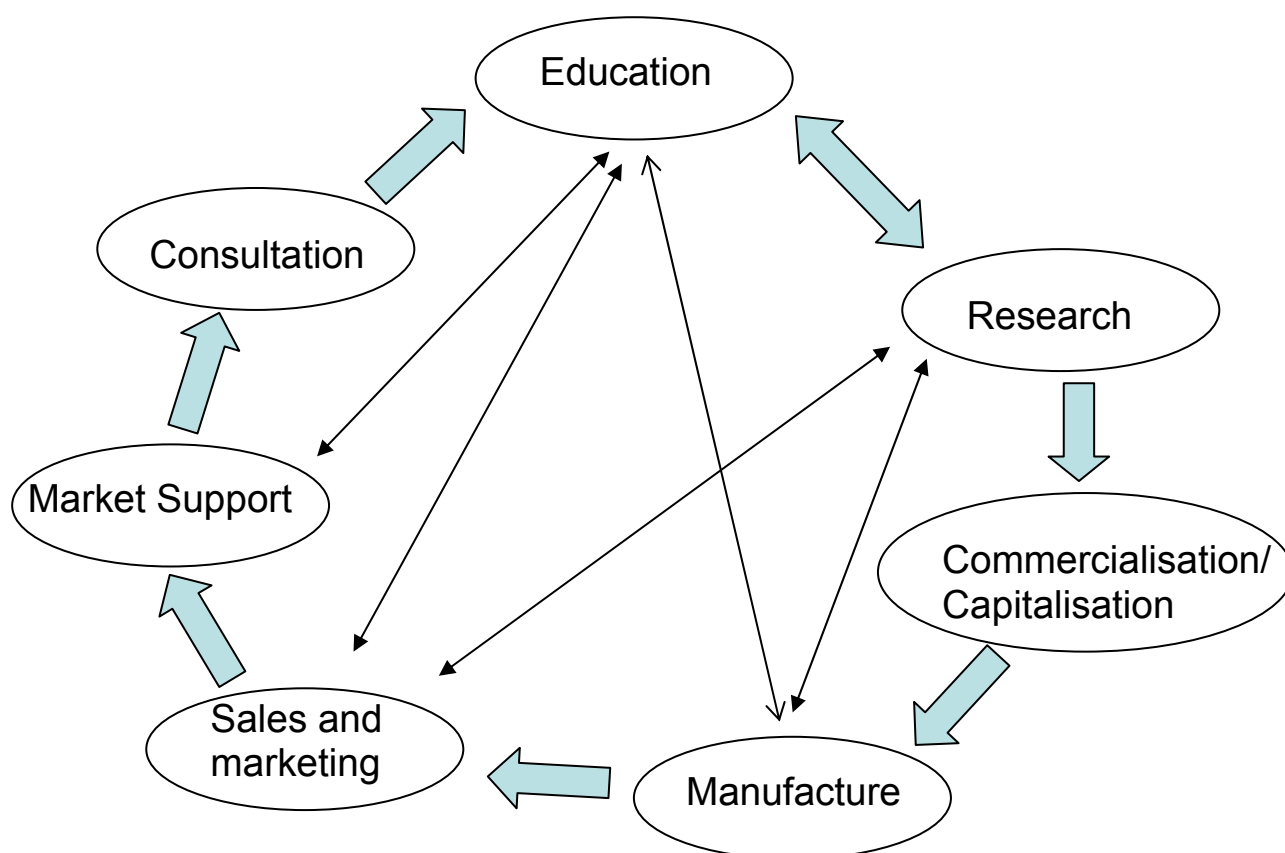
Having a core group of enterprises that are interlinked value chains strengthens a region's competitive advantage. Porter (1996) described this network of firms that share a common goal or are complementary in building export sales as 'business clusters'. The analysis starts with profiling the export market opportunity on offer (be that cultural tourism, education, government consulting, etc) and then tracing those firms that can participate in a network of enterprises which can build sales into that

market for the Wellington region. Through the analysis of value chains and business clusters, it can help us to better focus efforts and sets a context for other factors including:

- Linkages to research and development
- Skill and training needs
- Customers requirements
- The physical location of parts of the chain and how transport and other infrastructure serves or hinders their development
- Clarity for the different parts of the region and where they add value

While we have a good understanding of these sector headings, we have a more limited detailed knowledge of the inter-relationship between the products and services which sit within a chain of “activity” on a continuum e.g. idea, test, prototype, produce, test, market, sell, further develop. If we have a good understanding of these ‘value chains’ then we can better understand our position, strength and interdependencies of sectors, and how we as a region can encourage better efficiencies in the regional system that the businesses in these value chains operates. Development of high value-added niche exports is critical to reduce the vulnerability of exports to exchange rate changes.

Diagram: Addressing all aspects of value chains



Not only do we need to have a good understanding of our domestic environment, but we need to understand what our place is in the global market. It is only through exporting that our economy will achieve the higher growth rates we are aiming for, otherwise we will only achieve the national average growth rates or below. Therefore our focus needs to be external looking. Our businesses need to focus on what the global market is wanting, not just what we produce. (Refer Internationalisation section)

By understanding where the region's economic products and inputs fit, we can be more deliberate about how we address regional inefficiencies and weaknesses and develop Wellington's strengths and effectiveness as a producer of goods and services.

A better understanding also enables us to build on the existing sub-regional strengths, with different parts of the region offering different specialities and services.

b) Examples of what could or should be done:

1. ***Launch a 'grow a global' strategy!*** The plan is to grow one or two global firms or clusters in Wellington - our firms tend to be small, and this limits their capacity to be the kind of global players that could drive sustained regional economic growth in a Wellington base. This strategy could include initiatives such as:

- Redefine our approach to business clusters by giving greater focus to a 'value chain' emphasis, and in so doing enable continual re-invention of themselves through application of world best practice to every stage – from education, research, communications, venture capital, niche manufacturing / service development, sales and marketing, and so on.
- *Refocus and sharpen current sector and cluster support programmes.* Identifying areas in the programmes to ensure they are targeting 'mature staple' industries that are significant employers servicing local and export markets, and 'future star' industries that are smaller in number with a local and export market focus (Kemp, 2005).
- Build on Wellington's strength in *public policy services* (and services in general) by clustering a stronger export oriented industry and marketing this sector. Another example is to broaden and deepen our research in and market and support of Earthquake Engineering and Natural Hazards consultancy services.
- *Recycling the resources used by the 'sunset industries'* - identify industries and subsets of industries in decline that have land, machinery, intellectual and human capital that can be released into other productive uses. (Refer Action Area 2)
- *Clearly allocating tasks* - develop better understanding of the roles that the different organisations and parts of the region can play in supporting the regional economy and the location of business. e.g. roles of different centres, commercial/industrial land, education

institutions, transport and communication networks and their inter-relationship so we can plan for and use them more effectively.

- *Do our homework, every day* – continuously update our business intelligence and understanding on the Wellington region's position in national and global value chains that can assist Wellington businesses to enter and trade in the global market. Refer to Internationalisation examples.

c) What else this links to:

Internationalisation – particularly developing global businesses, networks and connections, increasing emphasis on export oriented goods and services and taking Wellington to the world. New Zealand Trade and Enterprise programmes.

d) What extra information is needed:

1. Value chain analysis of identified areas of competitive advantage and auditing of existing programmes in this area to ensure they are operating to maximum potential.

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FOCUS AREA 4: INTERNATIONALISATION

The focus areas on internationalisation, covered in this paper, are identified below. The information in this paper is provided for comment back to the WRS Forum on 28 July. The WRS Forum will consider your feedback and modify the Growth Framework discussion document and supporting papers as appropriate.

Economic growth in the Wellington region can be sustained only if we expand our participation in the global economy. Higher growth rates will be achieved by increasing the focus on exporting goods and services, and growing the number of overseas visitors, businesses and migrants. This would mean moving Wellington toward an outward, global orientation, away from the habitually inward looking nature of capital cities.

How will we achieve this? Under Internationalisation we have developed six action areas:

- 1. EXPORT - Increase the emphasis on export oriented goods and services to achieve higher sustainable economic growth**
- 2. MARKET - Develop and implement a Wellington region marketing strategy and brand to ensure that we have a strong, coordinated message to attract visitors, businesses and migrants, as well as support our exporters of goods and services.**
- 3. DEVELOP - Develop global businesses, networks and connections**
- 4. ATTRACT - Bring the world to Wellington to inject additional capital, skills, innovation, talent and creativity.**
- 5. CONNECT - Take Wellington to the world through international connections.**
- 6. VISIT - Ensure visitors have a high quality visitor experience that is distinctive and attractive**

Action Area 4.1

Export - Increase the emphasis on export oriented goods and services

a) What this is about:

The key to the Wellington region's future success is the ability to expand and sustain our export base. Exports currently account for 14% of Wellington's GDP. The high level of business the region does with the rest of the country, and the small size of the total New Zealand market, makes domestic expansion very difficult. Extending international trading is a logical way to grow our economy.

There are two key aspects to this:

- *Focusing more activity on international trade.* Continued reliance on domestically focused goods and services and the government sector will mean the region's economy will be largely dependent on the fortunes of the New Zealand economy, rather than a range of international markets. International trade is key to Wellington's future development.
- *Refocusing the region's export base.* Given the Wellington region's economic structure (i.e. mainly services based), trade in services can be the driver of international growth. It will be important to both increase the base of exports and sustain the exports already occurring.

A 2001 NZIER report (Yeabsley) shows that Wellington City does more business with the rest of New Zealand than with the rest of the world. For example, the report indicates that selling goods and services to the rest New Zealand accounts for 70% of the city's GDP. More of this activity needs to be focused towards international trade.

A recent Victoria University publication focussed on how New Zealand's leading firms became world class competitors. It noted successful New Zealand global firms (and by extension, Wellington firms) acquire several additional attributes capable of supporting competitive advantage over the long term.

Typically, these include:

- High quality relationships of mutual dependency, trust and benefit with business partners, employees and customers.
- Positions of market leadership gained through innovation that are locked-in before competitors can respond.
- Mastery and integration of multiple technologies.
- Organisation processes that foster learning.
- Active investment
- Strategic marketing orientation and targeted market selection
- Distinctive organisation cultures that support the above.

As well as exploring how these attributes might be best nurtured in Wellington's export-capable firms, regional policy initiatives need to address specific issues such as

- The cost to individual businesses of gaining knowledge of, and building relationships with, international markets .
- Building scale (production and other) quickly from a relatively small domestic base. This is obviously significant for manufacturing firms, though it can also present significant challenges for small and medium sized enterprises in the services area, which might have difficulty accessing finance and skilled, experienced people.
- Gaining awareness of new business opportunities.
- Gaining access to capital and having the right "deals" that are attractive to investors.
- Gaining an understanding of the patterns of internationalisation.
- Insufficient uptake of government business assistance (e.g. via NZTE and MFAT). Businesses sometimes see these as not addressing specific needs and view the process as being difficult and lengthy.

Some effort has been made in the Wellington region to meet these challenges, with the formation of mechanisms such as business clusters to explore international markets as a group rather than as individual firms. This reduces the potential costs and increases the likelihood of success.

In this respect, public sector interventions in Wellington assist with relationships and ensure that Wellington regional firms are aware of and have access to the broad range of central government programmes that are available.

A Wellington Regional Strategy report from Arnold.co.nz recommends that focus for development activities should be on areas of the economy that have the potential to catalyse the development of internationally competitive industries. The services sector is clearly a prime target in this respect. Whilst Arnold warns against the perils of analysing a local economy in terms of broad horizontal sectors ("services" or "manufacturing") because "this conceals the detail that needs to be uncovered at the level of the firm and individual markets", nevertheless he (along with other economic commentators) cites opportunities for Wellington to "break out of locational constraint" in the services area, growing beyond the limitations of the local economy.

Services are the fastest growing sector internationally and the fastest growing sector in international trade. Services now account for 66% of economic activity in New Zealand and represent 28% of the export base. Examples of services in the international market are the provision of professional advice and consultancy, tourism and earnings from foreign students¹⁹. Exports of services are now growing faster than those of agricultural products (Sutton 2005).

¹⁹ Nationally, NZTE has identified the following growth sectors – biotech and agritech, ICT, creative industries, food and beverage, wood and wood products, specialised manufacturing, education, business services and tourism

The Wellington region is already largely a service sector economy. NZIER estimates the share of Wellington's GDP in service industries is greater than New Zealand's, accounting for as much as 85% of regional economic output. This is partly off the back of the Government sector and the high level of quality human capital it has endowed to the region. Services exports are calculated to make up 59% of the Wellington region's exports (NZIER 2001) but, as noted above, there is opportunity for further expansion.

Potential export growth areas in services include education, R&D, film, design, performing arts, tourism and a wide range of consultancy from public sector policy/delivery, through business advisory services and specialised areas such as earthquake engineering/natural hazards consultancy.

Arnold points out that services can be exported by bringing outsiders here to consume them (tourism, education), by delivering outside the region temporarily (natural hazards consulting) or more permanently (firm internationalisation or franchising) and by embedding the services into subsequently exported products (film, biotechnology).

Parallel to the rise of Wellington's service economy has been the spawning of high-value niche manufacturers and processors. As with services, a number of these are driven by the region's intellectual resources in science and technology and capacity for quality R&D.

Areas of potential or actual regional specialisation must be taken into account when examining mechanisms for market entry and growth. In this respect, Arnold suggests that the region may increasingly develop geographical areas of interest "not just relating to markets ...but also elsewhere through the value chain". His examples are Hollywood for film, areas in China for education and Canberra for public sector consulting.

The private sector can and does take advantage of good export opportunities with the most surprising products in the most unlikely markets. However, the Regional Strategy is about focusing public sector resources – and demonstrating by leadership and application that there are substantial capabilities and expertise in the region that can be effectively exploited.

b) Examples of what could or should be done:

1. *Focus on economic development initiatives that can develop internationally competitive businesses with world class products and services* - this includes development of onshore capability and capacity as well as identification of international demand and opportunities.
2. *Investigate opportunities to show Wellington services to the world* – Wellington could define the world's perception of NZ services standards.

3. *Understand in more detail the infrastructure and education requirements required to increase exports and make sure there is an active link between providers and industry.*
4. *Facilitate relationships between firms in order to promote clusters and networks that can in encourage exports.*
5. *Capitalise on Wellington as the seat of government* - what value is there in services based on specific government activity (e.g. world class advice on policy/delivery)?
6. *Support small businesses subcontracting to larger organisations* – “piggy backing” provides opportunities to internationalise.
7. Ensure Wellington is a strong advocate of *tailored government assistance programmes* targeted to specific industry needs to meet the requirements of businesses in the international marketplace.
8. Develop business that establish positions of global leadership with niche products.

c) What else this links to:

Global connectedness, Taking Wellington to the world

d) What extra information is needed:

Action Area 4.2

Market - Develop and implement a Wellington region marketing strategy and brand

a) What this is about:

At present each city within the Wellington region and various agencies (e.g. Positively Wellington Business, Positively Wellington Tourism) undertake some form of marketing and branding for their relevant areas. There is no single or overarching Wellington region marketing and branding strategy.

Developing and implementing a Wellington region marketing strategy and brand, provides an *opportunity for us to define to the world what the Wellington region is*, rather than the world defining the Wellington region based on specific instances or uninformed perceptions. This would first require us to define the value proposition for Wellington and what we want to take to the world.

The brand should be a representation of the values that people attach to the Wellington Region and its products and services. It needs to represent the core values on which the Wellington Regional Strategy is built.

Thus a consolidated brand and marketing strategy would provide to the world a coherent view of what Wellington is, its attributes, values and history. It would also provide to individuals and organisations within our region a common sense of purpose, a platform for them to play a role and a plan for taking Wellington to the world and bringing the world to Wellington.

A current example this is Ottawa, Canada. Ottawa Global Marketing has developed a focused programme carried out in close collaboration with local government, the private sector and others to raise Ottawa's profile on the world stage. It celebrates and promotes Ottawa's established and emerging creative industries. The Ottawa marketing strategy aims to develop and promote its unique assets to attract people, tourism, companies and investment.

A Wellington regional marketing strategy would need to take into account and capitalise on the fact that Wellington is the capital of New Zealand and would also be based on other strengths of the region (for example, a strong human capital base, science, creativity).

The development of the region's marketing strategy also needs to align with the government's strategy²⁰. The Growth and Innovation Framework (GIF) notes that "*for New Zealand to attract the talent and capital required to sustain growth and innovation, we also need to update our international image and be seen as a dynamic place to live and work*".

²⁰ For example the Growth and Innovation Framework and 100% Pure

At the same time the strategy needs to have a point of difference that makes Wellington stand out as a great place in which to do business, live, invest and visit.

Branding and marketing are essential in tourism marketing, where the region itself is the product. However, a brand, supported by a strong marketing strategy, should also underpin both our domestic and international marketing of Wellington as a destination for business location and for inward direct investment. The decision to relocate a business into a new area is governed by many factors, including central and local regulations, cost of business etc, but the initial “call to action” is critical.

Getting noticed in a crowded international marketplace is the first step. Similarly for foreign direct investment: the investor will ultimately make a decision following due diligence on individual firms, but with so much international choice available, getting on the radar screen is essential.

Regional branding and marketing is possibly less helpful for export marketing. For example, the move towards services and niche, high value manufacturing will require specific, niche international markets, where key success factors could be quality and value rather than the source. However, central government agencies have invested significant resource developing and promoting Brand New Zealand (now positioned as “New Zealand – new thinking”) and, where appropriate, Wellington region exporters of niche products and services might utilise this brand so they can leverage its characteristics.

b) Examples of what could or should be done:

1. *Concentrate our focus on markets*²¹ to which we are going to be marketing as a region. (based on what we are going to be world-class at²²)
2. *Develop a marketing strategy and brand* that includes marketing to visitors, individuals (e.g. migrants, skilled workers and talent, business entrepreneurs), businesses and investors.
3. *Promote the Wellington region offshore to chosen markets.*
4. *Support New Zealand’s growth agenda* (Growth and Innovation Framework) and branding images. There will need to be a delicate balance of alignment between support and ensuring Wellington has enough of a point of difference to stand out.
5. *Promote our local heroes* (business and otherwise) as a strategy to gain international recognition.

c) What else this links to:

²¹ Markets could be either geographical or by product type

²² This work will be undertaken in the next phase of work

Many of the other Action Areas covered under Internationalisation, particularly bringing the world to Wellington and developing a profitable world class experience.

d) What extra information is needed:

Action Area 4.3

Develop - Develop global businesses, networks and connections

a) What this is about:

In keeping with the national economy, Wellington is typically made up of small businesses²³ which, hampered by limited resources, are less likely than larger businesses to export. Export involvement is more likely to be reactive, in response to limited domestic opportunities or increased domestic competition. This may be less so in the services sector where the production of intellectual capital is less reliant on size, though even service providers may have difficulty accessing the level of human resource they require.

Stretching to Grow: from wishful thinking to strategy, completed for NZTE in October 2003 notes that: *“The low quality of international networks is one of the most striking features of the New Zealand business community.”* There is no reason to assume the Wellington region is any different in this respect.

The same report noted that we need to get better at exploiting international ideas, relationships and creating consumer desires. It notes the few New Zealand businesses that can do this tend to choose to relocate out of New Zealand. We may want to consider how to encourage this entrepreneurial behaviour and still retain those businesses in the Wellington region or capitalise on any businesses that move offshore.

Global connectedness is also a focus of the Government’s Growth and Innovation Framework, in which it is defined as *“the broad range of economic and non economic linkages that connect New Zealand with the rest of the world”*. Wellington needs to improve its understanding and exploitation of those linkages.

One area of opportunity is the regions education and research institutions and how their presence and activity could be leveraged in international markets both from an expertise point of view but also in terms of international branding. Positively Wellington Business operates an education cluster that may be able to be utilised for this, although it is noted that this does not include the research institutions.

New Zealand has few genuinely global businesses and, as a country and a region, we don’t always make the most of our limited international connections. Conventional wisdom historically was that we should develop the domestic market before considering offshore opportunities. But our population base provides little scope to do more in New Zealand. The last decade has seen the advent of new, smaller companies often described as “born global” – that is, specifically started with the international market in mind. A standout example of this in the region is Icebreaker.

²³ 94% of businesses in the Wellington region are small firms with less than 100 staff and 84% have less than 6 staff.

With some notable exceptions, the classic life cycle of a successful New Zealand export firm has been start-up, growth, then sale to an international investor and a move offshore to exploit either market proximity and/or lower cost production. This is still the most attractive proposition for many companies. We need to find ways of assisting firms to build international connections that will support successful entrepreneurial behaviour by providing key market contacts and networks, enabling them to stay in the Wellington region.

Some commentators suggest that one of the key weaknesses of small businesses in New Zealand is their 'mental isolation'. Consequently, many New Zealand businesses that have attempted to expand into exporting have experienced failure – in some cases successive failures. Such failure has multiple reasons. As well as the lack of understanding of market dynamics, mentioned above, they often also lack capital (it is costly to enter an export market), lack scale (they cannot fulfil the export orders) or have insufficient know-how (e.g. in the form of good design/technology/intellectual property) or basic business capability. Often, too, it is simply a matter of picking the wrong partner in the market – again a result of inadequate knowledge.

Thus, specific challenges for Wellington businesses in the international marketplace are:

- Competing effectively on a global stage in attracting investment and jobs and securing export markets when international competitor cities have available a far greater range of financial instruments and other tools to attract international business to their cities than Wellington does.
- Competing globally when New Zealand (and by extension, Wellington) will remain physically distant from the sources of most of the world's GDP.
- Increasing Wellington's economy and its businesses exposure to international competition (consumer and public services).
- Meeting the ever growing best practice threshold conditions demanded by global firms whilst creating and maintaining a distinctive local culture in order to attract investment.
- Overcoming the growing problem of distance in terms of our knowledge of consumer needs and industry needs – the "mental isolation" of not being in, and understanding, overseas markets.
- Promoting inter-firm collaborative leadership and accessibility when private businesses can be protective in a competitive environment.
- Developing and leveraging links with government agencies, research institutes and universities both here and overseas.
- Ensuring that public provision of assistance is appropriate and accessible.

With regard to all these characteristics, Wellington businesses need to be encouraged to access the full range of assistance and opportunities available from central government agencies. In particular, Wellington and Wellington businesses need to leverage off current or potential initiatives undertaken in New Zealand and offshore. These include (but are not limited to) the New Zealand Beachhead Programme and a business attraction programme

developed in Singapore, one of our significant Asian markets. These are explained below.

- The New Zealand Government has launched beachhead projects in Silicon Valley, Singapore, Fort Lauderdale in Florida and the United Kingdom. These beachheads provide additional support to exporting companies to establish a physical presence in these targeted overseas markets. Wellington could initially assess whether businesses in the Wellington region are taking optimal advantage of these export initiatives and also identify where similar beachheads could be established at a later stage in locations that benefited Wellington businesses.
- Singapore bases its policies around making itself a relationship hub of the region. Its key focus is on enhancing its global links to tap into new markets, resources, talents and trade flows. One initiative is its incubators for innovation. The purpose of this is for companies from the region to establish themselves in Singapore as a global launch pad. This has attracted a number of foreign incubators including the India Centre, Japan Business Support Centre and Korea Venture Acceleration Centre. One risk in encouraging participation by New Zealand companies is the possibility of them completely relocating.

As well as developing better international connections, policy initiatives should be aimed at encouraging Wellington businesses to differentiate themselves with new innovation and technology, so as to be able to compete internationally as well as being in a position to partner with offshore firms.

b) Examples of what could or should be done:

1. *Promote examples of successful internationalisation of businesses in the Wellington region* – there are some good examples of Wellington businesses operating in the international market and they should be promoted as best practice.
2. *Identify ways to reduce the cost of business entry into international markets* – for example, the use of beachheads and possible joint investment in strategic infrastructure such as sales offices and warehousing.
3. *Assess whether there are alternative locations for beachheads* that would suit Wellington businesses.
4. *Develop relationships relevant to Wellington in targeted international markets* – only following an analysis of a) what are our areas of “world class” international competitiveness, b) what are the logical target markets in which we might have critical mass.
5. *Ensure the Wellington region firms are aware of and where possible involved in all appropriate central government programmes and funding that will assist in market entry and development* (e.g. NZTE Beachheads programme)

6. **Explore the possibility of turning Wellington into a relationship hub** (e.g. as per Singapore example above) – a place with connections to the rest of the world in specific areas of competitive advantage, for example, based around our specialist knowledge of natural hazard mitigation and earthquakes.
7. **Attract and/or develop relevant international incubators and ensure better integration of current incubators in the region** (e.g. Creative HQ and others).
8. Use a range of existing networks and support the development of potential networks to inform/resource the network to **build a bridge to likely opportunities** in their countries of residence. Some of these networks are:
 - International students who have graduated from Wellington's institutions and returned to their home countries
 - International indigenous networks e.g. Maori, Pacific Island
 - Sister City relationships (collectively as a region)
 - Wellington region ambassador networks
 - Wellingtonians living overseas (especially the young population on their OE)
 - International business networks
9. **Brand our education/research institutions in international markets** as places that create valuable networks (a possible way to do this is to establish a campus overseas).
10. **Develop an internationally renowned centre for science in the region**
11. **Develop international partnerships between the region's incubators and overseas incubators** that will help us benchmark our operations and establish useful networks the resident companies can use in the export of their goods and services.
12. **Take a more strategic and targeted approach to trade shows and missions** (e.g. targeted markets, with a consistent message through marketing strategy)
13. **Develop a broad based, long term awareness campaign celebrating entrepreneurs and reducing the stigma of failure.** Three potential initiatives are: case studies of both successes and failed ventures; Wellington entrepreneur of the year awards, and promotion of our business heroes.
14. **Reassess sister city programmes to actively look for opportunities** that will benefit Wellington economically and fit the areas we want to be the best in the world at.
15. **Consider Gold Award²⁴ winners and analyse their growth potential**

c) What else this links to:

²⁴ This is an award to businesses throughout the region that recognises excellent businesses in a number of categories.

Developing and implementing a marketing strategy for the Wellington region – this will create a region wide awareness of what Wellington region means to potential markets – it will also set some of the key messages that need to be delivered by some of these potential ambassador groups.

d) What extra information is needed:

Action Area 4.4

Attract - Bring the world to Wellington

a) What this is about:

We are concerned with bringing to the Wellington region:

- New, additional and different types of international investment
- Businesses
- People and their knowledge and expertise – particularly those who can add to “being world class”
- Activities that capitalise on Wellington being the seat of Government
- Tourists – see the section on “Make Wellington a profitable world class visitor experience”
- International recognition – see the section on “Develop and implement a Wellington region marketing strategy and brand”

International investment : NZIER reports that data suggests large centres such as Wellington attract less foreign investment than they should according to their share of nominal GDP. Wellington accounted for 4.3% of total overseas investment in New Zealand between 1999 and 2003, lower than its share of national GDP.

A key decision factor for an international investor is evidence/belief that setting up a branch or business in the Wellington region adds to the value of the business. If we link this to tangible outcomes of our focus on “being world class” in specific activities or sectors, then we can provide comfort and credibility about the location adding value to the business in the Wellington region. Thus the objective should be to be able to promote Wellington as a location that adds value rather than simply having cheaper costs.

With the dominance of services in our regional economy, Wellington will not have firms located here because they are based on natural resources, rather, the objective should be to have a business environment that will enable growth, attracting individual firms that see Wellington as the best place to create global market connections and ideas with global application.

At the same time we need to be careful not to lose the leverage we have in the market with those products and/or services that have Wellington content. As the seat of Government, Wellington is an important location for national associations. Opportunities may exist for capitalising on this and various areas of government expertise to attract international associations.

This could leverage off and perhaps add to, the recently launched “Government Centre Precinct Project” which is intended to “*create a setting for the country’s national institutions, which makes it immediately clear to locals and visitors alike that Wellington is the Capital City – the powerhouse of the country.*”

People - a key aspect is to attract those people who fit with those areas where the Wellington region is going to be world class. This would include people who will create investment, business and jobs, and people in the education and research fields.

If Wellington identifies the areas in which we want to be world class and then attracts the key international people, we would have clear competitive advantage in those fields. Potentially, attracting as few as 3-5 people – the right people – could act as a catalyst for new industries being developed or current ones being strengthened. This would assist with the value chain concept discussed in the Unlocking Economic Potential part of this paper.

The Regional Business Development Analysis; Literature Review notes that: *..the hunt for 'skilled migrants needs to be intensified. Although net migration in many high-skilled fields is still positive, levels have declined since 1995. Challenges to attracting quality, skilled labour are:*

- *Reducing evident disparities between workforce skills and future skills needs of companies*
- *Achieving a balance between cost of living and quality of life*
- *Recruiting and retaining skilled labour.*

Activities in the Wellington region that focus on skilled migrants include the skilled migrant programme operated by Positively Wellington Business and the Regional settlements Strategy developed and implemented by the regions Councils.

b) Examples of what could or should be done:

1. *Increase the levels of international investment in new and current businesses* in Wellington through targeted programmes and highlighting opportunities for international participation.
2. *Attract international investment by initiating a project with international appeal*, e.g. an urban design competition such as West Kowloon Cultural District in Hong Kong and the London Canary Wharf twin CBD. (NB This is already happening on the Wellington Waterfront where an international design competition is being held).
3. *Develop a targeted programme to attract businesses* – key aspect is around businesses coming here because this is the place where ideas are and global connections are made.
4. *Attract international associations* capitalising on Wellington as the seat of government and the Government Centre Precinct Project.
5. *Investigate the concept of attracting a few key individuals within the fields/sectors in which Wellington aspires to be world class* - people who can build be catalysts for development in those areas

6. ***Build on university and CRIs to attract education and research based activities*** focused on Wellington's current strengths. An example could be to gain public/private sector support to sponsor a Professorial Chair in a particular area to help develop world class expertise.
7. ***Focus on developing a sustainable international education sector***, with the best teaching staff, taking advantage of the government connections and promoting diversity and international connectivity.
8. ***Encourage international conferences and conventions*** (this is linked to encouraging international connections).
9. ***Target investments in the sectors and clusters that are identified as key growth sectors (future stars)***
10. ***Ensure target sectors are adequately represented at international job fairs*** in terms of jobs and information.
11. ***Attract international students to fill forecast shortages.***

c) What else this links to:

Work on global connectedness, Taking Wellington to the world and Wellington region marketing strategy

d) What extra information is needed:

Action Area 4.5

Connect - Take Wellington to the world

a) What this is about:

This is essentially about the Wellington region “having a presence in the world” or alternatively “the world having a sense of Wellington”.

In particular:

- International connections – airport, port and ICT infrastructure. We need to move both people and information.
- Using our status as New Zealand’s capital city

With regard to *international connections*, one of the key and long standing issues is the limited length of the runway at Wellington airport. There has been ongoing debate over whether the runway should or could be expanded.

New technology may help to overcome these limitations for larger aircraft. However, because the new aircraft are still under design, Wellington Airport remains cautious over the benefits that might accrue and the constraints that will be overcome. Depending on the design (including factors such as weight restrictions, which impinge on economic viability) there are possibilities for new routes out of Wellington.. Regardless of technological advances, it will be the airlines that determine whether additional routes will be added. Wellington’s public and private sector leaders will need to work with the airlines to maximise the number of international connections out of Wellington Airport

A second consideration with regard to *international connections* is the port. Whilst the Economic Futures report prepared for the Wellington Regional Strategy states “*Wellington has an excellent natural deepwater port serviced by international shipping lines*”, the fact is that regardless of the port’s physical advantages, it will be the shipping lines that will determine whether or not they want to utilise Wellington in what is a very competitive situation.

The extent to which the port becomes more or less important than it currently is might also in part be determined by which sectors are emphasised in the longer term by the Wellington Regional Strategy. Some sectors more than others will place increased growth requirements on the port for either exporting or importing goods.

One of the other aspects related to the airport and port is the access to and from the port and airport. There are issues with both at present. For instance the journey from the industrial centre of Seaview to the port, along the Petone foreshore and down State Highway 2 is often difficult in terms of traffic congestion. Consultants reports received by the Wellington Regional Strategy also highlighted the concerns of getting from the airport to the CBD and beyond.

The third aspect of *international connections* is through information and communication technology (ICT).. The idea of “world wired Wellington” supports the free flow of information and ideas connecting Wellington and its people to the world. The availability, accessibility and affordability of broadband infrastructure are critical to this concept and underpin any growth of a service based economy.. Wellington City already has a good base through Citylink, but we need to fully understand the issues facing the region and address barriers that may be inhibiting connectivity.

The status of Wellington as the capital city and the government business, research and education facilities associated with it is something no other city in New Zealand can take to the world.

A possibility exists to capitalise off this sector as the basis for selling Wellington region services to the world. Wellington’s strength is in the delivery of services and its economic growth will primarily come from international markets. (This is discussed further in the section on increasing the emphasis on export orientated goods and services).

b) Examples of what could or should be done:

1. *Develop and then reposition the tertiary/education sector* to achieve recognition on an international level (i.e. the quantity vs quality of education providers)
2. *Develop an iconic building or group of buildings* that could be an internationally recognised landmark.
3. *Undertake strategic investment by Wellington and Wellington businesses* (and others) in selected international markets
4. *Develop relationship with major airlines to manage airline hub requirements.*
5. *Develop regional relationships with major shipping lines.*
6. *Understand long term port development requirements* from key sectors and implications for port infrastructure.
7. *Investigate opportunities for improving access to and from the port and airport to the rest of the region.*
8. *Ensure Wellington (across the region) has the most modern ICT infrastructure at competitive prices*
9. *Promote freedom of information through broadband* – explore options for how this could be undertaken
10. *Take a more strategic and targeted approach to trade shows and missions* (e.g. to targeted markets, with a consistent message through marketing strategy)

11. ***Capitalise on Wellington as seat of government*** by developing product based on specific government activity (e.g. world class in consultancy on policy and delivery)

c) What else this links to:

International connectedness, greater emphasis on exports, Wellington region marketing strategy

d) What extra information is needed:

Action Area 4.6

Visit - Ensure visitors have a high quality visitor experience

a) What this is about:

The tourism industry makes a significant contribution to the Wellington regional economy. Expenditure by domestic and international visitors in Wellington was estimated at \$1.4 billion in the year ended 2003 and is conservatively forecast to increase by 52% to \$2.1 billion by 2010.

Tourism has enjoyed strong growth over recent years and the region has played host to an increasing number of international visitors. Wellington's international visitor base is aligned with those markets that are the largest and most consistent performers at a national level – Australia, the United Kingdom and the United States. All indications are that this growth pattern is likely to continue as New Zealand continues to refine its international market positioning and as the global tourism market grows. One key aspect with these markets will be encouraging repeat visitors to Wellington.

The changing demographics internationally mean there will be more healthy, wealthy older people with time on their hands and money in their pockets to spend on hobbies, interest, travel and entertainment. This needs to be capitalised on.

Tourism New Zealand identified New Zealand's ideal visitor, the Interactive Traveller, to ensure the tourism industry targeted those visitors most likely to be satisfied with the New Zealand experience. The interest of the Interactive Traveller in nature, culture, food and wine is well connected to the experiences the region can offer. Current propositions within the Wellington region around culture and nationhood, boutique accommodation, pristine natural environments and superior food and wine have the potential to be further enhanced to capture even greater value from the Interactive Traveller.

Previous publications have highlighted the increase in popularity of the indigenous tourism product around the world. The Maori renaissance currently seen in the tourism market and other areas in New Zealand is expected to continue into the future.

The New Zealand Tourism Strategy released in 2001 stated New Zealand must use strong cultural tourism products to assist in differentiating Destination NZ from its competitors.

The Tourism Strategy also noted cultural tourism (in its wider sense) and eco tourism are two areas where growth is expected in the future. The Wellington region already has a name for itself in the cultural tourism market and has a wealth of natural resources that could be used to grow the eco tourism/natural environment market. This would be consistent with some of the aspects highlighted in the Wellington Regional Strategy vision.

The New Zealand Tourism Strategy 2010 sets out a national framework for sustainable tourism growth. Positively Wellington Tourism's Wellington Tourism Action Plan 2004 – 2009 tackles the same task at a regional level, setting the goal of doubling the contribution tourism makes to Wellington's economy by 2009 and outstripping national growth trends.

The Wellington region has well-established public and private sector partnerships in place to present international visitors with a full complement of experiences. Wellington City, Wairarapa, Upper Hutt, Hutt City, Porirua and Kapiti have collaborated on international marketing programmes since the mid-1990s. Opportunities exist to grow this successful partnership and the presence of the region, which is still considered to be an emerging destination, offshore.

The importance of the domestic market should not be understated. Every region in New Zealand relies on domestic visitors as the 'bread and butter' of their tourism industry and Wellington is no different. Many of the experiences the region offers have as strong an appeal to visitors from within New Zealand as they do to those from overseas. Domestic marketing activity has been traditionally dominated by Wellington City-focused marketing campaigns with significant private sector backing.

Another important aspect of making Wellington a profitable world class visitor experience is developing events that attract international and domestic visitors. At present events strategies tend to be developed at the Territorial Local Authority level and with only some level of discussion between them. There is no development of events at a total regional level. There are opportunities to co-ordinate and promote regional events.

Consultants have suggested the convention and conference market presents a particular opportunity with regards to events. Wellington (and indeed New Zealand) does not have a convention centre to the level and size that could host international conferences or conventions. This also relates to an opportunity identified elsewhere in this paper about attracting international organisations to locate here.

b) Examples of what could or should be done:

1. *Develop one regional approach to tourism* and promote the region as one rather than a collection of cities within it.
2. *Further develop the depth and quality of the international visitor experience* at a regional level including the development of leading edge tourism attractions that reflect Wellington's vision and brand values e.g. nature based tourism.
3. *Ensure a quality visitor experience in the region is maintained* by encouraging the wide-spread adoption by operators of Qualmark and other internationally accepted quality assurance programmes.

4. ***Maximise the revenue and profits Wellington tourism businesses can generate*** through changes within traditional distribution channels in the tourism industry with specific reference to direct purchasing and selling via the internet (whilst still recognising traditional distribution channels are essential).
 5. ***Develop the depth of commissionable tourism product*** within Wellington region through the development of new product and the re-packaging of existing product.
 6. ***Develop a purpose-built high-quality convention centre*** so Wellington can be internationally competitive within the conventions market.
 7. ***Develop a regional programme of events*** that represents and profiles Wellington's vision and brand values e.g. creative talent.
 8. **Develop tourism products and experiences that promote Wellington's "sense of place"** and quality interaction with the people of Wellington region including Maori and Pacific Island.
 9. ***Encourage investment in a range of commercial accommodation types*** that reflect market demand.
 10. ***Maximise the economic value Wellington can generate from visitors through its strategic central location on the main travel route.***
 11. ***Significantly grow Wellington's market presence in the key target markets of Australia, the UK and the US*** and capitalise on opportunities presented by emerging markets such as China and India.
 12. ***Significantly grow Wellington's market presence within New Zealand.***
 13. ***Encourage the development of a profitable industry that seeks to reinvest in its economic sustainability whilst cognisant of the need to ensure its environmental impact is minimised.***
 14. ***Develop and maintain a regional-level tourism research programme*** that facilitates higher-quality decision making within the sector.
 15. ***Explore partnerships with IT and multimedia companies*** to provide enhanced interpretation of the Wellington visitor experience using innovative technology.
 16. ***Ensure tourism perspectives are well considered in regional planning*** and development so visitor growth is adequately supported by quality infrastructure.
 17. ***Establish Positively Wellington Tourism as a regional agency (as per PWB).***
- c) **What else this links to:**

Bringing the world to Wellington – some of the transport linkages are obviously important to bringing tourists to Wellington

d) What extra information is needed:

References:

Stretching to Grow: from wishful thinking to strategy – Paper for NZTE by Castalia Strategic Advisors (October 2003)

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Initial consultant reports as presented on 6th May 2005 to CEs and PEG

New Zealand's regional economic performance – report by NZIER to MED (September 2004)

New Zealand Tourism Strategy 2010 – prepared for the Tourism Strategy Group (May 2001)

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