

Economic Development Issues for the Wellington Region

Introduction and structure

This paper is to be considered by the Mayoral Forum at its meeting on 15 November. It is designed to support a discussion on the key economic development issues and opportunities for the Wellington region. It is supported by a background document that provides more context, and some possible organising frameworks to help think about economic development and the roles of local government and other stakeholders in support of economic outcomes.

This note covers:

- The urgency of addressing a renewed focus on economic development matters for the region
- Key questions and issues that are important *regionally* and *locally*
- Agreeing the key focus areas for action on a region-wide basis
- Next steps.

The urgency of addressing the region's needs

Much has changed over the five years since the current regional strategy was developed. The economic climate facing the region is very different as a result of the Global Financial Crisis and consequent slower global growth and capital constraints. Closer to home the Christchurch earthquakes, slower domestic growth, and continued government austerity are likely to remain (more or less) a focus for any incoming government.

Wellington is impacted by these events, but also by a greater concentration of economic resources in Auckland, and a louder voice advocating for the economic fortunes of the Auckland region. The region continues to face increased competition for internationally mobile talent and investment, and must deal with the additional challenges of scale and distance from markets.

The Wellington region is losing out to other regions within New Zealand, and a coherent proposition has not yet been developed that will attract and retain potential businesses and investors. It is essential to retain major employers in the region. Only 20 of the top corporate companies have their headquarters in Wellington, down from 24 in 2009 and 62 in 1985. There are indications that the region is missing out on key connections with central government agencies and on the development of strategic national projects (such as recent innovation precinct developments in Auckland).

The Wellington Regional Strategy (WRS) has been reviewed and the need for refreshing the Strategy was identified as important for the region. The Review suggested some improvements such as focusing on a realistic set of priorities consistent with the resources available, and also identified potential coverage of gaps such as talent and investment attraction.

The different context now facing the region prompts a need to review the economic development priorities for the region.

In summary, the region needs urgently to address the following points:

- Providing leadership and speaking with one strong, single voice nationally and internationally on economic issues that matter most for the region
- Presenting a coherent proposition for the Wellington region that will attract and retain businesses, talent and investment
- Ensuring the region has the critical infrastructure to support its economic and broader aspirations – a key aspect of which is aviation connections
- Lifting the region's innovation performance, and better connecting the strong research, education and niche business opportunities in the region.

While the context has changed, economic development requires long term commitment. It involves building from existing strengths and initiatives where it makes sense to do so, including the work of current and past economic development agencies and current council initiatives.

Key Issues and Questions for consideration

There are some important issues for Mayors/Chair to consider in framing the economic development direction and activities for the region. At this point, it would be helpful to consider the following strategic choices:

1) What is the role for local government in economic development, and how ambitious do Mayors/Chair want to be in driving economic outcomes?

- There are choices in terms of how aggressive the region chooses to be in achieving economic outcomes, and in defining what roles local government can and should play. Given the competition the region is facing, how aggressive does the region want to be? Taking a more proactive role beyond council core activities brings with it resourcing decisions for councils. There will be a need to identify regional activities that deliver the most value, justifying expenditure of ratepayers' funds.
- Some regions have focused on effective spending, or on partnership approaches, and the current WRS has a strong sustainable economic growth focus. The WRS also has a strong emphasis on growing the economy, especially exports, which aligns with central government drivers.

2) Do Mayors/Chair support the following focus areas and potential initiatives for regional action, as identified below? and

3) What issues do Mayors/Chair want to prioritise for regional leadership?

- The Review of the WRS concluded that good reasons remain for continuing to take a region-wide approach, recognising the competition the region faces internationally, and that the challenges the region faces do not respect sub-regional boundaries.
- Where the region needs to inter-connect nationally and internationally, there is strong benefit from speaking as one voice for the region to advocate for the region's economic interests.
- A region-wide response to specific economic development issues does not preclude the delivery of certain economic development functions at a local level.

Suggested areas of focus / priorities for attention

Some of the following issues arose through discussions with stakeholders as part of the Review of the existing Wellington Regional Strategy. They have been refined after discussion with SORT members and council staff with economic development responsibilities. The suggestions below provide an initial basis for discussion as to what may be priorities to be addressed regionally, but would need to be further developed and refined.

Focus Area One – Innovation

- This would involve a strong focus on *science and technology-driven innovation*. It involves building on the region's growing high tech, digital and established niche manufacturing capabilities, and its technology and research base. It involves *building better connections* within the region and externally.
- It involves *supporting existing successful businesses*, and exploiting the region's attractiveness as a *vibrant and supportive environment for entrepreneurs* to set up firms, access capital, and to innovate.
- Key initiatives include:
 - A central 'clearing house' to ensure co-ordinated innovation advisory services for the region's businesses developed between regional and central government partners
 - The establishment of an innovation fund or mechanism for the region, and/or linking with national and international sources to meet the investment needs of the region's businesses
 - Building on the region's technology and innovation strengths and investigating options to drive cluster development and co-location options more strongly between the region's research, education, firms and incubator activity (e.g. build from the region's institutions such as IRL, existing initiatives such as Creative HQ, and Centres of Excellence such as Clean Technology etc).

Focus Area Two – Investment for Growth

- A commonly identified theme has been the need for capital for business growth, the need to attract international investment, the need to make more of existing investment networks (such as angel investment networks) and ensure these are connected internationally and through to local business opportunities.
- Key initiatives include:
 - The creation of a capital markets forum to better connect Wellington's financial institutions (such as NZX, merchant banks, venture capitalists) with the needs and opportunities of high-growth firms in the region.

Focus Area Three – Building world class economic infrastructure

- A clearly identified constraint on growth is the region's level of connectedness at a national and international level – considered 'moderate' in terms of international trade, migration and international student connections.
- Key initiatives include:

- Attracting long haul flights, identified as a priority issue by council officers
- Ensuring maximum value contributed by Wellington's port
- Broadband (advocacy and direct brokering to support higher quality national and international links, and building better urban and rural broadband services)
- Supporting regional economic infrastructure investment to support growth opportunities (e.g. Wairarapa irrigation).

Focus Area Four – Targeted marketing of the region to attract business, investment, and talent

- A gap identified in the WRS Review and by council officers is that the region does not have a concerted approach to marketing the region to businesses, potential investors, skilled migrants and students. The approach should be *targeted* to the particular business niches, skills, or any gaps in the supply chain that would assist the Wellington region most and build on existing strengths.
- The region needs to develop a clear proposition for businesses and investors that is different, unique to the region, emphasises the lifestyle qualities (art, culture, open spaces, compactness, ease of transportation), and the distinctiveness and location choices within the region.
- The approach also needs to have a strong focus on business retention.
- Key initiatives include:
 - a cohesive approach to marketing the region to businesses and investors, likely to also include a focus on export education opportunities.

Focus Area Five – Education and workforce development

- An advocacy and connections role (within the region and connecting with central government and internationally) building on existing initiatives to grow the region's skills and education base, and ensuring the region's specific skills needs are met.
- Key initiatives include:
 - Regional education / business partnerships to identify and address core skills requirements of regional businesses
 - Strategic partnerships with education and tertiary institutes to meet the region's needs
 - Targeted internships and skills training programmes, working with MSI, TEC, WeiTec, Whitireia etc – as has happened with Weta on digital skills programmes.

What matters most from the above suggestions? Are any key points missing?

Next Steps

If Mayors/Chair agree to a set of actions at a regional level, there are consequent issues to consider.

Should the region maintain a structure for decision-making that spans leadership, business development functions, and good regional form/spatial planning?

- The WRS attracted praise for considering these issues as a collective approach to economic development, and the Review of the WRS supported the concept though noted in practice the work had not been undertaken in as cohesive a way as intended. Auckland and Christchurch are both addressing their economic ambitions within their spatial planning framework.
- For the region, there are important decisions regarding maximising the value from the CBDs, centres, and areas of distinctiveness, that would benefit from strategic decisions at a regional level.

Should the region develop the region's economic development plan as a joint initiative with central government?

- The Auckland Economic Development Strategy is a joint initiative of the Auckland Council and central government. Initial indications are that there are benefits from the approach.

What are the resource implications, and how should they be funded?

- The focus areas above could involve considerable investment, such as funding major infrastructure upgrades (e.g. irrigation projects, long haul flights or extending / widening the airport runway, public transport), and broader investment roles for local government.
- It will be important to consider the costs and benefits, the implications for ratepayers, as well as the need to consider the potential cost of inaction on some strategic issues.

What delivery options should be pursued?

- Grow Wellington requires clear direction and focus in order to deliver its remit on behalf of the region's councils. There are important delivery options to consider in relation to the region's input to business attraction, or long haul flights, or connecting with central government agencies on innovation and economic priorities.

How can we ensure broad agreement on regional economic priorities?

- The WRS was developed in a comprehensive manner including data collection and analysis, and an extensive consultation process. Mayors/Chair may wish to consider:
 - Engagement and consultation with the community, including constituent interests such as business stakeholders to ensure key stakeholders buy into and support the approach
 - On some specific initiatives, seeking more detailed analysis (e.g. if the region agrees to focus on destination marketing, the identification of specific markets or industry sub-sectors to target. In the innovation area, a thorough understanding of the appropriate sectoral focus for activity based on current competitive advantage).