

## **Supercity, subsidiarity, citizens, Southland, Steven and Celia. What's the plan?**

Planning alumni dinner, University of Auckland

Colin James, 9 November 2012

Ta Michael Cullen, to use the Irish form of his titled persona, once famously said Auckland was a drag on the economy, or words to that effect. It was not a brilliant tactic in 1999, an election year; Auckland generates about a third of all MPs. But in a number of ways, positive and negative, Auckland is a drag on the rest of the country.

I will leave pre-colonial history aside. Ngati Whatua's takeover was not one of the pretty episodes in human history if Paul Moon's version is correct. For most of the time since the British turned up, Auckland has been an inescapable factor in our evolution, arguments, economy, social definition and history. That certainly is so now.

What Ta Michael was saying, undiplomatically, was that if Auckland fails, New Zealand fails. It is too big to fail. But that begs a question I asked a couple of years back: is it also too small to succeed? It is big in New Zealand. But it is small in the world.

While Auckland was fragmented, fractured and disputatious this question could not be addressed, let alone answered. Can it be addressed and answered now? There is just one council. But it resembles the (currently dysfunctional) United States system: a mayor with an executive office (akin to a President and White House); an administration reporting to the council; elected councillors, a sort of House of Representatives which disposes what the mayor proposes; and an informal upper house (a Senate) of the chairs of the local boards, representing areas (states). Add in the Maori advisory council and the commercial-entity boards.

To me looking in from outside as I do (though I have had a bach on Waiheke since 1981 to which I infrequently repair) it is unclear how well that complicated arrangement will work: will the "lower house" of councillors or the "upper house" of board chairs get the upper hand — the board chairs, or some of them, deal with local matters and citizens may well turn to them more readily than to distant councillors whose electorates are bigger than those of MPs. All local politics is local, after all. The Ports of Auckland scrap with its unionised workforce highlighted a tension between commercial operational independence and the responsibilities elected officials have to constituents, who are the ultimate owners and who carried the cost of non-deliveries. Just how much of the city's business should be the preserve of unelected executives beyond the reach of the elected representatives?

You here have a far better feel for all that than I can have, watching from the safety of Wellington, from where it seems to have been going not too badly so far. It may need at least one change of mayor, and therefore of operational style at the top, for the relative roles to shake into a pattern recognisable to citizens (to the extent that citizens bother). What I can say is that Auckland's two-tier structure has stimulated debate in Wellington where some believe it is unwieldy and to be avoided if a mini-supercity is created there. One alternative might be to develop various electronic mechanisms for citizens to engage to the extent they want to.

For the country as a whole, the test will be whether the many Aucklands which have been rammed together can be fashioned into something more than the sum of its parts, that is, into an *Auckland* in the sense that there is a *London*.

London is a city economy, a distinct entity, though of course connected with, influenced by and influencing the surrounding economy. *The Economist* a couple of years back talked of

"Londonism" as a way of describing this phenomenon. London was the first such city, a result of Britain's pioneering industrial revolution. There are now a number of cities of this type and the trend is clear. Auckland is not one, at least not yet.<sup>1</sup>

Nor is Auckland a "spike" city, of the sort identified by Phil McCann: a place where members of the "creative class", the term coined by Richard Florida, congregate and feed off and feed into each other's innovation, generating high-end and high-paying jobs, which spreads benefits to the surrounding territory.

If there is to be an "Aucklandism", that is, if Auckland is to become a distinct, "spike" city (perhaps a "mini-spike" tightly connected to a real "spike") and therefore the innovative stimulant of the national economy, it will need to develop a stronger sense of itself and be recognised for that elsewhere in the country, even if that recognition is accompanied by envy and resentment. Right now the place called Auckland is much more a service centre for a national economy that remains essentially extractive (from water at land and at sea and by extracting attractive sights etc to sell to tourists).

The Auckland Plan pictures people on a beach and declares Auckland's ambition to be the world's "most liveable" city, not the most dynamic. Liveability is a laudable aim -- and for its better-off residents it is already very liveable (though I note Melbourne was judged the world's most liveable in one recent listing). But "liveable" is not "spike".

However, the economic strategy's fifth spiral, a "vibrant, creative, international city", gets closer and there is promise in its first spiral, an "innovative hub of the Asia-Pacific rim", and third cross-strand (warp?), "an innovative rural and maritime economy". The strategy also targets a real lift in "technical services" and some lift in "health technologies" by 2031, which are "spike-ish" aims (along with less exciting tourism and "business services"). And the strategy does footnote McCann.

All good stuff. The test will be in the implementation — by the council, university, research institutions, start-up and high-tech established companies — and whether the government is alongside, instead of askance. My impression at the strategy launch was that ministers were wary to lukewarm.

The unitary plan might give us some clues as to how implementation will unfold. Appeals on the unitary plan, I see, are to be overseen not by councillors but by government-appointed commissioners.

That takes us to a wider frame: the government's attitude to local government and the other pressures for change.

First, I exhume the principle of subsidiarity. This was fashionable a couple of decades or so ago but is little mentioned now. A useful definition was offered by the 1988 Royal Commission on Social Policy (p806): "No organisation should be bigger than necessary and nothing should be done by a larger and higher unit that can be done by a lower and smaller unit." In short, keep local local.

The Swiss take this to extraordinary lengths. A population of 8 million has a national government, is divided into 26 cantons and, below that, into 3000 local authorities, with a well-established allocation of decision-making according to the reach of the decision. Many local and even some cantonal decisions involve formal active participation by citizens.

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<sup>1</sup> I discussed this in speeches to the Institute of Public Administration 16 February and 13 December 2011, the second of which is at [http://www.colinjames.co.nz/speeches\\_briefings\\_index.htm](http://www.colinjames.co.nz/speeches_briefings_index.htm), "Too big to fail. (Too small to succeed", 13 December 2011.

You might say we have a version of that: a national government, 11 regional councils, Auckland with its 21 local boards, 66 district councils (five of them unitary councils that also do what regional councils do) and 116 community boards, each with assigned mandates and responsibilities. The community boards represent communities and carry out some delegated functions, with a degree of autonomy, besides carrying local messages back up to the council table. District councils are mandated by legislation to attend to the "four wellbeings" of their constituents: social, economic, environmental and cultural. The regional councils are charged with supervising the environmental health of their regions and some other region-wide activities, such as public transport. That all looked neat and sensible when Michael Bassett constructed it out of more than 800 local and special-purpose authorities in 1988-89. And the 2002 Local Government Act greatly improved asset and infrastructure management, investment and maintenance by requiring long-term plans. Transparency rules have tightened fiscal discipline.

But take a closer look. Community boards are unevenly dispersed and unevenly valued by citizens and the councils: 116 is fewer than two per district council. District councils and regional councils vary widely in geographical size and topography, in population numbers and makeup and in executive and council-table capacities. Councils bring widely differing attitudes and operational approaches to their mandated tasks.

Some collaborate to offset small size. Southland has a single roads plan. Bay of Plenty councils have combined with some neighbours, in BoPLASS, for some joint back office and purchasing. In a number of areas councils share some services. The three Wairarapa councils have a single district plan and are asking voters for permission to amalgamate.

Not enough, ministers say. The cabinet mistrusts councils. Among its beliefs: councils are inefficient — a departmental efficiency review is close to release and another on infrastructure is in train; decision-making on similar development projects vary among councils and takes too long; some councils are too attentive to pesky locals who frustrate development projects; elected politicians are often of limited intellect or have barmy ideologies and/or are pawns in the hands of crafty executives; rates rise faster than inflation, which cost business; councils indulge in wasteful non-core activities; some are running up huge debts and may have to be bailed out.

Are the councils wildly profligate? They spend only a tenth of all government spending. They say most of the rate rises have been driven by the law requiring them to fix the infrastructure deficit, by above-inflation cost rises (for example, for bitumen) and by the cost of doing things the central government dumps on them with no funding. Are they running up huge debts? An upcoming report by the Auditor-General projects total debt to be an inflation-adjusted \$18 billion by 2022, of which Auckland will account for \$12 billion, largely due to its transport needs; debt for the rest hardly moves over the next 10 years. It equals 6% of projected assets which is hardly excessive, especially if amortised over the life of the assets. The alternative is higher rates if assets are to be paid for upfront even if they have a 30-50-year life. Moreover, I am told, there is no danger of taxpayer bailouts: the law requires an over-indebted council to fix it with a mandatory special rate. That goes for Kaipara.

But even if all that was incontrovertible, the cabinet would still push change. That is for two interlinked reasons.

- First, it is demanding councils do what it is doing: requiring officials to innovate, to deliver "more with less". So it is capping income, expenditure and debt, stripping out the "four wellbeings" to push councils back to an undefined core of activities and giving mayors more powers and councils power to set ceilings on staff numbers and pay.

- Second, economic development is the cabinet's dominant priority: fiscal consolidation is part of that and much of its legislative and regulatory agenda is geared to it. Super-minister Steven Joyce's appointment is explicitly focused on faster GDP growth. If councils get in the way, for example in resource consent decisions, Steven will sort them. An example: Horizons Regional Council introduced tough new measures on water use and pollution; Federated Farmers objects; the Resource Management Act will be amended to require much more stringent cost-benefit analyses of council decisions.

As the cabinet sees it, excessive localness — or, at least, too much localness of the wrong sort — is hampering economic growth. So, among other things,

- it is writing more national policy statements, (guidance to councils to prod them towards national consistency) and national environmental standards (to force consistency);

- it mandated the Land and Water Forum to seek consensus on water allocation, use rights, pollution and management; this has potential implications for regional councils, which now have responsibility for water;

- it has mandated the Environmental Protection Authority to take over the consenting of projects of national significance; regionally significant projects are next; logically, over time the EPA will acquire more functions and powers at the expense of councils;

- it has taken ministerial power to override decisions on aquaculture;

- it has given itself wider, "more graduated" powers of intervention when it thinks a council is going off the rails;

- it has requested the Productivity Commission to report on the division of regulatory functions between central and local government; I am told planners will not be pleased with the report;

- the Transport Agency has shifted the balance of its funding more to state roads and away from local roads;

- the cabinet is requiring district councils to write unitary plans with regional input which some fear will shift power to the regional councils;

- it has set up super-regulators of building and standardised performance measures for infrastructure performance;

- it has spun out the term of the commissioners running the Canterbury Regional Council till 2016 and dismissed Christchurch City Council bids to regain more of the administration of its city, which some in Christchurch interpret (correctly, as I understand ministerial inclination) as pressure for an Auckland-type unitary authority for the region;

- it is making it much easier for councils to amalgamate and harder for citizens to block it. (Banks Peninsula's attempt to join with Christchurch was blocked by Christchurch ratepayers and it was able to join only by voting to dissolve itself. A proposal to join Tasman and Nelson foundered on ratepayer resistance this year.)

This adds up to a centralising cabinet — in the most centralised democratic country that is not a city-state. To the cabinet — the current cabinet, that is; I am not talking of future cabinets — what is local is central.

There is a political risk in all this: that National ministers get too far up the noses of National-leaning councillors across the country. At Queenstown in August the annual conference of Local Government New Zealand passed without dissent a motion rejecting the removal of the four wellbeings. They correctly interpreted that as indicative of ministerial contempt. That

could alienate allies, as Maurice Williamson did leading up to 1999.

But the government is not the only force for change, as the various joint initiatives mentioned before demonstrate.

The mere fact of Auckland — plus the Upper North Island Strategic Alliance with surrounding cities and regional councils — has unsettled local politicians elsewhere. There is now a South Island mayoral forum exploring cooperation; Southland's Frana Cardno has been a leading figure. Wellington mayor Celia Wade-Brown convened meetings last November and in March of central New Zealand mayors and regional council chairs to canvass cooperation. Wellington Regional Council chair Fran Wilde is pushing for an Auckland-style two-tier unitary council and commissioned Sir Geoffrey Palmer to head a task force to devise a scheme. Celia and Wellington city opposed this but are now canvassing an alternative single-tier scheme which excludes Wairarapa and might or might not include Kapiti. A meeting on 21 November of mayors, councillors, senior officials and related organisations including iwi will explore how much can be agreed on boundaries and structure and how to do that exploration.

If Canterbury goes unitary, that would add to Wellington's pressure. If Wellington went unitary that would likely prompt other initiatives. The local government landscape could get messy and complicated.

Step back from this turmoil. One might ask why we have local government at all for 4.4 million people in an age of instant communication and easy ground and air travel. Couldn't we just cut back to a national government, with special-purpose bodies to deal with nationally significant projects, natural hazards, roads, water and so on, maybe with regional branches (the Department of Conservation could be a model) and local boards at the community level with some delegated functions and limited powers to exercise those functions?

That would — in theory at least — be more efficient, inject national consistency and potentially deliver the sort of strategic thinking and action that Singapore does well.

We are not Singapore, for all John Key's admiration. For one thing, we don't have a strong party which could run the show decade after decade. We are stuck with our suboptimal democracy.

In addition to messy boundaries and governing structures, councils operate in a messy legislative and regulatory environment, which governments keep making messier. Here's a partial list of this cabinet's additions and accretions: changes to the Local Government Act this year and next year and the Resource Management Act last term, this year and next year — with an special-purpose add-on, the Exclusive Economic Zone Act — changes to the Land Transport Management Act, a new Crown minerals regime and oil exploration regime and much more. Add your own items. There are overlaps, inconsistencies and conflicts. How councils navigate this maze is a puzzle.

I think it is time for a first-principles rethink and reframing of the way those acts and regimes intersect so that we get more legislative and administrative consistency. That was the aim of the 1988-89 reforms and the Resource Management Act in 1991. Instead, we now have a jumbled jigsaw reminiscent of the pre-1988 era.

The Productivity Commission report is intended to inject some clarity. I am open to being surprised but I doubt it will turn out to be a first-principles rethink. Even if my doubt turns out to be unwarranted, I think the cabinet's singular focus on economic development will continue to drive ad hoc adjustments to eliminate or go round obstacles, real and imaginary, as they are encountered. To repeat: local is central. (I should emphasise I am talking of the

*current* cabinet, not future cabinets.)

That brings us back to Auckland. The two local government jigsaws — of structures and functions and of the law and institutions — will be a lot less bother if Auckland really grows into Auckland and that Auckland becomes a "spike" city.

Of course, such a city would be "liveable". Being a "spike" would make liveability a lot more attainable because there would be much more high-value loot. Much more important, that Auckland would be prosperous in all senses of that word, reaching across all its suburbs and pockets and beyond to the rest of the country.

Dream on. Or, alternatively, plan well and turn good plans into reality.