

19 April 2007

Local Government Rates Inquiry
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SUBMISSION FROM THE
CANTERBURY MANUFACTURERS'
ASSOCIATION
FOR THE

Independent Inquiry into Local Government Rates

**Canterbury Manufacturers' Association
P O Box 13152 Armagh
CHRISTCHURCH**

The Canterbury Manufacturers' Association is pleased to have this opportunity to provide feedback from our members.

BACKGROUND

The Canterbury Manufacturers' Association represents manufacturers predominantly in Canterbury and Westland, with members from the rest of the South Island and Auckland; the numbers of staff employed by our members represent approximately 40% of those employed by the manufacturing sector in the Canterbury region. Locally the manufacturing sector is a significant contributor to the economy, representing about 15% of employment.

Elaborately transformed manufactures comprise over 30% of New Zealand tradeable exports; sector sales total over \$30 billion and total national employment numbers around 170,000. New Zealand manufacturers face the ever increasing onslaught of the cost of local regulation, global competition from low cost countries without any significant support and protection. The Canterbury region has a disproportionately high number of high value elaborately transformed manufacturers who have significant export sales when compared with all the other regions of New Zealand.

The historical reliance that New Zealand has placed in the primary sector and basic manufactured goods has seen the position that New Zealand has in the rankings of the Organisation of Economic Co-operation and Development fall from 5th in 1950 to 21st in 2004, between Spain and Greece, well into the lower middle bracket of global income per capita. New Zealand has grown more slowly than other countries due to the dependence on the primary sector. The manufactured goods sector of the internationally traded economy has grown much faster.

Without economic development, based on elaborate transformation commanding high prices from global customers, we will increasingly see issues such as "health problems" correctly characterised as "wealth problems", recent headlines on the "management" of the waiting lists is bringing this issue to the general public. The Canterbury Manufacturers' Association is of the view that provided we have a balanced and practical approach to environmental regulation and cost allocation, we can enjoy an improving environment and a growing economy.

Perhaps more than any other form of enterprise, the elaborate transformation of materials involves new and sometimes difficult to quantify environmental issues. In this sector the poor application of good regulation, or poor regulation and inequitable cost allocation, has the capacity to wipe away any comparative advantage, threatening jobs, businesses and economic growth as businesses do not develop or relocate to take the advantages offered by other centres or jurisdictions.

The Canterbury Manufacturers' Association does wish to be heard on this submission.

INTRODUCTION

The increase of the rating load is of concern to our members. Since the local Government Act of 2002 we have seen a consistent and substantial increase in the cost of local body rates. We have attached a copy of the submission made by the Canterbury Manufacturers Association on the Christchurch City 2006 – 2016 Draft Plan. Much of our position on rates is clear from that submission.

Rating cost increases many times the rate of inflation, over time, gives cause for alarm for manufacturers. Local Government seems to continually expand its activities, responding to the never ending demand for “services” from sections of the community that, via the rates, spread the cost across the whole community. This is a wealth transfer mechanism that seems to be gaining capability since the 2002 legislation change.

We draw your attention to our conclusions in the attached submission, and the reference to the OECD spending test. We have long called for this sort of approach to be rigorously applied to all proposed spending, but as always there are many more voices raised to increase spending than curb it.

Manufacturers in New Zealand face competition from the best in the world, in general terms, our manufacturers do not receive the fiscal support and encouragement enjoyed by their competitors in other jurisdictions. Cost increases have an immediate impact on competitiveness and increases above the rate of local inflation, or local economic growth, negatively impact costs.

When “plucking the goose” it is best to avoid excess to ensure the longevity of the “goose”. This seems to be forgotten as interest groups (read voters) want more and insist everyone else pays.

SPECIFIC QUESTIONS IN THE BACKGROUND PAPER

Question 1

How adequate is the value for money of the services provided by local authority rates?

There is a feeling that services provided by local government are not efficient, or that they have a focused user pays element. The rate payer is a ‘soft’ captive customer.

By way of example, a component of the Council might have separate governance of interested parties and have identifiable local management, but accounts will show substantial ‘central charges’ as allocated overheads of the wider Council – this sort of financial reporting does not encourage efficiency in the centre, or commercial creativity in the local business unit.

Question 2

What information is provided by councils about how rates are used and the value for money of the services provided from rates? Is the information adequate?

The allocation and application of funding is reported in some detail, however the assessment of value is entirely subjective and virtually impossible for a rate payer to determine. Anecdotal reports indicate low value spending.

Question 3

Do people have a good understanding of their opportunities to make an input to their council’s long-term plans and rating policies?

The Council has worked hard to communicate and involve the community in the planning process – they just do not seem to listen. Decisions to spend or not spend are made by the elected Councilors, not by the plan discussion process. All plans and submissions could be seen as an expensive but ultimately flawed process. See the next answer.

Question 4

How widely are these opportunities used by the public?

Submissions on the plan, other than a few notable exceptions, are driven by interest groups looking to have their project in the plan. They are looking to create the wealth transfer opportunity, their minority desire funded by the entire community. Thus the processes are used by the people seeking to increase the rates as opposed by those wishing to see a reduction in the rates. Hence our call to explicitly use the OECD process, or one like it, for all discretionary or extended Council spending.

Question 5

Are there drivers of increased rates, other than those mentioned above, the Inquiry should explore?

There are legitimate, non-discretionary drivers of Council expenditure:

- Population growth.
- Infrastructure maintenance.
- Accounting treatment of assets.
- Equipment maintenance.
- Regulatory services.

However, discretionary drivers need more focus:

- Changing community expectations.
- Changing the standards of supply.
- Adding new services.
- Failing to terminate services not used.
- Cost savings and efficiencies.

Mandatory from the local government standpoint are those additional or enhanced requirements from Central Government – air quality standards, waste emissions and the like.

All of these elements should be subject to the OECD test, particularly the discretionary or enhancing changes.

Question 6

What are the most significant drivers of local government expenditure?

Non-discretionary and mandatory spending are the most significant cost drivers, they tend to take least time in the planning process. The heat, light and discussion – the cost of democracy – seems to revolve around the discretionary and enhancing expenditure elements. Arguments are essentially political as opposed to any objective OECD-like analysis.

Question 7

Is asset management planning providing full and accurate information about projected capital expenditure?

We are not convinced that adequate capital planning is in place, or that the debate of future capital items is complete, particularly as the debate seems less concerned with ‘should something be done’ but the focus is on ‘it will be done in a particular way’ – there are comments in the attached submission in this regard. The ability of the community to pay does not seem to register in the consideration all that much.

Question 8

To what extent could greater use of the available rating tools assist local government to address equity issues for particular groups of ratepayers?

Allocation of the rating load should be placed on a representative user pays basis, for all but exceptional circumstances. The extended use of uniform annual charges and costs collected at point of use or on some other user pays basis would limit the wealth transfers occurring in regard to allocation. We want to see more targeting and higher levels of uniform annual charges with less reliance on general rates tagged to property values. Does a family of four living in a \$400k house really consume more from the community than a family of four living in a \$1,000k house – allocating rates based on property values is grossly inequitable. If general rates are to be used the maximum rate should be capped at twice the average or limited in some other way.

An example of exceptional circumstances might be allocation of particular costs to a particular group, the size of the group could be falling, the loss of a member of the group throws more costs onto those that remain.

In the trade waste space this might speed the loss of jobs or activity that is generally beneficial locally, thus it might be of net advantage to the community to support a wider cost allocation.

Question 9

What are the barriers to the optimal use of the range of tools?

The most significant barrier to better use of rating tools is political orientation, general rates are a wealth transfer mechanism. Left-leaning Councils see this as a community service and thus resist user pays, therefore uniform or targeted charges as something to be avoided.

Question 10

How can these barriers be addressed?

Restrict the ability of Councils to use general rates, and cap maximum rates at some multiple of the average rate, ensure pressure is in place to divest, require an increasing level of user charges and uniform charges in relation to general rates.

Question 11

Does the rating system need to be changed to address any continuing anomalies or inequities?

Yes.

Question 12

Should greater use be made of currently available funding mechanisms, other than rates? If so, which ones?

Revenue generated by contestable activity should be seen as desirable, such as user charges and fees, rents and dividends, fines, grants and donations. However, in monopoly situations, fees and charges may not be related to cost or value – this does need attention.

Balance sheet transactions - an appropriate level of debt and disposal of assets do not seem to be well used to smooth and manage rating increases. The reluctance to divest assets leads to increased cost to the rate payer. Your attention in this regard is drawn to our comments on the Long Term plan attached.

Question 13

Are alternative forms of revenue, such as development contributions and user fees, established through a transparent process? Are they equitable?

The process is transparent, but it is essentially a distributive negotiation, each side trying to push costs away. Development contributions are a double dip, any development will attract higher rates in any event, we are not sure the growth funds growth argument is valid.

Question 14

Is there a case for an increased use of borrowing by local authorities to address inter-generational equity or other issues, such as accelerating infrastructure investment?

Councils do not seem to be very good at using debt or divesting unnecessarily, please see the comments in the attached submission on last years plan.

Question 15

How should the affordability of rates for communities and individual ratepayers be assessed? What factors are relevant?

As the desire to do more (get into new services) and the feeling that quality must improve (do it better) is played out by local authorities, the affordability of rates becomes an issue. The OECD test, or one like it, is the key matter – we can only have what can be paid for. If those on low incomes cannot meet even a disproportionately low level of rates – general rates based on property values – it is an indication that local government has grown too large to be sustainable. Indeed it is probably the best indicator of that situation.

Question 16

Which groups of people do you consider are most affected by the affordability of rates? What data is available to determine this?

Affordability of rate impacts everyone, those in low value housing unable to pay and those in high value housing subsidising those other rate payers.

When user pays transactions are in place or high levels of uniform charges are implemented, what is paid is closer to the average cost of consumption?

If the outcome is not affordable by low income earners, then either the cost is too high as a result of inefficient provision or services are being provided that are not required. Effort should be focused to determine which prevails and appropriate action taken.

Question 17

Is the affordability of rates only an income issue, or does it also involve assets held or other factors?

The ability to pay is essentially an income issue. Assets drive income also, if the least advantaged in society find they cannot afford the required rate payment, including the levels of wealth transfers in place, it is a major indication that services are being provided beyond the ability of the community to fund on a sustainable basis.

Question 18

To what extent can affordability problems be addressed through greater use of rates rebates and rates remission and postponement policies, or by reverse mortgages and similar mechanisms from private sector sources?

There are a number of instruments that can turn assets to revenue. However the democratic and political choice to 'over' provide Council supplied services, requiring rebates, remission and postponement of the payment of rates, addresses symptoms not causes. Difficulty in meeting the rates requirement would be better ameliorated by reducing the rating load by user charges, service limitation, efficiency and better management of debt and equity ratios on Council balance sheets.

Question 19

How effective is the Rates Rebate Scheme in addressing affordability problems for ratepayers?

Again rebates are better dealt with by reducing the cost of services. Any other action simply transfers wealth in the community, and ultimately the ratepayers who pay their bills pay far more than their full cost to the community. We repeat that a general need for rebates, remit or postponement in the presence of significant general rates, as opposed to uniform charges, targeting and user pays mechanisms, is an objective indicator that services are overprovided.

Question 20

How effective are the rates remission and postponement policies in addressing affordability problems for ratepayers?

See comments under question 19.

Question 21

What, if any, barriers are there to the use of these schemes, and what measures might be taken to enhance the use of these schemes?

No comment.

Question 22

What is the current and likely future impact of these schemes on the revenue policies of local authorities?

If rates continue to increase, the need for support at the low income end of the spectrum, coupled with a desire to continue to expand services (in the absence of objective tests) it will place more revenue at risk. This will of course press the risk into those sections of the community already paying more than an equitable share. Not a desirable outcome but without some sort of objective test, the OECD test for example, it is inevitable.

Question 23

Are there other ways of addressing issues of hardship caused by rates (for example, the use of reverse mortgages or other financial schemes which might be provided by the private sector)?

Equity release schemes are available, these speak to paying the rates bill not to the matter if that charge is reasonable.

Question 24

What are the major issues involving the rating of land covered by the Te Ture Whenua Maori Act 1993, and how can these best be managed?

Land and other asset values are used to apportion rates. The issue is not 'are the assets earning', (note the issues around reverse mortgages to derive cash flow from assets) the issues are 'allocation by value'.

The calculation of rates payable should be the same for all. The matter of multiple ownership needs to be resolved, again revenue at risk falls on those ratepayers that do pay their rates. Equity and balance demand this matter be resolved.

Question 25

Is the existing basis of the valuation of Maori land appropriate? If not, what alternative approaches could be considered?

No comment.

Question 26

Do policies aimed at improving the affordability of rates fully recognise affordability issues facing Maori landowners?

The comments on affordability made above apply here. If the issue generally is affordability then Council provided services are too high and need to be reduced. Specific cases can be dealt with on a case by case basis and owners held accountable for their commitment to the community. Any other approach lack simple balance and equity.

Question 27

Are there grounds for providing rates exemptions for categories of Maori land other than those in Schedule 1 of the Local Government (Rating) Act 2002?

Exceptions to contributing to the community provided services by any section of the community should be minimised and ideally avoided altogether.

Question 28

Is the rationale for exemptions on Crown and non-Crown land still valid?

Exceptions should be kept to a minimum, if rating is on a user pays and general rates basis, the low economic value will result in low rates in any event. If a uniform charge basis was given more weight some might be disadvantaged – this could be subject to a case-by-case exemption but it must be on hardship grounds and regularly reviewed. The comments made above that many people are having difficulty with rates is an objective indication that the Council provided services are just too rich.

Questions 29

Are the current statutory provisions for exempted land reasonable and appropriate?

Exemptions should be minimised or completely eliminated.

Question 30

Are there other categories of land that should be recognised for the purposes of exemptions?

See answer to Question 29.

Question 31

What would be the impact of reducing or removing exemptions?

A broader based more equitable rating system applying to all in the community who have the opportunity to benefit from community provided services.

Question 32

What principles should guide the use of revenue sources to fund local government expenditure (including rates)?

Generally the principle of user pays is a good starting point. The other collection mechanisms have some merit, looking for operational efficiencies are also attractive. The IRD has good systems, enforcement and effective connections to all taxpayers. Collection via the IRD might offer some cost benefits.

We would take exception to “high level of accountability to local communities” - local authorities engage with interest groups but not really the citizen – much like any level of government.

Centrally collecting funds for local government might make them accountable for how well the money they receive is spent, rather than try to match collections to collective Council aspirations that happen to prevail at the moment.

Question 33

What practical new revenue sources could, in full or part, be alternatives to rates? What are the comparative advantages and disadvantages of these alternatives?

A focus on user pays or uniform charges (per dwelling or per person), with the necessary balancing revenue derived from general rates, forms the basis of an equitable collection of payment for local government services. The bias to the user pays end brings in things like bed taxes and the like. The other key question is what services should be provided by the 'rates'?

What follows are some excerpts from our submission on the LTCCP in 2006, the entire submission is attached.

“Competitive pressures on manufacturers see them unable to pass on cost increases to their customers. Cost pressures exist on rates, raw materials, labour and electricity, all of which threaten local activities. Our own survey of manufacturers has shown continuous job losses in the sector since May 2005; you will all recall headlines of losses in the past year.

We recognise that tensions exist between the desire of services and the need to fund them. Generally we perceive from the Draft Plan an “all needs first” approach that first provides for every need, and then works backwards to the point where the pain on the funding side becomes tolerable. We would prefer to see a “first start with the have to do” approach, then add in the other things with clear rating impacts at each addition.

*We would also draw your attention to p115 of the Draft Plan. It is our view that economic development funds and supports **all** of the community outcomes highlighted on page 15, not only the two indicated on p115. The implicit assumption that the economy does not touch everything, one way or another, can lead to the assumption that economic activity will always be with us – that is a dangerous assumption. We forget “it’s the economy stupid” at our peril.*

OECD principles for evaluating value for money¹

- *Does the programme still serve a clearly defined public purpose that matters?*
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- *Would we establish the programme today if it did not already exist?*
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- *Can it be delivered more effectively or efficiently? Have there been changes (in the service environment, infrastructure, technology, etc) since the programme's inception that would now permit an alternative means of achieving its objective with greater economy, efficiency, or effectiveness?*

As competitiveness at the rate payer level cannot sustain the ever growing burden of cost, it is necessary to use a combination of the “start with the have to do” and then use the OECD approach. To do less is to threaten to kill the goose that provides the golden (economic) eggs.

Activities currently operated by the “Council” that could be readily devolved to a user pays model would also reduce the general rating burden and support competitiveness in other areas of the economy. To a large extent, manufacturers are faced with many cost increases which exceed the CPI, and the response is to look for efficiencies, divestment, investment, operations changes and finally, where possible and necessary, price increases. We look to the Christchurch City Council to mirror this approach not jump to price increase first simply because they have the statutory authority to do so.

Capital Spending & Depreciation Charges

Average depreciation rates of 20 years seem to be too short and increase the burden to current rate payers. The CMA Council and CEO Forum was of the view that this should be increased to at least 30 years.

It is difficult to comment on the “essential projects” and discretionary priority projects plus the \$132m for Banks Peninsula. Are they being approached on the most cost effective basis, that is, user pays and targeted rates if they really must be done and no other way exists?

¹Canadian Office of the Auditor General and Finance Canada

For example, the fit out of new Civic Offices could be leased not purchased. Why is it necessary to own the Civil Defense building when it could be leased?

We support the use of targeted rates wherever possible with those benefiting from the spending paying all or most of the cost, for example the City Mall, at least 70% should be targeted to those who benefit.

We support the use of development contributions related to the intensity of additional use of public facilities that will accrue to the development. We do not support arbitrary charges of any kind – policy should be open to public scrutiny and debate.

Savings

The savings outlined are minimal; they can be made by cuts in service and increases in efficiency and performance. More effort is needed in this area, benchmarking to best practice and outcome performance indicators need to be put in place and used to manage performance of Council activity. With close to \$500m projected spending in 2006/7, savings of at least 2 or 3% year on year should be possible.

Surplus

Recognising that the surplus is growing and that it is said to be “capital” in its nature and cannot be directly offset against rates – why? Rates include a capital element and building surplus on the City balance sheet, whilst rate payers struggle under the burden of significant rate rises does not make any practical sense.

SUMMARY

- There is great unease on the year-on-year rate increases, increases that continue to be substantially above the rate of inflation.*
- The need to focus on strategic development and stimulate best practice in governance and management of the Christchurch City Council continues to be strongly expressed by our members.*
- Commit to having the lowest real rates in New Zealand.*
- Keep rate increases to a minimum: use the OECD criteria, limit surpluses on the capital accounts, divest assets, use the longest practical depreciation period, switch operating process to user pays wherever possible, aggressively search for and apply internal efficiency improvements and introduce output based performance measure to Council operations.*

- *The support and stimulate of economic transformation.*
- *Review the basis for trade waste and commercial water charges as part of the ongoing long term plan development.”*

CONCLUSION

An objective test based on the assumption that the local authority acts last on any optional services should be developed; the investigation should be reported on a framework similar to the OECD test mentioned above.

Emphasis should be placed on user pays, unified charges and the level of general rates minimised. Rates based on asset values should be capped at two times the average rate for the urban or rural rating catchments.

The acceptable level of rates should have the affordability test applied. If there is a generally unaffordable response from the low income sector, the level of rates must be seen as too high.

Once agreed the growth in rates should be capped at the growth in the economy where the rates are raised. Over time, growth in the rates levied at many times the rate of inflation is additional inflationary pressure into the economy and a dent in our competitiveness – it is hard to see any real justification why rates should grow faster than the rate of inflation.

John Walley

Canterbury Manufacturers' Association

5 May 2006

Community Plan Submission
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SUBMISSION FROM THE
CANTERBURY MANUFACTURERS'
ASSOCIATION

ON THE

Christchurch City Council, Community Plan 2006 - 16

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and sometimes difficult to quantify environmental issues. In this sector the poor application of good regulation, or poor regulation and inequitable cost allocation, has the capacity to wipe away any comparative advantage, threatening jobs, businesses and economic growth as businesses do not develop or relocate to take the advantages offered by other centres or jurisdictions.

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INTRODUCTION

It is clear that a substantial amount of time and effort has been applied to the development of the 2006 – 2016 Draft Plan. We respect and appreciate those efforts.

The prospect of rate increases many times the rate of inflation for several years has caused considerable alarm to manufacturers – a prospect of nearly 30% increase in rates over the next three years is difficult to understand. The increases will erode further the comparative advantages of Christchurch with regard to other centres in New Zealand and New Zealand in the world.

Competitive pressures on manufacturers see them unable to pass on cost increases to their customers. Cost pressures exist on rates, raw materials, labour and electricity, all of which threaten local activities. Our own survey of manufacturers has shown continuous job losses in the sector since May 2005; you will all recall headlines of losses in the past year.

Faced with competitive pressure and cost increases the only response is efficiency and productivity. It is not clear in the Draft Plan that operation efficiencies are being pursued by the CCC. Indeed in the 10 year period between 1994 to 2004, operational expenditure in Auckland and Wellington cities increased around 35%, in the same period operational expenditure increased some 58% in Christchurch City².

There is little comfort in the level of rates on a like for like basis; rates in Auckland on similar property values are substantially lower than Christchurch. Some members

² See www.localcouncils.govt.nz

who have the experience of transferring staff have commented that rates are much cheaper in Auckland, one example in Christchurch; capital value of \$512,000 translates to rates of ~ \$2200 against \$1140 on a Mount Albert property with a capital value of \$520,000. This should also be seen in the light of lower average annual incomes in Christchurch compared to other centres noted on p39 of the Draft Plan.

As noted on p40 of the Draft Plan, manufacturing is a significant employer in Christchurch and these concerns from the sector should alarm the Christchurch City Council.

We recognise that tensions exist between the desire of services and the need to fund them. Generally we perceive from the Draft Plan an “all needs first” approach that first provides for every need, and then works backwards to the point where the pain on the funding side becomes tolerable. We would prefer to see a “first start with the have to do” approach, then add in the other things with clear rating impacts at each addition.

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Planning Process Comments

It is clear that the strategic base of the planning process is developing and improving. We continue to hold the view that different mechanisms are needed for involvement and comment during the drafting process – over a four week period it is very difficult to canvas and develop all the opinion from our membership.

When we assess the plan it remains a challenge to establish benchmarks, with other Councils or best practice or see the criteria and associated debate on any draft approval for expenditure. We would like to see more performance benchmarking against other Councils and for all material expenditure the documentation of the alternatives considered and justification for the option selected provided in the Draft Plan.

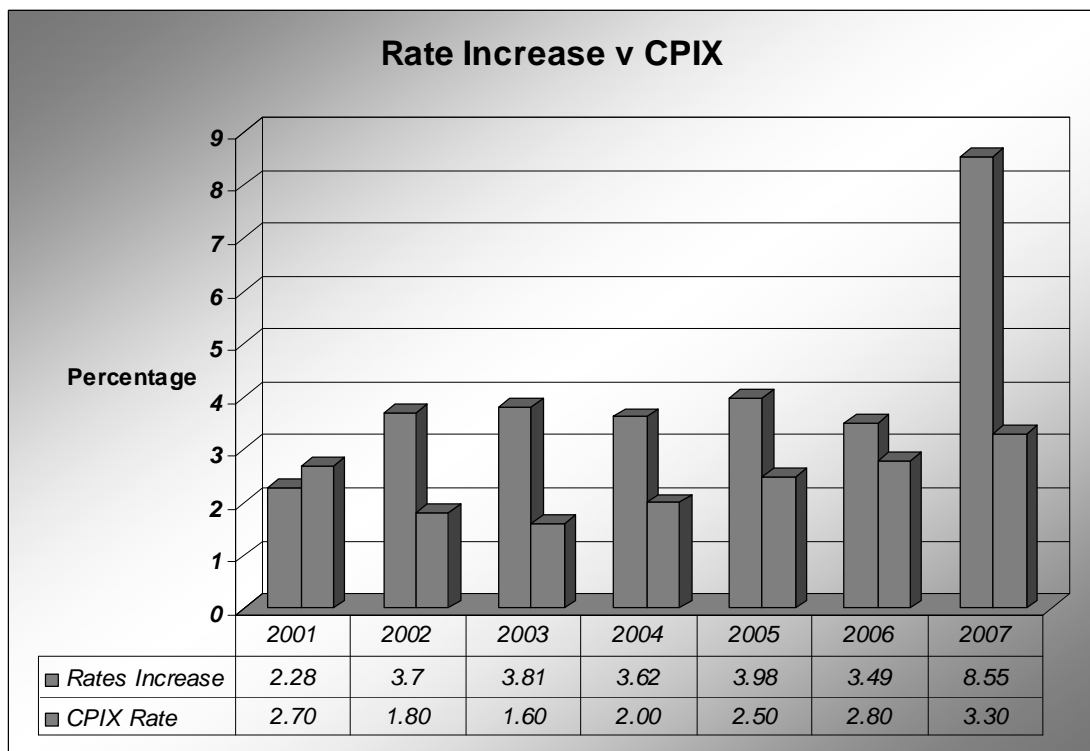
Overview Comments on the Plan

Generally we would like to see increasing cost recovery directly from users coupled with a reduction in general charges imposed on ratepayers. Manufacturers compete with other centres and jurisdictions in the New Zealand market and export markets. The imposition of inequitable costs speed the loss of manufacturing activity and jobs locally. The dark satanic mills might be long gone here in New Zealand, but they still exist in low cost countries. Those same countries that compete with local

manufacturers; make things too difficult, increase costs, erect too many unnecessary barriers and the playing field tilts more and more, reducing local investment and threatening local jobs and ultimately the rating base.

For the members of the Canterbury Manufacturers' Association, the cost of doing business is a major concern as the capacity to recover increased costs from customers is limited. Equally the transfer to other parts of New Zealand or other parts of the world of some or all of local production is increasingly an option. Such pressures are amplified when foreign ownership is involved. Rate increases close to or above the rate of inflation will threaten good jobs in Christchurch.

At a gross level:



The long term plan should also look backwards at what has been done in the period of this graph; the compound increase in our rates is nearly double that of the CPIX - this is a major cost escalation. This is not forecast to improve. Rate increases above or close to the CPIX should never be seen as a success. The claims in the Draft Plan that the CPI does not apply to the Christchurch City Council cost drivers is true, the same applies to many businesses but may must find a solution beyond massive price rises. The Christchurch City Council should look to do the same.

The performance of local government has the capacity to impact economic performance in two ways; one to remove obstacles of local regulation and cost, the other to encourage economic transformation. Demonstrably reducing costs and effectively stimulating higher added value in the local economy are key contributions from the Christchurch City Council.

Christchurch Economic Development

In our view the CDC could become a much stronger force in economic transformation. Currently the CDC operates in the safe areas, close to where the market could largely provide that which the CDC chooses to supply free to participants. This brings with the danger that the efforts of the CDC will displace market based activities – public money displacing private provision. This is a waste of resources that could be used to better outcomes.

We believe the upgrading of the CDCs efforts in economic transformation requires substantial debate and discussion – the CMA is ready and willing to support that work.

Trade Waste

There are no comments on the review of the basis for trade waste and commercial water charges as part of the ongoing long term plan. As the number of companies paying trade waste charges fall, a different allocation method needs to be considered.

Capital Spending & Depreciation Charges

Average depreciation rates of 20 years seem to be too short and increase the burden to current rate payers. The CMA Council and CEO Forum was of the view that this should be increased to at least 30 years.

It is difficult to comment on the “essential projects” and discretionary priority projects plus the \$132m for Banks Peninsula. Are they being approached on the most cost effective basis, that is, user pays and targeted rates if they really must be done and no other way exists? For example, the fit out of new Civic Offices could be leased not purchased. Why is it necessary to own the Civil Defense building when it could be leased?

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We support the use of development contributions related to the intensity of additional use of public facilities that will accrue to the development. We do not support arbitrary charges of any kind – policy should be open to public scrutiny and debate.

Savings

The savings outlined are minimal; they can be made by cuts in service and increases in efficiency and performance. More effort is needed in this area, benchmarking to best practice and outcome performance indicators need to be put in place and used to manage performance of Council activity. With close to \$500m projected spending in 2006/7, savings of at least 2 or 3% year on year should be possible.

Surplus

Recognising that the surplus is growing and that it is said to be “capital” in its nature and cannot be directly offset against rates – why? Rates include a capital element and building surplus on the City balance sheet, whilst rate payers struggle under the burden of significant rate rises does not make any practical sense.

Member Comments on the Plan

In our discussion on the plan a number of themes emerged. As we have done before they are presented here as direct quotes, in some cases the actual words were not strictly said however the sentiments expressed are accurate and have been reviewed

and approved by the Canterbury Manufacturers' Association Council and CEO Forum.

- “The planning is improving but the anticipated rate increases are huge. Does the Council take the economy seriously?”
- “The focus of City Councilors on governance is welcome; as is the separation of management and governance. We do wonder why there is no explicit Audit and Risk Management by the Council.”
- “When we have staff on transfer to and from Auckland the rates there seem about half what we have in Christchurch.”
- “As ever it is assumed that somehow the economy will find the means necessary to pay whatever bill is presented. As most of the costs are wages and salaries, what is the Council doing to drive internal efficiencies?”
- “More of the community and recreational assets should be operated on user pays commercial practice to expose inefficiencies and reduce the general rate burden.”

SUMMARY

- There is great unease on the year-on-year rate increases, increases that continue to be substantially above the rate of inflation.
- The need to focus on strategic development and stimulate best practice in governance and management of the Christchurch City Council continues to be strongly expressed by our members.
- Keep rate increases to a minimum: use the OECD criteria, limit surpluses on the capital accounts, divest assets, use the longest practical depreciation period, switch operating process to user pays wherever possible, aggressively search for and apply internal efficiency improvements and introduce output based performance measure to Council operations.

- Commit to having the lowest real rates in New Zealand.
- The support and stimulate of economic transformation.
- Review the basis for trade waste and commercial water charges as part of the ongoing long term plan development.

John Walley

Canterbury Manufacturers' Association