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**REPORT 1**  
(1215/52/IM)

## **WELLINGTON REGIONAL STRATEGY REVIEW**

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### **1. Purpose of Report**

This report:

- Provides the Committee with a summary of a report by Martin, Jenkins & Associates on the review of the Wellington Regional Strategy (WRS)
- Seeks agreement on the Council's position on the future of the WRS, to be represented by the Mayor in her capacity as the City's WRS Committee representative
- Seeks agreement to investigate the feasibility and effectiveness of establishing a new entity, focussed on attracting talent, business and tourism to Wellington City.

The recommendations take into consideration the issues and concerns raised at the '2015' workshop regarding the need to provide the Wellington business base with the support it needs to develop and grow to create a vibrant city economy with a thriving job market.

### **2 Executive Summary**

#### ***2.1 Wellington Regional Strategy Review***

Business development is currently supported regionally through the WRS, which is the region's sustainable economic growth strategy. The WRS is governed by the WRS Committee, established under the Greater Wellington Regional Council. A condition of the regional agreement to establish the WRS was that the WRS be reviewed after 3 years of operation to assess its effectiveness and whether or not to continue with a regional approach.

The WRS has been reviewed by Martin, Jenkins & Associates (MJA). A copy of the review has been made available to Councillors and the public. On the basis of the review findings, the WRS Committee will decide on the future of the WRS

and GROW Wellington - in particular whether or not to continue funding the WRS from 30 June 2012.

Overall, the report recommends the continuation of a regional approach to supporting economic development. It includes, however, a number of recommendations designed to address governance and performance issues identified by stakeholders, based on an analysis of available performance information.

In its report, MJA supports the continuation of a region wide approach to economic development because in their view it offers benefits of size and scale, including the ability to secure and leverage central government funds to support business development. They also consider a regional approach prevents fragmentation and duplication ( although some councils still maintain their economic development activity) and delivers and connects people to relevant services. The report highlights, however, that there are some issues around the governance, focus and performance management of the WRS that need to be addressed if it is to be effective.

The report therefore recommends a review of a number of aspects, in particular the:

- Wellington Regional Strategy itself, to take into account the significant changes in the economic environment since the WRS was developed
- WRS priorities, to ensure the alignment of initiatives with funding. This would include an assessment of the number of activities and initiatives the WRS covers, some of which do not appear to have region-wide support
- The role, and scope, governance and membership of the WRS Committee
- The governance and performance management of Grow Wellington
- The resourcing of WRS projects, including the WRS Office.

Overall, officers agree with the report's conclusion that a regional approach remains the most efficient way to deliver business development services, and to support Wellington businesses seeking export opportunities. As a regional entity, it is also the structure most likely to attract central government funding to carry out its business support activities.

However, bearing in mind that Wellington City is a key destination for business, talent and investment for the region - with 52% of the region's GDP, 40% of its employment and 76% of tourism activity<sup>1</sup> generated in the CBD alone - officers consider that there is a need to address some gaps in the broader ambit of economic development priorities. In particular, in relation to business and talent attraction that is vital to the growth and competitiveness of Wellington.

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<sup>1</sup> As measured by guest nights.

## **2.2 '2015' Economic Development Priorities**

Recently Councillors held a workshop on economic priorities to 2015, with a view to identifying priorities for the City economy ahead of the 2012 – 2022 Long Term Plan. While officers will prepare a report on economic priorities to SPC in August as the vehicle for establishing the short term economic priorities, the workshop did highlight some issues that need examination alongside forming a view on the WRS review.

The workshop highlighted the issue of CBD office space vacancies and the need to address a gap in activity around a coherent and integrated promotion of Wellington as an attractive place to work, do business, invest, study and visit. This gap was also highlighted in the MJA report. Grow Wellington's primary focus is on exports – in other words, assisting Wellington's businesses to expand and sell to global markets. It does not generally focus on bringing businesses into Wellington. Positively Wellington Tourism is the only agency directly tasked with promoting Wellington to the outside world, with a view to pulling investment in – but it does so with a sole focus on tourists.

To address this gap officers recommend that SPC agrees to investigate the feasibility and effectiveness of establishing a new entity for Wellington City that would seek to generate increased economic outcomes for the city in terms of:

- Business attraction and inward investment
- Tourism promotion
- Talent attraction.

The preliminary results of this work would be included in the August officer report back to SPC on economic priorities to 2015.

## **3. Recommendations**

Officers recommend that the Committee:

- 1. Receive the information.*

### ***WRS Review***

- 2. Agree the following recommendations as Wellington City Council's input into the WRS Committee's decision on 30 June 2011 on the review of the Wellington Regional Strategy:*
  - (a) That Wellington City Council supports a continuation of a regional approach to the delivery of business development activity (i.e. through Grow Wellington)*
  - (b) That, commensurate with the role that the Wellington CBD in particular plays in the region's economic performance, Wellington City Council seeks a lead role in the refresh of the WRS, and the related review of the*

*remit and role of Grow Wellington to ensure fitness for purpose to deliver a revised WRS.*

- (c) That the refresh of the WRS Strategy should focus on the WRS and Grow Wellington becoming more tightly focussed on fewer priorities, as indicated in the MJA report*
- (d) that the WRS Committee consider the use of a Service Level Agreement approach with Grow Wellington.*

### ***Economic Development – Attracting Business, Talent and Tourists***

- 3. *Agree that officers should investigate the feasibility and effectiveness of establishing an entity to attract talent, investment and tourism to the City. The scope of the research should include:*
  - (a) Business attraction*
  - (b) Talent attraction*
  - (c) Tourism promotion*
  - (d) Relationship with relevant Grow Wellington and Wellington City Council activities, including events*
  - (e) Costs, benefits and risks*
  - (f) Identifying key stakeholders that should be involved in the establishment and operation of any new entity, including an assessment of the potential added value that this approach would offer their organisation/ businesses.*

## **4. Background**

### ***4.1 Review of the Wellington Regional Strategy***

Business development is currently supported regionally through the WRS, which is the region's sustainable economic growth strategy. The WRS is governed by the WRS Committee, a Committee established under Greater Wellington Regional Council. Membership of the Committee includes all the Mayors of the region's local authorities (and the Chair of Greater Wellington), with one Mayor representing the Wairarapa, and five independent members approved by the Committee.

The WRS spans a wide range of initiatives intended to directly grow the regional economy, especially exports, through the activities of Grow Wellington, the region's economic development agency. The main focus of the work of Grow Wellington has been on connecting and supporting businesses to access appropriate business development services.

Grow Wellington receives funding from central government for the delivery of business development programmes, for example, Regional Partnership Network contracts with the Ministry of Science and Innovation and the New Zealand Trade and Industry.

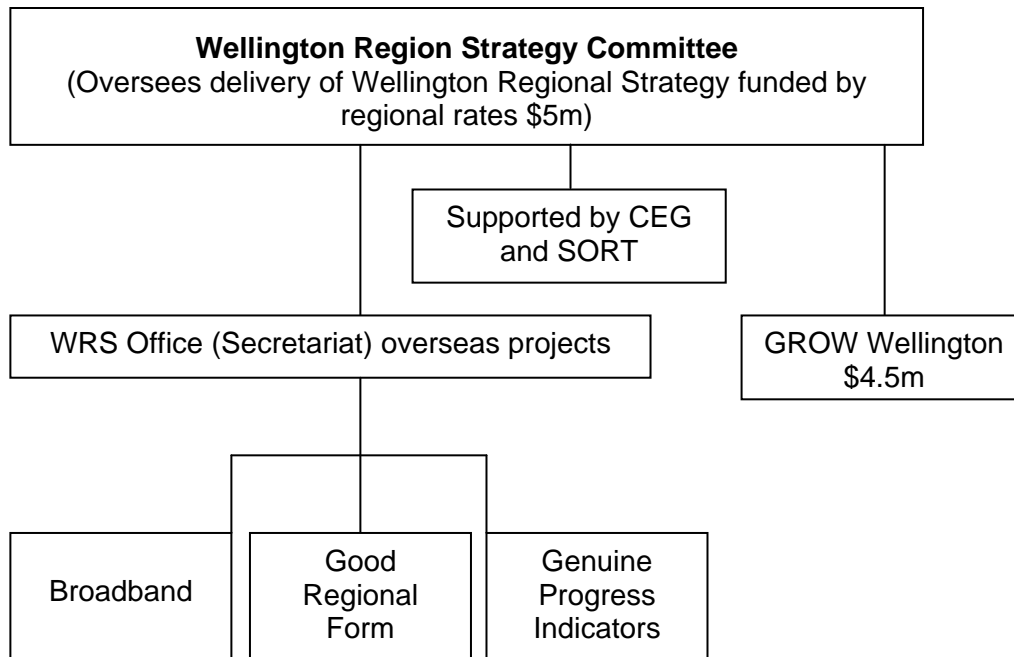
Its main areas of activity can be summarised as:

- Developing Centres of Excellence in Clean Technology, Screen and Digital and Biotechnology
- Supporting and growing businesses for export in five key sectors: manufacturing, primary industry, food and beverage, education and film
- Working with the wider business base and connecting them with appropriate support to help them grow and export for example, TechNZ Vouchers, Escalator programme
- Identifying new business ideas through the 'Bright Ideas' competition
- Working closely with Massey and Victoria Universities, WelTec, Crown Research Institutes including Industrial Research Ltd, and a number of venture capitalists based in Wellington, to support innovative new businesses coming from the tertiary education organisation

Grow Wellington has a Board of six members drawn from the business community which reports to the WRS Committee through the WRS Office. It is funded through the regional rating system and Wellington City residents contribute approximately \$2,053,000 annually to the running of Grow Wellington. The Committee is supported by the WRS Office, and the Senior Officer Resource Team (SORT). SORT advises the regional Chief Executives Group (CEG) in addition to briefing their own Chief Executives (see diagram below).

The current areas of work coordinated out of the WRS Office are:

- Genuine Progress Index (GPI) - a set of indicators to measure the well-being of the region and certain aspects of the WRS e.g. economic growth
- Broadband Operational Group (BOG) - facilitating the rollout of fast affordable broadband in the region and promoting its use
- Good Regional Form – covering industrial land, open spaces, urban design, District Plan review.



As part of the initial agreement with the participating councils, it was agreed that there should be an independent review of the effectiveness of the WRS by 30 June 2011. On the basis of the review findings, decisions will be made about the future of WRS and Grow Wellington by the WRS Committee and whether or not to continue funding the WRS from 30 June 2012.

## 5. Comment

### 5.1 MJA findings

Terms of reference for a review of the WRS were agreed by the WRS Committee on 2 June 2010 and MJA was appointed in September 2010 to undertake the review.

MJA has delivered its review report, which identifies a number of issues and recommendations for the WRS Committee to consider. The full report was made public on Wednesday 1 June 2011. While the report recommends the continuation of a regional approach to supporting economic development it contains a number of recommendations designed to address governance and performance issues identified by stakeholders and based on an analysis of available performance information.

The report recommends a review of the:

- Wellington Regional Strategy itself, to take into account the significant changes in the economic environment since the WRS was developed

- WRS priorities, to ensure the alignment of initiatives with funding. This would include an assessment of the number of activities and initiatives the WRS covers, some of which do not appear to have region-wide support
- The role, and scope, governance and membership of the WRS Committee
- The Governance and performance management of Grow Wellington
- The resourcing of WRS projects, including the WRS Office.

The recommendations in the MJA report suggest that changes to the existing structures and governance of the WRS and its associated delivery arm, Grow Wellington will be required if the regional approach to economic development is to be effective.

## **5.2 Wellington City Council perspective on the WRS**

The timing of the review provides Wellington City Council with the opportunity to consider how effective this model of regional economic development is for supporting the City's economic growth, and delivering on some of the short term objectives arising from the '2015' workshop.

Officers have reviewed the report's main findings and, on balance, agree with the report's conclusion that a regional approach remains the most efficient way to deliver business development services. A regional approach allows the region to leverage off central government funding for regional business development, funding that would not otherwise be available to a local area. It also provides some efficiencies and a single point of contact for businesses across the region looking for business growth support.

However officers share some of the report's concerns about aspects of the WRS.

A number of changes are therefore recommended to ensure that the WRS and its delivery arm Grow Wellington deliver improved tangible economic outcomes for Wellington City, consistent with its role as the economic engine room of the region and the direction of the '2015' workshop and the *Wellington 2040 City Strategy*. We recommend:

- that Wellington City Council supports a continuation of a regional approach to the delivery of business development activity (i.e. Grow Wellington) but with a tight focus on business support services
- that the remit and role of Grow Wellington be reviewed to ensure fitness for purpose to deliver a revised WRS
- That the refresh of the WRS Strategy consider divesting any functions that can best be carried out through existing mechanisms such as the Mayoral Forum and the regional Chief Executives Group

- the use of a Service Level Agreement approach with Grow Wellington as a performance monitoring tool to compliment the annual Statement of Intent process.

We therefore support the recommendation to refresh the WRS in conjunction with an assessment of Grow Wellington's ability to deliver on the new priorities identified in the refreshed WRS, including in relation to governance and organisational structures.

Officers consider it is essential that any future WRS should be more tightly focused, with fewer priorities, that will deliver the greatest economic impact for the region. In particular it is recommended that any future WRS must explicitly take account of Wellington City as the key driver for growth for the region, as Wellington's CBD accounts for approximately 50% of all of the region's businesses and generates 52% of the region's GDP. This approach not only fits with international thinking in terms of economic growth (see Clark 2010) but also aligns with the objectives of the 'Core Cities' initiative<sup>2</sup>.

### ***5.3 A new City-focussed investment attraction entity***

Overall officers agree with the report's conclusion that a regional approach remains the most efficient way to deliver business development services, with an export focus.

We consider, however, that there are more effective mechanisms to exploit the wider economic opportunities that meet the need for Wellington City to remain competitive especially in the area of business, talent and investment attraction to the city. As discussed during the Councillor workshop on economic priorities for the City, the need to attract investment is particularly acute at the moment, with total CBD office space vacancy rates forecast to be between 10% and 15% by the end of 2012. With the Government's focus on public sector reform, growth in CBD office space rentals will not come from public sector demand in the short term. Indeed, Wellington's challenge remains one of diversifying and deepening its economic base so that it is resilient to the inevitable swings in the fortunes of the public sector.

While officers will report back to SPC Committee in August with advice on how to proceed with overall economic development priorities for 2015, the issues of how to attract investment into the City needs to be considered now in light of the WRS review and role that the City wants Grow Wellington to play in economic development going forward – particularly in terms of what mixture of entities the City sees as best placed to deliver jobs and stimulate growth in light of the challenges facing Wellington.

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<sup>2</sup> Wellington City Council is part of the 'Core Cities' project being led jointly by Local Government New Zealand (LGNZ) and the Ministry of Economic Development (MED). The project explores the importance of cities as drivers of a country's overall economic performance and of working together to further the overall economic success of New Zealand (an 'NZ Inc' approach). The project reinforces the importance of planning for, and supporting, economic development at the city level, as well as identifying areas of strength and opportunities for collaboration across cities and regions.



### ***Bringing investment into the City***

Many cities have developed a broader “destination management” approach to their international marketing in response to similar issues around business investment, talent attraction and tourism.

In Edinburgh this involved the integration and collaboration of all key stakeholder groups and organisations involved in marketing, branding and attracting people and business to live, work and visit in Edinburgh. As a result the city has been able to take a more holistic and “cross selling” approach to marketing the city as an attractive destination not only for tourism but as a place to live, work, study, do business and invest in. The same approach was highlighted recently by Dame Judith Mayhew Jonas as something the City needs to actively consider.<sup>3</sup>

Based on the successful experience of other cities, it is recommended that a scoping exercise be undertaken to identify the feasibility and added value to be gained from establishing an entity to attract talent, investment and tourism to the City. The study should also examine the relationship between any such new entity and the activities of Grow Wellington, PWT and existing Council functions such as events promotion to ensure that institutional arrangements are optimal for growing the economy.

### ***Relationship with Grow Wellington, PWT and Council activities***

Grow Wellington’s primary focus is on exports – in other words, assisting Wellington’s businesses to expand and sell to global markets. It does not generally focus on bringing businesses into Wellington.

A city-focussed entity aimed at attracting inward investment, which is complimentary to the activities of Grow Wellington and the Council’s own activities, may be more appropriate than expanding the ambit of Grow Wellington to take on these broader functions. Wellington City, like most other local authorities in the region, has only one member (the Mayor) representing its interests on the WRS Committee and therefore in setting the strategic direction and monitoring the performance of Grow Wellington’s activities. The role of the CBD in generating wealth and jobs is only one aspect of the WRS Committee’s role and focus.

Wellington City Council already owns and funds a City promotion entity - Positively Wellington Tourism. PWT is the only agency directly tasked with promoting Wellington to the outside world, with a view to pulling investment in – but it does so with a sole focus on tourists. PWT is generally viewed to have been a highly successful venture. Since PWT’s inception – and accepting that many other organisations and individuals have contributed to the success story - tourism in Wellington has gone from a relatively small industry to one that

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<sup>3</sup> Dame Judith was Leader of the City of London for 6 years, and was in New Zealand recently as part of the World Class New Zealanders programme. She spoke about the need for Wellington to more aggressively put itself ‘on the map’, and cited models such as Edinburgh and London that had successfully integrated functions of tourism, business investment, talent attraction etc focussed on the City scale.

generates over \$1.2 billion a year in GDP. Wellington is now the number one domestic tourist destination in New Zealand.

However officers consider that it may be time to consider whether a broader focus on inward investment would better position the City for the challenges of the future, including the need to compete globally for talent and business.

#### ***5.4 Consultation and Engagement***

MJA consulted with a number of stakeholders in the course of its review, including SORT and CEG. Officers would envisage that broader consultation would occur over the coming year on the refreshment of the WRS, should the decision be made by the WRS Committee and Greater Wellington to continue with the WRS.

#### ***5.5 Financial and Long Term Plan Considerations***

The WRS and Grow Wellington are funded through a regional rate. Any financial implications arising from the proposal study into the establishment an entity to attract talent, investment and tourism to the City will be considered as part of the '2015' report back (if known at that time) and subsequently the 2012 – 2022 Long Term plan.

#### ***5.6 Climate Change Impacts and Considerations***

There are no direct climate change impacts in the consideration of the WRS Review.

## **6. Conclusion**

MJA has completed its review of the WRS, and has identified a number of issues and recommendations for the WRS Committee to consider at its meeting of 30 June 2011. Overall, the report recommends the continuation of a regional approach to supporting economic development. It includes, however, a number of recommendations designed to address governance and performance issues identified by stakeholders, based on an analysis of available performance information.

On balance, officers agree with the conclusion reached by MJA that it is worth continuing with a regional approach to the provision of business support services through Grow Wellington. We do however recommend that Wellington City Council is strongly involved in the recommended refresh of the WRS, given the CBD's role as the engine room of the region's economy.

In parallel with the recommended refresh of the WRS, officers also consider that it is timely to undertake a study to assess the desirability of establishing a city-focussed entity aimed at attracting talent, business and tourism. This is in response to issues raised in the recent '2015 economic priorities' workshop

about the importance of the CBD, threats and opportunities on the horizon and the need to ensure a healthy city economy.

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*Executive Strategy & Stakeholder Relations*

## Supporting Information

### **1) Strategic Fit / Strategic Outcome**

The recommendations in this paper support Wellington's vision to be 'an affordable, internationally competitive city'.

### **2) LTP/Annual Plan reference and long term financial impact**

The WRS and Grow Wellington are funded through a regional rate. Any financial implications arising from the proposal study into the creation of a new entity focussed on attracting business investment, tourism and talent will be considered as part of the '2015' report back and subsequently the 2012 – 2022 Long Term plan.

### **3) Treaty of Waitangi considerations**

There are no Treaty of Waitangi considerations at this stage.

### **4) Decision-Making**

This report asks SPC to agree to a set of recommendations on the future of the WRS and Grow Wellington.

### **5) Consultation**

#### **a) General Consultation**

Martin Jenkins and Associates A consultation plan will be considered following the release of the WRS review report.

#### **b) Consultation with Maori**

A specific consultation plan for Maori will be considered following the release of the WRS review report.

### **6) Legal Implications**

There are no legal implications with the report's recommendations.

### **7) Consistency with existing policy**

The paper is consistent with existing policy.