

April 2023

BACKGROUND

1. This is a submission from the Canterbury Employers' Chamber of Commerce ("The Chamber") on the Christchurch City Council ("the Council") Draft Annual Plan 2023/24 ("the plan").
2. The Chamber is a not-for-profit membership-based service organisation that has been the home and voice of business in Waitaha Canterbury since 1859. Comprised of over 2,700 members, The Chamber's purpose is to create a thriving Canterbury business community by advocating, connecting, inspiring, and empowering people. This is achieved through providing advisory and consultancy support in employment relations, human resources, health and safety, international trade, migrant support, manufacturing, research and development grants, training and development, and events to inspire, inform and educate our members.
3. The Chamber provides a voice for the local business community and to advocate for policies that will help shape and enable a local and national business environment that promotes innovation, productivity and economic growth as critical success factors underpinning a thriving economy and community. We are committed to responsible business behaviour and proactively encourage our members to engage in best business practices in relation to positive social and environmental outcomes.
4. The contents of this submission are based on insights from issues raised by members of the Canterbury Employers' Chamber of Commerce and the wider business community, in addition to our observations as a result of our longstanding relationship with the Council.
5. The Chamber would welcome the opportunity to discuss this submission with the Council and wishes to take part in an oral submission.

COMMENTARY

Council as an enabler – not enforcer – of business

6. The Chamber acknowledges that the Council has attempted to present a plan that demonstrates a balanced approach, recognising that there are continued pressures on both our business community and residents of the city. Rampant inflation, which is currently at a 30-year high, combined with a barrage of legislation that has added additional costs and compliance for business, continual supply chain disruptions and a labour market that is unable to supply a workforce to fulfil requirements have all combined to create an environment that is exceedingly challenging for business. The Chamber is not convinced that there is enough recognition and understanding of the current climate in which businesses operate, and an understanding of the role that the Council has to contribute to the improvement of this by becoming an enabler rather an enforcer which is largely how the business community and our members currently perceive the Christchurch City Council.

7. There is also a lack of recognition that local businesses are fundamental for economic growth and achieving strong community outcomes. This is demonstrated in Dawn Baxendale’s introduction in the consultation document which acknowledges that “it’s a particularly challenging time for residents” with no mention of businesses. Yet Canterbury is made up of small businesses who will this year likely be hit with a triple-whammy of residential rates increases, business rates increases and – with many small businesses and their livelihoods tied to residential properties and mortgages – higher mortgage interest rates. If our businesses fail, then employment will be impacted and livelihoods will be on the line – and our whole community will be impacted. If our businesses thrive, then so does our community. Yes, it is a challenging time for residents, it is also an incredibly challenging time for businesses and we would like to see a greater acknowledgement of this.

8. It is also concerning that there seems to be an ‘business’ versus ‘residents’ approach to the Council’s narrative, pitting businesses against residents, as with the discussion around business differentials (see more detail below), which suggests that if businesses don’t pay more, then residents will have to. We would like to see a much clearer understanding from the Council that businesses are a fundamental part of our community, and not separate to our community.

9. As we have expressed in previous submissions to the Council, we expect a commitment from the Council to take more of a role as a business enabler, rather than an enforcer, to create a more supportive regulatory environment that facilitates rather than hinders business. The Council is

largely perceived by the business community as a handbrake and installer of red tape. We would like to see this perception shift to a Council that is viewed by business as a facilitator and enabler, however this requires the Council to significantly improve its' understanding of the very real issues businesses face each and every day and the method and level of communication and decision-making processes with the business community. It requires a demonstration of understanding the pressures facing business and a willingness to help address them. We are not convinced that there is a strong understanding in Council minds and culture of the actual issues and pressures that businesses face not only from local government, but from central government also, and the significant uncertainty that businesses continue to face including rampant inflation, the tightest labour market we have seen in decades, and ongoing supply chain disruption, to name just a few of the issues they are currently facing. We only need to look across to our neighbours in Selwyn and Waimakariri to see the way these Councils are working more collaboratively with local businesses and creating an environment to attract and retain businesses to support regional growth – that could be to the detriment of Christchurch city if our local businesses choose to look elsewhere for a more enabling local council.

Capital programme

10. While we understand the wish to defer some capital programme investments and operational spend to keep rate increases down – it is imperative that there has been a thorough analysis of 'at what cost'. We don't want to get into a pattern of behaviour of deferring investment or maintenance which sees delays that could result in costing more in the long run, and compromising the Council's core services and facilities. In particular, we don't want to see drinking water, stormwater and wastewater systems, which are a critical function of local government, neglected in favour of vanity projects. It is important that these systems are not neglected – or "pushed" too far – especially as population growth and demand on these systems is set to continue.

Economic development

11. It is good to see that changes to the 'levels of service' with regards to economic development include increasing the number of employers/employment opportunities attracted to the city from 70 to 100; also that 30 city bids prepared to attract business events to Christchurch has been increased to 50. However, it is concerning that "six initiatives to support industry cluster development, including Supernodes, to support job creation and work opportunities" has been changed to "six initiatives to support industry cluster development". What are the outcomes? Where is the measurable impact? The lack of measure and therefore accountability here is concerning. Christchurch needs to be positioned as a location of choice for employers, as a

quality city to live, and as having an environment which is conducive to economic growth. Attracting and retaining our young people, business owners and operators, investors, and international events are all a critical part of our city's future and as such we would like to see quantifiable, measurable outcomes in relation to the six initiatives to supplier industry cluster development.

12. It is positive to see an investment of \$2.05 million in a coordinated effort to attract major events to Christchurch, particularly with new opportunities presented by the completion of Te Pae, and the pending completion of Te Kaha, Parakiore and so on. The Chamber has long advocated for optimising the use of these attractions and the importance of drawing significant major events to the city for maximum benefit from these major investments.
13. It is pleasing to see that the Council has continued its focus on considering more efficient ways of doing things, such as leaving some staff vacancies unfilled for 2023/24 and revisiting some of the cost-saving measures first considered when developing the Long Term Plan 2021–31. It is also expected that Council prioritises cutting wastage in their spending, which most organisations in the private sector will be doing during these challenging economic times and it should be seen that the public sector follows suit. It is important that the Council is able to genuinely show that they are significantly tightening their belts and saving money (not just delaying spending), to at least make the rises a little more palatable for businesses and residents. The Council has an obligation to all ratepayers that they receive the best return on their rates and an assurance that their contributions are being wisely spent.

Proposed rate changes

14. While it is noted that the Council faces the same inflationary pressures as every other business, and that increases of rates are less than the rate of inflation, we are not supportive of the 5.79% rate increase for a typical household and the 5.83% increase for businesses. An annual \$898.29 in additional rates for an average business may not seem like a significant amount on the surface however it is important to recognise that the cost of doing business is at unsustainable levels with compounding cost pressures coming from every direction. This includes Minimum Wage increases (up 44% since 2017); increased sick leave entitlements; the additional Matariki public holiday; the increased immigration cost of bringing international skills and talent to New Zealand; rising electricity costs; increased international air and sea freight costs; commercial insurance cost increases; and the impact of carbon unit prices doubling since the end of 2020 under the Emissions Trading Scheme. Many residential and commercial ratepayers face real difficulty and financial distress at present and our view is that Council must propose further

concrete measures to decrease expenditure. The Chamber is not advocating for no increase as the Council must continue to invest in the future.

Differential on property rates

15. We do not support the proposed increase in differential on business properties of 2.22. The consultation document states that: “At present, business properties account for 22% of the city’s capital value and pay 26% of all our total rates. To keep the proportion of rates paid by business properties the same, we’re proposing to increase their general rate differential.” This begs the question – why does the proportion need to stay the same? This argument seems to be based on the idea that if businesses don’t pay more, then residents will need to – which seems to be a flawed conclusion and creates a divide between residents and businesses. While it says that this makes “rates increases for residential ratepayers more affordable” there is no consideration that this makes ‘rates increases for businesses less affordable’. Especially when you consider that Christchurch is over-represented by small businesses and many small businesses are attached to individual properties. So there is the aforementioned triple-whammy of residential rates increases, business rates increases and higher mortgage interest rates. Not to mention inflation and higher cost of doing business and living and so on.

16. While it is positive that Christchurch currently charges the lowest business differential of all main cities in the country, we also need to ensure we are also staying competitive with neighbouring districts, such as Selwyn, which doesn’t have a business differential as they recognise and value the role that business plays in their district and their community.

City Vacant Differential

17. In previous submissions we advocated strongly against the City Vacant Differential. It is not enabling for business, and we would rather see support for central city developers to be involved in decision making and provided with incentives to develop land rather than penalising them. This is not a rate and should not be described as one; it needs to be renamed as a fine. So we definitely do not support that proposed increase to the City Vacant Differential from 4 to 4.523. Especially as the argument for the increase is only based on the need to “maintain the same gap between the business differential and the City Vacant Differential”. Why? Where is the justification for this?

18. It follows that we also do not support extending the City Vacant differential rating to the commercial areas of New Brighton, Lyttelton, Sydenham and Linwood Village. Again this is using a stick rather than a carrot to help improve the environment and stimulate activity in these

areas. It also needs to be clearly laid out how the use of this 'penalty' will be directly and fully used to benefit these areas, over and above the normal core services.

Excess Water Supply Targeted Rate

19. In a previous submission we supported the introduction of an Excess Water Supply Targeted Rate and, in principle, we support the increases in average daily allowance to 900 litres, especially as this rate could result in an estimated \$17 million in capital expenditure being deferred in the next 10 years. But the bigger concern here is not the rate itself, but how the rate is individually determined, as Council does not seem adequately set up to charge this rate in a fair and equitable way.

Potential disposal of Council owned properties

20. The Chamber is pleased to see that the Council is engaging in asset recycling and would like to see this continue at a greater scale. The Council must take the opportunity to review their ownership of assets and whether the rationale for owning each or as sole owners is still valid, particularly given the current importance of facilitating economic growth, and whether better outcomes can be achieved for the city by investigating strategic investors/partners who could add value to the assets and increase the Council's return on investment.

Conclusion

21. The Chamber would like to see a firm commitment from the Council that it recognises the acute pressures currently facing business, and a reflection of this in all aspects of the annual plan. We would also like to see a far greater effort in positioning Christchurch as an attractive and competitive city both domestically and internationally, for businesses and employers, and a greater acknowledgement of the fundamental role businesses play in the economic and social fabric of our city.

CONTACT

Leeann Watson
Canterbury Employers' Chamber of Commerce
Chief Executive
03 366 5096
027 447 7775
leeannw@cecc.org.nz