

Response to the LGC's Draft Proposal for Reorganisation in the Wellington Region

February 27, 2015



Foreword

The residents of Hutt City do not want a single Wellington Council for the Wellington and Wairarapa regions. Numerous surveys conducted in the Hutt Valley and the wider Wellington region, along with submissions made in response to the initial reorganisation application, demonstrate clearly that a single council is not supported by the residents of Hutt City. The enhanced status quo is the reorganisation option supported by the overwhelming majority of residents in the Hutt and the wider Wellington region.

Hutt City Council (HCC) has always said it will support the views of its community and we strongly favour the enhanced status quo for the Wellington and Wairarapa regions.

The Local Government Commission (LGC) has statutory obligations under the Local Government Act 2002 (the Act) to promote:

- local democracy;
- cost-effective delivery of local government services; and
- improved regional and local economic performance.

The Draft Reorganisation Proposal (Draft) for Local Government in Wellington shows that the LGC's reasoning process for local government reorganisation is deeply flawed. This is because the Draft:

- would undermine rather than promote local democracy;
- would not, in the LGC's own assessment, be the most cost-effective means of delivering local government services; and
- would not, and could not, materially change the prospects for the Wellington regional economy.

The LGC's Draft promotes a high-cost, high-risk option. There are better, smarter ways to achieve change. These smarter options include integrating the region's public transport and roading functions and, with the local community's support, establishing a separate unitary authority in the Wairarapa.

Region-wide surveys that have been carried out in 2012 and 2014 indicate a clear majority of residents support an enhanced status quo and there is little public backing for a super-city. To impose a super-city on the region against the wishes of residents is simply undemocratic and unwise.

We wish to be heard in support of this written submission.

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1. Executive summary

Hutt City Council (HCC) is seriously concerned about the implications for local democracy and the cost-effective delivery of local government services of the Local Government Commission's (LGC's) Draft Proposal (Draft).

The LGC's Draft proposes establishing a single 'super-city' for the Wellington and Wairarapa regions. The Draft lacks any hard evidence or rigorous analysis to support the proposal.

Most seriously, the LGC does not properly apply the criteria it is required to use under the legislation when assessing the options. Instead, the LGC designs its own criteria that justify its apparent pre-determined position of rolling out 'super-cities' across the country.

The LGC report is not even clear about what problems the proposed super-city is supposed to fix. The linkages between the problems the LGC identifies – e.g. ageing population, ageing infrastructure – and the solution the LGC comes up with are weak or non-existent.

The Local Government Act (Schedule 3, clauses 11(8) and 12(1) and section 10(1)) prescribes three broad criteria for assessing local government reorganisation:

- 1) democratic local decision-making;
- 2) efficient, effective, and appropriate delivery of local infrastructure, services and regulation;
and
- 3) improved economic performance.

On all three criteria the super-city fails. The LGC rewrites the local democracy criterion to remove the term 'local'¹ and the Commission's own financial analysis ranks a supercity with local boards fifth of the eight options the LGC assesses.²

The LGC's solution undermines local democracy – the local boards have limited budgets and are subservient to the governing council. If the super-city in Wellington and the Wairarapa goes ahead, almost half of New Zealand's population will be governed by two Councils. This is not local government.

The LGC seriously underestimates the likely costs of change and overestimates the benefits. The experience in Auckland clearly demonstrates the risks with a super-city. The Council's salaries and wages were projected to decline by \$100m p.a. In reality they have risen by \$90m p.a. Rates and debt are rising rapidly and the council's expenditure is out of control. In the last two years, the number of staff employed by Auckland Council earning over \$100,000 has increased by 53%.

¹ LGC – *Draft Proposal for Reorganisation of Local Government in Wellington, Volume 2*, p. 110, Section 4.96.

² LGC, *op. cit.*, Vol. 2, p. 216, Table 37.

HCC is not opposed to change, but we want smart change. We are already working closely with other councils in the region through Wellington Water, the Wellington Regional Economic Development Agency, the Wellington Region Emergency Management and a variety of other shared service arrangements.

We are also actively promoting investigation by the councils in the region of establishment of Wellington Transport – a single entity responsible for public transport and roading across the region as a whole.

HCC also supports establishing a single unitary authority in the Wairarapa, as proposed by the three Wairarapa Councils in their joint application to the LGC and as supported by the people in the Wairarapa.

Region-wide surveys that have been carried out in 2012 and 2014 both indicate a clear majority of residents support an enhanced status quo and there is little public backing for a super-city.³ To impose a super-city on the region against the wishes of residents is simply undemocratic.

HCC is in favour of permitting people in each community to determine the local government arrangements that work best for them and investigating other options for smarter governance across the region.

2. Background

2.1 Introduction

This document has been prepared in response to the LGC's Draft Proposal for Reorganisation of Local Government in Wellington. This submission evaluates the LGC's assessment and its proposals and lays out HCC's alternative preferred option.

There has been a desire for some time to improve the general performance of local government throughout the country. In 2007 a Royal Commission on Auckland Governance reported on the situation in Auckland and the best approach to local government organisation in the region. The government's response was to amalgamate the eight councils in the Auckland region. Auckland Council was established at the end of 2010 and is currently the largest council in Australasia.

Since that time there have been discussions throughout the country about possible other council mergers. In 2012 the Local Government Act 2002 was amended to introduce a new procedure for amalgamation proposals. In November 2013 the LGC released draft proposals for local government reorganisations in Northland and the Hawke's Bay. Both proposals recommended the establishment of 'super-city'-type councils in each region.

³ Refer Sections 2.2 and 8.5 for further information.

The Better Local Government reforms are an eight-point programme designed to build “a more productive, competitive economy and better public services”⁴. These reforms have only been recently implemented and the expected benefits of these changes are yet to be fully realised. As part of these changes local councils are encouraged to collaborate and engage in shared services. In recent years we have seen a significant increase in shared services and joint procurement and provision around the country.

In May, 2013 the LGC received a reorganisation application for a Wairarapa Unitary Authority submitted by a Wairarapa Governance Review Working Party. Shortly after the Greater Wellington Regional Council (GWRC) made an application in favour of a single Wellington Council for the entire GWRC region. The LGC decided to assess these two applications together. After numerous alternative applications the LGC released its preferred option and Draft Proposal in December 2014: a single Wellington Council with eight local boards covering the region from Otaki to South Wairarapa.

The LGC has statutory obligations when determining its preferred option for local government reorganisation to promote:

- 1) democratic local decision-making;
- 2) efficient, effective, and appropriate delivery of local infrastructure, services and regulation; and
- 3) improved economic performance in the local and regional economy.⁵

The Draft shows that the LGC’s assessment is deeply flawed. This is because the Draft proposal:

- would undermine rather than promote local democracy;
- would not, in the LGC’s own assessment, be the most cost-effective means of delivering local government services, i.e., it is not cost effective or efficient; and
- would not, and could not, materially change the prospects for the Wellington regional economy.

2.2 Hutt City Council background work

HCC has stated consistently throughout this period that it would consult with its communities and then advocate for the communities’ preferred option. This remains the commitment of HCC.

HCC has carried out a variety of work to gauge the desires of residents in the Wellington region and to establish the best way forward for the region in terms of efficiency and local democracy. The work conducted includes:

- a region-wide survey by Colmar Brunton (2012) on four options for governance of the Wellington and Wairarapa regions. The Hutt Valley councils participated in this process

⁴ <http://www.dia.govt.nz/Better-Local-Government>.

⁵ Local Government Act (Schedule 3, clauses 11(8) and 12(1) and section 10).

together with other local councils. Some very clear conclusions can be drawn from the results:

- by far the most strongly supported option in every district of the Wellington region was for no boundary change (58% across the region);
 - the communities in the Hutt Valley are the least inclined to support boundary change (61% support in Hutt City and 71% in Upper Hutt) and are most satisfied with current council arrangements;
 - the communities in Masterton, South Wairarapa and Kapiti are the ones most inclined to support council boundary changes of some type (>50%); and
 - there is very little support for a super-city (9% across the region); and
- a region-wide public opinion survey by Peter Glen Research (2014). The survey asked residents whether they would prefer one council in the Wellington region or unchanged Council boundaries. The results are fairly conclusive:
 - 76% of the region supports unchanged Council boundaries;
 - a mere 18% are in favour of a super-city;
 - at least 80% of the Wairarapa and the Hutt Valley regions are in support of unchanged council boundaries; and
 - the super-city option received the most support in Kapiti and Porirua but support was only 26% and 23% respectively.

HCC sought to engage with its residents and received many public submissions on the issue of council reorganisation and conducted a number of public meetings. Public feedback in both the HCC and UHCC regions on reorganisation options was strongly opposed to any super-city scenario. We expect the LGC's preferred option to receive limited community support.

On the back of research and public feedback the Hutt Valley councils have been in strong support of an enhanced status quo option that included seeking cost savings through increased shared services in the region. There have been a number of pieces of work, consultations and concerns that have informed HCC's stance on the issue of reorganisation:

- TDB Advisory Ltd (TDB) has undertaken an independent economic and financial assessment for HCC of the main governance options being considered for the Wellington and Wairarapa regions;
- the TDB report was independently peer reviewed by Greg Dwyer of Dwyer G Ltd and Peter McKinlay of McKinlay Douglas Ltd;
- NZIER economic research evaluating economic efficiency considerations in relation to councils in New Zealand with particular reference to an optimal size for councils;
- Morrison Low completed an assessment for HCC of the financial feasibility of a three unitary council model;
- the region-wide Colmar Brunton and Peter Glen surveys described above⁶;

⁶ Further detail can be found in Section 8.5 below.

- numerous public meetings and consultation with HCC residents and ratepayers that have provided a medium for public concerns to be raised;
- the unnecessary financial cost and time associated with participating in the reorganisation process;
- the concerns from other councils in the country, including those under similar pressure in the Hawke's Bay; and
- HCC's original alternative application that made a clear case in favour of an enhanced status quo. The application also included a second-choice 'multiple unitary authorities' option.

2.3 The response to the LGC's draft proposal

A process of public consultation began with the release of the LGC's proposal for the Wellington region on 4 December, 2014. The LGC has called for submissions in response to its initial draft proposal. This document discusses HCC's assessment of the draft proposal and details an alternative option for the Wellington region.

In light of the work noted above, including the surveys of its community and the financial analysis conducted by the LGC, HCC strongly favours the enhanced status quo. HCC supports amalgamation where amalgamation makes sense. The savings that can be made under a full-scale amalgamation can largely be achieved at lower cost with less risk. In particular HCC considers the evidence supports:

- amalgamating the three councils in the Wairarapa region as they are relatively small. This amalgamation could be in the form of a new territorial authority in the greater Wellington region with GWRC continuing as the regional council or the establishment of a unitary authority for the Wairarapa as appears to be supported by the councils and residents in the Wairarapa district; and
- establishing a structure that allowed the network, capital-intensive functions most likely to benefit from economies of scale to be managed and operated at a regional level. Most importantly this would include establishing regional structures for transport and the "three waters". These would preferably be stand-alone CCOs as initially suggested by HCC in its earlier alternative application (e.g. a single specialised entity for land transport for the Wellington and Wairarapa regions and a single specialised entity for the "three waters" for the Wellington region). The LGC explored in its Draft a similar option in the form of transferring functions to the GWRC but HCC considers this an inferior approach.

The LGC has conducted an analysis of the issue of reorganisation in Wellington. However, HCC has is concerned with the divergence between legislation and the assessment criteria employed by the LGC and how each option has been graded against them. The LGC fails to apply the criteria prescribed under the Act and has instead designed its own set of criteria that justify its preferred option. The evidence provided which purportedly shows gains from such an amalgamation, in excess of the savings, is not compelling.

The LGC's draft proposal is to combine all the functions of the nine councils in the Wellington and Wairarapa regions (not Tararua District) into a single council. Eight local boards would be established in an attempt to preserve some of the local decision-making that is lost by the removal of the eight current territorial authorities. HCC does not support this proposal as:

- it is contrary to the clearly stated preferences of the communities of the Hutt City area and the wider region;
- it does not preserve local democracy. HCC strongly disagrees with the LGC's assessment that the 'one Wellington Council' options, with and without local boards, are the highest performing options in terms of 'democratic (local) decision making';
- the savings that are projected in terms of cost-effectiveness or productivity gains for our communities can be achieved at lower cost and in less risky ways (as outlined in this submission and as supported by the LGC's financial analysis); and
- the problems with the Wellington region as presented by the LGC are either non-existent or are not best resolved by the creation of a Wellington super-city.

The LGC considered a number of options in its Draft. This submission largely focuses on two options: the LGC's preferred option of One Wellington Council with local boards and HCC's preferred option of 'Stronger Regional Delivery'.

2.4 The purpose of local government

The fundamental purpose of any reorganisation of local government must be the promotion of good local government.

Section 10 of the Act defines the purpose of local government as two-fold:

"(a) to enable democratic local decision-making and action by, and on behalf of, communities"; and

"(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses."

HCC, with the support of the people in its community, does not believe this purpose is best achieved by large-scale amalgamation in the region. HCC supports an enhanced status quo where the benefits of change can be pursued through integration of capital-intensive network functions and other shared services arrangements and local democracy can be preserved with the territorial authorities remaining in place. In contrast, the super-city proposal by the LGC would represent a significant backward step by undermining democratic local decision-making in the Wellington and Wairarapa regions. The potential benefits of the high-cost, high-risk option can be realised through less extreme and less disruptive measures.

3. What is the problem?

The perceived problem the LGC is seeking to address is not clear. The LGC's draft proposal identifies some areas of apparent concern such as regional coordination and decision-making issues, a poor-performing Wellington economy, long-term demographic changes and required asset renewals. There are serious questions on each of these issues about whether they really are a problem and, if so, whether amalgamation is the appropriate answer.

Wellington is a vibrant city. The 2014 Quality of Life survey rated Wellington as the number one place to live in the country based on residents' responses. The 2013 census indicated that Wellington had the most highly educated workforce in New Zealand. The city regularly receives high ratings from internationally respected commentators.⁷

The LGC's Draft Proposal, however, quotes selectively from a BERL report to seek to demonstrate that the Wellington economy is performing poorly. The LGC's Volume 1 bluntly states:

“In the ten years to 2013, Wellington Region performed worse than the national economy on all indicators except employment growth and business unit growth.”⁸

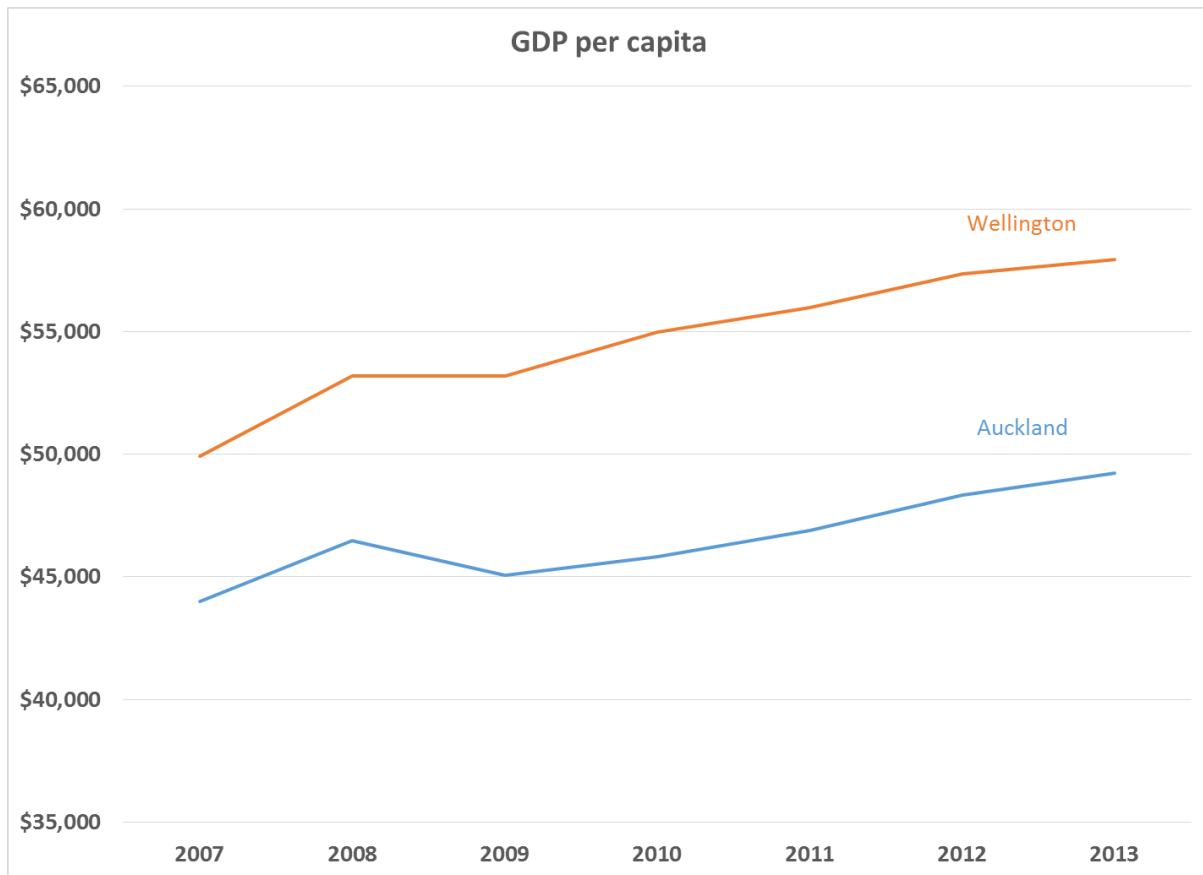
It is not till Volume 2 that the caveat that BERL puts on its statement that “the difference is marginal” is noted.⁹ To the extent that Wellington's performance has been below average at periods is largely due to cyclical reasons (e.g. reflecting different central governments' preferences for increasing or decreasing government spending) and measurement issues (Wellington is largely a services-based economy and productivity improvements in services, while very real, are notoriously difficult to capture in macro-economic statistics).

Further the economic indicators BERL uses in its assessment are partial in themselves. Most notably BERL does not refer to the official Statistics NZ data on regional GDP. The graph below presents the relative economic performance (as measured by GDP per capita) of the Wellington and Auckland regions over seven years for which official Statistics NZ data is available (2007 to 2013).

⁷ For example, the BBC recently rated Wellington as one of the five “hottest” cities in the world, Vogue magazine recently called Wellington the “coolest little city in the world”. In Lonely Planet's 2011 'Best in Travel', Wellington was named the fourth best city in the world and “it might just be the best little capital in the world.”

⁸ LGC, op cit., Vol. 1, p.8.

⁹ LGC, op.cit., Vol. 2, p.32.



The official Statistics NZ regional GDP data show that:

- Wellington's GDP per capita (\$58,000) is higher than the national average (\$48,000) and higher than Auckland's (\$49,000);
- Wellington's total GDP has grown slightly slower than Auckland's over the past seven years (3.3% p.a. vs 3.5% p.a.); while
- GDP per capita has grown faster in Wellington than in Auckland (2.5% p.a. vs 1.9% p.a.).

HCC agrees there is scope for further regional co-ordination. However, much progress has been made and the LGC acknowledges this. The LGC accepts there is a relatively high level of co-operation between the councils in the Wellington and Wairarapa regions already. For example:

- the Wellington councils share water services, from collection to delivery;
- a combined Wellington Region Economic Development Agency has been established;
- there is an integrated emergency management plan and office; and
- there are numerous other examples of shared services such as the Silverstream and Spicer landfills; animal services etc.

Wellington is not a suffering region in need of change and the LGC acknowledges that: “on balance the case for change in Wellington is not as compelling as it was in Auckland”¹⁰. The main area where better co-operation is needed is roading and public transport. HCC considers the creation of a Wellington Transport CCO is the most effective means of integrating these activities across the region. Running specific council functions and assets at arms-length by CCOs (as has been successfully done with Wellington Water) maximises the benefits of economies of scale and commercial practices. Smart and targeted amalgamation where it makes sense is the answer for the Wellington region. Wholesale amalgamation is a costly, risky and ineffective way to achieve these same aims.

On the region’s infrastructure the LGC is simply scaremongering when it asserts that the region has an unfunded bow wave of aged water reticulation, storm water and sewage infrastructure. The fact is that Wellington Water, the regional water entity, manages a steady programme of replacement and upgrading pipes as required based on examination of their condition. This issue is discussed in section 8.3 below.

Moreover, the LGC does not explain how an amalgamated council could any better afford the costs of replacement if there was an aged infrastructure problem. The LGC is saying that \$1769m+ will be required to cover the costs of pipe replacements over the next thirty years. It is suggested these replacements are largely unbudgeted. However, the Commission reports a renewals and replacement budget of \$587m¹¹ which only applies to the next 10 years of replacements. The Commission disingenuously presents a 10-year budget alongside a 30-year asset renewal requirement.

It is not clear in the Draft how the amalgamation of local and regional councils into a provincial-level authority can or will address the issues which the LGC motions in its Draft as needing a solution.

4. Relevant requirements of the Local Government Act 2002

The Act requires the LGC to identify the reasonably practicable options given the following criteria:

Schedule 3, Clause 11 requirements – Commission to determine preferred option

“(5) The Commission must be satisfied that any local authority proposed to be established or changed under a reasonably practicable option will –

(a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers; and

¹⁰ LGC, op. cit., Vol. 2, p.227

¹¹ LGC, op. cit., Vol. 2, p.69

(b) have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and

(c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest; and

(d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.”

If the LGC identifies two or more reasonably practicable options the Act provides clear criteria for the Commission to follow when determining its preferred option.

Schedule 3, Clause 12 requirements – Promotion of good local government

“(1)the Commission must be satisfied that its preferred option -

(a) will best promote, in the affected area, the purpose of local government as specified in section 10; and

(b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include -

(i) efficiencies and cost savings; and

(ii) productivity improvements, both within the local authorities and for businesses and households that interact with those local authorities; and

(iii) simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.”

The purpose of local government is defined in Section 10 of the Act:

Local Government Act 2002, Section 10 — Purpose of local government

“(1) The purpose of local government is—

(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.”

In Section 10(2) “good quality” is defined as efficient, effective and appropriate to present and anticipated future circumstances. These are the criteria provided in the Local Government for the LGC to follow when determining its preferred option for local government reorganisation.

The sections quoted above clearly specify the three broad criteria that the Commission should use when determining its preferred option for local government reorganisation. Its preferred option must, in summary:

- 1) promote democratic local decision-making;
- 2) promote efficient, effective, and appropriate delivery of local infrastructure, services and regulation; and
- 3) facilitate improved economic performance in the affected area.

A discussion of the evaluation criteria used by the LGC can be found in detail below. HCC is particularly concerned with the evaluation process in that the criteria used by the LGC departs from that specified in the legislation. Rather than using the three statutory criteria the Commission omits key words from the legislation (as noted in section 6.1 below) and adds additional criteria (as discussed in section 5 below).

5. The LGC’s proposal

In December, 2014 the LGC released its draft proposal for reorganisation of local government in Wellington. The Commission considered the following ‘reasonably practicable options’:

- “The status quo” as required by legislation;
- “Stronger regional delivery” which would retain the eight current territorial authorities and the regional council. However some functions requiring a regional focus would be transferred from the territorial authorities to the GWRC to achieve greater regional coordination;
- “Enhanced local efficiency” which would be achieved by the amalgamation of some combination of the existing territorial authorities;
- “One Wellington Council with local boards” as initially proposed by GWRC in its application to the LGC. All nine councils currently in the greater Wellington region (with the exception of Tararua District) would form a single unitary authority with eight local boards established; and
- “One Wellington Council with no local boards” as described in the previous option but without the introduction of local boards in the region.

These options were assessed against the following criteria:

1. “Communities and issues”;
2. “Democratic decision-making”;
3. “Improved provision of core services”;
4. “Achieving the objectives of other legislation”;

5. “Improved economic performance”; and
6. “Overall savings and cost of transition”.

The Act, as described in Section 4 above, defines three broad criteria against which to assess the reasonably practicable options. The LGC, however, has constructed its own criteria that justify its preferred option of a single Wellington council with eight local boards. It proposed that this ‘Greater Wellington Council’ take over the assets and responsibilities of all nine councils currently in the region:

- Kapiti Coast District Council;
- Porirua City Council;
- Wellington City Council;
- Hutt City Council;
- Upper Hutt City Council;
- Masterton District Council;
- South Wairarapa District Council;
- Carterton District Council; and
- Greater Wellington District Council.

These nine councils would become a single unitary authority. The proposed Greater Wellington Council would have 21 council members and one mayor elected at large. The eight local boards would have a combined elected membership of 60. The LGC considers this option “to best deliver stronger regional planning and decision-making, while preserving strong local representation and community focus”¹².

The process the LGC followed to arrive at its preferred option and the assumptions it made, however, were deeply flawed.

5.1 The “reasonably practicable options”

The LGC found that any reorganisation that transferred regional responsibilities to a new authority comprising of the three existing Wairarapa districts would not meet the ‘reasonably practicable option’ test in the Act. As a consequence any, and all other reorganisation options under which the Wairarapa would be a unitary authority also failed the ‘reasonably practicable option’ test.

HCC believes the LGC has mistakenly rejected a single Wairarapa unitary authority when this option clearly meets the legislative criteria of being a reasonably practicable option. The basis for this conclusion is provided in the joint submission to the LGC from Hutt City Council, Carterton District Council, Masterton District Council and South Wairarapa District Council. The joint submission concludes “that a separate unitary authority in the Wairarapa clearly meets the statutory criteria for being a reasonably practicable option. There is no credible reason to believe a single Wairarapa unitary authority would lack the resources necessary to function effectively. Moreover, the evidence indicates

¹² LGC, op. cit., Vol. 1, p.4.

a single Wairarapa unitary authority would be an efficient size; would promote allocative and dynamic efficiency (as it would be unlikely to receive a cross-subsidy from Wellington); would serve a distinct community; and its water catchments are physically separate from those in Wellington. A separate Wairarapa unitary authority should therefore have been included by the LGC in its assessment of its potential reorganisation options. Moreover, as a single unitary in the Wairarapa is a practical option, the other options for unitary authorities in the Wellington region (the so-called “multiple unitary authorities” options) should also have been assessed as practicable options.”

6. The Commission’s assessment criteria

Rather than following the process prescribed in the Local Government Act (Schedule 3, clauses 11(8) and 12(1) and section 10(1) as described above), the LGC creates the following six criteria for determining its preferred criteria:

1. communities and issues: considers how well an option gels with established communities of interest in the region and how effectively current and future needs and issues can be met;
2. democratic decision-making: considers how effective community engagement, representation and participation would be under each option;
3. improved provision of core services: considers how effectively services suited to local provision and regional provision would be delivered to the community under each option;
4. achieving the objectives of other legislation: specifically, how well does an option fit with central government objectives in relation to the Resource Management Act 1991 and the Transport Management Act 2003;
5. improved economic performance: considers the impact on the efficiency of the economy in the Wellington region arising from local government reorganisation, productivity improvements and simplified planning processes; and
6. overall savings and cost of transition: compares the financial costs and savings of each option.

Below we work through each of the Commission’s criteria given this is how it presents its assessment. However, this was not the correct way for the LGC to carry out its evaluation and this is a set of criteria that has been conveniently constructed by the LGC. The Act describes three broad criteria (as noted in section 4 above) and this submission addresses the legislative criteria in Section 7 below, directly after discussing the LGC’s work.

6.1 The ‘local democracy’ criteria

The first part of the purpose of local government is “to enable democratic local decision-making”. The LGC has two criteria against which its reasonably practicable options are assessed in this regard:

- communities and issues; and
- democratic decision-making.

Democratic decision-making

The first 'local democracy' criterion evaluated is 'democratic decision-making'. HCC's first and most important concern with this assessment is the LGC's removal of the word 'local' from this section. The first line in the Commission's draft proposal of this section is the following: "democratic decision-making by and for communities is at the heart of the purpose of local government"¹³. The first part of the quoted sentence is taken almost directly from Section 10 of the Local Government Act 2002 but the word 'local' has been omitted.

Previously in the Draft, when discussing the legislative requirements, the Commission misquotes the Act:

"(8) The purpose of the local government is—

*(a) to enable democratic decision-making by, and on behalf of, communities"*¹⁴

The Act actually reads (our emphasis):

"(8) The purpose of ~~the~~ local government is—

*(a) to enable democratic **local** decision-making **and action** by, and on behalf of, communities"*

There are three mistakes in this misquote of the legislation. The legislation is critical and directly affects the decision the Commission is evaluating. Local democracy, council efficiency, and improved economic performance are the three broad criteria the LGC should be using to assess the reasonably practicable options. To alter one of these key criteria from "democratic local decision-making" to simply "democratic decision-making" materially changes the meaning of the criterion and colours the entire evaluation. The scale of the error is the equivalent of mistaking a discussion about local government for one about government more generally.

As a result, HCC believes the assessment in this section is fundamentally flawed. The term 'community' is interpreted in its broadest sense by the LGC and the discussion it provides is a more general one about wider democracy in the region and effective decision-making on regional issues. There is almost no discussion about local decisions that affect sub-sections of the greater Wellington region (the smaller "communities of interest") or local voice and how smaller communities have an effective means of being heard.

In addition, the omission of "action" allows the LGC to ignore its responsibility to consider democratic local action. The ability to act locally and implement decisions that are made locally is severely compromised under the super-city model. For many important decisions approval would be required

¹³ LGC, op. cit., Vol. 2, p.157.

¹⁴ LGC, op. cit., Vol. 2, p.110.

from the governing body before local action could be taken. Not only do the present territorial authorities and their councillors allow local voices to be heard, they enable action to be taken. A local board with limited power would not be an adequate substitute. The LGC has not followed the criteria as described in the Act and has failed to accurately assess the options in terms of local democracy.

There are, of course, issues that are regional in nature and there are times when the region-wide community needs to be addressed. It is important that decisions are arrived at democratically and there is an effective means of enabling this. However, there are also numerous issues that are local in nature and a small, affected community of interest needs to be able to have its voice heard. The removal of the term 'local' from the title of this criterion incorrectly shifts the entire focus of the LGC's assessment.

The Commission concludes its assessment of "democratic decision-making" with the following:

"Balancing the different dimensions of democratic decision-making, the Commission has concluded that overall the option of establishing One Wellington Council with local boards performs the best The Commission considers that this option provides the best way of:

- *strengthening the ability to address the significant future issues Wellington faces (those issues are predominantly regional in scale and require a regional response)*
- *aligning decision-making with the community that is most directly impacted by or interested in the decision, by providing for enhanced regional level decision-making while retaining local level democratic decision-making*
- *reducing dependence on collaboration between councils in order to be successful*
- *providing Wellington with the potential for strong leadership and advocacy and the share of voice nationally and internationally that will be important for it to be successful."*¹⁵

It is important to note that every one of these reasons for preferring One Wellington Council is focussed, at least in part, on a regional concern of some description. What about the democratic **local** decision-making that the Act expressly requires the LGC to promote? What about issues exclusively affecting the communities of the Wairarapa or Kapiti Coast? The Commission proposes that they have two councillors each on a 21-member Wellington Council. The local communities could appeal to a local board with a limited budget and limited power. But, as is discussed in section 8.1 below, the local boards are very poor replacements for territorial authorities with legal powers to rate, borrow, regulate, employ and generally act on behalf of the community. This is the kind of 'local democracy' that needs to be considered and preserved and this is the kind of local democracy that the LGC has overlooked.

On the LGC's criterion, however, the 'One Wellington Council' options outscore all other options in the LGC's assessment. HCC considers the LGC's assessment so misguided that its evaluation is largely

¹⁵ LGC, op. cit., Vol 2, p. 169. The final bullet point (that we explicitly omit from this quotation) addresses Māori participation. This is an important and distinct concern and we discuss this issue separately in section 8.4 below.

irrelevant. The claim that a super-city is the best-performing option in terms of local democracy simply cannot be taken seriously.

Communities and issues

The 'communities and issues' section ostensibly addresses the issue of how to best structure local government in the region in a manner best aligned with the existing communities of interest. The LGC recognises there is a significant degree of interaction across the region in terms of travel, commerce and leisure activities. HCC does not believe the community that represents the entire Wellington and Wairarapa regions is the only community of interest in the region and certainly not the only one we should be concerned about. Indeed the LGC's discussion of the Wairarapa recognises that the people in the Wairarapa consider themselves a distinct community of interest in their own right. There are many smaller, more local communities throughout the region and simply because there is a lot of interactions between these communities does not merit that local governments across the region should be amalgamated.

Throughout the 'communities and issues' section in the Draft the discussion veers from one of aligning local government structures with the communities of interest in the region to one that focuses on efficiency and the effective provision of services. The latter are undoubtedly important issues, but they are covered in great detail in a number of the other assessment criteria discussed below. The misguided focus of the LGC on the "communities and issues" criterion leads the Commission to conclude "the One Wellington Council options are both considered to be better than the other options". Some of the reasons the LGC prefers the 'One Wellington Council' options are because they provide:

- "the greatest scope to address the issues that constrain the performance of the current councils";
- "the greatest scale and the best ability to deploy the region's resources";
- "the greatest scope to deliver the focus necessary to lift Wellington's global and national competitiveness";
- "the greatest scope to invest to realise the productive capability of the Wairarapa"; and
- "the greatest scope to avoid duplication and align planning and investment".

HCC does not dispute these are important issues, but the LGC's discussion about communities of interests and the issues that affect them is very much conflated with a discussion of council performance, efficiency, competitiveness, productivity and simplified planning processes. These are issues widely explored in other assessment criteria and the nature of the discussion leads to a very misleading score allocation. The 'Stronger Regional Delivery' option receives -1 from the LGC on this criterion while the One Wellington Council with local boards scores +5.

Local boards do not have the capacity to effectively represent local communities like territorial authorities can. Local boards cannot raise rates; cannot own property; cannot raise debt; have no regulatory decision-making powers; and have very limited budgets. The LGC goes into great detail

about how a super-city might improve concerns facing the region as a whole but largely overlooks the negative impact a super-city is likely to have at the local level on our local communities of interest.

The two criteria masquerading as an assessment of how the options perform in terms of ‘local democracy’ shift the discussion towards efficiency and performance and concerns that are almost exclusively regional in nature. These discussions lend themselves to placing the ‘One Wellington Council’ options in a favourable light, but they overlook very important concerns: the variety of communities of interests in the region, the very different preferences that characterise these communities and the need to enable and preserve their involvement in local decision-making. The Commission has failed to even correctly quote legislation on this issue and its assessment of democratic *local* decision-making is misguided and totally inadequate.

6.2 The ‘efficiency’ criteria

The LGC created two distinct criteria that it uses to evaluate the reasonably practicable options in terms of efficiency:

- ‘improved provision of core services’ is evaluated qualitatively; and
- ‘overall savings and cost of transition’ is evaluated quantitatively.

Financial analysis

The LGC has conducted a useful cost-benefit analysis of the reasonably practicable options in an attempt to quantify the costs and benefits associated with change. The LGC engaged the services of McGredy Winder & Co, Brian Smith Advisory Services (Smith), Stimpson & Co (Stimpson), and Deloitte. The analysis conducted by Stimpson provides a summary comparison of the options.

The LGC presents the costs, net present values (NPV) and payback periods of the “reasonably practicable options” as assessed by Stimpson.¹⁶ We present the results of the analysis, with the options ranked in order of their net benefits, as assessed by the LGC, below.

Option	Net benefits (NPV, \$m)	Payback period (years)	Transition costs (\$m)
Stronger Regional Delivery	199	5	129
One Wellington Council (no boards)	154	7	209
One Western TA	143	5	95
Three Tas	136	6	179

¹⁶ LGC, op. cit., Vol. 2, p.216, Table 37.

One Wellington Council (with local boards)	58	9	210
One Hutt Valley TA	8	10	52
One Wair, one HV plus WCC, PCC, KCC	7	12	84
One Wairarapa TA	-13.7	25	32

In its original Draft the LGC made a significant error in its estimates of the costs of change. The two 'One Wellington Council' options, including the LGC's preferred option, had been costed incorrectly with the LGC under-reporting the transition costs by around \$25m.

In terms of NPV, the LGC's preferred option – one Wellington Council with local boards - is only the fifth best option out of the eight options reported in the LGC's Table 37. It wasn't until many weeks after the release of the Draft that NPV figures for two of the options above were even reported. With Table 37 complete and corrected the LGC's preferred option is a clear fifth.

One Wellington Council with local boards has an NPV of \$58m. This places it well behind the 'Stronger Regional Delivery' option with an NPV of \$199m, as well as the 'One Wellington Council without local boards' (\$154m), 'One Western Territorial Authority' (\$143m) and 'Three Territorial Authorities' (\$137m) options.

Unfortunately, far greater cost must also be incurred in order to generate the relatively small \$58m in present value savings. The LGC's preferred option has the highest transition costs of the options presented - an upfront cost of \$210m is required in order to gain the relatively small, future, unknown benefits. The updated figures indicate the LGC's preferred option, One Wellington Council with local boards, has an NPV of less than 30% of the Stronger Regional Delivery option.

HCC's concerns are exacerbated by the fact the LGC's preferred option is a high-risk one. If the transition is more complicated or slower than expected or costs are somewhat higher than planned under a single council then this \$58m in savings is liable to disappear. This is a great deal of risk (the most of any option) to incur for a relatively small future benefit. Two key areas of concern from the Auckland Council experience (discussed in detail in Section 8.6 below) have been the budget blowout on the delivery of new IT projects and the ballooning wage bill despite promises of large savings in staffing costs.

In the LGC's draft proposal IT costs make up the bulk of transition costs while savings in personnel costs account for the majority of benefits. These are the very issues that Auckland Council has failed to deliver on its promises: cost overruns in Auckland are now expected to reach \$100m on just one of its IT projects which will also arrive 12 months late and the past financial year's personnel spend overran the budget by \$50m. The likelihood of experiencing cost overruns or not realising potential savings increases with the scale of change and the degree of risk. The LGC have recommended the riskiest and most expensive option available to them.

Due to the high transition costs the LGC's preferred option has a relatively long payback period of nine years. However, our replication of the Stimpson data suggests the region would not see a positive return until during the tenth year following the transition. 'Payback period' is a fairly crude financial metric typically used in shorter term projects to determine how quickly an investment can be recouped. It is therefore typically calculated based on nominal dollars. However, in the case of a nine-year payback or longer it isn't appropriate to equate a dollar paid out today with a dollar saved in nine years' time.

A payback period of nine years in nominal dollars is misleadingly optimistic. If we consider the payback period in discounted dollars then Wellington will be waiting 14 years to realise the expected financial benefits of the LGC's proposal. And that is only if everything goes perfectly to plan with no cost overruns and all potential benefits realised. If costs are higher than planned or some savings are not realised then we can expect this payback period to be even longer.

The table below presents a sensitivity analysis of how NPV may fall and the payback period increase if IT costs are higher than expected, the potential personnel savings are not fully realised or a slightly higher discount rate were used.

Sensitivity test	Unchanged	IT costs +25% in years 4 & 5	IT costs +50% in years 4 & 5	25% personnel costs 'not saved'	50% personnel costs 'not saved'	Discount rate 8%	Discount rate 9%
NPV (\$m)	58	34	10	16	-25	44	27
Payback period (undiscounted)	10	11	12	12	14	10	10
Payback period (discounted)	14	16	19	18	20+	15	16

The base case scenario as estimated by Stimpson has an NPV of \$58m and a discounted payback period of 14 years. If IT costs increase by 25% or 50% the NPV quickly drops to \$34m and \$10m respectively and discounted payback periods increase to 16 years and 19 years. In Auckland savings in personnel costs were projected by the Auckland Transition Agency to be around \$100m per annum and yet wage bills have actually been well above budget and are currently \$90m above pre-amalgamation levels. If half of the personnel savings are not realised then the entire change will no longer be NPV positive. The Wellington region will be significantly worse off with a single council if some of these savings are not realised or, as was the case in Auckland, wage costs end up higher than would otherwise be the case.

The LGC's own financial analysis supports the 'Stronger Regional Delivery' option. This option is defined as "a modified status quo involving the transfer of particular statutory obligations from territorial authorities to the Greater Wellington Regional Council"¹⁷. This is the option with the highest NPV and the shortest payback period. It is essentially the preferred option supported by HCC in its

¹⁷ LGC, op. cit., Vol. 2, p.117.

original submission. It appears the LGC's own analysis is also in support of this option at least in terms of the financial return – the network capital-intensive functions are moved to a regionally coordinated body with other council functions, including current territorial authority structures, left as is, i.e. this is the 'enhanced status quo' option. The only difference is one of implementation: HCC proposed regional CCOs and stand by that mechanism as its preferred option, while the LGC model a scenario where these functions become divisions of the regional council. HCC will explore its preferred option in greater detail in Section 9 below.

Qualitative analysis

The overall savings and costs of transition are discussed in detail in the section above. The cost-benefit analysis attempts to quantify the costs and benefits of each option and we see that the LGC's preferred option does not perform favourably on this measure. It is clearly the riskiest and most expensive option, and there is a very large transition cost to incur in order to generate savings that are merely the fifth highest in NPV terms.

The remaining efficiency criteria attempts to assess in qualitative terms very similar issues: the expected cost-effectiveness of each reasonably practicable option. The LGC recognises the importance of regional provision for network-based, capital-intensive functions such as the three waters, public transport, and solid waste. For each of these services, 'one Wellington Council' and 'Stronger Regional Delivery' are stated as the preferred options as they include regional integration and decision-making.

On water, wastewater and stormwater "the One Wellington Council and Stronger Regional Delivery options offer more benefits than the Enhanced Local Efficiency options"¹⁸. On public transport "the options that provide the greatest scope for improvement are the One Wellington Council and the Stronger Regional Delivery options"¹⁹. On solid waste "the Stronger Regional Delivery or One Wellington Council options, would be better than either the status quo or arrangements involving the formation of multiple unitary or amalgamated territorial authorities"²⁰.

One Wellington Council is the LGC's preferred option for roading and natural hazard management. However, the Stronger Regional Delivery option should include a regional approach for provision of roading and transport services and there is already a co-ordinated approach to emergency management across the Wellington region. We discuss our recommended approach to managing roading and public transport in Section 8.7 below and believe it can be carried out successfully without the need for full-scale amalgamation. Therefore HCC maintains that the 'Stronger Regional Delivery' option performs on par with the 'One Wellington Council' options on the provision of all of the local government services with a required regional focus addressed above.

This section in the draft proposal goes on to touch on a host of other services such as recreation, parks, library services, building consents, prostitution, liquor licensing, gambling, dogs and other bylaws.

¹⁸ LGC, op. cit., Vol. 2, p.172.

¹⁹ LGC, op. cit., Vol. 2, p.176.

²⁰ LGC, op. cit., Vol. 2, p.177.

Most of these issues seem very much local-community oriented although the LGC concludes the ‘One Wellington Council’ and ‘Stronger Regional Delivery’ options are the preferred options:

“All of the “reasonably practicable options” provide scope for scale and managerial economies in the delivery of regulatory activities. The extent of the possible benefits vary from being quite moderate for the merger of the Wairarapa territorial authorities through to the greatest scope with the One Wellington Council options and the Stronger Regional Delivery option.”²¹

And yet somewhat inexplicably the entire “improved provision of core services” evaluation is concluded with the following:

“The Stronger Regional Delivery option would result in a reduced ability to deal with current local issues. This is primarily because it would provide less ability to deal with local place-shaping and related regulatory issues. This would be offset in part by the opportunity to deliver activities at a greater scale, but this too would be limited by the fact that regulatory activities other than for building and resource management would stay with the territorial authorities.” “In the opinion of the Commission, the best option is One Wellington Council with local boards because it enables core services to be governed at the local level while still enabling the skills and capacity of a larger organisation to be tapped into.”²²

The ‘Stronger Regional Delivery’ option is given a score of +1 while the ‘One Wellington Council’ options are given scores of +4 (without local boards) and +5 (with local boards). In addition, a number of other options are given scores of +3 and +2 despite ‘Stronger Regional Delivery’ continually being assessed as on par with the ‘One Wellington Council’ options. This scoring seems wilfully disingenuous given the assessment conducted throughout the section.

HCC agrees there are some benefits resulting from the regional provision of capital-intensive network-based services. However, the Draft overlooks the potential negative impacts on those local government functions best suited to provision at the local level. The LGC states that concerns with local government performance raised during the consultation process largely surrounded council functions that are regional in nature; very few concerns were raised regarding local services. The councils are likely to be performing well in these areas. It may sound enticing to reorganise the region to solve one problem, but it is a waste of time if it simply creates a host of new problems. For example, as mentioned in the report there is the risk that a larger council results in “the introduction of new and more expensive tiers of management”²³.

The LGC’s report spends little time addressing how its preferred option will perform on these local issues. The report largely glosses over this concern with an intense focus on regional issues. In October last year all 21 local boards in Auckland signed a letter to the Mayor with complaints of being “stifled” and “ignored” and having cuts in funding for local priorities. It should not be presumed that because

²¹ LGC, op. cit., Vol. 2, p.186.

²² LGC, op. cit., Vol. 2, p.188.

²³ LGC, op. cit., Vol. 2, p.202.

the LGC's preferred option includes eight local boards that all the current good work by councils will simply carry on undisturbed under the proposed super-city structure.

HCC believes there is strong justification for 'Stronger Regional Delivery' and 'One Wellington Council' to perform similarly well on regional issues. However, the 'Stronger Regional Delivery' option has a much stronger case on local services and cost efficiency. Overall we should expect 'Stronger Regional Delivery' to outperform 'One Wellington Council'. The LGC's financial analysis supports this qualitative conclusion.

6.3 Improved economic performance

A principal criticism of the LGC's proposal is that the proposed super-city will have no more, and no less, ability in principle to influence the economic efficiency of firms and households in the region than the councils it would replace. The Draft asserts that amalgamation provides the greatest ability to focus on ways to lift the region's national and global competitiveness. There are three things wrong with this assertion:

- the region already does well in key measures such as incomes per capita, rates of business formation, high tech, and non-traditional exports;
- a number of key drivers of economic growth and development are beyond the control of local government – local government's sphere of influence is relatively limited; and
- in those areas where councils can affect regional economic performance there is no evidence to suggest that council size per se is of any importance; it is the policies and practices the councils adopt, regardless of their size, that matter.

Councils can act as a 'handbrake' on certain kinds of development with material environmental effects, but councils have no power or influence over national-level policies which influence the direction of the economy. For example, councils have no control over:

- the currency exchange rate;
- monetary policy settings and financial regulation determining the price and availability of financial capital;
- policies relating to immigration;
- policies relating to education, training and higher education;
- policies relating to research and development;
- policies relating to trade and tourism access;
- industrial policies;
- labour market regulation; and
- income taxation and the taxation of goods and services.

What councils can do is limited to spatial planning, some part of infrastructure provision, public transport, some environmental policies, building consents and the liveability of urban areas. These issues can have an important influence but the difference between an 'enhanced status quo' and a super-city will be very marginal. Councils can and do run programmes to attract new residents and

new businesses. However, these are small influences at the margin of decisions by firms where they locate, and by people where they want to live.

Thus it is not credible for the LGC to assert that amalgamation can have any materially different effect on the economic and demographic destiny of the region than the current territorial authorities can have. Councils can have the power to influence the regional economy but this is largely a result of the policies it chooses to adopt, not a function of the scale of its operations.

The LGC's assessment does not predict a large difference between the 'Stronger Regional Delivery' option and the 'One Wellington Council' options on this measure although they are both expected to significantly outperform the status quo: the LGC's evaluation scores the 'Stronger Regional Delivery' option and the LGC's preferred option similarly, +3 and +4 respectively.

The key area where a single council stands out as having the potential for significant improvement is in terms of simplified planning processes. Multiple long-term plans, annual plans, audit fees, infrastructure strategies and other requirements can be reduced to those of a single council. However, the larger the council the more complex and expensive these requirements become. Auckland again provides us with good reason to hesitate: although the previous plans from multiple councils have been reduced to a single document, the draft Auckland Unitary Plan (plus appendices) is more than 7000 pages long. In addition, tens of millions of dollars will be spent creating the Auckland Unitary Plan. Merely reducing the number of plans does not necessarily mean planning processes become simpler or cheaper. In fact, having one unitary plan is likely to lead to 'one-size-fits-all'-type approaches as seen in Auckland and this is often inappropriate over a large, diverse area.

6.4 Other legislation

The remaining criterion, 'achieving the objectives of other legislation', seems out of place considering the criteria in the Act. Considering this issue may be of interest but the Act prescribes three broad criteria and this is not one of them: to assess this criterion in a way that indicates it is an equally important consideration in the decision process is concerning. The LGC's preferred option outperforms all other options on this assessment which likely leads to the preferred option being overvalued in the overall evaluation.

The idea of government working to make changes that support and complement one another is a positive one. However, central government and local government have very different roles to perform. We should expect at times, some tension between local peculiarities and national policies and these issues can likely be best managed by councils that have a close relationship with the local communities.

6.5 Summary

The Act prescribes three broad criteria against which to assess local government reorganisation. The Commission has chosen to construct its own criteria instead and in the case of "democratic local decision-making" it has chosen to rewrite legislation.

The “improved provision of services” addresses cost-effective performance and efficiency in qualitative terms. ‘Stronger Regional Delivery’ performs somewhat worse than ‘One Wellington Council’ but HCC maintains there is good reason to consider these two options at least on par in this qualitative assessment. In the LGC’s quantitative assessment the ‘Stronger Regional Delivery’ option clearly outperforms the ‘One Wellington Council’ options with NPVs of \$199m and \$58m respectively.

In terms of ‘local democracy’ the Commission’s discussion is largely misguided. The assessment criteria prescribed by the Act is inexplicably redefined as “democratic decision making” rather than “democratic **local** decision making”. Local territorial authorities are better placed to address local issues than a region-wide super-city will be whether or not it has local boards in place. For the ‘One Wellington Council’ options to so drastically outscore the ‘Stronger Regional Delivery’ option is indefensible. The Commission’s assessment is not aligned with legislation and its conclusions are largely incorrect or irrelevant.

In terms of improving the performance of the local and regional economy there is so much beyond the control or jurisdiction of local councils. In those areas they can influence ‘Stronger Regional Delivery’ and ‘One Wellington Council’ options perform similarly and there is little reason to expect council size per se to be of particular importance in this regard.

Where the Commission has quantified costs and benefits the LGC’s financial analysis indicates ‘Stronger Regional Delivery’ is the standout performer while the Commission’s preferred option ranks a distant fifth.

7. The legislative criteria

The Local Government Act prescribes the three broad criteria that should govern how the LGC determines its preferred option when considering local government reorganisation:

- 1) democratic local decision-making;
- 2) efficient, effective, and appropriate delivery of local infrastructure, services and regulation; and
- 3) improved economic performance in the local and regional economy.

7.1 Democratic local decision-making

Local councils must perform a number of functions. Some of these services are best suited to provision at a regional level as they are large, capital-intensive services that benefit from scale economies such as roading and the three waters. However, many services local councils provide are performed at the local level by front line staff responding to local concerns. Many issues facing communities are not regional concerns; they are relatively small issues best dealt with by an authority close to and intimately aware of the local community.

HCC council recognises that some services should be performed regionally and there are reliable mechanisms for achieving this without resorting to a super-city. Regional collaboration, CCOs and the regional council can all achieve effective coordination at a regional level. It is important that an issue affecting the greater Wellington community can be dealt with in the appropriate manner. Although there is a great deal of economic and social interdependence across the greater Wellington region this does not mean a super-city is necessarily best for the region. There are many council services best suited to provision at the local level and many local issues affecting one of the numerous communities of interest within the wider region.

Smaller councils are closer to their constituents and are more likely to effectively and promptly respond to local needs and preferences. It would be far more difficult for a super-city to tailor services and service levels to different parts of the community. Although local boards provide the semblance of “local decision making” they are poor replacements for territorial authorities: they have limited budgets and limited power. Key decisions affecting local communities will be best made by people intimately engaged with local concerns and experiencing the day-to-day issues the community is facing.

A larger council will contain more levels of management, will be more bureaucratic, have fewer elected councillors and create distance between those in power and those that elect them. Elected representatives will naturally have less time for individuals in the community and the council is likely to become less approachable, less transparent and less accountable. These are all issues a super-city will face and they represent a loss of local democracy.

One way in which residents and ratepayers can exercise their decision making power is to express their preferences with their feet. With eight local authorities currently in the Wellington region residents can conceivably relocate within the region relatively comfortably if they are unhappy with a council’s policies. A close proximity to family, friends and work can be maintained while moving between local territorial authorities. Amalgamating the region largely removes this option from residents.

The LGC’s attempt to assess this criteria is weak and misguided. They simply disregard all the important local issues councils attend to on a daily basis. This oversight largely stems from the fact the LGC chose to quote legislation by removing the word “local”. The LGC is very quick to point out the benefits of economies of scale and regional co-ordination. However, the Commission also implicitly assumes that a super-city will not have a negative impact on “local decision-making” and has no real regard for potential diseconomies of scale. Some council functions are suited to regional delivery, but many services are not and the Commission overlooks this issue. Having almost half the country governed by two councils is not the answer to local democracy.

There can be little doubt that the ‘Stronger Regional Delivery’ option best enables local democratic decision-making. In 2012 the majority of residents in the region were against amalgamation. At the end of 2014 the majority of residents were still against amalgamation. If a majority of ratepayers and residents in an area do not support the LGC’s proposal then it is undemocratic to impose it on them.

7.2 Efficient, effective, and appropriate delivery of local infrastructure, services and regulation

The Draft asserts there will be benefits from standardisation, scale and managerial economies. However both theory and practise strongly suggest this outcome is unlikely. The Commission's own adviser, Brian Smith Advisory Services Limited, states²⁴:

"Although it appears counter-intuitive there is no indicative trend that the bigger councils have a lower corporate staff to total staff ratio than smaller councils. One would have thought that Carterton would have a high ratio as there would be a minimum level of corporate resource needed to support council activities. However their ratio is 9% with corporate staff obviously multi-tasking in different functions. Conversely there appear to be no economies of scale at the other end of the scale with Wellington City showing 402 corporate FTEs, which was 27% of the total council FTEs at 30 June 2013."

The promise of such economies is a headline-grabbing slogan that is unsupported by any analysis undertaken by the LGC. The fact is that many local government services do not display economies of scale in their delivery. Apart from network services which, due to lumpiness and indivisibility of investment, do display a level of economies of scale (but are also susceptible to periods of excess capacity) most local government services are delivered by front-line staff responding to individual requests or carrying out routines.

From the 1980s, information technology has increased the span of control of supervisors from about 1 in 4 to roughly 1 in 10. As information technology capable of eliminating many middle manager tasks, like collecting and presenting operational information, improved, managers found they could use fewer middle managers to supervise subordinates carrying out front-line tasks. These gains from flattening organisational structures have occurred, and the gains are 'banked', so are not available to be repeated. Even if there was potential within the antecedent councils for more trimming of middle management, this could occur anyway without a need for amalgamation.

A related flaw in the Draft is that it overlooks the effect of span-of-control in hierarchical organisations as they expand. In such organisational structures, expanding the footprint (the number of front line staff) also expands the number of layers of management (in the '*adminisphere*') because of span of control limitations. These span of control issues are directly the reason why Auckland Council now employs 1000 more staff on salaries above \$100,000 than the 700 employed previously by the combined antecedent councils.

²⁴ Brian Smith Advisory Services, *Report On Corporate Overhead Costs Of The Nine Councils In The Wellington Region*.

The Commission makes light of the costs of amalgamation over and above the costs of maintaining business as usual services to the public. Limitations on the span of control is an important effect that undermines the Commission's assertions about possible economies from council amalgamation.

HCC strongly favours an enhanced status quo with the creation of CCOs as a means of creating stronger regional delivery of council services. CCOs are a preferred option over transferring responsibilities to the GWRC as they:

- have a proven record of effectiveness that is already accepted by councils, including the GWRC, around the region, e.g. Wellington Water and more than 20 other CCOs in the greater Wellington region;
- will not lead to even greater disharmony between GWRC and the territorial authorities as the transferring of responsibilities to the regional council is likely to cause;
- allow for the continuing existence of territorial authorities to manage local council services in each area; and
- expose council service provision to commercial practices and scrutiny which encourages efficiency, constraining of costs and best-practice operations.

There are some benefits to be gained from amalgamation but these can be realised in far less expensive and less risky ways than proposed by the LGC. Targeted amalgamation while maintaining the existing territorial authorities is the answer. The LGC's own financial analysis supports this conclusion: the 'Stronger Regional Delivery' option has a net present value of \$199m with a transition cost of \$129m. In contrast, the LGC's preferred option of 'One Wellington Council with local boards' is expected to have a net present value of \$58m with a transition cost of \$210m. The differential in favour of the 'Stronger Regional Delivery' option is hard to argue with. The LGC attempts to construct a strategic case and qualitative assessment to support its preferred super-city option but this relies on misinterpretations of the legislation. The 'Stronger Regional Delivery' option is a clear favourite.

7.3 Improved economic performance in the wider economy

The LGC's proposal asserts that the Wellington region is performing poorly and that a super-city will be able to solve a number of wider, regional concerns that are largely beyond the direct jurisdiction of local government. HCC considers both of these claims to be incorrect.

The region already does well in key measures such as incomes per capita, rates of business formation, high tech, GDP per capita growth and non-traditional exports.²⁵ The LGC paints a misleadingly bleak picture of the region that is not warranted based on official statistics.

In addition, the scope of local government's jurisdiction is relatively limited. Councils can play an important role in consenting, some environmental policies, infrastructure, spatial planning and urban design but a number of key economic drivers are beyond the control of local government. There is

²⁵ The performance of the Wellington economy is discussed in greater detail in Section 3 above.

also no evidence to suggest that the most effective policies for supporting the local economy are likely to come from very large councils. In fact, the reduction in contestability resulting from a large-scale amalgamation may even hamper local government policy innovation in the long term.²⁶

The Commission cannot reasonably assert that a super-city will naturally result in outcomes that better enhance the region's economy. Local government can only have a limited impact on economic performance. In the areas that it does impact, effective policy design and best practice lead to beneficial outcomes for the economy; it is not the scale of council operations that matters.

8. Other concerns

8.1 Local boards

Under the LGC's proposal local boards are seen as preserving local democracy. However, the local boards would have very little power relative to the Councils they would replace.²⁷ In particular, local boards would have:

- no ability to raise rates, other than from minor local revenue sources;
- no ability to own property;
- no ability to raise debt;
- no regulatory decision-making powers; and
- very limited budgets. In Auckland, for example, the combined budgets of all 21 local boards accounts for less than 15% of Auckland Council's budget and even then the boards have little discretion over the use of their budgets.

Even on matters of local bylaws the local boards' powers would be restrained. The local boards would be able to identify and develop local bylaws and propose to Council but it is the Council that makes the final decisions.

Two examples can be used to illustrate the limited decision-making powers of the local boards:

- in relation to swimming pools, the super-city Council would decide how many swimming pools there are and where they are located. The local board may decide what hours a pool is open; and
- in relation to heritage policy, the super-city Council would decide policies (such as whether heritage listing is compulsory) and which properties would be listed in the Unitary Plan and a local board may identify possible heritage sites (which Heritage New Zealand does anyhow).

The Council may decide to allocate decision-making responsibility on a range of local issues (e.g. in the development of local plans) but the local boards' decisions are subject to the Council's ultimate

²⁶ These issues are discussed in more detail in Section 6.3 above.

²⁷ Refer Schedule C of the draft proposal.

control. Further, all such delegated powers are able to be revoked by the Council if it chooses. Under Section 48R of the Act dissatisfied local boards can, however, apply to the LGC for a binding determination on a dispute they have with the governing body. This hasn't been used and it is very unclear how it would work and how the LGC might rule.

The weaknesses and tensions inherent in the local board model have come to a head in Auckland with all 21 Boards writing to the Mayor expressing their dissatisfaction with their roles and responsibilities.

8.2 Political voice

The Draft refers to the need “for the whole region to enhance its representation, advocacy and political voice”²⁸. A regional political voice matters in areas where national government provides funding or regulates the provision of local government services. The key area where this is important is in roading and public transport. HCC and the LGC agree that roading and public transport should be managed at a regional level and we discuss our proposal for doing so in Section 8.7 below. However, there are far simpler and less risky ways of realising the benefits of regional integration without the costly exercise of amalgamating all nine councils. Having a single voice to lobby NZTA and central government on behalf of Wellington's roads is not a sufficient justification to amalgamate all nine councils.

Wellington as a region has not lacked the ability to influence national government in such key areas as:

- providing funding for upgrading suburban rail infrastructure and replacement vehicles; and
- providing funding for upgrading state highways, including the transmission gully expressway.

A case is not made for where and how an amalgamated council could or would do better than has already been the case. By and large national government funding in such areas as transport is criteria-based for assessing the priority that is given to projects. The Commission appears to believe that a 'halo' would attach to a super-city mayor that would enable him or her to override government processes through lobbying.

8.3 Infrastructure concerns

The LGC is simply scaremongering when it asserts that the region has an unfunded bow wave of aged water reticulation, storm water and sewage infrastructure. The fact is that Wellington Water, the regional water entity, manages a steady programme of replacement and upgrading pipes as required based on examination of their condition.

The LGC is concerned that the ability of some current territorial authorities to fund future asset renewals may be in question under the current local government structure. The LGC are saying that

²⁸ LGC, op. cit., Vol. 1, p.5.

\$1769m+ will be required to cover the costs of pipe replacements over the next thirty years. It is suggested these replacements are largely unbudgeted. However, the LGC reports a renewals and replacement budget of \$587m²⁹ which only applies to the next ten years of replacements. The LGC disingenuously presents a 10-year budget alongside a 30-year asset renewal requirement. This is not an indication that there is a major funding deficit.

The LGC also suggests that almost 50% of water pipes and 40% of wastewater pipes are in need of replacement across the region. These numbers are presented by MWH in a report on asset conditions across the region and they are very misleading as presented in the LGC report. MWH's assessment of poor-quality pipes is defined as "asbestos cement pipework or other 'poor to very poor' condition pipework". It is incorrect that all asbestos pipework is in poor to very poor condition. It is also incorrect that 50% of water pipes and 40% of wastewater pipes are in need of replacing. Perhaps this is the case over the next 30 years but only 1%-2% of pipework needs replacing at the moment and these replacements are being carried out.

Moreover, the Commission does not explain how an amalgamated council could any better afford the costs of replacement if there was an aged-infrastructure problem.

8.4 Māori participation

The LGA 2002 requires councils to promote iwi/Māori participation in decision making. The Resource Management Act 1991 (RMA) requires councils to provide for the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga. There is no single approach nor are there mandated guidelines on how these requirements are to be achieved.

By and large there are good relationships between the existing councils in the wider Wellington region and iwi/Māori. From time-to-time differences of opinion will occur but with the goodwill and respect for each other that exists these differences are able to be resolved at a local level.

The proposal for a Māori Board and a Natural Resources Management Committee (Te Upoko Taiao) would appear to give much greater power to iwi/Māori. For the representatives chosen there would be much greater span of influence but at the cost of relationships where it matters – at the local (hapu) level.

Hutt City Council believes the new committees under the proposed amalgamation puts current developments at risk.

The reasons are:

- it could be attacked as effectively a material constitutional change, formally imposing a higher level of decision influence by unelected representatives;

²⁹ LGC, op. cit., Vol. 2, p.69.

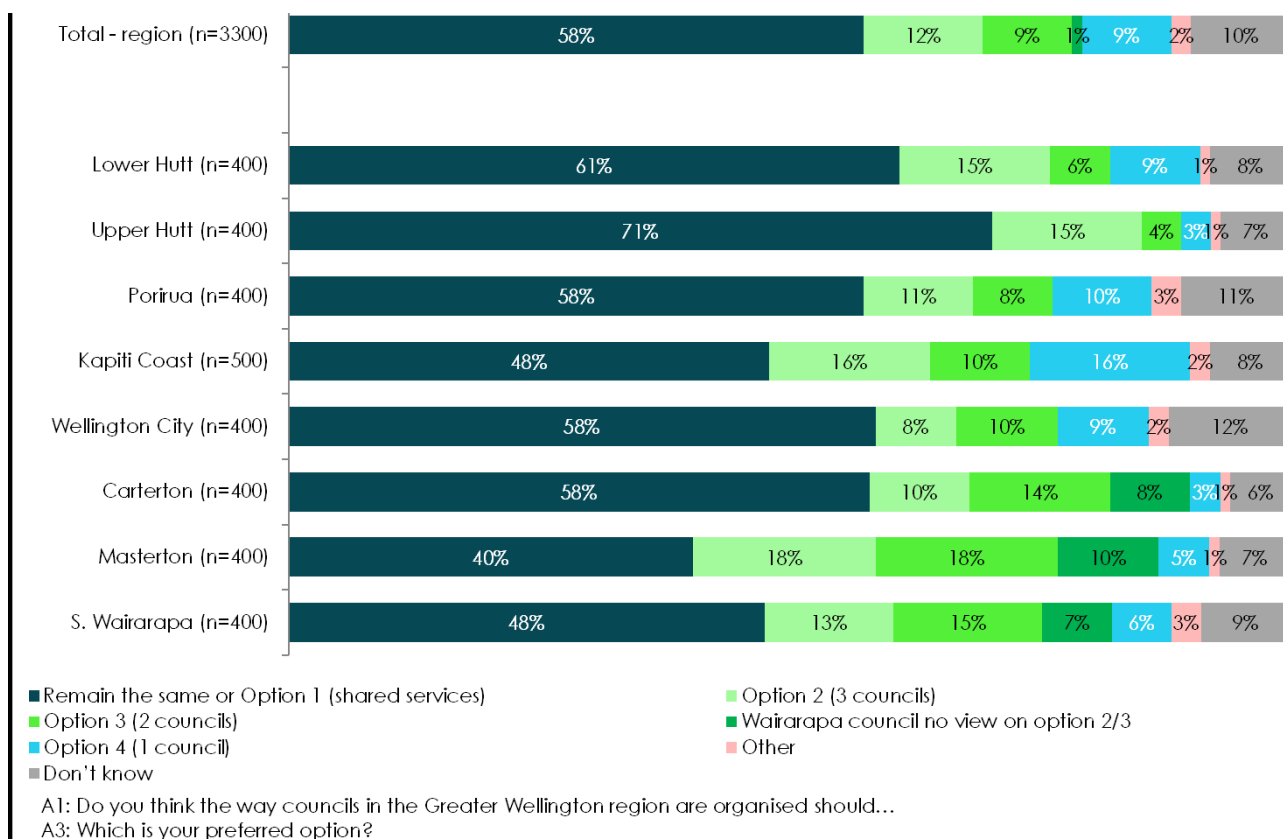
- Hutt City has been developing its relationships without material controversy. Trust is accumulating through experience. We have been able to do that at our own pace, and evolving mechanisms that suit the people we are dealing with. The proposals would supercede that;
- the LGC claims the draft proposal “*offers the greatest potential for Māori to participate in decision-making because it best aligns with iwi and hapū levels of decision-making*”. We think this misjudges current arrangements, and mis-describes the effect of the proposed changes. Current arrangements between existing councils and iwi operate at a local level. In most cases that would better align with iwi and hapū levels of decision-making;
- local boards are unlikely to have the powers or budget to maintain the current relationship structures. Because they will not have decision power, local Māori will be obliged to channel their concerns up through the new top level bodies. Local practical responses to issues are likely to be subordinated to region-wide policy and political pressures;
- the proposed new region-wide committees might give more power to a few elite representatives, but at the same time effectively reduce the practical influence of the local people we have been dealing with, unless they happen to end up in a significant faction in the new region wide; and
- the new committee structures have not been explained to voters, and to people generally. They were curiously omitted from the LGC’s summary presentation mailed to households, comparing current numbers of representatives, and those under the proposal. There is a significant likelihood that it will get adverse attention when people wake up to the costs, as well as the power a Māori Board and a Natural Resources Management Committee would wield. Hutt City recognises that this could assist in the defeat of the amalgamation proposals in the referendum that is likely. But we do not want to risk the backlash against our current cooperative arrangements.

8.5 Community support

Two key regional surveys have been carried out prior to the LGC’s draft proposal being released that provide a clear indication of public support on the issue of local government reorganisation:

- a region-wide survey conducted by Colmar Brunton in 2012 on four options for governance of the Wellington and Wairarapa regions; and
- a region-wide public opinion survey by Peter Glen Research carried out in 2014. The survey asked residents whether they would prefer one council in the Wellington region or unchanged Council boundaries.

The results of the Colmar Brunton survey are reported in the LGC's Draft³⁰ and are reproduced below.

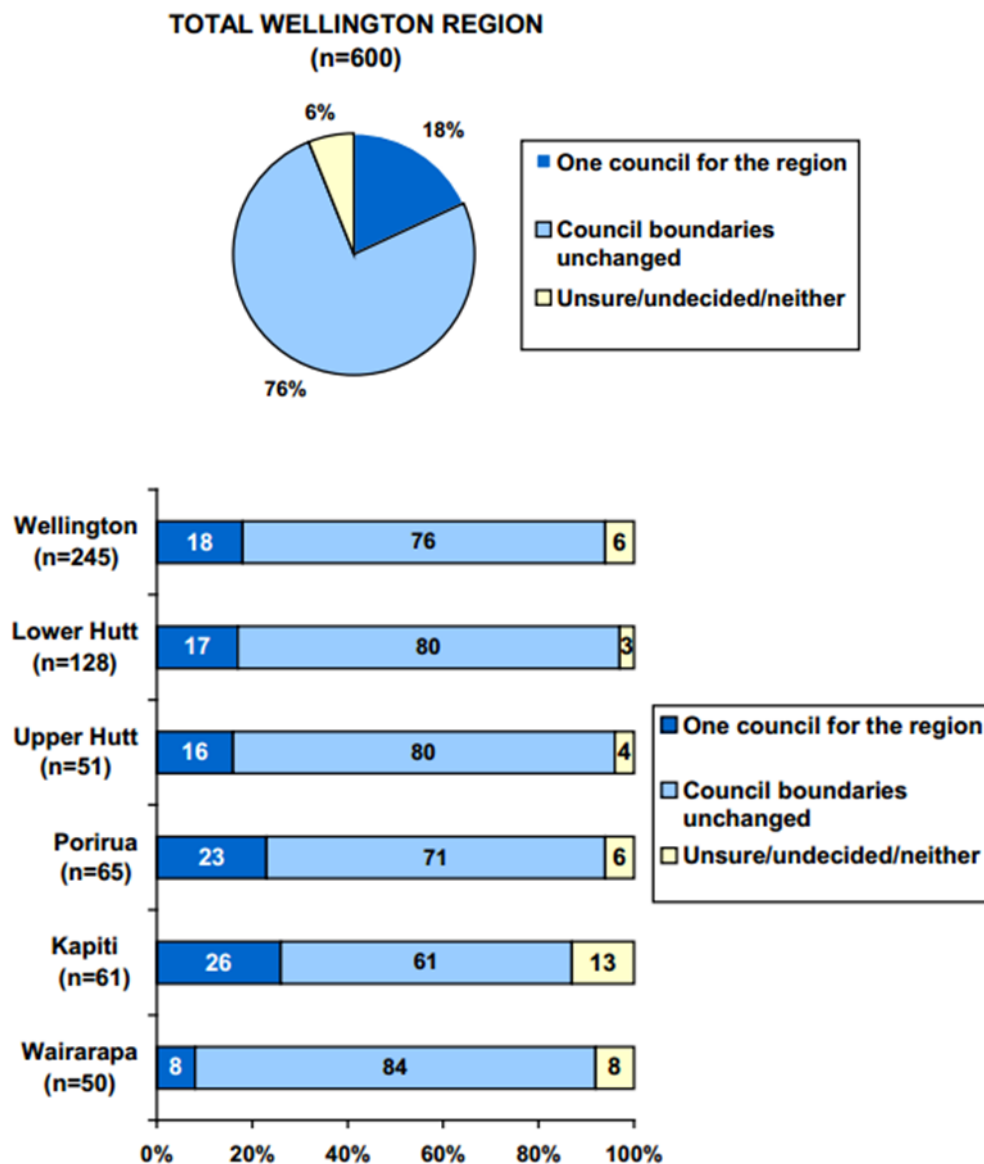


Some clear conclusions can be drawn from the results:

- by far the most strongly supported option in every district of the Wellington region was for no boundary change. Across the region as a whole the choice for no boundary changes has 58% of the vote;
- the communities in the Hutt Valley are the least inclined to support boundary change and are most satisfied with current council arrangements. HCC is committed to supporting the desires of its community;
- the communities in Masterton, South Wairarapa and Kapiti are the ones most inclined to support council boundary changes of some type. However, much of the support for boundary change in the Wairarapa is in favour of the creation of a Wairarapa unitary authority. The support specifically for a super-city is lower than the regional average; and
- there is very little support for a super-city with a mere 9% of the region voting in favour of a single Wellington Council.

³⁰ LGC, op. cit., Vol. 2, p. 99

The surveys for the Peter Glen research were carried out over two years after the Colmar Brunton data was published. Over this timeframe there was significant debate on the issue.



The results are fairly conclusive:

- 76% of the region supports unchanged Council boundaries;
- a mere 18% are in favour of a super-city;
- at least 80% of the Wairarapa and the Hutt Valley regions are in support of unchanged council boundaries; and
- the super-city option garnered the most support in Kapiti and Porirua but support was only 26% and 23% respectively.

Even in the region most strongly in favour of a super-city (Kapiti) a mere 26% of residents were in support of this change. If a majority of ratepayers and residents in an area do not support the proposal, as is the case in Wellington, then it is undemocratic to impose it on them.

8.6 Auckland

Auckland Council was established in November 2010 taking over the functions of the seven territorial authorities and the regional council in Auckland. Over four years on and we are beginning to see some warning signs.

International local government experience suggests that amalgamations are often characterised by underestimated transition costs and overestimated cost-savings; this is exactly what we have seen in Auckland. In Auckland, one IT project expected to cost \$70m is now likely to arrive 12 months late and \$100m over budget. The Auckland Transition Agency had hoped that personnel expenses would fall by \$100m p.a. and staff numbers reduce by 1,200. However, four years on from these predictions we now see staff numbers are the same as those employed by the previous eight councils and personnel expenses are up (not down) by \$90m. The number of staff paid at least \$100,000 p.a. has risen by a drastic 53% in the past two years alone. In the 2014 financial year the wage bill was \$50m above budget.

Debt is ballooning above earlier projections with Auckland Council shelling out more than \$1m a day in interest payments. The long-term debt position has been revised upwards a number of times and is now expected to reach almost \$13b by 2022. There have been significant rates increases throughout the region and these are not expected to slow down. Eight straight years of 3.5% p.a. increases in rates on average are expected in the future, with residential ratepayers facing even higher increases. Spending cuts were required to avoid these increases blowing out further. In the coming year, 95,000 ratepayers will experience rates rises of between 10% and 20% while a further 27,000 will have increases in excess of 20%.

These are simply not signs of an amalgamation that is benefiting the region and generating savings for its ratepayers. There was some hope that simplified planning processes may benefit the region; in some instances this may be happening. However, while an amalgamation may reduce the number of long-term plans, annual reports, and duplicated reporting requirements in the region, the sheer size of Auckland Council has led to increased complexity. For example, the draft Auckland Unitary Plan is more than 7000 pages long, will take years to finalise and will cost tens of millions of dollars to complete.

In addition there is growing dissatisfaction with Auckland Council from rural areas. There has been an application to the LGC from North Rodney seeking separation from Auckland Council. This application is currently before the High Court.

As a super-city Auckland will be realising the benefits of regional coordination where that matters, but those benefits are lost amongst all the other problems and expenses associated with large-scale amalgamation.

8.7 Wellington Transport

The LGC Draft criticises current regional decision-making because it relies on collaborative decision-making and action between multiple councils. “These collaborative processes have not been sufficiently successful to date for Wellington to be able to rely on them to meet the challenges of the future.”³¹ Without conceding the point entirely, because the examples given by LGC relate to decisions on roading and airports that require central and local government alignment, many of the issues raised in the LGC Draft could be solved by establishing a statutory regional transport authority on the model of Auckland Transport.

Land transport is the single biggest activity requiring region-wide coordination for efficient delivery. Special attention is warranted to the organisation of land transport planning and delivery. Moreover responsibility for the delivery and funding of the region-wide transport network is shared between local, regional and national government, as is its regulation. Land-transport planning is a critical element of the overall spatial planning process. Currently aspects of land-transport planning and delivery are split across the nine councils within the Wellington region. Land transport is especially complex, because of its linkages, the differing modes of transport (public and private), the impact on other spatial planning, long timeframes, and the frameworks in which it is planned and funded. It is also the function of local and regional government that is most capital intensive and technically complex.

Land transport also stands out as a significant exception to the general rule that most local public services are labour intensive. Land transport planning and delivery across an urban region is an established model overseas in metropolitan areas with both single city-wide administration and multiple local authorities.

In the Auckland context, a solution to the planning and delivery of transport services that has been in effect since 1 November 2010 has been a Regional Transport Authority called Auckland Transport. Auckland Transport is a Council-Controlled Organisation (CCO) of Auckland Council that combines the transport functions of the former local and regional councils and the Auckland Regional Transport Authority. It carries out all transport functions and operations for Auckland and is responsible for all of the region’s transport services (excluding state highways and rail track) from roads and footpaths, to cycling, parking and public transport (rail, bus and ferry services).

Wellington Transport would combine the functions currently carried out by GWRC and include ownership of public transport assets and provision of public transport services and local roads and on and off-street parking. Wellington Transport could be established under statute. Following the Auckland Transport model:

³¹ LGC, op. cit., Vol. 2, p. 16

- Wellington Transport could have a Board of up to eight voting members, including up to two elected Councillors. The New Zealand Transport Agency would be able to nominate a further non-voting member;
- Wellington Transport would be accountable to the Wellington and Wairarapa councils who appoint the board and govern it as a Council Controlled Organisation (CCO) under the Local Government Act 2002;
- legislation could make the Wellington and Wairarapa councils jointly responsible for setting the strategic direction for the Wellington transport system through the Wellington Regional Land Transport Strategy and in providing funding to Wellington Transport. Alternatively Wellington Transport might have the power to levy differential rates (as GWRC currently does to fund its share of public transport subsidy costs³²); and
- Wellington Transport would be responsible for the management and control of Wellington's local roads and public transport system, including responsibility for preparing the Wellington Regional Land Transport Programme.

In many respects, Wellington Transport could be a model that emulates Wellington Water that manages the water, storm water and wastewater assets of the councils in the west of the region.

The region's transport system essentially comprises valley-based local networks connected by main highways and railway lines (north island main trunk (NIMT), the Wairarapa line and suburban lines to Johnsonville, Melling and Waterloo). The major regional transport linkages to the north (SH1) and east (SH2) follow the same routes as the railway corridors (with significant tunnels on both the Wairarapa line and the NIMT line).

The main highways are the responsibility of NZTA, as is the legislative framework and funding arrangements under which public transport via buses and trains are provided under the auspices of GWRC.

There is a case for combining local roading into Wellington Transport. The main benefit would lie in a consistent approach to spatial planning where transport solutions are affected.

Establishing Wellington Transport would not affect the Wellington Regional Land Transport Programme which would continue to prioritise and bid for national funding of regional transport activities under the Land Transport Management Act. The Programme must be consistent with the Government Policy Statement on Land Transport Funding and the Regional Land Transport Strategy prepared under the Land Transport Management Act. The Regional Land Transport Programme serves as a comprehensive programme for all transport activities funded by the Wellington councils.

Wellington Transport could become the local road-controlling authority and assume the majority of the transport-related powers of a local authority under the 1974 and 2002 Local Government Acts,

³² Currently around 65 percent of public transport subsidy costs is recovered from ratepayers in Wellington City under a differential rating system which emulates a 'phantom' congestion charge.

the Transport Act 1962 and the Land Transport Act 1998. Wellington Transport could have the required authority powers of a network utility operator under the Resource Management Act 1991, and responsibility for public transport under the Public Transport Management Act 2008.

Wellington Transport could also be responsible for transport bylaws that are necessary for the management of local roads and public transport.

8.8 Catchments

In its Draft proposal, the LGC sets out an explanation of the topographical features of the region in the following words:

“... the region has four areas running roughly parallel along a northeast-southwest axis:

- the Kapiti Coast, a narrow strip of coastal plain running north from Paekakariki
- the rough hill country of the Rimutaka and Tararua Ranges which are the southern end of the North Island fault system with Wellington City and the Hutt Valley located in the coastal valleys and plains at the southern end of these ranges
- the more undulating hill country of the Wairarapa around the Ruamahanga River, which becomes lowland flats in the south, leading down to the wetlands around Lake Wairarapa
- the rougher hill country toward the east of the Wairarapa.”³³

The LGC goes on to say on: “the major topographic features of the region also define its water catchments (Figure 3).³⁴

³³ LGC, op. cit., Vol. 2, p.24.

³⁴ LGC, op. cit., Vol. 2, p.25.

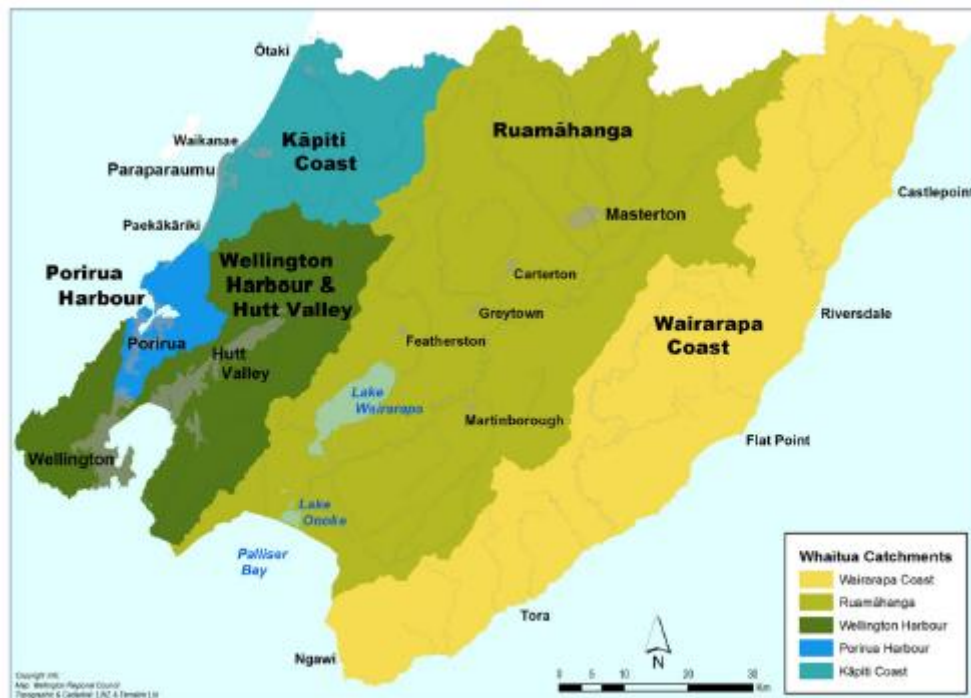


Figure 3: Wellington Region major catchments

Source: Greater Wellington Regional Council

What Figure 3 above demonstrates is the LGC's own analysis shows there is no incompatibility between the arrangement of catchments in the region and HCC's alternate proposal for four unitary authorities. The four unitary councils option proposed aligning water catchments in the following ways:

- there is a catchment directly aligned with the Kapiti Coast Council proposed by this model;
- there is a catchment directly aligned with the Hutt Valley council proposed by this model;
- there is catchment directly aligned with the Wairarapa council proposed by this model;
- the current boundary between WCC and PCC is not geographically distinct and is removed by this model; and
- while the Wellington harbour would be surrounded by two councils, this is far from unusual in New Zealand and around the world. The model provides for a simple and effective structure to manage harbour related issues.

Currently there are two councils involved in the management of each water catchment area, except for the Hutt Valley, where there are three councils, and the Wairarapa, where there are four councils. Under the four unitaries model the only waterway that would not be entirely within the boundaries of a unitary authority would be the small Pauatahanui Stream which rises in the Belmont Hills (Hutt unitary) and empties into the Pauatahanui Inlet of Porirua Harbour (Wellington unitary).

This refutes what the LGC Draft says about the 'multiple unitary authorities' options:

"Some of the proposals for multiple unitary authorities would have resulted in the division of responsibility for the management of major river and catchment systems. Options which

*divided responsibility for the management of the Hutt River and its catchment, for example, would not provide for effective management of water or the risk of flooding. These options could not therefore be considered to be “reasonably practicable options”.*³⁵

It also has relevance to the subsequent paragraph relating to the management of water discharging into Wellington Harbour.³⁶ Currently four councils and the Department of Conservation (DoC) have responsibilities for discharges to the harbour and coastal management. Under the proposed unitary authorities model there would be two councils and DoC.

9. Our preferred option

In HCC’s initial submission to the LGC its position was as follows:

“The residents of Hutt City do not want a “super city”. Surveys and submissions demonstrate clearly that the enhanced status quo is supported by the overwhelming majority of residents in the Hutt.

Hutt City has always said it will support the views of its community and we strongly favour the enhanced status quo for the Wellington and Wairarapa regions.

As part of the enhancements to the status quo, Hutt City supports:

- *amalgamating the three small councils in the Wairarapa region and the establishment of a unitary council for the Wairarapa as proposed in the Wairarapa district councils’ application; and*
- *establishing a single specialised entity for land transport for the Wellington and Wairarapa regions and a single specialised entity for the “three waters” for the Wellington region.*

Hutt City does not support amalgamation of other councils in the greater Wellington region as there is no compelling evidence that there will be gains from these amalgamations. Further change will, however, inevitably impose significant social and economic costs and lead to losses of local democracy.”

In the time that has passed since HCC’s initial submission to the LGC and in light of the unfolding Auckland Council experience, further consultation with the public and the LGC’s draft proposal, HCC maintains its position that the enhanced status quo is its preferred option for the Wellington region. The process through which regional provision of capital-intensive council services is achieved is an

³⁵ LGC, op. cit., Vol. 2, p.135, Section 5.97.

³⁶ LGC, op. cit., Vol. 2, p.135, Section 5.98.

important difference but the underlying premise of HCC's 'enhanced status quo' and the LGC's 'Stronger Regional Delivery' option is very similar. HCC however, strongly favours the creation of CCOs.

The legislation is clear there are three broad criteria that the LGC should evaluate its options against in the event of local government reorganisation – local democracy, cost-effectiveness and economic performance. The LGC has chosen to construct its own set of criteria that support its preferred option.

The LGC has rewritten legislation and removed the "local" from "democratic local decision-making". This reinterpretation of legislation allows the LGC to score its one Wellington Council options most highly on the issue of "democratic decision making". However, the enhanced status quo is clearly preferable over a super-city in terms of local democracy. A super-city simply cannot be justified on this criterion. Reducing nine councils to one, allowing each region to have a limited voice on a 21-member Council and setting up local boards with limited powers and budgets do not promote 'local' decision-making. New Zealand is already highly centralised and the creation of a Wellington super-city will mean almost half the population of the country is governed by just two councils.

On cost-effectiveness the LGC's analysis is clear: its preferred option ranks a mere fifth out of eight. The LGC's preferred option has the highest transition cost (\$210m) and only has an expected NPV of \$58m. This is a relatively small reward for the LGC to recommend taking on the most expensive and highest risk option it considered. The problem is exacerbated as various local government amalgamations around the world indicate that cost savings are often overestimated and costs of transition are often underestimated. In Auckland we have seen a \$70m IT project blow its budget by \$100m and it is expected to arrive 12 months late. We have also seen promises of \$100m p.a. in personnel savings failing to materialise and instead 2014 wage bills are \$90m above pre-amalgamation levels.

The LGC's 'Stronger Regional Delivery' option – the option closest to the enhanced status quo - is the best-performing option on the LGC's financial analysis with a NPV of \$199m. This conclusion is in line with the New Zealand and international evidence: there is some benefit to amalgamating very small councils and specific capital-intensive, network-based functions. However, beyond that there is little evidence to suggest wholesale amalgamation is beneficial.

No boundary changes is also what the vast majority of the Wellington community support. Region-wide surveys carried out in 2012 and 2014 both confirm limited support for a super-city across the region and a clear majority of residents in favour of unchanged council boundaries.

Amalgamation is risky, expensive, detrimental to local democracy and against the wishes of the community. There are cheaper, less risky and more effective ways to realise the benefits of regional delivery. HCC supports the wishes of the Wellington and Wairarapa communities and is in favour of an enhanced status quo. The super-city, as recommended by the LGC, is not a change that is in the best interests of Wellington.