AUCKLAND’S ECONOMIC DEVELOPMENT STRATEGY
In November 2010, I offered a vision of an inclusive and united Auckland. A city of proud local communities, secure in their local identities and in their place as part of a metropolitan powerhouse. A city that works, a city that moves, a city that is not held back by inadequate infrastructure or choked by an underdeveloped, under-funded and underperforming public transport system. Few if any of these goals will be realised, however, unless we create a prosperous Auckland.

My vision for Auckland, to be the world’s most liveable city, can only be realised if it is underpinned by an internationally competitive, prosperous economy that all Aucklanders can benefit from and participate in.

Auckland took that vision on board. We received literally thousands of responses from Aucklanders as we developed the Auckland Plan and this Economic Development Strategy. These were overwhelmingly supportive of the social, economic, environmental and cultural goals we proposed for Auckland.

Along with the vital community input we also worked in close collaboration with our own economic development agency – Auckland, Tourism, Events and Economic Development (ATEED), our Economic Development Forum, the private sector representatives on our Business Advisory Panel, the Ministry of Business, Innovation and Employment, Ministers of the Crown, firms and business, leadership organisations, and education, skills and community leaders in Auckland.

As Mayor of a united Auckland, I also continually meet with business leaders across the region to gather their views on what needs to be done so that the Auckland economy sustains a quality of life, for all its citizens, befitting the world’s most liveable city. Currently, the Auckland economy does most of its business by supplying goods and services to the New Zealand domestic market.

To grow at the rate Auckland needs to, it must add a much stronger export focus while also retaining its role in the domestic economy.

This export focus needs to aim at developing and selling high value goods and services into high growth sectors (e.g. food technology) into rapidly growing economies (e.g. China). To do this we need to fundamentally change the structure of the Auckland economy.

The change needed in Auckland’s economic structure, so that high value exports make a much larger contribution to what we produce, is not a small task. We have already started putting the pieces together. For example, we are investing in a technology precinct in the Wynyard Quarter that aims to bring together technology firms, business start up incubators and research institutions together on a collaborating campus. This model brings the essential elements together in one place – ideas, product development, commercialisation and export expertise. This formula can and is being replicated in other sectors, e.g. food innovation, health services for export, and clean technologies.

ATEED and the council have also established a high calibre forum of Auckland’s leading innovation thinkers, business people, scientists, research institutions and senior government representatives. This meets regularly to discuss next steps, how to overcome obstacles and to explore opportunities.

Similar approaches are now being applied to export education and the roll out of ultra fast broadband technology.

This prescription forms the backbone of this strategy. It represents a strong consensus from across Auckland on the economic priorities that the region needs to have to be New Zealand’s premier city and the driver of New Zealand’s economic future.

Our economic future is ours for the making – right now. Let’s make it happen. Auckland, it really is our time.

Len Brown
Mayor of Auckland
THE GOVERNMENT WELCOMES AUCKLAND’S ECONOMIC DEVELOPMENT STRATEGY

The Government believes that strong economic growth, which creates permanent, worthwhile jobs, is best achieved by building a competitive and productive economy that allows our firms to trade successfully with the rest of the world.

The Government has put together a business growth plan that will ensure government ministers and departments are focused on the six important inputs businesses need to access to be internationally competitive – capital, innovation and ideas, skilled and safe workplaces, natural resources, infrastructure and export markets. Our Business Growth Agenda will ensure the Government is focused on what matters to business, and ensure that companies can more easily access the advice and support they need.

The Government appreciates the partnership approach taken by the council in the development of the Economic Development Strategy, which is reflected in its broad alignment with the Government’s Business Growth Agenda. The Government encourages the council to continue its engagement with stakeholders going forward. Leadership and engagement by stakeholders, and particularly by business, will be critical to the successful implementation of the strategy.

The Government will continue to engage with the council and the business community, business organisations, tertiary providers, and local iwi to work towards the sustained growth of Auckland’s economy.

Hon Steven Joyce,
Minister for Economic Development
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HOW DO WE SEE AUCKLAND IN THE FUTURE?

The vision for Auckland is set out in the Auckland Plan. The vision is to be the world’s most liveable city, with an economy that delivers opportunity and prosperity for all Aucklanders and New Zealand. The Auckland Plan identifies six transformational shifts to achieve the vision.

- dramatically accelerate the prospects of Auckland’s children and young people
- strongly commit to environmental action and green growth
- move to outstanding public transport within one network
- radically improve the quality of urban living
- substantially raise living standards for all Aucklanders and focus on those most in need
- significantly lift Māori social and economic wellbeing.

It means Auckland will be:

- able to attract the skills to support the region’s and New Zealand’s economic growth
- capable of harnessing its position as New Zealand’s global gateway to promote trade and export opportunities
- vibrant and distinctive, where diversity is celebrated and acts as a spur for quality of life, creativity and innovation
- attractive for innovators, investors, business, visitors and all residents
- a resilient, efficient economy, less reliant on fossil fuels and finite resources.

A strong economy means more jobs and more money in more people’s pockets. It allows people, families and communities the freedom to pursue their own prosperity; infrastructure such as roads and rail to be improved, social services such as libraries and youth centres to be expanded; and more amenities such as parks and community halls to be developed – making the city even more liveable. This in turn attracts more skilled workers, businesses and investment.
To make Auckland an internationally prosperous city we need a clear, collaborative, achievable strategy: one that will help bring about a major change in the way Auckland does business. This document sets out a ten year strategy to achieve this, and the targets against which progress will be measured. Auckland’s businesses, with their investment, innovation and people, are the beating heart of our economic growth. The strategy therefore reflects a partnership with business, central government and a range of other parties, and identifies a range of economic and socio-economic actions that will improve prosperity in Auckland as well as underpinning improvement in social conditions. Some projects have council funding confirmed through the Long-term Plan budget process and are included in the statements of intent of many of the council’s own CCOs and Local Board Plans and agreements.

The strategy has been developed collaboratively, through a series of discussions and from feedback received via submissions on the Draft Economic Development Strategy.

The strategy aims to strengthen collaboration, provide and develop supporting infrastructure, and attract, build and retain talent and business capability in Auckland. It also aims to make it easier to be innovative, showcase our strengths and benefit from our sectors of competitive advantage.

Auckland Council represents a new model of local government for New Zealand, designed to strengthen regional leadership through the governing body while providing local and community democracy with the local boards. The council’s 21 local boards play a lead role in the care of their communities and local economies. They have a key role to play in facilitating a range of place-based economic development initiatives in conjunction with the governing body and other external stakeholders.
Local Economic Development

The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. Local economic development is important to Auckland’s overall economy. It gives effect to how economic development plays out at the local scale and enhances the interconnection between local, regional and global activities. Some local economic development activity occurs in town centres, business areas and economic corridors. A strong network of centres and interrelated corridors is essential to deliver the Mayor’s vision of Auckland as the world’s most liveable city, including the quality, compact city approach. Auckland’s town centres are a focus for commerce, a source of local employment and a place for social interaction. The economic corridors provide strong linkages between these centres and employment areas.

This strategy provides an overarching vision and framework within which local economic development activity occurs. However, as a regional strategy, this document does not detail the many important community and local projects that local boards and others will undertake. These will be set out in the three-yearly Local Board Plans and annual local board agreements. Local boards and the governing body will work together to ensure that opportunities for local economic development and employment, aligned with the Economic Development Strategy, are found and taken.

Māori Economic Opportunities in Tamaki Makaurau

Te Tiriti o Waitangi – Treaty of Waitangi is the founding document of our nation. The Auckland Plan explains how the articles and principles of the Treaty of Waitangi are relevant to the Auckland Council and provides for the Māori Responsiveness Framework that will guide the council’s relationship with Māori. This initiative represents a commitment by Auckland Council to build sustainable relationships with Māori. The framework incorporates three objectives that will guide the council’s primary activities concerning Māori:

» effective Māori communication and engagement

» contribution to Māori well-being

» development of Māori capacity.

The Treaty settlement process is a key way to improve the economic and social well-being of Māori. The Crown is currently negotiating with at least 16 iwi to settle historical Treaty claims throughout Auckland. The Treaty settlement process will place additional requirements on the council to recognise and provide for iwi aspirations. Partnership arrangements between iwi, Auckland Council and the wider Auckland community will become an increasingly important means not only of enhancing Māori well-being, but enhancing the future prosperity of Auckland.
WHAT ARE OUR ECONOMIC TARGETS?

Following comprehensive analysis and feedback from a wide range of stakeholders, three economic goals have been identified to drive the necessary step change required to meet Auckland’s vision.

These are:

» an average annual increase of regional exports greater than 6 per cent

» an average annual real gross domestic product (GDP) increase greater than 5 per cent

» an average annual productivity growth greater than 2 per cent.

The Auckland Plan also includes a target to ensure that there is the ongoing provision of planned and serviced capacity for ‘Group 1’ business land, including large lots, to meet five-yearly demand as assessed by annual surveys.

Achieving these ambitious economic targets would mean that Auckland’s economy would improve 20 places in 20 years in current OECD gross domestic product per capita rankings.

Obtaining these goals will mean a fundamental change in Auckland’s economy, which has had historical GDP annual growth rates of 2–3 per cent. It will require the structure of Auckland’s economy to shift from being import-led to export-driven, to encourage growth in our significant service sectors (e.g. business and financial services, tourism, international education) as well as in our internationally competing industrial sectors (e.g. food and beverage processing, health technologies, specialised manufacturing), and significant improvement through growth in skills and labour market participation, innovation and access to capital.

The Auckland Plan also details other targets that are relevant to Auckland’s economy, and how separate projects of work will be initiated to address them.

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1 Auckland’s average annual growth in real GDP (1997 to 2011) was 2.9 per cent. Source: Infometrics regional GDP database series.
Large, outward-facing global cities are critical for the development of entire nations. They generate and attract businesses, skills and investment by developing their own recognisable brand. Auckland is the only city with the potential to play this role in New Zealand. With over a third of New Zealand’s population and 627,100 jobs, Auckland’s economy generated approximately $50 billion in economic activity in 2011. That equates to 36.9 per cent of New Zealand’s GDP.

Over the next 30 years Auckland’s population is expected to grow by one million people, and another 300,000 jobs will have to be created. Auckland’s importance on the national and international stage will continue to grow. Auckland has a significant productivity premium over any other region in New Zealand, because of how businesses are clustered. For instance, Auckland workers add between 32 per cent and 59 per cent more value than workers elsewhere in New Zealand. These figures increase to between 117 per cent and 156 per cent for Auckland’s central business district.

The city centre plays a pivotal role in Auckland’s present and future success, as the pre-eminent hub for office-based employment and business/financial services. In 2011, there were 127,000 people in 18,430 businesses working in the city centre and city fringe areas. The City Centre Masterplan provides for a significant increase in employment and population living within and commuting to and from the city centre. The agglomeration effects of more businesses and people will increase the productivity of the city centre and Auckland.

If New Zealand is to succeed in competing internationally, it is clear that Auckland must be well connected to the rest of New Zealand.

Our cities and regions need to collaborate and not compete for scarce resources and opportunities. Within New Zealand, 85 per cent of our people now live in urban areas. Auckland is working with the six largest metropolitan city councils of Tauranga, Hamilton, Wellington, Christchurch and Dunedin to improve our understanding of the different elements that drive the economy, and to identify opportunities for new models of collaboration and joint ventures.

Auckland also has a particular relationship with the cities and regions of the upper North Island. The area contains 52 per cent of New Zealand’s population and employs 50 per cent of the workforce. 52 per cent of New Zealand’s total GDP is generated in this area.

Due to its proximity, Auckland has important links with Hamilton and the Waikato, especially in terms of key infrastructure routes, transport and logistics. Agricultural production in this area serves the Auckland market, while Auckland adds value and connects these products to the rest of the world through the port and airport. The Bay of Plenty and Northland are also important connections in terms of infrastructure (such as the fuel pipeline from Marsden Point to Auckland) and transport.

These important relationships have been recognised through the development of the Upper North Island Strategic Alliance (UNISA) between Auckland Council, Bay of Plenty Regional Council, Northland Regional Council, Waikato Regional Council, Hamilton City Council, Tauranga City Council and Whangarei District Council. This alliance is developing an aligned approach towards economic development to support growth in export opportunities.

New Zealand, with Auckland, will have to create its own niche on the international stage. Individually we cannot compete with the world’s big cities, but together we can build competitive advantage in some key areas. Our relationships with partners around the world are critical. New Zealand is currently the only country with a free trade agreement with China. Our people and history connect us with cities and countries around the world, and these relationships offer a unique opportunity for Auckland’s businesses to engage with both established and fast-growing world markets.

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2 Statistics NZ, 2011 Employee Counts.
3 Infometrics regional GDP database series, real GDP in 1996 prices, for year ended September 2011. In current prices, Auckland’s nominal GDP was approximately $69.1 billion.
4 These figures are on the higher end of projections from the Economic Futures Model (2011) and the Auckland Residential Futures Model (version 3, February 2012) for population growth.
6 The 2011 employment and business numbers are taken from Statistics New Zealand’s Business Demographic Data. The definition of city centre and city fringe areas is from the Auckland’s Council’s Growth Model definition.
7 Infometrics regional GDP database series.
Auckland has many distinctive features that could potentially provide significant economic advantages.

Our Quality of Life

We are consistently ranked in the top five places to live in Mercer’s Quality of Living survey, ranking third in 2011. Aucklanders can choose between a sophisticated urban lifestyle, living in the suburbs, or moving a short distance to the countryside to live on a lifestyle block surrounded by farmland and native bush. Our communities are perceived as being safe and we have the lowest level of public sector corruption in the world, ranking first, ahead of Denmark, Finland, Sweden and Singapore.8 Perceptions about quality of life, public safety, housing affordability, cultural diversity, facilities for national and international events, and the natural environment are becoming increasingly important in economic decision making.

Our Natural Amenities

For a major city, our natural environment is unsurpassed. We have beautiful clean harbours and beaches, a stunning volcanic landscape, and fresh, clean air. While some important environmental indicators (such as air, harbour and water quality, soil loss) show evidence of environmental degradation in Auckland, the quality of our environment is high when compared to many other international cities.9

The exceptionally fertile soils in rural areas of Auckland are one of New Zealand’s less appreciated comparative advantages. These soils contribute significantly to the country’s exports and international brand as a producer of high-quality fresh food items. For instance, nationally significant crops of onions, strawberries, capsicums and other fresh vegetables are grown in Auckland and air freighted to markets for sale the same day, in cities such as Tokyo, Hong Kong and Singapore. Auckland’s large rural areas provide the basis for industries such as equine, which provides significant export contributions (approximately $140–150 million per annum).10

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8 Transparency International’s 2011 Corruption Perception Index.
Auckland is internationally unique, being at the centre of a huge and varied marine park. The Hauraki Gulf Marine Park covers the Waitematā Harbour and the wider Hauraki Gulf as far south as the Firth of Thames, north to the Mokohina Islands, and east to the Alderman Islands off the Coromandel Peninsula. The gulf contains an enormous diversity of geographies, flora, fauna and habitat, some of it internationally recognised and protected. Aquaculture has recently seen a significant amount of investment and development, and Auckland’s location on three harbours provides considerable opportunities for sustainable economic development.

**Iwi/Māori**

The Tāmaki Manawhenua have a history of entrepreneurial endeavour, trading with other tribes as far away as the South Island. This heritage has been incorporated into the contemporary Māori world, culminating in Māori businesses achieving global recognition. Today, there are significant opportunities for the council to support and encourage Māori economic development in Auckland and, where appropriate, to enter into partnerships with them. These opportunities could be across the full spectrum of economic, social, cultural and environmental dimensions but are especially apparent in infrastructure (both economic and social), tourism, exporting, internationalisation and sector development. The transfer of assets from Treaty of Waitangi settlements continues to enhance the platform for iwi and Māori-led economic development. Iwi are increasingly looking to emerging industries and exploring the possibility of partnerships with central and local government on a range of investments.

One consistent theme across Manawhenua is to encourage the return of their people to their ancestral lands. This requires housing, employment, education and healthcare to be provided in and around those ancestral lands. The attraction to return to the land predates Treaty settlements; indeed, the shift from urban to rural areas by Māori has been a gradual process since the late 1970s. However, the ability to secure any standard of living has been thwarted by a range of barriers largely based on access to employment. As the global economy has moved toward free market principles, augmented by the birth of the internet and other new technologies, horizons have shifted, especially for middle-class Māori. Information and its use underpins the world’s economy. It also creates opportunities for communities separated by geographical boundaries, to unite with the world and for people to return to their ancestral lands and still maintain a standard of living offered by the new information highway.

**Pacific Peoples**

Auckland is home to New Zealand’s biggest Pacific population and the highest concentration of Pacific peoples in any one region in the world. Our status as the world’s largest Polynesian city is now a key aspect of our identity.

**Our Ethnic Diversity**

Auckland has a relatively young, ethnically diverse population which offers vitality, flexibility and creativity. We have one of the highest levels of inward international migration in the world, third only behind Toronto and Vancouver, and this is expected to continue. Despite its international geographic isolation, Auckland’s diverse population is globally connected, providing valuable networks and entry points into international markets. The business connections of new Asian communities, in particular, have helped strengthen our international focus. These connections form an important foundation for our future success in creating an internationally connected and innovative economy.

However, the benefits stretch much further than this. Immigrants can help build knowledge clusters and provide access to leading-edge ideas and technologies through their international networks. Many immigrants will also provide new opportunities for enhancing trade networks with their home countries. Auckland’s immigrants are therefore a critical component of an innovative, export-focused and internationally connected city.

**Connectivity and Ease of Doing Business**

Auckland is a key entry point to New Zealand for business networks and global talent. Auckland’s gateway role derives from its built environment having developed around the ports and harbours, and extending along the transport networks. These networks are increasingly global and therefore Auckland remains an important portal for connecting New Zealand to the rest of the world. This confers particular responsibilities on Auckland to protect New Zealand’s biosecurity. Freight movement on the national transport system and through the Ports of Auckland and Auckland International Airport, and the size of the warehousing and transportation sector in Auckland, facilitates imports (60 per cent) and exports (32 per cent) throughout the country.

It is easy to set up business here, with relatively little red tape to contend with. The World Bank’s ‘Doing Business 2012’ ranks New Zealand third of 183 countries on the ‘Ease of Doing Business’ rank. These advantages are all relevant to Auckland’s ability to compete to attract internationally mobile, skilled workers, firms and investment.
Auckland’s mix of specialised and supporting industries is also a potential source of economic advantage. Auckland’s economic performance depends on combining a diversified industrial base (to protect against economic shocks) and critical mass in a smaller number of sectors in which Auckland has established strengths. These sectors have the potential to achieve high rates of productivity and export growth. Clusters and concentrations of industries help attract skills and investment, and encourage the growth of specialised supporting services.

Auckland’s economy is still primarily inward-focused. Economic growth is driven by strong population growth (mostly from strong migration growth), enabling increased domestic demand or consumption and a reliance on imports. The overall profile of Auckland’s industrial mix is shown in Figure 1.
The largest industries in most cities worldwide tend to be service industries that primarily serve the local market. These include professional, financial, retail, transport and logistics services. Auckland is no different in this respect and such industries will always provide a foundation for the Auckland economy. As shown in Table 1, these sectors account for 40 per cent of Auckland’s regional GDP in 2011, with over a quarter provided by property, business and financial services.

These industries are concentrated in a number of areas in Auckland. The city centre accounts for about 23 per cent of employment in business services and 38 per cent in financial services. Other areas of concentrated service activity include Albany, Takapuna, Manukau, Newmarket and Ellerslie/Penrose.

We are looking at structural change to increase sustainable, high-growth, internationally competitive sectors. Figure 2 outlines the current contributions of key sectors to Auckland’s GDP. These sectors have been identified as having the greatest potential to contribute to productivity growth.

<table>
<thead>
<tr>
<th>Selected Service Sectors</th>
<th>Real GDP $m 1996 Prices, Year Ended September 2011 (% of Auckland economy)</th>
<th>Employment, as at February 2011 (% of Auckland economy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPERTY, BUSINESS AND FINANCIAL SERVICES</td>
<td>14,029 (28.1%)</td>
<td>134,620 (21.5%)</td>
</tr>
<tr>
<td>TRANSPORT AND LOGISTICS SERVICES</td>
<td>2,849 (5.7%)</td>
<td>31,240 (5.0%)</td>
</tr>
<tr>
<td>RETAIL TRADE</td>
<td>3,091 (6.2%)</td>
<td>60,460 (9.6%)</td>
</tr>
</tbody>
</table>

Source: Infometrics regional database and Statistics New Zealand business demography tables

Note that sectors are not mutually exclusive and there will be some overlaps in sector definitions. For example, proportions of ‘computer system design and related services’ will appear in ICT, screen and creative digital content, creative, and health technologies.

13
Auckland has comparative advantages in a number of industry segments that compete internationally. These include food and beverage processing, ICT, health technologies, niche manufacturing, engineering, tourism and international education. Sectors in food and beverage processing, ICT and health technologies demonstrate particular competitive strengths and international market potential. The current contributions of industries that compete internationally to the Auckland economy are shown in Table 2. These industries will need to lead the way in achieving a step change in innovation, skills development, international connections, and the region’s brand.

Some of these industries are also clustered or concentrated in different areas of Auckland. For example, the marine industry tends to cluster in precincts with harbour access, such as Westhaven and Wynyard Quarter. The majority of the food processing industry is within ten minutes of the airport and in southern Auckland. Broader manufacturing activities are clustered in Penrose, Mt Wellington, Highbrook, central Manukau, North Harbour, Rosedale and Wiri.

<table>
<thead>
<tr>
<th>Sectors that Compete Internationally</th>
<th>GDP SM (2010, 1996 $m)</th>
<th>% of Auckland Economy</th>
<th>Employment 2011</th>
<th>% of Auckland Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>3,565</td>
<td>7.3%</td>
<td>30,677</td>
<td>4.9%</td>
</tr>
<tr>
<td>TOURISM</td>
<td>2,516</td>
<td>5.1%</td>
<td>54,360</td>
<td>8.7%</td>
</tr>
<tr>
<td>FOOD AND BEVERAGE</td>
<td>2,191</td>
<td>4.5%</td>
<td>23,300</td>
<td>3.7%</td>
</tr>
<tr>
<td>CONSTRUCTION &amp; ENGINEERING</td>
<td>1,686</td>
<td>3.4%</td>
<td>39,156</td>
<td>6.2%</td>
</tr>
<tr>
<td>MARINE</td>
<td>1,381</td>
<td>2.8%</td>
<td>4,594</td>
<td>0.7%</td>
</tr>
<tr>
<td>NICHE MANUFACTURING</td>
<td>1,251</td>
<td>2.6%</td>
<td>18,690</td>
<td>3.0%</td>
</tr>
<tr>
<td>HEALTH TECHNOLOGIES</td>
<td>1,063</td>
<td>2.2%</td>
<td>6,758</td>
<td>1.1%</td>
</tr>
<tr>
<td>INTERNATIONAL EDUCATION</td>
<td>483</td>
<td>1.0%</td>
<td>6,016</td>
<td>1.0%</td>
</tr>
</tbody>
</table>


Image courtesy of KiwiRail
To achieve the challenging GDP and export goals set by this strategy, significant growth across all of Auckland’s sectors is required, including service sectors, manufacturing sectors and primary sectors (e.g. equine and aquaculture). It is important for all sectors to improve their productivity and export performance, but the greatest gains may be from first focusing on removing impediments and facilitating opportunities for sectors that demonstrate international competitive advantages. Innovation in these niche areas builds on established expertise and has scope for further development. However, domestic demand is forecast to grow at a slower rate than previously. This will require the structure of Auckland’s economy to shift from being import-led and domestically focused to export-driven. As such, we will want to see a significantly increased contribution from internationally competitive sectors, particularly food and beverage processing, ICT, health technologies and niche manufacturing.\footnote{Specialised manufacturing often uses flexible, short-run production cycles to supply high-value global niches. Increasingly, they also create value in the areas of design, research and development, production and servicing. (Source: New Zealand Trade and Enterprises)}

\textbf{Figure 3} indicates that under business as usual performance, key sectors\footnote{The definition of these sectors (in terms of segments) differs substantially to the usual ANZSIC inclusions used in the above GDP and employment performance of key sectors. Segments of the sectors that did not exhibit a combination of high export growth, value added and comparative advantage were removed.} will contribute just over $23 billion in regional GDP annually to the Auckland economy by 2031 (slightly more than doubling from a base of around $10 billion now). The growth goals will require these sectors to generate around $55 billion in regional GDP annually, with internationally competitive sectors providing the bulk of this. As will be discussed later (under Priority 2 and 3), the council will work closely with these sectors to agree on these growth goals and strategies to help the sectors deliver and monitor this growth.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{Selected Industry Growth Required to Achieve Goals}
\end{figure}

\textit{Source: Market Economics (2010).}
Auckland’s industrial mix is also enhanced by the presence of several sectors representing broad technology platforms. There is capability in Auckland in biotechnology, advanced materials, and screen and creative content— all of which underpin growth in other industries. For example, biotechnology is a platform that applies to a large range of industries, including food and beverage, health technologies, and pharmaceuticals. Screen and creative digital content expertise underpins film, television, animation, and publishing (and can be applied to multiple other industries, such as tourism, education, and manufacturing processes). Skills and research in advanced materials (plastics, polymers, composites, metals, and ceramics) support the marine, packaging, construction, aviation, electronics and equipment industries. Building strengths in such areas will be important for attracting and retaining knowledge workers and investment in research and development (R&D) in Auckland. Table 3 provides a summary of the contribution these sectors make to our economy.

<table>
<thead>
<tr>
<th>Platform Technology Sectors</th>
<th>GDP (2010, 1996 $m)</th>
<th>% of Auckland economy</th>
<th>Employment 2011</th>
<th>% of Auckland economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCREEN &amp; CREATIVE CONTENT</td>
<td>3,235</td>
<td>6.6%</td>
<td>16,326</td>
<td>2.6%</td>
</tr>
<tr>
<td>BIOTECHNOLOGY</td>
<td>151</td>
<td>0.3%</td>
<td>5,716</td>
<td>0.9%</td>
</tr>
<tr>
<td>ADVANCED MATERIALS</td>
<td>79</td>
<td>0.2%</td>
<td>785</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

At the same time, we can never know what new ideas and innovations might develop in the future. Auckland needs to create an environment which not only supports sectors and platforms with clear potential now, but also enables emerging industries and expertise to develop. Clean technology, for example, is an area where Auckland has promising capability. Another example is the aquaculture sector (both onshore and offshore). Opportunities are also now emerging in areas such as renewable energy, photo-voltaic energy, local energy generation and waste management, high-performance batteries and electric technologies.

**Green Growth**

The OECD’s ‘Economic Survey of New Zealand’ report identifies that New Zealand’s GHG (greenhouse gas) intensity of output is the second highest in the OECD (after Australia), and that New Zealand is a pioneer in implementing an emissions trading scheme covering all sectors and gases.

In the Auckland Plan, the council has developed a target of reducing GHG emissions by 10–20 per cent by 2020, 40 per cent by 2040 and 50 per cent by 2050, all based on 1990 levels. The challenge for Auckland is to play its part in national and international efforts to reverse the trend of rising GHG emissions.

There is good reason to strive towards a low carbon dioxide economy. The low carbon dioxide market is the fastest-growing globally, estimated to be worth £4.3 trillion by 2015. New Zealand Trade and Enterprise notes that a clean economy could result in a $150 billion high-value, low carbon dioxide export economy for New Zealand by 2025. Green growth provides opportunities for development, commercialisation and deployment of clean technologies and smart thinking to transform existing sectors and create dynamic new ones. Green growth means shifting to a more sustainable (or greener) way of operating and developing the economy.

Adopting environmental policies can confer a longer-run competitive advantage, leading to greater investment, product differentiation and expanded export opportunities, innovation, and skills development. An eco-city approach, supporting national efforts, would better position New Zealand to supply new green-based wants and technologies to the world, including emerging markets.

The Economic Development Strategy supports the approach recommended by the Green Growth Advisory Group, which emphasises the importance of fostering green growth across the economy.

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WHERE OUR CHALLENGES LIE

TE TAKOTORANGA Ō Ā TĀTOU WERO?

The huge challenge for Auckland is to move from a domestically focused city to one that is externally driven, with growth being generated by global opportunities and not local population growth.

Distance and Scale

Auckland faces challenges from its geographic remoteness, small economy, and small scale of businesses. These characteristics constrain productivity when compared to other international cities. Auckland’s remoteness inhibits access to ideas, knowledge, networks and technology, and makes it more difficult to maintain international relationships. Auckland’s businesses do not have a large domestic market in which to build scale and are often at a relatively early stage of development when they seek out offshore markets. This increases the risks and costs of international expansion. Overcoming these challenges is fundamental to building, attracting and retaining international firms in Auckland. These challenges have had a fundamental impact on Auckland’s (and New Zealand’s) economic performance and have arguably meant that historically Auckland has underperformed relative to comparator cities. Auckland is ranked 69th out of 85 metropolitan regions in the OECD regions in terms of GDP per capita.20

Auckland is also vulnerable to intense international competition for ideas, talent and capital. Australian cities, for example, attract many thousands of young skilled New Zealanders each year and compete with us for immigrants from Europe and Asia. Among other factors, this has affected Auckland’s productivity, which has contributed to our GDP per capita being less than Sydney’s (by 27 per cent) and Melbourne’s (by 16 per cent).21 If we do not compete successfully in the global marketplace we risk not only failing to attract new resources, but losing the human and investment capital we already have.

Skill Base

To increase Auckland’s prosperity, we need more skilled workers. The skills of our existing workforce are not well aligned with aspirations to be a wealthy and liveable city. Auckland needs more highly skilled people, and more people with the skills to develop, manage and grow business, underpinned by strong networks and alliances between business, education and research organisations in the city.

With many of our younger, educated and skilled workers taking up opportunities offshore, Auckland must look to immigrants as well as upskilling our youth. This is not an easy proposition, as the global workforce is more mobile and has more opportunities than at any other time in history. By filling critical labour shortages, immigrants are important in stimulating Auckland’s growth.22

Literacy and numeracy continue to be reported as a challenge in Auckland for individuals and firms. Youth unemployment is significant, demonstrated by an unemployment rate of 31 per cent for those aged between 15 and 19 years. Unemployment and low educational attainment levels have a disproportionate impact on certain ethnicities and are concentrated in geographic pockets throughout the region. Education levels for Māori and Pacific school leavers are well below the national trends. This is of concern because Māori and Pacific peoples will form almost half of Auckland’s new labour force entrants by 2031.

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20 OECD Metropolitan regions database for 2003 when GDP per capita data was available for Auckland.
22 McCann, P. (2009), op. cit.
Generating Greater Value From Our Knowledge and Innovation System

While there are R&D strengths in pockets of industry, and in our education and research institutions, Auckland is a moderate innovation performer. Auckland’s performance resembles that of a region that is entering the knowledge economy and a user rather than a producer of technology. Business expenditure on R&D in Auckland as a percentage of regional GDP is less than a third of the OECD average. Auckland also has a low rate of patenting activity compared with comparator cities.

Access to Capital to Fund Innovation

The number of firms within Auckland that use equity to fund innovation is limited, with the majority relying on their own retained earnings and bank debt. Firms have cited this lack of equity capital as an inhibitor of growth and innovation. The shallowness of Auckland’s equity market is in part due to the reluctance of firms to use equity, the limited number of experienced investors, and the small number of attractive investments. A joined-up approach to deepen Auckland’s equity market is required, bringing together angel investors, venture capitalists, other financiers, and those in the business of commercialising innovation.

Infrastructure

Although there has been increased investment in Auckland’s infrastructure in recent years, under-investment has been a historical constraint on Auckland’s connectivity. Because of Auckland’s projected population growth and its importance as a centre of economic activity, further investment will be required to avoid limiting its growth potential and to realise the benefits of greater agglomeration.

Auckland is highly dependent on external sources of energy, water and fuels. Ensuring a secure supply and resilient infrastructure for businesses poses a significant challenge for Auckland. Options for reducing our reliance on key external sources of energy, water and fuels need to be carefully evaluated.

Connectivity is a crucial determinant of international competitiveness. This includes the physical (e.g. road and rail, seaports and airports) and electronic infrastructure (e.g. broadband and ICT) that are needed for businesses to operate effectively. Overseas firms that Auckland businesses are competing with have fast and efficient links within their city-region and to other cities and regions by broadband, rail, road and air, enabling cost-effective transfer of goods, services, technology, knowledge and people. A fast, affordable and safe integrated transport system is essential to any successful city.

Three sets of vital connections must be maintained, developed and improved for Auckland to meet its economic aspirations:

**» within and across Auckland**

**» between Auckland and the rest of New Zealand**

**» between Auckland and the rest of the world.**

The upper North Island must be able to meet the short and long-term growth requirements of an export-driven economy, through the capacity of its ports and freight transport system. Auckland plays a vital role in connecting New Zealand internationally through its airport and seaports. Auckland Airport is a key business for Auckland in several respects – as the gateway for international and domestic tourists and migrants; as an export port for high-value goods; and as a provider of business development in surrounding areas.

Ports of Auckland play an important role in New Zealand’s freight capacity, operating ports on both Waitematā and Manukau harbours, and an inland port at Wiri. Auckland’s planning needs to take into account the export and import function served by both Auckland Airport and Ports of Auckland, and the associated operational needs of both. Under all growth scenarios, Auckland will continue to need a major seaport. The growth plans for the Ports of Auckland need to be consistent with the Mayor’s vision to be the world’s most liveable city.

Perceptions of Auckland

Auckland needs to be perceived nationally and internationally as an important place to live, work and do business. On an international level of brand awareness, Auckland does not feature very strongly on most people’s world map. Current international perceptions of Auckland and New Zealand are based predominantly on ‘clean and green’ and sporting endeavours such as sailing and rugby. While clean, green pastoral images work well for some major export sectors, such as tourism and some areas of food and beverage, it is less relevant and potentially an impediment to developing credibility in other sectors unless turned to advantage in line with our green growth.

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WHAT ARE THE RIGHT CONDITIONS FOR AUCKLAND BUSINESSES TO FLOURISH?

HE AHA NGĀ RITENGA TIKA E PUAWAI AI NGĀ PAKIHI Ō TĀMAKI MAKARAU

The way to grow Auckland’s economy, and simultaneously the well-being of Auckland people, is to make Auckland internationally competitive by getting businesses that live here to grow. Auckland needs to be a city where businesses can sustainably and competitively deliver their products and services to markets across the globe. There is no magic bullet to reform the economy and many areas need attention, including improved public service to enable businesses to trade successfully with the rest of the world. Local government has a core role in delivering what matters most to business and in some areas will need to do things a bit differently, working closely with business, central government and community organisations to leverage the small amounts of public money available.

During feedback on the Draft Economic Development Strategy, businesses told us that they want the council to create the right conditions for them to get on with their business. This will help them bring about prosperity and quality of life improvements for Aucklanders and create more high-value jobs. Important enabling ingredients for businesses are:

» regulations and policies that are simple, easy to navigate and have a realistic impact on a business’s bottom line

» urban and virtual infrastructure that’s world-class and highly efficient, making it easier and faster to conduct business and connect globally with customers, suppliers and knowledge

» timely access to capital and technology to grow ideas and develop products

» skilled and ‘ideas’ people, created through education and training alongside research-business partnerships that generate and showcase knowledge

» vibrant cultural events, a built environment and urban amenities that make Auckland a desirable place to live, work, visit and invest.

The recipe for Auckland’s economic growth, and the key to business success, is the right combination of these factors, underpinned by an environment where business-driven innovation is nurtured. Business-friendly conditions will help free up the city’s businesses to focus more on research and development, to export more highly desirable and highly innovative products and services, and to compete globally on price derived from efficiencies and innovations in production, distribution and sales. The conditions required for Auckland’s businesses to flourish are highly interdependent and are reflected in each of the strategy’s five priority areas.

AUCKLAND’S ECONOMIC DEVELOPMENT STRATEGY IS A GREAT LAUNCHING PAD. IT SETS STRETCH TARGETS FOR AUCKLAND’S ECONOMIC GROWTH AND, IMPORTANTLY, PRODUCTIVITY – THE TRUE INDICATOR OF ECONOMIC PROGRESS. THE FOCUS IS RITELY ON REDUCING RED TAPE, IMPROVING INFRASTRUCTURE, PROMOTING INNOVATION, BOOSTING EXPORTS AND FOREIGN DIRECT INVESTMENT, AND INVESTING IN EDUCATION AND SKILLS.

Shamubeel Eaqub, Principal Economist, NZIER
Our Five Priorities

O TĀTOU WHAINGA NUI E RIMA

There are many ways to achieve our economic goals for Auckland.

The best way is through a step change in the level of exports and being more internationally connected. We will work with business, government and our partners to grow the skills of our local workforce, including people who have immigrated here permanently. We will strengthen local business areas and town centres. We will streamline the council’s business processes. And we will develop Auckland into a city that’s alive with events and creative talent – one that is attractive to visitors and residents alike.

To accomplish all of this, we have identified five priorities.

» Grow a business-friendly and well-functioning city.

» Develop an innovation hub of the Asia-Pacific rim.

» Become internationally connected and export-driven.

» Enhance investment in people to grow skills and a local workforce.

» Develop a creative, vibrant international city.

These five priorities are supported by four cross-cutting themes. The priorities and cross-cutting themes are discussed in the following sections.

The themes are as important as the priorities in achieving the strategy’s aims. Figure 4 illustrates how the priorities, cross-cutting themes and targets form an integrated Economic Development Strategy to address the overall vision and goals.
Figure 4:

- Innovation Hub of Asia-Pacific Rim
- Internationally Connected, Export-Driven Economy
- Business-Friendly, Well-Functioning Local Workforce
- Vibrant, Creative International City
- Sustainable Eco-Economy
- Iwi/Māori Economic Powerhouse
- Innovative Rural & Maritime Economy
- Diverse Ethnic Economy

Develop an economy that delivers opportunity and prosperity for all Aucklanders and New Zealand:

- Regional Exports > 6%
- Real GDP > 5%
- Productivity > 2%
Of the 66 proposed actions generated in this strategy, the following ten actions and key initiatives have been identified as priorities for progress and inclusion in Auckland Council’s Long-term Plan.

**BUSINESS FRIENDLY AND WELL-FUNCTIONING**

- Deliver an integrated transport system, with emphasis on facilitating the following priority projects: City Rail Link, Auckland Manukau Eastern Transport Initiative (AMETI), East-West link and an additional Waitematā Harbour Crossing.
- Support broadband deployment across Auckland, and work with the industry to ensure that the rollout programme balances economic, commercial, funding and social priorities.

**DEVELOP A CREATIVE, VIBRANT INTERNATIONAL CITY**

- Significantly grow Auckland’s visitor economy through growing demand for Auckland and enhancing the visitor proposition.
- Grow Auckland as a global events city through a portfolio of exciting and distinctive major and local events that increase civic pride and enhance both social and economic well-being.
A number of other actions and key initiatives have also been identified as critical to achieving the step change required. These actions require concerted collaboration by local and central government, business and others.

**INNOVATION HUB OF THE ASIA-PACIFIC RIM**

- Support the establishment of strong linkages between Auckland research institutions, business and organisations so that a larger number of firms are innovating to a high level.
- Support the development of clusters, precincts and industry infrastructure that supports innovation in key sectors of sectors of competitive advantage.

**INTERNATIONALLY CONNECTED AND EXPORT-DRIVEN**

- Deliver initiatives to ensure businesses with international potential build up the skills and capacity to enable them to enter global markets and focus on global growth opportunities.

**INVEST IN PEOPLE’S SKILLS AND LOCAL WORKFORCE**

- Deliver improvements in literacy, language and numeracy to raise productivity, particularly for Māori and Pacific peoples and with a strong connection through the Southern Initiative.
- Build, attract and retain skills to better match Auckland’s needs, especially through improved tertiary/industry engagement that focuses on skills for innovation and research for commercialisation opportunities.