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Report to the Policy and Finance Committee
from Councillor Ian Buchanan and Councillor Margaret Shields

Economic Wealth in the Greater Wellington Region and the Olympics Opportunity

1. Purpose

To seek support in principle for a financial investment to generate ongoing wealth for the Greater Wellington Region as a result of the Sydney 2000 Olympic Games.

2. Comment: The Need for Sustainable Growth

Councillors discussed the social, economic and environmental dimensions of wellbeing in the Wellington Region at a series of workshops in April. The evidence presented to us in the *In Focus* report and by the guest presenters at those workshops led to a general consensus that there are strong linkages between community wellbeing, economic performance and environmental sustainability. For example, adequate incomes and opportunities for fulfilling employment are necessary for both individual and community wellbeing. And, linked to this, profitable businesses and affluent communities are more likely to value a sustainable environment and be willing and able to invest in environmentally sound practices.

This leads us to feel concerned about the decline of the Wellington regional economy. In particular, we are concerned about the downstream impacts this could have on the environmental and social objectives that the Council is developing for the Region.

The prospects for this Region's economy don't seem rosy. Both the public and private sectors in Wellington are declining through downsizing, decentralisation, the movement out of Wellington of head offices and the trend for multi-nationals to centralise their activities in their overseas head offices. Although modest growth in the number of small businesses seems positive, there are fewer big firms for these small businesses to service and the failure rate amongst small businesses is high. Overall, there is less business activity to sustain the Region's infrastructure. employment prospects in the Region are fewer and prospects for a continuation of high levels of income and wealth are diminishing.

The news is not all bad of course, a number of positive initiatives have been taken to improve growth. Success stories include promotion of Wellington as a weekend destination, growth in the film industry and growth in call centres. But initiatives such as these are not sufficient by themselves to offset declines elsewhere and to build sustainable growth in the Region. New opportunities will need to be found.

The trade, investment and tourism from the Sydney 2000 Olympic Games appears to be such an opportunity to improve the outlook for the Region. It has the potential to provide a catalyst for further opportunities, as business relationships are developed.

Interestingly, informed opinion is now swinging in favour of the view that central and local governments do have a role to play in facilitating economic development. For example, Michael Porter, on his return visit to New Zealand last year, was of the opinion that the appropriate roles for government include: facilitating cluster development; and developing and implementing a positive long term economic up-grading programme which mobilises government, business, institutions and citizens.

We understand, of course, that the Council is currently developing its next ten-year strategy for the Region and that it is exploring its potential role in a number of areas, including economic development. Ideally, support for a new economic development initiative should be considered within this process. However, opportunities don't always arise on schedule and some flexibility is needed. We think this idea to make the most of the Olympics has merit and that it would be worthwhile for the Council to give it consideration.

3. Background: The Olympics Opportunity

We have invited Suzanne Snively, representing the Wider Wellington Olympic Trade Focus Group (WWOTFG), to make a presentation to the Council on the economic opportunities for the Wellington Region from the Sydney Olympics and what assistance is needed now, if the Region is to benefit from these opportunities. She will be accompanied by Claire Johnstone of the Wellington Regional Chamber of Commerce and Bob Murdoch from the Industrial Supplies Office.

An outline of the proposed initiative is provided below as background to Suzanne's presentation.

Who?

The WWOTFG was established about three years ago. It has its origins in the sister city relationship between Sydney and Wellington City, which evolved into a group focused on trade. The focus of the trade group became regional, and even multi-regional, because this is the most appropriate unit for assessing and developing trade with the large Sydney and New South Wales markets.

Members of the WWOTFG include: Wellington Regional Chamber of Commerce, New Zealand Industrial Supplies Office, Wellington City Council, Capital Development Agency, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kapiti Coast District Council, Wanganui Economic Development Corporation, New Plymouth District Council, Nelson City Council, Vision Manawatu, Napier City Council, Enterprise Horowhenua, Westpac Trust, Hillary Commission, Trade New Zealand, and the New Zealand Olympic and Commonwealth Games Association.

What?

The Sydney 2000 Olympics will be the largest single event ever staged in the Southern Hemisphere. Sydney, along with Australia, has continued to experience high economic growth. Despite CER, trade relationships between New Zealand and Australia are poorly developed. In particular, Sydney could be the Wellington Region's biggest trading partner because of its proximity. The Olympics could provide a catalyst for ongoing cultural, tourist and trade opportunities for the Wellington Region and the broader central region including Manawatu- Wanganui and Marlborough.

The capital injection for the Olympics is in the order of \$4 billion Australian and about half of that is being spent by the Games Organising Committee through tendering. In addition, another \$18 billion is being spent in and around Sydney on development of infrastructure, highways and new buildings.

Why?

The opportunities for the Wellington Region from the Olympics include: building business partnerships with Australian firms who have won tenders; initiating pre-games training opportunities; attracting foreign direct investment by inviting sponsors' guests to visit the Wellington Region; and tourism opportunities through association of Wellington as a near neighbour of Sydney.

In particular, there appears to be a window of opportunity right now, because the magnitude of products required for the Olympics is beyond what Australian firms are able to supply. Also, there is unmet demand for venues for pre-Games training and competitions. Given the small nature of many Wellington

businesses, some form of co-ordination is needed if the Region is going to be able to take advantage of this opportunity.

When?

The WWOTFG has been working to identify and facilitate take-up of some specific opportunities. There have already been successes with some companies in this Region winning supplier contracts. To date, territorial local authorities and the private sector have only been able to provide a limited amount of funding for the WWOTFG project.

With only a year to go until the Olympics, now is the time to “crank up” the effort and maximise the spin-off benefits for this Region.

How?

The WWOTFG estimates that public funding of at least \$350,000 would translate into a direct injection of about \$35 million into the Region each year.

This would be derived from: maintenance of the business clusters for further events; the relocation of international companies to the Region; and companies in this Region obtaining Olympic related ongoing contracts with international events companies or other ongoing business with Australia.

How Much?

Accordingly, the WWOTFG is seeking a contribution of at least \$350,000 from the Regional Council.

This funding would be spent on: overall co-ordination of the project; facilitation of specific business clusters; employment of a Sydney contact co-ordinator; travel expenses; and facilitating networking opportunities for businesses and foreign direct investors.

4. Next Steps

We believe this is an exciting opportunity for the Council to facilitate sustainable economic growth in the Region. Seizing the Olympics Opportunity requires an organisation or body being prepared to take a visionary step forward, acting in the wider interests of the Greater Wellington Region. We are convinced that the Regional Council is the most appropriate body to do this and that this project has the potential to act as a catalyst for ongoing wealth generating opportunities for this Region. We are also firmly of the view that without a framework of sustainable growth in the Region, this Council will not be able to deliver on the social and environmental objectives that it is committed to.

However, we are also conscious that the WWOTFG is seeking a significant amount of funding from the Council. As with all public expenditure, the project needs to be robust and to be able to stand up to public scrutiny.

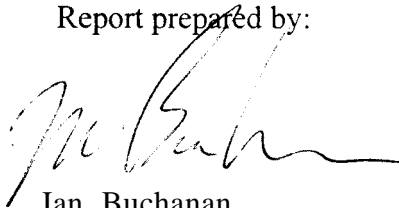
Accordingly, we suggest that the Council invite the WWOTFG to present for consideration, a formal proposition for funding. We also suggest that Council officers should investigate the accountability framework and reporting relationships that would be required to ensure proper stewardship of the money, should the Council decide to fund this project.

5. Recommendations

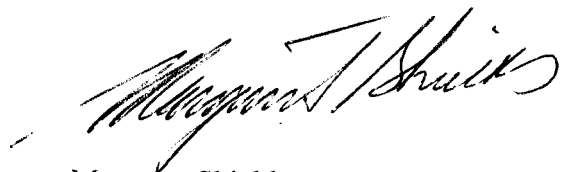
We recommend to the Committee that the Council.

- a) Supports in principle making a financial investment in the promotion of the Greater Wellington Region economy, so adding to its ability to maximise the ongoing wealth opportunities created by the Sydney 2000 Olympics Games.*
- b) Invites the Wider Wellington Olympic Trade Focus Group (WWOTFG) to present a formal proposition for funding to the Council.*
- c) Requests officers to work with the WWOTFG towards devising a structure and accountability regime consistent with responsibly managing public expenditure, on a programme of this type.*

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