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It's a great pleasure to be speaking to you today.

With local body elections now only a couple of months away, you are about to face what we politicians often think of as Judgment Day. I know how you feel.

What concerns me about local body elections is that voter turnout is so low. This is symptomatic of a lack of engagement at the local level which seems hard to understand, given the impact local councils have on people's lives.

You don't need a disaster to be reminded of that, but when you look at the devastating floods in Northland and Coromandel only a week ago, who was co-ordinating and organising the clean-up? Local councils.

And to whom will ratepayers look for engineering work to protect them against future disasters? Again, local councils.

While the term "council" is not one that excites many ratepayers, the word "local" has quite a different connotation. Rural or urban, everyone lives in a community. Everyone has neighbours, whether they are on the other side of the lounge wall or 20 kilometres up a gravel road. And often it is the very worst of circumstances that brings out the very best in communities.

Council staff, emergency services, neighbours, friends, families and sometimes complete strangers go beyond what might be expected to help people in need. We saw it in those recent floods – a community spirit that as local, elected representatives, you are able to call upon in your community's hour of need.

The challenge, often, is to keep that same sense of community alive, when the issue is setting spending and policy priorities and it's 10.30pm and the council meeting has already been going for four hours.

If there is one message I want you to leave with you today it is this – as National Party leader I want to develop a much stronger dialogue between National and the local government sector.

It is fair to say there have been some ups and downs in the past. I don't want to dwell on those. I intend to focus on the future.

To that end, our Local Government spokesman, John Carter, and his team have visited virtually every local authority in the country over the past year or so. They have been putting in the miles to establish good relationships with mayors, councillors and chief executives. That effort will continue into the future.

It is worth putting in that effort now because if National becomes the next government we will be working closely with the local government sector on a whole range of issues.

We want to have an honest and open working relationship with you, and we want a shared focus on results and value for money. I want to assure you that National is committed to doing this.

All this is important because central government and local government are both major players in the New Zealand economy and in New Zealand society. What we do actually matters in people's lives.

Central government and local government also have the responsibilities associated with spending other people's money. We need to ensure that taxpayers' money and ratepayers' money is being used effectively and efficiently.

This leads me to one of the biggest challenges facing both central government and local government over the next 10 years, and that is investment in infrastructure.

I see investment in infrastructure as one of the absolutely key ways to improve New Zealand's long-term sustainable growth rate. Put simply, if we want to enjoy living in a First World country we need to have First World infrastructure. If we don't, then an infrastructure deficit is going to be a wheel clamp on our economy.

As you are well aware, responsibility for investment in infrastructure is shared between central government and local government. Central and local government also share a responsibility for delivering value for money in public spending.

I note that local authorities have identified in their Long Term Council Community Plans a required investment of around \$30 billion over the next 10 years. Most of this goes to pay for roading, drinking water, sewerage, and storm-water projects. Central government is also facing an infrastructure spend of about the same magnitude over the next decade.

This makes infrastructure a \$60 billion issue and we have to have the right approach to dealing with it.

This is not easy, of course. Infrastructure involves the planning, completion, integration and maintenance of big, complex and expensive projects. This takes place in an environment where people are understandably reluctant to pay more in rates, taxes, or charges.

What National will be looking to develop is a common investment framework which spans both central and local government investment in infrastructure, and which incorporates environmental, as well as economic, considerations.

We share responsibility for infrastructure, so we want to see a shared basis on which to make sound infrastructure investment decisions. We don't want to have different rules, different constraints, and different considerations applying to central government compared to local government investment.

This process will involve working together through a range of pricing, regulation, and financing issues to ensure the infrastructure we need gets built and gets built in time.

My intention would be to offer local government a broader range of tools which can be used to address the needs of local communities. These options could involve increased use of partnerships, charging arrangements, and longer-term financing.

What is clear to me is that it is not acceptable – and I'm sure you'll agree it is not politically sustainable – to simply keep on putting rates up year after year.

As I travel around New Zealand, people continue to tell me how hard it is for them to meet their rates bill. For many older people, an increase in rates is a heavy burden to bear. Since the rating base is assets, not income, this makes a huge difference for people on fixed incomes.

And yet the reality is that nothing, including infrastructure investment, comes for free. Someone has to pay for it somehow – and sometime.

I look forward to working with local government to overcome some of the constraints of the current financing system.

Central government has to put its hand up, too, and take some of the responsibility for rising rates.

Over the last few years local government has been given a pile of new responsibilities. National has identified 60-odd separate pieces of legislation passed in the past seven years which have impacted on local councils.

Councils now have new obligations in areas as diverse as gambling, prostitution, and dog control. These new responsibilities have involved extra costs on councils, and therefore on ratepayers, which have not been adequately funded by the Government. I think the inquiry into rating will make that abundantly clear.

But while some pressures on rates have been outside the control of councils, I do commend Local Government New Zealand for saying in its submission to the rating inquiry that "local government could have done more to address community concerns over rates increases, in particular, opportunities to promote value for money have not been widely used".

I think that shows the sort of honesty and openness I was talking about earlier. It is the basis for a sensible conversation.

Now in terms of the point I just made about central government passing on costs to local government, I want to give you the following assurance. A National Government would look to establish a much better process for the delegation of any new responsibilities to local government.

We would also look at more appropriate ways to ensure that local government knows what central funding and other support it would receive for undertaking new responsibilities. A National Government would not be looking for a free ride at the expense of ratepayers.

Moreover, National would not shift activities onto local government which are more properly carried out by central government.

Fundamentally, National believes in healthy local democracy. Our communities are diverse and have different needs. After all, that's why New Zealand has a system of local government in the first place.

National recognises that national goals promulgated by central government have an inevitable downstream effect on local government. And local government's capacity to meet these goals will vary from community to community.

National will be sensitive to this reality, particularly when it comes to setting any new nationwide standards or regulations.

In recent years, central government has tended to turn a blind eye to the difficulties some communities have had in meeting new national requirements.

I want to give you an example of this, from the little settlement of Owaka, not too far from here. This is a glaring example of how, for many smaller communities, the new drinking water standards are simply unaffordable.

To meet these standards, Owaka has to install advanced infrastructure for drinking water costing half a million dollars. It also has to put in additional infrastructure for fire fighting which costs a further quarter of a million dollars.

That \$750,000 bill will have to be met by a couple of hundred ratepayers who didn't even have a problem with their water until the Government got involved.

The locals say it would be cheaper to fit every house with a water filter, but that wouldn't meet the Ministry of Health's standards, either.

The simple fact is that one size doesn't always fit all. You can be assured that a National Government won't pretend it does. We intend to be much more circumspect than the current government has been. That's not to say we will always shy away from national goals which have implications for local government.

I am, for example, sympathetic to the intent of the national air quality standards for air pollution. It would seem remiss of central government to ignore a problem that, by recent estimates, is claiming 1,100 lives each year.

Local government doesn't want to ignore this problem either. But in many cases, councils cannot afford to make the necessary changes to achieve compliance by 2013. Central government needs to front up to that fact.

National's Blue Green discussion document suggested some of the approaches we could take in helping local government meet these standards, and we want to keep an open-minded approach to these issues. We want a process based on dialogue, not dictation.

Let's not forget that councils themselves are voluntarily moving towards a more consistent approach to common issues. This is evident from a growing momentum towards common district plans.

Similarly, I applaud the trend towards co-operation between local bodies in order to pick up the obvious efficiencies that go with having shared services. I am very keen to see that trend gather momentum.

Standardising procedures and sharing services is sometimes seen as a step towards amalgamation, but that is not necessarily the case.

As I go around the country, a number of people in the local government sector privately tell me they can see the benefits of amalgamation in some places. On the other hand, others have told me they can see few upsides in council amalgamations.

These are issues that will work themselves out over time as communities express their own preferences.

One area where I do want to see change, however, is in Auckland. A National government will undertake reform of local government in Auckland.

If we are serious about Auckland being a world-class city that competes with Sydney, Melbourne and Brisbane then it needs to have a high-class regional infrastructure which makes the most effective use of regional assets. We just cannot avoid addressing this issue. Economic development in Auckland is absolutely crucial to New Zealand's future growth potential.

So, as a nation, we cannot allow local government structures in Auckland to be a handbrake on our collective desire to make New Zealand a world-class economy and society.

Many alternatives have been mooted, from one super city in Auckland, to the three-city solution, to a collection of unitary authorities, and to the maintenance of existing cities but with jointly-owned utility companies spanning the region.

All of these have some merit, but all have some difficulties as well. At this stage what I can say is that there is a danger of rushing in and designing all sorts of new structures at the expense of actually thinking about what outcomes we are after.

Local government reform in Auckland should focus on whether there is good regional infrastructure, sound and consistent regulation, and economic growth throughout the region, as well as making sure each community in our largest city feels appropriately represented. That's a tough ask. Some of this involves central government changing its structures in Auckland as well.

A National Government would work through these issues with local government and hammer out a solution that will benefit both Auckland and ultimately the rest of New Zealand.

Let me finish by saying again that over the next year or so National wants to develop a much stronger dialogue with the local government sector.

John Carter and his team will continue to be actively engaged with individual councils, and with Local Government New Zealand, to build relationships and to better inform our thinking on issues such as roading, building, housing, water and the environment.

This is important because if we are the next government we will want to work through some vitally important issues with you, honestly and openly.

I have mentioned some of these issues in this speech – infrastructure, and how this is financed, the respective roles of national and local government, and local government reform in Auckland.

National will go into the next election with a practical and realistic local government policy. Our focus will be on what will work for New Zealand's diverse communities and we welcome the continuing input from people in local government.

I know this country can do better. I'm hugely ambitious for New Zealand. New Zealand can achieve great things if we are all pulling together.

Thank you.

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