

# fresh thinking

A GUIDE TO LOCAL ECONOMIC LEADERSHIP

**Local Government  
New Zealand**  
*te pūtahi matakōkiri*



## Ground-breaking research

In 2010 *Local Government New Zealand* (LGNZ) invested in ground-breaking research from BERL Economics, which revealed local government's significant contribution to the New Zealand economy.

The BERL *Local Government Economic Indicators Framework* (LGEIF) was designed to help local government clearly understand its role in this critical area and can be viewed in full at [www.lgnz.co.nz](http://www.lgnz.co.nz).

Our first publication, *Local Government's Contribution to Economic Growth* (available at [www.lgnz.co.nz](http://www.lgnz.co.nz)) provided a comprehensive introduction to the LGEIF using three case studies: the Highbrook business park, Westpac Trust stadium and the Marlborough Wine Centre of Excellence.

These case studies tested the framework and provided a qualitative assessment of local government's contribution to the economy. We then released a final report in December 2010 containing a set of measurement indicators.

Following on from these publications, this short guide focuses on the critical area of economic leadership identified in the LGEIF, and discusses the important role you and your council can play in encouraging economic growth in your community.

Local government plays a significant role and is investing \$142 million into industry and business developments to support the Government's economic growth agenda.

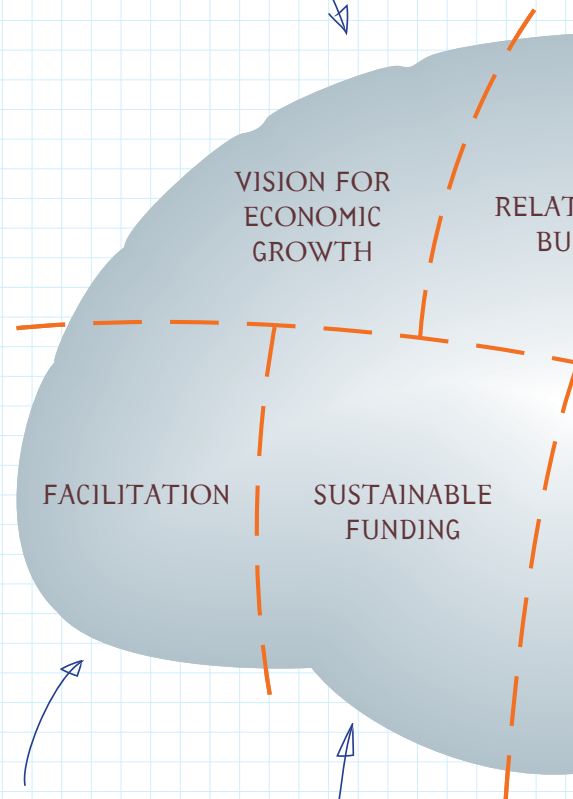
Economic development, and local government's role in it, is a very complex area, but one in which we need to up skill ourselves in given this challenging economic climate.



**Lawrence Yule**  
President

## Elements of local economic leadership

By setting, supporting and driving a vision, strategy and plan for economic growth.



Maximise your neutral status and help industry and public sector organisations to work together and form alliances to promote growth.

Investing in infrastructure, services and amenities that meet community needs enables an increase in productive economic participation from community and industry.

## Local government and economic leadership

International research on the role of economic leadership in a global crisis has identified 10 principles (the Barcelon Principles) for local recovery and re-investment. These principles underpin local economic leadership, are consistent with the leadership priority area defined in the LGEIF, and are applied to the New Zealand landscape as part of the LGEIF.

The research shows that effective local leadership requires cross-border and cross-sector collaboration strategies to encourage economic development. Councils need to demonstrate vision, communication, partnership and alliance-building to be clear leaders.

Councils can do this by working with businesses and investors to reduce the risks involved in investing or expanding in a location. This means ensuring stakeholder engagement and mobilising active support from residents for change.

The LGEIF shows the contribution local government makes to economic growth and development in New Zealand. It identifies a set of priority areas that articulate local government's efficacy and provides measures of local government's contribution to central government's economic growth agenda.

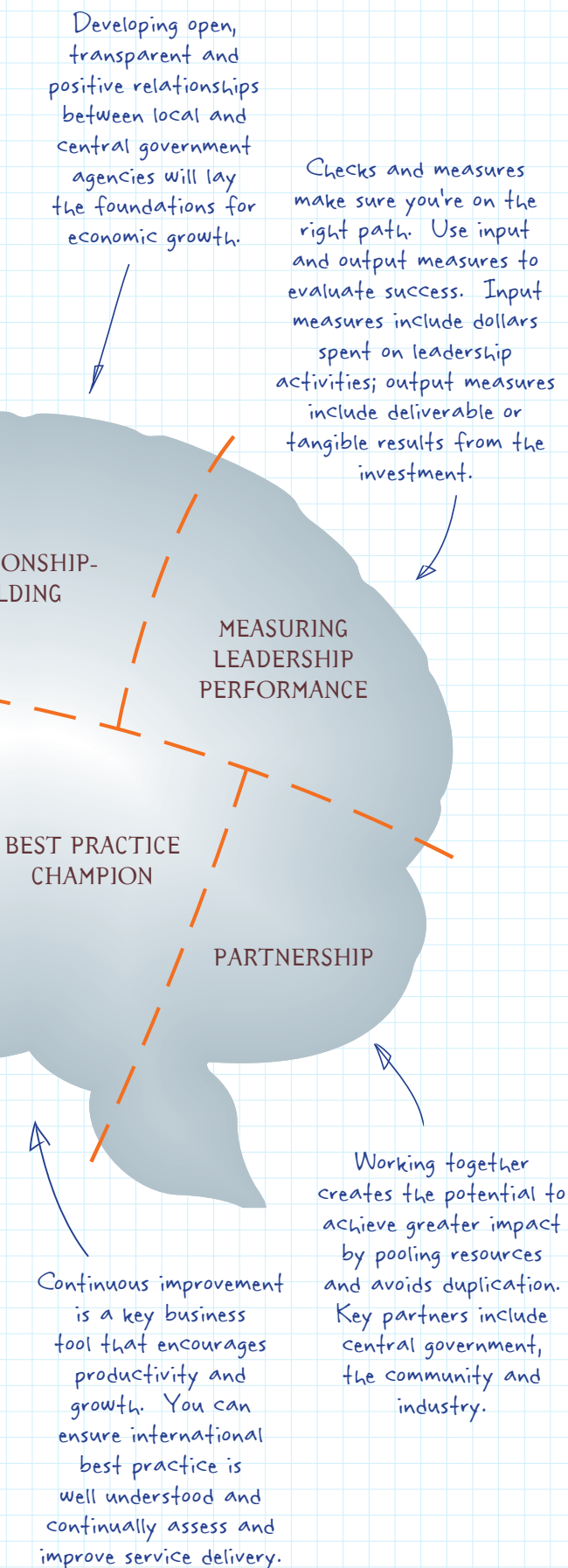
Areas where local government can contribute to economic activity:

- leadership, incorporating partnership and facilitation
- spatial planning and infrastructure
- regulation
- services
- business and industry development
- social and community.

## Defining economic leadership

The key component of local government economic leadership is a future economic focus: driving a vision and defining a clear pathway into the future. Strong leadership can directly and indirectly shape the behaviour of the other players in the economy.

To help your region realise its economic potential, you need a clear, long-term inspirational vision and the ability to encourage others to commit to that vision. To turn this vision into reality, you must build relationships across all areas and align your region's Long Term Plan and economic development strategy.



## Hamilton's aviation industry

Waikato's aviation industry began several decades ago with central government funding supported by New Zealand Trade and Enterprise (NZTE) which established Waikato as the Australasian centre for light aircraft manufacture, maintenance and airline pilot training. In recent years, this industry has taken off in the region.



Growth in this sector originally stemmed from central government funding supported by New Zealand Trade and Enterprise (NZTE) which established Waikato as the Australasian centre for light aircraft manufacture, maintenance and airline pilot training.

Hamilton City Council played a key leadership role in achieving economic growth by investing in its economic development agency Opportunity Hamilton. The agency set up and ran the Waikato Aviation Industry Cluster (WAIC) which became a business entity and charitable trust in its own right in May 2011.

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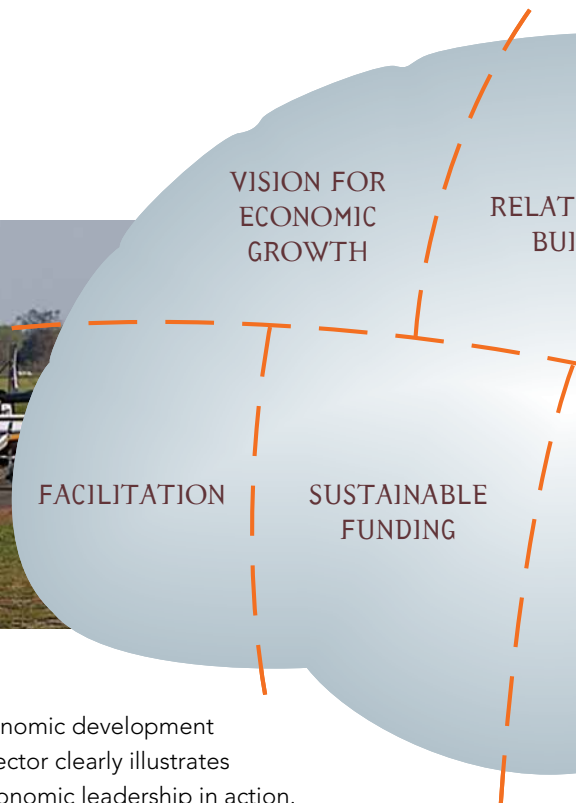


### **Vision for economic growth:**

The project was driven by Hamilton City Council with the vision of being "the centre of light aircraft manufacture, maintenance and pilot training in Australasia."

# Industry takes off

crop-dusting aircraft manufactured south of Hamilton.



The regional hub around Hamilton International Airport is now humming, with core businesses of aircraft manufacturing and pilot training, along with aviation services, maintenance, flight operators and supply chain providers. An NZTE report from June 2010 showed the New Zealand aviation sector brought an estimated \$9.7 billion into the economy in 2009, with \$5.9 billion from domestic activities and \$3.8 billion from export activities. The report shows the industry is expected to grow to \$12.6 billion by 2015.

The economic development in this sector clearly illustrates local economic leadership in action. Local government played a critical role kick-starting and supporting this growth, demonstrating several of the elements of economic leadership.



## Relationship building and partnership:

Opportunity Hamilton and central government (through NZTE) worked in partnership with local businesses, including Pacific Aerospace and the 70 members of the Waikato Aviation Industry Cluster.

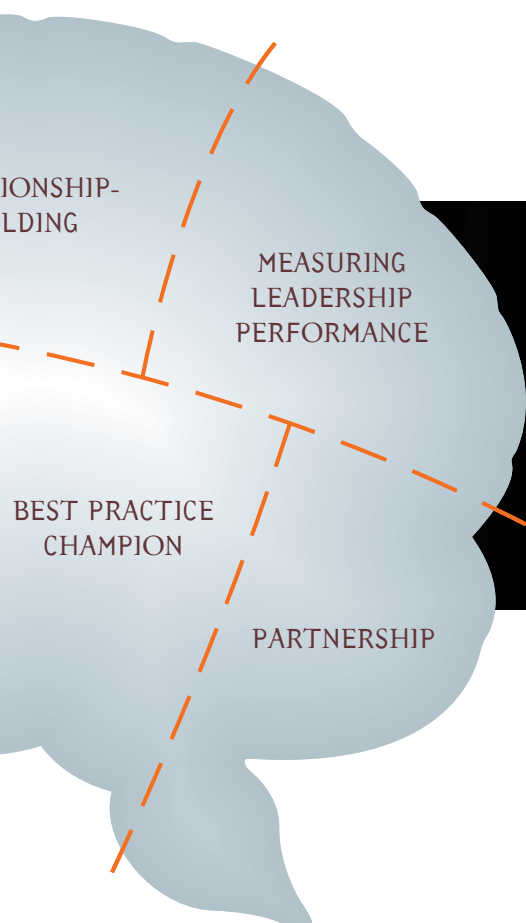


## Facilitation:

Opportunity Hamilton managed the aviation cluster. Its work enabled the cluster to lead New Zealand aviation in numerous achievements, including the construction of a specialist aircraft paint facility near the airport.

# Collaboration creates a high energy growth in Taranaki and beyond

Good leaders understand the value of working collaboratively, and this is certainly the case in Taranaki.



Since the region's first oil discovery and commercial mining attempts in the 1860s, and New Zealand's first major commercial find at Kapuni in 1959, Taranaki has been at the centre of New Zealand's oil and gas activity. All commercially produced oil and gas mined in New Zealand today is found in or around Taranaki.

The Government's economic growth agenda seeks to maximise the value and potential of the oil and gas industry as economic, skills and innovation driver. The region's economic development agency Venture Taranaki has been charged with developing and facilitating a nationwide hub-and-spoke model for the oil and gas industry to leverage the skills and experience resident in Taranaki for national gain.

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## Partnership:

The partnership between Venture Taranaki and central government has been a driving force, forging links between local and central government, within industry and across the supply chain, and linking up with economic development agencies in other regions.

## THE VALUE OF THE O&G INDUSTRY TO NEW ZEALAND

### GLOBAL O&G MARKET

Foreign Direct Investment into New Zealand by the O&G Industry

- Exports = \$2.15 billion
- Oil = \$1.9 billion
  - Methanol = \$255 million



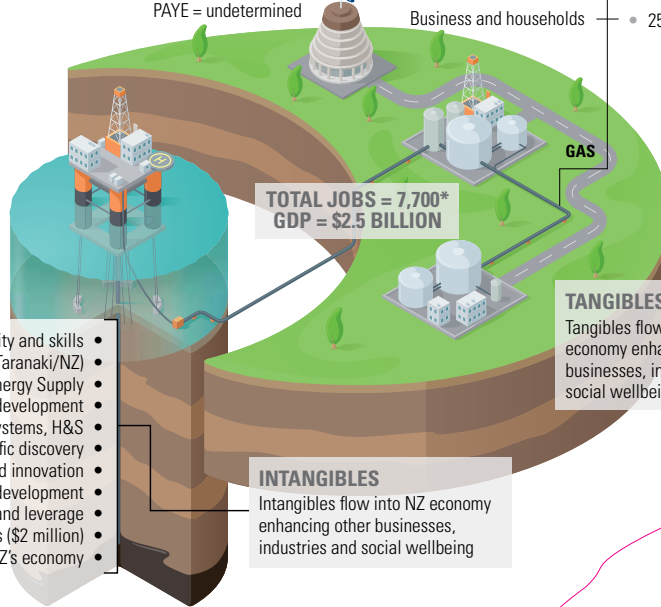
- Economic, vibrancy, diversity and skills
- Reputation and brand (Taranaki/NZ)
- Security of NZ Energy Supply
- Infrastructure development
- Enhancement of Business Systems, H&S
- Knowledge, careers, scientific discovery
- Technological stretch, transfer and innovation
- Expansion e.g export development
- Diversification and leverage
- Community investments (\$2 million)
- Potential to transform NZ's economy

### NZ ECONOMIC AND SOCIAL WELLBEING

Royalties = \$432 million  
Company Tax = est. \$300 million  
PAYE = undetermined

Energy companies and electricity generation  
Business and households

- 20% NZ's primary Energy supply
- 25% Electricity generated



\*Direct jobs = 3,730, Total impact = 7,700



The economic development agencies in Southland, Nelson and Dunedin, together with Gisborne District Council, form the spokes of the model, with the strong relationship between these organisations driving nationwide economic growth and attracting interest from economic development agencies in other emerging oil and gas regions.

Several key leadership elements lie at the heart of this industry success story that began in Taranaki.

#### Relationship-building:

At a local government level Venture Taranaki, a council- controlled organisation of the New Plymouth District Council, has been actively involved with the region's councils and is working with council planners in other regions to learn more about district planning implications and environmental effects of the industry.

#### Facilitation:

Industry collaboration occurs through an oil and gas support industry cluster. Venture Taranaki played an integral role in establishing the local cluster and continues to deliver marketing and administration support to the group.

## Leveraging the benefits of Ultra-Fast Broadband

The government's overall objective for the Ultra-Fast Broadband (UFB) initiative is to accelerate the roll-out of ultra-fast broadband to 75 per cent of New Zealanders by 2019, concentrating in the first six years on priority broadband users such as businesses, schools and health services. The Government is investing \$1.5 billion in the initiative.

Extending the reach of broadband services tends to be well-correlated with increasing business productivity and economic growth. World Bank analysis published in 2009 suggests that investment in broadband infrastructure has a higher flow-through to nationwide productivity than other areas of telecommunications. This analysis showed a 10 percentage-point increase in telecommunications penetration via

broadband could increase economic growth by between 1.2 and 1.4 per cent.

This project creates a real opportunity for local government to play an economic leadership role and partner with central government, local businesses and other stakeholders to:

- develop local digital strategies to leverage the benefits of UFB
- fund strategic initiatives identified in the planning process
- support the execution of these initiatives.

To find out more about how you can reap the benefits of UFB in your region see [www.crownfibre.govt.nz](http://www.crownfibre.govt.nz) or contact Anna Verboeket, Stakeholder Relations Manager, Crown Fibre Holdings on 09 912 2424

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## Further information

### Local government's contribution to economic growth: 2010

<http://www.lgnz.co.nz/projects/EconomicandRegionalDevelopment>

### Recession, recovery and reinvestment: the role of local economic leadership in a global crisis – Greg Clark

<http://www.gregclark.net/papers/RecessionRecoveryReinvestment.pdf>

### BERL Local Government Economic Indicators report: 2011

<http://www.lgnz.co.nz/projects/EconomicandRegionalDevelopment>

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## Develop your Economic Leadership KnowHow

*Take your knowledge to the next level with our new KnowHow Plus workshop on economic leadership.*

We'll help you develop your understanding of this critical area and give you the right tools to facilitate change and encourage economic growth in your community. This new workshop will run from October 2011.

For more information visit [www.lgnz.co.nz/knowhow](http://www.lgnz.co.nz/knowhow) or contact [anne.gibson@lgnz.co.nz](mailto:anne.gibson@lgnz.co.nz)