

BERL report key messages

LGNZ commissioned economic consultants BERL to find local government's contribution to the overall economy.

With council metrics about to be in the spotlight, this research tells another side of the story – the essential contribution councils make to New Zealand's economic growth and future.

For the first time, we have hard data about local government's total economic contribution.

BERL found three different types of economic impact:

- \$2.2 billion from **local public administration**,
- \$20.1 billion in **operational and capital spending and expenditures**, and
- up to \$0.5 billion in **long-term productivity benefits** annually from network infrastructure investment to the wider economy.

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Given New Zealand's struggling productivity growth, local government's contribution to productivity is a substantial contribution to economic growth.”

- BERL

Local government's productivity contribution has never been assessed before.

BERL says local government's contribution to productivity is a substantial contribution to New Zealand's economic growth.

BERL found that local government generates more than \$500 million every year in pure productivity benefits. This is not money that local government spends: it's money that it generates.

This productivity comes from work that only councils can do, specifically the network infrastructure* that councils build and maintain.

This productivity is generated in a range of ways, for example:

- Build roading – and you can develop housing.
- Increase public transport – and you reduce congestion, which benefits commercial trucking and allows for greater labour mobility.
- Invest in water infrastructure to minimise water losses, allowing that water to be used more productively.

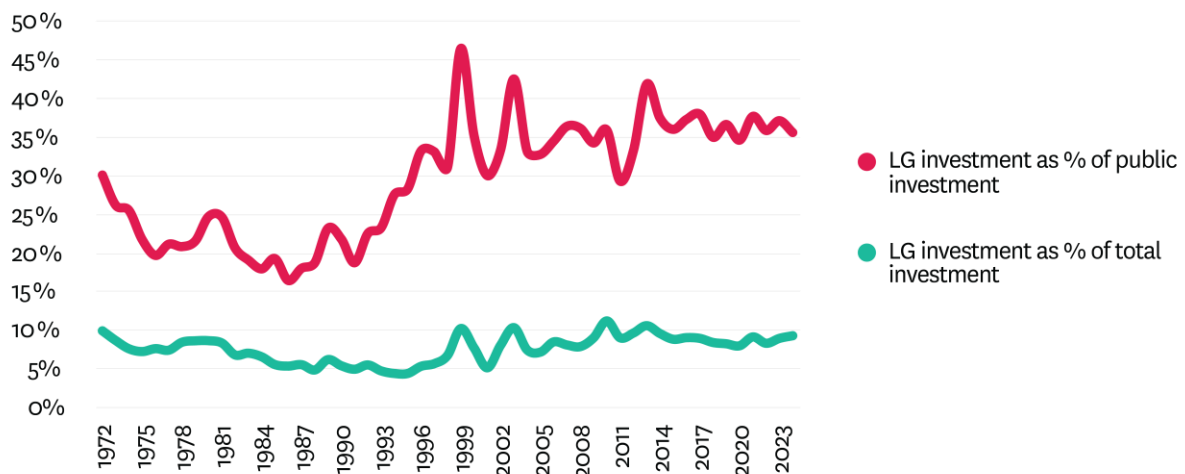
To deliver economic growth for New Zealand, central and local government must work in partnership, with better planning and coordination.

Local government is responsible for more than a third of all government infrastructure investment each year.

Local government's infrastructure investments produce economic returns far higher than central government's – nearly double the return.

Because local councils' share of public infrastructure is growing, local government keeps boosting the overall productivity of New Zealand's public infrastructure.

This graph shows local government investment (gross fixed capital formation)



SOURCE: STATS NZ

There is huge potential for central government to drive growth through partnership with local government.

* Network infrastructure includes things like: flood protection and control works, roads and footpaths, sewerage and the treatment and disposal of waste, stormwater drainage, and water supply.

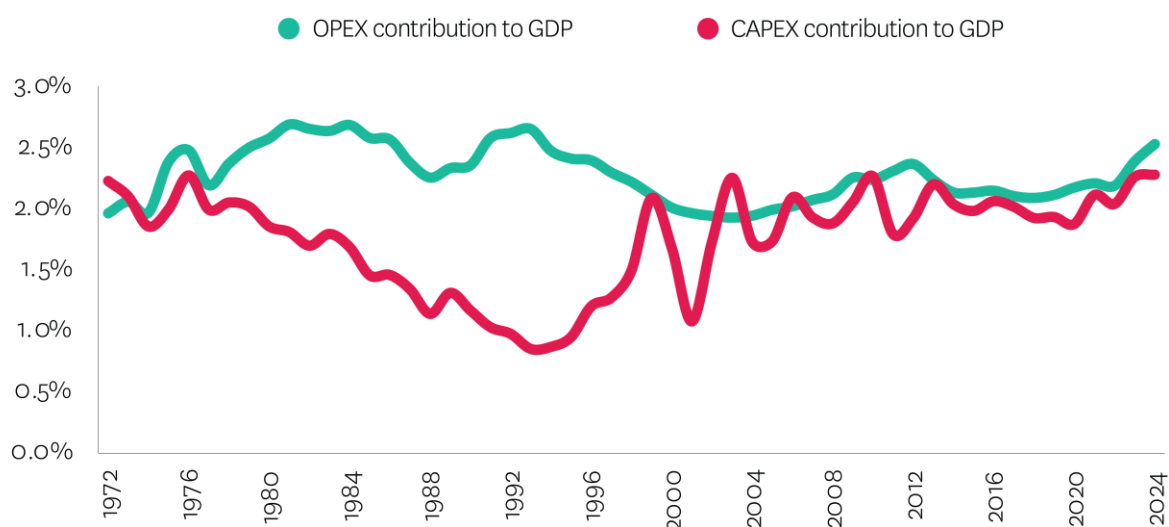
- To realise this potential, as BERL points out, councils must get more funding and financing tools.
- This includes being able to earn back the growth that councils create through investment in network infrastructure.
- City and regional deals provide a potential framework for this.

Councils' OPEX and CAPEX drive flow-on economic activity from the private sector.

More than 50 percent of total local government operating expenditure is on network infrastructure*, which generates significant flow-on effects.

Councils will spend \$77.2 billion on capital expenditure programmes over their long-term plans. That's significantly higher than past councils – because today's councils are playing catch up on historic underinvestment and investing for tomorrow.

This graph shows local government OPEX and CAPEX contribution to GDP:



SOURCE: STATS NZ

Councils need to maximise return on investment

Councils can maximise the returns on their investment by:

- working together to plan and coordinate growth;
- getting the best possible value from investments; and
- managing the politics of funding and delivering infrastructure projects locally.

Councils are already doing this via spatial planning, city and regional deals, urban growth partnerships and innovative approaches to Local Water Done Well and other infrastructure.

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