

Enabling Communities to Provide for Their Economic Wellbeing: the Awarua Industrial Estate (A Case study from Southern New Zealand)

William J. Watt

Member – New Zealand Planning Institute. Fellow – New Zealand Institute of Management
Director of Environmental and Planning Services, Invercargill City Council
Ph 64 03 2111 666 Fax 64 03 2111 431 email: william.watt@icc.govt.nz

ABSTRACT

New Zealand's Resource Management Act sees 'sustainable management' as managing the use, development and protection of resources in such a way as to enable communities to provide for social, economic and cultural wellbeing.

This Case Study will show how the Invercargill City Council has used the Resource Management Act and the enabling tenor of the Local Government Act to plan for industrial development.

The number one issue facing provincial cities like Invercargill is sustaining economic critical mass. This means being pro-active in encouraging the development of industries and economic activities in which such communities have a comparative advantage. A Council needs to show leadership. An important part of this is identifying and addressing as far as possible the consenting issues.

Open development of the proposal and honest consultation with the affected parties have smoothed the plan change process.

KEYWORDS: economic, sustainable communities, council-led development.

1. INTRODUCTION

Invercargill is a city of 50,000 people sited at the southern end of the South Island of New Zealand. It is primarily a rural servicing city, with a highly productive rural hinterland based on versatile soils and a mild climate.

In common with many other provincial cities, Invercargill has had periods of growth interspersed with periods of low growth or decline. The most recent of these was in the late

1990's, when there were significant business closures and property values fell sharply. People were losing the equity in their homes. Public concern manifested itself in major changes in local politics, with the election of a Mayor (Mr Tim Shadbolt) and councillors with a mandate to do whatever was in their power to counter this pattern of decline.

Promoting the establishment and maintenance of economic 'critical mass' was identified early as the significant issue facing the Invercargill community. What could a Council do, on its own and in partnership with other community stakeholders, to support and promote economic development?

The response was a multi-faceted approach:

- PROMOTION – of the City and of the comparative advantages of southern New Zealand
- PARTNERSHIPS – with significant local financial and other institutions
- POSITIONING AND PLANNING AHEAD – acquiring the land for, and zoning, the Awarua Industrial estate has been one of many significant responses and initiatives.
- POSITIVE ATTITUDE – 'can do' philosophy within regulatory services, i.e. helping people find solutions to problems.

The success of the Awarua project is that it has shown that a council can use the Resource Management Act (RMA) processes to 'provide for' its economic future, in that (at the time of writing) the Plan Change is on the brink of being made operative.

The test will be whether the Council has got it right in terms of its assessment of the local, regional and national economic geography and in terms of the fiscal risk it has exposed itself to in undertaking the project.

2. THE SOUTHLAND REGION AND INVERCARGILL CITY – CONTEXT

2.1 Early History

The 'first people' settled in "Murihiku" probably around 1,000 years ago. Abundant seafood and birdlife supported a 'hunting and gathering' economy and lifestyle for around 200 people. This pattern continued for several hundred years.

Visits from those of European origin began with 'explorers' like James Cook and continued with camps associated with sealing and whaling. Timber milling and land clearance were widespread until about the 1930's. The farming tradition in Southland began in the 1850's with purchase of land from the Maori owners and has continued to the present day.

2.2 Tradition of Large Industry

For many years large processing facilities associated with primary produce have been a feature of Invercargill's geography and economy. For many years three large freezing works near Invercargill processed much of the region's lamb production and fish processing has always been a significant employer at Bluff.

In the early 1960's a large aluminium smelter was planned and built near Bluff, near Invercargill, to utilise the power from the controversial Manapouri electricity generation project. Initially it employed around 1,500 people. In 1978, when I first moved to Invercargill, about 20% of the Invercargill City's economic activity was dependent, directly and indirectly, on the smelter. Recent figures (1) show that the contribution of the smelter to the regional economy is

- \$506 million (13.5% of the region's GDP)
- 2,400 full time jobs
- \$1,700m in regional sales

2.3 Change in Paradigms

From the 1980's significant changes in national paradigms have affected Southland and Invercargill:

- Livestock farming ceased to be protected from market fluctuations and heavily subsidized nationally.
- Farming became market-led. The most spectacular manifestation of this has been the shift in dominance from sheep farming to dairying.
- Significant company restructuring and rationalisation led to the elimination of middle levels of management, resulting in staffing reductions and office closures.
- Significant government restructuring led to the demise of such departments as the former New Zealand Forest Service and the Dept of Lands and Survey. Restructuring and centralisation resulted in a significant outflow of people.
- Local government was also reorganised, focussing mainly on combining small local authorities with larger ones and also on transferring a whole range of responsibilities previously held by ad hoc authorities to regional councils.

In a period of two decades Southland has had to adjust from being a heavily protected and secure economy to being a leader in responding to market forces.

This change did not happen easily. Its success is due to the willingness of local governmental and financial institutions to work together in such projects as the Southland Institute of Technology (SIT) 'Zero Fee' scheme (where local interests 'topped up' government education subsidies to enable SIT to offer a wide range of tertiary education opportunities without fee – at a time when fees for tertiary education had become a national issue). Another example of this was Venture Southland – a jointly funded organisation set up to promote enterprise and events in Southland. The Council also spent around \$8 million on a central city environmental upgrade which made both retailers and shoppers feel better about themselves.

Several significant community facility projects were undertaken. In particular:

- The construction of a new aquatic centre to replace the City's ageing swimming pools. Opened in 1997. Construction cost \$10.5 million. Funded 50/50 by Council and sponsors, mainly local.
- The construction of a new sports stadium, opened in 2000 and the subsequent opening of New Zealand's first indoor cycling velodrome. Funded almost wholly by sponsors.
- The renovation and partial re-build of the City's Civic Theatre, opened in 2005 and funded jointly by Council and sponsors.

It was seen by community leaders that if Invercargill was to sustain economic critical mass, then it had to sell itself as an attractive place to live. First class recreational, sporting and cultural community facilities are an important part of this.

Two significant Southland institutions were key players in providing the funding for these projects. They were the Invercargill Licensing Trust and the Southland Community Trust. Both are the most successful institutions of their type in New Zealand.

In the late 1990's a couple of other things happened to bolster the regional psyche:

- We became film stars! The World's Fastest Indian involved a sizeable chunk of Invercargill's population – as extra's and support crew. The film expressed values Southlanders like to believe about themselves and was a commercial success.
- We became New Zealand netball champions! The "Southern Sting" seemed invincible for a number of years and Southlanders were very proud of them.

Also in the late 1990's world prices for dairy prices increased to the point where it was profitable to convert sheep farms to dairy in many areas of Southland. This generated business (and associated environmental issues) in a big way. In addition, a new player appears in the sheep processing industry (Talleys) and purchased the remaining large industrial site in Invercargill and owned by the Council.

All these factors have induced resilience and a strong entrepreneurial ethos to the local and regional psyche.

2.4 Prospects for Development.

The following are relevant features of Southland's physical and economic geography and therefore prospects for the future.

- Produce-based: Southland is the most productive and versatile farming region in New Zealand and apparently is one of the least prone to production catastrophe (e.g. drought or flood)
- Timber-based: Production from extensive exotic forests is expected to climb exponentially from around 2012
- Lignite – based: Invercargill lies within 60 kilometres of extensive lignite (brown coal) fields that for the last 25 years (LFTB) we have known to be capable of providing the equivalent of around 50% of New Zealand's liquid fuel needs
- Oil or gas-based: The "Great South Basin" is New Zealand's best prospect for oil and/or gas (map)

3. SO – WHAT?

In this context, a local authority making a strategic purchase of land and then zoning it for future industry makes sense.

It makes sense only as one of a large number of initiatives coordinated across the region aimed at maintaining and developing its economic critical mass.

4. INITIAL STUDIES

Acquiring land and developing it for industry is not new for the Invercargill City Council. In the first half of the last century significant areas of the New River Estuary were reclaimed and developed for this purpose by the Council. Ideas about reclaiming estuaries have changed, but was the approach still relevant? The Council sought independent advice.

“Part of the Council’s overall initiatives to stimulate economic development...focus on marketing the City and its adjoining area as a location for new and expanding industry that would enable future employment activities and economic growth in this part of the region. The Council needs to be satisfied that if it is approached by such industries, there are appropriate provisions in its District Plan to enable them to establish within appropriate environmental safeguards” (Planit - page 1)

Work by Venture Southland had revealed a potential need for extensive site areas for large industries having particular infrastructure needs or having effects such that they need a significant degree of separation. Elsewhere in New Zealand, local authorities had run up against significant consenting difficulties when they had attempted to make land available for economic growth. The Council asked Planit to see if there were ways this could be facilitated.

Planit concluded in their 2002 report:

- There was a very limited amount of land appropriately identified in the District Plan suitable for large or even medium scale development.
- The Plan Change Process is the most appropriate vehicle to elicit public response to proposals for significant new industrial sites.
- Potential developers are reluctant to initiate Plan Change processes for land use because of the length of the process and hence cost and uncertainty as to outcome.
- Of a wide range of options considered, the most appropriate area was at Awarua.

5. AWARUA - DESCRIPTION

Awarua was chosen for industrial development on the basis of the following criteria:

- Large single ownership allotments
- Proximity to other industrial users and industrial sub-areas
- Separation from environmentally sensitive areas/communities
- Avoidance of hazard prone areas
- Engineering suitability (site stability etc)
- Proximity to the Port (Bluff is less than 15 k. away)
- Ability to meet operational/infrastructural needs of a reasonable range of industries
- Access to road/rail
- Access to electricity connection at 33KV

This combination of attributes is not replicated anywhere else in the southern half of the South Island.

6. THE DECISION TO PURCHASE

Having identified that Awarua was the best area for development, the Council was anxious to avoid the process being held up by one or a small group of ‘vexations’ objectors. It therefore decided “in Committee” to purchase the farm blocks comprising the proposed industrial estate and also the land in the immediate vicinity. The negotiations were completed by an independent agent acting for an ‘anonymous’ client.

To have handled the negotiations in any other way would have resulted in the Council and the ratepayer, being ‘taken for a ride’ by owners of land that had suddenly become very valuable. Generally, this seems to have been accepted as a valid approach by the community. In addition, the point that the Council was proposing plan changes over land that it actually owned itself (as compared with doing a plan change over privately owned land) was not lost on the public.

The land – approximately 400 ha. - was purchased in four blocks between 2006 and 2008 for a total of \$9,505,000.

The purchase raises significant funding issues. For a limited time, the interest on the purchase is being further funded from loan

The worst case scenario is \$650,000 extra on rates in 2009 – 2010. That is equivalent to just under 2% on the total rates bill for Invercargill City. The best case scenario is that a significant block can be leased or sold to generate all or part of this in rental income.

7. THE PLAN CHANGE PROCESS

The Council was anxious to conduct the process on an open and ‘no surprises’ basis. To that end, it contracted an independent planning consultant, already known to the community and respected by them, to manage the process and made it clear early on the hearings would be conducted and decisions made by a respected and experienced independent hearings commissioner.

Main features of the process (documented by Hovell) were as follows:

- Adjoining landowners were consulted (by both letter and personal meetings) in May and June 2007 and issues they raised were addressed in the process of preparing the Plan Change.
- Technical reports were commissioned on traffic, noise, landscape, ecology, heritage, cultural values, infrastructure (water and sewage), geotechnic issues, hydrology issues and space research / communications.
- As work progressed, a ‘newsletter’ kept stakeholders up to date with progress. A summary of all the reports was sent out in January 2008
- A public meeting was held to provide an opportunity for feedback on the reports and to discuss issues of interest to those attending.
- The Plan Change provisions were then finalised and publicly notified.
- Twenty two submissions were lodged. As required by the RMA, these were then summarised, and made available for further submission (in support or opposition).

Eight such further submissions were lodged.

- Council advisers then met and considered the matters raised. As a result, consultants were engaged to report further on management of stormwater, potential effects of sea level rise, and provision of rail access to the site.
- The results of this additional work were then presented to a formal “prehearing” meeting on 10 September 2008. In this meeting submitters identified matters of concern to them and council advisers responded.

8. THE HEARING AND DECISION

The Hearing took place on 24 – 25 November 2008, conducted by Mr Michael Garland as sole Hearings Commissioner.

The wisdom of the open and consultative approach to the Plan Change led by Mr Hovell is clear in these comments by the Mr Garland in his decision:

“This plan change has benefitted from the iterative process carried out by the planning team.”

He went on to note:

“In this case, the Council has purchased the land and has taken a proactive move to provide land for future industrial activity because it does not know the nature that such activity might take and respond to whatever may come along, a relatively generic approach must be taken.”

In this case, the submitters have expressed concern largely at matters of detail and not as much against the whole idea of the plan change. As a result, there have been no significant challenges in terms of the purpose of the Act....”

Mr Garland also concluded that the S.32 (RMA) requirement to address options and issues had been properly addressed.

It is a feature of the RMA that the decision to adopt a Plan Change cannot be delegated, so in the end, acting on Mr Garland’s recommendation, the Council had to formally adopt the Plan Changes re-zoning its own land Industrial.

There was one appeal – from one of the existing industries in the area, on ‘reverse sensitivity’ issues. The existing fertilizer industry is concerned that new activities (such as a film studio) may find it an incompatible neighbour. The matter has been resolved at mediation (mainly, by an undertaking to take into account the effect on the existing fertilizer works of new activities such as a film studio) and the wording of the consent order is being finalised at the time of writing this paper.

9. WHERE TO NOW

Council did not develop a marketing plan until the RMA issues had been advised. It needed to have a ‘product’ before it could sell. Now the intention is to market the site actively through nationally-based consultancies. Options for ownership of the land include a Council company,

some for of joint venture, or outright sale.

10. CONCLUSIONS

- a) It is possible to for a New Zealand community to use the Resource Management Act to enable communities to provide for their economic wellbeing by zoning land ahead of development.
- b) It makes sense to do so when this is only one part of a multi-faced strategy aimed at maintaining and enhancing economic ‘critical mass’
- c) Even when the issues are comparatively uncontested the process takes a long time.
- d) This is why communities and councils should use RMA processes as a way of giving effect to their wider corporate and economic planning.

REFERENCES

Infometrics & Innovative Business Solutions, Southern Institute of Technology, Assessment of the Economic and Social Impacts of Tiwai Point Aluminium Smelter on the Southland Economy, Venture Southland, March 2009.

Planit (R W Batty & Associates Ltd), Invercargill City – Industrial Development and RMA Process Issues, report prepared for Invercargill City Council, February 2002.

Hovell, K. Resource Management Act 1991: Invercargill District Plan: Plan Change 8:Industrial Sub-Area – Awarua. Section 42A Planner’s Report to the hearing Commissioner. November 2008.

Garland M. J. G. Recommendation of the Commissioner (in the matter of Plan Change 8 Industrial Sub Area, Awarua). Invercargill City Council, January 2009.