

## **Report 99.636**

28 October 1999

File: CP/3/1/1

Report to the Policy and Finance Committee  
From Helen Wood, Corporate Policy Advisor,  
John Allard, Manager Corporate Advisory Services,  
Ted Maguire, Council Secretary and  
Greg Schollum, Chief Financial Officer.

# **Economic Wealth in the Greater Wellington Region and the Olympics Opportunity**

## **1. Purpose**

To provide a further progress report on the proposition for funding received from the Wider Wellington Olympics Trade Focus Group (WWOTFG) and the wider context of economic development in the Region.

## **2. Background**

On 7 September 1999 (report 99.509) the Council resolved to:

- *Support 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 Olympic Games.*
- *Invite the WWOTFG to present a formal proposition for funding to the Council.*

- *Request 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.*

Officers reported back to the Policy and Finance Committee on 21 September 1999 (report 99.533). At the time of finalising that report the WWOTFG had not submitted a formal proposition to the Council for funding as requested by the Council's resolution. However, Suzanne Snively, representing the WWOTFG, presented a business plan to the Council at the meeting on 21 September. Officers had not had the opportunity to analyse the funding proposal prior to the 21 September meeting, so the Committee resolved to:

- *request officers to report back to the next appropriate Policy and Finance Committee meeting in respect of:*

- *The WWOTFG funding proposal*
- *The results of the Chief Executives' scoping study on economic development*

*in addition to a further update on the Council's role in providing regional economic data.*

On 6 October 1999 having received two legal opinions on the ability of the Council to fund the WWOTFG, the Council (report 99.574):

- *Noted that the Local Government Act or other legislation does not permit the Council to contribute to an economic development initiative, such as that proposed by the Wider Wellington Olympics Trade Focus Group.*
- *Resolved that the Local Government Act is overly restrictive in respect of the role of regional councils to support economic development and that appropriate steps urgently be taken to advocate for legislative change.*
- *Resolved, subject to legal advice, to request the Directors of Port Investments Ltd to consider making available \$350,000 for the purpose of supporting the WRC/WWOTFG regional economic trade opportunities and initiatives.*
- *Noted that officers will report further on economic development issues to the Policy and Finance Committee on 2 November 1999.*

### **3. Legislative Ability for Port Investments to Fund WWOTFG**

As noted above, Council has resolved, subject to legal advice, to request the directors of Port Investments Ltd (PIL) to consider making available \$350,000 for the WWOTFG initiative. A legal opinion on the Council's ability to make this request was sought from Simpson Grierson, and this is appended as

**Attachment One.** The executive summary states that:

- “1. The WRC cannot compel PIL directors to make the contribution to WWOTFG.
2. The WRC can invite the directors to consider making the contribution, but it can have no expectation about whether or not they decide to do so.
3. In terms of the constituting documents and the statement of corporate intent, it is lawful for PIL to make the contribution if the directors determine that to do so will maximise the commercial value of CentrePort to the shareholders, will protect the shareholders’ investment and is in the best interests of PIL.
4. On the information currently available, it is our view that it would be unlikely that the directors of PIL would reach that conclusion.”

At its meeting on 20 October 1999 the PIL directors considered the Council’s request to make a contribution to the WWOTFG regional economic trade opportunities and initiatives. The directors of PIL decided to seek their own legal advice on this matter. An update will be provided at the meeting.

#### 4. **Analysis of WWOTFG Proposal**

Officers began analysing the WWOTFG proposal before receiving the Simpson Grierson legal opinion that the Council is not permitted under the Local Government Act or any other legislation to contribute to an economic development initiative such as the WWOTFG. For completeness, this report includes the results of officers’ preliminary views on the WWOTFG proposal.

Officers are of the view that because WWOTFG is not a legal entity it is likely to be difficult (but not impossible) for the Council to achieve a satisfactory accountability framework. Officers note that the WWOTFG members are in effect all volunteers who have willingly given their time to what has been seen as a good cause. However in such circumstances accountability can become diluted as performance is on a “best endeavours” basis.

Business and Economic Research Limited (BERL) were commissioned to review the WWOTFG proposal and specifically to provide answers to the following questions:

- In your opinion, is the outlook for the Wellington regional economy as bleak as suggested by Suzanne Snively?
- Are there significant unrealised opportunities for trade, tourism and other business opportunities between the Wellington Region and New South Wales as a result of the Olympics?

- If there are unrealised opportunities, why is the private sector not taking advantage of these?
- What ongoing opportunities are there likely to be in the wider New South Wales market after the Olympics?
- What intervention initiatives have generally been found to be successful in the area of economic development? (in the Wellington Region and elsewhere).
- Do the potential economic benefits for the Wellington Region identified in the WWOTFG business plan appear reasonable? (and could these only be realised through an injection of public money?)
- What are your views on the WWOTFG proposal in general?

After considering the WWOTFG proposal, BERL was of the view that:

“Overall, we consider that this proposal may have some merits, but also considerable uncertainties. These uncertainties may be because the WWOTFG has not considered certain issues, or has not articulated how it would address them. But regardless, that level of uncertainty may affect confidence in the success of the initiative. The uncertainty would also present the Council with difficulties in specifying and monitoring outcomes, in terms of accountability for a considerable sum of public money.”

A copy of BERL’s full report is appended as **Attachment Two**.

## 5. Update On Regional Economic Development

As previously noted (report 99.533), the chief executives from the local authorities in the Wellington Region including the Regional Council, have commissioned a joint study on regional economic development. A consultant has been commissioned to undertake a study to review:

- how best to attract business
- how to retain business
- how to expand tourism in the Wellington Region.

The study was due for completion in late October 1999, but more time has been requested. The final report is now expected in December. Officers will report further to Council on regional economic development once the results of the study are available.

Meanwhile, officers have made progress on the issue of publishing regional economic data and are seeking approval for expenditure in a separate report to the Committee (report 99.635).

## 6. **Communications**

No new communications are required as a result of this paper.

## 7. **Recommendations**

*The Committee recommends that the Council:*

- 1) *Notes legal advice that the Council can invite the directors of Port Investments Limited to consider making a contribution to the Wider Wellington Olympic Trade Focus Group, but that it can have no expectation about whether or not the directors decide to do so.*
- 2) *Notes the review by Business and Economic Research Limited (BERL) of the Wider Wellington Olympic Trade Focus Group proposal and requests officers to forward the BERL report to the Directors of Port Investments Ltd.*
- 3) *Notes that officers will report further on economic development issues once the results of the study commissioned by the regional chief executives are available.*

HELEN WOOD  
Corporate Policy Advisor

JOHN ALLARD  
Manager  
Corporate Advisory Services

TED MAGUIRE  
Council Secretary

GREG SCHOLLUM  
Chief Financial Officer

**Attachment 1:        Legal Opinion from Simpson Grierson dated 21 October 1999**

**Attachment 2:        Report from BERL**