

LGNZ's Localism Project

Presentation to NZ Community Boards Conference

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Chief Executive

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Te Kāhui Kaunihera o Aotearoa.



12 April 2019

This is not new thinking ...

*...the inhabitants themselves are best qualified, as well by their more intimate knowledge of local affairs, as by their direct interest therein, to provide for the wants and needs of their respective settlements. ... The central Government would thus be deprived of the power of partiality in its legislation; it would be relieved from the necessity of much petty legislation; **while at the same time, the prosperity of the country at large, would be promoted by the honourable rivalry which would spring up among the various settlements, thus entrusted with the unfettered management of their own local affairs, every settlement would be more or less attractive to trade, capital, and commerce, in proportion as the internal regulation of its town were well managed.***

(NZ Legislative Council, Wednesday, December 29, 1841)

THE LEGISLATIVE COUNCIL.

DEBATE ON THE MUNICIPAL BILL.

The Attorney General, after glancing at the provisions of the Bill, proceeded as follows:—

From the physical character of the country, it was evident that New Zealand would be colonized at various points, almost all of them virtually, at a distance from the capital. Under such circumstances, to adopt the language of the preamble of the Bill, “the inhabitants themselves are best qualified, as well by their more intimate knowledge of local affairs, as by their direct interest therein, to provide for the wants of their respective settlements.” But colonized as New Zealand was, and would be, it was quite essential that each settlement of importance should be given the power of regulating its own local affairs. The central Government would thus be deprived of the power of partiality in its legislation; it would be relieved from the necessity of much petty legislation, while at the same time, the prosperity of the country at large would be promoted by the honorable rivalry which would spring up among the various settlements thus entrusted with the unfettered management of their own local affairs, every settlement would be more or less attractive to trade, capital, and commerce, in proportion as the internal regulations of its town were well managed, its harbour good, and the navigation of its port safe, easy, and commodious. Such were the general objects and principles of the Bill. How far the provisions of the Bill were calculated to effect these objects, was the subject of the following debate.

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The current model is faltering

There is a growing feeling ... that the nation state is not necessarily the best scale on which to run our affairs. We must manage vital matters like food supply and climate on a global scale ...

At a smaller scale, city and regional administrations serve people better than national governments.

- New Scientist 2014

Impact on innovation

Britain is the prisoner of a cult of centralised government that was created in the age of mass production but is increasingly irrelevant in the age of tailoring and customisation.

This cult is killing innovation.

- The Economist, 29 April 2017

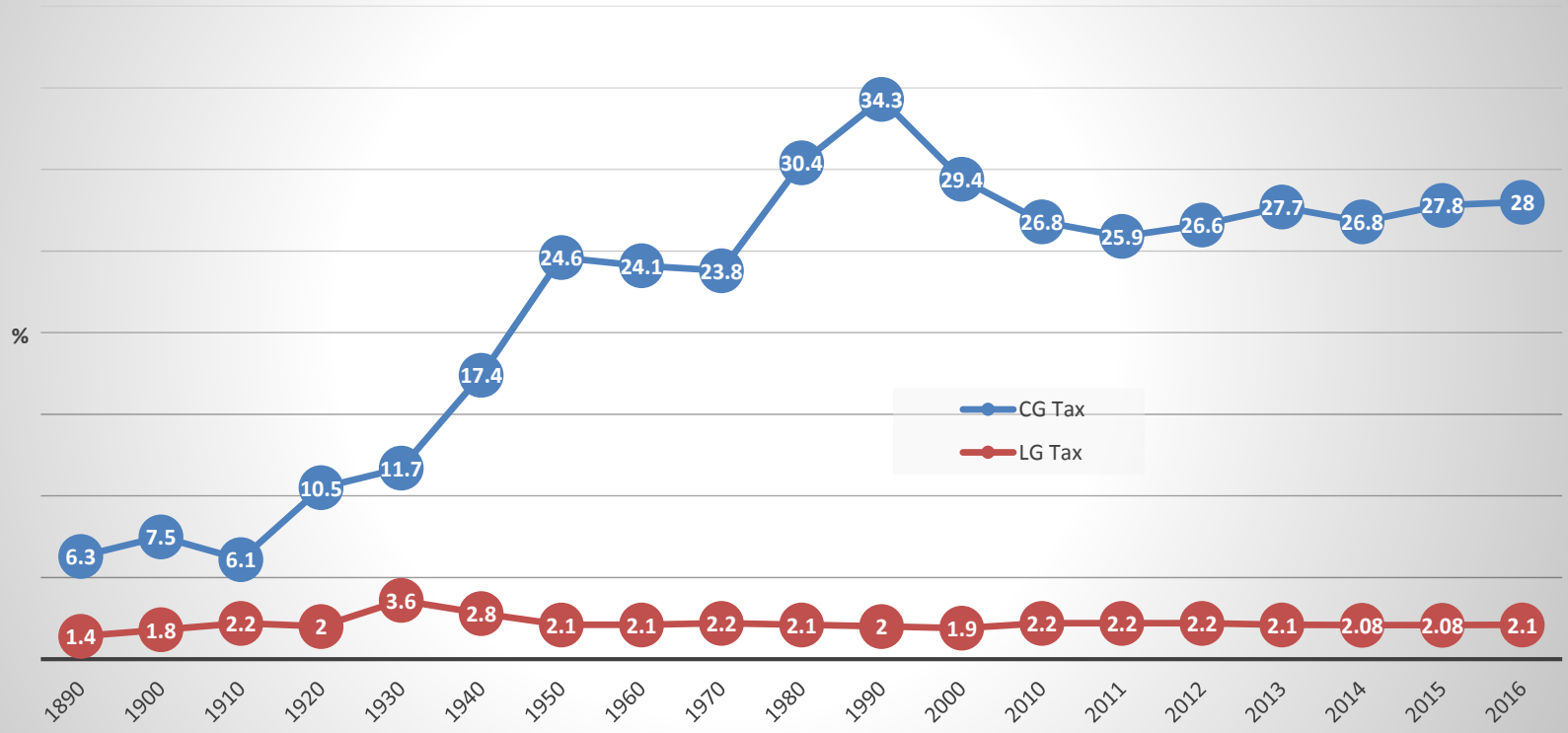
Need for new models

Cities and other localities can craft and deliver better solutions to hard challenges since they match problem solving to the way the world works:

“...integrated, holistic, and entrepreneurial, rather than compartmentalised and bureaucratic”

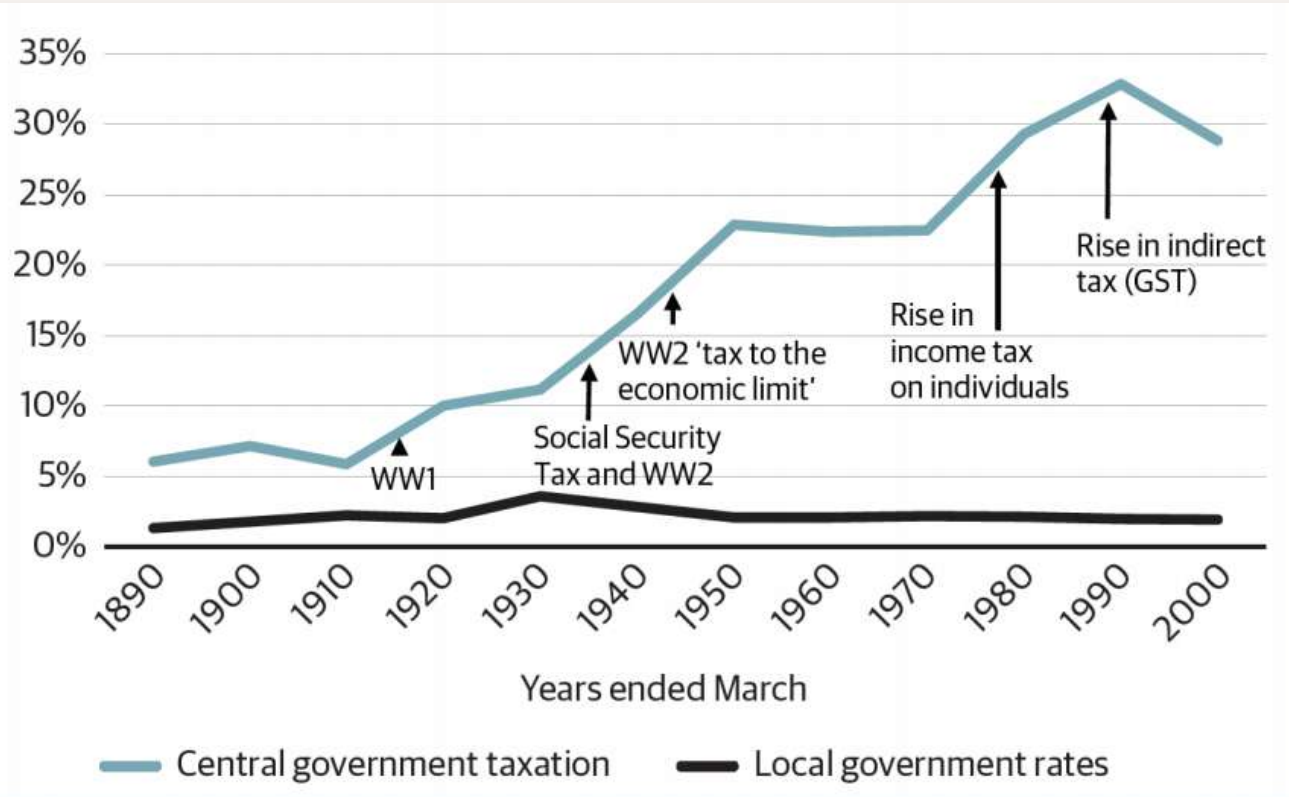
- *Bruce Katz & Jeremy Nowak, “The New Localism”*

Taxes as a share of GDP



Localism: NZ's lost legacy

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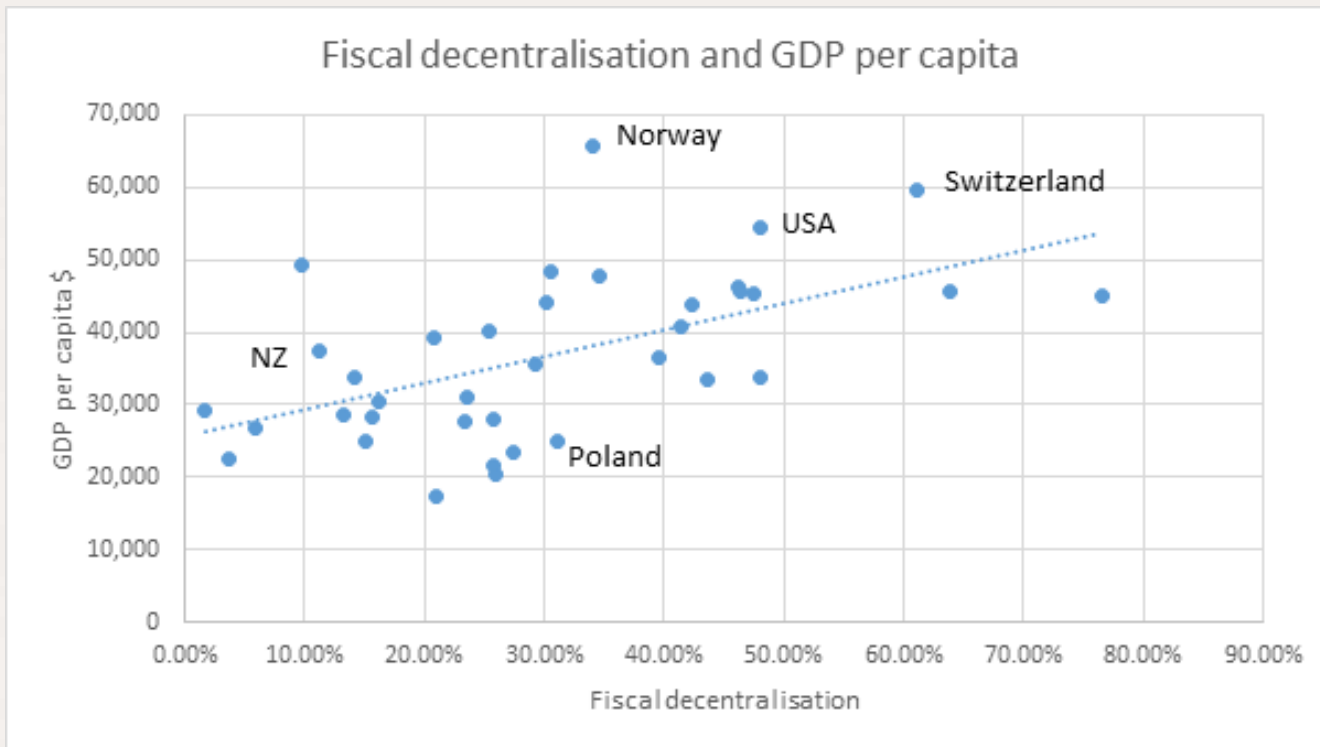
Taxation as a percentage of GDP in New Zealand

Just how centralised are we?

Country	Central govt's share of public expenditure
New Zealand	88%
UK	72%
Ireland	72%
Iceland	55%
Greece	54%
USA	54%
Korea	41%
Denmark	31%
Finland	29%
Germany	19%
Switzerland	13%
OECD Average	46%

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Fiscal decentralisation and GDP per capita



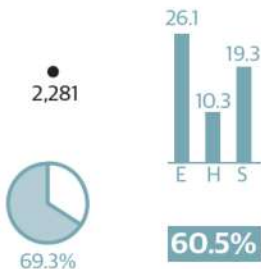
Centralist NZ

NEW ZEALAND



Population: 4.8 million
Average municipality size: 68,970

SWITZERLAND



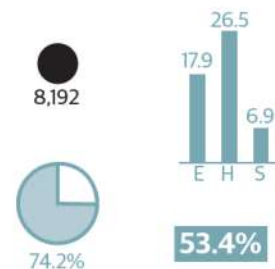
Population: 8.37 million
Average municipality size: 3,673

AUSTRALIA



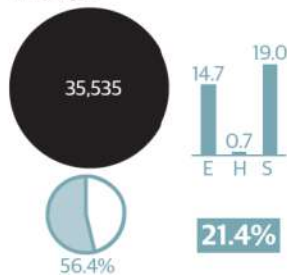
Population: 24.13 million
Average municipality size: 42,026

SPAIN



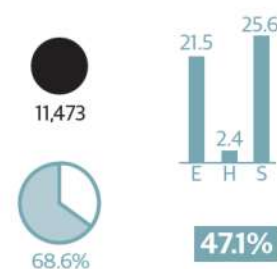
Population: 46.56 million
Average municipality size: 5,714

FRANCE



Population: 66.9 million
Average municipality size: 1,872

GERMANY



Population: 82.67 million
Average municipality size: 7,389

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LEGEND

Number of local government bodies

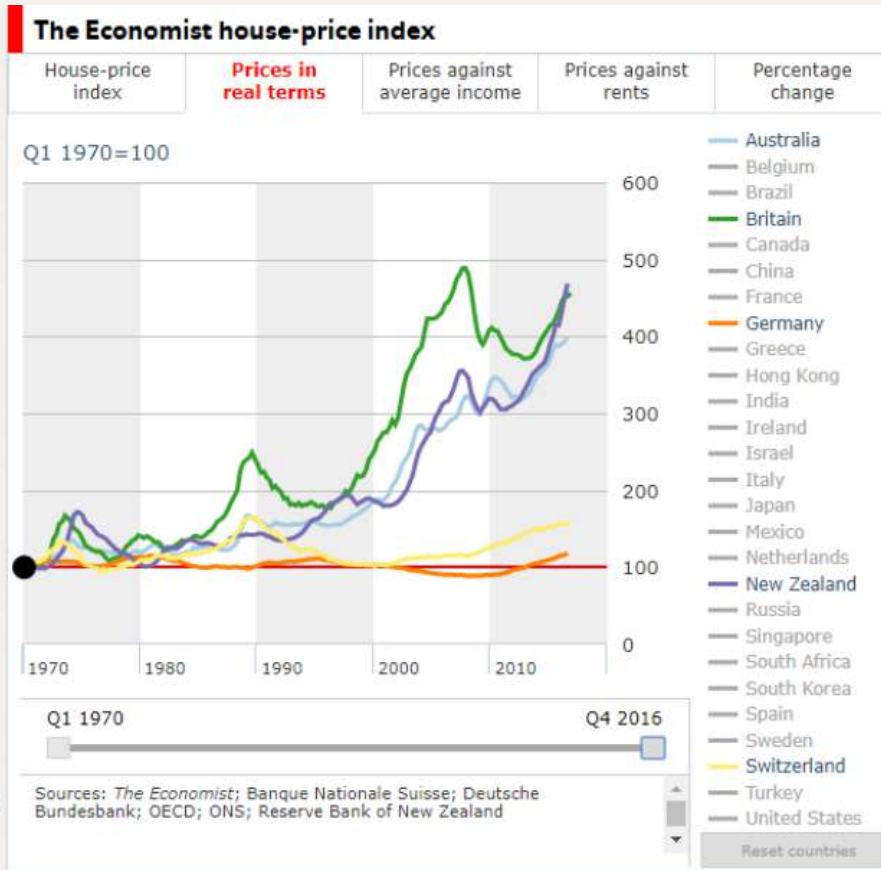
Sub-national government investment as a percentage of general government investment

Sub-national government revenue as % of total government revenue **10%**



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Localism keeps housing markets stable



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Source: The Economist House Price Index,
<https://infographics.economist.com/2017/HPI/index.html>

The role of the “well-beings”

- > For the well-beings to be effective as a “purpose” for local government they must have real-world meaning
- > The four well-beings should be outcomes on which the people should judge local governance – performance will be transparent and consequences real
- > Implies that there may be different weightings and focus from area to area
- > A localist model must have commensurate revenue powers to drive incentives to deliver
- > Councils that do not achieve aspects of the well-beings risk revenue leakage to better performing districts – direct accountability for performance
- > Taxation targets that can move and which respond to positive and negative incentives are inherently better than taxation targets that cannot move
- > Competition grows the pie and improves performance – it will make the well-beings real and meaningful



The current “Direction of Travel”

- > Proposed centralisation of polytechnic and vocational training sector
- > Review of “Tomorrow’s Schools” that appears to reverse community governance
- > Proposed mandatory creation of amalgamated 3 Waters companies stripping communities of decision-rights and eroding property rights
- > National centralised UDA with power to override council planning decisions on which the community has been consulted
- > Unilaterally ending oil and gas exploration in Taranaki
- > Centralisation of transport decision-making
- > Conferral on EPA of regulatory power in addition to regional and unitary councils

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Fran O’Sullivan



Opinion

Power to the people – if they’re in Wellington

This Government doesn’t trust local organisations to do their job

Local government chiefs are debating how to bring “power back to the people” when Jacinda Ardern’s Government is already rolling out the pincer divisions and mounting a major power grab on their patch.

At a Local Government NZ symposium this week, it was obvious many had caught the “localism” bug – a drive for local communities to get more say on what happens – oblivious to what is happening under their very eyes.

This is not the “rolling back of the State” that so incensed Auckland academic Jane Kelsey in the 1980s and 1990s, as successive governments took the State out of business and also devolved considerable decision-making to communities.

That was a euphoric time for those New Zealanders who relished a new freedom to make calls about what should happen in the schools their children went to, or work in a newly corporatised or privatised business without the dead hand of the

bureaucracy cramping their style.

It didn’t always work, of course.

For instance, the Bank of New Zealand went hard during the 1980s sharemarket boom, piling into a multitude of shonky companies on both sides of the Tasman and unfortunately ending with too many second or third ranked securities over its loans.

It was sold into NAB ownership by the Bolger Government after it hit the rocks.

Air New Zealand swallowed Australia’s Ansett and would have itself crashed after the Australian airline closed its doors if the Clark Government had not stepped back in with an \$880m recapitalisation.

These were the consequences of liberalisation in an environment where many managers either lacked the skills to operate in a less deregulated world or were too focused on riding the sharemarket tiger to pay attention to fundamentals.

What’s happening now is in the

opposite direction.

This is the “rolling back in of the State” across many key areas where the Ardern Government believes there has been failure. Take the development of the new i-body – or Infrastructure Commission – which will prioritise major infrastructure projects.

In Auckland, where the local council is running up against its funding limits, it faces a difficult funding its 50 per cent share of the blowout on the City Rail link.

The commission will be independent of Government but it will also include a Treasury unit which is currently working in this area.

What should be staring Auckland local politicians in the face is that this centralisation will result in Government politicians making the final calls on big projects – not them.

More State control is also in the pipeline as the Government prepares to launch the Crown “mega developer” – the Housing and Urban

A more vibrant democracy

“...if democracy is to do with self government, the control of one’s own life and environment, then the most important area of control is the most immediate environment, the locality in which one lives. Home and neighbourhood should take precedence over the wider and more remote units of region, state or nation.”

- Prof. Richard Mulgan, Australian National University

Changing the paradigm

The solution to addressing the challenge of centralism is to:

“bring power close to ordinary people, partly by vesting more of it in local institution that citizens can really influence, but also engaging citizens themselves in everything from healthcare to housing.” Taking Power Back by Simon Parker, 2015.

Project Timeline

- > Reference Group established
 - Craig Stobo (Chair)
- > Position paper well advanced
- > Symposium held on 28 February 2019
- > Launch of formal position at 2019 LGNZ Conference
- > Contribution to Productivity Commission work
- > Target 2020 election issue

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Local government position statement on localism

Local government is calling for a shift in the way public decisions are made in New Zealand by seeking a commitment to localism. Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. Strengthening self-government at the local level means putting people back in charge of politics and reinvigorating our democracy. We are calling for an active programme of devolution and decentralisation.

REVITALISING
DEMOCRACY:
GOING
LOCAL

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Making New Zealand

a better place.

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