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**COMMENTARY**

# Alignment between the EDS and the Auckland Plan rural chapter

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**Written by David Powell**

PROJECT MANAGER RURAL DEVELOPMENT

Email: [david.powell@primaryfocus.net.nz](mailto:david.powell@primaryfocus.net.nz)

Reviewed by: Astrid Lambert

CHIEF EXECUTIVE

## **Comments on the “Alignment between the Economic Development Strategy and Auckland Plan rural chapter”**

In the EDS the following themes and strategies are listed.

There are five strategic directions Auckland City is to follow;

1. A business friendly and well-functioning city.
2. An innovation hub of the Asia-Pacific region.
3. Internationally connected and export driven.
4. Investing in people to grow skills and local workforce.
5. A vibrant, creative world city.

In addition to the strategies outlined above there are four cross cutting themes that need to hold true;

1. Create a sustainable eco economy.
2. Facilitate an iwi/Maori economic powerhouse.
3. Developing and enhancing an innovative rural and maritime economy.
4. Support a diverse ethnic economy.

In the Auckland Plan chapter 7, the overall strategic direction is “ Keep rural Auckland productive, protected and environmentally sound.”

The two targets of the Auckland Plan are;

1. By 2020, 90% of lifestyle subdivision occurs only in the rural lifestyle, mixed rural and bush living areas.
2. Increase the total value added by the rural sector to Auckland’s economy from \$403 million in 2007 to \$600 million by 2040 (2007 dollars)

The two priorities listed in the Rural Auckland plan are;

1. Create a sustainable balance between environmental protection, rural production and activities connected to the rural environment.
2. Support rural settlements, living and communities.

We agree that there is generally good alignment between the EDS and Auckland Plan rural chapter. However the fine detail does require a new document “The Auckland Rural Strategy” to address in more detail the key issues raised by both the EDS and Auckland Plan rural chapter.

### Theme

Trade-offs will be required between enabling a high-value rural economy and the RUB margin where urban and lifestyle blocks meet intensive production systems. The intensive producing areas are in main a function of either soil type or in the case of some animal and horticultural production the investment of capital close to the source of the market and or freight corridors.

Where these intensive production systems already exist then recently built dwellings will need to accept that they choose to settle in an area of intensive production. They can expect at certain times of the year that intensive processes will be carried out and that this is a function of living in a rural environment.

### Target

Prior to setting a target for rural production we must agree with the definition of the rural sector and what ANZSIC codes should be included.

A problem of solely looking at add value when comparing the significance of various sectors is it does not show what other sectors supplying inputs (goods and services) are reliant on this one sector. With competition for land likely to increase it is important that a more balanced view of the value of each sector is obtained.

A definition of the rural sector; "a business that derives income from growing or extracting things from land or water from which income is derived". This would cover aquaculture, agriculture, horticulture, and aggregate. It would not include farm based tourism as statistics on farm stays are not available

We view GDP as a poor choice of target but rather only as an indicator of economic activity. Because much of Auckland's GDP are service related sectors, GDP does not measure the production value. A region could at the same time grow GDP but still go broke in terms of current account contribution to the economy. We prefer the export growth target as this will provide some focus on a measure which does have significant economic implications, and serves to keep Auckland focused on a wealth creation measure.

Again the method of analysis by way of the ANZSIC codes can be misleading. A big value of rural sourced exports now finds its way into the manufacturing classification by virtue of the further processing that is carried out on the rural product. This processing/adding value is likely to be where future export growth is derived from. It should be clear that this product is originally rural based so that the true value of the rural sector can be assessed.

### Rural Urban Boundary

It is important that the Rural Urban Boundary (RUB) is clearly defined and that further loss of highly productive land is minimised. The Council is right to limit the spread of urban boundary limits as productive land is in scarce supply.

It is critical for our exports that land based products which makes up the bulk of our exports are not lost to urban sprawl but rather is protected from being sold off to the highest bidder. Once the RUB is established this may result in lower land values and rates for that land which is outside the urban boundary. The lower land value and rates will help in keeping costs such as rates low.

### Economic Sectors

The economic sectors that make up rural Auckland activities are continually evolving based on supply and demand trends and developments of new crops. An increase in local and world population along with a shortage in water availability will result in a shortage worldwide of productive land.

We strongly support the aim of the EDS to support the role of Auckland's rural economy. We note that a number of the new rural industries are listed and include "new economy industries" which are yet to be developed.

Auckland has very few productive industries with most of its GDP derived from service related industries. Because of that Auckland must protect its existing productive assets and ensure legislation/bylaws are enabling so that those on the land can choose to intensify their use from the land within certain constraints.

### Method of deriving Gross Domestic Product based on a broader definition of the Rural Sector.

In using NZ Statistics Gross domestic product by industry (GDP(P) industry weights) and choosing those industries which are consistent with our definition of the rural sector the following table summarises the relative weights.

Gross domestic products by industry weights

INDUSTRY	CONTRIBUTION TO VALUE ADDED	CONTRIBUTION TO INDUSTRY VALUE	TOTAL INDUSTRY CONTRIBUTION
Agriculture	5.60%		
Horticulture & fruit growing		15.20%	0.85
Livestock & cropping		33.40%	1.87
Diary Cattle farming		34.00%	1.90
Other farming		3.70%	0.21
Services to agriculture		13.70%	0.77
Forestry and logging	0.70%		0.70
Fishing	0.20%		0.20
Mining	1%	36.90%	0.37
Mining and Quarrying			
Food Manufacturing	4.90%		

Meat & Dairy manufacturing		34.00%	1.67
Other food manufacturing		29.60%	1.45
Wood and paper product manufacturing	1.60%		
Wood product manufacturing		58.10%	0.93
Total direct added value of Rural based products % of total NZ GDP			10.91

The above figures apply to the New Zealand position and it is likely that the relative weights used for Auckland would be quite different. It does however highlight some of the complexities involved in determining what GDP each sector is worth. What is not shown in the above table are the inter-industry transaction links.

Rural based businesses are large users of other industries and if the rural businesses no longer existed these other industries would have less added value. Other industries in which rural are consumers of products and services include;

	CONTRIBUTION TO INDUSTRY ADDED VALUE %
Petroleum and Industrial Chemical	1.7
Structural, sheet and fabricated metal product	1.3
Transport equipment manufacturing	0.7
Machinery and equipment manufacturing	1.6
Electricity generation and gas supply	2.7
Water supply	0.2
Construction	4.9
Wholesale trade	7.4
Retail trade	6.3
Road and rail transport	1.9
Water and air transport	0.9

Communication services	3.1
Finance	4.7
Insurance	1.0
Real estate	5.2
Business services	8.6
Central government	3.2
Local government	1.2
Education	4.2
Health and Community	5.5
Total	66%

What share the rural industry has in spending money in the 66% of industry listed above is hard to accurately quantify. However we do know that rural based industries are our major earners of foreign exchange. In the economic climate we currently find ourselves in it is the rural sector that continues to earn and so can continue to spend. Its significance should not be under estimated.

We would encourage and support further work to understand the rural target in the Auckland Plan.

Whilst the rural economy is clearly a cross cutting theme in the Economic Development Strategy, what is not clear is the strategy proposed to accelerate growth in the rural sector – we would therefore encourage and support in particular the development of a Rural Development Strategy and further work around understanding the rural urban boundary and what this means for balancing productive use of land and urbanisation.



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