# **PROSPERITY SOUTH AND WEST**

The economic transformation of south and west Auckland





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Prosperity South and West is a bold vision developed by a coalition of Auckland Council organisations including Auckland Unlimited, The Southern Initiative and The Western Initiative. It is based on modelling and research conducted in 2020 by research organisation Stakeholder Strategies.



South and west Auckland have huge potential for New Zealand. They are rich in talent, industry and natural resources.

MAYOR GOFF, AUCKLAND'S FUTURE, NOW 2020



# Introduction

*Prosperity South and West* seeks to make south and west Auckland into a successful and productive economic hub. Its goal is to create a worldclass region of enterprise, employment and local ownership.

With the impact of the Covid-19 recession, it's important that we consider substantive changes that will help unlock our region's potential and ensure that Auckland's success is shared fairly among all its people.

South and west Auckland have huge potential for New Zealand. They are rich in talent, industry and natural resources. GDP in those areas makes up more than a quarter of Auckland's total and is greater than that of Waikato, Bay of Plenty and Otago. The south and the west are home to almost 38 per cent of Auckland's young people, 46 per cent of New Zealand's Pasifika population and 13 per cent of Māori.

We need to make the most of that potential. We want a city where everyone has access to secure, long-term employment and education; where our businesses are helped to succeed and where our people have the opportunities to make better lives for themselves and their families. South and west Auckland face economic and social challenges that may be aggravated by Covid-19. A wave of unemployment continues to head our way. As much as 14,000 newly unemployed\* in the 18 months from June 2020. That's as many unemployed as the closure of 14 Tiwai Points.

We need to respond to these challenges and take advantage of the opportunities they present to do things differently and better.

*Prosperity South and West* is aiming high for Auckland's Māori and Pasifika communities. It seeks to make the most of the region's strengths and to invest in new enterprises and new ways of operating. As we recover from Covid-19, our goals is to build back better and stronger.

#### **MAYOR PHIL GOFF**



# A vision

# Imagine a global powerhouse of talent and enterprise like no other

It's time to imagine south and west Auckland as a vibrant economic hub like no other. A world-class region of enterprise, employment and local entrepreneurship. A destination for global capital and a source of intellectual capital and creativity.

Also imagine a south and west Auckland based on a modern, circular economy, with our whānau and the whenua embedded in the fabric of what we do. And not just any old jobs but quality jobs that are future-proofed and knowledge economy-based with training and genuine career opportunities. And imagine our local people having a stake in what's created. Not just workers – but owners, employers and wealth creators.

Maybe that's hard to imagine. But let's remind ourselves what we have to offer. South and west is already a powerhouse. The economic output is \$27.5 billion per annum - that's a quarter of Auckland (\$111 billion) and 2.5 times that of Taranaki.

It's an area that's vibrant, creative, with youthful energy and a unique multicultural mix. With a population of more than 500,000 it makes up 11% of the country - bigger than the entire

Waikato and twice that of Otago. We have a globally unique mix of human capital: 38% of Auckland's young people live here; as do 46% of New Zealand's Pasifika population and 13% of all Māori.

We're blessed with natural assets. From the wild West Coast to the waterfalls of the Hunua ranges, the region straddles two beautiful harbours and includes thousands of hectares of fertile soil, vineyards, orchards, croplands and farms. It's the centre of New Zealand's manufacturing sector, a logistics corridor and a hub for film and television production.

None of that should be a surprise. The Manukau Harbour has been a hub for trade and enterprise since Māori first landed here. It's time for us to build on that success. Getting this right *matters*, not just for the region but for all of New Zealand.



SOUTH AND WEST AUCKLAND



**Economic Output PA** 

# 25%/0

Auckland's GDP

# 1%

New Zealand's population



Auckland's young people



New Zealand's Pasifika



New Zealand's Māori

Aranimi

# The challenges

# Deep-seated problems reinforced by decades of inequity, hardship and lost opportunity

Despite the many benefits of our region, south and west Auckland has some deeply entrenched problems.

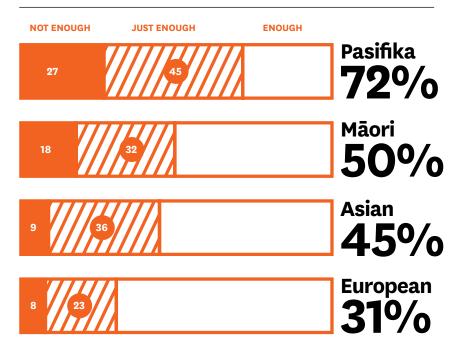
More than half of Māori and 72% of Pasifika families don't have sufficient income to live. In fact, 60% of Pasifika families are classified as the working poor.

Some 57% of the 'very high' and 'high need' youth in Auckland are found in our region. If you include the working-age population, south and west Auckland still have a higher proportion of 'high needs' and 'medium needs'.\*

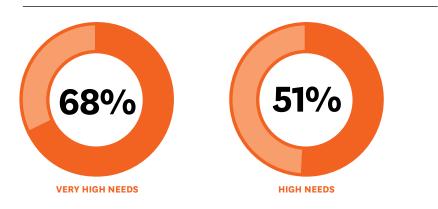
And the recession will make things worse. Economists such as John Ballingall from Sense Partners expect similar dynamics to the global financial crisis (GFC) in 2008 but more extreme. New Zealand is projected to experience a \$9 billion drop in GDP and a five-year journey back to where we would have been without the pandemic.

The number of people unemployed, as well as youth who are neither in education or the labour force, in south and west Auckland could soar to 46,000 by December 2021.

#### **INSUFFICIENT INCOME**



# THE MAJORITY OF AUCKLAND'S HIGH NEEDS YOUTH LIVE IN SOUTH & WEST



#### **VERY HIGH TO MEDIUM NEEDS IN SOUTH & WEST**

### Young Māori and Pasifika



Young Non-Māori and Pasifika

9,500

A research report by Stakeholder Strategies reveals a problematic mix of factors that conspire to make south and west underperform.

• There are fewer high-quality jobs in the south and west of Auckland than the rest of Auckland

• There are lower enrolment, completion and attainment rates in education – which then leads to lower skilled jobs. In fact, Māori and Pasifika youth are over-represented in low-quality qualifications, meaning that even though they are saddled with student debt, their qualifications won't lead to higher paid jobs

• Digital connectedness is low: some 20% of homes in Ōtara, Ōtāhuhu, Papatoetoe and Māngere do not have access to the internet, compared to 8% in the rest of Auckland.

#### **PREDICTED NEWLY UNEMPLOYED IN 18 MONTHS**

### **Effect on Māori and Pasifika**

Recessions hit Māori and Pasifika hardest. After the GFC, New Zealand's median income still rose 40%, but in south Auckland growth was only half that. Across Auckland, Māori incomes stagnated, whilst the median income for Auckland still increased by 10% between 2006 to 2013. The differential between Māori and general median incomes has grown since the GFC.

Of the potentially 14,000 newly unemployed in south and west from June 2020 to December 2021, up to 8,500 will be Māori and Pasifika. The number of newly unemployed will be more than the entire population of Waikanae.

"The evidence is clear," says Tania Pouwhare, one of the authors of the Prosperity South and West report. "Downturns affect Māori and Pasifika hardest for longest, because our workers are clustered in industries that are most vulnerable to economic shocks and in low and semiskilled occupations and are paid less than others in the same jobs." Across south and west

14,000 Māori and Pasifika 8,500



### Effect on south and west

The impact of this recession is that unemployment in south and west could soar by an additional 14,000 by December 2021.

The region already had excessive and entrenched unemployment, totalling 29,000. This includes 15,000 youth who are unemployed or so-called NEETS (not in employment, education or training), far in excess of other parts of New Zealand.

Due to the Covid-19 recession, the number of young unemployed people could grow to 20,000.

This is a sobering number and is having a huge impact on families and on our nation. Nothing short of a radical economic shift is required. Otherwise, south and west Auckland are at risk of being set-back for decades, further exacerbating deep inequality. Without it, we must ask, is it acceptable to red zone such a huge proportion of our country?

### PRE-COVID-19 UNEMPLOYMENT IN SOUTH AND WEST AUCKLAND

# Unemployed 25+

# <25 NEET/Unemployed 15,000</pre>

UNEMPLOYMENT IN SOUTH AND WEST AUCKLAND SINCE COVID-19

Unemployed 25+

26,000

These numbers are sobering. We must ask: is it acceptable to 'red zone' such a huge proportion of our country?

TANIA POUWHARE

66



<25 NEET/Unemployed



# The opportunity

# An approach for economic transformation

When Mayor Phil Goff spoke at the *Auckland's Future*, *Now* conference in August 2020 he said: "This is a crisis like we've never experienced before. We need to look at how we manage the threat but also how we seize the opportunities."

Auckland champions see the Covid recovery as an opportunity for change – an inflection point. We're seeking unprecedented cooperation between central and local government, education, private enterprise, social services and community. It's a joined-up approach across multiple streams of work and communities of interest.

We see six areas of opportunity for cross-sector cooperation. This work has also identified five sectors for transformational change.

#### **PLATFORMS OF WORK**

- Optimising central government delivery
- Creating quality jobs
- Sourcing employers of choice
- Preparing our young people
- Fostering community capital
- Connecting services

#### **SECTORS FOR TRANSFORMATION**

Manufacturing

(including food and beverage, biomedical and health)

- Infrastructure & Construction
- (including housing and engineering, transport and logistics)
- Digital Technologies
- Creative and Screen
- Education

### SOURCING EMPLOYERS OF CHOICE

- Enlist employers
- Employee development
- Progression pathways
- Shared learnings

### CREATING QUALITY JOBS

- Shift growth to knowledge jobs
- Grow and support Māori and Pasifika business
- New innovation clusters in south and west

### OPTIMISING CENTRAL GOVERNMENT DELIVERY

- Migration policy
- Covid investment
- Social services
- Workforce development
- Implement Youth Employment Action Plan

### PREPARING YOUNG PEOPLE

- Meaningful education and learning
- Attendance, engagement and well-being
- Integrate transferable skills
- Accelerated micro-credentials
- Work-readiness and employability
- Earn and learn

### FOSTERING COMMUNITY CAPITAL

- Social procurement
- Service delivery opportunities
- Repurpose vacant premises
- Māori and Pasifika clusters
- Community capital initiatives
- Creative capital
- Care economy

### **CONNECTING SERVICES**

- Ensure quality services available at required scale
- Orchestrate the connection of young people with services
- Grow capacity to manage and govern connections

# Profile

## Women with a vision for south and west Auckland

It's hard to find two more passionate advocates for south and west Auckland than Gael Surgenor and Tania Pouwhare. As community and social innovation leaders of the Southern and Western Initiatives, the pair have been a driving force behind the *Prosperity South and West* project.

"South and west Auckland get forgotten," says Tania. "The rest of the country bundles them into 'Auckland city'. But the big end of town drags up the numbers and masks what's really going on. Meanwhile, inside Auckland they get dismissed as too hard to fix."

"We ignore south and west at our peril," she says. "One-in-six babies across the country are born here. The future taxpayer base is largely here. The future workforce is here. The future of New Zealand is here. This is not just a social challenge, it's an economic one. The economy has been underperforming for Māori and Pasifika. It's not a new challenge, but since the 1970s we have been left further and further behind."

Both women share a background in social change. Gael worked on campaigns such as 'It's not OK' (family violence) and 'Like Minds' (mental health). And Tania has been a policy analyst and campaigner for women's organisations including Women's Refuge. Both say the change required for south and west are as profound, if not greater, than those challenges. "The economic system is not working for the people of south and west," says Gael. "Nor is the welfare system. Nor is the education system. It's time for radical change – and it can't be yet another welfare intervention or an act of charity. It has to be systemic and based on a hand-up not a hand-out."

Gael and Tania's vision is for an investment strategy that combines the best of government, business and community to create local industry that is fit for the future, delivers better jobs and improves local ownership.

Tania says some of the thinking has been taken from the Green New Deal strategies developed in the US and Europe. "The shift is from extractive to circular. There's already a huge resource of talent and industry here. South and west have a GDP bigger than Waikato and we have a youthful, energetic population who want to work. But not just in any jobs. We need to create meaningful, tech-focussed, knowledge-economy and regenerative jobs that attract high wages and security. We need our young people to be receiving relevant training. And most importantly we need to create local wealth by encouraging local entrepreneurship and creating opportunities for local people to own the means of production, to have a real stake in the economy. There's huge potential here – we need to unleash it. When south and west succeed, we all succeed." It's time for radical change – and it can't be yet another welfare intervention or an act of charity. It has to be systemic and based on a hand-up not a hand-out.

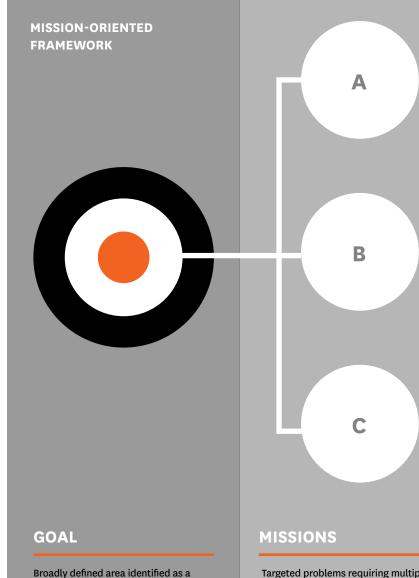
GAEL SURGENOR

# Industry engagement

Auckland cannot enact change on this scale by itself. To effect transformation it needs to engage with all parts of society – government, industry and community.

In working with industry, it is proposed to use a sector-by-sector approach using a mission-oriented framework. This method of engagement and strategic planning has been successfully deployed in many parts of the world and was developed by Professor Mariana Mazzucato\* in response to the 2008 global financial crisis.

The framework is shown in the diagram. Sector groups are challenged to identify social and economic problems and propose new types of collaborations between public and private actors. In the words of Professor Mazzucato: "It was this approach that put a man on the moon, and lay behind the creation of the Internet and entire new sectors like biotechnology, nanotechnology, and the emerging green technology revolution. It is not enough to fix market and system failures: policy-makers need to be more future focused, creating and shaping new markets."



Broadly defined area identified as a priority by leaders or movements in civil society

Targeted problems requiring multiple sectors to invest and collaborate on bottom-up solutions



Connection of all the relevant actors through new forms of partnership that promote co-design and co-creation

### **IMPACT PROJECTS**

Multiple, bottom-up solutions that encourage experimentation and learning

### THE PROBLEM

What is the problem we are seeking to address – and why is that important in relation to the mission?

**IF WE...** start to make these changes for this purpose

**BY...** taking the proposed actions to achieve the change

THIS WILL RESULT IN... measurable outputs consistent with our goal

**AND EVENTUALLY...** achieve the proposed outcomes we seek

### GOAL

What is the mission and goal our work will contribute to - what's the change we wish to see?

# Profile

## Deconstructing with purpose: Saia Latu, TROW Group

Saia Latu is an award-winning Auckland entrepreneur who grew up in south Auckland and left school at 14 to push trolleys and clean toilets with an Auckland Airport-based company. He returned 20 years later, this time on the iwi board that helped govern the airport.

Saia is the founder and CEO of TROW Group, a civil construction business that has grown into the region's largest deconstruction and salvage company. It has also provided employment and training in literacy and construction site health and safety for more than 1000 people who, just like Saia, might have otherwise have gotten lost in the system.

Saia's backstory is as dramatic and inspiring as his career achievements to date. A few years ago Saia and his wife Julie were utterly devastated by double tragedies – the shocking death of Saia's brother in a freak accident, followed by the loss of the couple's unborn son. After much soul- searching, Saia told Julie the choice was either to turn to drink, or to do something significant.

Saia channeled that grief into his business and creating abundance and opportunity for others. With support from The Southern Initiative and Waste Solutions, Saia launched into the emerging market of deconstruction and salvage, and hasn't looked back since. Saia's strong faith and Tongan roots give him a passionate desire to help whānau, both in New Zealand and across the Pacific, so key aspects of the enterprise are job creation and sharing repurposed furniture and building materials with communities in New Zealand and the Pacific. Saia's interest in and commitment to environmental sustainability has grown, "I used to roll my eyes whenever anyone talked to me about recycling, but now I'm the one people roll their eyes at!"

TROW Group operates on a 70/30 ratio – with 70 percent of materials on-sold and 30 percent donated to community projects. For instance, instead of heading in with a digger and a wrecking ball, TROW Group's teams can deconstruct and pack down an unwanted building, sending it to Tonga for reassembly.

Funding TROW Group initially involved Saia and Julie selling all their assets. But despite the risks, Julie was fully supportive, coming onboard as office manager, and bringing more than 20 years of experience in IT, business analysis and project management to the enterprise. Saia also teamed up with former New Zealand Warrior, Kiwi League and Western Samoan star Joe Vagana.

Joe shares Saia's passion for mentoring whanau, and youth in particular. As operations

manager, he leads Pathways, the training and development arm for employees in the individual businesses that make up TROW Group. This support provides a vital avenue into long-term employment.

TROW Group's values are based on a circular business model, incorporating sustainable innovation, partnering for good, and job creation.

"When we win a big contract, I don't employ more people, I get in sole traders and small and medium-sized enterprises and train them," says Saia. "We bring others in. We involve them in the decision-making and give them a taste of being on top." says Saia. Meanwhile TROW Group provides project managers, health and safety officers, and whatever is required in the way of training and support. "It's not about employing more labourers, but creating more entrepreneurs."

#### SAIA LATU



### Amotai – encouraging entrepreneurs

Nationally, only one out of every 100 Māori own their own business, compared to three per 100 non-Māori. Yet entrepreneurship is an important pathway to financial wellbeing.

Amotai (meaning 'sea swell' in te reo Māori) connects buyers and clients (such as the council family, Kāinga Ora, NZTA, Link Alliance etc.) with Māori and Pasifika businesses.

Amotai is great example of what the impact collective action can achieve in lifting the prosperity of Māori and Pasifika.

#### **KEY SUCCESSES:**

413 76% 71% NZ registered businesses (i.e. businesses with at least 50% ownership by Māori and/or Pasifika peoples)

are Māori owned; 18% have Māori and Pasifika owners; and 38% have Pasifika owners

of the businesses are in construction, infrastructure and the allied trades

Whilst most businesses are based in Tāmaki Makaurau, 35% are now from outside of Auckland

6,000

full-time equivalent staff, of which 60% are Māori and/or Pasifika and 30% are younger than 25 years of age – much higher than average

544M

worth of contracts have been awarded to Māori and Pasifika businesses as a direct result of Amotai.

# Impact projects

A key outcome of the mission-oriented approach is identifying 'impact projects' – projects which create disproportionate levels of benefits compared to the scale of investment. While there are many impact projects to be identified and developed, currently the council has identified three examples, which are outlined in the pages that follow:



SOUTHERN RESOURCE RECOVERY PARK DEVOLI DMNLOOP (SCREEN PRODUCTION) AUCKLAND INFRASTRUCTURE FUND





# Southern Resource Recovery Park (SRRP)

Each year, Auckland sends enough waste to landfill to cover Eden Park to the height of one and half Sky Towers. Household rubbish only accounts for 14% of our waste to landfill with the rest coming from commercial activity; half of all Auckland's waste to landfill comes from construction and demolition.

This is expensive to manage, it creates significant carbon emissions and is, ultimately, not very smart, now or for future generations. With the landfill levy set to rise from \$10 to \$60 per tonne of waste, disposing of it in the first place is set to rise dramatically. For the construction industry, that cost will rise from \$8 million to an eventual \$48 million per annum if we don't find a better way of dealing with waste.

Waste Solutions, connected by The Southern Initiative, prototyped deconstruction and salvage works with Māori and Pasifika businesses. These businesses created employment and enterprise opportunities, developed innovative IP and salvaged more than 1,000 tonnes of perfectly good fixtures, fittings and timber, including a lot of native timber, that would have gone to landfill. All of the materials went to good causes, including rebuilding infrastructure, such as schools in Tonga. More than 50 sustainable jobs were created from these trials alone.

Eight community recycling centres are now operating, diverting around 70% of the waste they receive and creating more than 75 jobs. So far so good. But imagine if we could scale this whole operation up. Auckland produces more than 1.6 million tonnes of waste per year; 800,000 tonnes from construction alone. The landfill levy is set to rise to \$48 million from January 2021, so we believe the demand for an alternative is growing.

The Southern Initiative and Waste Solutions are exploring the creation of a Southern Resource Recovery Park (SRRP). This will be based on a 10-15 hectare site based in south Auckland and be collectively operated by community, Māori and Pasifika businesses, social enterprises, the public sector and large commercial entities. The Recovery Park (sometimes dubbed the EcoPark) will be a central hub for repurposing, upcycling, sale of materials, education, business incubation and green job training at scale.

It will create up to 68 jobs in the immediate facility and more jobs through the peripheral businesses, such as deconstruction and salvage services. For comparison, the US Environmental Protection Agency found that for every 10,000 tonnes of waste produced:

LANDFILLING CREATES

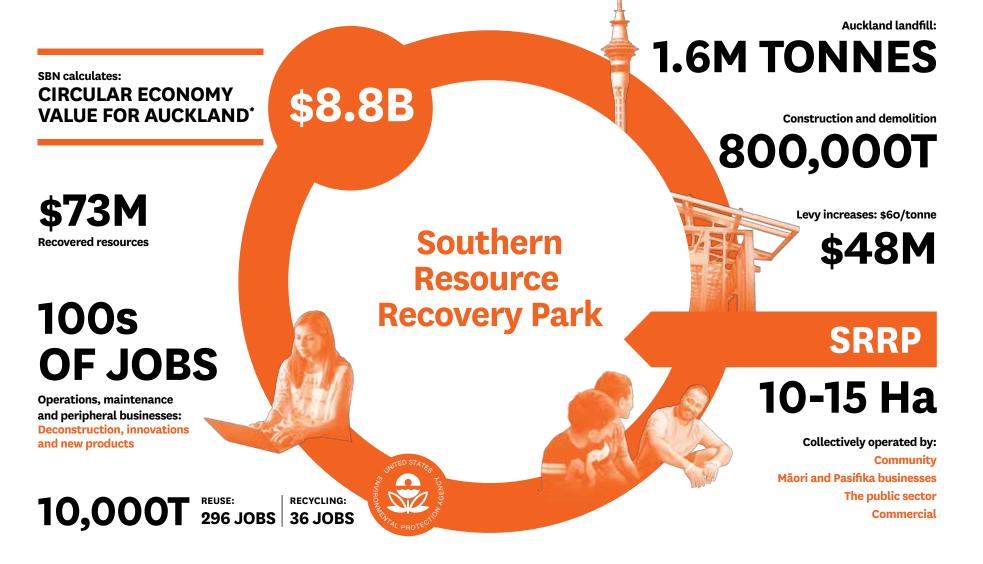
RECYCLING CREATES

REUSE CREATES

The Sustainable Business Network May 2018 report estimated that using circular economy practices could return \$8.8 billion to the Auckland economy that is currently wasted.

The Recovery Park is a great example of an impact project – where a relatively small immediate direct investment could amplify the benefits to a much wider set of parties.







Auckland internet service provider Devoli has partnered with Auckland Unlimited to deliver a highly secure, carrier grade private data network called DMNLoop to service media production houses throughout New Zealand.

**IMPACT PROJECT** 

The DMNLoop connects Auckland film studios with a secure 100-gigabit ring. Once connected, users enjoy high bandwidth links to their chosen cloud providers and each other, streamlining the video production process and enabling distributed workforces. It makes Auckland a stronger competitor in the international film and production industry.

This is good news for south and west Auckland, where many of the production houses are based. Screen production, digital media and the wider ICT industry have been identified as key sectors for south and west Auckland's future prosperity and employment.

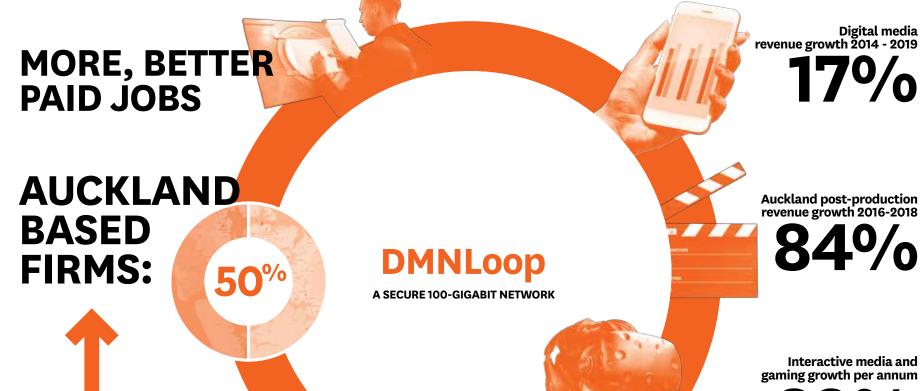
Some key statistics underscore their importance. Internationally, ICT, digital media and production are growing – and New Zealand's share along with it. For example,

• digital media revenues have grown at 17% p.a. from 2014-19.

- Auckland post-production businesses almost doubled their combined revenues from 2016 to 2018 (84% increase).
- Interactive media and gaming is now one of New Zealand's largest creative sectors, with 39% annual growth over the last 6 years.
- And export revenues of the ICT sector have grown by 47% to \$2.1 billion (2019). Half of that is derived from Auckland-based businesses.

Crucially, the sectors offer better paid jobs. For example, the median post-production worker is paid 53% higher than the median in the finance industry, which is otherwise the highest paid industry in New Zealand.

Investment in screen production and digital technology will have a disproportionate return for the south and west region. The DMNLoop is just one example of an impact project that can have a transformational effect. What others have yet to be discovered? **SCREEN & PRODUCTION DMN LOOP** 



2019 Export revenue from ICT sector



gaming growth per annum

39%

**ONE OF NZ'S LARGEST CREATIVE SECTORS** 



# Auckland Infrastructure Fund

In August the government allocated \$685 million for Auckland infrastructure out of the \$3 billion Covid-19 Response and Recovery Fund. The sum pays for the completion of muchneeded projects, such as University of Auckland's Faculty of Education and Social Work (\$200m, 750 jobs), the Auckland City Mission HomeGround building (\$22m) and \$182m in various shovel-ready transport projects (200 jobs).

But the sums are a drop in the bucket compared to the infrastructure deficit of our city. Auckland is expected to reach 2.5 million people by 2040 with another 400,000 homes required and billions of dollars required for transport, sewerage, commercial buildings, waterfront and telecommunications. A forecast to 2029 by consultants Martin Jenkins showed construction jobs alone are expected to grow by approximately 56,000, far exceeding the 24,000 jobs created in the last decade. Residential building construction, is forecast to increase from around 18,000 to 32,000 jobs. Construction is already the second largest sector in Auckland as measured by employment (10% of the Auckland total) and the third largest in terms of number of businesses (12%).

This should be good news for south and west Auckland, where much of the labour is sourced for construction. What's more, a study of 413 Māori and Pasifika-owned businesses based in south and west Auckland shows 71% are in construction, infrastructure and the allied trades. Investment in infrastructure projects has a direct impact on south and west.

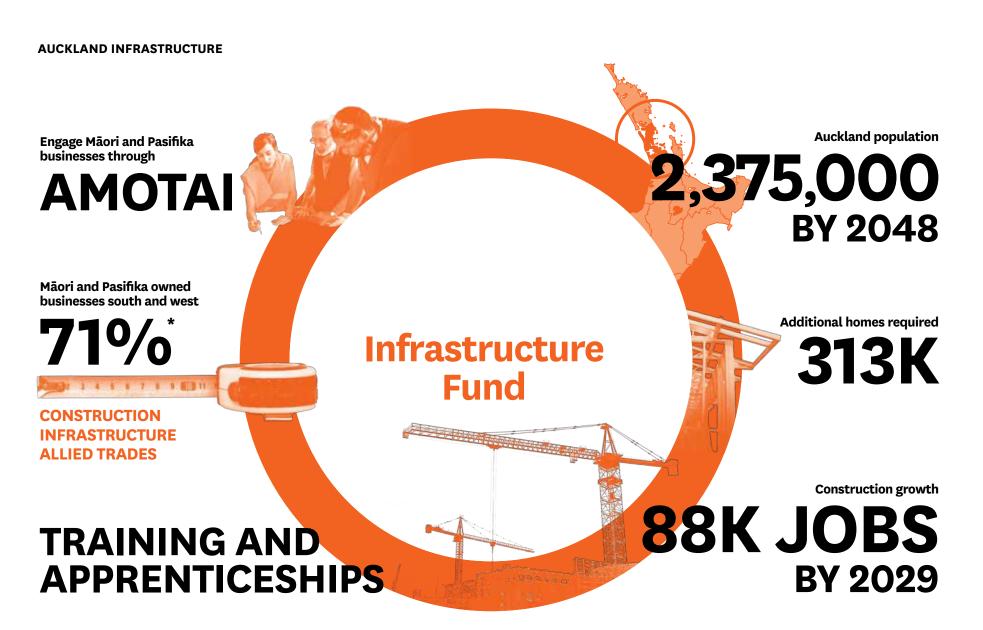
Conversely, the current recession in construction due to Covid-19 is a major contributor to the spike in unemployment.

Infrastructure investment has the potential to be an impact project. But spending alone will not have a transformative effect. To ensure the infrastructure spend has a larger impact it needs to be intentionally combined with other initiatives, such as:

- Māori and Pasifika Trades Training (and consortia) agreements with construction leaders
- Targeted training fund (free trades training)
- Investment in apprenticeships
- Procurement spending with west and south Auckland business, especially Māori and Pasifika businesses through Amotai.

Currently the median wage in construction is in the \$40,000-\$60,000 range. Combined with skills training, qualifications and local entrepreneurship, investment in infrastructure spend has the ability to lift wages and aspirations.

Done right, infrastructure spend has the ability to transform south and west Auckland.



### *Prosperity South and West* is an aspirational call to action to work together for transformational change in south and west Auckland. It is based on an exhaustive study into the economic impact of the Covid-19 recession and proposes a bold vision:

To transform south and west Auckland into an industrial, high-tech manufacturing and creative powerhouse like no other, where high-quality jobs are available to local people and wealth and opportunity are retained in local communities.