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 New Zealand

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Mayor Campbell Barry and CEO Jo Miller
 Hutt City Council

Via email:
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Dear Mayor Barry and Jo Miller

The Hutt Valley Chamber of Commerce and Industry Incorporated (HVCCI) welcomes this opportunity to provide feedback on the 2020-2021 Draft Annual Plan.

The HVCCI has been an important part of the business community in the Hutt Valley region for 75 years and advocates for policies that reflect the interests of businesses throughout the wider Wellington region.

Our organisation works with other Chambers across the region. We are accredited through the New Zealand Chamber of Commerce network, with associated links to a worldwide Chamber of Commerce, 20,000 strong.

Through our advocacy work, our aim is to create a positive, dynamic environment in which business can flourish. We provide expert business advice, guidance and training and we operate active, business-generating, network-building programmes. Every year we deliver a steady stream of events throughout the Hutt Valley and wider Wellington region.



We are the predominant voice for the small to medium enterprise (SME) sector across the Wellington region and in particular the Hutt Valley, which accounts for 75% of our membership. Our total demographic spread includes Wellington City, Lower Hutt, Wairarapa/Kapiti/Porirua, Upper Hutt and others, nationally. More than 90% of our members operate small and medium sized businesses, each employing less than 20 people.

As the dedicated voice for the Hutt Valley business community we value the opportunity to represent the views of the business community in these unprecedented and challenging times. On that note, we would also like to take this opportunity to acknowledge the support the Hutt City Council has provided the business community to date as together, we navigate through the impacts of Covid-19.

The Local Economic Challenge of Covid-19

As we are all aware, the Covid-19 health pandemic and the economic crisis that we now find ourselves in has completely changed our community and the face of business.

While the national and global economy faces certain deep recession, the local business community is facing a challenge that will completely change who we are and how we operate. It will also change the level and types of services that our business community provides to the wider Hutt City community.

The products and services that our whole community has relied on for many years can no longer be taken for granted. Residents and businesses are about to face the loss and reduction of many local services. Covid-19 impacts will be widespread, while our local favourite shops, restaurants and privately-owned facilities are all scrambling to try to find new ways to operate in a completely upended world.

We know that 63% of all people who work in Lower Hutt also live here, with our local business community employing a wide range of people across all social demographics. While in the coming months, the business headlines will be about the large employers nationwide making large numbers of employees redundant, we will hear little of what is occurring closer to home. What is likely to go under the radar and is more difficult to measure, will be the large number of individual smaller to medium sized business who each make small numbers of employees redundant. This is where a large impact is likely to be felt across the Lower Hutt business community. It will be difficult to measure and difficult to realise as they quietly let one or two people go, or simply chose not to replace those leaving.

In our recent Covid-19 survey, which we undertook as we emerged from Alert Level 3, it was clear the economic shock was only just beginning. The following key findings from this survey will give you a picture of what the business community is now facing:

- 82% of businesses reported a medium to high level of concern over Covid-19, with 7% not concerned
- 82% reported a reduction in revenue
- 68% reported they were able to retain 100% of their staff because of the Government's wage subsidy, which was considered the most helpful initiative to local businesses
- Cash flow is the biggest difficulty businesses are facing currently, with many suggestions offered up on what further aid the Government could offer to help these businesses survive.
- 78% of businesses can operate in Alert Level 2; this means that 22% of all businesses are not currently open
- 3.13% of businesses do not intend to operate in the foreseeable future, however we suspect this is only the tip of the iceberg. We expect this number to increase as the 22% of those not operating in Level 2 reassess their financial situation. It is quite possible many will not actually be viable. It is also worth noting the restrictions in Level 2 are likely to make many of those operating businesses unprofitable and unsustainable
- Over 50% reported having current difficulties with cashflow; 25% with tax obligations, 28% with paying themselves and 25% paying rent; 37% reported having no difficulties at all
- 44% said the Government wages subsidy had the most impact on being able to continue to operate. It is clear the wages subsidy has provided businesses with much needed time to consider and plan for their new future. This subsidy will come to an end in June at which time we expect increased unemployment
- 82% have seen a reduction in revenue due to Covid-19 (mostly of between 70-100%); 4% have seen an increase
- Many see large productivity reductions coming
- 41% reported their business would be substantially different when the economy recovers; 25% reported no difference; 34% reported they did not know
- In three months:
 - 64% expected no change in staffing; 28.2% expected a decrease in staffing
 - 89% expected no change to the size of their premises
 - 22.0% expected an increase in working hours; 36% a decrease and 41% expect no change
 - 73% anticipate a decrease in income; 73% anticipate a decrease in profitability
 - 48% expect an increase in online activity
 - 28% anticipate an increase in marketing spend; 23% a decrease and 49% no change

- In the next six months:
 - 26% anticipate a decrease in staffing; 60% expect no change
 - 88% expect no change in the size of their premises
 - 53% expect no change in working hours in the next six months; 24% expect a decrease in working hours; 24% expect an increase
 - 55% anticipate a decrease in income in the next six months; 58% anticipate a decrease in profitability
 - 46% anticipate an increase in online activity in the next six months
 - It is important to note that 30% of all business owners/managers are facing difficulties with paying themselves

This research shows we can expect to see the economic fall-out from Covid-19 to be felt for many years to come and businesses to continue to fail and close well beyond the timeframe of the draft annual plan.

The Impact of Covid 19 on the Draft Annual Plan

Given the impact of Covid-19 it is unfortunate we have had to cancel all meetings and events with the business community to discuss, explore and gather feedback on Hutt City's Draft Annual Plan for the next 12 months. At the same time, Covid-19 has also completely dominated everyone's mindset and energy. Businesses unfortunately have many more immediately urgent issues to address rather than consider the impact of this plan on their operation. Every single business is facing redeveloping their entire business model and trying to pivot in such a way as to ensure their survival. Certainly, engagement with them on the draft annual plan has been extremely limited.

We would like to acknowledge and applaud the Hutt City Council's work to review the original draft plan and reduce the rates increase in light of Covid-19. We support the reduction in rates increase from the original 7.9% to a 3.8% increase. This is of significant value to the business community as we all face this crisis together. Clearly a major rates increase at this time would only add to the pressure businesses are under.

While there is so much uncertainty and very low business confidence, HVCCI supports the Hutt City Council's move to reconsider the original plan in light of the Covid-19 emergency. While the future poses challenges to the business community far beyond anything in living memory, much of the fallout and impacts are yet to be understood, realised and responded to. We appreciate the change of focus in this plan to factor in the impact of Covid-19 as much as is possible at this time. This will give us all time to learn about and adjust to our new world.

Continued Investment in Core Infrastructure

We support the Hutt City Council's ongoing commitment to investing in core infrastructure. We applaud your intention to balance infrastructure investments along with identifying significant additional cost savings. It is clear that wherever one looks in the community, there is not one sector or group of ratepayers unaffected by Covid-19, all facing increased financial pressure.

We support your continued investment in our water infrastructure and earthquake resilience. Regardless of the economic impact of Covid-19, both areas require continued focus and investment. Without these basic elements of infrastructure, businesses cannot operate. The same is true for the Riverlink project in terms of flood protection and CBD transformation. While Covid-19 has caused unprecedented carnage to our business community, a flood of the Hutt River that deluges the Hutt CBD will cause equal damage to our local business community and would equally require many years of recovery. The threat that such a flood poses is not dwarfed by Covid-19. It is important we continue to invest in our local infrastructure to mitigate other risks that also pose significant threats to our local economy.

We have kept in close touch with the business community throughout the Valley. As the voice of business for the Hutt Valley, the Chamber is a strong advocate for infrastructure works across the valley, supporting and facilitating economic development for our businesses and community as a whole.

We believe the projects below will be beneficial to the community on a number of fronts:

- Inspiring business confidence and growth
- Providing encouragement to businesses to invest in their own assets and infrastructure
- Providing modern and efficient infrastructure within which businesses can operate
- Encouraging *local* employment and development of *local* skills and talent.

These projects include several that the business community has been strongly supporting for a number of years. They are crucial to address the rapid growth the community has seen in recent years. Covid-19 has seriously affected the local economy; we all expect an unprecedented economic decline in the short term. We also expect, however, the economy to recover over the medium to longer term.

While the immediate term looks most challenging, it is also important in council planning to prepare for recovery and growth. The Hutt Valley and specifically Hutt City will find many new opportunities in the recovery. Our strong technology and manufacturing base could have a significant role to play in the economic recovery of not just our local community, but also the wider Wellington region and nationally. The Hutt Valley needs to be well positioned to take advantage of these opportunities, attracting new businesses and encouraging existing businesses to invest. Local infrastructure investment by central and local government has a key role to play to encourage this.

It is important to note the Seaview/Gracefield areas will be key to this economic recovery. We are led to understand property values in this area have increased markedly in recent years and subsequently, property owners will be facing substantial rates increases. One commercial landlord in the Seaview Gracefield area has recently emailed his perspective to the Chamber saying, *“For a few years now I feel the HCC rates have been way out of whack with the services being provided and the council has deviated markedly from what is supposed to be their core business. I am sure you have heard this before. The difference now is we have just had a rates revaluation which in the Gracefield/Seaview area has resulted in a substantial increase in the GV's. If you apply the near 6% increase (I think) in rates for the coming year to the new valuations you are looking at a major increase in the rates bill for a property. Given the size of the increase it will be passed on to tenants who have a gross lease or tenants will get the increase anyway if their lease is net.”*

Covid-19 has already placed many landlords and tenants into a very difficult situation with increasing pressure for rent rebates and possible rent grants from central government.

The potential attractiveness of the Seaview/Gracefield area will be increased as a natural result of the investment that central government is committed to, with the Callaghan Innovation Campus. The city should leverage this major infrastructure spend by central government to make the area as attractive as possible for existing and new business to invest in their premises in this area. This area could potentially be a valuable asset for the city and region with regard to employing many of the skilled and unskilled labour force that is forecasted to become unemployed due to Covid-19.

We support the ongoing commitment to Riverlink and the CBD Transformation Plan. These are crucial projects set to transform our very tired and unattractive Hutt City CBD. More crucially is the flood protection that is urgently required for this CBD as part of the Riverlink project. (Please refer to our submission on the CBD Transformation Plan dated 4 March 2019.)

Commercial Rates Differentials

With regard to the rating split, we have advocated for many years to reduce the commercial rating differential. We continue to believe this is the right approach for the long term. The local commercial property sector has faced many years of difficulty attributable to the recent earthquakes and sharply increased seismic compliance costs. While commercial property values have increased at a much slower rate than residential, the compliance costs for businesses relating to earthquakes, health and safety and other requirements, has increased substantially. Many commercial property owners and tenants face large investments in their premises to bring them up to modern standards and requirements. Given the new situation the business community now finds itself in with Covid-19, it is important the Hutt City Council is seen to support the business community. The business community is responsible for the employment of many local residents, with 63% of those that work in Lower Hutt also living in Lower Hutt. The Chamber advocates for Option 2 which freezes the differential for one year and gives us all time to adjust to the challenges that lay ahead. This also provides commercial tenants with some rent relief but provides a mechanism for sharing some of the burden.

Rent remains one of the key pain points for local businesses in the face of Covid-19. Our recent survey as well as anecdotal evidence suggests several businesses are reconsidering their need for commercial premises. Given the likely closure of local businesses across the board, our commercial property sector is likely to come under increasing pressure.

Covid-19 changes the playing field for the way businesses operate in their premises. There have been many lessons learned aligning with new working models. During Covid-19, many businesses were forced to establish remote working and many have found this to be both productive and attractive. Many of the workforce are keen to retain the flexibility and simplicity of working from home in some way. Going forward we expect to see working from home options becoming more attractive and more widely used across the business sector, both for privately owned business and government departments. This will result in a further dampening of demand for inner city commercial premises. It is worth noting this potential decrease in demand for Wellington city office space by government departments could reduce the cost of inner city commercial tenancies, further reducing the cost of other tenancies in Hutt City.

While many businesses intend to keep their lease in the short term, this is likely to change when their leases come up for renewal. At this time they will be taking a fresh look at exactly what their requirements will be going forward and with increased remote working and flexible working models a lower cost option, smaller floor plates may be more attractive. We can expect an ongoing shakeout of city-based tenancies of commercial premises. Falling demand will further reduce the value of these properties and the rent that businesses can afford. We can expect to see many businesses in the retail, tourism and hospitality sectors becoming no longer viable.

As requirements change for CBD based office space, and as people adjust to a more flexible working model, this will have flow on effects to other businesses located in the CBD. With less people in our CBD, demand for retail, cafes, and other support services will reduce. This will exacerbate the decreasing demand and excess supply of commercial space in our CBDs.

Covid-19 obviously adds another whole dimension to the cost of operating a local business. We support any efforts the Hutt City Council can continue to make to realign the commercial rating differential to be more in line with the residential rating. It is also clear that the plan set to realign the differential in 2012 is no longer relevant. The Chamber would like to establish a programme of engagement to ensure the long term solution for a rating differential be established so we can ensure a new strategy is developed thorough engagement with and contribution from the business community.

With cashflow being a prime concern as our business community turns it efforts to recovery, we would like to work alongside The Hutt City Council. Together we can identify new opportunities to help businesses improve their cashflow, such as payment plans, deferred payments and any other mechanism that reduces monthly outgoings.

Conclusion

We welcome further engagement with Hutt City Council on the planning process. What is clear from our business community, as we refocus on recovery from Covid-19, is that they are committed to working through the challenges that lie ahead and finding new ways to respond and adapt. We look forward to further engaging the business community in the finalisation of the plans and their implementation. The Hutt Valley Chamber of Commerce & Industry wishes to be heard in support of our submission.

Your sincerely

A handwritten signature in blue ink, appearing to read 'Helen Down', written over a light blue rectangular background.

Helen Down

CEO

Hutt Valley Chamber of Commerce and Industry