

## **Understanding Auckland's unique assets and the region's value for creating a better future for Auckland**

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New Zealand is not exactly known for its long-term thinking – our culture is dominated by reactive approaches and short-termism. That is why Koi Tū: The Centre for Informed Futures was established as a non-partisan transdisciplinary think-tank. Our role is to ask hard questions about our future and provoke discussion. Auckland Unlimited has asked us to think about Auckland's future in strategic rather than tactical terms.

Tāmaki Makaurau has many translations, but it has always meant the place where people want to live. As New Zealand has opened up over the last 50 years, we have seen extraordinary internal and external migration to Auckland. This is not going to stop or be stopped over the longer-term – Auckland's population will continue to accumulate, albeit influenced by factors such as migration policy, housing and transport, the future of work, education and changing lifespan and fertility. Auckland will soon be home to more than 2 million people, and with a demographic mix totally different to the rest of New Zealand.

Indeed, in many ways Auckland's character and potential is beyond the comprehension of those who do not call Auckland home. This is perhaps the first of several elephants in the room. Auckland is the financial and mercantile centre; it is our primary connector to the rest of the world, home to 40% of the country's population and a diversity that can drive New Zealand's future. It has the largest population of Māori and Pasifika and of recent migrants.

If we look out 20 years to the inevitable relative decline of a ruminant based economy and big shifts in technology and society, this diversity will be critical to our economic future. There is too often a misperception of Auckland's value and impact on the rest of New Zealand's economy, and this needs to shift if Auckland is to thrive for New Zealand's benefit. There is an inequity between taxation taken and return to the region.

Auckland is too often perceived from other parts of New Zealand as a pile of problems, rather than a national asset to be nurtured.

The supercity was largely about administrative reorganisation and was not well sold to Aucklanders, particularly those living outside the old Auckland City boundaries. The city sometimes feels held together more by complaint than ambition and civic pride.

We must get beyond seeing Auckland as a city with a central hub of little relevance to most Aucklanders, and a spread of dormitory suburbs with little cohesion or ambition – an outdated model of a city. The city's history of progressively encapsulating previously distinct communities could provide the basis for developing precincts with clear identities across the region and have many secondary benefits, for example on transport and equity. West Auckland could be our Hollywood – why do we not place tertiary education in communication and entertainment there? South Auckland is full of distinct creative and social innovation – how can that be leveraged, and so forth.

If we could embrace Auckland's diversity and confront the gross inequities in education, health and services across Auckland, we can get the synergies that the Mayor speaks of when he talks about being the place where Kiwis want to live. After all, they already do – they have demonstrated that by moving here – now we need to give them the quality of life we want all to have. Can we create a stronger climate of civic pride?

The third critical issue is discussed in our recent report on New Zealand's economic future. Economists globally highlight the role of cities as the primary units of productivity and as hubs of innovation, but this has not been central to New Zealand's thinking. This has many implications which hold us back now and will be of even greater disadvantage as we move into the digital and technological age.

Cities exist because they are productive. London produces 23% of the UK gross domestic product, yet contains only 13% of its people. The benefits to agglomeration include deeper and wider labour markets for employees and firms, greater specialisation in the supply of inputs to production, and knowledge spillovers through local networks. Firms in the same industry cluster because of these benefits. In doing so, they further enhance the city, increasing the incentives for firms from other industries to locate in the city and in its precincts. This creates a self-reinforcing positive feedback loop that – as Auckland becomes more than a service hub – reinforces the value chain that also benefits the regions.

By some measures, Auckland is more productive than other parts of New Zealand, but still has low efficiency compared to other global cities, and this has led some to underestimate the importance of agglomeration. Regional development is clearly desirable, but to compete in a technologically progressive world and to attain advantage for New Zealand, an innovation strategy that deliberately fosters knowledge-intensive hubs needs urgent attention. Despite how COVID-19 changed work habits, the nature of innovation means that it significantly benefits from physical proximity and agglomeration.

We have to be pragmatic – Auckland's geography impedes some transport solutions and transport issues are a major economic drag. There are other real issues such as housing and social equity. But we must not drown out our long-term goals in a focus only on the immediate; we must reach out to be more collective and inclusive in defining Auckland's future.

In a world where services and weightless products will dominate and material supply lines will shorten, including for food, and our traditional exports will be threatened over coming decades as

new technologies are applied, and consumers respond to climate change, Auckland and New Zealand will have to confront two realities. We cannot shift our location and we are too small to do everything ourselves. Mariana Mazzucato and others have pointed out the mythology of a total hands-off approach to industrial policy. There are the early signs of what could be achieved if we really focused our approach.

Auckland itself has failed to make the most of its assets.

In Auckland there are 70,000 students in Universities and perhaps 7,000 academics. I know no city in which the dislocation between city, business and universities is as obvious as it is in Auckland. Silicon Valley exists because of Stanford; look at Waterloo, Canada and Communitech; Tel Aviv builds off the Weizmann institute, and Geneva has rapidly created a public-private innovation corridor. But we have outdated tertiary sector policies with misaligned incentives that undermine their potential role, the lowest public investment in R&D of any small advanced economy, and other barriers to leveraging our inventiveness. In this context it seems paradoxical that the one sector being allowed to wither in the face of Covid is the tertiary sector.

At the same time our boards have a notable lack of skill diversity compared to most advanced economies. Accountants and lawyers have their role but if boards are to be strategic, they need people skilled and trained at looking ahead and laterally. In many countries, boards often have academic members not necessarily in the domain of corporate focus.

We need talent and distinct skills that we do not have time to train up. The window of opportunity for New Zealand to attract talent is evaporating as the developed world becomes vaccinated. Many Asian countries are now on the aggressive hunt for that talent. Our Covid-free status was an advantage, but that is disappearing. Startup and scale up are very different, and scale up requires globally orientated expertises we are short in.

A further issue that is often ignored is our corporate mix. We need to be much more strategic in thinking through how we create large R&D intensive company activity in Auckland, as this is key to vibrant ecosystems.

We have very few large companies and most that we do have are really branch offices of Australian companies. Can we change that? Can we leverage off them and create the innovation system we need? Could such companies find niches that serve beyond New Zealand? Other small countries and innovative cities have done well in creating magnet conditions for R&D and related activities to be located in them. We are competing with Melbourne, Sydney and Singapore for such activities. Our egalitarian system has focused on the small companies, and we need a broader ambition.

Auckland has an extraordinary asset in its diverse population – one of the most diverse in the world. And that diversity is yet to be understood and fully leveraged. How do we better support Māori and Pacific peoples into the high-tech jobs of the future? And with more than 30% of our population from Asia, how can we use that better?

But underneath all this will be 2 million people – many of whom face relative disadvantage for multiple reasons. Education and health services are central to their progress, yet the reality is that these are highly unevenly distributed. We saw in lockdown how local empowerment made all the difference to much decision making.

So where are the strategic decisions to be made? Compared to other countries, Auckland's local bodies have rather limited authority. Most of the big decisions that impact on Aucklanders lives are actually made elsewhere. Local body politics tend to be dominated by short-term local issues. The largely absent nature of political parties in local politics limits strategic policy development by elected officials and inhibits citizen engagement. We need to think through how the new tools of participatory democracy might lead to more collective ownership and offer opportunities we have not yet grabbed.

But look ahead 20 years. By 2040, there will likely have been constitutional reform at a national level; how will that affect Auckland's governance? Do we continue with low ambition or do we find ways to make Auckland a global city of significance? This would mean addressing issues left in the too-hard basket. How do we make the city more sustainable, protect its rural land, value its environs? Do we establish a regional sustainability commission to bring the Sustainable Development Goals to life domestically? How do we take our 2 million people and ensure their wellbeing and qualities of life?

What will it really mean to be a smart city? It's not just about sensors for traffic and air pollution. What will the transport modalities of 2045 be? I doubt the 1980s infrastructure we are building will be dominant then – should we be more ambitious now? Urban farming, smart grids, autonomous vehicles, digital services that reach everyone, remote education, and health – all of these are part of the mix of a mid-21<sup>st</sup> century city. It means having capacity for adaptive institutional thinking in the face of rapid change. The technology used by Team New Zealand was but a microcosm of what we can do. Interestingly, most of that technology came either from the University of Auckland or from experts brought in from offshore. Can we learn from that success as an illustration of what could be done at scale?

The cliché that if you don't know where you are going, any road will do seems particularly apposite. Let's get beyond platitudes and have a true dialogue on what Auckland could be – it would require Wellington, Auckland and importantly Aucklanders to co-design a realistic future that truly reflects our diversity of peoples, cultures and indeed world views. If we could, then we could genuinely become a Pacific and globally relevant city.

Thank you.